

LANXESS – Goldman Sachs 10th European Chemicals Conference

Pandemic year 2020: Successfully managed!

Matthias Zachert, CEO,
March 12, 2021

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Agenda

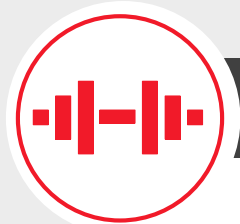
1 Executive summary FY 2020 and Q4 2020

2 Financial and business details Q4 2020

3 Back-up



LANXESS continues to drive its transformation – Proven resilience & more to come!



Strong set-up

- Four strong segments
- Growing and rising star Consumer Protection
- Leading positions in many niche markets
- Technology & cost leader
- Broad & balanced industry exposure
- Proven track record in reaching our targets



How we bring capital to work

- Ongoing portfolio transformation incl. synergies
- Further capital deployment as growth driver
 - Lithium Project as “free option”
 - Attractive debottlenecking projects
 - Battery chemistry as future growth engine
- Digitalization as value catalyst (i.e. Chemondis)
- Strong rebound potential esp. in Engineering Materials and Specialty Additives

Proven resilience demonstrated in pandemic while pressing ahead with transformation

2020 highlights:

Resilience proven, transformation pushed ahead

Strategic highlights

- **Portfolio further improved:**
 - Consumer Protection Division established
 - Organic leather chemicals sold to TFL*
 - Realignment of water purification; exit of membranes
 - Disposal of CURRENTA – gross proceeds of €890 m
 - Two bolt-on acquisitions in disinfection**
 - Acquisition of Emerald Kalama Chemical signed**
- **ESG acknowledgements:**
 - Improved MSCI rating to A category
 - Recognized by CDP as global climate change leader
 - #1 and # 2 in Dow Jones Sustainability Indices

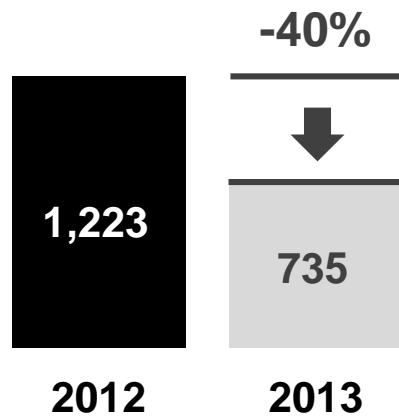
Financial highlights

- **Transformation is paying off:**
 - **FY EBITDA pre at €862 m** - decreased only 15% in the midst of global pandemic
 - **Margin at 14.1%** - only 0.9%points lower throughout Corona pandemic
 - **Strong FY operating cash flow** despite CURRENTA related tax payment
- FY 2020 closed **with powerful balance sheet**, net financial debt reduced to ~€1 bn

Margin resilience proven amid severe global recession

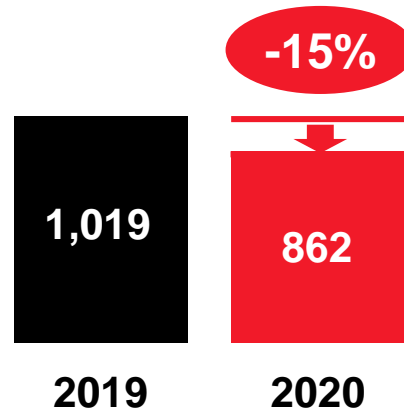
LANXESS faces global pandemic with visible boost in resilience

EBITDApre
in €m



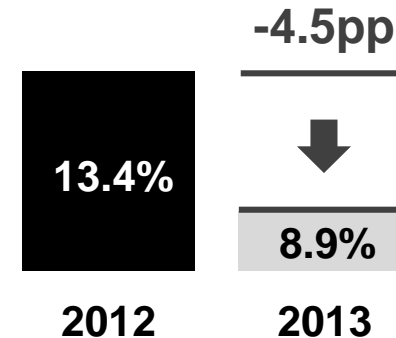
Rubber Crisis

Proof of resilience!



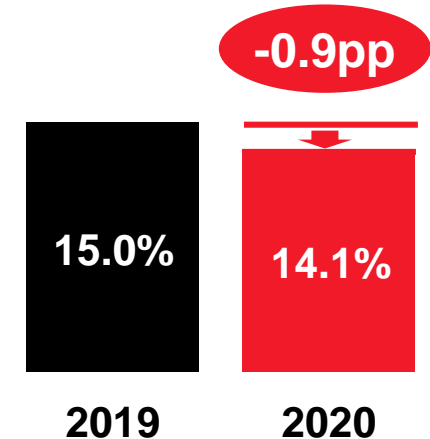
Corona Pandemic

EBITDApre
margin in %



Rubber Crisis

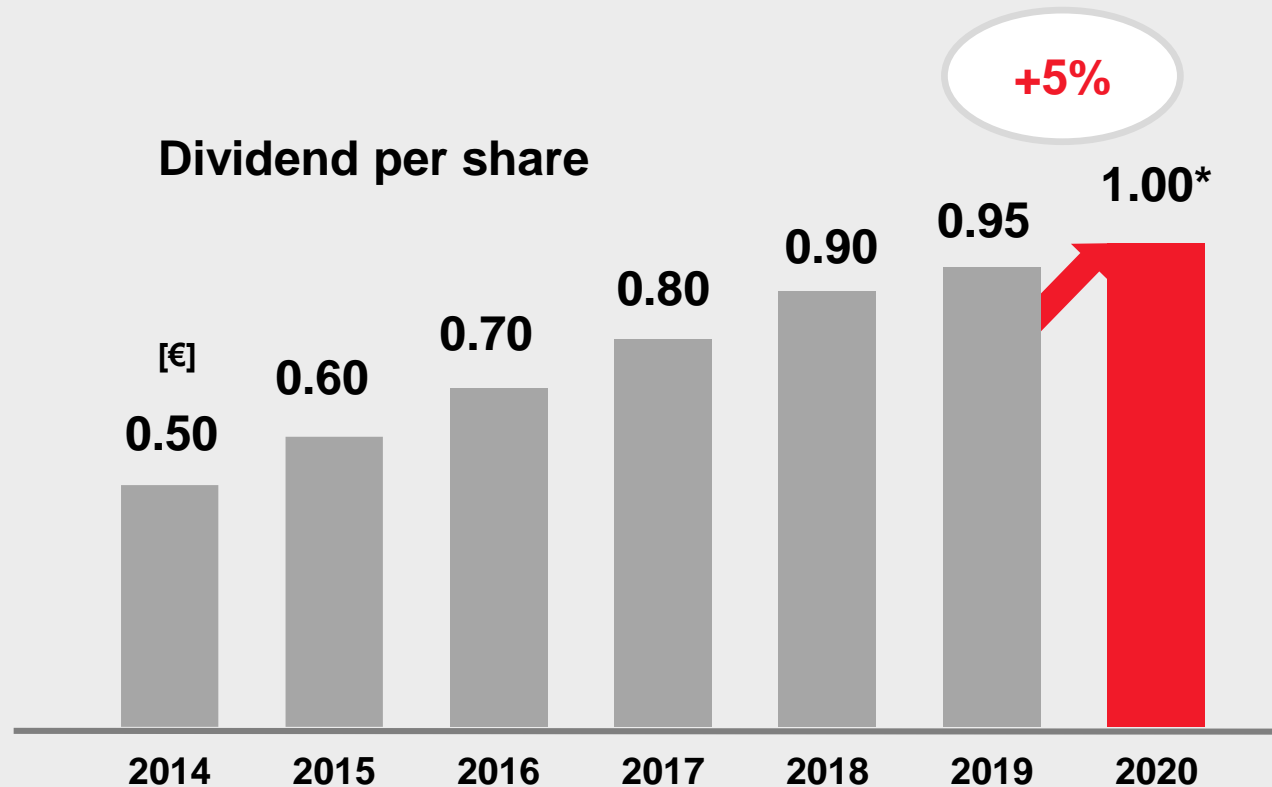
Proof of resilience!



Corona Pandemic

Increased dividend despite pandemic

A reliable income stream for investors



Dividend policy

LANXESS aims for an increasing or at least stable dividend



* To be proposed to the Annual General Meeting on May 19, 2021

Acquisition of Emerald Kalama Chemical: A tailor-made strategic fit!

Key Facts

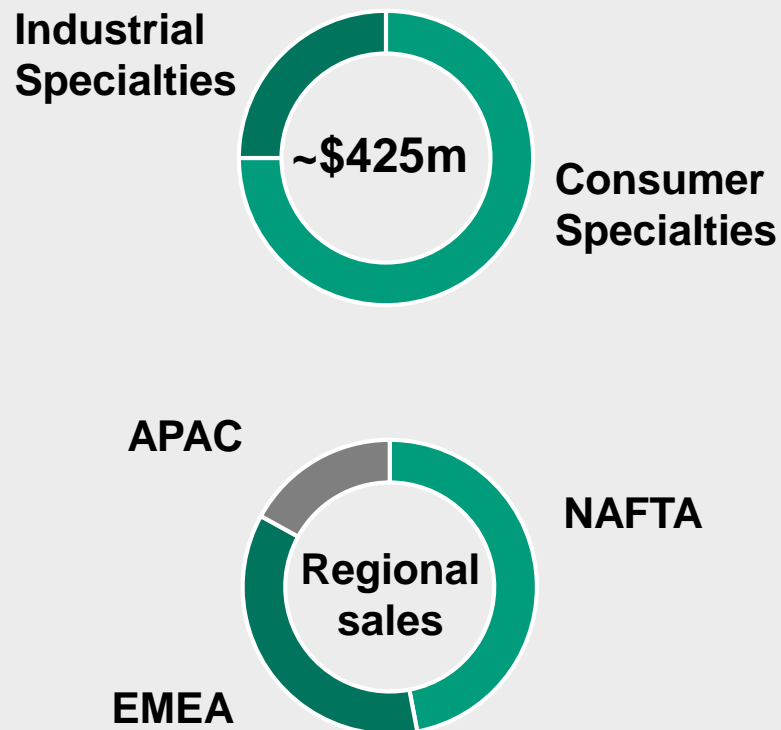


Key Financials 2020 (USD):

- Sales: ~\$425 m
- EBITDA pre: ~\$90 m
- Cash Conversion*: ~80%
- **Enterprise Value:** \$1,075 m
~9.0x EBITDA incl. ~\$30 m synergies
- **EPS accretion:** year one expected
- Financed from existing liquidity
- **Expected closing:** H2 2021

Peers: Valtris, Eastman, Celanese

Business Structure



Key Rationale

- Specialty business with strong fit to current portfolio
- Vertically integrated into high value derivatives**
- Strategic expansion into growth markets Food and Animal Nutrition
- Attractive secular growth markets above GDP
- Highly synergistic, both cost and top line synergies
- Straight forward integration into LANXESS

* cash conversion = EBITDApre – CAPEX / EBITDApre (mid-term)

** based on Benzoic acid & Benzaldehyde

Emerald Kalama Chemical offers a 100% complementary fit to LANXESS

LANXESS Consumer Protection Energizing Chemistry



Consumer Specialties (~75%)

Animal Health

- Preservatives for feed silage
- Animal feed additives substituting anti-biotics



Growth > GDP

Flavours & Fragrances

- ~30 aroma ingredients for food, home & personal care products



Growth > GDP

Food & Beverage

- High quality preservatives for food and beverages



Growth ~ GDP

Home & Personal Care

- Nature identical high purity preservatives for cleaning applications & cosmetics

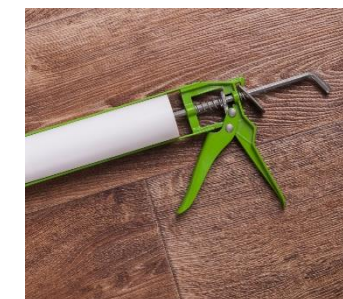


Growth ~ GDP

Industrial Specialties (~25%)

CASE* & Polymers

- Phthalate-free plasticizers for:
 - Construction materials: e.g. flooring, sealants
 - Adhesives: substitution for mechanical fastening
 - Coatings and paper-based packaging



Growth > GDP

* CASE = Coatings, Adhesives & Sealants

Acquisition of Emerald Kalama Chemical strengthens LANXESS as a leading Consumer Protection player

Balanced specialties portfolio with long-term secular growth drivers

Consumer Protection: Focus areas



Animal Health

- Backward integrated leader in microbial solutions



F&B / F&F*

- Strengthening competitiveness



Water Purification

- Leading position in future growth business



Agro

- Strong position in custom manufacturing

Future growth enablers

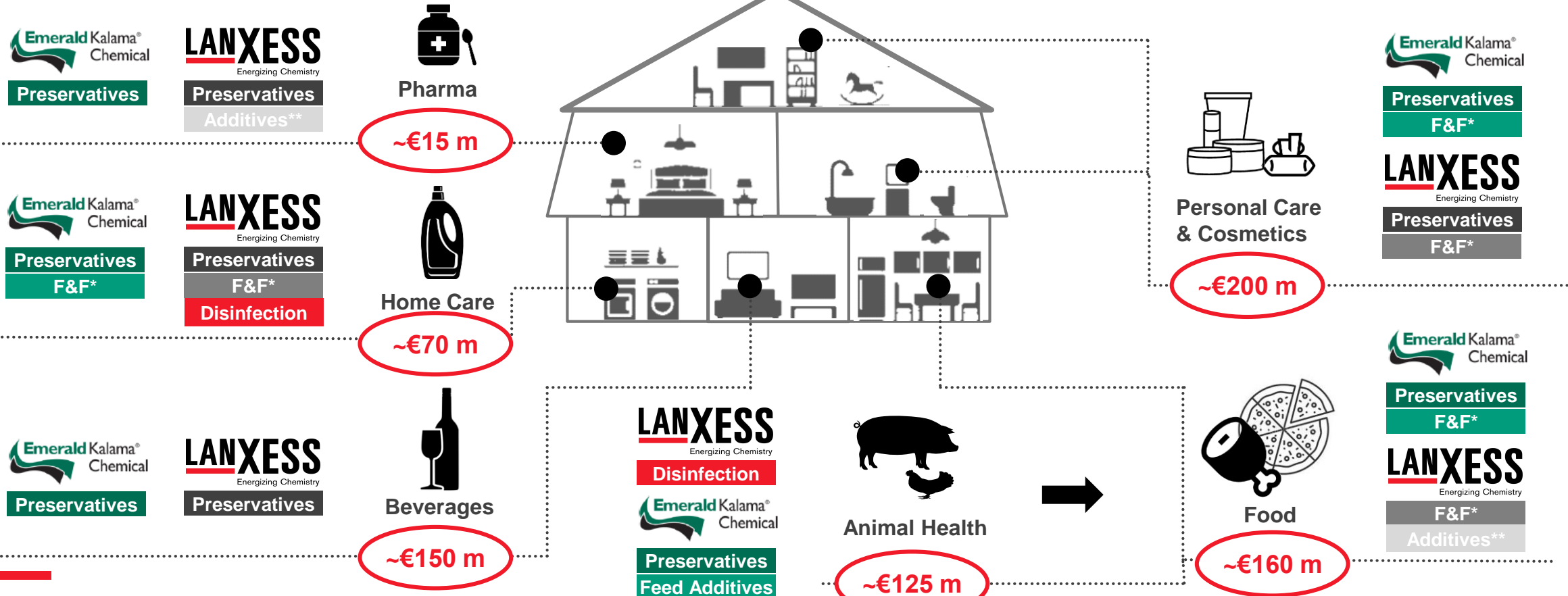
- **Animal Health:** Antibiotic substitution and rising pests globally
- **Regulatory trend:** Global boost in regulation for active ingredients
- **Need for preservation:** Increasing demand for plastic-free packaged & processed food
- **Natural trend:** Rising demand and awareness for natural & hygienic solutions
- **Water scarcity:** High-tech products for top-notch technology players
- **Agro recovery:** additional upside to contract based growth

* F&B = Food & Beverage / F&F = Flavors & Fragrances

The combined product portfolio brings consumer protection to everyone's daily life

Emerald Kalama's products complement LANXESS' Consumer Protection portfolio perfectly

Illustrative (combined sales)



* F&F = Flavors & Fragrances

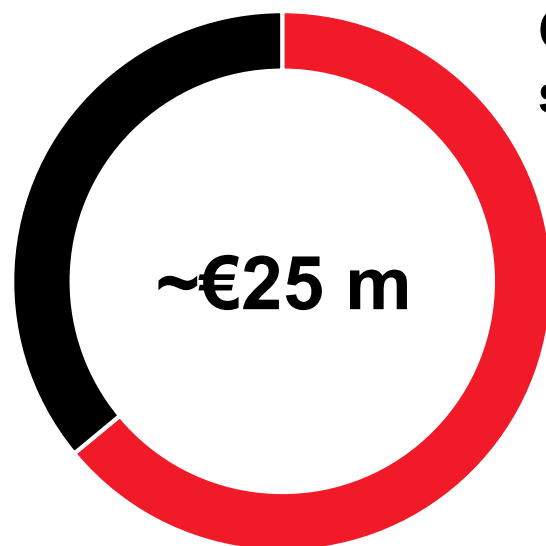
** Additives: e.g. Active Ingredients & Intermediates (Pharma); Processing Agents (Food)

Acquisition of Emerald Kalama Chemical provides attractive synergy potential for LANXESS

Overview: Synergies structure

Illustrative

Top line synergies



Cost based synergies

Phasing: Synergies, OTCs and CAPEX

	2021	2022	2023	2024
Synergies	-	~€10 m	~€10 m	~€5 m
OTCs	-	~€15 m	~€15 m	~€5 m
CAPEX*	~€10 m	~€15 m	~€15 m	~€15 m

Emerald Kalama Chemical ideally complements LANXESS growth in Consumer Protection

100% strategic fit	Strengthened competitiveness in Consumer Protection end markets
Secular growth	Long-term trend driven growth above GDP
High synergies/ Low complexity	Extended and complementary portfolio offers significant high synergies Low integration risk – low complexity (only three sites)
Attractive financials	Solid 9.0x EBITDA multiple (post synergies) Cash Conversion ~80%* and EPS accretion in year one



Strongest Q4 since 2012

Q4 Highlights

- EBITDA pre at €200 m above previous year and best since 2012 despite unplanned outage and FX headwinds
- Positive business momentum strengthened in Q4
- Strong operating Cash Flow despite CURRENTA related tax payments
- FY 2020 closed with powerful balance sheet, net financial debt reduced to ~€1 bn



LANXESS' commitment to sustainability now also reflected in Board remuneration

CDP – Climate:
A ranked

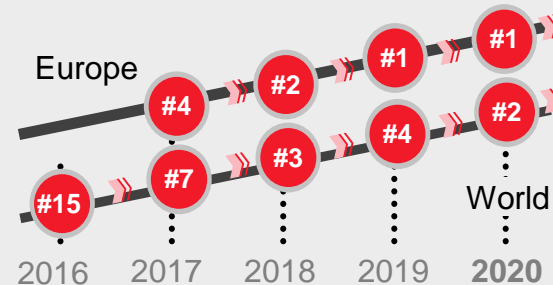


Admittance in Bloomberg
Gender Equality Index



Top in Dow Jones Sustainability
Index

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM



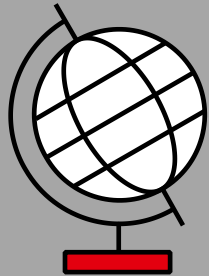
Say-on-pay in this year's AGM on May 19

- New system¹ for **Board remuneration** reflecting LANXESS' commitment to **sustainability** by considering ESG components in:
 - Short term incentive plan (STI): **safety performance** related
 - Long term incentive plan (LTI): focused on **absolute CO₂ reduction**²

¹ New system approved by supervisory board, in effect since January 1, 2021, but still subject to AGM approval

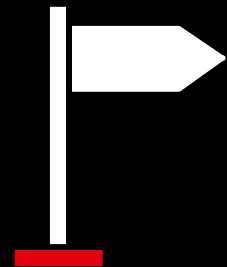
² The CO₂ target was set as the first target for the LTI

Optimistic for FY 2021: Recovery expected



Current view on economy

- Sequential recovery in most end markets:
 - Strong rebound in Automotive, Agro, Construction, Chemicals to improve slightly
 - Aviation still weak, Oil & Gas gradually improving
 - Soaring raw mat. prices trigger typical time lag for pass-through
- Uncertainty persists



LANXESS outlook FY 2021

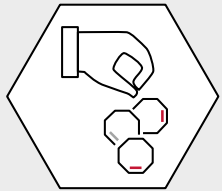
- **FY EBITDA pre expected €900 - €1,000 m**
- **Q1 with nice sequential momentum: €200-250 m EBITDA pre expected, however burden of**
 - YoY full pandemic impact
 - Weather-related US plant shutdowns (~€10 m)
 - Weak US Dollar

Optimistic for FY 2021: Strongest rebound in Engineering Materials



Advanced Intermediates – On or slightly above prior year level

- Recovery in BU All's broadly diversified end markets, energy prices are a burden
- Good development in construction (BU IPG)



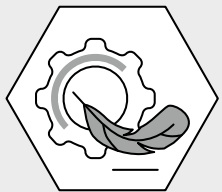
Specialty Additives – Significantly above prior year

- Improvement in Lubricant Additives
- Auto recovery, also helped by reorganization of rubber additives



Consumer Protection – Slightly above prior year level

- Strong demand to continue
- Already high utilization for disinfection and water purification limits volume growth



Engineering Materials – Significantly above prior year

- Strong auto recovery
- No burden from maintenance turnaround and unplanned shutdown (H2 2020)



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LANXESS Group: Increased earnings despite high comparable base

**Resilience proven,
margin improved!**

[€ m]*	Q4/2019	Q4/2020	Δ	FY 2019	FY 2020	Δ
Sales	1.636	1.503	-8%	6.802	6.104	-10%
EBITDA pre	197	200	2%	1.019	862	-15%
Margin	12,0%	13,3%		15,0%	14,1%	
CAPEX	213	192	-10%	508	456	-10%

Price **-3%** Volume **-2%** FX **-3%** Portfolio **+0%**

Total **-8%**

Q4 Sales vs. PY

- Sales decline driven by pass-through of lower raw material prices, volume impact (unplanned shutdown) and adverse FX effect
- EBITDA pre accelerates compared to strong previous year base driven by higher utilization and cost containment measures

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



Advanced Intermediates: Recovery materializes

**Rising volumes,
strong profitability**

[€ m]*	Q4/2019	Q4/2020	Δ	FY 2019	FY 2020	Δ
Sales	533	502	-6%	2.251	1.999	-11%
EBITDA pre	73	83	14%	383	336	-12%
Margin	13,7%	16,5%		17,0%	16,8%	
CAPEX	62	53	-15%	161	145	-10%

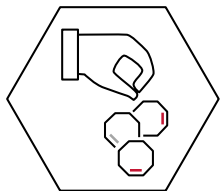
Price **-5%** Volume **+3%** FX **-3%** Portfolio **0%**

Total **-6%**

Q4 Sales vs. PY

- Improved sales volume offset by raw material price effect and FX
- Momentum in end industries further improves, especially in construction
- EBITDA pre and margin above previous year due to higher volumes and better utilization

* New reporting structure as of Q1 2020 excluding BU SGO and including BU Inorganic Pigments



Specialty Additives: Pronounced margin resilience

**Volumes compare
to strong previous
year**

[€ m]	Q4/2019	Q4/2020	Δ	FY 2019	FY 2020	Δ
Sales	471	416	-12%	1.965	1.728	-12%
EBITDA pre	84	71	-15%	353	284	-20%
Margin	17,8%	17,1%		18,0%	16,4%	
CAPEX	47	38	-19%	120	94	-22%

Price	Volume	FX	Portfolio
-1%	-6%	-5%	0%

Total -12%

Q4 Sales vs. PY

- Sales decline due to lower volumes and burdening FX
- Ongoing weakness in aviation and oil & gas impacted volumes, auto recovery starting to come through
- Price reductions following lower raw material prices
- EBITDA pre decline reflects weak demand and negative FX effect, only slight margin decrease thanks to cost containment measures



Consumer Protection: Earnings continue to grow

Profitability improved again

[€ m]*	Q4/2019	Q4/2020	Δ	FY 2019	FY 2020	Δ
Sales	262	252	-4%	1.050	1.110	6%
EBITDA pre	35	39	11%	198	233	18%
Margin	13,4%	15,5%		18,9%	21,0%	
CAPEX	26	32	23%	61	69	13%

Price	Volume	FX	Portfolio
0%	-4%	-2%	+2%

Total -4%

Q4 Sales vs. PY

- Moderate sales decline due to lower volumes and FX impact, strong contribution from acquisition in Brazil
- Volumes decrease due to IFRS 15 effects, FX burdens additionally
- Slight price increase across segment
- Strong EBITDA pre increase driven by improved prices and contribution from acquisition in Brazil

* New reporting structure as of Q1 2020, data excluding BU LEA, which is reported as discontinued operation



Engineering Materials: Auto recovery mitigates effects from unplanned shutdown

Solid margin despite outage

[€ m]	Q4/2019	Q4/2020	Δ	FY 2019	FY 2020	Δ
Sales	350	314	-10%	1.450	1.190	-18%
EBITDA pre	49	41	-16%	238	151	-37%
Margin	14,0%	13,1%		16,4%	12,7%	
CAPEX	51	47	-8%	104	86	-17%

Price Volume FX Portfolio

-7% **-1%** **-3%** **0%**

Total **-10%**

Q4 Sales vs. PY

- Sales decrease mainly due to pass-through of lower raw material prices and negative FX impact
- Strong recovery in auto demand, however volume decline resulting from unplanned shutdown in BU HPM. Sequential improvement accelerates
- EBITDA pre and margin stabilize visibly even despite force majeure in BU HPM

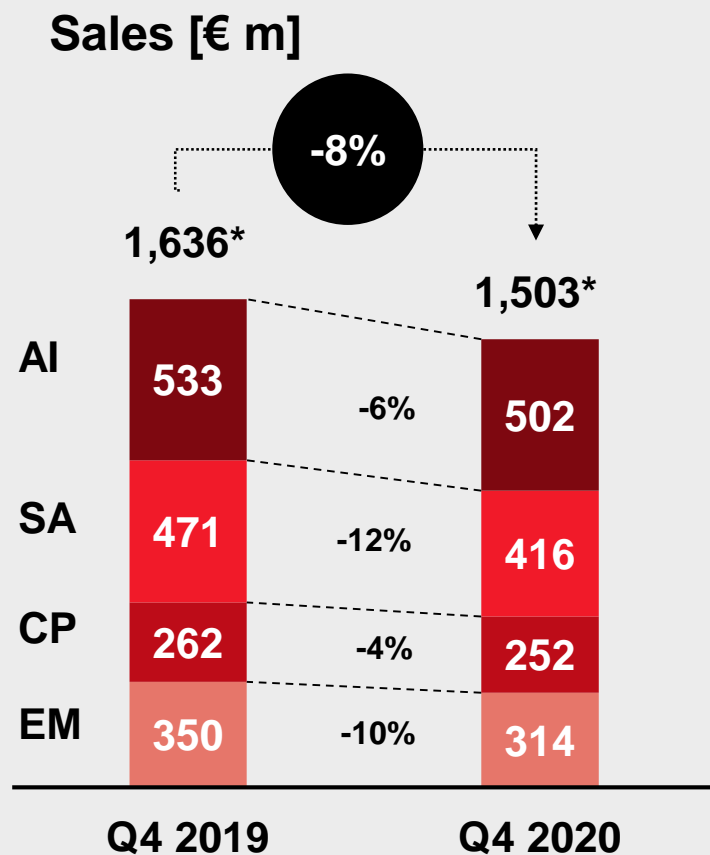
P&L: Best Q4 in new company set-up

[€ m]*	Q4/2019		Q4/2020		yoy in %
Sales	1.636	(100%)	1.503	(100%)	-8%
Cost of sales	-1.253	(-77%)	-1.126	(-75%)	-10%
Selling	-203	(-12%)	-193	(-13%)	-5%
G&A	-81	(-5%)	-72	(-5%)	-11%
R&D	-30	(-2%)	-28	(-2%)	-7%
EBIT	0	(0%)	35	(2%)	>100%
EPS	-0,25		0,20		>100%
EPS pre	0,64		0,82		28%
EBITDA	160	(10%)	170	(11%)	6%
thereof except.	-37	(-2%)	-30	(-2%)	-19%
EBITDA pre except.	197	(12%)	200	(13,3%)	2%

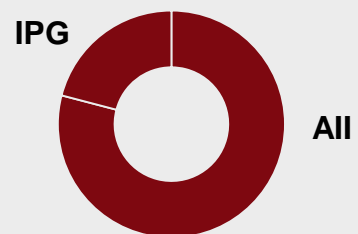
- Improvement in SG&A and R&D reflect cost containment measures
- Higher earnings, margins and EPS due to recovering demand despite unplanned shutdown

* From continuing operations

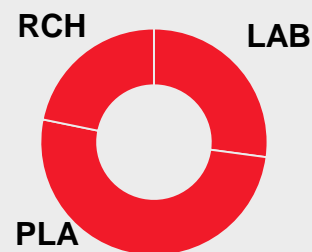
Q4 2020: Consumer Protection and recovery in Advanced Intermediates drive strong result



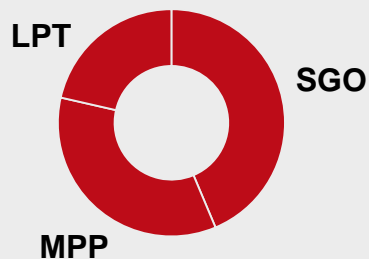
Advanced Intermediates



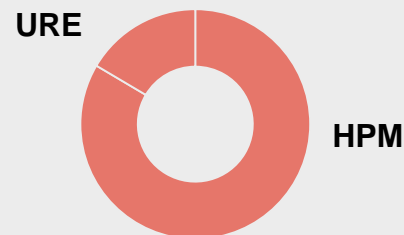
Specialty Additives



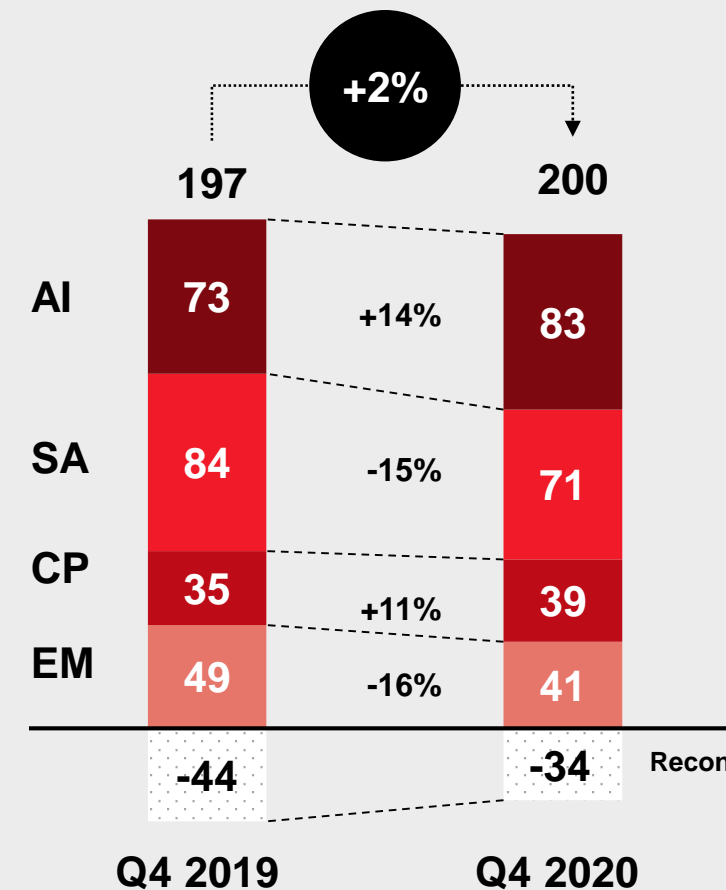
Consumer Protection



Engineering Materials



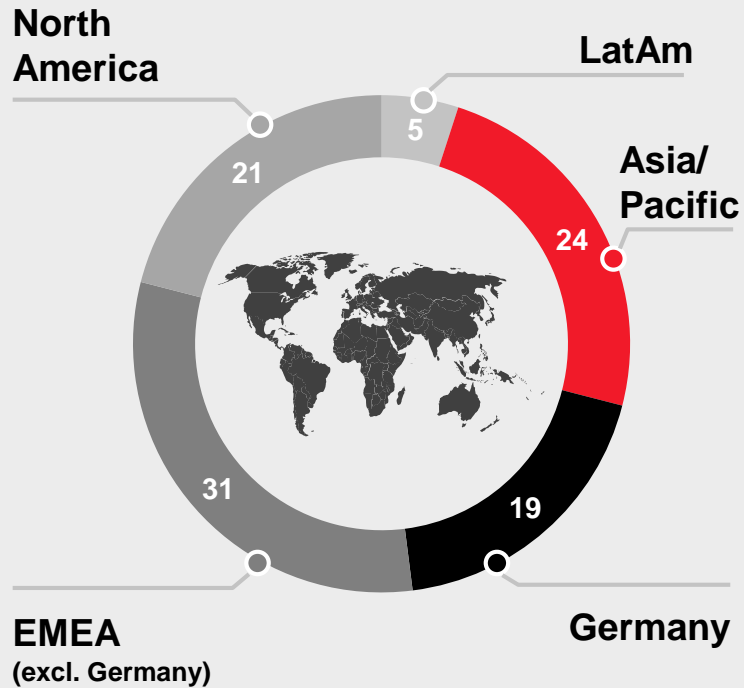
EBITDA pre [€ m]



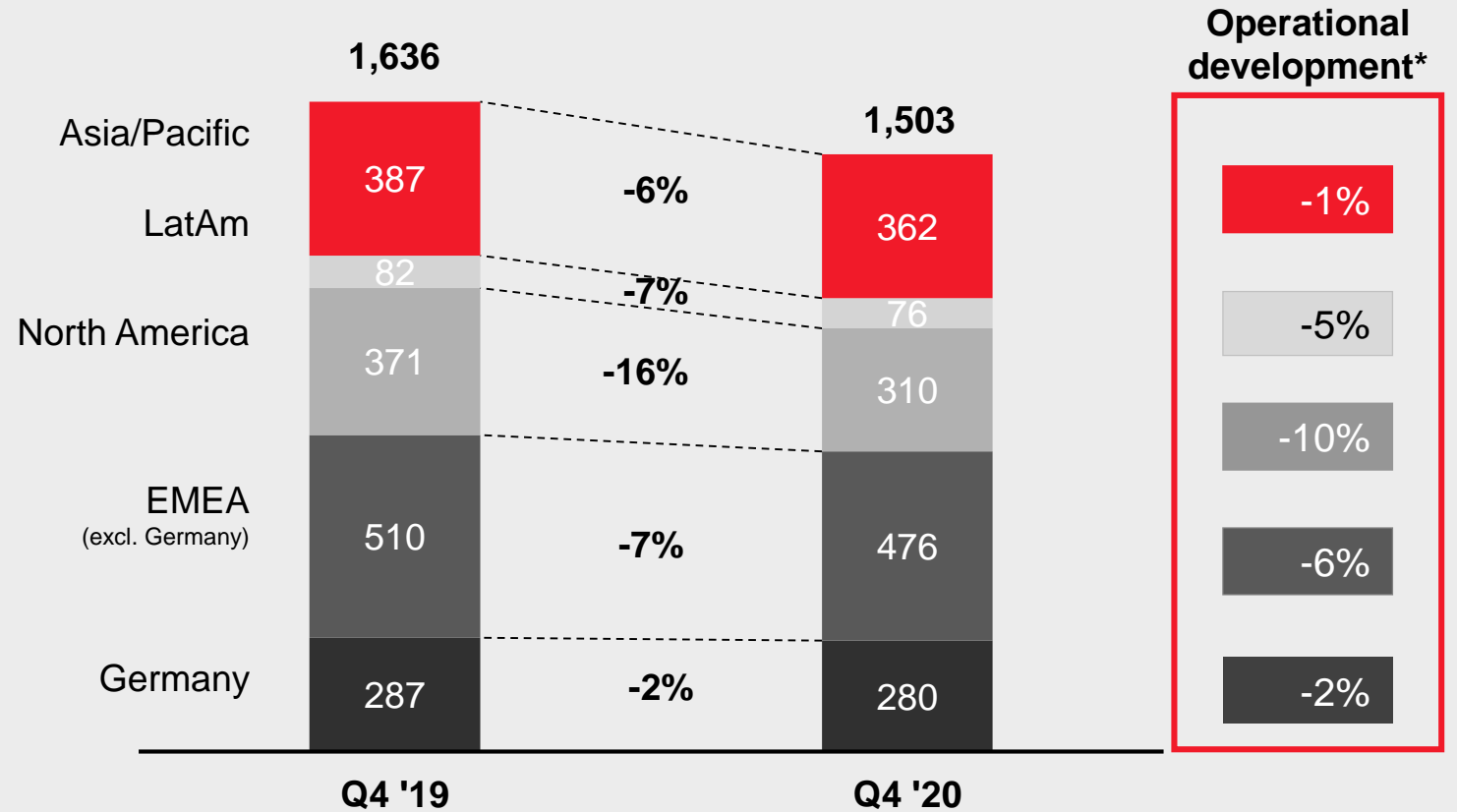
* Total group sales including reconciliation

Q4 2020: Impact from pandemic still visible in all regions, sales decline reflects lower raw material prices

Q4 2020 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Operating cash flow improved, but masked by extraordinary tax payment related to Currenta disposal

[€ m]	Q4/2019	Q4/2020	Δ
Operating cash flow*	267	262	-5
thereof income taxes paid	-39	-80	-41
thereof changes in working capital	212	204	-8
Investing cash flow*	-270	-289	-19
thereof capex	-213	-192	21
thereof net invest in money markets	-82	-100	-18

- Strong operating cash flow despite mid to high double digit million tax payment relating to CURRENTA divestment
- Ongoing tight working capital management
- Capex reduced in response to pandemic

* Applies to continuing operations

Ongoing strong balance sheet

[€ m]	31.12.2019	30.09.2020	31.12.2020
Total assets	8.695	8.850	8.880
Equity	2.647	3.167	2.999
Equity ratio	30%	36%	34%
Net financial debt¹	1.742	1.150	1.012
Cash, cash equiv., short-term money market inv.	1.076	1.657	1.794
Pension provisions	1.178	1.083	1.205
Net working capital	1.308	1.358	1.134
DSI (in days) ²	66	70	64
DSO (in days) ³	42	47	45

- Strong liquidity further improved - supported by CURRENTA disposal; secures financial and operating flexibility
- Increase in pension provisions due to lower interest rates
- Usual year-end decrease in working capital

¹ Including cash, cash equivalents, short-term money market investments

² Days sales of inventory calculated from quarterly sales

³ Days of sales outstanding calculated from quarterly sales

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Housekeeping items 2021

Capex 2021	~€450-500 m
Operational D&A 2021	~€450 m
Reconciliation 2021	~€150-160 m including remnant costs and re-occurring expenses
Underlying tax rate	~28%
Exceptionals 2021	€70-100 m based on current initiatives
FX sensitivity	One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging
Remnant costs	2021: Additional remnant costs of ~€5 m (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 CAPEX spendings foster an efficient asset base and attractive growth

Priority to profitable growth (ROCE ~ 20%) instead of Cash Conversion* target (>60%) fulfillment

CAPEX outlook & spendings 2021

Outlook 2021

- Digital. & CO₂ projects: up to €50 m
- Organic growth: ~€100 – 150 m
- Maintenance: ~€300 m

~€450 - 500m



2021

Cash Conversion
50-60%
despite investing in
digital and organic
growth

Key Figures*: Holding up well in crisis mode

Q1

Q2

Q3

Q4



€1,503 m

Sales

-8%



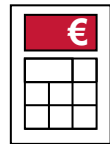
€262m

Operating Cash
Flow



€1,794 m

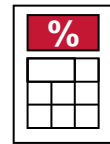
Cash & cash equivalents, short
term money market investments



€200 m

EBITDA pre

+2%



13.3%

EBITDA pre
Margin



€1,012 m

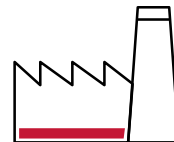
Net financial debt**



0.82

EPS pre

+28%



€192 m

CAPEX

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

** deducting short-term money market investments

FY 2020: EBITDA pre only declines 15% in Corona crisis

[€ m]*	FY 2019		FY 2020		yoy in %
Sales	6.802	(100%)	6.104	(100%)	-10%
Cost of sales	-5.043	(-74%)	-4.548	(-75%)	-10%
Selling	-812	(-12%)	-773	(-13%)	-5%
G&A	-274	(-4%)	-267	(-4%)	-3%
R&D	-114	(-2%)	-108	(-2%)	-5%
EBIT	407	(6%)	253	(4%)	-38%
EPS	2,72		10,49		> 100
EPS pre	4,73		3,50		-26%
EBITDA	910	(13%)	757	(12%)	-17%
thereof except.	-109	(-2%)	-105	(-2%)	-4%
EBITDA pre except.	1.019	(15%)	862	(14,1%)	-15%

- Corona-based drop in demand is key driver for decline in results
- Lower selling expenses and R&D result from cost containment measures; reduced G&A costs offset by remnant cost from several divestments
- Positive effects from CURRENTA divestment reflected in financial result and EPS
- EBITDA pre decline of only 15% proves LANXESS resilience

* From continuing operations

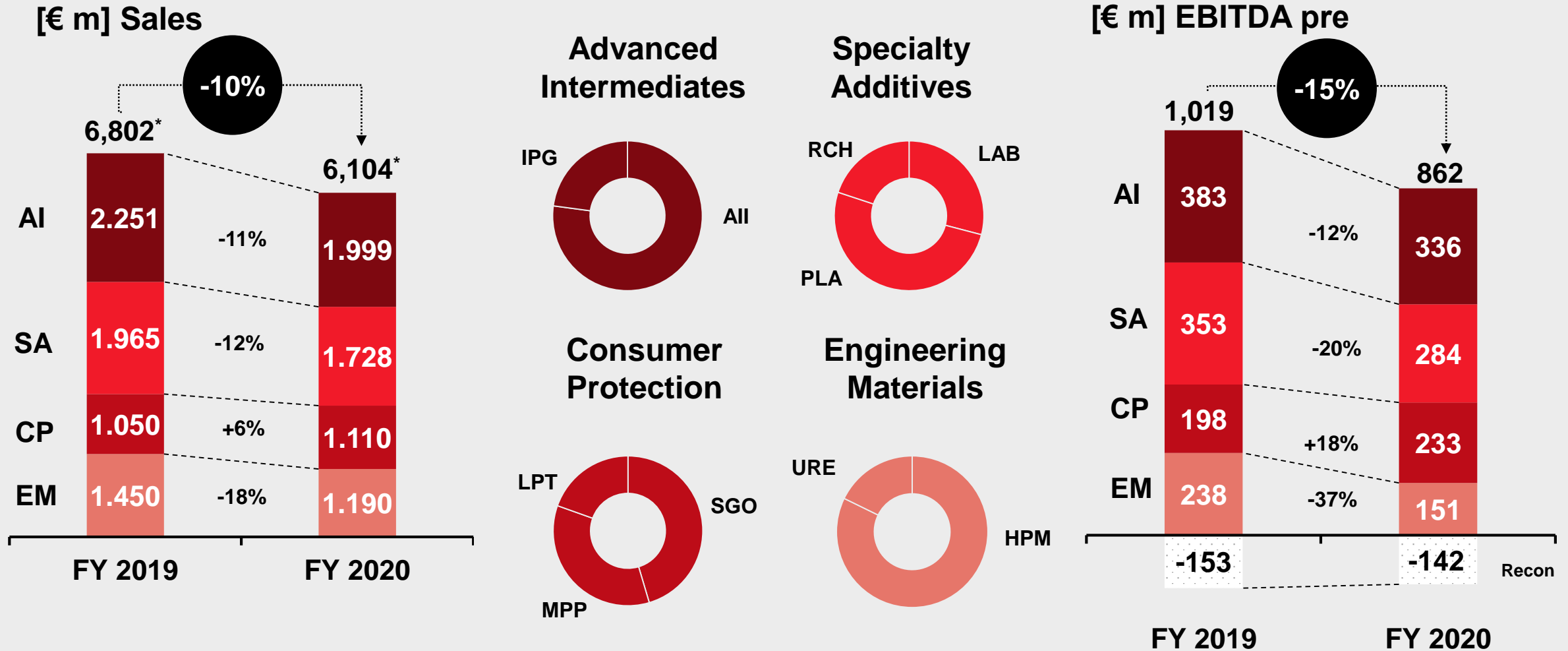
Cash flow FY 2020: Solid operating cash flow despite Corona crisis

[€ m]	FY 2019	FY 2020	Δ
Operating cash flow*	634	594	-40
thereof income taxes paid	-193	-215	-22
Changes in working capital	68	106	38
Investing cash flow*	-697	-350	347
thereof capex	-508	-456	52
thereof proceeds from divestments & dividends	41	971	930
thereof net invest in money markets	-241	-749	-508
thereof pension funding	0	-100	-100

- Strong operating cash flow improvement after adjustment of CURRENTA related tax payments
- Ongoing tight working capital management
- Lower capex reflect measures triggered by Corona pandemic
- Investing cash flow includes proceeds from divestments of CURRENTA and chrome chemicals business which are mainly invested in money market funds
- Investing cash flow includes €100 m voluntary pension funding

* Applies to continuing operations

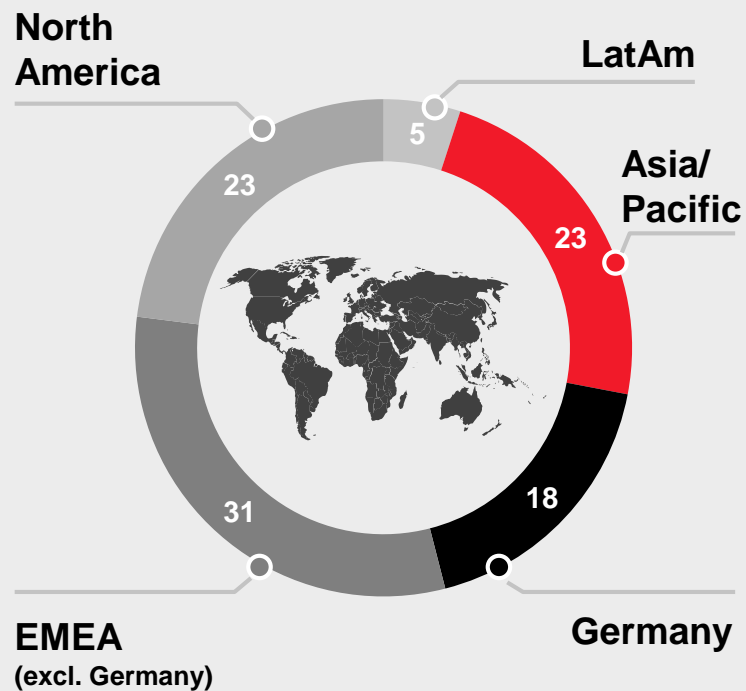
FY 2020: More resilient business set-up – only 15% EBITDA pre decline despite pandemic



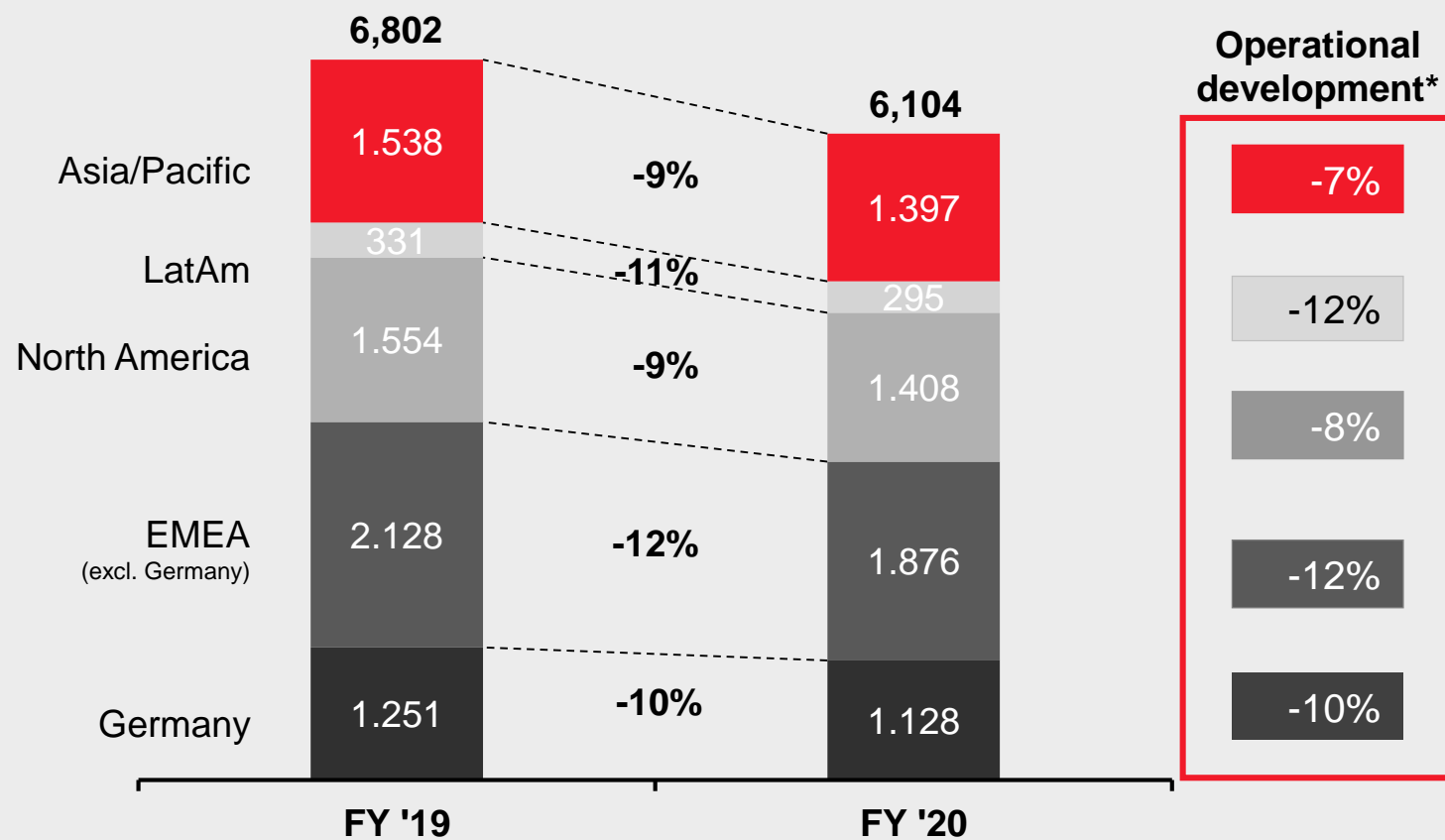
* Total group sales including reconciliation

FY 2020: Impact from pandemic still visible in all regions, sales decline reflect lower raw material prices

FY 2020 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Exceptional items (on EBIT) below previous year level, resulting from further restructuring and project costs

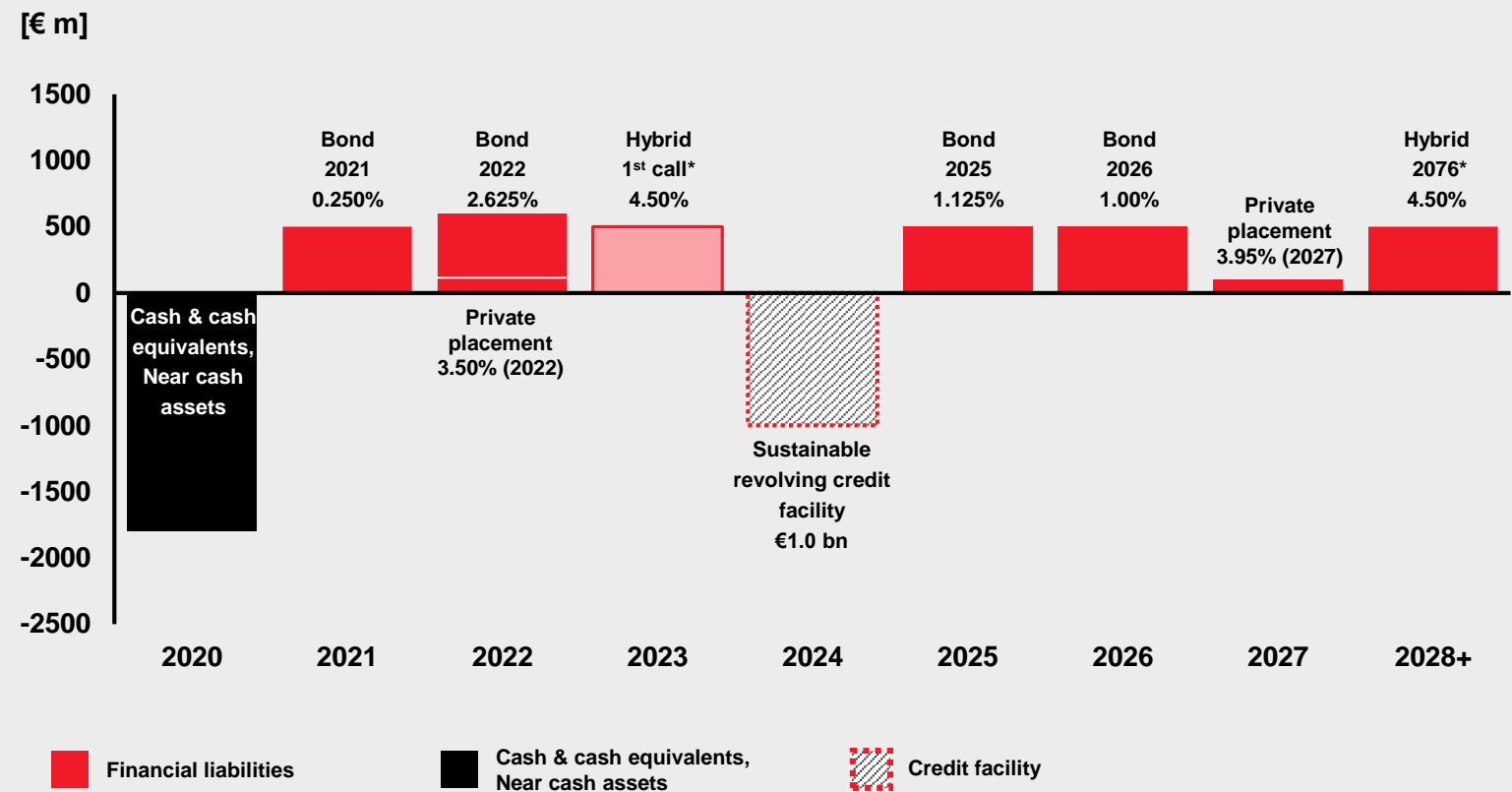
[€ m]	Q4/2019		Q4/2020		FY 2019		FY 2020		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	57	37	18	17	76	39	68	35	incl. adjustment of production network, impairment Membranes €17m
M&A, Digitalization (incl. Chemondis) and Others	11	1	19	1	49	1	47	2	incl. CUR, LEA, OMS and membrane divestments, acquisitions in disinfection
Strategic IT projects	7	0	12	1	25	1	28	1	incl. SAP Hana Project
Total	75	38	49	19	150	41	143	38	

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%
- Next bond maturity in October
- All group financing executed without financial covenants

Liquidity and maturity profile as per December 2020



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



Milestone in our climate strategy

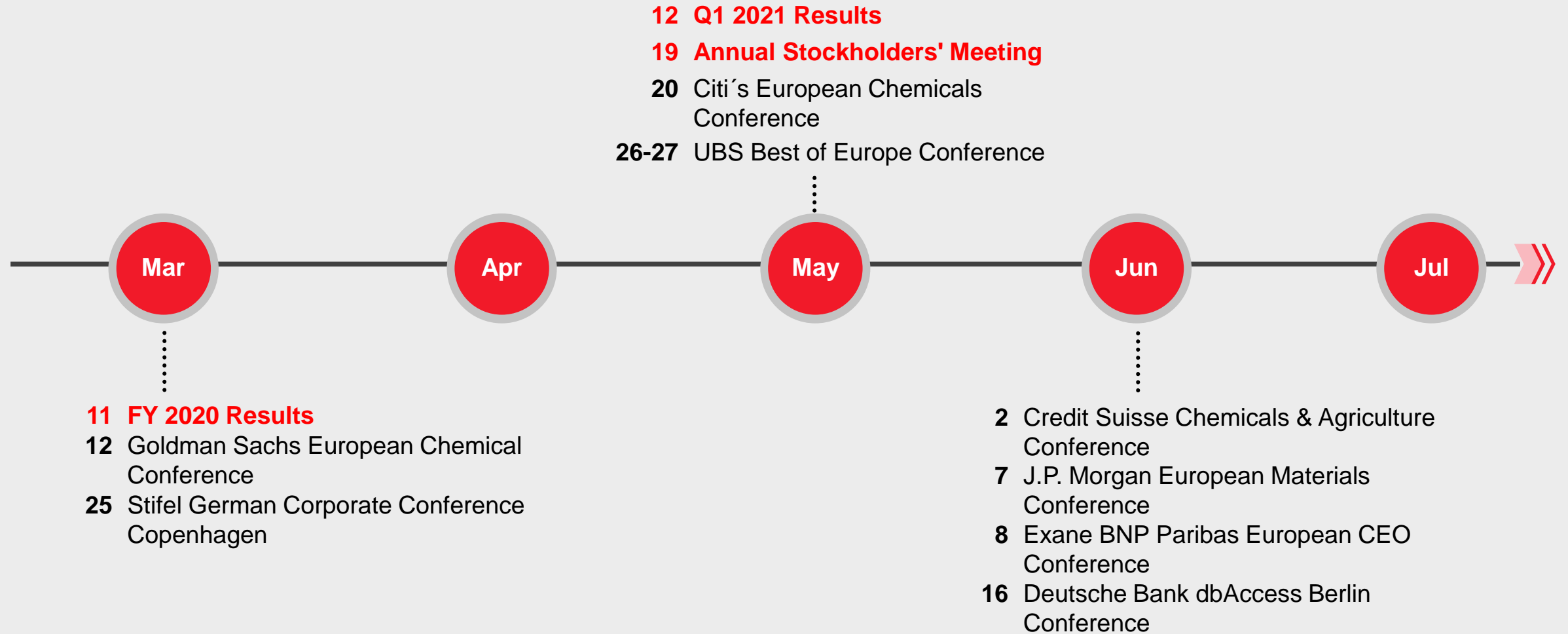
- Nitrous oxide is generated during caprolactam production
- Investment of approx. EUR 10 million

1 Plant significantly reduces emissions:
150 kt CO₂e / year less



2 Second plant planned for 2023
Impact: 300 kt CO₂e / year less

Upcoming virtual events 2021 - Proactive capital market communication



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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

LANXESS

Energizing Chemistry