

LANXESS FINANCE B.V.

Amsterdam

SEMI-ANNUAL ACCOUNTS JUNE 30, 2010

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1. Directors' report

The Board of Directors of Lanxess Finance B.V. (the "Company") herewith presents the annual report and the financial statements for year ended 31 December 2009.

The Company was incorporated on 6 June 2005 by Lanxess Deutschland GmbH, Germany (the "parent company").

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

Principal activities and business review

During the reporting period, the Company acted as group financing Company. To serve this purpose the Company issued in 2005 EUR 500,000,000 4.125% Guaranteed Notes due 2012.

The Bonds are listed at the Stock Exchange of Luxembourg under ISIN XS0222550880.

As per 21 September 2009 EUR 98,395,000 of these Notes were early redeemed.

As per 9 April 2009 the Company issued EUR 500,000,000 7.75% Notes due 9 April 2014.

These Bonds are listed at the Stock Exchange of Luxembourg under ISIN XS0423036663.

As per 21 September 2009 the Company issued EUR 200,000,000 5.5% Notes due 21 September 2016. These Bonds are listed at the Stock Exchange of Luxembourg under ISIN XS0452802175.

All Bonds are unconditionally and irrevocable guaranteed by Lanxess Aktiengesellschaft.

Financing and Investment

The proceeds of the above mentioned Notes have been on lent to group companies

Results

During the period under review, the Company recorded a profit of thousands of EUR 473 (2009 = thousands of EUR 1,428).

Future developments

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

Board of Directors

As members of the Board of Directors have been appointed:

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

Risk management and use of financial instruments

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

Group structure

Lanxess Deutschland GmbH is the sole shareholder of the Company.

General

No events occurred after 30 June 2010 which should be included in these financial statements. All amount in this report are stated in EUR, unless mentioned otherwise.

Amsterdam, 8 September 2010

The Managing Directors:

Deutsche International Trust Company N.V.

Christoph Koch

Declaration pursuant Art. 4 (2) (c) and Art. 5 Transparency Law; Semi-Annual Reports 2010

We, Christoph Koch, Managing Director of LANXESS Finance B.V. (hereinafter the "Issuer") and Stephen de Haseth and Ronald 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 2010 which has 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 interim management report includes a fair review of the information required under Art. 4 paragraph (4) of the Transparency Requirements for Issuers of Securities.

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.

Deutsche International Trust Company N.V.

Christoph Koch

2. Financial Statements

2.1 Balance sheet as per June 30, 2010
(After appropriation of result)

		<u>30 June 2010</u>	<u>31 December 2009</u>
€ * 1.000			
	Note:		
<i>Non-current assets</i>			
Financial assets	(2.4.1)		
Loans to group companies		1,095,137	1,095,137
Deferred income tax assets		261	261
		<u>1,095,398</u>	<u>1,095,398</u>
<i>Current assets</i>			
Receivables			
Interest receivable	(2.4.2)	18,455	42,389
Other receivables		1,096	208
		<u>19,551</u>	<u>42,597</u>
Cash & banks			
Cash and banks	(2.4.3)	6,902	4,428
		<u>6,902</u>	<u>4,428</u>
Total		<u><u>1,121,851</u></u>	<u><u>1,142,423</u></u>

€ * 1.000		<u>30 June 2010</u>	<u>31 December 2009</u>
	Note:		
Shareholders' equity	(2.4.4)		
Capital stock		2,000	2,000
Retained earnings		5,229	4,756
		<u>7,229</u>	<u>6,756</u>
Provisions			
Pension plan	(2.4.5)	374	418
Long term liabilities	(2.4.6)		
Bond		1,094,656	1,093,875
Short-term debts and accruals			
Accounts payable		1	1
Accounts payable group companies		1,504	-
Accrued Interest		17,613	40,043
Other debts and accruals		474	1,330
		<u>19,592</u>	<u>41,374</u>
Total		<u><u>1,121,851</u></u>	<u><u>1,142,423</u></u>

2.2 Profit and loss account for the period ended June 30, 2010

€ * 1.000		<u>30 June 2010</u>	<u>2009</u>
	Note:		
Operating expenses	(2.4.7)		
Administration		(290)	51
Other expenses		750	1,532
		<u>460</u>	<u>1,583</u>
Operating income		<u>(460)</u>	<u>(1,583)</u>
 Net interest	 (2.4.8)	 1,116	 3,485
		<u>1,116</u>	<u>3,485</u>
Result before taxes		<u>656</u>	<u>1,902</u>
Income taxes		<u>183</u>	<u>474</u>
Net income		<u><u>473</u></u>	<u><u>1,428</u></u>

2.3 Notes to the financial statements

2.3.1.1 General information

The company

The company is a wholly owned subsidiary of Lanxess Deutschland GmbH in Germany. The company is established on June 6, 2005.

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 annual accounts 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, except for the method of recognizing actuarial gains and losses of pension plans. As of fiscal year 2009 Lanxess has changed this method. The corridor-method according to IAS 19.92 ff was used for the last time as of December 31, 2008. From the beginning of 2009 on according to IAS 19.93 A ff. All actuarial gains and losses are recognized in equity in the period in which they occur. This change has been restated in the opening balance of January 1, 2009, as reported in the annual accounts 2009, but was not reflected in the semi-annual accounts 2009.

Translation of foreign currencies

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

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 30 June 2010 still four employees are on the Lanxess Finance BV payroll.

Pension benefits

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

LANXESS B.V. had a number of pension schemes, including for a number of defined benefit schemes. These provide defined pension benefits to staff upon reaching retirement age, the amount of which depends on age, salary and years of service.

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

The required pension provision is measured annually by independent actuaries using the actuarial method known as the "Projected Unit Credit" method as used in IAS 19. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to high quality corporate bonds with a term roughly consistent with the term of the related pension obligation.

All actuarial gains and losses are recognized in equity in the period in which they occur.

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

Bond

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised 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 lease

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 recognised as operational leases. Obligations under operational leases are recognised on a straight-line basis in the profit and loss account over the term of the contract, taking into account reimbursements received from the lessor.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognised to provide for temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets re deductible temporary differences and available fiscal losses are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and fiscal losses can be utilised. Deferred income taxes are recognised at face value.

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 year. The results on transactions are recognized in the year they are realised.

Costs

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

Selling expenses

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

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

Personnel remuneration

Regular payments

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

Pensions

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

Interest income and expense

Interest income and expense are time apportioned, taken into account the effective interest rate for the relating assets and liabilities. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

Taxation

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

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

2.4.1 *Financial assets*

Movements in financial assets can be broken down as follows:

€ * 1.000	Loans to group companies	Deferred income tax	Total
At 1 January 2010	1,095,137	261	1,095,398
Restatement opening balance for pension plan	-	-	-
Loans granted	-	-	-
At 30 June 2010	<u>1,095,137</u>	<u>261</u>	<u>1,095,398</u>

Loans outstanding at balance sheet date:

€ * 1.000	Interest	Maturity	<u>30 June 2010</u>	<u>2009</u>
Lanxess AG	7.98%	April 2014	495,280	495,280
Lanxess Deutschland GmbH	4.60%	June 2012	401,605	401,605
Lanxess Deutschland GmbH	5.67%	September 2016	198,252	198,252
			<u>1,095,137</u>	<u>1,095,137</u>

2.4.2 *Interest receivable*

Interest receivable concerns interest receivable from Group companies.

2.4.3 *Cash and banks*

Cash and cash equivalents are at free disposal of the Company.

2.4.4 *Share holders' equity*

€ * 1.000	<u>30 June 2010</u>	<u>2009</u>
Authorised:		
100.000 shares of € 100 each	10,000	10,000
Issued and fully paid:		
20.000 shares of € 100 each	<u>2,000</u>	<u>2,000</u>

The issued shares are registered in the name of Lanxess Deutschland GmbH

Retained earnings

€ * 1.000	<u>30 June 2010</u>	<u>2009</u>
Balance as per January 1	4,756	4,037
Restatement actuarial results pension plan		(53)
	<u>4,756</u>	<u>3,984</u>
Result for the year	473	1,428
Actuarial results pension plan		(656)
Balance as per December 31	<u>5,229</u>	<u>4,756</u>

2.4.5. *Pensions*

Movements in the provision for defined benefits were as follows:

€ * 1.000	<u>30 June 2010</u>	<u>2009</u>
At 1 January	418	(522)
Restatement opening balance for unrecognised actuarial results to equity	-	313
Pension cost for defined benefit plans	-	84
Pension contributions paid/accrued	(44)	(113)
Actuarial results	-	656
At 31 December	<u>374</u>	<u>418</u>

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

€ * 1.000	<u>30 June 2010</u>	<u>2009</u>
Present value of funded obligations	3,627	3,627
Fair value of plan assets	<u>(3,253)</u>	<u>(3,209)</u>
Present value of unfunded obligations	374	418
Unrecognised actuarial losses	-	-
Net liability / asset	<u>374</u>	<u>418</u>

The amounts recognised in the income statement were as follows:

€ * 1.000	<u>30 June 2010</u>	<u>2009</u>
Current service cost	-	37
Interest on obligation	-	186
Expected return on plan assets	-	(139)
Actuarial gains/losses	-	-
Total pension cost	<u>-</u>	<u>84</u>

The principal actuarial assumptions are as follows:

	30 June 2010	2009
	%	%
Discount rate	5.00%	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

<i>Bond</i>		30 June 2010	2009
€ * 1.000			
4.125% EUR 500,000,000 Notes issued on June 21, 2005; notes due to 2012		400,845	400,674
5.50% EUR 200,000,000 Notes issued on September 21, 2009; notes due to 2016		198,261	198,146
7.75% EUR 500,000,000 Notes issued on April 9, 2009; notes due to 2014		495,550	495,055
		<u>1,094,656</u>	<u>1,093,875</u>

All bonds are guaranteed by Lanxess AG in Germany

<i>Effective interest rates on the notes issued:</i>	30 June 2010	2009
EUR 500.000.000 4,125% Notes issued on June 21, 2005; notes due to 2012	4.22%	4.22%
EUR 200.000.000 5,5% Notes issued on September 21, 2009; notes due to 2016	5.67%	5.67%
EUR 500.000.000 7,75% Notes issued on April 9, 2009; notes due to 2014	8.03%	8.03%

Operational leases

The obligations from operational leases at the end of the reporting period amounts to EUR 174. As a result of the take over of employees from Lanxess B.V., the company has entered into operational leasing commitments. The termination of these commitments is as follows:

€ * 1.000	30 June 2010	2009
Less than one year	54	64
1 to 5 years	57	110
More than 5 years	-	-

2.4.7 Operating expenses

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

€ * 1.000	30 June 2010	2009
Sales commissions	(714)	(734)
Guarantee fee	750	1,320
Other	424	997
	<u>460</u>	<u>1,583</u>

Salaries and social charges

€ * 1.000	30 June 2010	2009
Salaries	248	443
Social charges	8	25
Pension charges	23	84
	<u>279</u>	<u>552</u>

During the period under review, the average number of employees, based on full time equivalents, was 4 (2009: 5). Of these employees, none was/were employed outside the Netherlands (2009: 0)

2.4.8 Other Income and (expenses) € * 1.000

Interest income	30 June 2010	2009
Net interests banks	1	975
Net interests from Group companies	34,801	54,649
Total interest income	<u>34,802</u>	<u>55,624</u>
Interest expenses	30 June 2010	2009
Interests expenses on Notes	(33,667)	(52,067)
Other interest expenses	(19)	(72)
Total interest expenses	<u>(33,686)</u>	<u>(52,139)</u>
Total interest	<u>1,116</u>	<u>3,485</u>

Amsterdam, 8 September 2010

Directors

Deutsche International Trust Company N.V.

Christoph Koch

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 deposition of the annual meeting of shareholders.

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