LANXESS – Q1 2023 Roadshow

Cash flow improved in challenging environment

Investor Relations

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Agenda

1. Executive summary Q1 2023 and outlook
2. Managing cash flow improvement and deleveraging
3. Building a stronger portfolio
4. Performing in sustainability
5. Financial and business details Q1 2023

We are continuously working on our weak spots: cash flow improved

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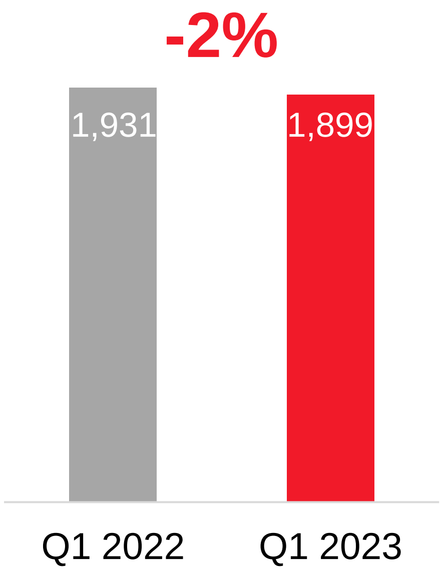
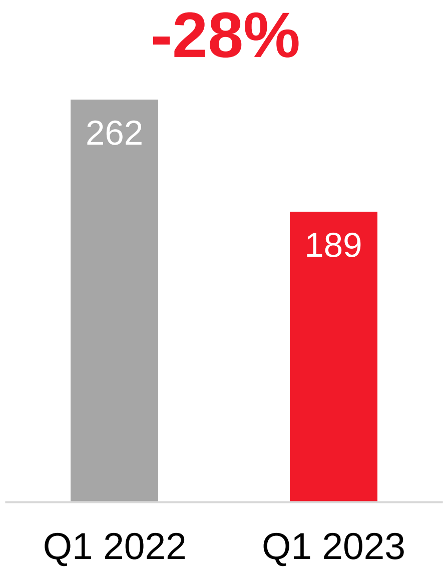
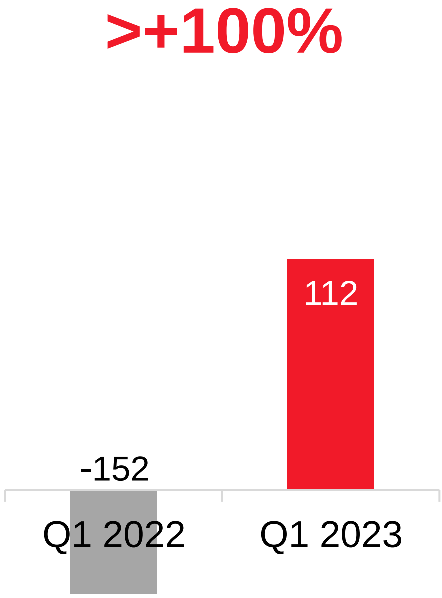
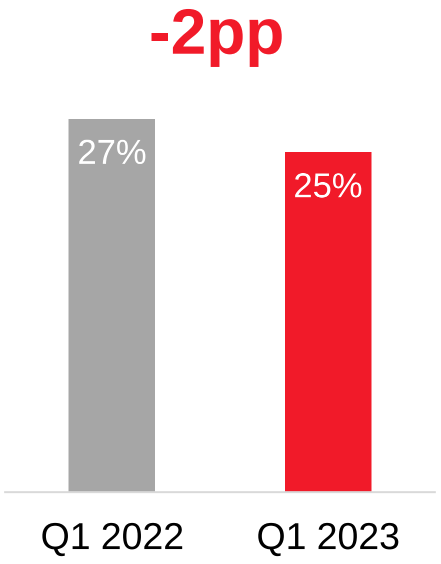
Sales	EBITDA pre	FCF[1]	NWC[2] to sales (%)	2023 priority
Almost stable despite low demand	Weak utilization leads to reduced earnings	Improved due to working capital management	Moving towards target of low twenties percentage range	Focus on cash generation also from working capital, potentially even on the expense of reported earnings

in € m









[1] Free cash flow = Operating cash flow (continuing operations) minus CAPEX ; [2] NWC to sales calculated (continuing operations) as net working capital on March 31, 2023, divided by sales of last four quarters, pior year as reported

Cash-in of €1.27 bn from HPM transaction, cash flow improved

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Q1 2023 strategic and financial highlights

- ~€1.27 bn payment from Advent already received
- Free cash flow well above prior year at €112 m
- Stable working capital despite seasonal increase pattern
- Q1 EBITDA pre of €189 m below prior year
- Earnings and margin burdened by weak demand: lower sales volumes and utilization
- Selling prices kept above prior year's level – sequentially declining

LANXESS Group: Q1 EBITDA pre below prior year due to weak demand environment

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Low volumes offset positive pricing

[€ m]	Q1/2022	Q1/2023	Δ
Sales	1,931	1,899	-2%
EBITDA pre	262	189	-28%
Margin	13.6%	10.0%	
CAPEX	59	59	0%

Price	Volume	FX	Portfolio
+6%	-14%	+1%	+5%

Total -2%

Q1 Sales vs. PY

- Sales remained almost stable as higher prices and portfolio effect nearly offset weak sales volumes
- Continued customer destocking paired with low demand in several end markets, mainly construction and E&E
- EBITDA pre declined on basis of weak demand
- Low volumes and respective idle costs weigh on margin

Free cash flow expected to recover strongly

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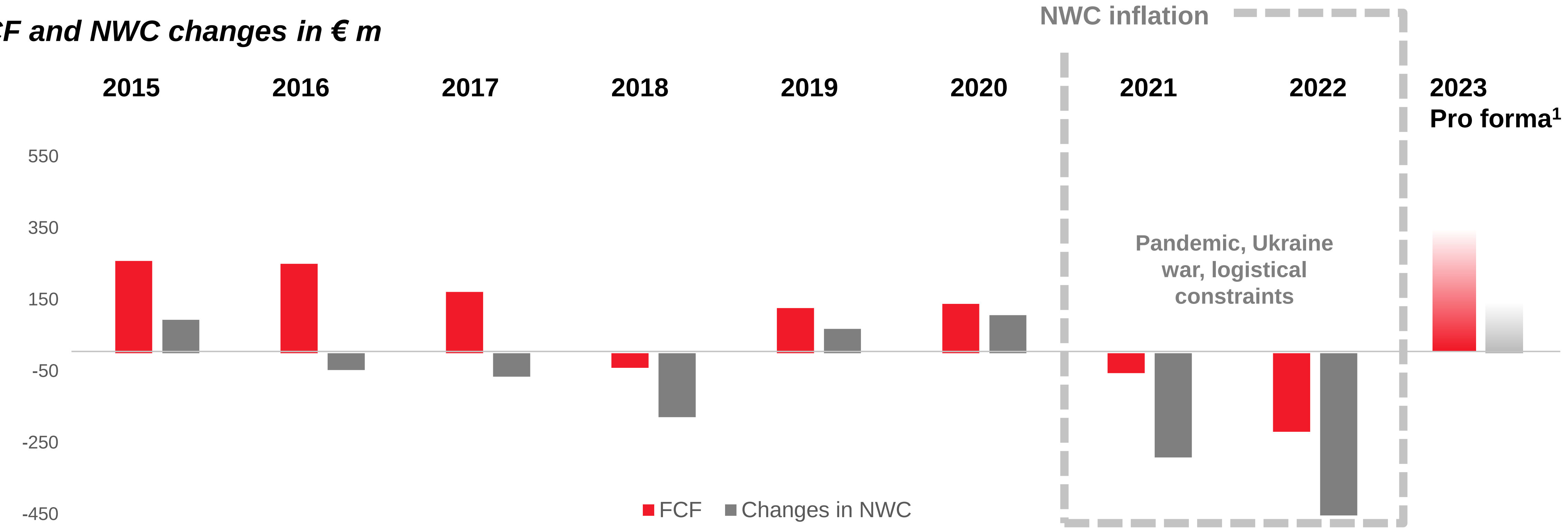
FCF and NWC changes in € m

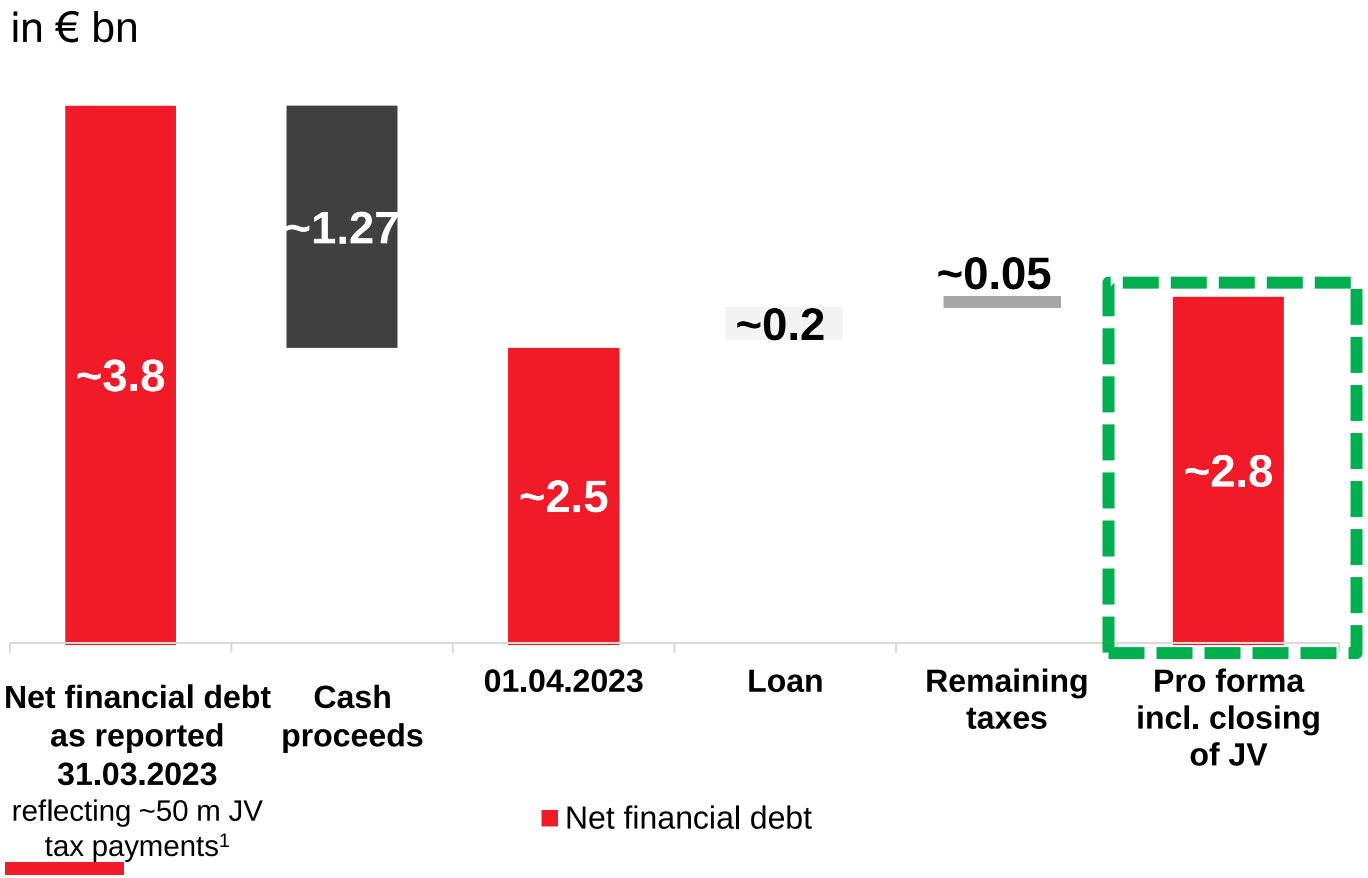


Improved business set-up as solid base for future free cash flow

FCF = Operating cash flow (continuing operations) minus CAPEX considering the portfolio at the specific point in time as reported [1] FCF potential based on NWC goal and expected EBITDA pre development

Deleveraging milestone achieved – substantial reduction of net financial debt

Pro forma net financial debt significantly below reported Q1 2023



- €1.27 bn[2] cash in from formation of Envalior (Engineering Materials JV) with Advent
- Cash proceeds are being utilized for:
  - Loan of €200 m to JV
  - ~€50 m remaining taxes
  - Repayment of €750 m bilateral loans
- Net financial debt / EBITDA[3] ratio at ~3x after receiving cash proceeds

[1] ~€50 m JV related tax payment accounted for in D/O P&L and D/O cash flow, however burdening net financial debt as reported [2] Cash was already received by end of March, but did not yet have an impact on reported net financial debt due to corresponding other current financial liability of same amount until closing (1 April) [3] Pro forma at FY 2022 EBITDA pre

FY 2023 guidance:
EBITDA pre expected ~€850-950 m

Our view on economic environment

- Weak environment expected for H1 2023
- Positive impetus from China expected in H2 2023
- Global economy expected to pick up in H2 2023
- Force Majeure on supply of Chlorine continues

LANXESS outlook

- **FY guidance: EBITDA pre expected ~€850-950 m**
- Q2 2023 expected roughly on par with Q1, clear rebound expected in H2 2023
- **Focus on cash management:**
  - 2023 target: NWC to sales ratio in low twenties percentage range
  - CAPEX ~€400 m

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Lower CAPEX after completion of growth investment cycle and HPM exclusion

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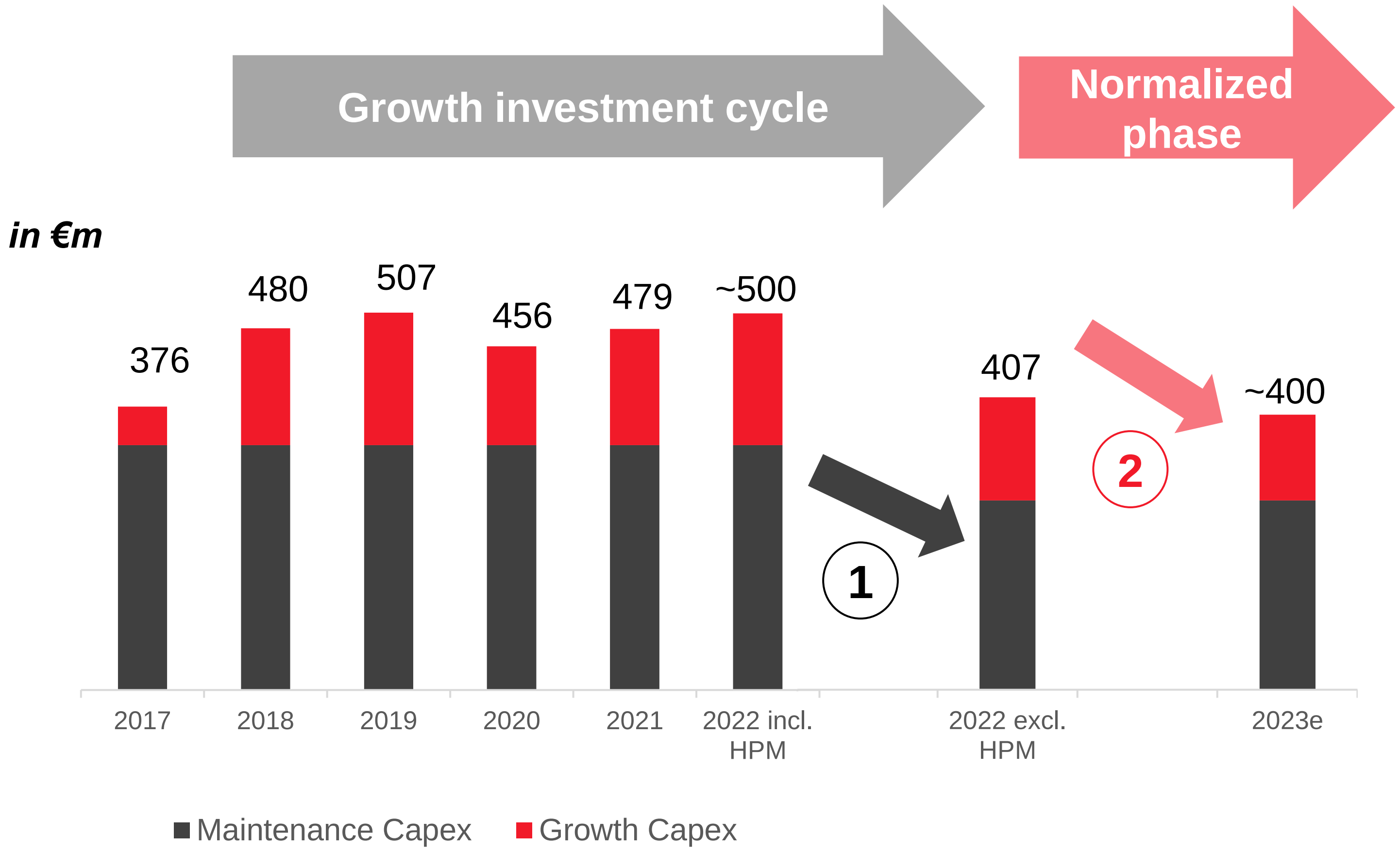

1 **Maintenance CAPEX**

- €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

Working on additional levers to improve cash flow longer-term

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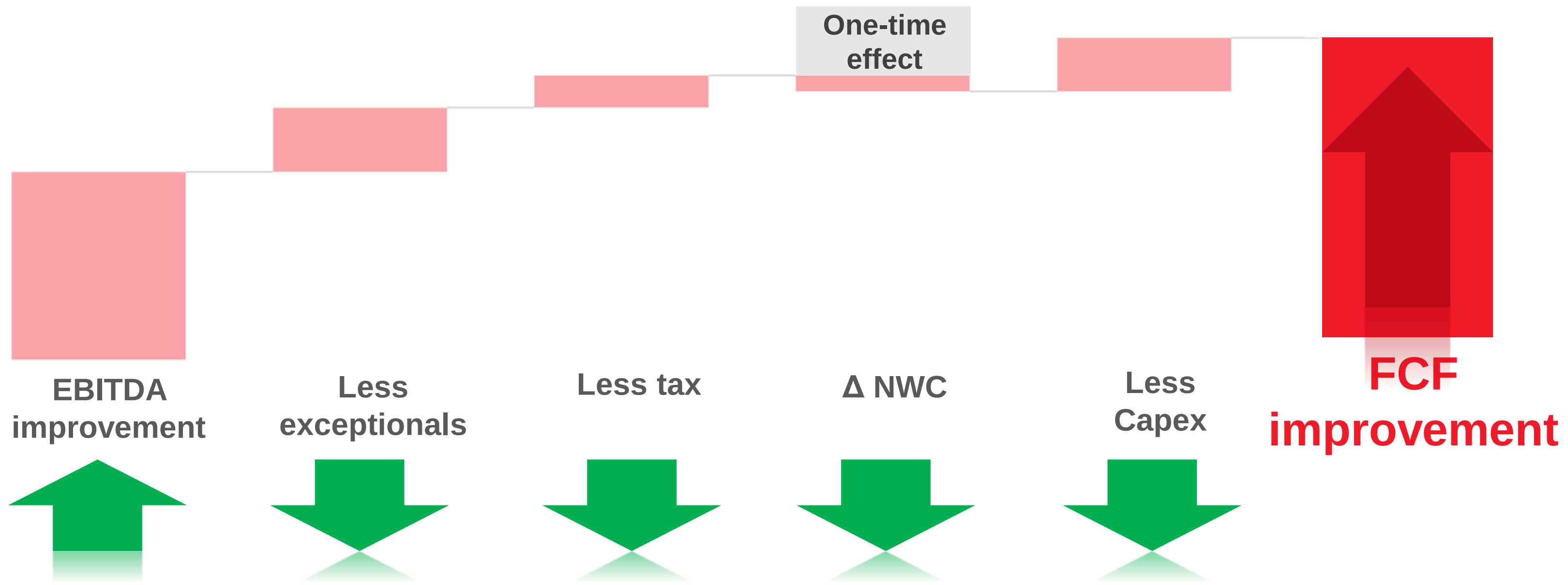
FCF building blocks

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

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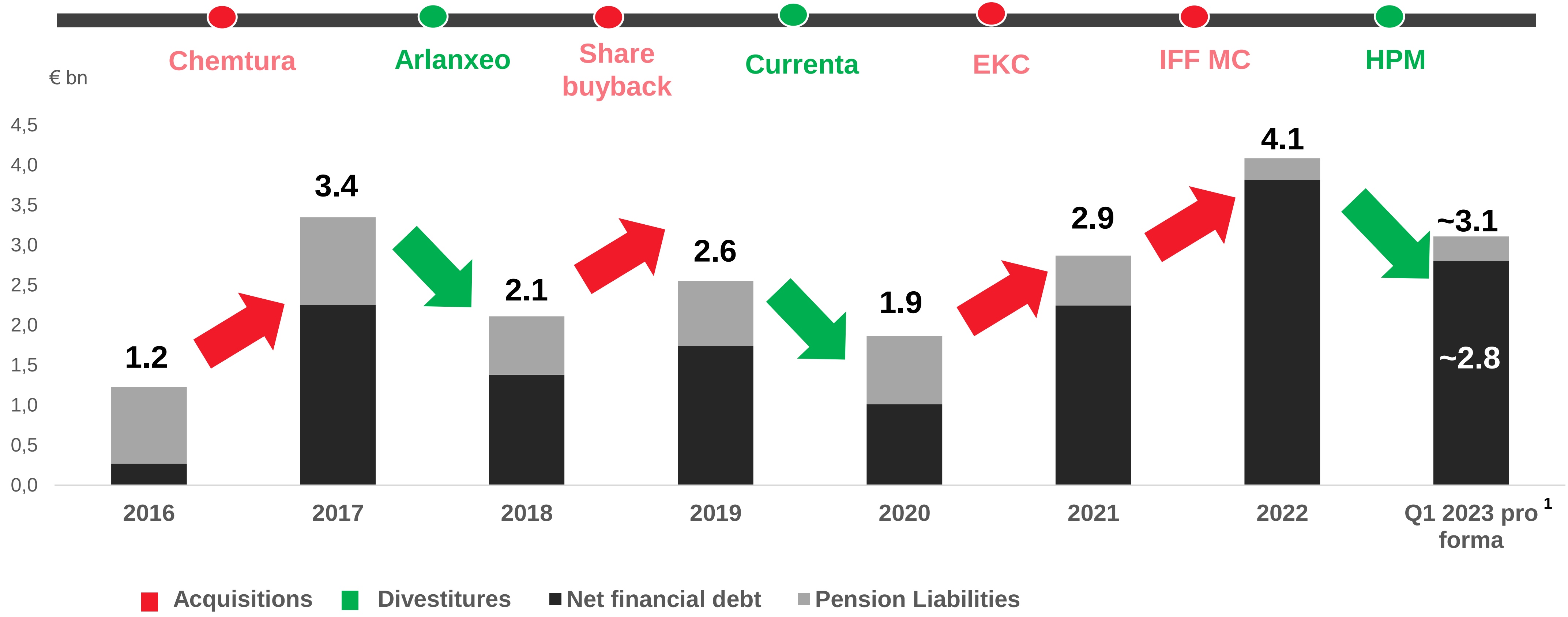

Rating agencies support our de-leveraging plan and confirmed investment grade rating

[1] Illustrative net financial debt and pensions reflecting HPM Cash in and at FY 2022 EBITDA pre

I 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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LANXESS portfolio transformed towards a true specialty chemicals player

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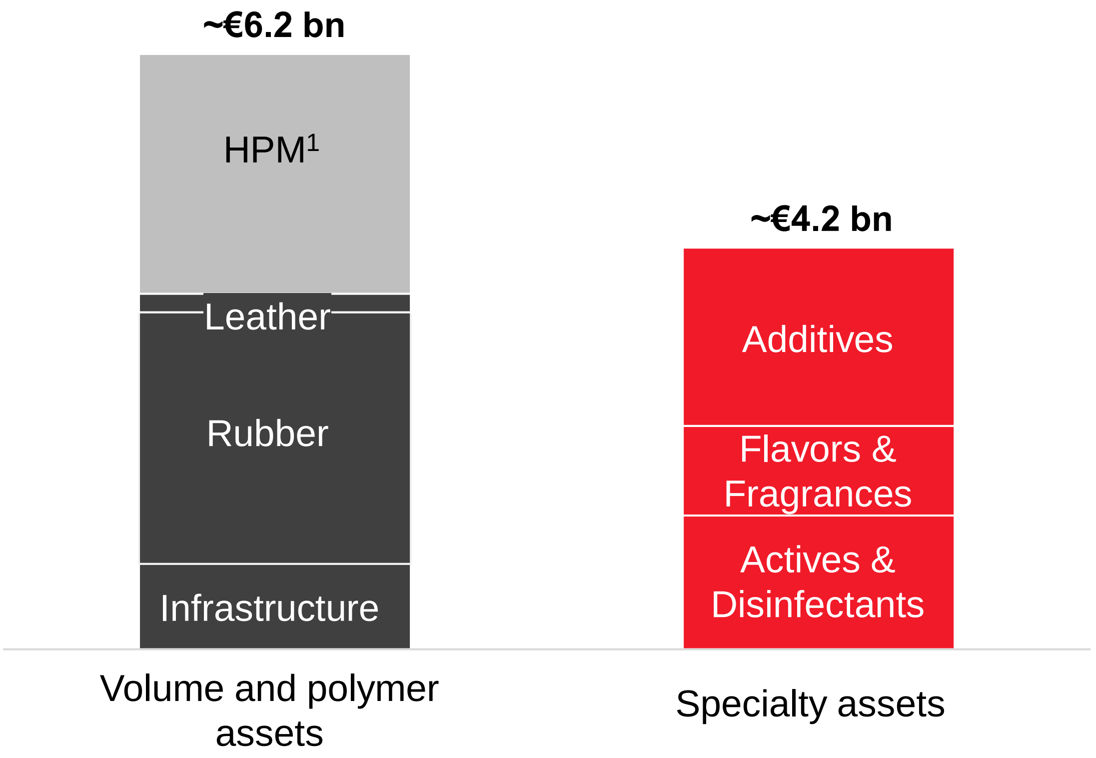
Portfolio transactions since 2016

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 April1 2023

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

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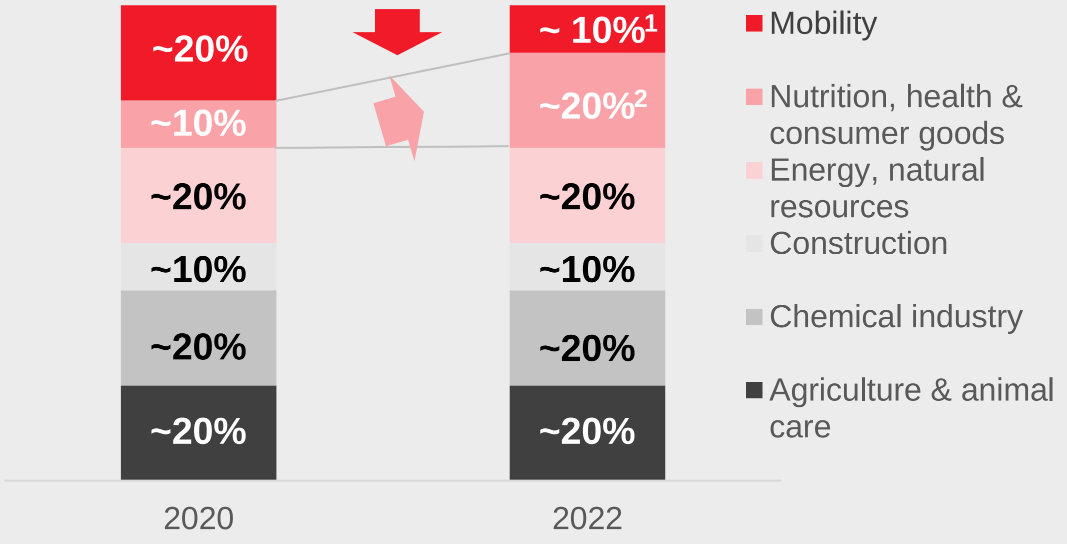
Balanced end-market exposure



! **Auto exposure reduced**

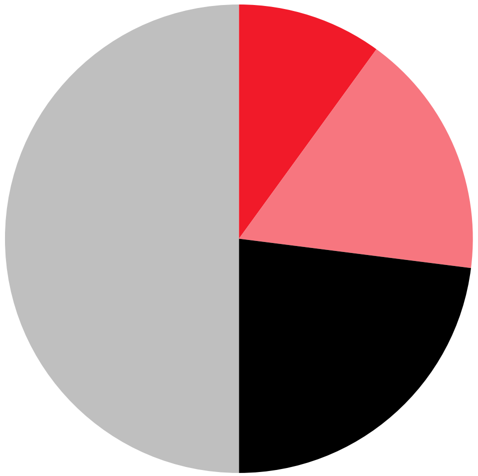
! **Higher portion of end-consumer focused markets**

[1] Includes sales in the automotive, aviation and shipping industries including relevant electronic components. 2 IFF MC contribution contributed half a year in 2022

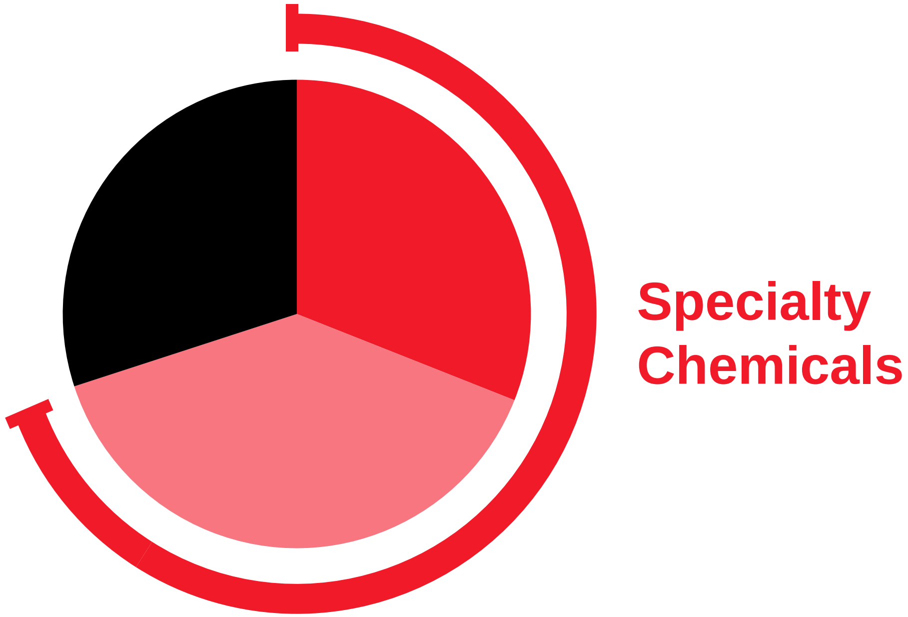
Specialty character substantially increased – portfolio transformation concluded (for the time being)

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 drivers: Strategic projects making progress

H1 2023

H2 2023

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 discussions
- ϟ China lockdowns have slowed down progress compared to original timeline

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

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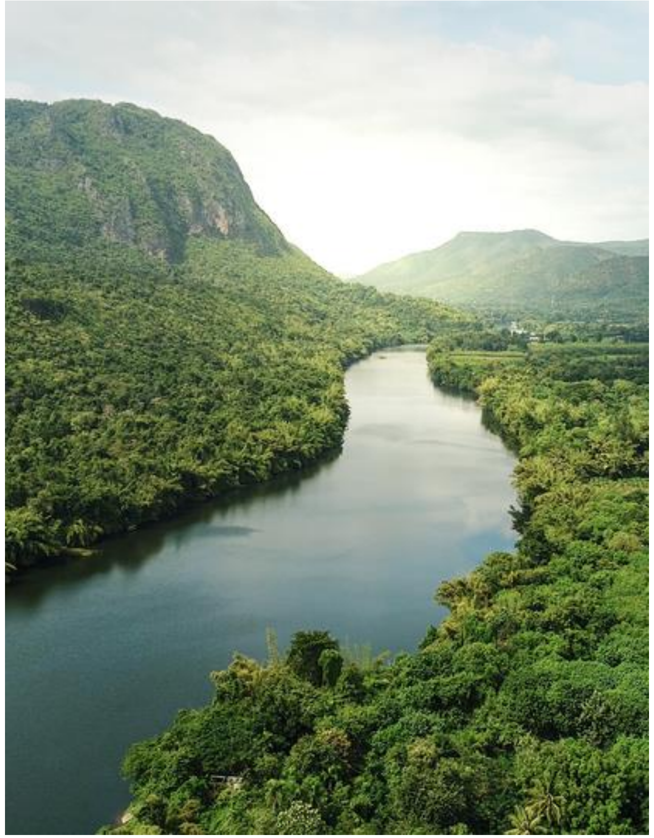
CLIMATE	➢ Climate neutral by 2040 for Scope 1 & 2: -75% CO_2e emissions by 2030 versus 2004 ➢ Net zero by 2050 for Scope 3: -40% CO_2e emissions by 2030 versus 2015
WATER	➢ Reduction of absolute water withdrawal by 15% at water risk sites by end of 2023
PRODUCTS	➢ Develop an action plan for all products 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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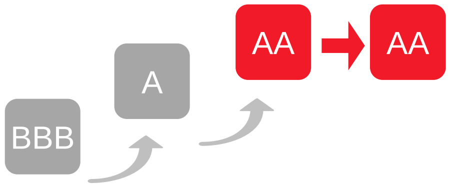
MSCI ESG RATINGS

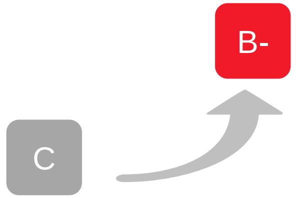
Rating recently confimed



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

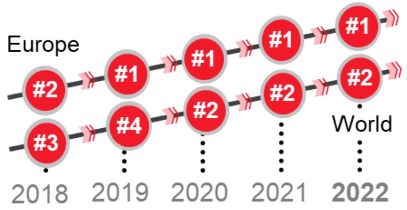
Rating recently confimed

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

Consumer Protection: Portfolio and pricing drive earnings

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Volumes held back by Force Majeure

[€ m]	Q1/2022	Q1/2023	Δ
Sales	506	647	28%
EBITDA pre	86	94	9%
Margin	17.0%	14.5%	
CAPEX	23	17	-26%

Price	Volume	FX	Portfolio
+9%	-2%	+1%	+20%

Total +28%

Q1 Sales vs. PY

- Positive contribution of acquired IFF MC business and positive pricing across all BUs increase segment sales
- Slight volume decline mainly caused by supplier's Force Majeure* (BU F&F) and customer destocking; BU Saltigo performed well based on positive agro market
- Positive EBITDA pre contributions from acquired business; margin affected by idle costs

* Force Majeure of Chlorine supplier

Specialty Additives: Earnings below very strong previous year

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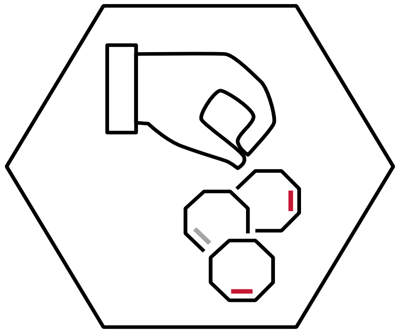
Weak construction market hits tough comparable base

[€ m]	Q1/2022	Q1/2023	Δ
Sales	730	664	-9%
EBITDA pre	136	98	-28%
Margin	18.6%	14.8%	
CAPEX	13	23	77%



Price	Volume	FX	Portfolio
+3%	-14%	+2%	0%

Total -9%

Q1 Sales vs. PY

- Sales decline as continued weak demand especially in construction and auto impacted BU PLA and BU RCH respectively
- Sharply lower volumes driven by low demand and customer destocking as well as comparing against a very strong Q1 2022
- EBITDA pre and margin burdened by low utilization and US winter storm

Advanced Intermediates: Earnings suffered from low demand and utilization

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Volume significantly impacted by weak demand

[€ m]	Q1/2022	Q1/2023	Δ
Sales	613	516	-16%
EBITDA pre	87	44	-49%
Margin	14.2%	8.5%	
CAPEX	18	16	-11%

Price	Volume	FX	Portfolio
+6%	-23%	+1%	0%

Total -16%

Q1 Sales vs. PY

- Sales decline as positive pricing and FX effect cannot compensate lower volumes
- Volumes significantly dropped in both BUs due to lower demand especially in construction and chemicals by far outweighing the positive impact from agro
- EBITDA pre and margin impacted by lower utilization on basis of weak demand and resulting idle costs

P&L Q1: Earnings below prior year as expected in a challenging demand environment

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[€ m]	Q1/2022		Q1/2023		yoy in %
Sales	1,931	(100%)	1,899	(100%)	-2%
Cost of sales	-1,459	(-76%)	-1,463	(-77%)	0%
Selling	-236	(-12%)	-276	(-15%)	17%
G&A	-70	(-4%)	-71	(-4%)	1%
R&D	-24	(-1%)	-27	(-1%)	13%
Financial result	-22		-21		5%
Net Income (cont.)	**66**		**10**		**-85%**
EPS pre (cont.)*	**1.25**		**0.65**		**-48%**
EBITDA	238	(12%)	171	(9%)	-28%
thereof except.	-24	(-1%)	-18	(-1%)	25%
EBITDA pre except.	**262**	**13.6%**	**189**	**10.0%**	**-28%**

- Sales almost stable, lower volumes balanced by pricing and portfolio
- Rising selling expenses result from portfolio effect, logistic costs and FX
- Slight increase in R&D due to portfolio effect
- Margin impacted by low utilization

All figures from continuing operations only
*Earnings per share from continuing operations adjusted for exceptional items and amortization of intangible assets

First improvement: Free cash flow well above prior year's level

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[€ m]*	Q1/2022	Q1/2023	Δ
Profit before tax	**91**	**13**	**-78**
Depreciation & amortization	125	137	12
Income taxes	38	-10	-48
Changes in other assets & liab.	20	0	-20
Changes in working capital	-387	8	395
Others	20	23	3
Operating cash flow	**-93**	**171**	**264**
Capex	-59	-59	0
Free cash flow	**-152**	**112**	**264**

- Profit before tax decreased due to weak operational start to the year
- Income taxes in 2022 include reimbursements
- Working capital management: stable despite seasonal increase pattern
- Free cash flow improved

* Applies to continuing operations; Free cash flow = Operating cash flow minus CAPEX

Net financial debt to decrease significantly after closing of HPM JV

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[€ m]	31.12.2022	31.03.2023
Total assets	**11,281**	**12,492**
Equity	4,427	4,283
Equity ratio	**39%**	**34%**
Net financial debt[1]	**3,814**	**3,796**
Liquidity[2]	403	1,750
Pension provisions	**367**	**395**
Net working capital	**2,009**	**1,980**
DSI (in days)[3]	85	88
DSO (in days)[4]	39	39

- Higher total assets mainly due to proceeds from HPM transaction and corresponding other current financial liability of same amount until closing (April 1)
- Lower equity reflects negative net income and OCI effects (mainly FX and pensions)
- Stable working capital despite seasonal increase pattern
- Pension provisions increase along with slight decrease in interest rate

[1] Deducting cash, cash equivalents, near cash assets, short-term money market investments
[2] Near cash, cash & cash equivalents
[3] Days sales of inventory calculated from quarterly sales
[4] Days of sales outstanding calculated from quarterly sales

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

Value of ~40% equity stake in Envalior should also be considered in valuation of LANXESS

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Balance sheet at closing of transaction

€1.27* bn cash proceeds

+

€1.2 bn ~40% equity stake in JV (book value)

Valuation of equity stake

- Value of ~40% equity stake in JV initially to be €1.2 bn
- Value will fluctuate as business goes through normal cyclicality + synergy realization
- Earliest exit possibility three years after closing using the same valuation parameters (HPM sale: 12x EBITDA multiple)
- Value of JV will be determined by exit valuation and not by book value

→ **Interim fluctuations of JV equity value do not impact exit mechanism**

* ~0.1 bn tax payment to be deducted

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