

LANXESS Finance B.V.

Sittard-Geleen

ANNUAL FINANCIAL STATEMENTS

December 31, 2014

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1. Board of Directors' report

General information

The Board of Directors of LANXESS Finance B.V. (the "Company") herewith presents the report and the financial statements of the Company for the period ended December 31, 2014. These latter were prepared in euros (€) and all amounts are in thousand euros (€ thousand), except otherwise stated.

The Company was incorporated on June 6, 2005 by LANXESS Deutschland GmbH, Germany (the "parent company"). The Company has been a wholly-owned subsidiary of LANXESS Deutschland GmbH since its creation.

The Company is registered at the Chamber of Commerce of the Netherlands, under the number 09151956. Its headquarter is located in Sittard-Geleen at the following address: Urmonderbaan 24, 6167 RD Geleen, the Netherlands.

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"). It operates in the domestic and international markets.

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	April 9, 2014	7.750
2009	200,000	EUR	200,000	XS0452802175	September 21, 2016	5.500
2011	500,000	EUR	500,000	XS0629645531	May 23, 2018	4.125
2012	500,000	CNY	66,321	XS0746637296	February 15, 2015	3.950
2012	100,000	EUR	100,000	XS0769023309	April 5, 2022	3.500
2012	100,000	EUR	100,000	XS0768450933	April 5, 2027	3.950
2012	500,000	EUR	500,000	XS0855167523	November 21, 2022	2.625

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG.

The bond issued in 2009 with ISIN number XS0423036663 and a nominal amount of € 500,000 thousand was paid back on April 9, 2014 at its maturity date.

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

The Company did not subscribe any new bond in 2014.

Profit

As of December 31, 2014, the Company recorded a net income of € 1,968,419.81 (2013: € 652,259.16).

Future developments

In 2014 the managing board of the Company decided together with the board of LANXESS AG to transfer its Group financing activities to LANXESS AG. As a result of this decision the Company will transfer all assets and liabilities in connection with the financing activities (Intercompany loans and bonds/bank liabilities). The transfer of these financial assets and liabilities is scheduled for March 2015. The financial assets and liabilities will be transferred at book values and will cause no P&L effect. Finally, the transfer will not affect the solvency or liquidity of the Company. The Company will fulfil its remaining obligations and therefore, the accounting policies are still on a going concern basis.

Auditors

PricewaterhouseCoopers Accountants N.V. has been appointed to perform the audit of the financial statements for 2014.

Board of Directors

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

- Mr. C. A. Koch,
- Mr. P. Nederstigt.

There is no well-balanced spread of men and women in the Board of Directors of LANXESS Finance B.V.. Due to the limited numerical size of the Board of Directors, the Company has not developed a policy and will not do so in the foreseeable future.

Risk management and use of financial instruments

The risk profile of the Company did not materially change compared to the end of 2013.

LANXESS Finance B.V. is a financing vehicle of LANXESS Group. As such, it raises funds through the proceeds of bonds and financial liabilities and makes it available to companies within LANXESS Group via intercompany loans.

As the terms of the loans granted to Group companies match the payment obligations of LANXESS Finance B.V., in the event a company within LANXESS Group fails to fulfil the repayment of such loan to LANXESS Finance B.V., LANXESS Finance B.V. may, as a consequence, not be able to meet its own obligations regarding the subscribed bonds.

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.

- **Market risk**

Currency risk

LANXESS Finance B.V. mainly operates in the European Union, however some bonds and loans denominated in Chinese Yuan Renminbi and US Dollars were subscribed and granted. The currency risk for LANXESS Finance B.V. largely concerns positions and future transactions in Chinese Yuan Renminbi and US Dollars. The Management has determined, based on a risk assessment, that this currency risk needs to be hedged. Forward exchange contracts are used for this purpose.

Interest rate and cash flow risk

LANXESS Finance B.V. incurs interest rate risk on interest-bearing receivables (in particular those included in financial assets) and on interest-bearing non-current and current liabilities (including borrowings).

LANXESS Finance B.V. incurs risk on fixed-interest loans and receivables with respect to the fair value due to changes in the market rate of interest. No financial derivatives for interest rate risk are contracted with regard to the receivables.

LANXESS Finance B.V. has no floating-interest loans and receivables, it does not incur risk regarding future cash flows.

- **Credit risk**

LANXESS Finance B.V. has issued loans to participants and associates, as well as to shareholders. These counterparties do not have a history of non-performance.

Group structure

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

LANXESS Finance B.V. is fully consolidated in the group financial statement of the LANXESS AG.

Sittard-Geleen, March 18, 2015

The Managing Directors:

Mr. C. A. Koch

Mr. P. Nederstigt

Declaration pursuant to Article 3 (2) (c) of the Transparency Law concerning the financial statements 2014

We, Mr. C. A. Koch and Mr. P. Nederstigt, as the Managing Directors of LANXESS Finance B.V. (the "Issuer"), hereby declare, that, to the best of our knowledge, the financial statements for 2014, 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

2. Financial statements

2.1 Statement of financial position as of December 31, 2014¹

€ thousand	Notes	Dec. 31, 2013	Dec. 31, 2014
Assets			
Non-current assets			
Financial assets	(2.4.6.1)		
Loans to Group companies		1,532,049	1,613,613
		1,532,049	1,613,613
Current assets			
Receivables	(2.4.6.2)		
Loans to Group companies		533,100	80,721
Interest receivables from Group companies		54,776	25,810
Other receivables		55	56
		587,931	106,587
Cash and cash equivalents	(2.4.6.3)	1,443	3,092
Total assets		2,121,423	1,723,292
Equity and Liabilities			
Shareholders' equity	(2.4.6.4)		
Capital stock		2,000	2,000
Retained earnings		10,257	12,225
		12,257	14,225
Non-current liabilities	(2.4.6.5)		
Bonds		1,448,254	1,390,164
Liabilities to Bank		87,270	228,153
Other liabilities		4	0
		1,535,528	1,618,317
Current liabilities and accruals	(2.4.6.6)		
Bonds		499,640	66,320
Accrued interest		52,160	23,944
Liabilities to Bank		21,820	0
Accounts payables		18	19
Other debts and accruals		0	467
		573,638	90,750
Total equity and liabilities		2,121,423	1,723,292

¹ After appropriation of the profit for the year.



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

2.2 Income statement for the period ending December 31, 2014

€ thousand	Notes	2013	2014
Financial income and expenses			
Interest income		101,285	75,799
Interest expenses		-99,311	-71,618
Other financial income		0	3,244
Other financial expenses		0	-3,244
Exchange gains		2,826	33,897
Exchange losses		-2,825	-33,851
Net financial result	(2.4.6.7)	1,975	4,227
Operating income and expenses			
Other income		72	0
Other expenses		-1,288	-1,618
Net operating result	(2.4.6.8)	-1,216	-1,618
Income before income taxes		759	2,609
Income taxes	(2.4.6.9)	-107	-641
Net income		652	1,968



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Accountants N.V.
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2.3 Statement of cash flows for the period ending December 31, 2014

€ thousand	2013	2014
Cash flow from operating activities		
Interest received	101,979	104,809
Interest paid	-96,654	-97,730
Income received*	65	3,246
Expenses paid*	-1,826	-4,870
Income tax received	573	49
Income tax paid	-228	-176
Cash flow from operating activities	3,911	5,328
Cash flow from investing activities		
Granting of loans to Group companies	-16,000	-215,797
Repayments of loans from Group companies	23,910	620,370
Cash flow from investing activities	7,910	404,573
Cash flow from financing activities		
Proceeds from borrowings	0	200,797
Repayments of bonds & bank liabilities	-10,910	-609,090
Cash flow from financing activities	-10,910	-408,293
Exchange differences in cash and cash equivalents	0	41
Net increase in cash	911	1,649

* including other financial income and expenses respectively

Changes in cash and cash equivalents

€ thousand	2013	2014
Cash at the beginning of the year	532	1,443
Cash at the end of the period	1,443	3,092
Changes in cash and cash equivalents	911	1,649

2.4 Notes to the 2014 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, Cologne, Germany. The ultimate parent company is LANXESS AG, Cologne, Germany. The Company's financial data are included in the consolidated financial statements of the LANXESS Group, copies of which are available at LANXESS AG in Cologne, 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.

Discontinuing operations

With the decision to transfer the financial activities to LANXESS AG the Company will not further participate in any financing activities for the LANXESS Group. The new purpose of the Company will be evaluated. The transfer will not affect the solvency or liquidity of the Company. The Company will fulfil its remaining obligations and therefore, the accounting policies are still on a going concern basis.

Changes in accounting policies

The accounting policies have not changed in 2014.

Changes in accounting estimates

The accounting estimates have not changed in 2014.

Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, managing directors, other key management of LANXESS Finance B.V. and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is required for to provide the true and fair view.

Estimates

The preparation of the 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 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 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 financial statements of LANXESS Finance B.V. are presented in euros, which is the functional and presentation currency of the Company.

Transactions, receivables and debts held in a foreign currency

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 period-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 3 months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

Provisions

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.

Liabilities

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.

Financial instruments

Securities included in financial and current assets, if these are related to securities held for trading or if they relate to equity instruments not held for trading, as well as derivatives of which the underlying object is listed on a stock exchange, are stated at fair value. All other on-balance financial instruments are carried at amortized cost.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

- **Derivatives quoted in an active market not designated as hedging instruments**

These derivative financial instruments are stated at fair value. Changes in the fair value of these derivative instruments are recognized directly in the income statement.

2.4.3 Accounting policies for the income statement

General information

Profit or loss is determined as the difference between the realizable value of the goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognized in the year in which they are realized.

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

Exchange gains and losses

Exchange gains and losses arising upon the settlement or conversion of monetary items are recognized in the income statement in the period they arise.

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.

Other operating income and expenses

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 Accounting policies for the cash flow statement

The statement of cash flows has been prepared using the direct 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.

2.4.5 Other information

Financial instruments and risk management

The risk profile of the Company did not materially change compared to the end of 2013.

LANXESS Finance B.V. is a financing vehicle of LANXESS Group. As such, it raises funds through the proceeds of bonds and makes it available to companies within LANXESS Group via intercompany loans.

As the terms of the loans granted to Group companies match the payment obligations of LANXESS Finance B.V., in the event a company within LANXESS Group fails to fulfil the repayment of such loan to LANXESS Finance B.V., LANXESS Finance B.V. may, as a consequence, not be able to meet its own obligations regarding the subscribed bonds. All Notes issued by LANXESS Finance B.V. are wholly and unconditionally guaranteed by LANXESS AG in respect of principal and interest payments. This guarantee is enforceable under the laws of the Federal Republic of Germany.

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.

- **Market risk**

Currency risk

LANXESS Finance B.V. mainly operates in the European Union, however some bonds and loans denominated in Chinese Yuan Renminbi and US Dollars were subscribed and granted. The currency risk for LANXESS Finance B.V. largely concerns positions and future transactions in Chinese Yuan Renminbi and US Dollars. The Management has determined, based on a risk assessment, that this currency risk needs to be hedged. Forward exchange contracts are used for this purpose.

Interest rate risk

LANXESS Finance B.V. incurs interest rate risk on interest-bearing receivables (in particular those included in financial assets) and on interest-bearing non-current and current liabilities (including borrowings).

LANXESS Finance B.V. incurs risk on fixed-interest loans and receivables with respect to the fair value due to changes in the market rate of interest. No financial derivatives for interest rate risk are contracted with regard to the receivables.

LANXESS Finance B.V. has no floating-interest loans and receivables, it does not incur risk regarding future cash flows.

- **Credit risk**

LANXESS Finance B.V. has issued loans to participants and associates, as well as to shareholders. These counterparties do not have a history of non-performance.

2.4.6 Disclosure notes

2.4.6.1 Financial assets

Changes in financial assets were as follows:

€ thousand	Loans to Group companies
December 31, 2013	1,532,049
Additions	200,797
Reductions	-119,233
- reclassification in short term of the IC loans due 02/2015	-65,721
- redemption of the IC Loan originally due 09/2018	-87,270
- foreign exchange translation effects	33,758
December 31, 2014	1,613,613

Non-current loans outstanding at the closing date:

€ thousand	Maturity	Dec. 31, 2013	Dec. 31, 2014
LANXESS AG, Germany	May 23, 2018	496,000	496,000
LANXESS AG, Germany	Sept. 30, 2018	87,270	0
LANXESS AG, Germany	Nov. 21, 2022	492,845	492,845
LANXESS Deutschland GmbH, Germany	Feb. 12, 2015	19,195	0
LANXESS Deutschland GmbH, Germany	Sept. 21, 2016	198,252	198,252
LANXESS Deutschland GmbH, Germany	April 5, 2022	99,693	99,693
LANXESS Deutschland GmbH, Germany	April 5, 2027	98,670	98,670
LANXESS N.V., Belgium	Feb. 12, 2015	40,124	0
LANXESS Corporation, United States	April 3, 2019	0	228,153
Total non-current loans		1,532,049	1,613,613

Repayment has been agreed for each loan at maturity date.

In April 2014 a 277 Mio. USD loan had been granted to a company of the LANXESS Group for an amount of € 228,153 thousand as of December 31, 2014.

In addition, the intercompany loan in amount of € 109,090 thousand (long-term part € 87,270 thousand, short-term part € 21,820 thousand – see table in chapter 2.4.6.2) had been received back ahead of schedule in 2014 with an early termination fee of € 3,244 thousand.

2.4.6.2 Receivables

All receivables fall due in less than one year.

Loans to Group companies

Current loans outstanding at the closing date:

€ thousand	Maturity	Dec. 31, 2013	Dec. 31, 2014
LANXESS AG, Germany	April 9, 2014	495,280	0
LANXESS AG, Germany	Sept. 30, 2018	21,820	0
LANXESS Deutschland GmbH, Germany	Jan. 16, 2014	16,000	0
LANXESS Deutschland GmbH, Germany	Jan. 16, 2015	0	15,000
LANXESS Deutschland GmbH, Germany	Feb. 12, 2015	0	21,267
LANXESS N.V., Belgium	Feb. 12, 2015	0	44,454
Total current loans		533,100	80,721

The loans of € 495,280 thousand and € 16,000 thousand outstanding as of December 31, 2013 were fully paid back as agreed at their maturity dates on April 9, 2014 and January 16, 2014 respectively.

Interest receivables

Interest receivables pertain to Group companies.


Other receivables

Other receivables include receivables on exchange hedges amounting to € 56 thousand (2013: € 7 thousand).

2.4.6.3 Cash and cash equivalents

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

2.4.6.4 Shareholders' equity

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€ thousand	Dec. 31, 2013	Dec. 31, 2014
Capital	2,000	2,000
Retained earnings	10,257	12,225
Total equity	12,257	14,225

The authorised share capital of LANXESS Finance B.V. amounts to € 10 million, divided into 100.000 ordinary shares with a nominal value of € 100 each. Among these, 20.000 ordinary shares

have been issued and fully paid. The issued shares are registered in the name of LANXESS Deutschland GmbH.

In accordance with the Company's Articles of Association, the Managing Directors decided in 2014 to allocate the profit for the year 2013 amounting to € 652 thousand to retained earnings.

2.4.6.5 Non-current liabilities

Liabilities to banks

The Company contracted one fix-rate and one variable-rate credits. The fix-rate credit, which was originally repayable in 11 instalments starting on September 30, 2013 and ending on September 19, 2018, was paid back ahead schedule in 2014 with an early termination fee of € 3,244 thousand. The variable-rate credit, which is repayable at the end of its term on April 3, 2019 is included in the non-current liabilities. Both loans were unconditionally and irrevocably guaranteed by LANXESS AG.

Long-term bonds

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG.

€ thousand	Interest (%)		Dec. 31, 2013	Dec. 31, 2014
	nom.	effect.		
€ 200,000,000 Notes issued on Sept. 21, 2009; Notes due in 2016	5.500	5.670	199,165	199,457
€ 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	4.125	4.255	497,364	497,909
CNY 500,000,000 Notes issued on Feb. 16, 2012; Notes due in 2015	3.950	4.289	59,664	0
1 year < Maturity < 5 years			756,193	697,366
€ 100,000,000 Notes issued on April 5, 2012; Notes due in 2022	3.500	3.537	99,739	99,767
€ 100,000,000 Notes issued on April 5, 2012; Notes due in 2027	3.950	4.070	98,787	98,858
€ 500,000,000 Notes issued on Nov. 21, 2012; Notes due in 2022	2.625	2.789	493,535	494,173
Maturity > 5 years			692,061	692,798
Total long-term bonds			1,448,254	1,390,164

The market value of the long-term bonds as of December 31, 2014 is € 1,792 million (2013: € 1,523 million).

2.4.6.6 Current liabilities and accruals

Short-term bond

The short-term bond outstanding as of December 31, 2014 is as follows:

€ thousand	Interest (%)		Dec. 31, 2013	Dec. 31, 2014
	nom.	effect.		
€ 500,000,000 Notes issued on April 9, 2009; Notes due in 2014	7.750	8.034	499,640	0
CNY 500,000,000 Notes issued on Feb. 16, 2012; Notes due in 2015	3.950	4.289	0	66,321
Total short-term bonds			499,640	66,321

The bond of € 499,640 thousand outstanding as of December 31, 2013 was fully paid back as agreed at its maturity date.

The market value of the short-term bonds as of December 31, 2014 is € 66 million (2013: € 509).

Accounts payable

The accounts payables in amount of € 19 thousand are against third parties.

2.4.6.7 Net financial income

The net financial income results from the interest income from Group companies and expenses for the bonds and loans borne by the Company, other financial income and expenses generated by early redemptions of granted loans and proceeded credits as well as the exchange gains and losses generated by the bonds and loans in Chinese Yuan Renminbi and US Dollars.

2.4.6.8 Net operating result

Incomes and expenses are recognized in the income statement in the period they occur.

€ thousand	2013	2014
Operating income		
Other income	72	0
Total operating income	72	0
Operating expenses		
Guarantee fees	-1,157	-1,525
Other expenses	-131	-93
Total operating expenses	-1,288	-1,618
Net operating result	-1,216	-1,618

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG. LANXESS AG received fees for this guarantee. The guarantee fees increased from € 1,157 thousand to € 1,525 thousand as the company has proceeded a USD credit in amount of € 228,513 thousand in 2014.

Audit fees

The following audit fees for the auditor of the financial statements of the LANXESS Finance B.V. were recognized as expenses:

€ thousand	2013	2014
Audit of the financial statements	13	19
Other audit services	6	6
Tax services	0	0
Other non-audit services	30	30
Total audit fees	49	55

Employees

During the period under review, the average number of employees, based on full-time equivalents, is 0 (2013: 0).

2.4.6.9 Income taxes

In 2014, the effective tax rate is 24.6% (2013: 14.0%) while the applicable tax rate is 20.0% on the first € 200,000 of taxable profits and 25.0% for the rest. In 2013 the effective tax rate differs from the applicable tax rate as the Company benefited from tax refund from a prior year.

Remuneration of the Managing Directors

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

Sittard-Geleen, March 18, 2015

The Managing Directors

Mr. C. A. Koch

Mr. P. Nederstigt

LANXESS Finance B.V., Urmonderbaan 24, 6167 RD Geleen, the Netherlands



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

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.

3.4 Subsequent events

The Company initiated in the first quarter 2015 the transfer of its financing activities to LANXESS AG. In this context, on January 5, 2015 the USD variable credit bank liability as well as the USD Intercompany loan has been transferred to the LANXESS AG with a face value of € 230,009 thousand each. As the face value of the transferred Intercompany loan and bank credit are equal no financial or exchange translation effects occurred.

No other events occurred after December 31, 2014 that are required to be included in these financial statements.



Independent auditor's report

To: the general meeting of Lanxess Finance B.V.

Report on the financial statements 2014

Our 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 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2014 of Lanxess Finance B.V., Sittard Geleen ('the company').

The financial statements comprise:

- the statement of financial position as of 31 December 2014;
- the income statement for the year then ended; and
- the statement of cash flows for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Lanxess Finance B.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

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Our audit approach

Overview

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud.

The main purpose of the company is the financing of companies belonging to the Lanxess AG group. The company is financing these loans through bond offerings on the international capital markets. The repayment of these bonds to the investors is guaranteed by Lanxess AG as disclosed in note 2.4.6.5. to the financial statements. Loans are issued to group companies with terms that matches to the bonds to mitigate the liquidity risk.

Materiality

The scope of our audit is influenced by the application of materiality. Our audit opinion aims on providing reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 750.000 (2013: € 1.000.000), based on a benchmark of 1% of total interest income. The general materiality benchmark used on audits of finance companies is 0.5 % - 1% of total assets. In discussion with the shareholder (Lanxess Group) materiality was set at a lower level. We use total interest income since the company's main activity is intra-group lending. The Company facilitates the Lanxess Group in its financing activities for which it receives a margin.

We also take misstatements and/or possible misstatements into account that, in our judgment, are material for qualitative reasons.

We would report to the board of directors misstatements identified during our audit above € 75.000 (2013: € 80.000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

The company is financing companies belonging to the Lanxess Group. As part of our testing procedures we tested the existence of the loans by requesting auditors of the counterparties belonging to the Lanxess Group to confirm the outstanding intercompany loans.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><i>Valuation of the loans issued</i></p> <p>We consider the valuation of the loans issued, as disclosed in note 2.4.6.1. and 2.4.6.2. to the financial statements for a total amount of € 1.694.334.000 , as a key audit matter. This is due to the size of the loan portfolio and the fact that an impairment can lead to a material effect on the income statement.</p> <p>Loans are initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method.</p> <p>The board of directors did not identify any impairment triggers regarding the loans issued to Lanxess group companies.</p>	<p>We have performed detailed audit work regarding the existence and valuation of the loans issued to Lanxess group companies, through testing on the input of contracts in Lanxess treasury management system, confirmation procedures, margin analysis, recalculation of interest income, analysis of the financial situation of the group companies to which loans have been provided, review of guarantee agreement and reconciliation of the treasury management system towards the general ledger, and assessed whether there were any impairments triggers.</p> <p>We concur with the position taken by management as set out in the financial statements with respect to the valuation of the loans.</p>

Emphasis of matter in the financial statements with respect to the decision to discontinue the business operations in Lanxess finance B.V. in 2015

We draw attention to the paragraph ‘discontinuing operations’ in the notes on page 11 of the financial statements in which the decision of Lanxess AG, to transfer the finance activities to Lanxess AG and to discontinue the business operations at Lanxess Finance B.V., is mentioned. As a result of this decision the Company will transfer all assets and liabilities in connection with the financing activities (intercompany loans, bonds and bank liabilities) to Lanxess AG. The transfer of these financial assets and liabilities is scheduled for March 2015. The financial assets and liabilities will be transferred at book values and will cause no effect on the financial results and equity. It is expected that Lanxess Finance B.V. will fulfil all its obligations. Our opinion is not qualified in respect of this matter.

Responsibilities of the board of directors

The board of directors is 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 Dutch Civil Code, and for
- such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit has been performed with a high but not absolute level of assurance which makes it possible that we did not detect all errors and frauds.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and other information):

- 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 by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.



Our appointment

We were appointed as auditors of Lanxess Finance B.V. following the passing of a resolution by the shareholders at the general meeting held on 3 March 2014 and has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 10 years.

Groningen, 27 March 2015
PricewaterhouseCoopers Accountants N.V.

Originally signed by: H.D.M. Plomp RA

Appendix to our auditor's report on the financial statements 2014 of Lanxess Finance B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgment and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among others of:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.