

LANXESS Finance B.V.

Amsterdam

INTERIM REPORT

June 30, 2013

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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 interim report and the interim financial statements of the Company for the period ended June 30, 2013. 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 in Amsterdam, the Netherlands, under the number 09151956. Its headquarter is located in Amsterdam at the following address: De Entree 99 – 197, 1101 He Amsterdam, 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 both the domestic and foreign markets, with the countries of the European Union forming the most important 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	Apr. 9, 2014	7.750
2009	200,000	EUR	200,000	XS0452802175	Sept. 21, 2016	5.500
2011	500,000	EUR	500,000	XS0629645531	May 23, 2018	4.125
2012	500,000	CNY	60,262	XS0746637296	Feb. 15, 2015	3.950
2012	100,000	EUR	100,000	XS0769023309	Apr. 5, 2022	3.500
2012	100,000	EUR	100,000	XS0768450933	Apr. 5, 2027	3.950
2012	500,000	EUR	500,000	XS0855167523	Nov. 21, 2022	2.625
			1,960,262			

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG.

The Company did not subscribe any new bond in the first semester 2013.

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

Profit

As of June 30, 2013, the Company recorded a net income of €496,837.62 (June 30, 2012: €2,562,575.60).

Future developments

The Company will continue financing LANXESS Group subsidiaries. Based on its stable business situation, no major developments are currently predicted for the Company.

Auditors

PricewaterhouseCoopers Accountants N.V. has been appointed to perform the audit of the financial statements for 2013.

Board of Directors

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

- Mr. C.A. Koch,
- Mr. P. Nederstigt,
- 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 2012.

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 were subscribed and granted. The currency risk for LANXESS Finance B.V. largely concerns positions and future transactions in Chinese Yuan Renminbi. The Management has determined, based on a risk assessment, that some of this currency risk needs to be hedged. Forward exchange contracts are used for this purpose.

- **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.

Subsequent events

No other events occurred after June 30, 2013 that are required to be included in these financial statements.

Amsterdam, July 23, 2013

The Managing Directors:

Mr. C.A. Koch

Mr. Pieter Nederstigt

Deutsche International Trust Company N.V.

Declaration pursuant to Article 4 (2) (c) and Article 5 of the Transparency Law concerning the interim financial statements 2013

We, Mr. C. A. Koch, Mr. P. Nederstigt and Deutsche International Trust Company N.V. represented by Mr. E.J. van de Laar, as the Managing Director of LANXESS Finance B.V. (the “Issuer”), hereby declare, that, to the best of our knowledge, the interim financial statements for 2013, 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

Deutsche International Trust Company N.V.

2. Interim financial statements

2.1 Statement of financial position as of June 30, 2013¹

Assets € thousand	Notes	Jun. 30, 2013	Dec. 31, 2012
<u>Non-current assets</u>			
Financial assets	(2.3.5.1)		
Loans to Group companies		1,545,332	2,060,985
		<u>1,545,332</u>	<u>2,060,985</u>
<u>Current assets</u>			
Receivables	(2.3.5.2)		
Loans to Group companies		535,100	13,000
Interests receivables from Group companies		32,920	55,505
Other receivables		13	499
		<u>568,033</u>	<u>69,004</u>
Cash and cash equivalents	(2.3.5.3)		
Cash and cash equivalents		6	532
		<u>6</u>	<u>532</u>
Total assets		2,113,371	2,130,521

¹ After appropriation of the profit for the year.

Equity and liabilities € thousand	Notes	Jun. 30, 2013	Dec. 31, 2012
<u>Shareholders' equity</u>	(2.3.5.4)		
Capital stock		2,000	2,000
Retained earnings		10,102	9,605
		12,102	11,605
<u>Non-current liabilities</u>	(2.3.5.5)		
Bonds		1,449,774	1,945,840
Liabilities to Bank		98,180	109,090
Other non-current liabilities		16	11
		1,547,970	2,054,941
<u>Current liabilities and accruals</u>	(2.3.5.6)		
Bonds		498,982	0
Accrued interest		30,777	52,464
Liabilities to Bank		21,820	10,910
Other debts and accruals		918	41
Accounts payable		801	560
		553,299	63,975
Total equity and liabilities		2,113,371	2,130,521

2.2 Income statement for the period ending June 30, 2013

Income statement € thousand	Notes	Jun. 30, 2013	Jun. 30, 2012
<u>Financial income and expense</u>			
Interest income		50,795	49,533
Interest expenses		-49,424	-48,256
Exchange gains		1,467	1,826
Exchange losses		-1,482	-1,855
Net financial income	(2.3.5.7)	1,356	1,248
<u>Operating income</u>			
Other income		55	2,907
Reversal provision for pension costs		0	833
<u>Operating expenses</u>		-859	-1,018
Other expenses		-859	-1,018
Net operating result	(2.3.5.8)	-804	1,889
Income before income taxes		552	3,137
Income taxes	(2.3.5.9)	-55	-574
Net income		497	2,563

2.3 Notes to the 2013 interim 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 headquarter in 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.

Going concern

There is no serious uncertainty about the going concern of the business of the Company.

Changes in accounting policies

The accounting policies have not changed in 2013.

Changes in accounting estimates

The accounting estimates have not changed in 2013.

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.

2.3.2 Accounting policies for the statement of financial position

General

The interim 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 interim 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, with the exception of the changes in accounting policies and changes in accounting estimates described above.

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 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

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.

Bonds and liabilities to bank

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.

2.3.3 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 differences

Exchange differences 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.

2.3.4. Other information

Financial instruments and risk management

The risk profile of the Company did not materially change compared to the end of 2012.

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.

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 were subscribed and granted. The currency risk for LANXESS Finance B.V. largely concerns positions and future transactions Chinese Yuan Renminbi. Management has determined, based on a risk assessment, that some of this currency risk needs to be hedged. Forward exchange contracts are used for this purpose.

- **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.

2.3.5 Notes to financial position and financial income

2.3.5.1 Financial assets

Changes in financial assets were as follows:

€thousand	Loans to Group companies
December 31, 2012	2,060,985
Additions	0
Reductions	-515,653
- reclassification in ST of the IC Loan due 04/2014	-495,280
- reclassification in ST of the first repayments of the IC Loan due 09/2018	-21,820
- Foreign exchange translation effects	1,447
Jun. 30, 2013	1,545,332

Non-current loans outstanding at the closing date:

€thousand	Maturity	Jun. 30, 2013	Dec. 31, 2012
LANXESS AG, Germany	Apr. 9, 2014	0	495,280
LANXESS AG, Germany	May 23, 2018	496,000	496,000
LANXESS AG, Germany	Sept. 30, 2018	98,180	120,000
LANXESS AG, Germany	Nov. 21, 2022	492,845	492,845
LANXESS Deutschland GmbH, Germany	Feb. 12, 2015	19,963	19,495
LANXESS Deutschland GmbH, Germany	Sept. 21, 2016	198,252	198,252
LANXESS Deutschland GmbH, Germany	Apr. 5, 2022	99,693	99,693
LANXESS Deutschland GmbH, Germany	Apr. 5, 2027	98,670	98,670
LANXESS N.V., Belgium	Feb. 12, 2015	41,729	40,750
		1,545,332	2,060,985

Repayment has been agreed for each loan at maturity date.

The fair value of the financial assets (including short-term) approximates the book value.

2.3.5.2 Receivables

All receivables fall due in less than one year.

Loans to Group companies

Current loans outstanding at the closing date:

€thousand	Maturity	Jun. 30, 2013	Dec. 31, 2012
LANXESS AG, Germany	Apr. 9, 2014	495,280	0
LANXESS AG, Germany	Sept. 30, 2018	21,820	0
LANXESS Deutschland GmbH, Germany	Jul. 24, 2013	18,000	13,000
		535,100	13,000

Interest receivables

Interest receivables pertain to Group companies.

Other receivables

The claim for income taxes amounting to € 460,012 as of December, 31 2012 was repaid.

2.3.5.3 Cash and cash equivalents

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

2.3.5.4 Shareholders' equity

€ thousand	Jun. 30, 2013	Dec. 31, 2012
Capital	2,000	2,000
Retained earnings	9,605	7,042
Profit for the period	497	2,563
Balance as of Jun. 30 / Dec. 31	12,102	11,605

The authorised share capital of LANXESS Finance B.V. amounts to € 10 million ordinary shares with a nominal value of € 100 each. Among these, € 2 million ordinary shares have been issued and fully paid. The issued shares are registered in the name of LANXESS Deutschland GmbH.

2.3.5.5 Non-current liabilities

Liabilities to banks

The Company contracted one fix-rate credit, repayable in 11 instalments starting on September 30, 2013 and ending on September 19, 2018.

The loan is unconditionally and irrevocably guaranteed by LANXESS AG.

Long-term bonds

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG.

€thousand	Interest (%)		Jun. 30, 2013	Dec. 31, 2012
	Nom.	Effect.		
Maturity > 1 year			758,076	697,246
€ 500,000,000 Notes issued on Apr. 9, 2009; Notes due in 2014	7.750	8.030	0	498,357
€ 200,000,000 Notes issued on Sept. 21, 2009; Notes due in 2016	5.500	5.670	199,024	198,889
€ 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	4.125	4.255	497,101	0
CNY 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	3.950	4.289	61,951	0
Maturity > 5 years			691,698	1,248,594
€ 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	4.125	4.255	0	496,844
CNY 500,000,000 Notes issued on May 23, 2011; Notes due in 2018	3.950	4.289	0	60,406
€ 100,000,000 Notes issued on Apr. 5, 2012; Notes due in 2022	3.500	3.537	99,726	99,712
€ 100,000,000 Notes issued on Apr. 5, 2012; Notes due in 2027	3.950	4.070	98,752	98,719
€ 100,000,000 Notes issued on Nov. 21, 2012; Notes due in 2027	2.625	2.789	493,220	492,913
			1,449,774	1,945,840

The market value of the bonds (including short-term) as of June 30, 2013 is €2,062 million (2012: €2,127 million).

2.3.5.6 Current liabilities and accruals

Short-term bond

The short-term bond outstanding as of June 30, 2013 is as follows:

€ thousand	Interest (%)		Jun. 30, 2013	Dec. 31, 2012
	Nom.	Effect.		
€ 500,000,000 Notes issued on Apr. 9, 2009; Notes due in 2014	7.750	8.030	498,982	0
			498,982	0

Other debt and accruals

€ thousand	Jun. 30, 2013	Dec. 31, 2012
Liability-cash management	894	0
Accounts payables - Third party	24	41
	918	41

The other debt and accruals amounting to € 918 thousand as of June 30, 2013 is mainly composed of the balance of the cash management account.

Accounts payable

€ thousand	Jun. 30, 2013	Dec. 31, 2012
Accounts payables - Group	750	520
Accounts payables - Third party	51	40
	801	560

The accounts payable amount € 801 thousand as of June 30, 2013 and refer mainly to bond-related costs.

2.3.5.7 Net financial income

€thousand	Jun. 30, 2013	Jun. 30, 2012
Financial income		
Interest income from Group companies	50,795	49,532
Foreign exchange gains	1,467	0
Interest income others	0	1
Total financial income	52,262	49,533
Financial expenses		
Interest expenses for bonds and loans	-49,424	-48,256
Foreign exchange losses	-1,482	0
Total financial expenses	-50,906	-48,256
Other financial income and expense	0	-29
Net financial income	1,356	1,248

The net financial income mainly results from the interest paid and received for the bonds and loans borne by the Company and the exchange gains and losses generated by the bonds and loans in Chinese Yuan Renminbi.

2.3.5.8 Net operating result

Costs and incomes are recognized in the income statement in the period they occur.

€thousand	Jun. 30, 2013	Jun. 30, 2012
Operating income		
Sale of Agency business related income	0	2,105
Reversal of pension provisions	0	801
Other income	55	1
Total operating income	55	2,907
Operating expenses		
Guarantee fees	-750	-744
Other expenses	-103	-261
Audit fees	-6	-7
Other audit procedures	0	-6
Total operating expenses	-859	-1,018
Net operating result	-804	1,889

All bonds are unconditionally and irrevocably guaranteed by LANXESS AG. LANXESS AG received fees for this guarantee. The guarantee fees stayed stable over the period.

Audit fees

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

€ thousand	Jun. 30, 2013	Jun. 30, 2012
Audit of the financial statements	6	7
Other audit procedures	0	6
Other non-audit services	30	65
Total	36	78

Wages and salaries

During the period under review, the average number of employees, based on full-time equivalents, is 0 (2012: 0).

2.3.5.9 Income taxes

In 2013, the effective tax rate is 23,19% (2012: 18,3%) while the applicable tax rate is 25.0% (2012: 25.0%). The Company benefited in 2013 from non-taxable elements.

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, July, 23 2013

LANXESS Finance B.V., Amsterdam,

The Managing 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 interim financial statements as of June 30, 2013 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.