

Annual Stockholders' Meeting  
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From the presentation by

**Matthias Zachert**

Chairman of the Board of Management of  
LANXESS AG

**LANXESS AG**

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Good morning ladies and gentlemen, Ms Stomberg,

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The most important message that stands out for me as we look back over the past year is that 2017 was a record year for LANXESS. We have presented the best result in our company's history and exceeded our previous best by a clear margin. Never before has this company earned as much money as in this record year of 2017.

That is good news for us all, and something we can justly be pleased about. But I will also say that, for me, it's not just about the record itself. The figures are welcome, but they don't say much. Far more important to me is the fact that this record is a milestone in LANXESS's development – in the long-term and sustainable development of this company. It is a milestone that shows us that the decisions we took in past years were the right ones – and that the course is set firm for the future. We want to continue to configure the corporation and align it on the strategy that was communicated last year.

What is more important to me than the simple figures is also how this performance was achieved. The figures that I will present to you today are the result of hard work. Everyone at LANXESS – from shift workers all the way to the Board of Management – have all pulled together in the same direction. That is why we have succeeded in putting our company back on a solid financial basis. On the other hand, the past year has shown in impressive fashion that we are back on course for growth.

In short – we were successful in every way: strategically, financially, and sustainably. And it is from these three perspectives – strategy, finances, and sustainability – that I would now like to make my report to you on the past fiscal year.

Let me first look at the strategic focal points of the past few months.

Following the successful takeover of the US chemicals corporation Chemtura, our most important strategic task was to integrate its businesses productively into LANXESS.

And we have done that well, I believe. All the Chemtura businesses have found the place in our corporation that offers them the best possible prospects for the future. We can also see that in the significant contribution to the result that the Chemtura businesses have already made in 2017. Synergies worth 100 million euros were originally announced, and we were already able to realize 30 million of them in the past year.

This shows one thing in particular. Last year we promised you that the acquisition of Chemtura would make LANXESS bigger, stronger and more competitive. And I am happy to be able to say to you today that we have kept this promise.

Ladies and gentlemen, the past year of course presented us with other strategic challenges. You will all have followed how regional perspectives and protectionist viewpoints are gaining ground around the world.

But the history of the last century shows that trade barriers undoubtedly hurt everyone. "Prosperity for all" also has something to do with free trade.

LANXESS is not affected by customs duties on steel and aluminum, so it does not currently anticipate any downside here. In addition, the US exports more chemicals than it imports. In this respect, customs duties on chemical products are rather unlikely.

Nevertheless, we are observing developments with great concern. I would expressly like to say to you that we do not need our markets to be walled off, we do not need any punitive tariffs or any barriers to

trade. What we need is international cooperation, what we need is coordinated action. And we advocate this whenever possible.

Of course it is not our task, but the task of politicians, to make decisions here. Yet as a company we can also do something ourselves to counter increasing trade barriers – for example by increasing our presence in important growth markets.

And the takeover and integration of Chemtura also played a key role in this. With Chemtura, we have anchored our position more strongly in the growth regions of Asia and America. As a result, we were able to increase our sales by 2 percentage points in comparison with the previous year in these regions, which are the two most significant chemicals markets there are.

Ladies and gentlemen, the past year also saw us tackle strategic issues that require a longer-term commitment of our part.

The most important issue here is the continuing progress made in digitalization. There is no doubt this will change industry and the creation of value in Germany and the world as a whole. And even if many people did not believe this a couple of years ago, the chemical industry also faces some fundamental changes.

In order to keep pace with these developments and to benefit from this progress, we created an organizational unit in the form of the dLX division last year that is intended to smooth our path into the digital future.

We see a great opportunity here to use the digital advances to optimize our production processes. I can mention Big Data as a keyword here. Digitalization gives us the opportunity for the first time to leverage the vast treasure of our own data, to evaluate it and use it to improve our production processes. But this is not only true for production – it is true along the entire value chain. We can make our processes clearer, simpler and better across the board.

And, lastly, the new technologies offer us the opportunity to shape our channels to the customer with a more efficient, more targeted design. I see great potential here in particular.

Digitalization is also an opportunity to shape progress with and to the advantage of our staff. They, too, will benefit from this development. For example, we have great hopes that digitalization will improve the transfer of knowledge within our Group. All employees will be able to access knowledge more easily and more directly than before.

Ladies and gentlemen, we are certainly still only in the early stages when it comes to digitalization. This is true for LANXESS, it may well be true for many companies in German industry. But I am confident that we will succeed in combining our operational strengths – and here I mean our command of complicated chemical processes, our production expertise, and our knowledge of large-scale plants – with the possibilities offered by new technologies. This will be a major challenge for us, but also a great opportunity, and we want to use it!

Ladies and gentlemen, let me now turn to the second pillar in the triad of strategy, finance and sustainability. Whether a company is on the right track strategically is also reflected in its figures. And looking at our figures, we can feel fully vindicated in the path we have taken. Because LANXESS's earnings for fiscal year 2017 are excellent.

At 9.6 billion euros, we generated the highest group sales in the history of LANXESS. The same is true of EBITDA, where we also achieved record figures of almost 1.3 billion euros. All segments increased their earnings and thus played a part in the overall success here.

It is only in the net income that we have had to record a decline. At 87 million euros, the figure has slipped from the previous year. The reason for the decline was significant exceptional charges primarily for the integration of the Chemtura businesses and also for the

consolidation of production networks, plus a one-off charge resulting from the tax reforms in the US.

Adjusted by these exceptional items and by amortization of intangible assets, net income increased by 53.9 percent from 246 million euros to 379 million euros.

We also put down important markers for organic growth in 2017. We invested 120 million euros in Leverkusen, 50 million in Krefeld, and 10 million in Brunsbüttel again for the first time in a good few years.

Our investments make one thing clear. We believe in Germany as a location and in particular of course in our home state of North Rhine-Westphalia, for which our heart beats especially strongly and where we now also feel more appreciated again.

The new state government in North Rhine-Westphalia has turned its attention to important reform projects with a new dynamism and commitment and so far demonstrated a zest for action in its industrial and economic policies. For example, bureaucratic hurdles, including in approval procedures, have been eliminated with the adoption of the package of measures to unleash the economy. The plans of the state government are a clear sign of the efforts to create better local conditions and re-establish a dialogue between politics and the economy.

I hope, in fact I am convinced, that this fresh wind from North Rhine-Westphalia will also blow through Berlin. There is one thing that I would like to emphasize very clearly here: Germany needs industry. The new federal government should be aware of this fact and include it as a key factor in its considerations.

So you can see, ladies and gentlemen, that 2017 was a successful year for LANXESS not only in strategic terms, but also in financial terms.

My particular gratitude for this goes to our staff. It is thanks to their exceptional commitment that LANXESS enjoys such a good position. I am looking forward to shaping the Group also in the years ahead with this fantastic team.

But I would also like to express our special thanks to you, our shareholders, for the confidence you have in our work.

Our business has performed outstandingly well in the past year, and we would of course like you to share in our success with another increase in the dividend. We therefore recommend to the Annual Stockholders' Meeting that the dividend per share be increased to 80 cents. This is equivalent to growth of around 14 percent and to a distribution volume of around 73.2 million euros. We are thus continuing the trend of the past few years.

Ladies and gentlemen, in this day and age it is no longer simply the financial results that are the indicator for the success of a company – but also how well it succeeds in living up to its social responsibility. I am proud that we have managed to this to a special extent in the past year.

As a result, we were included on the Dow Jones Sustainability Index again in 2017. This index assesses companies based on economic, ecological, and social criteria. Only the top 10 percent of each industry makes it on to the index each year. That is why I am especially delighted that we have been listed again on the index. A further evaluation of our commitment was our renewed inclusion in the leaderboard of the Carbon Disclosure Project. This initiative collects data on companies' CO<sub>2</sub> emissions, climate risks, and reduction targets every year. We received the top mark in October. Which means we are among the top 5 percent out of several thousand companies.

And our figures provide a hugely impressive record of our commitment. We have saved 13.8 million metric tons of greenhouse

gas emissions over the past 10 years – which is equivalent to the CO<sub>2</sub> emissions of all roughly 600,000 licensed cars in Cologne and Bonn in the same period. We are continuing to work on reducing our emissions.

But we are not only working to reduce the emissions created during production. We are also working tirelessly on designing all of our processes to be more sustainable.

A fantastic example of this is the recycling of waste in leather manufacturing. Under the title “ReeL – Resource-efficient production of leather chemicals”, we teamed up with the Leverkusen research institute INVITE to design a modular pilot system to produce retanning agents of the “X-Biomer” from shavings and waste cuttings as well as from vegetable biomass. These waste cuttings were previously disposed of. In the future, it could be possible to recycle production remnants directly in the tannery and thereby significantly enhance the sustainability profile of leather manufacturing. We have exhibited a model of the plant for you in the circulation of the arena.

The German Federal Ministry for the Environment honored our commitment with Innovation Award for Climate and Environment. And we – and especially the staff who have developed the system – can be proud of that.

Ladies and gentlemen, meeting our social responsibility is a task that extends well beyond a single fiscal year. It must form the core of the company. LANXESS understands this. Our stated aim is to be a reliable, long-term partner.

An outstanding example of this approach is most definitely our training initiative.

We have supported schools in and around our locations in Germany for 10 years now. The focus here is placed on promoting science education. Since 2008, we have invested around 5 million euros in



equipping laboratories, providing teaching materials, and holding laboratory days and workshops.

We will also continue the training initiative in the years ahead. For without young people who are enthusiastic about science, Germany as an industrial location will be unable to remain competitive over the long term.

Ladies and gentlemen, the 2017 fiscal year was an outstanding one for LANXESS. And we have also made a good start to 2018. With the best first quarter in our company's history, we have seamlessly continued the good performance from last year where we left off.

Our global sales have grown by almost 7 percent to 2.565 billion euros – following 2.401 billion euros in the previous year.

Our EBITDA pre exceptionals improved significantly by 14 percent to 375 million euros from 328 million euros in the same quarter in the previous year. The Group's EBITDA margin pre exceptionals rose by almost one percentage point over the previous year to 14.6 percent.

Net income advanced considerably by 23 percent to 96 million euros from 78 million euros the year before.

For 2018, we assume that the chemical industry will grow more strongly than the global gross domestic product. China will clearly remain the engine of growth here. We also assume, however, that the American chemicals market will grow more strongly than in the past, among other things as a result of the tax reform there.

As far as LANXESS is concerned, we are convinced that we will continue to improve our earnings through volume growth and cost discipline and that, despite the weak dollar, our EBITDA will turn out to be higher in comparison with 2017.

We expect it to be 5 to 10 percent higher. That is good news for us all.

Ladies and gentlemen,

Over the past years, we have proved that, with great discipline and commitment, we are capable of the very best performance. And I can promise you that you can count on our full commitment and all of our passion in 2018, too, and I ask for your support in our endeavors.

Thank you very much!

Ladies and gentlemen, let me conclude my report with some very personal words. Success, it is said, has many fathers. Sometimes, however, one father stands out. And so I would like today to honor one particularly important father of our success and a special character – the Chairman of our Supervisory Board Dr. Rolf Stomberg.

Dr. Stomberg,

You have served as the Chairman of the Supervisory Board of LANXESS AG for 13 years. You took office on April 4, 2005 in what was a difficult time, but what was also the start of a new era. Our young company had just been successfully floated on the stock market, and a feeling of hope and optimism could be felt throughout the Group. Yet there was also a lot uncertainty, and the question persisted of whether the “company”, in the truest sense of the word, would succeed.

I myself witnessed these beginnings as chief financial officer. In that difficult, turbulent initial period, knowing we had an experienced and level-headed Chairman of the Supervisory Board was a reassuring feeling.

Dr. Stomberg,

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You chaired the very first Annual Stockholders' Meeting of LANXESS AG back in 2005. Today you are chairing your 14th and last.

On behalf of my colleagues on the Board of Management and the entire LANXESS Group, I would like to offer our wholehearted thanks for the decade of the work we have done together in a spirit of great openness and mutual trust. Your clear view of LANXESS, your pragmatism, and your solidarity have given us direction and security even in difficult times.

When you leave LANXESS today as Chairman of the Supervisory Board, you leave behind healthy company that is equipped for the future. And you have played a major role in that. I thank you wholeheartedly for your support, your advice, and your tireless commitment to his fantastic company. Thank you and all the best!

**Forward-Looking Statements**

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