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LANXESS – Q1 2022 results

A strong start into an uncertain year

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Agenda

1 Executive summary Q1 2022

2 Energy costs and price escalation

3 Preparation for potential gas embargo

4 Outlook

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

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Highlights	Challenges
▪ 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	▪ 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)

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%**

* including cash, cash equivalents, near cash assets, short-term money market investments
** 31.12.2021

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Energy costs with unprecedented rise

Gas price development in Germany*

Management of energy supply and costs in focus

* German Trading Hub Europe Natural Gas Forward Month 1 (moving average)

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

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Q2 ‘21 → Q1 ‘22

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

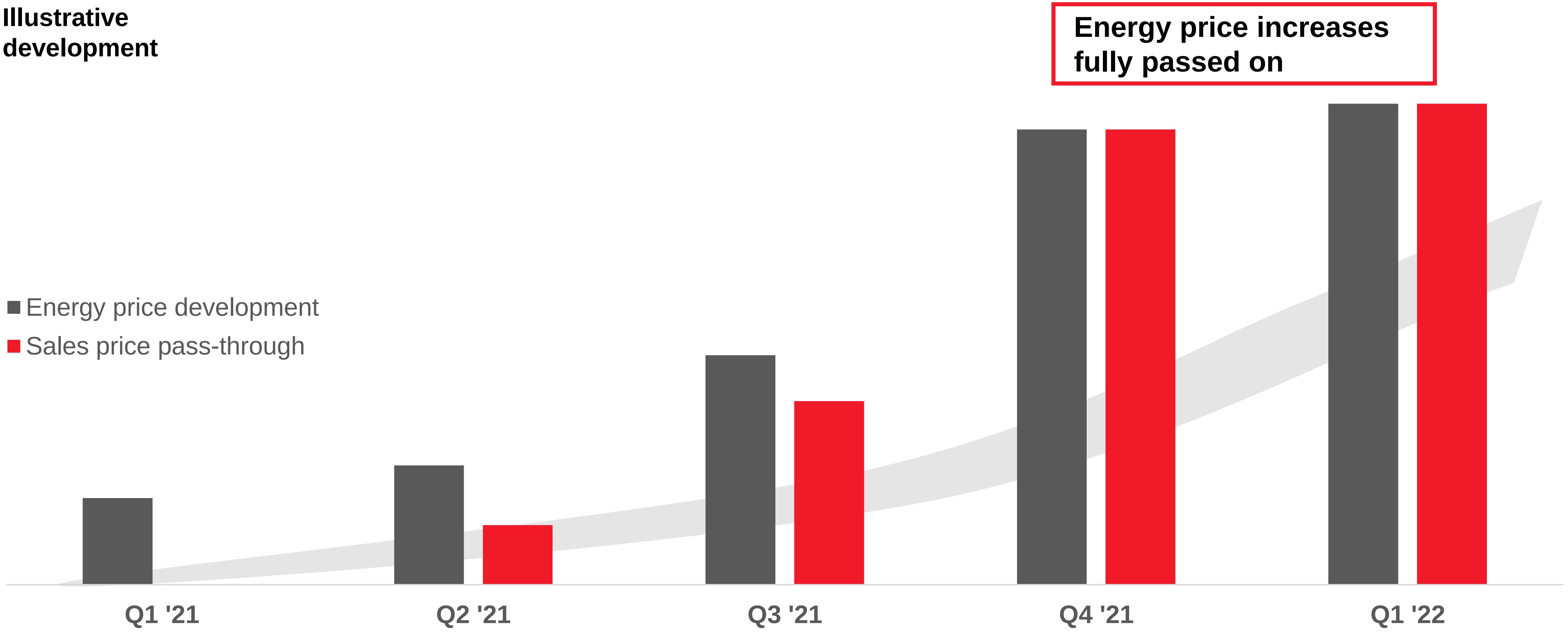
- Develop concepts by BU
- Develop concepts for major customers
- Train sales force

- 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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3 **Preparation for potential gas embargo**

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

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Russian attack on Ukraine — **24th Feb** — **Set up of task force**

- Establishment of full transparency on risk exposure:
  - Minor sales / receivables exposure
  - Minor asset / risk exposure
- Preparation of crisis scenarios (opex and capex control)
- Procurement established alternative sourcing concepts, where needed

14th March — **Additional liquidity**

- Preparation of additional liquidity
- Issuance of €600 m bond and establishment of further committed credit lines to have back-up liquidity in place

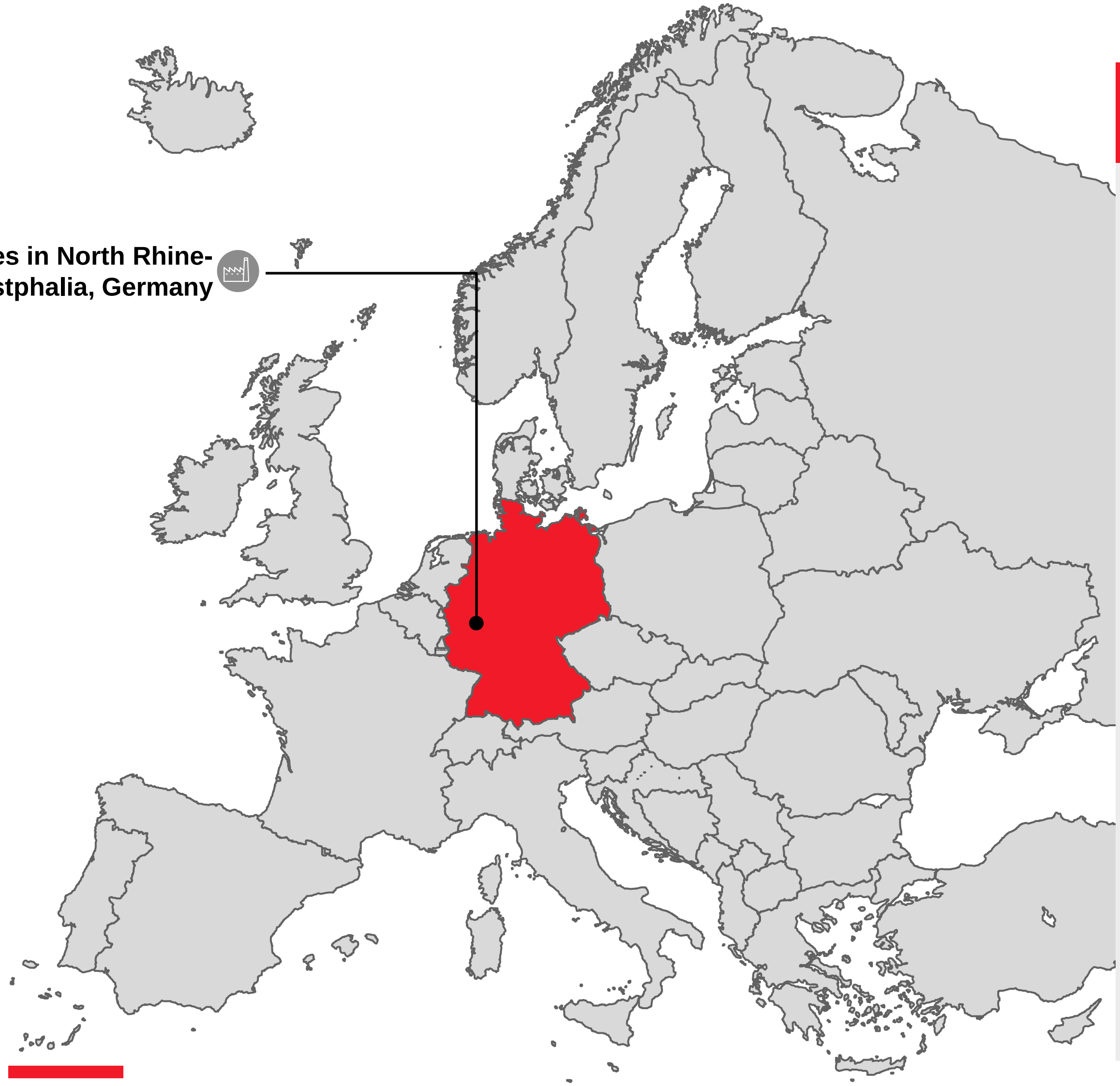
On-going — **Preparation for potential gas embargo**

- Creation of transparency on gas exposure world-wide
- Prioritization of gas allocation by site and product lines
- Develop operational and technical implementation plans

Direct impacts considered modest

 All statements based on currently available information

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
- Embargo of Russian oil: minor issue
- LXS energy costs: only 40% depend on gas in Germany

Potential consequences:

Electricity: less critical, replaceable from grid

Steam: An embargo of Russian gas only leads to a modest direct impact (see following analysis)

* Leverkusen, Uerdingen, Dormagen

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

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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

* In North Rhine-Westphalia / in case of an embargo, these would be the most impacted sites in Germany

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

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

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Raw material and energy price increases passed through

[€ 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%

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

Total +44%

Q1 Sales vs. PY

- 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

Advanced Intermediates: Ongoing strong price increases

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Higher raw material and energy prices successfully passed on

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

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

Total +36%

Q1 Sales vs. PY

- 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

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All BUs with considerable earnings growth

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

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

Total +41%

Q1 Sales vs. PY

- 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

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Acquired businesses contribute as expected

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

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

Total +48%

Q1 Sales vs. PY

- 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

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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

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[€ 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

* Prior year figure from continuing operations

Q1 2022: Significant sales and EBITDA improvement in all segments

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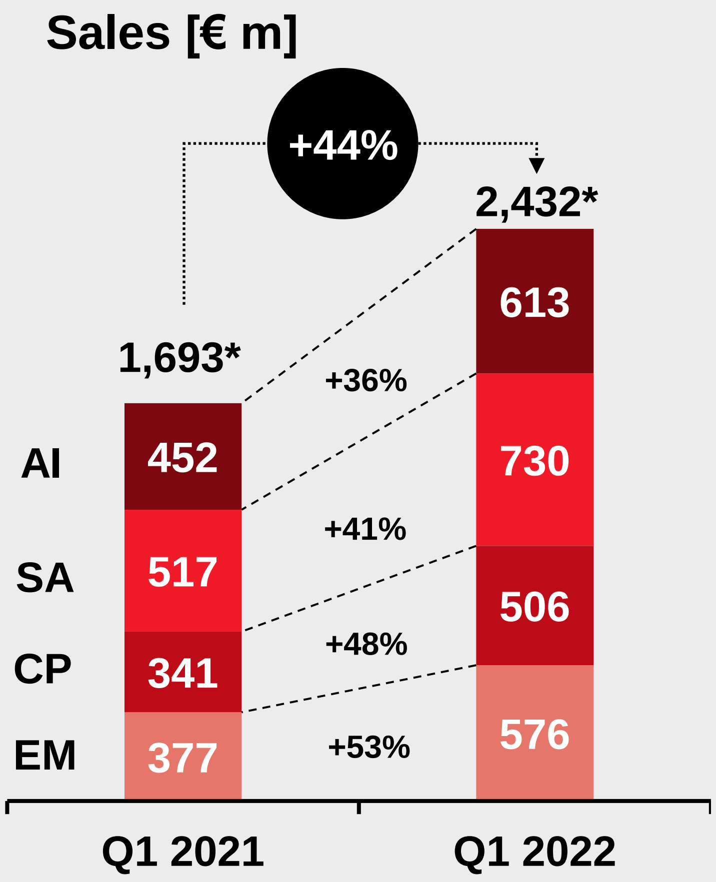
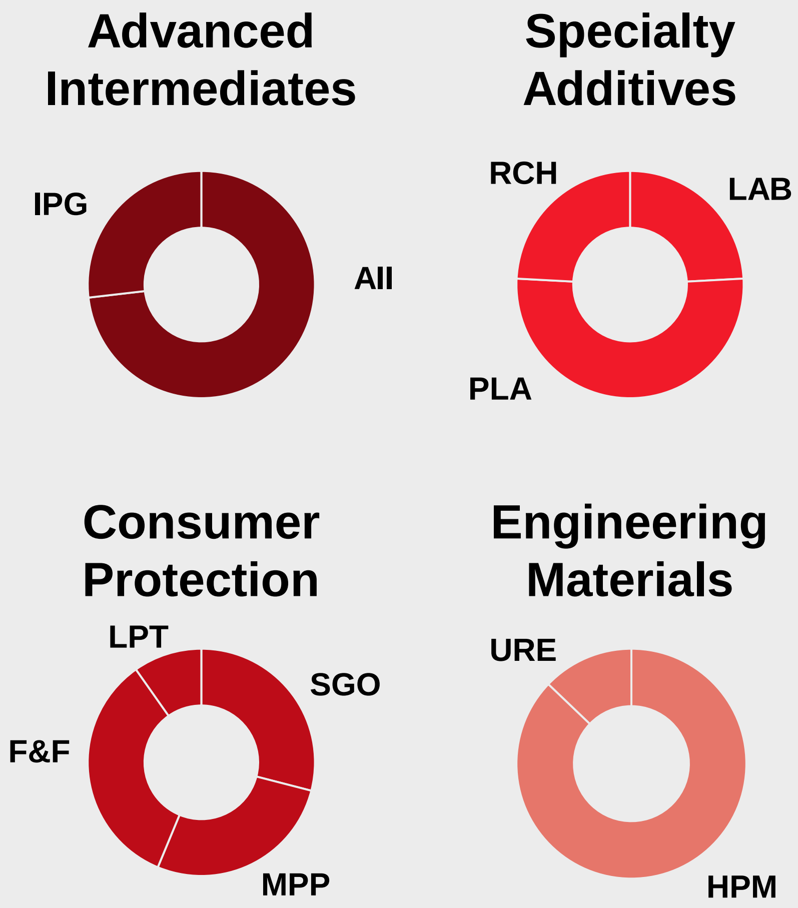
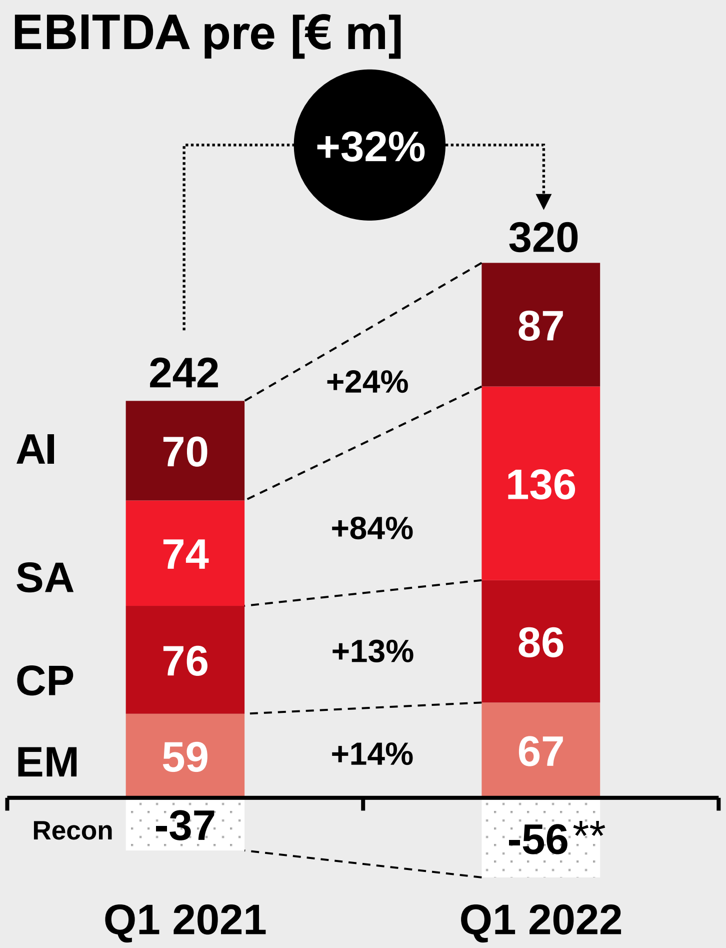


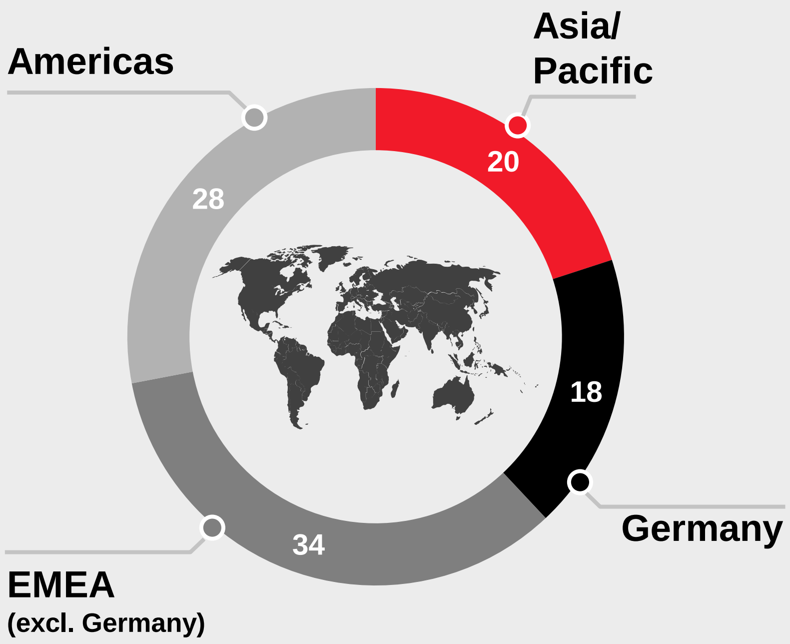




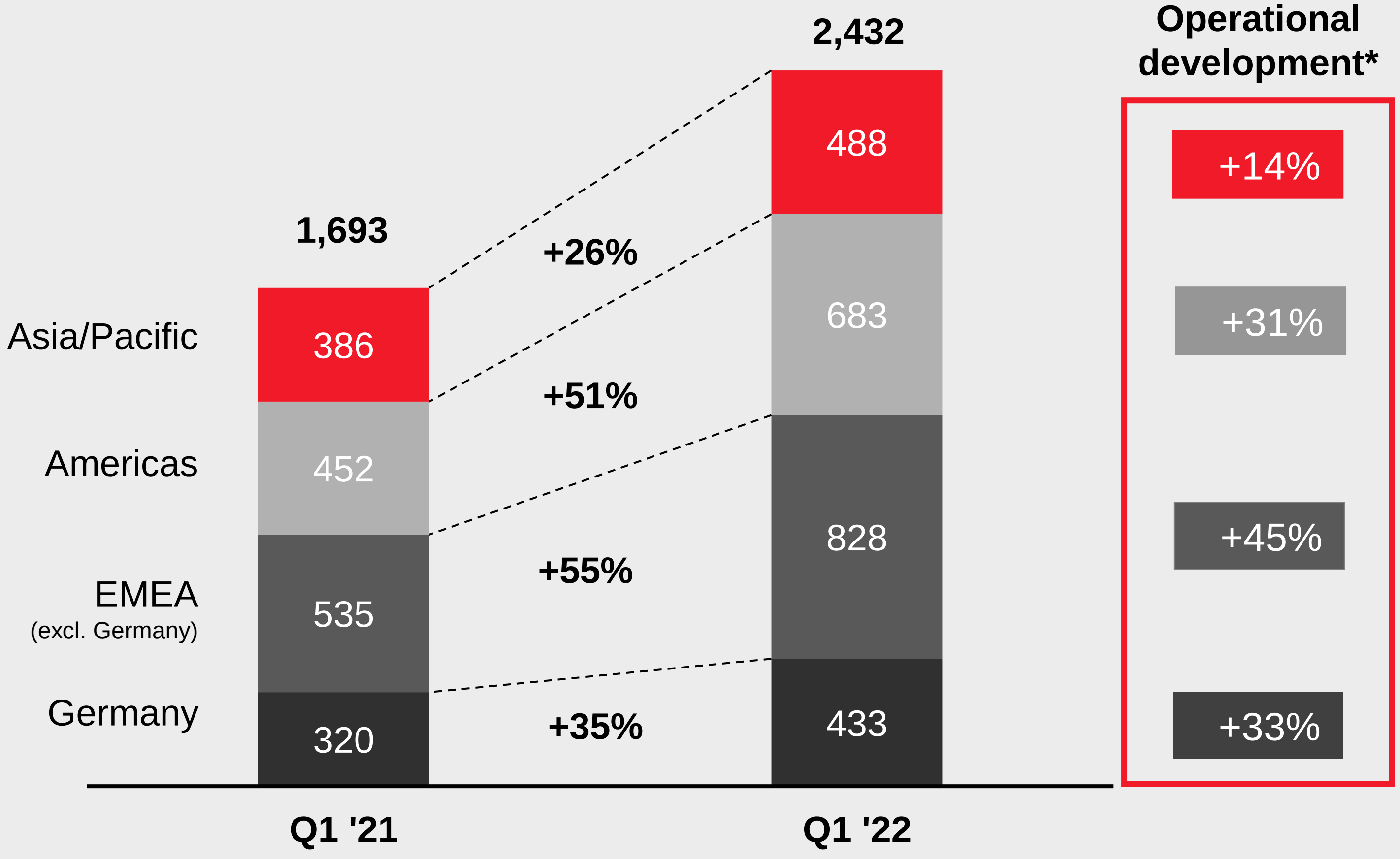
* Total group sales including reconciliation
** Lower result due to remnant costs, hedging and cost inflation

Q1 2022: Strong price-driven growth in all regions

Q1 2022 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

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

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[€ 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

* Applies to continuing operations

Solid liquidity secures flexibility in uncertain times

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[€ 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, 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

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

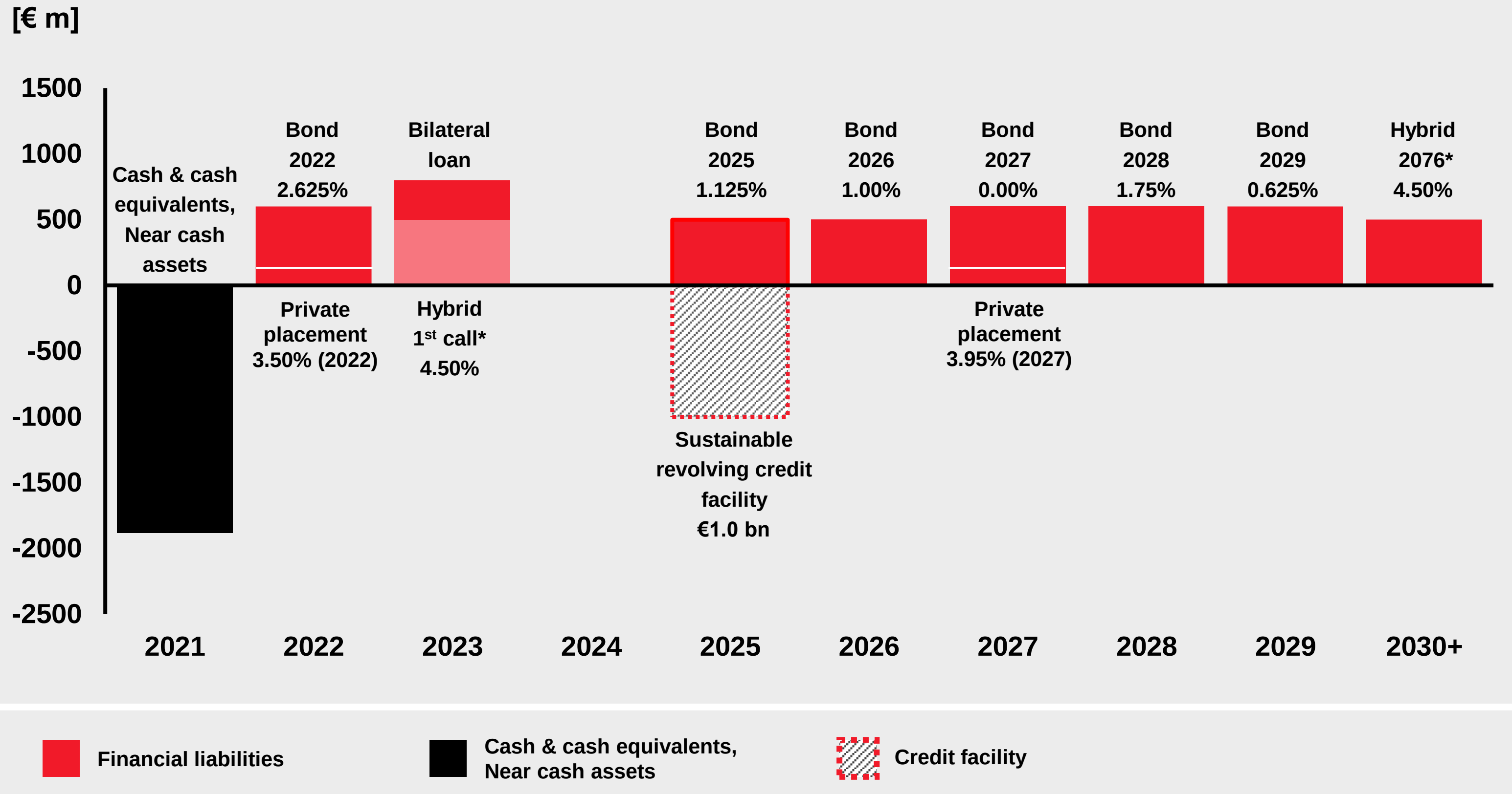
[€ m]	Q1/2021		Q1/2022		
	Excep.	Thereof D&A	Excep.	Thereof D&A	Comments
Strategic Realignment & Restructuring	2	0	**1**	**0**	incl. Emerald Kalama Chemical integration
M&A, Digitalization (incl. Chemondis) and Others	18	0	**11**	**1**	incl. organic leather, membrane, chrome mine divestments; Emerald 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



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

Upcoming events 2022 - Proactive capital market communication

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May

5 Q1 2022 Results

6 CEO London Roadshow

9 CEO Frankfurt Roadshow

9-11 CFO New York Roadshow

12 J.P. Morgan European Materials Conference

16-18 CFO Singapore Roadshow

25 Annual Stockholders' Meeting 2022

Jun

29 Morgan Stanley Cannon Ball Run Field Trip

Aug

4 Q2 2022 Reporting

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Abbreviations

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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