

LANXESS FINANCE B.V.

Amsterdam

SEMI-ANNUAL FINANCIAL STATEMENTS

June 30, 2012

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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 semi-annual financial statements of the Company for the period ended June, 30, 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 being 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 in thousand Euros (€ in thousands) except where otherwise stated.

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"). For this purpose the Company issued the following bonds:

Year	Nominal value deal currency in thousands	Deal currency	Nominal value € in thousands	ISIN number	Maturity	Interest rate in %
2005	500,000	EUR	500,000	XS0222550880	June 21, 2012	4.125
Repurchased in 2009	-98,395	EUR	-98,395	XS0222550880	June 21, 2012	4.125
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	60,262	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
			1,861,867			

The Bond from 2005 with ISIN number XS0222550880 was paid back at the maturity date June 21, 2012 with the nominal amount of € 401,605,000.00.

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

On September 15, 2011, the company entered into an agreement with KfW IPEX-Bank GmbH regarding a credit facility of € 120,000,000.00, repayable in 10 instalments starting on September 30, 2013, and ending on September 19, 2018. This credit facility is fully drawn on October 28, 2011. The loan is unconditionally and irrevocably guaranteed by LANXESS AG.

With effect from January 1, 2012 the Agency Business within LANXESS Finance B.V. was sold to LANXESS Elastomers B.V. and the remaining four employees were transferred to the LANXESS Elastomers B.V. too.

Financing and investment

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

Profit

During the period under review, the Company recorded a profit of € 2,562,575.60 (June 30, 2011 = € 750,976). The profit mainly results from the Agency Business sale. The financial result didn't change significantly.

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 currently predicted for the Company.

Board of Directors

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

Mr. C.A. Koch,

Mr. P. Nederstigt and

Deutsche International Trust Company N.V. .

Risk management and use of financial instruments

The risk profile of the Company did not change materially 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. Therefore, the liquidity risk is limited to the equity of the Company.

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 present time the Board of Directors cannot identify any sufficiently likely risk that would jeopardise 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 LANXESS Deutschland GmbH.

Subsequent events

No events occurred after June 30, 2012, that are required to be included in these financial statements.

Amsterdam, August 14, 2012

The Managing Directors:

Mr. C.A. Koch

Mr. Pieter Nederstigt

Deutsche International Trust Company N.V.

Declaration pursuant to Art. 4 (2) (c) and 5 of the Transparency Law concerning the semi-annual financial statements 2012

We, Mr. C. A. Koch, Mr. P. Nederstigt, Managing Director of LANXESS Finance B.V. (hereinafter the “Issuer”) and Mr. E.J. van de Laar 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 semi-annual financial statements for t2012, 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 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. Financial statements

2.1 Statement of financial position as of June 30, 2012 (after appropriation of the profit)

Assets	Notes	Jun. 30, 2012	Dec. 31, 2011
		€ in thousands	€ in thousands
Non-current assets			
Financial assets	(2.3.5.1)		
Loans to Group companies		1,569,794	1,309,532
Non current derivative assets		16	0
Deferred income tax assets		0	381
		<u>1,569,810</u>	<u>1,309,913</u>
Current assets			
Receivables	(2.3.5.2)		
Interest receivable from Group companies		23,935	55,957
Loans to Group companies		0	401,605
Other receivables		249	359
		<u>24,184</u>	<u>457,921</u>
Cash and cash equivalents	(2.3.5.3)		
Cash and cash equivalents		14,167	8,348
		<u>14,167</u>	<u>8,348</u>
Total assets		1,608,161	1,776,182

Equity and Liabilities	Notes	Jun. 30, 2012	Dec. 31, 2011
		€ in thousands	€ in thousands
Shareholders' equity	(2.3.5.4)		
Capital stock		2,000	2,000
Retained earnings		8,709	6,527
		<u>10,709</u>	<u>8,527</u>
Provisions	(2.3.5.5)		
Pension plan		0	833
		<u>0</u>	<u>833</u>
Non-current liabilities	(2.3.5.6)		
Non-current derivative liabilities		15	0
Liabilities to Bank		120,000	120,000
Bonds		1,453,467	1,192,119
		<u>1,573,482</u>	<u>1,312,119</u>
Current liabilities and accruals	(2.3.5.7)		
Other current provisions		371	0
Accounts payable		8	12
Current derivative liabilities		10	0
Bonds		0	401,423
Accrued interest		22,827	53,174
Other debts and accruals		754	94
		<u>23,970</u>	<u>454,703</u>
Total equity and liabilities		1,608,161	1,776,182

2.2 Income statement for the period ended June 30, 2012

	ending Jun. 30, 2012	ending Jun. 30, 2011
	€ in thousands	€ in thousands
Financial income and expenses		
Interest income	49,533	37,432
Interest expenses	-48,256	-36,185
Other financial income and expense	-29	0
Net financial income (2.3.5.8)	1,248	1,247
Operating income		
Commission income	0	812
Other income	2,907	0
Operating expenses		
Wages and salaries	0	-173
Other expenses	-1,018	-869
Operating result (2.3.5.9)	1,889	-230
Income before income taxes	3,137	1,017
Income taxes (2.3.5.10)	-574	-265
Net income	2,563	752

2.3 Notes to the financial statements

2.3.1 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 at 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.

Changes in accounting policies

The Company changed the format of the profit and loss accounts from Model E of the Decree 'Template for financial statements' to Model L to improve the understanding of the financial statements.

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.

2.3.2 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 recognised 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, with the exception of the change in accounting policies set out in the note above.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into € at the month-end exchange rates. Transactions denominated in foreign currency have been translated at the exchange rates prevailing at the respective transaction dates. The resulting translation differences are charged to 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 amortised 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 had no asset impairment 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, had the impairment 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 recognised 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

The four employees were remained on the payroll of LANXESS Finance B.V. as of December 31, 2011, the latter were transferred to the LANXESS Elastomers B.V. with effect from January 1, 2012 following the sale of the Agency Business.

Pension benefits

With the transfer of the employees to the LANXESS Elastomers B.V. pension provisions are no longer necessary.

Bonds and Bank Loan

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequently they are stated at amortised 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 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 do not accrue to the Company, are recognised as operational leases. Obligations under operational leases are recognised on a straight-line basis in the income statement 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 realisable 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 realisation. The carrying amount of deferred tax assets is reviewed at each closing date, and only the amount likely to be realisable due to future taxable income is recognised. Deferred tax assets from tax loss carry-forwards are recognised if it is probable that the tax loss carry-forwards can be utilised.

2.3.3 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 recognised in the period in which they are realised.

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

Interest income and expense

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

Operating expenses

Wages and salaries are the direct expenses for sales activities. The other expenses include general and administrative expenses.

Taxation

Income tax is calculated on the profit/loss before taxation reported in the income statement, 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. Changes in deferred tax assets and deferred tax liabilities generated by changes in the applicable tax rates are also taken into account.

2.3.4. Other information

2.3.4.1 Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be related parties, as well as 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 are not carried out 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.

2.3.4.2 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.

2.3.5 Notes to financial position and financial income

2.3.5.1 Financial assets

Changes in financial assets were as follows:

	Loans to Group companies	Non current derivative assets	Deferred income taxes	Total
	€ in thousands	€ in thousands	€ in thousands	€ in thousands
December 31, 2011	1,309,532	0	381	1,309,913
Additions	260,262	16	0	260,278
Reductions	0	0	-381	-381
June 30, 2012	1,569,794	16	0	1,569,810

Loans outstanding at the closing date:

	Maturity	Jun. 30, 2012	Dec. 31, 2011
		€ in thousands	€ in thousands
LANXESS AG, Germany	April 9, 2014	495,280	495,280
LANXESS AG, Germany	May 23, 2018	496,000	496,000
LANXESS AG, Germany	September 30, 2018	120,000	120,000
LANXESS Deutschland GmbH, Germany	September 21, 2016	198,252	198,252
LANXESS Deutschland GmbH, Germany	February 12, 2015	20,030	0
LANXESS N.V., Belgium	February 12, 2015	41,869	0
LANXESS Deutschland GmbH, Germany	April 5, 2022	99,693	0
LANXESS Deutschland GmbH, Germany	April 5, 2027	98,670	0
		1,569,794	1,309,532

Repayment has been agreed at maturity date.

The deferred income taxes were related to the actuarial gains and losses of the pensions and have to be disposed with the transfer of the employees.

2.3.5.2 Receivables

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

Interest receivable

Interest receivable pertains to Group companies.

Loans to Group companies

The current loan was paid back at the maturity date:

	Maturity	Jun. 30, 2012	Dec. 31, 2011
		€ in thousands	€ in thousands
LANXESS Deutschland GmbH	June 21, 2012	0	401,605
		0	401,605

Other receivables

Other receivables also include income taxes amounting to T€ 246 (2011: T€ 177)

2.3.5.3 Cash and cash equivalents

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

Cash and cash equivalents are all at the Company's free disposal.

2.3.5.4 Shareholders' equity

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

	Jun. 30, 2012	Dec. 31, 2011
	€ 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

	Jun. 30, 2012	Dec. 31, 2011
	€ in thousands	€ in thousands
Balance as of January 1	6,527	5,826
Profit for the year	2,563	949
Changes of the other comprehensive Income	-381	-248
Balance as of June 30 / December 31	8,709	6,527

2.3.5.5 Pensions

Changes in provisions for defined benefits were as follows:

	Jun. 30, 2012	Dec. 31, 2011
	€ in thousands	€ in thousands
Balance as of January 1	833	461
Pension cost for defined benefit plans	0	107
Pension contributions paid/accrued	-32	-69
Actuarial gains/losses	0	334
Reversal	801	0
Balance as of June 30 / December 31	0	833

The amounts recognised in the statement of financial position as at June 30, were as follows:

	Jun. 30, 2012	Dec. 31, 2011
	€ in thousands	€ in thousands
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 recognised in the income statement were as follows:

	Jun. 30, 2012	Dec. 31, 2011
	€ in thousands	€ in thousands
Current service cost	0	60
Interest on obligation	0	196
Expected return on plan assets	0	-149
Total pension cost	0	107

The principal actuarial assumptions are as follows:

	Jun. 30, 2012	Dec. 31, 2011
	in %	in %
Discount rate	n.a.	4.50
Expected return on plan assets	n.a.	4.50
Future salary increases	n.a.	2.50
Future pension indexation	n.a.	2.00

2.3.5.6 Non-current liabilities

Liabilities to banks

The Company has one fix rate loan contracted, repayable in 10 instalments starting on September 30, 2013, and ending on September 19, 2018. The loan is unconditionally and irrevocably guaranteed by LANXESS AG.

Bonds

All bonds are guaranteed by LANXESS AG.

	Interest		Jun. 30, 2012	Dec. 31, 2011
	nom. in %	effective in %	€ in thousands	€ in thousands
€ 500,000,000 Notes issued on April 9, 2009; Notes due in 2014	7.750	8.030	497,744	497,165
€ 200,000,000 Notes issued on September 21, 2009; notes due in 2016	5.500	5.670	198,755	198,627
€ 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	4.125	4.255	496,595	496,327
CNY 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	3.950	4.289	61,989	0
€ 100,000,000 Notes issued on April 5, 2012; Notes due in 2022	3.500	3.537	99,699	0
€ 100,000,000 Notes issued on April 5, 2012; Notes due in 2027	3.950	4.070	98,685	0
			1,453,467	1,095,487

The market values of the bonds as of June 30, 2012 is € 1,593 million (Dec. 31, 2011 € 1,294 million).

2.3.5.7 Current liabilities and accruals

Bond

The short-term bond was paid back on maturity date.

	Interest		Jun. 30, 2012	Dec. 31, 2011
	nom. in %	effective in %	€ in thousands	€ in thousands
€ 500,000,000 Notes issued on June 21, 2005; Notes due in 2012	4.125	4.220	0	401,423
			0	401,423

Other debts and accruals

Other debts and accruals also include accounts payables.

Operational leases

The obligations from operational leases amounted to € 10,000 (2011: € 125,000) at the closing date and have following maturities:

	Jun. 30, 2012	Dec. 31, 2011
	€ in thousands	€ in thousands
Less than one year	10	68
1 to 5 years	0	57
	10	125

2.3.5.8 Net financial income

	June 30, 2012	June 30, 2011
	€ in thousands	€ in thousands
Interest income		
Net interest others	1	5
Net interest from Group companies	49,532	37,427
Total interest income	49,533	37,432
Interest expense		
Interest expense for bonds and loans	-48,256	-36,161
Other interest expense	0	-24
Total interest expense	-48,256	-36,185
Other financial income and expense	-29	0
Net financial income	1,248	1,247

The other financial income and expense is the net result out of the foreign exchange gains and losses of loans, liabilities and the foreign exchange hedging of the interest.

2.3.5.9 Operating result

All employees were transferred to LANXESS Elastomers B.V. with effect from January, 1 2012, so the company has any longer employees (2011: 4).

Other income

	June 30, 2012	June 30, 2011
	€ in thousands	€ in thousands
Income from sale of the Agency Business	2,105	0
Income from reversal of pension provisions	801	0
Miscellaneous operation income	1	0
	2.907	0

Other expenses

	June 30, 2012	June 30, 2011
	€ in thousands	€ in thousands
Guarantee fee	744	750
Other expenses	274	119
	1,018	869

Audit fees

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

	June 30, 2012	June 30, 2011
	€ in thousands	€ in thousands
Audit of the financial statements	7	7
Other audit procedures	6	5
Other non-audit services	65	25
	78	44

2.3.5.10 Income taxes

The effective tax rate is 18.3 % (2011: 26.0%). The applicable tax rate is 25.0%.

The effective tax rate differs from the applicable tax rate due to tax free income out of the reversal of the pension provisions.

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, August, 14, 2012

Lanxess Finance B.V., Amsterdam,

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 semi-annual financial statements have not been audited.

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.