LANXESS – Q4 2023 results

Continued progress in debt reduction and cash delivery

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Agenda

1 Review Q4 & FY 2023 and outlook

2 Financial and business details Q4 and FY 2023

3 Appendix

Strategically, LANXESS made progress in a tough year

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Key strategic objectives accomplished	2023 challenges
▪ Successful go-live of Envalior JV ▪ Consumer Protection with comparably stable results despite suppliers' outages ▪ Program FORWARD! initiated, ~€50 m temporary savings generated ▪ Urethane Systems divestment process started	▪ Customers' destocking in all end industries ▪ Low underlying demand in all industries except aviation ▪ Force majeures of key raw material suppliers in Consumer Protection (BU F&F) ▪ Significant Net Working Capital reduction burdens profitability

We managed to achieve strategic milestones amidst a most challenging environment

Financially, a very challenging year BUT with strong cash generation and massive debt reduction

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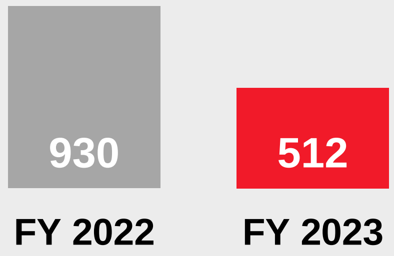
EBITDA pre (€ m)



-45%

Free Cash Flow

Due to active working capital management

€526 m

Net financial debt

Reduction from €3.8 bn to €2.5 bn

-35%

NWC / sales

Reduction from ~25% to ~21%

-4%pts

Ending a multi crisis year

NWC = Net working capital

FY 2024 EBITDA pre: Expected moderately above crisis result of 2023

Consumer Protection

- Results expected at previous year’s level
- Burden from suppliers’ outages to be relieved
- Agro destocking will reach its peak in 2024

Specialty Additives

- Results expected to slightly to moderately exceed prior year’s level
- Construction remains weak, improvement expected earliest in H2
- Q1 still compares against strong prior year

Advanced Intermediates

- Results expected significantly above previous year
- Massive customer destocking not expected to be repeated, except agro

Trough of earnings seems to have been reached

FY 2024 guidance: Moderate improvement expected

Our view on economic environment

- Still challenging demand environment expected at least for H1 2024
- Burden from agro destocking continues

LANXESS outlook

- **FY 2024 EBITDA pre guidance: Moderately above crisis result of 2023 but still significantly below normal levels**
- Balancing profitability and inventory control
- Moderate volume improvement expected from Q2 onwards
  but Q1 EBITDA pre to remain on Q4 2023 level (up to €100 m)

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LANXESS Group: Continued progress in debt reduction and cash delivery; EBITDA pre however burdened

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Ending a multi-crisis year

[€ m]	Q4/2022	Q4/2023	Δ	FY 2022	FY 2023	Δ
Sales	1,973	1,436	-27%	8,088	6,714	-17%
EBITDA pre	175	97	-45%	930	512	-45%
Margin	8.9%	6.8%		11.5%	7.6%	
Capex	158	132	-16%	407	326	-20%

Price	Volume	FX	Portfolio
-13%	-12%	-2%	0%

Total -27%

Q4 Sales vs. PY

- Lower sales in all segments driven by lower volumes and prices as input cost deflation was passed on
- Q4 weaker in all segments amid overall sluggish demand, additionally driven by destocking for agrochemicals
- EBITDA pre and margin reflect demand environment, own inventory measures and suppliers' outages in Consumer Protection

Consumer Protection: Managed to keep prices on stable level

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Suppliers' outages and destocking burden

[€ m]	Q4/2022	Q4/2023	Δ	FY 2022	FY 2023	Δ
Sales	640	508	-21%	2,366	2,340	-1%
EBITDA pre	77	50	-35%	363	310	-15%
Margin	12.0%	9.8%		15.3%	13.2%	
Capex	43	34	-21%	129	87	-33%

Price	Volume	FX	Portfolio
-1%	-19%	-1%	0%

Total -21%

Q4 Sales vs. PY

- Sales decline driven by starting agro destocking and interrupted supply availability (BU F&F); Chlorine force majeure lifted end of Q4
- EBITDA pre and margin affected by weaker demand as well as own inventory reduction measures; Botlek steam supply outage impacted EBITDA pre by ~€10 m

Specialty Additives: Comparison to very strong previous year

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Strong contribution to Group's inventory reduction

[€ m]	Q4/2022	Q4/2023	Δ	FY 2022	FY 2023	Δ
Sales	684	492	-28%	2,970	2,325	-22%
EBITDA pre	88	41	-53%	479	209	-56%
Margin	12.9%	8.3%		16.1%	9.0%	
Capex	54	45	-17%	125	122	-2%

Price	Volume	FX	Portfolio
-10%	-14%	-4%	0%

Total -28%

Q4 Sales vs. PY

- Sales continued to decline particularly driven by market weakness for construction and E&E
- Price decline in all BUs, most significantly in RheinChemie and Polymer Additives compared to high price level in prior year
- EBITDA pre and margin burdened by weaker demand and lower prices in addition to inventory reduction measures

Advanced Intermediates: Demand weakness and significant price reduction burden result

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Demand stabilizing on low levels, except for agro

[€ m]	Q4/2022	Q4/2023	Δ	FY 2022	FY 2023	Δ
Sales	571	372	-35%	2,413	1,775	-26%
EBITDA pre	65	24	-63%	291	121	-58%
Margin	11.4%	6.5%		12.1%	6.8%	
Capex	35	29	-17%	95	80	-16%

Price	Volume	FX	Portfolio
-31%	-3%	-1%	0%

Total -35%

Q4 Sales vs. PY

- Sales decrease driven by significant price reduction partly based on pass-through of lower energy and raw material costs
- Volumes slightly below already weak previous year, driven by low construction demand and agro customers' destocking
- EBITDA pre and margin impacted by weaker pricing in low demand environment

Earnings down in challenging environment, utilization remains on historically low level

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P&L [€ m]*	Q4/2022		Q4/2023		yoy
Sales	1,973	(100%)	1,436	(100%)	-27%
Cost of sales	-1,519	(-77%)	-1,204	(-84%)	21%
Selling	-291	(-15%)	-204	(-14%)	30%
G&A	-100	(-5%)	-64	(-4%)	36%
R&D	-26	(-1%)	-23	(-2%)	12%
Financial result	-25		-80		>-100%
Net Income	**-21**		**-753**		**>-100%**
Adjust. EPS (cont.) [€]	**0.44**		**-0.30**		**>-100%**
EBITDA	153	(8%)	-7	(0%)	>-100%
thereof except.	22	(1%)	104	(7%)	>100%
EBITDA pre except.	**175**	**(8.9%)**	**97**	**(6.8%)**	**-45%**

- Sales decreased due to lower prices and volumes, FX with additional negative impact
- Cost of Sales reflect declining input costs and lower volumes
- SG&A decrease due to FORWARD! savings, lower freight rates and FX
- Financial result reflects Envalior JV (burdened mainly by interest and D&A)
- Net income burdened by goodwill impairment (€406 m) and Envalior value adjustment (€227 m)
- EBITDA pre and margin still impacted by idle costs

* All figures from continuing operations only (except net income)

Continued working capital measures lead to solid free cash flow in Q4 2023

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Cash flow [€ m]*	Q4/2022	Q4/2023	Δ
Profit before tax	**-21**	**-661**	**-640**
Income from investments accounted for using the equity method	-3	29	32
Depreciation & amortization	149	574	425
Income taxes	-33	-16	17
Changes in other assets & liab.	-154	72	226
Changes in working capital	126	179	53
Others	28	47	19
Operating cash flow	**92**	**224**	**132**
Capex	-158	-132	26
Free cash flow	**-66**	**92**	**158**

- Lower profit before tax due to weak operational result, goodwill impairment and negative at equity result
- Continued active working capital management leads to significant cash inflow
- Changes in other assets and liabilities reflect mainly a positive impact from built-up of restructuring provisions; prior year was impacted by EEG payment, variable compensation and IFRS 15 effects
- Maintaining disciplined capex management amid historically low asset utilization to bolster liquidity

* All figures from continuing operations only (except profit before tax)
Free cash flow = Operating cash flow minus capex

Net financial debt massively reduced

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Balance sheet [€ m]	31.12.2022		31.12.2023
Total assets	**11,287**		**9,665**
Equity	4,427		4,507
Equity ratio	**39%**		**47%**
Net financial debt[1]	**3,814**	-35%	**2,498**
Pension provisions	**367**		**498**
Net working capital	**2,010**		**1,389**
DSI (in days)[2]	85		85
DSO (in days)[3]	39		38

- Lower total assets mainly due to debt reduction
- Higher equity reflects gain from sale of BU HPM
- Net financial debt significantly reduced by proceeds from the Envalior transaction and effective working capital measures
- Pension provisions increased due to lower interest levels and higher inflation expectation in Germany
- Significant reduction in net working capital based on strict inventory control measures

[1] Deducting cash, cash equivalents, near cash assets
[2] Days sales of inventory calculated from quarterly sales
[3] Days of sales outstanding calculated from quarterly sales

Q4 2023: Sales and EBITDA pre lower in all segments

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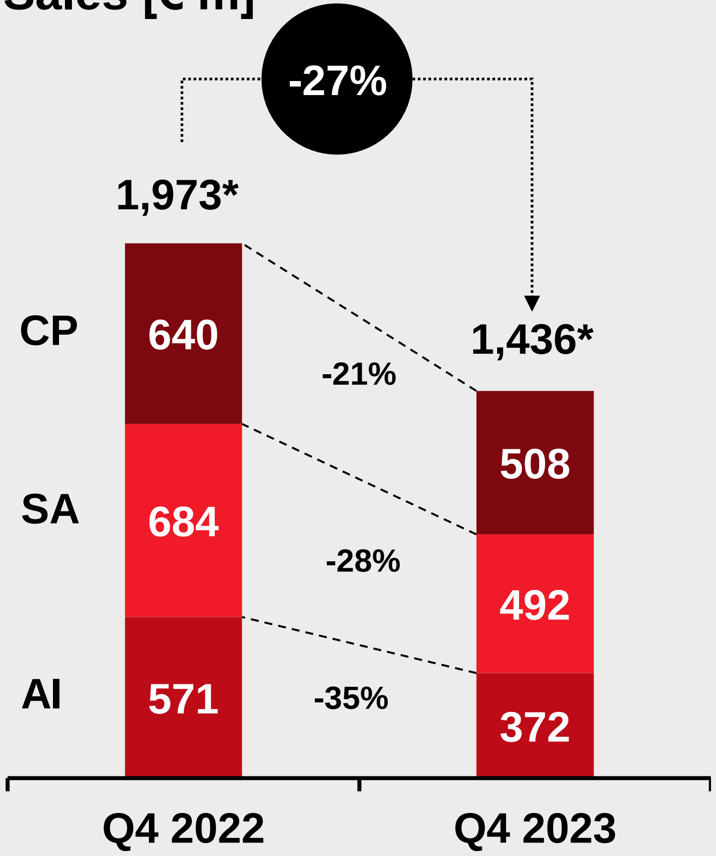
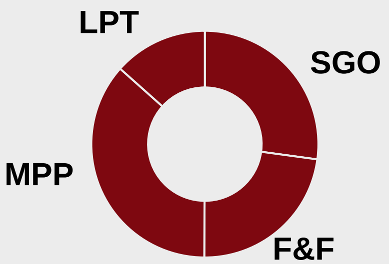
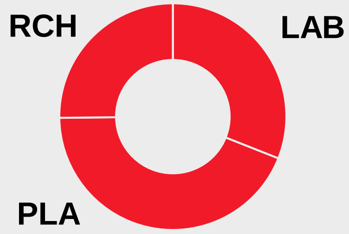
Sales [€ m]



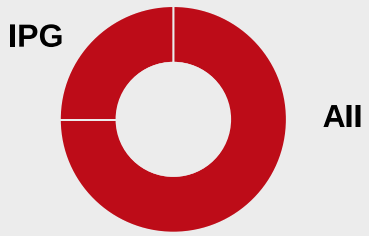
Consumer Protection



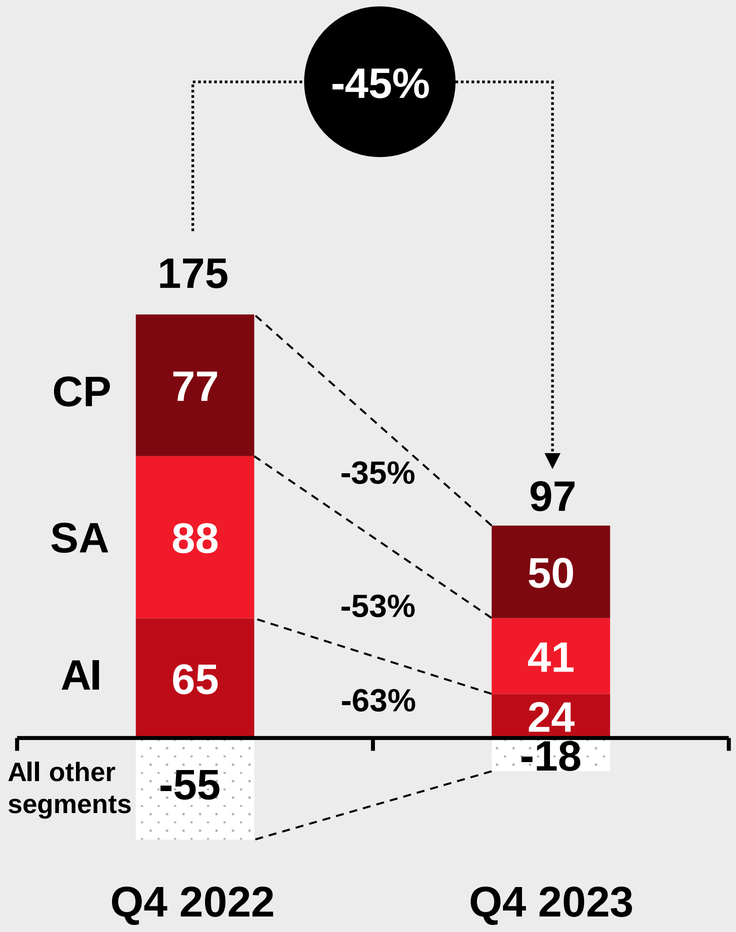
Specialty Additives



Advanced Intermediates



EBITDA pre [€ m]



* Total group sales including all other segments

Q4 2023: Weak development in all regions

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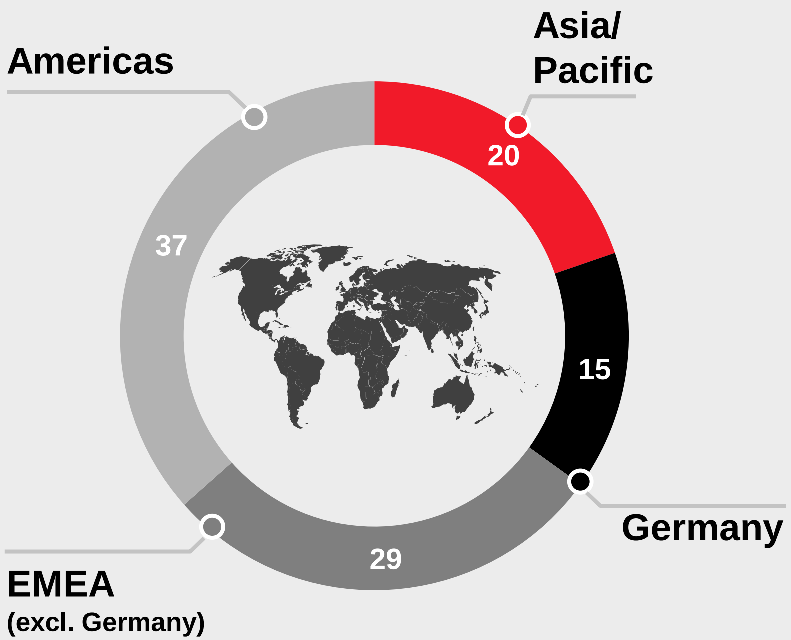
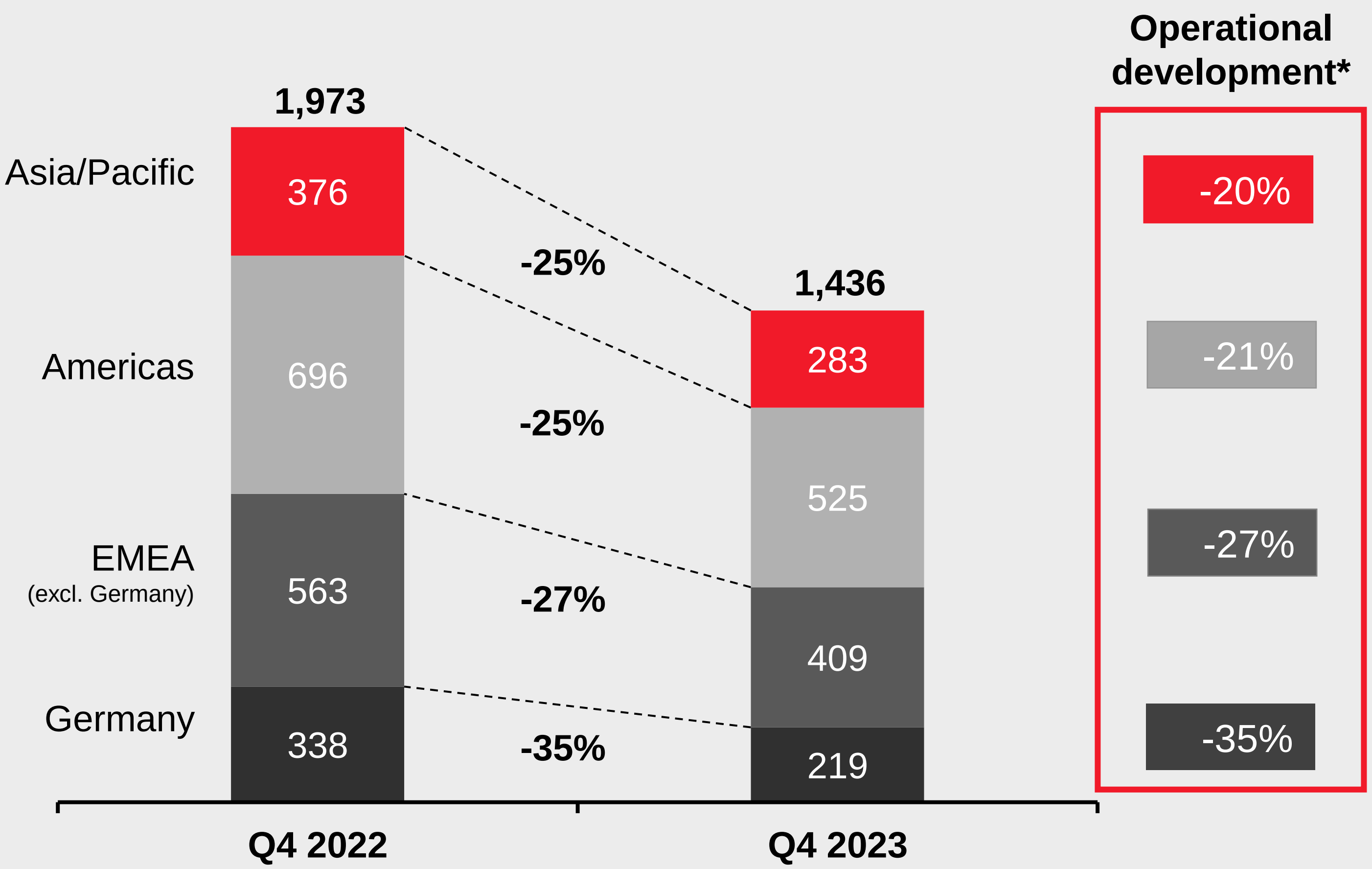
Q4 2023 sales by region [%]



Regional development of sales [€ m]



* Currency adjusted

LANXESS maturity profile without refinancing need in 2024 and pre-financed 2025 maturity

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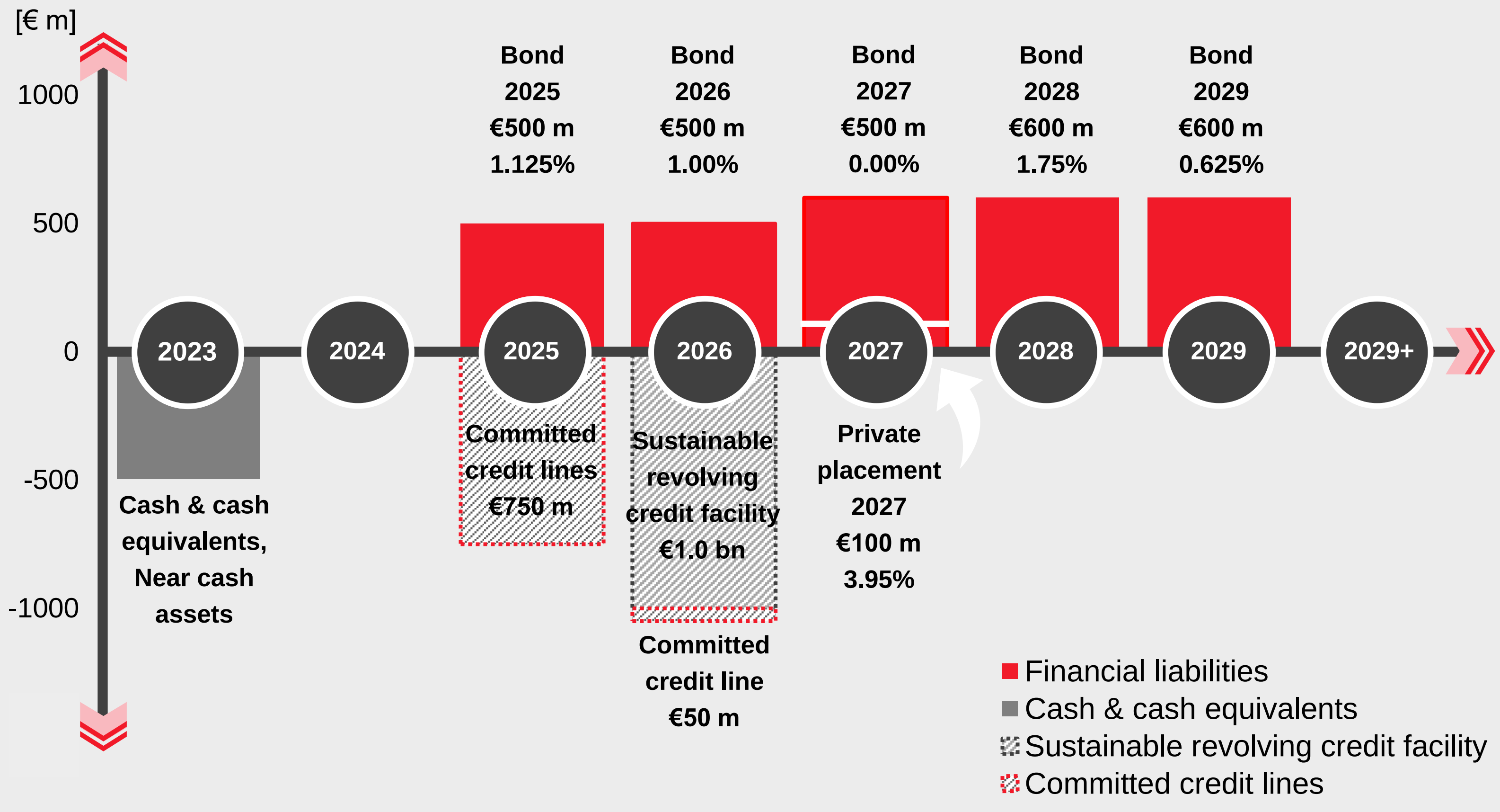
Long-term financing secured

- Diversified financing sources
- Average interest rate of financial liabilities ~1.0%*
- All group financing executed without financial covenants
- Next maturity in May 2025

Liquidity and maturity profile as per December 2023



*1.1% incl. financial leases

FORWARD! program on track

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Savings of FORWARD! program have been confirmed and are in execution

Progress

- Majority of contracts for FTE reduction signed
- Measure implementation according to plan
- Savings realization fully on track

~€150 m

total recurring savings

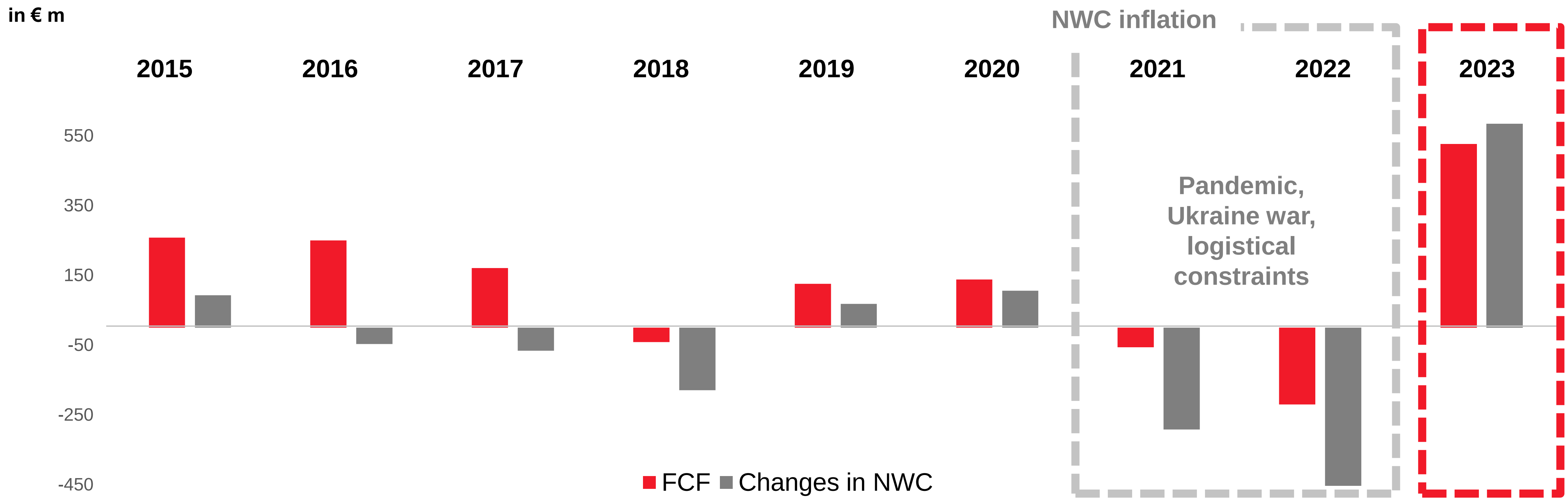
	2024	2025
Savings	~€90 m	~€60 m
Cash-outs	~€50 m	~€30 m
FTEs*	~870 globally	

Sustainable improvement of our cost base

* FTEs: full-time equivalents

Strong recovery of free cash flow driven by strict working capital management and steering of capex

Significant reduction of net working capital in 2023



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

FCF = Operating cash flow (continuing operations) minus capex as reported

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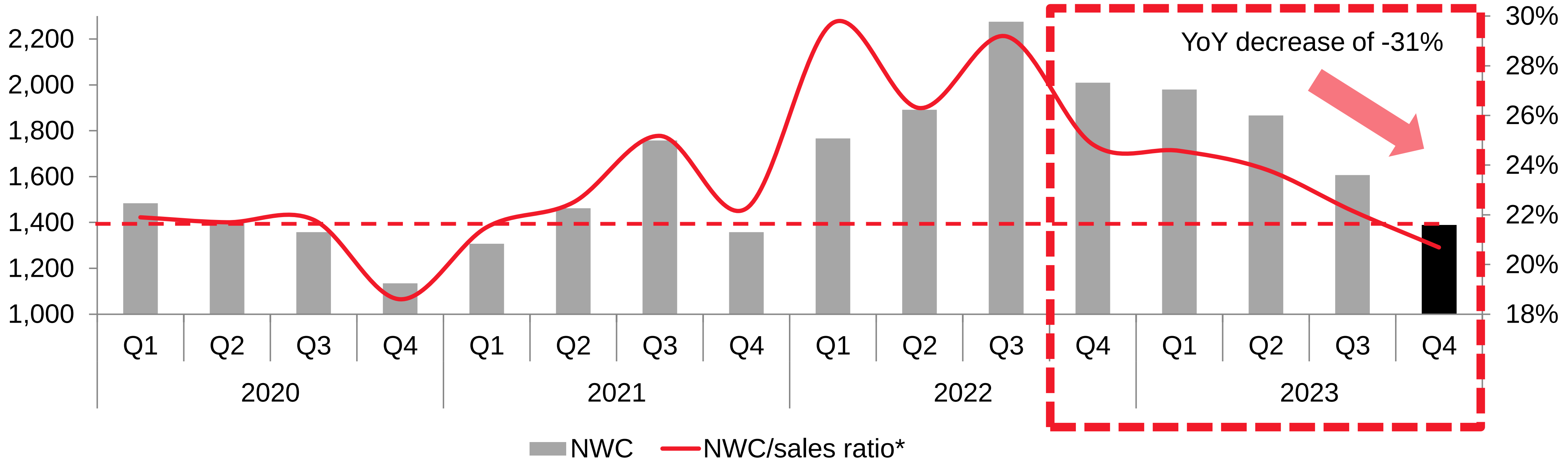
Housekeeping items 2024

Capex	**~€350 m**
Operational D&A	**~€550 m** (thereof ~**€150 m** of intangible amortization effects)
All other segments	**~-€130 m** EBITDA pre
Underlying tax rate	**~26%- 27%** continuing operations
Exceptionals	**~€60 m**
FX sensitivity	One cent change of USD/EUR resulting in **~€3 m** EBITDA pre impact after hedging

Continuous net working capital reduction leads to NWC/sales ratio of 21%

Significant reduction of net working capital since peak in Q3 2022

in € m



Lower net working capital as lever for cash generation

* Net working capital to sales ratio

Dividend policy: We have the clear target to always pay a dividend

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New dividend policy introduced

We aim to pay a stable or increased dividend each year

For each year’s proposal, we will take certain factors, such as the economic situation and our financial leverage, into consideration

We will, however, always pay a dividend

Due to our focus on deleveraging, the dividend proposal to the AGM for FY 2023 is €0.10*

* Dividend proposal to the Annual Stockholders’ Meeting on May 24, 2024

LANXESS achieves leading sustainability performance

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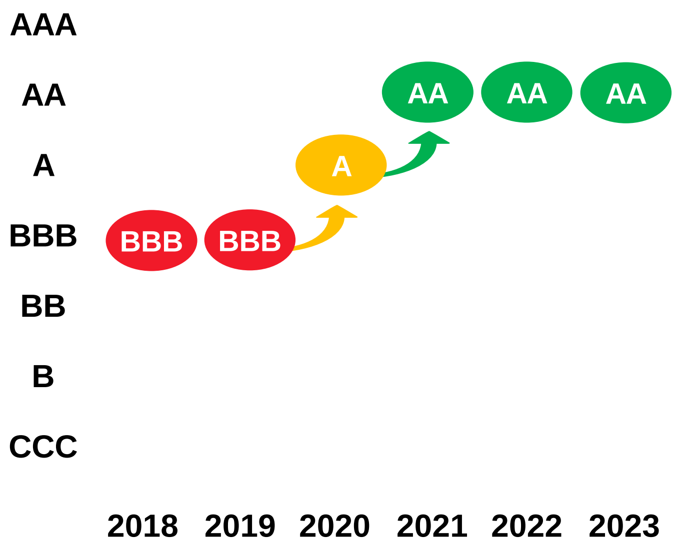
MSCI ESG confirms AA rating

- Second highest rating confirmed in third consecutive year
- Above average performance in Governance, water stress and carbon emission



MSCI ESG RATINGS

SBTi reconfirms LANXESS climate targets

LANXESS CLIMATE NEUTRAL 2040 NET ZERO VALUE CHAIN

SCIENCE BASED TARGETS

- SBTi again approved alignment with 1.5°C pathway for 2030 emissions targets (Scope 1 and 2) after HPM carve-out (Envalior JV formation)
- ➢ **According to SBTi, also the long-term targets (up to 2050) for the entire value chain (Scope 1, 2 and 3) are in line with the 1.5°C reduction pathway**

Climate targets in line with 1.5°C pathway ✓

SBTi = Science Based Targets initiative

Management is significantly invested and in the shoes of investors

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Overview of managers' purchases since latest quarterly reporting (November 8, 2023)

Name	Function	Date	Price	Quantity	Volume
Matthias Zachert	CEO	December 5, 2023	23.06 €	8,780 shares	202,425.25 €
Matthias Zachert	CEO	December 4, 2023	23.10 €	8,700 shares	201,000.03 €
Frederique van Baarle	Board member	December 8, 2023	25.88 €	3,025 shares	78,274.40 €
Oliver Stratmann	CFO	December 8, 2023	26.06 €	2,100 shares	54,720.00 €
Oliver Stratmann	CFO	November 8, 2023	23.66 €	2,000 shares	47,314.20 €

Total holdings by active members of the Board of Management exceeds required value

Name	Function	Total shares
Matthias Zachert	CEO	86,130
Dr. Hubert Fink	Board member	30,800
Frederique van Baarle	Board member	7,986
Oliver Stratmann	CFO	10,567

Share ownership guideline: Over a period of four years, the members of the Board of Management are obliged to invest a defined proportion of their compensation in shares in LANXESS AG and verifiably hold the shares until the end of their service contract. The target is 150% for the CEO and 100% for all other board members.

FY 2023: Results burdened by low demand and own inventory reduction measures

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P&L [€ m]*	FY 2022		FY 2023		yoy
Sales	8,088	(100%)	6,714	(100%)	-17%
Cost of sales	-6,151	(-76%)	-5,446	(-81%)	11%
Selling	-1,064	(-13%)	-933	(-14%)	12%
G&A	-319	(-4%)	-279	(-4%)	13%
R&D	-102	(-1%)	-99	(-1%)	3%
Financial result	-23	(0%)	-279	(-4%)	>-100%
Net income	**250**	**(3%)**	**443**	**(7%)**	**77%**
Adjust. EPS (cont.) [€]	**3.72**		**0.13**		**-97%**
EBITDA	826	(10%)	328	(5%)	-60%
thereof except.	-104	(-1%)	-184	(-3%)	-77%
EBITDA pre	**930**	**(11.5%)**	**512**	**(7.6%)**	**-45%**

- Lower sales due to low demand, customers' destocking & suppliers' outages
- Cost of sales reflect declining input costs
- Lower selling costs due to weak volumes
- Financial result reflects Envalior JV burdened by interest and PPA. Prior year with gain from settled interest rate hedges
- Net income contains book gain from HPM disposal (reduced due to value adjustment of €227 m in Q4), partly offset by goodwill impairment (€406 m)
- Earnings and margin down due to low utilization and idle costs

* All figures from continuing operations only (except net income)

FY 2023: Strong cash generation in challenging environment due to inventory measures and lower capex

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Cash Flow [€ m]*	FY 2022	FY 2023	Δ
Profit before tax	**257**	**-947**	**-1.204**
Income from investments accounted for using the equity method	-3	172	175
Depreciation & amortization	546	996	450
Income taxes	4	-53	-57
Changes in other assets & liab.	-160	17	177
Changes in working capital	-471	577	1.048
Others	14	90	76
Operating cash flow	**187**	**852**	**665**
Capex	-407	-326	81
Free Cash Flow	**-220**	**526**	**746**

- Lower profit before tax due to weak operational result, goodwill impairment and at equity result
- Non-cash at equity result mainly from Envalior
- Significantly improved working capital through effective inventory management
- Changes in other assets and liabilities in 2022 impacted by EEG payment, variable compensation, IFRS 15 and FX effects among others
- Capex reduced in context of cost saving measures and low utilization

* All figures from continuing operations only (except profit before tax)
Free cash flow = Operating cash flow minus capex

FY 2023 exceptional items (on EBIT) due to write-downs on goodwill and FORWARD! above PY level

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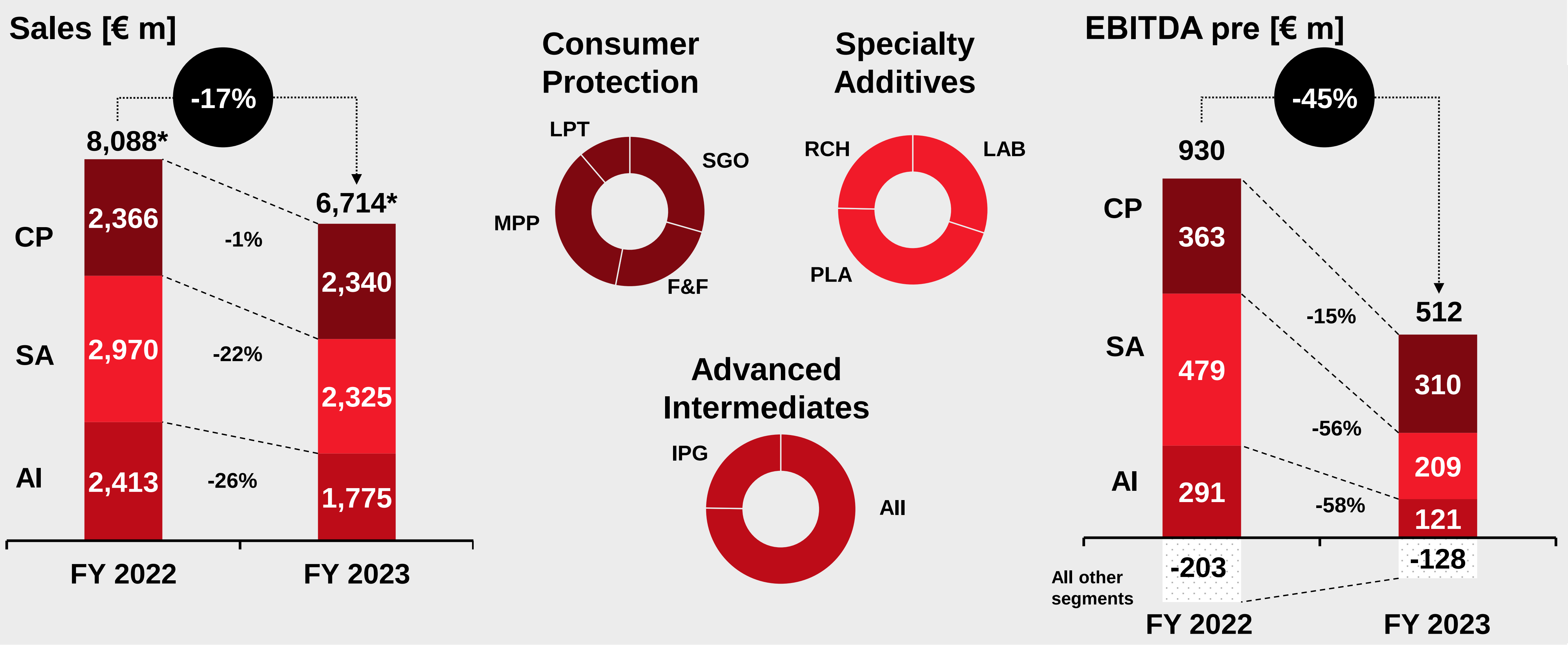
[€ m]	Q4 2022		Q4 2023		FY 2022		FY 2023	
	Excep.	thereof D&A	Excep.	thereof D&A	Excep.	thereof D&A	Excep.	thereof D&A
Strategic realignment and restructuring (incl. FORWARD!)	-17	-1	**-115**	**-15**	-31	-1	**-133**	**-20**
M&A, digitalization and others	-6	-1	**-9**	**-1**	-46	-4	**-52**	**-4**
Strategic IT projects	-1	0	**4**	**0**	-32	0	**-24**	**-1**
Write-downs on goodwill	0	0	**-406**	**-406**	0	0	**-406**	**-406**
Total	-24	-2	**-526**	**-422**	-109	-5	**-615**	**-431**

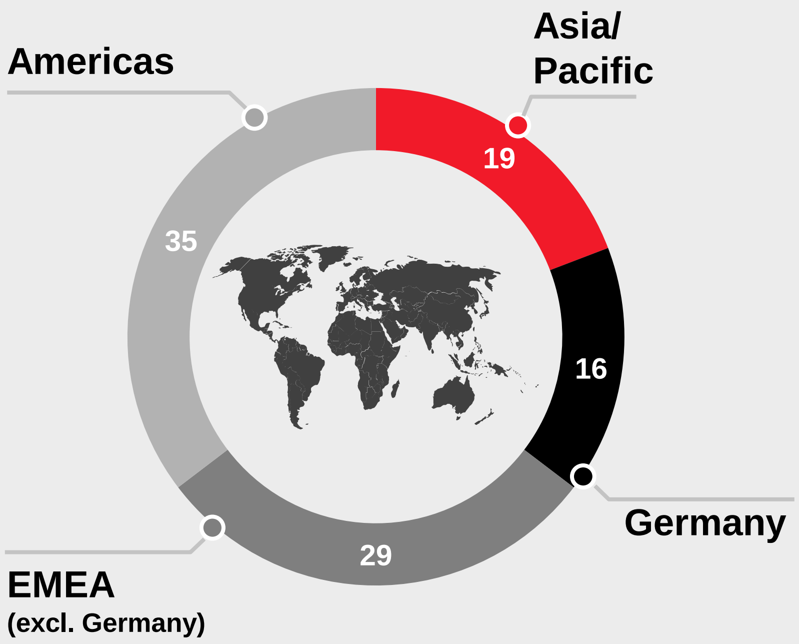
FY 2023: Consumer Protection reports stable sales; EBITDA pre decreased in all segments



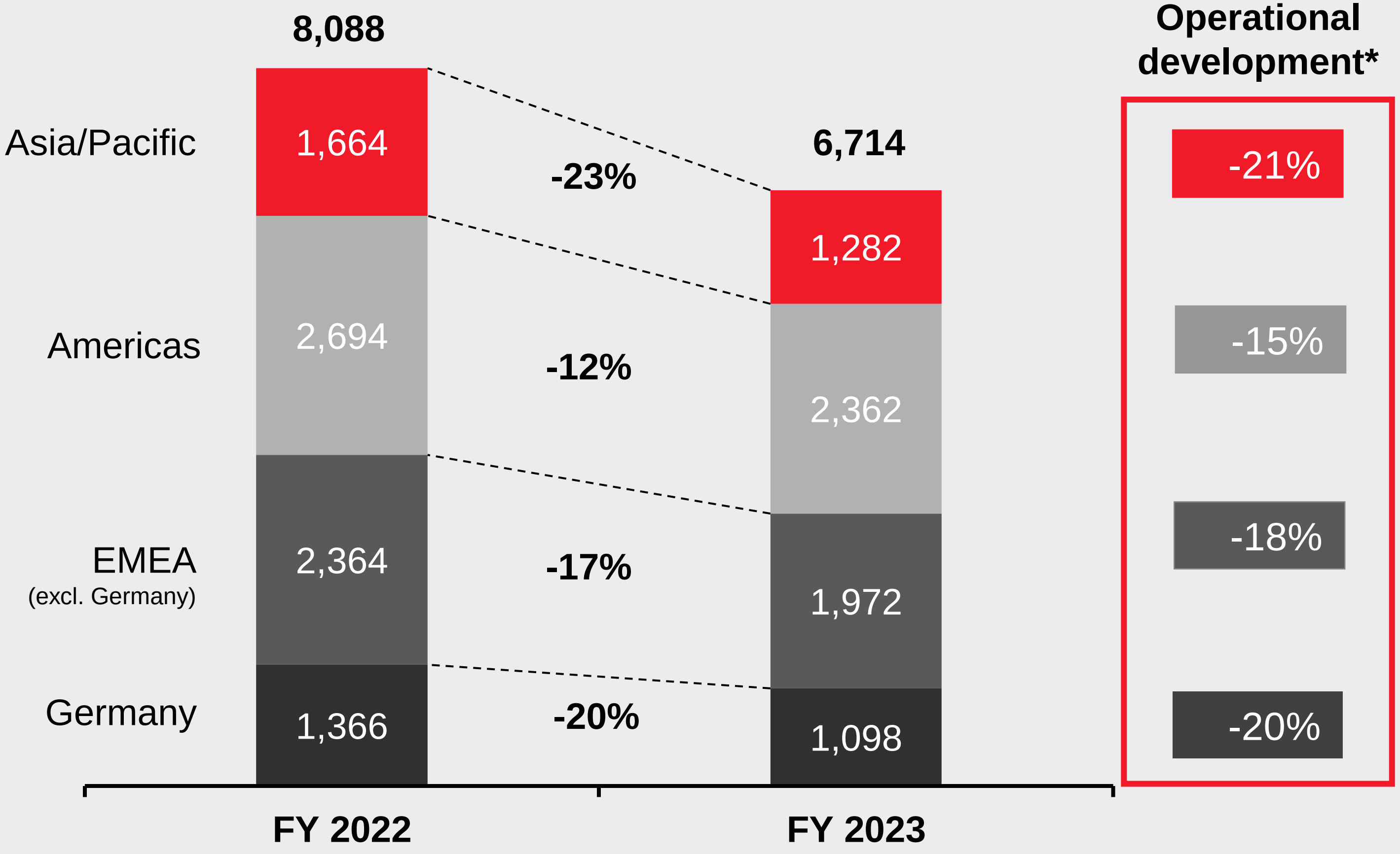
* Total group sales including all other segments

FY 2023: Americas with comparably lowest decrease

FY 2023 sales by region [%]



Regional development of sales [€ m]



* Currency and portfolio adjusted

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Abbreviations

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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 2024 –
Proactive capital market communication

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Mar

14 Q4/FY 2023 Results

26 SocGen European ESG Conference Paris

May

08 Q1 2024 Results

15 Citi’s European Chemicals Conference (virtual)

16 UBS Pan European Conference London

24 Annual Stockholders' Meeting

28/29 SocGen Flagship Conference Nice

June

11 Berenberg CSO Conference (virtual)

25 Morgan Stanley Cannon Ball Run Field Trip Cologne