

Annual Stockholders' Meeting  
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From the presentation by

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Good morning, ladies and gentlemen.  
Stockholders of LANXESS,

On behalf of my colleagues on the Board of Management, I would also like to very warmly welcome you to this year's Annual Stockholders' Meeting. I'm pleased that so many of you could be here today at the LANXESS arena in Cologne.

I spent a long time looking for a word to sufficiently describe our 2014 business year. Was it a "difficult" or a "challenging" year? I think that for everyone at LANXESS, including me, it was above all a very intensive year – maybe the most intensive of my entire career.

The sense of urgency we were faced with was particularly intensive. And we also intensively and immediately tackled the tasks that faced us. Together we addressed the challenges, made many things happen and accomplished a lot this year. Today I would like to report to you on these accomplishments.

When I stood here before you last year, it was clear that we had to act – and we had to do so immediately. At the time I openly communicated that to you. At the same time, I conveyed our stated goal: we want to get LANXESS back on track.

We made good progress with this goal in 2014. A year ago we laid the foundation for the realignment of LANXESS through the capital increase. The capital increase gave us options we urgently needed and that we have consistently taken advantage of. In August we presented the main features of our three-phase realignment process and clearly prioritized the necessary steps.

We then immediately began to implement the first phase, with the goal of improving our business and administrative structures.

In concrete terms, this means that only 12 group functions now support our business operations instead of 16. Furthermore, since

the beginning of the year LANXESS has reduced its number of business units from 14 to 10. Our new alignment will not only allow us to operate more efficiently, but also to maintain closer proximity to the market and our customers. Of course we also did not stop at the Board of Management and related units. On the contrary – that's where we started.

We achieved very rapid savings with the first phase of our realignment – some EUR 20 million already in 2014. And this will be reflected in our business data. In total, we will have saved some EUR 120 million by the end of this year and EUR 150 million from the end of 2016, and those are annually recurring savings.

However, it is also true that the measures in the first phase required a reduction in total headcount of about 1,000 positions worldwide. These cuts were painful for everyone involved. It was all the more important that we were able to find mutually acceptable solutions already by December for the 500 employees affected in Germany. This enabled us to complete the headcount reduction without dismissals for operational reasons.

This was the first stress test for our social partnership with the employee representatives since the economic and financial crisis. And in my view we passed this test. The negotiations were tough, but it was clear to both parties at all times that cuts were needed. Right from the beginning, we jointly strived to achieve fair and responsible solutions for the employees. This was very important to me personally, and we succeeded in this endeavor.

We have also already succeeded in reducing the majority of the 500 affected positions outside Germany.

Ladies and gentlemen,

We had to make some very painful decisions in the first realignment phase. I am aware that the past twelve months were not just an

intensive, but also an extremely difficult time for our employees. Yet despite all the unavoidable hardships, I believe our employees understood that LANXESS had to get its costs back under control so as to improve its long-term competitiveness.

I would like to take this opportunity to sincerely thank all our employees for resolutely pulling together and supporting our realignment process. Following our spin-off ten years ago, there was a tremendous desire to succeed – something I have sensed again clearly in recent months.

Valued employees, thank you so much indeed.

Ladies and gentlemen,

The first phase of our realignment helped us to substantially improve our cost structure in the administrative area.

Since the end of last year, we have been working on the second realignment phase, with the aim of improving our operational competitiveness. We are focusing on two main aspects in this phase: sales and production.

We are currently scrutinizing our entire sales structures. We were well aligned in this area following the spin-off of LANXESS about 10 years ago. However, both the industry and markets have changed significantly since then and we have waited too long to react. We intend to and we must make up for this. Wherever possible, we will standardize and increase the efficiency of our sales processes. Nonetheless, our business units will maintain their independence. A good balance between centralized responsibility and decentralized steering has always been a success factor for LANXESS – and we stand by that.

We have established a clear and ambitious timeline for the realignment of our sales processes: we will complete the analysis

phase in the second half of the year and launch the implementation phase.

Ladies and gentlemen,

Even more important in this second phase, however, is the optimization of our production facilities and plants.

You are all familiar with our situation. Synthetic rubber currently accounts for some 40 percent – and thus the biggest portion – of our sales in relative terms. This market has changed significantly in recent years. New plants have come on stream around the world, and new companies have also entered the international arena. This has led to significant overcapacities. We have also contributed to this trend with new large-scale rubber plants.

The challenge now is to bring supply and demand back into balance. LANXESS is the world market leader in synthetic rubber. We are prepared to live up to our leadership role in making the necessary adjustment. We want to establish, or at least help to set, the rules of the game.

We have therefore very consciously decided to only successively bring on stream the capacity of our new rubber plants in China and Singapore. By starting them up gradually, we are avoiding a further decline in prices caused by increasing capacities. We are very consciously accepting idle capacity costs for both plants over a two-year period.

Ladies and gentlemen,

This capacity strategy is of course just the first step and not a lasting solution to the problem. We are therefore currently analyzing how we can realign our rubber production network. We have already decided on the first two steps.

First we will realign our production network for Nd-PBR over the course of 2016. This rubber is used particularly for high-performance tires. Dormagen, Germany, and Singapore will serve as the anchor sites for this rubber in future. Our sites in the United States and Brazil will then serve only the local and regional markets. We will transfer production volumes from these sites to Singapore. That's because demand for this rubber is high in the Asian market, and we will now be able to locally serve that demand with the new plant. As a result, we will make our logistics chain more efficient and reduce transport costs. What's more, this will enable us to increase the base load of our Singapore plant more quickly than originally planned. That ultimately leads to a decline in idle capacity costs.

The second measure pertains to our production network for EPDM rubber. This rubber is used particularly in cars for applications such as windshield wiper blades or door seals. Due to overcapacities in this area, we have decided to consolidate our production network. In the future, we will focus on just one plant per region. We therefore intend to stop production at our Marl plant, Germany, at the end of this year. We currently have two production facilities for this rubber in Europe. The Marl facility is the least competitive due to its small capacity and comparatively high energy and raw material costs.

Ladies and gentlemen,

We did not have an easy time making this decision. The Board of Management of LANXESS is well aware that this is one of the most difficult decisions in the company's history. Yet it is unavoidable if this business is to achieve lasting success in a persistently difficult market and competitive environment.

We immediately opened discussions with the employee representatives. We are confident that here too, we can find fair and responsible solutions for the 120 employees based in Marl.

Let me take a moment to state one thing clearly: it is our aim that we will not have to make any further such decisions during the second phase of our realignment in Germany. Instead, our stated goal is to align all of our German facilities in such a way that they can compete in the global arena over the long term. LANXESS is a German company – a company from North-Rhine Westphalia. We are committed to this region and have deep roots here. Half of our employees are based here, and more than one third of our investment is undertaken here.

At the same time, however, I must also clearly state that we and other German companies must not continue to be impeded in keeping sites in this country internationally competitive. This requires underlying conditions that do not put us at a further disadvantage against our global competitors. Here I would like to especially mention the issues of energy costs, infrastructure and trade conditions.

The chemical industry is among the sectors with the highest energy requirements. As a result, we quickly notice any rise in energy prices. Specifically, the situation for LANXESS is as follows: ten years ago, energy costs accounted for between 3 and 5 percent of total costs for many of our products. Today they account for up to 15 percent. This is due not only to electricity prices, but also to the additional charges. Consequently, energy costs for many of our products have caught up with wage costs. Furthermore, a global comparison shows that the differences in energy costs from one country to another are becoming increasingly significant. That also makes them a much more heavily weighted factor today in capital expenditure decisions.

There is no doubt that the change in German energy policy is both socially and politically desirable. And as a major energy consumer, we are committed to the associated objectives. However, we do not fully agree with the way in which this complex project is being implemented.

For example, we currently cannot even assess the additional costs we will face in the future from the reform of the Renewable Energies Act in Germany. We do not know, for instance, to what extent our plants that produce their own energy will remain exempt from the Renewable Energies Act levy beyond 2017.

I must emphasize that we need clarity and planning security as a company. And we need a secure supply of energy at globally competitive prices so that we can continue investing in Germany in the future. It cannot be said that the conditions are fair if electricity prices in the United States are less than half of those in Germany and gas prices are even lower, at two-thirds less than what they are here.

Another issue we are increasingly concerned about is our infrastructure. Germany is at risk of losing another locational advantage.

You can see how significant this country's infrastructure problems have become right on our doorstep. The Leverkusen motorway bridge has remained closed to heavy trucks for an extended period, thus impeding the supply of our Leverkusen and Dormagen sites for a considerable time now. The resulting detours are costing us not only time, but especially money.

We need a reliable, future-oriented infrastructure. Politicians must set priorities here and ensure greater investment in infrastructure, and this as quickly as possible.

However, ladies and gentlemen,

in addition to all the economic policy challenges, there are also opportunities. Opportunities that we must not waste, particularly when they are in reach. I'm talking about TTIP, the trade agreement between the European Union and the United States.



We at LANXESS view this agreement as an effective way to create growth and secure Germany's and Europe's position in the global economy.

The United States is the most important non-European trading partner for the German chemical industry. The chemical industry would directly benefit from the elimination of customs duties. According to our own calculations, LANXESS could reduce costs by a double-digit million figure.

Even more beneficial, however, would be the elimination of non-tariff trade barriers. Testing, study and investigation procedures often have to be conducted separately for both markets at the moment – without any additional benefits for consumers. This harbors substantial cost saving opportunities.

Please do not misunderstand me. I am in no way talking about lowering our high standards, which we have worked hard to establish over the decades and intend to maintain no matter what. Safety and quality standards played a crucial role in the success of German companies, and there is no reason to abandon them.

Valued stockholders,

The conditions under which we as a company operate with our sites in the global arena are a key factor to our success. Yet we establish the fundamental elements of this ourselves.

This brings me back to our realignment – and specifically our plans for the third phase. The aim of the third phase is to make our portfolio competitive again, and particularly our rubber business. We are especially considering alliances with one or more partners. And for that we have two options:

In a vertical alliance we would collaborate with a petrochemical raw materials supplier, for example. Our partner could count on secure

sales of raw materials. For our part, we would safeguard our access to raw materials and be less exposed to volatile prices.

In a horizontal alliance, we would cooperate with another rubber producer. This would enable us to optimize our production in times of overcapacity.

Since the end of last year we have been involved in discussions with various potential partners from around the world. We have since terminated some of these discussions as they did not offer sufficient advantages for both parties. Over the course of this process, however, new interested parties have contacted us and we have initiated a dialogue.

We still plan to update you in the second half of 2015 on the status of these discussions.

Ladies and gentlemen,

As you can see, we are making rapid progress with our realignment. At the same time, we improved our earnings year-on-year in 2014.

Although sales fell by around 4 percent, our operating result – EBITDA pre exceptionals – climbed by 10 percent to EUR 808 million. This improvement in earnings is gratifying especially against the background of the persistently challenging business situation. And these figures also reflect the first benefits of our realignment. That's because the main reason for our positive earnings was the reduced cost base. The improved capacity utilization at our facilities and the shift in exchange rates were also beneficial. I am especially pleased that all segments contributed to the rise in earnings.

EBITDA pre exceptionals in the Performance Polymers segment rose by around 1 percent. Despite persistent pressure on prices and lower volumes, we improved earnings due to the significantly lower cost base and positive currency effects.

With the considerable focus on the rubber business with all its challenges, people sometimes lose sight of the fact that 60 percent of our business is in good shape. That's why I would like to take a moment to make special mention of the Advanced Intermediates and Performance Chemicals segments. The Advanced Intermediates segment combines our businesses with chemical intermediates for the agricultural industry, for example, and the manufacture of chemical precursors and active substances. EBITDA pre exceptionals of the segment moved ahead by about 6 percent in 2014. The Performance Chemicals segment produces a broad range of process and functional chemicals for industry. EBITDA pre exceptionals of the segment in 2014 was nearly 19 percent ahead of the prior year. These results show that we remain well positioned in these businesses.

Net income also expanded markedly, coming in EUR 206 million above the prior year at EUR 47 million. However, I would like to point out here that we took considerable impairment charges in the previous year, which distort the comparison with 2013 somewhat. Earnings per share were thus EUR 0.53 in 2014 after minus EUR 1.91 in 2013.

Capital spending remained high in 2014, at EUR 614 million, as we had already committed to these expenditures. Despite this high level of investment, we reduced our debt significantly, and faster than expected. Net debt was approximately EUR 1.3 billion at the end of 2014, down some EUR 400 million from the same period of the prior year.

Ladies and gentlemen,

We made good progress with both debt reduction and our realignment. We are therefore proposing today that a dividend of 50 cents per share be paid. That would mean a total payout of about EUR 46 million. In keeping with a continuous dividend policy, we

want you to participate in the success of our company even in challenging times.

Just a few days ago, we published our results for the first quarter. I am sure you followed this news. Sales were steady year-on-year, while EBITDA came in at EUR 229 million – up by a substantial 12 percent against the prior-year quarter. And we achieved this despite start-up costs of some EUR 25 million for the rubber plants in China and Singapore.

This is at the upper end of the EUR 210 million to EUR 230 million corridor we announced in March. Of course we also benefited here from favorable external effects. Particularly noteworthy here were the strong U.S. dollar – which was beneficial to us – and reduced raw material costs. Yet we are also seeing how our own efforts in recent months are increasingly taking effect. This shows us that we're on the right track.

As in the full year 2014, all three segments contributed to the rise in earnings. EBITDA pre exceptionals of the Performance Polymers segment rose by around 4 percent. The Advanced Intermediates and Performance Chemicals segments each grew by 28 percent.

Net income was down by EUR 3 million against the prior-year period to EUR 22 million, due particularly to realignment-related exceptional charges.

Ladies and gentlemen,

We are doing well so far in 2015. There is no question that the initial figures are encouraging. This positive trend is being driven not just by external effects such as the development of raw material prices and the strong U.S. dollar, but also increasingly by our realignment measures. We expect this favorable development to continue over the course of the year. However, I would like to reiterate that our earnings will be diminished this year by idle capacity costs for our

new plants in Asia. Furthermore, we are assuming a persistently challenging competitive environment, especially for synthetic rubbers, for the current business year.

Overall, however, we are raising our guidance for the full year 2015 and now expect to achieve EBITDA pre exceptionals of between EUR 820 million and EUR 860 million.

Last year I promised you that we would return to a more balanced approach with regard to our capital expenditure policy. We will attain this goal already this year – a year earlier than planned. Our capital expenditures will come in at an economically sensible level in 2015, at around EUR 450 million.

Ladies and gentlemen,

2015 will remain a year of realignment, with which we will systematically and resolutely press ahead. We have once again undertaken quite a bit for this year.

- We continue to work on the realignment of our rubber production networks,
- we are pressing ahead with the optimization of our sales organization
- and we continue to work on alliances for our rubber business.

In 2015 we intend to set the course for the future of our company.

We plan to complete our realignment in 2016 and benefit from the implemented measures. We should then be able to return to growth mode, step by step. Our goal is to expand our position in the less cyclical businesses – in other words particularly the Advanced Intermediates and Performance Chemicals segments.

At Advanced Intermediates, we aim to eliminate production bottlenecks and further improve efficiency through targeted

investment. And at Performance Chemicals we plan to further expand our network of plants, particularly in Asia. We also intend to improve our profitability by consolidating businesses that target similar customer segments.

We are also prepared to achieve further growth in both segments through acquisitions. We will examine any options that arise here.

Ladies and gentlemen, valued stockholders of LANXESS,

We want to get back on track. That is our stated goal. We have already achieved a number of milestones. We're going in the right direction at the right speed. However, we still have a way to go.

I opened my remarks by describing 2014 as an intensive year. You accompanied us throughout the year and remained loyal to us. I would like to sincerely thank you for your patience and the trust you have placed in us so far.

I can assure you that we at LANXESS appreciate this trust. And that each day, we set out to prove that we have earned this trust.

Thank you.

**Forward-Looking Statements.**

This news release may contain forward-looking statements based on current assumptions and forecasts made by LANXESS AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.