



**LANXESS**  
Energizing Chemistry

# FORWARD!

Q2 2023 Press conference

August 4, 2023

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# Chemical industry in rough waters

## Weak markets and location disadvantages...

- Weak demand in all customer industries
- No turnaround in sight
- China as growth driver fails
- High energy costs in Germany
- Excessive bureaucracy in Europe



## ... with harsh consequences

- Production volume decreases continuously
- Profit warnings across the industry
- Investment freeze in Germany
- First closures of plants
- First insolvencies of smaller companies

**German industry massively loses competitiveness**

# Downward trend across the board

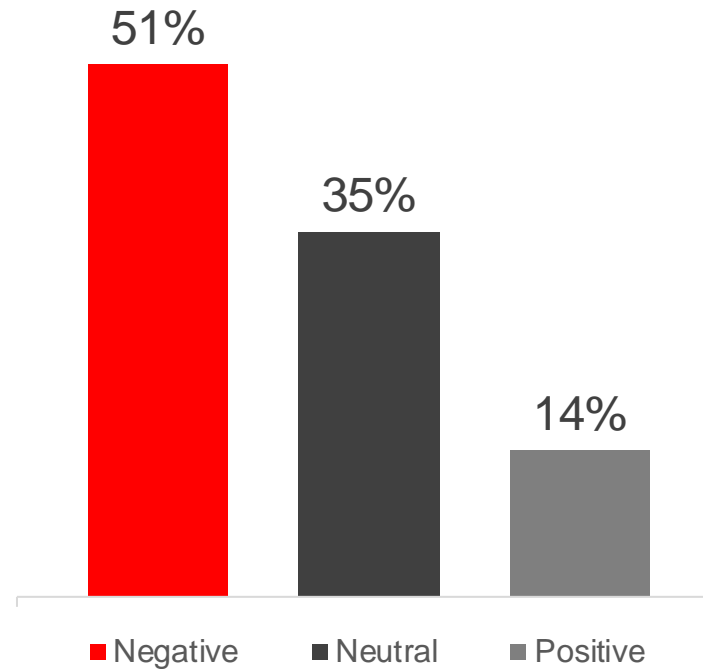
## Production volume decreases

Production index  
(Jan 22=100)



## Negative outlook

Earnings expectations of  
chemical companies



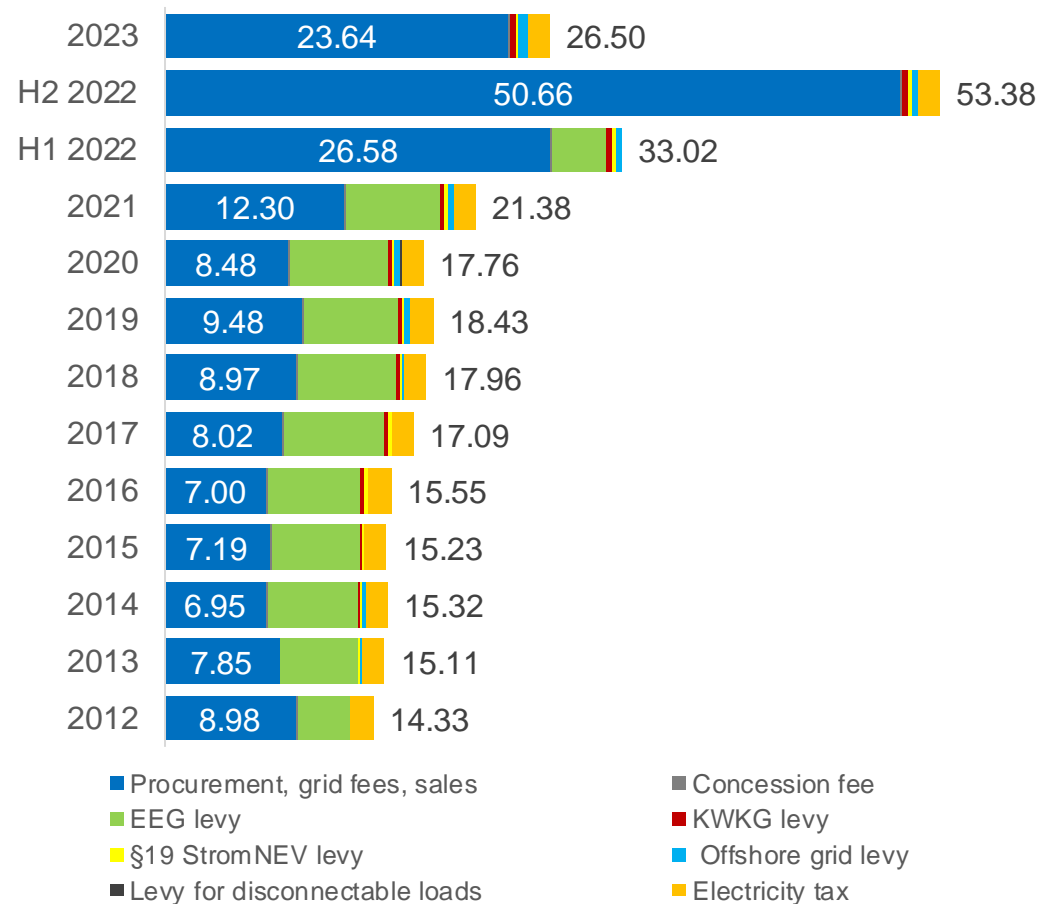
## Locational disadvantages in GER

Chemical companies suffer  
above all from energy costs

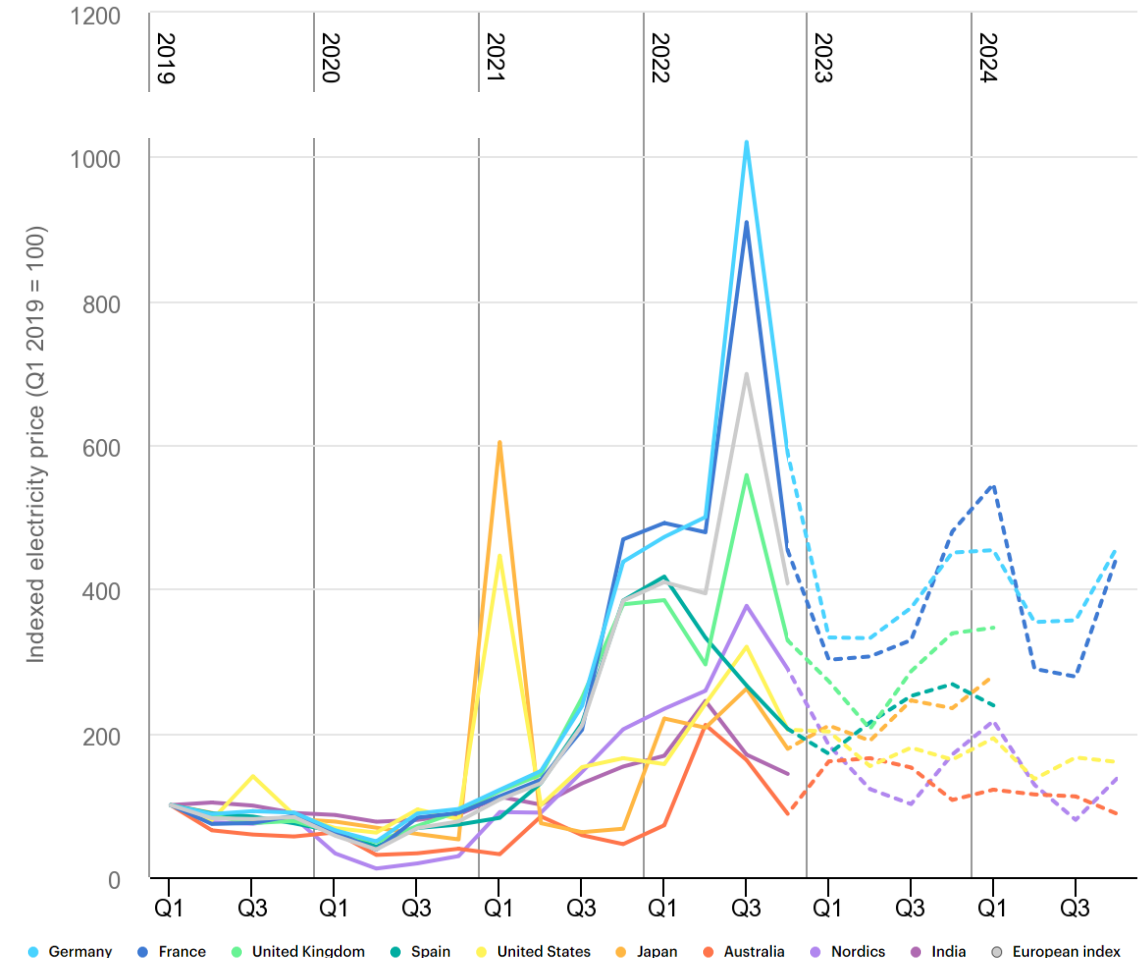


# Electricity prices: disastrous cost situation in Germany

## Electricity cost components for the German industry<sup>1</sup>



## International wholesale electricity prices (indexed)<sup>2</sup>



<sup>1</sup>BDEW: Average electricity prices for new contracts in industry in ct/kWh (incl. electricity tax), Annual consumption 160,000 to 20 million kWh, (as of 07/2023),

<sup>3</sup>IEA, (as of 02/2023)

# Politics: Time to wake up!

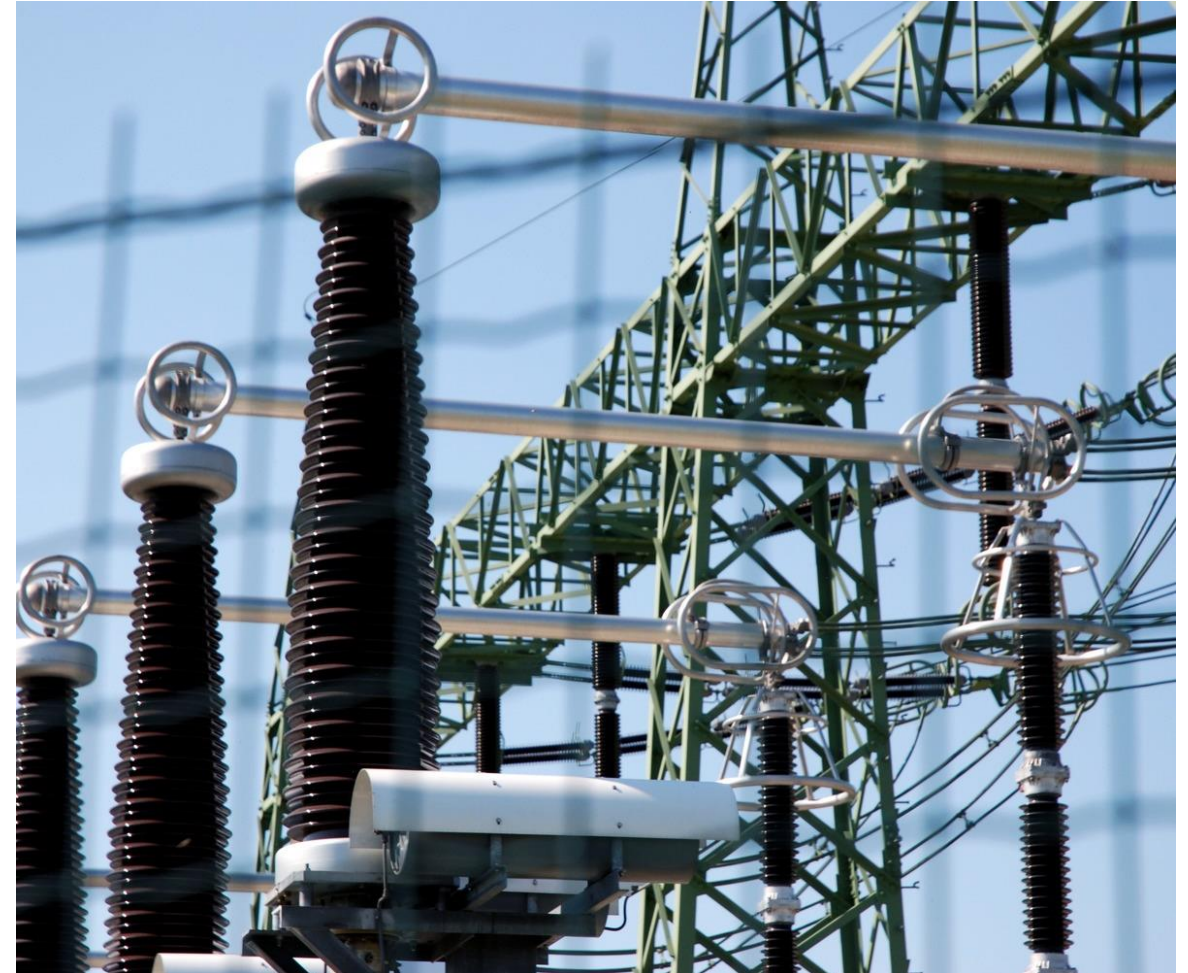
## Priority: Effective industrial electricity price

- Bridge for transformation toward climate neutrality
- To be introduced in the short term, thus provide planning security
- Pragmatic, open to technology, compatible with Europe

## Improve locational conditions

- Competitive energy prices
- Bureaucracy reduction and a halt of further burdens
- Investments in infrastructure

**We need an Agenda 2030!**





## Counteracting with “FORWARD!”

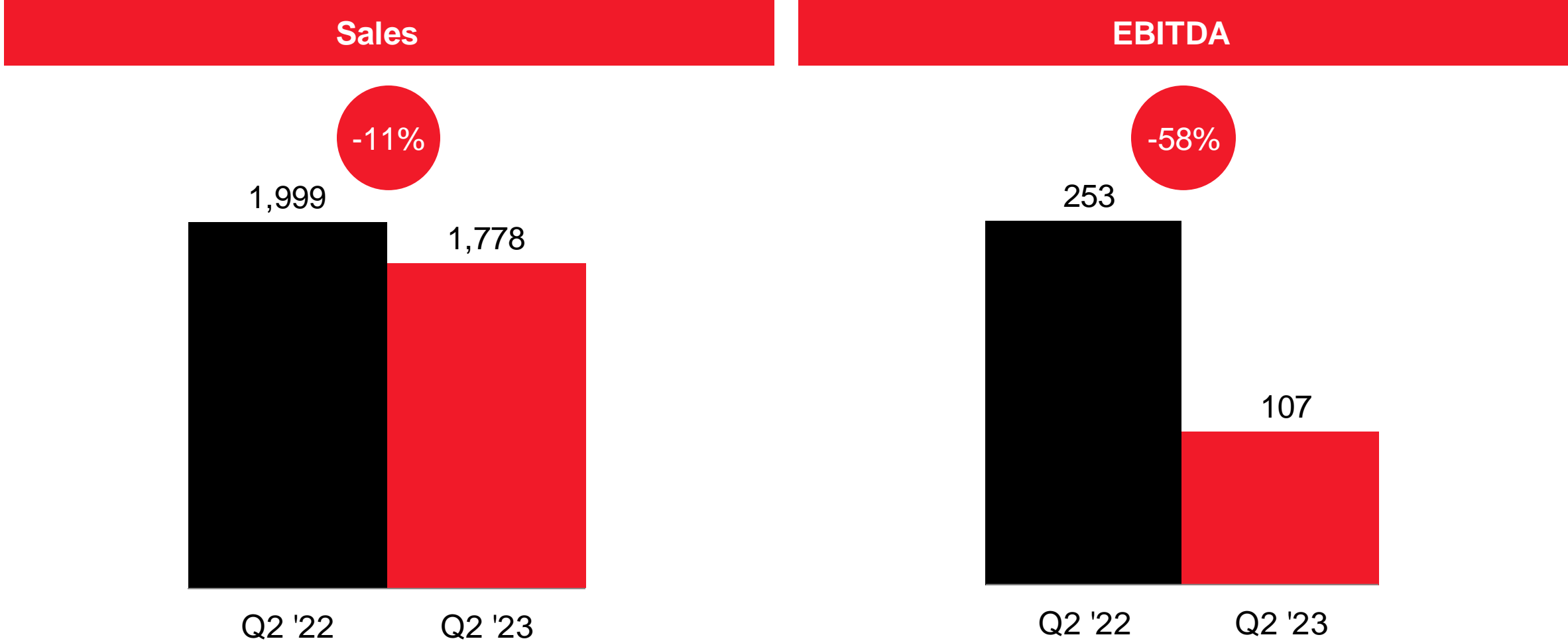
Sales and earnings significantly below previous year

Weak demand and customer destocking impact earnings

Net debt significantly reduced

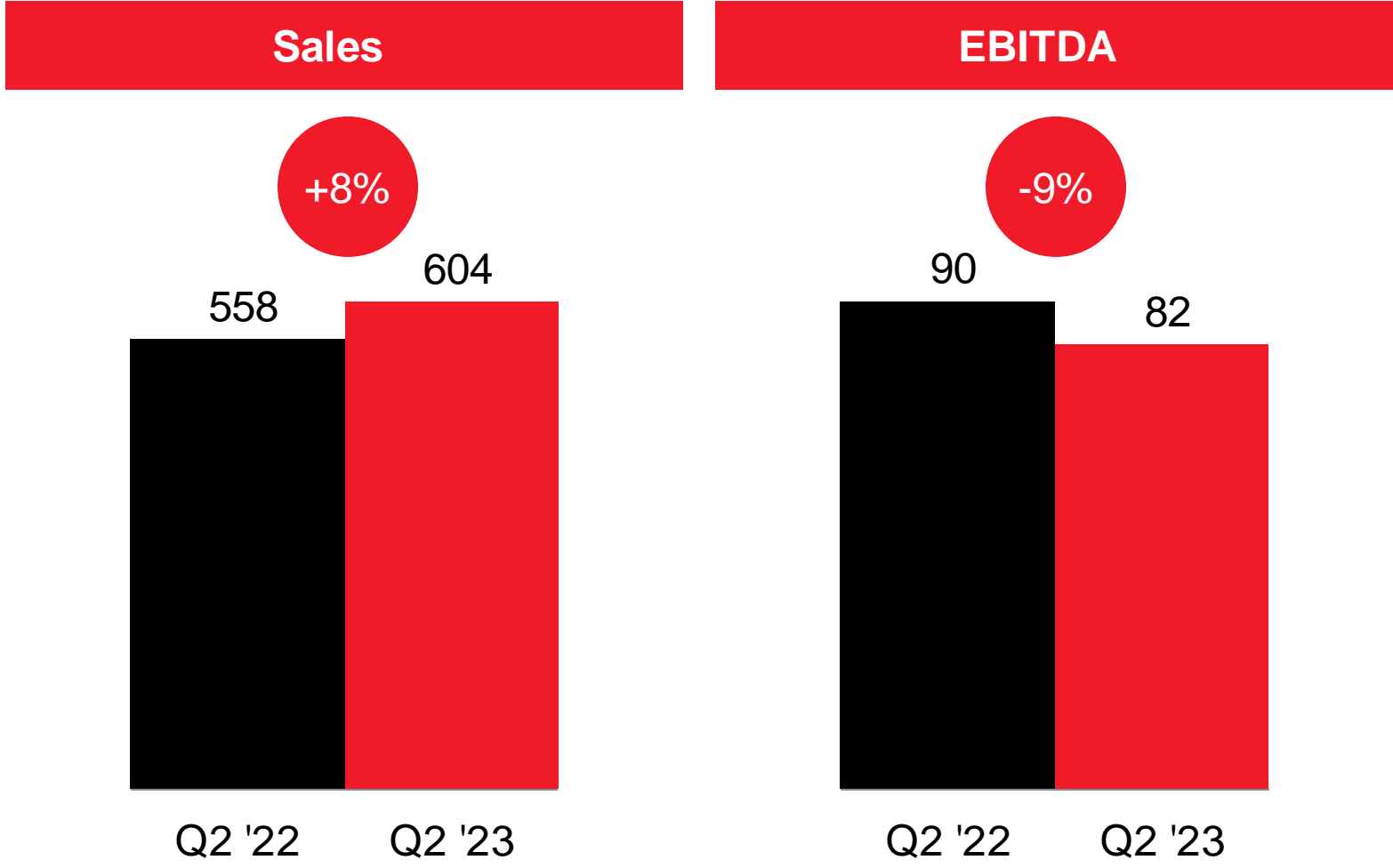
“FORWARD!” action plan launched

# Weak demand weighs on earnings

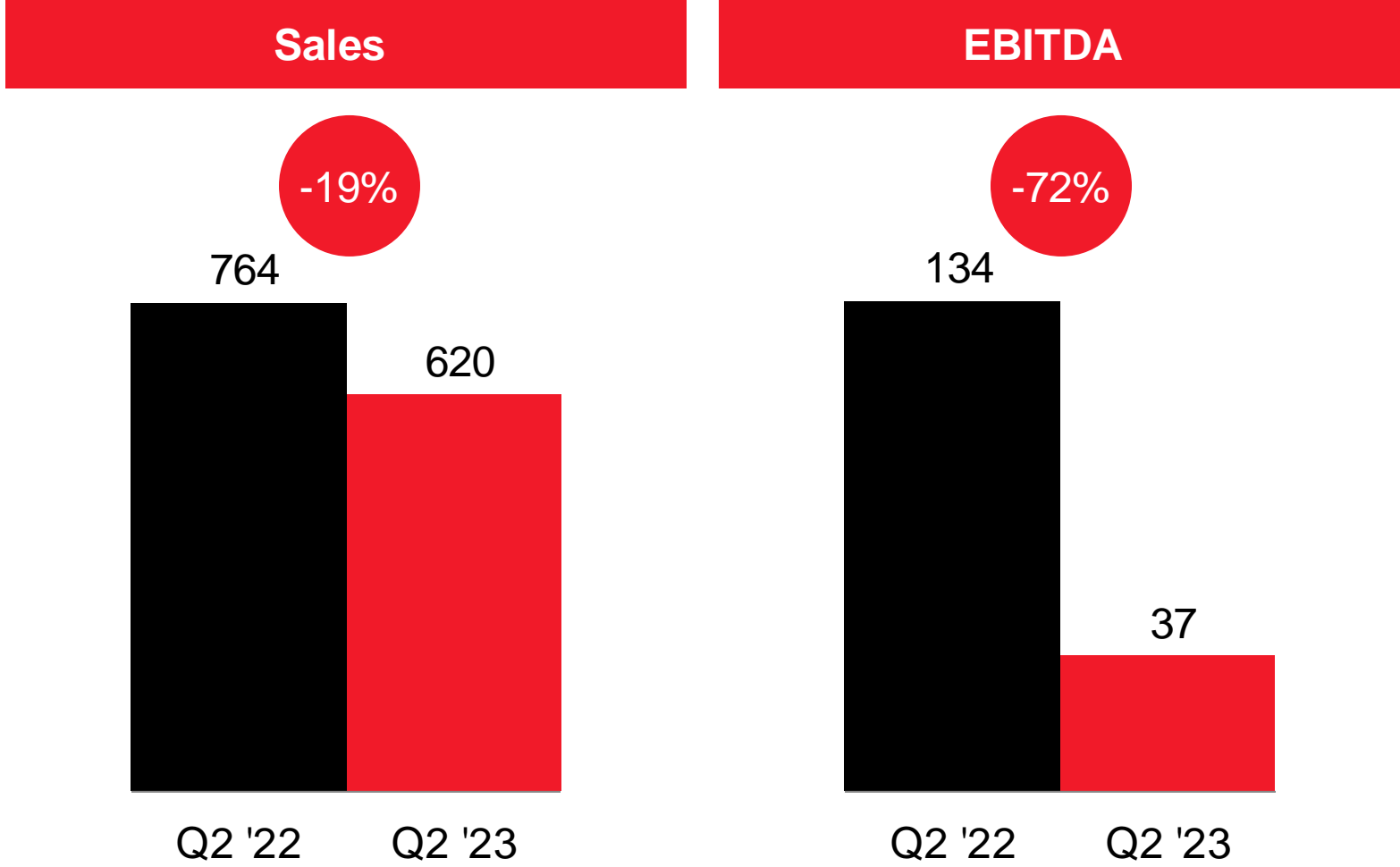




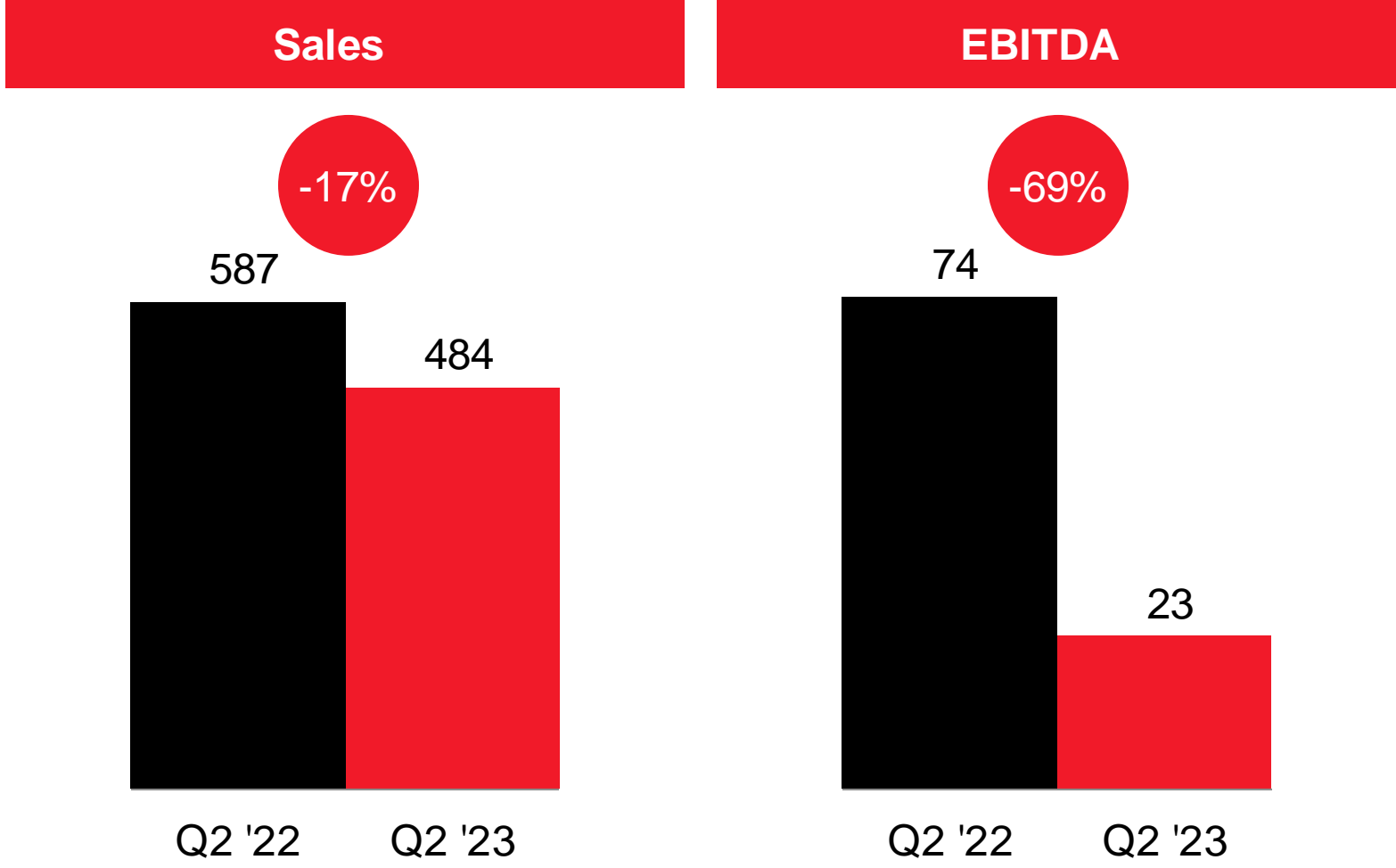
# Consumer Protection: New Microbial Control business with stabilizing effect



# Specialty Additives: Weak demand mainly from construction and electronics industries

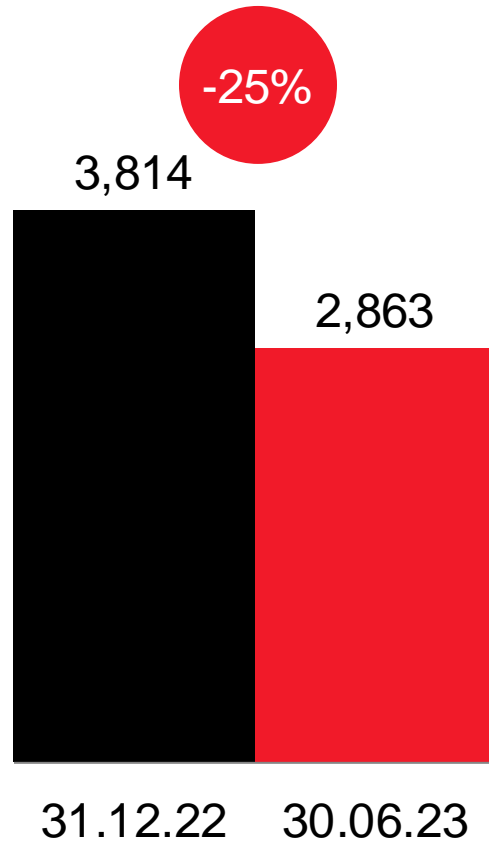


# Advanced Intermediates: High energy prices weigh on competitiveness



# Envalior established, debt reduced

## Net debt



- Plastics business spun off into Envalior joint venture – establishment on April 1, 2023
- LANXESS portfolio more focused on specialty chemicals
- Funds received reduce net financial debt

# Taking countermeasures: action plan “FORWARD!”

## Ad-hoc measures

- Short-term stabilization of business results 2023

## Structural measures

- Optimization of structures and processes
- Sustainable cost reduction

## Business Excellence

- Sharpening of specialty chemicals business model
- Preparation for economic recovery



# Stabilize results, reduce costs, improve structures

## Ad-hoc measures in 2023

- Strict cost and capex control
- Hiring freeze in Europe
- Significant reduction in variable compensation
- Voluntary cut in fixed salary for Board (25%)

**One-time savings: EUR 100 million  
(EUR 50 million in costs/EUR 50 million in capex)**

## Structural measures

- Review of energy-intensive operations worldwide
- Leaner structures in administration

**Cost reduction: EUR 150 million p.a. as of 2025**

# Planned measures for production in Germany

## Hexane oxidation plant in Krefeld-Uerdingen

### Possible shutdown

- Operation extremely energy intensive
- High CO<sub>2</sub> footprint
- 61 employees
- Implementation by 2026 at the latest

## Chromium oxide production in Krefeld-Uerdingen

### Sales process initiated - otherwise shutdown possible

- Energy-intensive customer industry (construction/ceramics) declines
- Significant underutilization
- 52 employees
- Implementation by 2024

# Business Excellence

## Goal: Becoming ready for demand recovery

- Sharpening the specialty chemicals business model
- Expansion of the sustainable product portfolio
- Fully leverage potential of new businesses





# Outlook

## Market development

- Continued weak demand in all end markets, esp. construction and electrical/electronics industries
- Germany in recession
- No economic recovery visible in China either

## LANXESS

- Taking countermeasures: “FORWARD!” action plan
- H2 2023 with lower cost base
- EBITDA guidance for full year 2023:  
EUR 600-650 million



# Oliver Stratmann succeeds Michael Pontzen as Chief Financial Officer

- Michael Pontzen with new responsibilities outside the Group from September 1, 2023
- Supervisory Board appoints Oliver Stratmann as new Chief Financial Officer
  - Since 2004 in various management positions at LANXESS
  - Since 2015 Head of Treasury & Investor Relations



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