

Q2 2023 Results

LANXESS Group

LANXESS
Energizing Chemistry

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Weak demand burdens results - inventory control and additional countermeasures underway

	Q2 2022	Q2 2023	Δ	Comments
Sales	€1,999 m	€1,778 m	-11%	↓ Lower sales driven by continued volume decline across all segments and pricing, partly compensated by portfolio effect; demand weakened sequentially across almost all end markets
EBITDA pre	€253 m	€107 m	-58%	↓ EBITDA pre and margin burdened by low volumes and high idle costs due to
Margin	12.7%	6.0%	-6.7 pp.	↓ inventory control
EPS¹	€1.08	€15.88	>100%	↑ Contains book gain from HPM disposal
Adjusted EPS²	€1.05	-€0.19	<-100%	↓ EPS negatively impacted by lower profit due to weak operational result
Operating cash flow	€150 m	€67 m	-55%	↓ Working capital improved due to inventory control measures, however cash flow was negatively impacted by lower profit before tax due to weak operational
Free cash flow	€58 m	€0 m	-100%	↓ result and at equity result
Net financial debt³	Dec 2022 €3,814 m	Jun 2023 €2,863 m	-25%	↓ Net financial debt significantly reduced after receipt of proceeds from Envalior transaction
Capex	€92 m	€67 m	-27%	↓ Capex reduced in context of cost saving measures

All figures apply to continuing operations (excluding BU HPM), except if indicated differently

Sales - 11% Price - 6% Volume - 9% FX - 1% Portfolio + 5%

¹ Total Group

² Adjusted for exceptional items, amortization of intangible assets and income from at-equity investments (€)

³ Including cash, cash equivalents, near cash assets, short-term money market investments

Consumer Protection



Portfolio effect overcompensates decline in price and volumes – comparably stable

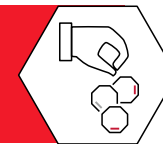
- Sales increase driven by portfolio, however usually more stable consumer end markets also softened
- Comparably moderate volume-decline due to low demand and continued customer destocking intensified by supplier's Force Majeure* (BU F&F)
- EBITDA pre and margin affected by idle costs

* Force Majeure of Chlorine supplier

Sales	+ 8%		
Price	Volume	FX	Portfolio
- 5%	- 3%	- 1%	+ 17%

	Q2 2022	Q2 2023
EBITDA pre	€90 m	€82 m
margin	16.1%	13.6%

Specialty Additives



Inventory control amid low demand triggers decrease in earnings – price decline and low demand

- Sales continue to decline against very strong prior year as volumes are weak for all BUs
- Price decline driven by flame retardants (construction and E&E) and RheinChemie while lubricants benefit from strong aviation
- EBITDA pre and margin burdened by low utilization amplified by active inventory control measures

Sales	- 19%		
Price	Volume	FX	Portfolio
- 4%	- 13%	- 2%	0%

	Q2 2022	Q2 2023
EBITDA pre	€134 m	€37 m
margin	17.5%	6.0%

Advanced Intermediates



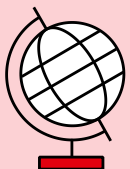
Construction exposure burdens pigment markets – low utilization is a major burden

- Sales decrease as lower energy and raw material costs were passed on
- Volumes decline in both BUs due to lower demand in all customer industries, especially construction
- EBITDA pre and margin impacted by inventory reduction on top of weak demand and resulting idle costs

Sales	- 17%		
Price	Volume	FX	Portfolio
- 9%	- 7%	- 1%	0%

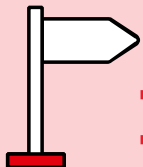
	Q2 2022	Q2 2023
EBITDA pre	€74 m	€23 m
margin	12.6%	4.8%

FY 2023 guidance: EBITDA pre expected ~€600-650 m



Our view on economy

- Currently no demand improvement expected in H2 2023
- Force Majeure on supply of Chlorine for BU Flavors & Fragrances continues



LANXESS outlook

- **FY guidance: EBITDA pre expected ~€600-650 m**
- **H2 2023 will benefit from lower cost base**
- **Focus on cash management:**
 - 2023 target: NWC to sales ratio of ~23%
 - CAPEX reduced to ~€350 m (prev. ~€400 m)

Housekeeping items 2023

Capex 2023: ~€350 m (prev. ~€400 m)

Operational D&A ~€550 m (thereof ~€150 m of intangible amortization effect)

All other segments 2023: ~€150 m (prev. ~€170 m)

Underlying tax rate: ~27%

Exceptionals 2023: ~€80 m based on current initiatives (FORWARD! not yet included)

FX sensitivity: One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging

Program FORWARD! to generate ~€150 m cost savings

Ad hoc measures in 2023

1

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

€50 m One-time cost savings
+ €50 m Capex savings

Safeguarding €600-650 m EBITDA pre in FY 2023

Structural measures

2

Total Savings

~ €150 m



■ Businesses
■ Admin

- Implementation starts in 2023
- Energy intensive plants esp. in Germany reviewed, two of which being evaluated for potential divestment or closure
- Majority of savings however coming from SG&A reduction
- ~€100m OTC expected in Q4 2023

2024 2025

Savings

~€90 m ~€60 m

One-time cash-outs

~€50 m ~€30 m

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Financial Overview Q2 2023

in € million	LANXESS			Consumer Protection			Specialty Additives			Advanced Intermed.			All other segments		
	Q2/2022	Q2/2023	Chg. in %	Q2/2022	Q2/2023	Chg. in %	Q2/2022	Q2/2023	Chg. in %	Q2/2022	Q2/2023	Chg. in %	Q2/2022	Q2/2023	Chg. in %
Sales	1,999	1,778	-11%	558	604	8%	764	620	-19%	587	484	-18%	90	70	-22%
Price*			-5.9%			-5.2%			-3.9%			-9.4%			-3.3%
Volume*			-8.6%			-2.7%			-13.0%			-7.3%			-16.7%
Currency*			-1.5%			-1.4%			-1.9%			-0.8%			-2.2%
Portfolio*			4.9%			17.5%			0.0%			0.0%			0.0%
EBIT	97	-56	n.m.	54	35	-35%	85	-8	n.m.	44	-6	n.m.	-86	-77	10%
Deprec. & amortizat.	132	137	4%	36	46	28%	49	45	-10%	30	27	-10%	17	19	12%
EBITDA	229	81	-65%	90	81	-10%	134	37	-72%	74	21	-72%	-69	-58	16%
exceptionals in EBITDA	24	26	8%	0	1	>100%	0	0	0%	0	2	n.m.	24	23	-4%
EBITDA pre excep.	253	107	-58%	90	82	-9%	134	37	-72%	74	23	-69%	-45	-35	22%
normalized D&A	131	136	4%	36	46	28%	49	45	-8%	30	27	-10%	16	18	13%
EBIT pre excep.	122	-29	n.m.	54	36	-33%	85	-8	n.m.	44	-4	n.m.	-61	-53	13%
exceptionals in EBIT	25	27	8%	0	1	>100%	0	0	0%	0	2	n.m.	25	24	-4%
Capex	92	67	-27%	36	19	-47%	24	25	4%	19	17	-11%	13	6	-54%
Net financial debt	3,814	2,863	-25%												

* approximate numbers

in € million	LANXESS			Consumer Protection			Specialty Additives			Advanced Intermed.			All other segments		
	HJ/2022	HJ/2023	Chg. in %	HJ/2022	HJ/2023	Chg. in %	HJ/2022	HJ/2023	Chg. in %	HJ/2022	HJ/2023	Chg. in %	HJ/2022	HJ/2023	Chg. in %
Sales	3,930	3,677	-6%	1,064	1,251	18%	1,494	1,284	-14%	1,200	1,000	-17%	172	142	-17%
Price*			-0.1%			1.6%			-0.4%			-1.5%			0.6%
Volume*			-11.2%			-2.3%			-13.6%			-15.1%			-18.0%
Currency*			-0.1%			-0.3%			-0.1%			-0.1%			0.0%
Portfolio*			5.0%			18.6%			0.0%			0.0%			0.0%
EBIT	210	-22	n.m.	102	82	-20%	177	45	-75%	103	12	-88%	-172	-161	6%
Deprec. & amortizat.	257	274	7%	73	92	26%	93	90	-3%	58	53	-9%	33	39	18%
EBITDA	467	252	-46%	175	174	-1%	270	135	-50%	161	65	-60%	-139	-122	12%
exceptionals in EBITDA	48	44	-8%	1	2	100%	0	0	0%	0	2	n.m.	47	40	-15%
EBITDA pre excep.	515	296	-43%	176	176	0%	270	135	-50%	161	67	-58%	-92	-82	11%
normalized D&A	255	272	7%	73	92	26%	93	90	-3%	58	53	-9%	31	37	19%
EBIT pre excep.	260	24	-91%	103	84	-18%	177	45	-75%	103	14	-86%	-123	-119	3%
exceptionals in EBIT	50	46	-8%	1	2	100%	0	0	0%	0	2	n.m.	49	42	-14%
Capex	151	126	-17%	59	36	-39%	37	48	30%	37	33	-11%	18	9	-50%
Net financial debt	3,814	2,863	-25%												

* approximate numbers

Cash Flow Statement Q2 2023

in € million

	Q2/2022	Q2/2023	HJ/2022	HJ/2023
Income before income taxes	67	-157	158	-144
Amortization, depreciation and write-downs of intangible assets and property, plant and equipment	132	137	257	274
Gains/losses on disposals of intangible assets and property, plant and equipment	-1	-1	-1	-1
Income from investments accounted for using the equity method	0	78	0	77
Financial losses (gains)	29	15	49	39
Income taxes refunded/paid	27	-22	65	-32
Changes in inventories	-152	167	-368	156
Changes in trade receivables	79	46	-92	63
Changes in trade payables	-13	-98	-13	-96
Changes in other assets and liabilities	-18	-98	2	-98
Net cash provided by (used in) operating activities – continuing operations	150	67	57	238
Net cash provided by (used in) operating activities – discontinued operations	3	-1	-85	-11
Net cash provided by (used in) operating activities – total	153	66	-28	227
Cash outflows for purchases of intangible assets and property, plant and equipment	-92	-67	-151	-126
Cash inflows from sales of intangible assets and property, plant and equipment	3	2	4	2
Cash outflows for financial and other assets held for investment purposes	-1	-201	-893	-1,595
Cash inflows from financial and other assets held for investment purposes	135	1,328	235	1,328
Cash outflows for the acquisition/sale of subsidiaries and other businesses, less acquired cash and cash equivalents	0	0	-3	0
Cash inflows from the sale of subsidiaries and other businesses, less divested cash and cash equivalents	0	-73	0	1,194
Interest and dividends received	2	1	5	5
Net cash provided by / used in investing activities – continuing operations	47	990	-803	808
Net cash provided by / used in investing activities – discontinued operations	-6	0	-10	-6
Net cash provided by / used in investing activities – total	41	990	-813	802
Proceeds from borrowings	22	100	932	367
Repayments of borrowings	-129	-1,210	-143	-1,437
Interest paid and other financial disbursements	-36	-37	-38	-54
Dividend payments	-91	-91	-91	-91
Net cash provided by / used in financing activities – continuing operations	-234	-1,238	660	-1,215
Net cash provided by / used in financing activities – discontinued operations	0	0	-1	-1
Net cash provided by / used in financing activities – total	-234	-1,238	659	-1,216
Change in cash and cash equivalents – continuing operations	-37	-181	-86	-169
Change in cash and cash equivalents – discontinued operations	-3	-1	-96	-18
Change in cash and cash equivalents – total	-40	-182	-182	-187
Cash and cash equivalents as of beginning of period	503	351	643	360
Exchange differences and other changes in cash and cash equivalents – total	2	0	4	-4
Cash and cash equivalents as of end of period	465	169	465	169
of which continuing operations	457	169	457	169
of which discontinued operations	8	0	8	0

Income Statement Q2 2023

in € million	Q2/2022	Q2/2023	Chg. in %	HJ/2022	HJ/2023	Chg. in %
Sales	1,999	1,778	-11%	3,930	3,677	-6%
Cost of sales	-1,515	-1,467	3%	-2,974	-2,930	1%
Gross profit	484	311	-36%	956	747	-22%
Selling expenses	-241	-240	0%	-477	-516	-8%
Research and development expenses	-26	-25	4%	-50	-52	-4%
General administration expenses	-71	-71	0%	-141	-142	-1%
Other operating income	5	19	>100%	14	31	>100%
Other operating expenses	-54	-50	7%	-92	-90	2%
Operating result (EBIT)	97	-56	<i>n.m.</i>	210	-22	<i>n.m.</i>
Income from investments accounted for using the equity method	0	-78	<i>n.m.</i>	0	-77	<i>n.m.</i>
Interest income	3	2	-33%	4	6	50%
Interest expense	-18	-16	11%	-35	-46	-31%
Other financial income and expense	-15	-9	40%	-21	-5	76%
Financial result	-30	-101	<-100%	-52	-122	>-100%
Income before income taxes	67	-157	<i>n.m.</i>	158	-144	<i>n.m.</i>
Income taxes	-19	12	<i>n.m.</i>	-44	9	<i>n.m.</i>
Income after income tax from continuing operations	48	-145	<i>n.m.</i>	114	-135	<i>n.m.</i>
Income after income tax from discontinued operations	45	1,516	>100%	77	1,462	>100%
Income after income taxes	93	1,371	>100%	191	1,327	>100%
of which attributable to non-controlling interests	0	0	0%	0	0	0%
Net income (attributable to LANXESS AG stockholders)	93	1,371	>100%	191	1,327	>100%
Earnings per share (in €)	1.08	15.88	>100%	2.21	15.37	>100%
from continuing operations	0.56	-1.68	>-100%	1.32	-1.56	>-100%
from discontinued operations	0.52	17.56	>100%	0.89	16.93	>100%
Earnings per share from continuing operations adjusted for exceptional items, amortization of intangible assets and income from at-equity investments (€)	1.05	-0.19	<i>n.m.</i>	2.30	0.44	-81%

Abbreviations:

Consumer Protection

- F&F** Flavors & Fragrances
- LPT** Liquid Purification Technologies
- MPP** Material Protection Products
- SGO** Saltigo

Specialty Additives

- LAB** Lubricant Additives Business
- PLA** Polymer Additives
- RCH** Rhein Chemie

Advanced Intermediates:

- All** Advanced Industrial Intermediates
- IPG** Inorganic Pigments