

LANXESS FINANCE B.V.

Amsterdam

ANNUAL ACCOUNTS DECEMBER 31, 2008

LANXESS FINANCE B.V.

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1. Directors' report

The Board of Directors of Lanxess Finance B.V. (the "Company") herewith presents the annual report and the financial statements for year ended 31 December 2008.

The Company was incorporated on 6 June 2005 by

Lanxess Deutschland GmbH, Germany (the "parent company").

The Company is registered at the Chamber of Commerce in Amsterdam under number 9151956.

Principal activities and business review

During the reporting year, the Company acted as group financing Company.

To serve this purpose the Company issued in 2005 EUR 500,000,000 4.125% Guaranteed Notes due 2012.

The Bonds are unconditionally and irrevocable guaranteed by Lanxess Deutschland GmbH.

The Bonds are listed at the Stock Exchanges of Luxembourg under WKN: AOE6C9, ISIN XS0222550880.

Financing and Investment

As mentioned the Company issued EUR 500,000,000 4.125% Guaranteed Notes due 2012.

The proceeds of this issue have been on lent to group companies.

Results

During the period under review, the Company recorded a profit of EUR'000 3,495 (2007 = EUR'000 2,727).

Future developments

The Company will continue its activities and no major developments are foreseen.

Auditors

PWC Accountants N.V. has been appointed as the auditor for these financial statements.

Board of Directors

As members of the Board of Directors have been appointed:

Mr. C.A. Koch and Deutsche International Trust Company N.V.

Risk management and use of financial instruments

As the proceeds of the Notes have been on lent to the group companies, the ability of the Company to meet its obligations under the issue depends upon the payment of the principal and the interest due from the group companies.

Therefore the liquidity risk is limited to the equity of the Company.

Group structure

Lanxess Deutschland GmbH is the sole shareholder of the Company.

General

No events occurred after 31 December 2008 which should be included in these financial statements. All amounts in this report are stated in EUR, unless mentioned otherwise.

Amsterdam, March 13, 2009

The Managing Directors:

Mr. C.A. Koch

Deutsche International Trust Company N.V.

LANXESS FINANCE B.V.

Christoph Koch Stephen de Haeseh Ronald Ton

2. Financial Statements

2.1 Balance sheet as per December 31, 2008
(After appropriation of result)

€ * 1.000

	<u>2008</u>	<u>2007</u>
<i>Current assets</i>		
Receivables		
Interest receivable	12.480	1.285
Pension receivables	522	602
Other receivables	67	33
	<u>13.069</u>	<u>1.920</u>
Cash & banks		
Cash and banks	530.074	629.924
	<u>530.074</u>	<u>629.924</u>
Total	<u><u>543.143</u></u>	<u><u>631.844</u></u>

€ * 1.000	<u>2008</u>	<u>2007</u>
Shareholders' equity		
Capital stock	2.000	2.000
Retained earnings	4.037	1.647
	<u>6.037</u>	<u>3.647</u>
Long term liabilities		
Bond	498.415	497.999
Short-term debts and accruals		
Accounts payable	-10	114
Accounts payable group com	26.737	116.327
Accrued interest	10.828	10.828
Other debts and accruals	1.136	2.929
	<u>38.691</u>	<u>130.198</u>
Total	<u><u>543.143</u></u>	<u><u>631.844</u></u>

2.2 Profit and loss account for the year ended December 31, 2008

€ * 1.000	<u>2008</u>	<u>2007</u>
Operating expenses		
Administration	-727	112
Other expenses	1.014	1.267
	<u>287</u>	<u>1.379</u>
Operating income	<u>-287</u>	<u>-1.379</u>
Net interest	3.495	2.727
Other income and expenses	0	0
	<u>3.495</u>	<u>2.727</u>
Result before taxes	<u>3.208</u>	<u>1.348</u>
Income taxes	<u>818</u>	<u>344</u>
Net Income	<u><u>2.390</u></u>	<u><u>1.004</u></u>

2.3 Notes to the financial statements

2.3.1 Summary of significant accounting policies

The company

The company is a wholly owned subsidiary of Lanxess Deutschland GmbH in Germany.

2.3.2 Accounting policies

General

Shareholders' equity and results for the year are determined on the basis of "historical cost" convention. Unless described otherwise, assets and liabilities are stated at their face value.

Activities

The object of the company is to participate in, to finance or to have any other interest in, or to conduct the management of, other companies or enterprises;

Accounting policies

The consolidated annual accounts were 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.

General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.

Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year. The company is established on June 6, 2005.

Translation of foreign currencies

The assets and liabilities in foreign currencies are translated into Euro's at the year end exchange rates. Transactions denominated in foreign currency have been translated at the exchange rate at the time of the transactions. The relating translation differences are charged to the profit and loss account. The translation differences arising on financial fixed assets are charged to the retained earnings.

Bond

The valuation of the EUR 500.000.000 4,125% Guaranteed Notes of 2005/ 2012 is based against 99,779 per cent. The Bond is stated at the purchaseprice (99,779%) and the transaction cost are deducted.

Employees

From December 29, 2008 nine employees are transferred from Lanxess B.V. to Lanxess Finance B.V. including all rights and duties (a.o. pension liabilities and lease commitments). At this moment the company employed 5 employees.

Pension receivables

At December 29, 2006 Lanxess Finance B.V. took over nine employees from Lanxess B.V. In this transfer are included the pension liabilities from the defined benefit schemes.

LANXESS Finance b.v. has a defined benefit scheme.

These provide defined pension benefits to staff upon reaching retirement age, the amount of which depends on age, salary and years of service.

The pension provision carried on the balance sheet is the present value of pension benefit obligations under the defined benefit scheme net of the fair value of plan assets, against which unrecognised actuarial gains or losses and unrecognised past service costs are set off.

The required pension provision is measured annually by independent actuaries using the actuarial method known as the "Projected Unit Credit" method. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to high quality corporate bonds with a term roughly consistent with the term of the related pension obligation.

Actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the opening of the financial year are credited or charged to the profit and loss account over the expected average future years of service of the employees concerned.

Unrecognised past service costs are taken directly to the profit and loss account unless the changes in the pension scheme depend on the employees remaining in service for a specific period (the qualifying period). In that case, the past service costs are recognized on a straight-line basis over the qualifying period.

Operational lease

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the Group, are recognised as operational leases. Obligations under operational leases are recognised on a straight-line basis in the profit and loss account over the term of the contract, taking into account reimbursements received from the lessor.

2.3.3 Accounting policies for the profit and loss account

General

The result represents the differences between the value of the consideration rendered and the costs and other charges for the year. The results on transactions are recognized in the year they are realised.

Costs

Costs are recognized on the historical costs convention and are allocated to the reporting year to which they are related.

Selling expenses

Selling expenses concern the direct expenses of the sales activities. Selling expenses also included warehouse charges for finished goods and trade goods, relating to sales. The amortisation of goodwill is also recognized in selling expenses, as are the results on the sale of intangible and tangible fixed assets.

General and administrative expenses

General and administrative expenses include the expense of the Board of Directors and the administration department.

Personnel remuneration

Regular payments

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Pensions

Lanxess Finance B.V. has a defined benefit scheme. These provide defined pension benefits to staff upon reaching retirement age, depending on age, salary and years of service.

Interest income and expense

Interest income and expense are time apportioned, taken into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

Taxation

Profits tax is calculated on the profit/ loss before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses, and using current tax rates. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

2.4 Notes to the balance sheet and profit and loss - account

<i>Share holders' equity</i> € * 1.000	<u>2008</u>	<u>2007</u>
Authorised: 100.000 shares of € 100 each	10.000	10.000
Issued and fully paid: 20.000 shares of € 100 each	<u>2.000</u>	<u>2.000</u>

The issued shares are registered in the name of Lanxess Deutschland GmbH
The company is established on June 6, 2005.

<i>Retained earnings</i>	<u>2008</u>	<u>2007</u>
Balance as per January 1,	1.647	643
Result for the year	2.390	1.004
Balance as per December 31,	<u>4.037</u>	<u>1.647</u>

<i>Bond</i> € * 1.000	<u>2008</u>
Balance as per December 31, 2007	497.999
Adjustment for effective rate of interest	416
Balance as per December 31, 2008	<u>498.415</u>

The nominal Bond value is EUR 500.000.000, 4,125%.
The Issue price was 99,779%

A guarantee is given by Lanxess AG in Germany

Commitment and contingencies

As a result of the take over of employees from Lanxess B.V., the company has entered into operational leasing commitments. The termination of these commitments is as follows:

€ * 1.000	2008	2007
Less than one year	64	55
1 to 5 years	89	56
More than 5 years	0	0

2.4.2 Notes to the profit and loss account for the year ended December 31, 2008

Costs are charged to results in the year in which the related proceeds are included

Intercompany relations

Intercompany Interest	24.454	23.128
Fixed charges	1.489	1.231

Salaries and social charges
€ * 1.000

	2008	2007
Salaries	442	894
Social charges	17	25
Pension charges	130	158
	<u>589</u>	<u>1.077</u>

Above mentioned wages, salaries and social security costs are taken up in the costs of sales and the selling expenses and administration expenses, depending on the activities of the employees concerned.

Other Income and (expenses)
€ * 1.000

	2008	2007
<i>Interest income</i>	<u>2008</u>	<u>2007</u>
Net interests banks	91	630
Net interests from Group companies	24.454	23.128
Total Interest income	<u>24.545</u>	<u>23.758</u>
<i>Interest expenses</i>	<u>2008</u>	<u>2007</u>
Net Interests banks	-20.640	-20.632
Interests expenses effective rate of interests	-410	-399
Total interest expenses	<u>-21.050</u>	<u>-21.031</u>
Total interest	<u>3.495</u>	<u>2.727</u>


2.6.3 Number of employees

On December 31, 2008 the number of persons employed at the company was 5 (2007: 5).
The number of employees can be specified as follows:

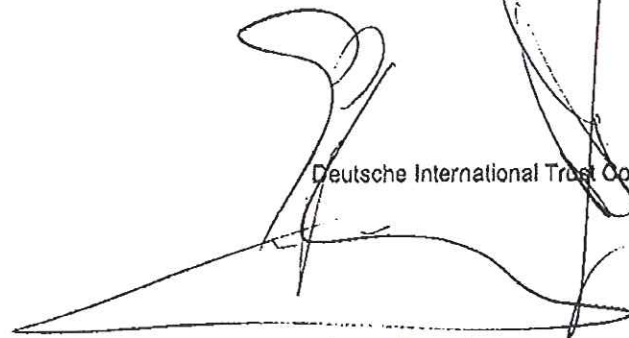
Selling	5	5
Total	<u>5</u>	<u>5</u>

Amsterdam, March 13, 2009

Directors



C. Koch



Deutsche International Trust Company N.V.

Stephen de Haseth



Ronald Ton

3. Other Information

3.1 Auditors report

The report of auditors, PricewaterhouseCoopers Accountants N.V., is included on page 15.

3.2 Appropriation of results according to the company's Articles of Association

The company's Articles of Association state that the annual profit is at the disposal of the annual meeting of shareholders.

Distribution of profits may only take place out of the retained earnings.

3.3 Appropriation of the profit for the year

In accordance with the company's Articles of Association, the directors propose to add the loss for the year to the retained earnings.

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

PricewaterhouseCoopers
Accountants N.V.
Diamantstraat 2
7554 TA Hengelo (Ov.)
P.O. Box 65
7550 AB Hengelo (Ov.)
The Netherlands
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Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of Lanxess Finance B.V., Ede as set out on pages 4 to 13 which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Hengelo, 16 maart 2009

PricewaterhouseCoopers Accountants N.V.



A.H.J.M. Tönissen RA

LANXESS Finance B.V., Herengracht 450, 1017 CA Amsterdam, The Netherlands

Commission de Surveillance
du Secteur Financier
att. Manuel Roda

L-2991 Luxembourg

19 January 2010

**LANXESS Finance B.V. - Declaration pursuant Art. 3 (2) (c)
Transparency Law; Financial Statements 2008**

LANXESS Finance B.V.
Herengracht 450
1017 CA Amsterdam
The Netherlands

Phone +31 20 625 9410

Dear Madam/Sir,

Managing Directors:
Christoph Koch
Deutsche International Trust Co.
N.V.

We, Christoph Koch, Managing Director of LANXESS Finance B.V. (herein after the "Issuer") and Stephen de Haseth and Ron Ton representing Deutsche International Trust Company N.V., Managing Director of the Issuer hereby declare, that, to the best of our knowledge, the financial statements 2008 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 the undertakings included in the consolidation taken as a whole and that the management 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.

Registered Office: Amsterdam
Local Court Amsterdam

Stephen de Haseth
Authorized signatory

Ronald Ton
Authorized signatory

Deutsche International Trust Company N.V.

Christoph Koch

