

# LANXESS – Deutsche Bank virtual Issuer & Investor Bond Forum 2021




Earnings back on high previous year level

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# Strong portfolio of attractive businesses

Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials
			
<ul style="list-style-type: none"><li>▪ Advanced Industrial Intermediates</li><li>▪ Inorganic Pigments</li></ul>	<ul style="list-style-type: none"><li>▪ Lubricant Additives Business</li><li>▪ Polymer Additives</li><li>▪ Rhein Chemie</li></ul>	<ul style="list-style-type: none"><li>▪ Liquid Purification Technologies</li><li>▪ Material Protection Products</li><li>▪ Saltigo</li></ul>	<ul style="list-style-type: none"><li>▪ High Performance Materials</li><li>▪ Urethane Systems</li></ul>

**More resilient**  
**Strong cash generation**  
**Solid platform for growth**

# On the growth track: Three highly complementary acquisitions strengthen LANXESS specialty character



Sales: ~425m \$  
USA

**Leading Consumer Protection player and strategic expansion into growth markets Food & Animal Nutrition**  
Second largest acquisition: 100% complementary fit, attractive synergy potential and straight forward integration

Signed



Sales: ~€33 m €  
France

**Building a leading microbial solution player**  
Highly complementary in product portfolio and regional set-up

Closed



Sales: Mid single-digit € m, France

**Niche Play: Specialty fungicides for the packaging industry**  
Further sustainable growth based on trend for replacement of plastic with antimicrobial paper packaging

Integration finalized

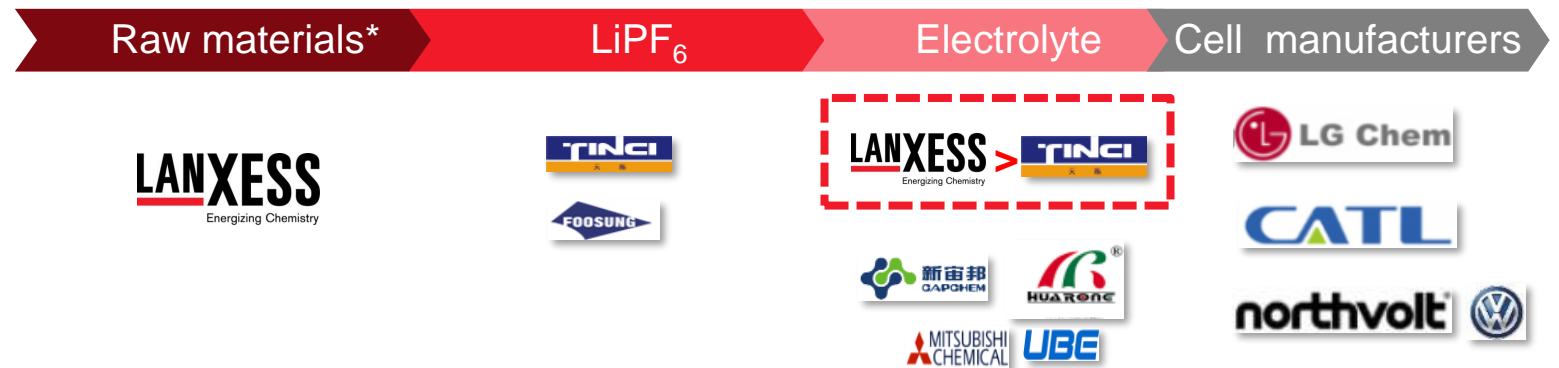
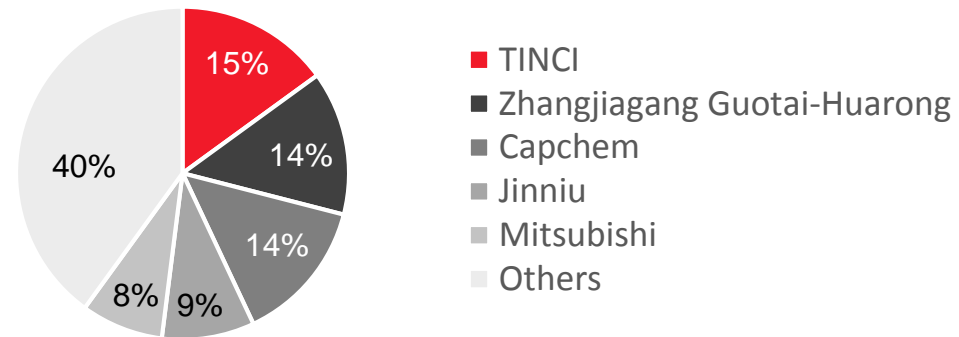
# LANXESS starts electrolyte production for Li-Ion batteries in cooperation with market leader TINCI



## Partnership with TINCI

- TINCI (Chinese Guangzhou Tinci Materials): a leading manufacturer for battery materials and the largest electrolyte producer worldwide
- Saltigo starts electrolyte production for TINCI in its high-tech plant in Leverkusen (Germany) early 2022

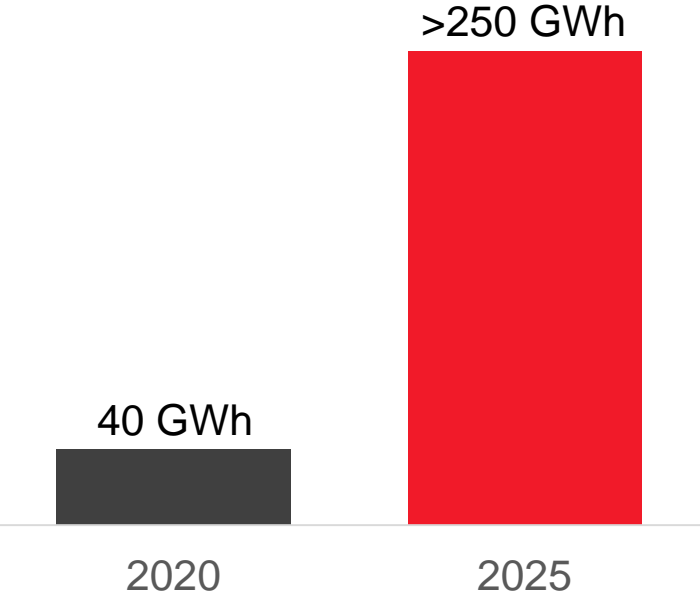
## TINCI with leading position in fragmented electrolyte market\*



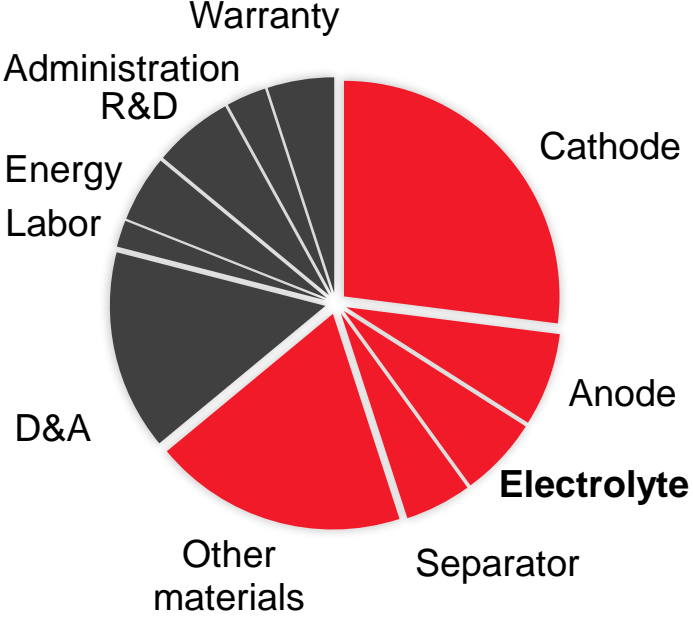
Local raw material supply is key for cell manufacturers and OEMs

# EU market for battery chemicals to grow to over EUR 10 billion by 2025

Massive growth in demand for battery cells in the EU

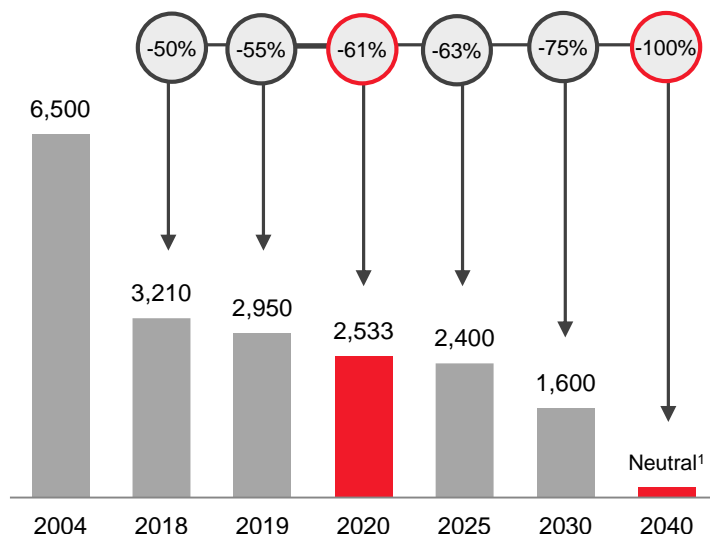


Chemistry accounts for 2/3 of battery cell costs



# ESG theme as a chance - LANXESS goes climate neutral by 2040

## Our goal: Climate neutrality

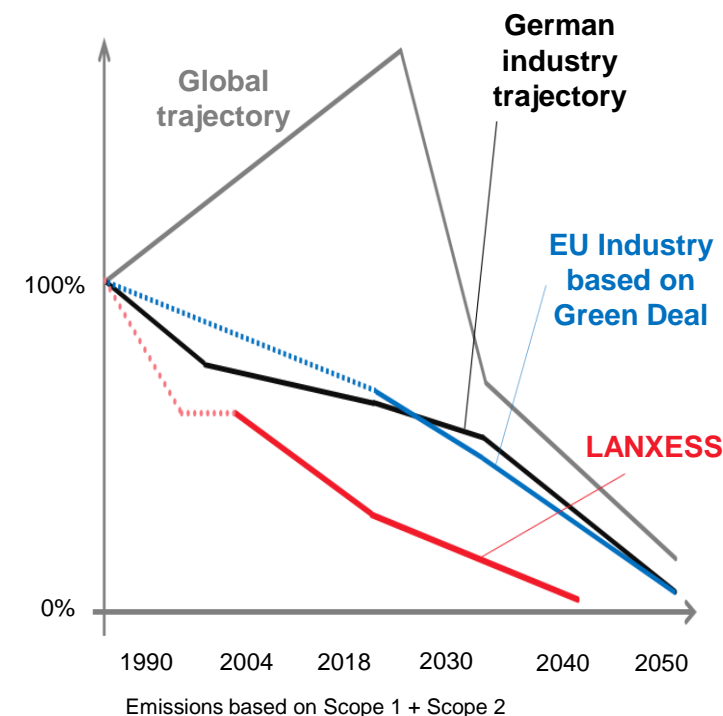


Emissions based on Scope 1 + Scope 2, numbers rounded, in thousand tons CO<sub>2</sub>e

## Three-pronged approach

- Reduction of N<sub>2</sub>O emissions and change to renewable energies
- CO<sub>2</sub>e balance as criteria for organic growth and acquisitions
- Focus R&D activities on climate neutral processes and technologies

## Ahead of EU regulation<sup>2</sup>



**LANXESS is on track to achieve targets set for 2025**

<sup>1</sup> Climate neutral: Less than 300,000 tons of CO<sub>2</sub> equivalents per year. These will be reduced through compensation measures.

<sup>2</sup> This is based on current legislation. There is a plan for a more ambitious 2045 Net-Zero Emission Goal to be approved by cabinet shortly.

# LANXESS enhances its disclosures according to SASB and TCFD reporting standards

## Mapping of KPIs to SASB<sup>1</sup> standard

- SASB with **uniform reporting procedures** for sustainability KPIs to facilitate categorization and analysis
- **Growing importance globally** after initial focus in US
- LANXESS publishes a SASB Index in accordance with **Chemical Standard for environmental, social and governance issues**



## Reporting according to TCFD<sup>2</sup> standard

- TCFD with recommendations for more effective **climate-related disclosures**, in particular to report information on climate-related opportunities and risks
- Disclosure around four thematic areas: Governance, strategy, risk management and metrics and targets
- LANXESS acknowledges the need for improved and increased reporting of **climate-related financial information**



**LANXESS takes a proactive role in contributing to a better, sustainable future**



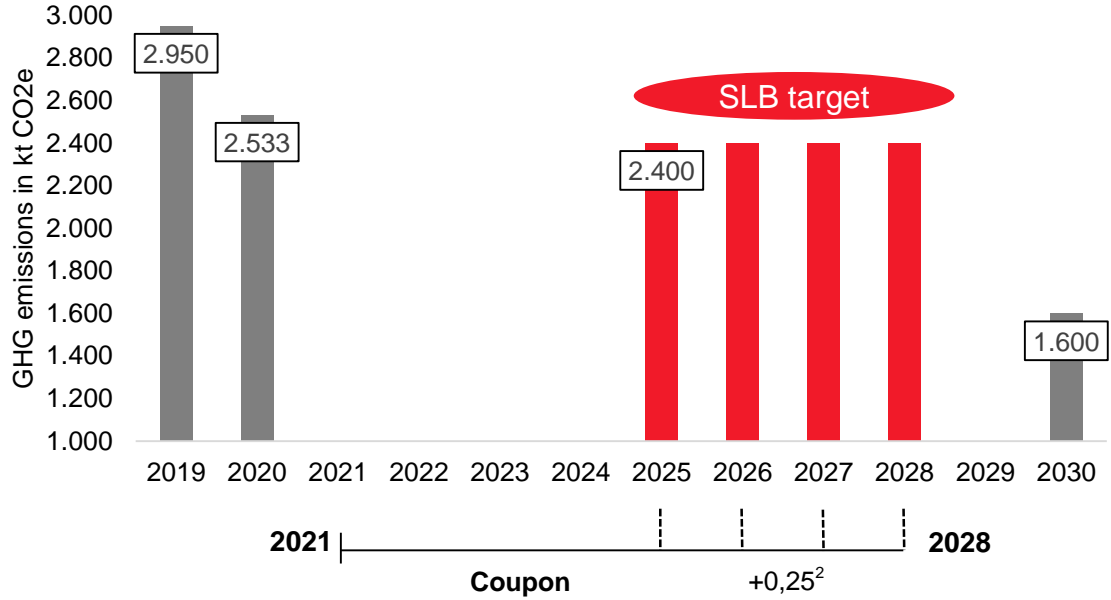
# ESG Financing: Sustainability linked bond (SLB) features implemented in debt issuance program



## Financing philosophy focuses on ESG

Capital Market	<b>SLB Framework</b>	<ul style="list-style-type: none"> <li>LANXESS with new sustainability linked financing framework</li> </ul>
	<b>KPI</b>	<ul style="list-style-type: none"> <li>Ambitious sustainability target defined on basis of CO<sub>2</sub>e Scope 1+2</li> </ul>
	<b>Penalty concept</b>	<ul style="list-style-type: none"> <li>Coupon step-up of 25 bps</li> </ul>

## Targets and step-up mechanism (illustrative)<sup>1</sup>



Loan	<b>Sustainable RCF</b>	<ul style="list-style-type: none"> <li>RCF linked to ESG indicators</li> </ul>
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<sup>1</sup> Exemplary structure of a 7y bond (actual structure could deviate depending on maturity of potential bond transaction)

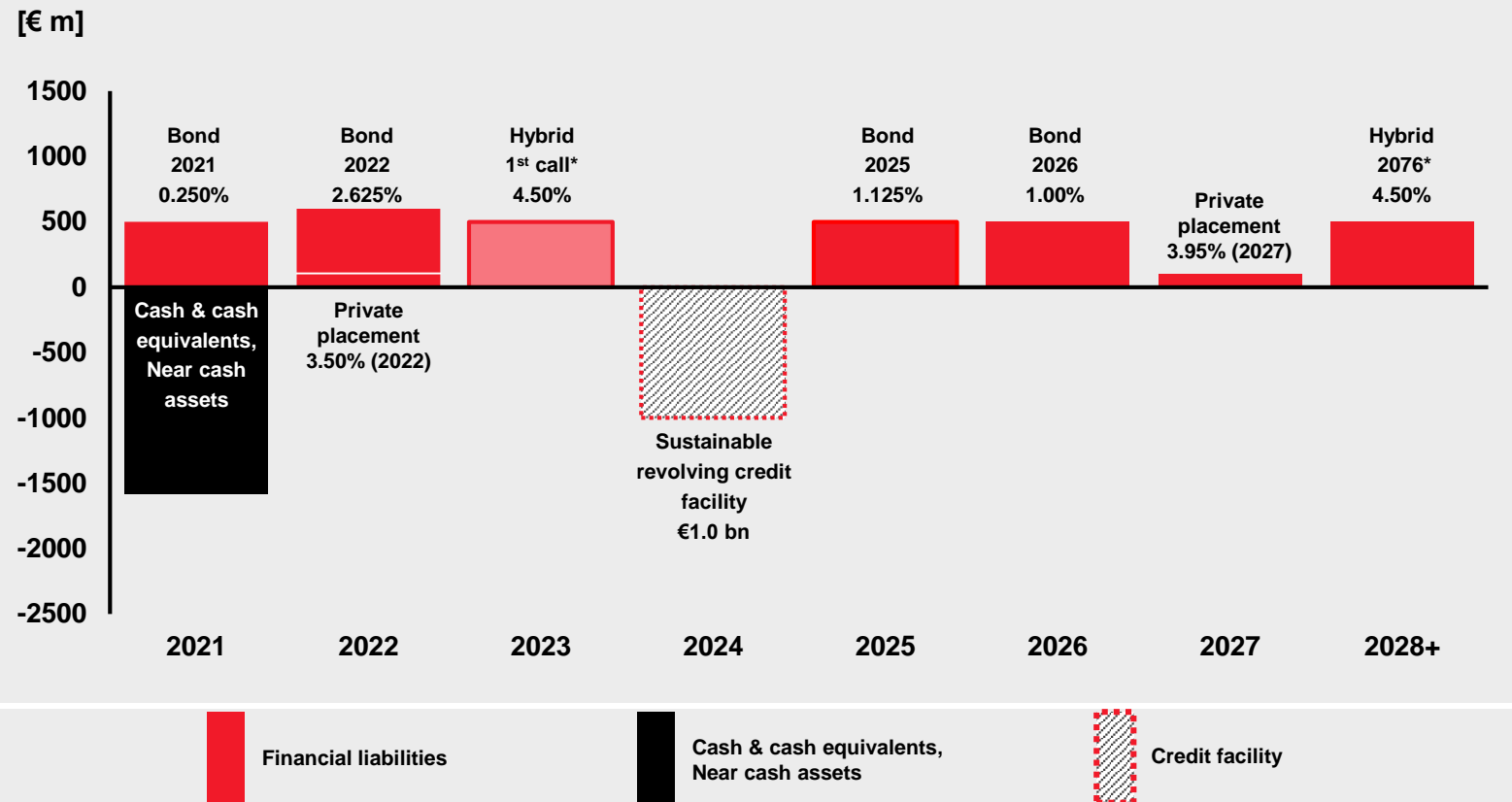
<sup>2</sup> If target is missed: Step up fee will be paid from time of missed target until bond maturity

# Maturity profile actively managed and well balanced

## Long-term financing secured

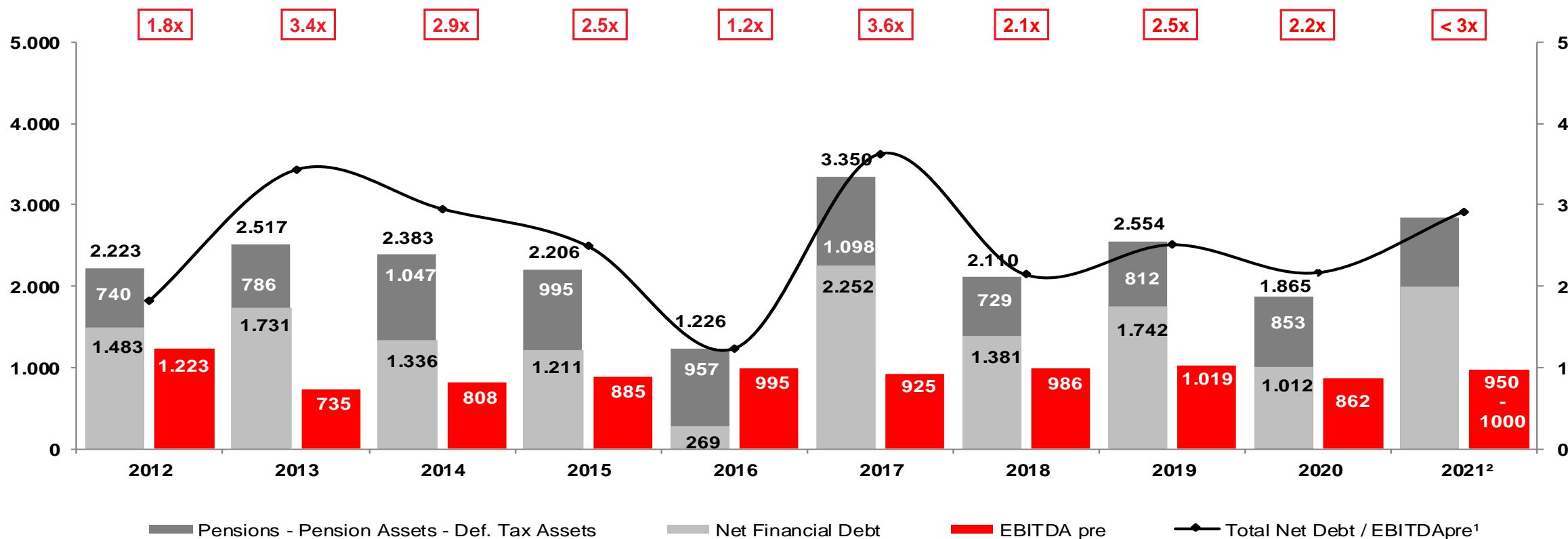
- Diversified financing sources
  - Bonds & private placements
  - Undrawn sustainable revolving credit facility
- Average interest rate of financial liabilities ~2%
- Early repayment of 2021' Bond maturity in July (instead of October)
- All group financing executed without financial covenants

## Liquidity and maturity profile as per March 2021



# Continuation of prudent management of financial leverage in line with rating targets

## Total Net Debt / EBITDA pre<sup>1</sup>



<sup>1</sup> All references to EBITDA are pre exceptionals, all references to debt are net positions

<sup>2</sup> Pro forma Q4/2021, EBITDApre based on current guidance (debt incl. Emerald Kalama Chemical acquisition, pensions as of FY 2020)

# LANXESS credit profile remains robust in environment of Covid-19 pandemic

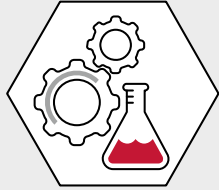


## Credit rating history

	2016	2017	2018	2019	2020	2021
	BBB-/ negative September 2016	BBB-/ stable July 2017	BBB/ stable October 2018	BBB/ stable September 2019	BBB/ stable July 2020	<b>BBB/ stable</b>
	Baa3/ stable October 2016	Baa3/ stable October 2017	Baa2/ stable August 2018	Baa2/ stable August 2019	Baa2/ stable August 2020	<b>Baa2/ stable</b> February 2021
			BBB+/ stable August 2018	BBB+/ stable July 2019	BBB+/ stable September 2020	<b>BBB+/ stable</b>

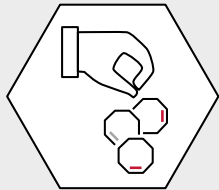
Investment grade rated since spin-off in 2004

# Current outlook: Recovering demand in most end markets, increasing raw material prices and FX burden



## Advanced Intermediates

- Increasing demand in all end markets, but energy prices burden
- Boom in construction in all regions, strong order book



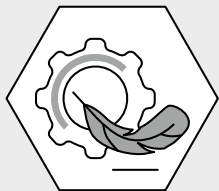
## Specialty Additives

- Strong demand for automotive supports all BUs; aviation still weak
- Positive trends in key industries: Construction strong, oil & gas improving



## Consumer Protection

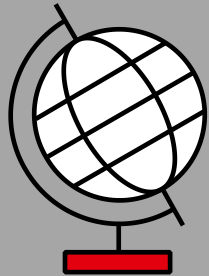
- Disinfection, purification and biocides with good business momentum despite high comparable base
- Agro market rebounding



## Engineering Materials

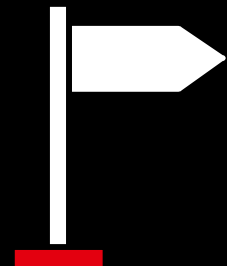
- Strong auto recovery in all regions, Force Majeure of supplier burdens

# LANXESS guidance raised – recovery gains traction



## Current view on economy

- Ongoing recovery in most end markets:
  - Strong rebound in automotive, agro and construction
  - Aviation still weak, oil & gas gradually improving
- Further soaring raw material prices trigger typical time lag for pass-through



## LANXESS outlook

- **Q2: EBITDA pre range of €240-280 m expected, despite burden of**
  - Unplanned shutdowns at BU HPM (~€5-10 m)
  - Weak US Dollar
- **FY 2021 EBITDA pre expected €950-1,000 m**

**LANXESS**

Energizing Chemistry

# Agencies honor LANXESS' realignment process and management's commitment to maintain Investment Grade



## S&P Global Ratings

02/2021

Statement published

Standard&Poor's  
BBB

- ...portfolio realignment and asset disposal helped LANXESS navigate the COVID-19-related downturn in 2020, also bringing more stable margins than in past downturns
- ...LANXESS management's stance in this current difficult economic environment is consistent with the company's commitment to maintaining a solid investment-grade rating.

February 2021

## MOODY'S INVESTORS SERVICE

02/2021

Credit opinion published

Moody's  
Baa2

- Portfolio realignment towards a higher share of specialty chemicals to enhance the business risk profile and future quality of earnings - higher margins and lower volatility - and cash flow
- Strong liquidity, which provides financial flexibility

February 2021



09/2020

Credit opinion published

Scope Ratings  
BBB+

- Intensive portfolio realignment over the past couple of years has improved LANXESS' mix of revenue per end-market, which continues to be highly positive for diversification.
- Conservative financial policy, with selective M&A strategy and commitment to maintaining a credit rating in the 'BBB range'

September 2020



# Q1 2021: Execution on strategy, solid earnings level

## Q1 Highlights

### Strategic:

- Acquisition of Emerald Kalama Chemical signed
- Two bolt-on acquisitions closed in Consumer Protection segment
- Entry into battery chemistry business announced: electrolyte production for Tinci at BU SGO

### Financial:

- Volumes above previous year after unexpectedly strong March
- EBITDA pre on previous year level at €242 m, stable margin at 14.3%
- Several effects burden Q1'21: winter shutdowns (USA), energy & freight costs, raw material price increases, FX



# LANXESS Group: Results back on solid previous year level

## Strong volume growth, but FX burdens

[€ m]*	Q1/2020	Q1/2021	Δ
Sales	1,704	1,693	-1%
EBITDA pre	245	242	-1%
Margin	14.4%	14.3%	
CAPEX	74	70	-5%



Price	Volume	FX	Portfolio
<b>-2%</b>	<b>+5%</b>	<b>-4%</b>	<b>+0%</b>

**Total -1%**

**Q1 Sales vs. PY**

- Stable sales driven by volumes but impacted by adverse FX effect and lower price level compared to previous year
- Raw material prices still slightly below previous year but massive sequential upswing in Q1 2021
- EBITDA pre and margin on previous year level. Positive volume growth offset by time-lag in raw material price pass-through and negative FX

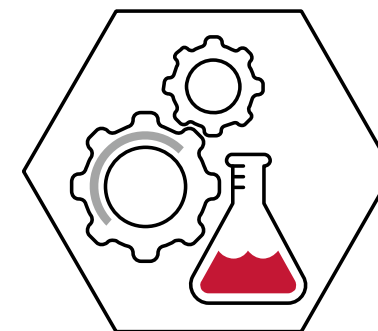
\* All figures excluding BU LEA, which is reported as discontinued operation



# Advanced Intermediates: Strong volume growth

**Rising volumes,  
prices lag behind**

[€ m]*	Q1/2020	Q1/2021	Δ
Sales	483	489	1%
EBITDA pre	82	77	-6%
Margin	17.0%	15.7%	
CAPEX	23	21	-9%



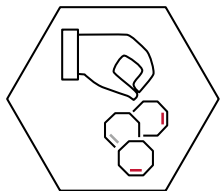
Price **-4%**   Volume **+8%**   FX **-3%**   Portfolio **0%**

Total **+1%**

Q1 Sales vs. PY

- Sales increase driven by significantly higher volumes in both BUs mitigated by lower prices and negative FX effect
- Stable price level at BU IPG. BU All with lower prices, significant increase in raw material prices not yet passed-through
- EBITDA pre and margin impacted by price pass-through delay, higher energy costs and negative FX

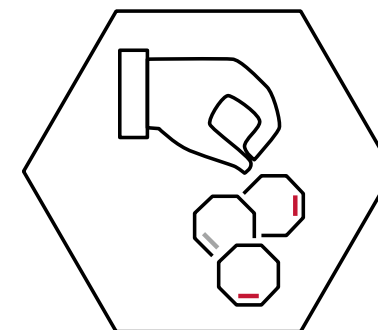
\* New reporting structure as of Q1 2021: "Antioxidants and Accelerators" (AXX) business shift from BU All to BU RCH (segment "Specialty Additives"); 2020 figures restated



# Specialty Additives: Results impacted by weather-related shutdowns and negative FX development

## Shutdowns burden

[€ m]*	Q1/2020	Q1/2021	Δ
Sales	574	517	-10%
EBITDA pre	91	74	-19%
Margin	15.9%	14.3%	
CAPEX	20	16	-20%



Price **0%**   Volume **-4%**   FX **-5%**   Portfolio **0%**

Total **-10%**

Q1 Sales vs. PY

- Sales decline due to lower volumes and negative FX effects, compared to still strong previous year level
- Weather-related shutdowns in the US and still weak demand from aviation led to lower volumes in BU PLA and LAB, while BU RCH benefits from auto recovery
- EBITDA pre and margin impacted by weather-related shutdowns, higher freight costs and adverse FX effect; shift of AXX dilutes margin

\* New reporting structure as of Q1 2021: Business Line "Antioxidants and Accelerators" (AXX) shift from BU All to BU RCH (segment "Specialty Additives"); 2020 figures restated



# Consumer Protection: Outperforming high comparable base

## Ongoing growth and strong margins

[€ m]	Q1/2020	Q1/2021	Δ
Sales	279	290	4%
EBITDA pre	67	69	3%
Margin	24.0%	23.8%	
CAPEX	10	13	30%



Price	Volume	FX	Portfolio
<b>-3%</b>	<b>+10%</b>	<b>-3%</b>	<b>0%</b>

Total **+4%**

Q1 Sales vs. PY

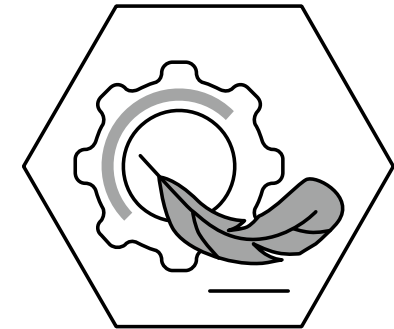
- Considerable sales increase driven by strong volumes, partly offset by negative pricing and FX
- Ongoing strong demand for disinfectants and biocides, volume uptick inflated by IFRS 15
- Improved EBITDA pre due to higher volumes despite weather-related shutdown in US (BU MPP); lower prices and FX weigh on result
- Acquisitions in BU MPP contribute nicely



# Engineering Materials: Automotive recovery drives strong earnings

## Strong margin improvement

[€ m]	Q1/2020	Q1/2021	Δ
Sales	347	377	9%
EBITDA pre	49	59	20%
Margin	14.1%	15.6%	
CAPEX	8	10	25%



Price Volume FX Portfolio

**0%** **+13%** **-4%** **0%**

Total **+9%**

Q1 Sales vs. PY

- Rise in sales due to strong demand from auto industry, partly offset by negative FX
- Prices recovered to previous year level after massive decline during 2020
- EBITDA pre and margin increase driven by improved volumes, offsetting higher energy and freight costs as well as FX

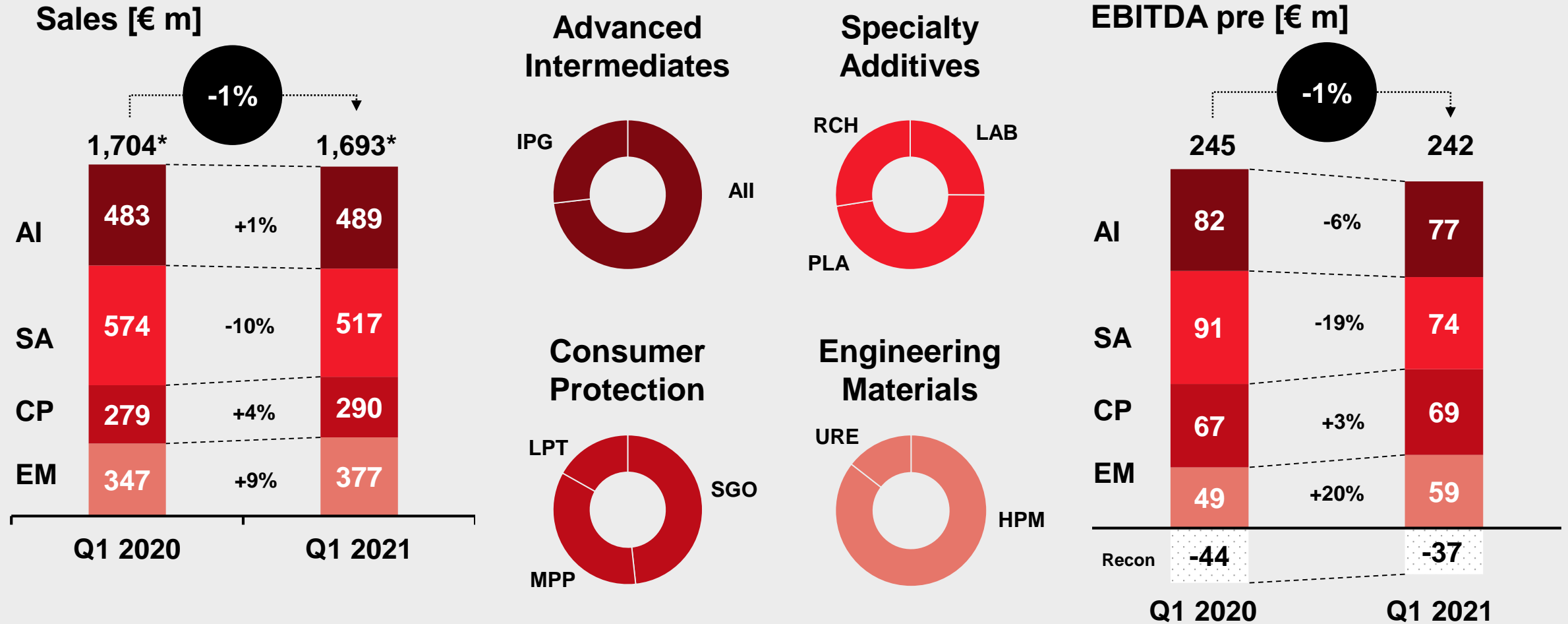
# P&L Q1: Profitability on previous year level, unexpectedly strong March

[€ m]*	Q1/2020		Q1/2021		yoy in %
Sales	1,704	(100%)	1,693	(100%)	-1%
Cost of sales	-1,269	(-74%)	-1,266	(-75%)	0%
Selling	-202	(-12%)	-208	(-12%)	-3%
G&A	-74	(-4%)	-73	(-4%)	1%
R&D	-26	(-2%)	-27	(-2%)	-4%
<b>EBIT</b>	<b>104</b>	<b>(6%)</b>	<b>98</b>	<b>(6%)</b>	<b>-6%</b>
<b>Net Income</b>	<b>64</b>	<b>(4%)</b>	<b>64</b>	<b>(4%)</b>	<b>0%</b>
<b>EPS pre</b>	<b>1.17</b>		<b>1.17</b>		<b>0%</b>
EBITDA	219	(13%)	215	(13%)	-2%
thereof except.	-26	(-2%)	-27	(-2%)	-4%
<b>EBITDA pre except.</b>	<b>245</b>	<b>(14.4%)</b>	<b>242</b>	<b>(14.3%)</b>	<b>-1%</b>

- Increase in selling expenses reflects higher freight costs, partly mitigated by lower travel expenses
- Stable earnings, margins and EPS due to recovering demand despite weather-related shutdowns, higher energy prices and negative FX development

\* From continuing operations

# Q1 2021: Results supported by Consumer Protection and Engineering Materials

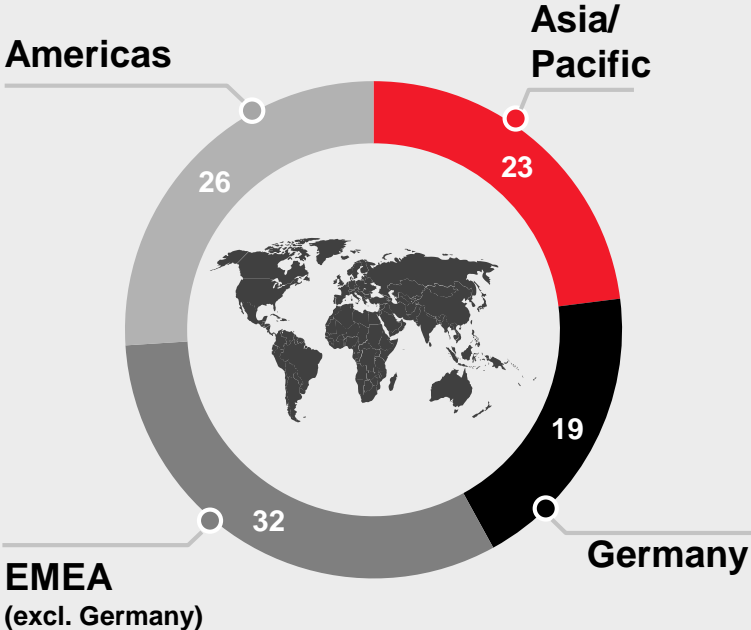


\* Total group sales including reconciliation

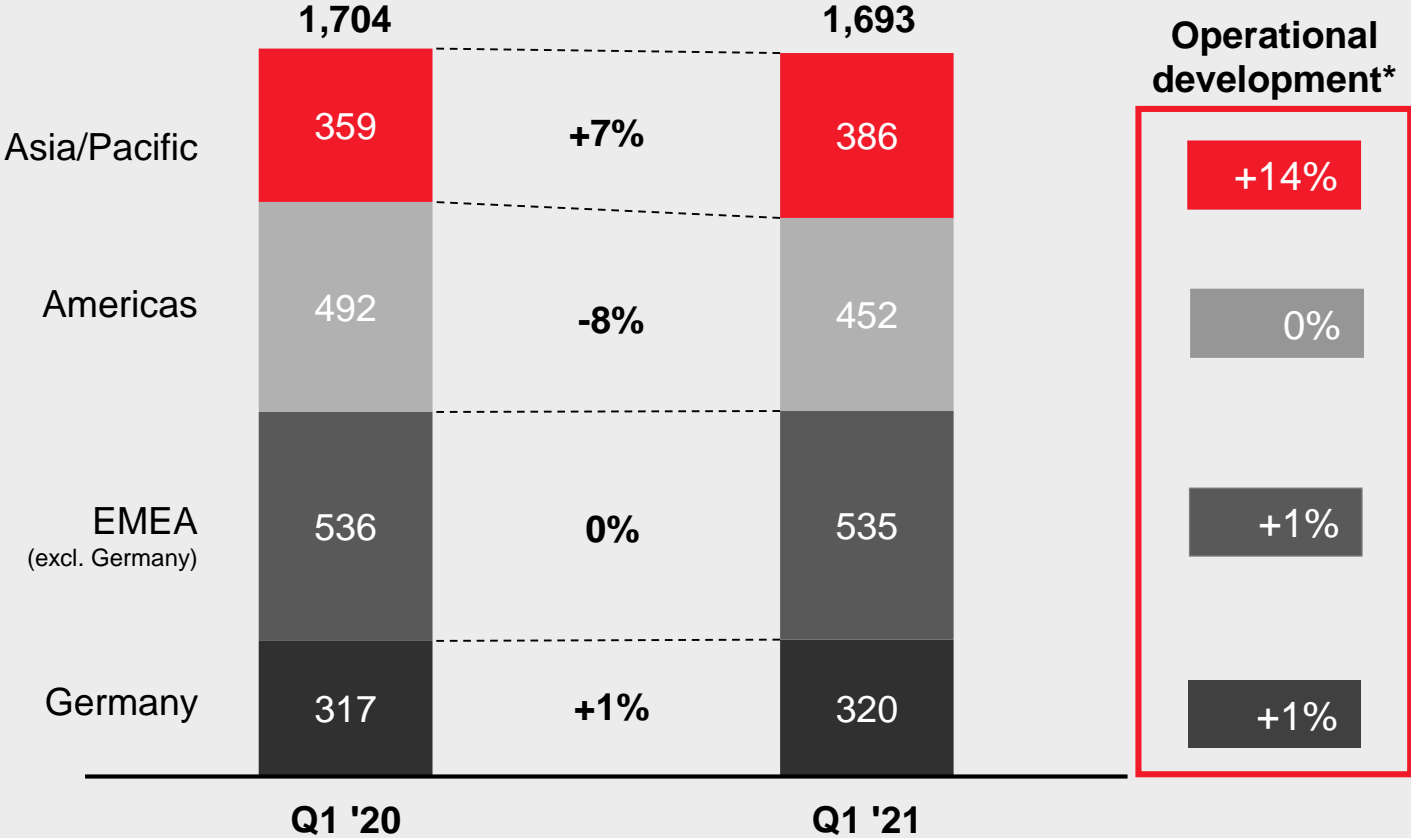


# Q1 2021: Asia leading the recovery, America and EMEA compare with solid previous year base

Q1 2021 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted

# Operating cash flow distorted by timing of various tax payments among others

[€ m]	Q1/2020	Q1/2021	Δ
<b>Operating cash flow*</b>	<b>113</b>	<b>33</b>	<b>-80</b>
<b>Investing cash flow*</b>	<b>-75</b>	<b>530</b>	<b>605</b>
thereof capex	-74	-70	4
thereof net proceeds from money market funds	-59	604	663

- Operating cashflow distorted due to
  - Timing of income taxes paid (~€35 m) in 2021
  - Received VAT re-imburement (~€20 m) in 2020
- Change in investing cash flow driven by cash-in from money market funds

\* Applies to continuing operations

# Rock solid balance sheet

<b>[€ m]</b>	<b>31.12.2020</b>	<b>31.03.2021</b>
<b>Total assets</b>	<b>8,880</b>	<b>9,118</b>
Equity	2,999	3,330
<b>Equity ratio</b>	<b>34%</b>	<b>37%</b>
<b>Net financial debt<sup>1</sup></b>	<b>1,012</b>	<b>1,223</b>
Cash, cash equiv., short term money market inv.	1,794	1,588
<b>Pension provisions</b>	<b>1,205</b>	<b>1,016</b>
<b>Net working capital</b>	<b>1,134</b>	<b>1,307</b>
DSI (in days) <sup>2</sup>	64	60
DSO (in days) <sup>3</sup>	45	47

- Equity reflects positive net income, effects in pension provision and FX
- Ongoing strong liquidity – increase in net financial debt due to short-term investment in capital market instruments, shown as other short term assets
- Lower pension provisions reflect interest increase
- Seasonal increase in working capital

<sup>1</sup> Including cash, cash equivalents, short-term money market investments

<sup>2</sup> Days sales of inventory calculated from quarterly sales

<sup>3</sup> Days of sales outstanding calculated from quarterly sales

# Housekeeping items 2021

<b>Capex 2021</b>	<b>~€450-500 m</b>
<b>Operational D&amp;A 2021</b>	<b>~€450 m</b>
<b>Reconciliation 2021</b>	<b>~€150-160 m</b> including remnant costs and re-occurring expenses
<b>Underlying tax rate</b>	<b>~28%</b>
<b>Exceptionals 2021</b>	<b>€70-100 m</b> based on current initiatives
<b>FX sensitivity</b>	One cent change of USD/EUR resulting in <b>~€7 m</b> EBITDA pre impact before hedging
<b>Remnant costs</b>	2021: <b>Additional remnant costs of ~€5 m</b> (50% of organic leather business due to expected closing mid 2021) 2022: <b>Additional remnant costs of ~€5 m</b> (impact of organic leather business fully effective)

# Key Figures\*: Back on previous year level

Q1

Q2

Q3

Q4



**€1,693 m**

Sales

-1%



**€33m**

Operating Cash  
Flow



**€1,588 m**

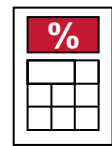
Cash & cash equivalents, short  
term money market investments



**€242 m**

EBITDA pre

-1%



**14.3%**

EBITDA pre  
Margin



**€1,223 m**

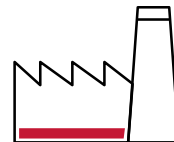
Net financial debt



**€1.17**

EPS pre

+0%



**€70 m**

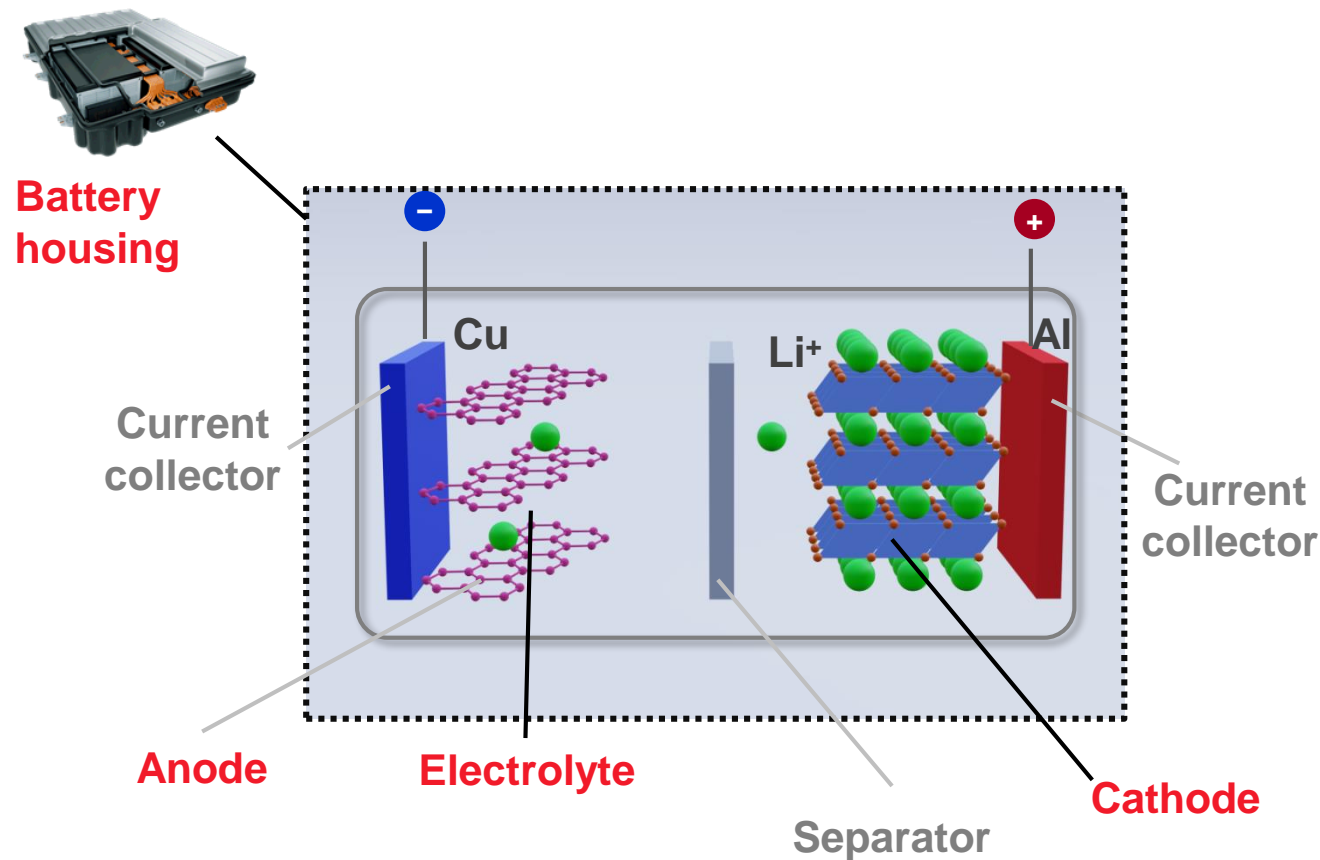
CAPEX

\* Continuing operations (excluding BU LEA, which is reported as discontinued operation)

# Exceptional items (on EBIT) on previous year level, reflecting mainly costs for M&A projects

[€ m]	Q1/2020		Q1/2021		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	18	0	2	0	incl. adjustment of production network
M&A, Digitalization (incl. Chemondis) and Others	3	0	18	0	incl. Emerald Kalama acquisition and bolt-on acquisitions in Consumer Protection
Strategic IT projects	5	0	7	0	incl. SAP Hana Project
<b>Total</b>	26	0	27	0	

# LANXESS offers key products for Li-Ion batteries



## Battery housing

- PA/PBT compounds for components of the e-powertrain (BU HPM)

## Electrolyte

- Key materials (Hydrofluoric acid, phosphorus chemicals) for electrolyte salt ( $\text{LiPF}_6$ ) (BU AII/BU PLA)
- Flame retardants (BU PLA)

## Cathode & Anode

- Iron oxide as precursor for cathode active materials (BU IPG)
- Ion-exchange resins for refining battery grade cobalt, nickel and lithium (BU LPT)
- Lithium chemicals from tail-brine (BU PLA)\*

# On track to climate neutrality in 2040: Nitrous oxide reduction in Antwerp



## Milestone in our climate strategy

- Nitrous oxide is generated during caprolactam production
- Investment of approx. EUR 10 million

**1** Plant significantly reduces emissions:  
150 kt CO<sub>2</sub>e / year less



**2** Second plant planned for 2023  
Impact: 300 kt CO<sub>2</sub>e / year less



# Upcoming virtual events 2021 - Proactive capital market communication



# Contact details



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# Abbreviations



## Advanced Intermediates

**AI** Advanced Industrial Intermediates  
**IPG** Inorganic Pigments



## Consumer Protection

**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