LANXESS – Q4 / FY 2021 results

Finishing a challenging year

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Agenda

1 Review FY 2021 and outlook

2 Financial and business details Q4 2021

3 Back-up

LANXESS has marginal direct exposure to Russia and Ukraine

Existing business shifted to prepayment, decision against new business

Ukraine:
- Negligible revenues
- No locations nor employees

Russia:
- <1% of Group sales
- 45 employees
- Supply situation being monitored

Measures LANXESS has taken:
- **No investments anymore in Russia**
- **New business stopped**
- **Existing business reduced to the legal / bare minimum**

Full transparency on risks & managing what is manageable: Limited overall specific risks

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Risks	Exposure	Mitigation / Measures
Employees	▪ No employees in Ukraine, no sites ▪ **45 employees in Russia**, site in Lipetzk, office in Moscow	▪ Daily exchange for updates ▪ Corporate crisis team setup
Direct sales	▪ Negligible revenues in Ukraine ▪ **<1% of group sales** in Russia (~€60m)	▪ Existing business reduced to legal minimum ▪ No new business, no investments into Russia
Accounting	▪ In case of business termination: **~€20m** impairment ▪ Thereof **mid single digit €m receivables** outstanding	▪ Pre-payment for all customers in Russia ▪ No new business
Procurement	▪ **No material sourcing on group level from Russia** ▪ Pot. exposure for selected small raw materials can be managed	▪ Historic focus on multiple sourcing strategy ▪ Crisis proven procurement team
Energy	▪ Availability: Industry typical gas / coal exposure in Europe ▪ Price escalation for energy	▪ Global production setup ▪ Majority of relevant sales contracts with energy price pass –on clause in 2022

Specific risks manageable – overall economic risks and uncertainty remains

FY2021: Financials held back by unprecedented number of operational challenges

Highlights

- Raw material price inflation fully passed on
- Energy hike in Q4 fully passed-on. Substantial increase in contracts with energy pass-through clauses
- Sales volume growth of 10% from economic rebound in most end customer industries despite supply chain constraints
- EBITDA pre improved by 17% to €1,010 m, all segments contribute to growth

Challenges

- Top line inflation weighs arithmetically on EBITDA pre margin
- Time-lag: Increase of FY energy and logistic costs not yet fully passed-through
- Negative one-time effects of ~€40 m (various unplanned shutdowns, Force Majeure at suppliers, incident in waste management at CURRENTA, …)

Input costs continue to rise in 2022 – countermeasures being implemented

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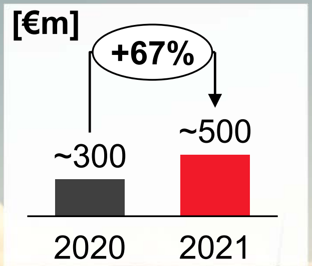
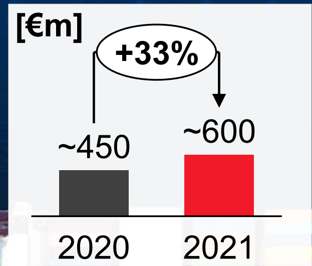
Energy cost increase 2021 vs 2020



Trend 2022

- Around half of our relevant sales contracts include an energy clause by end of 2021
- Increase to 60-80% of customer contracts with energy price pass-through expected until end 2022
- Increase mainly driven by price inflation

Logistic cost increase 2021 vs 2020



Trend 2022

- Ongoing shortage of logistics capacities, limiting possibility to supply
- Around $^2/_3$ of cost increase is price driven

Ongoing input cost inflation assumed

Continuous push for price increases

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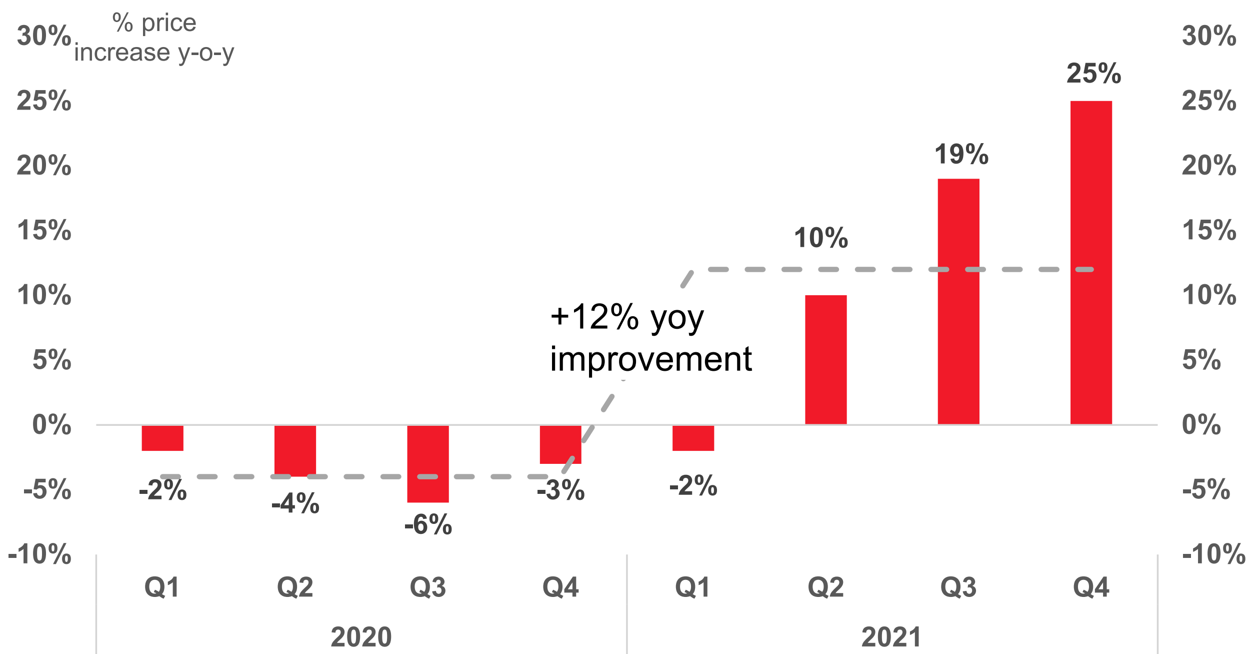
Pricing increased substantially quarter after quarter



- In 2021 we increased sales prices throughout the year leading to a total price effect on sales of ~€ 750m
- Raw material price increase fully passed on through the year
- Energy price increase fully passed on in Q4

FY2021: Portfolio development towards becoming a global Specialty Chemicals player

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Strategic Highlights

Successful portfolio management:

- **Emerald Kalama Chemical** acquired and Business Unit "Flavors & Fragrances" established
- **Microbial Control business of IFF**: Signed purchase agreement
- **Two bolt-on acquisitions** in Consumer protection (INTACE and Theseo)
- **Divestments** of organic leather business and chrome mine completed
- Initiation of **BU HPM carve-out**

Entry into battery chemistry business:

- Electrolyte production for TINCI at BU SGO initiated
- Signing of agreement with Standard Lithium

Further steps to company transformation implemented

A challenging year ends – clear way forward to address issues

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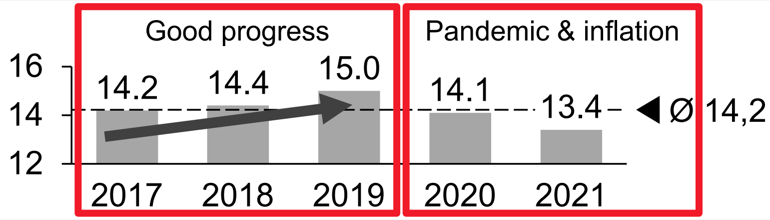
EBITDA pre margin
(group, Ø through the cycle)

14-18%

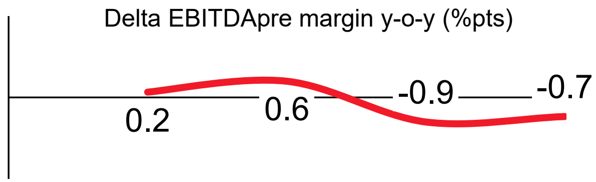


Target set in 2017

Corona and inflation hit in 2020/21

EBITDA margin volatility

2-3%pts



Portfolio upgrade visible

Cash conversion*

>60%

2021: 53%

Consciously deferred for organic growth projects

* Cash conversion = (EBITDApre-CAPEX) / EBITDApre

Increasing dividend despite input cost headwinds

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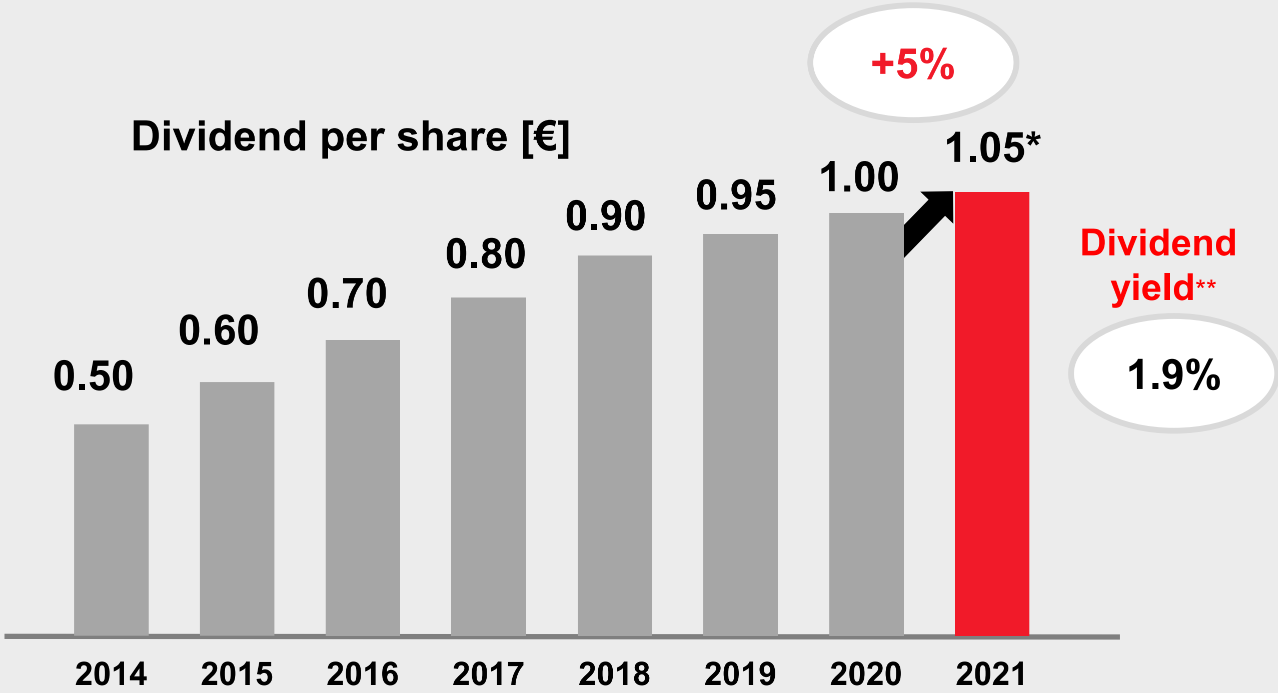
A reliable income stream for investors



Dividend policy

LANXESS aims for an increasing or at least stable dividend

* To be proposed to the Annual General Meeting on May 25, 2022
** based on stock price of €54,50 at year end

Hardly any additional emissions despite increased production volumes and acquisitions

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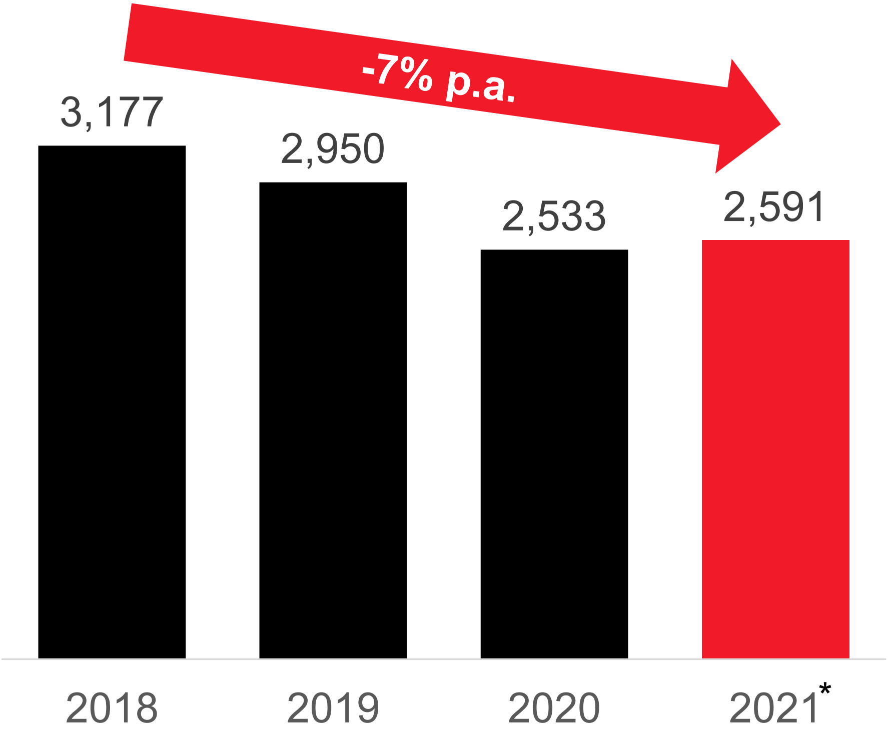
CO_2e emissions



CO_2e emissions in kt; Emissions based on Scope 1 + Scope 2, numbers rounded
* EKC only included for 5 months

Guidance FY 2022: Good start, but high uncertainty due to Russia-Ukraine war

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Current view on economy

- Ongoing recovery of global economy expected, but now questionable due to Russia-Ukraine war
- Ongoing burden from
  - Disruptions in global supply chains (at least until second half of 2022)
  - Further increasing energy and raw material costs

LANXESS outlook

- **Q1 2022**: **€280-320 m EBITDA pre**
- **2022 EBITDA significantly above previous year**
  - Not yet included: Microbial Control business of IFF

Implications from Russia-Ukraine war unpredictable at this point

Agenda

LANXESS Group: Finishing a year of significant burdens

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Raw-material and energy price increases passed through

[€ m]*	Q4/2020	Q4/2021	Δ	FY 2020	FY 2021	Δ
Sales	1,503	2,082	39%	6,104	7,557	24%
EBITDA pre	200	213	6%	862	1,010	17%
Margin	13.3%	10.2%		14.1%	13.4%	
CAPEX	192	208	8%	456	479	5%

Price	Volume	FX	Portfolio
+25%	+3%	+3%	+8%

Total +39%

Q4 Sales vs. PY

- Sales rise substantially in all segments driven by successful pass-through of higher raw material and energy prices and stronger volumes
- EBITDA pre above previous year level. Contribution from new businesses partly offset by several constraints
- Inflated input costs weigh arithmetically on margins

* From continuing operations

Advanced Intermediates: Strong price increases

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Higher raw material and energy prices successfully passed-on

[€ m]*	Q4/2020	Q4/2021	Δ	FY 2020	FY 2021	Δ
Sales	404	539	33%	1,629	1,949	20%
EBITDA pre	79	92	16%	309	333	8%
Margin	19.6%	17.1%		19.0%	17.1%	
CAPEX	37	41	11%	112	119	6%

Price	Volume	FX	Portfolio
+29%	+3%	+1%	0%

Total +33%

Q4 Sales vs. PY

- Salesboost driven by significantly higher prices as a consequence of successful raw material and energy price pass-through, supported by volume growth
- EBITDA pre development supported by raw-material and energy price pass-through and slightly higher volumes, arithmetic effect dilutes margin
- AI is most energy-intensive segment at LXS, pass-on-clauses for energy costs well underway

* New reporting structure as of Q1 2021: Business Line “Antioxidants and Accelerators” (AXX) shift from BU AII to BU RCH (segment “Specialty Additives”); In Q4 2021 Benzyl business of business line “Benzyl Products & Inorganic Acid (BIA)” shift to new BU F&F in Consumer Protection segment 2020 figures restated

Specialty Additives: Good market demand could not be satisfied due to logistics constraints

Strong full year result with partial offset in Q4

[€ m]*	Q4/2020	Q4/2021	Δ	FY 2020	FY 2021	Δ
Sales	483	605	25%	1,965	2,295	17%
EBITDA pre	68	58	-15%	278	323	16%
Margin	14.1%	9.6%		14.1%	14.1%	
CAPEX	51	69	35%	120	139	16%

Price	Volume	FX	Portfolio
+17%	+0%	+4%	+4%

Total +25%

Q4 Sales vs. PY

- Sales driven by higher prices, but volumes held back due to heavy logistic constraints
- After a very strong Q3, EBITDA pre and margin in Q4 burdened by high logistic costs and constraints (i.a. ISO-containers, shipping capacities)
- Besides above challenges, markets overall remain healthy

* New reporting structure as of Q1 2021: Business Line “Antioxidants and Accelerators” (AXX) shift from BU AII to BU RCH (segment “Specialty Additives”); 2020 figures restated

Consumer Protection: EBITDA increase in all BUs

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Contribution from F&F now included for full quarter

[€ m]*	Q4/2020	Q4/2021	Δ	FY 2020	FY 2021	Δ
Sales	283	441	56%	1,243	1,515	22%
EBITDA pre	46	65	41%	266	275	3%
Margin	16.3%	14.7%		21.4%	18.2%	
CAPEX	35	47	34%	76	100	32%

Price	Volume	FX	Portfolio
+13%	+8%	+1%	+34%

Total +56%

Q4 Sales vs. PY

- Sales increase mainly driven by new BU F&F additionally supported by positive price and volume development
- Positive EBITDA development in all BUs. Margin diluted by high logistic costs and arithmetic effect

* In Q4 2021 Benzyl business of business line “Benzyl Products & Inorganic Acid (BIA)” of BU AII shift to new BU F&F in Consumer Protection segment
2020 figures restated

Engineering Materials: Substantial EBITDA improvement YoY

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Strong FY performance

[€ m]	Q4/2020	Q4/2021	Δ	FY 2020	FY 2021	Δ
Sales	314	471	50%	1,190	1,708	44%
EBITDA pre	41	52	27%	151	241	60%
Margin	13.1%	11.0%		12.7%	14.1%	
CAPEX	47	32	-32%	86	66	-23%

Price	Volume	FX	Portfolio
+44%	+3%	+3%	0%

Total +50%

Q4 Sales vs. PY

- Significant sales increase driven by continued strong demand from auto industry and successful raw material and energy price pass-through
- EBITDA pre rises on improved volumes and higher prices, margin lower due to higher logistic costs and arithmetic effect
- Full year margin improved, but held back by surging energy and logistic costs

P&L Q4: Improved EBITDA pre due to pricing and portfolio effect

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[€ m]	Q4/2020		Q4/2021		yoy in %
Sales	1,503	(100%)	2,082	(100%)	39%
Cost of sales	-1,126	(-75%)	-1,621	(-78%)	44%
Selling	-193	(-13%)	-277	(-13%)	44%
G&A	-72	(-5%)	-91	(-4%)	26%
R&D	-28	(-2%)	-28	(-1%)	0%
EBIT	**35**	**(2%)**	**23**	**(1%)**	**-34%**
Net Income	**-3**	**(0%)**	**29**	**(1%)**	**>100%**
EPS pre*	**0.82**		**0.87**		**6%**
EBITDA	170	(11%)	164	(8%)	-4%
thereof except.	-30	(-2%)	-49	(-2%)	63%
EBITDA pre except.	**200**	**(13.3%)**	**213**	**(10.2%)**	**6%**

- Successful raw material cost management. However, leading to margin erosion due to arithmetical effect
- Higher selling expenses due to surging logistic costs and portfolio effect
- G&A increase driven by portfolio effect and gradual phase-out of Corona measures

* From continuing operations

Q4 2021: Strong sales improvement, higher EBITDA in three segments, logistic constraints burden Sp. ADD

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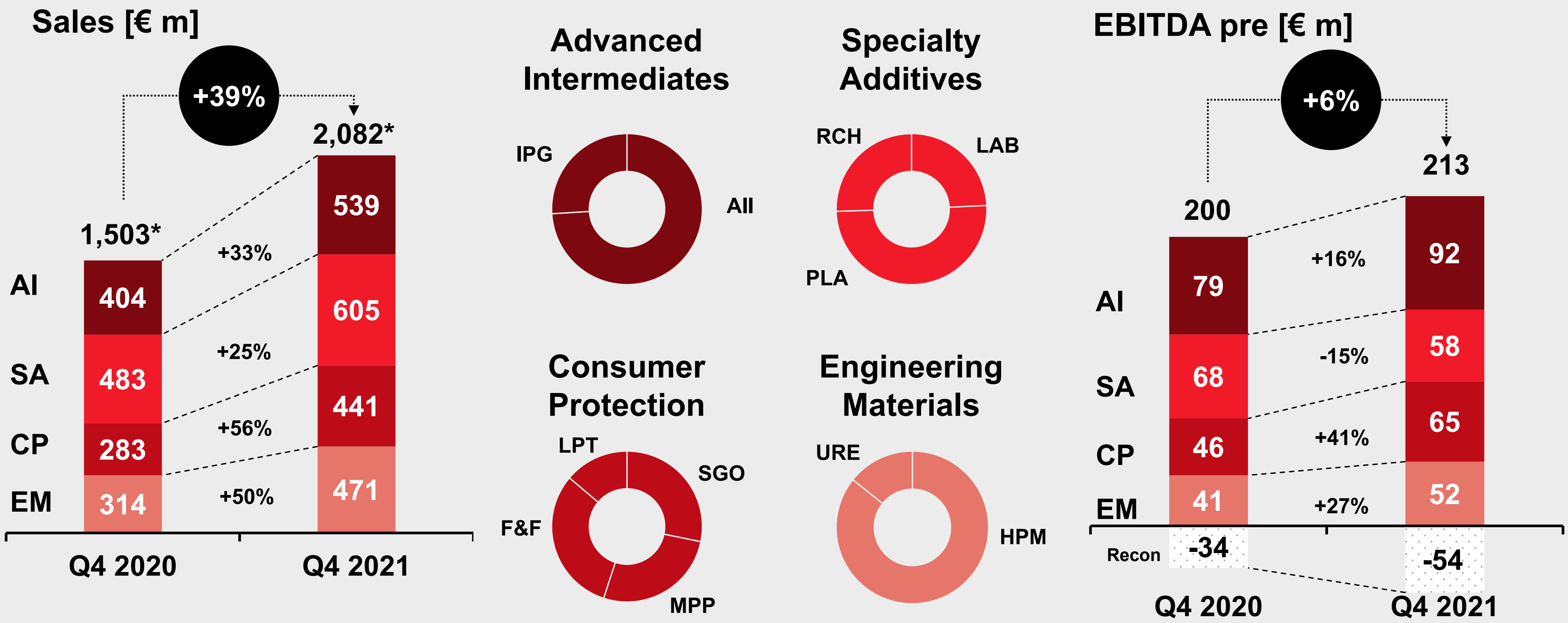

* Total group sales including reconciliation

Q4 2021: Strong price-driven growth in all regions

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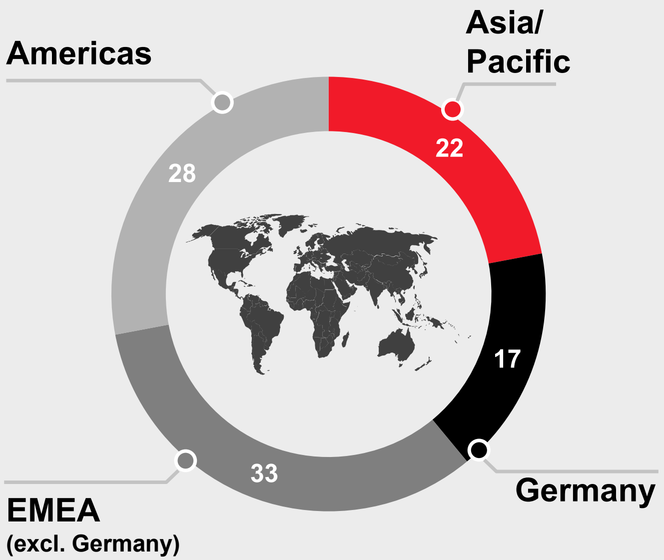
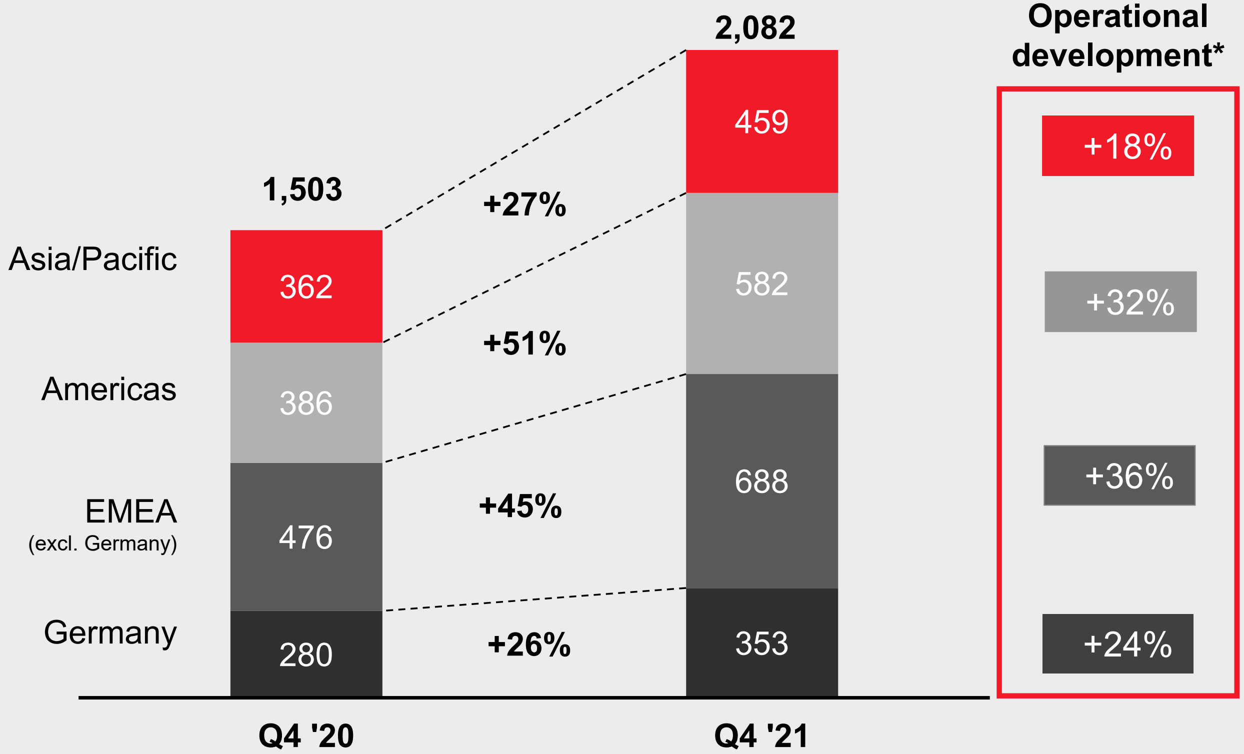
Q4 2021 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Strong operating cash flow

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[€ m]	Q4/2020	Q4/2021	Δ
Profit before tax	**24**	**16**	**-8**
Income taxes paid	-80	30	110
Changes in other assets and liabilities	-26	21	47
Oper. CF before Δ in W/C*	**58**	**213**	**155**
changes in working capital	204	98	-106
Operating cash flow*	**262**	**311**	**49**
Investing cash flow*	**-289**	**-487**	**-198**
thereof capex	-192	-208	-16

- Best Q4 operating cash flow from continued operation since 2015 despite lower inflow from change in working capital (mainly driven by raw material price inflation)
  - Inflow from tax refund after prepayment in earlier years
- Investing cash flow impacted by:
  - Slightly higher capex driven by portfolio effect

* Applies to continuing operations

Increase in balance sheet reflects acquisition of Emerald Kalama Chemical

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[€ m]	31.12.2020	31.12.2021
Total assets	**8,880**	**10,518**
Equity	2,999	3,762
Equity ratio	**34%**	**36%**
Net financial debt[1]	**1,012**	**2,245**
Cash, cash equiv., short term money market inv.	1,794	1,234
Pension provisions	**1,205**	**877**
Net working capital	**1,134**	**1,675**
DSI (in days)[2]	64	71
DSO (in days)[3]	45	45

- Increase in total assets results from increase in working capital and EKC acquisition (closed in August)
- Higher equity reflects positive net income and OCI effects (mainly FX and pensions)
- Increase in net financial debt driven by payment of purchase price for EKC
- Lower pension provisions due to interest rate increase and good asset performance
- Strongly inflated input prices, logistic constraints and volume effect drive inventories and working capital

[1] Including cash, cash equivalents, short-term money market investments
[2] Days sales of inventory calculated from quarterly sales
[3] Days of sales outstanding calculated from quarterly sales

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Housekeeping items 2022

Capex 2022	**~€500 m** (excl. IFF MC)
Operational D&A 2022	**~€550 m** (excl. IFF MC)
Reconciliation 2022	**~€180 m** including remnant costs and re-occurring expenses
Underlying tax rate	**~28%**
Exceptionals 2022	**~€100 m** based on current initiatives
FX sensitivity	One cent change of USD/EUR resulting in **~€7 m** EBITDA pre impact before hedging

FY 2021: Improved earnings, margin impacted by fast and significant increase in energy and logistic costs

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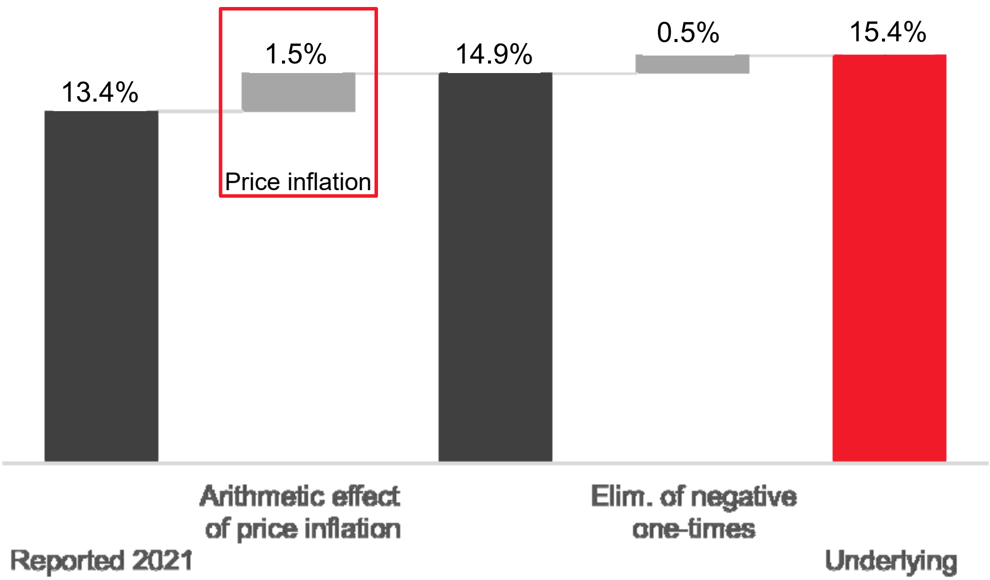
[€ m]	FY 2020		FY 2021		yoy in %
Sales	6,104	(100%)	7,557	(100%)	24%
Cost of sales	-4,548	(-75%)	-5,712	(-76%)	26%
Selling	-773	(-13%)	-951	(-13%)	23%
G&A	-267	(-4%)	-304	(-4%)	14%
R&D	-108	(-2%)	-115	(-2%)	6%
EBIT	**253**	**(4%)**	**350**	**(5%)**	**38%**
Net Income	**885**	**(14%)**	**267**	**(4%)**	**-70%**
EPS pre*	**3.50**		**4.83**		**38%**
EBITDA	757	(12%)	863	(11%)	14%
thereof except.	-105	(-2%)	-147	(-2%)	40%
EBITDA pre except.	**862**	**(14.1%)**	**1,010**	**(13.4%)**	**17%**

- Successful cost management in inflationary environment. However, leading to margin erosion due to arithmetical effect
- Higher G&A reflect portfolio effect (acquisitions and leather divestment) and gradual phase-out of Corona measures
- Strong earnings due to high demand, but margin held back by higher energy and logistic costs
- Net income in previous year included proceeds from CURRENTA divestment

* From continuing operations

EBITDApre margin diluted by inflation & one-times

Underlying EBITDApre margin in %



Factors leading to margin dilution

Current market environment with inflationary pressure leading to margin dilution:

- Arithmetic effect of sales **inflation** leads to ~1.5%pts margin dilution
- Negative impact of **one-times** (e.g. unplanned shutdowns, Force Majeure at suppliers, CURRENTA incident) leading to ~0.5%pts margin dilution (~€40m)

→ Underlying margin >**15**%

FY 2021: Operating cash flow impacted by exceptionals and increased working capital

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[€ m]	FY 2020	FY 2021	Δ
Profit before tax	**1,074**	**303**	**-771**
Financial (gain) losses	-840	30	870
Income taxes paid	-215	-10	205
Changes in oth. assets & liab.	-34	17	51
Oper. CF before Δ in W/C*	**488**	**852**	**364**
changes in working capital	106	-413	-519
Operating cash flow*	**594**	**439**	**-155**
Investing cash flow*	**-350**	**-431**	**-81**
thereof capex	-456	-479	-23

- Operating cash flow reflects
  - Lower profit due to CUR proceeds in PY and higher exceptionals
  - Tax refund in 2021
  - Significant increase in W/C (volume rise, inflated raw material prices, logistic constraints)
- Investing cash flow:
  - Net amount in 2021 includes purchase price for EKC, Theseo and INTACE and divestments of organic leather, chrome mine and membrane business
  - PY contains divestment of CURRENTA stake

* Applies to continuing operations

FY 2021: Strong recovery especially in Specialty Additives and Engineering Materials

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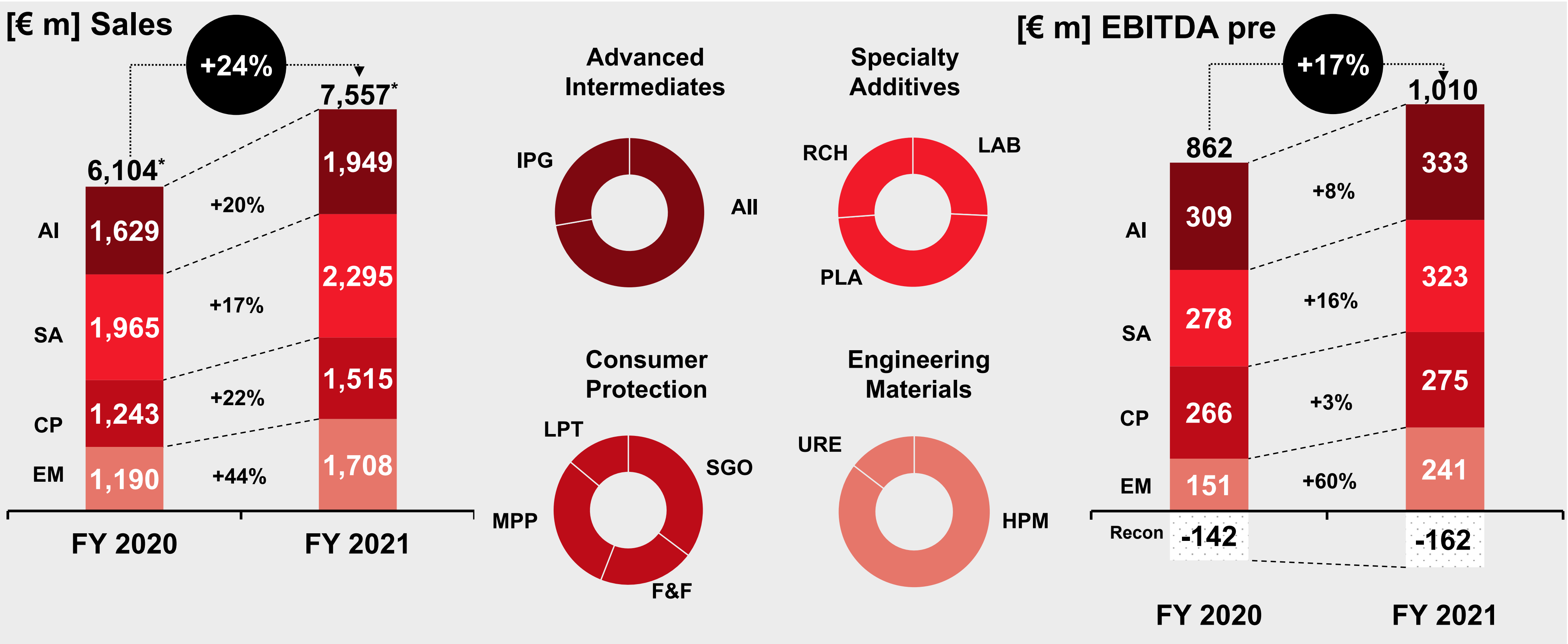
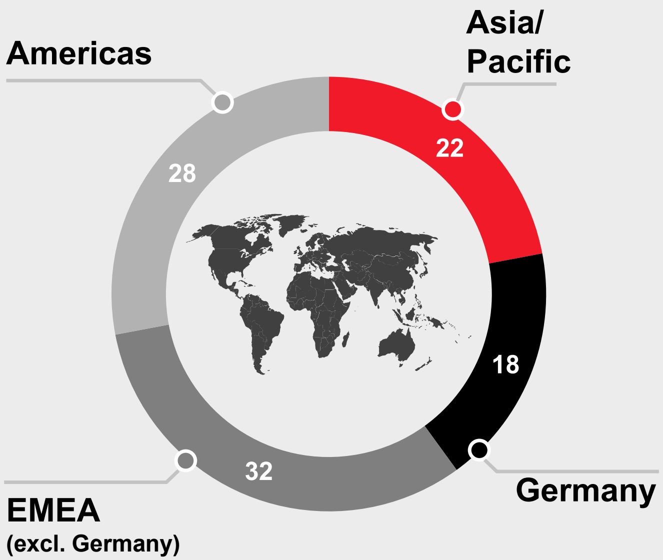


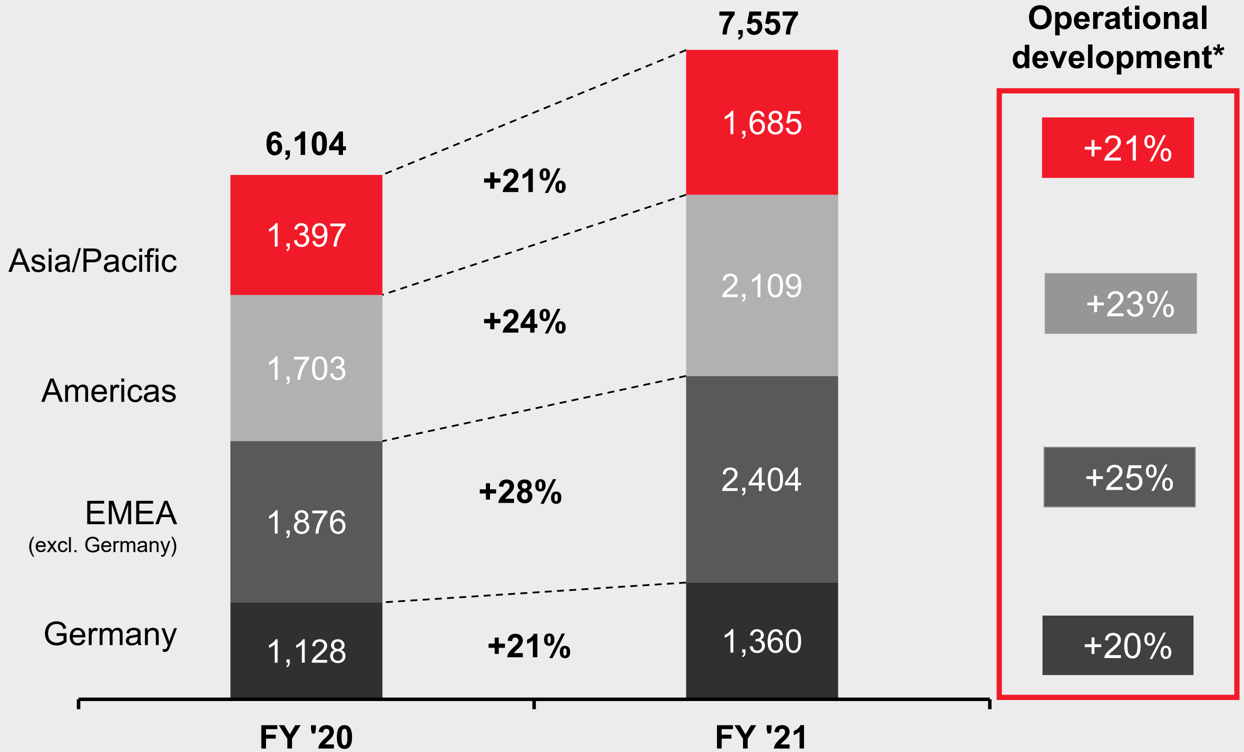
* Total group sales including reconciliation

FY 2021: Strong operational growth in all areas

FY 2021 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Exceptional items (on EBIT) above previous year level mainly due to increased M&A costs

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[€ m]	Q4/2020 Excep.	Q4/2020 Thereof D&A	Q4/2021 Excep.	Q4/2021 Thereof D&A	FY 2020 Excep.	FY 2020 Thereof D&A	FY 2021 Excep.	FY 2021 Thereof D&A	Comments
Strategic Realignment & Restructuring	19	18	**21**	**0**	68	35	**38**	**1**	incl. Emerald Kalama Chemical integration
M&A, Digitalization (incl. Chemondis) and Others	19	1	**15**	**0**	46	1	**81**	**2**	incl. organic leather, membrane, chrome mine divestments; Emerald Kalama Chemical, IFF MC, Theseo, INTACE acquistions
Strategic IT projects	11	0	**13**	**0**	29	2	**31**	**0**	incl. SAP Hana Project
Total	49	19	**49**	**0**	143	38	**150**	**3**	

LANXESS maturity profile actively managed and well balanced

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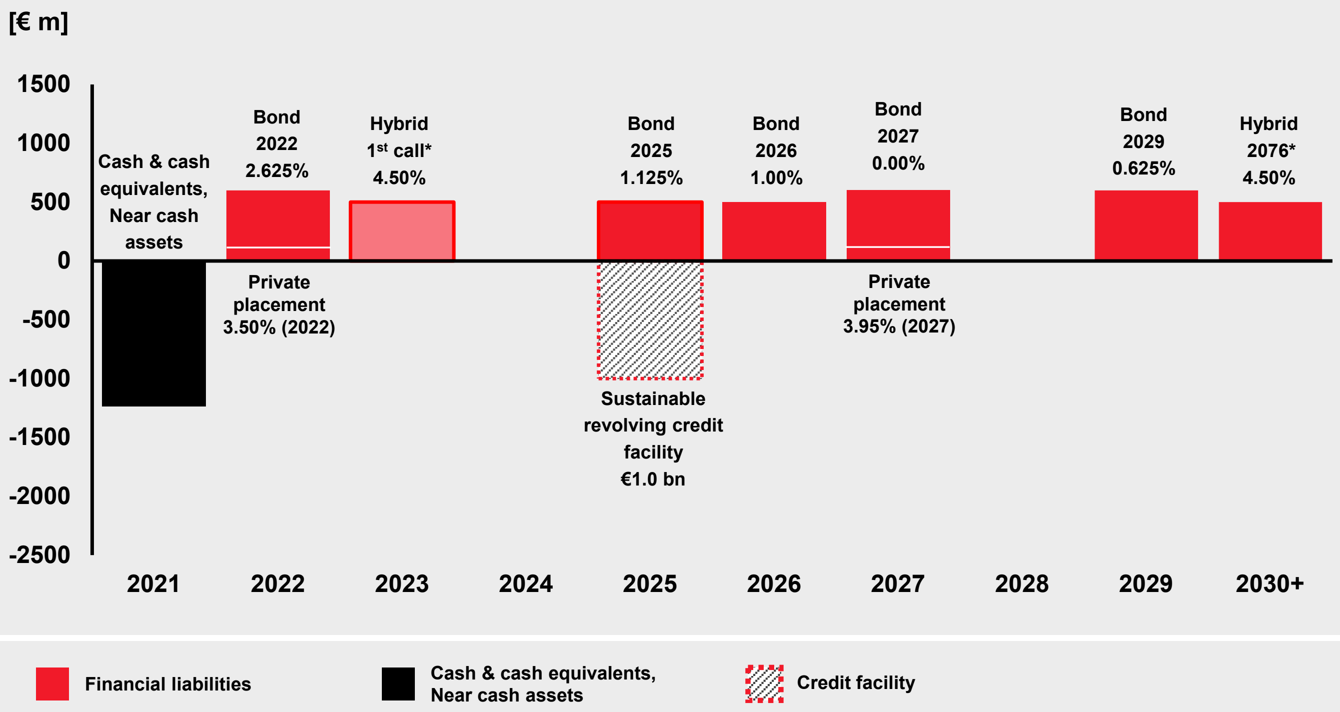
Long-term financing secured

- Diversified financing sources
  - Bonds & private placements
  - Undrawn sustainable revolving credit facility
- Average interest rate of financial liabilities ~1.7%
- Maturities in 2022:
  - Private placement in April
  - Bond in November
- All group financing executed without financial covenants

Liquidity and maturity profile as per December 2021



* Hybrid Bond with contractual maturity date in 2076 has a first optional call date in 2023

Strong growth in FY 2022 expected: Consumer Protection key driver

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Advanced Intermediates – On prior year level
- Strong burden from high energy and logistic costs
- Solid development in BU AII's diversified end markets and construction (BU IPG)

Specialty Additives – Significantly above prior year level
- Support from government stimuli for construction industry, recovery in aviation
- Impact from disrupted supply chains, high logistic and energy costs holds back

Consumer Protection – Significantly above prior year level
- Strong portfolio effect from full year contribution of Emerald Kalama Chemical
- Further good development of businesses amid high energy & logistic costs
- Different seasonal pattern at SGO due to more projects in second half of 2022

Engineering Materials – Significantly above prior year level
- Ongoing strong demand from automotive industry
- High energy and logistic costs remain a burden

Progress in major climate protection projects

Antwerp: 450 kt CO_2e / year less as of 2024

- First laughing gas reduction plant successfully in use since 2021 (150 kt CO_2e / year)
- Construction of second reduction plant starting mid-2022 (300 kt CO_2e / year)

India: 150 kt CO_2e / year less as of 2024

- Conversion of energy supply in production to photovoltaics, wind energy and biomass
- 83% of emissions already eliminated

Increased sustainability activities are rewarded externally

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CDP – Climate: Again A ranked

CDP
DISCLOSURE INSIGHT ACTION
A
2021

LANXESS' raw materials and products become more sustainable

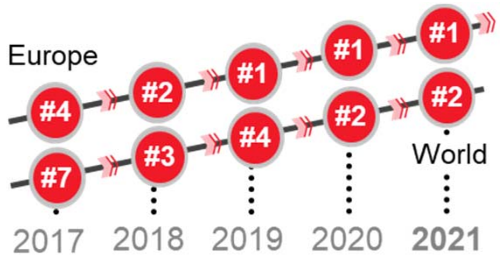
- Initial supply by bp with sustainably produced cyclohexane for engineering materials production in the fourth quarter of 2021
- Sustainable product trade mark (Scope Blue) introduced

Admittance in Bloomberg Gender Equality Index for 2nd time

Bloomberg
Gender-Equality Index
2022

Again top in Dow Jones Sustainability Index

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



Upcoming events 2021/2022 - Proactive capital market communication

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Mar

11 FY 2021 Results

29-31 Jefferies Pan-European Mid-Cap Conference

31 Stifel German Corporate Conference, Copenhagen

May

5 Q1 2022 Results

12 J.P. Morgan European Materials Conference

25 Annual Stockholders' Meeting 2022

Jun

22 Capital Markets Day

29 Morgan Stanley Cannon Ball Run Field Trip

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Abbreviations

Advanced Intermediates

AII	Advanced Industrial Intermediates
IPG	Inorganic Pigments

Consumer Protection

F&F	Flavors & Fragrances
LPT	Liquid Purification Technologies
MPP	Material Protection Products
SGO	Saltigo

Specialty Additives

LAB	Lubricant Additives Business
PLA	Polymer Additives
RCH	Rhein Chemie

Engineering Materials

HPM	High Performance Materials
URE	Urethane Systems

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