

Q3 2020 Results

LANXESS Group

Returning business momentum –
offset by previously guided impacts

LANXESS

Energizing Chemistry

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	Q3 2019	Q3 2020	Δ	Comments	YTD 2019	YTD 2020	Δ
Sales	€1,704 m	€1,461 m	-14%	↓ Sales decline due to weak, however sequentially improving demand across many industries. Lower prices (raw material driven) burden	€5,166 m	€4,601 m	-11%
EBITDA pre	€269 m	€193 m	-28%	↓ EBITDA pre and margin decrease due to lower demand, unwinding raw material tailwind and planned maintenance shutdown	€822 m	€662 m	-19%
margin	15.8%	13.2%	-2.6 pp.	↓ Consumer Protection segment and cost containment measures partly compensate	15.9%	14.4%	-1.5 pp.
EPS	€ 0.79	€ 0.30	-62%	↓ Earnings impacted by lower demand, unwinding raw material tailwind, maintenance shutdown and FX	€ 2.85	€ 10.25	>100%
EPS pre	€ 1.32	€ 0.66	-50%		€ 4.08	€ 2.68	-34%
Net financial debt*	Dec 2019 €1.742 m	Sep 2020 €1,150 m	-34%	↓ Improved on sale of CURRENTA stake Strong liquidity secures financial and operating flexibility in Corona crisis			
Capex	€117 m	€102 m	-13%	↓ Reduction in response to pandemic	€295 m	€264 m	-11%

Sales - **14%** Price - **6%** Volume - **7%** Currency - **2%** Portfolio - **0%**

* Including cash, cash equivalents, short term money market investments

Advanced Intermediates

Anticipated raw material price effect weighs on performance



- Sales drop mainly on lower raw material prices and respective tailwind unwinding as expected
- Stable volumes in BU IPG and almost on PY level in BU All
- Inventories reduced leading to lower utilization and higher idle costs
- EBITDA pre and margin suffer from lower prices

Sales	-14%							
						Q3 2019	Q3 2020	
Price	Volume	Currency	Portfolio		EBITDA pre	€91 m	€65 m	
-10%	-2%	-2%	0%		margin	16.6%	13.8%	

Consumer Protection*

Premium margin level!

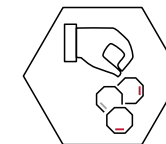


- Sales reflect slight price increase in all BUs and effect from IPEL acquisition, offset by slightly lower volumes and FX
- Volumes remain on strong previous year level despite announced pre-buying impact in BU SGO in Q2 and slight decline in BU LPT (membranes)
- Strong YTD performance of segment

Sales	+/- 0%							
						Q3 2019	Q3 2020	
Price	Volume	Currency	Portfolio		EBITDA pre	€55 m	€59 m	
+1%	-1%	-2%	+2%		margin	19.9%	21.2%	

Specialty Additives

Demand still impacted by Corona crisis

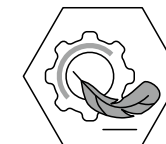


- Sales decline mainly driven by lower volumes due to ongoing weakness in automotive, aviation and oil & gas
- Price decline due to lower raw material prices, weak USD additionally burdens
- EBITDA and margin decline reflect lower demand in key industries and negative FX effect

Sales	-18%							
						Q3 2019	Q3 2020	
Price	Volume	Currency	Portfolio		EBITDA pre	€97 m	€65 m	
-3%	-12%	-3%	0%		margin	19.3%	15.9%	

Engineering Materials

Impact from pandemic and planned shutdown burden

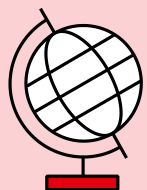


- Sales decrease reflects weak demand from auto and E&E industry and pass-through of lower raw material prices
- Price and volume decline in both BUs, however business momentum improving
- Considerable EBITDA pre and margin decline due to lower volumes and prices intensified by planned maintenance shutdown of major assets in BU HPM

Sales	-19%							
						Q3 2019	Q3 2020	
Price	Volume	Currency	Portfolio		EBITDA pre	€59 m	€33 m	
-9%	-9%	-1%	0%		margin	16.7%	11.6%	

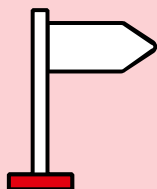
* New reporting structure as of Q1 2020, all numbers excluding BU LEA which is reported as discontinued operations

Outlook 2020: Guidance confirmed, corridor narrowed



Current view on economy

- Automotive industry shows first signs of improvement
- High unpredictability expected to continue



LANXESS outlook

- FY EBITDA pre guidance confirmed
- Corridor narrowed to €820 – 880 m

Housekeeping items 2020

Capex: ~€450 m

Operational D&A: ~€450 m

Reconciliation: ~€140-150 m incl. remnant costs

Tax rate: ~28%

Exceptionals: ~€100 - 120 m based on current initiatives

FX sensitivity: One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging

Remnant costs: 2020: ~€10 m

Additional remnant costs of ~€5 m in 2021 (50% of organic leather business due to expected closing mid 2021)

2022: Additional remnant costs of ~€5 m (impact of organic leather business fully effective)

LANXESS with sustainable way forward

MSCI rating upgrade

- LANXESS way above average in Corporate Governance
- Convincing climate strategy
- Continuous improvement in Chemical Safety

New strategy for a sustainable water management

- Water risk analysis completed
- > 90 % of water withdrawal at sites without water scarcity
- Measures for sites in areas with highest water scarcity planned
- Target: 15% absolute reduction of water withdrawal until 2023 at relevant sites

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Financial Overview Q3 2020

€ million	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020
External sales	549	470	503	410	277	278	353	285	22	18	1,704	1,461
Inter-segment sales	10	10	3	2	12	11	0	0	(25)	(23)	0	0
Segment/Group sales	559	480	506	412	289	289	353	285	(3)	(5)	1,704	1,461
Segment result/EBITDA pre exceptionals	91	65	97	65	55	59	59	33	(33)	(29)	269	193
EBITDA margin pre exceptionals (%)	16.6	13.8	19.3	15.9	19.9	21.2	16.7	11.6			15.8	13.2
EBITDA	90	65	92	60	55	59	59	32	(56)	(46)	240	170
EBIT pre exceptionals	58	34	57	23	35	40	43	16	(40)	(37)	153	76
EBIT	57	34	52	18	35	40	43	15	(63)	(54)	124	53
Segment capital expenditures	41	32	31	26	15	16	25	20	19	13	131	107
Depreciation and amortization/ reversals of impairment charges	33	31	40	42	20	19	16	17	7	8	116	117

Prior-year figures restated and in line with the changed segment structure

€ million	Advanced Intermediates		Specialty Additives		Consumer Protection		Engineering Materials		Reconciliation		LANXESS	
	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020
External sales	1,718	1,497	1,494	1,312	788	858	1,100	876	66	58	5,166	4,601
Inter-segment sales	30	30	10	8	45	38	0	0	(85)	(76)	0	0
Segment/Group sales	1,748	1,527	1,504	1,320	833	896	1,100	876	(19)	(18)	5,166	4,601
Segment result/EBITDA pre exceptionals	310	253	269	213	163	194	189	110	(109)	(108)	822	662
EBITDA margin pre exceptionals (%)	18.0	16.9	18.0	16.2	20.7	22.6	17.2	12.6			15.9	14.4
EBITDA	305	251	260	201	163	191	189	109	(167)	(165)	750	587
EBIT pre exceptionals	212	158	154	90	102	134	141	60	(127)	(130)	482	312
EBIT	207	156	143	78	102	113	141	59	(186)	(188)	407	218
Segment capital expenditures	117	99	77	64	39	41	59	42	43	50	335	296
Depreciation and amortization/ reversals of impairment charges	98	95	117	123	61	78	48	50	19	23	343	369
Employees as of Sep. 30 (previous year: as of Dec. 31)	3,831	3,769	2,942	2,712	2,286	2,438	2,203	2,194	3,042	3,238	14,304	14,351

Prior-year figures restated and in line with the changed segment structure

Income Statement Q3 2020

in € million

	Q3/2019	Q3/2020	9M/2019	9M/2020
Sales	1,704	1,461	5,166	4,601
Cost of sales	-1,252	-1,111	-3,790	-3,422
Gross profit	452	350	1,376	1,179
Selling expenses	-198	-184	-609	-580
Research and development expenses	-29	-26	-84	-80
General administration expenses	-65	-57	-193	-195
Other operating income	16	12	65	55
Other operating expenses	-52	-42	-148	-161
Operating result (EBIT)	124	53	407	218
Income from investments accounted for using the equity method	0	0	0	0
Interest income	2	2	5	7
Interest expense	-17	-13	-49	-48
Other financial income and expense	-6	-8	1	873
Financial result	-21	-19	-43	832
Income before income taxes	103	34	364	1,050
Income taxes	-24	-9	-101	-159
Income after income tax from continuing operations	79	25	263	891
Income after income tax from discontinued operations	-12	0	-15	-8
Income after income taxes	67	25	248	883
of which attributable to non-controlling interests	-2	-1	-5	-5
Net income (attributable to LANXESS AG stockholders)	69	26	253	888
EPS (in €)	0.79	0.30	2.85	10.25
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	1.32	0.66	4.08	2.68

Cashflow Statement Q3 2020

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Income before income taxes	103	34	364	1,050
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	116	117	343	369
Losses/gains on disposals of intangible assets and property, plant and equipment	1	0	0	(1)
Financial losses (gains)	16	14	24	(845)
Income taxes paid	(42)	(31)	(154)	(135)
Changes in inventories	(8)	110	(44)	26
Changes in trade receivables	34	(72)	16	(13)
Changes in trade payables	(25)	(11)	(116)	(111)
Changes in other assets and liabilities	59	6	(66)	(8)
Net cash provided by operating activities – continuing operations	254	167	367	332
Net cash provided by (used in) operating activities – discontinued operations	1	1	2	(16)
Net cash provided by operating activities – total	255	168	369	316
Cash outflows for purchases of intangible assets and property, plant and equipment	(117)	(102)	(295)	(264)
Cash inflows from sales of intangible assets and property, plant and equipment	1	0	3	4
Cash outflows for financial and other assets held for investment purposes	(23)	(102)	(241)	(1,443)
Cash inflows from financial and other assets held for investment purposes	20	222	82	794
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	–	–	(25)
Cash inflows from the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	–	6	–	818
Interest and dividends received	1	2	24	155

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Cash outflows for external funding of pension obligations (CTAs)	–	(100)	–	(100)
Net cash used in investing activities – continuing operations	(118)	(74)	(427)	(61)
Net cash used in investing activities – discontinued operations	(4)	(1)	(8)	(2)
Net cash used in investing activities – total	(122)	(75)	(435)	(63)
Proceeds from borrowings	–	–	4	1,000
Repayments of borrowings	(22)	(9)	(75)	(1,036)
Interest paid and other financial disbursements	(3)	(6)	(43)	(51)
Dividend payments	–	(82)	(79)	(82)
Cash outflows for the acquisition of own shares	–	–	(200)	(37)
Net cash used in financing activities – continuing operations	(25)	(97)	(393)	(206)
Net cash used in financing activities – discontinued operations	0	(1)	(2)	(1)
Net cash used in financing activities – total	(25)	(98)	(395)	(207)
Change in cash and cash equivalents – continuing operations	111	(4)	(453)	65
Change in cash and cash equivalents – discontinued operations	(3)	(1)	(8)	(19)
Change in cash and cash equivalents – total	108	(5)	(461)	46
Cash and cash equivalents at beginning of period – total	229	340	797	296
Exchange differences and other changes in cash and cash equivalents – total	1	(3)	2	(10)
Cash and cash equivalents at end of period – total	338	332	338	332
of which continuing operations	338	332	338	332
of which discontinued operations	0	0	0	0

Prior-year figures restated

2019 like-for-like figures for new reporting structure reflect shift between segments AI and CP

Sales

[in € m]	Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total incl. Recon
FY	2,251	1,965	1,050	1,450	6,802
Q1	584	485	264	382	1,738
Q2	585	506	247	365	1,724
Q3	549	503	277	353	1,704
Q4	533	471	262	350	1,636

EBITDA pre

[in € m]	Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total incl. Recon
FY	383	353	198	238	1,019
Q1	105	83	60	65	272
Q2	114	89	48	65	281
Q3	91	97	55	59	269
Q4	73	84	35	49	197

Abbreviations:

Advanced Intermediates:

AI Advanced Industrial Intermediates

IPG Inorganic Pigments

Specialty Additives

LAB Lubricant Additives Business

PLA Polymer Additives

RCH Rhein Chemie

Consumer Protection

LPT Liquid Purification Technologies

MPP Material Protection Products

SGO Saltigo

Engineering Materials

HPM High Performance Materials

URE Urethane Systems