

## **Annual Stockholders' Meeting**

Wednesday, May 24, 2023

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From the comments by

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Chairman of the Board of Management of LANXESS AG

(Check against delivery)

Ladies and gentlemen,

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On behalf of the entire Board of Management, I would like to extend a warm welcome to this year's Annual Stockholders' Meeting.

When I spoke to you on this occasion last May, Russia's war on Ukraine was still at the forefront of all our minds, with the invasion having taken place just two months previously. And many of us will still have hoped for a swift resolution to the conflict.

Twelve months on, the sobering reality is that the brutal fighting continues and the suffering of the Ukrainian people remains. Hopes of a quick path to peace have been shattered.

In light of these horrific events, it might seem inappropriate to talk about the impact the war is having on the economy and our company.

As a business, however, it is important for us to engage with these aspects. That is our responsibility – to our

employees, to our customers ... and to you, our shareholders.

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We fulfilled this responsibility once again in the past year. We worked together to combat the dramatic rise in energy and commodity costs and the instability affecting global supply chains, taking important decisions for the future of LANXESS and implementing major projects.

I would like to thank all of our employees around the world for their continued commitment and dedication to our company over the past year.

Their hard work was built on the strong foundations LANXESS has established in recent years. We have achieved a pivotal reorientation of our company with a focus on markets that we expect to deliver growth and make a contribution to innovation and sustainability. As I will show you now, our figures for fiscal year 2022 demonstrate that we are on the right track.



## Results

Let me begin by saying that 2022 was a successful year for LANXESS.

Our Group sales amounted to around EUR 8.1 billion in 2022, up more than 32 percent on the previous year's figure of EUR 6.1 billion.

Our EBITDA pre exceptionals increased by 14.1 percent to EUR 930 million compared with EUR 815 million a year earlier. Earnings were therefore within the forecast range of EUR 900 million to EUR 950 million.

Our EBITDA margin pre exceptionals reached 11.5 percent compared with 13.4 percent a year ago. This decline was due to the passing on of significantly increased costs and lower sales volumes.

Net income from continuing operations increased considerably by 60 percent and amounted to EUR 184 million, against EUR 115 million a year ago.



This does not include the results of the High Performance Materials business unit, which was spun off and reported as a discontinued operation – I will come to that topic shortly.

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As I mentioned earlier, 2022 was an extremely challenging yet successful year for LANXESS. We will therefore continue to pursue our policy of at least keeping our dividend stable, even if 2023 proves to be even more demanding. We are therefore proposing a dividend of EUR 1.05 per share to the Annual Stockholders' Meeting. This is the same as in the previous year and corresponds to a total distribution of around EUR 90.7 million.

## **Overall Conditions**

Ladies and gentlemen, while the sales and earnings figures significantly improved, the conditions significantly deteriorated. In fact, they were among the most difficult we have seen in the past decade – especially here in Germany.



Like so many of my fellow management board members from the chemicals sector, I am extremely concerned about Germany's prospects as an industrial location. And I am willing to say as much both publicly and in direct conversations with politicians. My message has been the same for many years, and especially in the last twelve months: In order to succeed in the global competitive environment, we need the right conditions. This includes competitive energy prices, quick approval processes, better infrastructure, and an attitude that is friendly to industry. But very little, if anything, has improved in any of these areas.

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Quite the opposite, in fact: German energy prices were already uncompetitive, and the Ukraine war has propelled them to new levels. As expected, isolated measures such as the abolition of the German Renewable Energy Sources Act (EEG) surcharge in the past year proved insufficient to curb this inflationary trend and make electricity prices competitive in an international comparison.

At the same time, we are still having to deal with excessive bureaucracy here in Germany. Our approval processes simply take too long compared with other countries, and there is a lack of planning security. The fact that an LNG terminal was approved in record time last year does not alter this fact. What we urgently require is quicker and simpler approval procedures across the board.

And the question of infrastructure remains a critical one. There is a repair and renovation backlog. When bridges have limited access or are no longer usable, this has a direct impact on industry and the sites affected. Increased logistical complexity means higher costs, which reduces competitiveness. Another disadvantage compared with our global peers.

All of these factors directly affect Germany's attractiveness as an economic location – which is deteriorating all the time. In the latest country index of location attractiveness, which compares 21 industrialized nations, we have slipped a further four places to 18th. Germany is being pushed out!

By contrast, other markets are making themselves more attractive. The United States are leading the way with their active industrial policy, promoting re-industrialization and the manufacture of sustainable products in the domestic market. The conditions in the U.S. are positive. And that has a big influence on business decisions – including for LANXESS.

We have systematically expanded our market position in North America. It currently amounts to around 26 percent, compared with 17 percent in Germany. As a company, we have invested around EUR 5 billion in total since 2017, and the U.S. accounts for some 80 percent of this figure. I am confident that the economic importance of the United States will increase even further, which is why we intend to continue to pursue this approach.

Ladies and gentlemen, you may feel like you have heard my criticisms before. And it is true to say that I have repeated them often in recent months. But our responsibility as a company also includes openly and persistently discussing shortcomings like these.





Especially when there is little sign of things changing for the better.

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Please do not get me wrong: I have no intention of badmouthing Germany. If I am critical, it is because our country means a lot to me. It is a great country that is home to global market leaders and state-of-the-art technologies and products.

But we absolutely cannot afford to rest on our laurels. If we want our home market to continue to compete internationally in the future, we must act now. As such, I would reiterate my plea to our politicians: Put the right conditions in place now and help industry to make a strong contribution to maintaining our country's prosperity.

## **Transactions**

Dear shareholders, the past fiscal year demanded a great deal from us. But it also demonstrated the creative strength that today's LANXESS can bring to bear even in

turbulent times. We harnessed this strength as we continue gearing ourselves toward specialty chemicals.

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In July 2022, we completed the acquisition of the Microbial Control business from the U.S. corporation International Flavors & Fragrances.

This transaction makes us one of the world's largest providers of antimicrobial protection products and expands our presence on the increasingly important U.S. market. It also strengthens our Consumer Protection segment and its Material Protection Products business unit, which is where the Microbial Control business has been integrated.

And that's not all. In late May 2022, we expanded the business portfolio of LANXESS with a second transaction. We transferred our High Performance Materials business unit to a joint venture with the private equity investor Advent International. The joint venture also includes the Engineering Materials business of the Dutch group Royal DSM.



As part of the transaction, we obtained a share of around 40 percent in the joint venture and, at the end of March, a payment of around EUR 1.3 billion, which will significantly reduce our debt in the second quarter of this year.

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The joint venture is called Envalior and will have annual sales of more than EUR 3 billion. The product portfolios, value chains and global positioning of the combined activities complement each other excellently. With its innovative products, Envalior will play a key role in shaping pioneering developments in areas such as electric mobility.

With the formation of Envalior and the acquisition of Microbial Control, our strategic transformation is now largely complete. In the coming months, we will concentrate fully on the integration of the new businesses.

## Sustainability

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Ladies and gentlemen, as you can see, we want to shape the future. For us, that means taking opportunities wherever we see them. And it also means not doing things by halves. Not in our everyday business activities, and certainly not when it comes to tackling the urgent challenges of our time. That is why we pressed ahead with our ambitious sustainability drive in the past year.

As you will recall, we set ourselves the target nearly four years ago of achieving climate neutrality by 2040 in terms of our direct emissions in production and energy sources.

In 2022, we addressed the topic of emissions in our supply chains ... and set ourselves another ambitious target. Our Net Zero Value Chain program aims to achieve climate neutrality in the supply chain by 2050. We have defined the specific measures we will use to achieve this objective:



We will realign our raw materials procurement and increasingly purchase sustainable raw materials that are bio-based, originate from a recycling process and/or are produced with renewable energy, for example.

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We will also pay greater attention to the carbon footprint when selecting means of transport in the future, thus optimizing it further.

Our products are the third lever. We intend to continuously expand our range of climate-neutral products and solutions with a small carbon footprint. In the medium term, our goal is to offer emission-reduced and climate-neutral variants of all our products. Our Flavor & Fragrances business unit already shows that we are capable of achieving this. By the end of this year, it will offer sustainable product variants across its entire portfolio of flavors and fragrances, preservatives and products for animal nutrition.

Other business units will follow suit. Our aim is to carry only climate-neutral products in our portfolio by 2050.



Dear shareholders, initiatives like the Net Zero Value Chain are our contribution to safeguarding the future for generations to come. They also serve to reconcile sustainability and business activity. Our customers have increasingly looked for sustainable solutions for some time now. And that is exactly what we can deliver as we transform our product portfolio toward climate neutrality. It is a classic win–win situation.

The same is true of our second big sustainability project in the past year – the Product Carbon Footprint Engine. It is a genuine innovation and was developed by LANXESS employees.

Certified by TÜV Rheinland, the tool automatically calculates the carbon footprint of our products. It uses existing data from different areas of our company to calculate the emissions generated. This includes greenhouse gas emissions during production, product-specific emissions relating to raw materials, energy, operating materials and transport, and emissions from waste disposal.

This approach is another excellent example of how we are combining sustainability with meeting customer requirements. After all, our service offers huge value added for our customers. They all want to increase the sustainability of their supply chains. Our Product Carbon Footprint Engine makes it easier for them to achieve this goal.

## Outlook

Dear shareholders, LANXESS and its employees proved once again in 2022 that they are capable of defying difficult conditions. Moreover, we showed that we can work together to deliver good results and successful development for LANXESS even in the face of headwinds. This is something we should be proud of.

However, it is likely that the past fiscal year provided us with only a foretaste of the challenges facing us this year. The first few months of 2023 have made it clear that this will be a tough year for the chemicals sector, and hence also for LANXESS.



The reduced demand that we already observed in the final quarter of 2022 is persisting. The destocking in customer industries also had a negative impact at the beginning of this year. Energy and commodity costs are set to remain a source of uncertainty in the months ahead. The same is true for the consequences of the war in Ukraine. All in all, there are a number of question marks hanging over this year.

Although I expect the first half of the year to be particularly difficult, I am cautiously optimistic that our economic environment will pick up considerably in the second half of the year. Assuming this is the case, I expect us to record EBITDA pre exceptionals from continuing operations of between EUR 850 million and EUR 950 million across the year as a whole.

For this year, our clear focus will be to defy the adverse conditions. The EBITDA that I just mentioned and high cash flow will be the top priorities.



Dear shareholders, as the saying goes, a person grows with their responsibilities. And that is very much true of LANXESS and its employees. Together, we have transformed our company, making it stronger and more resilient. We have learned how to tackle big challenges and overcome barriers – and we have risen to the tasks facing us. That is why I am sure we will not be derailed by whatever tests fiscal year 2023 has in store for us. Our journey continues!

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I would be delighted to have your support as we move forward.

Thank you for your attention!