

Persistently weak demand impacts third quarter

- **Sales down 26.7 percent to EUR 1.601 billion in the third quarter of 2023**
- **EBITDA pre exceptionals down 50.4 percent year-on-year at EUR 119 million**
- **Further significant reduction of net financial liabilities to EUR 2.557 billion**
- **Guidance for fiscal year 2023: EBITDA pre exceptionals expected to be between EUR 500 and 550 million**
- **Board of Management plans dividend reduction to EUR 0.10**
- **Sale of Urethane Systems business unit initiated**
- **“FORWARD!” action plan: structural measures to permanently reduce costs by EUR 150 million**

Cologne, November 8, 2023 – In the third quarter of 2023, LANXESS' business figures were again influenced by the persistently weak economy. Sales amounted to EUR 1.601 billion, down 26.7 percent on the previous year's figure of EUR 2.185 billion. EBITDA pre exceptionals fell by 50.4 percent from EUR 240 million to EUR 119 million.

The main reasons for this development were the low demand from nearly all industries and customers' ongoing albeit diminishing inventory reduction. The associated reduction in sales volumes and high idle costs led to declining earnings, especially in the Specialty Additives and Advanced Intermediates segments. The Consumer Protection segment saw only a comparatively moderate earnings decline

The Group's EBITDA margin pre exceptionals was 7.4 percent, against 11.0 percent in the prior-year quarter. Net income declined to

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minus EUR 131 million in the third quarter compared with EUR 80 million in the prior-year quarter.

“The weak demand in the global chemicals industry persists, and we see no signs of recovery for the rest of the year. On the contrary, demand in the fourth quarter to date seems to be even weaker than expected,” said Matthias Zachert, Chairman of the Board of Management at LANXESS AG.

LANXESS had already announced the unexpectedly weak start to the fourth quarter on November 6. Initiated destocking of customers in the agroindustry and a supplier-related production limitation for the Business Unit Flavors & Fragrances at its production site in Botlek (NL) impact results additionally. LANXESS therefore expects EBITDA pre exceptionals for the full year 2023 to be between EUR 500 and 550 million. LANXESS' previous guidance was EUR 600 to 650 million for EBITDA pre exceptionals for the total year.

Dividend cut and sale of Urethane Systems

Given the weak business development, the Board of Management intends to propose a reduction of the full year 2023 dividend to EUR 0.10. The hereby avoided cash outflow would result in a further reduction of net financial debt. Expected proceeds from the now initiated sale of the Business Unit Urethane Systems would contribute as well.

As the last remaining polymer business at LANXESS, the business unit no longer fits in with the strategic orientation of the Group, which has systematically realigned its portfolio in recent years. The business unit has a global presence with six production sites and employs around 400 staff.

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Debt reduced

In the third quarter, LANXESS reduced its net financial liabilities by a further 11 percent from EUR 2.863 billion as of June 30, 2023 to EUR 2.557 billion. The decline was mainly the result of a consistent reduction in net working capital. Compared to EUR 3.814 billion on the balance sheet date of December 31, 2022, net financial liabilities fell by 33 percent.

“FORWARD!” action plan

With its “FORWARD!” action plan, LANXESS is counteracting the phase of weak economic development in the chemical industry. Its implementation is in full swing: LANXESS will realize one-time savings of around EUR 100 million in 2023 through cost reductions and lower investments. In addition, the Group is increasing its efficiency and will make structural changes to permanently reduce its annual costs by around EUR 150 million from 2025 onwards. The changes include the cut of 870 jobs, 460 of which in Germany.

The job cuts in Germany will be made primarily in administrative functions in order to streamline structures there and adapt to the company’s economic situation. The downsizing will particularly affect the sites in Cologne, Leverkusen, Uerdingen and Mannheim, and will be achieved by not re-filling vacancies, through natural turnover, and by offering termination agreements.

Segments: Low demand from nearly all industries

Sales in the **Consumer Protection** segment decreased by 12.2 percent from EUR 662 million to EUR 581 million. The segment’s EBITDA pre exceptionals reached EUR 84 million, 23.6 percent down on the prior-year period’s figure of EUR 110 million. Lower volumes, lower capacity utilization and the change in exchange rates had a negative effect on earnings development and the margin. The EBITDA margin pre exceptionals amounted to 14.5 percent, against 16.6 percent a year ago.

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In the **Specialty Additives** segment, sales declined due to lower demand from the construction, electronics and automotive industries. Only demand from the aviation industry developed relatively stable. Sales amounted to EUR 549 million in the third quarter, down 30.7 percent on the prior-year period's sales of EUR 792 million. The weak demand and own inventory reduction resulted in lower capacity utilization and had a negative impact on earnings. EBITDA pre exceptionals in the segment decreased by 72.7 percent to EUR 33 million in the third quarter compared with EUR 121 million in the prior-year quarter. The EBITDA margin pre exceptionals was 6.0 percent, against 15.3 percent in the prior-year period.

In the **Advanced Intermediates segment**, business development was negatively affected by weaker demand, especially from the construction industry, and lower selling prices. The segment's sales amounted to EUR 403 million in the third quarter and therefore declined by 37.2 percent from EUR 642 million in the prior-year quarter. EBITDA pre exceptionals in the Advanced Intermediates segment amounted to EUR 30 million, down 53.8 percent on the previous year's figure of EUR 65 million, primarily due to the low capacity utilization. The EBITDA margin pre exceptionals was 7.4 percent, against 10.1 percent in the prior-year quarter.

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EUR million	Q3 2022	Q3 2023	Change %	9M 2022	9M 2023	Change %
Sales	2,185	1,601	-26.7	6,115	5,278	-13.7
EBITDA pre exceptionals	240	119	-50.4	755	415	-45.0
EBITDA margin pre exceptionals	11.0%	7.4%		12.3%	7.9%	
Net income	80	-131	<-100	271	1,196	>100
from continuing operations	84	-131	<-100	198	-266	<-100
from discontinued operations	-4	0	>100	73	1,462	>100
Net financial liabilities				3,814*	2,557	-33.0

* As of December 31, 2022

LANXESS is a leading specialty chemicals company with sales of EUR 8.1 billion in 2022. The company currently has about 13,000 employees in 32 countries. The core business of LANXESS is the development, manufacturing and marketing of chemical intermediates, additives and consumer protection products. LANXESS is listed in the leading sustainability index Dow Jones Sustainability Index (DJSI World and Europe).

Forward-Looking Statements

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