Annual Stockholders' Meeting
Friday, May 20, 2016

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From the presentation by

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Chairman of the Board of Management of
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(2016-00001e)

Good morning, ladies and gentlemen.

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

I think I can say that we have every reason this year to be happy and also a little proud as we come together today. We have achieved a great deal in the past twelve months. We have found solutions to many of the fundamental problems that LANXESS faced – and not just any solutions but the best solutions. We have again positioned LANXESS so that we are once more able to exploit the opportunities we find in a changing industry and a changing world. Growth and competitiveness – these two words have been restored to our vocabulary once more.

Above all, however, we have achieved all this in just a few months – at a speed which makes us the envy of other companies. Acting rapidly and achieving sustainably viable solutions are what we call quality.

Let's look back briefly. Bloated administrative structures, oversized capital expenditures, high indebtedness and declining profitability – that's where we stood two years ago. LANXESS was facing real difficulties.

In the past two years, we have acted quickly and resolutely to restructure our company – all the while focusing on sustainable success that creates value.

The first thing we did was examine and optimize all our administrative and business structures. This resulted in annual savings of EUR 150 million, which we were able to achieve quicker than we had planned.

Our second step was to improve our operational competitiveness by reviewing our costs, our energy and raw material consumption, and the main processes and systems used at our sites. We will gradually work up to annual savings of EUR 150 million, which will be achieved in full through the end of 2019. Savings of some EUR 10 million were already achieved in 2015.

Ladies and gentlemen, all these measures were necessary. And I'm proud of the commitment and speed shown by our teams the world over as they worked toward a common purpose. “Energizing Chemistry” is our company's motto – and the energy we've displayed during our reorganization would be hard for anyone to match.

Ladies and gentlemen, all this helped us to meet our third objective as well. We set out to establish a strategic alliance with a strong partner for our rubber business.

As you already know, we were successful in our quest.

Together with Saudi Aramco, the world's biggest energy and oil producer, we established ARLANXEO on April 1, 2016. The global number one in the rubber business has entered into an alliance with the global number one in the oil and gas business. I and everyone else at LANXESS are convinced that this alliance puts our rubber business in an outstanding competitive position and offers it the best possible perspective for the future.

The alliance provides three strategic advantages. First, in the future we can produce synthetic rubber in an integrated value chain that extends from the oil field to the end product, thus enabling LANXESS to close a major strategic gap, which had developed between us and our competitors in the past years.

Second, we have in one move substantially reduced the LANXESS Group's considerable indebtedness and can now return to a growth course.

And third, we have spread the entrepreneurial risk of the rubber business across two strong pairs of shoulders. There is no denying that the rubber market will remain difficult in the years ahead, characterized by overcapacities and aggressive competitors.

Ladies and gentlemen, I've described how acting quickly and seeking good and sustainable solutions were at the focus of our efforts. And we have achieved both with our rubber alliance. I know from many conversations I have had that the market sees it this way as well. Many of our competitors have been impressed by the speed with which we have created something big. And I can assure you that we will continue working so that ARLANXEO makes a lasting impression in the future, too.

Ladies and gentlemen, the past two years of realignment have been a very busy time for everyone at LANXESS – a time of sacrifice and cutbacks. I'm proud that we have worked as a team in mastering this challenge. It's a strong team encompassing all LANXESS employees, including apprentices, managerial staff and members of the Supervisory Board – in Germany and the rest of the world.

On behalf of my colleagues on the Board of Management as well, I would like to thank all our company's employees most warmly. It is due to your commitment and dedication that we were able to implement our realignment so quickly and successfully.

Ladies and gentlemen, what does all this mean for the New LANXESS? Firstly, our own portfolio is now less dependent on the tire industry. As an enterprise, we are far more resilient than we were in the past. Above all, however, the proceeds of EUR 1.2 billion from the rubber transaction have restored the financial flexibility we need for our growth course.

In the future, we aim to use our quality products to expand our position in less cyclical, medium-sized markets with high margins and good growth prospects. We will be focusing on the growth regions of North America, China and Southeast Asia.

LANXESS is now strong enough again to shape its own future. That is crucial for us. After all, the world's chemical industry is changing at a dramatic pace. And we intend to turn this to our advantage.

However, some challenges can't be mastered alone. This applies in the case of access to raw materials and competitively priced energy.

The chemical industry is among the sectors with the highest energy and raw material requirements. That is why the prices of energy and raw materials can determine success or failure.

Current electricity and gas prices at our sites in the United States are half as high as those paid by comparable production facilities in Germany.

If we are to maintain our position in the global competitive arena and protect and create jobs in Germany, we need appropriate framework conditions in our own country. That also means we need a policy which will not make German energy prices any more expensive than they are.

One thing should not be forgotten. The chemical sector is one of the key industries in the German economy. A great many of the sector's products are needed at the start of the value chains in other industry sectors. Without innovations from the chemical industry, value creation there would be unimaginable. Innovations are also an essential aspect of many people's lives. They provide work for some 450,000 Germans. And they are found in around 90 percent of the products used by Germans everyday.

Ladies and gentlemen, as a corporate citizen, LANXESS aims to contribute toward solving the pressing problems facing society today. Last year, one issue came to the forefront: the refugee crisis.

That is why LANXESS donated EUR 400,000 in immediate aid in fall 2015. The focus of this aid is on the provision of German language tuition for refugees at schools, adult education centers and chambers of commerce. We have also been providing financial support to social projects in the vicinity of our sites.

Ladies and gentlemen, we made intensive use of the past year. I'm particularly pleased that all our efforts have culminated in economic success and very gratifying financial data.

Despite the difficult market environment – especially in the rubber business – we substantially increased EBITDA pre exceptionals in 2015 to EUR 885 million, from EUR 808 million a year earlier. This was at the top end of the guidance we issued last year and adjusted upward several times, not least because of the rapid and efficient implementation of our realignment program.

Our EBITDA margin pre exceptionals improved from 10.1 percent to 11.2 percent. And our net income tripled from EUR 47 million to EUR 165 million.

At the same time, LANXESS' net financial liabilities decreased by a considerable EUR 125 million to around EUR 1.2 billion at the end of the past fiscal year. Overall, we reduced our liabilities by 30 percent within 24 months. Meanwhile, having received the proceeds of the joint venture, we have now virtually eliminated them altogether.

At EUR 7.9 billion, sales were virtually level with the 2014 figure of EUR 8.0 billion.

Today, LANXESS has much stronger earning power and a more solid financial position than it had in the past few years. And that is also to be reflected in a higher dividend.

The Board of Management and the Supervisory Board will therefore be proposing to you today that the dividend be increased by 20 percent compared with the prior year to EUR 0.60 per share. This would result in a total dividend payout of around EUR 55 million.

In the future – and this is a deliberately stated claim – we are seeking to increase the dividend or at least maintain it at a stable level.

And we are optimistic that we are on the right track. Although the global economy is currently going through troubled waters, we assume that LANXESS will continue to develop positively. Following a strong first quarter, the second quarter has also begun well. We have therefore already raised our guidance and are forecasting EBITDA pre exceptionals for the full year between EUR 900 million and EUR 950 million.

Ladies and gentlemen, we will deploy a smart strategy in using our regained strength. We are planning to spend around EUR 200 million this year buying back some of the shares issued in 2014. We also intend to spend EUR 400 million on further reducing our gross financial liabilities. Among the steps here are the redemption of bonds and the financing of pensions.

Growth is another aspect of a smart strategy. In the years ahead, we therefore intend to invest some EUR 400 million of the proceeds from the rubber transaction in organic growth. We felt it was particularly important that our first major investment at Saltigo in Leverkusen should strengthen one of our home sites. We are a company with strong roots in Germany, which is a strong chemical production location – and we want to demonstrate this.

However, we also aim to grow externally. Our planned acquisition of the Clean and Disinfect specialties business of U.S.-based chemical company Chemours shows that we are capable of seizing a good opportunity when it arises. The business comprises active ingredients and specialty chemicals used especially in disinfectant and hygiene solutions and will be assigned to our Material Protection Products business unit.

The acquired business is well established in the market, delivers high margins and will provide us with the potential for growth, especially in the North America region.

The acquisition will also be accretive to the company's earnings per share in the first year. We are expecting an annual EBITDA contribution of around EUR 20 million. Synergy effects should gradually increase this to around EUR 30 million through 2020.

Ladies and gentlemen, LANXESS' perspectives are now growth, a focus on quality, sustainability and innovation. And our company again has all it needs to achieve its objectives and claims: a healthy financial basis, good market positions and a broad portfolio.

Above all, however, we have a fantastic team which has displayed great commitment in seeing LANXESS through tough times and successfully putting the company on course for the future. Together, we will make LANXESS a more dynamic, resilient and profitable company.

I would be delighted for you to accompany us on this course. Thank you for your trust and your ongoing support.

Thank you very much.