

Q4/FY 2021 Results

LANXESS Group

LANXESS

Energizing Chemistry

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Finishing a challenging year –
Raw-material and energy price increases
passed through in Q4

	Q4 2020	Q4 2021	Δ	Comments	FY 2020	FY 2021
Sales	€1,503 m	€2,082 m	+39%	↑ Sales rise substantially in all segments driven by successful pass-through of higher raw material and energy prices and stronger volumes	€6,104 m	€7,557 m
EBITDA pre	€200 m	€213 m	+6%	↑ Energy prices fully passed on; substantial increase in contracts with energy pass-through. Contributions from new businesses	€862 m	€1,010 m
Margin	13.3%	10.2%	-3 pp.	↓ Inflated input costs weigh arithmetically on margins	14.1%	13.4%
EPS pre	€0.82	€0.87	+6%	↑ According to EBITDA pre improvement	€3.50	€4.83
Operating cash flow	€262 m	€311 m	+19%	↑ Best Q4 operating cash flow since 2015: Supported by Inflow from tax refund after prepayment in earlier years, normal operational swing in other assets & liabilities, partly compensated by lower inflow from change in working capital (mainly driven by raw material price inflation)	€594 m	€439 m
Net financial debt*	Dec 2020 €1,012 m	Dec 2021 €2,245 m	>100%	↑ Increase in net financial debt driven by payment of purchase price for EKC		
Capex	€192 m	€208 m	+8%		€456 m	€479 m
Dividend per share	€1.00	€1.05	+5%	↑ Dividend proposal of €1.05 per share for FY 2021		

Sales + **39%** Price + **25%** Volume + **3%** Currency + **3%** Portfolio + **8%**

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

Advanced Intermediates*

Strong price increases – Higher raw material and energy prices successfully passed-on



- Sales boost driven by significantly higher prices as a consequence of successful raw material and energy price pass-through, supported by volume growth
- EBITDA pre development supported by raw-material and energy price pass-through and slightly higher volumes, arithmetic effect dilutes margin
- AI is most energy-intensive segment at LXS, pass-on-clauses for energy costs well underway

Sales	+ 33%							
						Q4 2020	Q4 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€79 m	€92 m	
+ 29%	+ 3%	+ 1%	0%		margin	19.6%	17.1%	

Consumer Protection*

EBITDA increase in all BUs –
Contribution from F&F now included for full quarter

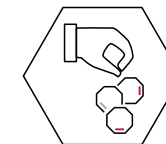


- Sales increase mainly driven by new BU F&F additionally supported by positive price and volume development
- Positive EBITDA development in all BUs. Margin diluted by high logistic costs and arithmetic effect

Sales	+ 56%							
						Q4 2020	Q4 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€46 m	€65 m	
+ 13%	+ 8%	+ 1%	+ 34%		margin	16.3%	14.7%	

Specialty Additives*

Good market demand could not be satisfied due to logistics constraints

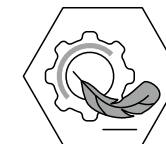


- Sales driven by higher prices, but volumes held back due to heavy logistic constraints
- After a very strong Q3, EBITDA pre and margin in Q4 burdened by high logistic costs and constraints (i.a. ISO-containers, shipping capacities)
- Besides above challenges, markets overall remain healthy

Sales	+ 25%							
						Q4 2020	Q4 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€68 m	€58 m	
+ 17%	0%	+ 4%	+ 4%		margin	14.1%	9.6%	

Engineering Materials

Substantial EBITDA improvement YoY

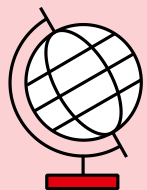


- Significant sales increase driven by continued strong demand from auto industry and successful raw material and energy price pass-through
- EBITDA pre rises on improved volumes and higher prices, margin lower due to arithmetic effect

Sales	+ 50%							
						Q4 2020	Q4 2021	
Price	Volume	Currency	Portfolio		EBITDA pre	€41 m	€52 m	
+ 44%	+ 3%	+ 3%	0%		margin	13.1%	11.0%	

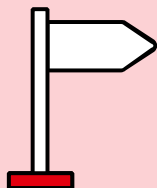
* New reporting structure as of Q1 2021: Business Line “Antioxidants and Accelerators” (AXX) shift from BU All to BU RCH (segment “Specialty Additives”);
In Q4 2021 Benzyl business of business line “Benzyl Products & Inorganic Acid (BIA)” shift to new BU F&F in Consumer Protection segment; 2020 figures restated

Guidance FY 2022: Good start, but high uncertainty due to Russia-Ukraine war



Current view on economy

- Ongoing recovery of global economy expected, but now questionable due to Russia-Ukraine war
- Ongoing burden from
 - Disruptions in global supply chains (at least until second half of 2022)
 - Further increasing energy and raw material costs



LANXESS outlook

- Q1 2022: €280-320 m EBITDA pre
- 2022 EBITDA significantly above previous year
 - Not yet included: Microbial Control business of IFF

Implications from Russia-Ukraine war unpredictable at this point

Housekeeping items 2022

Capex 2022: ~€500 m (excl. IFF MC)

Operational D&A 2022: ~€550 m (excl. IFF MC)

Reconciliation 2022: ~€180 m incl. 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

Full transparency on risks & managing what is manageable: Limited overall specific risks

Risks	Exposure	Mitigation / Measures
Employees	<ul style="list-style-type: none"> ▪ No employees in Ukraine, no sites ▪ 45 employees in Russia, site in Lipetzk, office in Moscow 	<ul style="list-style-type: none"> ▪ Daily exchange for updates ▪ Corporate crisis team setup
Direct sales	<ul style="list-style-type: none"> ▪ Negligible revenues in Ukraine ▪ <1% of group sales in Russia (~€60m) 	<ul style="list-style-type: none"> ▪ Existing business reduced to legal minimum ▪ No new business, no investments into Russia
Accounting	<ul style="list-style-type: none"> ▪ In case of business termination: ~€20m impairment ▪ Thereof mid single digit €m receivables outstanding 	<ul style="list-style-type: none"> ▪ Pre-payment for all customers in Russia ▪ No new business
Procurement	<ul style="list-style-type: none"> ▪ No material sourcing on group level from Russia ▪ Pot. exposure for selected small raw materials can be managed 	<ul style="list-style-type: none"> ▪ Historic focus on multiple sourcing strategy ▪ Crisis proven procurement team
Energy	<ul style="list-style-type: none"> ▪ Availability: Industry typical gas / coal exposure in Europe ▪ Price escalation for energy 	<ul style="list-style-type: none"> ▪ Global production setup ▪ Majority of relevant sales contracts with energy price pass –on clause in 2022

Specific risks manageable – overall economic risks and uncertainty remains

Safe harbor statement

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Financial Overview Q4/FY 2021

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			Engineering Materials			Others/ Cons.		
	Q4/2020	Q4/2021	Chg. in %	Q4/2020	Q4/2021	Chg. in %	Q4/2020	Q4/2021	Chg. in %	Q4/2020	Q4/2021	Chg. in %	Q4/2020	Q4/2021	Chg. in %	Q4/2020	Q4/2021	Chg. in %
Sales	1,503	2,082	39%	404	539	33%	483	605	25%	283	441	56%	314	471	50%	19	26	37%
Price*			25.0%			29.5%			17.2%			12.4%			44.3%			0.0%
Volume*			3.3%			2.4%			0.2%			8.1%			2.9%			36.8%
Currency*			2.4%			1.5%			3.8%			1.0%			2.8%			0.0%
Portfolio*			7.8%			0.0%			4.1%			34.3%			0.0%			0.0%
EBIT	35	23	-34%	53	55	4%	4	5	25%	28	24	-14%	24	33	38%	-74	-94	-27%
Deprec. & amortizat.	135	141	4%	30	31	3%	59	45	-24%	21	34	62%	17	19	12%	8	12	50%
EBITDA	170	164	-4%	83	86	4%	63	50	-21%	49	58	18%	41	52	27%	-66	-82	-24%
exceptionals in EBITDA	30	49	63%	-4	6	n.m.	5	8	60%	-3	7	n.m.	0	0	0%	32	28	-13%
EBITDA pre excep.	200	213	7%	79	92	16%	68	58	-15%	46	65	41%	41	52	27%	-34	-54	-59%
normalized D&A	116	141	22%	27	31	15%	44	45	2%	22	34	55%	17	19	12%	6	12	100%
EBIT pre excep.	84	72	-14%	52	61	17%	24	13	-46%	24	31	29%	24	33	38%	-40	-66	-65%
exceptionals in EBIT	49	49	0%	-1	6	n.m.	20	8	-60%	-4	7	n.m.	0	0	0%	34	28	-18%
Capex	192	208	8%	37	41	11%	51	69	35%	35	47	34%	47	32	-32%	22	19	-14%
Net financial debt	1,012	2,245	>100%															

* approximate numbers

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			Engineering Materials			Others/ Cons.		
	2020	2021	Chg. in %	2020	2021	Chg. in %	2020	2021	Chg. in %	2020	2021	Chg. in %	2020	2021	Chg. in %	2020	2021	Chg. in %
Sales	6,104	7,557	24%	1,629	1,949	20%	1,965	2,295	17%	1,243	1,515	22%	1,190	1,708	44%	77	90	17%
Price*			12.4%			14.1%			9.0%			3.2%			26.1%			0.0%
Volume*			9.8%			6.9%			8.7%			6.4%			18.8%			16.9%
Currency*			-1.6%			-1.4%			-2.6%			-0.8%			-1.4%			0.0%
Portfolio*			3.2%			0.0%			1.7%			13.1%			0.0%			0.0%
EBIT	253	350	38%	203	212	4%	69	134	94%	160	155	-3%	83	168	>100%	-262	-319	-22%
Deprec. & amortizat.	504	513	2%	108	115	6%	192	172	-10%	106	107	1%	67	72	7%	31	47	52%
EBITDA	757	863	14%	311	327	5%	261	306	17%	266	262	-2%	150	240	60%	-231	-272	-18%
exceptionals in EBITDA	105	147	40%	-2	6	n.m.	17	17	0%	0	13	>100%	1	1	0%	89	110	24%
EBITDA pre excep.	862	1,010	17%	309	333	8%	278	323	16%	266	275	3%	151	241	60%	-142	-162	-14%
normalized D&A	466	510	9%	105	115	10%	177	171	-3%	89	107	20%	67	72	7%	28	45	61%
EBIT pre excep.	396	500	26%	204	218	7%	101	152	50%	177	168	-5%	84	169	>100%	-170	-207	-22%
exceptionals in EBIT	143	150	5%	1	6	>100%	32	18	-44%	17	13	-24%	1	1	0%	92	112	22%
Capex	456	479	5%	112	119	6%	120	139	16%	76	100	32%	86	66	-23%	62	55	-11%
Net financial debt	1,012	2,245	>100%															

* approximate numbers

Cash Flow Statement Q4/FY 2021

€ million	Q4 2020	Q4 2021	FY 2020	FY 2021
Income before income taxes	24	16	1,074	303
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	135	141	504	513
Gains on disposals of intangible assets and property, plant and equipment	0	-1	-1	-1
Financial losses (gains)	5	6	-840	30
Income taxes paid	-80	30	-215	-10
Changes in inventories	47	-113	73	-441
Changes in trade receivables	5	35	-8	-213
Changes in trade payables	152	176	41	241
Changes in other assets and liabilities	-26	21	-34	17
Net cash provided by operating activities – continuing operations	262	311	594	439
Net cash used in operating activities – discontinued operations	7	-6	-9	-32
Net cash provided by operating activities – total	269	305	585	407
Cash outflows for purchases of intangible assets and property, plant and equipment	-192	-208	-456	-479
Cash inflows from sales of intangible assets and property, plant and equipment	0	3	4	3
Cash outflows for financial and other assets held for investment purposes	-350	-266	-1,793	-519
Cash inflows from financial and other assets held for investment purposes	250	-	1,044	1,447
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	-	-19	-25	-1,006
Cash inflows for the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	3	2	821	115
Interest and dividends received	0	1	155	8
Cash outflows for external funding of pension obligations (CTAs)	-	-	-100	-

€ million	Q4 2020	Q4 2021	FY 2020	FY 2021
Net cash used in investing activities – continuing operations	-289	-487	-350	-431
Net cash used in investing activities – discontinued operations	-1	-	-3	-1
Net cash used in investing activities – total	-290	-487	-353	-432
Proceeds from borrowings	-	592	1,000	1,102
Repayments of borrowings	-12	-23	-1,048	-564
Interest paid and other financial disbursements	-28	-21	-79	-63
Dividend payments	-	-	-82	-86
Cash outflows for the acquisition of own shares	-	-	-37	-
Net cash used in/provided by financing activities – continuing operations	-40	548	-246	389
Net cash used in financing activities – discontinued operations	0	-	-1	0
Net cash used in/provided by financing activities – total	-40	548	-247	389
Change in cash and cash equivalents – continuing operations	-67	372	-2	397
Change in cash and cash equivalents – discontinued operations	6	-6	-13	-33
Change in cash and cash equivalents – total	-61	366	-15	364
Cash and cash equivalents as of January 1	332	274	296	271
Exchange differences and other changes in cash and cash equivalents – total	0	3	-10	8
Cash and cash equivalents as of December 31	271	643	271	643
of which continuing operations	271	643	271	643
of which discontinued operations	0	-	0	-

Income Statement Q4/FY 2021

in € million	Q4/2020	Q4/2021	Chg. in %	2020	2021	Chg. in %
Sales	1,503	2,082	39%	6,104	7,557	24%
Cost of sales	-1,126	-1,621	-44%	-4,548	-5,712	-26%
Gross profit	377	461	22%	1,556	1,845	19%
Selling expenses	-193	-277	-44%	-773	-951	-23%
Research and development expenses	-28	-28	0%	-108	-115	-6%
General administration expenses	-72	-91	-26%	-267	-304	-14%
Other operating income	22	34	55%	77	79	3%
Other operating expenses	-71	-76	-7%	-232	-204	12%
Operating result (EBIT)	35	23	-34%	253	350	38%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	3	7	>100%	10	12	20%
Interest expense	-18	-16	11%	-66	-63	5%
Other financial income and expense	4	2	-50%	877	4	-100%
Financial result	-11	-7	36%	821	-47	<i>n.m.</i>
Income before income taxes	24	16	-33%	1,074	303	-72%
Income taxes	-6	-5	17%	-165	-84	49%
Income after income tax from continuing operations	18	11	-39%	909	219	-76%
Income after income tax from discontinued operations	1	18	>100%	-7	48	<i>n.m.</i>
Income after income taxes	19	29	53%	902	267	-70%
of which attributable to non-controlling interests	22	0	-100%	17	0	-100%
Net income (attributable to LANXESS AG stockholders)	-3	29	<i>n.m.</i>	885	267	-70%
EPS (in €)*	0.20	0.12	-40%	10.49	2.52	-76%
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	0.82	0.87	6%	3.50	4.83	38%

* continuing operations only

Abbreviations:

Advanced Intermediates:

AI Advanced Industrial Intermediates

IPG Inorganic Pigments

Specialty Additives

LAB Lubricant Additives Business

PLA Polymer Additives

RCH Rhein Chemie

Consumer Protection

F&F Flavors & Fragrances

LPT Liquid Purification Technologies

MPP Material Protection Products

SGO Saltigo

Engineering Materials

HPM High Performance Materials

URE Urethane Systems