LANXESS Finance B.V.

Amsterdam

ANNUAL FINANCIAL STATEMENTS
December 31, 2012

Content

1. Board of Directors' report

General information

The Board of Directors of LANXESS Finance B.V. (the "Company") herewith presents the annual report and the financial statements of the Company for the period ended December 31, 2012. The Company was incorporated on June 6, 2005 by LANXESS Deutschland GmbH, Germany (the "parent company"). Unchanged from the previous year, the Company continued to be a wholly-owned subsidiary of LANXESS Deutschland GmbH. The Company is registered at the Chamber of Commerce in Amsterdam, The Netherlands, under the number 09151956. The report was prepared in euros (€) and all amounts are in thousand euros (€ thousand) except otherwise stated.

Financing and investment

LANXESS Finance B.V. acts as a Group financing company for LANXESS AG and its direct and indirect subsidiaries ("the LANXESS Group"). For this purpose, the Company issued the following bonds:

Year	Nominal value deal currency in thousand	Deal currency	Nominal value (€ thousand)	ISIN number	Maturity	Interest rate (%)
2009	500,000	EUR	500,000	XS0423036663	Apr. 9, 2014	7.750
2009	200,000	EUR	200,000	XS0452802175	Sept. 21, 2016	5.500
2011	500,000	EUR	500,000	XS0629645531	May 23, 2018	4.125
2012	500,000	CNY	60,262	XS0746637296	Feb. 15, 2015	3.950
2012	100,000	EUR	100,000	XS0769023309	Apr. 5, 2022	3.500
2012	100,000	EUR	100,000	XS0768450933	Apr. 5, 2027	3.950
2012	500,000	EUR	500,000	XS0855167523	Nov. 21, 2022	2.625

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG.

The bond issued in 2005 with ISIN number XS0222550880 and a nominal amount of € 401,605 thousand was paid back on June 21, 2012 at its maturity date.

In 2012 four new bonds were subscribed for a total nominal amount of € 760,262 thousand.

The proceeds from the above-mentioned bonds and financial liability have been made available to LANXESS Group companies in the form of loans.

Sale of Agency business

With effect from January 1, 2012, the Agency Business within LANXESS Finance B.V. was sold to LANXESS Elastomers B.V. for a purchase price of € 2,105 thousand. Four employees were transferred to LANXESS Elastomers B.V. Consequently to the transfer of the employees, the existing pension plan within LANXESS Finance B.V. was settled with effect from January 1, 2012.

Profit

As of December 31, 2012, the Company recorded a net income of € 3,459,114.24 (2011: € 949,376.85).

Future developments

The Company will continue financing companies for the LANXESS Group. Based on its stable business situation, no major developments are currently predicted for the Company.

Auditors

PricewaterhouseCoopers Accountants N.V. has been appointed to perform the audit of the financial statements for 2012.

Board of Directors

The following persons have been appointed as members of the Board of Directors:

- Mr. C.A. Koch,
- Mr. P. Nederstigt,
- Deutsche International Trust Company N.V..

Risk management and use of financial instruments

The risk profile of the Company did not materially change compared to the end of 2011.

As the proceeds from the bonds and financial liabilities have been used to grant loans to LANXESS Group companies, the ability of the Company to meet its financial obligations depends in consequence on the capacity of the LANXESS Group companies to pay back their loans and relating interests. Therefore the liquidity risk is limited to the equity of LANXESS Group.

The Company manages its risks in line with the procedures and systems used by the LANXESS Group and deemed by the Board of Directors to be adequate for this purpose. At the date this report was issued, the Board of Directors cannot identify any material risk that would jeopardize the going concern of the Company.

Group structure

LANXESS Deutschland GmbH is the sole shareholder of the Company and LANXESS AG is the sole shareholder of LANXESS Deutschland GmbH.

Subsequent events

No other events occurred after December 31, 2012 that are required to be included in these financial statements.

Amsterdam, March 28, 2013

The Managing Directors:

Mr. C.A. Koch   Mr. Pieter Nederstigt   Deutsche International Trust Company N.V.

Declaration pursuant to Article 3 (2) (c) Transparency Law concerning the financial statements

We, Mr. C. A. Koch, Mr. P. Nederstigt and Deutsche International Trust Company N.V. represented by Mr. E.J. van de Laar, as the Managing Director of LANXESS Finance B.V. (the "Issuer"), hereby declare, that, to the best of our knowledge, the financial statements for 2012, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and that the Board of Directors' report includes a fair review of the development and performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Mr. C.A. Koch   Mr. P. Nederstigt   Deutsche International Trust Company N.V.

2. Year-end financial statements

2.1 Statement of financial position as of December 31, 2012[1]

Assets € thousand	Notes	Dec. 31, 2012	Dec. 31, 2011
Non-current assets			
Financial assets	(2.4.5.1)		
Loans to Group companies		2,060,985	1,309,532
Deferred income tax assets		0	381
		2,060,985	**1,309,913**
Current assets			
Receivables	(2.4.5.2)		
Interests receivables from Group companies		55,505	55,957
Loans to Group companies		13,000	401,605
Other receivables		499	359
		69,004	**457,921**
Cash and cash equivalents	(2.4.5.3)		
Cash and cash equivalents		532	8,348
		532	**8,348**
Total assets		**2,130,521**	**1,776,182**

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[1] After appropriation of the profit for the year.

Equity and liabilities € thousand	**Notes**	**Dec. 31, 2012**	**Dec. 31, 2011**
Shareholders' equity	(2.4.5.4)		
Capital stock		2,000	2,000
Retained earnings		9,605	6,527
		11,605	**8,527**
Provisions	(2.4.5.5)		
Pension provision		0	833
		0	**833**
Non-current liabilities	(2.4.5.6)		
Liabilities to Bank		109,090	120,000
Bonds		1,945,840	1,192,119
Other non-current liabilities		11	0
		2,054,941	**1,312,119**
Current liabilities and accruals	(2.4.5.7)		
Accrued interest		52,464	53,174
Liabilities to Bank		10,910	0
Accounts payable		560	12
Bonds		0	401,423
Other debts and accruals		41	94
		63,975	**454,703**
Total equity and liabilities		**2,130,521**	**1,776,182**

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2.2 Income statement for the period ending December 31, 2012

Income statement € thousand	**Notes**	**Dec. 31, 2012**	**Dec. 31, 2011**
Financial income and expense			
Interest income		95,605	84,163
Interest expenses		-93,074	-81,835
Exchange gains		177	0
Exchange losses		-115	0
Net financial income	(2.4.5.8)	**2,593**	**2,328**
Operating income		**2,944**	**1,504**
Income from commissions		0	1,275
Other income		2,111	229
Reversal provision for pension costs		833	0
Operating expenses		**-1,930**	**-2,488**
Wages and salaries		0	-444
Other expenses		-1,930	-2,044
Net operating income	(2.4.5.9)	**1,014**	**-984**
Income before income taxes		**3,607**	**1,344**
Income taxes	(2.4.5.10)	-148	-395
Net income		**3,459**	**949**

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2.3 Statement of cash flows for the period ending December 31, 2012

Statement of cash flows € thousand	2012	2011
Cash flows from operating activities		
Net operating income	1,014	-984
Adjustments for:		
-Changes in provisions	-833	*37*
-Changes in working capital:	391	57
Receivables	*595*	*137*
Current liabilities(*)	*-204*	*-80*
Cash flows from operating activities	*572*	***-890***
Net operating interests:	4,738	3,997
-Interest received	96,026	70,646
-Interest paid	-91,288	-66,649
Income taxes paid	-454	-468
Net cash from operating activities	**4,856**	**2,639**
Cash flows from investing activities		
Loans to Group companies	-362,848	-616,000
Net cash used in investing activities	**-362,848**	**-616,000**
Cash flows from financing activities		
Proceeds from borrowings	0	320,000
Issuance of bonds	751,781	496,000
Repayments of bonds	-401,605	-200,000
Net cash from financing activities	**350,176**	**616,000**
Net change in cash and cash equivalents	**-7,816**	**2,639**

(*) excl. bank overdrafts

Changes in cash und cash equivalents were as follows:

€ thousand	2012	2011
As of January 1	8,348	5,709
Change in cash and cash equivalents	-7,816	2,639
As of December 31	**532**	**8,348**

2.4 Notes to the 2012 financial statements

2.4.1 General information

The Company

The Company was established on June 6, 2005, and is a wholly-owned subsidiary of LANXESS Deutschland GmbH, Leverkusen, Germany. The ultimate parent company is LANXESS AG, Leverkusen, Germany. The Company's financial data are included in the consolidated financial statements of the LANXESS Group, copies of which are available from LANXESS AG, Leverkusen, Germany.

Activities

The object of the Company is to participate in, to finance, or otherwise to take an interest in, or to conduct, the management of other companies or enterprises.

Notes to the statement of cash flows

The statement of cash flows has been prepared using the indirect method. The cash items disclosed in the statement of cash flows are comprised of cash and cash equivalents. Interest paid and received, and income taxes are included in cash flows from operating activities. Transactions not resulting in cash inflows or outflows are not recognized in the statement of cash flows.

Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362 (1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2.4.2 Accounting policies for the statement of financial position

General

The annual financial statements of the Company have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or at fair value. Except where otherwise stated, they are recognized at the amounts at which they were acquired or incurred. The statement of financial position and the income statement include references to the notes.

Comparison with prior year

The accounting policies have been consistently applied to all the years presented.

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of Lanxess Finance B.V.

Transactions, receivables and debts

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the income statement

Financial assets - Loans to Group companies

Receivables disclosed under financial assets are initially stated at the fair value of the amount owed, which is normally equal to its face value, net of any provisions considered necessary. Subsequently they are measured at amortized cost using the effective interest method, net of any provisions/write-downs considered necessary.

Impairment of non-current assets

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash-generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Fair value less costs to sell is determined based on the active market. For the purposes of determining value in use, cash flows are discounted. An impairment loss is directly expensed in the income statement.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined, if no asset impairment had been recognised.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been, if the impairment had not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in profit or loss.

If an impairment loss has been incurred on an investment in an equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss shall be reversed only if the evidence of impairment is objectively shown to have been removed.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a receivable is uncollectible, it is written off against the allowance account for receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

Provisions – General information

Provisions are recognized for legally enforceable or constructive obligations existing at the closing date, the settlement of which is likely to require a cash outflow that can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the closing date. Except where otherwise indicated, provisions are stated at the present value of the expenses expected to be required to settle the obligations.

Employees

Following the sale of the Agency Business, four employees of LANXESS Finance B.V. were transferred to LANXESS Elastomers B.V. with effect from January 1, 2012.

Pension benefits

The pension provisions recognized in the statement of financial position are based on the net present value of the pension benefit obligations under the defined benefit plan and the corresponding fair value of the plan assets at the closing date. The amount of the necessary pension provision is measured annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated by discounting estimated future cash flows using a rate of interest applicable to high-quality corporate bonds with a term roughly equal to the term of the related pension obligations and taking into account expected future salary and benefit increases.

Service cost and past service cost are recognized in the operating result. The net value of the interest cost for the defined benefit obligation and the expected return on plan assets is recognized in the financial result. All actuarial gains and losses are recognized in equity in the period in which they occur.

The company's pension calculation is determined using the Projected Unit Credit method, as used in IAS 19 and FAS 87/158.

Bonds and liabilities to bank

Borrowings are initially recognized at fair value, net of transaction costs incurred. Subsequently they are stated at amortized cost, which is the amount received, taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the borrowings using the effective interest method.

Operational leases

Following the sale of the Agency Business with effect from January 1, 2012, LANXESS Finance B.V. no longer has running operational leases.

Deferred income tax assets and liabilities

Deferred taxes are calculated for temporary differences between the carrying amounts of assets or liabilities in the statement of financial position and its tax base or for realizable tax loss carry-forwards. Deferred taxes are calculated at the rates which – on the basis of the statutory regulations in force, or already enacted in relation to future periods, as of the closing date – are expected to apply at the time of realization. The carrying amount of deferred tax assets is reviewed at each closing date, and only the amount likely to be realizable due to future taxable income is recognized. Deferred tax assets from tax loss carry-forwards are recognized if it is probable that the tax loss carry-forwards can be utilized.

2.4.3 Accounting policies for the income statement

General

Income represents the difference between the value of the consideration rendered and the costs and other charges for the reporting period. The results of transactions are recognized in the period in which they are realized.

Costs are recognized using the historical cost convention and are allocated to the reporting period to which they relate.

Interest income and expenses

Interest income and expenses are allocated to the period to which they relate, taking into account the effective interest rate for the respective assets and liabilities. When recognizing interest paid, allowance is made for the transaction costs for loans received.

Operating income and expenses

Operating income and expenses no longer include any product or cost relating to the sale activities.

Other operating income and expenses include general and administrative income and expenses.

Taxation

Income tax is calculated based on the profit/loss before taxation reported in the income statement, taking into account any losses carried forward from previous financial years (as long as these are not already included in deferred tax assets), tax-exempt items, non-deductible expenses and using current tax rates.

2.4.4. Other information

Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be related parties, as are entities that can control the Company. Statutory directors, other key management personnel of LANXESS Finance B.V. or of the ultimate parent company and their close relatives are also regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they do not take place under normal market conditions. The nature and extent of such transactions and other information thereon are disclosed if necessary to provide a true and fair view.

Financial instruments and risk management

The risk profile of the Company did not materially change compared to the end of 2011.

As the proceeds of the bonds have been used to grant loans to LANXESS Group companies, the ability of the Company to meet the financial obligations arising therefrom depends upon the payment of the principal and interest due by the LANXESS Group companies concerned.

The Company manages its risks in line with the procedures and systems used by the LANXESS Group and deemed by the Board of Directors to be adequate for this purpose.

2.4.5 Notes to financial position and financial income

2.4.5.1 Financial assets

Changes in financial assets were as follows:

€ thousand	Loans to Group companies	Deferred tax assets	Total
December 31, 2011	**1,309,532**	**381**	**1,309,913**
Additions	751,453	0	751,453
Reductions	0	-381	-381
December 31, 2012	**2,060,985**	**0**	**2,060,985**

Loans outstanding at the closing date:

€ thousand	Maturity	Dec. 31, 2012	Dec. 31, 2011
LANXESS AG, Germany	Apr. 9, 2014	495,280	495,280
LANXESS AG, Germany	May 23, 2018	496,000	496,000
LANXESS AG, Germany	Sept. 30, 2018	120,000	120,000
LANXESS AG, Germany	Nov. 21, 2022	492,845	0
LANXESS Deutschland GmbH, Germany	Feb. 12, 2015	19,495	0
LANXESS Deutschland GmbH, Germany	Sept. 21, 2016	198,252	198,252
LANXESS Deutschland GmbH, Germany	Apr. 5, 2022	99,693	0
LANXESS Deutschland GmbH, Germany	Apr. 5, 2027	98,670	0
LANXESS N.V., Belgium	Feb. 12, 2015	40,750	0
		2,060,985	**1,309,532**

Repayment has been agreed for each loan at maturity date.

Five news loans have been granted over the period to companies of the LANXESS Group for a total amount of € 751,453 thousand as of December 31, 2012.

The deferred tax assets of € 381 thousand as of December 31, 2011 were related to the actuarial gains and losses of the pensions and were disposed from equity with the transfer of the employees following the sale of the Agency Business.

2.4.5.2 Receivables

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

Interest receivables

Interest receivables pertain to Group companies.

Loans to Group companies

Current loans outstanding at the closing date:

€ thousand	Maturity	Dec. 31, 2012	Dec. 31, 2011
LANXESS Deutschland GmbH	Jun. 21, 2012	0	401,605
LANXESS Deutschland GmbH	Jan. 18, 2013	13,000	0
Total		**13,000**	**401,605**

The loan of € 401,605 thousand outstanding as of December 31, 2011 was fully paid back as agreed at its maturity date on June 21, 2012.

Other receivables

Other receivables mainly include receivables from income taxes amounting to € 460,012 (2011: € 177,000).

2.4.5.3 Cash and cash equivalents

Cash and cash equivalents represent the balance of current accounts and are all at the Company's free disposal.

2.4.5.4 Shareholders' equity

Capital

The authorised share capital of LANXESS Finance B.V. amounts to € 10 million ordinary shares. Of these, € 2 million ordinary shares have been issued.

€ thousand	Dec. 31, 2012	Dec. 31, 2011
Authorized: 100,000 shares of € 100 each	10,000	10,000
Issued and fully paid: 20,000 shares of € 100 each	2,000	2,000

The issued shares are registered in the name of LANXESS Deutschland GmbH.

Retained earnings

€ thousand	Dec. 31, 2012	Dec. 31, 2011
Balance as of January 1	**6,527**	**5,826**
Profit for the year	3,459	949
Deferred tax relating to OCI	-381	0
Actuarial gains/losses from pension plan	0	-248
Balance as of December 31	**9,605**	**6,527**

2.4.5.5 Pensions

Changes in provisions for defined benefits were as follows:

€ thousand	Dec. 31, 2012	Dec. 31, 2011
Balance as of January 1	**833**	**461**
Pension cost for defined benefit plans	0	107
Pension contributions paid/accrued	0	-69
Actuarial gains/losses	0	334
Reversal	-833	0
Balance as of December 31	**0**	**833**

Following the settlement of the pension plan with effect from January 1, 2012, the personnel provisions were completely reversed.

The amounts recognized in the statement of financial position at the closing date were as follows:

€ thousand	Dec. 31, 2012	Dec. 31, 2011
Present value of funded obligations	0	4,121
Fair value of plan assets	0	-3,288
Present value of unfunded obligations - Net liability	**0**	**833**

The amounts recognized in the income statement at the closing date were as follows:

€ thousand	Dec. 31, 2012	Dec. 31, 2011
Current service cost	0	60
Interest on obligation	0	196
Expected return on plan assets	0	-149
Total pension cost	**0**	**107**

2.4.5.6 Non-current liabilities

Liabilities to banks

The Company contracted one fix rate credit, repayable in 11 instalments starting on September 30, 2013, and ending on September 19, 2018.

The loan is unconditionally and irrevocably guaranteed by LANXESS AG.

Long-term bonds

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG.

€ thousand	Interest (%)		Dec. 31, 2012	Dec. 31, 2011
	Nom.	Effect.		
€ 500,000,000 Notes issued on Apr. 9, 2009; Notes due in 2014	7.750	8.030	498,357	497,165
€ 200,000,000 Notes issued on Sept. 21, 2009; Notes due in 2016	5.500	5.670	198,889	198,627
€ 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	4.125	4.255	496,844	496,327
CNY 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	3.950	4.289	60,406	0
€ 100,000,000 Notes issued on Apr. 5, 2012; Notes due in 2022	3.500	3.537	99,712	0
€ 100,000,000 Notes issued on Apr. 5, 2012; Notes due in 2027	3.950	4.070	98,719	0
€ 100,000,000 Notes issued on Nov. 21, 2012; Notes due in 2027	2.625	2.789	492,913	0
			1,945,840	**1,192,119**

The market value of the bonds as of December 31, 2012 is € 2,127 million (2011: € 1,294 million).

2.4.5.7 Current liabilities and accruals

Accounts payables

€ thousand	Dec. 31, 2012	Dec. 31, 2011
Accounts payables - Group	520	10
Accounts payables - Third party	40	2
	560	**12**

The accounts payable amount € 560 thousand as of December 31, 2012 and refer mainly to bond-related costs.

Short-term bond

There is no short-term bond as of December 31, 2012.

€ thousand	Interest (%)		Dec. 31, 2012	Dec. 31, 2011
	Nom.	Effect.		
€ 500,000,000 Notes issued on Jun. 21, 2005; Notes due in 2012	4.125	4.220	0	401,423
			0	**401,423**

The bond of € 401,423 thousand outstanding as of December 31, 2011 was fully paid back as agreed at its maturity date.

2.4.5.8 Net financial income

€ thousand	2012	2011
Financial income		
Interest income from Group companies	95,600	84,158
Foreign exchange gains	177	0
Interest income others	5	5
Total financial income	**95,782**	**84,163**
Financial expenses		
Interest expenses for bonds and loans	93,074	81,788
Foreign exchange losses	115	0
Other interest expenses	0	47
Total financial expenses	**93,189**	**81,835**
Net financial income	**2,593**	**2,328**

The net financial income mainly results from the interest paid and received for the bonds and loans born by the Company and the exchange gains and losses generated by the bonds and loans in Chinese Yuan Renminbi.

2.4.5.9 Net operating income

Costs and incomes are recognized in the income statement in the period they occur.

€ thousand	2012	2011
Operating income		
Sale of Agency business related income	2,105	0
Reversal of pension provisions	833	0
Other income	6	229
Income from commissions	0	1,275
Total operating income	**2,944**	**1,504**
Operating expenses		
Guarantee fees	1,486	1,500
Other expenses	425	325
Audit fees	13	14
Other audit procedures	6	5
Personnel expenses	0	444
Credit arrangement fee	0	200
Total operating expenses	**1,930**	**2,488**
Net operating income	**1,014**	**-984**

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG. LANXESS AG received fees for this guarantee. The guarantee fees stayed stable over the period.

Audit fees

The following audit fees were expensed in the income statement in the reporting period:

€ thousand	2012	2011
Audit of the financial statements	13	14
Other audit procedures	6	5
Other non-audit services	71	25
Total	**90**	**44**

Wages and salaries

€ thousand	2012	2011
Salaries	0	357
Social charges	0	27
Pension charges	0	60
Total	**0**	**444**

During the period under review, the average number of employees, based on full-time equivalents, is 0 (2011: 4).

2.4.5.10 Income taxes

In 2012, the effective tax rate is 4,71% (2011: 29.4%) while the applicable tax rate is 25.0% (2011: 25.0%). The Company beneficiated in 2012 from non-taxable elements.

Remuneration of the Managing Directors

Mr. C.A. Koch and Mr. P. Nederstigt do not receive any remuneration which is borne by the Company.

Amsterdam, March 28, 2013

Lanxess Finance B.V., Amsterdam,

The Managing Directors

Mr. C.A. Koch Mr. P. Nederstigt Deutsche International Trust Company N.V.

LANXESS Finance B.V. , De Entree 99 – 197, 1101 HE AMSTERDAM, The Netherlands

3. Other information

3.1 Auditor's report

The report of the auditor, PricewaterhouseCoopers Accountants N.V., can be found later in this document.

3.2 Appropriation of the profit pursuant to the Company's Articles of Association

Under the Company's Articles of Association, any distribution of the annual profit is at the discretion of the annual meeting of shareholders and may only be made out of retained earnings.

3.3 Appropriation of the profit for the year

In accordance with the Company's Articles of Association, the Managing Directors propose to add the profit for the year to retained earnings.

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Independent auditor's report

To: the General Meeting of Shareholders of Lanxess Finance B.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 as set out on pages 7 to 22 of Lanxess Finance B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2012, the income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Lanxess Finance B.V. as at 31 December 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Groningen, 3 April 2013
PricewaterhouseCoopers Accountants N.V.

Original signed by: drs. H.D.M. Plomp RA