

Q4/FY 2020 Results

LANXESS Group

Increased earnings despite high comparable base

LANXESS

Energizing Chemistry

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	Q4 2019	Q4 2020	Δ	Comments	FY 2019	FY 2020	Δ
Sales	€1,636 m	€1,503 m	-8%	↓ Sales decline driven by pass-through of lower raw material prices, volume impact (unplanned shutdown) and adverse FX effect	€6,802 m	€6,104 m	-10%
EBITDA pre	€197 m	€200 m	+2%	↑ EBITDA pre accelerates compared to strong previous year base driven by higher utilization and cost containment measures, best since 2012 despite unplanned outage and FX headwinds	€1,019 m	€862 m	-15%
margin	12.0%	13.3%	+1.3 pp.	↑ Resilience proven, margin improved	15.0%	14.1%	-0.9 pp.
EPS	-€0.25	€0.20	n.m.	↑ Higher EPS due to recovering demand despite unplanned shutdown (Q4)	€2.72	€10.49	>100%
EPS pre	€0.64	€0.82	28%	↑ and positive effects from CURRENTA divestment (FY)	€4.73	€3.50	-26%
Net financial debt*	Dec 2019 €1,742 m	Dec 2020 €1,012 m	-42%	↓ Strong liquidity further improved - supported by CURRENTA disposal; secures financial and operating flexibility			
Capex	€213 m	€192 m	-10%	↓ Reduction in response to pandemic	€508 m	€456 m	-10%

Sales - **8%**

Price
- **3%**

Volume
- **2%**

Currency
- **3%**

Portfolio
0%

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

Advanced Intermediates

Recovery materializes –
Rising volumes, strong profitability



- 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

Sales **-6%**

Q4 2019 Q4 2020

Price	Volume	Currency	Portfolio
-5%	+3%	-3%	0%

EBITDA pre	€73 m	€83 m
margin	13.7%	16.5%

Consumer Protection*

Earnings continue to grow –
Profitability improved again



- 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

Sales **-4%**

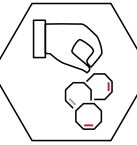
Q4 2019 Q4 2020

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

EBITDA pre	€35 m	€39 m
margin	13.4%	15.5%

Specialty Additives

Pronounced margin resilience –
Volumes compare to strong previous year



- 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

Sales **-12%**

Q4 2019 Q4 2020

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

EBITDA pre	€84 m	€71 m
margin	17.8%	17.1%

Engineering Materials

Auto recovery mitigates effects from unplanned shutdown – Solid margin despite outage



- 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

Sales **-10%**

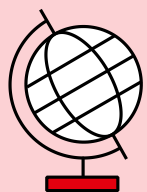
Q4 2019 Q4 2020

Price	Volume	Currency	Portfolio
-7%	-1%	-3%	0%

EBITDA pre	€49 m	€41 m
margin	14.0%	13.1%

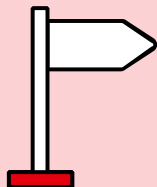
* New reporting structure as of Q1 2020, all numbers excluding BU LEA which is reported as discontinued operations

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 2021 outlook

- 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) and weak US Dollar

Housekeeping items 2021

Capex 2021: ~€450-500 m

Operational D&A 2021: ~€450 m

Reconciliation 2021: ~€150-160 m incl. 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' commitment to sustainability now also reflected in Board remuneration

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

ESG acknowledgements

- CDP – Climate: A ranked
- Admittance in Bloomberg Gender Equality Index
- Top in Dow Jones Sustainability Index

Safe harbor statement

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¹ New system approved by supervisory board, in effect since Jan 1, 2021, still subject to AGM approval | ² CO₂ target was set as first target for LTI.

Financial Overview Q4/FY 2020

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			Engineering Materials			Others/ Cons.		
	Q4/2019	Q4/2020	Chg. in %	Q4/2019	Q4/2020	Chg. in %	Q4/2019	Q4/2020	Chg. in %	Q4/2019	Q4/2020	Chg. in %	Q4/2019	Q4/2020	Chg. in %	Q4/2019	Q4/2020	Chg. in %
Sales	1,636	1,503	-8%	533	502	-6%	471	416	-12%	262	252	-4%	350	314	-10%	20	19	-5%
Price*			-3.4%			-5.2%			-1.3%			0.4%			-6.5%			0.0%
Volume*			-1.6%			2.8%			-5.5%			-4.2%			-0.9%			-5.0%
Currency*			-3.5%			-3.4%			-4.9%			-2.3%			-2.9%			0.0%
Portfolio*			0.4%			0.0%			0.0%			2.3%			0.0%			0.0%
EBIT	0	35	n.m.	-9	51	n.m.	36	11	-69%	14	23	64%	31	24	-23%	-72	-74	-3%
Deprec. & amortizat.	160	135	-16%	72	36	-50%	41	55	34%	21	19	-10%	18	17	-6%	8	8	0%
EBITDA	160	170	6%	63	87	38%	77	66	-14%	35	42	20%	49	41	-16%	-64	-66	-3%
exceptionals in EBITDA	37	30	-19%	10	-4	n.m.	7	5	-29%	0	-3	n.m.	0	0	0%	20	32	60%
EBITDA pre excep.	197	200	2%	73	83	14%	84	71	-15%	35	39	11%	49	41	-16%	-44	-34	23%
normalized D&A	122	116	-5%	37	33	-11%	41	40	-2%	21	20	-5%	18	17	-6%	5	6	20%
EBIT pre excep.	75	84	12%	36	50	39%	43	31	-28%	14	19	36%	31	24	-23%	-49	-40	18%
exceptionals in EBIT	75	49	-35%	45	-1	n.m.	7	20	>100%	0	-4	n.m.	0	0	0%	23	34	48%
Capex	213	192	-10%	62	53	-15%	47	38	-19%	26	32	23%	51	47	-8%	27	22	-19%
Net financial debt	1,742	1,012	-42%															

* approximate numbers

in € million	LANXESS			Advanced Intermed.			Specialty Additives			Consumer Protection			Engineering Materials			Others/ Cons.		
	2019	2020	Chg. in %	2019	2020	Chg. in %	2019	2020	Chg. in %	2019	2020	Chg. in %	2019	2020	Chg. in %	2019	2020	Chg. in %
Sales	6,802	6,104	-10%	2,251	1,999	-11%	1,965	1,728	-12%	1,050	1,110	6%	1,450	1,190	-18%	86	77	-10%
Price*			-3.9%			-6.1%			-1.3%			1.3%			-7.7%			0.0%
Volume*			-5.6%			-4.0%			-9.5%			3.6%			-9.3%			-10.5%
Currency*			-1.1%			-1.1%			-1.3%			-1.0%			-0.9%			0.0%
Portfolio*			0.3%			0.0%			0.0%			1.8%			0.0%			0.0%
EBIT	407	253	-38%	198	207	5%	179	89	-50%	116	136	17%	172	83	-52%	-258	-262	-2%
Deprec. & amortizat.	503	504	0%	170	131	-23%	158	178	13%	82	97	18%	66	67	2%	27	31	15%
EBITDA	910	757	-17%	368	338	-8%	337	267	-21%	198	233	18%	238	150	-37%	-231	-231	0%
exceptionals in EBITDA	109	105	-4%	15	-2	n.m.	16	17	6%	0	0	0%	0	1	>100%	78	89	14%
EBITDA pre excep.	1,019	862	-15%	383	336	-12%	353	284	-20%	198	233	18%	238	151	-37%	-153	-142	7%
normalized D&A	462	466	1%	135	128	-5%	156	163	4%	82	80	-2%	66	67	2%	23	28	22%
EBIT pre excep.	557	396	-29%	248	208	-16%	197	121	-39%	116	153	32%	172	84	-51%	-176	-170	3%
exceptionals in EBIT	150	143	-5%	50	1	-98%	18	32	78%	0	17	>100%	0	1	>100%	82	92	12%
Capex	508	456	-10%	161	145	-10%	120	94	-22%	61	69	13%	104	86	-17%	62	62	0%
Net financial debt	1,742	1,012	-42%															

* approximate numbers

Income Statement Q4/FY 2020

in € million	Q4/2019	Q4/2020	Chg. in %	2019	2020	Chg. in %
Sales	1,636	1,503	-8%	6,802	6,104	-10%
Cost of sales	-1,253	-1,126	10%	-5,043	-4,548	10%
Gross profit	383	377	-2%	1,759	1,556	-12%
Selling expenses	-203	-193	5%	-812	-773	5%
Research and development expenses	-30	-28	7%	-114	-108	5%
General administration expenses	-81	-72	11%	-274	-267	3%
Other operating income	30	22	-27%	95	77	-19%
Other operating expenses	-99	-71	28%	-247	-232	6%
Operating result (EBIT)	0	35	>100%	407	253	-38%
Income from investments accounted for using the equity method	0	0	<i>n.m.</i>	0	0	<i>n.m.</i>
Interest income	17	3	-82%	22	10	-55%
Interest expense	-27	-18	33%	-76	-66	13%
Other financial income and expense	-8	4	<i>n.m.</i>	-7	877	<i>n.m.</i>
Financial result	-18	-11	39%	-61	821	<i>n.m.</i>
Income before income taxes	-18	24	<i>n.m.</i>	346	1,074	>100%
Income taxes	-4	-6	-50%	-105	-165	-57%
Income after income tax from continuing operations	-22	18	<i>n.m.</i>	241	909	>100%
Income after income tax from discontinued operations	-35	1	<i>n.m.</i>	-50	-7	86%
Income after income taxes	-57	19	<i>n.m.</i>	191	902	>100%
of which attributable to non-controlling interests	-9	22	<i>n.m.</i>	-14	17	<i>n.m.</i>
Net income (attributable to LANXESS AG stockholders)	-48	-3	94%	205	885	>100%
EPS (in €) *	-0.25	0.20	<i>n.m.</i>	2.72	10.49	>100%
Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets (€)	0.64	0.82	28%	4.73	3.50	-26%

* continuing operations only

Cash Flow Statement Q4/FY 2020

€ million	Q4 2019	Q4 2020	FY 2019	FY 2020
Income before income taxes	-18	24	346	1,074
Amortization, depreciation, write-downs and reversals of impairment charges of intangible assets, property, plant and equipment	160	135	503	504
Gains on disposals of intangible assets and property, plant and equipment	-1	0	-1	-1
Financial losses (gains)	10	5	34	-840
Income taxes paid	-39	-80	-193	-215
Changes in inventories	129	47	85	73
Changes in trade receivables	78	5	94	-8
Changes in trade payables	5	152	-111	41
Changes in other assets and liabilities	-57	-26	-123	-34
Net cash provided by operating activities – continuing operations	267	262	634	594
Net cash (used in) provided by operating activities – discontinued operations	7	7	9	-9
Net cash provided by operating activities – total	274	269	643	585
Cash outflows for purchases of intangible assets and property, plant and equipment	-213	-192	-508	-456
Cash inflows from sales of intangible assets and property, plant and equipment	3	0	6	4
Cash outflows for financial and other assets held for investment purposes	-82	-350	-323	-1,793
Cash inflows from financial and other assets held for investment purposes	0	250	82	1,044
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	0	0	0	-25
Cash inflows for the sale of subsidiaries and other businesses, less acquired cash and cash equivalents	20	3	20	821
Interest and dividends received	2	0	26	155
Cash outflows for external funding of pension obligations (CTAs)	0	0	0	-100
Net cash used in investing activities – continuing operations	-270	-289	-697	-350
Net cash used in investing activities – discontinued operations	-7	-1	-15	-3
Net cash used in investing activities – total	-277	-290	-712	-353

€ million	Q4 2019	Q4 2020	FY 2019	FY 2020
Proceeds from borrowings	0	0	4	1,000
Repayments of borrowings	-15	-12	-90	-1,048
Interest paid and other financial disbursements	-23	-28	-66	-79
Dividend payments	0	0	-79	-82
Cash outflows for the acquisition of own shares	0	0	-200	-37
Net cash used in financing activities – continuing operations	-38	-40	-431	-246
Net cash used in financing activities – discontinued operations	0	0	-2	-1
Net cash used in financing activities – total	-38	-40	-433	-247
Change in cash and cash equivalents – continuing operations	-41	-67	-494	-2
Change in cash and cash equivalents – discontinued operations	0	6	-8	-13
Change in cash and cash equivalents – total	-41	-61	-502	-15
Cash and cash equivalents as of January 1	338	332	797	296
Exchange differences and other changes in cash and cash equivalents – total	-1	0	1	-10
Cash and cash equivalents as of December 31	296	271	296	271
of which continuing operations	296	271	296	271
of which discontinued operations	0	0	0	0

2019 like-for-like figures for new reporting structure reflect shift between segments AI and CP

Sales

[in € m]	Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total incl. Recon
FY	2,251	1,965	1,050	1,450	6,802
Q1	584	485	264	382	1,738
Q2	585	506	247	365	1,724
Q3	549	503	277	353	1,704
Q4	533	471	262	350	1,636

EBITDA pre

[in € m]	Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total incl. Recon
FY	383	353	198	238	1,019
Q1	105	83	60	65	272
Q2	114	89	48	65	281
Q3	91	97	55	59	269
Q4	73	84	35	49	197

Abbreviations:

Advanced Intermediates:

AI Advanced Industrial Intermediates

IPG Inorganic Pigments

Specialty Additives

LAB Lubricant Additives Business

PLA Polymer Additives

RCH Rhein Chemie

Consumer Protection

LPT Liquid Purification Technologies

MPP Material Protection Products

SGO Saltigo

Engineering Materials

HPM High Performance Materials

URE Urethane Systems