

## LANXESS lowers costs and increases efficiency

- **“FORWARD!” action plan: Annual savings of around EUR 150 million from 2025 onward and more efficient positioning**
- **Second-quarter sales down 11.1 percent to EUR 1.778 billion**
- **EBITDA pre exceptionals down 57.7 percent year-on-year at EUR 107 million**
- **Positive contribution from the Microbial Control business acquired from IFF in 2022**
- **Net debt reduced by around a quarter to EUR 2.9 billion**
- **Guidance for full year: EBITDA pre exceptionals between EUR 600 million and EUR 650 million**
- **CEO Matthias Zachert: “We are taking measures to counter the economic downturn, but we urgently need competitive framework conditions – above all an electricity tariff for industry.”**

**Cologne, August 4, 2023** – With its “FORWARD!” action plan, special chemical company LANXESS counteracts the phase of weak economic development. This will initially save LANXESS around EUR 100 million in 2023 through one-time cost reductions and lower investments. In addition, the Group is positioning itself more efficiently and will permanently reduce its annual costs by around EUR 150 million from 2025 onward.

LANXESS’ business figures for the second quarter were again dominated by the weak global demand in many customer industries: Sales amounted to EUR 1.778 billion, down 11.1 percent from the previous year’s figure of EUR 1.999 billion. EBITDA pre exceptionals decreased by 57.7 percent from EUR 253 million to EUR 107 million. For the full year 2023, LANXESS expects EBITDA pre exceptionals of between EUR 600 million and EUR 650 million. The Group

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therefore confirmed the provisional guidance for the second quarter and the full year 2023 published on June 19.

The negative earnings performance was due to continued weak demand in many customer industries, ongoing inventory reduction among customers, and lower selling prices. China, the world's largest chemical market, also failed to stimulate demand. Only the Consumer Protection segment achieved growth in sales. The contribution from the Microbial Control business acquired from IFF at the beginning of July 2022 had a positive effect here.

The Group's EBITDA margin pre exceptionals was 6.0 percent, against 12.7 percent in the prior-year quarter. Net income from continuing operations declined to EUR -145 million in the second quarter compared with EUR 48 million in the prior-year quarter.

"The chemical industry and LANXESS are in a difficult situation right now. There is currently no sign of a recovery in demand anticipated for the second half of the year. We are therefore taking countermeasures: With our 'FORWARD!' action plan, we are stabilizing our earnings in the short term, lowering our costs in the long term and refining our structures and processes. When the economy picks up again, we want to get back on track quickly," said Matthias Zachert, Chairman of the Board of Management of LANXESS AG. "But that is not enough. Politicians need to finally wake up. In the current phase of economic weakness, the location Germany is not competitive internationally. We urgently need sustainable framework conditions – above all an internationally competitive electricity tariff for the industry, the reduction of excessive bureaucracy and faster approval procedures."

### **"FORWARD!" action plan**

The "FORWARD!" action plan has three parts. As a first step, the Group has taken immediate measures to quickly stabilize its earnings for the current fiscal year. The measures include strict cost discipline

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in all areas as well as a Europe-wide hiring freeze. This will result in one-time savings of EUR 100 million, half of which from cost reductions and half from lower investments.

With a package of structural measures, the Group intends to become more efficient in the long term and reduce its costs by EUR 150 million a year. The measures will be implemented successively and will take full effect from 2025 onwards. LANXESS projects one-time costs of around EUR 100 million for the implementation. The focus is on analyzing energy-intensive operations among the global plants and facilities and a streamlining of administrative structures.

Among the German production facilities, the plans are focused on the Krefeld-Uerdingen site: The hexane oxidation there is very energy-intensive and is to be shut down by 2026. The facility for chromium oxide production at this location is to be sold. For the event that a sale cannot be realized, LANXESS is also considering shutting down this facility.

The third part of the action plan is the further refinement of the business model. "In recent years, we have consistently reoriented our portfolio toward specialty chemicals and already achieved leading market positions in many areas. It is now time to fully leverage the potential of our new businesses. In addition, we want to further expand our range of sustainable products," said Zachert.

### **Debt significantly reduced**

LANXESS significantly reduced its debt in the second quarter. Net financial liabilities decreased by 24.9 percent from EUR 3.814 billion as of December 31, 2022, to EUR 2.863 billion as of June 30, 2023. The decrease resulted primarily from the payment received in connection with the formation of the joint venture Envalor. As of April 1 this year, LANXESS contributed its High Performance Materials business unit to the joint venture with the private equity

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investor Advent International in return for a payment of around EUR 1.27 billion from Advent.

### **Segments: Low demand from nearly all industries**

The integration of the Microbial Control business acquired as of July 1, 2022, made a significant contribution to the **Consumer Protection** segment's sales in the second quarter of 2023. Sales rose by 8.2 percent from EUR 558 million in the prior-year period to EUR 604 million. However, lower selling prices and volumes had the opposite effect. EBITDA pre exceptionals therefore amounted to EUR 82 million, down 8.9 percent on the prior-year period's figure of EUR 90 million. The EBITDA margin pre exceptionals reached 13.6 percent, against 16.1 percent a year ago.

Weak demand, especially from the construction and electronics industries, negatively affected the **Specialty Additives** segment's sales and earnings. Sales amounted to EUR 620 million in the second quarter of 2023, down 18.8 percent compared with the prior-year quarter's figure of EUR 764 million. EBITDA pre exceptionals amounted to EUR 37 million in the second quarter of this year, down a considerable 72.4 percent from the previous year's figure of EUR 134 million. The EBITDA margin pre exceptionals decreased from 17.5 percent in the previous year to 6.0 percent.

Lower selling prices and volumes negatively affected the **Advanced Intermediates** segment's figures. Demand was weak from the construction and chemical industries in particular. Sales amounted to EUR 484 million in the second quarter of 2023, down 17.5 percent from the previous year's figure of EUR 587 million. EBITDA pre exceptionals decreased by 68.9 percent from EUR 74 million in the prior-year period to EUR 23 million. The EBITDA margin pre exceptionals declined to 4.8 percent, against 12.6 percent a year ago.

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EUR million	Q2 2022	Q2 2023	Change %	H1 2022	H1 2023	Change %
Sales	1,999	1,778	-11.1	3,930	3,677	-6.4
EBITDA pre exceptionals	253	107	-57.7	515	296	-42.5
EBITDA margin pre exceptionals	12.7%	6.0%		13.1%	8.1%	
Net income	93	1,371	>100	191	1,327	>100
from continuing operations	48	-145	<-100	114	-135	<-100
from discontinued operations	45	1,516	>100	77	1,462	>100
Net financial liabilities				3,814*	2,863	-24.9

\* 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 13,100 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 Dow Jones Sustainability Index (DJSI World and Europe) and FTSE4Good.

#### Forward-Looking Statements

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