

Annual Stockholders' Meeting
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LANXESS AG

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From the remarks by

Matthias Zachert

Chairman of the Board of Management of
LANXESS AG

(Please check against delivery)

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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 warmly welcome you to this year's Annual Stockholders' Meeting.

It's good to be here again – here at LANXESS, here with you, here in Cologne. As a native Rhinelander, I am particularly pleased to be back home. Many of you will remember me from the numerous stockholders' meetings I attended as CFO together with you after the company's listing on the stock market. The last time was in 2010. In all I spent seven exciting years at LANXESS, developing strong ties with the company during that time. That's why I am especially pleased to be speaking to you once again at this Annual Stockholders' Meeting. LANXESS is important to me.

Many of you have followed the development of LANXESS since the spin-off ten years ago. Since then, what was once a collection of "left-over businesses" has become an established global chemical company. That success is primarily attributable to the employees of LANXESS, to whom I would like to express my sincere gratitude and respect. They have helped to ensure, firstly, that LANXESS has found its place in the European chemical industry, and, secondly, that you – our stockholders – have witnessed substantial growth in the value of our company since it was launched on the stock market.

When we look at our business fields and products, we see that most of them occupy leading positions in their respective markets. For example, we are a key supplier to the automotive and tire industries with our rubber and plastic products. Our basic and fine chemicals and our specialty chemicals are used in a wide range of applications and industry sectors. Our agrochemicals business also provides an important foundation.

However, we are also facing major challenges at the moment:

- The competitive environment for our synthetic rubber business has altered.
- Like some of our competitors, we pressed ahead with major capital expenditures during an economic upswing.
- That meant a considerable increase in our debt.
- Our cost structure is not as competitive as it once was.
- And last but not least, the energy and raw material situation has changed.

I'd now like to look at these points in a little more detail.

Ladies and gentlemen,

In fiscal 2013 and the first quarter of 2014 we saw a sharp drop in prices in our Performance Polymers segment, which is our rubber business. While lower raw material costs were a factor in this, selling price erosion was also due particularly to the appearance of new competitors and new capacities in the market. With demand relatively weak at the same time, overcapacities resulted, forcing us to reduce our prices. If we hadn't done that, we wouldn't have had any sales of these products, or far lower sales at best.

In the chemical industry, capital expenditures are integral to growth. This also applies to LANXESS, because we compete in the global arena.

Over the years we have invested a great deal of money in state-of-the-art production plants in our strategic growth markets, examples being our rubber facilities in Singapore and China.

But LANXESS capital spending has clearly exceeded that of its competitors in recent years, the latest figure being between 7 and 8 percent of sales. While this investment has increased our presence in

the emerging markets of Asia, we can certainly say in retrospect that we took a very ambitious approach.

Against this background, we have already revised our capital expenditure policy and will pursue a more balanced approach again in the coming years. However, you will not see this reflected in our numbers until 2015. We cannot significantly lower our capital expenditures this year because we are already committed to expenditures for our large-scale, well advanced projects in Singapore and China. For 2015, however, we are planning capital expenditures of well below EUR 600 million. Then in 2016, our capital expenditures will be between EUR 400 million and EUR 450 million.

This will also counteract a further increase in debt. In 2013 particularly, our net debt rose sharply to a level well above that of our peers. This is not only an impediment to further growth, it also jeopardizes our investment-grade rating.

The way administrative costs have developed within the Group also speaks for itself. They have risen by more than 40 percent since the global economic crisis of 2009. And that has taken away the competitive advantage we had built up in the early years following our spin-off. This is another area we have to work on.

Ladies and gentlemen,

We must also adapt to the new energy and raw material situation. This has changed for the worse, particularly because of shale gas production in the United States. Certain raw materials – such as ethylene, which we need to produce our EPDM rubber – are now much more affordable for companies with U.S. production sites thanks to shale gas. What's more, these producers benefit from energy prices of about one-third of the German level. So the competitive environment for European companies has clearly deteriorated. I can only reiterate what my colleagues in the European chemical industry have been saying in recent months:

We are currently at a massive disadvantage because of the more favorable conditions prevailing in the United States and Asia.

You can see from my brief review of this topic that our markets, competitors and business conditions have greatly changed over the past few years.

This was very clearly reflected in our results for fiscal 2013.

Last year, we saw sales decline by roughly 9 percent to EUR 8.3 billion. All the segments posted lower sales than in the previous year. Although volumes increased year on year after an initial drop in demand, particularly from the automotive and tire industries, this improvement did not offset the significant decline in prices.

In the Performance Polymers segment in particular, prices fell sharply in all business units – declining by around 15 percent overall against the prior year.

In the Advanced Intermediates segment, we continued to register good demand for agrochemicals. However, this improvement was not nearly sufficient to compensate for the sharp decline in the Performance Polymers segment.

Additionally, it should be noted that LANXESS – like many other German companies – was held back by negative currency effects, especially the weakness of the U.S. dollar.

The Asia-Pacific region proved to be relatively robust. In the Chinese economic region we exceeded EUR 1 billion in sales, as in 2012. Although we saw some steep sales declines in Germany, Europe, North and Latin America, all regions remain crucial to our business.

Our operational performance indicator, EBITDA pre exceptionals, fell by 40 percent in 2013 to EUR 735 million. It was held back not only by price erosion, the rise in production costs and by negative

currency effects, but also by start-up costs for our butyl rubber plant in Singapore and write-downs of inventories, among other factors.

The Group as a whole posted a net loss of EUR 159 million. This was mainly due to exceptional expenses related to the "Advance" efficiency program and to impairment charges recognized following impairment tests.

Ladies and gentlemen,

Although we had a difficult year 2013, we would like to pay a dividend. Today we are proposing that a dividend of 50 cents per share be paid. That would mean a total payout of about EUR 46 million. We have to reduce the dividend compared with the previous year – partly because of the substantial drop in earnings I just mentioned, and partly because of the sharp increase in our debt.

Now let's come to the current fiscal year.

Group sales in the first quarter edged down by 2 percent to EUR 2 billion. Although we saw encouraging volume growth in all segments, we must remember that demand had been weak in the corresponding period of last year.

As in 2013, sales were held back mainly by the lower selling prices in the Performance Polymers segment.

We increased EBITDA pre exceptionals by 18 percent to EUR 205 million, thanks partly to higher volumes in all segments and partly to a lower cost base and the absence of one-time charges. Yet we remain at a relatively low level.

First-quarter net income came in at EUR 25 million. Earnings per share were 30 cents.

Ladies and gentlemen,

Page 7 of 10

We cannot be satisfied with our results for the first quarter of 2014. I've just outlined the challenges facing our business.

LANXESS already reacted in September last year by taking initial action in the form of the efficiency program "Advance". We have completed the personnel adjustments associated with this program. Both the costs and the savings we will achieve starting in 2015 are in line with our expectations.

But these measures were just the first step and are nowhere near sufficient to address the challenges we now face in our markets.

For this reason, the Board of Management got together with senior management for two days at the end of March for a frank and open debate about where we stand now and where we are going in the future.

One thing is certain: LANXESS needs to become much more competitive and profitable again. The most pressing task now is therefore to realign the Group.

Teams from throughout the Group are currently analyzing the situation and focusing on four areas:

- efficiency in administration
- alignment of the business units
- production efficiency
- and the competitiveness of our portfolio.

We aim to improve both the structures and the decision-making processes in our administration and ultimately to further reduce costs.

In the business units, we will improve our customer and market focus. We do not intend to depart from the principle of global alignment, because this has proven effective.

On a global and regional basis, however, we will consider positioning certain business units more efficiently.

We are also analyzing the profitability of all production sites. Today I can't rule out the possibility that we will have to temporarily – or even permanently – shut down certain facilities.

Ladies and gentlemen,

We intend to keep an open mind with regard to the balance in our portfolio.

For instance, we can imagine entering into strategic alliances of various kinds. Examples might include supply or service agreements in the areas of raw materials, production or marketing.

And many large companies have formed joint ventures in recent years in response to changes in their markets. That's another option we are considering for certain business areas.

I have now explained the basic framework for our realignment. I'm sure you'll understand that it's still too early to go into details. We're aiming to inform you of the results of our analyses during the second half of this year.

All our teams are working with great effort and with the goal to bring the company back on track. As the CEO of this company, however, I want to make it clear to you today that the next two to three years will not be easy. But I'm sure that LANXESS will emerge from the realignment stronger than before.

Ladies and gentlemen,

Page 9 of 10

We need the money to finance the realignment of our company and strengthen our balance sheet.

That's why on May 7, 2014, we decided – with the approval of the Supervisory Board – to utilize the existing authorized capital in part to increase the capital stock of LANXESS by ten percent.

We were pleased at the great interest shown in this placement and that we were able to close the order book before the start of the next trading day. The transaction was several times oversubscribed. In the end the proceeds of the issue were around EUR 430 million.

Our CFO, Mr. Düttmann, will give you further details on the capital increase later on.

Ladies and gentlemen,

We anticipate a further slight improvement in the economic environment in the coming months. The major impetus should come primarily from the established economic regions.

However, we expect the competitive environment for our Performance Polymers segment to remain challenging. We therefore believe the pressure on prices in these businesses will persist.

In the area of agrochemicals, we expect demand to continue developing well over the year as a whole. The forecasted growth in the construction industry is likely to provide additional impetus.

Based on this assessment, we predict a year-on-year improvement in second-quarter earnings. We expect to achieve EBITDA pre exceptionals within a corridor of EUR 220 million to EUR 240 million.

For the full year 2014, we expect EBITDA pre exceptionals to come in at between EUR 770 million and EUR 830 million. As in past years, we will narrow this guidance as the year progresses.

Ladies and gentlemen, stockholders of LANXESS,

Overall, our company has a history of success to look back on. We must use the current period of weakness to realign our business.

Please remember, however, that we have a stony path to tread over the next two to three years.

The current capital expenditure projects in Singapore and China will continue to hold us back, and I also can't exclude the possibility that restructuring costs will push us into the red in the coming quarters.

Together – our employees, managers and the Board – together, we aim to make LANXESS more competitive and profitable again. That's why we have given this transformation process the name:
Let's LANXESS again.

Thank you for the trust you have placed in us so far. And I ask that you also continue to support us in the coming years. For LANXESS is a company with a future.

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.