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» **LANXESS AG**

**Financial Statements 2015**

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# LANXESS Aktiengesellschaft, Cologne

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The management report of LANXESS AG for the 2015 fiscal year is combined with the management report of the LANXESS Group. The Combined Management Report is published in the LANXESS Annual Report 2015. Both the financial statements of LANXESS AG and the Combined Management Report of LANXESS AG and the LANXESS Group are published in the German Federal Gazette (Bundesanzeiger) and can also be accessed online in the company register.

# Income Statement

## LANXESS AG

€ thousand	Note	2014	2015
<b>Sales</b>	(1)	<b>4,564</b>	<b>4,090</b>
Cost of sales	(2)	(4,564)	(4,090)
<b>Gross profit</b>		<b>0</b>	<b>0</b>
General administration expenses	(3)	(42,901)	(44,238)
Other operating income		34,508	32,570
Other operating expenses		(14,443)	(4,061)
<b>Operating result</b>		<b>(22,836)</b>	<b>(15,729)</b>
Income from investments in affiliated companies		66,820	252,471
Expenses for loss transfer from affiliated companies		(13,482)	0
Income from other securities and loans included in financial assets	(4)	736	6,526
Net interest expense	(5)	(56,693)	(43,570)
Write-downs of financial assets and marketable securities		(23)	0
Other financial income and expenses – net	(6)	(33,933)	(7,559)
<b>Financial result</b>		<b>(36,575)</b>	<b>207,868</b>
<b>Income before income taxes</b>		<b>(59,411)</b>	<b>192,139</b>
Income taxes	(7)	(25,398)	(101,377)
<b>Net income (loss)</b>		<b>(84,809)</b>	<b>90,762</b>
Carryforward to new account	(19)	2,631	7,061
Withdrawal from other retained earnings		135,000	0
<b>Distributable profit</b>		<b>52,822</b>	<b>97,823</b>

# Statement of Financial Position

## LANXESS AG

€ thousand	Note	Dec. 31, 2014	Dec. 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>	(11)		
<b>Intangible assets</b>		<b>0</b>	<b>46</b>
<b>Property, plant and equipment</b>		<b>75</b>	<b>70</b>
<b>Financial assets</b>			
Investments in affiliated companies	(12)	738,864	738,864
Loans to subsidiaries	(13)	0	198,363
Other loans	(14)	19,043	19,096
		<b>757,982</b>	<b>956,439</b>
<b>Current assets</b>			
<b>Receivables and other assets</b>			
Receivables from affiliated companies	(15)	1,754,205	2,035,239
Other assets	(16)	20,240	21,454
<b>Securities</b>	(17)	<b>100,002</b>	<b>100,004</b>
<b>Liquid assets</b>		<b>247,313</b>	<b>309,893</b>
		<b>2,121,760</b>	<b>2,466,590</b>
<b>Prepaid expenses</b>	(18)	<b>3,835</b>	<b>8,743</b>
<b>Total assets</b>		<b>2,883,577</b>	<b>3,431,772</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	(19)		
Capital stock (conditional capital €16,641 thousand)		91,523	91,523
Capital reserves		1,230,529	1,230,529
Other retained earnings		97,892	97,892
Distributable profit		52,822	97,823
		<b>1,472,766</b>	<b>1,517,767</b>
<b>Provisions</b>			
Provisions for pensions and other post-employment benefit obligations	(20)	46,896	58,280
Tax provisions	(21)	4,872	56,881
Other provisions	(22)	50,910	30,316
		<b>102,678</b>	<b>145,477</b>
<b>Liabilities</b>			
Bonds	(23)	0	1,400,000
Liabilities to banks	(24)	748	148,118
Trade payables	(25)	2,993	652
Payables to affiliated companies	(26)	1,297,193	218,370
Other liabilities	(27)	7,199	1,388
		<b>1,308,133</b>	<b>1,768,528</b>
<b>Total equity and liabilities</b>		<b>2,883,577</b>	<b>3,431,772</b>
Contingent liabilities from guarantees	(29)	1,988,363	315,276

# Notes to the Financial Statements of LANXESS Aktiengesellschaft, Cologne, for fiscal 2015

## General

The Board of Management and Supervisory Board have issued the declaration required under Section 161 of the German Stock Corporation Act (AktG) regarding the German Corporate Governance Code. This declaration has been made available to the stockholders, and the English version is permanently posted at [www.lanxess.com/Investor Relations/Corporate Governance](http://www.lanxess.com/Investor Relations/Corporate Governance).

## Presentation

The financial statements of LANXESS AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act that are applicable to large stock corporations. As in the previous year, the management report of LANXESS AG has been combined with the management report of the LANXESS Group in application of Section 315, Paragraph 3 of HGB in conjunction with Section 298, Paragraph 3 HGB.

To enhance clarity, certain items in the income statement and the statement of financial position are combined and are explained in the Notes.

The income statement has been drawn up using the cost-of-sales method.

Financial income and expenses whose disclosure is not covered by a mandatory item and which cannot be assigned to a separate item are reported under other financial income or expenses.

As the primary parent company of the LANXESS Group, LANXESS AG has prepared consolidated financial statements as of December 31, 2015, in accordance with the International Financial Reporting Standards (IFRS), as endorsed by the European Union.

The financial statements and combined management report for fiscal 2015 prepared in application of Section 315, Paragraph 3 of the German Commercial Code (HGB) in conjunction with Section 298, Paragraph 3 HGB are published together with the auditor's report in the German Federal Gazette (Bundesanzeiger). They are made available at [www.lanxess.com/Investor Relations/Publications](http://www.lanxess.com/Investor Relations/Publications).

## Accounting policies and valuation principles

Intangible assets that have been acquired are recognized at cost and amortized on a straight-line basis over their estimated useful lives. Self-generated intangible assets are not capitalized.

Property, plant and equipment is carried at the cost of acquisition. Assets subject to depletion are depreciated. Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation and are expected to be permanent. Additions made in the reporting year are depreciated using the straight-line method. Low-value assets costing up to €150.00 are expensed in the year of acquisition. Low-value assets costing between €150.00 and €1,000.00 are combined in a collective item and depreciated over 5 years using the straight-line method.

Useful lives of intangible assets, property, plant and equipment:

Software licenses	3 to 4 years
Computer equipment	3 to 4 years
Furniture and fixtures	4 to 10 years

Investments in affiliated companies are recognized at cost of acquisition.

Cash has been deposited in a fiduciary account to meet the obligations relating to the "demographic change fund" for employees defined in the collective bargaining agreement for the German chemical industry. This cash deposit is administered on behalf of LANXESS AG by the fiduciary agent Deutsche Treuinvest Stiftung and is ringfenced against other creditors' claims. The level of benefits owed to the employees thus meets the conditions for classification as "securities-linked pension or similar commitments" pursuant to Section 253, Paragraph 1, Sentence 3 of the German Commercial Code (HGB). The fund assets as defined in Section 246, Paragraph 2, Sentence 2, Subsentence 1 HGB are measured at fair value pursuant to Section 253, Paragraph 1, Sentence 4 HGB and offset against the underlying commitments pursuant to Section 246, Paragraph 2, Sentence 2, Subsentence 1 HGB. Since, in the case of "securities-linked pension and similar commitments," adjusting

the carrying amount of the commitments to the fair value of the corresponding assets acts as a de facto bar to distribution, the ban on distribution pursuant to Section 268, Paragraph 8, Sentence 3 in conjunction with Sentence 1 HGB therefore does not apply.

Loans receivable that are interest-free or bear low rates of interest are carried at present value; other loans receivable are carried at nominal value.

Receivables and other assets are stated at nominal value, less any necessary write-downs. The amounts of such write-downs reflect the probability of default.

Marketable securities are valued at the lower of cost and fair value.

Liquid assets held in euros are recognized at their nominal value; such assets held in foreign currencies are translated at the spot rate on the closing date of the financial statements.

Disbursements prior to the closing date that represent spending for a specific period thereafter are recognized as prepaid expenses. Also included are the differences between the issue and settlement amount for bonds issued by LANXESS AG that will be amortized over the maturity of the bonds.

Deferred taxes are calculated for temporary differences between the accounting valuations and tax valuations of assets, liabilities and deferred items. As the primary company of the LANXESS Group's fiscal entity in Germany, LANXESS AG therefore has to recognize temporary differences relating both to its own financial statements and to those of companies with which it forms a fiscal entity. In addition to temporary differences, tax loss carryforwards are also accounted for. Deferred taxes are based on the aggregate income tax rate for all companies in the LANXESS fiscal entity, which is currently 32.1% (2014: 31.8%). The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. Any resulting tax liability would be recognized as a deferred tax liability in the statement of financial position. The option of capitalizing tax refunds is not utilized. In 2015, there was a net surplus of deferred tax assets, which is not recognized.

The capital stock is stated at par value.

Provisions for pensions and other post-employment benefits are computed using the projected unit credit method on the basis of biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. The current assumptions for salary increases are unchanged from the previous year at 2.50% for non-managerial employees and 2.75% for managerial employees. For older pension commitments,

the expected rate of increase is unchanged from the previous year at 1.75%. For new pension commitments, the expected rate of increase is unchanged from the previous year at 1.00%. The discount rates used are 3.89% (2014: 4.54%) for pensions, 2.02% (2014: 3.08%) for early retirement benefits and 3.89% (2014: 4.54%) for miscellaneous post-employment benefits. The interest rate used to discount pension and other post-employment benefit obligations to December 31, 2015, is the average market interest rate for the past seven years for an assumed residual maturity, as calculated and published by the Deutsche Bundesbank. The assumed residual maturity is 15 years for pensions and other post-employment benefits, five years for early retirement benefits and three years for phased early retirement programs.

Tax provisions are established for the amounts of tax arrears expected to be payable less the advance payments made.

The other provisions are established to cover all foreseeable risks and uncertain liabilities, based on reasonable estimates of the future settlement amounts of such commitments. Future price and cost increases are taken into account if there are sufficient objective indications that they will occur. Provisions maturing in more than one year are discounted to present value using the average market interest rate for the past seven years, based on their remaining maturities.

Liabilities are reflected at their settlement amounts.

Contingent liabilities arising from sureties and debt guarantees are shown at the amounts equivalent to the loans or commitments actually outstanding on the closing date.

Income and expenses are accrued in the fiscal year.

Foreign currency receivables and liabilities, forward exchange contracts and other currency derivatives are recognized using the mark-to-market method. Foreign currency receivables and payables are valued at middle spot exchange rates, while currency derivatives contracts concluded to hedge them are valued at the forward market rates on the closing date. Valuation gains and losses are offset against one another. Provisions for impending gains are established with respect to any excess of losses over gains. Gains are only recognized if they relate to receivables and payables due within one year. Foreign currency cash and cash equivalents and balances with banks are translated at the average exchange rates prevailing on the closing date.

## Notes to the income statement

### 1 | Sales

Sales revenues totaled €4,090 thousand (2014: €4,564 thousand) and related entirely to services provided to LANXESS Deutschland GmbH in Germany on the basis of a service agreement.

### 2 | Cost of sales

The cost of sales totaling €4,090 thousand (2014: €4,564 thousand) comprised expenses relating to the services provided. These were mainly personnel and general administration expenses.

### 3 | Other operating income

The other operating income included prior-period income of €28,366 thousand (2014: €30,161 thousand) from the reversal of provisions.

### 4 | Income from other securities and loans included in financial assets

The income from other securities and loans included in financial assets largely comprised income of €6,471 thousand (2014: €0 thousand) from long-term loans to LANXESS Deutschland GmbH.

### 5 | Net interest expense

€ thousand	2014	2015
<b>Other interest and similar income</b>		
from third parties	664	396
from affiliated companies	3,660	18,273
	<b>4,324</b>	<b>18,669</b>
<b>Interest and similar expenses</b>		
to third parties	9,770	52,107
for the interest portion of provisions for pensions and other non-current personnel-related provisions	2,155	2,121
to affiliated companies	49,092	8,011
	<b>61,017</b>	<b>62,239</b>
<b>Net interest expense</b>	<b>(56,693)</b>	<b>(43,570)</b>

### 6 | Other financial income and expenses – net

€ thousand	2014	2015
<b>Other financial expenses</b>		
Exchange losses	351,796	596,497
Miscellaneous financial expenses	33,211	7,976
	<b>385,007</b>	<b>604,473</b>
<b>Other financial income</b>		
Exchange gains	348,697	595,784
Miscellaneous financial income	2,377	1,130
	<b>351,074</b>	<b>596,914</b>
<b>Other financial income (expenses) – net</b>	<b>(33,933)</b>	<b>(7,559)</b>

The exchange gains and losses were principally attributable to foreign currency items relating to LANXESS AG and to the valuation of foreign currency transactions undertaken with third parties on behalf of Group companies.

The miscellaneous financial expenses were mainly for guarantee commission payments to affiliated companies. Miscellaneous financial income largely comprised guarantee commission payments received from affiliated companies.

## 7 | Income taxes

The tax expense of €101,377 thousand in 2015 (2014: €25,398 thousand) is the aggregate of the tax expense of €63,292 thousand for 2015 and €38,085 thousand in respect of previous years.

Tax expense does not include deferred taxes. As of December 31, 2015, LANXESS AG expected to receive a future tax benefit resulting from temporary accounting differences, both in its own financial statements and in those of companies with which it forms a fiscal entity for tax purposes. This amount was calculated on the basis of a combined income tax rate of 32.1% (LANXESS AG and companies with which it has profit and loss transfer agreements).

Deferred tax liabilities mainly relate to differences in valuations of property, plant and equipment and equity interests in stock corporations. A deferred tax asset is recognized as a result of the higher pension obligations recognized for accounting purposes than for tax purposes. Other deferred tax assets relate to provisions that are not tax-deductible, such as those for impending losses or for pre-retirement leave, and valuation differences, as in the case of provisions for phased early retirement and miscellaneous provisions and liabilities.

## 8 | Personnel expenses

€ thousand	2014	2015
Wages and salaries	36,270	25,588
Social expenses and expenses for pensions and other benefits	3,004	10,188
of which for pensions	2,139	9,351
	<b>39,274</b>	<b>35,776</b>

The interest portion of personnel-related provisions, especially provisions for pensions, is recognized not in personnel expenses but in interest expense.

## 9 | Employees

	Dec. 31, 2014	Average 2015	Dec. 31, 2015
General administration	139	132	127

## 10 | Audit fees

All fees for the services of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft are published in the notes to the LANXESS Group consolidated financial statements.

## Notes to the statement of financial position

### 11 | Non-current assets

A breakdown of non-current assets and the changes in them during the year are shown in the statement of changes in non-current assets.

### 12 | Shareholdings pursuant to Section 285, No. 11 of the German Commercial Code (HGB)

The mandatory disclosures in accordance with Section 285, No. 11 HGB are contained in the list of shareholdings.

### 13 | Loans to subsidiaries

Loans to subsidiaries comprised two long-term loans to LANXESS Deutschland GmbH.

### 14 | Other loans

The other loans almost entirely comprised the pro rata trust assets of LANXESS Pension Trust e.V. (LXS Trust). LANXESS AG transferred cash amounting to €17,802 thousand to LXS Trust in several tranches in previous years under a contractual trust arrangement (CTA) to secure pension obligations.

In the first quarter of 2014, the pro rata trust assets of LANXESS AG were transferred to an investment management company in return for shares in a special fund. Since then, revenue recognition by LANXESS AG takes place at the time a distribution resolution is reached by the investment management company, in contrast to previous asset management practice. Contractually agreed obligations for the payment of additional premiums by the trustor may also have an impact. No distribution resolution was taken in 2015.

The net income and expenses of €55 thousand recorded in 2015 largely resulted from the payment of additional premiums by the trustor. The net income and expenses of €706 thousand for 2014



related to the period of time up until transfer of the assets to the investment management company. The fair value of the assets of LXS Trust exceeded their carrying amount at year end.

Since the assets allocated to the CTA do not constitute plan assets within the meaning of Section 246, Paragraph 2, Sentence 2 of the German Commercial Code (HGB), they are measured at cost of acquisition pursuant to Section 253, Paragraph 1, Sentence 4 HGB and not at fair value, and there is no ban on their distribution.

Since 2010, cash payments have been deposited annually with Deutsche Treuinvest Stiftung to meet the obligations relating to the “demographic change fund” for employees established by the collective bargaining agreement for the German chemical industry. The fair value of the fiduciary assets corresponds to the fair value of the obligations under the “demographic change fund” amounting to €119 thousand (2014: €108 thousand). The carrying amounts of the fiduciary assets and the obligations recognized under other provisions have been netted, as have income and expenses.

### 15 | Receivables from affiliated companies

Receivables from affiliated companies totaling €2,035,239 thousand (2014: €1,754,205 thousand) related mainly to short-term loans receivable, including accrued interest, receivables from financial transactions and receivables under profit and loss transfer agreements. Trade receivables amounting to €1,039 thousand (2014: €974 thousand) existed in connection with the service agreement described in Note (1). There were also loans receivable totaling €3,500 thousand (2014: €5,000 thousand) with maturities in excess of one year.

### 16 | Other assets

Other assets comprised the following:

€ thousand	Dec. 31, 2014	Dec. 31, 2015
Tax receivables		
from sales taxes	15,262	11,436
from income taxes	3,865	7,771
Miscellaneous assets	1,113	2,247
	<b>20,240</b>	<b>21,454</b>

All of the other assets were due in the respective following year.

### 17 | Securities

Securities had a carrying amount of €100,004 thousand (2014: €100,002 thousand) and primarily comprised units of money market funds.

### 18 | Prepaid expenses

The prepaid expenses in fiscal 2015 included for the first time discounts of €6,127 thousand on the bonds issued.

### 19 | Equity

Changes in equity in 2015 were as follows:

€ thousand	Dec. 31, 2014	Dividend	Net income	Withdrawal from	Transfer to	Dec. 31, 2015
Capital stock	91,523	0	0	0	0	91,523
Capital reserves	1,230,529	0	0	0	0	1,230,529
Other retained earnings	97,892	0	0	0	0	97,892
Distributable profit	52,822	(45,761)	90,762	0	0	97,823
	<b>1,472,766</b>	<b>(45,761)</b>	<b>90,762</b>	<b>0</b>	<b>0</b>	<b>1,517,767</b>

The capital stock is divided into 91,522,936 no-par bearer shares.

The Annual Stockholders' Meeting on May 13, 2015, resolved to utilize the distributable profit for 2014, amounting to €52,822 thousand, as follows:

- To pay a dividend totaling €45,761 thousand (€0.50 per no-par share entitled to the dividend)
- To carry forward €7,061 thousand to new account

### *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 3 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.

## **20 | Provisions for pensions and other post-employment benefit obligations**

Pension provisions relate to pension obligations for present and former employees and to commitments under early retirement programs.

## **21 | Tax provisions**

The tax provisions relate to income taxes of €44,608 thousand for the current fiscal year and €12,273 thousand for previous years.

## 22 | Other provisions

The other provisions are established for bonuses and performance-related compensation plans (LTSP, LTPB) for employees, vacation and overtime credits, long-service anniversaries and other uncertain liabilities. Other uncertain liabilities mainly comprised the expected cost of the Annual Stockholders' Meeting for fiscal 2015 and the variable and fixed compensation of the Supervisory Board.

The long-term, performance-related components of the compensation system are the Long-Term Stock Performance Plan (LTSP) and the Long-Term Performance Bonus (LTPB).

The LTSP comprises four annual tranches for the years 2010 through 2013. It is a virtual Stock Performance Plan. Participation is contingent upon a personal investment in LANXESS AG shares, which must be held until January 31, 2017. Each tranche runs for a total of seven years, comprising a four-year vesting period and a three-year exercise period.

The LTSP 2014–2017 introduced in 2014 also comprises four tranches. Each tranche runs for a total of seven years, comprising a four-year vesting period and a three-year exercise period. The LANXESS AG shares that are contingent to participation must be held until expiration of the respective vesting period.

The LTPB rewards the financial development of the Group based on the business performance in two consecutive years. The bonus payment is a percentage of base salary.

## 23 | Bonds

Bonds as of December 31, 2015, totaled €1,400,000 thousand. In March 2015, they were assumed by LANXESS Finance B.V., Sittard-Geleen, Netherlands, and comprised:

€ thousand	Interest rate %	Maturity	Volume
Eurobond 2009/2016	5.500	September 2016	200,000
Eurobond 2011/2018	4.125	May 2018	500,000
Eurobond 2012/2022	2.625	November 2022	500,000
Private placement 2012/2022	3.500	April 2022	100,000
Private placement 2012/2027	3.950	April 2027	100,000
			<b>1,400,000</b>

## 24 | Liabilities to banks

The liabilities to banks of €148,118 thousand (2014: €748 thousand) mainly comprised a loan. In March 2015, they were assumed by LANXESS Finance B.V., Sittard-Geleen, Netherlands, in the course of restructuring Group financing.

## 25 | Trade payables

All trade payables are to third parties.

## 26 | Payables to affiliated companies

Payables to affiliated companies amounting to €218,370 thousand (2014: €1,297,193 thousand) mainly comprised loans, including accrued interest, and liabilities relating to financial transactions.

## 27 | Other liabilities

€ thousand	Dec. 31, 2014	Dec. 31, 2015
Tax liabilities	1,664	427
Miscellaneous liabilities	5,535	961
	<b>7,199</b>	<b>1,388</b>

## 28 | Further information on liabilities

The residual maturities of liabilities are as follows:

€ thousand	Dec. 31, 2014			Dec. 31, 2015		
	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Up to 1 year	More than 1 and up to 5 years	More than 5 years
Bonds	0	0	0	200,000	500,000	700,000
Liabilities to banks	748	0	0	148,118	0	0
Trade payables	2,993	0	0	652	0	0
Payables to affiliated companies	308,348	496,000	492,845	218,370	0	0
Other liabilities	7,199	0	0	1,388	0	0
	<b>319,288</b>	<b>496,000</b>	<b>492,845</b>	<b>568,528</b>	<b>500,000</b>	<b>700,000</b>

## 29 | Contingent liabilities from guarantees

Under the master agreement that was concluded between Bayer AG and LANXESS AG together with the Spin-Off and Take-over Agreement, Bayer AG and LANXESS AG agreed, among other things, on commitments regarding mutual indemnification for liabilities in line with the respective asset allocation. and on special arrangements allocating responsibility to deal with claims in the areas of product liability, environmental contamination and antitrust violations. The master agreement also contains arrangements for the allocation of tax effects relating to the spin-off and to the preceding measures to create the subgroup that was subsequently spun off.

LANXESS AG has given the following guarantees on behalf of subsidiaries:

€ thousand	Dec. 31, 2014	Dec. 31, 2015
to holders of the bonds issued by LANXESS Finance B.V.	1,466,350	0
to banks	333,943	119,717
to suppliers/other third parties	188,070	195,559
	<b>1,988,363</b>	<b>315,276</b>

In addition, LANXESS AG has provided guarantees on behalf of subsidiaries for payment obligations relating to future deliveries under long-term procurement agreements.

Outside of Germany, LANXESS Limited (registration no. 03498959), Newbury, United Kingdom, utilized the exemption from the auditing of its annual financial statements as permitted by Section 479A of the U.K. Companies Act 2006. As required by law, LANXESS AG, as the ultimate parent company, guaranteed all outstanding liabilities as of December 31, 2015, with respect to Section 479C of the U.K. Companies Act 2006. The net liabilities of LANXESS Limited as of December 31, 2015, amounted to €1,845 thousand.

Dutch subsidiary LANXESS Elastomers B.V., Sittard-Geleen, Netherlands, utilized the exemption from the publication and auditing of its annual financial statements as permitted by Section 2:403, Paragraph 1 (f) of the Dutch Civil Code. As required by law, LANXESS AG, as the ultimate parent company, guaranteed all outstanding liabilities as of December 31, 2015, with respect to Section 2:403, Paragraph 1 (f) of the Dutch Civil Code. The net liabilities of LANXESS Elastomers B.V. as of December 31, 2015, amounted to €121,669 thousand.

Based on the information available to us, the companies concerned should be able to fulfil the underlying obligations in all cases. The guarantees are not expected to be utilized.

## Other mandatory disclosures

### 30 | Notification of interests held in the company (Section 160, Paragraph 1, No. 8 of the German Stock Corporation Act (AktG))

Notifications of interests held in LANXESS AG are set out in the disclosures pursuant to Section 160, Paragraph 1, No. 8 AktG.

### 31 | Derivative financial instruments

In the course of their business, LANXESS AG and companies in the LANXESS Group are exposed to risks of changes in exchange rates and market prices. Derivative financial instruments are used in some cases to hedge against these risks. These comprise over-the-counter (OTC) instruments that are not traded on an exchange. They mainly include forward exchange contracts.

The use of such instruments is governed by uniform guidelines and is subject to stringent internal controls. It is confined to hedging of the Group's operating business and the related investments and financing transactions.

The purpose of using derivative financial instruments is to reduce fluctuations in earnings and cash flows caused by changes in exchange rates and market prices.

There is a risk that the value of financial derivatives may change as a result of fluctuations in underlying parameters such as exchange rates. Where derivatives are used for hedging purposes, the possibility of a loss of value due to a drop in prices is offset by corresponding increases in the values of the hedged contracts.

In the case of derivatives with a positive fair value, a credit or default risk arises if the counterparties cannot meet their obligations. To minimize this risk, credit limits are assigned to individual banks, and framework agreements are used that allow offsetting of the fair value of open derivative positions in the event of insolvency of a counterparty.

The notional amount of financial derivative contracts concluded with external counterparties was €2,615 million as of December 31, 2015 (2014: €2,206 million). Back-to-back derivative contracts with a notional amount of €1,984 million (2014: €1,858 million) were concluded with Group companies. The total notional amount of derivatives was €4,598 million (2014: €4,064 million). This figure also contains those derivatives included in valuation units.

The derivatives comprised the following:

	Notional amount		Fair value		Carrying amount	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
<b>€ thousand</b>						
<b>Forward exchange contracts</b>						
positive fair values	1,852,498	1,985,875	88,095	92,750	0	0
negative fair values	2,211,205	2,612,526	104,067	100,621	6,796	7,499
	<b>4,063,703</b>	<b>4,598,401</b>	<b>(15,972)</b>	<b>(7,871)</b>	<b>(6,796)</b>	<b>(7,499)</b>

### *Financial derivatives used to hedge currency risks*

LANXESS AG used forward exchange contracts and currency options to hedge exchange rate risks.

Hedging was undertaken using forward exchange contracts for **highly probable forecast transactions** by Group companies in foreign currencies and was passed through to these Group companies on a back-to-back basis.

Forward exchange contracts with a notional amount of €1,188.2 million (2014: €854.3 million) and a negative fair value of €61.7 million (2014: negative fair value of €47.2 million) were concluded with external counterparties to hedge highly probable forecast transactions by Group companies in foreign currencies. They were matched by transactions with Group companies with a notional amount of €1,188.2 million (2014: €854.3 million) and had a positive fair value of €61.7 million (2014: positive fair value of €47.2 million). Changes in the value of the corresponding external and internal transactions move in opposite directions and will offset one another by 2018. These transactions were grouped in valuation portfolios and not recognized in the statement of financial position.

To hedge currency risks relating to receivables and payables of LANXESS AG and Group companies (exposure in the statement of financial position), LANXESS AG concluded forward exchange contracts with external counterparties with a notional amount of €1,426.5 million (2014: €1,351.8 million) and a negative fair value of €18.0 million (2014: negative fair value of €39.2 million). Some of these transactions were passed through to Group companies. Contracts with these internal counterparties had a notional amount of €795.6 million (2014: €1,003.4 million) and a positive fair value of €10.1 million (2014: positive fair value of €23.3 million). Where forward exchange contracts concluded to hedge foreign currency receivables and payables of Group companies were passed through to the companies concerned by way of internal contracts, they were grouped in valuation portfolios together with the opposing transactions. At the closing date, valuation portfolios comprising external and internal transactions had net negative and positive fair values, respectively, of €18.0 million and €10.1 million (2014: net negative and positive fair values, respectively, of €39.2 million and €23.3 million). The majority of them mature in 2016 and the remainder in 2019 at the latest. These transactions were not reflected in the statement of financial position.

Forward exchange contracts that were used to hedge foreign currency exposure in the statements of financial position of Group companies and were not matched by internal transactions had a negative fair value of €7.5 million (2014: negative fair value of €6.8 million). The negative fair value is reflected in other provisions.

Further valuation units (micro hedges) comprised foreign currency loans from Group companies to LANXESS AG or vice versa for which forward exchange contracts had been concluded on a back-to-back basis. The carrying amount of loans granted by LANXESS AG was €710.7 million at year end (2014: €296.1 million), while the carrying amount of loans to LANXESS AG was €175.3 million (2014: €6.7 million). The net currency risk was €1.4 million (2014: €9.2 million). The external forward exchange contracts had a net negative fair value of €7.9 million (2014: net negative fair value of €16.0 million) and are all due in 2016. They were not recognized in the statement of financial position.

### *Valuation methods*

The fair values of financial derivatives are determined using customary valuation methods and are based on the market data (market values) available at the measurement date. The following principle is applied:

- The fair values of forward exchange contracts are derived from their trading or listed prices using the “forward method.”

The effectiveness of hedge relationships is measured using the dollar-offset method.

## **32 | Total compensation of the Board of Management and Supervisory Board (pursuant to Section 285, No. 9 a of the German Commercial Code (HGB))**

Total compensation of €9,360 thousand (2014: €9,982 thousand) was paid to the members of the Board of Management of LANXESS AG for fiscal 2015, comprising €6,728 thousand (2014: €7,649 thousand) in annual compensation (fixed compensation, annual bonus, benefits in kind and other), minus €62 thousand (2014: €0 thousand) in compensation relating to the previous year and €2,694 thousand (2014: €2,333 thousand) in multi-year compensation.

The multi-year compensation includes total payments of €1,626 thousand (2014: €932 thousand) under the Long-Term Performance Bonus (LTPB) and the stock-based Long-Term Stock Performance Plan (LTSP). The number of compensation rights granted under the LTSP was 1,200,000 (2014: 1,648,500). The fair value of these rights at the grant date was €1,068 thousand (2014: €1,401 thousand). In fiscal 2015, stock-based compensation resulted in net expense of €1,450 thousand (2014: €2,168 thousand).



In addition, net expenses of €2,628 thousand (2014: €109 thousand) were incurred to provide retirement pensions for the members of the Board of Management. In 2014, this amount included gains of €1,851 thousand for Dr. Heitmann and €2 thousand for Dr. Breuers. The present value of the benefit obligation as of December 31, 2015, for those members of the Board of Management serving on that date was €10,307 thousand (2014: €7,787 thousand). Details of the compensation system for members of the Board of Management and an individual breakdown of the compensation are given in the "Compensation report" section of the combined management report for the LANXESS Group and LANXESS AG for fiscal 2015.

#### Compensation of the Supervisory Board

€ thousand	Fixed compensation	Compensation for committee membership	Attendance allowance	Long-term compensation	Total
2015	1,161	481	220	1,200	3,062
2014	1,160	480	236	0	1,876

The members of the Supervisory Board received total compensation of €3,062 thousand in 2015 (2014: €1,876 thousand). The provisions established for multi-year compensation for Supervisory Board members as of December 31, 2015, amounted to €1,200 thousand (2014: €0 thousand).

In addition, the employee representatives on the Supervisory Board who are employees of the LANXESS Group received salaries under their employment contracts. The amounts of these salaries represented appropriate compensation for the employees' functions and tasks within the Group.

Details of the compensation system for members of the Supervisory Board and an individual breakdown of the compensation are given in the "Compensation report" section of the combined management report for the LANXESS Group and LANXESS AG for fiscal 2015.

### 33 | Total remuneration of former members of the Board of Management and of members of the Board of Management who stepped down during the fiscal year (pursuant to Section 285, No. 9 a, Sentence 6 dd and No. 9 b of the German Commercial Code (HGB))

Pension benefits of €293 thousand (2014: €293 thousand) were paid to former members of the Board of Management. €3,822 thousand (2014: €887 thousand) was recognized as current pension expense.

Provisions of €26,682 thousand were recognized as of December 31, 2015 (2014: €21,215 thousand) for the current pensions and the pension entitlements of former members of the Board of Management.

Payments totaling €3,673 thousand were made to former members of the Board of Management in fiscal 2015 (2014: €1,983 thousand). This amount included expense of €3,380 thousand for the severance payment made to Dr. Düttmann. Together with settlement of his LTSP rights amounting to €857 thousand, benefits granted to a former member of the Board of Management who stepped down during the fiscal year totaled €4,237 thousand and were paid during the fiscal year. In the previous year, this item included expense of €1,690 thousand for the severance payment made to Dr. Breuers. Together with settlement of his LTSP rights amounting to €729 thousand, benefits granted in 2014 to a former member of the Board of Management who stepped down during the fiscal year totaled €2,419 thousand and were paid during the fiscal year.

### 34 | Loans and advances granted to members of the Board of Management and the Supervisory Board (pursuant to Section 285, No. 9 c of the German Commercial Code (HGB))

There were no loans or advances to members of the Board of Management or the Supervisory Board as of December 31, 2015, nor had any other financial commitments been entered into for these individuals.



## 35 | Corporate officers

### Supervisory Board

Members of the Supervisory Board hold or held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as of December 31, 2015).

The following representatives of the company's stockholders are currently members of the Supervisory Board and/or were members of the Supervisory Board in 2015 (offices of former members on the date they stepped down):

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#### Dr. Rolf Stomberg (Chairman)

- Former Chief Executive of the Shipping, Refining and Marketing Division of The British Petroleum Co. p.l.c., London, U.K.
- Former member of the Board of Directors of The British Petroleum Co. p.l.c., London, U.K.

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\* (Chairman)
  - Biesterfeld AG, Hamburg\* (Vice Chairman)
  - HOYER GmbH, Hamburg
  - KEMNA Bau Andrae GmbH & Co. KG, Pinneberg
  - OAO Severstal, Cherepovets, Russia (until May 31, 2015)
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#### Dr. Friedrich Janssen

- Former member of the Board of Management of E.ON Ruhrgas AG, Essen

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\*
  - National-Bank AG, Essen\*
  - HanseWerk AG, Quickborn\* (until December 31, 2015)
  - Avacon AG, Helmstedt\* (until December 31, 2015)
  - Thüga Assekuranz Services München Versicherungsmakler GmbH, Munich (until April 30, 2015)
  - Hoberg & Driesch GmbH, Düsseldorf (Chairman of the Advisory Board)
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#### Robert J. Koehler † (resigned May 13, 2015)

- Former Chairman of the Board of Management of SGL Carbon SE, Wiesbaden

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\*
  - Klöckner & Co. SE, Duisburg\*
  - Heidelberger Druckmaschinen AG, Heidelberg\* (Chairman)
  - Freudenberg SE, Weinheim\*
  - Benteler International AG, Salzburg, Austria (Chairman)
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\* Statutory supervisory boards

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#### Rainer Laufs (resigned May 13, 2015)

- Self-employed consultant
- Former Chairman of the Management Board of Deutsche Shell AG, Hamburg

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\*
  - WCM Beteiligungs- und Grundbesitz AG, Frankfurt am Main\* (Chairman)
  - Petrotec AG, Düsseldorf\* (Chairman)
  - Asklepios Kliniken GmbH, Hamburg\*
  - Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus\*
  - MediClin AG, Offenburg\*
  - Bilfinger Industrial Services GmbH, Munich (Member of the Advisory Board)
  - Bilfinger Industrial Technologies GmbH, Frankfurt am Main (Member of the Advisory Board)
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#### Claudia Nemat

- Member of the Board of Management of Deutsche Telekom AG, Bonn

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\*
  - BuyIn SA, Brussels, Belgium (Chairwoman)
  - Hellenic Telecommunications Organization S.A. (OTE S.A.), Maroussi, Athens, Greece
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#### Lawrence A. Rosen (appointed May 13, 2015)

- Member of the Board of Management of Deutsche Post AG

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\*
  - Qiagen N.V., Venlo, Netherlands
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#### Theo H. Walthie

- Self-employed consultant
- Former Global Business Group President for the Hydrocarbons & Energy Business of the Dow Chemical Company

#### Further offices:

- LANXESS Deutschland GmbH, Cologne\*
  - NBE Therapeutics AG, Basle, Switzerland (President of the Board of Administration)
-

**Dr. Matthias L. Wolfgruber (appointed May 13, 2015)**

- Self-employed consultant
- Former Chairman of the Management Board of ALTANA AG

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*
- BYK-Chemie GmbH, Wesel\* (Chairman, until December 31, 2015)
- ECKART GmbH, Hartenstein\* (Chairman, until December 31, 2015)
- Grillo Werke AG, Duisburg\*
- ARDEX GmbH, Witten (Chairman of the Advisory Committee)
- Cabot Corporation, Boston, Massachusetts, United States
- ELANTAS Beck India Ltd., New Delhi, India (Chairman of the Board of Directors, until December 31, 2015)

The following representatives of the company's employees are currently members of the Supervisory Board and/or were members of the Supervisory Board in 2015 (offices of former members on the date they stepped down):

**Gisela Seidel (Vice Chairwoman, since May 13, 2015)**

- Chairwoman of the Works Council at the Dormagen site

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\* (Vice Chairwoman)

**Ulrich Freese (Vice Chairman, resigned May 13, 2015)**

- Member of the Bundestag
- Former Vice Chairman of the German Mining, Chemical and Energy Industrial Union, Hannover

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\* (Vice Chairman)
- Vattenfall Europe Mining AG, Cottbus\* (Vice Chairman)
- Vattenfall Europe Generation AG, Cottbus\* (Vice Chairman)
- Vattenfall GmbH, Berlin\*

**Axel Berndt (resigned May 13, 2015)**

- Specialist for Portfolio & Change Management in the IT department, LANXESS Deutschland GmbH
- Former member of the Works Council at the Leverkusen site

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*

\* Statutory supervisory boards

**Werner Czaplík (appointed May 13, 2015)**

- Chairman of the LANXESS Central Works Council

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*

**Dr. Hans-Dieter Gerriets**

- Chairman of the LANXESS AG Group Managerial Employees' Committee and Chairman of the LANXESS Managerial Employees' Committee
- Manager of a production facility in the Advanced Industrial Intermediates business unit of LANXESS Deutschland GmbH

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*

**Thomas Meiers**

- District Secretary of the German Mining, Chemical and Energy Industrial Union, Cologne

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*
- INEOS Deutschland Holding GmbH, Cologne\*
- INEOS Köln GmbH, Cologne

**Hans-Jürgen Schicker (resigned June 30, 2015)**

- Chairman of the Works Council at the Uerdingen site

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*

**Ralf Sikorski (appointed May 13, 2015)**

- Member of the Executive Committee of the German Mining, Chemical and Energy Industrial Union, Hannover

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*
- RAG AG, Herne\*
- RAG Deutsche Steinkohle AG, Herne\*
- RWE AG, Essen\*
- RWE Power AG, Cologne and Essen\* (Vice Chairman of the Supervisory Board)
- RWE Generation AG, Essen\*
- KSBG – Kommunale Beteiligungsgesellschaft GmbH & Co. KG, Essen\*
- KSBG – Kommunale Verwaltungsgesellschaft GmbH, Essen\* (Vice Chairman of the Supervisory Board)

**Manuela Strauch (appointed June 1, 2015)**

- Chairwoman of the LANXESS Works Council at the Uerdingen site

**Further offices:**

- LANXESS Deutschland GmbH, Cologne\*

### Board of Management

The following persons are currently members of the Board of Management:

Member of the Board of Management	External offices	Offices within the LANXESS Group
<b>Matthias Zachert</b> Chairman of the Board of Management	<ul style="list-style-type: none"> <li>▪ Member of the Presidium of the German Chemical Industry Association (VCI)</li> <li>▪ Member of the Asia-Pacific Committee of German Business (APA)</li> <li>▪ Member of the Presidium of stiftung neue verantwortung e.V.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chairman of the Executive Board of LANXESS Deutschland GmbH</li> </ul>
<b>Dr. Hubert Fink</b> Member of the Board of Management (as of October 1, 2015)		<ul style="list-style-type: none"> <li>▪ Member of the Executive Board of LANXESS Deutschland GmbH</li> <li>▪ Chairman of the Board of Directors of LANXESS (Liyang) Polyols Co., Ltd.</li> </ul>
<b>Michael Pontzen</b> Member of the Board of Management and Chief Financial Officer (as of April 1, 2015)	<ul style="list-style-type: none"> <li>▪ Member of the Board of Directors of Deutsches Aktieninstitut (DAI)</li> <li>▪ Member of Gesellschaft für Finanzwirtschaft in der Unternehmensführung e.V. (GEFIU)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Member of the Executive Board of LANXESS Deutschland GmbH</li> <li>▪ Member of the Board of Directors of LANXESS Corp.</li> <li>▪ Chairman of the Supervisory Board of Saltigo GmbH</li> </ul>
<b>Dr. Rainier van Roessel</b> Member of the Board of Management and Labor Relations Director	<ul style="list-style-type: none"> <li>▪ Member of the Supervisory Board of Currenta Geschäftsführungs-GmbH, Leverkusen</li> <li>▪ Member of the Board of the German Chemical Industry Association (VCI) in North Rhine-Westphalia</li> <li>▪ Chairman of the VCI Trade Policy Committee</li> <li>▪ Member of the 1 b Experience-Exchange Group of the German Association for Personnel Management (DGFP)</li> <li>▪ Member of the Board of the German Chemical Industry Federation (BAVC)</li> <li>▪ Member of the German Committee on Eastern European Economic Relations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Member of the Executive Board of LANXESS Deutschland GmbH</li> <li>▪ Chairman of the Board of Directors of LANXESS S.A. de C.V.</li> <li>▪ Executive member of the Board of Administration of LANXESS N.V.</li> <li>▪ Chairman of the Board of Directors of LANXESS Hong Kong Ltd.</li> <li>▪ Chairman of the Board of Directors of LANXESS Pte. Ltd.</li> <li>▪ Chairman of the Board of Directors of LANXESS Chemicals S.L.</li> <li>▪ Chairman of the Board of Directors of LANXESS Corp.</li> <li>▪ Member of the Board of Directors of LANXESS Chemical (China) Co. Ltd.</li> <li>▪ Chairman of the Board of Directors of LANXESS India Private Ltd.</li> <li>▪ Chairman of the Board of Directors of LANXESS K.K.</li> <li>▪ Chairman of the Board of Directors of LANXESS Butyl Pte. Ltd.</li> <li>▪ Chairman of the Board of Directors of LANXESS International S.A.</li> </ul>

Members of the Board of Management who stepped down in 2015:

Member of the Board of Management	External offices	Offices within the LANXESS Group
<b>Dr. Bernhard Düttmann</b> (Ceased to be a member of the Board of Management at the end of the day on March 31, 2015)	<ul style="list-style-type: none"> <li>▪ Member of the Supervisory Board of GfK SE, Nuremberg</li> <li>▪ Member of the Board of Directors of Deutsches Aktieninstitut (DAI)</li> <li>▪ Member of Gesellschaft für Finanzwirtschaft in der Unternehmensführung e.V. (GEFIU)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Member of the Executive Board of LANXESS Deutschland GmbH</li> <li>▪ Member of the Board of Directors of LANXESS Corp.</li> </ul>

# Changes in non-current assets

## LANXESS AG

€ thousand	Gross carrying amounts				Amortization/depreciation and write-downs				Net carrying amounts	
	Jan. 1, 2015	Additions	Disposals	Dec. 31, 2015	Jan. 1, 2015	Additions	Disposals	Dec. 31, 2015	Jan. 1, 2015	Dec. 31, 2015
<b>Intangible assets</b>										
Software licenses	4	53	0	57	4	7	0	11	0	46
	<b>4</b>	<b>53</b>	<b>0</b>	<b>57</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>11</b>	<b>0</b>	<b>46</b>
<b>Property, plant and equipment</b>										
Furniture, fixtures and other equipment	197	32	16	213	122	37	16	143	75	70
	<b>197</b>	<b>32</b>	<b>16</b>	<b>213</b>	<b>122</b>	<b>37</b>	<b>16</b>	<b>143</b>	<b>75</b>	<b>70</b>
<b>Financial assets</b>										
Investments in affiliated companies	738,864	0	0	738,864	0	0	0	0	738,864	738,864
Loans to subsidiaries	0	198,363	0	198,363	0	0	0	0	0	198,363
Other loans	19,043	53	0	19,096	0	0	0	0	19,043	19,096
	<b>757,907</b>	<b>198,416</b>	<b>0</b>	<b>956,323</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>757,907</b>	<b>956,323</b>
<b>Total non-current assets</b>	<b>758,108</b>	<b>198,501</b>	<b>16</b>	<b>956,593</b>	<b>126</b>	<b>44</b>	<b>16</b>	<b>154</b>	<b>757,982</b>	<b>956,439</b>

## Disclosures pursuant to Section 160, Paragraph 1, No. 8 of the German Stock Corporation Act (AktG)

Notified by	Date of change	Threshold	Voting rights		Attributable voting rights
			%	absolute	
BlackRock, Inc., Wilmington, DE, U.S.A.	Dec. 9, 2015	5.00%	5.41%	4,953,177	BlackRock, Inc., Wilmington, DE, U.S.A. (5.41% pursuant to Section 22 German Securities Trading Act WpHG)
Dodge & Cox International Stock Funds, San Francisco, U.S.A.	Oct. 13, 2015	5.00%	4.98%	4,559,092	Dodge & Cox International Stock Funds, San Francisco, U.S.A. (4.98% pursuant to Section 21 Paragraph 1 German Securities Trading Act WpHG)
Dodge & Cox, San Francisco, U.S.A.	Oct. 13, 2015	5.00%	4.98%	4,559,092	Dodge & Cox, San Francisco, U.S.A. (4.98% pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act WpHG)
The Capital Group Companies, Inc., U.S.A.	Jan. 21, 2016	3.00%	3.07%	2,805,957	The Capital Group Companies, Inc., Los Angeles, U.S.A. (3.07% pursuant to Section 22 German Securities Trading Act WpHG)
Templeton Investment Counsel, LLC, Wilmington, Delaware, U.S.A.	Oct. 23, 2015	3.00%	3.04%	2,779,376	Templeton Investment Counsel, LLC, Wilmington, Delaware, U.S.A. (3.04% pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act WpHG)
UBS Group AG, Zurich, Switzerland	Nov. 26, 2015	3.00%	0.58%	533,668	UBS Group AG, Zurich, Switzerland (0.58% pursuant to Section 22 German Securities Trading Act WpHG)
Union Investment Privatfonds GmbH	Jan. 29, 2015	3.00%	3.16%	2,890,313	Union Investment Privatfonds GmbH (0.05% pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 German Securities Trading Act WpHG) – voting rights reduced to 2,620,930 on Jan. 15, 2016 (2.864% pursuant to Section 22 German Securities Trading Act WpHG)

# List of shareholdings

LANXESS AG, either directly or indirectly, holds at least 20% of the shares in the following companies (information pursuant to Section 285, No. 11 of the German Commercial Code (HGB)). The figures stated for equity and net income/loss are derived from the annual financial statements prepared in accordance with local law.

## Company Name and Domicile

	Interest held (%)	Equity (€ million)	Result (€ million)
<b>Fully consolidated companies</b>			
<b>Germany</b>			
Bond-Laminates GmbH, Brilon	100	3	0 <sup>1)</sup>
IAB Ionenaustauscher GmbH Bitterfeld, Greppin	100	31	0 <sup>1)</sup>
LANXESS Accounting GmbH, Cologne	100	0	0 <sup>1)</sup>
LANXESS Buna GmbH, Marl	100	8	0 <sup>1)</sup>
LANXESS Deutschland GmbH, Cologne	100	1,299	0 <sup>1)</sup>
LANXESS Distribution GmbH, Leverkusen	100	4	0 <sup>1)</sup>
Rhein Chemie Rheinau GmbH, Mannheim	100	45	0 <sup>1)</sup>
Saltigo GmbH, Leverkusen	100	28	0 <sup>1)</sup>
Vierte LXS GmbH, Leverkusen	100	0	0 <sup>1)</sup>

## Company Name and Domicile

	Interest held (%)	Equity (€ million)	Result (€ million)
<b>EMEA</b>			
Europigments, S.L., Barcelona, Spain	52	5	0
LANXESS (Pty.) Ltd., Modderfontein, South Africa	100	20	(3)
LANXESS Central Eastern Europe s.r.o., Bratislava, Slovakia	100	11	2
LANXESS Chemicals, S.L., Barcelona, Spain	100	1,117	50
LANXESS CISA (Pty.) Ltd., Newcastle, South Africa	100	47	(2)
LANXESS Chrome Mining (Pty.) Ltd., Modderfontein, South Africa	100	(20)	(12)
LANXESS Elastomères S.A.S., Lillebonne, France	100	105	3
LANXESS Elastomers B.V., Sittard-Geleen, Netherlands	100	108	4
LANXESS Emulsion Rubber S.A.S., La Wantzenau, France	100	38	(12)
LANXESS Epierre SAS, Epierre, France	100	0	0
LANXESS International SA, Granges-Paccot, Switzerland	100	90	85
LANXESS Kimya Ticaret Limited Şirketi, Istanbul, Turkey	100	2	1
LANXESS Limited, Newbury, U.K.	100	26	0
LANXESS N.V., Antwerp, Belgium	100	221	47
LANXESS Rubber N.V., Zwijndrecht, Belgium	100	149	5
LANXESS S.A.S., Courbevoie, France	100	73	3
LANXESS S.r.l., Milan, Italy	100	15	2
OOO LANXESS, Moscow, Russia	100	2	0
OOO LANXESS Lipetsk, Lipetsk, Russia	100	1	0
Sybron Chemical Industries Nederland B.V., Ede, Netherlands	100	99	0
Sybron Chemicals International Holdings Ltd., Newbury, U.K.	100	0	0
<b>North America</b>			
LANXESS Corporation, Pittsburgh, U.S.A.	100	180	4
LANXESS Inc., Sarnia, Canada	100	138	(5)
LANXESS Sybron Chemicals Inc., Birmingham, U.S.A.	100	29	(4)
Sybron Chemical Holdings Inc., Wilmington, U.S.A.	100	0	0

1) Result after profit transfer

Company Name and Domicile	Interest held (%)	Equity (€ million)	Result (€ million)
<b>Latin America</b>			
LANXESS Elastômeros do Brasil S.A., Rio de Janeiro, Brazil	100	190	21
LANXESS Industria de Produtos Quimicos e Plasticos Ltda., São Paulo, Brazil	100	109	4
LANXESS S.A. de C.V., Mexico City, Mexico	100	15	4
LANXESS S.A., Buenos Aires, Argentina	100	9	(9)
Rhein Chemie Uruguay S.A., Colonia, Uruguay	100	1	0
<b>Asia-Pacific</b>			
LANXESS Elastomers Trading (Shanghai) Co., Ltd., Shanghai, China	100	0	0
LANXESS (Changzhou) Co., Ltd., Changzhou, China	100	128	(50)
LANXESS (Liyang) Polyols Co., Ltd., Liyang, China	100	0	(3)
LANXESS (Ningbo) Pigments Co., Ltd., Ningbo City, China	100	21	(5)
LANXESS Butyl Pte. Ltd., Singapore	100	428	(31)
LANXESS Chemical (China) Co., Ltd., Shanghai, China	100	46	2
LANXESS Hong Kong Limited, Hong Kong, China	100	289	(11)
LANXESS India Private Ltd., Thane, India	100	163	3 <sup>2)</sup>
LANXESS K.K., Tokyo, Japan	100	36	2
LANXESS Korea Limited, Seoul, South Korea	100	14	1
LANXESS Pte. Ltd., Singapore	100	39	6
LANXESS PTY Ltd., Homebush Bay, Australia	100	8	1
LANXESS Shanghai Pigments Co., Ltd., Shanghai, China	100	25	(1)
LANXESS Specialty Chemicals Co., Ltd., Shanghai, China	100	2	1
LANXESS-TSRC (Nantong) Chemical Industrial Co., Ltd., Nantong, China	50	13	(3)
LANXESS (Wuxi) Chemical Co., Ltd., Wuxi, China	100	105	14
Rhein Chemie (Qingdao) Co., Ltd., Qingdao, China	90	41	3

Company Name and Domicile	Interest held (%)	Equity (€ million)	Result (€ million)
<b>Jointly controlled entity</b>			
<b>Germany</b>			
DuBay Polymer GmbH, Hamm	50	29	2
<b>Associate accounted for using the equity method</b>			
<b>Germany</b>			
Currenta GmbH & Co. OHG, Leverkusen	40	13	1
<b>Non-consolidated immaterial subsidiaries</b>			
<b>Germany</b>			
LANXESS Middle East GmbH, Cologne	100	0	0
<b>EMEA</b>			
LANXESS Mining (Proprietary) Ltd., Modderfontein, South Africa	100	0	0
LANXESS Performance Elastomers B.V., Geleen, Netherlands	100	0	0
W. Hawley & Son Ltd., Newbury, U.K.	100	0	0
<b>North America</b>			
LANXESS Energy LLC, Wilmington, U.S.A.	100	0	0
<b>Latin America</b>			
Comercial Andinas Ltda., Santiago, Chile	100	0	0
Petroflex Trading S.A., Montevideo, Uruguay	100	0	0
<b>Asia-Pacific</b>			
PCTS Specialty Chemicals Malaysia (M) Sdn. Bhd., Kuala Lumpur, Malaysia	100	0	0
<b>Other non-consolidated immaterial companies</b>			
<b>Lateinamerika</b>			
Hidrax Ltda., Taboão da Serra, Brazil	39	1	0

1) Result after profit transfer

2) Financial statements as of March 31, 2015

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the financial statements give a true and fair view of the earnings, asset and financial position of the LANXESS AG, and the combined management report includes a fair review of the development and performance of the business and the position of the LANXESS Group and LANXESS AG, together with a description of the principal opportunities and risks associated with the expected development of the LANXESS Group and LANXESS AG.

Cologne, February 26, 2016

LANXESS Aktiengesellschaft

The Board of Management

Matthias Zachert

Dr. Hubert Fink

Michael Pontzen

Dr. Rainier van Roessel



# Auditor's Report

We have audited the annual financial statements, comprising the statement of financial position, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of LANXESS Aktiengesellschaft, Cologne, for the business year from January 1 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Section) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing

the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Cologne, February 29, 2016

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Bernd Boritzki  
German Public Auditor

Carsten Manthei  
German Public Auditor

## Financial Calendar 2016

**May 11**

Interim Report Q1 2016

**May 20**

Annual Stockholders' Meeting, Cologne

**August 10**

Interim Report H1 2016

**November 10**

Interim Report Q3 2016



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LANXESS IR website

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WITH

GROWTH

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