

LANXESS – Q1 2023 results

Cash flow improved in challenging environment

Matthias Zachert, CEO

Michael Pontzen, CFO

Safe harbor statement



The information included in this presentation is being provided for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to purchase, securities of LANXESS AG. No public market exists for the securities of LANXESS AG in the United States.

This presentation contains certain forward-looking statements, including assumptions, opinions, expectations and views of the company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of LANXESS AG to differ materially from the estimations expressed or implied herein. LANXESS AG does not guarantee that the assumptions underlying such forward-looking statements are free from errors, nor does it accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecast developments. No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, any information, estimates, targets and opinions contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and accordingly, no representative of LANXESS AG or any of its affiliated companies or any of such person's officers, directors or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

Agenda

1 Review Q1 2023 and outlook

2 Financial and business details Q1 2023

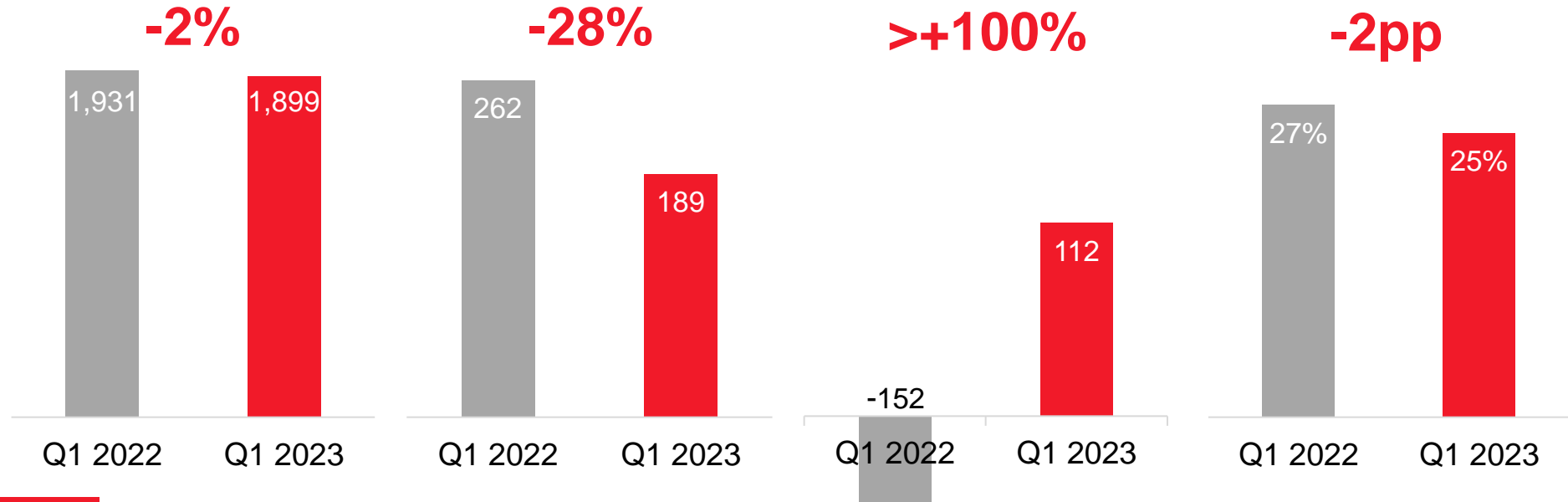
3 Appendix

We are continuously working on our weak spots: cash flow improved



Sales	EBITDA pre	FCF ¹	NWC ² to sales (%)	2023 priority
Almost stable despite low demand	Weak utilization leads to reduced earnings	Improved due to working capital management	Moving towards target of low twenties percentage range	Focus on cash generation also from working capital, potentially even on the expense of reported earnings

in € m

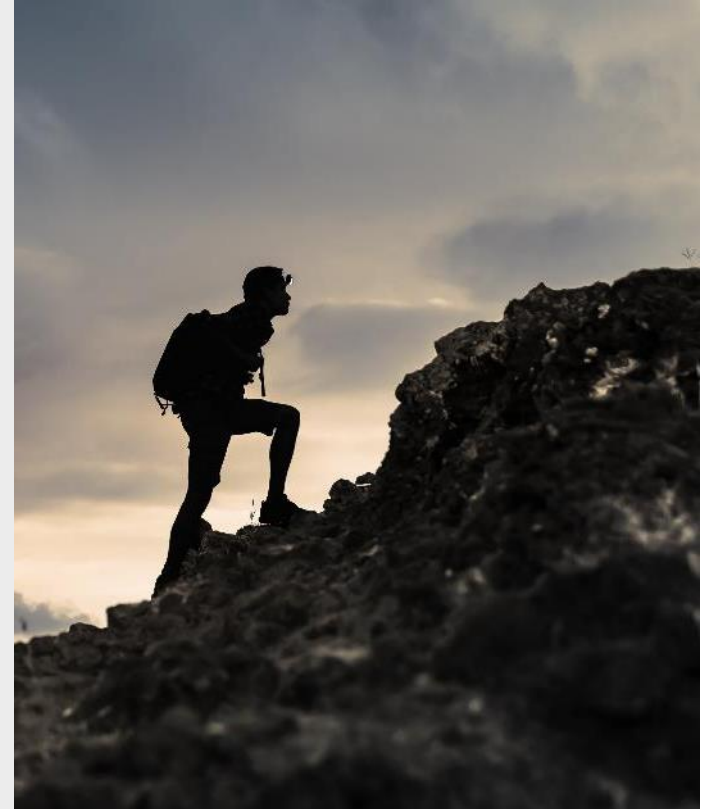


¹ Free cash flow = Operating cash flow (continuing operations) minus CAPEX ; ² NWC to sales calculated (continuing operations) as net working capital on March 31, 2023, divided by sales of last four quarters, prior year as reported

Cash-in of €1.27 bn from HPM transaction, cash flow improved

Q1 2023 strategic and financial highlights

- ~€1.27 bn payment from Advent already received
- Free cash flow well above prior year at €112 m
- Stable working capital despite seasonal increase pattern
- Q1 EBITDA pre of €189 m below prior year
- Earnings and margin burdened by weak demand: lower sales volumes and utilization
- Selling prices kept above prior year's level – sequentially declining



LANXESS Group: Q1 EBITDA pre below prior year due to weak demand environment

**Low volumes
offset positive
pricing**

[€ m]	Q1/2022	Q1/2023	Δ
Sales	1,931	1,899	-2%
EBITDA pre	262	189	-28%
Margin	13.6%	10.0%	
CAPEX	59	59	0%



Price **+6%** Volume **-14%** FX **+1%** Portfolio **+5%**

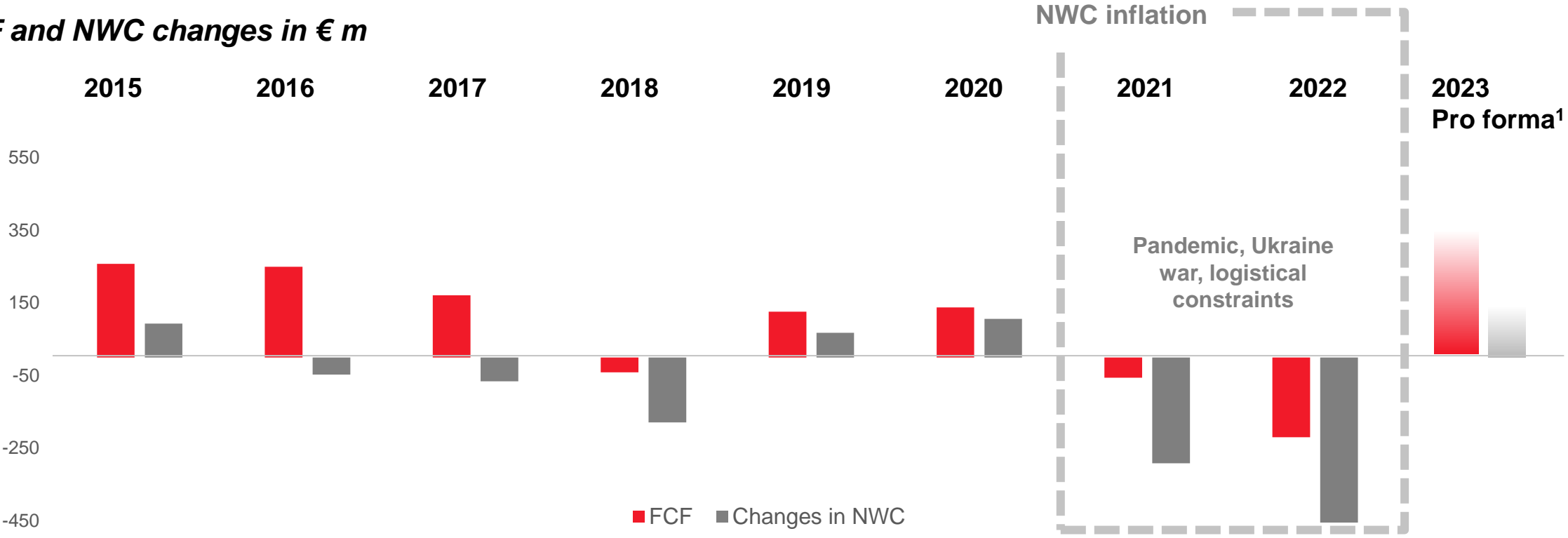
Total **-2%**

Q1 Sales vs. PY

- Sales remained almost stable as higher prices and portfolio effect nearly offset weak sales volumes
- Continued customer destocking paired with low demand in several end markets, mainly construction and E&E
- EBITDA pre declined on basis of weak demand
- Low volumes and respective idle costs weigh on margin

Free cash flow expected to recover strongly

FCF and NWC changes in € m

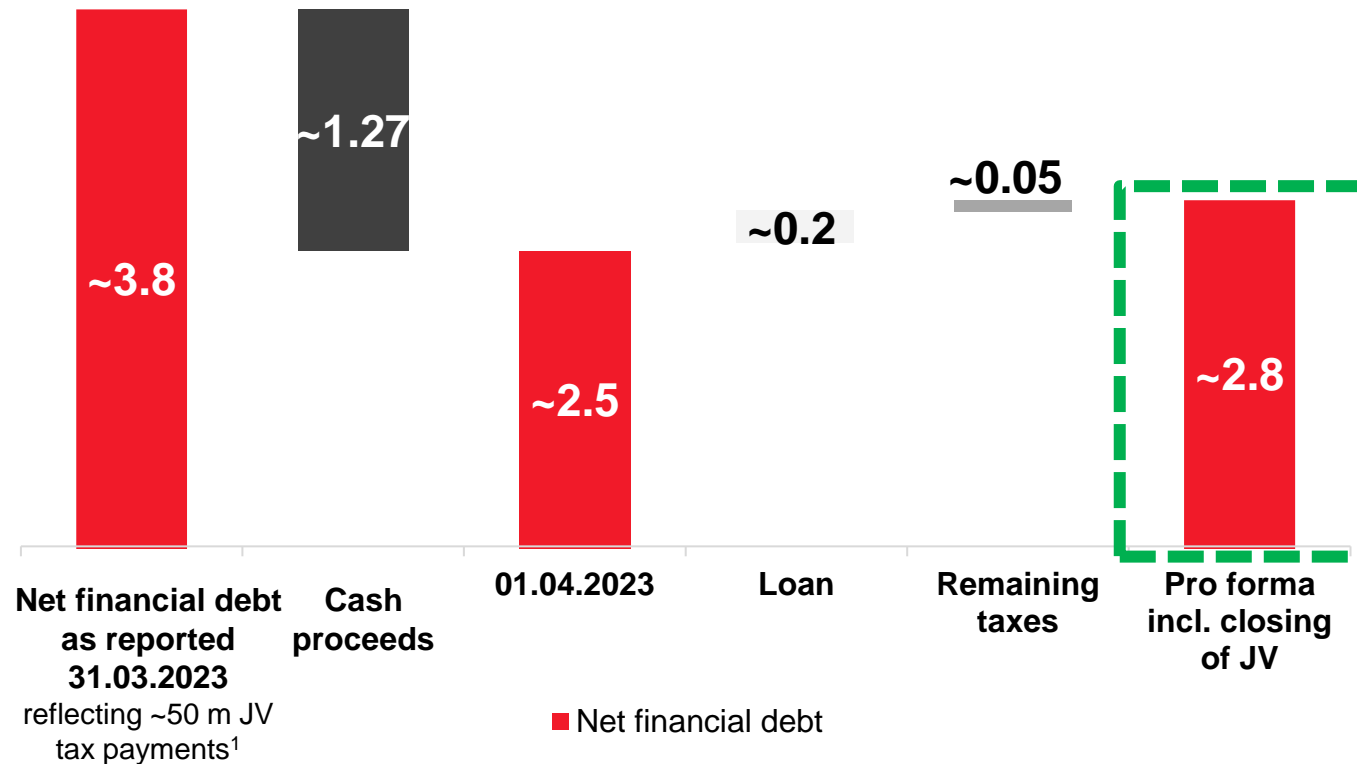


Improved business set-up as solid base for future free cash flow

Deleveraging milestone achieved – substantial reduction of net financial debt

Pro forma net financial debt significantly below reported Q1 2023

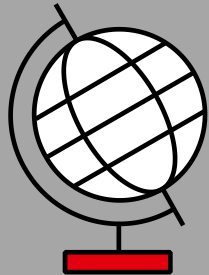
in € bn



- €1.27 bn² cash in from formation of Envalior (Engineering Materials JV) with Advent
- Cash proceeds are being utilized for:
 - Loan of €200 m to JV
 - ~€50 m remaining taxes
 - Repayment of €750 m bilateral loans
- Net financial debt / EBITDA³ ratio at ~3x after receiving cash proceeds

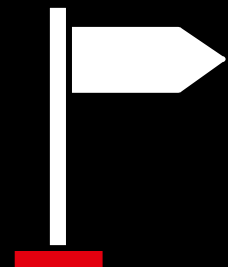
¹ ~€50 m JV related tax payment accounted for in D/O P&L and D/O cash flow, however burdening net financial debt as reported ² Cash was already received by end of March, but did not yet have an impact on reported net financial debt due to corresponding other current financial liability of same amount until closing (1 April) ³ Pro forma at FY 2022 EBITDA pre

FY 2023 guidance: EBITDA pre expected ~€850-950 m



Our view on economic environment

- Weak environment expected for H1 2023
- Positive impetus from China expected in H2 2023
- Global economy expected to pick up in H2 2023
- Force Majeure on supply of Chlorine continues



LANXESS outlook

- **FY guidance: EBITDA pre expected ~€850-950 m**
- Q2 2023 expected roughly on par with Q1, clear rebound expected in H2 2023
- **Focus on cash management:**
 - 2023 target: NWC to sales ratio in low twenties percentage range
 - CAPEX ~€400 m

Agenda

1 Review Q1 2023 and outlook

2 Financial and business details Q1 2023

3 Appendix



Consumer Protection: Portfolio and pricing drive earnings

Volumes held back by Force Majeure

[€ m]	Q1/2022	Q1/2023	Δ
Sales	506	647	28%
EBITDA pre	86	94	9%
Margin	17.0%	14.5%	
CAPEX	23	17	-26%



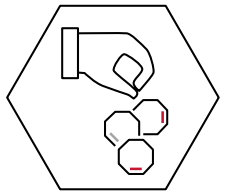
Price	Volume	FX	Portfolio
+9%	-2%	+1%	+20%

Total **+28%**

Q1 Sales vs. PY

- Positive contribution of acquired IFF MC business and positive pricing across all BUs increase segment sales
- Slight volume decline mainly caused by supplier's Force Majeure* (BU F&F) and customer destocking; BU Saltigo performed well based on positive agro market
- Positive EBITDA pre contributions from acquired business; margin affected by idle costs

* Force Majeure of Chlorine supplier



Specialty Additives: Earnings below very strong previous year

Weak construction market hits tough comparable base

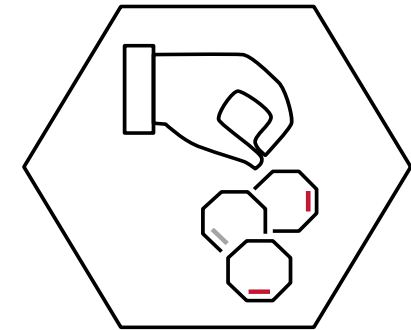
Price Volume FX Portfolio

+3% **-14%** **+2%** **0%**

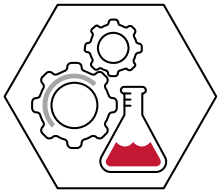
Total **-9%**

Q1 Sales vs. PY

[€ m]	Q1/2022	Q1/2023	Δ
Sales	730	664	-9%
EBITDA pre	136	98	-28%
Margin	18.6%	14.8%	
CAPEX	13	23	77%



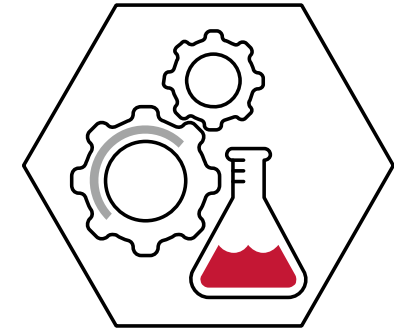
- Sales decline as continued weak demand especially in construction and auto impacted BU PLA and BU RCH respectively
- Sharply lower volumes driven by low demand and customer destocking as well as comparing against a very strong Q1 2022
- EBITDA pre and margin burdened by low utilization and US winter storm



Advanced Intermediates: Earnings suffered from low demand and utilization

Volume significantly impacted by weak demand

[€ m]	Q1/2022	Q1/2023	Δ
Sales	613	516	-16%
EBITDA pre	87	44	-49%
Margin	14.2%	8.5%	
CAPEX	18	16	-11%



Price	Volume	FX	Portfolio
+6%	-23%	+1%	0%

Total -16%

Q1 Sales vs. PY

- Sales decline as positive pricing and FX effect cannot compensate lower volumes
- Volumes significantly dropped in both BUs due to lower demand especially in construction and chemicals by far outweighing the positive impact from agro
- EBITDA pre and margin impacted by lower utilization on basis of weak demand and resulting idle costs

P&L Q1: Earnings below prior year as expected in a challenging demand environment

[€ m]	Q1/2022		Q1/2023		yoy in %
Sales	1,931	(100%)	1,899	(100%)	-2%
Cost of sales	-1,459	(-76%)	-1,463	(-77%)	0%
Selling	-236	(-12%)	-276	(-15%)	17%
G&A	-70	(-4%)	-71	(-4%)	1%
R&D	-24	(-1%)	-27	(-1%)	13%
Financial result	-22		-21		5%
Net Income (cont.)	66		10		-85%
EPS pre (cont.)*	1.25		0.65		-48%
EBITDA	238	(12%)	171	(9%)	-28%
thereof except.	-24	(-1%)	-18	(-1%)	25%
EBITDA pre except.	262	13.6%	189	10.0%	-28%

- Sales almost stable, lower volumes balanced by pricing and portfolio
- Rising selling expenses result from portfolio effect, logistic costs and FX
- Slight increase in R&D due to portfolio effect
- Margin impacted by low utilization

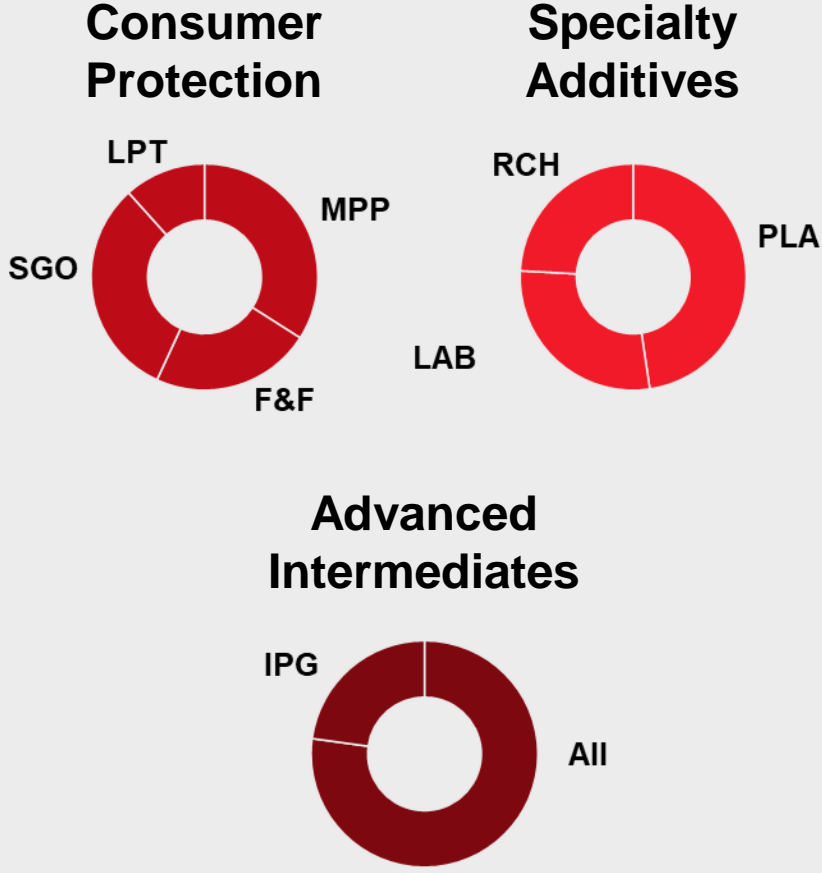
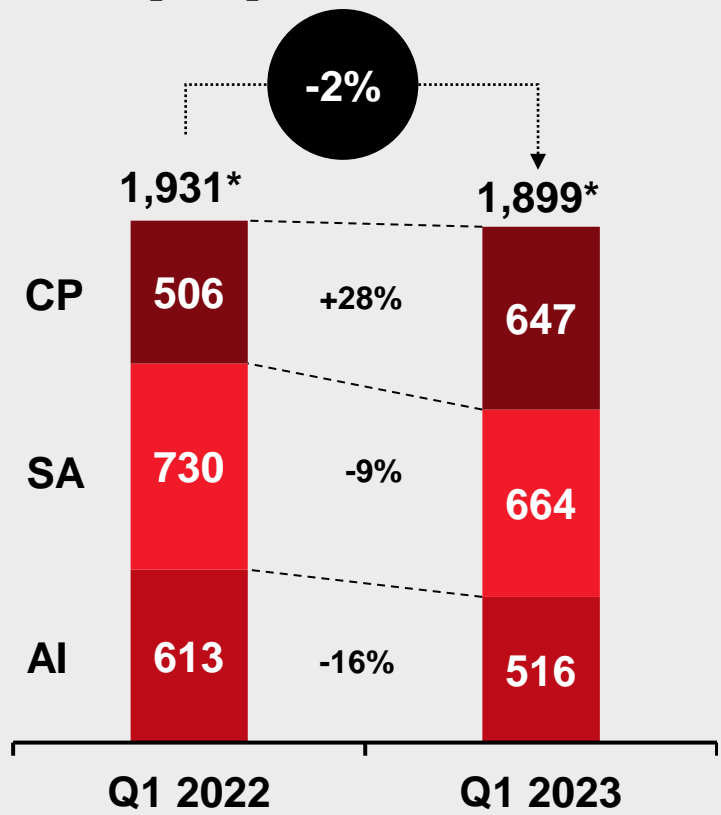
All figures from continuing operations only

*Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets

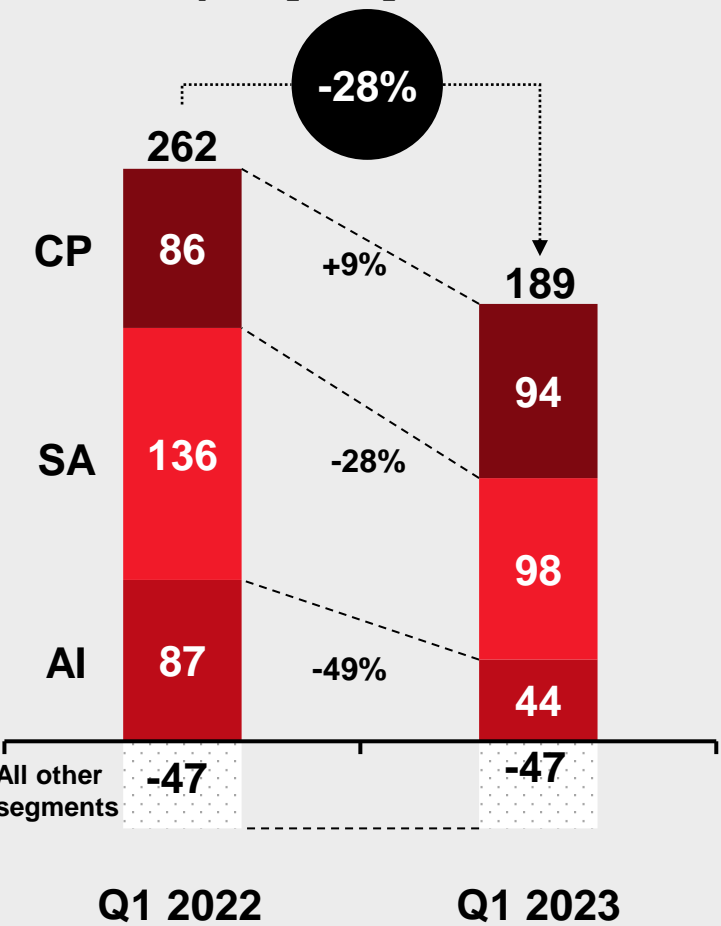
Q1 2023: Consumer Protection mitigates sales decline in Specialty Additives and Advanced Intermediates



Sales [€ m]



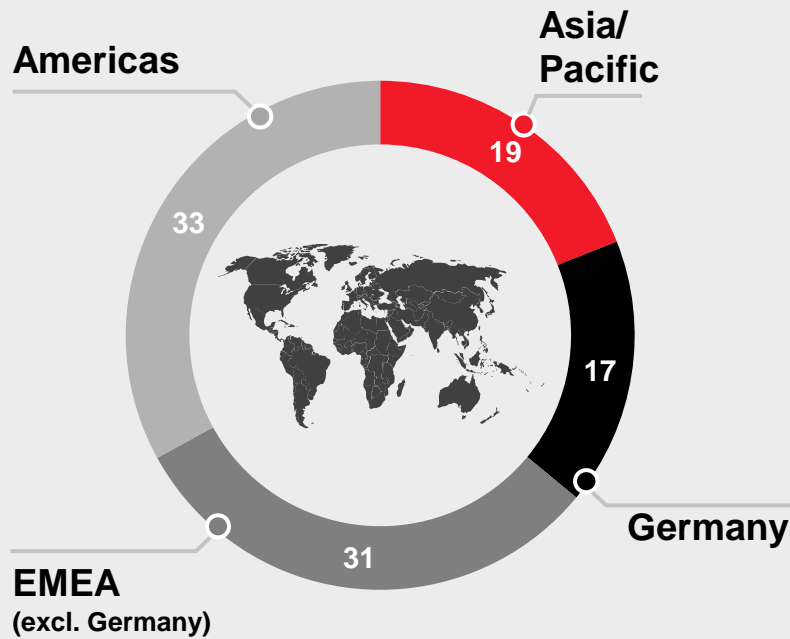
EBITDA pre [€ m]



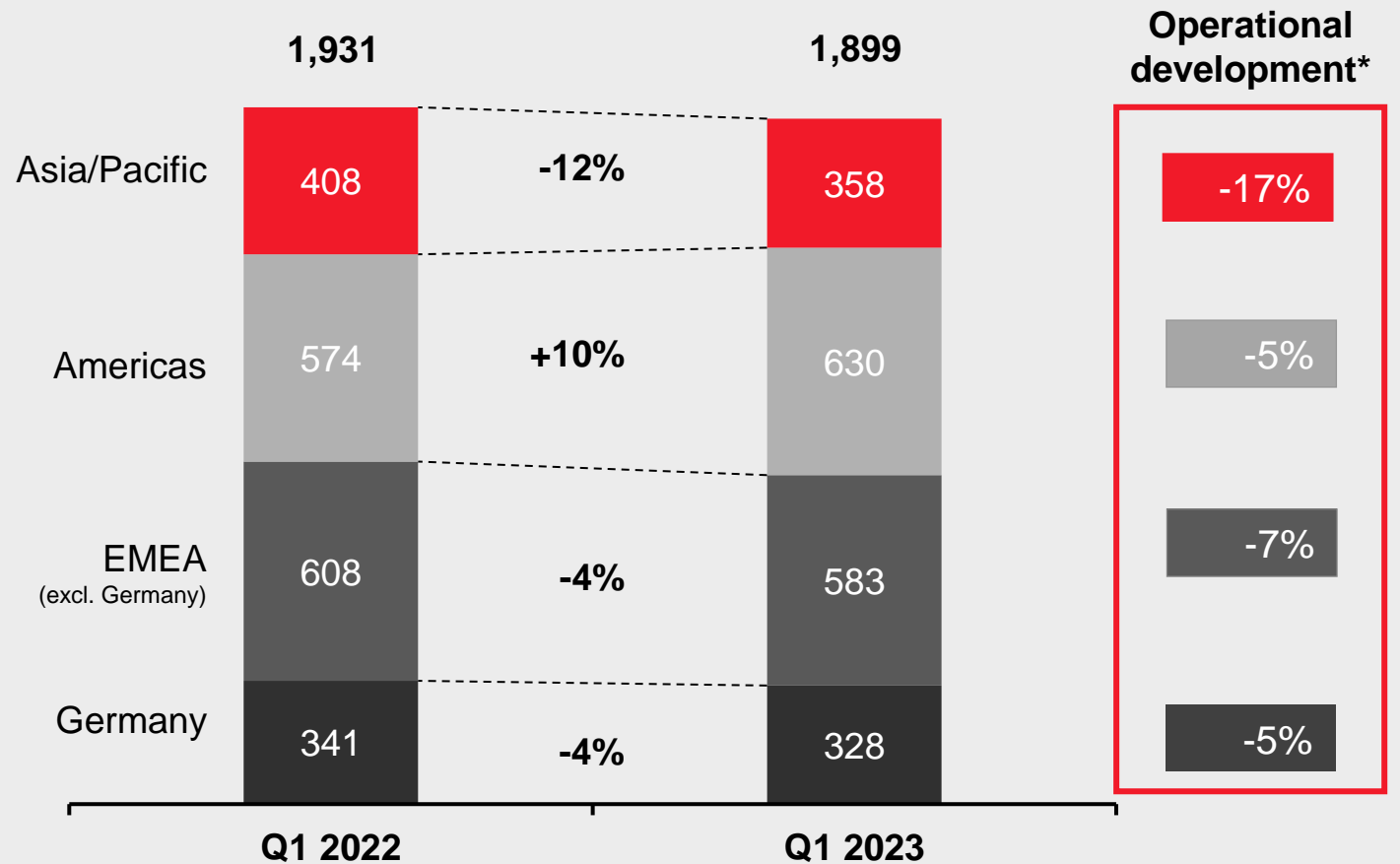
*Total group sales including all other segments

Q1 2023: Americas development supported by FX and portfolio effect

Q1 2023 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

First improvement: Free cash flow well above prior year's level

[€ m]*	Q1/2022	Q1/2023	Δ
Profit before tax	91	13	-78
Depreciation & amortization	125	137	12
Income taxes	38	-10	-48
Changes in other assets & liab.	20	0	-20
Changes in working capital	-387	8	395
Others	20	23	3
Operating cash flow	-93	171	264
Capex	-59	-59	0
Free cash flow	-152	112	264

- Profit before tax decreased due to weak operational start to the year
- Income taxes in 2022 include reimbursements
- Working capital management: stable despite seasonal increase pattern
- Free cash flow improved

* Applies to continuing operations; Free cash flow = Operating cash flow minus CAPEX

Net financial debt to decrease significantly after closing of HPM JV

[€ m]	31.12.2022	31.03.2023
Total assets	11,281	12,492
Equity	4,427	4,283
Equity ratio	39%	34%
Net financial debt¹	3,814	3,796
Pension provisions	367	395
Net working capital	2,009	1,980
DSI (in days) ²	85	88
DSO (in days) ³	39	39

- Higher total assets mainly due to proceeds from HPM transaction and corresponding other current financial liability of same amount until closing (April 1)
- Lower equity reflects negative net income and OCI effects (mainly FX and pensions)
- Stable working capital despite seasonal increase pattern
- Pension provisions increase along with slight decrease in interest rate

¹ Deducting cash, cash equivalents, near cash assets, short-term money market investments

² Days sales of inventory calculated from quarterly sales

³ Days of sales outstanding calculated from quarterly sales

Exceptional items (on EBIT) below previous year level

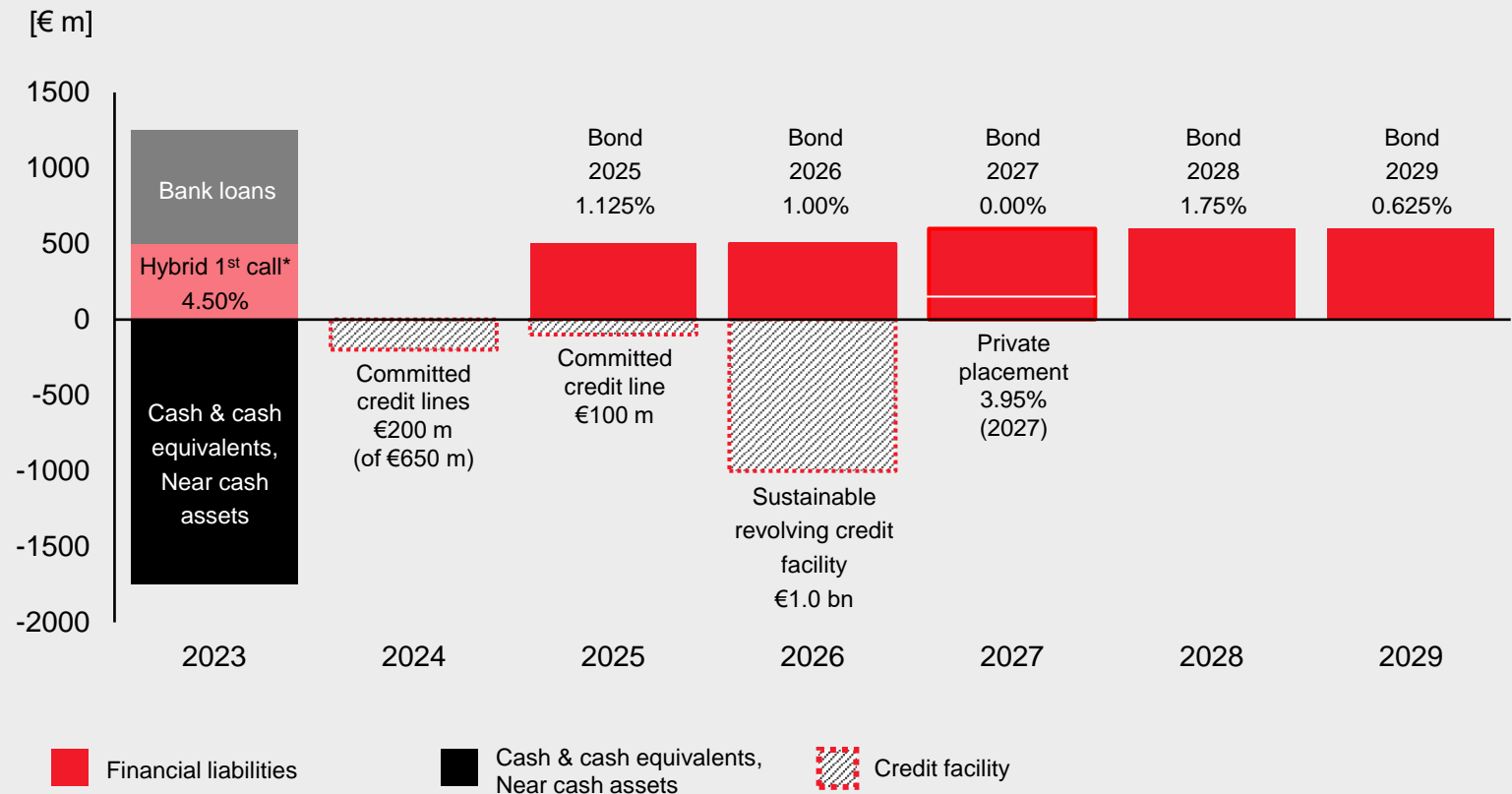
[€ m]	Q1/2022		Q1/2023		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	-1	0	-1	0	2022: incl. Emerald Kalama Chem. (EKC) integration 2023: incl. IFF MC integration
M&A, Digitalization (incl. Chemondis) and Others	-14	0	-12	-1	2022: incl. IFF MC acquisition, HPM carve out 2023: IT integration EKC, IFF MC
Strategic IT projects	-10	-1	-6	0	incl. SAP Hana Project
Total	-25	-1	-19	-1	

LANXESS maturity profile actively managed and well balanced

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 March 2023



Agenda

1 Review Q1 2023 and outlook

2 Financial and business details Q1 2023

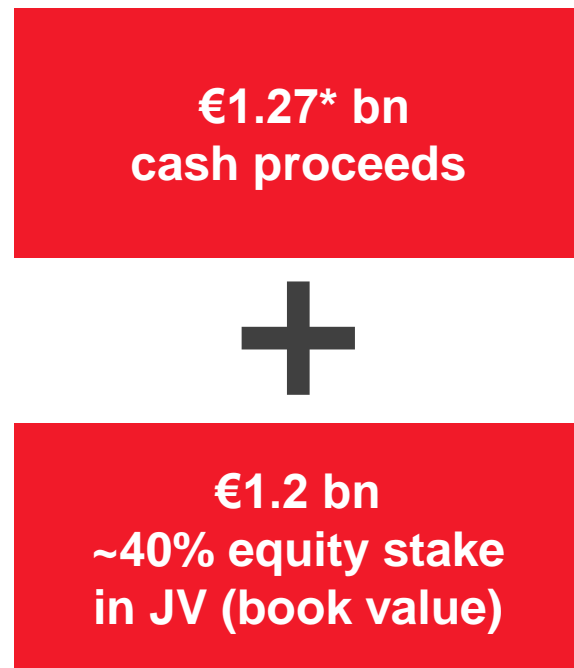
3 Appendix

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

Value of ~40% equity stake in Envalor should also be considered in valuation of LANXESS

Balance sheet at closing of transaction



Valuation of equity stake

- Value of ~40% equity stake in JV initially to be €1.2 bn
 - Value will fluctuate as business goes through normal cyclical + synergy realization
 - Earliest exit possibility three years after closing using the same valuation parameters (HPM sale: 12x EBITDA multiple)
 - Value of JV will be determined by exit valuation and not by book value
- **Interim fluctuations of JV equity value do not impact exit mechanism**

* ~0.1 bn tax payment to be deducted

Contact details Investor Relations



Oliver Stratmann
Head of Treasury & Investor Relations

Tel.: +49 221 8885 9611
Fax.: +49 221 8885 4944
Mob.: +49 175 304 9611
E-Mail: oliver.stratmann@lanxess.com



Eva Frerker
Head of Investor Relations

Tel.: +49 221 8885 5249
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 2969
E-Mail: eva.frerker@lanxess.com



Anja K. Siehler
Institutional Investors / Analysts

Tel.: +49 221 8885 1035
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 2789
E-Mail: anja.siehler@lanxess.com



Markus Sieben
Institutional Investors / Analysts

Tel.: +49 221 8885 7344
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 2913
E-Mail: markus.sieben@lanxess.com



Mirjam Reetz
ESG & Retail Investors

Tel.: +49 221 8885 1272
Fax.: +49 221 8885 4944
Mob.: +49 151 7461 3158
E-Mail: mirjam.reetz@lanxess.com

Visit the
IR website

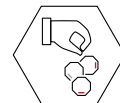


Abbreviations



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

Upcoming events 2023 - Proactive capital market communication

