

LANXESS FINANCE B.V.

Amsterdam

**SEMI-ANNUAL ACCOUNTS
JUNE 30, 2011**

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1. Directors' report

General Information

The Board of Directors of LANXESS Finance B.V. (the "Company") herewith presents the Semi-annual report and the financial statements for the period ended June 30, 2011. The Company was incorporated on June 6, 2005, by LANXESS Deutschland GmbH, Germany (the "parent company"). Unchanged to the previous reporting period the Company continued to be a wholly owned subsidiary of LANXESS Deutschland GmbH. The Company is registered at the Chamber of Commerce in Amsterdam under number 9151956. The report was prepared in Euros (€) and all amounts are stated in thousand Euros (€ in thousands) unless mentioned otherwise.

Principal activities and business review

During the reporting period, the Company acted as group financing company for LANXESS AG and its direct and indirect subsidiaries ("the LANXESS Group"). To serve this purpose the Company issued the following bonds:

Year	Nominal € in thousands	ISIN- Number	Maturity	Interest rate in %
2005	500,000	XS0222550880	June 21, 2012	4.125
Repurchase 2009	-98,395	XS0222550880	June 21, 2012	4.125
2009	500,000	XS0423036663	April 9, 2014	7.750
2009	200,000	XS0452802175	September 21, 2016	5.500
2011	500,000	XS0629645531	May 23, 2018	4.125
	1,601,605			

All bonds are listed at the Luxembourg Stock Exchange and are unconditionally and irrevocably guaranteed by LANXESS AG.

Financing and Investment

The proceeds of the above mentioned bonds have been lent on to LANXESS Group companies.

Results

During the period under review, the Company recorded a profit of €750,976 (30.06.2010 = €472,438).

Future developments

The Company will continue its activities as a financing company for the LANXESS Group. Based on its stable business situation no major developments are foreseen for the Company.

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

The risk profile of the Company did not materially change compared to the end of 2010.

As the proceeds of the bonds have been lent to the LANXESS 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 by the LANXESS Group companies. Therefore the liquidity risk is limited to the equity of the Company.

The Company manages its risks with the procedures and systems used within the LANXESS Group. The Board of Directors assesses these procedures and systems to be an adequate risk management for the Company. At present time the board cannot identify any sufficient likely risk that would threaten the continued existence of the Company.

Group structure

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

Subsequent events

No events occurred after June 30, 2011, which should be included in these financial statements.

Amsterdam, August 26, 2011

The Managing Directors:

Mr. C.A. Koch

Deutsche International Trust Company N.V.

**Declaration pursuant Art. 4 (2) (c) and Art. 5 Transparency Law;
Semi-Annual Report 2011**

We, Mr. C. A. Koch, Managing Director of LANXESS Finance B.V. (hereinafter the “Issuer”) and Mr. E. Rijkenberg and Mr. R. Ton representing Deutsche International Trust Company N.V., Managing Director of the Issuer hereby declare, that, to the best of our knowledge, the condensed set of the semi-annual financial statements 2011 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 interim 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.

The half-yearly financial report has not been audited or reviewed by a réviseur d'entreprises agréé (approved statutory auditor), a statutory auditor or a third-country auditor.

Mr. C.A. Koch

Deutsche International Trust Company N.V.

2. Financial Statements

2.1 Balance sheet as per June 30, 2011 (after appropriation of result)

Assets	Notes	June 30, 2011	December 30, 2010	Equity and Liabilities	Notes	June 30, 2011	December 30, 2010
		€in thousands	€in thousands			€in thousands	€in thousands
Non-current assets				Shareholders' equity	(2.4.4)		
Financial assets	(2.4.1)			Capital stock		2,000	2,000
Loans to group companies		1,189,532	1,095,137	Retained earnings		6,578	5,826
Deferred income tax assets		296	296			8,578	7,826
		1,189,828	1,095,433				
Current assets				Provisions	(2.4.5)		
Receivables	(2.4.2)			Pension plan		425	461
Interest receivable from group companies		20,719	42,439			425	461
Loans to group companies		401,605	0	Long-term liabilities	(2.4.6)		
Other receivables		1,551	320	Bonds		1,191,154	1,095,487
		423,875	42,759			1,191,154	1,095,487
Cash & cash equivalents	(2.4.3)			Short-term debts and accruals	(2.4.7)		
Cash and cash equivalents		9,466	5,709	Accounts payable		2,011	1
		9,466	5,709	Bonds		401,229	0
				Accrued interest		19,754	40,043
				Other debts and accruals		18	83
						423,012	40,127
Total Assets		1,623,169	1,143,901	Total Equity and Liabilities		1,623,169	1,143,901

2.2 Income statement for the period ended June 30, 2011

	ending June 30, 2011 €in thousands	ending June 30, 2010 €in thousands
Operating income		
Commission income	812	714
Operating expenses		
Wages and salaries	-173	-279
Other expenses	-869	-895
Operating result	(2.4.8)	-460
Financial income and expenses		
Interest income	37,432	34,802
Interest expenses	-36,185	-33,686
Financial result	(2.4.9)	1,116
Result before income taxes	1,017	656
Income taxes	-265	-183
Net income	752	473

2.3 Notes to the financial statements

2.3.1 General information

The Company

The Company is a wholly owned subsidiary of LANXESS Deutschland GmbH in Germany. The Company was established on June 6, 2005. The ultimate parent company is LANXESS AG, Leverkusen. The financial information of the Company is included in the Consolidated Financial Statements of LANXESS AG. Copies of the Consolidated Group Financial Statements can be obtained from LANXESS AG in Leverkusen.

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.

2.3.2 Accounting policies for the balance sheet

General

The semi-annual accounts 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 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.

Translation of foreign currencies

The assets and liabilities in foreign currencies are translated into € at the half 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.

Financial assets - Loans to group companies

Receivables disclosed under financial assets are stated at the fair value of the amount owed, which normally consists of its face value, net of any provisions considered necessary.

Provisions - General information

Provisions are recognised for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

Employees

From December 29, 2006, 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). As per June 30, 2011 still four employees are on the LANXESS Finance B.V. payroll.

Pension benefits

The pension provision carried on the balance sheet is the present net value of the pension benefit obligations under the defined benefit scheme and the corresponding fair values of the plan assets at the closing date. The required 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 discount rate applying to high quality corporate bonds with a term roughly consistent with the term of the related pension obligations and also using expected future salary and benefit increases.

Service costs and past service costs are recognized in the operating result. The net value of the interest costs for the defined benefit obligations and the expected returns on plan assets is taken into account in the financial result. All actuarial gains and losses are recognized in equity in the period in which they occur.

Bonds

Borrowings are initially recognized at fair value, net of transaction costs incurred. Subsequently they are stated at amortized cost, being 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 recognised as interest in the income statement over the period of the borrowings using the effective interest method.

Operational leases

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the Company, are recognized as operational leases. Obligations under operational leases are recognized 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.

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 carryforwards. 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 carryforwards are recognized if it is probable that the tax loss carryforwards can be utilized.

2.3.3 Accounting policies for the income statement

General

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

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

Selling expenses concern the direct expenses of the sales activities. Selling expenses also include 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 assets.

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 income statement when due and in accordance with employment contracts and obligations.

Pensions

LANXESS Finance B.V. has a defined benefit scheme. This provides 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 or the relating assets and liabilities. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

Taxation

Income 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 rates. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

2.3.4 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, statutory directors, other key management of LANXESS Finance B.V. or the ultimate parent company 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 is disclosed if this is required for to provide the true and fair view.

2.4 Notes to the balance sheet and income statement

2.4.1 Financial assets

Movements in financial assets can be broken down as follows:

	Loans to group companies	Deferred income tax	Total
	€in thousands	€in thousands	€in thousands
December 31, 2010	1,095,137	296	1,095,433
Additions	496,000	0	496,000
Term reclassification	-401,605	0	-401,605
June 30, 2011	1,189,532	296	1,189,828

Loans outstanding at balance sheet date:

	Interest	Maturity	June 30, 2011	December 31, 2010
	%		€in thousands	€in thousands
LANXESS AG	7.980	April 09, 2014	495,280	495,280
LANXESS AG	4.212	May 23, 2018	496,000	0
LANXESS Deutschland GmbH	4.600	June 21, 2012	0	401,605
LANXESS Deutschland GmbH	5.670	September 21, 2016	198,252	198,252
			1,189,532	1,095,137

2.4.2 Receivables

Loans to group companies

Current loans outstanding at balance sheet date:

	Interest	Maturity	June 30, 2011	December 31, 2010
	%		€ in thousands	€ in thousands
LANXESS Deutschland GmbH	4.600	June 21, 2012	401,605	0
			401,605	0

Interest receivables

Interest receivable concerns interest receivable from Group companies.

2.4.3 Cash and cash equivalents

Cash and cash equivalents represent the balance on the current account with the parent company.

2.4.4 Shareholders' equity

	June 30, 2011	December 31, 2010
	€ in thousands	€ in thousands
Authorised: 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

	June 30, 2011	December 31, 2010
	€ in thousands	€ in thousands
Balance as per January 1	5,826	4,756
Result for the year	752	1173
Actuarial results pension plan	0	-103
Balance as per June 30 / December 31	6,578	5,826

2.4.5 Pensions

Movements in the provision for defined benefits were as follows:

	June 30, 2011	December 31, 2010
	€ in thousands	€ in thousands
Balance as per January 1	461	418
Pension cost for defined benefit plans	54	89
Pension contributions paid/accrued	-90	-184
Actuarial results	0	138
Balance as per June 30 / December 31	425	461

The amounts recognised in the balance sheet as at June 30, were as follows:

	June 30, 2011	December 31, 2010
	€ in thousands	€ in thousands
Present value of funded obligations	3.818	3.755
Fair value of plan assets	-3.393	-3.294
Present value of unfunded obligations - Net liability	425	461

The amounts recognised in the income statement were as follows:

	June 30, 2011	December 31, 2010
	€ in thousands	€ in thousands
Current service cost	30	51
Interest on obligation	98	181
Expected return on plan assets	-74	-143
Total pension cost	54	89

The principal actuarial assumptions are as follows:

	June 30, 2011	December 31, 2010
	in %	in %
Discount rate	5,25	5,00
Expected return on plan assets	4,50	4,50
Future salary increases	2,50	2,50
Future pension indexation	2,00	2,00

2.4.6 Long-term liabilities

Bonds

All long-term bonds are guaranteed by LANXESS AG.

	Interest		June 30, 2011	December 31, 2010
	nom. in %	effective in %	€ in thousands	€ in thousands
€ 500,000,000 Notes issued on June 21, 2005; Notes due to 2012	4.125	4.220	0	401,045
€ 500,000,000 Notes issued on April 9, 2009; Notes due to 2014	7.750	8.030	496,598	496,063
€ 200,000,000 Notes issued on September 21, 2009; notes due to 2016	5.500	5.670	198,500	198,379
€ 500,000,000 Notes issued on May 23, 2011; Notes due to 2018	4.125	4.255	496,056	0
			1,191,154	1,095,487

2.4.7 Short-term debts and accruals

Bond

The short-term bond is guaranteed by LANXESS AG.

	Interest		June 30, 2011	December 31, 2010
	nom. in %	effective in %	€ in thousands	€ in thousands
€ 500,000,000 Notes issued on June 21, 2005; Notes due to 2012	4.125	4.220	401,229	0
			401,229	0

Operational leases

The obligations from operational leases at the end of the reporting period amount to € in thousands 95 (prior year € in thousands 128). 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:

	June 30, 2011	December 31, 2010
	€ in thousands	€ in thousands
Less than one year	50	64
1 to 5 years	45	64
More than 5 years	0	0
	95	128

2.4.8 Operating result

Costs are charged to results in the period in which the related proceeds are included:

Wages and salaries

	ending June 30, 2011	ending June 30, 2010
	€ in thousands	€ in thousands
Salaries	146	248
Social charges	6	8
Pension charges	21	23
	173	279

During the period under review, the average number of employees, based on full time equivalents, was 4 (2010: 4). Of these employees, no one was employed outside the Netherlands (2010: 0).

Other expenses

	ending June 30, 2011	ending June 30, 2010
	€ in thousands	€ in thousands
Guarantee fee	750	750
Other expenses	119	145
	869	895

2.4.9 Financial result

	ending June 30, 2011	ending June 30, 2010
	€ in thousands	€ in thousands
Interest income		
Net interest banks	5	0
Net interest from Group companies	37,427	34,802
Total interest income	37,432	34,802
Interest expenses		
Interests expenses on bonds	-36,161	-33,667
Other interest expenses	-24	-19
Total interest expenses	-36,185	-33,686
Total interest result	1,247	1,116

Amsterdam, August 26, 2011

Directors

Mr. C. A. Koch

Deutsche International Trust Company N.V.

3. Other Information

3.1 Auditors' report

The semi-annual accounts have not been audited.

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 disposition of the annual meeting of shareholders.

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