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LANXESS – Roadshow Q4 2022

Successfully managing a challenging year

Investor Relations

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Agenda

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

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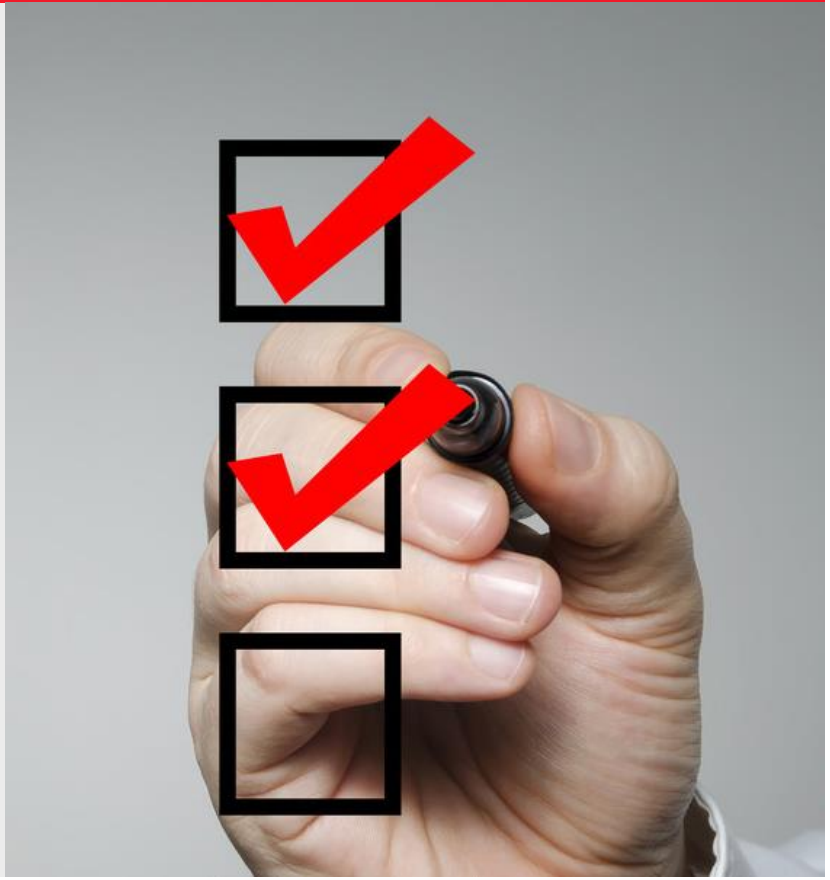
2022 strategic and financial highlights

- 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

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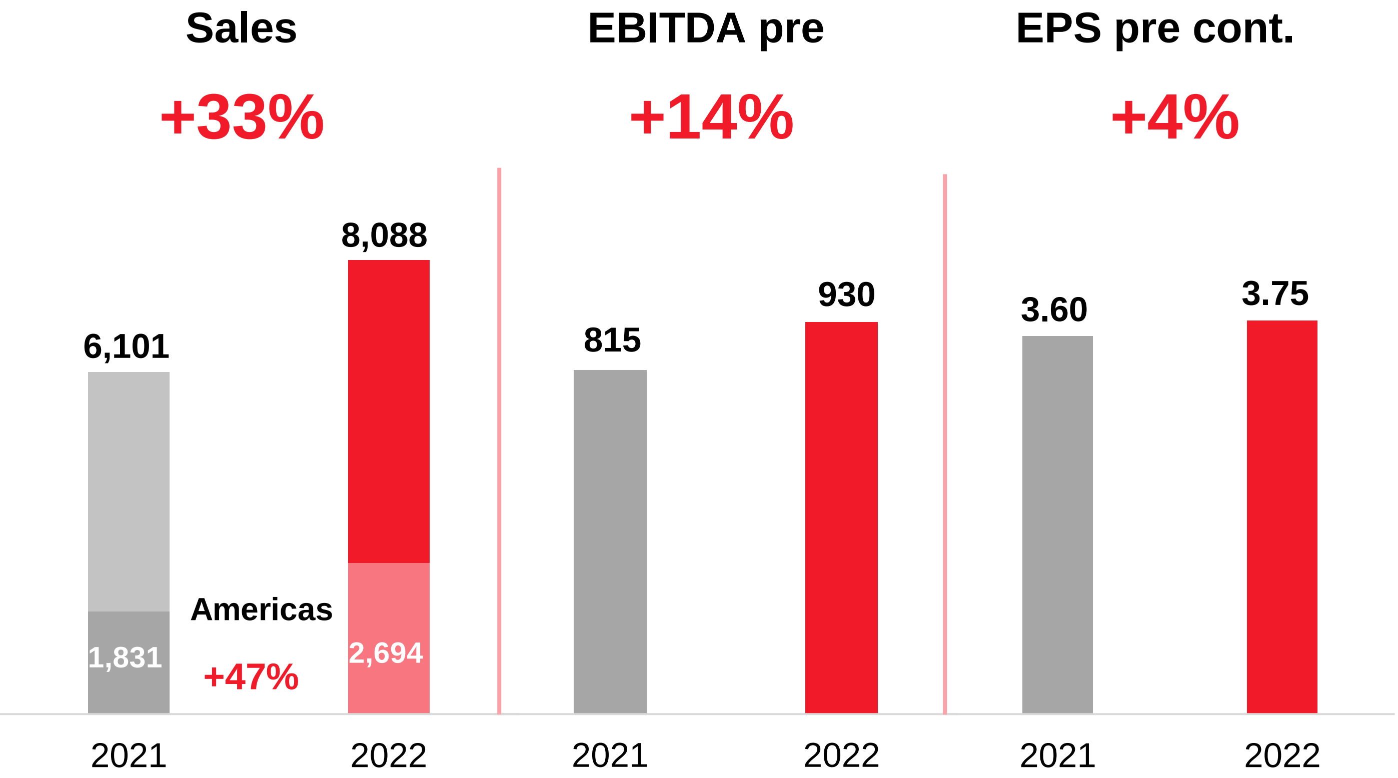
In FY 2022 LANXESS achieved a lot…

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

Financial set-up of JV

- LANXESS and Advent agreed to strengthen capital structure of JV
- Both partners will provide financial support pro rata
- LANXESS in discussion to provide a loan of up to €200 m

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, focus on debt reduction - share buy back will not be pursued

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

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

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 – 220m**

Agenda

LANXESS portfolio transformed towards a true specialty chemicals player

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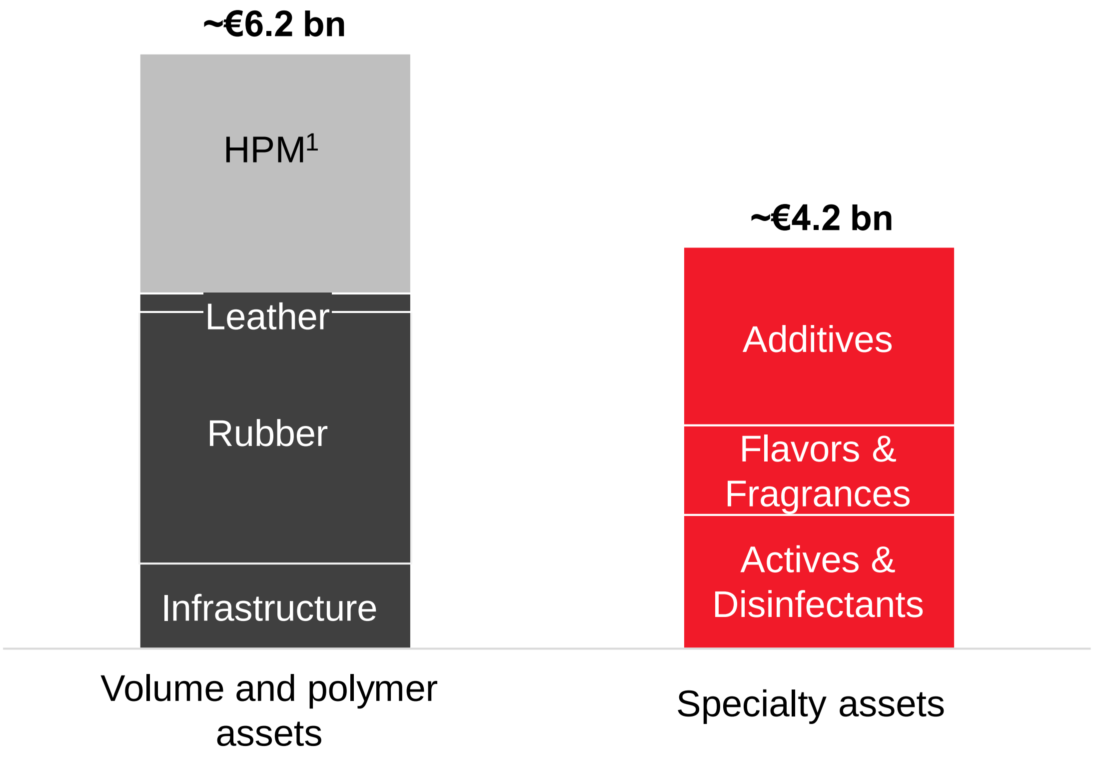
Portfolio transactions since 2016

Transaction values



Acquired businesses:

High profitability and cash generation

Asset light

Less cyclical

Divested businesses:

Lower profitability

Asset intensive

More cyclical

[1] HPM: High performance materials business (Polyamid); to be transfered to JV with Advent, closing expected early April

Portfolio transformation increased US footprint…

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Growth CAPEX and M&A spending since 2017[1]

Portfolio transformation focus:

- Chemtura
- IFF MC
- EKC
- Bolt-ons

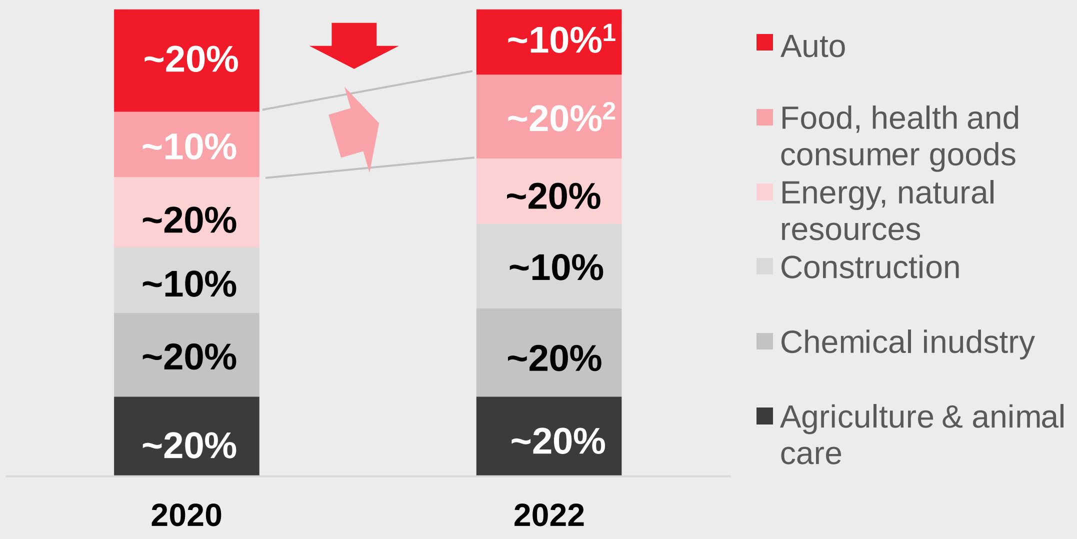
! Strengthened Americas asset footprint

! German exposure further reduced

[1] Growth CAPEX spending and M&A activity in %; incl. HPM and pro forma IFF

…and led to a more balanced end-market exposure

Balanced end-market exposure



! Auto exposure reduced

! Higher portion of end-consumer focused markets

[1] Includes sales in the automotive, aviation and shipping industries including relevant electronic components. 2 IFF MC contribution contributed half a year

Specialty character substantially increased – portfolio transformation concluded (for the time being)

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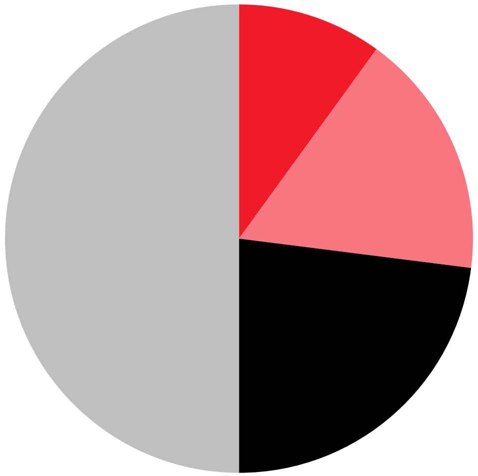
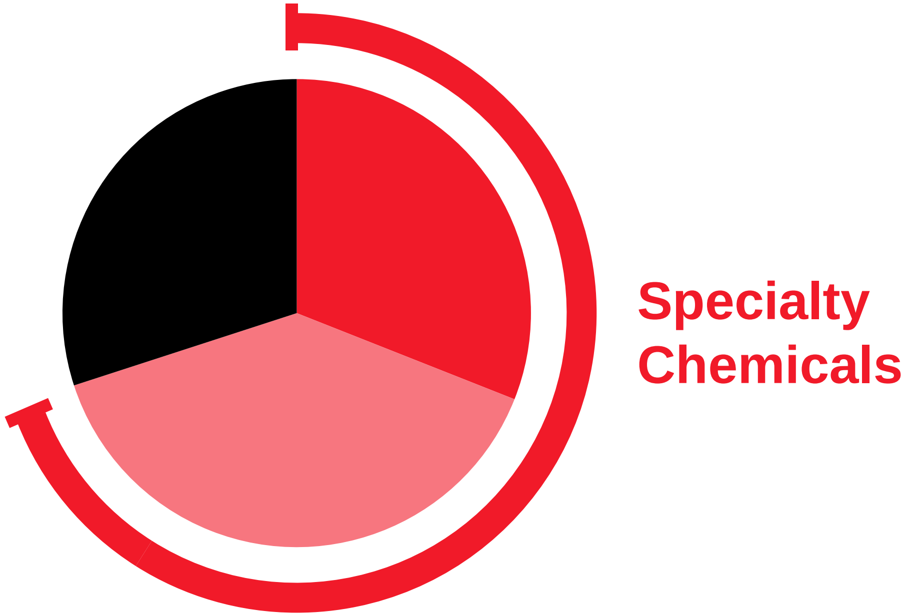
Becoming a leading specialty chemicals player

Sales 2017



Sales 9M 2022



Polymers (ARLANXEO, HPM) | Consumer Protection | Specialty Additives | Advanced Intermediates

Specialty character improved – portfolio now mainly based on specialty chemical value chains

Illustration simplified; Urethanes excluded

Portfolio framework: Two growth-focused platforms and a stable backbone

Consumer Protection	Specialty Additives	Advanced Intermediates
Growth focused		Stable backbone

% of group EBITDA pre[1]

~40%

~30%

~30%

Complexity reduced; Consumer Protection will stand for ~40% of EBITDA pre

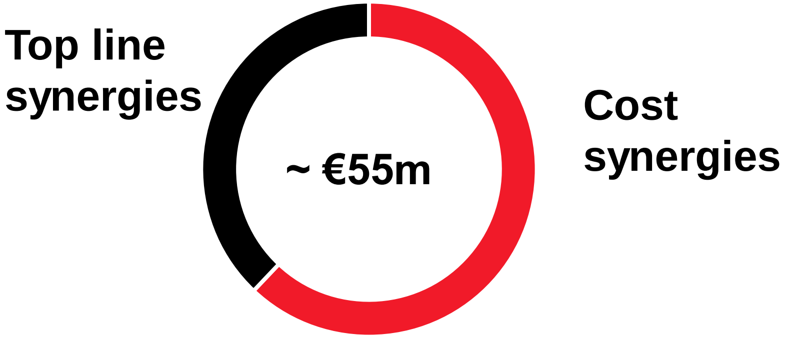
[1] Pro forma split including IFF contribution and excluding HPM business

Additional value opportunities

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

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

Additional value drivers: Strategic projects making progress

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H1 2023

Engineering Materials Joint Venture

- ✓ Closing and value generation through synergies

Lithium project

- ✓ Pilot plant with sufficient purity levels in operation since 12/2020
- ✓ Additional optimization ongoing
- ✓ FEED[1] study underway, results expected H1 2023, investment decision to follow afterwards

Electrolyte project

- ✓ Formulation in Saltigo plant initiated
- ✓ Project teams in joint discussion
- ϟ China lockdowns slow progress

H2 2023

CheMondis

- ✓ Platform grows exponentially
- ✓ Monetization products launched
- ✓ In case of successful monetization CheMondis will open for external shareholders end of 2023 / beginning of 2024

All projects with good progress: Potential additional upside for LANXESS

[1] Front end Engineering design study (FEED)

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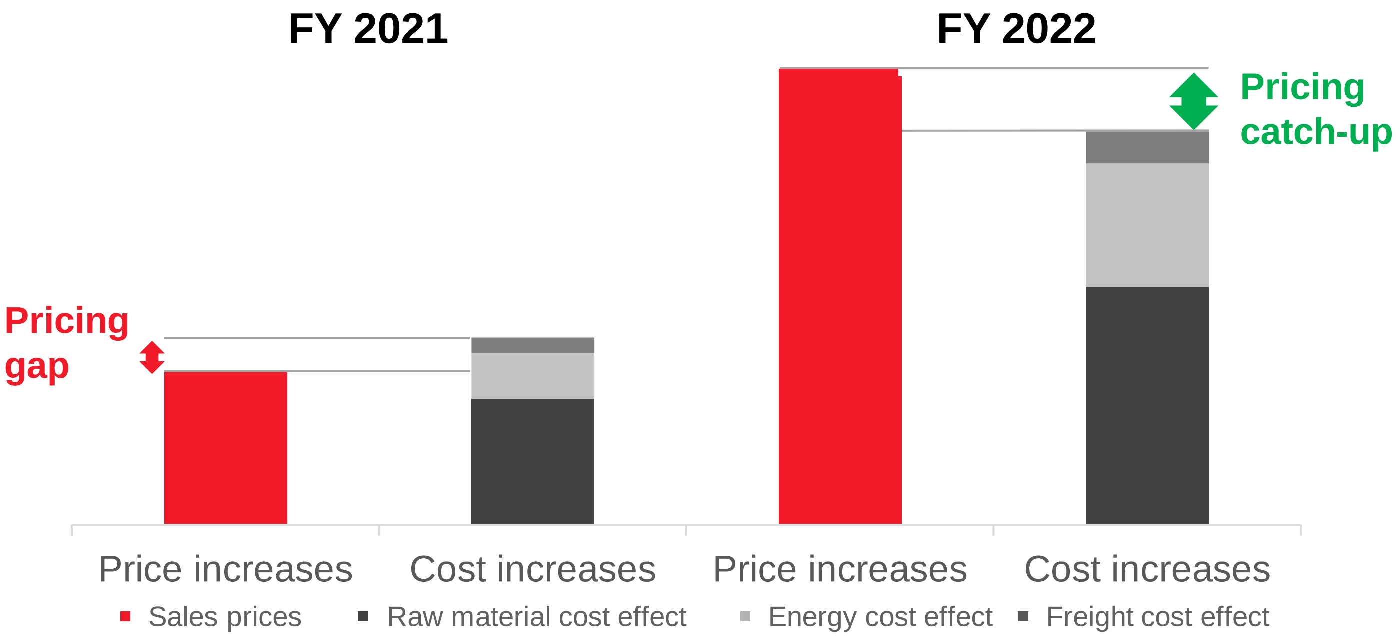
3. **Managing our weak spots**
4. Performing in sustainability
5. Financial and business details Q4/FY 2022

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

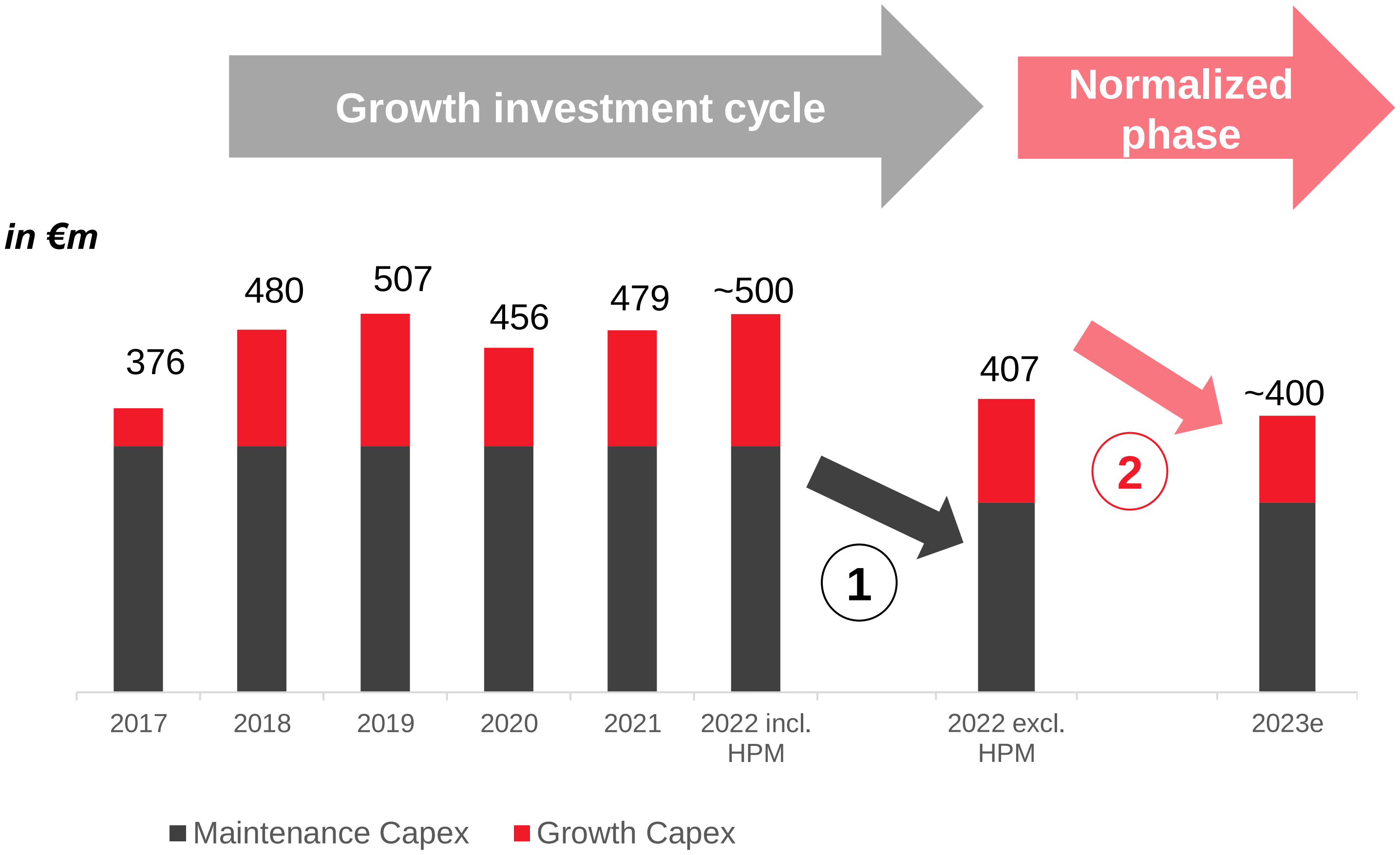


- In 2021 raw material prices fully passed on and started to pass on energy costs
- FY 2022 full pass through of raw material, energy and freight cost inflation; catch up of lag of price pass on in 2021
- Uncertainty regarding price developments in 2023 and overall impact of demand situation

Pricing power proven in a challenging environment

* Continuing operations only

Lower CAPEX after completion of growth investment cycle and HPM exclusion



1

Maintenance CAPEX

- €250-300 m new level (without HPM)
- Previously €300-350 m

2

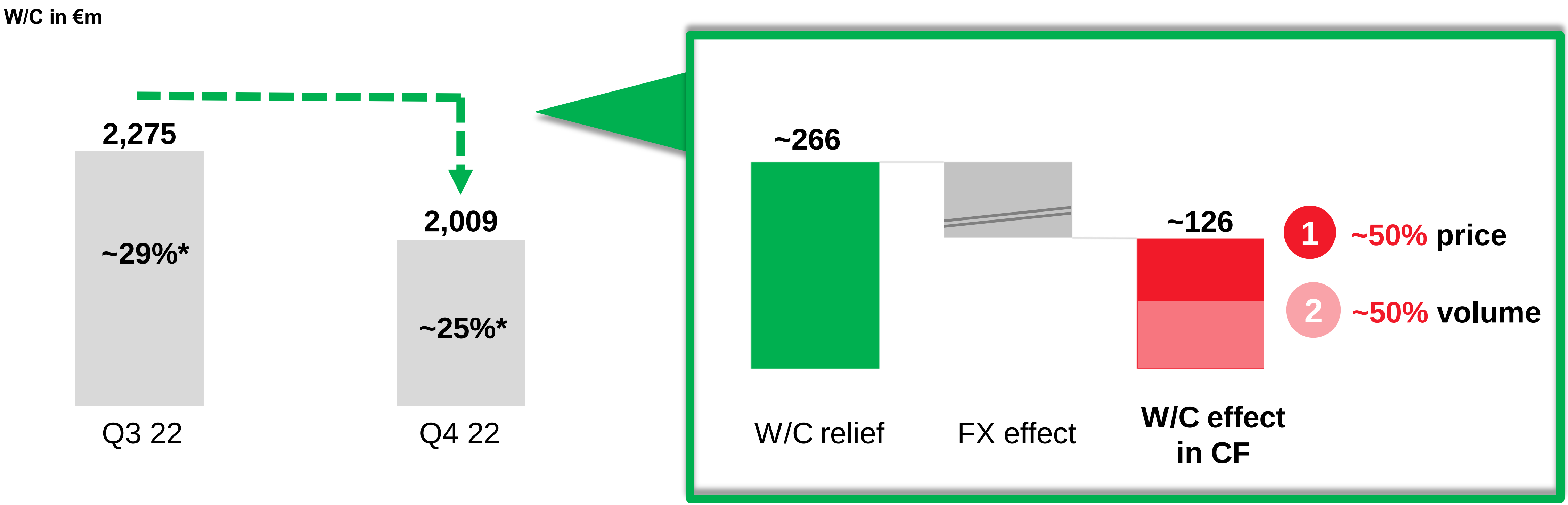
Total CAPEX

- ~€400 m as normalized level
- In 2023 no major growth projects initiated yet

Lower CAPEX profile reflecting focus on lean assets

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

Working on additional levers to improve cash flow longer-term

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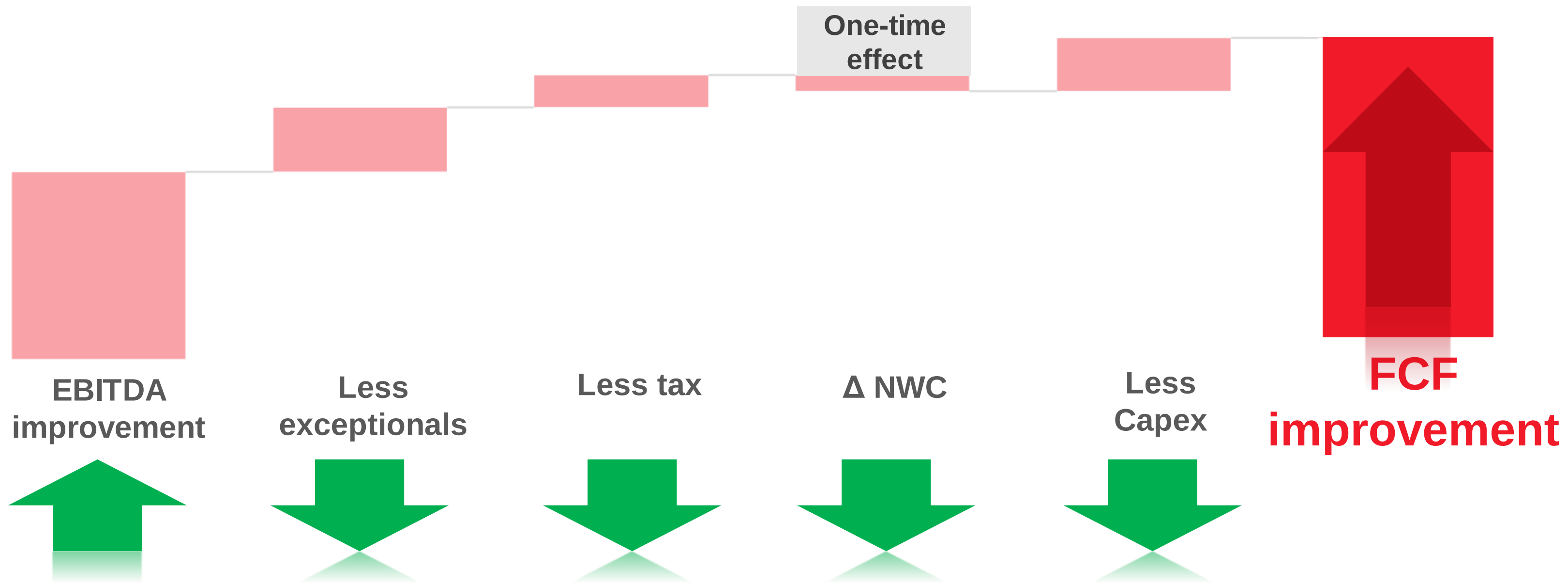
FCF building blocks

EBITDA pre
- Cash for exceptionals
- Taxes
- Changes in Working Capital
- Capex

= Free Cash Flow

Δ Illustrative CF levers[1]



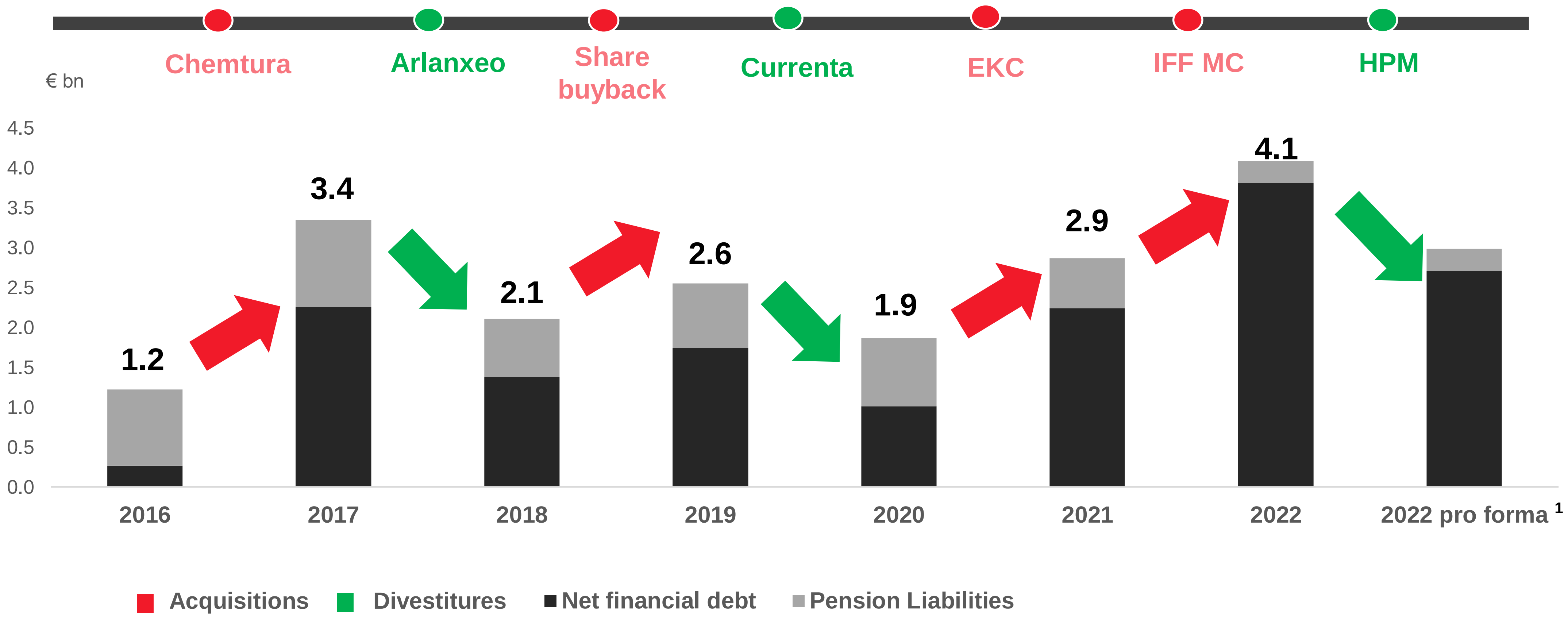
Higher EBITDA	Reduce exceptionals to ~€30 m p.a.	Tax rate reduction to ~26%	Sustainable W/C ratio of ~20%	CAPEX level reduced to ~€400 m

Solid cash flow generation potential of LANXESS medium-term

[1] illustrative and all things equal

One-time effect from relief in W/C once inflationary environment eases

Proceeds from HPM transaction will reduce leverage significantly



Rating agencies support our de-leveraging plan and confirmed investment grade rating

[1] Illustrative leverage reflecting HPM Cash in but no further operational improvements | Net debt defined as net debt incl. total financial assets; pension liabilities defined as pension obligation minus pension assets minus deferred tax assets

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We have defined clear targets and objectives for the sustainability areas we consider most important

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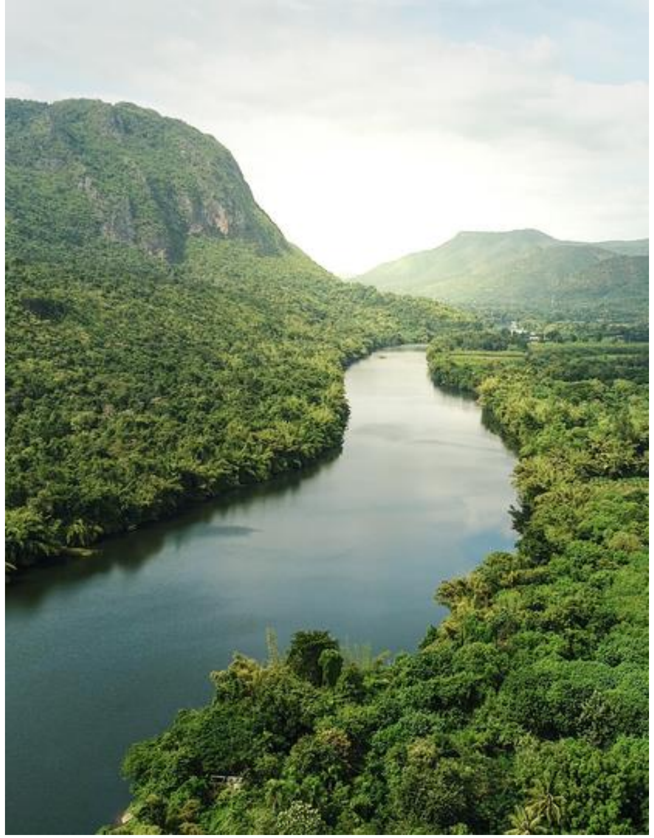
CLIMATE	➢ Climate neutral by 2040 for Scope 1 & 2: -75% CO_2e emissions by 2030 versus 2004 ➢ Net zero by 2050 for Scope 3: -40% CO_2e emissions by 2030 versus 2015
WATER	➢ Reduction of absolute water withdrawal by 15% at water risk sites by end of 2023
PRODUCTS	➢ Develop an action plan for all products containing critical substances[1] by end of 2023
SAFETY	➢ Aiming for zero accidents
DIVERSITY	➢ Proportion of women in management[2] at 30% in 2030



Ambition: LANXESS, a leading, resilient, and sustainable company

[1] With a concentration above 0.1%
[2] Management refers to all managerial employees below the Board of management

Leading ESG rating providers honor our performance

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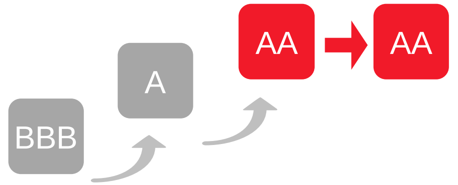
MSCI ESG RATINGS

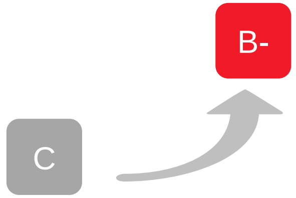
Rating recently confimed



2nd highest category for 2nd time

Convincing climate strategy and efforts to reduce water use

ISS ESG



Prime status

Top 8%

CDP
DISCLOSURE INSIGHT ACTION

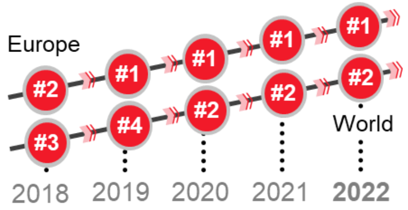
Rating recently confimed

6th time Climate A list (among top 2%)

1st time A- rating for water disclosure

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

Rating recently confimed



Top 10% in DJSI World (12th year)

DJSI Europe (6th year)

We are rewarded for our efforts on sustainability that go beyond the must-haves

Bloomberg Gender-Equality Index 2023

3rd time in a row

PLATINUM Top 1% 2022 ecovadis Sustainability Rating

2nd time in a row

vigeo eiris

SUSTAINALYTICS

More information

Agenda

1. Executive summary Q3 2022 and outlook
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5. **Financial and business details Q4/FY 2022**

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

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

[€ 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

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

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

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