Combined Management Report

Group structure

Legal structure

LANXESS AG is the parent company of the LANXESS Group and functions largely as a management holding company. LANXESS Deutschland GmbH is a wholly owned subsidiary of LANXESS AG and in turn controls the other subsidiaries and affiliates both in Germany and elsewhere.

The following are the principal companies wholly owned by LANXESS AG directly or indirectly:

Principal Direct or Indirect Subsidiaries of LANXESS AG

Company Name and Domicile	Function	Segments
LANXESS Deutschland GmbH, Cologne, Germany	Production and sales	All
LANXESS Butyl Pte. Ltd., Singapore	Production and sales	Performance Polymers/ Performance Chemicals
LANXESS (Changzhou) Co., Ltd., Changzhou, China	Production and sales	Performance Polymers/ Performance Chemicals
LANXESS Corporation, Pittsburgh, U.S.A.	Production and sales	All
LANXESS Elastomères S.A.S., Lillebonne, France	Production and sales	Performance Polymers
LANXESS Elastomers B.V., Sittard-Geleen, Netherlands	Production and sales	Performance Polymers
LANXESS Elastômeros do Brasil S.A., Rio de Janeiro, Brazil	Production and sales	Performance Polymers
LANXESS Chemicals, S.L., Barcelona, Spain	Holding company	All
LANXESS Inc., Sarnia, Canada	Production and sales	Performance Polymers
LANXESS India Private Ltd., Thane, India	Production and sales	All
LANXESS International SA, Granges-Paccot, Switzerland	Sales	All
LANXESS N.V., Antwerp, Belgium	Production and sales	Performance Polymers/ Performance Chemicals
LANXESS Rubber N.V., Zwijndrecht, Belgium	Production	Performance Polymers
Rhein Chemie Rheinau GmbH, Mannheim, Germany	Production and sales	Performance Chemicals
Saltigo GmbH, Leverkusen, Germany	Production and sales	Advanced Intermediates

Changes to the Group portfolio

There were no material changes to our business portfolio in the course of 2015. In the course of 2014, we had divested our wholly owned subsidiary Perlon-Monofil GmbH, Dormagen, Germany.

Management and control organization

LANXESS AG has a two-tier management structure consisting of the Board of Management, which manages the company, and the Supervisory Board, which oversees the Board of Management with the support of an Audit Committee formed from among its members to advise on financial matters. The Board of Management shapes Group strategy and manages resource allocation, infrastructure and organization. As the Group management company, LANXESS AG is responsible for financing and for communication with the company's key stakeholders.

For additional information, please also see the Corporate Governance Report.

Business

Business organization

As part of the "Let's LANXESS again" realignment program, LANXESS has agreed with Aramco Overseas Company B.V., The Hague, Netherlands, a subsidiary of Saudi Aramco, to form a strategic alliance for the synthetic rubber business named ARLANXEO, in which each party will hold a 50% interest. Saudi Aramco is expected to pay LANXESS around €1.2 billion for its share after deduction of debt and other financial liabilities. The transaction has been approved by all relevant antitrust authorities and financial completion is expected on April 1, 2016. It is planned that the business concerned will continue to be included in the consolidated financial statements of the LANXESS Group and will be fully consolidated in the first three years.

As part of our realignment, we combined some of our business units effective January 1, 2015. The LANXESS Group is still structured in three segments, which comprise a total of 10 business units, each of which conducts its own operations and has global profit responsibility. The Butyl Rubber and Performance Butadiene Rubbers business units were merged to form the Tire & Specialty Rubbers business unit. This decision was based on overlapping customer structures, regional commonalities in the established markets and changed conditions in the emerging economies. Furthermore, LANXESS consolidated the High Performance Elastomers and Keltan Elastomers business units in the High Performance Elastomers business unit. Here, too, there were substantial overlaps in customer structures. The specialty chemicals product line of the Rubber Chemicals business unit, the Functional Chemicals business unit and the Rhein Chemie business unit now make up the new Rhein Chemie Additives business unit. By consolidating our additives business operations, we are seeking access to new markets and customers. Effective January 1, 2015, the antioxidants and accelerators product lines of the Rubber Chemicals business unit were integrated into the portfolio of the Advanced Industrial Intermediates business unit. To improve comparability, the prior-year figures have been restated wherever necessary.

Group functions support our business units by providing financial, legal, technical and other centralized services. Complementing this global alignment of the business units and group functions, the country organizations ensure the necessary proximity to markets and provide the organizational infrastructure required.

In the Asia-Pacific region, the new plants for our Tire & Specialty Rubbers and High Performance Elastomers business units came on stream during the reporting period. Further information on this can be found in the "Financial condition and capital expenditures" section.

In connection with the optimization of the plant networks for rubber products, LANXESS intends to discontinue production of ethylene propylene diene monomer (EPDM) rubber at the site in Marl, Germany, at the end of the first quarter of 2016. Within LANXESS's EPDM rubber production network, the Marl facility is no longer competitive due to its relatively small capacity and comparatively high energy and raw material costs.

The segments in brief

We have combined our synthetic rubber and engineering plastics activities in the Performance Polymers segment.

Performance Polymers

Business units	Tire & Specialty Rubbers
	High Performance Elastomers
	High Performance Materials
Sites	Brilon, Dormagen, Hamm-Uentrop, Krefeld-Uerdingen, Leverkusen and Marl [1], Germany
	Antwerp and Zwijndrecht, Belgium
	Sittard-Geleen, Netherlands
	Singapore
	La Wantzenau and Port-Jérôme, France
	Jhagadia, India
	Sarnia, Canada
	Gastonia and Orange, U.S.A.
	Cabo, Duque de Caxias, Porto Feliz and Triunfo, Brazil
	Changzhou, Nantong and Wuxi, China
Applications	Tires
	Automotive
	Electronics
	Electrical engineering
	Medical equipment

1) Discontinuation of production planned at the end of Q1 2016

The business activities that LANXESS combines in its Advanced Intermediates segment make it one of the world's leading suppliers of industrial chemical intermediates and a key player in the custom synthesis and manufacturing of chemical precursors and specialty active ingredients.

Advanced Intermediates

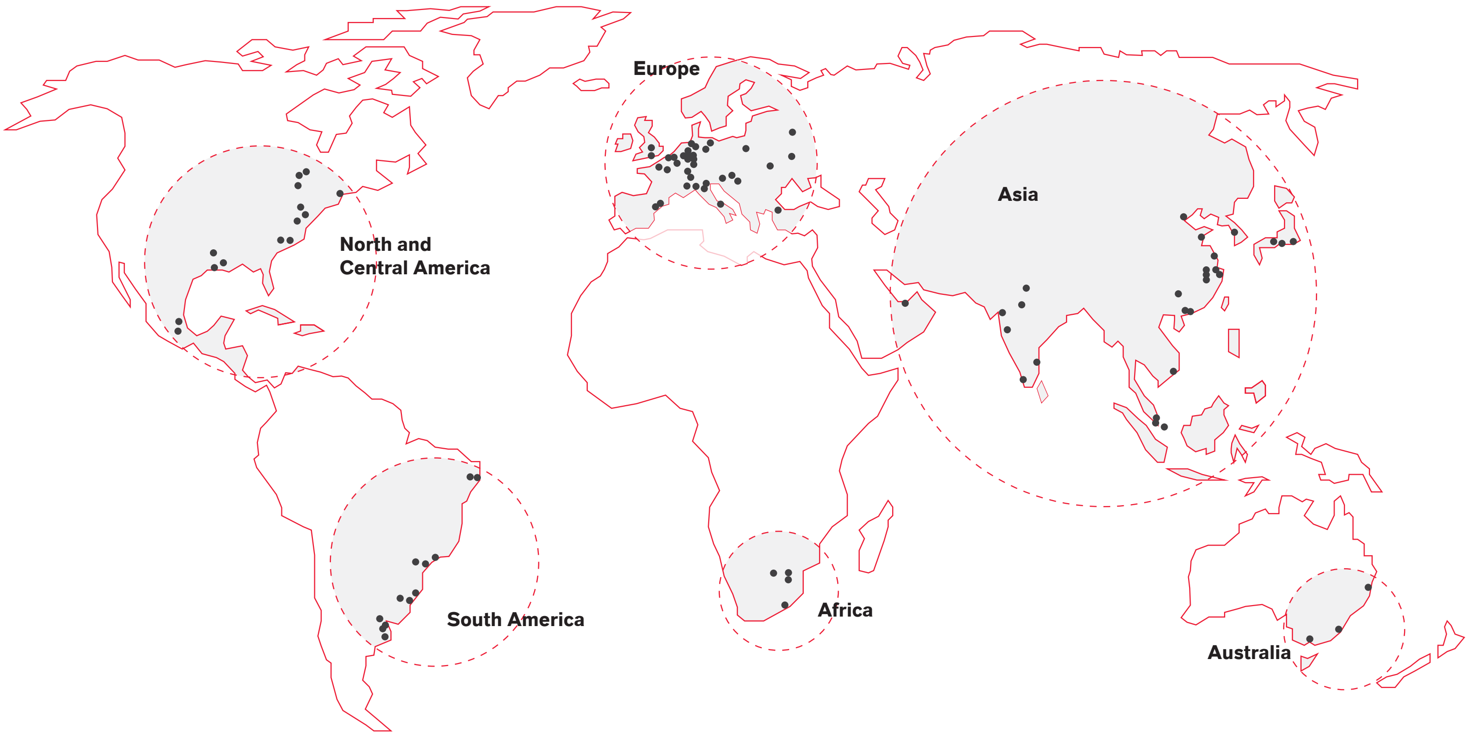
Business units	Advanced Industrial Intermediates
	Saltigo
Sites	Brunsbüttel, Dormagen, Krefeld-Uerdingen and Leverkusen, Germany
	Antwerp, Belgium
	Baytown and Bushy Park, U.S.A.
	Liyang, China
	Nagda and Jhagadia, India
Applications	Agrochemicals
	Automotive
	Construction
	Dyestuffs
	Coatings
	Pharmaceuticals
	Tire chemicals

We have combined our application-oriented process and functional chemicals operations in the Performance Chemicals segment.

Performance Chemicals

Business units	Material Protection Products
	Inorganic Pigments
	Leather
	Rhein Chemie Additives
	Liquid Purification Technologies
Sites	Bitterfeld, Dormagen, Krefeld-Uerdingen, Leverkusen and Mannheim, Germany
	Epierre, France
	Branston, United Kingdom
	Filago, Italy
	Lipetsk, Russia
	Vilassar de Mar, Spain
	Merebank, Newcastle and Rustenburg, South Africa
	Burgettstown, Chardon, Greensboro, Little Rock and Pittsburgh, U.S.A.
	Porto Feliz, Brazil
	Burzaco, Merlo and Zárate, Argentina
	Changzhou, Qingdao and Shanghai, China
	Jhagadia, India
	Toyohashi, Japan
	Sydney, Australia
	Singapore
Applications	Disinfection
	Protection and preservation of wood, construction materials, coatings and foodstuffs
	Color pigments
	Polymer additives
	Products for leather processing and water treatment

LANXESS has a Presence Throughout the World



Strategy

The LANXESS Group is a globally operating chemicals enterprise that is characterized particularly by flexible asset structures, a diversified customer base, a worldwide presence and an entrepreneurial management structure. The company's portfolio ranges from polymers to industrial, specialty and fine chemicals.

Although the chemical industry achieves growth rates worldwide that are in part much higher than the overall growth of the global economy, European chemical companies in particular will find it increasingly difficult to benefit from this generally positive situation in the medium term. The reason for this is to be found in profound change processes which have impacted market structures and mechanisms – some of which have been in place for decades – and which will continue to shape the industry's operating environment over the coming years:

- The commissioning of major new plants for the production of synthetic rubbers in recent years has created considerable overcapacities in this market, which has exacerbated the existing pressure on prices worldwide.
- In the price-sensitive synthetic rubber business, producers in the emerging economies, the Middle East and the United States, for example, mostly have better access to low-priced raw materials and energy, thus benefiting from cost advantages which European suppliers can barely compensate with efficiency gains.
- The ongoing expansion of local production capacities in the global growth regions, especially Asia, means the progressive decline of export opportunities for European suppliers. In addition, the United States and the Middle East are transitioning from importers to exporters in the commodity segment in particular, bringing inexpensive products to the world's markets.
- According to estimates from market research company IHS, China is likely to account for around 40% of global chemicals demand in 2030. A significant proportion of this demand will

probably be met domestically. Suppliers wishing to participate in this growth will have to build not just individual plants but entire value chains in the country.

- In view of the enormous scientific advances being made and the high cost of registering new substances, there are now fewer opportunities for bringing commercially viable new chemical compounds to market. For the broad majority of chemical companies, innovation in the future will mean accessing new fields of application for existing products and making production processes as safe and efficient as possible.
- With growing environmental awareness, sustainable production standards worldwide will converge at a high level. In the medium term, this development will offer a further opportunity for consolidation, because, in the growth markets in particular, not all competitors will make the necessary capital investments to upgrade their plants to meet regulatory requirements. However, in the long term, producers that have always applied high standards will lose this distinguishing feature.

We, like others, face the challenge of reacting to these change processes. Our measures can be condensed into six strategic approaches, which are reflected in the three-phase global realignment program we initiated in 2014 and in the areas of activity for strategic optimization of the Group defined in 2015:

1. Raw materials: reduce dependency on volatile raw materials such as ethylene and butadiene
2. Costs: process and cost optimization as an ongoing business requirement
3. Value chains: further expansion of our integrated value chains
4. Growth: sustained growth in China, North America and Southeast Asia
5. Plants: strengthen the competitiveness of our existing networked sites
6. Markets: increase focus on profitable mid-sized markets

Three-phase realignment program is being systematically implemented

We already succeeded in fully realizing the annual cost savings of around €150 million resulting from our new and more efficient organizational structure and from extensive optimization measures in our business units and group functions in the reporting year.

As a result of our manufacturing excellence initiative, we intend to discontinue the manufacture of EPDM rubber at the Marl site in Germany by the end of the first quarter of 2016. We are also reducing capacities for NBR and ESBR rubber at our sites in La Wantzenau, France, and Duque de Caxias, Brazil. In conjunction with many other process improvement and efficiency enhancement measures, we aim to achieve a further €150 million in annual cost savings by the end of 2019. As part of our commercial and supply chain excellence initiative, several other projects have been implemented which are aimed mainly at improving efficiency.

In September 2015, we agreed a partnership with Saudi Aramco for the synthetic rubber business, in which each party will hold a 50% interest. We are contributing our Tire & Specialty Rubbers and High Performance Elastomers business units and management support functions to the alliance, which is named ARLANXEO. Our partner will facilitate competitive access to strategic raw materials for this business area in the medium term. Saudi Aramco is expected to pay around €1.2 billion for its 50% share after deduction of debt and other financial liabilities. This cash inflow will not only allow us to pay down more of our debt but will also give us the financial headroom for the strategic optimization of the Group over the coming years.

Strategic optimization through 2020

Through its new strategic alignment, LANXESS aims by 2020 to become a less cyclical specialty chemicals group with a strong cash flow and a balanced portfolio. To this end, we will be building in particular on our strengths in medium-sized markets, which we address above all through our Advanced Intermediates and Performance Chemicals segments.

It is our declared aim to reduce economic dependency on individual sectors or closely correlated markets in the future. In regional terms, too, we aim to achieve an even better balance in our portfolio by increasing the share of our business accounted for by the growth markets of China, North America and Southeast Asia.

As in the past, we will ensure stability through a conservative financing policy that is guided by clear criteria and focused on maintaining our investment-grade rating and achieving a strong free cash flow. In terms of capital requirements and capital investment, we will work to optimally reconcile competing requirements for profitability, liquidity, security and autonomy. The debt level is aligned to the ratio systems used by the leading rating agencies for investment-grade companies.

In order to further improve the alignment of our businesses and leverage future growth potential, we aim to invest around €400 million of the proceeds from the rubber transaction in our organic growth. The following principles guide our capital expenditure activities:

- We are targeting investment on measures to improve efficiency and expand existing plants as well as on new plants for the Advanced Intermediates and Performance Chemicals segments and the High Performance Materials business unit.
- We invest in sustainably growing markets that are the strategic focus for our operating segments.
- Capital expenditures must satisfy clear financial criteria which, at a minimum, ensure a return on capital employed (ROCE) that is higher than our capital costs.
- Capital expenditures are mostly financed out of the cash flow from operating activities or, if that is insufficient, from other available liquidity or credit lines.

We are additionally seeking external growth opportunities with a view to benefiting from consolidation options in those areas of business in which LANXESS already operates, on the one hand, while at the same time reviewing opportunities to extend our portfolio to neighboring areas of business with an appropriate fit.

Value management and control system

To achieve our strategic goals, we need indicators that we can use to measure the outcomes of our activities. The most important indicator of our financial performance – and thus the company's key controlling parameter – is EBITDA (earnings before interest, income taxes, depreciation and amortization) pre exceptionals. We view other financial performance ratios such as return on capital employed (ROCE), days of inventory outstanding (DIO) and net financial debt ratio as company-specific lead indicators or as a basis for monitoring.

Value Management and Control System

		2011	2012	2013	2014	2015
EBITDA pre exceptionals	€ million	1,146	1,223	735	808	885
EBITDA margin pre exceptionals	%	13.1	13.4	8.9	10.1	11.2
Capital employed	€ million	4,784	5,442	4,969	5,093	5,043
ROCE	%	17.2	15.6	5.8	7.9	8.4
Days of inventory outstanding (DIO)	Days	73.7	82.8	70.7	79.1	84.3
Days of sales outstanding (DSO)	Days	49.9	47.4	47.8	48.0	47.6
Net financial liabilities	€ million	1,515	1,483	1,731	1,336	1,211
Net financial debt ratio		1.3x	1.2x	2.4x	1.7x	1.4x
Investment ratio [1]	%	7.7	7.7	7.5	7.7	5.5

1) 2014 figure restated

The calculation of specific indicators is founded on a reliable, readily understandable financial and controlling information system. We are constantly working to improve the budget, forecast and actual data provided by the Accounting and Corporate Controlling group functions through consistent reporting.

Our success is largely reflected by our earning power so our control system is focused on steering this parameter.

Earning power

The key indicator for steering the earning power of the LANXESS Group and the individual segments is EBITDA pre exceptionals. It is calculated from EBIT by adding back depreciation of property, plant and equipment, amortization of intangible assets and any exceptional items. The latter are effects of an unusual nature or magnitude. They may include write-downs, restructuring expenses, expenses for the design and implementation of IT projects, expenses for portfolio adjustments and reversals of impairment charges. Grants and subsidies from third parties for the acquisition and construction of property, plant and equipment are accounted for as deferred income using the gross method. In this respect, no adjustments other than for gross depreciation and amortization are made when calculating EBITDA pre exceptionals.

Every operational decision or achievement is judged in the short and long term by its sustainable impact on EBITDA pre exceptionals. As part of the annual budget and planning process, targets are set for this benchmark of our company's success, which are then taken into account in determining employees' variable income components.

We use EBITDA pre exceptionals as our key controlling parameter because it facilitates assessment of the company's development over several reporting periods.

Simple revenue data such as net sales are not among the Group's controlling parameters because they do not permit any direct conclusions about our profitability. Volatile raw material prices are a hallmark of our industry and their fluctuation throughout the year impacts our selling prices. This influences sales but, other than short-term effects, generally has no impact on the margins that are significant to our profitability. We therefore set no sales targets, either for the short or medium term.

Company-specific lead indicators

Lead indicators support the timely identification of material changes in the company's earnings, asset and financial position and the initiation of appropriate measures.

Our annual budget and planning process delivers key values for the Group's earning power and our ability to finance operations from our own funds as the starting point for steering the company. This information is used, for example, to make financing and capital expenditure decisions. To ensure a timely response to changes in market conditions and the competitive environment, we prepare operational forecasts twice each year as the basis for updating the full-year budget and the associated key values we use to control the Group. In addition, regular forecasts of the key values for our earning power are prepared.

Certain parameters used in budgets and forecasts are defined centrally and applied uniformly because they have a major influence on the key values. Strategic raw materials, like butadiene, have a crucial role in forecasting. The development of procurement prices is significant to the timely adjustment of selling prices. Even regional differences in the availability of raw materials over a specific period of time may become significant. Given the regional diversification of our production sites and customer markets, exchange rate development also affects the earning power resulting from sales and cost trends, with corresponding repercussions for pricing and hedging strategies. In addition, we draw on continuously updated growth forecasts for our customer industries and the regions where we do business in order to prepare and review sales and capital expenditure decisions.

Profitability

Return on capital employed (ROCE) has been implemented as a profitability ratio at Group level which indicates how efficiently we utilize our capital. This makes it an important criterion in capital expenditure decisions, for example.

$$\text{ROCE} = \frac{\text{EBIT pre exceptionals}}{\text{Capital employed}}$$

Capital employed = Total assets
./. Less deferred tax assets
./. Less interest-free liabilities

Interest-free liabilities comprise provisions (except those for pensions and other post-employment benefits), income tax liabilities, trade payables and items included under "other non-financial liabilities." In addition, we use a simplified variant of ROCE, called "business ROCE," to evaluate the contribution of our business units.

Cost of capital

Borrowing costs are calculated from risk-free interest, i.e. in our case, from the return on a long-term German government bond plus a risk premium for industrial companies in the same risk category as LANXESS. The cost of equity reflects the return expected by investors from an investment in LANXESS shares. Equity investors demand a risk premium because of the greater risk involved in acquiring shares rather than buying risk-free government bonds. This is known as a market risk premium and is calculated using the long-term excess return generated by a stock investment over an investment in risk-free government bonds and adjusted by the beta factor denoting the relative risk of an investment in LANXESS stock compared with that of the market as a whole.

In 2015, ROCE was 8.4% – against 7.9% in 2014 – and thus slightly above our weighted average cost of capital (WACC) after adjustment for comparability.

Capital employment

To optimize our working capital at the operational level, we use two key performance indicators: DSO (days of sales outstanding) and DIO (days of inventory outstanding). These show receivables in relation to sales and inventories in relation to the costs of goods sold for the previous quarter. In 2015, DIO was at 84.3 days (2014: 79.1 days) and DSO at 47.6 days (2014: 48.0 days).

Expenditures for property, plant and equipment are subject to rigorous capital discipline and are systematically aligned with the product areas with the greatest potential for success. We prioritize investment projects on the basis of financial indicators such as the pay-off period, net present value and ROCE. The investment rate is an indicator which describes cash outflows for capital expenditures divided by sales. For more detailed information about our capital expenditure guidelines, please see “Strategy” above.

Debt

The net financial debt ratio, which we use solely at Group level, is defined as net financial liabilities divided by EBITDA pre exceptionals. Net financial liabilities are the total of current and non-current financial liabilities, less cash, cash equivalents and near-cash assets. The financial liabilities reflected in the statement of financial position are adjusted here for liabilities for accrued interest. Due to lower net financial liabilities at December 31, 2015, the net financial debt ratio decreased to 1.4, against 1.7 at the previous year's reporting date. Our net financial liabilities declined by €125 million to €1,211 million. Moreover, at Group level, we consider provisions for pensions and other post-employment benefits to be components of debt. They decreased by €75 million compared with the end of 2014, to €1,215 million.

Net Financial Liabilities

€ million	2011	2012	2013	2014	2015
Non-current financial liabilities	1,465	2,167	1,649	1,698	1,258
Current financial liabilities	633	167	668	182	443
Less:					
Liabilities for accrued interest	(55)	(54)	(53)	(26)	(24)
Cash and cash equivalents	(178)	(386)	(427)	(418)	(366)
Near-cash assets	(350)	(411)	(106)	(100)	(100)
	1,515	**1,483**	**1,731**	**1,336**	**1,211**

Procurement and production

Procurement

LANXESS uses its centrally managed global procurement organization – Global Procurement & Logistics – to ensure a reliable supply of raw and other materials and services. Global Categories closely coordinate with our business units to pool their requirements in the raw materials, technical goods, packaging materials, energy, services and logistics segments.

Our worldwide procurement network facilitates purchasing synergies, so that we can move efficiently in the market and exploit price advantages. We avoid delivery bottlenecks or reliance on individual suppliers by using strategies like multiple sourcing. As a result, we experienced no delivery shortfalls or bottlenecks in the reporting period that had a material effect on our business development.

Procuring chemical raw materials is a significant priority at LANXESS. Our aim is to secure our supplies on the basis of long-term contracts. The availability of raw materials has always been a crucial factor in facility location decisions. We procure key raw materials like butadiene and utilities in the form of steam and biomass from the immediate vicinity at several of our production sites. In this way, we not only minimize the costs and environmental impact of our transportation activities, but reduce the risk of delivery shortfalls caused by transportation issues in particular.

Our biggest suppliers of chemical raw materials in 2015 included BASF, BP, Braskem, Covestro, ExxonMobil, INEOS, LyondellBasell, Nova Chemicals, Sabic and Shell Chemicals.

Among the most important strategic raw materials by far for our production operations in 2015 were ammonia, butadiene, caustic soda, cyclohexane, ethylene, isobutylene, propylene, raffinate 1, styrene and toluene. In all, strategic raw materials accounted for a purchasing volume of about €2.5 billion in fiscal 2015 (2014: about €3.0 billion), or around 81% of our total expenditure for raw materials and goods in 2015, which amounted to approximately €3.1 billion (2014: about €3.7 billion). Around 76% (2014: 78%) of our total expenditure for raw materials and goods went to suppliers from countries in the upper third of the Country Sustainability Ranking. Of the remaining 24%, nearly two-thirds were accounted for by supplies from Brazil, China and India. Our total procurement spend in 2015 was around €5.9 billion (2014: about €6.2 billion).

We systematically apply best-practice processes. These include e-procurement tools, such as e-catalogs, auctions and electronic marketplaces, many of which are integrated into our internal IT systems. At the end of 2015, about 70% of all items ordered (2014: around 66%) were handled in e-procurement systems. In this context, we have linked in 214 new catalogs globally and maintained a catalog use rate of at least 25%.

Our HSEQ management process begins when raw materials and services are procured. Across the LANXESS Group, a global procurement directive defines how our employees should behave toward suppliers and their employees. In the reporting year, our procurement transactions involved more than 18,000 suppliers. Based on the principles of the U.N. Global Compact, the International Labour Organization (ILO), Responsible Care® and other corporate responsibility codes, we expect our suppliers to comply with all applicable national and other laws and regulations in order to safeguard the environment, ensure health and safety in the workplace and deploy appropriate labor and hiring practices. These provisions of our Supplier Code of Conduct are key criteria in our selection and evaluation of suppliers. A successful sustainability assessment and/or audit are a fundamental requirement for major new suppliers seeking to be included in our portfolio. In the reporting year, to support the global rollout of the assessment process, we trained employees in Brazil, China and North America to conduct sustainability assessments of our suppliers.

As a founder of the Together for Sustainability (TfS) initiative, we aim to enhance supply chain transparency and thus further minimize procurement risks. This initiative, membership of which rose to 18 international chemical companies in the reporting year, aims to develop and implement a global audit program to assess and continuously improve sustainability activities along the chemical industry supply chain, focusing on human rights, child labor, working standards, occupational safety, environmental protection and business integrity. As the assessment and audit results are shared within the initiative, we had access to a substantially larger number of sustainability assessments (more than 4,600) and audit reports (466) at the end of 2015. Suppliers whose sustainability-related activities have been assessed currently account for 57% of our relevant procurement spend. Countries such as Brazil, China and India remained the focus of the 179 audits conducted in 2015. These identified a continuing need for action in respect of labor and human rights and occupational safety. However, no serious deficiencies were identified that would have resulted in termination of a business relationship. In 2015, around 750 participants attended the TfS Supplier Days in São Paulo, Brazil, and Shanghai, China, the purpose of which was to explain to suppliers the growing importance of a sustainable supply chain to LANXESS and the other members of the initiative.

Production

LANXESS is one of the world's major producers of chemical and polymer products. Our production facilities make anywhere from very small batches of custom-synthesized products to basic, specialty and fine chemicals and polymers in quantities of several ten thousand tons.

Our production facilities are organizationally assigned to individual business units. The most important production sites are at Leverkusen, Dormagen and Krefeld-Uerdingen, Germany; Antwerp, Belgium; Sittard-Geleen, Netherlands; Orange, United States; Sarnia, Canada; Triunfo and Duque de Caxias, Brazil; Jhagadia, India; Singapore; Changzhou and Wuxi, China. LANXESS also has other production sites in Argentina, Australia, Belgium, Brazil, China, France, Germany, India, Italy, Japan, Russia, South Africa, Spain, the United Kingdom and the United States. For a detailed breakdown of our production sites by segment, please see "The segments in brief" in this combined management report.

The following significant changes occurred in our global production network in 2015:

- In Singapore, the new plant for manufacturing neodymium-based performance butadiene rubber (Nd-PBR) came on stream. The plant, which is assigned to the Tire & Specialty Rubbers business unit, has an annual production capacity of 140,000 tons.
- At the site in Changzhou, China, our High Performance Elastomers business unit commissioned a new EPDM rubber plant with a nominal annual capacity of 160,000 tons.

Including the measures described above, cash outflows for capital expenditures came to €434 million in fiscal 2015. Further information about the capital expenditures can be found in the "Statement of financial position and financial condition" section of this combined management report.

In connection with the optimization of our global production network, we also intend to discontinue production of EPDM rubber at the site in Marl, Germany, at the end of the first quarter of 2016. Within LANXESS's EPDM rubber production network, the Marl facility is no longer competitive due to its relatively small capacity and comparatively high energy and raw material costs.

Sales organization and customers

Sales organization

We sell our products all over the world, to several thousand customers in more than 150 countries across all continents. LANXESS's long-standing customer base includes leaders in each of its user industries. We have well-established customer relationships in all sales regions. To meet our customers' needs, we have set up flexible marketing and sales structures. We manage our sales throughout the world through 46 companies owned by LANXESS itself. In countries where we do not yet have our own company, we work with local sales partners.

To keep as close as possible to customers and ensure they receive individual support, each of our business units manages its own sales organization. Another competitive advantage is derived from having 50 of our own production sites in 17 countries. Wherever possible, customers are supplied from production sites in the same region, yielding advantages in terms of time and costs.

In 2015, we expanded our e-business activities in purchasing, sales and logistics. Altogether, more than 1,000,000 orders and the respective automated follow-up notices were handled as e-business. This capability is provided by the "LANXESS one" Internet portal and the system-to-system connections via ELEMICA. We will continue to expand this process, which provides benefits for all involved, by adding further partners and technical services. The net sales invoice values accounted for by e-business came to approximately €1.7 billion.

Selling costs in the reporting year came to 9.6% of LANXESS Group sales, up 0.3 percentage points on the prior-year level of 9.3%.

The table below shows selling costs by segment over the last five years.

Selling Costs

	2011	2012	2013	2014	2015
Selling costs (€ million)	732	763	755	742	759
% of sales	8.3	8.4	9.1	9.3	9.6
Breakdown by segment					
Performance Polymers	262	284	286	277	280
Advanced Intermediates	127	125	126	143	152
Performance Chemicals	320	335	328	310	321
Reconciliation	23	19	15	12	6

2014 figures restated

Customers

Because of our broad offering, we have business relationships with a large number of customers all over the world. These customers need an individualized, well-focused approach, which we are able to provide because our sales organizations are managed through the business units. We regularly review individual sales and marketing strategies on the basis of customer satisfaction surveys.

LANXESS serves the following industries in particular: tires, automotive, plastics, chemicals, agrochemicals, construction, electronics, leather and footwear, pharmaceuticals, food, water treatment and furniture.

Shares of Sales by Industry Sector

%	2015
Tires	~20
Automotive	~20
Chemicals	~15
Agrochemicals	~10
Construction, electrical/electronics, leather/footwear	~15
Others (cumulative share)	~20

In 2015, as in the prior year, our top ten customers accounted for about 22% of total sales. None of our customers accounted for more than 10% of Group sales. 55 (2014: 50) customers accounted for annual sales in excess of €20 million.

The number of customers in each segment varies widely. The Performance Polymers segment had some 3,700 customers in 2015 (2014: 3,600), while Advanced Intermediates and Performance Chemicals had about 3,400 (2014: 3,100) and around 10,400 (2014: 11,300), respectively. This information is based on the number of customer accounts in each segment. Each segment includes all customer groups and sales categories. However, one customer may do business with more than one segment.

The comparatively low sales per customer in the Performance Chemicals segment, as well as its broad customer base, reflect the way in which its business often involves custom-tailored solutions in specialty chemicals. By contrast, the substantially lower number of customers in the Performance Polymers segment, which nonetheless generates relatively high sales, is typical of the synthetic rubber products business. On account of the extensive customer base, no segment can be considered dependent on just a few customers.

Research and development

Research and development makes an important contribution toward increasing our competitiveness and expanding our product portfolio through the development of innovative products and processes as well as the ongoing optimization of existing production processes. In 2015, as part of our realignment program, we also adjusted the organizational framework for research and development. As we merged various business units, we also combined the associated R&D units. The existing Innovation & Technology Group Function was integrated into the newly established Production, Technology, Safety & Environment Group Function. We are continuing to concentrate on projects with a short- to medium-term time horizon for products and processes in our core businesses.

Organizational focus

Our research programs are directly and consistently aligned with the needs of our customers in the end markets relevant to our businesses. For example, the business units in the Performance Polymers segment are strengthening the focus of their activities on optimizing their products and product quality, as well as on developing new products.

Other business units with most of their products in very mature markets, such as the Advanced Industrial Intermediates business unit in the Advanced Intermediates segment, concentrate on continuous process optimization to improve their production facilities and processes.

The specialist departments within our Production, Technology, Safety & Environment Group Function support and complement the business units' research and development activities to ensure that synergies are exploited to the full and innovations can be applied in various LANXESS units. Cross-business unit projects are also bundled in this group function. In this context, our research concentrates on both process and product innovation, which are handled by separate departments.

In the area of process innovation, the emphasis is on planning new processes and integrating new technologies into existing production processes with the aim of achieving cost and technology leadership. One focus is on reviewing current production processes using mathematical and experimental methods in order to pinpoint optimization potential. In this way, we have identified potential savings on raw materials and energy, developed process concepts to exploit these savings and already realized them in several areas. We have also succeeded in further reducing our operating costs by developing new model-based process control concepts that we have implemented with the incorporation of state-of-the-art online analytics. These concepts enable us to run our plants even closer to the optimum operating point and make them even more efficient in terms of raw material and energy consumption.

Product innovation is focused on developing new products and new applications for existing products as well as on product modifications. Here, product development is more broadly based than in the business units – the main areas of focus are generally applicable to multiple business units. Here, too, our research goals are derived from the needs of our customers in the markets that are relevant to us.

Our main research and development units are at the sites in Leverkusen, Krefeld-Uerdingen and Dormagen, Germany; London, Canada; and Qingdao and Wuxi, China. We also operate a center for engineering plastics in Hong Kong to strengthen our relations with automakers in the Asia-Pacific growth region. At our international research and development sites, we test materials such as high-performance rubbers and engineering plastics for lightweight automotive engineering applications.

Main research and development projects

In the Performance Polymers segment, work continued in 2015 on further developing our portfolio of high-quality rubber and plastic products, focusing especially on green tires. BUNA FX is a functionalized SSBR (solution styrene-butadiene rubber). The products from this family are characterized by improved interaction between the rubber and filler, which significantly reduces the rolling resistance of tires. Buna VSL 3038-2HM improves wet performance while at the same time facilitating good rolling resistance. Thanks to their outstanding material properties, both these rubber grades are ideal for high-quality summer tires. With Durethan BKV 25 FN27, LANXESS developed a new halogen-free, flame-retardant polyamide 6 for electrical switches. Compared with the mineral-filled polyamide 6 grades often used in this area, the glass-reinforced material impresses through its high mechanical strength and thermal stability. Components made from this material can therefore withstand the enormous mechanical stresses and high temperature peaks associated with a short circuit. Furthermore, the halogen-free flame retardance package additionally equips the polyamide with good fire resistance.

The Advanced Intermediates segment is systematically expanding its range of screed additives. The new “pro-Linie” product family was introduced to the market in September 2015. These modern, formaldehyde-free additives make the screed material easier to process and require less water, which increases firmness and reduces drying time.

The Performance Chemicals segment likewise brought important innovations to market. For instance, innovative halogen-free, phosphorus-based flame retardants were introduced for flexible foams. These are characterized by lower emissions (fogging) and less scorching and are therefore ideal for use in the furniture and automotive industries. In fact, foams manufactured from Levagard TP LXS 51114 meet the stringent standards of the German Automotive Industry Association for the properties of materials used in motor vehicles. With Preventol A31-D, we have also developed a new preservative for exterior coatings. It can be used, for example, in algicidal and fungicidal facade paints. Thanks to an innovative combination of fungicides and a slow-release mechanism, the product displays a broad spectrum of activity even in low concentrations.

In our central research unit, work with the Tire & Specialty Rubbers business unit is ongoing to develop a technology which maintains air pressure in a tire that has been punctured by an object such as a screw or a nail. The puncture closes in a self-healing process. In the medium term, this technology means there will be no need to carry spare tires or repair kits in a car, thereby further reducing weight and fuel consumption. The technology will additionally enhance the reliability of tires.

The research-intensive product and process development activities coordinated by the Production, Technology, Safety & Environment Group Function are also conducted via alliances with universities and research institutes. Generating knowledge in this way substantially complements LANXESS’s in-house research activities. In 2015, we had a total of 153 (2014: 154) major research and development alliances, 35 (2014: 41) of which were with universities, 97 (2014: 79) with suppliers or customers, and 21 (2014: 34) with research institutes.

Cost trend and employees

Research and development expenses in 2015 totaled €130 million, or 1.6% of sales (2014: €160 million or 2.0%). The High Performance Elastomers, Tire & Specialty Rubbers, High Performance Materials and Saltigo business units together accounted for the largest share of these expenses in 2015 at 57%. Material Protection Products, Saltigo, Liquid Purification Technologies and High Performance Elastomers were the business units most active in research in terms of their ratios of research and development expenses to sales.

The decrease in research and development expenses was the result of focusing our R&D pipeline on our core businesses and of organizational changes made when combining individual business units.

The table below shows research and development expenditures in the past five years.

Research and Development Expenses

	2011	2012	2013	2014	2015
Research and development expenses (€ million)	144	192	186	160	130
% of sales	1.6	2.1	2.2	2.0	1.6

At the end of 2015, we employed 585 people – against 708 in 2014 – in our research and development laboratories worldwide. In our central research unit, the number of employees declined to 213 from 309 on December 31, 2014. This adjustment brought headcount in R&D back into line with business requirements.

Number of Employees in Research and Development

	2011	2012	2013	2014	2015
Year end	731	843	931	708	585
% of Group employees	4.5	4.9	5.4	4.3	3.6

Fields of activity and patent strategy

Within the context of our global realignment, we are focusing our research and development activities on market-driven core projects. In 2015, we conducted 223 projects (2014: around 210), 128 of which (2014: around 120) aimed to develop new products and applications or improve existing ones. The remaining 95 projects (2014: some 90) concerned process technology issues with a view to reducing costs, improving efficiency or increasing capacity. We plan to have about 41% of the research and development projects we started in 2015 in the market or in technical implementation stages by the end of 2016 (2014: roughly 20%).

The results of our activities are protected by patents, where this is possible and expedient. In the course of 2015, we submitted 52 priority applications worldwide. As of December 31, 2015, the full patent portfolio included approximately 1,060 patent families covering around 6,850 property rights.

Corporate responsibility

As an international specialty chemicals group, we bear a major responsibility toward people and the environment. Our entrepreneurial activities reflect this sense of responsibility, which is a key component of our strategy. Safety, environmental protection, social responsibility, quality and commercial efficiency are all key corporate goals at LANXESS. Our products and activities enable us to make a contribution worldwide to supporting our customers and improving people's quality of life. Our responsibility spans the entire supply and value creation chain – from the global procurement of raw materials and product development, through production, storage and transport, to use and disposal. Moreover, all our corporate responsibility (CR) activities must be linked to our core business or to our expertise.

We consider compliance with laws and ethical principles to be the basis for sustainable corporate governance. The "Code of conduct – Code for integrity and compliance at LANXESS," which is applicable throughout the Group, specifies minimum standards and gives our employees advice and guidance on complying with these standards. We have been supporting the Responsible Care® initiative since 2006 and affirmed our commitment in 2014 by signing the Responsible Care® Global Charter. We are also committed to the established principles of the world's largest corporate social responsibility initiative, the U.N Global Compact.

Integrated management system

At LANXESS, a central management system provides the necessary global structures to ensure responsible commercial practices. Worldwide, we apply internal directives and operating procedures together with the ISO 9001 and ISO 14001 international standards for quality and environmental management and ISO 50001 for energy management. External, independent experts regularly audit the progress of integrating new sites into our management system and the performance of our management system worldwide. Confirmation of our compliance with ISO 9001 and ISO 14001 takes the form of a global matrix certificate. We successfully completed the recertification audit in 2015.

As of December 31, 2015, our matrix certificate covered 48 companies with 80 sites in 23 countries. The sites in Epierre, France; Lipetsk, Russia; and Little Rock, United States, were included for the first time, as planned. Our sites in the United States have also received confirmation of their certification to RC 14001 (RC = Responsible Care®). In 2016, we intend to integrate the production sites in Neville Island, United States; Rustenburg, South Africa; and Joo Koon, Singapore, into the matrix certificate.

In addition, we have established a global procedure for an energy management system in accordance with ISO 50001. Our certification in Germany was reconfirmed in 2015. Outside Germany, the ongoing implementation and preparation for local certification are taking place decentrally at the sites. For example, the site at Liyang, China, was successfully certified in April 2015.

Environment data

We use an electronic data capture system for the systematic global recording of key performance indicators (KPIs) in the areas of safety and environmental protection. Data for all indicators except the LTIFR are gathered only at those production sites in which the company has a holding of more than 50%. PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft assessed our HSE indicators for 2013 to 2015 and the necessary data recording processes in the course of a business audit, with a view to achieving a "limited assurance" rating.

Social commitment

Our not-for-profit activities focus on providing support for science education in schools. The LANXESS education initiative is the Group-wide platform for these activities and has been used to establish relevant projects at almost all LANXESS sites. Since its launch in 2008, we have reached tens of thousands of children, adolescents and young adults worldwide.

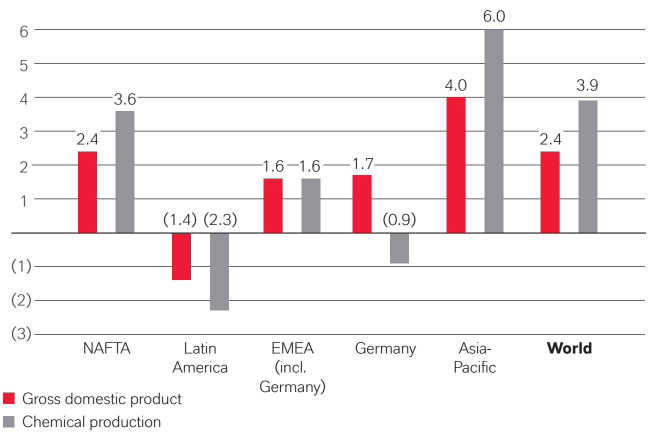
Legal environment

There were no changes in the legal environment in 2015 that would have had a material impact on the earnings, asset and financial position of the LANXESS Group or LANXESS AG.

Business conditions

GDP and Chemical Production in 2015

Change vs. prior year in real terms (%)



The economic environment

In the reporting year, development of the economic environment varied. The continuing decline in the oil price acted as a positive stimulus in countries with a high demand for oil. In the eurozone, by contrast, economic activity was held back by the ongoing discussion of the crisis in Greece and persistent debt issues. Growth was also dampened by the smoldering conflicts in eastern Ukraine and escalation of the situation in the Middle East. Uncertainty caused by the growing terrorist threat also proved increasingly detrimental to economic sentiment.

Global economic growth weakened slightly over the course of 2015, ending the year at 2.4%. It was held back by factors including declining capital investment in the energy sector due to the collapse of the oil price. Growth varied regionally. Asia-Pacific posted comparatively low growth of 4.0% owing to slower growth momentum in the Chinese economy. This also impacted other major economies in the region. Growth in EMEA (including Germany) came to 1.6%, with a positive trend in the eurozone because of the weaker euro and low oil price. Economic output in Germany expanded by 1.7%, driven mainly by rising consumer spending. On the other hand, Russia remained mired in recession because of ongoing sanctions and the collapse of the oil price. In Latin America, the downward trend resulted in a decrease of 1.4% in gross domestic product.

The U.S. dollar continued to gain in value against the euro in a trend which began in 2014. In terms of monetary policy, the two currency zones diverged significantly during the course of the year. While the European Central Bank consistently pursued its policy of expanding the money supply through negative deposit rates for commercial banks, purchases of government bonds and other quantitative easing measures, the U.S. Federal Reserve gradually scaled back its bond purchases and finally discontinued them at the end of October. At the end of December, the Federal Reserve then initiated a turnaround in interest rates in the United States with a slight increase in its key rate, ending a period of interest rate reductions lasting several years. Against this backdrop, the

U.S. currency appreciated continually through mid-April, starting at US$1.21 against the euro and reaching US$1.06. After a short phase of depreciation, the exchange rate then settled in a range of around US$1.09 to US$1.15 against the euro, in which it remained until about the beginning of November. This was followed by a brief phase of appreciation by the U.S. dollar, although it corrected downward again at the end of the year. One euro was worth US$1.09 at the end of 2015, representing 9.9% growth in the value of the U.S. dollar. The average for the year was US$1.11 to the euro, after US$1.33 in 2014, which highlights the depreciation of the euro against the U.S. dollar. Due to the regional positioning of our business, a stronger U.S. dollar generally has a positive effect on our earnings. Centralized hedging activities limit any impact that cannot be neutralized by ensuring that production and sales take place in the same currency area.

Compared with the end of 2014, the price level for raw materials dropped appreciably by the end of the reporting year. The marked downward trend in the first quarter was interrupted by a period of rising prices in the second quarter, followed by a sharp decline in the price level up to the end of the year. We are particularly affected by the prices of petrochemical raw materials as they have a material impact on our production costs. The price of our most important strategic raw material, butadiene, declined over the course of the year. Reflecting the development of the oil price, the prices of feedstocks such as benzene and toluene also decreased.

The chemical industry

The chemical industry increased global production in 2015 by 3.9%, although the picture varied regionally. Asia-Pacific continued to expand rapidly at 6.0%, but production in China grew more slowly. Growth in NAFTA was also dynamic, at 3.6%, owing to low energy prices and the favorable raw materials situation. By contrast, production in Latin America was impacted by the economic environment and contracted by 2.3%. The expansion in production in EMEA (including Germany) was 1.6%, with dynamic growth in Russia. In Germany, on the other hand, production declined by 0.9%.

Evolution of major user industries

The global **tire industry** recorded growth of 2.2% in 2015, with sharp differences between the regions. EMEA (including Germany) registered a healthy 5.5% increase in production. Only demand in the original equipment business in Russia was very weak. In Germany, production rose by 0.6%. NAFTA saw an increase of 3.2%, driven by higher demand for replacement tires; imports fell slightly at the same time. Production in Latin America declined by 3.2% due to the general recessionary environment. Increased demand for replacement tires failed to compensate for the decline in the original equipment business. Asia-Pacific posted slight growth of 1.0%. Falling exports in conjunction with a significant rise in local demand for replacement tires led to a small increase in production in China.

Global **automotive production** recovered toward the end of 2015 and rose by a slight 0.8%. NAFTA proved to be an anchor of stability, with growth of 3.7%. Latin America, on the other hand, saw a very considerable contraction of 19%. Growth in EMEA (including Germany) was uneven, but came in nonetheless at 3.7% overall. In Europe, growth was substantial although it was held back by a decline in production in Russia. Germany recorded slight expansion of 0.6%. Production in Asia-Pacific stagnated. China saw slight growth toward the end of the year as a result of tax relief, while the trend in Japan was downward.

With the prices for agricultural products falling, global production of **agrochemicals** rose by a modest 1.0% in the reporting year. Asia-Pacific recorded growth of 2.3%. EMEA (including Germany) likewise trended positively overall, with expansion of 1.9%. Production in Germany declined by 0.8%. NAFTA posted only weak growth at 0.2%, while Latin America recorded a significant decline of 7.1%.

The **construction industry** worldwide posted growth of 3.1%. NAFTA was the driver of this development, with robust expansion of 5.8%. Latin America, on the other hand, was unable to escape the effects of recession in this sector as well, which resulted in a contraction of output of 2.5%. Asia-Pacific proved to be a growth driver with expansion of 3.3%, even if momentum weakened in China in particular. EMEA (including Germany) achieved growth of 1.6%, which was held back by the sharp downward trend in Eastern Europe. Production in Germany fell by a slight 0.7%.

Evolution of Major User Industries in 2015

Change vs. prior year in real terms (%)	Chemicals	Tires	Automotive	Agrochemicals	Construction
NAFTA	3.6	3.2	3.7	0.2	5.8
Latin America	(2.3)	(3.2)	(19.0)	(7.1)	(2.5)
EMEA (incl. Germany)	1.6	5.5	3.7	1.9	1.6
Germany	(0.9)	0.6	0.6	(0.8)	(0.7)
Asia-Pacific	6.0	1.0	0.0	2.3	3.3
World	**3.9**	**2.2**	**0.8**	**1.0**	**3.1**

Key events influencing the company's business

Fiscal 2015 was characterized by the persistently difficult competitive situation in our synthetic rubber businesses. The decline in procurement costs for key raw materials, especially butadiene, resulted in corresponding adjustments to selling prices. Exchange rate developments, particularly for the U.S. dollar, had a positive effect.

During the reporting period, we brought the new plants for our Tire & Specialty Rubbers and High Performance Elastomers business units in the Asia-Pacific region on stream. The underutilization of these and other world-scale plants in Asia led to rising costs for idle capacities.

In the year under review, we continued to implement our extensive realignment program. In connection with the "Let's LANXESS again" program, we intend to discontinue production of ethylene propylene diene monomer (EPDM) rubber at the site in Marl, Germany, at the end of the first quarter of 2016. In the reporting year, earnings were impacted by adequate provisions for this purpose that were recognized in the balance sheet.

As a further key component of the realignment program, LANXESS and Saudi Aramco agreed a strategic alliance – named ARLANXEO – for the synthetic rubber business. We believe this alliance will give the business units concerned – Tire & Specialty Rubbers and High Performance Elastomers – competitive and reliable access to strategic raw materials in the medium term. The transaction has been approved by all relevant antitrust authorities and financial completion is expected on April 1, 2016. This agreement had no direct impact on business performance in the reporting year. Further information about the alliance can be found in the "Strategy" section of this combined management report.

As of January 1, 2015, we reorganized our business structure as part of the realignment. The Butyl Rubber and Performance Butadiene Rubbers business units were merged to form the Tire & Specialty Rubbers business unit. Also, the antioxidants and accelerators product lines of the Rubber Chemicals business unit – which was then dissolved – were integrated into the portfolio of the Advanced Industrial Intermediates business unit. For more detailed information, please see the "Business" and "Strategy" sections of this combined management report.

Comparison of forecast and actual business

Comparison of Forecast and Actual Business 2015

	Forecast for 2015 in Annual Report 2014	Actual 2015
Business development: Group		
EBITDA pre exceptionals	Influences to have a largely offsetting effect on the individual segments; about on a comparable level to 2014 (€808 million)	€885 million
Business development: segments		
Performance Polymers	Slight improvement in demand from main customer industries; continued price pressure; positive effects from continued strength of U.S. dollar; ramp-up costs totaling around €25 million and idle costs of some €50 million	Expanded volumes; improved earnings; favorable exchange rate effects; ramp-up and idle costs as forecast (EBITDA pre exceptionals: €502 million)
Advanced Intermediates	Continued good demand from key customer industries; rather restrained growth for agrochemical products; slight decline in fine chemicals and pharmaceutical products business	Expanded volumes; pleasing development in demand for agrochemicals (EBITDA pre exceptionals: €339 million)
Performance Chemicals	Slight improvement in demand situation	Lower volumes in all business units except Liquid Purification Technologies (EBITDA pre exceptionals: €326 million)
Raw material prices	Continuing volatile development; increasing procurement costs for petrochemical raw materials	Very volatile and substantially below prior-year level
Financial condition: Group		
Cash outflows for capital expenditures	Around €450 million	€434 million

In the combined management report for fiscal 2014, we predicted that EBITDA pre exceptionals for 2015 would be about on a comparable level to 2014. Influences were expected to have a largely offsetting effect on the individual segments. We narrowed this guidance over the course of the year and, in our interim report for the third quarter of 2015, forecast EBITDA pre exceptionals of between €860 million and €900 million. The actual result of €885 million was within this range and exceeded 2014 earnings of €808 million by 9.5%.

All segments posted earnings which were in some cases significantly above those recorded in 2014. While the Performance Polymers and Advanced Intermediates segments increased EBITDA pre exceptionals from €392 million to €502 million and from €308 million to €339 million, respectively, our Performance Chemicals segment improved earnings from €269 million in 2014 to €326 million.

Lower selling prices across all segments resulted from the decline in raw material prices. The overall positive development of earnings in the reporting year was attributable to exchange rates, especially in the Performance Polymers segment, which trended more favorably than we had anticipated in our original guidance for 2015. Volumes as a whole were flat with the prior year. While they expanded in the Performance Polymers and Advanced Intermediates segments, a decline was posted in the Performance Chemicals segment.

As expected, the tax rate for the LANXESS Group was 42.0% in the reporting year, thus exceeding the 30% threshold.

We had expected the earnings position of LANXESS AG in the reporting year to be substantially better than in 2014. Due mainly to a significant improvement in income from investments in affiliated companies, net income in 2015 amounted to €91 million after a net loss of €85 million in 2014.

Business performance of the LANXESS Group

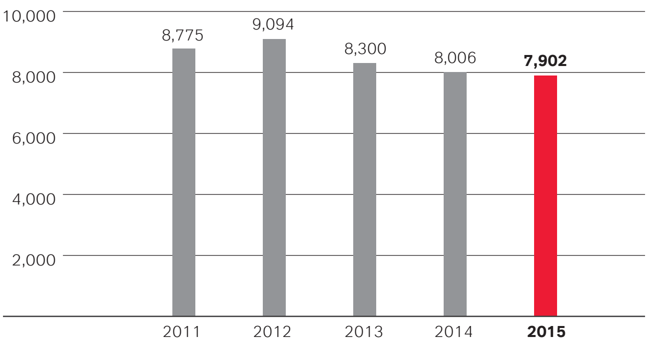
- LANXESS and Saudi Aramco enter into strategic alliance for synthetic rubber business
- Persistently challenging competitive situation for synthetic rubbers; good demand for agrochemicals
- Sales decline by 1.3% against the prior year
- Selling price adjustments due to lower raw material costs
- EBITDA pre exceptionals up 9.5% to €885 million
- EBITDA margin pre exceptionals at 11.2%, after 10.1% in 2014
- Positive exchange rate effect on sales and earnings
- Net income and earnings per share improved to €165 million and €1.80 after €47 million and €0.53, respectively
- Visible progress in reducing indebtedness

Key Financial Data

€ million	2014	2015	Change %
Sales	8,006	7,902	(1.3)
Gross profit	1,588	1,748	10.1
EBITDA pre exceptionals	808	885	9.5
EBITDA margin pre exceptionals	10.1%	11.2%	–
EBITDA	644	833	29.3
Operating result (EBIT) pre exceptionals	402	422	5.0
Operating result (EBIT)	218	415	90.4
EBIT margin	2.7%	5.3%	–
Financial result	(138)	(127)	8.0
Income before income taxes	80	288	> 100
Net income	47	165	> 100
Earnings per share (€)	0.53	1.80	> 100

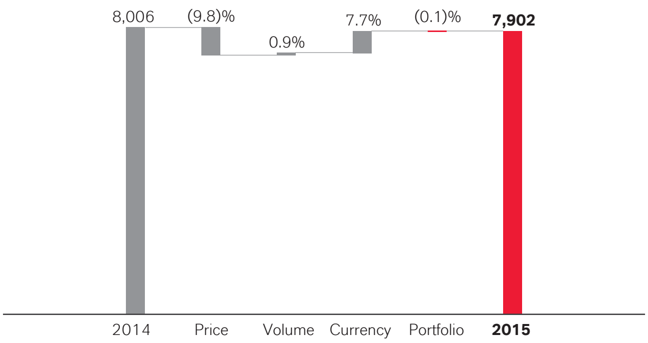
Group Sales

€ million



Effects on Sales

€ million/%



Sales and earnings

In 2015, LANXESS Group sales declined by 1.3% from €8,006 million in the prior year to €7,902 million. Lower selling prices, which resulted particularly from passing on lower procurement prices for raw materials, diminished sales by 9.8%. Moreover, portfolio effects had a marginally negative impact of 0.1%. Changes in exchange rates improved sales by 7.7%. In addition, higher volumes added 0.9% to sales. After adjustment for currency and portfolio effects, operational sales decreased by 8.9%.

Our Performance Polymers segment recorded a decline in sales of 4.5%. Lower selling prices resulted particularly from lower procurement prices for raw materials and the challenging competitive situation in the synthetic rubber business. There was a slightly negative portfolio effect from the sale of the shares in Perlon-Monofil GmbH, Dormagen, Germany, in the previous year. Sales volumes were slightly above the prior-year level. Exchange rate developments had a positive effect on sales.

Sales in our Advanced Intermediates segment fell by 1.1%. They were diminished by lower selling prices caused by passing on lower procurement prices for raw materials. On the other hand, shifts in exchange rates had a positive impact on sales. In addition, good demand for agrochemicals and from broad areas of our other customer markets resulted in a positive effect from higher volumes.

Sales in our Performance Chemicals segment advanced by 4.8%. A decline in volumes was more than compensated by the positive development of exchange rates. Selling prices were level with the prior year.

Sales by Segment

€ million	2014	2015	Change %	Proportion of Group sales %
Performance Polymers	4,128	3,944	(4.5)	49.9
Advanced Intermediates	1,847	1,826	(1.1)	23.1
Performance Chemicals	1,989	2,085	4.8	26.4
Reconciliation	42	47	11.9	0.6
	8,006	**7,902**	**(1.3)**	**100.0**

2014 figures restated

In the North America region, we achieved a slight increase in sales of 2.2% due to the effects of exchange rates. The EMEA region (excluding Germany) remained stable with growth of 1.3%. In all other sales regions, sales were down. Germany saw a decline in sales of 5.2%. The Latin America and Asia-Pacific regions posted sales declines of 3.4% and 2.8%, respectively. Development in the Performance Polymers segment was the key element of business performance in the various regions.

Order book status

Most of our business is not subject to long-term agreements on fixed volumes or prices. Instead, our business is characterized by long-standing relationships with customers and revolving master agreements. Our activities are focused on demand-driven orders with relatively short lead times which do not provide a basis for forward-looking statements about our capacity utilization or volumes. The business is managed primarily on the basis of regular Group-wide forecasts of the Group operating target. For additional information, please see "Company-specific lead indicators."

Any disclosure of the Group's order book status at a given reporting date therefore would not be indicative of the Group's short- or medium-term earning power. For this reason, no such disclosure is made in this report.

Gross profit

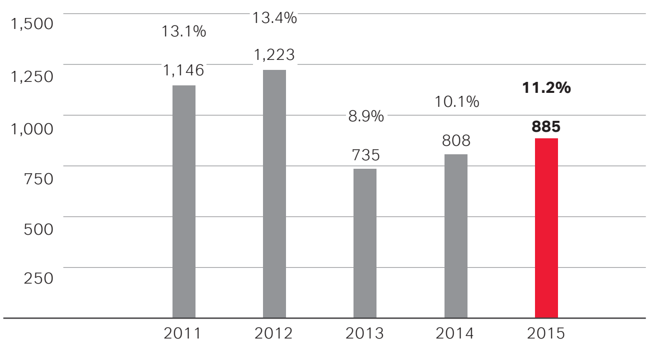
The cost of sales showed a decline of 4.1%, to €6,154 million, that was disproportionately large compared with sales. Cost relief was chiefly attributable to lower raw material and energy prices. This was countered particularly by the development of exchange rates, above all for the U.S. dollar, the expansion in volumes and higher manufacturing costs. The latter was partly due to lower capacity utilization and associated higher idle time costs, especially in connection with the start-up of our new plants in Asia. Due to factors including the low utilization of these plants, total capacity utilization at the LANXESS Group was 2 percentage points below the prior-year level at around 77%.

Gross profit was €1,748 million, up by €160 million or 10.1% against the prior year. The gross profit margin increased from 19.8% to 22.1%. The expansion of volumes and shifts in exchange rates had a positive impact on gross profit. Higher manufacturing costs had a negative effect.

EBITDA and operating result (EBIT)

EBITDA and EBITDA Margin Pre Exceptionals

€ million



Our operating result before depreciation and amortization (EBITDA) pre exceptionals increased by €77 million, or 9.5%, to €885 million in 2015, after €808 million in the prior year. At Group level, the impact of lower raw material prices was passed on to the market in the form of selling price adjustments. Furthermore, the persistently challenging competitive situation in the synthetic rubber business had a diminishing effect. The overall positive development was principally attributable to favorable currency effects. Earnings were also buoyed by a positive volume effect. Selling expenses rose by 2.3% to €759 million, due especially to a volume-driven increase in freight costs and exchange rate developments. Research and development costs were down €30 million, to €130 million. General administration expenses increased by €6 million to €284 million. The Group's EBITDA margin pre exceptionals improved from 10.1% to 11.2%. Our realignment programs generated cost savings in all functional areas. However, they were countered by cost increases resulting from exchange rate developments.

EBITDA pre exceptionals in our Performance Polymers segment advanced by €110 million from the prior-year level of €392 million, to €502 million. This increase was attributable in particular to the favorable exchange rate movements. Earnings were additionally buoyed by a positive volume effect and lower research and development costs. The positive influence of lower procurement prices for raw materials was more than offset by lower selling prices due to the persistently difficult competitive situation in the synthetic rubber business. Earnings were additionally diminished by higher manufacturing costs.

In the Advanced Intermediates segment, EBITDA pre exceptionals increased by €31 million to €339 million. Earnings were improved by positive exchange rate effects. Continued good demand for agrochemicals and from other customer markets increased volumes and earnings. A positive net effect resulted from lower raw material prices and the adjustment of selling prices.

The Performance Chemicals segment generated EBITDA pre exceptionals of €326 million, up €57 million or 21.2% on the prior year. Favorable exchange rate developments and lower raw material prices resulted in improved earnings. Lower volumes had an opposing effect.

EBITDA Pre Exceptionals by Segment

€ million	**2014**	**2015**	Change %
Performance Polymers	392	502	28.1
Advanced Intermediates	308	339	10.1
Performance Chemicals	269	326	21.2
Reconciliation	(161)	(282)	(75.2)
	808	**885**	**9.5**

2014 figures restated

The reconciliation of EBITDA pre exceptionals to the operating result (EBIT) was as follows:

Reconciliation of EBITDA Pre Exceptionals to Operating Result (EBIT)

€ million	**2014**	**2015**	Change %
EBITDA pre exceptionals	808	885	9.5
Depreciation and amortization	(426)	(474)	(11.3)
Reversals of impairment charges	–	56	–
Exceptional items in EBITDA	(164)	(52)	68.3
Operating result (EBIT)	**218**	**415**	**90.4**

The operating result (EBIT) increased substantially from €218 million to €415 million in fiscal 2015. Depreciation and amortization amounted to €474 million. Of this total, write-downs accounted for €25 million (2014: €32 million). In turn, €11 million (2014: €20 million) of these write-downs were exceptional items. On the other hand, reversals of impairment charges totaling €56 million were recognized as exceptional items.

The other operating result, which is the balance between other operating income and expenses, improved by €30 million to minus €160 million. Adjusted for exceptional items, the other operating result came to minus €153 million, which was €147 million lower than in 2014. This decline was largely due to currency hedging transactions.

Net negative exceptional items of €7 million for the reporting year resulted from negative exceptional items of €106 million and positive exceptional items of €99 million. The negative exceptional items, €96 million of which impacted EBITDA, resulted mainly from expenses in connection with the planned discontinuation of EPDM rubber production at the Marl site in Germany at the end of the first quarter of 2016 and from further measures associated with the "Let's LANXESS again" program. The negative exceptional items which did not impact EBITDA were accounted for by write-downs recognized in connection with the planned discontinuation of production at the Marl site in Germany. The positive exceptional items, €44 million of which impacted EBITDA, were mainly related to the sales of intangible assets and property, plant and equipment. The positive exceptional items that did not impact EBITDA were primarily the result of reversing impairment charges recognized in previous years, amounting to €56 million. €37 million of the reversals related to our High Performance Elastomers business unit and €19 million to the Advanced Industrial Intermediates business unit.

In the prior year, net negative exceptional items of €184 million were incurred, €164 million of which impacted EBITDA and mainly related to the "Let's LANXESS again" and "Advance" programs as well as to expenses associated with the design and implementation of IT projects. The negative exceptional items of €20 million that had no impact on EBITDA in the prior year were due above all to write-downs recognized on a pilot plant in what is now the Tire & Specialty Rubbers business unit.

Reconciliation of EBIT to Net Income

€ million	2014	2015	Change %
Operating result (EBIT)	**218**	**415**	**90.4**
Income from investments accounted for using the equity method	2	0	(100.0)
Net interest expense	(69)	(66)	4.3
Other financial income and expense	(71)	(61)	14.1
Financial result	**(138)**	**(127)**	**8.0**
Income before income taxes	**80**	**288**	**> 100**
Income taxes	(36)	(121)	< (100)
Income after income taxes	**44**	**167**	**> 100**
of which:			
attributable to non-controlling interests	(3)	2	> 100
attributable to LANXESS AG stockholders [net income]	47	165	> 100

Financial result

The financial result came in at minus €127 million in fiscal 2015, compared with minus €138 million for the prior year. The prorated income from the investment in Currenta GmbH & Co. OHG, Leverkusen, Germany, which is accounted for using the equity method, came to €0 million, against €2 million the previous year. Net interest expense was €66 million, which is €3 million lower than in the previous year because of repayments made and loans which fell due in the reporting period. The reduced capitalization of a portion of borrowing costs, a consequence of the completion of the new plants in Asia, had a negative effect on the financial result. The improvement in other financial income and expense items resulted mainly from reduced exchange losses. In addition, in the prior year they included expenses incurred for the early repayment of long-term loans.

Income before income taxes

Due to the improved EBIT, income before income taxes increased by €208 million to €288 million.

Income taxes

In fiscal 2015, tax expense amounted to €121 million, compared with €36 million the year before. The Group's tax rate was 42.0%, after 45.0% in the previous year.

Net income/Earnings per share/Earnings per share pre exceptionals

The LANXESS Group posted net earnings of €165 million, an increase of €118 million year on year. A profit of €2 million was attributable to non-controlling interests, compared with a loss of €3 million in the previous year.

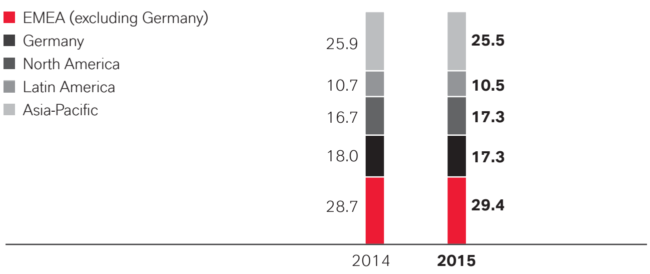
Earnings per share are calculated by dividing net income by the weighted average number of LANXESS shares in circulation during the reporting period. The number of shares in circulation rose by the shares issued for the capital increase in May 2014. Earnings per share were €1.80, ahead of the €0.53 recorded for the prior year.

Earnings per share pre exceptionals were €1.80, against €1.98 the year before. This value was calculated from the earnings per share adjusted for exceptional items and attributable tax effects. In the reporting year, the net negative exceptional items came to €7 million after €184 million in 2014.

Business trends by region

Sales by Market

%



Sales by Market

	2014		2015		Change
	€ million	%	€ million	%	%
EMEA (excluding Germany)	2,296	28.7	2,325	29.4	1.3
Germany	1,440	18.0	1,365	17.3	(5.2)
North America	1,338	16.7	1,368	17.3	2.2
Latin America	859	10.7	830	10.5	(3.4)
Asia-Pacific	2,073	25.9	2,014	25.5	(2.8)
	8,006	**100.0**	**7,902**	**100.0**	**(1.3)**

Global sales performance was characterized by lower selling prices resulting from a net decline in procurement prices for key raw materials and positive exchange rate effects.

EMEA (excluding Germany)

Sales in the EMEA region (excluding Germany) increased by €29 million, or 1.3%, to €2,325 million. After adjustment for currency changes and minor portfolio effects from the sale of the shares in Perlon-Monofil GmbH, Dormagen (Germany) in March 2014, sales were on a level with the prior year with growth of 0.1%. The Performance Polymers segment posted a marginal sales decline in the low-single-digit percentage range. Our Performance Chemicals and Advanced Intermediates segments, on the other hand, achieved a slight increase in sales of a similar magnitude. While the Group's performance in the region as a whole was balanced, sales declined in Italy, Ireland, Poland and the Netherlands in particular. However, sales were bolstered by positive growth in demand in other countries such as Belgium, Turkey, Portugal and Hungary.

With a 29.4% share of total sales, after 28.7% in the prior year, EMEA (excluding Germany) remained the largest of the LANXESS Group's regions in terms of sales.

Germany

In Germany, our sales came to €1,365 million in 2015, down €75 million, or 5.2%, on the previous year. Adjusted for slight exchange rate and portfolio effects, sales were down by 5.7%. The Advanced Intermediates and Performance Polymers segments posted sales declines in the mid-single-digit percentage range, while our Performance Chemicals segment recorded a decrease in sales in the low-single-digit percentage range.

Germany's share of Group sales fell slightly from 18.0% to 17.3%.

North America

Sales in this region came to €1,368 million, up €30 million, or 2.2%, from the previous year. On the other hand, after adjustment for positive exchange rate effects, sales were down 13.9%. This was largely attributable to the decline in sales in the Performance Polymers segment, which was in the low-double-digit percentage range. Sales also moved back by a low-double-digit percentage and a low-single-digit percentage in the Advanced Intermediates and Performance Chemicals segments, respectively.

At 17.3%, North America's share of Group sales was 0.6 percentage points higher than in the prior year.

Latin America

In the Latin America region, sales dropped by €29 million, or 3.4%, to €830 million. After adjusting for positive currency effects, which resulted from the development in the U.S. dollar exchange rate and the fact that most sales are denominated in that currency, sales declined by 13.7%. The crucial factor in business performance here was the development of the Performance Polymers segment, where sales declined by a low-double-digit percentage. The Advanced Intermediates segment likewise registered a decrease in business in the low-double-digit percentage range, while sales of the Performance Chemicals segment moved back by only a low-single-digit percentage. Business development in the region was mainly attributable to the contraction of sales in Brazil. Slightly positive impetus came from Mexico.

We generated 10.5% of Group sales in Latin America, compared with 10.7% in the prior-year period.

Asia-Pacific

Sales in the Asia-Pacific region declined by €59 million, or 2.8%, to €2,014 million in 2015. Adjusted for positive currency effects and slight portfolio effects, sales were down by 16.1%. This decline was mainly attributable to the business performance of the Performance Polymers segment, which posted a decrease in sales in the low-double-digit percentage range. Business in the Advanced Intermediates and Performance Chemicals segments was likewise down by percentages just into double digits. Declining sales in China, Singapore, South Korea and Taiwan contributed significantly to operational performance in the region.

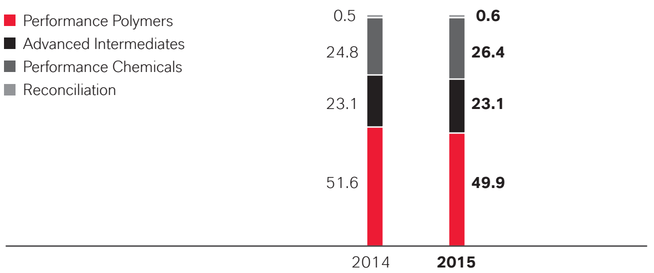
Asia-Pacific's share of Group sales was 25.5%, slightly down on the prior-year figure of 25.9%. Thus, it confirmed its position as the second-strongest region behind EMEA (excluding Germany) in terms of sales.

Segment information

- Performance Polymers: challenging competitive situation for synthetic rubbers; lower selling prices impact sales; earnings substantially above prior year, however
- Advanced Intermediates: earnings improve with sales slightly reduced; good business development in agrochemicals
- Performance Chemicals: sales and earnings increase with prices more or less stable

Sales by Segment

%



2014 figures restated

Performance Polymers

Overview of Key Data

	2014		2015		Change
	€ million	Margin %	€ million	Margin %	%
Sales	4,128		3,944		(4.5)
EBITDA pre exceptionals	392	9.5	502	12.7	28.1
EBITDA	351	8.5	507	12.9	44.4
Operating result (EBIT) pre exceptionals	181	4.4	249	6.3	37.6
Operating result (EBIT)	120	2.9	280	7.1	> 100
Cash outflows for capital expenditures	428		184		(57.0)
Depreciation and amortization/reversals of impairment charges	231		227		(1.7)
Employees as of Dec. 31 [1]	5,240		5,088		(2.9)

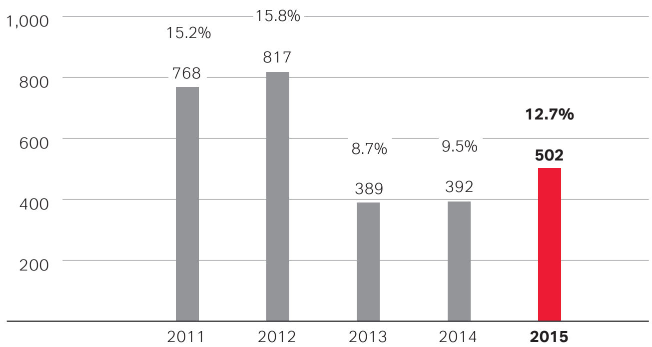
1) 2014 figure restated

Sales in our Performance Polymers segment declined by 4.5% year on year in fiscal 2015, to €3,944 million. A negative price effect of 14.9% was attributable in particular to lower procurement prices for raw materials being passed on to customers. Favorable exchange rate effects improved sales by 8.9%, with support from slightly higher volumes. All business units in this segment were impacted by lower selling prices. The Tire & Specialty Rubbers and High Performance Materials business units posted volume growth, but volumes declined in the High Performance Elastomers business unit. Shifts in exchange rates had a positive effect in all business units. While business in this segment was positive in the EMEA region (excluding Germany), sales in the other regions were below the prior-year level.

EBITDA pre exceptionals in the Performance Polymers segment, at €502 million, was well above the prior-year level of €392 million. Favorable exchange rate effects and expanded volumes lifted earnings. The effect of reduced selling prices outweighed the positive impact of cost relief resulting from lower raw material prices. The segment's EBITDA margin pre exceptionals improved from 9.5% to 12.7%.

EBITDA and EBITDA Margin Pre Exceptionals

€ million



The segment posted net positive exceptional items of €31 million, comprising positive exceptional items of €79 million and negative exceptional items of €48 million. The positive exceptional items, €43 million of which impacted EBITDA, related in particular to income from the sale of intangible assets and property, plant and equipment. The positive exceptional items of €36 million that did not impact EBITDA were mainly attributable to the reversals of impairment charges recognized by the High Performance Elastomers business unit in previous years. The negative exceptional items were made up of €38 million that impacted EBITDA and €10 million that did not. The negative exceptional items that impacted EBITDA resulted mainly from expenses in connection with the planned discontinuation of EPDM rubber production at the Marl site in Germany and from measures associated with the "Let's LANXESS again" program. The negative exceptional items that did not impact EBITDA resulted from write-downs recognized in connection with the planned discontinuation of production at the Marl site in Germany.

In the prior year, negative exceptional items amounted to €61 million, of which €41 million impacted EBITDA. The negative exceptional items of €20 million that had no impact on EBITDA were due above all to write-downs recognized on a pilot plant in the Tire & Specialty Rubbers business unit. The negative exceptional items that impacted EBITDA were related to measures associated with our realignment programs.

Advanced Intermediates

Overview of Key Data

	2014		2015		Change
	€ million	Margin %	€ million	Margin %	%
Sales	1,847		1,826		(1.1)
EBITDA pre exceptionals	308	16.7	339	18.6	10.1
EBITDA	295	16.0	338	18.5	14.6
Operating result (EBIT) pre exceptionals	215	11.6	240	13.1	11.6
Operating result (EBIT)	202	10.9	258	14.1	27.7
Cash outflows for capital expenditures	90		87		(3.3)
Depreciation and amortization/reversals of impairment charges	93		80		(14.0)
Employees as of Dec. 31	3,312		3,264		(1.4)

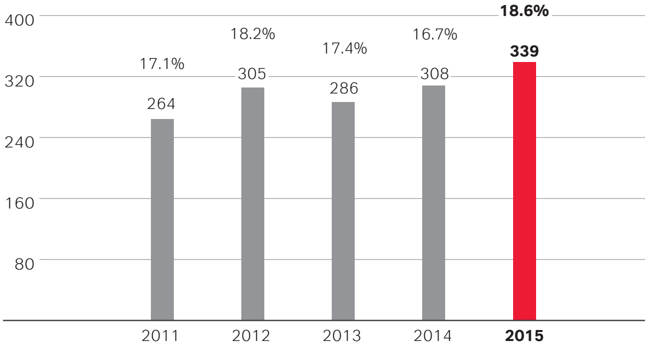
2014 figures restated

Our Advanced Intermediates segment recorded sales of €1,826 million in 2015, 1.1% or €21 million below the prior-year level. While the adjustment in selling prices, through which lower purchase prices for raw materials were largely passed on to customers, led to a negative price effect of 9.0%, exchange rate developments added 4.8% to sales. Volumes were up 3.2% compared with the prior year.

While both of the segment's business units grew volumes, selling prices in the Advanced Industrial Intermediates business unit were below the prior-year level, reflecting raw material prices. Continued good demand for agrochemicals and from other customer markets resulted in a positive effect from higher volumes. Exchange rate developments had a positive influence in the Advanced Industrial Intermediates business unit in particular. In the Germany region, the segment's sales were below the prior-year level. In the other regions, the segment posted a positive business performance.

EBITDA and EBITDA Margin Pre Exceptionals

€ million



2014 figures restated

EBITDA pre exceptionals in the Advanced Intermediates segment increased by €31 million, or 10.1%, to €339 million. Earnings were improved particularly by positive exchange rate movements and higher volumes. While lower raw material prices brought cost relief, earnings were diminished by these price effects largely being passed on to customers. The EBITDA margin pre exceptionals was 18.6%, up from 16.7% in the prior year.

In fiscal 2015, net positive exceptional items amounted to €18 million, resulting from positive exceptional items of €20 million and negative exceptional items of €2 million. The positive exceptional items, of which €19 million did not impact EBITDA, were mainly the result of reversing impairment charges recognized in previous years on assets of the former Rubber Chemicals business unit. The negative exceptional items of €1 million that impacted EBITDA were the balance of negative exceptional items related to measures associated with "Let's LANXESS again" program and positive exceptional items from the sale of non-current assets. Negative exceptional items in the prior year amounted to €13 million, which fully impacted EBITDA and were largely related to the "Let's LANXESS again" program.

Performance Chemicals

Overview of Key Data

	2014		2015		Change
	€ million	Margin %	€ million	Margin %	%
Sales	1,989		2,085		4.8
EBITDA pre exceptionals	269	13.5	326	15.6	21.2
EBITDA	238	12.0	313	15.0	31.5
Operating result (EBIT) pre exceptionals	187	9.4	238	11.4	27.3
Operating result (EBIT)	156	7.8	225	10.8	44.2
Cash outflows for capital expenditures	71		139		95.8
Depreciation and amortization	82		88		7.3
Employees as of Dec. 31	5,318		5,260		(1.1)

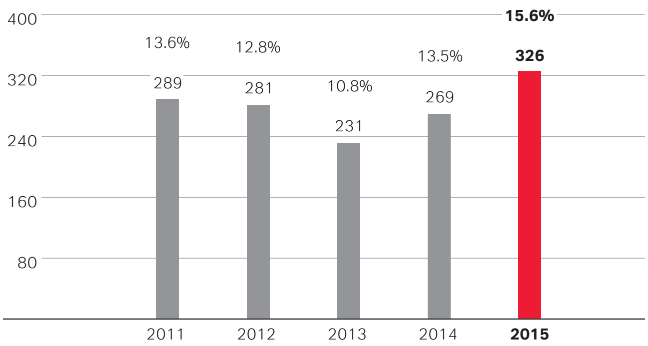
2014 figures restated

Sales in the Performance Chemicals segment in fiscal 2015 rose by €96 million, or 4.8%, to €2,085 million. With a share of 8.2%, positive exchange rate developments were the main contributor to this increase. While lower volumes reduced sales by 3.1%, selling prices nearly matched the prior-year level.

Development varied across the individual business units in this segment. While selling prices in the Material Protection Products and Inorganic Pigments business units were above the prior-year level, the other business units saw a slight decline in selling prices. With the exception of the Liquid Purification Technologies business unit, all business units posted lower volumes. All business units benefited from favorable exchange rate developments. While business receded in the Germany region, it expanded in the other regions.

EBITDA and EBITDA Margin Pre Exceptionals

€ million



2014 figures restated

EBITDA pre exceptionals for the Performance Chemicals segment advanced by €57 million, or 21.2%, against the prior year to €326 million. This increase was mainly attributable to the positive development of exchange rates. Additional support came from lower raw material prices and largely stable selling prices. Earnings were impacted by a decline in volumes. The EBITDA margin pre exceptionals improved from 13.5% to 15.6%.

The segment recorded negative exceptional items of €13 million in the reporting year, which fully impacted EBITDA. Some of these related to measures associated with the “Let’s LANXESS again” program. Negative exceptional items in the prior year amounted to €31 million and fully impacted EBITDA. They were largely related to measures associated with the “Let’s LANXESS again” and “Advance” programs.

Reconciliation

Overview of Key Data

€ million	2014	2015	Change %
Sales	42	47	11.9
EBITDA pre exceptionals	(161)	(282)	(75.2)
EBITDA	(240)	(325)	(35.4)
Operating result (EBIT) pre exceptionals	(181)	(305)	(68.5)
Operating result (EBIT)	(260)	(348)	(33.8)
Cash outflows for capital expenditures	25	24	(4.0)
Depreciation and amortization	20	23	15.0
Employees as of Dec. 31 [1]	2,714	2,613	(3.7)

1) 2014 figure restated

EBITDA pre exceptionals for the Reconciliation came to minus €282 million, compared with minus €161 million in the prior year. This change was mainly due to expenses incurred in currency hedging. The negative exceptional items of €43 million reported in the Reconciliation, which fully impacted EBITDA, mainly related to the “Let’s LANXESS again” program. The prior-year negative exceptional items of €79 million shown in the Reconciliation, which impacted EBITDA, mainly related to measures associated with the “Let’s LANXESS again” and “Advance” programs, to expenses for the design and implementation of IT projects and to expenses for portfolio adjustments.

Statement of financial position and financial condition

Statement of financial position

- Decrease in total assets, mainly due to reduced working capital
- Equity ratio improved to 32.2%
- Lower pension provisions due to higher discount rates
- Net financial liabilities visibly improved at €1,211 million

Structure of the Statement of Financial Position

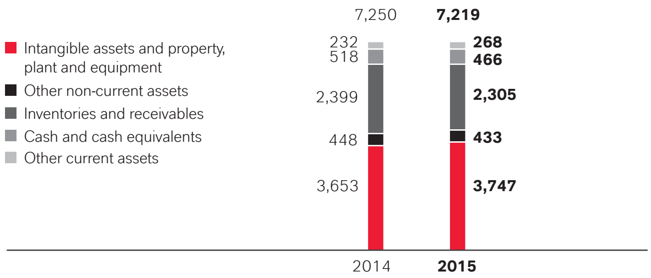
	Dec. 31, 2014		Dec. 31, 2015		Change
	€ million	%	€ million	%	%
ASSETS					
Non-current assets	4,101	56.6	4,180	57.9	1.9
Current assets	3,149	43.4	3,039	42.1	(3.5)
Total assets	**7,250**	**100.0**	**7,219**	**100.0**	**(0.4)**
EQUITY AND LIABILITIES					
Equity (including non-controlling interests)	2,161	29.8	2,323	32.2	7.5
Non-current liabilities	3,447	47.6	2,936	40.7	(14.8)
Current liabilities	1,642	22.6	1,960	27.1	19.4
Total equity and liabilities	**7,250**	**100.0**	**7,219**	**100.0**	**(0.4)**

Structure of the statement of financial position

Total assets of the LANXESS Group amounted to €7,219 million as of December 31, 2015, a decrease of €31 million, or 0.4%, on the prior-year figure. This was primarily due to the reduction in inventories and trade receivables. The development of property, plant and equipment had an opposing effect. The ratio of non-current assets to total assets increased from 56.6% to 57.9%. On the equity and liabilities side, equity increased mainly due to net comprehensive income. At the end of fiscal 2015, the equity ratio was 32.2%, after 29.8% in the previous year.

Structure of the Statement of Financial Position – Assets

€ million



Non-current assets rose by €79 million to €4,180 million, with intangible assets and property, plant and equipment increasing by €94 million to €3,747 million. Cash outflows for purchases of property, plant and equipment and intangible assets in the reporting period were €434 million, below the prior-year level of €614 million. Depreciation and amortization totaled €474 million, which was €48 million above the prior-year level of €426 million. They were partially set off by reversals of impairment charges recognized in previous years on the assets of cash-generating units, amounting to €56 million. The carrying amount of investments accounted for using the equity method was €0 million, the same as in the prior year. Deferred taxes decreased by €19 million to €361 million. The ratio of non-current assets to total assets was 57.9%, up from 56.6% on December 31, 2014.

Current assets decreased by €110 million or 3.5% compared with December 31, 2014, to €3,039 million. Inventories were down by €35 million, or 2.5%, to €1,349 million, principally due to the lower prices for certain key raw materials. The development of exchange rates and a slight increase in volumes had an opposing effect. Days of inventory outstanding (DIO) increased from 79.1 to 84.3. By contrast, trade receivables were €59 million, or 5.8%, lower at €956 million, despite opposing currency effects. Days of sales outstanding (DSO) were virtually unchanged at 47.6. Cash and cash equivalents decreased €52 million, to €366 million. Near-cash assets amounted to €100 million, as in the prior year. The ratio of current assets to total assets was 42.1%, against 43.4% as of December 31, 2014.

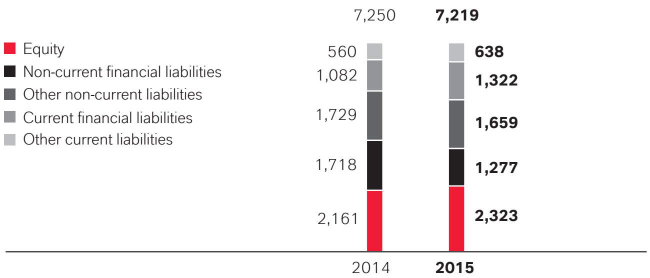
The LANXESS Group has internally generated intangible assets that are not reflected in the statement of financial position in light of accounting rules. These include the brand equity of LANXESS and the value of other brands of the Group.

Our established relationships with customers and suppliers also constitute a significant intangible asset. These long-standing, trust-based partnerships with customers and suppliers, underpinned by consistent service quality, have made it possible for us to compete successfully, even in a more challenging business environment. Our competence in technology and innovation, also a valuable asset, is rooted in our specific knowledge in the areas of research and development and custom manufacturing. It enables us to generate significant added value for our customers.

The know-how and experience of our employees are crucial factors for our corporate success. In addition, we have sophisticated production and business processes that create competitive advantages for us in the relevant markets.

Structure of the Statement of Financial Position – Equity and Liabilities

€ million



Equity amounted to €2,323 million, up by €162 million or 7.5% compared with December 31, 2014, primarily due to the net comprehensive income posted in the reporting period. The ratio of equity to the Group's total assets was 32.2% as of December 31, 2015, after 29.8% as of December 31, 2014.

Non-current liabilities as of December 31, 2015, fell by €511 million to €2,936 million. Provisions for pensions and other post-employment benefits declined by €75 million compared with the end of 2014, to €1,215 million. This was primarily due to increased discount rates, particularly in Germany. Other non-current financial liabilities amounted to €1,258 million, down by €440 million against December 31, 2014. This was because a bond that is due to mature in 2016 and a loan were reclassified to current financial liabilities. The ratio of non-current liabilities to total assets was 40.7%, up from 47.6% as of December 31, 2014.

Current liabilities came to €1,960 million, up by €318 million or 19.4% from December 31, 2014. At €779 million, trade payables were €20 million below the prior-year figure, due mainly to lower raw material prices. Shifts in exchange rates had an opposing effect. Current derivative liabilities were on a level with the prior year at €100 million. The reclassification of the bond and loan from non-current to current financial liabilities was the main reason for the €261 million increase in current financial liabilities to €443 million. Other current liabilities decreased by €24 million to €142 million, while other current provisions increased by €61 million to €411 million. This was attributable to additions for restructuring measures and for variable compensation. The ratio of current liabilities to total assets was 27.1% as of December 31, 2015, against 22.6% at the end of 2014.

At €1,211 million, net financial liabilities were substantially below the figure of €1,336 million at December 31, 2014.

The Group's key ratios developed as follows:

Ratios

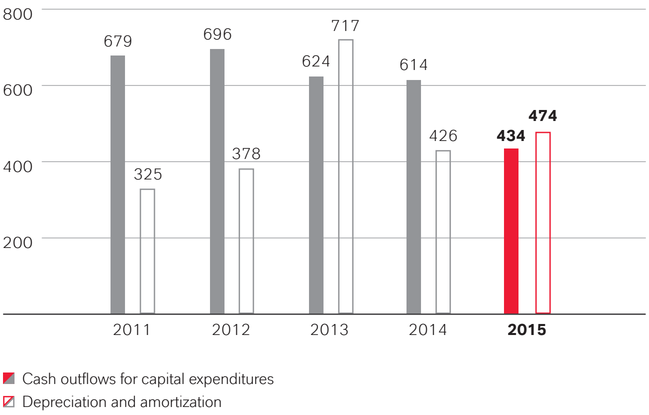
%		2011	2012	2013	2014	2015
Equity ratio	Equity [1] / Total assets	30.2	31.0	27.9	29.8	32.2
Non-current asset ratio	Non-current assets / Total assets	50.7	49.8	52.7	56.6	57.9
Asset coverage I	Equity [1] / Non-current assets	59.4	62.2	52.9	52.7	55.6
Asset coverage II	Equity [1] and non-current liabilities / Non-current assets	137.3	157.2	137.2	136.7	125.8
Funding structure	Current liabilities / Total liabilities	43.5	31.4	38.3	32.3	40.0

1) Including non-controlling interests

Capital expenditures

In 2015, capital expenditures for property, plant and equipment and intangible assets came to €457 million, compared with €692 million the year before, and led to cash outflows of €434 million (2014: €614 million). Depreciation and amortization in the same period totaled €474 million (2014: €426 million). They were counteracted by reversals of impairment charges amounting to €56 million. The figure for depreciation and amortization included €11 million in write-downs reported as exceptional items (2014: write-downs of €20 million). After adjustment for these exceptional items, capital expenditures were approximately level with depreciation and amortization (2014: 70% above depreciation and amortization).

Cash Outflows for Capital Expenditures vs. Depreciation and Amortization
€ million



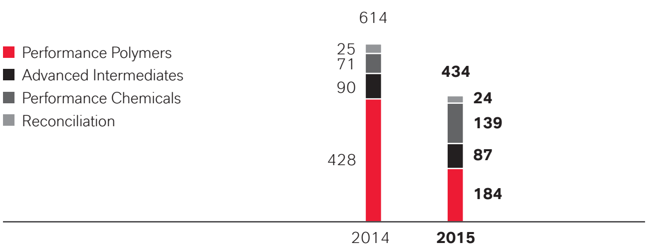
In the reporting year, capital expenditures focused on the following areas:

- Expansion and maintenance of existing facilities, construction of new facilities
- Measures to increase plant availability
- Projects to improve plant safety, enhance quality and comply with environmental protection requirements

Around two-thirds of the capital expenditures in 2015 went to maintain existing facilities, while the rest went toward expansion or efficiency improvement measures.

In regional terms, 36% of our capital expenditures in the reporting period were made in Germany, 20% in the EMEA region (excluding Germany), 17% in North America, 5% in Latin America and 22% in Asia-Pacific. Capital expenditures in Germany mostly comprised our investments to increase capacities and modernize facilities in all segments, especially investments in the Saltigo and Liquid Purification Technologies business units. The continued large share of capital expenditures made in the Asia-Pacific region is due primarily to the construction of a new production plant for EPDM rubber for our High Performance Elastomers business unit in Changzhou, China, completed in the reporting year, and to the construction of a new plant for iron oxide red pigments for the Inorganic Pigments business unit in Ningbo, China.

Cash Outflows for Capital Expenditures by Segment
€ million



2014 figures restated

In the Performance Polymers segment, capital expenditures totaled €190 million (2014: €472 million), €184 million (2014: €428 million) of which were cash outflows. Depreciation and amortization less reversals of impairment charges stood at €227 million (2014: €231 million). The major capital expenditures in this segment were made in the Tire & Specialty Rubbers business unit. Capital expenditures in the Advanced Intermediates segment amounted to €99 million (2014: €100 million). Cash outflows stood at €87 million (2014: €90 million), which exceeded depreciation and amortization less reversals of impairment charges of €80 million (2014: €93 million). These included a number of smaller capital expenditure projects, as well as initial cash outflows in connection with the construction of two multi-purpose production lines for the Saltigo business unit at the Leverkusen site in Germany, which will begin in 2016. Production is due to start at the end of 2017. In the Performance Chemicals segment, capital expenditures came to €144 million (2014: €94 million), €139 million (2014: €71 million) of which were cash outflows. Depreciation and amortization stood at €88 million (2014: €82 million). A major investment project is the construction of a state-of-the-art plant for iron oxide red pigments in Ningbo, China, for the Inorganic Pigments business unit.

The following table shows major capital expenditure projects in the LANXESS Group.

Selected Capital Expenditure Projects

Segment	Site	Description
Performance Polymers		
Tire & Specialty Rubbers	Singapore	Construction of a production plant for neodymium-based performance butadiene rubber (Nd-PBR), start-up in the first half of 2015
High Performance Elastomers	Changzhou, China	Construction of a production plant for ethylene propylene diene (EPDM) rubber, start-up in Q1 2015
High Performance Materials	Gastonia, U.S.A.	Expansion of the high-tech plastics facility by the addition of a second production line, start-up in 2016
Advanced Intermediates		
Saltigo	Leverkusen, Germany	Construction of two multi-purpose production lines starting in 2016; start-up planned for the end of 2017
Performance Chemicals		
Inorganic Pigments	Ningbo, China	Construction of a plant for iron oxide red pigments with the addition of a mixing and milling plant for inorganic pigments, completion in Q4 2015 and start-up in Q1 2016

Expansion of the Group portfolio

Please see “Changes to the Group portfolio” in this combined management report for more information on the changes to the Group portfolio.

Financial condition

- Free cash flow above prior-year level
- Cash inflow from reduction in working capital
- Cash used for investing activities mainly reflects capital expenditures for maintaining existing facilities and expanding capacities
- Liquidity position remains solid

The cash flow statement shows inflows and outflows of cash and cash equivalents by type of business operation.

Cash Flow Statement

€ million	2014	2015	Change
Income before income taxes	80	288	208
Depreciation and amortization/reversals of impairment charges	426	418	(8)
Other items	144	(107)	(251)
Net cash provided by operating activities before change in net working capital	**650**	**599**	**(51)**
Change in net working capital	147	93	(54)
Net cash provided by operating activities	**797**	**692**	**(105)**
Net cash used in investing activities	**(587)**	**(400)**	**187**
Free cash flow	**210**	**292**	**82**
Net cash used in financing activities	**(222)**	**(333)**	**(111)**
Change in cash and cash equivalents from business activities	(12)	(41)	(29)
Cash and cash equivalents as of December 31	418	366	(52)

Cash provided by operating activities, before changes in net working capital, decreased by €51 million to €599 million in fiscal 2015. The starting point was the €208 million increase in income before income taxes to €288 million. Depreciation and amortization of €474 million, less reversals of impairment charges of €56 million, were €48 million higher than the figure of €426 million for the prior year. The other items in the reporting year included tax payments, effects from currency hedging transactions and cash outflows for variable compensation. Moreover, cash outflows associated with the realignment program were much higher than in the prior year.

The decrease in net working capital against December 31, 2014, resulted in a cash inflow of €93 million compared with €147 million in the prior year. The inflow in the reporting period resulted in particular from the decline in inventories and trade receivables, with the reduction in trade payables having an opposing effect. Therefore, the net cash provided by operating activities totaled €692 million, against €797 million in 2014.

LANXESS's investing activities in fiscal 2015 resulted in a cash outflow of €400 million, down from €587 million in the previous year. Disbursements for intangible assets and property, plant and equipment came to €434 million, which was below the prior-year level of €614 million. The sale of intangible assets and property, plant and equipment resulted in a cash inflow of €45 million (2014: €8 million).

Free cash flow – the difference between the cash inflows from operating activities and the cash used in investing activities – increased by €82 million to €292 million.

Net cash used in financing activities came to €333 million, against €222 million the year before. A significant effect in 2015 was the net repayment of borrowings amounting to €220 million. In the prior year, a major effect came from the cash inflow of €433 million resulting from the capital increase, although it was more than offset by the cash outflow of €478 million attributable to the net repayment of borrowings. Interest payments and other financial disbursements of €76 million were well below the previous year's amount of €131 million. As in 2014, an outflow of €46 million was accounted for by the dividend paid to the stockholders of LANXESS AG for fiscal 2014.

The net change in cash and cash equivalents from business activities in fiscal 2015 was minus €41 million, against minus €12 million the previous year. After taking into account currency-related and other negative changes in cash and cash equivalents of €11 million, cash and cash equivalents at the closing date amounted to €366 million, against €418 million at the previous year's closing date.

Taken together with near-cash assets (short-term investment of liquid assets in money market funds) of €100 million, which were unchanged against the prior year, the Group retained a solid liquidity position of €466 million as of December 31, 2015, compared with €518 million at the end of 2014.

Principles and objectives of financial management

LANXESS pursues a conservative financial policy characterized by the forward-looking management of financial risks. Our aim is to be able to provide sufficient liquidity to our business operations at all times, regardless of cyclical fluctuations in the real economy or financial markets. The debt level is largely aligned with the ratio systems of the leading rating agencies for investment-grade companies and, along with free cash flow, is the focus of financial management. In addition to liquidity risk, financial management also covers other financial risks, such as interest and foreign exchange risks. Here too, we aim to mitigate the financial risks that arise and increase planning reliability, partly by using derivative financial instruments. Detailed information about the management of these risks is contained in the "Opportunity and risk report" in this combined management report and under Note [36], "Financial instruments," to the consolidated financial statements.

LANXESS Group ratings

Access to the capital markets and good relations with German and international commercial banks are essential for achieving our financial management objectives. Accordingly, ongoing dialogue and communication with banks, investors and rating agencies are of crucial importance. In fiscal 2015, the rating agencies Standard & Poor's and Moody's confirmed their ratings for LANXESS of BBB– and Baa3, respectively. On March 11, 2015, Fitch confirmed – and then subsequently discontinued – its unsolicited rating of BBB–. Following the announcement of the partnership with Saudi Aramco in September 2015, Standard & Poor's raised its outlook from "stable" to "positive," while Moody's kept its outlook at "stable." Both rating agencies gave a positive opinion of the planned transaction and emphasized the improved debt situation along with additional financial flexibility resulting from the expected proceeds.

Development of LANXESS Ratings and Rating Outlook Since 2011

	2011	2012	2013	2014	2015
Standard & Poor's	BBB/stable Aug. 23, 2011	BBB/stable Aug. 31, 2012	BBB/negative June 27, 2013	BBB–/stable May 19, 2014	BBB–/positive Sept. 24, 2015
Moody's Investors Service	Baa2/stable Nov. 23, 2011	Baa2/stable Sept. 26, 2012	Baa2/negative Aug. 14, 2013	Baa3/stable June 20, 2014	Baa3/stable July 2, 2015

Financing analysis

In fiscal 2015, LANXESS retained a balanced financing structure and a very solid liquidity position.

The CNH 500 million renminbi bond that matured in February 2015 was redeemed from available cash funds. Ahead of schedule, we repaid two tranches totaling €114 million on a development bank loan in order to further reduce gross indebtedness and the interest burden. We repaid debts and funded current investments, business operations and the "Let's LANXESS again" restructuring program from operating cash flow and existing liquidity.

In March 2009, LANXESS launched a debt issuance program with a current volume of €2.5 billion. On this basis and aligned with the prevailing market conditions, bonds can be placed on the capital market very flexibly with respect to timing and volume. As of December 31, 2015, just under €1.5 billion of the €2.5 billion financing facility had been utilized to issue bonds and private placements. The volume of the debt issuance program can be adjusted flexibly in line with future requirements so as to ensure financial headroom. As of March 20, 2015, LANXESS Finance B.V. was replaced as the issuer of the bonds and private placements under the debt issuance program by LANXESS AG, which is the original guarantor of the bonds. Capital market financing is a central component in LANXESS's financing mix, which is subject to regular review to ensure the adequate diversification of our financing sources and our strategic alignment.

Current financial liabilities increased from €182 million in 2014 to €443 million at December 31, 2015, largely due to the reclassification from non-current financial liabilities of the bond that will mature in 2016 and of a loan.

We made only limited use of finance leases, which are reported as financial liabilities in the statement of financial position. As of December 31, 2015, the financial liabilities from finance leases were on a level with the prior year at €71 million. The LANXESS Group uses operating leases mainly for operational reasons and not as a means of financing. Minimum non-discounted future payments relating to operating leases totaled €341 million (2014: €390 million).

As of December 31, 2015, LANXESS had no material financing items not reported in the statement of financial position in the form of factoring, asset-backed structures or project financing, for example.

LANXESS's total financial liabilities, net of accrued interest, declined from €1,854 million in 2014 to €1,677 million at December 31, 2015. Net financial liabilities – the total financial liabilities net of cash, cash equivalents and near-cash assets – declined by €125 million to €1,211 million.

Of the total financial liabilities, 90% bear a fixed interest rate over the term of the financing, which is above the prior-year level of 86%. This resulted especially from the reduction in gross indebtedness achieved by repaying variable-rate loans, which made good economic sense. Interest rate changes do not have a material effect on LANXESS's financial condition considering the current financing structure. The proportion of loans and bonds denominated in euros averaged 90% in the reporting year, which was above the prior-year level of 79%. The weighted average interest rate for our financial liabilities was 3.8% at year end 2015, which was level with the prior year.

The following overview shows LANXESS's financing structure as of December 31, 2015, in detail, including its principal liquidity reserves.

Financing Structure

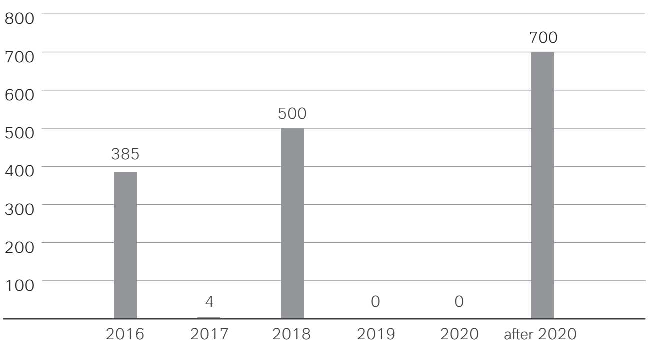
Instrument	**Amount € million**	**Term**	**Interest rate %**	**Financial covenant[1]**
Eurobond 2009/2016 (€200 million)	200	September 2016	5.500	no
Eurobond 2011/2018 (€500 million)	499	May 2018	4.125	no
Eurobond 2012/2022 (€500 million)	494	November 2022	2.625	no
Private placement 2012/2022 (€100 million)	100	April 2022	3.500	no
Private placement 2012/2027 (€100 million)	99	April 2027	3.950	no
Development bank loan	138	January 2016[2]		no
Other loans	76	n/a		no
Finance lease	71	n/a		no
Total financial liabilities	**1,677**			
Cash and cash equivalents	366	≤ 3 months		
Near-cash assets	100	≤ 3 months		
Total liquidity	**466**			
Net financial liabilities	**1,211**			

1) Ratio of net financial liabilities to EBITDA pre exceptionals
2) Original term until April 2019; owing to strong liquidity position, repaid in full on January 4, 2016, to reduce indebtedness

In 2015, in the context of our realignment and with a view to liabilities that are due to mature in the years ahead, we made targeted debt repayments as a means of actively managing our financing structure – which has been continuously improved in past fiscal years – and safeguarding our long-term liquidity. No refinancing risks existed at the time these financial statements were prepared. In particular, the redemption of the €200 million bond that is due to mature in September 2016 is assured on the basis of existing liquidity and credit lines. The other loans related mainly to the use of credit facilities by subsidiaries in Brazil, China, India and Argentina, most of which mature in 2016 and are extended on a regular, e.g. annual, basis.

Maturity Profile of LANXESS Financial Liabilities as of Dec. 31, 2015

€ million



Liquidity analysis

In addition to cash and cash equivalents of €366 million and investments in highly liquid AAA money market funds of €100 million, LANXESS has additional sizeable liquidity reserves in the form of undrawn credit facilities. The investments in money market funds are undertaken only at European Group companies that are not subject to restrictions on foreign exchange and capital transfers. We can therefore freely dispose of the funds. Around 90% of our cash, cash equivalents and highly liquid money market funds is held in Group companies in countries with no restrictions on foreign exchange and capital transfers. The remaining some 10% is held in companies in regulated capital markets where cash transfers are restricted.

Thanks to our good liquidity position, our solvency was assured at all times in fiscal 2015. This is an aspect that was assessed positively by the rating agencies in their credit ratings in 2015.

By far the most important of LANXESS's credit lines is the syndicated credit facility of €1.25 billion, which has not been significantly drawn upon to date. In February 2015, we extended this facility by one year until February 2020. This credit facility is designed as an operating line of credit and to provide funds for capital investment. It corresponds to market requirements in the European syndicated loan market for investment-grade companies with a BBB rating. Another important credit line is the €150 million facility we agreed with the European Investment Bank in fiscal 2014. None of our major loan agreements contains a financial covenant. LANXESS had unused credit lines totaling around €1.5 billion as of December 31, 2015, unchanged against the end of the previous year.

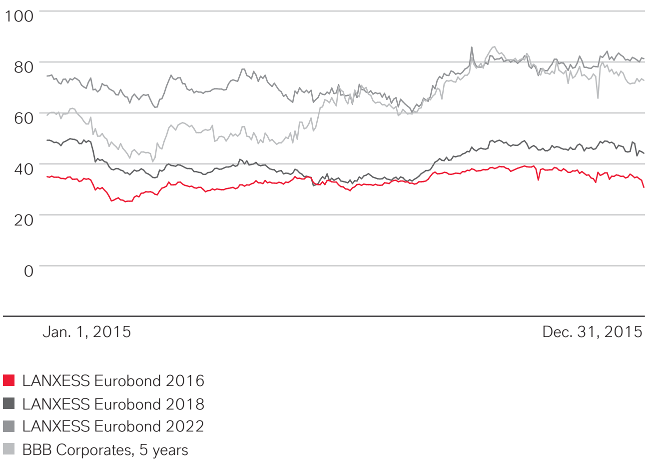
The total of liquid assets and undrawn credit lines gives us a liquidity scope of around €2.0 billion, as in the prior year. This liquidity reserve secures our entrepreneurial flexibility and serves as back-up financing for our global realignment program; it is an expression of our conservative financial policy. Our solvency is safeguarded for the short and long term.

Bond performance – evolution of credit spread in 2015

An important indicator for corporate bonds, apart from the absolute change in price, is the relative valuation of the risk specific to the issuer in comparison with a reference interest rate. This credit risk premium is expressed in what is known as the credit spread. Due to the higher default risk associated with longer bond maturity, long-term bonds generally feature a wider credit spread. This and factors such as liquidity and trading volume also apply to the various LANXESS bonds. The following chart shows the evolution of the credit spreads of our bonds and the average credit spread of corporate bonds with a BBB rating and a five-year maturity in comparison with the interest rate swap curve.

LANXESS Eurobond Spreads vs. BBB Corporates Index

Basis points



The credit risk premiums on BBB corporate bonds declined further in the first quarter of 2015 from a comparatively low level. They then increased in the second half of 2015. By contrast, the credit risk premiums on LANXESS bonds remained stable in 2015 despite their slightly lower rating of BBB–. They were most recently at a comparable level to those of other companies with BBB ratings.

The development of our credit spreads underscores the fact that we retain very competitive access to capital market financing.

Management's summary of business development and the fiscal year

In 2015, the LANXESS Group's business continued to be characterized by the persistently difficult competitive environment for synthetic rubbers. Against this background, we continued to successfully drive forward our global realignment program. Volumes across the Group remained at around the prior-year level. In view of the generally lower raw material prices, selling prices had to be adjusted in all segments. The efficiency measures that have been implemented and the favorable exchange rate effects more than offset the impacts of the challenging business environment. We view the development of earnings as positive overall.

At €7,902 million, LANXESS Group sales in 2015 declined by 1.3% from €8,006 million in the prior year. Our Performance Polymers segment posted a decrease in sales, due especially to price pressure resulting from lower procurement prices for raw materials and to the persistently challenging competitive situation. In the Advanced Intermediates segment, sales were more or less flat with the previous year thanks to good demand for agrochemicals and from other customer markets. Business in our Performance Chemicals segment was characterized by lower volumes and selling prices at about the same level as the prior year.

EBITDA pre exceptionals in 2015 increased by 9.5% to €885 million from €808 million in the prior year. This was principally attributable to favorable currency effects, cost savings and efficiency improvements.

Net income and earnings per share improved significantly in comparison to the prior year, rising from €47 million to €165 million and €0.53 to €1.80, respectively.

We upheld our conservative accounting and financing policy in 2015 as well. In accordance with the consistency principle, we essentially applied the same measurement methods and exercised the same discretion as in the previous year. Our equity ratio improved from 29.8% to 32.2%, which was mainly attributable to net income. Total assets were at the level of the prior year.

Our statement of financial position shows that our liquidity position remains solid. Additional substantial liquidity reserves in the form of undrawn credit lines are also available. Of the total financial liabilities, 90% bear a fixed interest rate over the term of the financing, which is above the prior-year level of 86%. Our financial liabilities are free of financial covenants.

Our net financial liabilities declined by €125 million to €1,211 million. In fiscal 2015, the rating agencies Standard & Poor's and Moody's confirmed our ratings of BBB– and Baa3, respectively. Following the announcement of the partnership with Saudi Aramco, Standard & Poor's raised its outlook from "stable" to "positive," while Moody's kept its outlook at "stable."

We continue to regard our business situation as positive. We are responding to the changes and challenges confronting the European chemical industry especially with our program for the global realignment of the LANXESS Group. Through its new strategic alignment, LANXESS aims to become a less cyclical specialty chemicals group with a strong cash flow and a more balanced portfolio.

Key Business Data – Multi-Period Overview

€ million	2011	2012	2013	2014	2015
Earnings performance					
Sales	8,775	9,094	8,300	8,006	7,902
EBITDA pre exceptionals	1,146	1,223	735	808	885
EBITDA margin pre exceptionals	13.1%	13.4%	8.9%	10.1%	11.2%
EBITDA	1,101	1,186	624	644	833
Operating result (EBIT) pre exceptionals	826	847	288	402	422
Operating result (EBIT)	776	808	(93)	218	415
EBIT margin	8.8%	8.9%	(1.1)%	2.7%	5.3%
Net income (loss)	506	508	(159)	47	165
Earnings per share (€)	6.08	6.11	(1.91)	0.53	1.80
Financial position					
Cash flow from operating activities	672	838	641	797	692
Depreciation and amortization/reversals of impairment charges	325	378	717	426	418
Cash outflows for capital expenditures	679	696	624	614	434
Net financial liabilities	1,515	1,483	1,731	1,336	1,211
Assets and liabilities					
Total assets	6,878	7,519	6,811	7,250	7,219
Non-current assets	3,489	3,747	3,592	4,101	4,180
Current assets	3,389	3,772	3,219	3,149	3,039
Net working capital	1,766	1,849	1,679	1,600	1,526
Equity (including non-controlling interests)	2,074	2,330	1,900	2,161	2,323
Pension provisions	679	893	943	1,290	1,215
Indicators					
ROCE	17.2%	15.6%	5.8%	7.9%	8.4%
Equity ratio	30.2%	31.0%	27.9%	29.8%	32.2%
Non-current asset ratio	50.7	49.8	52.7	56.6	57.9
Asset coverage I	59.4	62.2	52.9	52.7	55.6
Net working capital/sales	20.1%	20.3%	20.2%	20.0%	19.3%
Employees (as of December 31)	16,390	17,177	17,343	16,584	16,225

Earnings, asset and financial position of LANXESS AG

LANXESS AG serves primarily as the management holding company for the LANXESS Group. The principal management functions for the entire Group are performed by the Board of Management. The Board of Management shapes Group strategy and manages resource allocation, infrastructure and organization. The Group management company is also responsible for financing and communication with LANXESS's key stakeholders. The economic performance of LANXESS AG depends principally on the operating business entities in the LANXESS Group and on the development of the chemical industry. The balance of income and losses from investments in affiliated companies resulting from profit or loss transfers and dividends from affiliated companies is of key importance for the future ability of LANXESS AG to pay a dividend. Therefore, especially the statements made in the "Opportunity and risk report" in this combined management report apply in principle to LANXESS AG as well.

The financial statements of LANXESS AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Sales and earnings of LANXESS AG

LANXESS AG Income Statement in Accordance with the German Commercial Code (HGB) – Abridged

€ million	2014	2015	Change %
Sales	**5**	**4**	**(20.0)**
Cost of sales	(5)	(4)	20.0
Gross profit	**0**	**0**	**–**
General administration expenses	(43)	(44)	(2.3)
Other operating income	34	32	(5.9)
Other operating expenses	(14)	(4)	71.4
Operating result	**(23)**	**(16)**	**30.4**
Income from investments in affiliated companies	53	252	> 100
Income from loans held as financial assets	1	7	> 100
Net interest expense	(57)	(44)	22.8
Other financial income and expenses – net	(34)	(7)	78.8
Financial result	**(37)**	**208**	**> 100**
Income (loss) before income taxes	**(60)**	**192**	**> 100**
Income taxes	(25)	(101)	< (100)
Net income (loss)	**(85)**	**91**	**> 100**
Carryforward to new account	3	7	> 100
Withdrawal from other retained earnings	135	0	(100.0)
Distributable profit	**53**	**98**	**84.9**

The earnings of LANXESS AG are largely determined by profit or loss transfers from LANXESS Deutschland GmbH. Following the merging of LANXESS International Holding GmbH, Cologne, Germany, with LANXESS Deutschland GmbH, Cologne, Germany, the latter holds the shares of all other subsidiaries and affiliates both in Germany and elsewhere.

Sales at LANXESS AG stood at €4 million, which was slightly lower than the prior-year level of €5 million. They related to services provided to LANXESS Deutschland GmbH. A balanced result remained after deducting the cost of sales, which consisted mostly of personnel expenses and appropriate shares of the general administration expenses.

General administration expenses increased against the prior year, up €1 million, or 2.3%, to €44 million. They principally comprised personnel and other business expenses not directly related to the services provided to Group companies. The decrease in other operating income was primarily due to the reversal of fewer provisions. Other operating expenses decreased by €10 million, or 71.4%, to €4 million, mainly because of the lower costs for the “Let’s LANXESS again” program. The operating result improved by €7 million to minus €16 million.

The financial result, which comprises the balance of income and losses from investments in affiliated companies, the net interest position, income from other securities and loans included in financial non-current assets, and other financial income and expense, increased by €245 million to €208 million. This change was primarily due to the profit transfer of €252 million from LANXESS Deutschland GmbH, which was €185 million higher than in the prior year. A major effect came from, for example, the distribution of historical profits. The financial result was also positively influenced by the €13 million improvement in the net interest position to minus €44 million, which was mainly brought about by bundling external finance at LANXESS AG.

Income before income taxes came to €192 million, after minus €60 million in the prior year. Income taxes resulted in expenses of €101 million. These were comprised of tax expenses of €63 million for fiscal 2015 and €38 million for previous years. Net income for 2015 was €91 million after a net loss of €85 million in the previous year.

Taking into account the profit carryforward of €7 million, the distributable profit as of December 31, 2015, increased to €98 million from €53 million at the end of 2014.

Asset and capital structure of LANXESS AG

LANXESS AG Statement of Financial Position in Accordance with the German Commercial Code (HGB) – Abridged

	Dec. 31, 2014		Dec. 31, 2015		Change
	€ million	%	€ million	%	%
ASSETS					
Financial assets	758	26.3	956	27.9	26.1
Non-current assets	**758**	**26.3**	**956**	**27.9**	**26.1**
Receivables from affiliated companies	1,754	60.8	2,035	59.3	16.0
Other assets	20	0.7	21	0.6	5.0
Liquid assets and securities	348	12.1	411	11.9	18.1
Current assets	**2,122**	**73.6**	**2,467**	**71.8**	**16.3**
Prepaid expenses	**4**	**0.1**	**9**	**0.3**	**> 100**
Total assets	**2,884**	**100.0**	**3,432**	**100.0**	**19.0**
EQUITY AND LIABILITIES					
Equity	**1,473**	**51.1**	**1,518**	**44.2**	**3.1**
Provisions	**103**	**3.6**	**145**	**4.2**	**40.8**
Bonds	0	0.0	1,400	40.8	–
Liabilities to banks	1	0.0	148	4.3	> 100
Payables to affiliated companies	1,297	45.0	219	6.4	(83.1)
Other liabilities	10	0.3	2	0.1	(80.0)
Liabilities	**1,308**	**45.3**	**1,769**	**51.6**	**35.2**
Total assets	**2,884**	**100.0**	**3,432**	**100.0**	**19.0**

In view of its function as a strategic holding company, the statement of financial position of LANXESS AG is dominated by financial assets and liabilities and by receivables from, and payables to, subsidiaries.

LANXESS AG had total assets of €3,432 million as of December 31, 2015, which was €548 million, or 19.0%, above the prior-year figure. Non-current assets were €956 million and primarily included the carrying amount of the investment in LANXESS Deutschland GmbH, which stands at €739 million, and loans of €198 million to subsidiaries. The share of non-current assets in total assets increased from 26.3% to 27.9%. Current assets increased by €345 million, or 16.3%, to €2,467 million and accounted for 71.8% of total assets, compared with 73.6% in 2014. Receivables from subsidiaries accounted for 59.3% of total assets and related principally to short-term loans, financial transactions and claims to profit or loss transfers. The share of bank balances and securities in total assets decreased from 12.1% to 11.9%.

Equity increased by €45 million to €1,518 million, largely due to net income of €91 million, which was partly offset by the dividend payment for 2014. The equity ratio was 44.2%, after 51.1% at the end of 2014.

Liabilities increased by €461 million to €1,769 million, mainly because of the takeover of bonds amounting to €1,400 million and the reduction in payables to affiliated companies, which was €1,078 million below the prior-year figure at €219 million. These two opposing changes resulted from LANXESS AG assuming responsibility for the external financing of LANXESS companies from LANXESS Finance B.V., Sittard-Geleen, Netherlands. The provisions increased by €42 million to €145 million and related mainly to commitments to employees and to statutory and contractual obligations.

Employees

As of December 31, 2015, the LANXESS Group had a total of 16,225 employees, against 16,584 at the closing date of the prior year. Our global headcount continued to reflect the measures taken to realign the company. Some 1,000 positions in administration and service units, marketing, and research and development worldwide were identified for reduction by the end of 2015 as part of the first phase of our realignment (competitiveness of the business and administrative structure).

In the EMEA region (excluding Germany), the number of employees as of December 31, 2015, was 3,143, down from 3,267 in the previous year. In Germany, the headcount declined from 7,747 to 7,523. The number of employees in the North America region amounted to 1,312, after 1,371 as of December 31, 2014, while Latin America saw its workforce shrink from 1,467 at the end of last year to 1,412. At the reporting date, we employed 2,835 people in the Asia-Pacific region, which is 103 more than a year ago. This increase is related to the start-up and construction of production facilities.

A total of 13,345, or 82.2%, of our employees were men and 2,880, or 17.8%, were women. The number of employees who were non-German nationals was 9,165. In addition, 969 employees worldwide worked on temporary contracts for the Group. LANXESS AG had 127 employees as of the reporting date, versus 139 the year before.

As of the end of 2015, the Group had a total of 500 trainees in 19 different career paths and six combined vocational training and study programs. LANXESS thus continues to train more young people than it needs to meet its own requirements. In 2015, despite our realignment program, we hired 80% of those who completed their vocational training with us in Germany.

Part-time employees accounted for 6.8% of the workforce at our German core companies as of the reporting date. Individuals with severe disabilities made up 5.5% of the workforce at our German companies. In addition, we routinely award contracts to work centers for the disabled.

Indicators for the assessment of occupational safety at LANXESS are the recordable incident rate (RIR) and injuries for every million hours worked (MAQ). In 2015, the MAQ was 2.2 and thus slightly below the prior-year level. The RIR, which was recently introduced at LANXESS to enhance international comparability, was 0.8 in both 2015 and 2014.

Personnel expenses for the LANXESS Group in fiscal 2015 totaled €1,432 million (2014: €1,457 million). Wages and salaries, at €1,124 million (2014: €1,106 million), accounted for the greater part of this figure. Social security contributions were €198 million (2014: €202 million), while pension plan expenses totaled €97 million (2014: €136 million) and social assistance benefits €13 million (2014: €13 million).

Personnel expenses for LANXESS AG in fiscal 2015 came to €36 million, after €39 million in the previous year. Wages and salaries accounted for the largest proportion of personnel expenses but decreased from €36 million to €26 million. On the other hand, social security contributions increased from €3 million to €10 million. Pension plan expenses accounted for €9 million (2014: €2 million) of this amount.

HR strategy

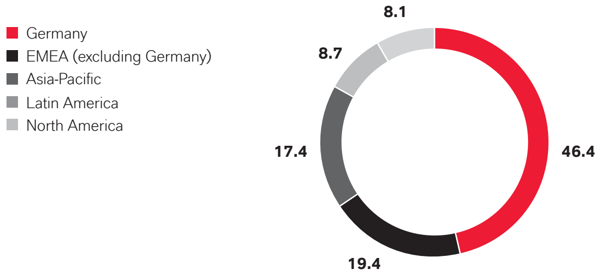
Our long-term entrepreneurial success is fundamentally based on our employees' sense of responsibility, professionalism and focus on finding solutions. We as a company will only be able to continue successfully exploiting the opportunities presented by evolving markets if we constantly invest in employee training and development – in particular in their ability to act on the basis of values, to take a fresh approach and swiftly implement ideas, and to work as part of a team in developing solutions.

In 2015, our HR strategy continued to support the realignment of the Group. In order to shape and steer the cultural shift we are seeking, the Board of Management and senior executives used an interactive approach to develop a new value model which they discussed with employees in numerous workshops held at almost all our sites around the world. Other focal points of HR strategy were implementing and supporting global restructuring activities and designing the organization of ARLANXEO, our new partnership with Saudi Aramco.

In addition to developing and implementing innovative concepts for addressing the challenges resulting from demographic change, our top long-term strategic human resources goal is to attract and cultivate a range of talented employees for LANXESS worldwide. We aim to strengthen our diversity, particularly in terms of age, national origin and gender.

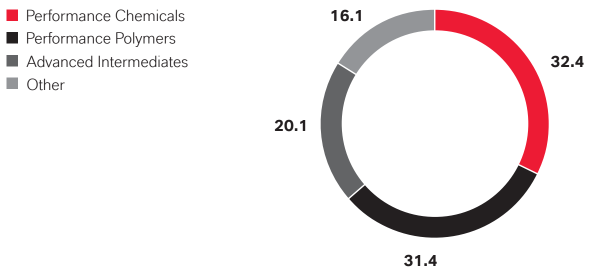
Employees by Region

%



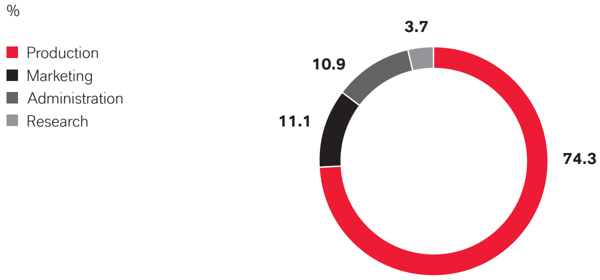
Employees by Segment

%



Employees by Functional Area (Annual Average)

%



Compensation report

Compensation of the Board of Management

The structure of the compensation system and the level of compensation for the members of the Board of Management are determined by the Supervisory Board. The appropriateness of the compensation is regularly reviewed. The criteria for determining the appropriateness of the compensation for an individual Board of Management member include, in particular, his duties, his personal performance, the economic situation, and the success and sustainable growth of the LANXESS Group. Consideration is also given to compensation at comparable companies and the company's overall compensation structure, including as well the ratio between the compensation of the Board of Management and that of LANXESS's senior executives and the rest of the workforce, both overall and as a function of time. The compensation structure is also designed to be competitive in the international market for highly qualified executives and provide the motivation to successfully work toward sustainable corporate development.

The compensation system that was introduced for members of the Board of Management in 2010 was approved by the Annual Stockholders' Meeting of LANXESS AG on May 28, 2010. This compensation system was applied when concluding the service contracts with all Board of Management members.

The components of the compensation for members of the Board of Management are the annual base salary; the variable components, which are the Annual Performance Payment, the Long-Term Stock Performance Plan and the Long-Term Performance Bonus; and a retirement pension. The three variable components are linked to LANXESS's annual performance and, particularly, to its corporate success over a number of years. The average compensation mix of 31% annual base salary and 69% variable compensation components, assuming 100% target attainment, is strongly aligned with the company's performance and long-term value creation. The present service contracts for members of the Board of Management set out the annual base salary and caps on the amounts for the variable compensation components. They do not provide for a separate cap on total compensation, even taking into account a possible discretionary bonus.

Compensation Mix for Members of the Board of Management

%	
Annual base salary	31
Annual Performance Payment	35
Long-Term Stock Performance Plan	20
Long-Term Performance Bonus	14
	100

Annual base salary

The fixed compensation comprises the annual base salary and compensation in kind, the latter consisting mainly of the tax value of perquisites, such as the use of a company car. The annual base salary of the members of the Board of Management is market-oriented and in line with that paid at other comparable companies.

Variable compensation

The annual performance-based component of the variable compensation, known as the Annual Performance Payment (APP), is based on corporate business targets and other conditions, such as the attainment of certain Group EBITDA targets, which are defined by the Supervisory Board before the beginning of the respective fiscal year. In the case of 100% target attainment, the individual APP budget for 2015 for Mr. Zachert is 125% and for the other members of the Board of Management 100% of their respective annual base salaries. The maximum payment is defined on an annual basis by the Supervisory Board. For fiscal 2015 and 2016, it has been capped at 150% of the individual budgets for the members of the Board of Management - assuming 100% target attainment. Actual payments may differ from the amount calculated in advance.

The Long-Term Stock Performance Plan (LTSP) is another element of variable compensation. This compensation component is based on the performance of LANXESS stock against a reference index, the Dow Jones STOXX 600 Chemicals^{SM}. The LTSP responds to the call by legislators for a stronger focus on long-term company performance. The LTSP is divided into four four-year tranches. The possible payment per tranche is 30% of the individual target income, assuming 100% target attainment. The condition for participation in the LTSP is a prior personal investment each year in LANXESS shares to a value of 5% of the annual base salary. These shares are subject to an average vesting period of five years (LTSP 2010 – 2013) and four years (LTSP 2014 – 2017). The LTSP 2014 – 2017 program uses the MSCI World Chemicals Index as a new reference index. There were no further material changes compared to the LTSP 2010–2013.

For more information, particularly regarding the valuation parameters applied, please see Note [15] to the consolidated financial statements.

The personnel expenses in fiscal 2015 for share-based compensation for active members of the Board of Management were €450 thousand for Mr. Zachert (2014: €100 thousand) and €245 thousand for Dr. van Roessel (2014: €428 thousand). As in the prior year, there were no expenses for Dr. Fink or Mr. Pontzen in the current fiscal year. The personnel expenses for former members of the Board of Management were €0 thousand for Dr. Heitmann (2014: €564 thousand), €0 thousand for Dr. Breuers (2014: €1,056 thousand) and €755 thousand for Dr. Düttmann (2014: €20 thousand).

The Long-Term Performance Bonus (LTPB), which is the third variable compensation component, is likewise aligned with long-term corporate performance. It rewards target attainment only after two successive fiscal years. The basis for calculating the LTPB is the individual APP target attainment for the fiscal years in question. The exact amount of the LTPB results from the average individual APP target attainment for the two fiscal years. Assuming an average APP target attainment of 100%, the LTPB amounts to 45% of the annual base salary. Actual payments in 2016 and 2017 may differ from the amounts calculated in advance.

Compensation of the Board of Management

		Fixed compensation		Variable compensation				Payments from LTSP rights		
€ '000	Year	Annual base salery	Compensation in kind	Performance bonus [1]	LTPB (multi-year)	Payment for previous years [2]	Total cash compensation	Number of rights	Fair values	**Total**
Serving members of the Board of Management as of December 31, 2015										
Matthias Zachert	**2015**	**1,200**	**66**	**2,250**	**810** [5]	**–**	**4,326**	**810,000**	**721**	**5,047**
	2014	900	54	1,125	406 [3]	–	2,485	810,000	689	3,174
Dr. Hubert Fink (as of October 1, 2015)	**2015**	**113**	**14**	**169**	**76** [5]	**–**	**372**	**–**	**–**	**372**
	2014	–	–	–	–	–	–	–	–	–
Michael Pontzen (as of April 1, 2015)	**2015**	**338**	**33**	**506**	**228** [5]	**–**	**1,105**	**–**	**–**	**1,105**
	2014	–	–	–	–	–	–	–	–	–
Dr. Rainier van Roessel	**2015**	**650**	**49**	**975**	**439** [5]	**(31)**	**2,082**	**390,000**	**347**	**2,429**
	2014	650	49	673	263 [4]	–	1,635	419,250	356	1,991
Former members of the Board of Management as of December 31, 2015										
Dr. Bernhard Düttmann (until March 31, 2015)	**2015**	**163**	**15**	**187**	**73** [5]	**(31)**	**407**	**–**	**–**	**407**
	2014	650	60	673	263 [4]	–	1,646	419,250	356	2,002
Dr. Axel C. Heitmann (until February 21, 2014)	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	157	(1)	–	–	–	156	–	–	156
Dr. Werner Breuers (until August 5, 2014)	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	387	34	238	–	–	659	–	–	659
Total	**2015**	**2,464**	**177**	**4,087**	**1,626**	**(62)**	**8,292**	**1,200,000**	**1,068**	**9,360**
	2014	2,744	196	2,709	932	–	6,581	1,648,500	1,401	7,982

1) Payment in 2015 and 2016, respectively
2) Payment in 2015
3) Payment in 2014
4) Payment of 50% each in 2015 and 2016
5) Payment of 50% each in 2016 and 2017

The aggregate compensation of the entire Board of Management totaled €9,360 thousand (2014: €9,982 thousand), comprising €2,641 thousand (2014: €4,940 thousand) in non-performance-related components, €5,651 thousand (2014: €3,641 thousand) in performance-related components and €1,068 thousand (2014: €1,401 thousand) in components with a long-term incentive effect. In 2014, Mr. Zachert received a one-time payment of €2,000 thousand in partial recompense for the variable compensation for several years originally agreed under his previous employment contract but not paid out because of his move to LANXESS AG. His total compensation therefore amounted to €5,174 thousand in 2014. The table shows the total compensation of the other members of the Board of Management.

Retirement pensions

On termination of their service contracts, the members of the Board of Management receive benefits under the company pension plan. These benefits are paid when the beneficiary reaches age 60 or if the beneficiary is permanently unable to work. They are paid to surviving dependents in the event of the beneficiary's death.

The pension plan for the members of the Board of Management is a defined contribution plan stipulating a basic contribution to be made by the company equal to 25% of the annual base salary and APP. The maximum amount taken into account for calculating the APP contribution is that due on 100% target attainment, irrespective of the actual target attainment. Moreover, the members of the Board of Management must themselves pay an amount from deferred compensation amounting to 12.5% of the APP. The members of the Board of Management may increase their personal contribution to up to 25% of the APP. From the date of entitlement, up to 30% of the accumulated capital – including the interest thereon – may be converted to a pension benefit. There are claims arising from provisions in place before 2006 that are granted as vested rights to individual members of the Board of Management. If the service contract ends before the beneficiary reaches the age of 60, the company pays certain additional benefits up to a defined ceiling.

LANXESS has established provisions for the future claims of Board of Management members. The total service cost recognized under IFRS accounting rules in the 2015 consolidated financial statements for this purpose was €1,640 thousand (2014: €2,496 thousand). The present value of the obligations for the members of the Board of Management serving as of December 31, 2015, was €11,903 thousand (2014: €9,994 thousand). Under IFRS accounting principles, the service cost for pension entitlements earned in 2015 and the present value of the obligations, including acquired rights, as of December 31, 2015, amounted to, respectively, €597 thousand and €2,716 thousand (2014: €1,574 thousand and €1,993 thousand) for Mr. Zachert, €43 thousand and €2,322 thousand for Dr. Fink, €432 thousand and €1,018 thousand for Mr. Pontzen, and €151 thousand and €5,847 thousand (2014: €148 thousand and €5,906 thousand) for Dr. van Roessel. The service cost for Dr. Düttmann for his service on the Board of Management in 2015 came to €417 thousand.

The net expense for pension entitlements recognized under HGB accounting rules in the 2015 annual financial statements for this purpose was €2,628 thousand (2014: €109 thousand). This amount includes expenses in connection with pension entitlements for Dr. Düttmann of €295 thousand. The present value of the obligations for the members of the Board of Management serving as of December 31, 2015, was €10,307 thousand (2014: €7,787 thousand). Under HGB accounting rules, the present value of the obligations, including vested rights, for the members of the Board of Management serving as of December 31, 2015, amounted to, respectively, €2,237 thousand for Mr. Zachert (2014: €1,287 thousand), €1,927 thousand for Dr. Fink, €802 thousand for Mr. Pontzen and €5,341 thousand for Dr. van Roessel (2014: €4,856 thousand).

As of December 31, 2015, obligations to former members of the Board of Management totaled €30,318 thousand (2014: €27,921 thousand) under IFRS accounting rules and €26,682 thousand (2014: €21,215 thousand) under HGB accounting rules. In 2015, this total contained obligations to Dr. Düttmann for the first time.

Benefits associated with and following termination of service on the Board of Management

The members of the Board of Management have indemnification rights should their service contracts be terminated for defined reasons at the instigation of the company or in the event of a material change of control over the company. The terms depend on the respective circumstances and include severance payments amounting to up to two times the annual base salary or, in the event of a change of control, three times the annual base salary, plus the APP and LTPB assuming 100% target achievement and compensation pro rata temporis of LTSP rights. On the basis of agreements existing with Dr. Fink and Mr. Pontzen, the calculation of severance payments to be made in the event of early termination of their service contracts does not include the LTPB and LTSP variable compensation components.

No additional benefits have been pledged to any member of the Board of Management in the event of termination of their service.

Dr. Düttmann resigned from the Board of Management by mutual agreement effective March 31, 2015, and left the company. Up to this time, the contractually agreed benefits were granted and paid, including the variable compensation for fiscal 2015 that had already been earned. At that time, existing LTSP rights were evaluated at €1.00 per right and compensation paid pro rata, depending on the length of the vesting period that had already elapsed. This resulted in an entitlement of €857 thousand. In addition, Dr. Düttmann was granted a severance payment of €3,380 thousand comprising two times the target income, which was the annual base salary plus the APP and LTPB assuming 100% target attainment.

In the prior year, Dr. Heitmann resigned from the Board of Management by mutual agreement effective February 21, 2014, and left the company. Up to this time, the contractually agreed benefits were granted and paid, including the variable compensation for fiscal 2013 that had already been earned. Dr. Heitmann waived further claims, i.e. to variable compensation (APP and LTPB) pro rata, compensation for existing LTSP rights or other severance payments.

Dr. Breuers left the company on expiration of his service contract effective May 31, 2015. He had already resigned from the Board of Management effective August 5, 2014. The contractually agreed terms of his compensation remained applicable until he left the company. At that time, existing LTSP rights were evaluated at €1.00 per right and compensation paid pro rata, depending on the length of the vesting period that had already elapsed. This resulted in an entitlement of €729 thousand in 2014. In addition, Dr. Breuers was granted and paid a severance payment of €1,690 thousand comprising a target income, which was the annual base salary plus the APP and LTPB assuming 100% target attainment.

In 2015, compensation of former members of the Board of Management totaled €3,673 thousand (2014: €1,983 thousand).

Other benefits

In 2015, no member of the Board of Management received benefits or assurances of benefits from third parties in respect of their duties as members of the Board of Management.

No loans were granted to members of the Board of Management in fiscal 2015.

Individual compensation in line with the recommendations of the German Corporate Governance Code

The following tables list the compensation, additional benefits and allocations (payments) for 2014 and 2015, in line with the recommendations of the German Corporate Governance Code. The variable compensation components differ depending on the reference period. The amounts of compensation shown also include the maximum and minimum attainable compensation.

Compensation Granted (Serving Members of the Board of Management as of December 31, 2015)

		Matthias Zachert Chairman of the Board of Management Appointed April 1, 2014			**Dr. Hubert Fink** Member of the Board of Management Appointed October 1, 2015			
€ '000	**Target value 2014**	**Target value 2015**	**2015 (min.)**	**2015 (max.)**	**Target value 2014**	**Target value 2015**	**2015 (min.)**	**2015 (max.)**
Annual base salary	900	1,200	1,200	1,200	–	113	113	113
Compensation in kind	54	66	66	66	–	14	14	14
Total	**954**	**1,266**	**1,266**	**1,266**	**–**	**127**	**127**	**127**
Annual Performance Payment (APP)	**1,125**	**1,500**	**0**	**2,250**	**–**	**113**	**0**	**169**
Multi-year variable compensation	**1,365**	**1,261**	**0**	**2,430**	**–**	**152**	**0**	**228**
LTPB (tranche 2013–2014)	203	–	–	–	–	–	–	–
LTPB (tranche 2014–2015)	473	–	–	–	–	25	0	38
LTPB (tranche 2015–2016)	–	540	0	810	–	127	0	190
LTSP 2014–2017 (tranche 2014)	689	–	–	–	–	–	–	–
LTSP 2014–2017 (tranche 2015)	–	721	0	1,620	–	–	–	–
Total	**3,444**	**4,027**	**1,266**	**5,946**	**–**	**392**	**127**	**524**
Service cost	1,574	597	597	597	–	43	43	43
Total compensation [1]	**5,018**	**4,624**	**1,863**	**6,543**	**–**	**435**	**170**	**567**

1) In 2014, Mr. Zachert also received a one-time payment of €2,000 thousand in partial recompense for the multi-year variable compensation originally agreed under his previous employment contract but not paid out because of his move to LANXESS AG.

Compensation Granted (Serving Members of the Board of Management as of December 31, 2015)

		Michael Pontzen Chief Financial Officer Appointed April 1, 2015			**Dr. Rainier van Roessel** Member of the Board of Management Appointed January 1, 2007			
€ '000	**Target value 2014**	**Target value 2015**	**2015 (min.)**	**2015 (max.)**	**Target value 2014**	**Target value 2015**	**2015 (min.)**	**2015 (max.)**
Annual base salary	–	338	338	338	650	650	650	650
Compensation in kind	–	33	33	33	49	49	49	49
Total	**–**	**371**	**371**	**371**	**699**	**699**	**699**	**699**
Annual Performance Payment (APP)	**–**	**338**	**0**	**506**	**748**	**650**	**0**	**975**
Multi-year variable compensation	**–**	**253**	**0**	**380**	**649**	**640**	**0**	**1,219**
LTPB (tranche 2013–2014)	–	–	–	–	–	–	–	–
LTPB (tranche 2014–2015)	–	76	0	114	293	–	–	–
LTPB (tranche 2015–2016)	–	177	0	266	–	293	0	439
LTSP 2014–2017 (tranche 2014)	–	–	–	–	356	–	–	–
LTSP 2014–2017 (tranche 2015)	–	–	–	–	–	347	0	780
Total	**–**	**962**	**371**	**1,257**	**2,096**	**1,989**	**699**	**2,893**
Service cost	–	432	432	432	148	151	151	151
Total compensation	**–**	**1,394**	**803**	**1,689**	**2,244**	**2,140**	**850**	**3,044**

Allocations (Serving Members of the Board of Management as of December 31, 2015)

€ '000	Matthias Zachert Chairman of the Board of Management Appointed April 1, 2014 2014	2015	Dr. Hubert Fink Member of the Board of Management Appointed October 1, 2015 2014	2015
Annual base salary	900	1,200	–	113
Compensation in kind	54	66	–	14
Total	**954**	**1,266**	**–**	**127**
Annual Performance Payment (APP)	**1,125**	**2,250**	**–**	**169**
Multi-year variable compensation	**406**	**405**	**–**	**38**
LTPB (tranche 2013–2014)	203	–	–	–
LTPB (tranche 2014–2015)	203	405	–	38
LTPB (tranche 2015–2016)	–	–	–	–
LTSP 2010–2013 (tranche 2010)	–	–	–	–
LTSP 2010–2013 (tranche 2011)	–	–	–	–
Total	**2,485**	**3,921**	**–**	**334**
Service cost	1,574	597	–	43
Total compensation [1]	**4,059**	**4,518**	**–**	**377**

1) In 2014, Mr. Zachert also received a one-time payment of €2,000 thousand in partial recompense for the multi-year variable compensation originally agreed under his previous employment contract but not paid out because of his move to LANXESS AG.

Allocations (Serving Members of the Board of Management as of December 31, 2015)

€ '000	Michael Pontzen Chief Financial Officer Appointed April 1, 2015 2014	2015	Dr. Rainier van Roessel Member of the Board of Management Appointed January 1, 2007 2014	2015
Annual base salary	–	338	650	650
Compensation in kind	–	33	49	49
Total	**–**	**371**	**699**	**699**
Annual Performance Payment (APP)	**–**	**506**	**673**	**953**
Multi-year variable compensation	**–**	**114**	**825**	**343**
LTPB (tranche 2013–2014)	–	–	212	(4)
LTPB (tranche 2014–2015)	–	114	–	347
LTPB (tranche 2015–2016)	–	–	–	–
LTSP 2010–2013 (tranche 2010)	–	–	613	–
LTSP 2010–2013 (tranche 2011)	–	–	–	–
Total	**–**	**991**	**2,197**	**1,995**
Service cost	–	432	148	151
Total compensation	**–**	**1,423**	**2,345**	**2,146**

Compensation Granted (Former Members of the Board of Management as of December 31, 2015)

€ '000	Dr. Bernhard Düttmann, Chief Financial Officer, Resigned March 31, 2015				Dr. Axel C. Heitmann, Chairman of the Board of Management, Resigned February 21, 2014				Dr. Werner Breuers, Member of the Board of Management, Resigned August 5, 2014			
	Target value 2014	Target value 2015	2015 (min.)	2015 (max.)	Target value 2014	Target value 2015	2015 (min.)	2015 (max.)	Target value 2014	Target value 2015	2015 (min.)	2015 (max.)
Annual base salary	650	163	163	163	157	–	–	–	387	–	–	–
Compensation in kind	60	15	15	15	(1) [1]	–	–	–	34	–	–	–
Total	**710**	**178**	**178**	**178**	**156**	**–**	**–**	**–**	**421**	**–**	**–**	**–**
Annual Performance Payment (APP)	**748**	**187**	**0**	**280**	**–**	**–**	**–**	**–**	**445**	**–**	**–**	**–**
Multi-year variable compensation	**649**	**37**	**0**	**55**	**–**	**–**	**–**	**–**	**87**	**–**	**–**	**–**
LTPB (tranche 2013–2014)	–	–	–	–	–	–	–	–	–	–	–	–
LTPB (tranche 2014–2015)	293	–	–	–	–	–	–	–	87	–	–	–
LTPB (tranche 2015–2016)	–	37	0	55	–	–	–	–	–	–	–	–
LTSP 2014–2017 (tranche 2014)	356	–	–	–	–	–	–	–	–	–	–	–
LTSP 2014–2017 (tranche 2015)	–	–	–	–	–	–	–	–	–	–	–	–
Total	**2,107**	**402**	**178**	**513**	**156**	**–**	**–**	**–**	**953**	**–**	**–**	**–**
Service cost	254	417	417	417	366	–	–	–	154	–	–	–
Total compensation	**2,361**	**819**	**595**	**930**	**522**	**–**	**–**	**–**	**1,107**	**–**	**–**	**–**

1) Including correction for prior year

Allocations (Former Members of the Board of Management as of December 31, 2015)

€ '000	Dr. Bernhard Düttmann, Chief Financial Officer, Resigned March 31, 2015		Dr. Axel C. Heitmann, Chairman of the Board of Management, Resigned February 21, 2014		Dr. Werner Breuers, Member of the Board of Management, Resigned August 5, 2014	
	2014	2015	2014	2015	2014	2015
Annual base salary	650	163	157	–	387	–
Compensation in kind	60	15	(1) [1]	–	34	–
Total	**710**	**178**	**156**	**–**	**421**	**–**
Annual Performance Payment (APP)	**673**	**165**	**–**	**–**	**238**	**–**
Multi-year variable compensation	**212**	**1,054**	**1,064**	**–**	**693**	**729**
LTPB (tranche 2013–2014)	212	(4)	–	–	80	–
LTPB (tranche 2014–2015)	–	164	–	–	–	–
LTPB (tranche 2015–2016)	–	37	–	–	–	–
LTSP 2010–2013 (tranche 2010)	–	–	1,064	–	613	–
LTSP 2010–2013 (tranche 2011)	–	305	–	–	–	272
LTSP 2010–2013 (tranche 2012)	–	255	–	–	–	269
LTSP 2010–2013 (tranche 2013)	–	175	–	–	–	188
LTSP 2014–2017 (tranche 2015)	–	122	–	–	–	–
Total	**1,595**	**1,397**	**1,220**	**–**	**1,352**	**729**
Service cost	254	417	366	–	154	–
Total compensation	**1,849**	**1,814**	**1,586**	**–**	**1,506**	**729**

1) Including correction for prior year

Compensation of the Supervisory Board

The compensation of the Supervisory Board is governed by Section 12 of the company's articles of association. The members of the Supervisory Board of LANXESS AG receive fixed compensation of €80 thousand per year. The Chairman of the Supervisory Board receives three times, and the Vice Chairman one and a half times, this amount. Serving as the chair or a member of Supervisory Board committees is compensated separately in accordance with the German Corporate Governance Code. Supervisory Board members who belong to a committee receive one half of the fixed compensation amount in addition. The chair of the Audit Committee receives a further half. Supervisory Board members who chair a committee other than the Audit Committee receive a further quarter. However, no member may receive in total more than three times the fixed compensation amount.

Supervisory Board members are reimbursed for their expenses in addition and also receive an attendance allowance of €1.5 thousand for each Supervisory Board meeting and each committee meeting they attend, with the exception of meetings of the Committee formed pursuant to Section 27, Paragraph 3 of the German Codetermination Act and meetings of the Nominations Committee. With respect to their membership on the supervisory boards of LANXESS Group companies, the members of the Supervisory Board are remunerated only for their service on the Supervisory Board of LANXESS Deutschland GmbH in the amount of €5 thousand each.

The Supervisory Board members also receive a long-term incentive based on the company's performance during the standard term of an individual's membership on the Supervisory Board (five years). Unlike the fixed compensation component, this variable compensation component is not paid every year, but only once at the end of the standard term of office. If a Supervisory Board member serves a shorter term, the amount is prorated.

Payment of the variable compensation depends on how LANXESS's stock performs relative to the Dow Jones STOXX 600 Chemicals℠ index during a member's five-year term. The average price of LANXESS stock and the average level of the index during the 90 trading days prior to the Annual Stockholders' Meeting at which the Supervisory Board members were elected are each compared with the respective average for the 90 trading days prior to the Annual Stockholders' Meeting at the conclusion of which the members' terms end. The variable compensation is only payable if the stock has outperformed the benchmark index. The exact amount of the variable compensation depends on the extent to which the stock price outperformed the benchmark index in the preceding five years. If LANXESS stock has outperformed the Dow Jones STOXX 600 Chemicals℠ by up to ten percentage points, the variable compensation amounts to €50 thousand for this five-year period; if it has outperformed the index by between 10 and 20 percentage points, €100 thousand is paid, and if the degree of outperformance is greater than this, the compensation is €150 thousand.

The terms of office of eleven Supervisory Board members came to an end with the conclusion of the Annual Stockholders' Meeting on May 13, 2015. The variable compensation was not paid out because LANXESS stock had underperformed the benchmark index. The expected compensation payable for the current terms of office of Supervisory Board members was valued at €1,200 thousand (2014: €0 thousand) as of December 31, 2015, and recognized as a provision.

None of the members of the Supervisory Board received benefits for services provided personally during the reporting period. No loans or advances were granted to members of the Supervisory Board during the reporting year.

The following table breaks down the compensation received by each member of the Supervisory Board for their work on the Supervisory Board in fiscal 2015.

Compensation of the Supervisory Board [1]

€	Year	**Fixed compensation** LANXESS AG	**Compensation as committee member** LANXESS AG	**Attendance allowance**	**Fixed compensation** LANXESS Deutschland GmbH	**Total**
Dr. Rolf Stomberg, Chairman	**2015**	**240,000**	**–**	**21,000**	**5,000**	**266,000**
	2014	240,000	–	22,500	5,000	267,500
Ulrich Freese, Vice Chairman (resigned May 13, 2015)	**2015**	**43,726**	**14,575**	**7,500**	**1,822**	**67,623**
	2014	120,000	40,000	21,000	5,000	186,000
Gisela Seidel, Vice Chairwoman (effective May 13, 2015)	**2015**	**105,753**	**40,000**	**21,000**	**5,000**	**171,753**
	2014	80,000	40,000	22,500	5,000	147,500
Axel Berndt (resigned May 13, 2015)	**2015**	**29,151**	**14,575**	**7,500**	**1,822**	**53,048**
	2014	80,000	40,000	18,000	5,000	143,000
Werner Czaplik (appointed May 13, 2015)	**2015**	**51,068**	**25,534**	**10,500**	**3,192**	**90,294**
	2014	–	–	–	–	–
Dr. Rudolf Fauss (resigned June 30, 2014)	**2015**	**–**	**–**	**–**	**–**	**–**
	2014	40,000	20,000	10,500	2,500	73,000
Dr. Hans-Dieter Gerriets (appointed July 1, 2014)	**2015**	**80,000**	**40,000**	**18,000**	**5,000**	**143,000**
	2014	40,000	20,000	7,500	2,500	70,000
Dr. Friedrich Janssen	**2015**	**80,000**	**94,575**	**21,000**	**5,000**	**200,575**
	2014	80,000	120,000	27,000	5,000	232,000
Robert J. Koehler (resigned May 13, 2015)	**2015**	**29,151**	**14,575**	**3,000**	**1,822**	**48,548**
	2014	80,000	40,000	21,000	5,000	146,000
Rainer Laufs (resigned May 13, 2015)	**2015**	**29,151**	**14,575**	**7,500**	**1,822**	**53,048**
	2014	80,000	40,000	18,000	5,000	143,000
Thomas Meiers	**2015**	**80,000**	**40,000**	**18,000**	**5,000**	**143,000**
	2014	80,000	40,000	18,000	5,000	143,000
Claudia Nemat	**2015**	**80,000**	**25,534**	**13,500**	**5,000**	**124,034**
	2014	80,000	–	9,000	5,000	94,000
Lawrence A. Rosen (appointed May 13, 2015)	**2015**	**51,068**	**25,534**	**6,000**	**3,192**	**85,794**
	2014	–	–	–	–	–
Hans-Jürgen Schicker (resigned June 30, 2015)	**2015**	**39,671**	**19,836**	**9,000**	**2,479**	**70,986**
	2014	80,000	40,000	22,500	5,000	147,500
Ralf Sikorski (appointed May 13, 2015)	**2015**	**51,068**	**25,534**	**13,500**	**3,192**	**93,294**
	2014	–	–	–	–	–
Manuela Strauch (appointed July 1, 2015)	**2015**	**40,329**	**20,164**	**13,500**	**2,521**	**76,514**
	2014	–	–	–	–	–
Theo H. Walthie	**2015**	**80,000**	**40,000**	**21,000**	**5,000**	**146,000**
	2014	80,000	40,000	18,000	5,000	143,000
Dr. Matthias L. Wolfgruber (appointed May 13, 2015)	**2015**	**51,068**	**25,534**	**9,000**	**3,192**	**88,794**
	2014	–	–	–	–	–
Total	**2015**	**1,161,204**	**480,545**	**220,500**	**60,056**	**1,922,305**
	2014	1,160,000	480,000	235,500	60,000	1,935,500

1) Figures exclude value-added tax

Report pursuant to Section 289, Paragraph 4 and Section 315, Paragraph 4 of the German Commercial Code

Pursuant to Section 289, Paragraph 4, Nos. 1 to 9 and Section 315, Paragraph 4, Nos. 1 to 9 of the German Commercial Code, we hereby make the following declarations:

1. The capital stock of LANXESS AG amounted to €91,522,936 as of December 31, 2015, and is composed of 91,522,936 no-par bearer shares. All shares carry the same rights and obligations. One vote is granted per share, and profit is distributed per share. The rights and obligations arising from the shares are governed by the German Stock Corporation Act.

2. We are not aware of any restrictions affecting voting rights or the transfer of shares. However, shares allocated under employee stock plans are subject to a lock-up period before they may be sold.

3. We received no reports of direct and indirect equity investments in the capital of LANXESS AG exceeding 10% of total voting rights.

4. No shares carry special rights granting control authority.

5. Employees hold a direct interest in the capital of LANXESS AG through employee stock programs. There are no restrictions on directly exercising the control rights arising from these shares.

6. Sections 84 and 85 of the German Stock Corporation Act and Section 31 of the German Codetermination Act apply to the appointment and dismissal of Board of Management members. Under the provisions of these sections, Board of Management members are appointed by the Supervisory Board for a term not exceeding five years. Such appointment may be renewed or the term of office may be extended, provided that the term of each such renewal or extension shall not exceed five years. Appointments require a majority of at least two-thirds of the Supervisory Board members' votes. Section 6, Paragraph 1 of the articles of association states that the Board of Management must consist of at least two members. The number of members of the Board of Management is determined by the Supervisory Board. The Supervisory Board may appoint a chairman of the Board of Management and a vice chairman of the Board of Management. Alternative members of the Board of Management may be appointed. The Supervisory Board may revoke the appointment of a member of the Board of Management or the appointment of a member as Chairman of the Board of Management for cause (Section 84, Paragraph 3 of the German Stock Corporation Act).

   Section 179 of the German Stock Corporation Act provides that a resolution of the Stockholders' Meeting is required for any amendment to the articles of association. Pursuant to Section 17, Paragraph 2 of the articles of association, resolutions of the Stockholders' Meeting require a simple majority of the votes cast and, if a capital majority is required, a simple majority of the capital stock, unless otherwise required by law or provided by the articles of association. The articles of association contain no further provisions in this regard. Section 10, Paragraph 9 of the articles of association of LANXESS AG authorizes the Supervisory Board to resolve on amendments relating solely to the form of the articles of association.

7. The Board of Management of LANXESS AG has been authorized to issue or repurchase shares as follows:

Own shares

The Annual Stockholders' Meeting of LANXESS AG on May 18, 2011, authorized the Board of Management until May 17, 2016, to acquire shares in the company representing up to 10% of the capital stock and to utilize them for any purpose permitted by law. This authorization may also be utilized by subsidiaries of the company or by third parties on behalf of the company or its subsidiaries. At the discretion of the Board of Management, such shares may be acquired either in the market or via a public tender offer. The Board of Management is authorized to use them for any purpose permitted by law. In particular, it can retire the shares, sell them other than via the stock exchange or an offer to the stockholders, or transfer them against consideration in kind for the purpose of acquiring companies, parts of companies or equity interests in companies or in order to conclude mergers. It is also authorized to use them to satisfy conversion rights from convertible or warrant bonds and/or profit-participation rights or income bonds (or a combination of these instruments) issued by the company and to grant holders of convertible or warrant bonds and/or profit-participation rights or income bonds (or a combination of these instruments) issued by the company or its direct and indirect affiliates that grant a warrant or conversion right or stipulate the performance of exercise or conversion obligations the number of shares for which such parties would be entitled to subscribe upon exercise of their warrants or conversion rights or performance of their exercise or conversion obligations. The stockholders shall not have subscription rights in such cases, except where the shares are retired.

Conditional capital

The Annual Stockholders' Meeting of LANXESS AG on May 13, 2015, authorized the Board of Management until May 22, 2018, with the approval of the Supervisory Board, to issue – in one or more installments – warrant bonds and/or convertible bonds, profit-participation rights and/or income bonds or a combination of these instruments (collectively referred to as "bonds") – as either registered or bearer bonds – with a total nominal value of up to

€1,000,000,000, with or without limited maturity, and to grant option rights to, or impose exercise obligations on, the holders or creditors of warrant bonds, profit-participation rights with warrants or income bonds with warrants, and/or to grant conversion rights to, or impose conversion obligations on, the holders or creditors of convertible bonds, convertible profit-participation rights or convertible income bonds in respect of bearer shares of the company representing a total pro rata increase of up to €18,304,587 in the company's capital stock on the terms to be defined for these bonds. Pursuant to Section 4, Paragraph 4 of the articles of association, the capital stock of LANXESS AG is thus conditionally increased by up to €18,304,587 (Conditional Capital).

The conditional capital increase shall only be implemented to the extent that the holders or creditors of, or persons obligated to exercise, warrants or conversion rights pertaining to bonds issued by the company or a dependent company against cash contributions, or issued against cash contributions and guaranteed by the company or a dependent company, on or before May 22, 2018, on the basis of the authorization granted to the Board of Management by the Annual Stockholders' Meeting on May 13, 2015, exercise their warrants or conversion rights or, where they are obligated to do so, fulfill such obligation, or to the extent that the company elects to grant shares in the company in place of all or part of the cash amount due for payment. The conditional capital increase shall not be implemented if cash compensation is granted or if the company's own shares, shares issued out of authorized capital or shares in another listed company are used to service the warrant or conversion rights.

When issuing bonds, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude subscription rights in the following cases:

- For residual amounts resulting from the subscription ratio
- Insofar as is necessary to grant to holders of previously issued warrants or conversion rights or obligations subscription rights to the number of new shares to which they would be entitled to subscribe as stockholders upon exercise of their warrants or conversion rights or fulfillment of their option or conversion obligations
- In the case of issuance against cash contributions, if the issue price is not significantly below the theoretical market value of the bonds with warrants or conversion rights or conversion obligations, as determined using accepted pricing models; if bonds are issued by application of Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act, in which case the issued shares may not exceed a total of 10% of the capital stock either at the time this authorization takes effect or at the time it is utilized
- If profit-participation rights or income bonds without option or conversion rights or conversion obligations are vested with bond-like characteristics

The Board of Management can only use the authorization to issue convertible bonds and/or warrant bonds, profit-participation rights and/or income bonds (or combinations of these instruments) in the maximum amount of 20% of the capital stock that exists at the time the resolution is passed. When deciding on the exclusion of the subscription rights of stockholders, the Board of Management will also take into consideration the issue of shares on the basis of other authorizations granted by the Annual Stockholders' Meeting of May 13, 2015, under exclusion of the subscription rights of stockholders (see proposed resolution on agenda item 7; see also Authorized Capital II in accordance with Section 4, Paragraph 3 of the articles of incorporation), with the proviso that it will only use the authorizations granted by the Annual Stockholders' Meeting of May 13, 2015, for capital measures under exclusion of the stockholders' subscription rights in the maximum amount of 20% of the capital stock that exists at the time the resolution is passed. The Board of Management will be bound by this condition until a future Annual Stockholders' Meeting again resolves to authorize the Board of Management to implement capital measures under exclusion of stockholders' subscription rights.

Authorized Capital I and II

Pursuant to Section 4, Paragraph 2 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 23, 2013, authorized the Board of Management until May 22, 2018, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions by issuing new no-par shares against cash or contributions in kind up to a total amount of €16,640,534 (Authorized Capital I). Stockholders are generally entitled to subscription rights when Authorized Capital is utilized. With the approval of the Supervisory Board, subscription rights can be excluded for residual amounts and in order to grant holders of warrants or convertible bonds issued by the company and its affiliates subscription rights to the number of new shares for which such parties would be entitled to subscribe upon exercise of their warrants or conversion rights. Moreover, subscription rights can be excluded with the approval of the Supervisory Board when the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded with the approval of the Supervisory Board in order to grant holders of convertible and/or warrant bonds issued by the company or its affiliates new shares upon exercise of their rights. Finally, subscription rights can also be excluded with the approval of the Supervisory Board if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock. The upper limit of 10% of the capital stock is reduced by the proportionate interest in the capital stock attributable to those shares issued or sold during the term of this authorization while excluding stockholders' rights in direct or analogous application of Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act. Further details are given in Section 4, Paragraph 2 of the articles of association.

In addition, pursuant to Section 4, Paragraph 3 of LANXESS AG's articles of association, the Annual Stockholders' Meeting on May 13, 2015, authorized the Board of Management until May 22, 2018, with the approval of the Supervisory Board, to increase the company's capital stock on one or more occasions by issuing new no-par shares against cash or contributions in kind up to a total amount of €18,304,587 (Authorized Capital II). Stockholders are generally entitled to subscription rights when Authorized Capital is utilized. With the approval of the Supervisory Board, subscription rights can be excluded for residual amounts and in order to grant holders of warrants or convertible bonds issued by the company and its affiliates subscription rights to the number of new shares for which such parties would be entitled to subscribe upon exercise of their warrants or conversion rights. Moreover, subscription rights can be excluded with the approval of the Supervisory Board when the company's capital stock is increased against contributions in kind, particularly for the acquisition of companies. Subscription rights can also be excluded with the approval of the Supervisory Board in order to grant holders of convertible and/or warrant bonds issued by the company or its affiliates new shares upon exercise of their rights. Finally, subscription rights can also be excluded with the approval of the Supervisory Board if the issue price of the new shares is not significantly lower than the stock market price at the time the issue price is fixed and the issued shares do not exceed 10% of the company's capital stock. The upper limit of 10% of the capital stock is reduced by the proportionate interest in the capital stock attributable to those shares issued or sold during the term of this authorization while excluding stockholders' rights in direct or analogous application of Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act. Further details are given in Section 4, Paragraph 3 of the articles of association.

The Board of Management can only utilize the authorization to issue shares from Authorized Capital II in the maximum amount of 20% of the capital stock at the time the resolution is passed. When deciding on the exclusion of the subscription rights of stockholders, the Board of Management will also take into consideration an issue of bonds with warrants or conversion rights and/or obligations, which is issued on the basis of other authorizations granted by the Annual Stockholders' Meeting of May 13, 2015, under exclusion of the subscription rights of stockholders (see proposed resolution on agenda item 8; see also conditional capital in accordance with Section 4, Paragraph 4 of the articles of association), with the proviso that it will only use the authorizations granted by the Annual Stockholders' Meeting of May 13, 2015, for capital measures under exclusion of the stockholders' subscription rights in the maximum amount of 20% of the capital stock that exists at the time the resolution is passed. The shares issued from Authorized Capital II under exclusion of subscription rights by way of capital increases against contributions in kind shall not exceed 10% of the capital stock that exists at the time the resolution is passed. The Board of Management will be bound by this condition until a future Annual Stockholders' Meeting again resolves to authorize the Board of Management to implement capital measures under exclusion of stockholders' subscription rights.

8. The service contracts between the company and the members of the Board of Management of LANXESS AG contain provisions regarding the potential departure of the members of the Board of Management in the context of a change of control. These are outlined in the compensation report in this combined management report. Such agreements, albeit with different terms, also exist between the company and members of the first level of upper management. In addition, the terms for placing bonds under the company's existing debt issuance program may contain a change-of-control clause which gives bondholders the right to redeem the bond should certain events occur that affect its rating. This applies to the €200 million Eurobond issued by LANXESS Finance B.V. in fiscal 2009, the €500 million Eurobond issued by LANXESS Finance B.V. in fiscal 2011 and the €500 million Eurobond issued by LANXESS Finance B.V. in fiscal 2012, all of which were taken over by LANXESS AG in 2015. The terms for two private placements with a volume of €100 million each made by LANXESS Finance B.V. under the debt issuance program in fiscal 2012 likewise contain corresponding change-of-control clauses. These placements have now also been taken over by LANXESS AG. In fiscal 2011 and 2014, LANXESS Finance B.V. and LANXESS AG signed agreements with an investment bank for loans of €200 million and €150 million, respectively. The loan agreement signed by LANXESS Finance B.V. was transferred to LANXESS AG in January 2015. These agreements may be terminated without notice or repayment of the outstanding loans may be required if another company or person gains control of more than 50% of LANXESS AG. The company also entered into an agreement with a syndicate of banks concerning a credit facility with a current volume of €1,250 million. This agreement can also be terminated without notice if another company or person takes control of more than 50% of LANXESS AG. Furthermore, according to agreements between the company and LANXESS Pension Trust e.V., the company is obligated to make considerable payments to LANXESS Pension Trust e.V. in the event of a change of control.

In connection with the conclusion of an agreement with Aramco Overseas Company B.V. to establish a strategic partnership for synthetic rubber, in which each party will hold a 50% interest, conclusion of a shareholders' agreement was agreed upon in respect of completion of the transaction, which, in the event of a change of control at one of the shareholders, grants the other shareholder the right to acquire the shares of the other shareholder at a reduced price.

9. The service contracts between the company and the members of the Board of Management of LANXESS AG as well as between the company and members of the first and second levels of upper management of LANXESS AG contain compensation agreements applicable in the event of a change of control, as such change is more particularly described in the respective contracts.

Report pursuant to Section 289a of the German Commercial Code

The Board of Management and Supervisory Board have issued the corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB). This has been made available to the stockholders and can be found on our website at www.lanxess.com/Investor Relations/Corporate Governance.

Events after the end of the reporting period

No events of particular significance took place after December 31, 2015, that could be expected to have a material effect on the earnings, asset and financial position of the LANXESS Group or LANXESS AG.

Report on future perspectives, opportunities and risks

In the economic outlook that follows, we describe our expectations for economic development. Following the report on future perspectives, we discuss the opportunities and risks which may result in deviations from our predictions. To give the informed reader a clearer view of the LANXESS Group's expected development, opportunities and risks, the opportunities and risks are described in a combined report.

Economic outlook

General business conditions

In the following economic outlook, apart from presenting our forecast of global development, we restrict our statements to our expectations for economic performance in the Americas (NAFTA and Latin America), EMEA (including Germany) and Asia-Pacific. Where appropriate, we also look more closely at parts of these regions or individual countries.

With regard to economic performance in 2016, we expect various challenges. As well as the effects of the interest rate turnaround initiated in the United States, slowing growth in China and ongoing recession in the emerging economies of Brazil and Russia represent components of risk. A further escalation of the crises in Africa and the Middle East and of the conflict in Ukraine may also impede global economic growth. A recurrence of the euro crisis would also have a dampening effect. Although the low oil price is stimulating growth, there are also negative aspects acting as a brake on growth.

We expect global economic growth of 3.0% in 2016, driven once again by robust expansion of 4.5% in Asia-Pacific, even if growth momentum in China continues to weaken. In the Americas, we anticipate growth of 2.5% based mainly on higher consumer spending and lower energy prices in NAFTA. Economic performance in Latin America is likely to remain weak. At 2.0%, growth in EMEA (including Germany) should be slightly higher than in the reporting year.

Expected Growth in 2016

Change vs. prior year in real terms (%)[1]	Gross domestic product	Chemical production
Americas	2.5	3.0
EMEA (incl. Germany)	2.0	2.0
Asia-Pacific	4.5	5.0
World	**3.0**	**3.5**

1) Rounded to the nearest 0.5%
Source: LANXESS estimates and IHS Global Insight

Future performance of the chemical industry

We continue to take a positive view of global development in the chemical industry, with production growing by 3.5%. The Asia-Pacific region is again expected to be the focus of this growth and we anticipate expansion of 5.0%, to which China should make a significant contribution. The chemical industry in the Americas should post robust growth of 3.0%. In the EMEA region (including Germany), we anticipate production gains of 2.0%.

Future evolution of selling markets

The outlook for the global **tire industry** in 2016 will be shaped by the general economic situation. Overall, we are assuming that production will increase by 3.0%. We believe that the Asia-Pacific region will be the main focus of growth with expansion of 4.0%, even if the pace of growth in China is likely to slow significantly due especially to a decline in exports to the United States. For the Americas we anticipate solid growth of 2.0%, although imports to NAFTA are likely to decrease slightly. In the EMEA region (including Germany), too, we are assuming a slight increase in production of 1.0%, with much of this growth expected in Central and Eastern Europe.

We anticipate that global **automotive production** will grow by 3.0%. Our expectations for Asia-Pacific are positive with growth of 3.0%. Here, China is expected to remain a focal point. The Americas should also develop well with expansion of 2.5%. In the EMEA region (including Germany), we are assuming an increase in production of 2.5% coupled with a slight recovery of production in Russia.

We anticipate growth of 2.0% in the global **agrochemicals market** resulting from the expected revenue situation for agricultural products. We are assuming gains of 2.5% other than for fertilizers. Asia-Pacific and the Americas should see growth of 3.5% and 1.5%, respectively, while EMEA (including Germany) is likely to expand by 2.0%.

With anticipated growth of 4.5%, the **construction industry** should continue its good development. For the Asia-Pacific region we are forecasting expansion of 5.0%. In the Americas, we expect even stronger growth of 5.5%. EMEA (including Germany) should see gains of 3.0%.

Expected Evolution of Major User Industries in 2016

Change vs. prior year in real terms (%)[1]	Tires	Automotive	Agrochemicals	Construction
Americas	2.0	2.5	3.0	5.5
EMEA (incl. Germany)	1.0	2.5	1.5	3.0
Asia-Pacific	4.0	3.0	2.5	5.0
World	**3.0**	**3.0**	**2.0**	**4.5**

1) Rounded to the nearest 0.5%
Source: LANXESS estimates and IHS Global Insight

Future perspectives

Expected earning position of the LANXESS Group

We anticipate that our earnings in fiscal 2016 will again be influenced by the persistently challenging competitive environment, especially for our synthetic rubber businesses. We do not expect any significant momentum for our earnings from the slight growth forecast for the global economy.

We assume the following development for our segments. The assumptions made for each segment are based especially on the differing market and competitive situations faced by the business units and the customer industries they serve.

For the **Performance Polymers** segment, we expect business to decline slightly overall in 2016. This development is likely to be more pronounced in the second half of the year. Although demand from the main customer industries – tires and automotive – is expected to improve slightly compared with the prior year, our business units that produce synthetic rubbers, particularly EPDM and butyl rubber, will be exposed to ongoing price pressure against a backdrop of additional capacities. Following the start-up of our plants for Nd-PBR rubber in Singapore and EPDM rubber in Changzhou, China, we expect to continue incurring idle costs arising from the additional capacities provided by these two new plants. Both plants will move progressively toward full utilization in line with the evolution of demand. In the current year, we are predicting continued positive development in the various markets of our business with plastics for lightweight construction applications in the automotive industry. The main currency for our rubber businesses is the U.S. dollar. If this remains at the same strong level as in the prior year, we do not anticipate any significant positive effects for our businesses compared with 2015.

For the **Advanced Intermediates** segment, we expect business to be stable overall in 2016. The Advanced Industrial Intermediates business unit should achieve a stable performance due to the broad diversification of its customer markets. We are assuming slower growth in the agricultural business of our Saltigo business unit in 2016.

For our **Performance Chemicals** segment, we also expect stable business development overall in the current year. The additives business should likewise achieve a relatively stable performance overall. According to our expectations, our business with inorganic pigments for the construction industry is likely to develop well. In the leather business, we see the persistently low price level for chrome ore products as a continuing challenge. We expect solid development by our Liquid Purification Technologies business unit with its technologies for water treatment. Our expectations are similar for the biocides activities of our Material Protection Products business unit.

In our non-operational segment, we anticipate significantly lower expenses for currency hedging than in the prior year.

In the coming year, we will continue to drive forward our three-phase “Let’s LANXESS again” program for the realignment of the LANXESS Group. The rapid implementation of this realignment meant that we were already able to realize the predicted annual cost savings of around €150 million from the first phase of the program – aimed at improving the efficiency of the business units and administrative structures – in the reporting year and thus a year earlier than anticipated. We expect the second phase of the program, which is intended to strengthen operational competitiveness, to deliver cost savings of €20 million in the current year. Overall, we assume that Phase II will generate annual savings of around €150 million by the end of 2019.

In the current year, higher costs are also to be expected as a result of the increase in wages and salaries associated with the pending negotiations on the collective bargaining agreement in Germany.

Against the background of the anticipated influences, which are expected to largely offset each other within the individual segments, we predict EBITDA pre exceptionals for the full year 2016 to be at around the prior-year level. This takes account of the anticipated cost savings from our realignment.

We expect little change to the low procurement cost level in 2016 compared with the reporting year – especially for the petrochemical raw materials used in the synthetic rubber products of our Performance Polymers segment. We foresee a continuation of the volatility in raw material prices that has been ongoing for several years and is in some cases substantial.

The U.S. dollar will remain the key currency for our businesses.

Expected financial position of the LANXESS Group

Liquidity situation

LANXESS will continue to pursue a forward-looking and conservative financial policy in the current year. With about €2.0 billion in cash and undrawn credit lines, unchanged at year end 2015 and as described under “Financial condition,” we have a very good liquidity and financing position. We also expect our liquidity position to be strengthened further by the planned partnership with Saudi Aramco. Thus, the entrepreneurial flexibility required to implement our strategy is assured for the long term.

Capital expenditures

In the future, as in the past fiscal year, our capital expenditures will be increasingly directed toward the maintenance of existing production facilities as well as efficiency improvements and the expansion of existing plants. Following the start-up of our two large Nd-PBR and EPDM rubber plants in Asia in 2015, we have no further plans for major investments in the construction of new production facilities in the coming years. In the current year, we therefore expect cash outflows for capital expenditures of around €450 million, most of which are earmarked for the maintenance of facilities, for efficiency improvements and for the expansion of plants, as mentioned above. A substantial amount of this is intended for capital expenditures by our Saltigo business unit at the Leverkusen site in Germany. In this way, we are still seeking to achieve a balanced investment cycle to ensure our financial headroom.

Financing measures

LANXESS is in a good position due to the long-term nature of its financing. In 2016, we anticipate that LANXESS will be able to cover capital expenditures and maturing financing instruments from liquidity. The same applies to the expected dividend payment and the intended share buyback that has been announced. Additional financial headroom will be provided by the expected proceeds of around €1.2 billion from the sale of 50% of our synthetic rubbers business.

Other than the redemption of a €200 million bond in September 2016, there will be no further significant financing instruments maturing in fiscal 2016. LANXESS will continue to actively manage its financing portfolio as demonstrated by the early repayment of a development bank loan of €138 million in January 2016. Moreover, we will continue our ongoing efforts aimed at securing long-term funding as part of a conservative financing policy.

Expected earnings position of LANXESS AG

In the current fiscal year, we expect the financial statements of LANXESS AG to show substantially higher net income than in 2015. The implementation of the transaction for the synthetic rubbers business planned for April 1, 2016, and the anticipated changes to commercial law concerning the valuation of post-employment benefit obligations will have a material influence on the company's earnings position. This is impacted by the administration expenses the company incurs in performing its tasks as a management holding company and by the financial result, especially the net interest position and the balance of income and losses from investments in affiliated companies. We expect the net interest position to be negative on account of the financing structure. The balance of income and losses from investments in affiliated companies and the corresponding ability of LANXESS AG to pay a dividend will depend in large measure on the profit transfers and dividends paid by the other companies of the LANXESS Group. We will maintain our consistent dividend policy and expect LANXESS AG to report a distributable profit that will enable our stockholders to adequately participate in the LANXESS Group's earnings in the coming year.

Dividend policy

LANXESS follows a consistent dividend policy. As in the past, our future dividend proposals will take into account the business performance of the relevant fiscal year, the Group's financing goals and development trends in the new fiscal year.

Summary of the Group's projected performance

We anticipate that our business development in the current year will again be influenced by the persistently challenging competitive environment, especially for our synthetic rubber businesses. We do not expect any significant momentum for our business development from the slight growth forecast for the global economy.

We predict EBITDA pre exceptionals for the full year 2016 to be at around the prior-year level.

In fiscal 2015, we systematically drove forward and already implemented large parts of our three-phase global realignment program for the Group. In this way, we took a significant step toward strengthening the competitiveness of our business and administrative structure, our operational competitiveness and the competitiveness of our business portfolio on a lasting basis, and achieved the first substantial cost savings. In the current year, we will continue to work on implementing our realignment and particularly on strengthening our operational competitiveness.

After transferring our synthetic rubber businesses from the Performance Polymers segment to a partnership with Saudi Aramco effective April 1, 2016, as part of our realignment, we will in the future focus on strengthening our Advanced Intermediates and Performance Chemicals segments as well as the High Performance Materials business unit.

Opportunity and risk report

Opportunity and risk management system

Our success is significantly dependent on identifying opportunities and risks in our business activities and actively managing them. The goal of the opportunity and risk management system is to safeguard the company's existence for the long term and ensure its successful ongoing development by identifying opportunities and risks and, depending on their nature, appropriately considering these in strategic and operational decisions. Opportunities and risks are understood as possible future developments or events that may result in either positive or negative deviations from business objectives.

Our management system is based both on internal organizational workflows that are managed by way of control and monitoring mechanisms and on early warning systems that are used to closely observe changes in external conditions and systematically implement the appropriate measures. This approach applies equally to opportunities and risks.

Like all methods intended for dealing with business risk, this system does not offer absolute protection. However, it is intended to prevent business risks from having a material impact on the company with a sufficient degree of certainty.

Structural basis

The principles of our opportunity and risk management system are set forth in a Group directive. The management system, which uses the COSO model as the enterprise risk management framework, comprises many different elements that are incorporated into business processes through the company's organizational structure, its workflows, its planning, reporting and communication systems, and a set of detailed management policies and technical standards.

The system is based on an integration concept. In other words, the early identification of opportunities and risks is an integral part of the management system and not the object of a separate organizational structure. The management of opportunities and risks is therefore a primary duty of the heads of all business units, as well as of those people in Group companies who hold process and project responsibility. This is why our opportunity and risk management is based on clearly defined business processes, the precise assignment of responsibilities, and reporting systems that ensure the timely provision of the information required for decision-making for the Board of Management or other management levels.

Roles of key organizational units

Our business units each conduct their own operations, for which they have global profit responsibility. Group functions and service companies support the business units by providing financial, legal, technical and other centralized services. Complementing this global alignment of the business units and group functions, the country organizations ensure the required proximity to markets and the necessary organizational infrastructure.

In line with this division of duties, we have assigned responsibility to risk owners for the following:

- Identification and assessment of opportunities and risks
- Implementation of control measures (measures taken to exploit or enhance opportunities and to avoid or minimize risks)
- Monitoring the development of opportunities and risks (e.g. on the basis of performance indicators and, perhaps also, early warning indicators)
- Risk mitigation (measures to minimize damage upon occurrence of a risk event)
- Communication of the key opportunities and risks to the management committees of the business units and group functions

The Corporate Controlling Group Function is responsible for collecting and aggregating key information across the Group at the following intervals:

- Twice per year during the intrayear forecasting process
- Once per year as part of the budget and planning process for the subsequent year and the medium-term forecast horizon

The Corporate Development Group Function systematically analyzes and measures significant and strategic opportunities and risks with the goal of ensuring the Group's long-term strategy.

Transactions particularly for the transfer of financial but also operating risk (hedging transactions or insurance) are managed centrally by the Treasury & Investor Relations Group Function. This is explained in "Opportunities and risks of future development."

Due to the highly integrated nature of our general business processes, we have specialized committees composed of representatives of the business units and group functions who deal with issues concerning the Group's opportunities and risks. This enables us to react quickly and flexibly to changing situations and their influence on the company.

In addition, a Risk Committee chaired by the Chief Financial Officer analyzes the material risks and their development for their potential impact on the company as a whole. The Risk Committee brings together representatives from selected group functions to analyze existing measures to counter risks, initiate additional measures, define Group-wide risk management standards and guidelines and, if necessary, initiate further analyses of individual opportunities and risks.

The duty to report opportunities and risks to the Corporate Controlling Group Function is based on the anticipated impact on Group net income or EBITDA pre exceptionals. All opportunities and risks must be reported if their anticipated impact is more than €1 million following the implementation of countermeasures. In addition, those risks must be reported which have an anticipated impact that was reduced by more than €10 million through the implementation of countermeasures. These minimum thresholds guarantee that the information gathered about opportunities and risks is comprehensive and that the collection of information is not just limited to material risks or risks that could jeopardize the future of the company as a going concern. The Corporate Controlling Group Function centrally determines the top opportunities and risks only after the information has been gathered.

There is also provision for immediate internal reporting on specific risk issues such as unexpected operational events with an impact of more than €10 million after the implementation of countermeasures. In 2015, there was no cause for immediate reporting of this kind.

The reported opportunities and risks are collected in a central database and regularly analyzed for the Board of Management and Supervisory Board. This ensures that when new opportunities and risks arise or when existing ones change substantially, the necessary information can be communicated in a timely manner to the Board of Management and therefore also be specifically integrated into the general management of the company.

Opportunity and risk assessment

Opportunity and risk management is integrated into the planning and forecasting process and identifies opportunities and risks as potential deviations from planned or forecast EBITDA pre exceptionals or Group net income.

Depending on the type of opportunity or risk, different calculation methods are applied in their assessment. Distribution opportunities and risks are described by scenario-based fluctuations in planning parameters (exchange rates, raw material prices, energy prices and economic development assumptions). Changes in these variables may result in either positive or negative deviations from planned or forecast figures.

Event-based opportunities and risks (such as the failure of a supplier or the occurrence of an insured event) that would only impact earnings if they actually occur are evaluated on the basis of the expected probability of their occurrence and effect on EBITDA pre exceptionals or Group net income.

Significance of the Group-wide planning process

Corporate planning is a core element of our opportunity and risk management. Events with a high probability of occurrence flow directly into the planning process. The processes for corporate planning and intrayear forecasting as well as the corresponding analyses and suggestions for action are steered by the Corporate Controlling Group Function, which works closely in this regard with the business units. Certain Board of Management meetings are dedicated to discussing and adopting corporate planning outcomes, including the associated opportunities and risks. We monitor, and if necessary adjust, the annual budget in any given fiscal year by regularly updating our expectations for business development.

Compliance as an integral component

Risk management also includes preventing illegal conduct by our employees. To this end, we obtain extensive legal advice concerning business transactions and obligate employees by means of our compliance code to observe the law and to act responsibly. The compliance code is part of a comprehensive compliance management system (CMS) that has been structured in accordance with the principles of an internationally recognized framework for enterprise risk management (COSO). This CMS is supported by the compliance organization, which is made up of the Group Compliance Officer and a network of local Compliance Officers in the countries in which we have subsidiaries. The objective of the CMS is to ensure the observance of our compliance principles. The Compliance function, which includes the compliance organization, reports directly and regularly to the Board of Management.

(Group) accounting aspects of the internal control and risk management system

The aspects of the internal control and risk management system relating to the (Group) accounting process include the principles, procedures and measures required to ensure the effectiveness, efficiency and propriety of the company's accounting, and compliance with applicable legal regulations. To this end, clear organizational, control and monitoring structures have been established. The distinctive features of the chemical industry and the risk management tools we regularly use in this regard are taken into account. In addition to the (Group) accounting process in its narrower sense, this also includes the aforementioned structured budget and forecasting process, and extensive contract management. However, the effectiveness and reliability of the internal control and risk management system can be restricted by discretionary decisions, criminal acts, faulty controls or other circumstances. Thus, even if the system components used are applied Group-wide, the correct and timely recording of (Group) accounting issues cannot be guaranteed with full assurance.

The Accounting Group Function, which reports to the Chief Financial Officer, is responsible for the (Group) accounting process and therefore for preparing the annual financial statements of LANXESS AG and the consolidated financial statements of the LANXESS Group. It is also responsible for ensuring the uniform preparation of the single-entity financial statements of the subsidiaries that are included in the consolidated financial statements. The Board of Management prepares the annual financial statements and the consolidated financial statements, which are then forwarded to the Supervisory Board's Audit Committee without delay. Upon recommendation by the Audit Committee, the annual financial statements and the consolidated financial statements are adopted and approved by the Supervisory Board at its financial statements meeting. The Supervisory Board, and especially its Audit Committee, deal with major questions relating to LANXESS's accounting, opportunity and risk management, the audit mandate and the areas of focus for the auditor's audit of the annual financial statements.

Consolidated interim financial statements are prepared each quarter. The condensed consolidated half-year financial statements are reviewed, while the annual financial statements and the consolidated financial statements are subjected to a full audit by the auditor of the company's annual financial statements and consolidated financial statements.

Our accounting in compliance with the German Commercial Code is based on a structured process with appropriate organizational structures and workflows, including the related working instructions. In addition to the segregation of duties, the dual-control principle and continual plausibility testing serve as fundamental monitoring tools during the financial statement preparation process. On the IT side, the accounting process is supplemented by an integrated IT system that is based largely on off-the-shelf software and is protected by security measures against unauthorized access. The correctness of the automatically generated postings and the master data required for them is regularly reviewed. Manual postings are based on a systematic voucher system, documented to the necessary extent and verified downstream.

The foundation for uniform and IFRS-compliant consolidated financial reporting at LANXESS is the Group Financial Statements Guideline. This governs the way the provisions of the International Financial Reporting Standards (IFRS) applicable to the Group are applied by the subsidiaries as reporting entities. Moreover, the guideline also defines the chart of accounts that is binding throughout the Group. On the IT side, the guideline is supplemented by a uniform, Group-wide delivery and consolidation system that is based largely on off-the-shelf software and is protected by security measures against unauthorized access.

By controlling and monitoring LANXESS's (Group) accounting process, we ensure that generally accepted accounting practices in line with the applicable laws and standards are applied and guarantee reliable financial reporting. The (Group) accounting-related internal control system we use is based on generally accepted standards (COSO model). There were no material changes to this system during the period under review. Corresponding standards also apply to the single-entity financial statements of the subsidiaries.

Preparation of the consolidated financial statements is based on a detailed process that includes specifying a financial statement calendar containing deadlines for the delivery of certain data. A further component is regular reviews of the correctness and completeness of the scope of consolidation. The principle of the segregation of duties as expressed in structured authorization and approval procedures and the dual-control principle as well as continual plausibility testing on data is applied end-to-end throughout the preparation and consolidation process.

For the consolidated financial statements, all subsidiaries subject to reporting requirements transmit their Group reporting data using the above-mentioned consolidation system. Validation rules integrated into the system ensure on delivery that the data reported by the subsidiaries are consistent. The accounting departments of the subsidiaries are responsible for ensuring the correctness of the reported data content, which is also tested by the Corporate Accounting Department within the Accounting Group Function. To this end, the department evaluates standardized reports in which the companies explain material facts relevant to financial reporting. After the process-based controls have been applied, consolidation including currency translation is carried out in the same system, without additional interfaces, utilizing both automated and manual procedures. The correctness of the automated consolidation steps and of the master data necessary for this purpose is reviewed regularly. Consolidation information that must be entered manually is posted separately, documented to the extent required and verified downstream. This is supplemented by validation rules that are integrated into the system.

Regular coordination with other financial group functions, particularly the Treasury & Investor Relations, Tax & Trade Compliance and Controlling group functions, assists the financial reporting process. A continual exchange of information with the operating business units and other group functions makes it possible for the Accounting Group Function to identify and deal with issues arising outside of accounting processes. These include litigation risks, projections for impairment testing and special contractual agreements with suppliers or customers. In addition, third-party service providers are consulted on special issues, particularly relating to the valuation of pensions and other post-employment benefits.

Monitoring of risk management system and internal control system (ICS)

LANXESS's Corporate Audit Department within the Legal & Compliance Group Function oversees whether the internal control and monitoring system works and whether organizational safeguards are being observed. The planning of audits (selection of audit subjects) and the audit methods applied are correspondingly aligned with risks. To assess the effectiveness of the ICS, an annual self-assessment is also carried out in major Group companies, operating units and group functions. The Supervisory Board exercises control functions, including regular monitoring of the efficiency of the management systems described above by the full Supervisory Board and by its Audit Committee. The Audit Committee reviews reports about the Compliance function's activities and findings, the work of the Corporate Audit Department, and the status of the risk management and internal control system. In addition, the early warning system is evaluated by the external auditor as part of the audit of the consolidated and annual financial statements.

Opportunities and risks of future development

Full identification of the LANXESS Group's opportunities and risks is performed on the basis of a catalog of categories, which are summarized in the table below:

Categories
Procurement markets
Human resources
Plant operations and hazards
Corporate strategy
Sales markets
Finance
Legal, regulatory and political environment

Subsequent reporting in respect of the main **categories** is based on a planning horizon of one year.

Procurement markets

On the procurement side, the principal opportunities and risks lie in the high volatility of **raw material and energy prices.** An increase or decrease in the price of the materials we use directly results in higher or lower production costs. If prices decrease, write-downs may have to be recognized on inventories. In addition, changes in raw material prices result in higher or lower selling prices – either immediately or after a delay. We mitigate situations like this by following a sensible inventory and procurement policy. Most of the company's raw material and energy needs are met by long-term supply contracts and contracts containing price escalation clauses. Many agreements with customers also contain price escalation clauses. We also have the option of hedging this risk via derivatives transactions if liquid futures markets are available for hedging raw material and energy price risks (see also "Financial markets"). Additionally, we are constantly looking for ways to use our resources more efficiently so that we can offset higher costs by raising productivity. The volatility of raw material prices, especially for our key raw material butadiene, impacts our Performance Polymers segment in particular.

To guard against possible supply bottlenecks due to factors such as the **failure of a supplier** or of an upstream operation at a networked site, we pursue an appropriate inventory strategy and line up alternative sources of supply. If we were to be forced to utilize an alternative source of supply, this could result in, for example, higher procurement prices or additional transportation costs.

Human resources

The risk of industrial actions resulting from disputes in connection with negotiations concerning future collective pay agreements or associated with restructuring measures cannot be ruled out. We also face increases in our **personnel expenses** because of future wage increases. Such an increase in the cost of human resources can be just as detrimental to earnings as increases in raw material prices, as described above, but in the case of human resources we cannot hedge the risk in futures markets or pass it on to our customers. We counter this risk by fostering open communication with our employees and their representatives in a culture of active labor relations. The employee representatives in various countries have been consulted especially with regard to our "Let's LANXESS again" program, the effects of which are still becoming visible in 2015/2016 in individual countries such as France. Continuous and increased use is being made of existing dialogue platforms such as the European Forum, which brings together the works councils in Europe. We also actively seek dialogue with the representatives of our employees, the trade unions and other interest groups in the other regions in which we operate.

Our employees' **expert knowledge** of internal processes and issues relating to their areas of specialization is a critical factor in the efficiency of our business operations. We take various approaches to mitigate the risk of losing this expertise and to increase our employees' loyalty to the company, including attractive compensation models, challenging jobs and international career options. We continue to invest in the next generation of employees by increasing the number of training opportunities in Germany. We have also launched and expanded regional internship and trainee programs and scholarships for gifted students. The regional focal points, besides Germany, are North America, Brazil, India, China and South Africa.

The growing lack particularly of **skilled employees** in our global markets is becoming tangible in individual cases. However, this effect has been mitigated for the time being by the "Let's LANXESS again" program launched in April 2014, which in the first instance substantially reduced our specific need for skilled employees in the reporting period. Nonetheless, in light of the first growth trends, we anticipate an increased need for recruitment in specific functions so the issue of employer branding will again become more important. A forward-looking and sustainable HR policy will therefore remain one focus, which is evidenced by our regular HR development conferences, for example. In line with our needs, we are expanding our cooperations with research institutes, universities, colleges and high schools in Germany, as well as with public-sector entities both in Germany and all other key target markets. At many events and conferences around the world, we have positioned our company as an attractive employer and continue to seek early contact with highly talented young people. In Germany, where we have the largest headcount, we have established a LANXESS program to provide both financial and expert support for undergraduate and postgraduate students. We also have a loyalty program for particularly outstanding interns. Both these programs focus on the natural and engineering sciences. Similar programs are being established not only in Germany but increasingly also in other major regions, where they always take account of local requirements.

In the reporting year, the Board of Management established a demographic initiative that takes up issues such as function-critical activities which were identified in the wake of the "Let's LANXESS again" program, the transfer of specific expertise and the securing of succession chains. The initiative builds on the results of Xcare, the first demographic project dating from 2011.

We are tackling issues pertaining to employee performance – also against the backdrop of the restructuring activities of recent years – through a performance culture program, which was established by the Board of Management and will assist in the realignment of the Group. It is intended, among other things, to use binding corporate values and management guidelines in creating a framework which allows managers to provide even greater support to their employees in making full use of their potential.

We are seeking to mitigate the potential loss of individual knowledge holders in connection with the agreed partnership for the synthetic rubbers business by providing the employees concerned with targeted information and highlighting potential career opportunities.

There are a number of other HR risks which, because of their long-term nature, will have virtually no impact on the relevant earnings indicators for fiscal 2016.

Plant operations and hazards

A lack of plant availability and disruptions of plant and process safety can make it impossible for us to meet production targets and adequately service demand, resulting in a loss of marginal income. We use a comprehensive range of measures to counter this scenario. These include proactive facility maintenance, regular compliance checks, the preparation of risk assessments and systematic training of employees to improve standards and safety. We also counter the risk of unplanned production stoppages by manufacturing certain products at various sites worldwide.

Although LANXESS applies high technical and safety standards to the construction, operation and maintenance of production facilities, **interruptions in operations,** including those due to external factors, such as natural disasters or terrorism, cannot be ruled out. These can lead to explosions, the release of materials hazardous to health, or accidents in which people, property or the environment are harmed. In addition to systematically monitoring compliance with quality standards in order to avoid such stoppages and accidents, we are also insured against the resulting damage to the extent usual in the industry.

Our product portfolio includes substances that are classified as hazardous to health. In order to prevent possible **harm to health,** we systematically test the properties of our products and draw our customers' attention to the risks associated with their use. We also carry product liability insurance that is customary in our industry.

In line with our forward-looking approach, product monitoring enables us to identify and evaluate potential hazards associated with our product portfolio and initiate suitable measures if applicable.

Our **information technology** (IT) supports our business activities worldwide, including the processes from receiving an order to receiving payment and from placing an order to paying a vendor. It is important that the people who use the systems receive correct and meaningful information when they need it. We support this by developing a uniform, integrated system architecture and investing in the expansion of IT services worldwide.

The operation and use of IT systems entails risks. For example, networks or systems may fail, or data and information may be compromised or destroyed because of operator and programming errors or external factors. In particular, we are observing a growing threat to our IT infrastructure resulting from outside attack. All of these can cause serious business interruptions. To mitigate such risks, we invest in suitable data protection systems designed to prevent the loss of data and information. Various security and monitoring tools and access restriction and authorization systems are used to ensure the integrity, confidentiality and availability of data and information and the trouble-free operation of systems. With a view to improving the security of our IT infrastructure, we evaluate security measures for their suitability in defending against current attack scenarios. Where necessary, these measures are upgraded. Additional security systems are being established worldwide and existing ones adapted to current needs as defense against new and specific threats.

Corporate strategy

We actively pursue the strategic optimization of the enterprise. Our efforts include ongoing efficiency enhancement, strengthening of core businesses, active portfolio management and proactive participation in industry consolidation through partnerships, divestments and acquisitions. Further information can be found in the "Strategy" section of this combined management report.

The success of the decisions associated with these efforts is naturally subject to forecasting risk in respect of predicting future (market) developments and the feasibility of planned measures. For example, the entry into or exit from a business segment could be based on profitability or growth expectations that prove to be unrealistic over time. We mitigate this risk by carefully and systematically analyzing the information that is relevant to decision-making. During this process, the business units affected and the Board of Management receive support from departments with the requisite expertise and, if necessary, from external consultants.

Our product portfolio is systematically aligned with key global trends that promise continuous growth in the coming years. With our products, we offer innovative solutions for these trends and generate recognizable added value for our customers. We are successfully positioned in those markets in which our product portfolio will enable us to particularly benefit from these trends in the medium and long term. Here, the focus will be on China, North America and Southeast Asia.

When gathering information in the context of **acquisitions,** it is possible that certain facts required to assess an acquisition candidate's future performance or to determine the purchase price are not available or are not correctly interpreted. We address this risk by conducting well-structured due diligence analyses and, where possible, by concluding appropriate agreements with the sellers. Insufficient integration of acquired companies or businesses can result in expected developments not materializing. For this reason, we have processes in place with which full integration of acquired businesses is assured. If assumptions concerning future developments – such as the realization of synergies – do not materialize, this might result in a write-down on assets. We monitor this risk by carrying out impairment testing at least once a year.

Unlocking and exploiting operational opportunities is an important aspect of our entrepreneurial activities. We are committed to using existing products and new solutions to advance our growth and sustainably strengthen our position in global markets. **Investing** in new plants as well as expanding the capacities and increasing the productivity of existing ones are key elements in these efforts. The anticipated effects are taken into account in our planning or are reported as opportunities. In principle, we expect investments to yield benefits but they are also coupled with risks. Thus, for example, the success of our investments in Asia has been substantially impacted by the challenging competitive situation in the synthetic rubber businesses. The preparatory work for investments that exceed a specified significance threshold is the responsibility of the relevant business units. After review by an Investment Committee set up for this purpose, the information is presented to the Board of Management for a decision. By following this procedure, we ensure that investments are in line with our corporate strategy and satisfy our profitability and security requirements.

Sales and earnings effects expected from our investments and acquisitions are already considered in our forecasts. These targeted investments may also generate further operational opportunities because they enable us to unlock new potential and improve our positioning in key markets.

Sales markets

Our company is inherently exposed to general **economic developments** and political change in the countries and regions in which we operate. Regional differences in economic performance and the associated demand trends can affect the Group's pricing and sales potential in its various geographical markets, with corresponding positive or negative effects on its earnings. Our global presence, which we are continuing to expand in growth markets, enables us to participate in favorable regional developments and, at the same time, reduce our dependence on certain regions. This approach is discussed in further detail in the "Strategy" section of this combined management report.

The volatility and cyclicality that are typical of the global chemical and polymer markets and their dependence on developments in customer industries harbor uncertainties for our business. As well as the influence of general economic development, the particular dependence of the rubber business on **customers** in the tire and automotive industries can result in sales volatility. Additional and unplanned sales opportunities may arise through access to new markets or the acquisition of new customers. In addition to being subject to these demand-side market influences, our earning power can be impacted by structural changes in markets, such as the exit of existing **competitors** or the entry of new ones and the availability of additional capacities, regional shifts, the migration of customers to countries with lower cost levels, and product substitution or market consolidation trends in some sectors. We counter such trends by systematically managing costs and continually adjusting our product portfolio, sharpening its focus and aligning our offering with innovative customer segments, which will enable us to operate successfully in the long term.

In our Performance Polymers segment, the synthetic rubber businesses continue to face intense competition, partly from new manufacturers entering the market. In some business units, this may result in further overcapacities and stronger competition on prices. We are pursuing a product-specific strategy in these areas based on factors such as product and process differentiation and global positioning. Through the partnership with Saudi Aramco we intend to achieve a strategic strengthening of our synthetic rubbers business in this competitive environment in the medium term.

Finance

The Treasury & Investor Relations Group Function has the task of centrally recording and managing **financial opportunities and risks.** Chief among these are:

Financial Opportunities and Risks

Price changes	Liquidity and refinancing	Counter-party risks	Capital investments	Insurance
Currencies	Availability of cash	Customers	Investments in pension assets	Shortfall in cover
Interest rates	Access to multi- and bilateral capital markets	Banks		
Raw materials				
Energies				

Price changes

Currencies Since the LANXESS Group undertakes transactions in various currencies, it is exposed to fluctuations in the relative value of these currencies. Fixed exchange rates were used in our planning for fiscal 2016. The development of the U.S. dollar against the euro is of particular relevance. An appreciation of the U.S. dollar compared with the exchange rate used in planning would have a positive effect on our planned EBITDA pre exceptionals. We have already entered into hedging transactions for 2016, 2017 and 2018 to mitigate the effects of currency fluctuations.

Currency risks from potential declines in the value of financial instruments due to exchange rate fluctuations (transaction risks) arise mainly when receivables and payables are denominated in a currency other than the company's functional currency. These risks and the currency risks arising on financial transactions, including the interest component, are generally fully hedged through forward exchange contracts. In the short term, therefore, the appreciation or depreciation of the euro against other major currencies can have no material impact on future cash flows.

The opportunities and risks relating to operating activities are systematically monitored and analyzed. To this end, both sales and costs are planned in foreign currencies. In the long term, exchange rate fluctuations could adversely affect future cash flows should the LANXESS Group not be able to counter them, for example, by pricing its products in the respective local currencies. This risk is minimized by partial hedging with derivative financial instruments. Hedging is performed in line with principles determined by the Board of Management and is subject to continuous monitoring.

Interest rates Market interest rate movements can cause fluctuations in the fair value of a financial instrument. They affect both financial assets and financial liabilities.

Since the majority of financial liabilities were entered into at fixed interest rates, changes in interest rates in the coming years will have only a limited impact on the LANXESS Group.

Raw materials/energies Where certain market-price risks for energies and raw materials cannot be passed on to customers in their entirety, they may be hedged on a case-by-case basis by forward commodity contracts in order to reduce the volatility of cash flows. As in the previous year, LANXESS had no forward commodity contracts as at the reporting date.

Liquidity and refinancing We ensure our access to the capital markets and our solvency through a conservative financing policy and a target capital structure that is largely based on the ratio systems used by leading rating agencies. Our conservative financing policy takes into account the risk of a change to our rating and the associated effects on financial risk management, even though LANXESS has no direct influence on the assessments by independent rating agencies.

Our main liquidity reserve is a €1.25 billion syndicated credit facility, which remained largely undrawn on the reporting date. In February 2015, its original term was extended by one year to February 2020. We have a further material credit line of €150 million with the European Investment Bank. In addition to credit facilities, the Group has short-term liquidity reserves of €466 million in the form of cash and cash equivalents and highly liquid investments in AAA-rated money market funds. Accordingly, the LANXESS Group has a liquidity position based on a broad range of financing instruments.

Counterparty risks Counterparty risks (credit risks) arise from trade relationships with customers and dealings with banks and other financial partners, especially with regard to the investment business and financial instrument transactions.

Customer risks are systematically identified, analyzed and managed using both internal and external information sources. Customer portfolios may be insured against credit risks, especially where the risk profile is elevated.

The objective of receivables management at LANXESS is to collect all outstanding payments punctually and in full, and thus to minimize the risk of default. Continuous monitoring is computer-assisted based on the payment terms agreed with the customers. These are generally based on the customary payment terms for the business or country. Reminders are sent out at regular intervals if payments are overdue.

Credit risk relating to receivables from customers is covered by opening letters of credit in favor of the LANXESS Group for some customers and by agreeing prepayment with contractual partners. In addition, LANXESS has a contractually agreed title to goods until the contractual partner has paid the full purchase price. The vast majority of receivables relate to customers with very high credit standing.

The creditworthiness of the counterparty is a key criterion in the financial policy and credit risk management of the LANXESS Group, especially in the selection of banks and financial partners for capital investments and transactions involving financial instruments. LANXESS therefore endeavors to undertake transactions with banks and other financial counterparties that have at least an investment-grade rating. The derivatives and financial assets outstanding as of the closing date were almost all concluded with banks with an investment-grade rating.

Credit risk management also includes global management of the counterparty risk relating to all existing relationships with banks and financial partners. The LANXESS Group pays particular attention to risk diversification to prevent any cluster risks that could jeopardize its continued existence. Through master agreements, the market values of open trading positions can be netted if a partner becomes insolvent, thereby further reducing risks.

Capital investments Opportunities and risks associated with the investment of pension assets are monitored by the Pension Committee, which is made up of the Chief Financial Officer and representatives from the Treasury & Investor Relations, Accounting and Human Resources group functions.

Insurance The LANXESS Group carries insurance cover against material risks such as those arising from property damage, business interruption and product liability. If a loss event occurs, LANXESS must therefore pay only those damages in excess of the deductible. However, there is a residual risk of events that are not covered by the insurance or which result in damages in excess of the cover guaranteed by the insurer.

Additional information on our financial risks can be found in Note [36], “Financial instruments,” to the consolidated financial statements.

Legal, regulatory and political environment

Companies in the LANXESS Group are subject to **legal risks** and are parties to various litigations. The outcome of individual proceedings cannot be predicted with assurance due to the uncertainties always associated with legal disputes. To the extent necessary in light of the known circumstances in each case, we have set up risk provisions for the event that the outcome of such proceedings is unfavorable to LANXESS. Taking into account existing provisions and insurance, as well as agreements reached with third parties in respect of liability risks arising from legal disputes, it is currently estimated that none of these proceedings will materially affect our planned EBITDA pre exceptionals.

As an approach to avoiding legal risks, LANXESS has established an extensive **compliance** management system incorporating a range of preventive organizational measures. Among the main risks LANXESS has identified are those relating to antitrust legislation, plant safety and environmental protection, foreign trade legislation and corruption. In connection with risks relating to antitrust legislation, for example, LANXESS has developed a program that combines classroom training and e-learning to ensure compliance with competition law. In this way, our employees and managers are schooled in the particular risks pertaining to their areas of business and made aware of their significance. This training is performed and documented at regular intervals. Our employees can also contact designated experts in the Legal & Compliance Group Function if they have any specific questions. Further information about compliance can be found in the Corporate Governance Report and in the "Compliance as an integral component" section of this opportunity and risk report.

Regulatory measures may lead to the tightening of safety, quality and environmental regulations and standards in different areas. These may result in additional costs and liability risks. Particularly noteworthy in this regard is the implementation of the E.U. Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). As well as direct costs that could arise due to additional measures necessary to comply with these standards, market structures could change to our disadvantage as a result of a shift by suppliers and customers to regions outside Europe. Additional requirements imposed by **energy and environmental policy,** such as the new emission trading regulations, new environmental taxes and the redistribution of costs associated with the German Renewable Energy Act, could result in higher costs and in part substantial disadvantages in international competition. With a view to mitigating this risk, we are discussing the economic consequences of increasing energy prices with the authorities and government - either directly or in cooperation with other energy-intensive companies via industry organizations.

LANXESS was and is responsible for numerous sites at which chemicals have been produced for periods that in some cases exceed 140 years. This responsibility also extends to waste disposal facilities. The possibility cannot be ruled out that ground pollution occurred during these periods that has not been identified to date. We are committed to the Responsible Care® initiative and pursue active environmental management and proactive environmental protection management. This includes constant monitoring and testing of the soil, groundwater and air and of various emissions. We have set up sufficient provisions for necessary containment or remediation measures in areas with identified contamination. Additional information on our environmental provisions can be found in Note [15], "Other non-current and current provisions," to the consolidated financial statements.

Tire-labeling initiatives can lead to stronger than anticipated demand for higher-quality tires and thus for synthetic high-performance rubbers. This would particularly benefit our Performance Polymers segment with its global production network and customer relationships spanning many years.

Any violations of foreign trade regulations may result in prohibitions and restrictions on LANXESS's export activities and the loss of its privileges in respect of export procedures. In individual cases, this may also result in fines, trade sanctions and loss of reputation. The LANXESS Group ensures compliance in foreign trade and export control through the global implementation and optimization of appropriate and stable control instruments and automated screening processes. By proactively monitoring trade policy developments, timely information is provided to both the operating units and the management organs concerning changes to foreign trade and the associated opportunities and risks, and appropriate recommendations for action are made.

Tax matters are subject to a degree of uncertainty in terms of their assessment by the tax authorities in Germany and other countries. Even if we believe that all circumstances have been reported correctly and in compliance with the law, the possibility cannot be ruled out that the tax authorities may come to a different conclusion in individual cases.

Significance of opportunities and risks and result of opportunity and risk assessment

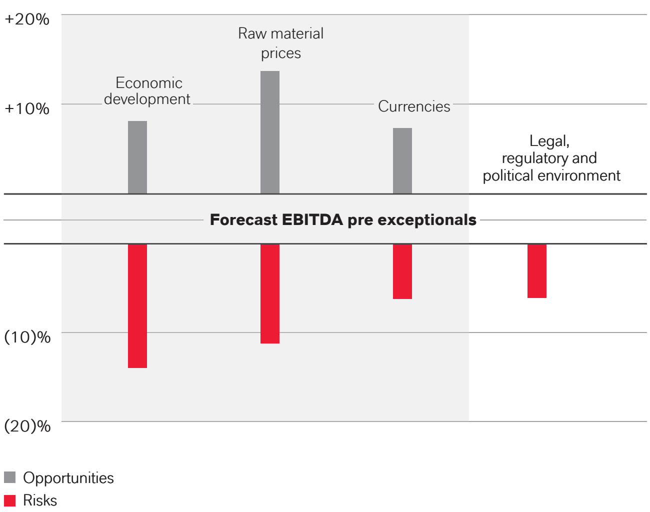
The opportunities and risks of future development that we have identified are categorized and grouped, as already described. Their significance lies in their potential impact on planned EBITDA pre exceptionals. Individual categories in which the opportunity or risk may produce a deviation of more than 5% from our projected EBITDA pre exceptionals in the planning year are considered to be of medium to high significance. This also applies to groups in which this threshold is exceeded only on a cumulative basis across all the categories assigned to each group.

Within the context of opportunity and risk management for the planning year, the economic developments, raw material prices and currency categories as well as the legal, regulatory and political environment group were considered to be of medium to high significance. Based on the scenarios applied or the assumed probability of occurrence, these categories and this group could produce a positive or negative deviation of up to 14% from our projected EBITDA pre exceptionals, which is our key controlling parameter. The legal, regulatory and political environment group was particularly influenced by opportunities and risks in the energy and environmental policy category. Opportunities and risks in other categories – such as legal risks – are of very little significance.

In 2014, the currency category was not significant in itself but only as part of the finance group. Furthermore, the energy price category was significant.

Opportunity and Risk Profile[1]

%



1) Event- and distribution-based opportunities and risks in line with assumed scenarios; on account of the interactions between the various categories, the effects of the opportunities and risks may not be added.

In light of its extensive global activities and its dependence on raw materials characterized by volatile price trends, our Performance Polymers segment especially may be vulnerable to these risks, which we seek to mitigate by means of suitable countermeasures.

Summary of overall opportunities and risks

The chemical industry worldwide is in a phase of radical change, which naturally entails economic opportunities and risks. However, the three-phase "Let's LANXESS again" program for the global realignment of the LANXESS Group initiated in 2014 gives us the headroom that will enable us to remain effective and competitive even in the evolving operating environment (see the "Strategy" section in this combined management report). In addition, the realignment will allow us to leverage strategic and operational opportunities and to make maximum use of growth potential.

Despite mixed economic developments across regions and sectors, our risk exposure during the reporting year was in general not materially different from our risk exposure during the previous year due to our broadly diversified product and customer portfolios. We continue to point to the intense competitive pressure still facing our synthetic rubber businesses. As part of the realignment, we will strengthen our future competitiveness through the partnership with Saudi Aramco agreed in the reporting year.

All planning is subject to a certain degree of forecasting risk, which could necessitate flexible adjustments to rapidly changing business conditions over the course of the year. This is particularly true in view of the fact that planning and forecasts in general have become somewhat less reliable due to the changes in our procurement and customer markets.

In light of our present financing structures, our sound liquidity position and the headroom created by our realignment and in particular by the partnership agreed with Saudi Aramco, we are confident of mastering risks that arise in the future.

Based on an overall evaluation of risk management information, the Board of Management at the present time cannot identify any sufficiently likely risks or risk combinations that would jeopardize the continued existence of LANXESS.