LANXESS – FY/Q4 2022 results

Successfully managing a challenging year

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Agenda

1 Review FY/Q4 2022 and outlook

2 Financial and business details FY/Q4 2022

3 Appendix

FY 2022 earnings increase in difficult environment; progress on strategic agenda

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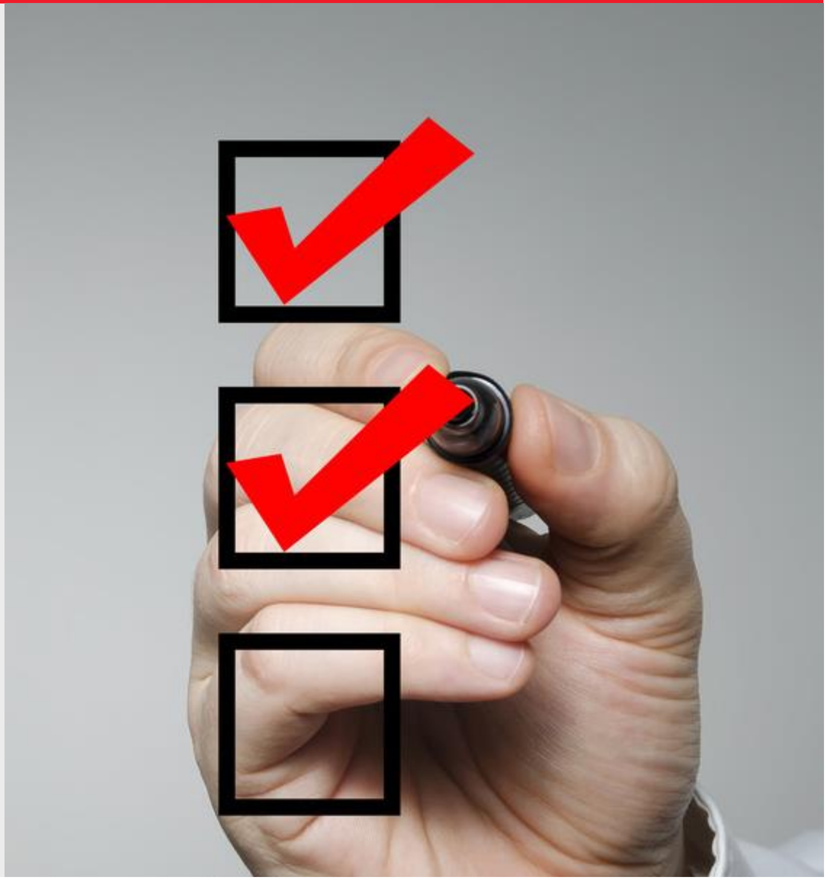
2022 strategic and financial highlights

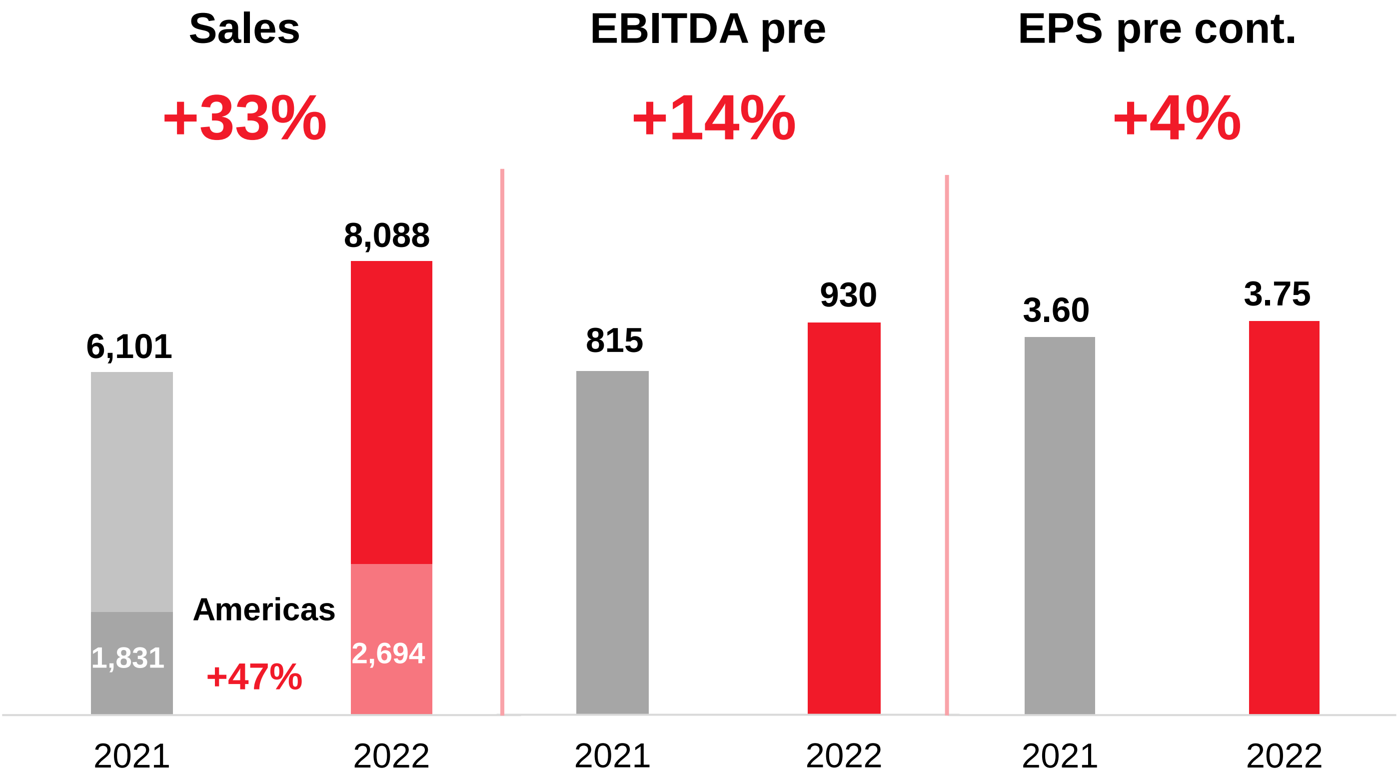
- Portfolio transformation continued in difficult environment
- FY EBITDA pre of €930 m due to successful pricing and acquired businesses contributing
- Raw material, energy and freight costs fully passed on, however weighing on margins
- Working capital burdens FY cash flow with €471 m;
  inflow from working capital reduction of €126 m in Q4
- Dividend proposal of €1.05 – following our dividend policy
- Climate strategy enhanced with Scope 3 reduction target and overall climate path approval by SBTI



Successfully managed a challenging year – weak spots are being addressed

In FY 2022 LANXESS achieved a lot…

in €m



…and weak spots have priority!

Leverage

- Proceeds from HPM transaction will reduce leverage significantly

Cash flow

- Working capital melting
- Lower Capex on a sustainable basis
- Reduction of exceptionals

Engineering Materials Joint Venture: LANXESS to receive ~€1.1 bn - closing expected early April

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Closing conditions fulfilled

- HPM carve-out completed end of 2022
- Antitrust approvals obtained
- Closing: expected early April 2023
- LXS to receive ~€1.1bn
- JV share will be reflected with a value of ~€1.4 bn in LXS balance sheet

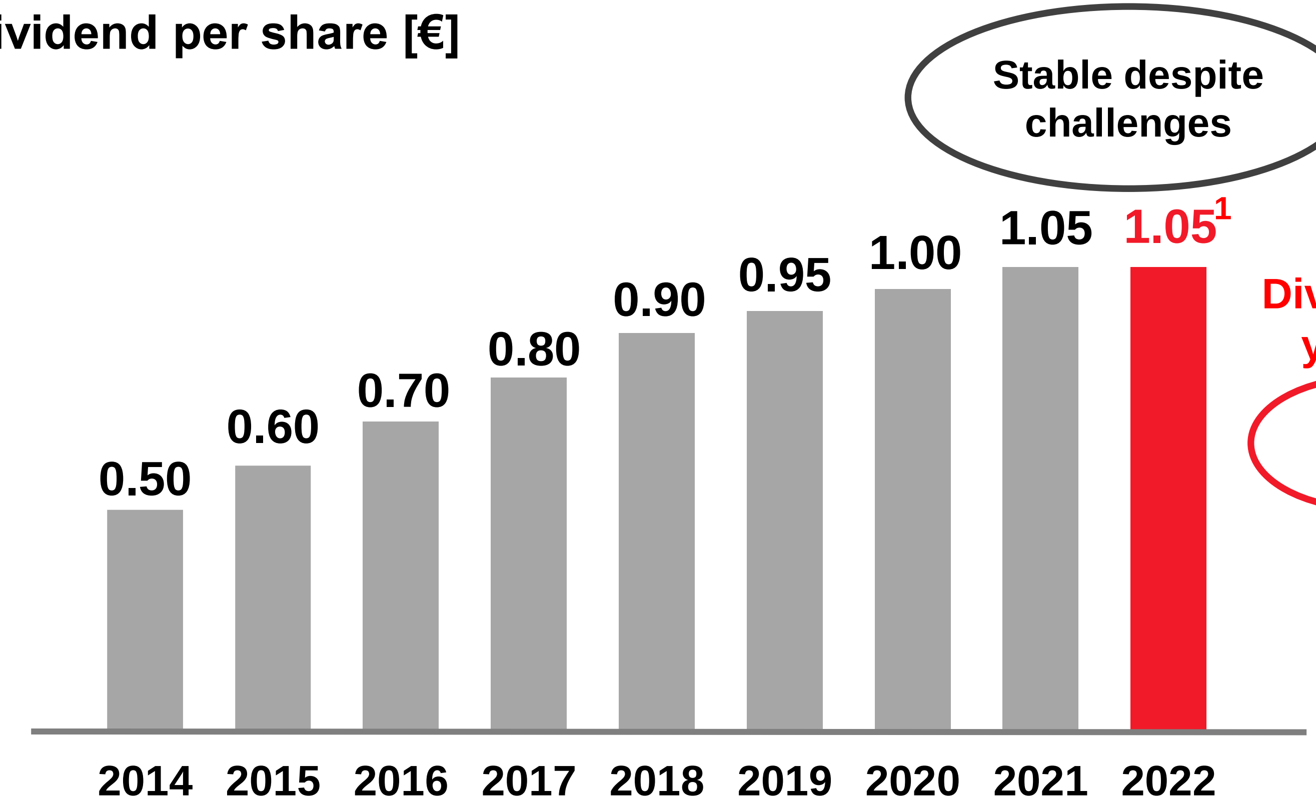
Capital allocation

- Repayment of hybrid bond at first call date in June 2023 is intended, refinancing to be decided
- Focus is on debt reduction
- Considering investors' feedback, share buy back will not be pursued

Deleveraging | **Improving LANXESS portfolio** | **Creating additional value**

LANXESS remains committed to its dividend policy

Dividend per share [€]



Dividend
yield[2]

2.8%

2022 dividend – a balanced decision

Dividend policy

LANXESS aims for an increasing or at least stable dividend

[1] To be proposed to the Annual General Meeting on May 24, 2023
[2] Based on stock price of €37.70 at year end

Our road to net zero is on track and externally recognized

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Recent new steps on our road to net zero

Reduction of Scope 2 emissions:
Transition to green electricity supply

- ✓LANXESS sources green electricity from ENGIE

Reduction of Scope 3 emissions:
Make use of sustainable raw materials

- ✓LANXESS and TotalEnergies cooperate on sustainable styrene
- ✓LANXESS and Covestro cooperate to produce more sustainable raw materials with reduced CO_2 footprint

Our ESG performance is recognized externally

Rating recently confimed

CDP
DISCLOSURE INSIGHT ACTION

CLIMATE

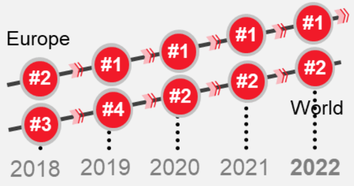
WATER

Upgrade

CDP
DISCLOSURE INSIGHT ACTION

Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Rating recently confimed



Bloomberg
Gender-Equality Index
2023

3rd time in a row

We are one of few chemical companies following an overall 1.5°C pathway, validated by SBTi!

LXS Group: Q4 EBITDA stable as Specialty Additives & Consumer Protection offset weaker Adv. Intermediates

Stable EBITDA pre despite record low utilization

[€ m]	Q4/2021	Q4/2022	Δ	FY 2021	FY 2022	Δ
Sales	1,679	1,973	18%	6,101	8,088	33%
EBITDA pre	172	175	2%	815	930	14%
Margin	10.2%	8.9%		13.4%	11.5%	
CAPEX	183	158	-14%	424	407	-4%

Price	Volume	FX	Portfolio
+19%	-13%	+5%	+7%

Total +18%

Q4 Sales vs. PY

- Significant sales increase in all segments mainly driven by pricing
- Strong volume decline mainly due to customer-destocking
- EBITDA pre reflects strong pricing offset by weak utilization due to customer destocking and own inventory management
- Full pass-through of inflated raw material and energy costs weigh on margin

FY 2023 guidance:
EBITDA pre expected around 2022 level

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Our view on economic environment

- Recessionary environment expected for H1 2023
- Positive effect of passthrough of still high selling prices expected to be offset by customer destocking in Q1 2023 and respective low utilization
- Force Majeure on supply of Chlorine and US winter storms will burden Q1 results (Consumer Protection & Specialty Additives)
- Potential positive impetus from China earliest with Q2

LANXESS outlook

- **FY guidance:** EBITDA pre expected around 2022 level
- **Focus on cash management:**
  - 2023 target: W/C to sales ratio in low twenties percentage range
  - Capex ~€400 m
- **EBITDA pre Q1 2023 expected: ~€180 – 220 m**

Agenda

Consumer Protection: IFF MC contribution and pricing drive earnings

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Volumes slightly lower due to high comparable base

[€ m]	Q4/2021	Q4/2022	Δ	FY 2021	FY 2022	Δ
Sales	460	640	39%	1,579	2,366	50%
EBITDA pre	66	77	17%	279	363	30%
Margin	14.3%	12.0%		17.7%	15.3%	
CAPEX	47	43	-9%	100	129	29%

Price	Volume	FX	Portfolio
+15%	-3%	+3%	+24%

Total +39%

Q4 Sales vs. PY

- Sales increase significantly driven by portfolio and successful pricing in all BUs
- Volumes held back by customer-destocking as expected
- Increase in EBITDA pre on basis of IFF MC; margin decline mainly due to idle costs resulting from inventory management and price pass-through
- Force Majeure for Chlorine supply will burden Q1 2023

Specialty Additives: Margins improving

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FX supports due to strong US footprint

[€ m]	Q4/2021	Q4/2022	Δ	FY 2021	FY 2022	Δ
Sales	605	684	13%	2,295	2,970	29%
EBITDA pre	58	88	52%	323	479	48%
Margin	9.6%	12.9%		14.1%	16.1%	
CAPEX	69	54	-22%	139	125	-10%

Price	Volume	FX	Portfolio
+18%	-12%	+7%	+0%

Total +13%

Q4 Sales vs. PY

- Increase in sales in all BUs, driven by strong pricing and FX
- Volume softer due to customer-destocking and weaker demand in construction affecting BU PLA and auto impacting BU RCH
- EBITDA pre and margin increased compared to weak previous year thanks to positive pricing
- Impact from US winter storms will burden Q1 2023

Advanced Intermediates: Hit by low utilization

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Volumes affected by lower demand and destocking

[€ m]	Q4/2021	Q4/2022	Δ	FY 2021	FY 2022	Δ
Sales	539	571	6%	1,949	2,413	24%
EBITDA pre	92	65	-29%	333	291	-13%
Margin	17.1%	11.4%		17.1%	12.1%	
CAPEX	41	35	-15%	119	95	-20%

Price	Volume	FX	Portfolio
+25%	-22%	+3%	0%

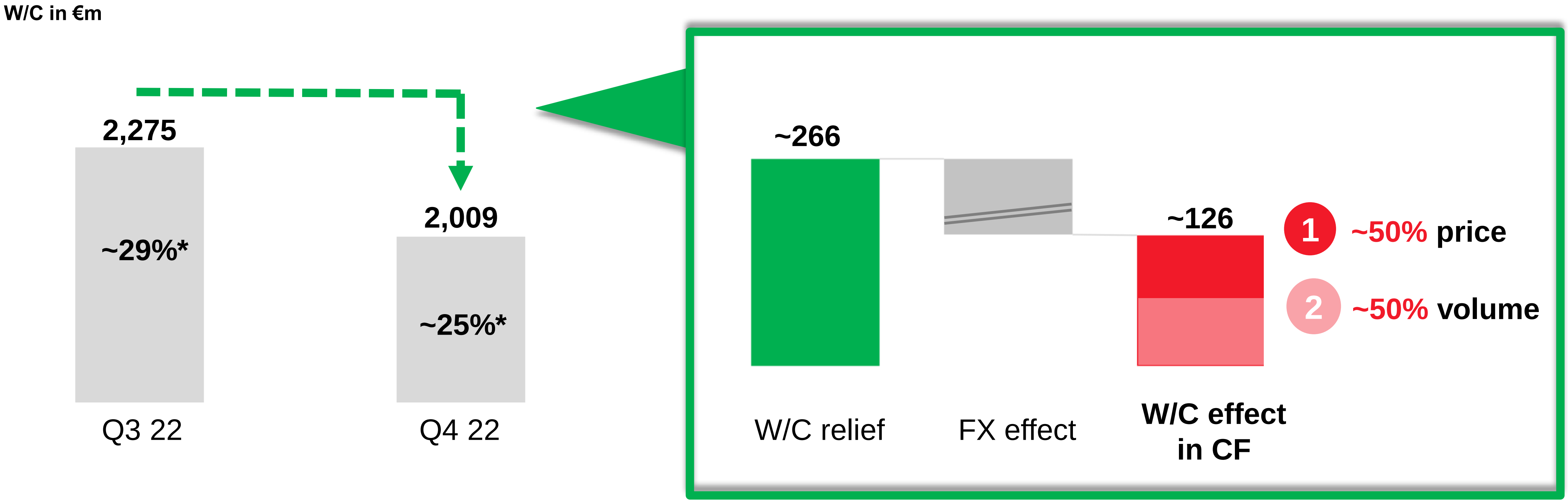
Total +6%

Q4 Sales vs. PY

- Slight sales increase due to price pass-through and IFRS15 effect
- Volumes dropped massively in both BUs caused by low demand (mainly construction) and customer-destocking
- Against strong prior year EBITDA pre and margin impacted by lower utilization partly driven by own inventory control measures

Improvement in Working Capital in Q4 2022 mainly driven by inventory and receivables reduction

Focus across all BUs is on improving W/C



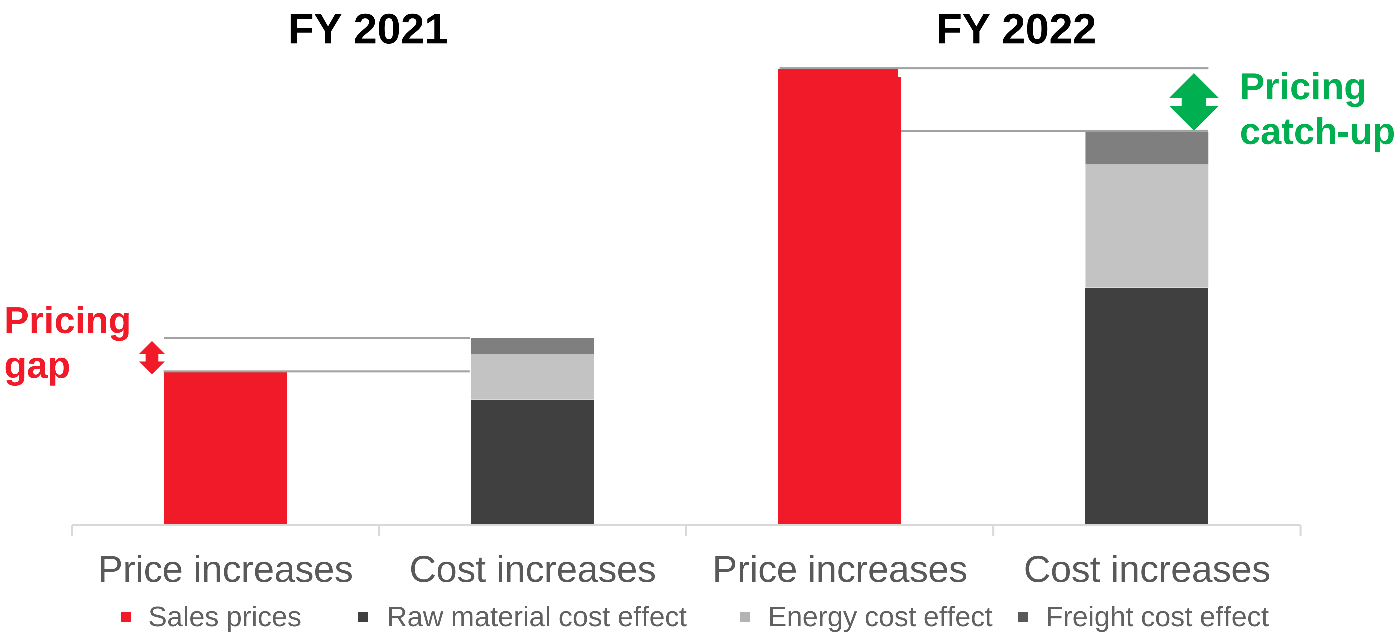
2023 target: W/C to sales ratio in low twenties percentage range

W/C reflects continuing business only * W/C to sales ratio

Successful price pass through in 2022

2022 price increases reflect full pass on of raw material, energy & freight costs

Change in prices of cost lines YoY* in €m



- In 2021 raw material prices fully passed on and started to pass on energy costs
- FY 2022 full pass through of raw material, energy and freight cost inflation; catch up of lag of price pass on in 2021
- Uncertainty regarding price developments in 2023 and overall impact of demand situation

Pricing power proven in a challenging environment

* Continuing operations only

P&L Q4: Earnings stable despite volume decline

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[€ m]*	Q4/2021		Q4/2022		yoy in %
Sales	1,679	(100%)	1,973	(100%)	18%
Cost of sales	-1,294	(-77%)	-1,519	(-77%)	17%
Selling	-240	(-14%)	-291	(-15%)	21%
G&A	-83	(-5%)	-100	(-5%)	20%
R&D	-24	(-1%)	-26	(-1%)	8%
Financial result	-8		-25		>100%
Net Income (cont.)	**-8**		**-14**		**75%**
EPS pre (cont.)	**0.64**		**0.47**		**-27%**
EBITDA	123	(7%)	153	(8%)	24%
thereof except.	-49	(-3%)	-22	(-1%)	-55%
EBITDA pre except.	**172**	**(10.2%)**	**175**	**(8.9%)**	**2%**

- Successful pass-through of inflated input costs. However, margin impacted by arithmetic effect and volume decline
- Higher selling expenses result from ongoing higher freight costs and portfolio effect
- Increased G&A due to portfolio and FX effect
- Financial result mainly impacted by valuation of financial instruments (Standard Lithium)

*All figures apply to continuing operations, EPS pre (cont.) in €

Cash flow: Successfully managing working capital in Q4

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[€ m]	Q4/2021	Q4/2022	Δ
Profit before tax	**-12**	**-21**	**-9**
Income taxes	19	-33	-52
Changes in other assets & liab.	8	-154	-162
Changes in working capital	76	126	50
Operating cash flow	**223**	**92**	**-131**
Investing cash flow	**-462**	**14**	**476**
thereof capex	-183	-158	25

- Income tax 2021 includes reimbursements
- Changes in other assets and liabilities reflect among others:
  - Exceptional cash out due to German EEG (renewable energy law) payments
  - Variable compensation
  - Non-cash effect of IFRS15 and FX hedging with positive effects in 2021
- Measures to improve working capital show first effect
- Capex reduced below previous year level

All figures apply to continuing operations

Portfolio and FX with biggest impact on balance sheet

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[€ m]	31.12.2021	31.12.2022[1]
Total assets	**10,528**	**11,281**
Equity	3,762	4,427
Equity ratio	**36%**	**39%**
Net financial debt[2]	**2,245**	**3,814**
Pension provisions	**877**	**367**
Net working capital	**1,675**	**2,009**
DSI (in days)[3]	71	85
DSO (in days)[3]	45	39

- Higher total assets mainly driven by portfolio effect (IFF MC) and FX
- Higher equity due to positive net income and OCI effects (especially pensions and FX)
- Financial debt increased by payment of purchase price of IFF MC and working capital inflation
- Reduced pension provisions due to strong asset performance and increased interest rates
- Working capital increase based on portfolio effect, inflated input costs and FX

[1] BU HPM accounted as "discontinued operations": Assets & related liabilities of BU HPM summarized in one line item only and no longer included in presented line items (except total assets, equity)
[2] Including cash, cash equivalents, near cash assets, short-term money market investments
[3] Days sales of inventory / sales outstanding calculated from quarterly sales

Q4 2022: Strong earnings increase in Consumer Protection and Specialty Additives

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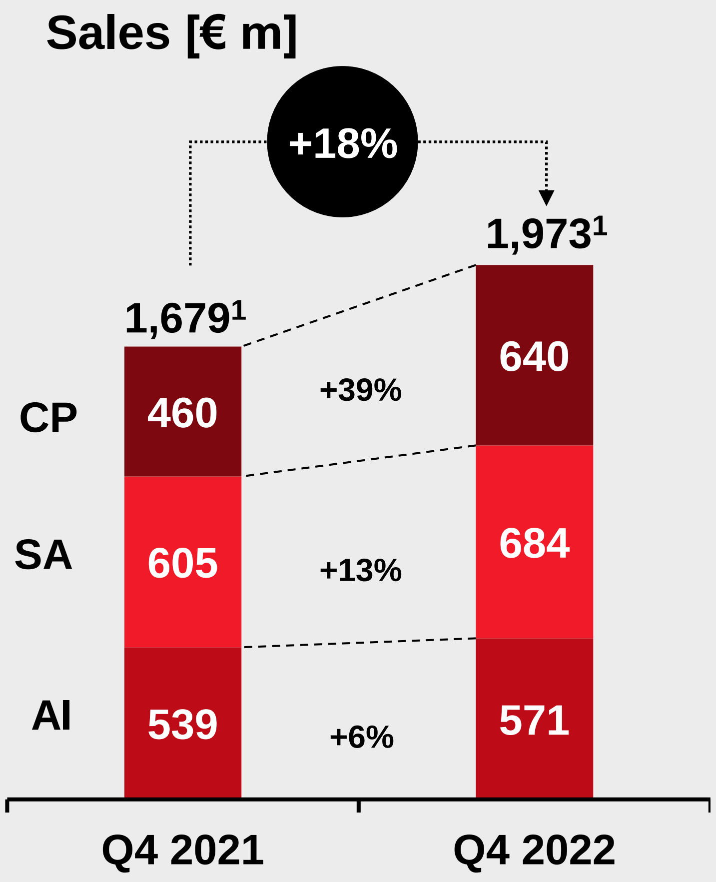

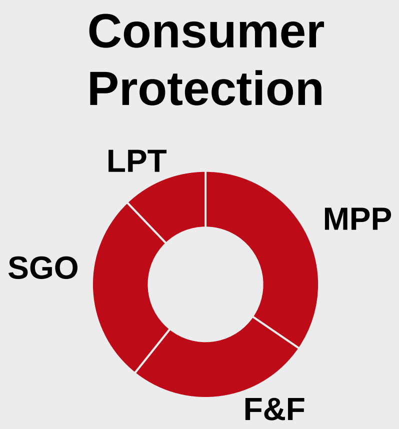

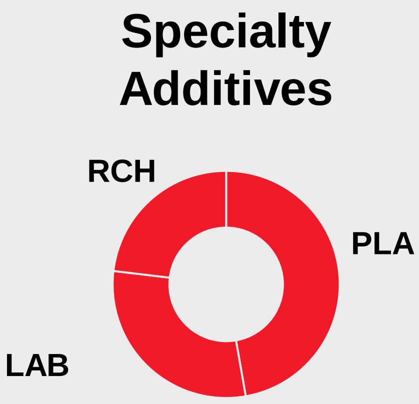

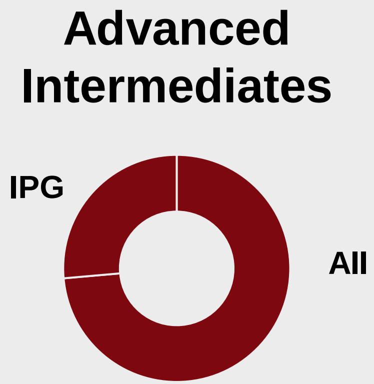

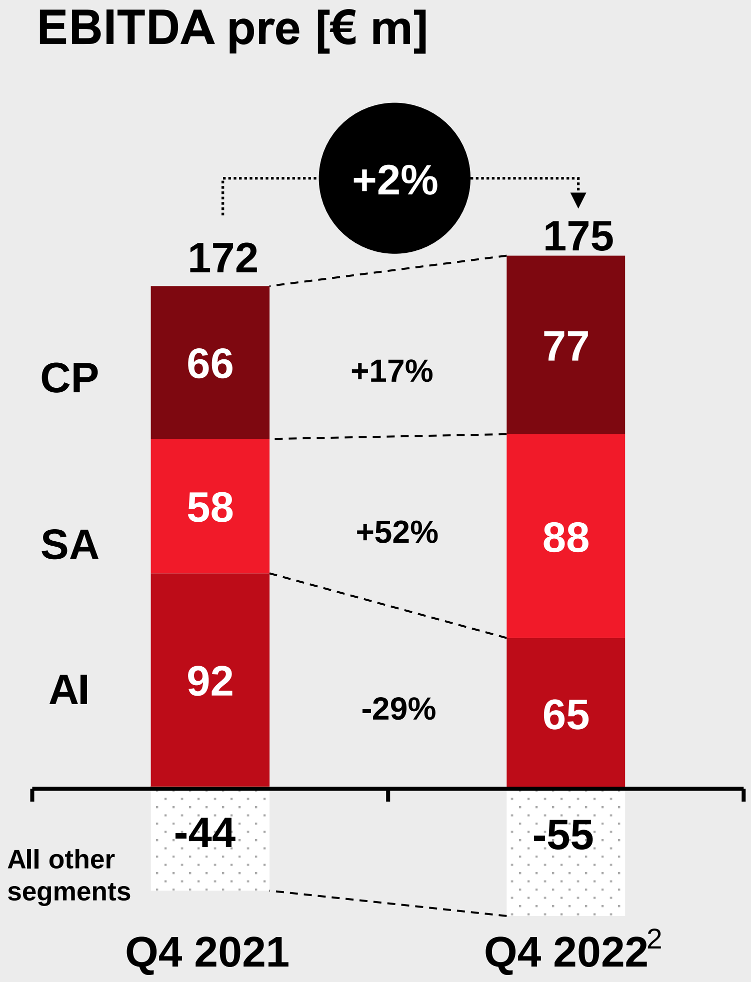

[1] Total group sales including all other segments
[2] Lower result due to FX hedges, inflated costs due to stronger USD and remnant costs

Q4 2022: Growth in all regions except Asia

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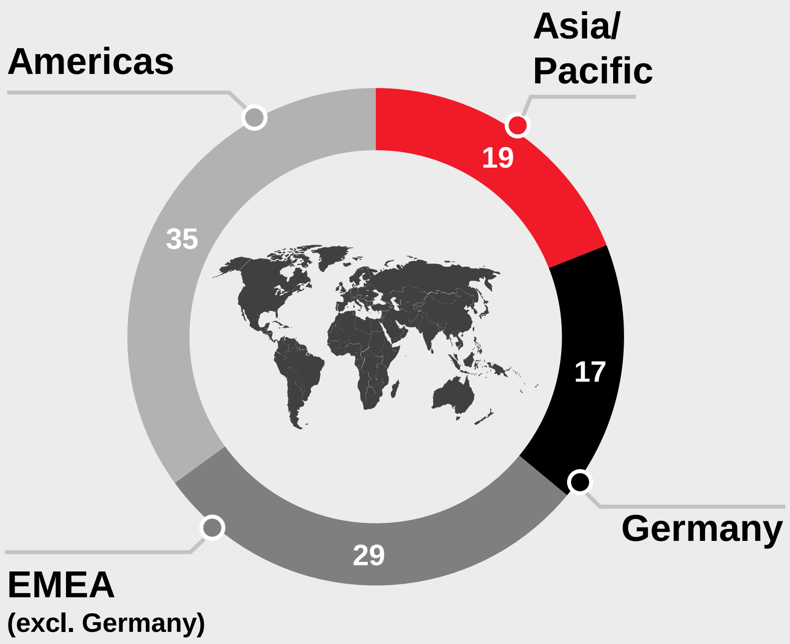
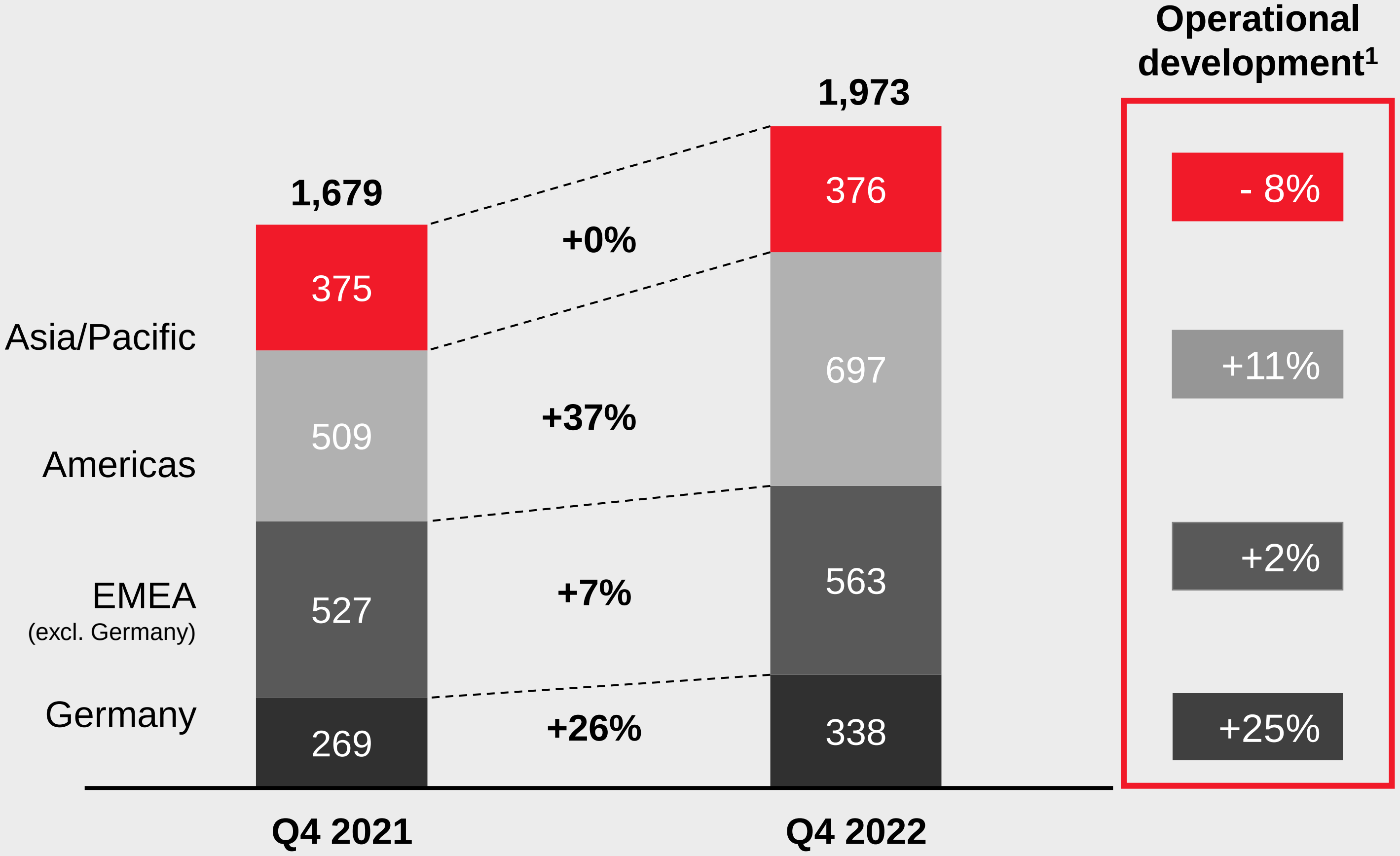
Q4 2022 sales by region [%]



Regional development of sales [€ m]



[1] Currency and portfolio adjusted

Agenda

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3 Appendix

Housekeeping items 2023

Capex 2023	**~€400 m**
Operational D&A	**~€550 m** (thereof ~**€150 m** of intangible amortization effects)
All other segments 2023	**~€170 m**
Underlying tax rate	**~27%**
Exceptionals 2023	**~€80 m** based on current initiatives
FX sensitivity	One cent change of USD/EUR resulting in **~€7 m** EBITDA pre impact before hedging

Synergies from EKC and IFF MC transactions to deliver incremental €15 m in 2023

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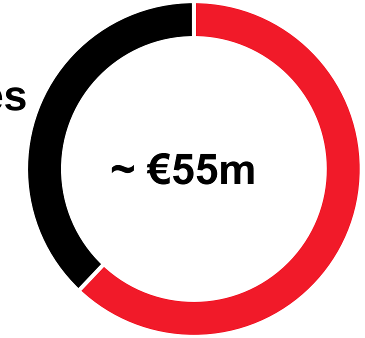
Combined synergies of EKC & IFF-MC

Illustrative



	2021	2022	2023	2024	2025	Total
Synergies	<€5m	~ €15m	~ €15m	~ €15m	~ €5m	~ €55m
OTCs	~ €15m	~ €25m	~ €15m	~ €10m	-	~ €65m
Capex*	~ €15m	~ €25m	~ €20m	~ €15m	-	~ €75m

Synergies on track

- Recurring synergies of ~€20m already generated in 2022
- Additional synergies of ~€15m to be realized in 2023
- Cash outs for OTCs and Capex will ease in 2023/24, supporting improved cash flow

* Mainly driven by expenditures to upgrade sites to LANXESS standard

OTCs = One Time Costs

FY 2022: Earnings improved; lower volumes, inflated input costs and arithmetic effect weigh on margins

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[€ m]*	FY 2021		FY 2022		yoy in %
Sales	6,101	(100%)	8,088	(100%)	33%
Cost of sales	-4,576	(-75%)	-6,151	(-76%)	34%
Selling	-816	(-13%)	-1,064	(-13%)	30%
G&A	-276	(-5%)	-319	(-4%)	16%
R&D	-95	(-2%)	-102	(-1%)	7%
Financial result	-48	(-1%)	-23	(0%)	-52%
Net income (cont.)	**115**	**(2%)**	**184**	**(2%)**	**60%**
EPS pre (cont.)	**3.60**		**3.75**		**4%**
EBITDA	668	(11%)	826	(10%)	24%
thereof except.	-147	(-2%)	-104	(-1%)	-29%
EBITDA pre	**815**	**(13.4%)**	**930**	**(11.5%)**	**14%**

- Increased input costs fully passed on
- Higher selling expenses due to increased freight costs and portfolio effect
- G&A increased due to portfolio and FX effect
- Earnings rose thanks to strong contribution of Specialty Additives and Consumer Protection
- Inflated input and idle costs impact margins

*All figures apply to continuing operations, EPS pre (cont.) in €

FY 2022: Operating cash flow burdened by increase in working capital

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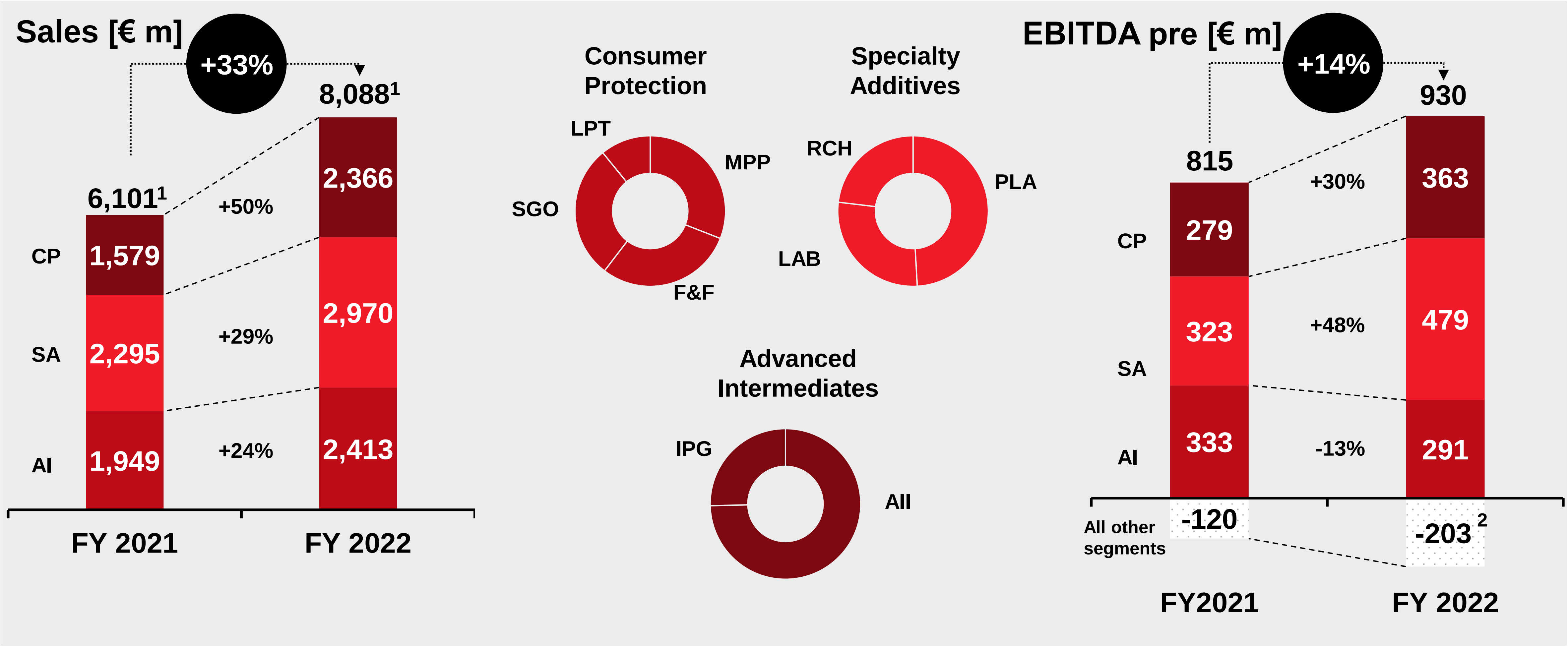
[€ m]*	FY 2021	FY 2022	Δ
Profit before tax	**163**	**257**	**94**
Financial (gain) losses	31	11	-20
Income taxes	5	4	-1
Changes in other assets & liab.	5	-160	-165
Changes in working capital	-292	-471	-179
Operating cash flow	**368**	**187**	**-181**
Investing cash flow	**-376**	**-996**	**-620**
thereof capex	-424	-407	17

- Income tax including reimbursements
- Changes in other assets and liabilities reflect among others:
  - Exceptional cash out due to German EEG (renewable energy law) payments
  - Variable compensation
  - Non-cash effect of IFRS15 and FX hedging with positive effects in 2021
- Working capital increase primarily driven by price effects, expected to ease in 2023
- Capex reduced below previous year level

All figures apply to continuing operations

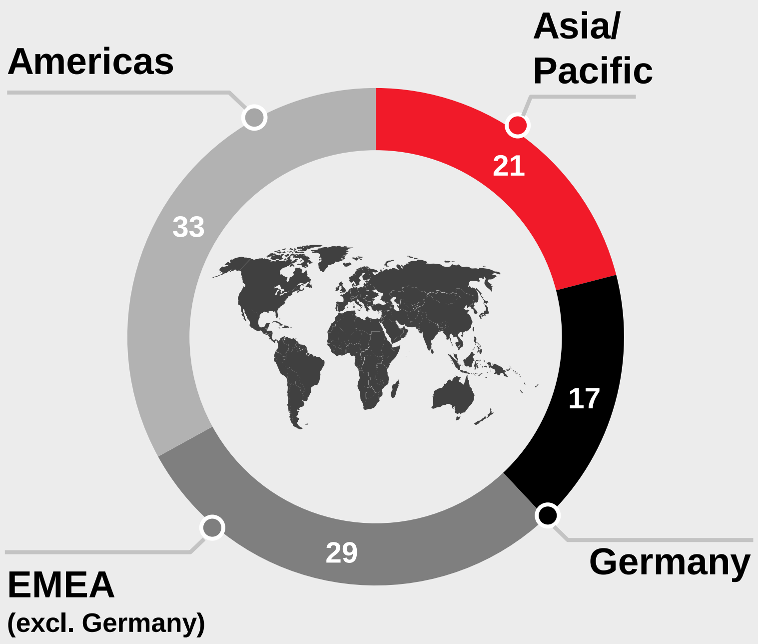
FY 2022: Specialty Additives and Consumer Protection continue to deliver



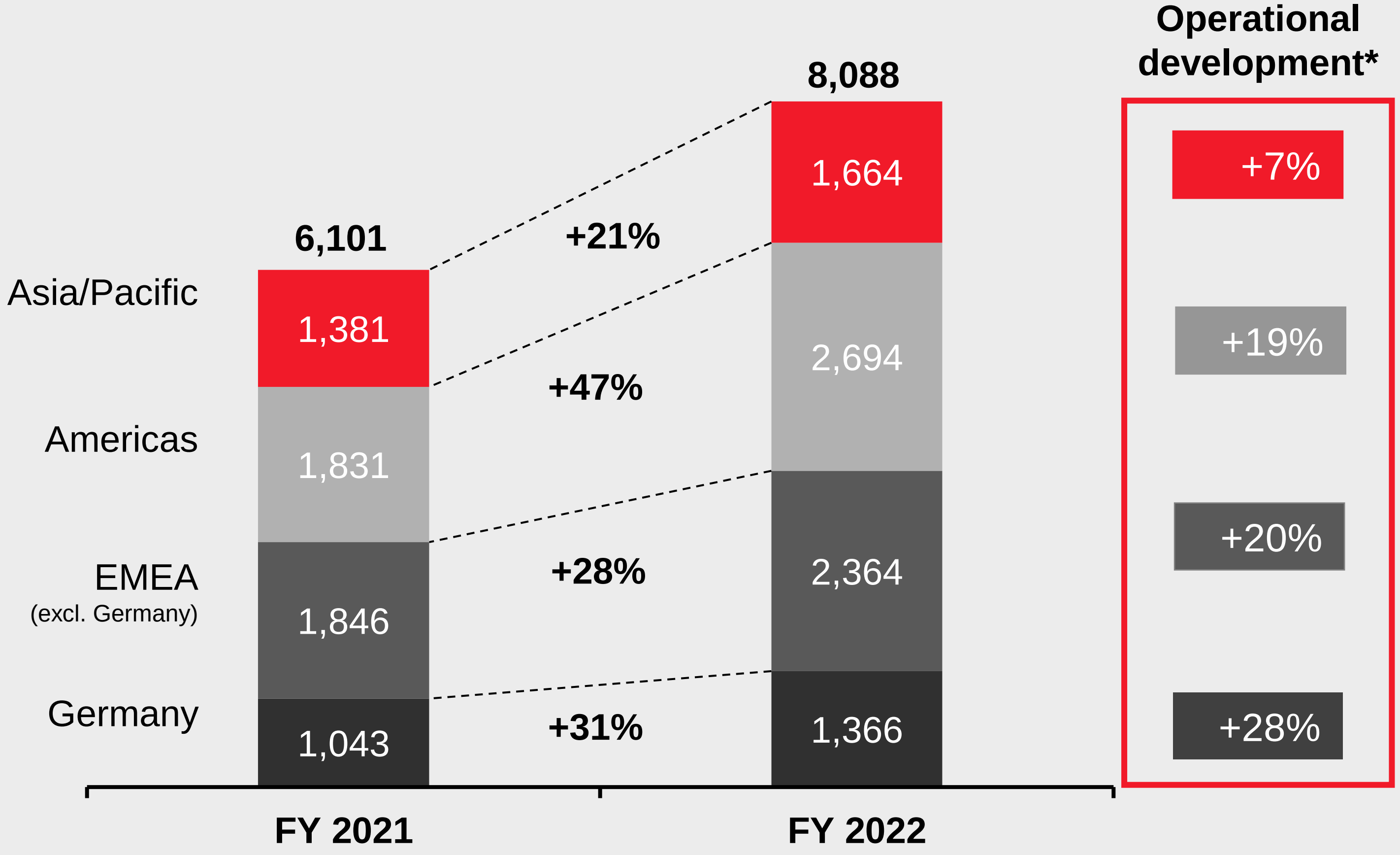
[1] Total group sales including all other segments
[2] Lower result due to hedging, inflated costs due to higher USD and remnant costs

FY 2022: Positive operational development in all regions

FY 2022 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

Exceptional items (on EBIT) below previous year level mainly due to lower M&A costs

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[€ m]	Q4/2021		Q4/2022		FY 2021		FY 2022		
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Comments
Strategic Realignment & Restructuring	21	0	**17**	**1**	38	1	**31**	**1**	incl. Emerald Kalama Chemical (EKC), IFF MC Integration
M&A, Digitalization (incl. Chemondis) and Others	15	0	**6**	**1**	81	2	**46**	**4**	21: incl. Theseo, INTACE acquistions, organic leather and membrane divestments 22: incl. IFF MC acquisition, HPM carve out
Strategic IT projects	13	0	**1**	**0**	31	0	**32**	**0**	incl. SAP Hana Project
Total	49	0	**24**	**2**	150	3	**109**	**5**	

(Gain) from settled interest rate hedge, reflected in financial result **-83**

LANXESS maturity profile actively managed and well balanced

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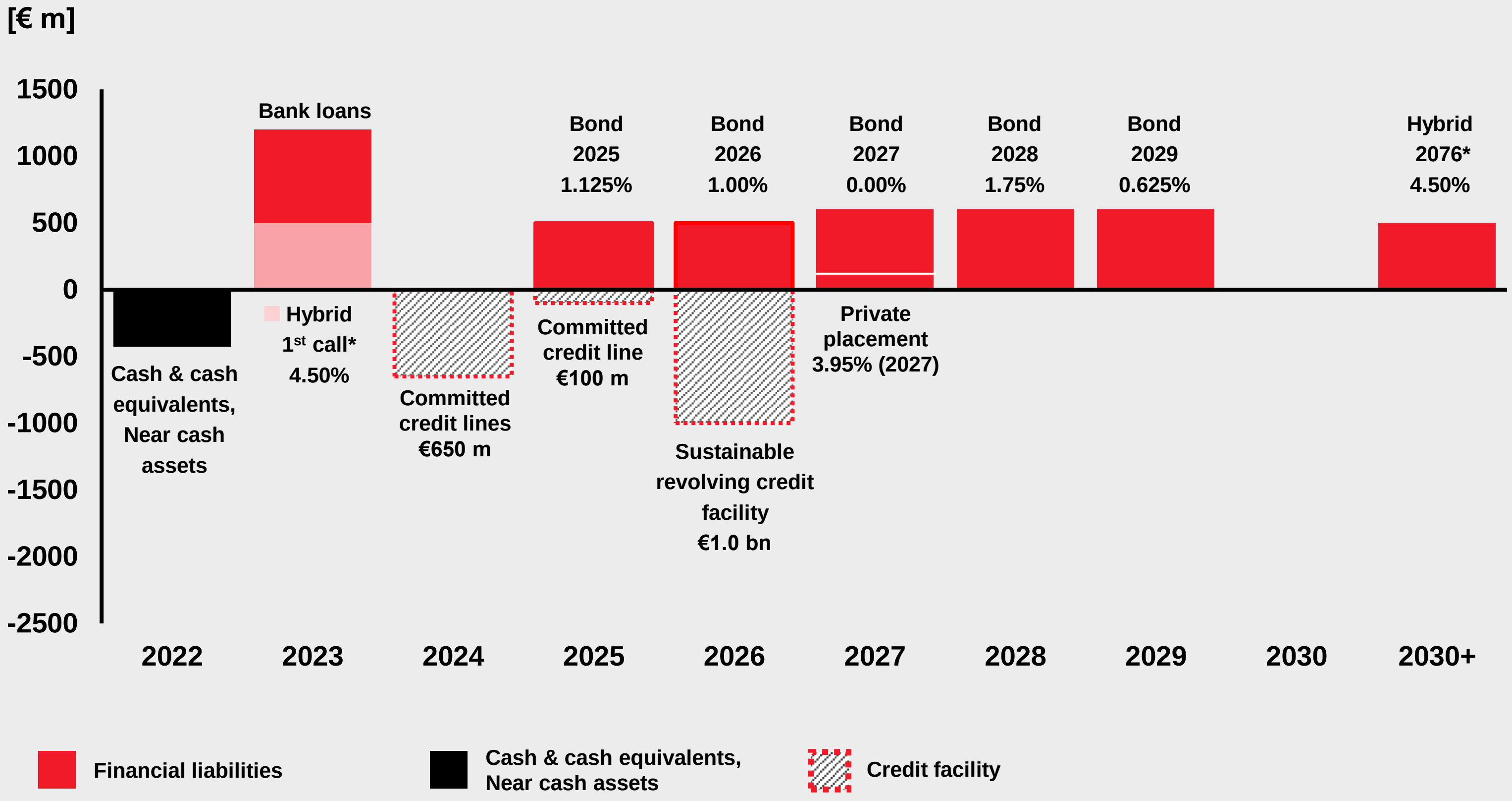
Long-term financing secured

- Diversified financing sources
- Average interest rate of financial liabilities ~1.5%
- Planned debt reduction after receipt of JV proceeds
- All group financing executed without financial covenants
- Maturities in 2023:
  - Bank loans
  - Hybrid 1st call in June

Liquidity and maturity profile as per December 2022



* Hybrid Bond with contractual maturity date in 2076 has a first optional call date in June 2023

Upcoming events H1 2023 – Proactive capital market communication

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March

28 Jefferies Pan-European Mid-Cap Conference, London

29 Société Générale European ESG SRI Conference, Paris

30 Stifel German Corporate Conference, Copenhagen

May

10 Q1 2023 Results

24 Annual Stockholders' Meeting

June

20 DB German Corporate Conference, Frankfurt

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Abbreviations

Consumer Protection

MPP	Material Protection Products
F&F	Flavors & Fragrances
SGO	Saltigo
LPT	Liquid Purification Technologies

Specialty Additives

PLA	Polymer Additives
LAB	Lubricant Additives Business
RCH	Rhein Chemie

Advanced Intermediates

AII	Advanced Industrial Intermediates
IPG	Inorganic Pigments

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