

**Annual Stockholders' Meeting**

Wednesday, May 25, 2022

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From the remarks of

**Matthias Zachert**

Chairman of the Board of Management of LANXESS AG

(Please check against delivery)

Good morning, dear stockholders,

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I would like to welcome you from Cologne to the virtual LANXESS Annual Stockholders' Meeting. Actually, we have every reason to rejoice today. Fiscal 2021 was a truly successful year for our company, despite the ongoing challenges posed by the Corona pandemic. And we have also made an excellent start to the current year.

But it is indeed difficult for me to present the successful results of our work to you today with a light heart. The terrible war in Ukraine, which has now already lasted three months, the suffering of the people and the effects of this conflict, which can hardly be foreseen today, do concern us all. My generation has not yet had to experience such a war in Europe, and we are all the more stunned by the events.

The brutality and ruthlessness with which the Ukrainian population is being attacked is shocking to us all. That is why we do of course support the international sanctions imposed on Russia. LANXESS has suspended all

investments in Russia and – as far as contractually possible – ceased doing business with Russian customers.

LANXESS supported the work of local aid organizations at an early stage with a substantial donation. In addition, there are aid projects initiated by our employees abroad with our support. And I am proud that many of our colleagues also show great empathy and solidarity in their private lives.

In addition to the concern for the people affected, however, we as a company must also be concerned about our large sites, especially here in North Rhine-Westphalia, Germany. The war has once again driven up energy prices dramatically, and in Germany we are discussing security of supply and how our production facilities can be operated in the future. It is far from clear what other consequences the war in Ukraine will have.

At LANXESS we focus on what is within our sphere of influence and what we can shape ourselves. This is

what we have already done during other major crises such as the Corona pandemic. And that we are successful in doing so is proven by a look at the fiscal years 2020 and 2021.

As in the previous year, we had to respect the restrictions and rules of conduct resulting from the Corona pandemic in all our actions and interactions. And for a company like LANXESS, which thrives on the discourse of its people, this was of course once again a major burden.

At the same time, however, the second pandemic year was once again a great example of the team spirit, adaptability and commitment of our employees. Even though I have been with LANXESS for such a long time, I am always incredibly impressed by the way our colleagues deal with such challenges. The figures I am now very pleased to present to you reflect this attitude. And I would like to thank all our employees worldwide for this!

## Results

Ladies and Gentlemen, the year of growth we promised you for 2021 is what we delivered. At EUR 7.557 billion, our Group sales in 2021 were 23.8 percent higher than the prior-year figure of EUR 6.104 billion.

Our EBITDA pre exceptionals increased by 17.2 percent to EUR 1.010 billion, compared with EUR 862 million in the previous year – and was thus within our guided range of EUR 1 billion to EUR 1.05 billion.

Our EBITDA margin pre exceptionals was 13.4 percent, compared with 14.1 percent in the previous year, and was impacted by a sharp rise in costs and one-time effects.

At EUR 218 million, net income from continuing operations was below the previous year's figure of EUR 908 million. As expected, I have to say, because in 2020 our net income was strongly impacted by the sale of our stake in chemical park operator Currenta – as you may recall.

Overall, the figures clearly show: our work has borne fruit. And of course we would like you to share in this success: We are therefore proposing a dividend of EUR 1.05 per share to the Annual Stockholders' Meeting. This is five percent more than in the previous year and corresponds to a total payout of around 91 million euros.

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## **Overall conditions**

Ladies and gentlemen, I am proud of our results. On the one hand, of course, because they are very good. But also because we achieved them under extremely unfavorable conditions. This shows the great strength and stability LANXESS has today after the years of restructuring.

Nevertheless, we cannot close our eyes to the ever-increasing external pressure. The dramatic increase in energy prices that we experienced last year and which continues unabated to this day is extremely worrying. Since 2021, we have still been able to largely pass on the increased energy costs through our sales prices.



However, if the rise in energy prices continues, it will pose an even greater threat to Germany as an industrial location and its companies than is already the case today.

I truly appreciate the efforts of German politicians to find new energy sources.. I think it is absolutely right to end Germany's dependence on Russian gas supplies as quickly as possible. But this desire must not lead to irrational acts that weaken our own industrial base. First of all, we need viable alternatives. Unfortunately, renewable energies are yet to be a solution, because they are still available neither in sufficient quantities nor at competitive prices. At the same time, policymakers should provide rapid relief from skyrocketing prices. In concrete terms, this means, for example, reducing taxes, levies and other price components and costs that can be influenced by the government in the short term. The abolition of the renewable energy surcharge in Germany on July 1 is an initial positive signal, but it will not be enough to curb the current price trend and make electricity prices internationally competitive.

As you can see, the challenges are great. I am calling on politicians and – as CEO of a group whose heart beats here in North Rhine-Westphalia – in particular on the future state government: act quickly, act decisively! Time is short!

## **Acquisitions**

Dear stockholders, we have only limited influence on the framework conditions within which we operate and produce. However, the decisions we make for the successful future of LANXESS are entirely in our hands. And in this respect, we have taken LANXESS a good step forward in the fiscal year 2021!

I had already spoken about the acquisitions of the two French companies Intace and Theseo at last year's Annual Stockholders' Meeting. I also reported on Emerald Kalama Chemical – at that time the second largest acquisition in our history. We successfully completed all three transactions last year as planned.



With all three acquisitions, we have strengthened our newest segment, Consumer Protection. And, Ladies and Gentlemen, you may already have noticed this last year: We are immensely optimistic about the potential of this segment with its consumer-oriented protection products. And that is why, in the second half of 2021, we once again combined all our strengths and energies ... and signed an agreement for our fourth takeover.

Last August, we initiated the second-largest transaction in our history to date with the acquisition of the Microbial Control business of the U.S. group International Flavors & Fragrances for around USD 1.3 billion.

IFF Microbial Control is one of the leading suppliers of antimicrobial active ingredients and formulations for material protection, preservatives and disinfectants. The business fits ideally with our strategic focus – specialty chemicals with attractive margins, applications in a wide range of industries and with a global footprint.

With its approximately 270 employees, IFF Microbial Control generates sales of around USD 450 million. Within four years of the closing of the transaction, we aim to leverage EBITDA potential of around USD 35 million through synergies, bringing the earnings potential of the business to well over USD 100 million.

This acquisition will also make LANXESS more profitable and stable. It will make us one of the world's largest suppliers of microbial control products and Consumer Protection our strongest segment. We expect the transaction to be completed in the third quarter. IFF Microbial Control will then be integrated into our Material Protection Products business unit.

## **Organic growth**

Dear stockholders, in the midst of the pandemic, we not only made four promising acquisitions, but also drove forward the organic growth of LANXESS.

Over the past few years, we have strengthened our Krefeld-Uerdingen, Germany, site with an investment package worth more than EUR 130 million. We built



or expanded several plants, including a completely new production facility for sustainable high-performance plastics, which I inaugurated just a few weeks ago. With investment costs of around EUR 50 million, it was one of the biggest projects in the package.

At our site in Changzhou, China, we will build a second compounding plant for the high-tech plastics of the Durethan and Pocan brands. We are investing around EUR 30 million to increase our production capacity there by 30,000 tons per year. Once the plant comes on stream in the first quarter of next year, we will be even better able to meet the high demand from the steadily growing Chinese automotive industry. E-mobility is booming in China and is placing ever new demands on lightweight applications – which our high-tech plastics can serve excellently.

## **Sustainability**

Ladies and gentlemen, the motive that guides all of us at LANXESS is the successful future of our company.



LANXESS shall grow, offer attractive products and open up new markets.

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In our view, however, a successful future also includes LANXESS becoming an increasingly sustainable company in all its facets. As part of an energy-intensive industry, we bear a special responsibility of which we are very aware. We therefore want to play an active role in shaping our industry and its global value chains - toward greater sustainability.

As you all know, we were one of the first chemical companies to set ourselves the ambitious goal of becoming climate neutral by 2040. And I am pleased to tell you: We are right on track to achieve this. For example, as announced last year, we will begin to construct another state-of-the-art nitrous oxide reduction plant at our Antwerp site in Belgium this fall. Once operational, this plant is expected to eliminate 300,000 metric tons of CO<sub>2</sub> equivalents per year and take us a good step forward on our path to climate neutrality.



Our first sustainability-linked bond, which we placed on the European capital market last year, also illustrates how convinced we are of achieving our goal of climate neutrality. The benchmark bond has a volume of EUR 600 million. Its interest rate is linked to our interim climate target of 2025. If we do not achieve it, the interest rate increases.

Dear stockholders, I just spoke about LANXESS becoming more sustainable in all its facets. Our focus is not only on our emissions, it also extends to our products. For example, we systematically evaluate the sustainability of our portfolio and take sustainability criteria into account when developing new products and applications.

I just reported on the new production plant at the Krefeld-Uerdingen, Germany, site, which I recently had the pleasure of inaugurating. In the future, for example, it will enable us to produce not only our high-performance plastics, which are already firmly established on the market, in even greater quantities, but also a completely new product – sustainable high-performance plastics.

The new plastic grade contains 92 percent of sustainable raw materials. It is the first product of LANXESS' new "Scopeblue" range, which we launched last year. "Scopeblue" products consist largely of circular raw materials or have a significantly lower CO<sub>2</sub> footprint than conventional products.

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And we also focus on sustainability with other products. At our Brilon, Germany, site, for example, we are producing a new variant of our composite material Tepex. This is based 100 percent on the biological raw materials flax and polylactic acid. The material is extremely strong, can be used in the automotive and electronics industries, and – its great advantage – can be shredded without difficulty at the end of its life cycle and processed into new plastic.

## Outlook

Dear stockholders, we have achieved a great deal in 2021. The LANXESS I presented to you today is a robust, versatile company that is focused on the future and holds strong positions in numerous markets. We



have therefore started fiscal 2022 with confidence and optimism, despite the possibility of further price increases for energy and raw materials.

Our first quarter showed strong growth. At EUR 320 million, EBITDA pre exceptionals was 32.2 percent above the prior-year figure of EUR 242 million, and Group sales and net income also increased significantly year on year.

The outlook for the current second quarter is also positive. Here we expect EBITDA pre exceptionals of between EUR 280 million and EUR 350 million, compared with EUR 277 million in the prior-year period.

For the full year, we continue to expect significant year-on-year earnings growth – even though the consequences of the Ukraine war are still unclear today.

Ladies and Gentlemen, the past months were marked by unsettling developments. Not only for us as a company, but also for our society as a whole. Much of what

seemed safe and certain to us has been called into question by the Corona pandemic and the Russian attack on Ukraine. Rarely have we looked into a future as uncertain as at present. On a large scale, looking at the world situation, we all can only hope that the killing in Ukraine will finally stop and that we will ultimately get the Corona pandemic under control. And on a smaller scale, looking at a company like LANXESS, I hope that we can all maintain our energy and optimism in times of uncertainty.

Thank you very much for your trust in our work! Stay healthy, stay with us!

Thank you for your attention!