Report of the Board of Management to the Annual Stockholders’ Meeting concerning Item 6 of the Agenda in accordance with Section 71 Para. 1 No. 8 Sentence 5 AktG in conjunction with Section 186 Para. 4 Sentence 2 AktG

Pursuant to the resolution of the Annual Stockholders' Meeting on May 20, 2016, in accordance with Section 71 Para. 1 No. 8 AktG, the Company is authorized to acquire own shares in the amount of up to 10% of the share capital. Pursuant to the Board of Management resolution of January 10, 2019, the Company is currently utilizing this authorization and acquiring Company shares via the stock exchange. The number of shares of LANXESS Aktiengesellschaft to be acquired under the share buy-back program cannot exceed 9,152,293 units (this corresponds to 10% of the Company's share capital). The buy-back is limited to a purchase price to be used for the acquisition of shares (excluding incidental costs) of up to EUR 200 million. The shares are being bought back through a bank commissioned by LANXESS Aktiengesellschaft, exclusively via Xetra trading on the Frankfurt Stock Exchange. The acquisition, which began on January 14, 2019, is to end no later than December 31, 2019. After the buy-back program ends, the shares are to be redeemed. In all, until this report was prepared, 1,759,590 own shares (as of March 11, 2019) have already been purchased for a total purchase price of EUR 84,516,243.11. This accounts for EUR 1,759,590.00 of the share capital, and therefore approximately 1.92% of the Company's share capital. The Company regularly publishes notices about the current status of the share buy-back program. In the period from May 20, 2019 until May 31, 2019, there will be no buy-backs due to the Annual Stockholders’ Meeting of the Company scheduled for May 23, 2019, and the subsequent dividend payment.

Because the previous authorization to acquire own shares will largely be used up by the current buy-back program, and the previous authorization from 2016 will expire on May 19, 2021, the authorization is to be renewed prematurely after completion of the current buy-back program. The term is to be limited to a period of five years from the date the resolution was adopted. The content of the new authorization largely corresponds to that of the previous authorization. The new authorization is to take effect two months after completion of the current share buy-back program, but no later than January 1, 2020. At that time, the current authorization to acquire and use own shares will be cancelled. In this manner, after completion of the current share buy-back program, the Company will be able without interruption in future to have full flexibility to use the advantages of a share buy-back for the Company and its Stockholders.

Creation of a new authorization to acquire own shares

The Board of Management and Supervisory Board therefore propose temporarily authorizing the Board of Management until May 22, 2024, to acquire and use own shares of the Company in the amount of 10% of the Company's share capital. Of relevance is the amount of share capital at the time the resolution is adopted by the Annual Stockholders' Meeting regarding the authorization or -- if one of these values is lower -- at the time this authorization becomes effective or the time this authorization is exercised.

According to a mandatory legal provision, the new shares acquired on the basis of the new authorization proposed, together with the other own shares that the Company has already acquired and still owns, cannot exceed 10% of the Company's share capital.

When acquiring new shares, the principles of equal treatment of the Stockholders under Section 53a AktG must be complied with. This is complied with when the acquisition of shares, as intended, takes place at the Board of Management’s choice either on the stock exchange or by a public purchase offer to all Stockholders, or a public request to all Stockholders to submit an offer for sale. In the event of public request to submit an offer, the recipients of the request can decide how many shares and, if a price range has been defined, at what price they want to offer the shares to the Company. If a public purchase offer is oversubscribed or there are multiple equal offers from Stockholders to buy shares and not all are accepted, the acceptance must be based on ratios. For reasons of practicality and equal treatment, the ratio of tendered shares (tender ratio) should apply. The possibility to round numbers down is used to avoid fractional amounts when determining the ratios to be purchased. Thus, the number of shares to be acquired from individual tendering Stockholders can be rounded so that the acquisition of whole shares is possible in processing terms. This simplifies technical processing and is therefore in the interest of the Company and its Stockholders.

The possibility of acquisition and use of own shares, including by subordinate group companies or third parties on behalf of the Company or its subordinate group companies gives the Company additional flexibility when using own shares.

Use of own shares

The shares can be acquired and used for all legally permitted purposes. The authorization can also be exercised for the following purposes:

When selling own shares by way of offer to all Stockholders, the Stockholders’ subscription rights will be granted; the subscription rights will be excluded in this case only for fractional amounts. This is to simplify the sale of own shares by making an offer to all Stockholders. Fractional amounts may result from the respective sales volume and from the fact that it is necessary to constitute a technically feasible subscription right relationship. The value of such fractional amounts is usually low for the individual Stockholder. The potential dilution effect can also be disregarded due to the limitation to fractional amounts. In contrast, the effort necessary for a sale of own shares by way of offer to all Stockholders without such an exclusion is much greater for the Company, which leads to additional costs. The shares excluded from subscription rights due to fractional amounts will be used in the best possible manner and in the Company's interest. The exclusion of the subscription right thus serves the purpose of practicability and cost efficiency and simplifies the implementation of a sale of own shares with an offer to all Stockholders.

The Company can sell the own shares acquired either over the counter or by way of offer to all Stockholders, if the sale is made for cash payment and the price of the shares is not significantly lower than the stock exchange price at the time of sale. Under this authorization, the option for simplified exclusion of stockholder subscription rights provided under Section 71 Para. 1 No. 8 AktG in application of Section 186 Para. 3 Sentence 4 AktG is being utilized. In the interest of expanding its stockholder base, the Company is to be given the ability to offer Company shares to institutional investors in particular. The authorization also allows for the issuance of shares on short notice. The proposed authorization therefore is used to secure a long-term, adequate equity base. This authorization can be used only under the condition that the amount of shares that are issued with the exclusion of stockholder rights under Section 186 Para. 3 Sentence 4 AktG is not more than 10% of the share capital, neither at the time the resolution is adopted by the Annual Stockholder Meeting regarding this authorization or at the time of exercise of this authorization. This ceiling relevant for the simplified exclusion of the subscription right is reduced by the pro-rated amount of the capital stock attributable to those shares that were issued during the time this authorization was effective under the exclusion of the subscription right in direct or analogous application of Section 186 Para. 3 Sentence 4 AktG. Furthermore, this ceiling is decreased by shares that have been or must be issued in order to satisfy option or conversion rights, if the relevant bonds were granted or imposed under exclusion of the subscription right in accordance with Section 186 Para. 3 Sentence 4 AktG during the period of effectiveness of this authorization. Relevant bonds can be option or convertible bonds or participation rights or participating bonds or even combinations of these instruments. Option or conversion rights under the proposed resolution are also satisfied if shares are issued in order to fulfil claims to the subscription of shares under conversion obligations or to defend against any claims to a reduction in the option or conversion price for the purposes of dilution protection by issuing additional shares.

Stockholders' asset and voting right interests remain adequately protected if stockholder subscription rights are excluded in application of Section 186 Para. 3 Sentence 4 AktG. Protection against dilution is addressed by the fact that shares may only be sold at a price that is not significantly lower than the prevailing stock exchange price. Stockholders shall furthermore have the option of maintaining their share in the Company's capital stock at any time by acquiring shares on the stock market. The Board of Management will strive to obtain the maximum disposal proceeds and minimize any discount on the stock exchange price, giving due consideration to the current market conditions. Any discount on the stock exchange price at the time of sale is expected to be less than 3%, but in any event no more than 5%.

The Company shall also be enabled to offer the own shares acquired instead of monetary payments for business combinations or when acquiring companies, parts of companies or interests in companies, and when acquiring other assets including rights and claims. This will provide the Company with the necessary room for maneuver that will allow it to flexibly take advantage of opportunities that arise to acquire other companies, interests in companies or parts of companies or to carry out business combinations, but also to acquire other assets, including rights and claims -- quickly, flexibly and without impeding liquidity, in order to improve its competitive position and to strengthen its profitability, in particular without addressing the Annual Stockholders' Meeting which is often not possible from a time standpoint. Own shares are a key acquisition currency in current corporate practice. Often, the owners of attractive companies or other attractive assets demand shares of the buyer rather than a cash payment in consideration. So that the Company can also acquire companies or other assets of this kind, it must be able to offer shares as consideration. Without excluding subscription rights, the related advantages for the Company and Stockholders could not be obtained. In such a case, the Board of Management will ensure that the interests of the Stockholders are adequately safeguarded when the valuation ratios are determined. The Board of Management will take the stock exchange price of the Company's share into account in this process. However, a mechanical coupling of the valuation to a certain stock market price is not provided for here, in particular so as to prevent subsequent fluctuations in the stock market price from jeopardizing negotiation outcomes once they have been achieved. The Board of Management will make use of this authorization only when exclusion of the subscription right is in the well-understood interests of the Company and the Stockholders in the individual case. Moreover, the use of own shares for acquisitions does not mean that Stockholders' voting rights are diluted in comparison with the situation before the acquisition of own shares by the Company.

The Board of Management shall also be authorized to redeem the own shares acquired. The redemption of the shares will result in a capital decrease in principle without needing an additional resolution by the Annual Stockholders' Meeting. By way of exception, the Board of Management shall also be able to stipulate that the share capital remains unchanged upon redemption and instead the redemption will result in an increase to the remaining shares' proportion of the share capital under Section 8 Para. 3 AktG. Therefore, the Board of Management shall also be authorized to amend the Articles of Association with regard to the change in number of no-par value shares following redemption.

The Board of Management shall also be authorized to use the acquired own shares to meet obligations under conversion or option rights or conversion obligations under convertible and/or option bonds issued by the Company or its subordinate group companies, or under participation rights or participation bonds (or combinations of these instruments) that grant a conversion right or option right or stipulate a conversion obligation. The injection of debt by the aforementioned financing instruments is in the Company's interest, because this form of financing is possible at very attractive conditions. It also includes the ability to convert the debt to equity at a later time, or at least to report it in the balance sheet equivalent to equity and therefore particularly strengthen the Company's capital base. However, such financing is possible only if holders or creditors of such instruments can be given enough Company shares upon the exercise of conversion rights or the option, or for meeting a conversion obligation. It can be useful to fulfil the corresponding rights to the subscription of shares not with a capital increase but in whole or in part with own shares. Therefore the relevant use of own shares is proposed, with the exclusion of subscription rights. When deciding whether own shares shall be delivered or a capital increase will take place, the Board of Management will carefully weigh the interests of the Company and the Stockholders.

The Board of Management shall also be authorized to use the own shares acquired under the above authorization in order to grant holders of convertible and/or option bonds issued by the Company or its subordinate group companies, or under participation rights or participation bonds (or combinations of these instruments) that grant a conversion right or option right or stipulate a conversion obligation, own shares in the amount they would be entitled to after exercising the conversion or option right, or to which they would have a subscription right after fulfilment of the conversion obligation. The corresponding terms and conditions of issue generally provide for dilution protection in order to make it easier to place bonds on the capital market. One possibility for protecting against dilution consists in also granting the holders of bonds a right to subscribe to the shares in a share issue in which the Stockholders have a subscription right. They are thus treated in such a way as if they had already made use of their option of conversion right or had already fulfilled their conversion obligation. As in this case the dilution protection does not have to be guaranteed by a reduction of the option or conversion price, a higher issue price can be achieved for the shares to be issued when conversion is carried out or an option is exercised. This will reinforce the Company's liquidity. However, this procedure is only possible if the subscription right of the Stockholders is excluded in this respect.

The Board of Management shall also be authorized to offer the own shares acquired under the above authorization to persons who are or were employed by the Company or one of its affiliated companies for purchase. This is an authorization to issue so-called employee shares. The proposed exclusion of subscription rights is a requirement for issuing such employee shares. Under the Stock Corporation Act, the use of own shares to issue employee shares is permitted even without authorization of the Annual Stockholders' Meeting (Section 71 Para. 1 No. 2 AktG), but then only for issue to employees within one year of acquisition (Section 71 Para. 3 Sentence 2 AktG). However, the Board of Management is authorized here to use the own shares as employee shares without consideration of a deadline. The Board of Management can offer the shares for sale as usual and appropriate below the current stock exchange price in order to offer a purchase incentive. The issue of own shares for this purpose is in the interest of the Company and its Stockholders, because this promotes the identification of the relevant persons with the Company, the assumption of shared responsibility, and therefore an increase in Company value. This authorization is meant to enhance the Company's flexibility.

These authorizations shall also apply to own shares that were acquired under the authorization issued by the Annual Stockholders' Meeting on May 20, 2016, i.e. in particular for the own shares acquired under the current buy-back program. This provision can be relevant if the redemption of the own shares acquired under the current buy-back program was not yet effectively completed at the time that the new authorization is enacted.

The Board of Management will carefully review in each case leading to an exclusion of stockholder subscription rights whether the exclusion of stockholder subscription rights is in the interest of the Company and therefore the Stockholders as well.

The new authorization to acquire and use own shares is to take effect two months after completion of the current share buy-back program, but no later than January 1, 2020. The two-month deadline should give the Company sufficient time to implement the announced redemption of the shares bought back. However, because the buy-back is to be completed no later than December 31, 2019, the new authorization should take effect no later than January 1, 2020.

Utilization of new authorization

Apart from the current share buy-back program the Company has no specific plans to buy back or use its own shares. This is a precautionary resolution. Appropriate precautionary resolutions with the option to exclude subscription rights are standard at national and international level. In each of the individual cases mentioned in this authorization, the Board of Management will carefully review whether it will use the authorization to use own shares under exclusion of the Stockholders’ subscription right. The Board of Management will only do so if the exclusion of the subscription right lies, in the opinion of the Board of Management and the Supervisory Board, in the interest of the Company and therefore in the interest of its Stockholders. As in the past, the Board of Management will also exercise this authorization responsibly.

In the event of each utilization of the above authorization, the Board of Management will issue a corresponding report to the Annual Stockholders’ Meeting. The same applies to utilization of the current authorization, on which the Board of Management will report in this Annual Stockholders' Meeting and in the next Annual Stockholders' Meeting after completion of the buy-back program.

Cologne, March 2019

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