

LANXESS expects earnings improvement for fiscal year 2024

- **Sales in fiscal year 2023 down 17.0 percent year-on-year at EUR 6.714 billion**
- **EBITDA pre exceptionals decrease by 44.9 percent to EUR 512 million**
- **Net income increases to EUR 443 million due to portfolio measures**
- **Initial cost savings generated with “FORWARD!” action plan**
- **Significantly reduced net debt and improved free cash flow**
- **Specialty chemicals profile further refined**
- **LANXESS CEO Matthias Zachert: “When times improve, we want to be in the best possible position.”**

Cologne, March 14, 2024 – 2023 was a year of multiple crises for the German chemical industry: Weak demand in numerous customer industries and market regions combined with inventory reduction by customers, high energy prices in Germany, and geopolitical tensions. This also characterized fiscal year 2023 for the specialty chemicals company LANXESS. For the current year, however, the Group expects a moderate increase in earnings.

Group sales in fiscal year 2023 amounted to EUR 6.714 billion, down 17.0 percent from the previous year’s figure of EUR 8.088 billion. EBITDA pre exceptionals decreased by 44.9 percent to EUR 512 million compared with EUR 930 million the year before. The EBITDA margin pre exceptionals reached 7.6 percent, against 11.5 percent the previous year.

The weaker demand and the associated reduction in sales volumes as well as higher idle costs led to a significant earnings decline, primarily in the Specialty Additives and Advanced Intermediates segments. In addition, lower procurement prices for raw materials and energy in these two segments influenced selling prices. Earnings

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in the Consumer Protection segment saw only a comparatively moderate decline. The contribution from the Microbial Control business acquired from IFF at the beginning of July 2022 had a positive effect here.

“German chemistry and we at LANXESS have never seen a year of crises like this before. But we are doing all we can to make it through this phase as stably as possible and to be in the best possible position when times improve again. With our “FORWARD!” action plan, we have taken the right steps at an early stage,” says Matthias Zachert, CEO of LANXESS.

At EUR 443 million, net income in 2023 was significantly higher than the previous year’s figure of EUR 250 million. This was particularly due to the proceeds that LANXESS received from Advent International as a result of the transaction for the formation of Envalior. At minus EUR 843 million, net income from continuing operations was significantly down from the previous year’s figure of EUR 184 million. The decline resulted primarily from the development of operating earnings and impairment on goodwill from acquisitions.

LANXESS expects the environment to remain challenging, at least in the first half of 2024. The Group consequently foresees no improvement in the first quarter of 2024 compared with the fourth quarter of 2023 and expects EBITDA pre exceptionals of up to EUR 100 million. Starting in the second quarter, LANXESS anticipates a moderate increase in sales volumes. “We assume that the inventory reduction among our customers is complete, with the exception of the agrochemicals sector. In addition, we expect long-term cost savings from our “FORWARD!” action plan,” says Matthias Zachert. For fiscal year 2024 as a whole, LANXESS expects EBITDA pre exceptionals to be moderately higher than the 2023 figure. “However, earnings will still be significantly below the average level of previous years. In 2024, we will therefore continue to work on our positioning and processes and strengthen our financial base,” says

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Zachert.

Net debt reduced, free cash flow improved

In 2023, LANXESS reduced its net debt from EUR 3.814 billion to EUR 2.498 billion. The decrease resulted firstly from the sales proceeds received in connection with the formation of Envalior. Secondly, the reduction in net working capital and the resulting lower capital commitment also contributed to this. This also enabled the company to significantly improve its free cash flow. It amounted to EUR 526 million in 2023, after minus EUR 220 million in the previous year.

Initial cost savings from “FORWARD!” action plan

LANXESS is counteracting the effects of the economic downturn with its “FORWARD!” action plan introduced in summer 2023. This includes one-time, short-term savings, which were already realized in the amount of EUR 100 million in 2023 through cost reductions and lower investments. It also includes a more efficient positioning of the Group. LANXESS wants to use structural measures to permanently reduce its annual costs by around EUR 150 million from 2025. These measures include 870 job cuts, 460 of which will be in Germany. The respective agreements have already been signed for most of the job cuts.

Dividend proposal of EUR 0.10

Given the weak business performance and in order to further lower net financial debt, the Group plans to reduce the dividend this year. The Board of Management and Supervisory Board will therefore propose a dividend of EUR 0.10 per share for fiscal year 2023 (2022: EUR 1.05) at the Annual Stockholders’ Meeting on May 24, 2024. The proposal would correspond to a total distribution of around EUR 8.6 million.

Specialty chemicals profile refined

In 2023, LANXESS continued to sharpen the focus of its portfolio on specialty chemicals. The Group transferred its High Performance Materials business unit to Envalior, the joint venture with the private

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equity investor Advent International, on April 1, 2023. In addition, at the end of the year, LANXESS initiated the process to sell the Urethane Systems business unit, the final remaining polymer business in the portfolio. The business unit has a global presence of six production sites and employs a workforce of around 400. LANXESS will use the proceeds from the sale of the business unit to further reduce debt.

Segment overview

Sales in the **Consumer Protection** segment amounted to EUR 2.340 billion in fiscal year 2023, just 1.1 percent below the previous year's figure of EUR 2.366 billion. The segment benefited in particular from the acquisition of the Microbial Control business from the company IFF in July 2022. However, weak demand from various markets and customers' ongoing inventory reduction resulted in lower sales volumes. EBITDA pre exceptionals decreased by 14.6 percent to EUR 310 million compared with EUR 363 million a year earlier. The EBITDA margin pre exceptionals decreased from 15.3 percent in the previous year to 13.2 percent.

Due to weaker demand in the construction and electronics industries, sales in the **Specialty Additives** segment decreased by 21.7 percent from EUR 2.970 billion in the previous year to EUR 2.325 billion. EBITDA pre exceptionals decreased by 56.4 percent from EUR 479 million in the previous year to EUR 209 million. The EBITDA margin pre exceptionals was 9.0 percent, against 16.1 percent in the previous year.

Lower sales volumes resulting from inventory reduction by customers, especially in the construction and chemical industries, had a negative effect on the **Advanced Intermediates** segment. Sales amounted to EUR 1.775 billion in fiscal year 2023, down 26.4 percent from the previous year's figure of EUR 2.413 billion. At EUR 121 million, EBITDA pre exceptionals was 58.4 percent lower than the previous year's figure of EUR 291 million. The EBITDA

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margin pre exceptionals was 6.8 percent, against 12.1 percent in the previous year.

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EUR million	Q4/2022	Q4/2023	Change %	2022	2023	Change %
Sales	1,973	1,436	-27.2	8,088	6,714	-17.0
EBITDA pre exceptionals	175	97	-44.6	930	512	-44.9
EBITDA margin pre exceptionals	8.9%	6.8%		11.5%	7.6%	
Net income	-21	-753	<-100	250	443	77.2
from continuing operations	-14	-577	<-100	184	-843	<-100
from discontinued operations	-7	-176	<-100	66	1,286	>100
Dividend or proposed dividend per share (EUR)				1.05	0.10	-90.5
Net financial liabilities				3,814	2,498	-34.5
Employees (December 31)*				13,126	12,849	-2.1

*Employed in continuing operations as of the reporting date.

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LANXESS is a leading specialty chemicals company with sales of EUR 6.7 billion in 2023. The company currently has about 12,800 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 indices of the Dow Jones Sustainability Index (DJSI World and Europe).

Forward-Looking Statements

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News Release

Information for editors:

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You can find further information concerning LANXESS chemistry at <http://lanxess.com/en/Media/Stories>.

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