



LANXESS – J.P. Morgan European Materials Conference 2022

A strong start into an uncertain year

Matthias Zachert, CEO, May 2022

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Agenda

- 1 Strong start to an uncertain year**
- 2 Energy costs and price escalation**
- 3 Preparation for potential gas embargo**
- 4 LANXESS transformation journey continues**
- 5 Review Q1 2022 and backup**

A strong start into an uncertain year

LANXESS successfully manages current challenges

- ✔ 2022 started strong: Q1 with more than 30% EBITDA pre growth
- ✔ Energy and raw material costs fully passed on (price: +31%), underlining pricing power and strength of portfolio
- ✔ Strong guidance for Q2 2022: €280-350 m
- ✔ Full Year 2022 guidance confirmed: Significantly above previous year (YTD already ~€80 m ahead of PY)
- ✔ Energy- and gas exposure risks assessed and mitigation plans established

Strong start into the year, solid liquidity ensured



	Q1 2021	Q1 2022	Δ
Sales	1,693	2,432	+ 44%
Price		+523	+ 31%
Volume		+19	+ 1%
FX		+71	+ 4%
Portfolio		+126	+ 8%
EBITDA pre	242	320	+ 32%
EPS pre	1.17	1.63	+ 39%
Liquidity*	1,234**	1,885	+ 53%

LANXESS Group: Significant EBITDA pre increase due to pricing and portfolio effect

Raw material and energy price increases passed through

Price **+31%** Volume **+1%** FX **+4%** Portfolio **+8%**

Total **+44%**

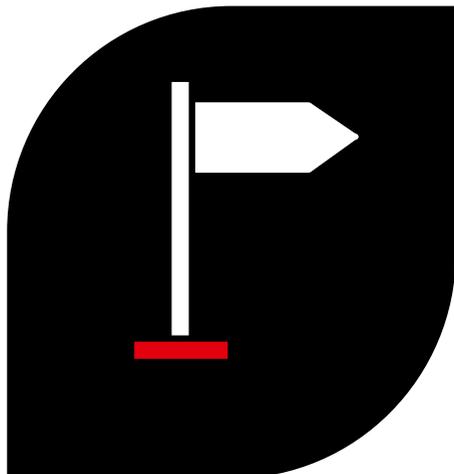
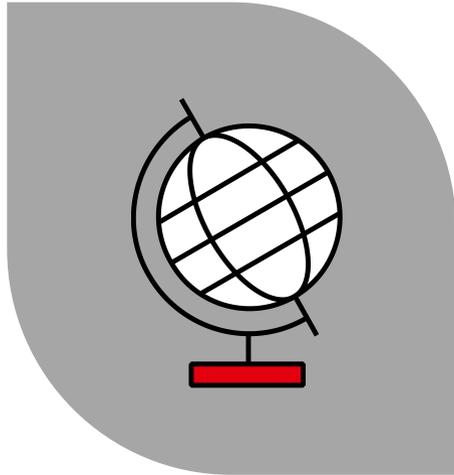
Q1 Sales vs. PY

[€ m]	Q1/2021	Q1/2022	Δ
Sales	1,693	2,432	44%
EBITDA pre	242	320	32%
Margin	14.3%	13.2%	
CAPEX	70	63	-10%



- Substantially higher sales in all segments again due to successful pass-through of higher raw material and energy prices, support from portfolio effect and FX
- Significant EBITDA pre rise due to good operating performance in all segments and contribution from acquired businesses, partly offset by logistical constraints
- Full pass-through of inflated input costs weighs on margins arithmetically

Good start in 2022 but high uncertainty due to Russia-Ukraine war



Current view on economy

- Currently still stable development of global economy becomes more fragile, increasing uncertainty from Russia-Ukraine war and China's zero Covid policy
- Ongoing challenges
 - Further high level of energy and raw material costs
 - Disruptions in global supply chains (at least until second half of 2022)

LANXESS outlook

- Q2 2022: €280-350 m EBITDA pre
- FY 2022 EBITDA pre confirmed: significantly above previous year
 - Not yet included: Microbial Control business of IFF (closing expected in Q3)

All currently known information considered in guidance

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Energy costs with unprecedented rise

Gas price development in Germany*



Management of energy supply and costs in focus

Focused process to create transparency and to embed energy pricing into relevant contracts

Q2 '21

Q1 '22

- Establish energy transparency on product level globally
- Create transparency on all relevant key contracts

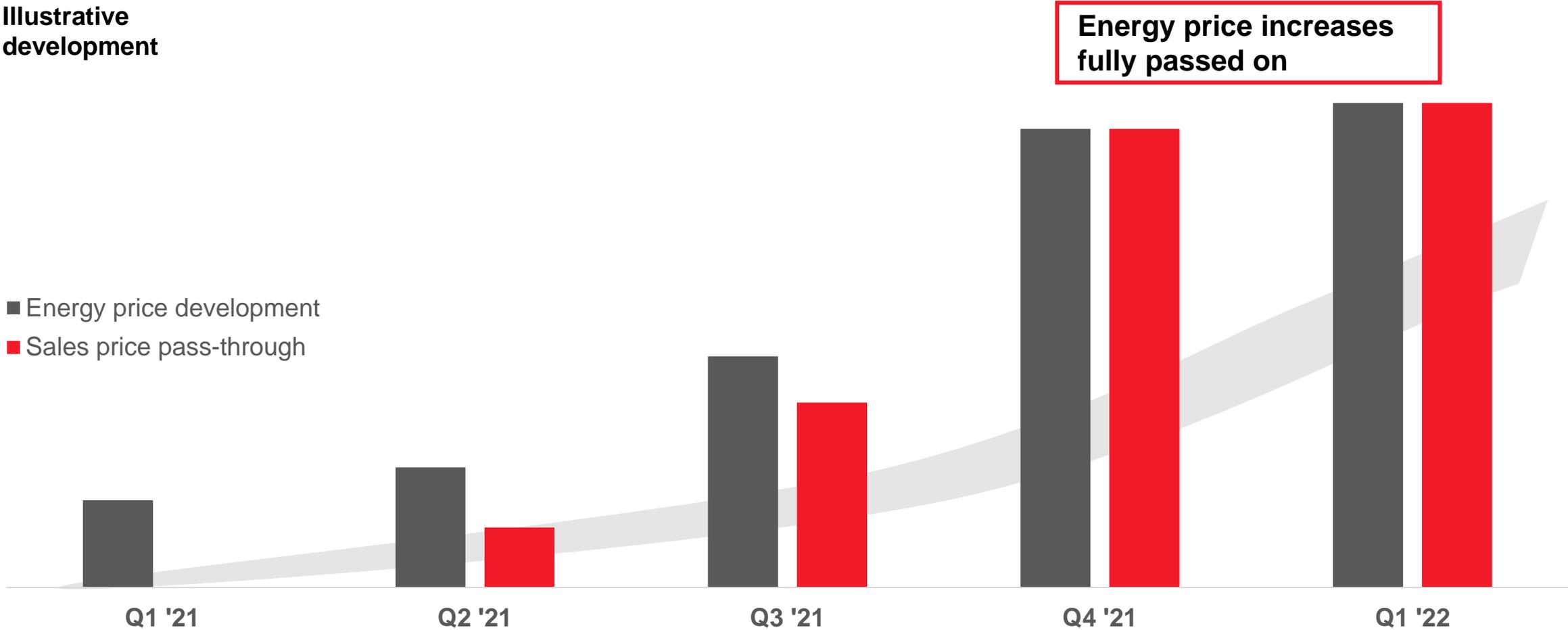
- Develop concepts by BU
- Develop concepts for major customers
- Train sales force

- Start to levy energy surcharges in non-contracted businesses
- Intense negotiations with key customers
- Amend all relevant contracts where legally possible

- More than 50% of relevant contracts changed: Price escalation clauses in place
- Further work on remaining contracts ongoing

Pass-through of higher energy costs implemented

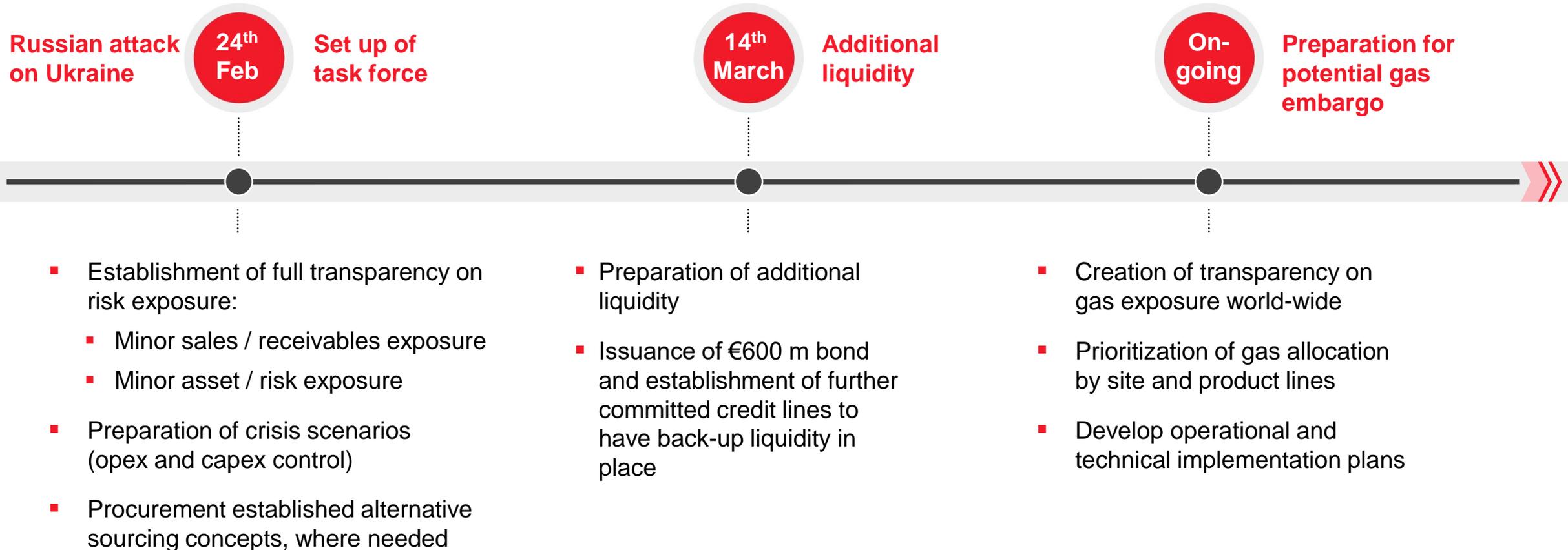
Illustrative development



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LANXESS immediately established task force after start of Russian war on Ukraine



Direct impacts considered modest

Potential gas embargo could be tackled by reduced output of some specific gas intensive plants



Moderate direct impact on major German sites

Situation at sites in North Rhine-Westphalia*:

- Mainly steam and electricity needed for production. Both are based on gas or coal (sourced from CURRENTA)
- LXS / CUR are not directly supplied by Russian gas. However, embargo of Russian gas leads to undersupply in Germany (35-50% sourced from Russia) and would reduce supply of **steam** at LXS sites
- LXS energy costs: only 40% depend on gas in Germany
- Embargo of Russian oil: not an issue

Potential consequences:

- ➔ **Electricity:** Not an issue, replaceable from grid
- ➔ **Steam:** An embargo of Russian gas only leads to a modest direct impact (see following analysis)

Reduced production in 4-5 out of 53 plants could offset Russian gas embargo*

Russian gas embargo should be manageable

plant	steam demand [t/h]	profitability contribution	necessary action
Plant 1	high	modest	shutdown
Plant 2	high	modest	reduced output
Plant 3	high	modest	reduced output
Plant 4	high	modest	reduced output
Plant 5	medium	modest	reduced output
Plant 6	medium	high	continued operation
Plant 7	medium	high	continued operation
....			continued operation
Plant 52	low	high	continued operation
Plant 53	low	high	continued operation



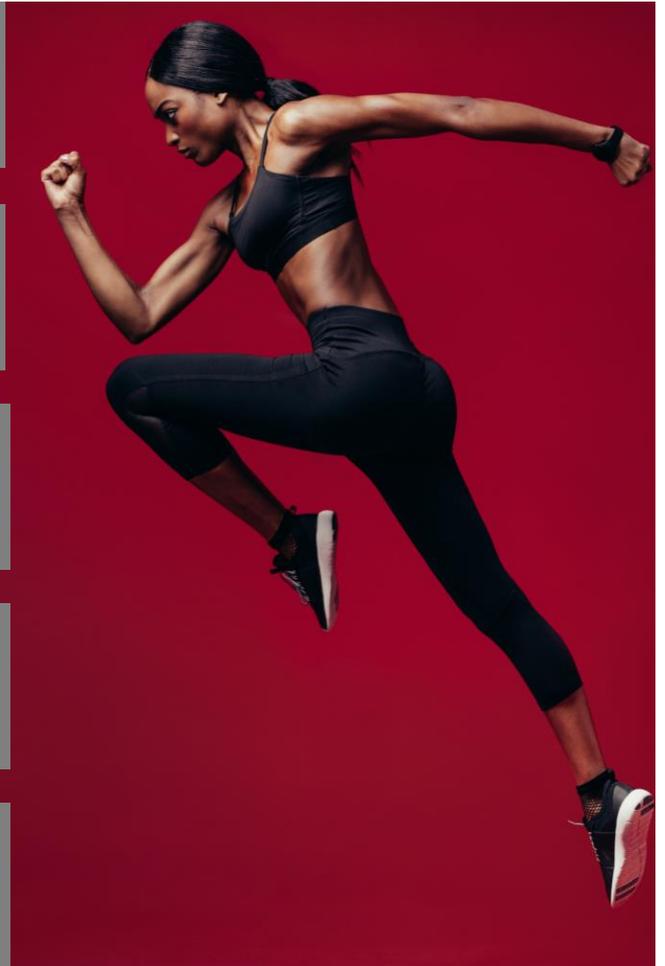
Estimated direct EBITDA effect: €80-120 m p.a. – indirect effects not quantifiable

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Five of the most striking reasons to invest

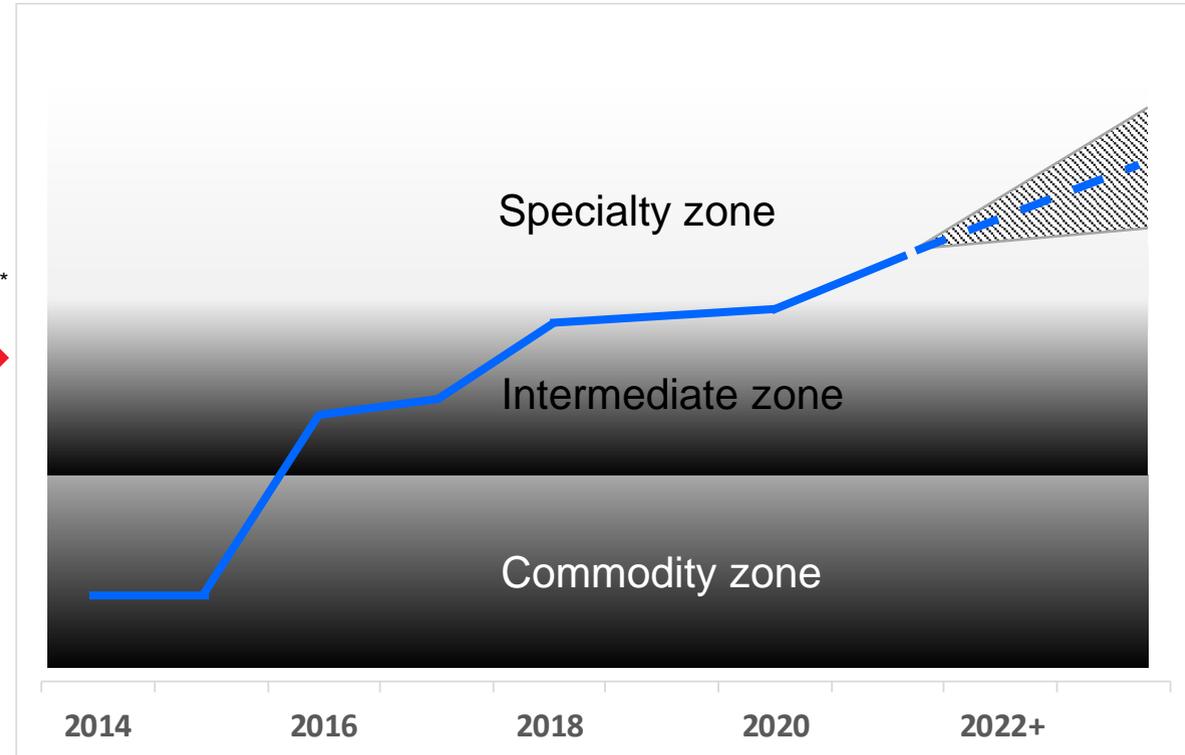
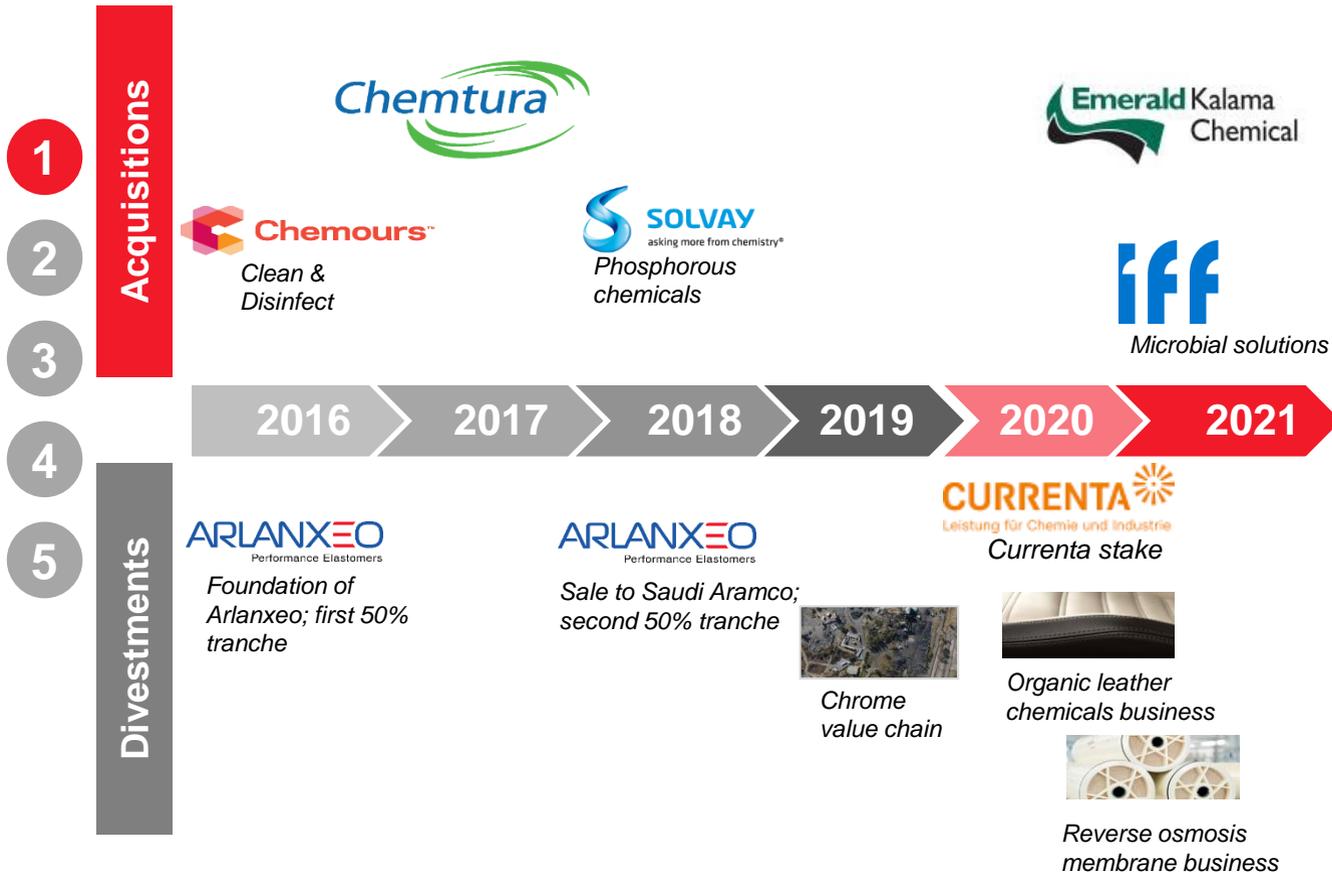
- 1 Embark on an exciting transformation journey to high margin specialty chemicals businesses
- 2 Unique specialty chemicals portfolio with leading market positions
- 3 Proven resilient business model – with many growth options
- 4 Forerunner in sustainability – awarded by leading rating agencies
- 5 Energizing chemistry – committed management team embedded in performance oriented corporate culture



LANXESS: Strong transformation via active portfolio management

Track record of successful M&A transactions (selc.)

Increasing true specialty nature of portfolio



— = LXS product portfolio

Portfolio development towards becoming a global Specialty Chemicals player

Strategic Highlights

Successful portfolio management:

- 1
 - **Emerald Kalama Chemical** acquired and Business Unit “Flavors & Fragrances” established
- 2
 - **Microbial Control business of IFF**: Signed purchase agreement
- 3
 - **Two bolt-on acquisitions** in Consumer protection (INTACE and Theseo)
- 4
 - **Divestments** of organic leather business and chrome mine completed
- 5
 - Initiation of **BU HPM carve-out**

Entry into battery chemistry business:

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



Further steps to company transformation implemented

Strong portfolio of attractive businesses

- 1
- 2
- 3
- 4
- 5

Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials
			
<ul style="list-style-type: none"> ▪ Advanced Industrial Intermediates ▪ Inorganic Pigments 	<ul style="list-style-type: none"> ▪ Lubricant Additives Business ▪ Polymer Additives ▪ Rhein Chemie 	<ul style="list-style-type: none"> ▪ Flavors & Fragrances ▪ Liquid Purification Technologies ▪ Material Protection Products ▪ Saltigo 	<ul style="list-style-type: none"> ▪ High Performance Materials ▪ Urethane Systems
<ul style="list-style-type: none"> ▪ Among top 3 players ▪ Cost, technology and process leadership 	<ul style="list-style-type: none"> ▪ Among top 3 players ▪ Small volume, high impact ▪ Integrated value chains 	<ul style="list-style-type: none"> ▪ # 1-3 positions ▪ Attractive secular growth ▪ Strong margins ▪ Asset light & high cash conversion 	<ul style="list-style-type: none"> ▪ Among the market leaders, esp. in Europe ▪ Integrated value chain ▪ Benefitting from e-mobility

Proven resilient business model – platform for further growth

Balanced industry exposure

Construction

Mobility*

Energy, natural resources and industrial applications

Chemical industry

Nutrition, health and consumer goods

Agriculture and animal health

- 1
- 2
- 3
- 4
- 5



Our exciting journey to high margin specialty chemicals transformation continues



Organic growth

Inorganic growth

- 1
- 2
- 3
- 4
- 5

Strong secular growth in Consumer Protection	Attractive brownfield investments
Digital growth projects e.g. Chemondis	Attractive greenfield investments, e.g. battery chemistry



Microbial solutions*

...to be continued!

Increased sustainability activities are rewarded externally

**CDP – Climate:
Again A ranked**



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

1

2

3

Admittance in Bloomberg Gender Equality Index for 2nd time

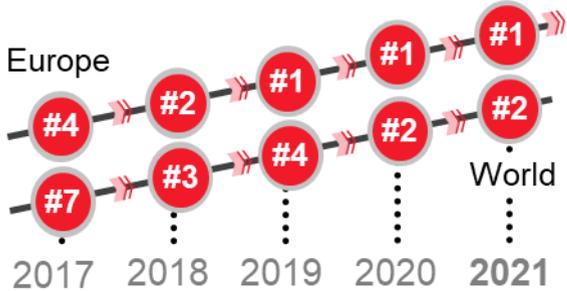
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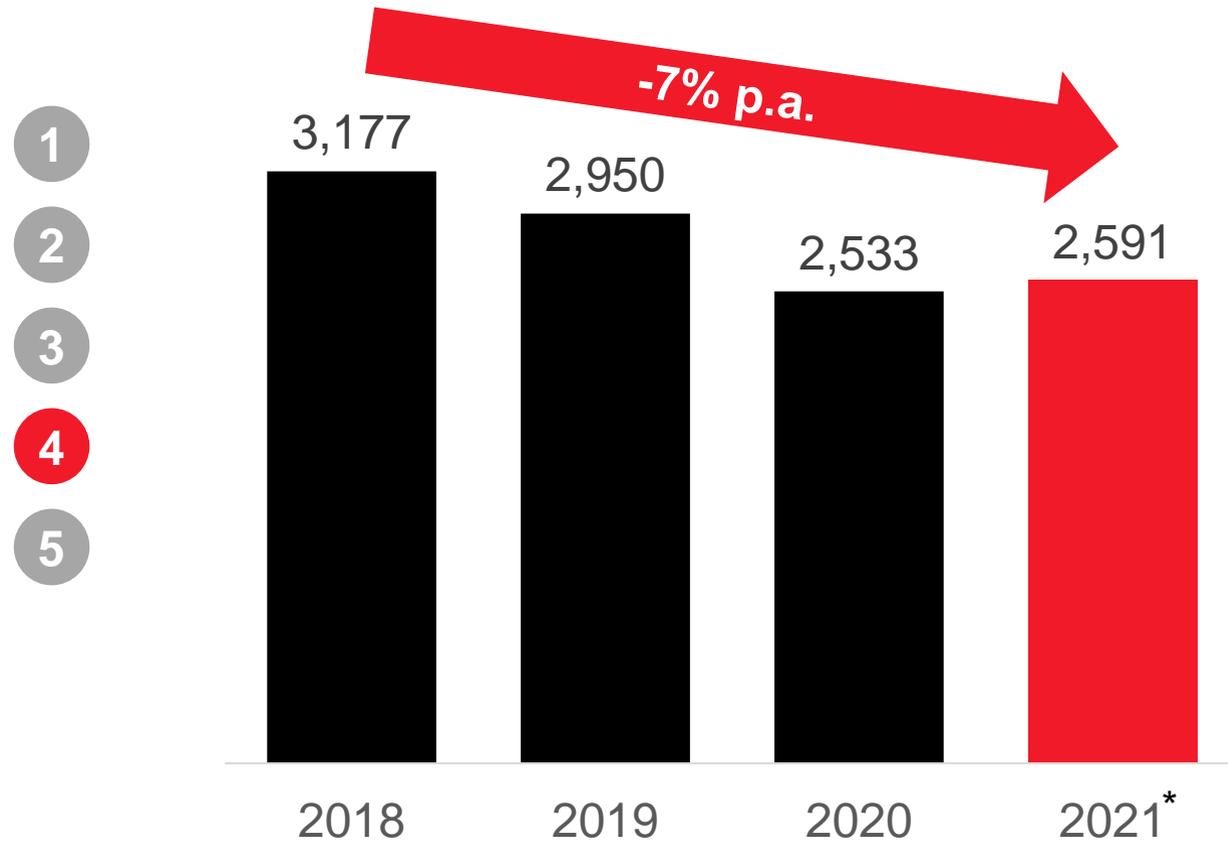
Again top in Dow Jones Sustainability Index

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



Hardly any additional emissions despite increased production volumes and acquisitions

CO₂e emissions



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Q1 2022: Successful pass-through of raw material and energy costs

Highlights

- Full pass-through of raw material and energy price inflation strongly boosts sales (+44%)
- Significant increase in EBITDA pre by 32% to €320 m
- All segments contribute to growth, Specialty Additives with highest EBITDA pre in history and strong margin (18.6%)
- Managing highly volatile input costs and impacted supply chains



Challenges

- Top line inflation weighs arithmetically on EBITDA pre margin
- Working capital heavily impacted by strongly inflated input costs and volume effects due to higher safety stock (geopolitical tension, preparation for SAP go-live beginning of May and advanced shutdowns)





Advanced Intermediates: Ongoing strong price increases

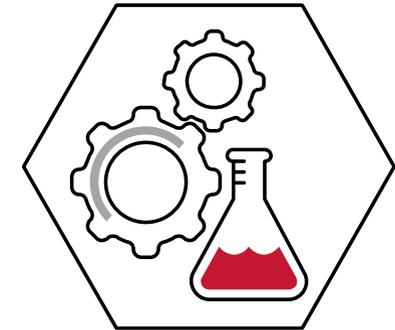
Higher raw material and energy prices successfully passed on

Price **+36%** Volume **-3%** FX **+3%** Portfolio **0%**

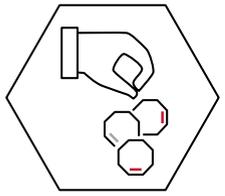
Total **+36%**

Q1 Sales vs. PY

[€ m]	Q1/2021	Q1/2022	Δ
Sales	452	613	36%
EBITDA pre	70	87	24%
Margin	15.5%	14.2%	
CAPEX	20	18	-10%



- Considerable sales increase due to significantly higher prices based on successful raw material and energy price pass-through in both BUs
- Volumes compare with a very strong previous year
- Catch-up effect: Improved EBITDA pre driven by raw material and energy price pass-through with time lag
- Margin diluted arithmetically



Specialty Additives: Strong rebound

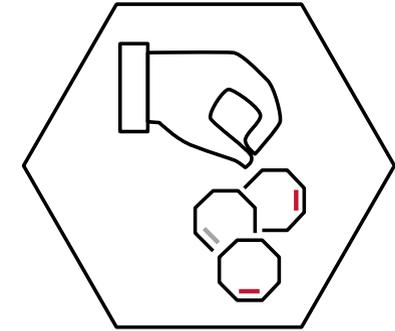
All BUs with considerable earnings growth

Price **+22%** Volume **+10%** FX **+6%** Portfolio **+3%**

Total **+41%**

Q1 Sales vs. PY

[€ m]	Q1/2021	Q1/2022	Δ
Sales	517	730	41%
EBITDA pre	74	136	84%
Margin	14.3%	18.6%	
CAPEX	16	13	-19%



- Improved sales driven by catch-up on pricing and strong volume growth in BU PLA and BU LAB
- Ongoing recovery in aviation and oil & gas
- EBITDA pre and margin boosted by pricing and volumes compared to burdened previous year (US blizzard) and catch-up after weak Q4



Consumer Protection: Soft start into the year

Acquired businesses contribute as expected

Price **+18%** Volume **-4%** FX **+2%** Portfolio **+32%**

Total **+48%**

Q1 Sales vs. PY

[€ m]	Q1/2021	Q1/2022	Δ
Sales	341	506	48%
EBITDA pre	76	86	13%
Margin	22.3%	17.0%	
CAPEX	14	23	64%



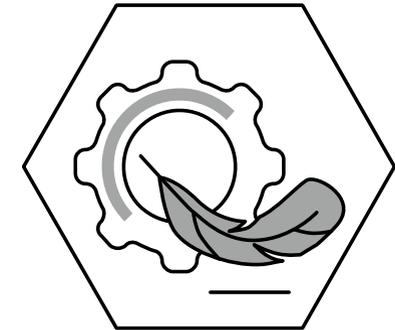
- Significant sales increase due to new BU F&F and successful pricing
- EBITDA pre of BU SGO still lagging behind on energy price pass-through and still burdened from CURRENTA waste management outage
- Margin additionally diluted by arithmetic effect of pass-through of input cost increases



Engineering Materials: Solid earnings development, environment getting tougher

Continued strong pricing

[€ m]	Q1/2021	Q1/2022	Δ
Sales	377	576	53%
EBITDA pre	59	67	14%
Margin	15.6%	11.6%	
CAPEX	10	5	-50%



Price	Volume	FX	Portfolio
+49%	-1%	+5%	0%

Total **+53%**

Q1 Sales vs. PY

- Sales boost driven by successful raw material and energy price pass-through and FX
- Impact from semiconductor shortage and China lockdowns start to become visible on automotive production
- Increased EBITDA pre due to successful pricing
- Margin lower due to arithmetic effect

P&L Q1: Strong start into the year – double-digit growth in all segments

[€ m]	Q1/2021		Q1/2022		yoy in %
Sales	1,693	(100%)	2,432	(100%)	44%
Cost of sales	-1,266	(-75%)	-1,865	(-77%)	47%
Selling	-208	(-12%)	-275	(-11%)	32%
G&A	-73	(-4%)	-78	(-3%)	7%
R&D	-27	(-2%)	-29	(-1%)	7%
EBIT	98	(6%)	156	(6%)	59%
Net Income*	63	(4%)	98	(4%)	56%
EPS pre*	1.17		1.63		39%
EBITDA	215	(13%)	295	(12%)	37%
thereof except.	-27	(-2%)	-25	(-1%)	-7%
EBITDA pre except.	242	(14.3%)	320	(13.2%)	32%

- Successful pass-through of massively increased input costs. Margin, however, impacted by arithmetic effect
- Rising selling expenses result from ongoing logistical constraints and portfolio effect
- Slight increase in G&A due to portfolio effect

Operating cash flow burdened by considerable working capital increase due to inflated input costs

[€ m]	Q1/2021	Q1/2022	Δ
Profit before tax	85	134	49
Income taxes paid	-31	25	56
Changes in other assets and liabilities	-2	26	28
Oper. CF before Δ in W/C*	179	343	164
changes in working capital	-146	-520	-374
Operating cash flow*	33	-177	-210
Investing cash flow*	530	-854	-1,384
thereof capex	-70	-63	7
thereof net invest in money markets	604	-792	-1,396

- Operating cash flow burdened by increase in working capital due to:
 - Higher inventories driven by
 - Massive increase in input costs
 - Build-up of safety stocks due to geopolitical tension and in preparation for SAP go-live in Q2 and advanced shutdowns
- Change in investing cash flow results from investment of bond proceeds and other liquidity in money market products

Solid liquidity secures flexibility in uncertain times

[€ m]	31.12.2021	31.03.2022
Total assets	10,518	11,720
Equity	3,762	4,074
Equity ratio	36%	35%
Net financial debt*	2,245	2,501
Liquidity*	1,234	1,885
Pension provisions	877	748
Net working capital	1,675	2,222
DSI (in days)**	71	70
DSO (in days)***	45	49

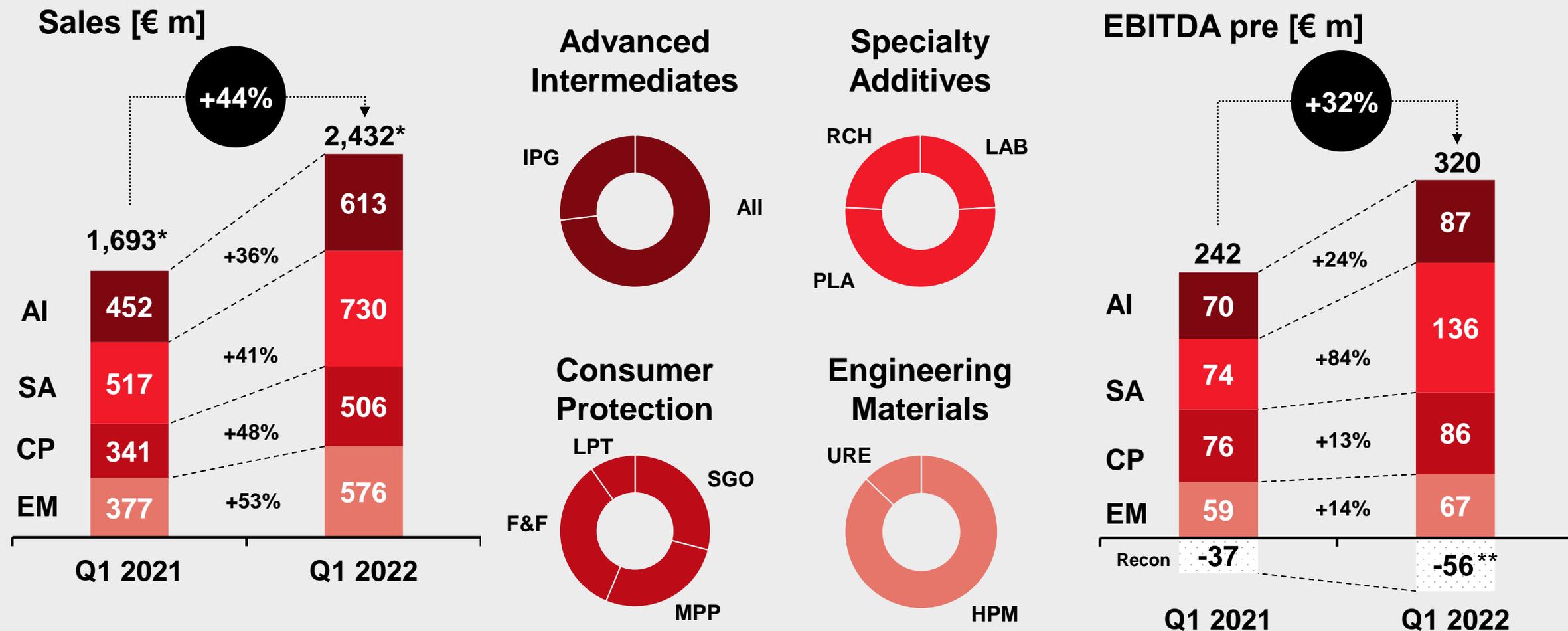
- Increase in total assets driven by higher working capital and strengthened liquidity position
- Higher equity reflects positive net income and OCI effects (mainly FX and pensions)
- Strongly inflated input prices drive inventories and receivables and leading to higher financial debt
- €600 m bond issue and €300 m bilateral loan improve liquidity
- Reduced pension provisions due to interest rate increases

* Including cash, cash equivalents, near cash assets, short-term money market investments

** Days sales of inventory calculated from quarterly sales

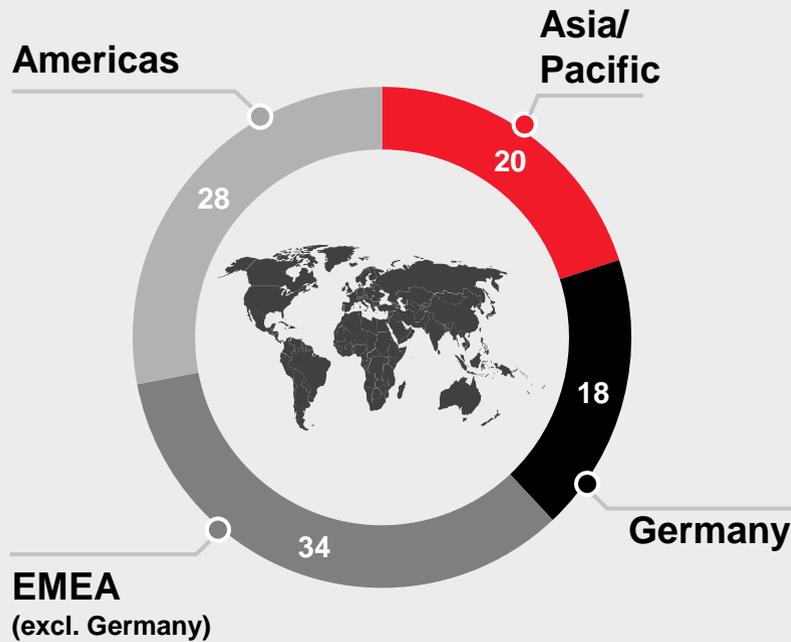
*** Days of sales outstanding calculated from quarterly sales

Q1 2022: Significant sales and EBITDA improvement in all segments

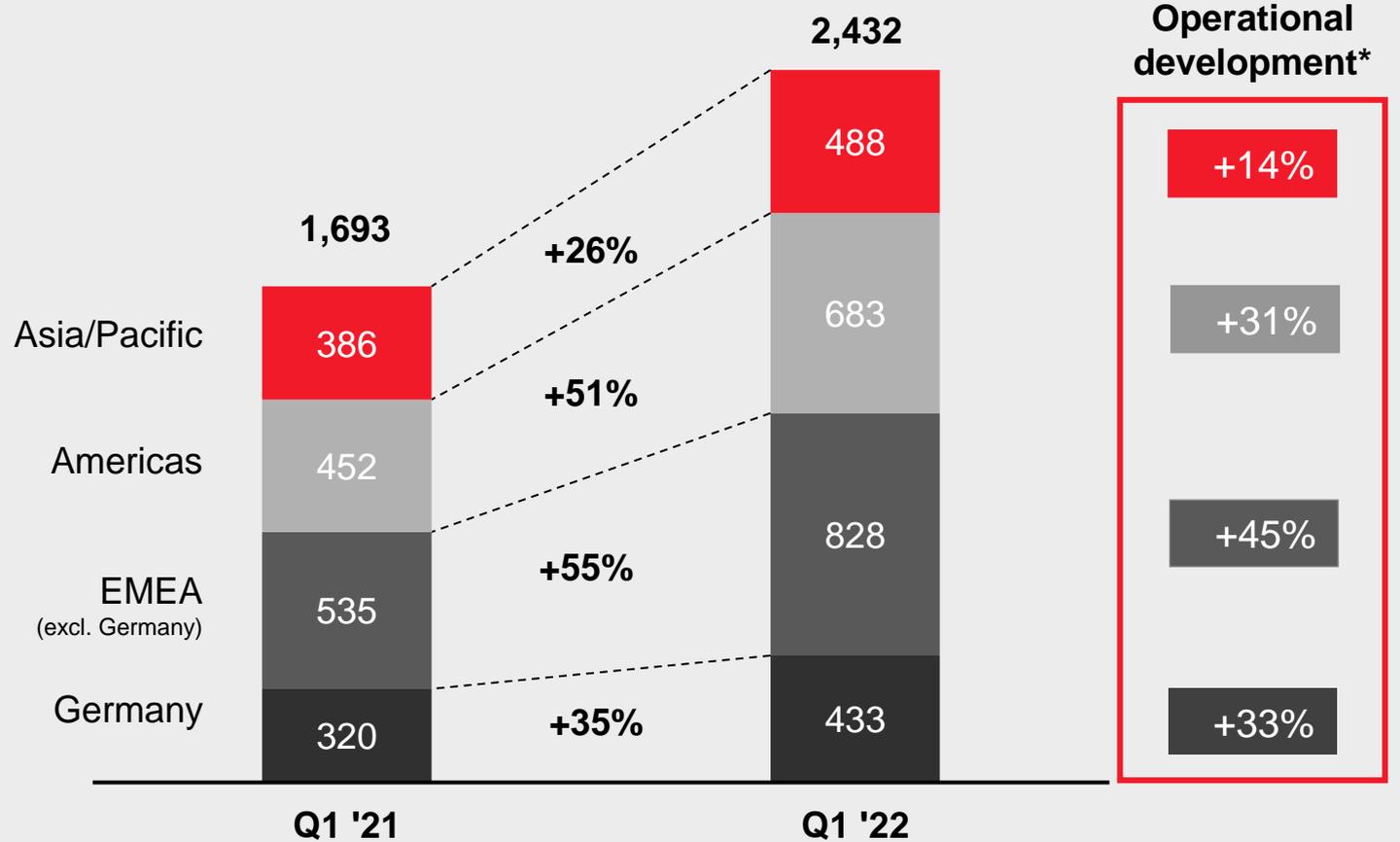


Q1 2022: Strong price-driven growth in all regions

Q1 2022 sales by region [%]



Regional development of sales [€ m]



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

Exceptional items (on EBIT) slightly below previous year level

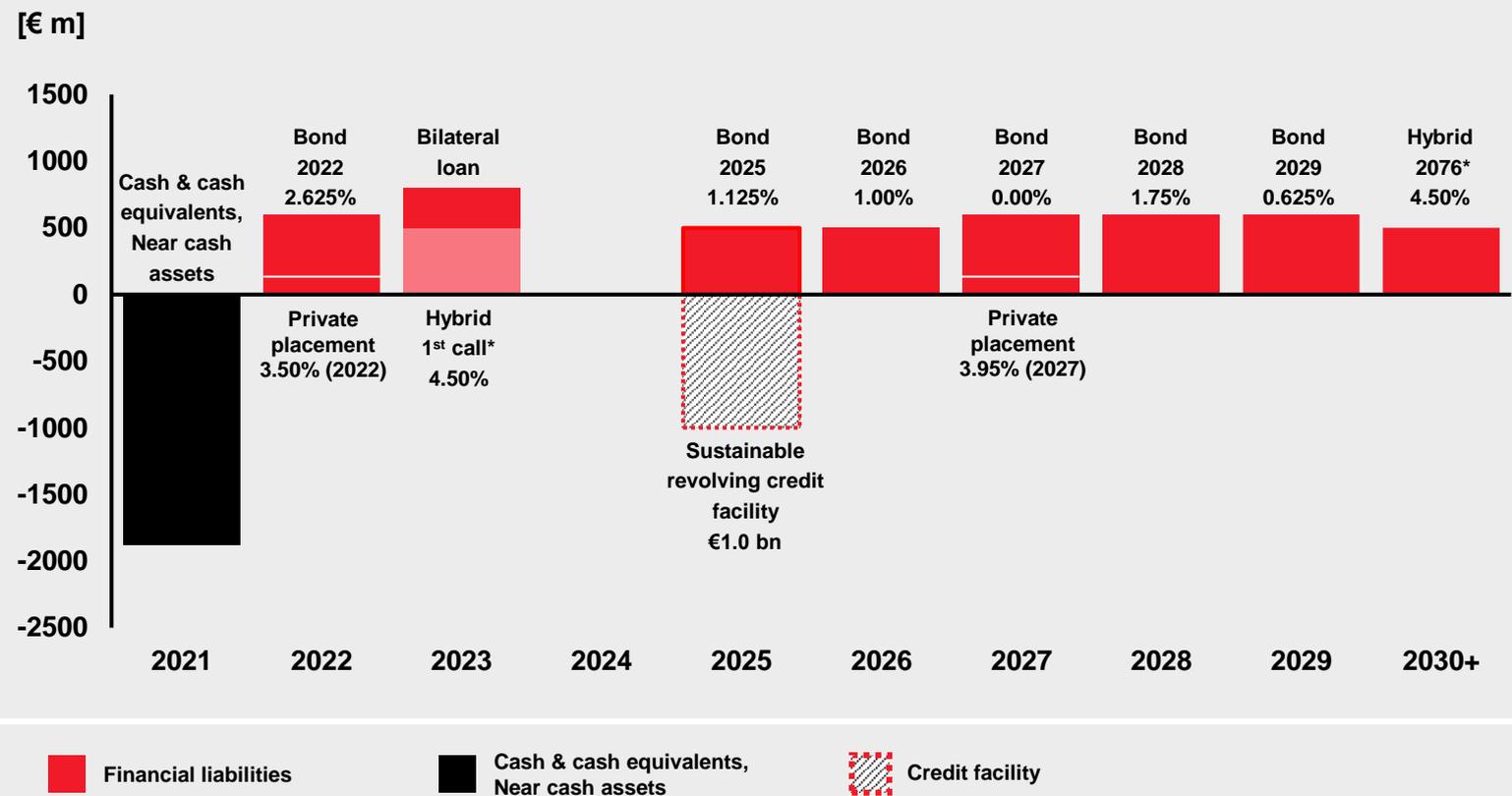
[€ m]	Q1/2021		Q1/2022		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	2	0	1	0	incl. Emerald Kalama Chemical integration
M&A, Digitalization (incl. Chemondis) and Others	18	0	11	1	incl. organic leather, membrane, chrome mine divestments; Emerald Kalama Chemical, IFF MC, Theseo, INTACE acquisitions
Strategic IT projects	7	0	14	0	incl. SAP Hana Project
Total	27	0	26	1	

LANXESS maturity profile actively managed and well balanced

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

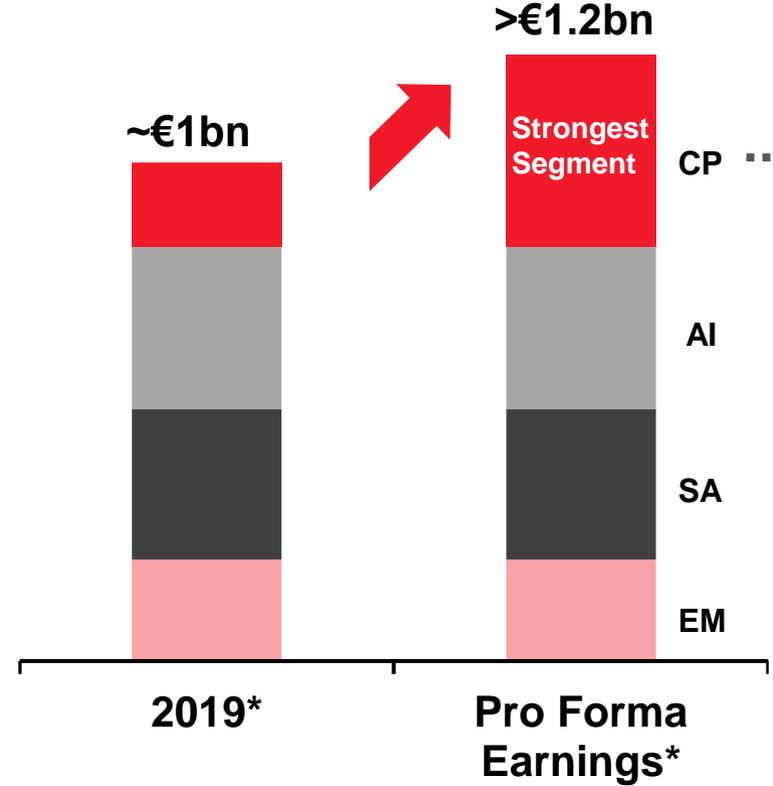
Liquidity and maturity profile as per March 2022



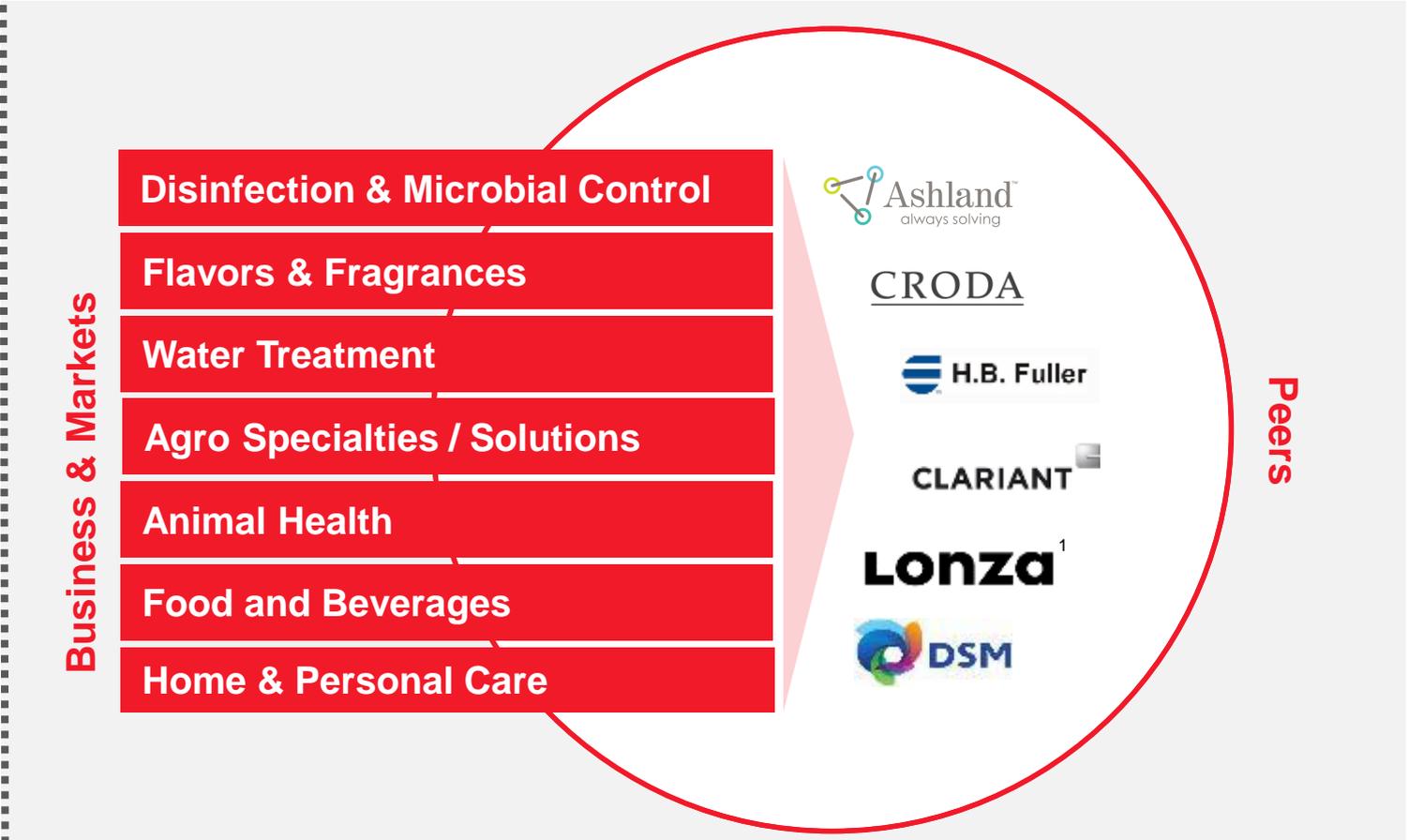
High-quality businesses strengthen LANXESS and change the face of the company



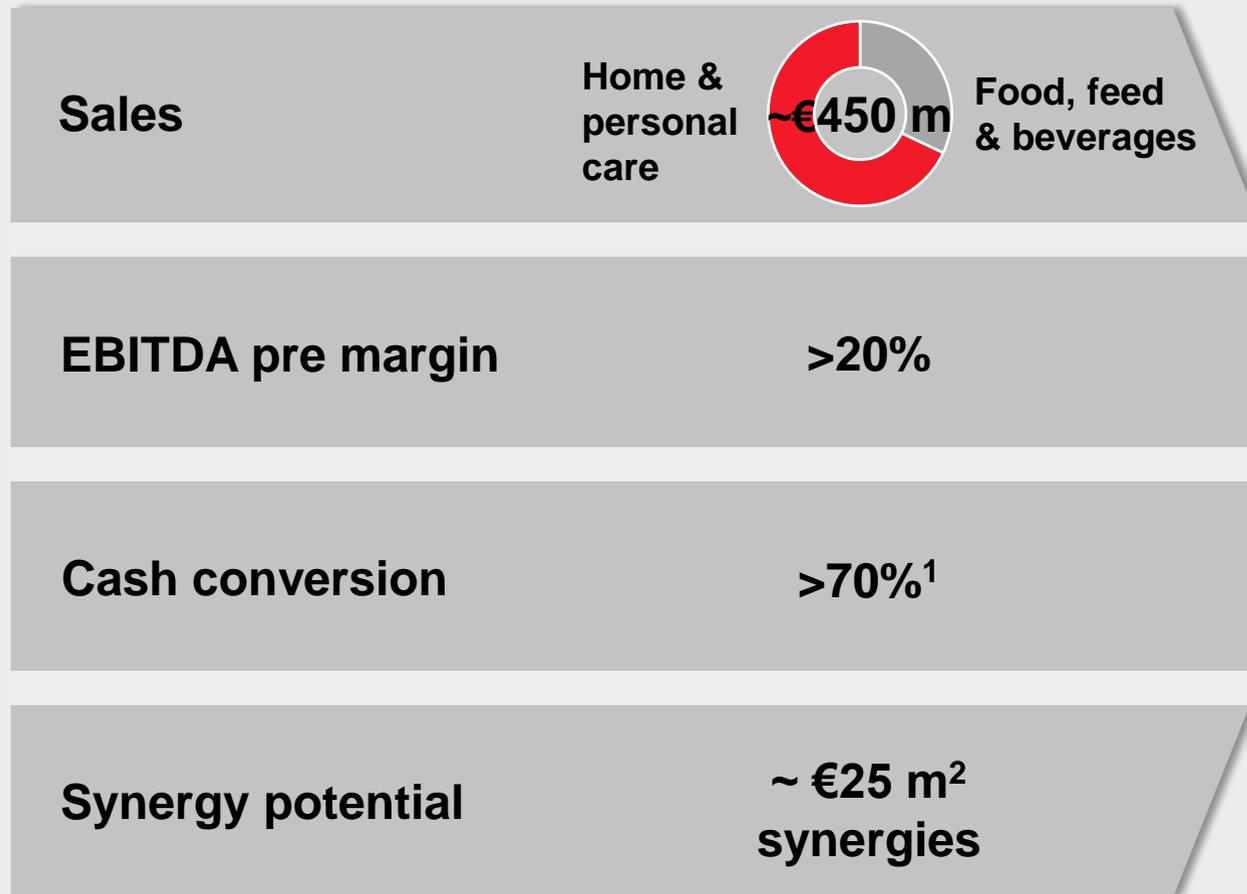
Acquisitions made Consumer Protection strongest segment



Consumer Protection active in a high multiple universe



BU F&F Financials: Reflecting specialty character



Investment criteria met



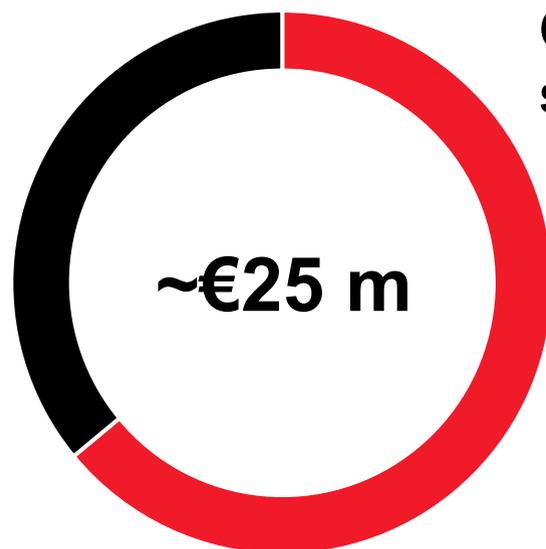
Emerald Kalama Chemical acquisition: Synergies, OTCs and Capex step in earlier than expected

Overview: Synergies structure

Phasing: Synergies, OTCs and CAPEX

Illustrative

Top line synergies

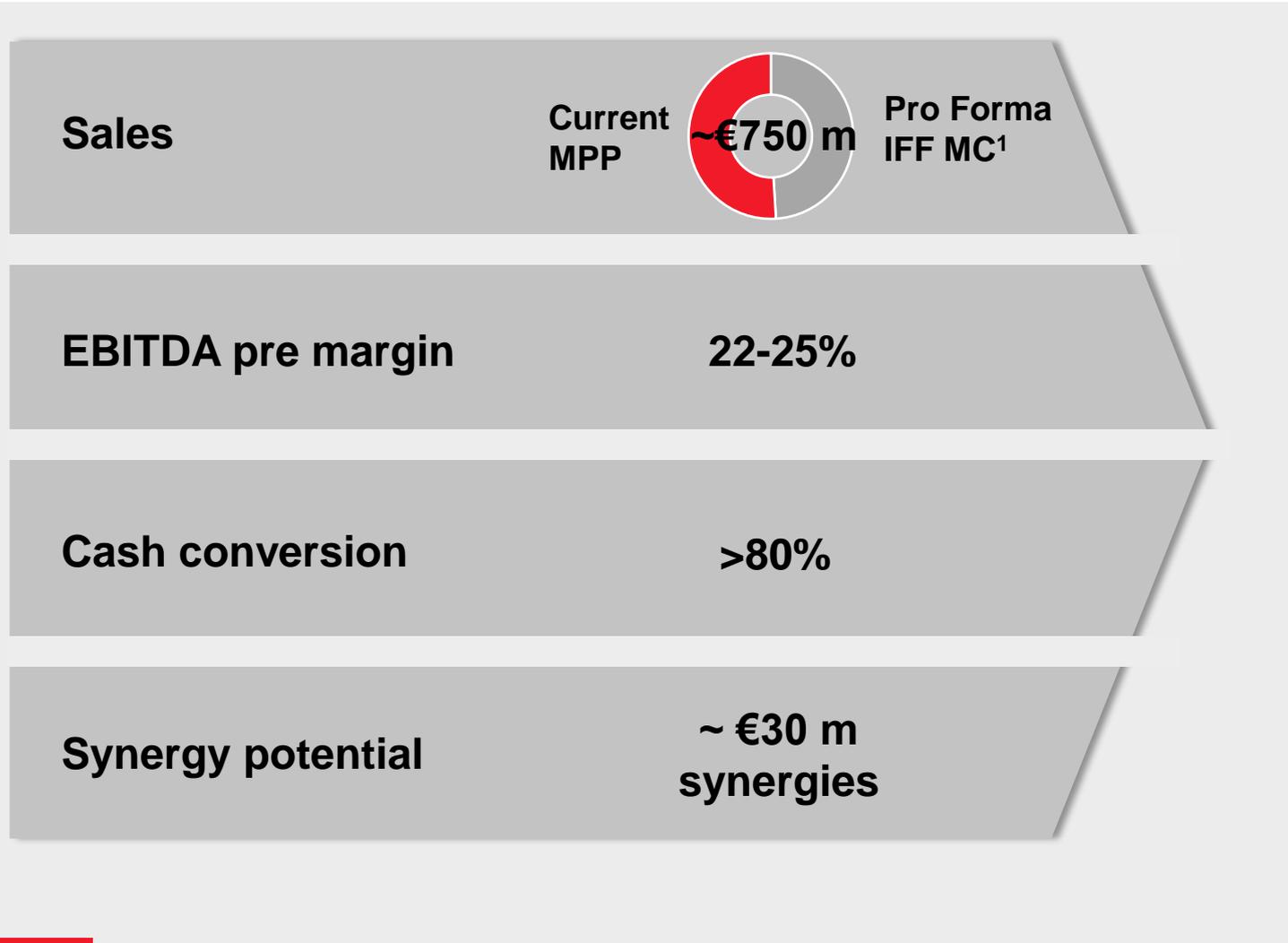


Cost based synergies

update

	2021	2022	2023	2024
Synergies	<€5 m	~€10 m	~€5 m	~€5 m
OTCs	~€15 m	~€10 m	~€5 m	~€5 m
CAPEX*	~€15 m	~€15 m	~€15 m	~€10 m

Financials: Enhancing MPP's strong financial profile



Investment criteria met



IFF MC: Targeting €30m synergies, thereof €25m by 2024



Top line synergies: ~ €10m

- Complementary geographies and customers
- Cross selling potential
- New applications: energy market and hygiene



Cost synergies: ~ €20m

- Streamlining of sales office infrastructure
- Optimization of supply chain and distribution model
- Sourcing synergies
- Manufacturing excellence

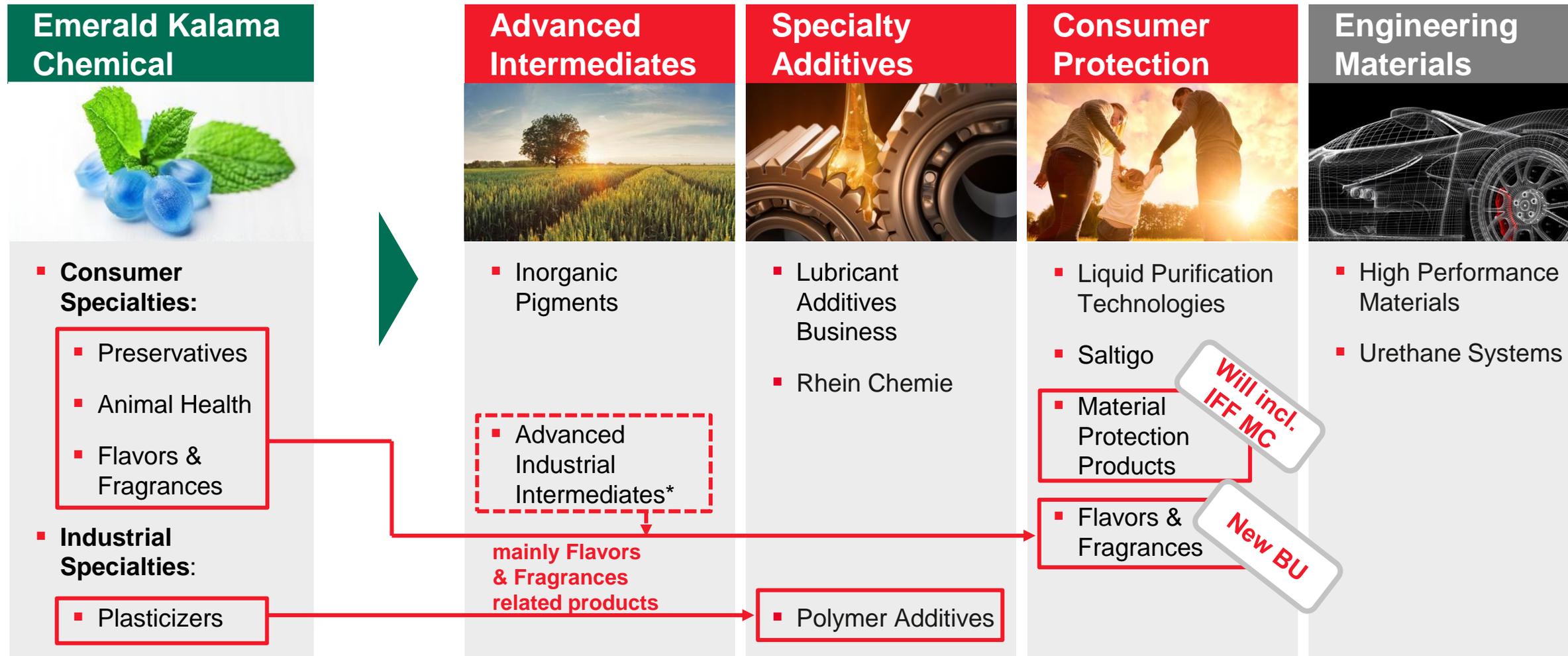
Substantial synergies

Illustrative



	2022	2023	2024	2025
Synergies	~ €5m	~ €10m	~ €10m	~ €5m
OTCs	~ €15m	~ €10m	~ €5m	-
CAPEX*	~ €10m	~ €5m	~ €5m	-

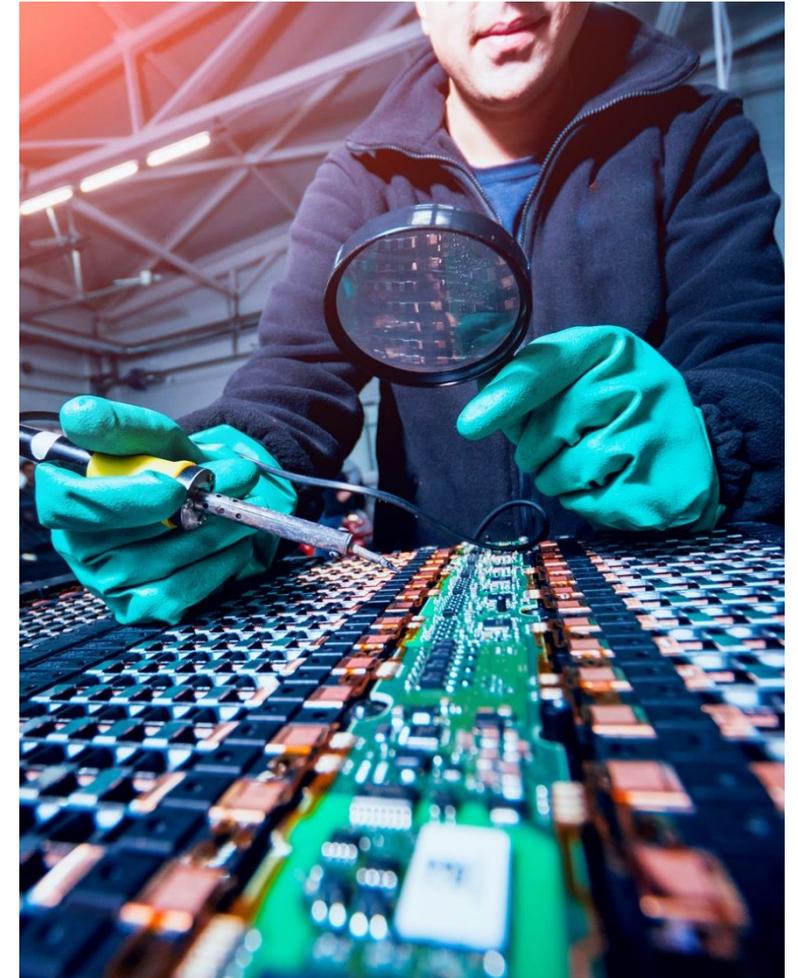
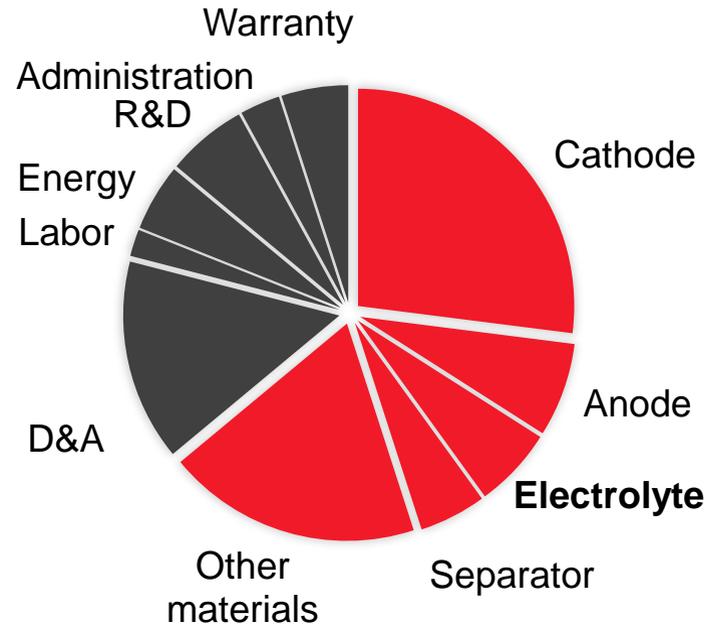
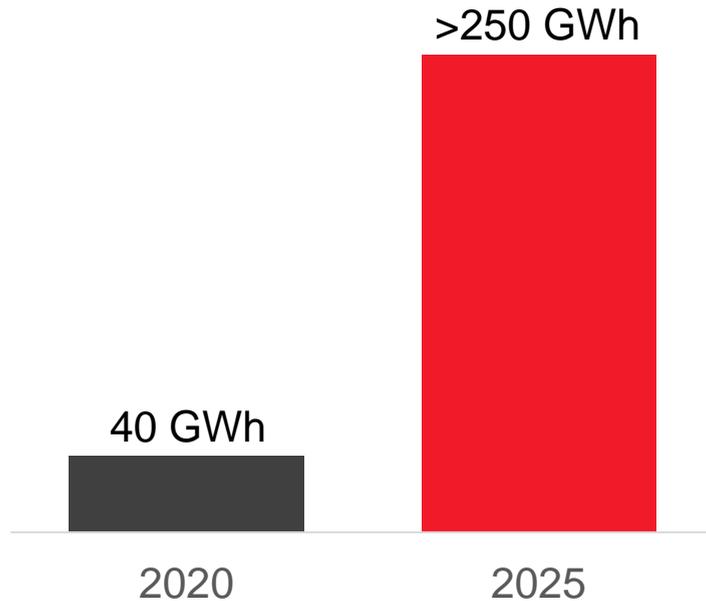
Flavor & Fragrance products combined in new business unit within the Consumer Protection segment



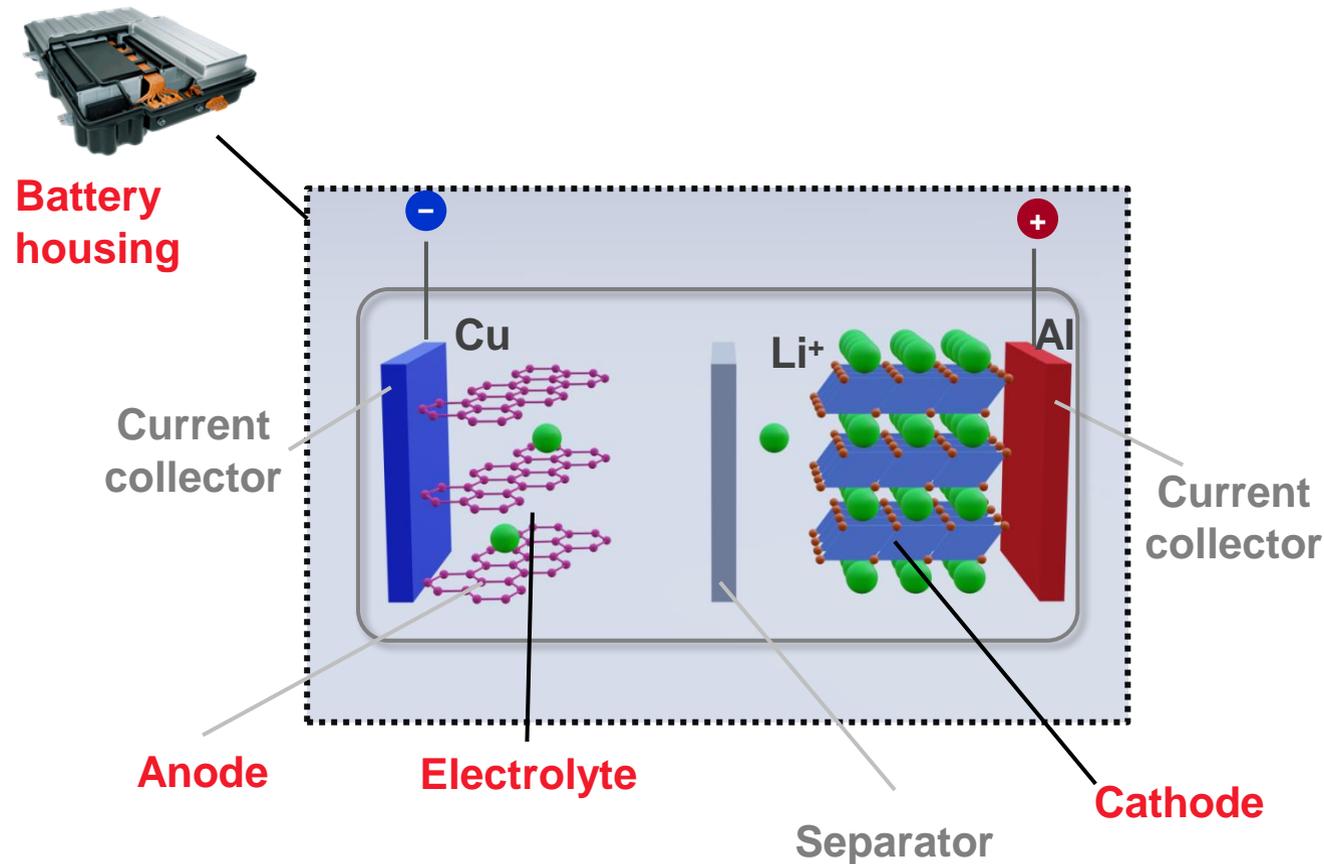
EU market for battery chemicals to grow to over EUR 10 billion by 2025

Massive growth in demand for battery cells in the EU

Chemistry accounts for 2/3 of battery cell costs



LANXESS offers key products for Li-Ion batteries



Battery housing

- PA/PBT compounds for components of the e-powertrain (BU HPM)

Electrolyte

- Key materials (Hydrofluoric acid, phosphorus chemicals) for electrolyte salt (LiPF_6) (BU AII/BU PLA)
- Flame retardants (BU PLA)

Cathode & Anode

- Iron oxide as precursor for cathode active materials (BU IPG)
- Ion-exchange resins for refining battery grade cobalt, nickel and lithium (BU LPT)
- Lithium chemicals from tail-brine (BU PLA)*

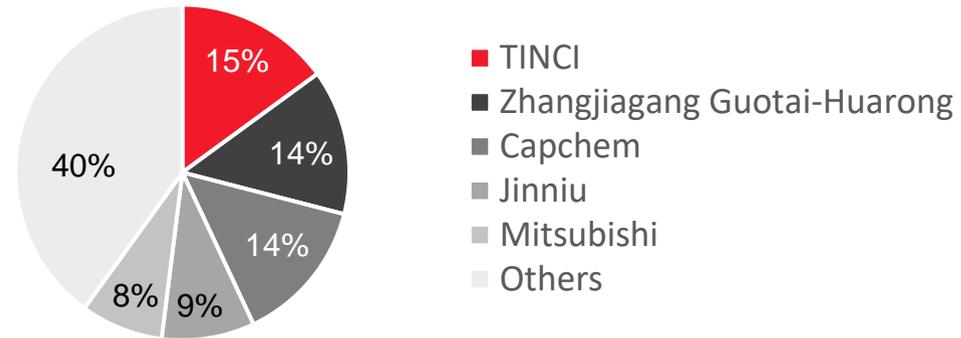
LANXESS starts electrolyte production for Li-Ion batteries in cooperation with market leader TINCI



Partnership with TINCI

- TINCI (Chinese Guangzhou Tinci Materials): a leading manufacturer for battery materials and the largest electrolyte producer worldwide
- Saltigo starts electrolyte production for TINCI in its high-tech plant in Leverkusen (Germany) early 2022

TINCI with leading position in fragmented electrolyte market*



Local raw material supply is key for cell manufacturers and OEMs

Contact details Investor Relations



Oliver Stratmann
Head of Treasury & Investor Relations

Tel.: +49 221 8885 9611
Fax.: +49 221 8885 4944
Mob.: +49 175 304 9611
E-Mail: oliver.stratmann@lanxess.com



André Simon
Head of Investor Relations

Tel.: +49 221 8885 3494
Fax.: +49 221 8885 4944
Mob.: +49 175 302 3494
E-Mail: andre.simon@lanxess.com



Lisa Häckel
Investor Relations Assistant

Tel.: +49 221 8885 9834
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 4637
E-Mail: lisa.haeckel@lanxess.com



Visit the IR website



Eva Frerker
Institutional Investors / Analysts

Tel.: +49 221 8885 5249
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 2969
E-Mail: eva.frerker@lanxess.com



Anja K. Siehler
Institutional Investors / Analysts

Tel.: +49 221 8885 1035
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 2789
E-Mail: anja.siehler@lanxess.com



Markus Sieben
Institutional Investors / Analysts

Tel.: +49 221 8885 7344
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 2913
E-Mail: markus.sieben@lanxess.com



Mirjam Reetz
ESG & Retail Investors

Tel.: +49 221 8885 1272
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 3158
E-Mail: mirjam.reetz@lanxess.com

Abbreviations



Advanced Intermediates

AI 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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