LANXESS – Q2 2022 results

Raw material and energy cost inflation successfully managed

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Agenda

1 Executive summary Q2 2022 and outlook

2 Financial and business details Q2 2022

3 Back-up

Q2 2022: Guidance achieved

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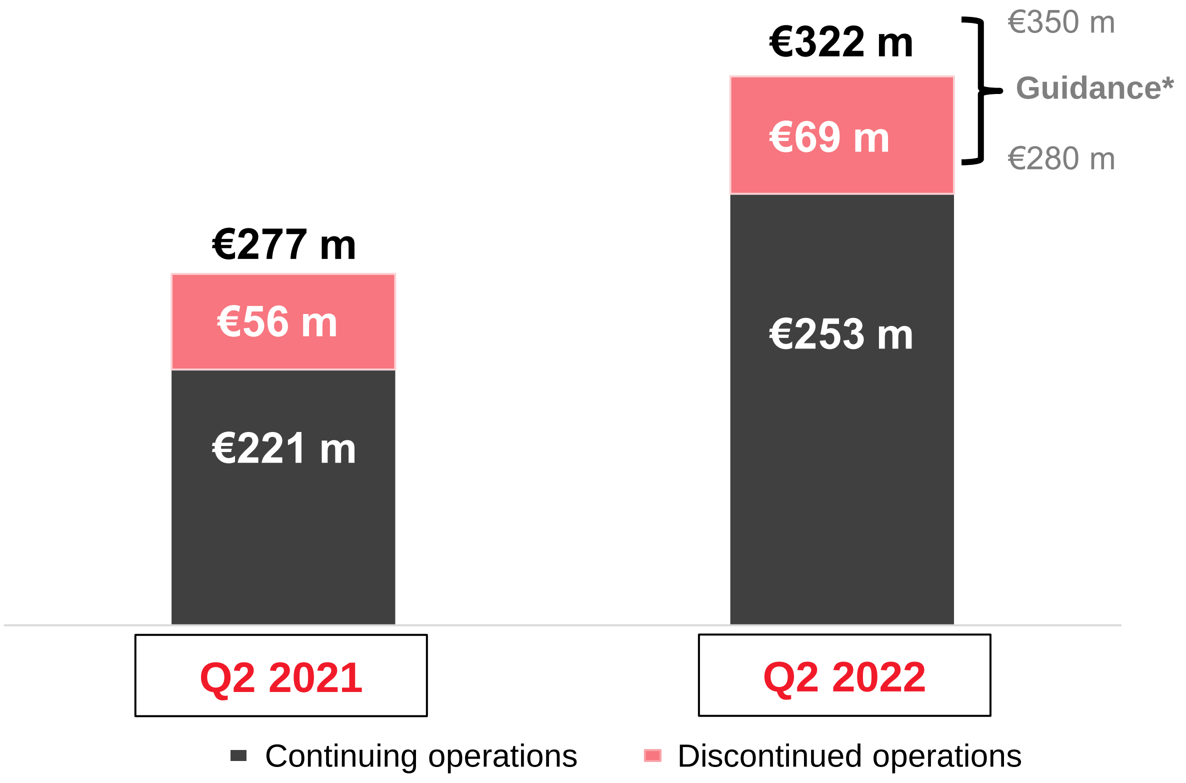
Increased earnings

EBITDA pre



Financial Highlights

+36% Sales increase
full pass-through of inflated raw material and energy costs

Logistic issues held back volumes

+14% EBITDA pre
to €253 m, top line inflation weighs on margin

*Guidance given in Q1 2022 included the former four business segments; after Advent deal HPM booked as discontinued operations since 1st of January 2022

Q2 2022: Next strategic steps towards specialty chemicals executed

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Highlights and challenges

- ✓ Acquisition of IFF's microbial control: closed on 1st July
- ✓ A leading global JV for high performance engineering polymers agreed with Advent (HPM team up with DSM)
- ✓ Reduction of complexity through portfolio changes (leading to a new segment structure)
- ✓ Strong growth in Specialty Additives and Consumer Protection
- ✓ SBTi approved 1.5° climate path and Scope 3 targets

- Ongoing logistic constraints held back volumes
- Inflationary environment continues

Reduction of complexity through portfolio changes leading to a new segment structure

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Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials

- Urethane Systems
- High Performance Materials

Advanced Intermediates

Specialty Additives

Consumer Protection

Recon-ciliation

Discontinued Operations

LANXESS enhances climate strategy by adding Scope 3 reduction target and gaining SBTi approval

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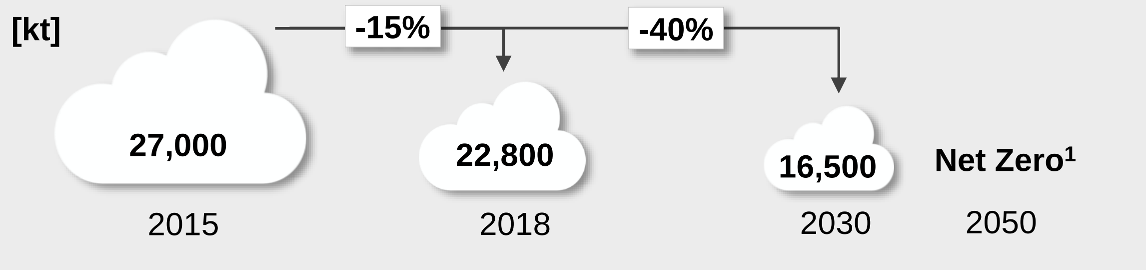
Net Zero \ Value Chain

- Newly set Scope 3 emission reduction target
- Approved by SBTi

LANXESS Scope 3 emissions pathway



LANXESS climate strategy

2019: "Climate Neutral 2040" with roadmap for Scope 1+2 emissions reduction

- Realize major impact projects for climate protection
- Decouple emissions and growth
- Pursue technological innovations

2022: "Net Zero Value Chain" strategy to reduce Scope 3 value chain emissions

- Use of sustainable raw materials
- Transition to green logistics
- Increasingly offer low-carbon and climate-neutral products

SBTi = Science Based Targets Initiative | [1] "Net Zero" may include emission compensation measures

Guidance for FY 2022 confirmed, based on current market data

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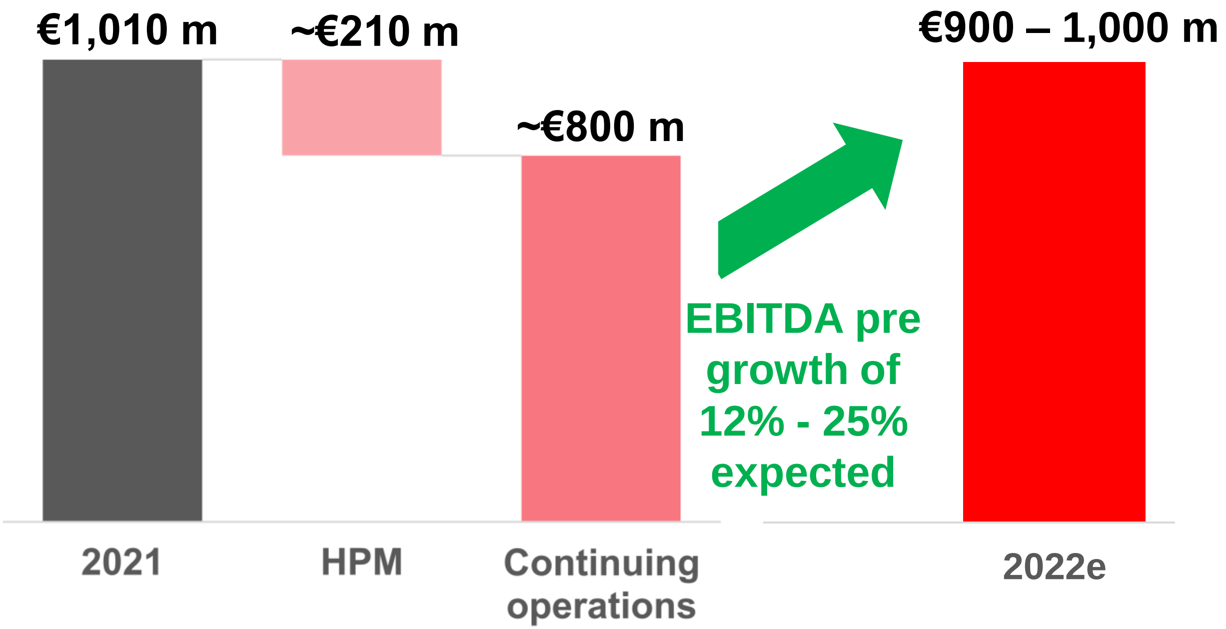
Current view on economy

- Continuously high level of energy and raw material costs
- Ongoing disruptions in global supply chains and logistic constraints
- Increasing pressure from general inflation on global demand

LANXESS EBITDA pre outlook*



* Outlook includes Microbial Control business of IFF (closed on 1st July 2022) and does not include the discontinued operations (BU HPM)

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LANXESS Group: Further increase in EBITDA pre

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Full pass-through of input costs

[€ m]	Q2/2021	Q2/2022	Δ	1H 2021	1H 2022	Δ
Sales	1,469	1,999	36%	2,841	3,930	38%
EBITDA pre	221	253	14%	414	515	24%
Margin	15.0%	12.7%		14.6%	13.1%	
CAPEX	82	92	12%	143	151	6%

Price	Volume	FX	Portfolio
+26%	-6%	+7%	+9%

Total +36%

Q2 Sales vs. PY

- Significant sales increase in all segments driven by continued successful pass-through of higher raw material and energy prices, additionally supported by portfolio and FX
- Higher EBITDA pre results from strong contribution of Specialty Additives and Consumer Protection; logistic constraints held back volumes
- Full pass-through of inflated input costs and lower volumes impacted margins

Advanced Intermediates: Soft result despite price pass-through

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Volumes held back by various logistic limitations

[€ m]	Q2/2021	Q2/2022	Δ	1H 2021	1H 2022	Δ
Sales	466	587	26%	918	1,200	31%
EBITDA pre	91	74	-19%	161	161	0%
Margin	19.5%	12.6%		17.5%	13.4%	
CAPEX	28	19	-32%	48	37	-23%

Price	Volume	FX	Portfolio
+29%	-8%	+5%	0%

Total +26%

Q2 Sales vs. PY

- Sales increase driven by higher prices due to raw material and energy price pass-through in both BUs, positive FX
- Logistic constraints burden volumes especially in BU IPG
- EBITDA pre and margin impacted by time lag in price pass-through and lower utilization on planned maintenance turnarounds in BU AII

Specialty Additives: Earnings benefit from continued price catch-up

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All BUs contribute, BU PLA delivers especially well

[€ m]	Q2/2021	Q2/2022	Δ	1H 2021	1H 2022	Δ
Sales	568	764	35%	1,085	1,494	38%
EBITDA pre	89	134	51%	163	270	66%
Margin	15.7%	17.5%		15.0%	18.1%	
CAPEX	24	24	0%	40	37	-8%

Price	Volume	FX	Portfolio
+26%	-5%	+10%	+4%

Total +35%

Q2 Sales vs. PY

- Improved sales in all BUs, driven by strong pricing and FX
- Volumes remain on high level compared to strong previous year base but continuously held back by logistic constraints
- Ongoing recovery in aviation and oil & gas industry
- Continued price catch-up and positive FX development supports EBITDA pre and margin increase

Consumer Protection: Portfolio effect shapes results

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BU F&F integration well on track

[€ m]	Q2/2021	Q2/2022	Δ	1H 2021	1H 2022	Δ
Sales	366	558	52%	707	1,064	50%
EBITDA pre	71	90	27%	147	176	20%
Margin	19.4%	16.1%		20.8%	16.5%	
CAPEX	16	36	125%	30	59	97%

Price	Volume	FX	Portfolio
+22%	-5%	+4%	+31%

Total +52%

Q2 Sales vs. PY

- Significant sales increase due to portfolio, successful pricing and FX
- Volumes impacted by logistic challenges
- Increased EBITDA pre due to successful pricing and contribution from acquired EKC business
- Margin held back by lower volumes and energy price driven top line inflation

P&L Q2: Successful pass-through of higher input costs - ongoing logistic constraints and lower volumes burden

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[€ m]*	Q2/2021		Q2/2022		yoy in %
Sales	1,469	(100%)	1,999	(100%)	36%
Cost of sales	-1,082	(-74%)	-1,515	(-76%)	40%
Selling	-192	(-13%)	-241	(-12%)	26%
G&A	-62	(-4%)	-71	(-4%)	15%
R&D	-23	(-2%)	-26	(-1%)	13%
EBIT	**84**	**(6%)**	**97**	**(5%)**	**15%**
Net Income (cont.)	**47**	**(3%)**	**48**	**(2%)**	**2%**
EPS pre (cont.)	**1.02**		**1.05**		**3%**
EBITDA	191	(13%)	229	(11%)	20%
thereof except.	-30	(-2%)	-24	(-1%)	-20%
EBITDA pre except.	**221**	**(15%)**	**253**	**(12.7%)**	**14%**

- Successful pass-through of increased input costs. However, margin impacted by lower utilization and arithmetic effect
- Rising selling expenses result from ongoing higher logistic costs and portfolio effect
- Increase in G&A due to portfolio and FX effect

* All figures apply to continuing operations

Q2 2022: Significant sales improvement in all segments

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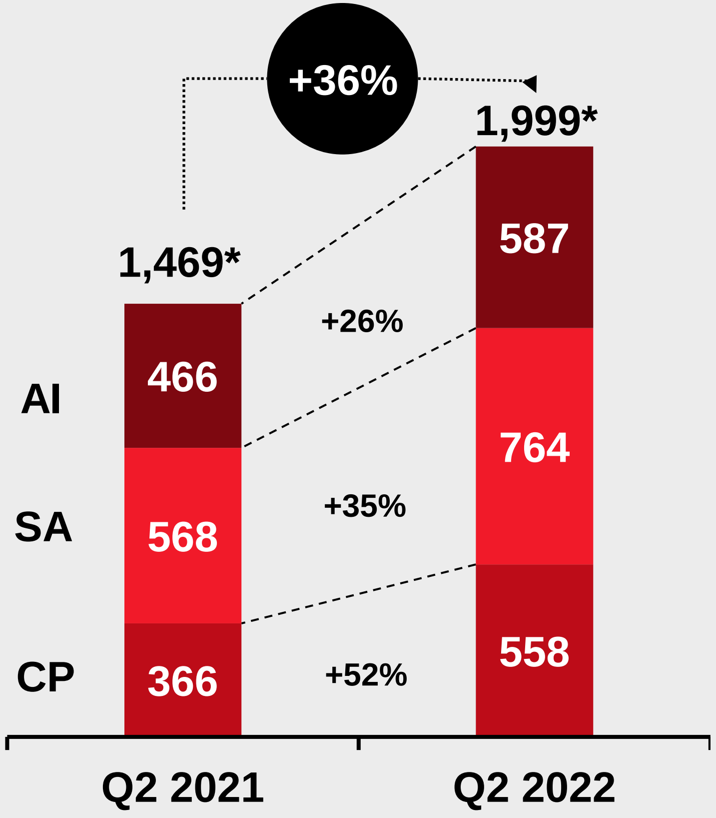
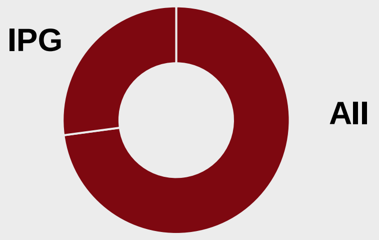
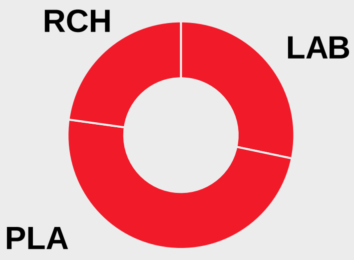
Sales [€ m]



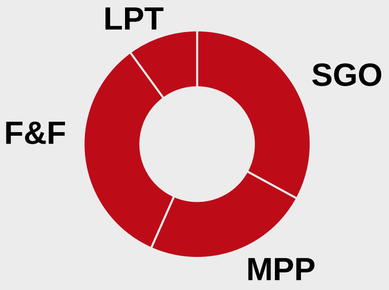
Advanced Intermediates



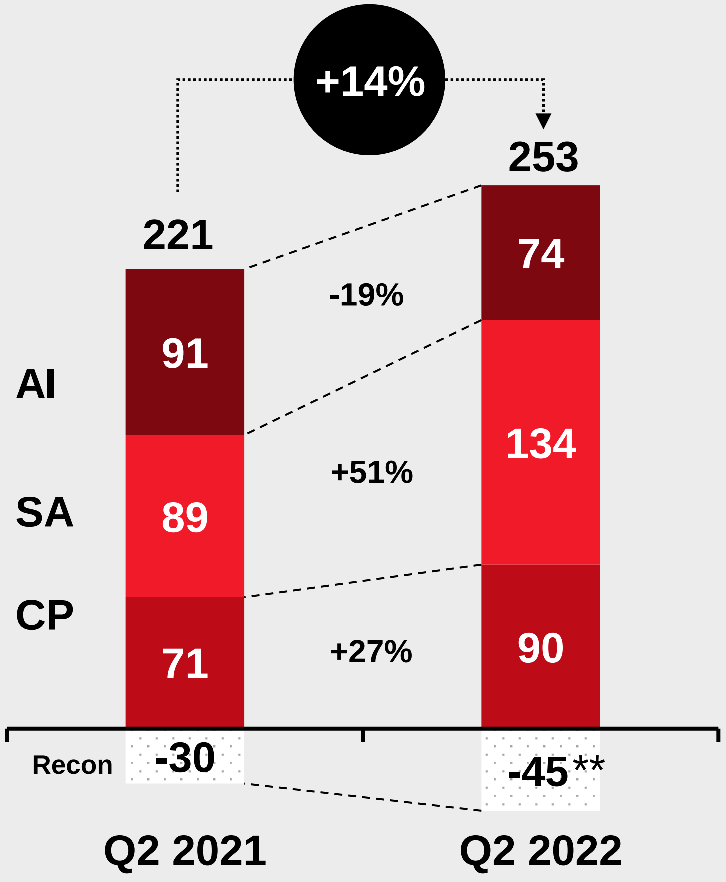
Specialty Additives



Consumer Protection



EBITDA pre [€ m]



* Total group sales including reconciliation
** Lower result due to hedging and inflated costs due to higher USD

Q2 2022: Strong price-driven growth in all regions

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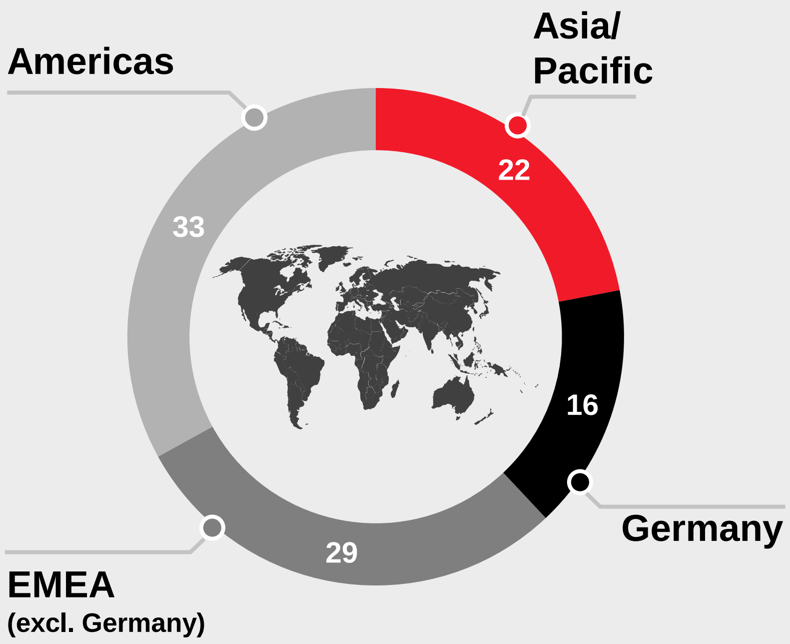
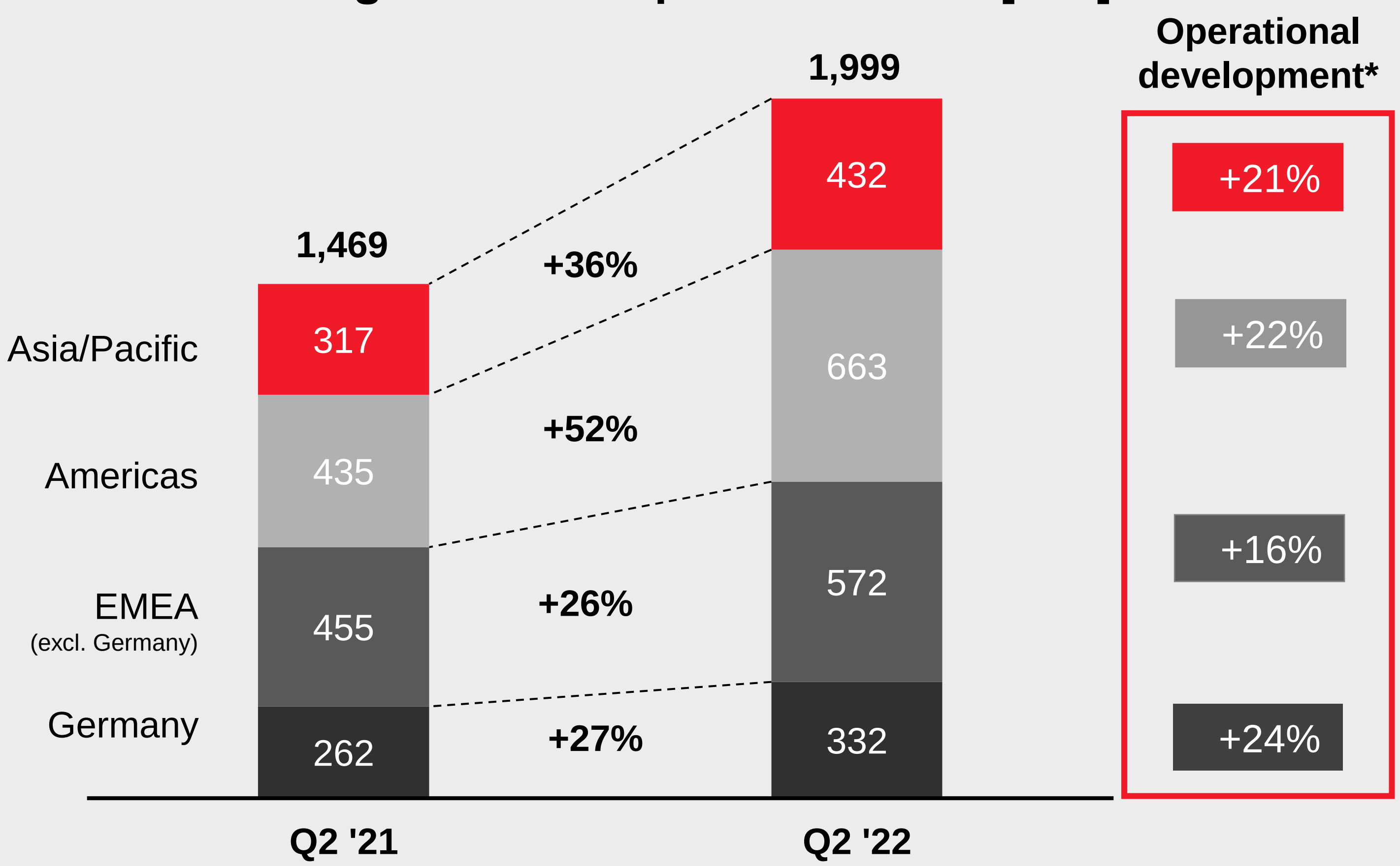
Q2 2022 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Improved operating cash flow despite outflow from change in working capital

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[€ m]*	Q2/2021	Q2/2022	Δ
Profit before tax	**67**	**67**	**0**
Income taxes paid	-9	27	36
Changes in other assets and liabilities	-76	-18	58
Oper. CF before Δ in W/C	**100**	**236**	**136**
changes in working capital	-99	-86	13
Operating cash flow	**1**	**150**	**149**
Investing cash flow	**192**	**47**	**-145**
thereof capex	-82	-92	-10
thereof net invest in money markets	260	134	-126

- Operating cash flow significantly increased
- Continued reimbursement of prepaid taxes
- Factoring of €95 m mitigates outflow from price driven working capital increase
- Change in investing cash flow due to lower net proceeds from money market products

* All figures apply to continuing operations

Portfolio and FX effects reflected in balance sheet items

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[€ m]	31.12.2021	30.06.2022[1]
Total assets	**10,518**	**11,820**
Equity	3,762	4,517
Equity ratio	**36%**	**38%**
Net financial debt[2]	**2,245**	**2,547**
Liquidity[2]	1,234	1,720
Pension provisions	**877**	**461**
Net working capital	**1,675**	**1,891**
DSI (in days)[3]	71	78
DSO (in days)[3]	45	43

- Increase in total assets driven by higher working capital, FX and strengthened liquidity position
- Higher equity reflects positive net income and OCI effects (mainly FX and pensions)
- Higher financial debt due to increased working capital and dividend payment
- Reduced pension provisions due to interest rate increases

1 BU HPM accounted as "discontinued operations": Assets & related liabilities of BU HPM summarized in one line item only and no longer included in presented line items (except total assets, equity)
2 Including cash, cash equivalents, near cash assets, short-term money market investments
3 Days sales of inventory / sales outstanding calculated from quarterly sales

Agenda

Housekeeping items 2022

Capex 2022	**~€450 m** (incl. IFF MC and excl. HPM D/O)
Reconciliation 2022	**~€180 m –** reflecting contribution from BU URE offset by hedging and inflated costs due to higher USD
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
Book Value BU HPM (30.06.2022)	€1,253 m assets €369 m liabilities

H1 2022: Improved earnings, margin arithmetically impacted by further inflated input costs

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[€ m]*	H1 2021		H1 2022		yoy in %
Sales	2,841	(100%)	3,930	(100%)	38%
Cost of sales	-2,104	(-74%)	-2,974	(-76%)	41%
Selling	-367	(-13%)	-477	(-12%)	30%
G&A	-129	(-5%)	-141	(-4%)	9%
R&D	-46	(-2%)	-50	(-1%)	9%
EBIT	**146**	**(5%)**	**210**	**(5%)**	**44%**
Net income (cont.)	**83**	**(3%)**	**114**	**(3%)**	**37%**
EPS pre (cont.)	**1.88**		**2.30**		**22%**
EBITDA	357	(13%)	467	(12%)	31%
thereof except.	-57	(-2%)	-48	(-1%)	-16%
EBITDA pre	**414**	**(14.6%)**	**515**	**(13.1%)**	**24%**

- Successful pass-through of increased input costs. However, margin impacted by lower utilization and arithmetic effect
- Rising selling expenses result from ongoing logistic constraints and portfolio effect
- Higher G&A reflect portfolio effect
- Improved earnings result especially from strong contribution of Specialty Additives and Consumer Protection
- Full pass-through of inflated input costs and lower volumes impacted margins

* All figures apply to continuing operations

H1: Improved operating cash flow despite significant burden from increase in working capital

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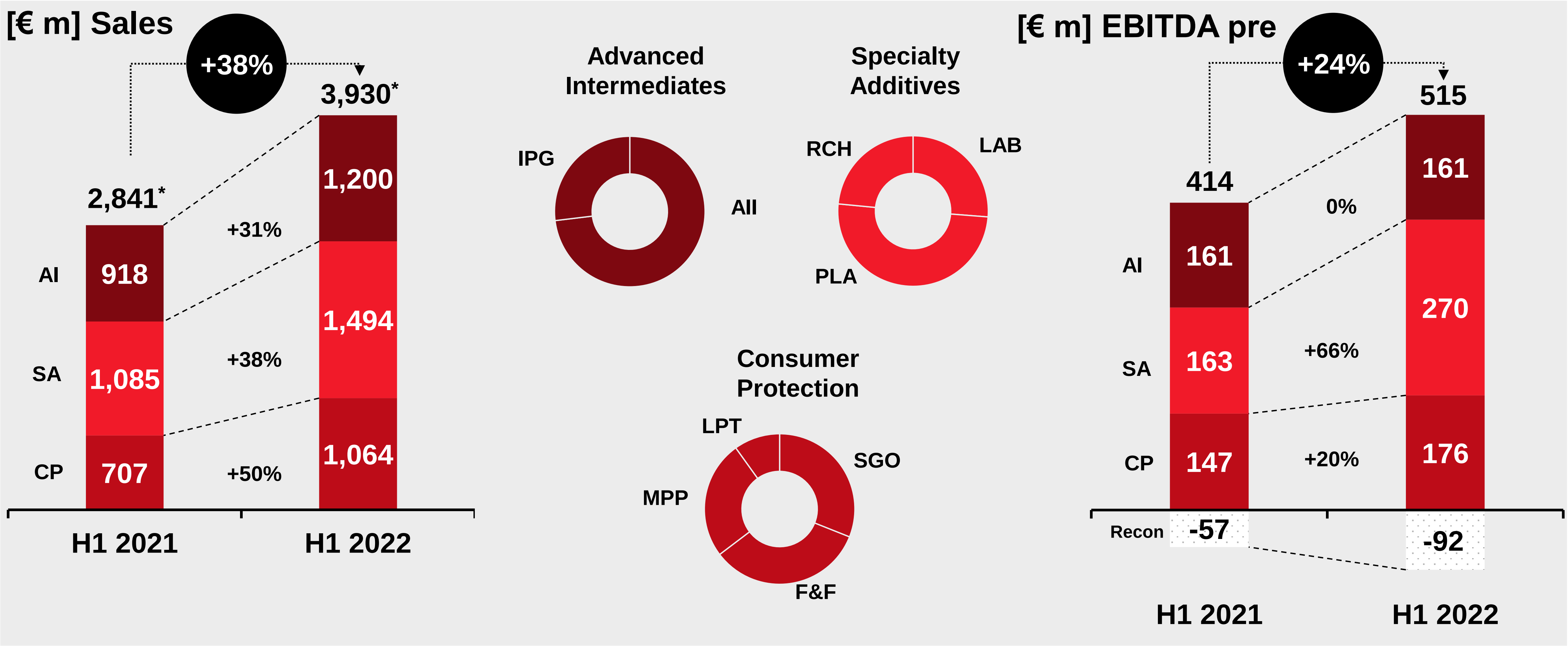
[€ m]*	H1 2021	H1 2022	Δ
Profit before tax	**116**	**158**	**42**
Income taxes paid	-32	65	97
Changes in oth. assets & liab.	-70	2	72
Oper. CF before Δ in W/C	**246**	**530**	**284**
changes in working capital	-212	-473	-261
Operating cash flow	**34**	**57**	**23**
Investing cash flow	**731**	**-803**	**-1,534**
thereof capex	-143	-151	-8
thereof net invest in money markets	864	-658	-1,522

- Improved operating cash flow supported by continued reimbursement of prepaid taxes
- Significant increase in working capital burdens (inflated input costs, logistic constraints)
- Change in investing cash flow driven by net investment in money market products

* All figures apply to continuing operations

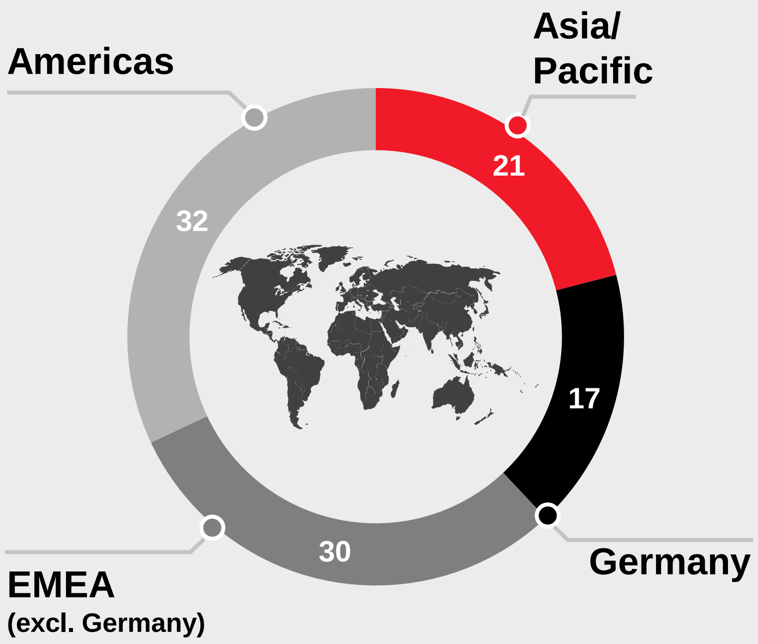
H1: Strong performance especially in Specialty Additives



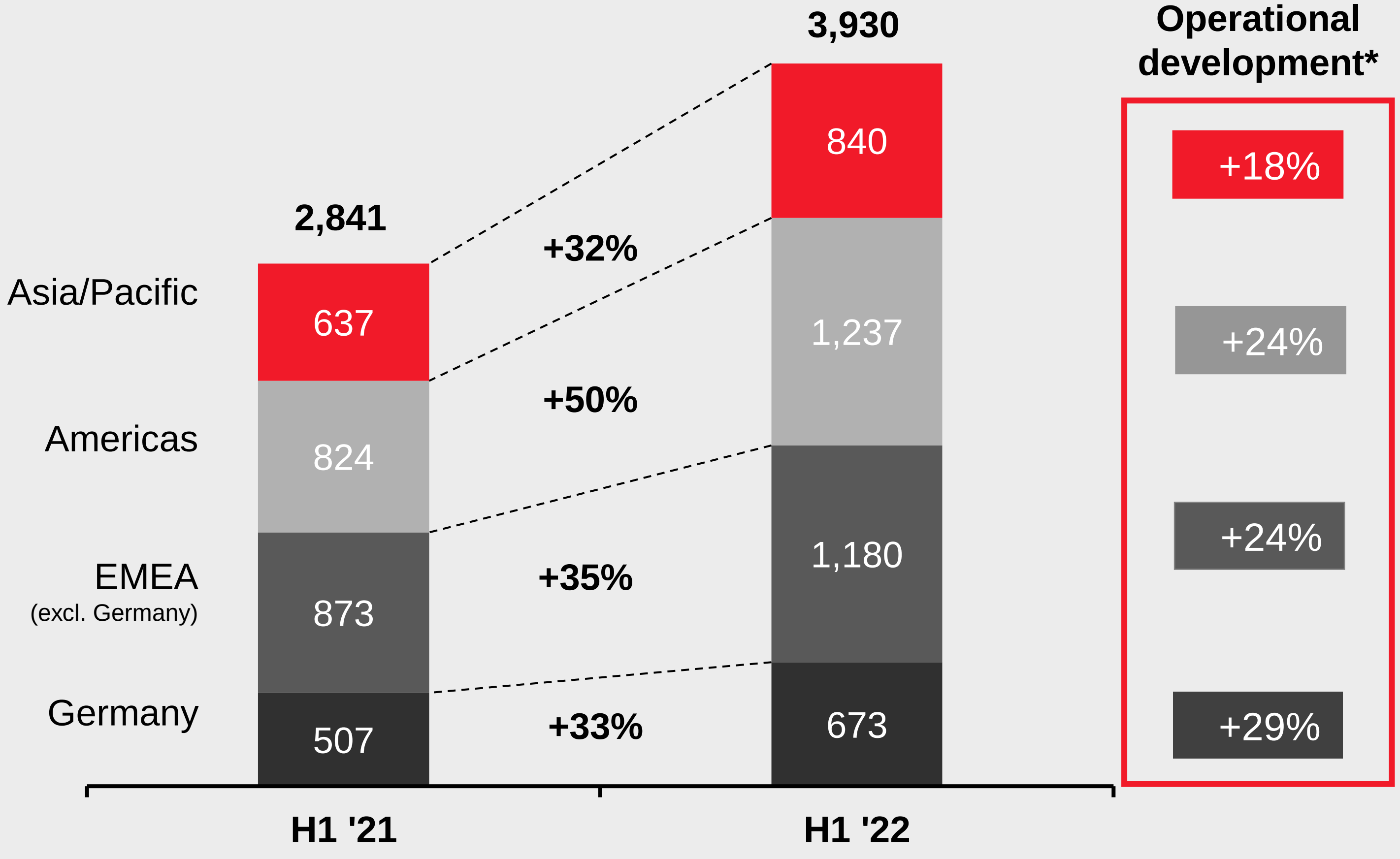
* Total group sales including reconciliation

H1 2022: Strong operational growth in all areas

H1 2022 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

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

[€ m]	Q2/2021		Q2/2022		H1 2021		H1 2022		
	Excep.	Thereof D&A	**Excep.**	**Thereof D&A**	Excep.	Thereof D&A	**Excep.**	**Thereof D&A**	**Comments**
Strategic Realignment & Restructuring	5	1	**0**	**0**	7	1	**1**	**0**	incl. Emerald Kalama Chemical (EKC), Theseo Integration
M&A, Digitalization (incl. Chemondis) and Others	21	0	**11**	**1**	39	0	**22**	**2**	21: incl. Theseo, INTACE acquistions, organic leather and membrane divestments 22: incl. IFF MC acquisition
Strategic IT projects	6	1	**14**	**0**	13	1	**27**	**0**	incl. SAP Hana Project
Total	32	2	**25**	**1**	59	2	**50**	**2**	

LANXESS maturity profile actively managed and well balanced

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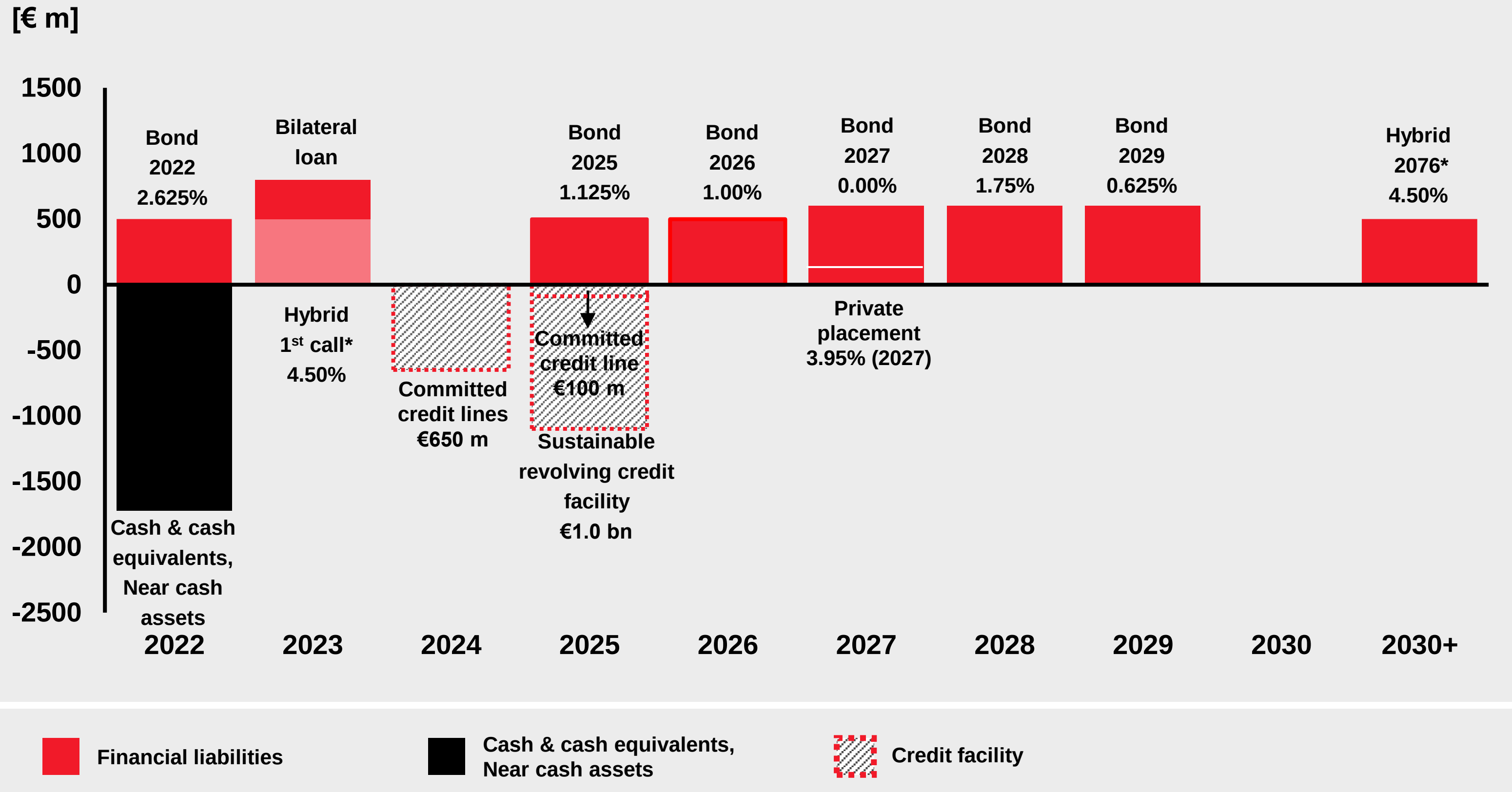
Long-term financing secured

- Diversified financing sources
  - Bonds & private placements
  - Undrawn sustainable revolving credit facility
  - Undrawn committed credit lines
- Average interest rate of financial liabilities ~1.5%
- Maturities in 2022:
  - Bond in November
- All group financing executed without financial covenants

Liquidity and maturity profile as per June 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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Aug

4 Q2 2022 Results

9-11 Chicago/Toronto Roadshow CFO

11 Frankfurt Roadshow CEO

18 London Roadshow CFO

25 New York Roadshow CEO

Sept

6 Oddo BHF/Commerzbank Corporate Conference 2022

7 HSBC Field Trip

12 JPM Conference Call Series

21 Goldman Sachs/Berenberg German Corporate Conference

22-23 Baader Investment Conference

Nov

9 Q3 2022 Results

10 Capital Markets Day

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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

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