Audited Financial Report 2018
Evonik Finance B.V.

Amsterdam

Contents

DIRECTORS' REPORT

Annual Report 2018 of Board of Directors

We herewith report you on the exercise of our mandate over the financial year, ending by December 31, 2018 and present you the annual accounts of Evonik Finance B.V. Our 2018 financial statements have been audited by an independent external auditor.

Evonik Finance B.V. domiciled in Amsterdam, the Netherlands is a 100% subsidiary company of Evonik Industries AG (also referred to herein as 'Evonik'), based in Germany with operations throughout the world.

Evonik is one of the world's leading specialty chemicals companies. Our strengths include the balanced spectrum of our business activities, end-markets, and regions. Around 80 percent of sales come from market-leading positions[1], which we are systematically expanding. Our strong competitive position is based on close collaboration with customers, high innovative capability, and integrated technology platforms. Market-oriented research and development is a key driver of profitable growth. This is based on our strong innovation culture, which is rooted in our innovation management and management development.

A decentralized corporate structure

Our specialty chemicals operations are divided into three chemical manufacturing segments, which operate close to their markets and customers and have a high degree of entrepreneurial independence.

Corporate structure

	Evonik			
Segments	Nutrition & Care	Resource Efficiency	Performance Materials	Services
	Specialty chemicals for consumer goods for daily needs, animal nutrition, and healthcare products	High-performance materials and specialty addtivies for environment-friendly and energy-efficient system solutions for the automotive, paints, coatings, adhesives, and construction industries and many other sectors	Production of polymer materials and intermediates, mainly for the rubber, plastics, and agriculture industries	Services for internal and external customers at Evonik sites and standardized Group-wide administrative services

The Nutrition & Care and Resource Efficiency segments operate principally in attractive markets with above-average growth rates. Both segments offer customers customized, innovation-driven solutions and the aim is for them to achieve above-average, profitable growth through innovations, investments, and acquisitions.

The Performance Materials segment is characterized by processes that make intensive use of energy and raw materials. It therefore concentrates on integrated, cost-optimized technology platforms, efficient workflows, and economies of scale. Our strategic goal for this segment is to contribute earnings to finance the growth of the Evonik Group. In the future, investments and, where appropriate, alliances will concentrate on securing and extending our good market positions.

[1] We define these as ranking 1st, 2nd, or 3rd in the relevant markets.

Key Figures Evonik Finance B.V.

Overview in €	2018	2017
Operating result	**-929.310**	**-1.007.434**
Financial result	**6.766.828**	**4.363.163**
Profit/loss of financial year	**4.750.142**	**5.093.695**
As at	31/12/2018	31/12/2017
Financial fixed assets	**1.582.635.862**	**2.248.988.179**
Current assets	**716.607.717**	**58.632.051**
Equity	**248.721.559**	**227.277.812**
Non-current liabilities	**1.893.801.231**	**2.022.337.392**
Current liabilities	**156.720.789**	**58.005.026**

Evonik Finance B.V. was founded on 15 December 2010 with an authorized share capital of €250.000 (paid in €50.000).

The main objects of the company are:
(a) to grant loans to foreign subsidiaries and joint ventures;
(b) to issue bonds and take up loans;
(c) to grant finance to group companies and guarantees to external parties securing group obligations.

Income Statement Evonik Finance B.V.

Overview in €	2018	2017
Operating expenses	-929.310	-1.007.434
Operating result	**-929.310**	**-1.007.434**
Interest and similar income	59.053.870	67.868.362
Interest and similar expense	-52.287.042	-63.505.199
Result before tax	**5.837.518**	**3.355.729**
Income tax expense/income	-1.087.376	1.737.966
Result after tax	**4.750.142**	**5.093.695**

To the shareholders' meeting we propose to allocate the result as follows:

Profit of the financial year	€4.750.142
Profit to carry forward	€4.750.142

Business Outlook

In 2019, Evonik Finance B.V. will focus on its activities with regards to the granting of loans to foreign subsidiaries and joint ventures.

Evonik has a debt issuance program to place bonds with a total volume of up to €5 billion. By December 31, 2018 five bonds with a total nominal value of €3,15 billion have been issued under this program.

Bonds issued under the debt issuance program

	Nominal value in € million	Rating (S&P / Moody's)	Maturity	Coupon in percent	Issue price in percent
Evonik Industries AG					
Fixed-interest bond 2013/2020	500	BBB+ / Baa1	April 8, 2020	1,875	99,185
Fixed-interest bond 2015/2023	750	BBB+ / Baa1	Jan. 23, 2023	1,000	99,337
Evonik Finance B.V.					
Fixed-interest bond 2016/2021	650	BBB+ / Baa1	March 8, 2021	0,000	99,771
Fixed-interest bond 2016/2024	750	BBB+ / Baa1	Sept. 7, 2024	0,375	99,490
Fixed-interest bond 2016/2028	500	BBB+ / Baa1	Sept. 7, 2028	0,750	98,830

To finance the acquisition of the Air Products specialty additives business, Evonik Finance B.V. successfully issued bonds with a nominal value of €1,9 billion and an average coupon of 0,35 percent p.a. on the debt market in September 2016. In total Evonik Finance B.V. issued three fixed tranches:

1. €650 million with a tenor of 4,5 years and a coupon of 0%
2. €750 million with a tenor of 8 years and a coupon of 0,375%
3. €500 million with a tenor of 12 years and a coupon of 0,750%

The bonds were issued at discount. The repayment of the bonds to the investors is guaranteed by Evonik Industries AG.

Major Events

In 2018 there were no major events with material impact on Evonik Finance B.V.

Research and development

Evonik Finance B.V. had no activity, nor has it made expenses regarding research and development.

Financial instruments/ Risks and uncertainties

The financial-economic risk management of Evonik Finance B.V. is based on Treasury-Management-Systems implemented throughout the Evonik Group, as well as strict guidelines and principles.

Risk strategy

Our risk management includes a risk detection system, which meets the requirements for publicly listed companies. The aims are to identify risks as early as possible and to define measures to counter and minimize them. To ensure optimal use is made of opportunities, these also need to be recognized and tracked from an early stage. We only enter into entrepreneurial risks if we are convinced that in this way we can generate a sustained rise in the value of the company and, at the same time, permanently limit possible negative implications.

Structure and organization of risk management

At Group level, risk management is assigned to the Chief Financial Officer and is organized on a decentralized basis in line with Evonik's organizational structure.

The segments, corporate divisions, and service units bear prime responsibility for risk management. That comprises early identification of risks and estimating their implications. Furthermore, suitable preventive and control measures have to be introduced and internal communication of risks must be ensured. Risk coordinators in the organizational units are responsible for agreeing on the relevant risk management activities. At all levels in the Group, systematic and timely risk reporting is a key element in strategic and operational planning, the preparation of investment decisions, projections, and other management and decision-making processes.

A central Corporate Risk Officer coordinates and oversees the processes and systems. He is the contact for all risk coordinators and is responsible for information, documentation and coordination at Group level. Further responsibilities include ongoing development of the methodology used by the risk management system. The Risk Committee is chaired by the Chief Financial Officer and composed of representatives of the corporate divisions. It validates the Group-wide risk situation and verifies that it is adequately reflected in financial reporting. The Supervisory Board, especially the Audit Committee, oversees the risk management system.

Corporate Audit of Evonik Industries AG monitors risk management in our organizational units to make sure they comply with statutory and internal requirements and to ensure continuous improvement of risk management. The risk detection system is included in the annual internal audit in compliance with the requirements for listed companies. This audit showed that Evonik's risk detection system is suitable for timely identification of risks that could pose a threat to the company's survival.

The organizational units conduct an extensive annual risk inventory in connection with the mid-term planning process. They are required to provide details of the measures to be taken with regard to the risks identified, introduce them immediately, and track their timely implementation. Internal management (for example, reporting by the Risk Committee) takes a mid-term view. The opportunities and risks identified are classified as low, moderate or high. The evaluation is always based on a net view, in other words, taking into account risk limitation measures. Risk limitation measures can reduce, transfer or avoid gross risks. Common measures include economic counter-action, insurance and the establishment of provisions on the balance sheet.

On November 11, 2016 an audit committee for Evonik Finance B.V. has been implemented. The audit committee has three members and the members have specialist knowledge and experience in the application of accounting standards, finance and internal control system. Currently, there are no female members in the audit committee. Evonik Finance B.V. will take the necessary action when the first member of the audit committee will rotate off. The company will consider the applicable Dutch requirements in its selection criteria, regarding the composition of the AC in respect of the male/female composition of the committee.

Overall risk assessment

Given the measures planned and implemented, no risks have been identified that—either individually or in conjunction with other risks—could jeopardize the continued existence of Evonik as a whole, including Evonik Industries AG in its role as the holding company for the Group. The same applies on the level of Evonik Finance B.V. on a stand-alone basis.

In the Performance Materials segment, in particular, we were able to utilize market opportunities. In the Nutrition & Care and Resource Efficiency segments, the opportunities and risks that materialized were essentially balanced. Our reporting distinguishes between the categories markets and competition, legal and compliance, and process and organization. The main parameters influencing the risk categories in terms of both opportunities realized and risks that materialized resulted from the development of specific market and competition situations. From the present standpoint, the risks for 2019 again outweigh the potential opportunities. Compared with 2018, there has been a slight increase in the risks to which Evonik is exposed, while the opportunities remain constant.

Compliance risks

Compliance means lawful business conduct. The principal compliance rules are set out in Evonik's Code of Conduct, which explicitly prohibits e.g., all forms of corruption, including "facilitation payments," and violation of antitrust regulations. Risks could result from failure to comply with the corresponding regulations. To minimize compliance risks, extensive training and sensitization of employees is undertaken at face-to-face training sessions and/or through e-learning programs. Our Code of Conduct is binding for all employees of the Evonik Group worldwide, including the Executive Board and the governance bodies of all Evonik companies. They are required to comply with the rules set forth in the Code of Conduct, to ensure they are familiar with its content, and to take part in the relevant training.

Evonik monitors the observance of human rights along its value chain. To minimize the related risks, we require compliance with the Evonik Supplier Code of Conduct, our Global Social Policy, and the Policy Statement on Human Rights.

Liquidity risks

To manage the Group's solvency, Evonik uses central liquidity risk management. At its heart is a Group-wide cash pool. In addition, our financial independence is secured through a broadly diversified financing structure, a €1,75 billion revolving credit facility and our solid investment grade rating. Overall, we believe that adequate financing instruments are available to ensure sufficient liquidity at all times.

Legal risks

Evonik is exposed to legal risks, resulting, for example, from legal disputes such as claims for compensation, and from administrative proceedings and fines. In its operating business, the Evonik Group is exposed to liability risks, especially in connection with product liability, patent law, tax law, competition law, antitrust law, and environmental law.

Credit risks

Credit risks relating to financial contracts are systematically examined when the contracts are concluded and monitored continuously afterwards by Evonik Industries AG. This risk is minimized by setting high standards for the creditworthiness of counterparties.

Interest rates and exchange rates risks

In the course of its business, Evonik Finance B.V. is exposed to the risk of changes in exchange rates and interest rates. These risks are mitigated on holding level at Evonik Industries AG. A detailed overview of interest rate and foreign exchange management and the use of financial derivatives is given in the notes to the financial statements.

Management statement

We hereby declare, to the best of our knowledge, the financial statements 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 the undertakings included in the consolidation taken as a whole. The management report includes a fair review of the development and performance of the business and the position of Evonik Finance B.V. 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 executive board comprises one woman and one man. In compliance with statutory requirements, it therefore meets the minimum of 30 percent women and 30 percent men.

Amsterdam, March 21, 2019

Laila Aoulad Si Kaddour	Alexander van der Weiden
Director	Director

FINANCIAL STATEMENTS

Company financial statements

1 Balance sheet as at December 31, 2018 (after appropriation of result)

Assets

	Note	31/12/2018 €	31/12/2017 €
Non-current assets			
Financial fixed assets			
Loans to group companies	8.1	1.531.753.113	2.115.694.611
Deferred tax asset	8.2	2.083.196	1.823.192
Derivatives	8.3	48.799.553	131.470.376
		1.582.635.862	**2.248.988.179**
Current assets			
Loans to group companies	8.4	652.961.219	43.885.500
Tax receivables	8.5	7.054	9.057
Other receivables	8.6	6.087	1.983
Derivatives	8.3	44.176.096	12.792
Receivables from group companies	8.7	4.585.733	-
Interest receivable	8.8	14.871.528	14.722.719
		716.607.717	**58.632.051**
TOTAL ASSETS		**2.299.243.579**	**2.307.620.230**

Liabilities

	Note	31/12/2018	31/12/2017
		€	€
Equity	8.9		
Issue share capital		50.000	50.000
Share premium		232.190.000	213.090.000
Revaluation Hedge Reserve		830.008	3.236.403
Retained earnings		15.651.551	10.901.409
		248.721.559	**227.277.812**
Provisions			
Deferred tax liability	8.10	276.669	-
		276.669	**-**
Non-current liabilities			
Loans from group companies	8.11	-	133.931.339
Bonds	8.12	1.890.086.128	1.884.688.547
Derivatives	8.3	3.438.434	3.717.506
		1.893.524.562	**2.022.337.392**
Current liabilities			
Loans from group companies	8.13	143.540.686	43.885.500
Derivatives	8.3	2.766.527	-
Creditors	8.14	5.730.037	7.529.333
Payables to group companies	8.15	-	342.814
Interest payable to group companies	8.16	2.597.923	4.161.763
interest payable on bonds	8.17	2.085.616	2.085.616
		156.720.789	**58.005.026**
TOTAL LIABILITIES		**2.299.243.579**	**2.307.620.230**

2 Income statement for 2018

	Notes	2018 €	2017 €
Income			
Interest and similar income	9.1	59.053.870	67.868.362
Expenses			
Interest and similar expenses	9.1	-52.287.042	-63.505.199
Financial result		**6.766.828**	**4.363.163**
General and administrative expenses			
Personnel expenses	9.2	-12.911	-12.365
Other operating expenses	9.2	-916.399	-995.069
Operating result		**-929.310**	**-1.007.434**
Income before tax		**5.837.518**	**3.355.729**
Income tax expense/income	9.4	-1.087.376	1.737.966
Profit after tax		**4.750.142**	**5.093.695**

3 Cash flow statement for the year ended December 31, 2018

	Notes	2018	2017
		€	€
Operating result		**-929.310**	**-1.007.434**
Change in other working capital			
- Accounts payable		-2.149.559	7.460.566
- Receivables		-4.580.386	894.256.706
		-6.729.945	901.717.272
Received interest		58.447.535	62.346.324
Paid interest		-52.835.700	-58.378.164
Taxes paid		-1.347.380	-1.428.179
Cash flow from operating activities	4.6	**-3.394.800**	**903.249.819**
Cash flow from investing activities	4.6	**-**	**-**
Loans from Evonik Industries AG	8.3 8.11 8.13	6.718.821	-296.999.222
Loans to other companies	8.1 8.4	-25.404.071	-721.556.605
Issued Bonds	8.12	5.397.582	-241.121
Proceeds from capital increase	8.9	19.100.000	116.640.000
Cash flow from financing activities	4.6	**5.812.332**	**-902.156.948**
Effect of exchange rate differences		-2.417.532	-1.092.871
Changes in cash & cash equivalents		-	-
Cash & cash equivalents January 1		-	-
Cash & Cash equivalents December 31		**0**	**0**

4 General information

4.1 Operations

Evonik Finance B.V. is a 100% subsidiary of Evonik Industries AG. As such its primary goals are to cover for the structural financing needs from Evonik group companies and joint-ventures, by providing loans and guarantees. Borrowings and bond issuances are normally undertaken by Evonik Industries AG or its financing subsidiary Evonik Finance B.V., whose liabilities are fully guaranteed by Evonik Industries AG. To reduce external borrowing, surplus liquidity is placed in a cash pool at Group level to cover financing requirements in other Group companies. Evonik has a flexible range of corporate financing instruments to meet liquidity requirements for day-to-day business, investments, and the repayment of financial debt.

Both Moody's and Standard & Poor's (S&P) confirmed their credit ratings for Evonik in the first half of 2018. The Moody's & S&P ratings for Evonik are unchanged at Baa1 and BBB+ respectively, with a stable outlook in both cases. Therefore, Evonik's solid investment grade rating was confirmed. This combined with the Evonik Industries AG unlimited and unconditional guarantee should be considered the basis for Evonik Finance B.V.'s activities on the international debt capital markets.

4.2 Group structure

Evonik Finance B.V. is a member of the Evonik group. The ultimate parent company of this group is Evonik Industries AG located in Essen (Germany). The financial statements of Evonik Finance B.V. are included in the consolidated financial statements of Evonik Industries AG located in Essen (Germany).

4.3 Foundation

Evonik Finance B.V. was founded on December 15, 2010 with an authorized share capital of €250.000 (paid in €50.000) and is located at the following address: Hettenheuvelweg 37/39, 1101 BM Amsterdam, the Netherlands. Evonik Finance B.V is registered at the chamber of commerce under number 51480433.

4.4 Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. The shareholder of the company is Evonik Industries AG located in Essen (Germany). All companies in which Evonik Industries AG ultimately has a majority interest are considered to be a related party.

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.

4.5 Going Concern

The company generated a profit of €4.750.142 for the period from January 1 to December 31, 2018, which, together with an increased share premium reserve resulted in net equity of €248.721.559 (December 31, 2017: €227.277.812). The earnings of the company will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the bonds, loans and the service charges. Based on that, Evonik Finance B.V. will achieve a reasonable profit under these circumstances. Finally, Evonik Finance B.V. is supported by the unconditional and unlimited guarantee of Evonik Industries AG. The accounts have therefore been prepared based upon the going concern principle.

4.6 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 judgment 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.

4.7 Notes to the cash flow statement 2018

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, and income taxes are included in cash from operating activities. Issued loans and received loans to and from group companies, changes in bond values, proceeds from capital increases and movements in the other comprehensive income are included in cash from financing activities. Transactions not resulting in inflow or outflow of cash, are not recognized in the cash flow statement.

5 Accounting policies for the balance sheet

5.1 General information

The consolidated financial statements 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 Dutch Accounting Standards for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in Euro(s).

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and income statement include references to the notes.

5.2 Prior-year comparison

The valuation principles and method of determining the result are the same as those used in the previous year. The accounting policies have been consistently applied to all the years presented.

5.3 Foreign currencies

The financial statements are presented in Euro(s), which is the functional and presentation currency of Evonik Finance B.V.

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 year-end exchange rates are recognized in the income statement.

Translation differences on non-monetary assets held at cost are recognized using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

5.4 Loans to group companies

Receivables disclosed under loans to group companies are recognized initially at fair value of the amount owed net of any provisions considered necessary. These receivables are subsequently measured at amortized cost. Interests are accrued until date of payment.

Evonik Finance B.V. assesses at each balance sheet date whether there is objective evidence that a financial asset/liability or a group of financial assets/liabilities is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets/liabilities stated at amortized cost is measured as the difference between the asset's/liabilities carrying amount and the present value of estimated future cash flows, discounted at the financial asset's/liabilities 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 recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset/liability that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized through profit or loss.

5.5 Derivatives

Derivatives are initially recognized in the balance sheet at fair value, the subsequent valuation of derivative financial instruments depends on whether or not the instrument is listed. If the underlying object of the derivative financial instrument is listed on a stock exchange, it is valued at fair value. If the object is not listed, it will be stated at cost or lower market value for derivatives for which no hedge accounting is applied. Non-listed instruments for which hedge accounting is applied are stated at fair value. Recognition of changes in the value of a derivative financial instrument is dependent on whether or not the instrument is designated as a hedging instrument to which hedge accounting is applied. These derivative financial instruments are stated at fair value. The method for of accounting for changes in the value of the derivative instruments depends on whether hedge accounting is applied.

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. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

Evonik Finance B.V. applies hedge accounting. Evonik Industries AG documents the relationship between hedging instruments and hedged items at the inception of the transaction. Evonik Industries AG also tests its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. This can be done by comparing the critical characteristics of the hedge instrument with those of the hedged position, and/or by comparing the change in the fair value of the hedge instrument with the hedged position. If there is an indication of ineffectiveness, the company measures this potentially ineffective part by conducting a quantitative ineffectiveness analysis. Notional and maturity of the derivative and the loans match perfectly. Potential ineffectiveness might only occur due to the cross currency basis spreads (CCBS) which are part of the hedging instrument but not of the hedged item. As of 31 December 2018 effects of the CCBS have been measured, indicating that they are immaterial.

To measure the cross-currency swaps, future cash flows are calculated and then discounted. The calculated cash flows result from the contract conditions and the Chinese renminbi yuan (CNY) forward exchange rate (development of exchange rates expected by the market). Discounting is based on market interest rate data as of the reporting date for comparable instruments (EURIBOR rate of the same tenor).

With a cash flow hedge, the changes in fair value of the derivative hedging instrument are initially recognized in the cash flow hedge reserve to the extent that the hedge is effective. Amounts accumulated in the cash flow hedge reserve are reclassified to the income statement at the same time that the underlying hedged item affects net income. To the extent that the hedge is ineffective, the change in fair value is immediately recognized in net interest.

The purpose of fair value hedges is to hedge the fair value of assets or liabilities reflected on the balance sheet. Both changes in the fair value of the hedging instrument and changes in the value of the hedged item are recognized in the income statement. In view of this method, changes in the value of the hedged item and the hedge cancel each other out in the income statement.

Evonik Finance B.V. shall discontinue hedge accounting if:

- The hedging instrument expires or is sold, terminated or exercised
- The hedge no longer meets the criteria for hedge accounting
- The company revokes the designation

5.6 Deferred tax asset

Deferred tax assets are recognized for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognized insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses. The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law. Deferred income taxes are recognized at nominal value.

5.7 Other receivables

Other receivables presented under current assets include trade receivables. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost.

5.8 Cash and cash equivalents

Cash and cash equivalents include bank balances. Cash and cash equivalents are stated at face value.

5.9 Equity

Ordinary shares are classified incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

5.10 Deferred tax liability

Deferred tax liabilities are recognized for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law. Deferred tax balances are valued at nominal value.

5.11 Non-current Liabilities

Long-term borrowings are initially recognized at fair value, net of transaction costs incurred. Long-term borrowings are subsequently stated at amortized costs, 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 recognized as interest in the income statement over the period of the long-term borrowings using the effective interest method.

5.12 Current liabilities

Short-term borrowings are initially recognized at fair value, net of transaction costs incurred. After initial recognition short-term borrowings are subsequently stated at amortized costs, 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 recognized as interest in the income statement over the period of the long-term borrowings using the effective interest method.

5.13 Contingent liabilities

Contingent liabilities are possible or present financial obligations arising from past events where an outflow of resources is not probable but which are not recognized on the balance sheet.

6 Accounting policies for the income statement

6.1 General determination of result

The result is the difference between the financial income, financial expenses and the costs and other charges during the year. The results on transactions are recognized in the year in which they are realized.

6.2 Financial income and expenses

Interest paid and received is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognizing interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

Changes in the value of financial instruments recognized at fair value are recorded in the profit and loss account.

6.3 General and administrative expenses

General and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods sold.

6.4 Employee benefits

Employee costs (salaries and wages are presented as a separate item in the income statement. Salaries and wages included in the general and administrative expenses based on the terms of employment, where they are due to employees. Reference is made to note 9.2.

6.5 Exchange differences

Exchange differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they arise.

6.6 Income tax

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs.

The gross interest income on loans issued to Chinese and Mexican group companies is subject to withholding taxes. Evonik Finance B.V. only receives the net interest, the deducted withholding taxes are directly paid to the tax authorities in China and Mexico. The financial burden of the withholding taxes lies at Evonik Finance B.V.

Withholding taxes that are due on interest received are booked as income tax expense.

7 Financial instruments and risk management

All financial risk management of Evonik Finance B.V. is handled centrally by Evonik Industries AG.

All financial risk management of Evonik Finance B.V. is handled centrally by Evonik Industries AG. *AG* As an international company, Evonik is exposed to financial risks in the normal course of business. A major objective of corporate policy is to minimize the impact of market, liquidity, and default risks on both the value of the company and profitability in order to check adverse fluctuations in cash flows and earnings without forgoing the opportunity to benefit from positive market trends. For this purpose, a systematic financial and risk management system has been established. Interest rate and exchange rate risks are managed centrally by the Finance division of Evonik Industries AG.

The financial derivatives contracts used by Evonik are entered into exclusively in connection with a corresponding underlying transaction (hedged item) relating to normal operating business, which provides a risk profile directly opposite to that of the hedge. The instruments used are customary products found on the market. For the management of interest rates and exchange rates, they comprise currency swaps, forward exchange contracts, currency options, cross-currency interest rate swaps, and interest rate swaps (= fair value hedge).

For financial risk management purposes, Evonik follows the principle of separation of trading, risk controlling and back office functions and takes as its guide the banking-specific “Minimum Requirements for Trading Activities of Credit Institutions” (MaRisk) and the requirements of the German legislation on corporate control and transparency (KonTraG). Binding trading limits, responsibilities and controls are thus set in accordance with recognized best practices, and group-wide policies and principles are in place. All financial risk positions in the group have to be identified and evaluated. This forms the basis for selective hedging to limit risks.

Credit risks

The default risk (= credit risk) is managed at Group level. Three categories are defined for credit risk management, each of which is treated separately on the basis of its specific features. The categories are: financial counterparties (generally banks but also other financial institutions and industrial counterparties, insofar as derivatives transactions are concluded with them), other counterparties (mainly debtors and creditors), and countries. Credit risks are defined generally as a potential threat to earnings power and/or corporate value resulting from a deterioration of the respective contractual counterparty. More precisely, it means defaulting on payments as a result of financial difficulties/insolvency by the counterparty. On principle, Evonik does not hold any purchased or originated credit-impaired financial assets. To monitor any risk concentrations, the individual risk limits are set for business partners on the bases of internal and external ratings.

Credit risks relating to financial contracts are systematically examined when the contracts are concluded and monitored continuously afterwards by Evonik Industries AG.

Interest rates and cash flow risk

The aim of interest rate management is to protect net income from the negative effects of fluctuations in market interest rates and the resulting changes in fair values or cash flows. Interest rate risk is managed using derivative and non-derivative financial instruments. The aim is to achieve an appropriate ratio of fixed rates (with interest rates fixed for more than one year) and variable rates (terms of less than one year), taking costs and risks into account.

Currency risk

Main objective of currency risk management for Evonik Finance B.V. is to eliminate the currency risk relating to financing transactions that are not denominated in the functional currency of the company. Micro hedging is applied for non-current loans. The hedging instrument and related hedged item are then designated in a formal hedge relationship (cash flow hedge accounting). This synchronizes the earnings impact of the hedging instruments with hedged items that can only be recognized on the balance sheet at a later date. In the case of hedges on loans, it allows the distribution of hedging costs on a straight-line basis over the term of hedging relationship.

Currency risk management is carried out separately for operational risk positions (mainly trade accounts receivable and payable in foreign currencies) and risk positions arising from current financing activities such as cash pooling, bank deposits, and cash and cash equivalents.

Gross income and expenses from the currency translation of financing-related risk positions and financing-related currency hedging are netted analogously. The resulting net results for currency translation and currency hedging are recognized in other financial income/expense. The net presentation of the results reflects both the management of risk positions in the Evonik Group and the economic substance.

Due to the application of hedge accounting for micro hedging of foreign currency balance sheet exposure (for example, financing-related currency hedging of non-current loans through cross-currency interest rate swaps) their hedge results are only reflected in profit or loss for any ineffective portions of the hedge accounting relationship. By contrast, the effective results of micro-hedges reflected in cash flow hedge accounting and the hedging costs (forward components, time value of options, and foreign currency basis spreads) are recognized in other equity components until the hedged transaction is realized. In the case of currency hedges for loans for which cash flow hedge accounting is applied, the effective portion of the hedge is transferred from other equity components to offset the net result of currency translation of monetary assets and liabilities triggered by the hedged item.

Liquidity risks

Liquidity risk is managed at Evonik through business planning to ensure that the funds required to finance the current operating business and current and future investments at all Group companies are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments, and other financial activities are derived from a financing status and liquidity planning, which form part of liquidity risk management. Liquidity is pooled in a central cash management pool where this makes economic sense and is legally permissible. Central liquidity risk management facilitates low-cost borrowing and advantageous offsetting of financial requirements.

Evonik Finance B.V. participates in the cash pool of Evonik Industries AG. In addition, the Group’s financial independence is secured through a broadly diversified financing structure. As of December 31, 2018, Evonik had cash and cash equivalents amounting to €988 million. Alongside cash and cash equivalents and investments in current securities, Evonik’s central source of liquidity is a €1.75 billion revolving credit facility. Following exercise of the first extension option in June 2018, the credit facility concluded in June 2017 runs until June 2023, with a further option to extend it by one year to June 2024 at the latest. It was not utilized in 2018 and does not contain any covenants requiring Evonik to meet specific financial ratios.

8 Notes to the balance sheet as at December 31, 2018

NON-CURRENT ASSETS

8.1 Loans to group companies

	31/12/2018	31/12/2017
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.(1)	19.047.378	139.152.273
Loan to Cyplus Idesa S.A.P.I. de C.V.	-	34.186.611
Loan to Evonik Neolyse Ibbenbüren GmbH	-	19.000.000
Loans to Evonik Degussa GmbH (2)	998.035.439	997.786.760
Loans to Evonik Corporation (3)	451.179.039	861.502.543
Loan to Evonik Degussa China Co., Ltd. (4)	63.491.257	64.066.424
	1.531.753.113	**2.115.694.611**

The loans to group companies consist at 31 December 2018 of the following four loans:

1. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 150.000.000 CNY. This credit facility agreement is an amendment of the previous credit facility agreement of 342.500.000 CNY that had a maturity date of 2 February 2018. The new availability period started on 2 February 2018. The final maturity date is 2 February 2021. Interest is paid annually on each 2 February. The average interest rate in 2018 was 4,75%. This loan is fully covered by a cross currency swap. On 31 December 2018 the EUR equivalent of this loan €19.047.378
2. Two Credit Facility Agreements with Evonik Degussa GmbH for the facility amount of 1.000.000.000 EUR in total. The availability period started on 1 October 2016. The Final maturity date is 7 September 2024 for 500.000.000 EUR and 7 September 2028 for another 500.000.000 EUR. Interest has and will be paid at 7 September each year. The average interest rate in 2018 was 1,15%. On 31 December 2018 the loans amounted to €998.035.439, including the disagio.
3. A Credit Facility Agreement with Evonik Corporation for the facility amount for two loans of each 516.600.000 USD. The availability period started on 20 December 2016 and both loans have been fully drawn on 3 January 2017. The final maturity date for the second loan is on 6 May 2021. Interests for this loan will be paid semiannually on 6 May and 6 November. The average interest rate in 2018 was 3,20%. This loan is fully covered by a cross currency swap. On 31 December 2018 the EUR equivalent of this loan €451.179.039.
4. A Credit Facility Agreement with Evonik Degussa (China) Co., Ltd. for the facility amount of CNY 500.000.000. The availability period started on 20 July 2017. The final maturity date is 16 March 2020. Interest will be paid annually on 16 March. The average interest rate in 2018 was 4,85%. This loan is fully covered by a cross currency swap. On 31 December 2018 the EUR equivalent of this loan €63.491.257.

The below movement schedule shows the changes in the loans during 2018:

	2018	2017
	€	€
Balance as at 1 January	**2.115.694.611**	**1.438.023.507**
New granted loan	19.096.117	1.073.585.413
Terminated loans	-	-202.543.177
Disagio loan Evonik Degussa GmbH	248.679	245.861
Currency translation effect	20.643.640	-149.731.493
Reclassification to short term loan	-623.929.934	-43.885.500
Balance as at 31 December	**1.531.753.113**	**2.115.694.611**

The total fair value of the loans to group companies approximates €1.466.347.255 on 31 December 2018.

8.2 Deferred tax asset

On 31 December 2018 a deferred tax asset was created. The deferred tax assets mainly relates to tax credits that can be offset against future profits of €1.926.871, further a deferred tax asset of €17.607 was created on the unrealized losses of foreign exchange revaluations. Additionally a deferred tax asset was created on the rating agency fees of €138.718.

The deferred tax asset can be specified as follows:

	Tax credits	Foreign exchange revaluation	Rating agency fees	Total
	€	€	€	€
Balance as at 1 January 2018	**1.597.563**	**225.629**	**-**	**1.823.192**
Change in deferred tax asset	329.308	-208.022	138.718	260.004
Balance as at 31 January 2018	**1.926.871**	**17.607**	**138.718**	**2.083.196**

8.3 Derivatives

On 31 December 2018 Evonik Finance B.V. had 10 cross currency swaps, 1 interest rate swap and 4 FX swaps. The cross-currency swaps are designated in a cash flow hedge. The interest rate swap is designated in a fair value hedge. For 10 cross-currency swaps and 1 interest rate swap hedge accounting is applied. For 4 FX swaps no hedge accounting is applied.

Cross-currency swaps

The notional amounts and fair value of the cross-currency swaps are shown in the analysis below.

Non-current asset

Derivative	Start date	Maturity date	Notional value		Dirty market value 31.12.2018		Dirty market value 31.12.2017	
Cross-currency swap	03.01.2017	06.05.2021	USD	516.600.000	EUR	47.337.647	EUR	65.280.361

Current assets

Derivatives	Start date	Maturity date	Notional value		Dirty market value 31.12.2018		Dirty market value 31.12.2017	
Cross-currency swap	03.01.2017	06.05.2019	USD	516.600.000	EUR	43.881.293	EUR	66.190.015
Cross-currency swap	20.04.2015	18.01.2019	EUR	21.953.483,70	EUR	294.346	EUR	401.800

Non-current liabilities

Derivatives	Start date	Maturity date	Notional value	Dirty market value 31.12.2018	Dirty market value 31.12.2017
Cross-currency swap	02.02.2018	02.02.2021	CNY 150.000.000	EUR 1.149.013	EUR -
Cross-currency swap	20.07.2017	16.03.2020	CNY 250.000.000	EUR 1.078.986	EUR 407.315
Cross-currency swap	20.09.2017	16.03.2020	CNY 250.000.000	EUR 1.210.435	EUR 260.716

Current liabilities

Derivatives	Start date	Maturity date	Notional value	Dirty market value 31.12.2018	Dirty market value 31.12.2017
Cross-currency swap	11.03.2014	15.11.2019	CNY 86.000.000	EUR 629.140	EUR 310.636
Cross-currency swap	07.01.2014	15.04.2019	CNY 100.000.000	EUR 675.570	EUR 417.741
Cross-currency swap	07.01.2014	15.04.2019	CNY 20.000.000	EUR 135.114	EUR 83.548
Cross-currency swap	15.05.2013	18.01.2019	CNY 175.000.000	EUR 955.276	EUR 610.241

For the cross-currency swaps mentioned in the table above hedge accounting is applied. The cross-currency swaps are designated in a cash flow hedge.

The cross-currency swaps are contracted with Evonik Industries AG to hedge the foreign currency risk on the intercompany loans which are not covered by back to back financing. The notional amounts correspond to the volume of exposure hedged with the cash flow hedge. The dirty market value consists of the clean market value and the net interests on the derivatives. The total change in the clean market value of the cross currency swaps amounts to EUR 41.923.077. Both the changes in the clean market values of the cross currency swaps and the revaluations of the loans underlying these financial instruments are recorded in the revaluation hedge reserve. The changes in clean market value are shown in the table below.

Assets

Derivatives	Start date	Maturity date	Notional value	Clean market value 31.12.2018	Clean market value 31.12.2017	Change in clean market value
Cross-currency swap	03.01.2017	06.05.2021	USD 516.600.000	EUR 47.591.667	EUR 65.432.696	EUR -17.841.029
Cross-currency swap	03.01.2017	06.05.2019	USD 516.600.000	EUR 45.151.020	EUR 67.380.301	EUR -22.229.281
Cross-currency swap	20.04.2015	18.01.2019	EUR 21.953.483,70	EUR 4.981	EUR 111.931	EUR -106.950
Total				**EUR 92.747.668**	**EUR 132.924.928**	**EUR -40.177.260**

Liabilities

Derivatives	Start date	Maturity date	Notional value	Clean market value 31.12.2018	Clean market value 31.12.2017	Change in clean market value
Cross-currency swap	02.02.2018	02.02.2021	CNY 150.000.000	EUR 347.456	EUR -	347.456
Cross-currency swap	20.07.2017	16.03.2020	CNY 250.000.000	EUR -79.680	EUR -135.127	55.447
Cross-currency swap	20.09.2017	16.03.2020	CNY 250.000.000	EUR 103.356	EUR -256.054	359.410
Cross-currency swap	11.03.2014	15.11.2019	CNY 86.000.000	EUR 602.956	EUR 283.943	319.013
Cross-currency swap	07.01.2014	15.04.2019	CNY 100.000.000	EUR 499.932	EUR 239.814	260.118
Cross-currency swap	07.01.2014	15.04.2019	CNY 20.000.000	EUR 99.986	EUR 47.963	52.023
Cross-currency swap	15.05.2013	18.01.2019	CNY 175.000.000	EUR 255.208	EUR -97.142	352.350
Total				**EUR 1.829.214**	**EUR 83.397**	**1.745.817**
Total assets and liabilities				**EUR 90.918.454**	**EUR 132.841.531**	**EUR -41.923.077**

Fair value hedge

The fair value hedge was entered into and contracted with Evonik Industries AG. The impact of this measurement in 2018 is an increase in the fair value of the zero coupon bond with approx. €3,5 million in comparison with 2017.

Non-current assets

Derivative	Start date	Maturity date	Notional value	MtM value 31.12.2018	MtM value 31.12.2017
Fair value hedge	10.01.2017	08.03.2021	EUR 650.000.000	EUR 1.461.906	EUR -2.029.109

For the above mentioned financial instruments hedge accounting is applied. The fair value movement on these derivatives is recognized in the income statement.

Other derivatives
The other derivatives relate to FX swaps contracted with Evonik Industries AG. These derivatives are closed to offset the exchange rate results on the loans granted to Cyplus Idesa S.A.P.I. de C.V.

Current assets

Derivatives	Start date	Maturity date	Notional value		MtM value 31.12.2018		MtM value 31.12.2017	
FX Swap	21.09.2017	23.03.2018	USD	311.334	EUR	-	EUR	360
FX Swap	21.09.2017	23.03.2018	USD	11.500.000	EUR	-	EUR	12.432
FX Swap	26.11.2018	28.05.2019	USD	100.000	EUR	457	EUR	-

Current liabilities

Derivatives	Start date	Maturity date	Notional value		MtM value 31.12.2018		MtM value 31.12.2017	
FX Swap	21.09.2018	25.03.2019	USD	369.938	EUR	11.708	EUR	-
FX Swap	21.09.2018	25.03.2019	USD	11.500.000	EUR	359.370	EUR	-
FX Swap	20.12.2018	27.06.2019	USD	164.000	EUR	349	EUR	-

For the above mentioned financial instruments no hedge accounting is applied.

CURRENT ASSETS

All receivables mentioned below fall due in less than one year. Due to the short term nature the fair value approximates the carrying value.

8.4 Loans to group companies

	31/12/2018	31/12/2017
	€	€
Loans to Evonik Spec Chem (Shanghai) Co. (1,2,3,4)	137.903.012	43.885.500
Loan to Cyplus Idesa S.A.P.I. de C.V.* (5)	40.254.168	-
Loan to Evonik Neolyse Ibbenbüren GmbH* (6)	23.625.000	-
Loans to Evonik Corporation (7)	451.179.039	-
	652.961.219	**43.885.500**

*The loans underlying the credit facility agreement have a maturity of 1 year. On the maturity date of the loan it is decided whether the loan will be prolonged for another year. These loans were previously presented as long term.

The short term loans to group companies consist at 31 December 2018 of the following loans:

1. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 350.000.000 CNY. The availability period started on 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate in 2018 was 4,74%. This loan is partly covered by a cross currency swap of 175.000.000 CNY. On 31 December 2018 the EUR equivalent of this loan €44.443.880.
2. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 350.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2018 was 5,51%. This loan is partly covered by a cross currency swap of 100.000.000 CNY. On 31 December 2018 the EUR equivalent of this loan €44.443.880.

3. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 80.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2018 was 5,70%. This loan is partly covered by a cross currency swap of 20.000.000 CNY. On 31 December 2018 the EUR equivalent of this loan €10.158.601.
4. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 306.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 30 November 2019. Interest is paid annually on each 15 November. The average interest rate in 2018 was 5,79%. This loan is partly covered by a cross currency swap of 86.000.000 CNY. On 31 December 2018 the EUR equivalent of this loan €38.856.651.
5. A Credit Facility Agreement with Cyplus Idesa, S.A.P.I. de C.V. for the facility amount of 46.400.000 USD. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate in 2018 was 6,78%. On 31 December 2018 the EUR equivalent of this loan €40.254.168, including the impairment of €269.851.
6. A Credit Facility Agreement with Neolyse Ibbenbüren GmbH for the facility amount of 26.250.000 EUR. The availability period started on 10 November 2015. The final maturity date is 31 December 2027. Interest is paid in various periods. The average interest rate in 2018 was 1,15%. On 31 December 2018 only €23.625.00 has been drawn as a loan.
7. A Credit Facility Agreement with Evonik Corporation for the facility amount for two loans of each 516.600.000 USD. The availability period started on 20 December 2016 and both loans have been fully drawn on 3 January 2017. The final maturity date for the first loan is on 6 May 2019. Interests for this loan will be paid semiannually on 6 May and 6 November. The average interest rate in 2018 was 2,50%. This loan is fully covered by a cashflow hedge. On 31 December 2018 the EUR equivalent of this loan €451.179.039.

The below movement schedule shows the changes in the loans to group companies during 2018:

	2018 €	2017 €
Balance as at 1 January	**43.885.500**	**-**
New granted loans - Neolyse	5.000.000	-
New granted loans - Cyplus	4.719.432	-
Repaid loan - Shanghai	-43.885.500	-
Repaid loan - Neolyse	-375.000	-
Currency translation effect	19.686.853	-
Reclassification to short term loan	623.929.934	43.885.500
Balance as at 31 December	**652.961.219**	**43.885.500**

8.5 Tax receivables

	31/12/2018 €	31/12/2017 €
VAT	7.054	9.057
	7.054	**9.057**

All receivables mentioned above fall due in less than one year.

8.6 Other receivables

	31/12/2018	31/12/2017
	€	€
Trade receivables	4.104	-
Prepaid expenses	1.983	1.983
	6.087	**1.983**

All receivables mentioned above fall due in less than one year.

8.7 Receivables from group companies

	31/12/2018	31/12/2017
	€	€
Cashpool with Evonik Industries AG	4.585.733	-
	4.585.733	**-**

The receivable from group companies reflects the cashpool position towards Evonik Industries AG. The average interest rate on the cashpool is 0% (2017: 0%)

The company holds accounts with the Unicredit, HSBC bank and the JP Morgan bank. These accounts have a zero balance (due to the cash pooling with Evonik Industries AG) at the balance sheet date.

8.8 Interest receivable

	31/12/2018	31/12/2017
	€	€
Accrued interest Evonik Spec Chem (Shanghai) Co.	4.541.199	5.862.540
Accrued interest Cyplus Idesa S.A.P.I. de C.V.	417.430	304.982
Accrued Interest Neolyse Ibbenbüren GmbH	167.509	116.469
Accrued interest Evonik Degussa GmbH	3.648.438	3.648.438
Accrued interest Evonik Corporation	4.000.454	3.819.328
Accrued interest Evonik Degussa (China) Co., Ltd.	2.096.498	970.962
	14.871.528	**14.722.719**

All receivables mentioned above fall due in less than one year.

EQUITY AND LIABILITIES

8.9 Equity

	Issued share capital	Share premium	Revaluation Hedge Reserve	Retained earnings	Total
	€	€	€	€	€
At January 1, 2018	**50.000**	**213.090.000**	**3.236.403**	**10.901.409**	**227.277.812**
Capital Increase February 2, 2018	€ -	€ 19.100.000	**€ -**	€ -	€ 19.100.000
Revaluation Hedge Reserve	€ -	€ -	**€ -2.129.726**	€ -	€ -2.129.726
Deferred tax asset on OCI	€ -	€ -	**€ -276.669**	€ -	€ -276.669
Result at December 31, 2018	€ -	€ -	**€ -**	€ 4.750.142	€ 4.750.142
At December 31, 2018	**50.000**	**232.190.000**	**830.008**	**15.651.551**	**248.721.559**

Share capital
At the balance sheet date, the authorized share capital of Evonik Finance B.V. amounts to €250.000, divided into 2.500 ordinary shares of € 100 each. Of these, 500 ordinary shares have been issued and fully paid. All shares are held by Evonik Industries AG.

Share premium
On 2 February 2018 Evonik Finance B.V. received a capital contribution of €19.100.000 from its shareholder Evonik Industries AG to refinance the new loan issued to Evonik Specialty Chemicals (Shanghai) Co., Ltd. This loan was not covered by back to back financing.

Revaluation hedge reserve
The revaluation hedge reserve is a legal reserve according to Dutch law and can therefore not be distributed as dividend to the shareholder. Hedge accounting was applied on the outstanding financial instruments (cash flow hedge) between Evonik Industries AG and Evonik Finance B.V.

The balance in the revaluation hedge reserve can be broken down as follows:

Revaluation Hedge Reserve	Clean market value change	Currency translation effects loans	Total
At January 1, 2018	**€ 132.812.997**	**€ -129.576.594**	**€ 3.236.403**
Changes	€ -41.923.077	€ 39.793.351	**€ -2.129.726**
At December 31, 2018	**€ 90.889.920**	**€ -89.783.243**	**€ 1.106.677**

Additionally a deferred tax liability of €276.669 was created for the amount in the revaluation hedge reserve.

Proposed appropriation of result

Following the profit appropriation proposed by the Management Board and pursuant to Article 18 sub 2 of the Articles of Association, the Management Board proposes to add the profit of €4.750.142 to the retained earnings reserves.

The management proposes the following appropriation of result:

	2018
	€
Addition to retained earnings reserve	4.750.142
Total addition to the retained earnings	**4.750.142**

This proposal, that is yet to be approved by the general meeting of shareholders, has already been taken into account in these annual statutory account.

8.10 Deferred tax liability

On 31 December 2018 there was a deferred tax liability of €276.669 created on the gain recorded in the revaluation hedge reserve.

NON-CURRENT LIABILITIES

8.11 Loans from group companies

	31/12/2018	31/12/2017
	€	€
Loans from Evonik Industries AG (Shanghai)	-	90.333.657
Loan from Evonik Industries AG (Mexico)	-	24.597.682
Loan from Evonik Industries AG (Neolyse)	-	19.000.000
Loans from Evonik Industries AG	**-**	**133.931.339**

The movement schedule for the loans from group companies is as follows:

	2018	2017
	€	€
Balance as at 1 January	**133.931.339**	**363.864.218**
New granted loans	-	14.872.309
Terminated loans	-	-189.737.768
Currency translation effect	50.963	-11.181.920
Reclassification to short term	-133.982.302	-43.885.500
Balance as at 31 December	**-**	**133.931.339**

8.12 Bonds

On September 7, 2016 Evonik Finance B.V. issued bonds with a nominal value of €1,9 billion. In total Evonik Finance B.V. issued three fixed tranches:

1. €650 million with a tenor of 4.5 years and a coupon of 0%. Issued price: 99,771%
2. €750 million with a tenor of 8 years and a coupon of 0,375%. Issued price: 99,490%
3. €500 million with a tenor of 12 years and a coupon of 0,750%. Issued price 98,830%

The bonds were issued at discount. The repayment of the bonds to the investors is guaranteed by Evonik Industries AG. As of January 2017 the zero coupon bond is subsequently stated at fair value. For the zero coupon bond a fair value hedge was closed and contracted with Evonik Industries AG. The impact of this fair value hedge in 2018 is an increase in the fair value of the zero coupon bond with approx. €3,5 million. Hedge accounting is applied for the fair value hedge.

	Nominal value in € million	Rating (S&P/Moody)	Issue price in percent	Fair value price in € 31.12.2018	Maturity	Coupon in percent	interest payment date	Interest	Book value in € 31.12.2018
Fixed interest bond 2016/2021	650.000.000	BBB+/Baa1	99,771	646.230.000	08.03.2021	0,000	-	-	650.003.310
Fixed interest bond 2016/2024	750.000.000	BBB+/Baa1	99,490	720.450.000	07.09.2024	0,375	07.09.2019	893.835	745.990.146
Fixed interest bond 2016/2028	500.000.000	BBB+/Baa1	98,830	452.200.000	07.09.2028	0,750	07.09.2019	1.191.781	494.092.672
Total	**1.900.000.000**			**1.818.880.000**				**2.085.616**	**1.890.086.128**

The total fair value of the bonds approximates €1.818.880.000 on December 31, 2018.

The movement schedule for the bonds is as follows:

	2018	2017
	€	€
Balance as at 1 January	**1.884.688.547**	**1.884.929.668**
Disagio	1.894.956	1.874.872
Fair value hedge	3.502.625	-2.115.993
Balance as at 31 December	**1.890.086.128**	**1.884.688.547**

CURRENT LIABILITIES

All liabilities mentioned below fall due in less than one year. Due to the short term nature the fair value approximates the carrying value.

8.13 Loans from group companies

	31/12/2018	31/12/2017
	€	€
Loans from Evonik Industries AG (Shanghai) (1,2,3,4)	89.522.673	43.885.500
Loan from Evonik Industries AG (Mexico)*(5)	30.393.013	-
Loan from Evonik Industries AG (Neolyse)*(6)	23.625.000	-
	143.540.686	**43.885.500**

*The loans underlying the credit facility agreement have a maturity of 1 year. On the maturity date of the loan it is decided whether the loan will be prolonged for another year. These loans were previously presented as long term.

The loans granted by Evonik Industries AG partly serve as back to back financing for the loans granted to Evonik Specialty Chemicals (Shanghai) Co., Cyplus Idesa S.A.P.I. de C.V. and Neolyse Ibbenbüren GmbH. The remaining financing by Evonik Industries AG is done through capital injections in the equity of Evonik Finance B.V. The currency risk is mitigated by the contracting of cross currency swap agreements.

The loans from Evonik Industries AG consist at December 31, 2018 of six loans:

1. A Credit Facility Agreement for the facility amount of 175.000.000 CNY. The availability period started on 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate in 2018 was 3,97%. On 31 December 2018 the EUR equivalent of this loan was €22.221.940.

2. A Credit Facility Agreement for the facility amount of 250.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2018 was 4,56%. On 31 December 2018 the EUR equivalent of this loan was €31.745.629.
3. A Credit Facility Agreement for the facility amount of 60.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2018 was 4,70%. On 31 December 2018 the EUR equivalent of this loan was €7.618.951.
4. A Credit Facility Agreement for the facility amount of 220.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 15 November 2019. Interest is paid annually on each 15 November. The average interest rate in 2018 was 4,70%. On 31 December 2018 the EUR equivalent of this loan was €27.936.153.
5. A Revolving Line of Credit for the facility amount of 34.800.000 USD. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate in 2018 was 2,83%. On 31 December 2018 the EUR equivalent of this loan was €30.393.013.
6. A Revolving Line of Credit for the facility amount of 26.250.000 EUR. The availability period started on 16 February 2016. The final maturity date is 31 December 2027. The interest is paid in various periods. The average interest rate in 2018 was 0,90%. On 31 December 2018 only €23.625.00 has been drawn as a loan.

The movement schedule for the loans from group companies is as follows:

	2018	2017
	€	€
Balance as at 1 January	**43.885.500**	-
New granted loan - EVI - Neolyse	5.000.000	-
New granted loan -EVI - Mexico	4.631.428	-
Repayment loan - EVI-Neolyse	-375.000	-
Terminated loans	-43.885.500	-
Currency translation effect	301.956	-
Reclassification to short term	133.982.302	43.885.500
Balance as at 31 December	**143.540.686**	**43.885.500**

8.14 Creditors

	31/12/2018	31/12/2017
	€	€
Creditors – group companies	5.700.820	7.506.557
Creditors – external	29.217	22.776
	5.730.037	**7.529.333**

The creditors mentioned above fall due in less than one year.

8.15 Payable to group companies

	31/12/2018	31/12/2017
	€	€
Payable to group companies	-	342.814
	-	**342.814**

The payable to group companies mentioned above fall due in less than one year.

8.16 Interest payable to group companies

	31/12/2018	31/12/2017
	€	€
Interest loan Evonik Industries AG (Shanghai)	2.348.269	4.000.449
Interest loan Evonik Industries AG (Jilin)	-	8.964
Interest loan Evonik Industries AG (Mexico)	118.560	61.200
Interest loan Evonik Industries AG (Neolyse)	131.094	91.150
	2.597.923	**4.161.763**

8.17 Interest payable on bonds

	31/12/2018	31/12/2017
	€	€
Interest on bonds	2.085.616	2.085.616
	2.085.616	**2.085.616**

The interest on bonds can be broken down as follows:

	Nominal value in € million	Rating (S&P/Moody)	Issue price in percent	Maturity	Coupon in percent	interest payment date	Interest
Fixed interest bond 2016/2021	650.000.000	BBB+/Baa1	99,771	08.03.2021	0,000	-	-
Fixed interest bond 2016/2024	750.000.000	BBB+/Baa1	99,490	07.09.2024	0,375	07.09.2019	893.835
Fixed interest bond 2016/2028	500.000.000	BBB+/Baa1	98,830	07.09.2028	0,750	07.09.2019	1.191.781
Total	**1.900.000.000**						**2.085.616**

8.18 Contingent liabilities

As per 31 December 2018 there is an outstanding guarantee that should be considered as a contingent liability totaling € 1,3 million (2017: €1,2 million). The guarantee of €1,3 million was granted to the German European School Singapore (GESS) to secure the facility agreement between GESS and Deutsche Bank AG.

9 Notes to the income statement 2018

9.1 Financial income and expense

Financial income	2018	2017
	€	€
Interest loan Cyplus Idesa S.A.P.I. de C.V.	2.448.972	2.120.447
Interest loan Evonik Specialty Chemicals (Shanghai)	8.553.094	10.365.265
Interest loan Evonik Specialty Chemicals (Jilin)	-	2.609.554
Interest loan Evonik Degussa China Co., Ltd.	3.133.228	1.156.794
Interest loan Evonik Methionine SEA Pte. Ltd.	-	105.330
Interest loan Evonik Degussa GmbH	11.728.679	11.725.861
Interest loan Neolyse Ibbenbüren GmbH	273.213	173.011
Interest loan Evonik Corporation	25.817.981	26.163.453
Interest loan Evonik Industries AG (takeover Jilin)	-	1.793.048
Interest financial derivatives	6.638.904	6.651.860
Interest on cash pool	2.273	2.420
Exchange rate gain	457.526	-
Gain valuation derivatives	-	5.001.319
	59.053.870	**67.868.362**

Financial expenses	2018	2017
	€	€
Interest loan Cyplus Idesa S.A.P.I. de C.V.	721.816	484.161
Interest loan Evonik Industries AG (Shanghai)	4.231.868	6.044.366
Interest loan Evonik Industries AG (Jilin)	-	1.548.467
Interest loan Evonik Industries AG (Neolyse)	213.819	135.400
Interest bonds	8.457.457	8.437.372
Interest financial derivatives	31.945.166	30.012.833
Interest cash pool	1.734	1.327
Guarantee fees	5.700.000	7.506.557
Bank charges	4.155	4.124
Exchange rate loss	-	9.330.592
Loss valuation derivatives	741.176	-
Impairment loan Cyplus Idesa S.A.P.I. de C.V.	269.851	-
	52.287.042	**63.505.199**

9.2 General and administrative expenses

General and administrative expenses	2018	2017
	€	€
Office expenses	18.088	13.250
Financial services	70.000	69.996
Financial audit fees	29.000	30.000
Management fees	37.500	37.092
Management assistant fees	7.800	7.728
Consultancy and legal fees	-	13.345
Other services	39.657	20.852
Other taxes	707.582	798.582
IT and Communication expenses	525	625
Travel expenses	6.247	3.599
Salaries and wages	12.911	12.365
	929.310	**1.007.434**

The other services can be broken down as follows:

Other services	2018	2017
	€	€
Fee Luxembourg stock exchange	500	500
Fee CSSF	6.000	4.500
Fee EQS	3.400	3.850
Fee HR services	3.731	3.567
Fee audit committee	16.000	8.000
Fees relating to the debt issuance program	9.750	-
Postal charges	276	435
	39.657	**20.852**

9.3 Audit fees

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

2018	PwC Accountants	Total
	€	€
Audit of the financial statements	29.000	29.000
Other audit services	0	0
Other non-audit services	0	0
	29.000	**29.000**

2017	PwC Accountants	Total
	€	€
Audit of the financial statements	30.000	30.000
Other audit services	0	0
Other non-audit services	0	0
	30.000	**30.000**

The fees listed above relate to the procedures applied to Evonik Finance B.V. only by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (‘Wet toezicht accountantsorganisaties - Wta’) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

9.4 Income tax expense/income

The income tax result of €1.087.376 can be broken down as follows:

	2018	2017
	€	€
Income deferred taxes*	260.004	3.166.145
Withholding taxes**	-1.347.380	-1.428.179
Income tax	**-1.087.376**	**1.737.966**

*Income deferred taxes consists of an increase in deferred tax asset created for tax credits of €329.308 and a decrease in deferred tax asset created on the unrealized losses on foreign exchange revaluations of €208.022, additionally a deferred tax asset of €138.718 was created on the rating agency fees.

**The withholding taxes relate to the interest income on the issued loans to Evonik Specialty Chemicals (Shanghai) Ltd., Evonik Degussa (China) Co. Ltd. and Cyplus Idesa S.A.P.I. de C.V. The gross interest income is subject to withholding tax.

Tax calculation	**2018**	**2017**
	€	**€**
Profit before taxes	5.837.518	3.355.729
Theoretical taxes to be paid**	-1.449.380	-828.932
Income tax expense (withholding taxes)	-1.347.380	-1.428.179
Income deferred taxes	260.004	3.166.145
Commercial tax rate***	19%	52%

*Applicable tax rate: 20,0% over the taxable income until: € 200.000
*Applicable tax rate: 25,0% over all further income above: € 200.000

** As there were enough withholding taxes to offset against the profit before taxes, no corporate income tax expense has been created.

*** The commercial tax rate deviates from the applicable tax rate due to the fact that the profit before taxes includes exempt profit components such as unrealized FX results. Therefore there is a difference between the profit before taxes and the taxable profit. The taxable profit was fully offset against tax credits (withholding taxes) which include tax credits from prior years.

9.5 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. The ultimate shareholder of the company is Evonik Industries AG, Essen (Germany). All companies in which Evonik Industries AG ultimately has a majority interest are considered to be a related party. Significant transactions in 2018 with related parties of Evonik Finance B.V. are disclosed in the notes 8.1, 8.4, 8.3, 8.6, 8.7, 8.8, 8.11, 8.13, 8.14, 8.15, 8.16 and 9.1.

Evonik International Holding B.V. provides management services to Evonik Finance B.V. in 2018, the cost of these management services amounted to €37.500 (2017: €37.092).

9.6 Average number of employees

During 2018, 0 employees were employed on a full-time basis (2017: 0). In 2018 there was 1 employee employed for 0,1 FTE (2017: 0,1 FTE). Of these employees, 0 were employed outside the Netherlands (2017: 0). The average number of employees of proportionally consolidated companies was 0 in 2018 (2017: 0).

9.7 Director´s remuneration

	2018	2017
	€	€
Current directors	12.911	12.365
	12.911	**12.365**

The total directors' remuneration is partly paid by Evonik Finance B.V. as salary and partly expenses by Evonik International Holding B.V. through the management fee as disclosed in note 9.5 Related parties.

9.8 Events after balance sheet date

No significant event has taken place after ending of the financial year, which would have substantial impact on these annual accounts, as per December 31, 2018.

Amsterdam, March 21, 2019

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

Evonik Finance B.V.
Hettenheuvelweg 37/39
1101 BM, Amsterdam

OTHER INFORMATION

10 INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To: the audit committee, general meeting and supervisory board of Evonik Finance B.V.

Report on the financial statements 2018

Our opinion

In our opinion, Evonik Finance B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its result and its cash flows 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 accompanying financial statements 2018 of Evonik Finance B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2018;
- the income statement for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework 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. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Evonik Finance B.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands.

D5W76JSY5JTH-712958083-18

Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Evonik Industries AG as disclosed in note 4.1 to the financial statements. The Company has derivative financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 4.6 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement valuation of the loans issued and derivative valuation, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued and hedge accounting as key audit matter because the importance of existence for users of the financial statements and the detailed requirements for hedge accounting.

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.

We ensured that the audit teams included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included a specialist in the area of *valuation* in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €22,981,000 (2017: €23,000,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones.

Inherent to the nature of the company's business, the amounts in the financial statements are large in proportion to the income statement line items personnel expenses, other operating expenses and income taxation. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €1,149,000 (2017: €1,150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year, there have been no changes in key audit matters.

Key audit matter	***How our audit addressed the matter***
Valuation of the loans issued *Note 8.1* We consider the valuation of the loans issued, as disclosed in note 8.1 and 8.4 to the financial statements for a total amount of €1,531,753,113 (non-current) and €652,961,219 (current) to be a key audit matter. This is because the board of directors has to identify objective evidence of impairment, which is very important and judgemental, and because of the possible material effect an impairment may have on the financial statements. The board of directors did not identify any objective evidence that a loan is impaired.	We performed the following procedures to test the board of directors' assessment of the expected credit loss to support the valuation of the loans issued to Evonik group companies: • We evaluated the financial position of the counterparties of loans issued and their ability to repay the notional and interest to the Company, by assessing observable data from rating agencies, developments in credit spreads, current financial data (such as recent financial information and cash flows) and other publicly available data and by discussing and obtaining information from the group auditor. We found the board of directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Key audit matter	How our audit addressed the matter
Existence of the loans issued *Note 8.1* We consider the existence of the loans issued, as disclosed in note 8.1 and 8.4 to the financial statements for a total amount of €1,531,753,113 (non-current) and €652,961,219 (current), to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.	We performed the following procedures to support the existence of the loans issued to Evonik group companies: • We confirmed the existence of the loans with the counterparties on a sample basis. • We tested the input of contracts in the Company's treasury management system. • We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread. • We compared interest receipts with bank statements. Based on the procedures as set out above, we found no material differences.
Derivative valuation *Note 8.3* We consider the fair value of the derivatives portfolio of €48,799,533 (non-current asset), €44,176,096 (current asset), €3,438,434 (non-current liabilities) and €2,766,527 (current liabilities) as disclosed in note 8.3 to the financial statements and used in the Company's hedge effectiveness testing to be a key audit matter. This is due to the nature of the portfolio that includes longer-dated interest rate swaps and cross-currency interest rate swaps. The market for these swaps is not fully liquid, and therefore valuation is a complex.	We performed the following procedures to support the valuation of derivatives: • We tested the valuation of derivatives as well as the valuation of hedged items in hedge accounting relationships (when relevant) by testing the input of contracts in the Company's valuation system on a sample basis. • We reconciled the interest rate curves and other market data with independent sources. • We assessed whether the settings used in the valuation system and the models are in line with market practice. • We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. We found the board of directors' assumptions used in the valuation of derivatives to be reasonable compared to market data and the chosen models to be in line with market practice. Based on the procedures as set out above we found no material differences.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Evonik Finance B.V. by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of nine years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 9.3 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements 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 the 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.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. 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.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Rotterdam, 21 March 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2018 of Evonik 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 judgement 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 other things of the following:

- 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 supervisory board 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board 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 supervisory board, 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.