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Energizing Chemistry

LANXESS – Q3 2022 results

Getting prepared

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Agenda

1. Executive summary Q3 2022 and outlook
2. Financial and business details Q3 2022
3. Back-up

Q3 2022: Specialty businesses perform while inflationary energy prices continuously challenge

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Strategic and financial highlights

- First quarter with contribution from IFF's microbial control business
- HPM / Advent JV set-up on track:
  - Management team and business structure announced
  - Large number of merger clearances already received (e.g. US, Chinese and Brazilian authorities)
- Sales increase of 38% driven by pass-through of inflated input costs
- EBITDA pre improved to €240 m (vs €229 m in PY)
- Exceptional financial gain (~€83 m) from settled interest rate hedges* overcompensates operational exceptionals (€35 m) on EPS level
- Operating cash flow impacted by inflationary and seasonal increase in inventories

*Settled interest rate pre-hedges as issuance of new €500 m bond in Nov 2022 is no longer planned

LANXESS Group: Improved EBITDA pre due to portfolio effect despite lower volumes

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Price pass-through and portfolio contribute

[€ m]	Q3/2021	Q3/2022	Δ	9M 2021	9M 2022	Δ
Sales	1,581	2,185	38%	4,422	6,115	38%
EBITDA pre	229	240	5%	643	755	17%
Margin	14.5%	11.0%		14.5%	12.3%	
CAPEX	98	98	0%	241	249	3%

Price	Volume	FX	Portfolio
+26%	-6%	+8%	+10%

Total **+38%**

Q3 Sales vs. PY

- Significant sales increase in all segments price-driven, supported by portfolio and FX
- Lower volumes mainly due to softer demand
- Higher EBITDA pre resulting from strong contribution of Specialty Additives and Consumer Protection
- Full pass-through of inflated raw material and energy costs; lower volumes impact margins

MSCI ESG recently confirmed LANXESS AA rating – the second highest category

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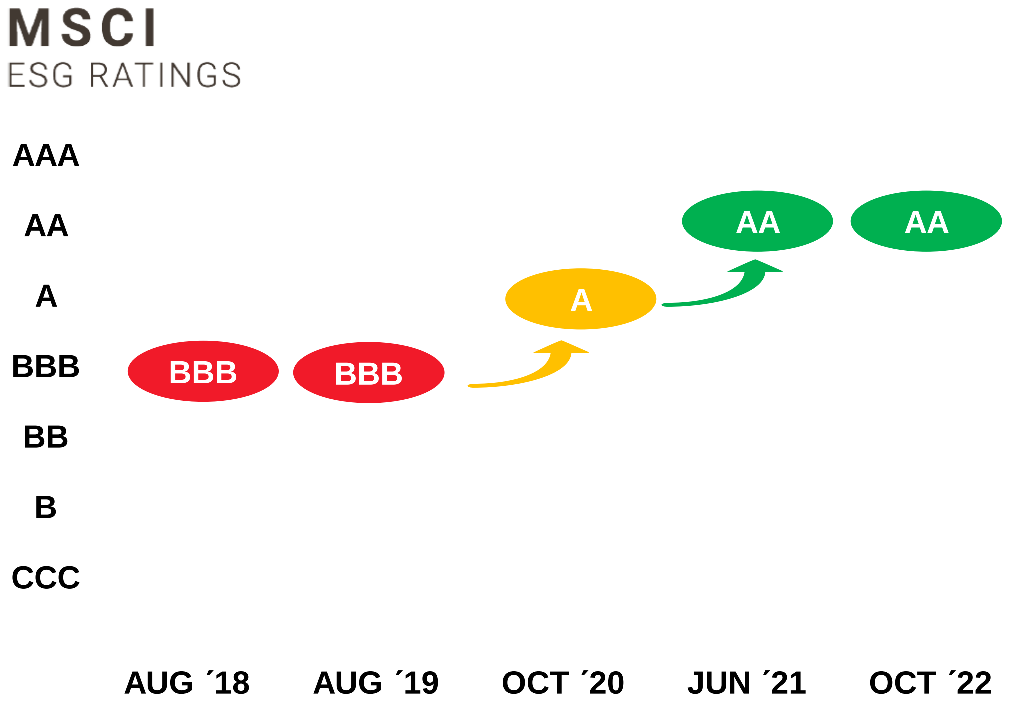
LANXESS ESG Rating History



Remarks from MSCI assessment

- **Carbon emissions:** LANXESS carbon intensity (CO_2/sales) significantly lower than industry average
- **Toxic Emissions & Waste:** LANXESS initiatives to reduce toxic emissions and waste include aggressive targets
- **Water Stress:** LANXESS takes strong efforts to reduce water use relative to peers
- **Corporate Governance:** LANXESS scores in the highest category with strong practices

LANXESS ranks among the top 3 companies world-wide in the diversified chemicals industry

Frederique van Baarle to become a member of the Board of Management

- Frederique van Baarle to become a member of the Board of Management at LANXESS AG
  - Labor director
  - Responsible for region Americas
  - Located in Pittsburgh (USA)
- Appointment immediately after completion of the joint venture with Advent for high-performance plastics
- Extensive experience in the LANXESS Group:
  - Currently Head of High Performance Materials (HPM)
  - Previously Head of Group Function Global Procurement and Logistics (GPL)

FY 2022: Guidance corridor narrowed

Current view on economy

- Volatile and uncertain energy and raw material costs development
- Increasing pressure from general inflation on global demand, price pass-through becomes more challenging
- Additional burden on demand due to anticipated customer destocking

LANXESS outlook

- **FY guidance:**
  EBITDA pre expected in €900 – 950 m corridor

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Advanced Intermediates: Earnings held back by high German energy prices

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Lower volumes due to softer demand

[€ m]	Q3/2021	Q3/2022	Δ	9M 2021	9M 2022	Δ
Sales	492	642	30%	1,410	1,842	31%
EBITDA pre	80	65	-19%	241	226	-6%
Margin	16.3%	10.1%		17.1%	12.3%	
CAPEX	30	23	-23%	78	60	-23%

Price	Volume	FX	Portfolio
+30%	-6%	+6%	0%

Total +30%

Q3 Sales vs. PY

- Sales increase on pass-through of higher raw material prices, partly compensating also for energy costs in both BUs, positive FX effect
- Volumes held back by softer demand, especially for BU IPG from the construction industry
- EBITDA pre and margin impacted by high German energy prices and higher freight costs

Specialty Additives: Strong EBITDA growth despite weaker volumes

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Earnings supported by strong US footprint

[€ m]	Q3/2021	Q3/2022	Δ	9M 2021	9M 2022	Δ
Sales	605	792	31%	1,690	2,286	35%
EBITDA pre	102	121	19%	265	391	48%
Margin	16.9%	15.3%		15.7%	17.1%	
CAPEX	30	34	13%	70	71	1%

Price	Volume	FX	Portfolio
+23%	-7%	+12%	+3%

Total +31%

Q3 Sales vs. PY

- Higher sales in all BUs, driven by strong pricing and FX, as well as portfolio effect
- Volumes declined, as demand slowed compared to good levels in the prior year quarter in Rhein Chemie and Polymer Additives, mitigated by improved volumes for Lubricants
- EBITDA pre supported by further price recovery and positive FX

Consumer Protection: Price and portfolio effect drive earnings

First contribution from IFF MC

[€ m]	Q3/2021	Q3/2022	Δ	9M 2021	9M 2022	Δ
Sales	412	662	61%	1,119	1,726	54%
EBITDA pre	66	110	67%	213	286	34%
Margin	16.0%	16.6%		19.0%	16.6%	
CAPEX	23	27	17%	53	86	62%

Price	Volume	FX	Portfolio
+25%	-3%	+5%	+34%

Total **+61%**

Q3 Sales vs. PY

- Sales increase significantly driven by portfolio and successful pricing
- Volumes held back by longer than planned maintenance turnaround in BU F&F, improved volumes in Saltigo and BU LPT
- Strong EBITDA pre increase and slightly higher margin resulting from pricing and contribution from acquired businesses

P&L Q3: Earnings improved despite volume decline

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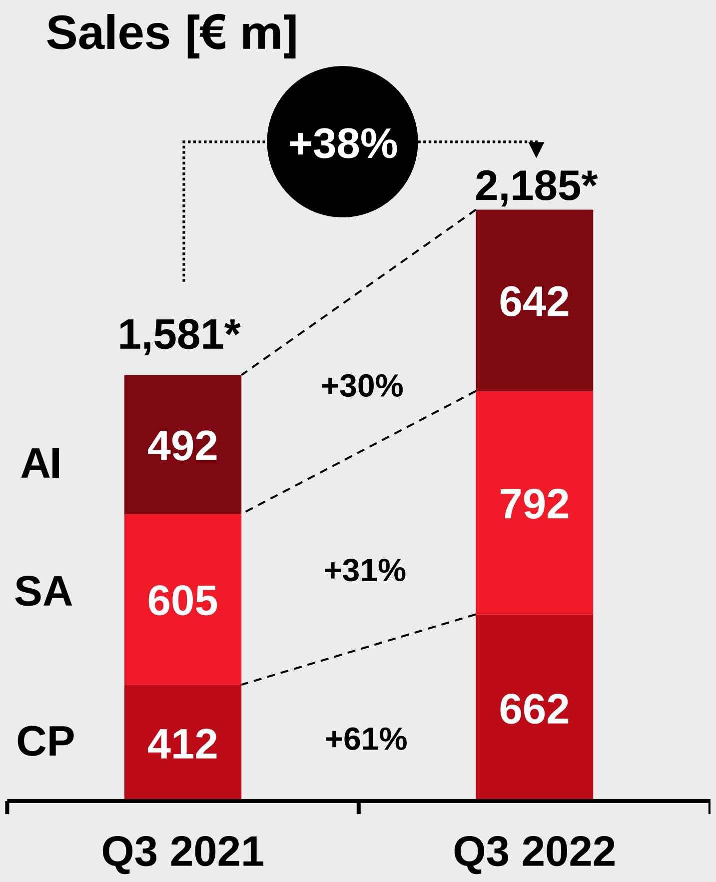
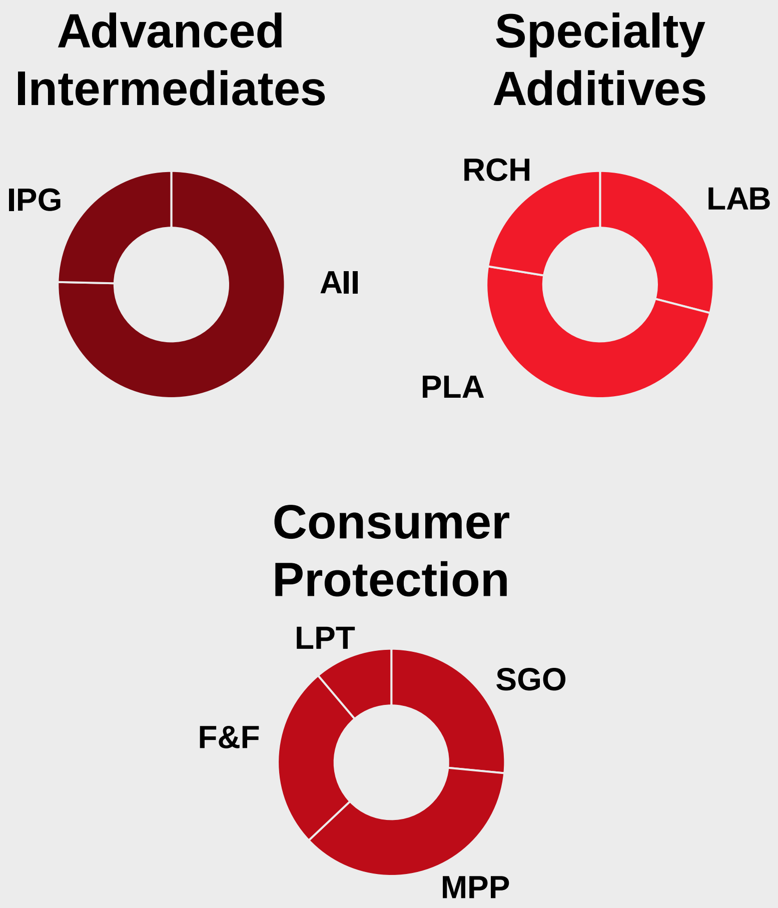
[€ m]*	Q3/2021		Q3/2022		yoy in %
Sales	1,581	(100%)	2,185	(100%)	38%
Cost of sales	-1,178	(-75%)	-1,658	(-76%)	41%
Selling	-209	(-13%)	-296	(-14%)	42%
G&A	-64	(-4%)	-78	(-4%)	22%
R&D	-25	(-2%)	-26	(-1%)	4%
Financial result	-10		54		>100%
Net Income (cont.)	**40**	**(3%)**	**84**	**(4%)**	**>100%**
EPS pre (cont.)	**1.09**		**0.97**		**-11%**
EBITDA	188	(12%)	206	(9%)	10%
thereof except.	-41	(-3%)	-34	(-2%)	-17%
EBITDA pre except.	**229**	**(14.5%)**	**240**	**(11%)**	**5%**

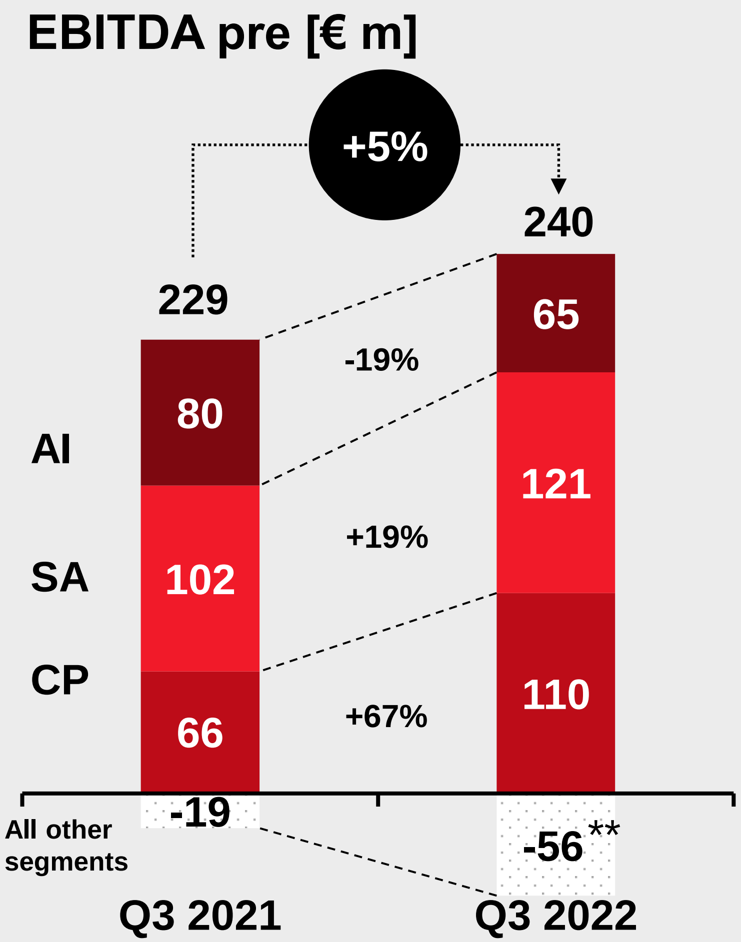
- Successful pass-through of increased raw material and energy costs. However, margin impacted by volume decline and arithmetic effect
- Rising selling expenses result from ongoing higher freight costs and portfolio effect
- Increased G&A due to portfolio and FX effect
- Financial result includes positive exceptional gain from settlement of interest rate hedge for maturing bond

* All figures apply to continuing operations

Q3 2022: Strong earnings increase in Consumer Protection and Specialty Additives



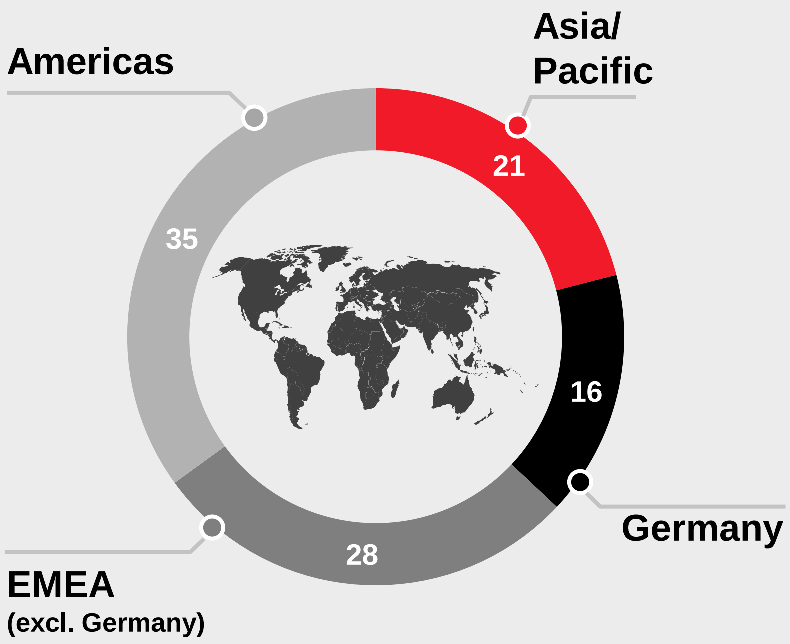




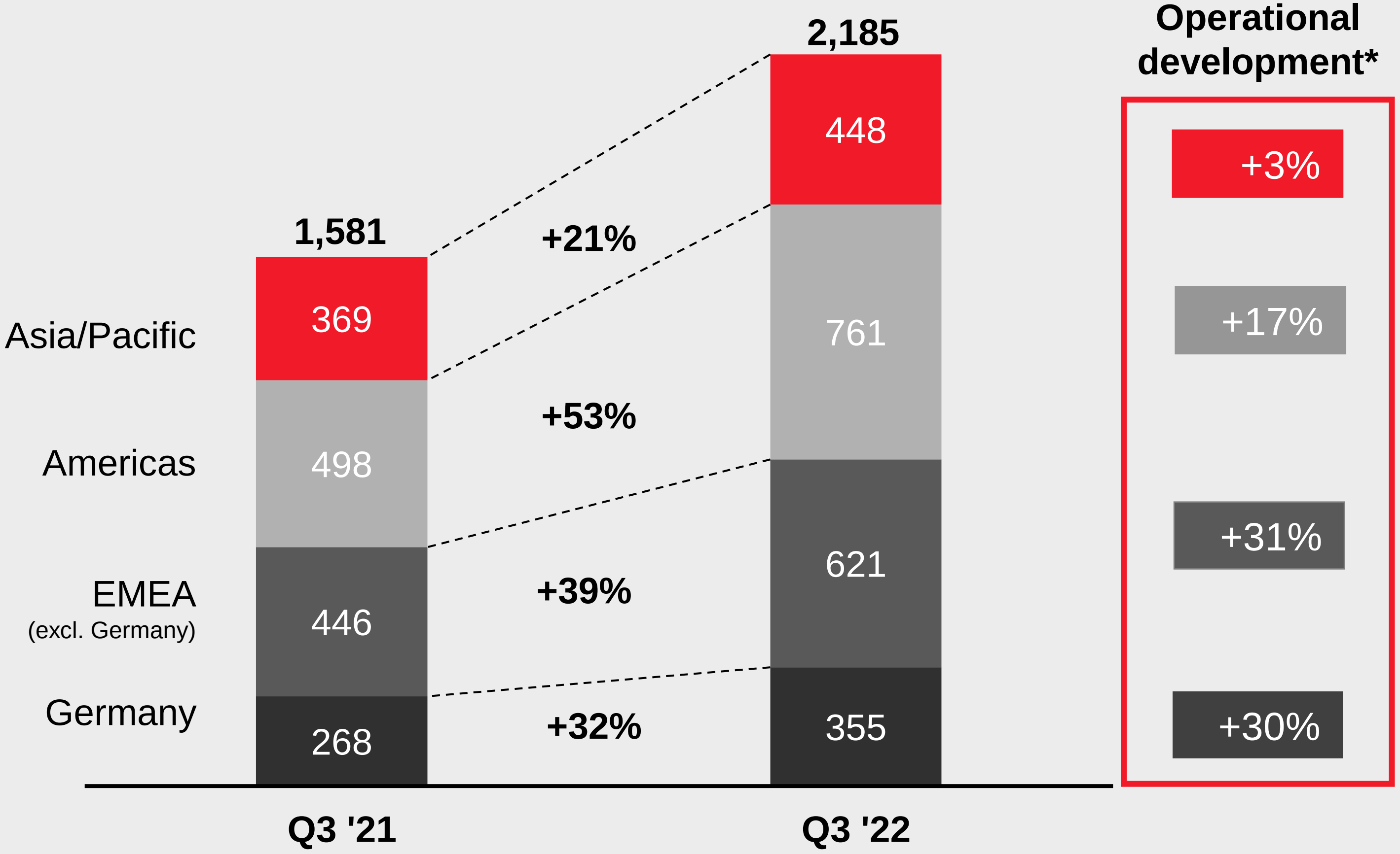
* Total group sales including reconciliation
** Lower result due to hedging, inflated costs due to higher USD and cessation of TSA for remnant costs

Q3 2022: Positive operational development in all regions

Q3 2022 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Operating cash flow impacted by working capital increase

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[€ m]*	Q3/2021	Q3/2022	Δ
Profit before tax	**59**	**120**	**61**
Financial (gain) losses	4	-66	-70
Income taxes paid	18	-28	-46
Change in working capital	-156	-124	32
Operating cash flow	**111**	**38**	**-73**
Investing cash flow	**-645**	**-207**	**438**
thereof capex	-98	-98	0
Financing cash flow	**-12**	**54**	**66**

- Financial (gain) losses reflect cash effect from settlement of interest rate hedges (€83 m) which is not part of operating but financing cash flow
- Income tax swing because of reimbursement in 2021
- Change in working capital driven by price and typical seasonal volume effect - mitigated by factoring (~€39 m)
- CAPEX on prior year level

* All figures apply to continuing operations

Portfolio and FX effects reflected in balance sheet items

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[€ m]	31.12.2021	30.09.2022[1]
Total assets	**10,528**	**12,265**
Equity	3,762	4,866
Equity ratio	**36%**	**40%**
Net financial debt[2]	**2,245**	**3,746**
Liquidity[2]	1,234	534
Pension provisions	**877**	**363**
Net working capital	**1,675**	**2,275**
DSI (in days)[3]	71	86
DSO (in days)[3]	45	44

- Increase in total assets mainly driven by portfolio effect (IFF MC) and FX
- Higher equity reflects positive net income and OCI effects (mainly FX and pensions)
- Higher financial debt driven by payment of purchase price of IFF MC
- Reduced pension provisions due to interest rate increases
- Increase in working capital results from portfolio effect, inflated input costs and FX effect

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

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Capex 2022	**~€450 m** (incl. IFF MC and excl. HPM D/O)
Operational D&A	**~€500 m** (including step-up of IFF MC)
All other segments 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
Goodwill IFF MC business	**~€500 m**

Working Capital outflow in 2022 mainly driven by energy and raw material price inflation

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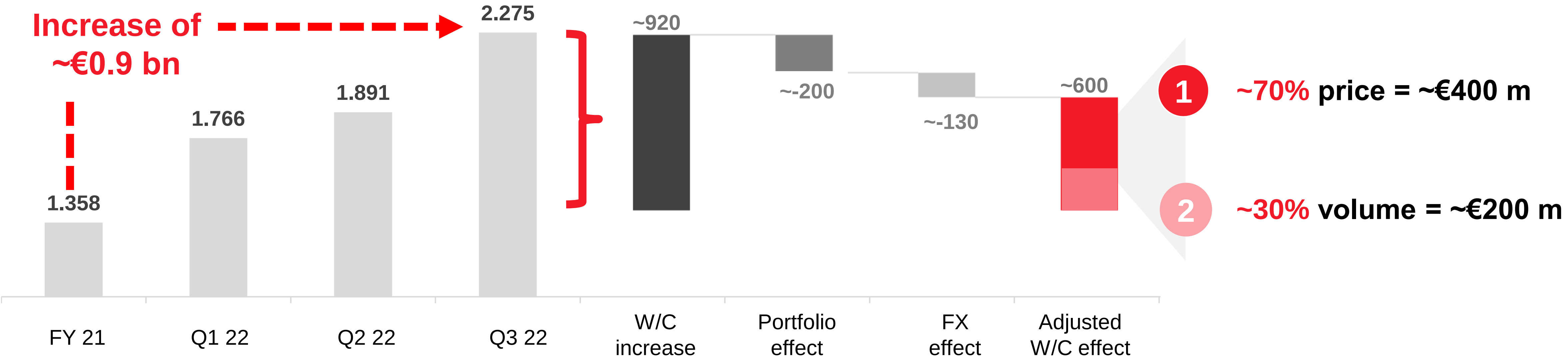
Development of W/C and impact on inventories reflect inflationary environment

W/C in €m



Substantial increase in working capital driven by price effects

W/C reflects continued business only

9M 2022: Improved earnings, margin arithmetically impacted by further inflated input costs

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[€ m]*	9M 2021		9M 2022		yoy in %
Sales	4,422	(100%)	6,115	(100%)	38%
Cost of sales	-3,282	(-74%)	-4,632	(-76%)	41%
Selling	-576	(-13%)	-773	(-13%)	34%
G&A	-193	(-4%)	-219	(-4%)	13%
R&D	-71	(-2%)	-76	(-1%)	7%
EBIT	**215**	**(5%)**	**276**	**(5%)**	**28%**
Net income (cont.)	**123**	**(3%)**	**199**	**(3%)**	**62%**
EPS pre (cont.)	**2.96**		**3.27**		**10%**
EBITDA	545	(12%)	673	(11%)	23%
thereof except.	-98	(-2%)	-82	(-1%)	-16%
EBITDA pre	**643**	**(14.5%)**	**755**	**(12.3%)**	**17%**

- Pass-through of increased input costs. However, margin impacted by lower utilization and arithmetic effect
- Rising selling expenses result from ongoing higher freight costs and portfolio effect
- Higher G&A reflect portfolio effect
- Improved earnings result especially from strong contribution of Specialty Additives and Consumer Protection (incl. IFF MC)
- Inflated input costs and lower volumes impacted margins

* All figures apply to continuing operations

9M: Operating cash flow burdened by increase in working capital

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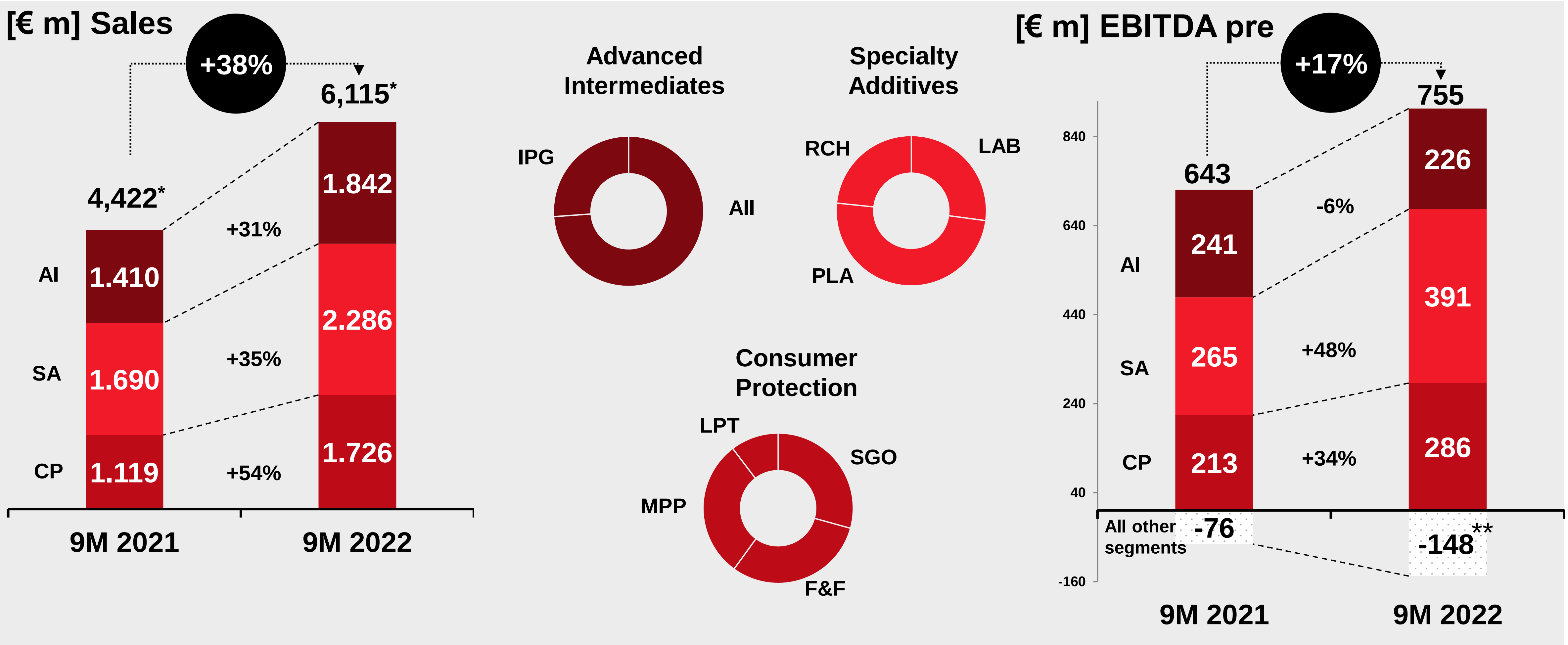
[€ m]*	9M 2021	9M 2022	Δ
Profit before tax	**175**	**278**	**103**
Financial (gain) losses	25	-17	-42
Income taxes paid	-14	37	51
Changes in working capital	-368	-597	-229
Operating cash flow	**145**	**95**	**-50**
Investing cash flow	**86**	**-1,010**	**-1,096**
thereof capex	-241	-249	-8
Financing cash flow	**-156**	**714**	**870**

- Operating cash flow supported by reimbursement of prepaid taxes
- Significant increase in working capital burdens (inflated input costs mainly driven by further increasing energy costs, logistic constraints) - partly mitigated by factoring (~€134 m)
- Investing cash flow includes purchase price payment for IFF MC business
- Financing cash flow contains proceeds from €600 m bond

* All figures apply to continuing operations

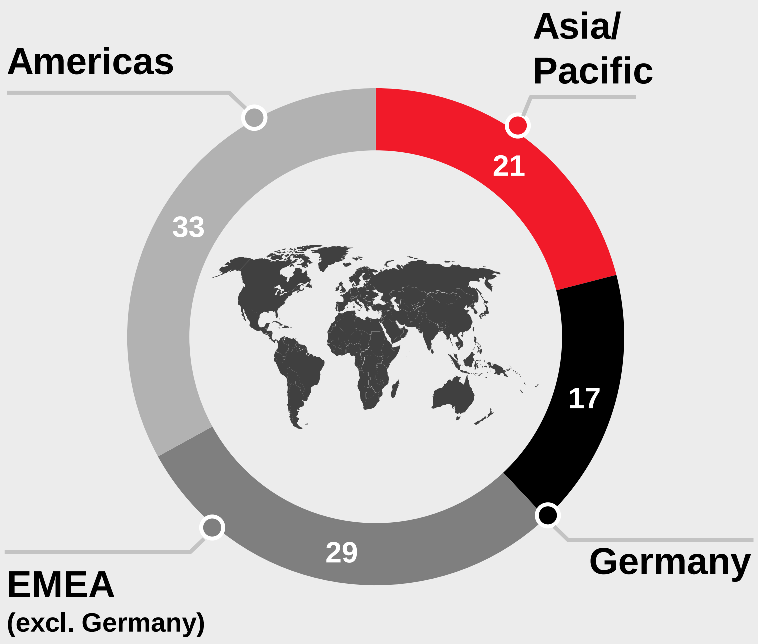
9M: Specialty Additives and Consumer Protection continue to deliver



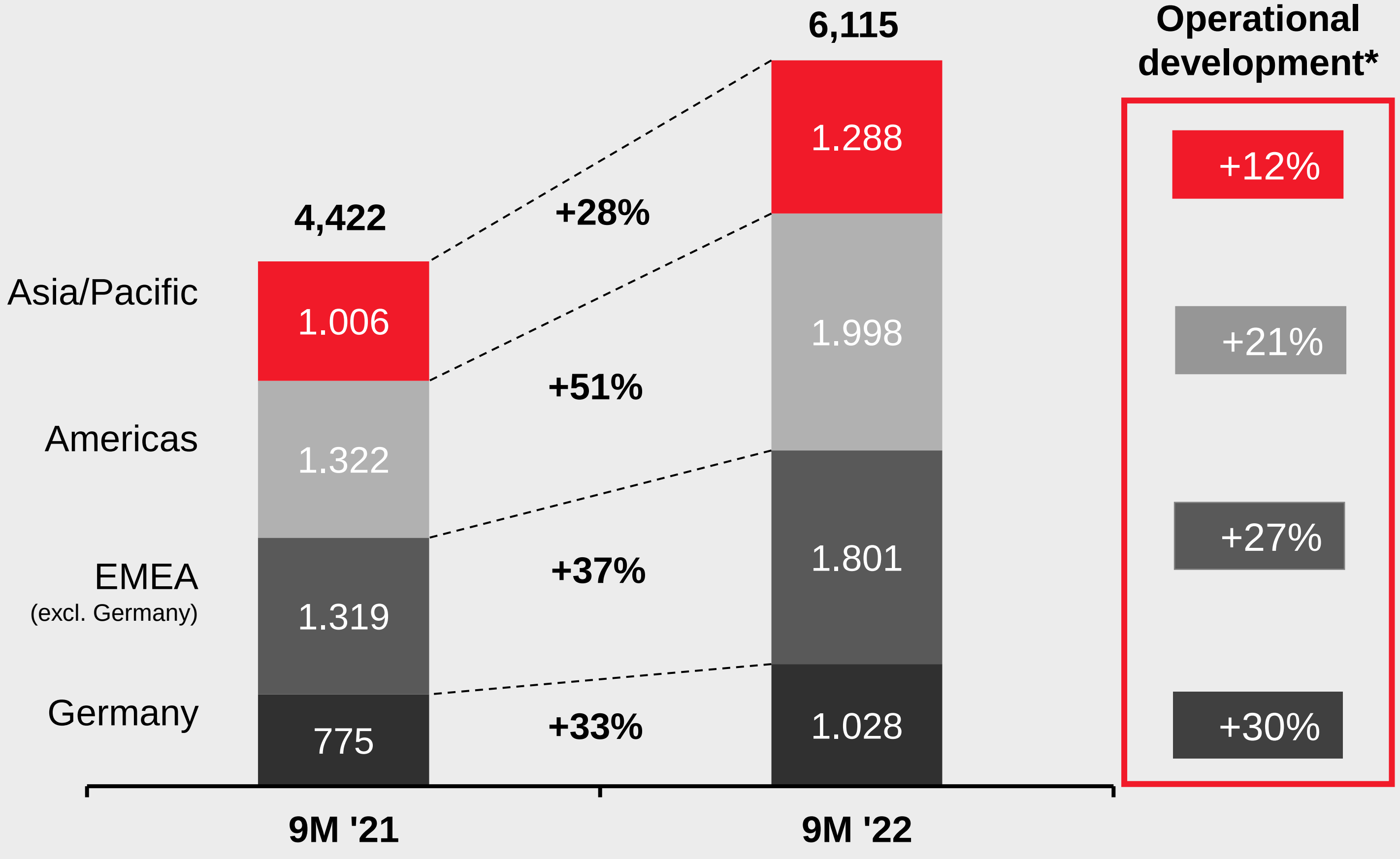
* Total group sales including reconciliation
** Lower result due to hedging, inflated costs due to higher USD and cessation of TSA for remnant costs

9M 2022: Strong operational growth in all areas

9M 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

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[€ m]	Q3/2021		Q3/2022		9M 2021		9M 2022		
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Comments
Strategic Realignment & Restructuring	10	0	**13**	**0**	17	1	**14**	**0**	incl. Emerald Kalama Chemical (EKC), IFF MC Integration
M&A, Digitalization (incl. Chemondis) and Others	27	1	**16**	**1**	66	2	**40**	**3**	21: incl. Theseo, INTACE acquistions, organic leather and membrane divestments 22: incl. IFF MC acquisition, HPM carve out
Strategic IT projects	5	0	**6**	**0**	18	0	**31**	**0**	incl. SAP Hana Project
Total	42	1	**35**	**1**	101	3	**85**	**3**	

(Gain) from settled interest rate hedge	**-83**	**-83**	Reflected in financial result

Exceptional gain from settled interest rate hedge overcompensates operational exceptionals on EPS level

LANXESS maturity profile actively managed and well balanced – Bond maturing in Nov will not be refinanced

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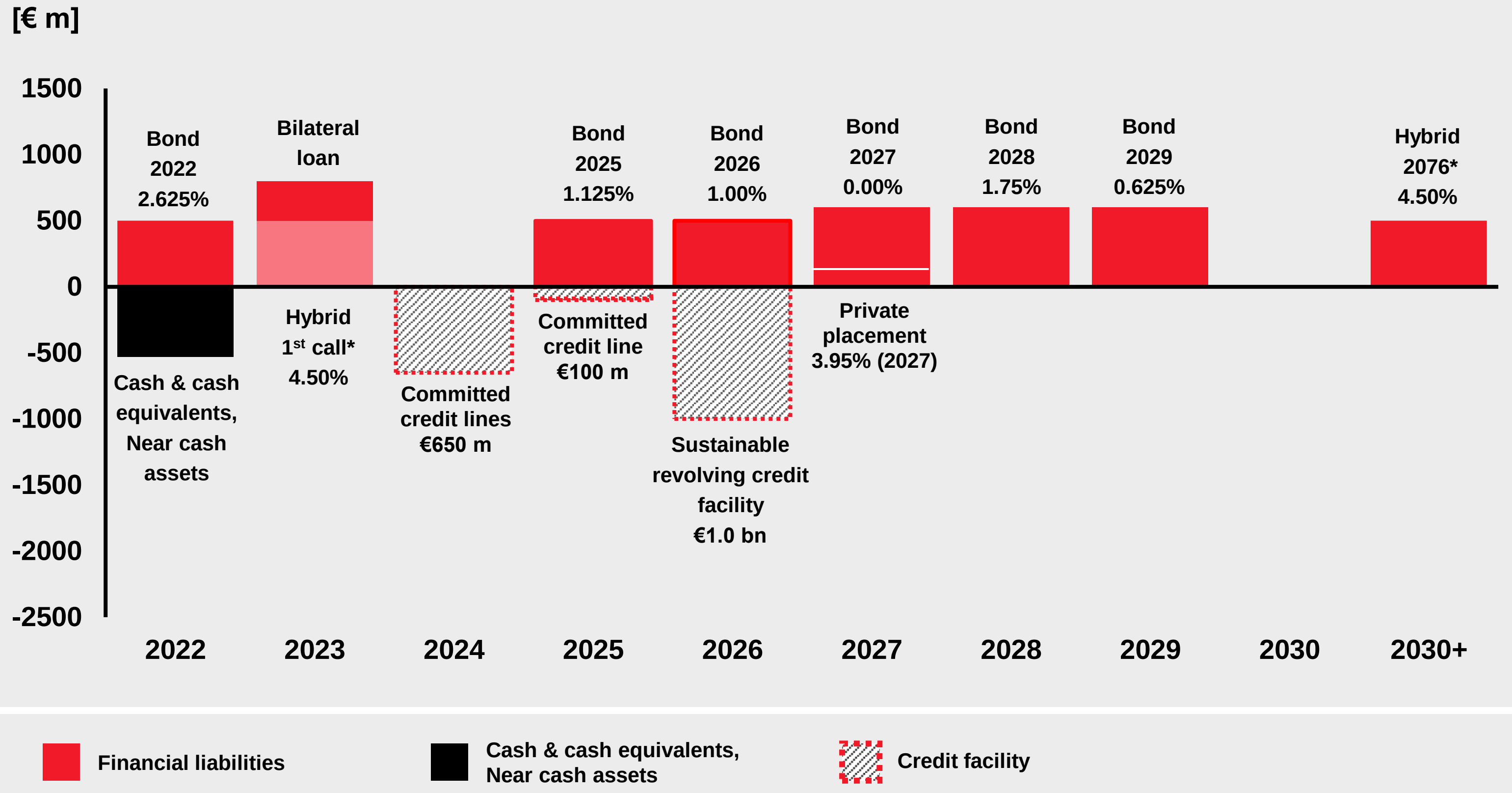
Long-term financing secured

- Diversified financing sources
  - Bonds & private placements
  - Undrawn sustainable revolving credit facility
  - Undrawn committed credit lines
- Average interest rate of financial liabilities ~1.5%
- All group financing executed without financial covenants
- Maturities in 2022:
  - Bond in November will not be refinanced

Liquidity and maturity profile as per September 2022



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

Upcoming events 2022/2023 - Proactive capital market communication

Nov

9 Q3 2022 Results

10 Capital Markets Day

29 BofA European Materials Conference, London

29 Eigenkapitalforum Deutsche Börse, Frankfurt

30 Citi's Basic Materials Conference, New York

Dec

5 Berenberg European Conference, Pennyhill

Jan

5-6 Oddo BHF Forum, Lyon

10-11 German Investment Seminar, New York

16-17 German Corporate Conference, Frankfurt

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Abbreviations

LANXESS
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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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