Audited Financial Report 2019
Evonik Finance B.V.

Amsterdam

Contents

DIRECTORS' REPORT

Annual Report 2019 of Board of Directors

We herewith report you on the exercise of our mandate over the financial year, ending by December 31, 2019 and present you the annual accounts of Evonik Finance B.V. Our 2019 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.

New corporate structure

In the reporting period, our specialty chemicals operations were divided into three chemical manufacturing segments. These operate close to their markets and customers and have a high degree of entrepreneurial independence.

Corporate structure 2019

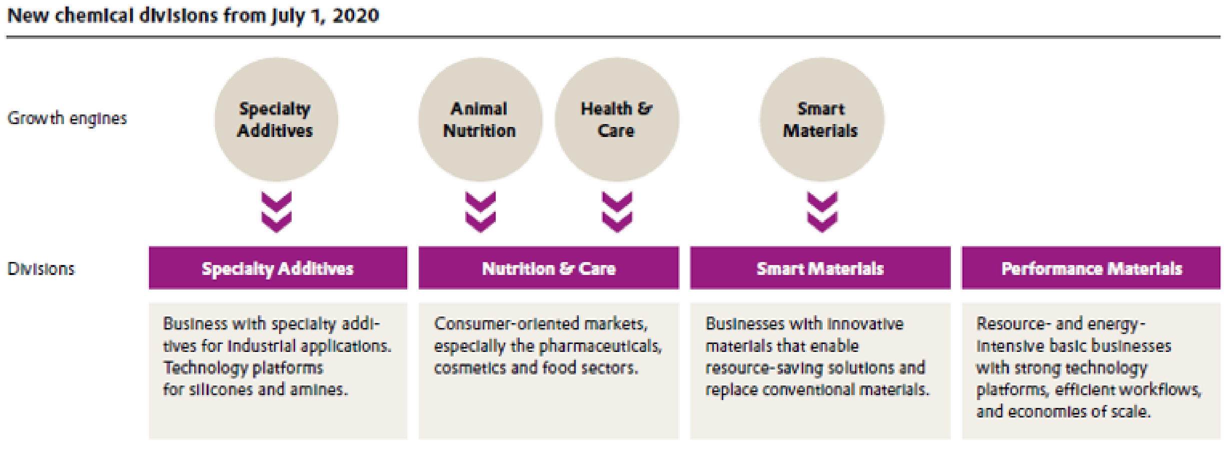
	Evonik			
Segments	**Nutrition & Care**	**Resource Efficiency**	**Performance Materials**	**Services**
	Specialty chemicals for consumer goods for daily needs, animal nutrition, and healthcare products.	High-performance materials and specialty additives for environment-friendly and energy-efficient system solutions for the automotive, paints, coatings, adhesives, and construction industries, and many other sectors.	Production of precursors for polymer materials and intermediates, mainly for the rubber, plastics, and agriculture industries.	Site services and group-wide administrative, operational, and technical 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. Investments and, where appropriate, alliances concentrate on securing and extending our good market positions.

[1] We define these as ranking 1st, 2nd, or 3rd in the relevant markets. Source: Internal analyses based on 2018

As of July 1, 2020, our corporate structure will be reorganized and aligned to our four growth engines. The size and profitability of the new chemical divisions will be more balanced and they will be easier to manage thanks to a clearer alignment to technology platforms.



Key Figures Evonik Finance B.V.

Overview in €	2019	2018
Operating result	**-543.634**	**-929.310**
Financial result	**1.855.942**	**6.766.828**
Profit/loss of financial year	**-1.280.375**	**4.750.142**
As at	31-12-2019	31-12-2018
Financial fixed assets	**1.493.453.325**	**1.582.635.862**
Current assets	**655.656.359**	**716.607.717**
Equity	**244.480.892**	**248.721.559**
Non-current liabilities	**1.892.444.599**	**1.893.524.562**
Current liabilities	**12.184.193**	**156.720.789**

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 loans and bonds;
(c) to grant finance to group companies and guarantees to external parties securing group obligations.

Income Statement Evonik Finance B.V.

Overview in €	2019	2018
Operating expenses	-543.634	-929.310
Operating result	**-543.634**	**-929.310**
Interest and similar income	74.562.414	59.053.870
Interest and similar expense	-72.706.472	-52.287.042
Result before tax	**1.312.308**	**5.837.518**
Income tax expense	-2.592.683	-1.087.376
Result after tax	**-1.280.375**	**4.750.142**

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

Loss of the financial year	€1.280.375
Loss to carry forward	€1.280.375

Business Outlook

In 2020, Evonik Finance B.V. will focus on its activities with regards to the granting of loans to foreign subsidiaries and joint ventures. We currently do not expect COVID-19 to have any significant impact on Evonik Finance B.V.'s business activities.

Evonik has a debt issuance program to place bonds with a total volume of up to €5 billion. By December 31, 2019 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 placed 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 2019 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 when we are convinced that 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. The corporate risk officer 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 of Evonik Industries AG, 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 counteraction, 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. The Company complies with the applicable Dutch requirements for the composition of the audit committee.

Overall assessment of opportunities and risks

Given the measures planned and implemented, as of the reporting date 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.

Overall, more risks than opportunities materialized in our segments. 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 2020 again outweigh the potential opportunities. Compared with 2019, both the opportunities and the risks for the Evonik Group have decreased, mainly because of the divestment of the methacrylates business.

Compliance risks

Compliance means lawful business conduct. The principal compliance rules are set out in Evonik's Code of Conduct, which explicitly prohibits, for example, 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 Evonik employees 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 our code of conduct for suppliers, 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, Evonik's financial independence is secured through a broadly diversified financing structure, a €1,75 billion revolving credit facility as a central source of liquidity, 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

The credit risk of our customers and financial counterparties is therefore systematically examined when the contracts are concluded and monitored continuously afterwards by Evonik Industries AG. Limits are set for each contractual partner on the basis of internal or rating-based creditworthiness analyses.

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 19, 2020

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

FINANCIAL STATEMENTS

Company financial statements

1 Balance sheet as at December 31, 2019 (after appropriation of result)

Assets

	Note	31/12/2019 €	31/12/2018 €
Non-current assets			
Financial fixed assets			
Loans to group companies	8.1	1.458.140.984	1.531.753.113
Deferred tax asset	8.2	808.540	2.083.196
Derivatives	8.3	34.503.801	48.799.553
		1.493.453.325	**1.582.635.862**
Current assets			
Loans to group companies	8.4	21.000.000	652.961.219
Tax receivables	8.5	11.837	7.054
Other receivables	8.6	2.267	6.087
Derivatives	8.3	-	44.176.096
Receivables from group companies	8.7	628.544.245	4.585.733
Interest receivable	8.8	6.098.010	14.871.528
		655.656.359	**716.607.717**
TOTAL ASSETS		**2.149.109.684**	**2.299.243.579**

Liabilities

	Note	31/12/2019	31/12/2018
		€	€
Equity	8.9		
Issue share capital		50.000	50.000
Share premium		232.190.000	232.190.000
Revaluation Hedge Reserve		-2.130.284	830.008
Retained earnings		14.371.176	15.651.551
		244.480.892	**248.721.559**
Provisions	8.10		
Deferred tax liability		-	276.669
		-	**276.669**
Non-current liabilities			
Bonds	8.11	1.892.444.599	1.890.086.128
Derivatives	8.3	-	3.438.434
		1.892.444.599	**1.893.524.562**
Current liabilities			
Loans from group companies	8.12	10.000.000	143.540.686
Derivatives	8.3	-	2.766.527
Creditors	8.13	18.175	5.730.037
Interest payable to group companies	8.14	86.100	2.597.923
interest payable on bonds	8.15	2.079.918	2.085.616
		12.184.193	**156.720.789**
TOTAL LIABILITIES		**2.149.109.684**	**2.299.243.579**

2 Income statement for the year ended December 31, 2019

	Notes	2019 €	2018 €
Income			
Interest and similar income	9.1	74.562.414	59.053.870
Expenses			
Interest and similar expenses	9.1	-72.706.472	-52.287.042
Financial result		**1.855.942**	**6.766.828**
General and administrative expenses			
Personnel expenses	9.2	-13.452	-12.911
Other operating expenses	9.2	-530.182	-916.399
Operating result		**-543.634**	**-929.310**
Income before tax		**1.312.308**	**5.837.518**
Income tax expense/income	9.4	-2.592.683	-1.087.376
Loss/Profit after tax		**-1.280.375**	**4.750.142**

3 Cash flow statement for the year ended December 31, 2019

	Notes	2019	2018
		€	**€**
Operating result		**-543.634**	**-929.310**
Change in other working capital			
- Accounts payable		-5.711.861	-2.149.559
- Receivables		-623.959.474	-4.580.386
		-629.671.335	-6.729.945
Received interest		52.011.823	58.447.535
Paid interest		-40.954.201	- 52.835.700
Taxes paid		-607.932	-1.347.380
Cash flow used in operating activities	**4.7**	**-619.765.279**	**-3.394.800**
Cash flow from investing activities	**4.7**	**-**	**-**
Loans from Evonik Industries	8.3 8.12	-81.273.799	6.718.821
Loans to other companies	8.1 8.4	705.843.198	- 25.404.071
Issued Bonds	8.11	2.358.470	5.397.582
Proceeds generated from capital increase		-	19.100.000
Cash flow generated from financing activities	**4.7**	**626.927.869**	**5.812.332**
Effect of exchange rate differences		-7.162.590	-2.417.532
Changes in cash & cash equivalents		0,00	- 0,00
Cash & cash equivalents January 1		-	-
Cash & Cash equivalents December 31		**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. Borrowing and bond issuance 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 at Group companies is placed in a cash pool at Group level to cover financing requirements in other Group companies through intragroup loans. 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 2019. The Moody's & S&P ratings for Evonik are unchanged at Baa1 and BBB+ respectively, with a stable outlook in both cases. Maintaining a solid investment grade rating is a central element in our financing strategy. In this way we gain access to a broad investor base on appropriate financing terms and thus maintain our financial flexibility. A solid investment grade rating gives banks, investors, customers, and suppliers a reliable basis for a long-term business relationship with Evonik. 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 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 parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

4.5 Going Concern

The company generated a loss of €1.280.375 for the period from January 1 to December 31, 2019, which, resulted in net equity of €244.480.892 (December 31, 2018: €248.721.559). 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 notes 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 2019

The cash flow statement is calculated 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 Financial fixed assets

Receivables disclosed under financial fixed assets 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.

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 of current value, if lower. 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. There are no ineffective parts, there is an approximating critical term match. 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 2019 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

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

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset 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 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.

5.6 Loans to group companies

Loans to group companies under current assets 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.

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 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.

5.9 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.

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 of current value, if lower. 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. There are no ineffective parts, there is an approximating critical term match. 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 2019 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

Evonik Finance B.V. assesses at each balance sheet date whether there is objective evidence that a financial liability or a group of financial 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 liabilities stated at amortized cost is measured as the difference between the liabilities' carrying amount and the present value of estimated future cash flows, discounted at the financial 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 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.

5.10 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.

5.11 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 (wages, salaries, social security contributions, etc.) are presented as a separate item in the income statement. Salaries, wages and social security contributions are 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. 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.

For financial risk management purposes, Evonik applies the principle of separation of front office, risk controlling, and back office functions and takes as its guide the banking-specific minimum requirements for risk management (MaRisk) and the requirements of the German legislation on corporate control and transparency (KonTraG). All material financial risk positions are identified and evaluated in accordance with group-wide policies and principles. This forms the basis for selective hedging to limit risks.

Default risk

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 cashflows. 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 or net investment 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 in any ineffective portions that are excluded from 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 companies in the Evonik Group 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.

8 Notes to the balance sheet as at December 31, 2019

NON-CURRENT ASSETS

8.1 Loans to group companies

	31/12/2019	31/12/2018
	€	€
Loan to Evonik Spec Chem (Shanghai) Co.	-	19.047.378
Loans to Evonik Operations GmbH	998.286.970	998.035.439
Loan to Evonik Corporation	459.854.014	451.179.039
Loan to Evonik Degussa China Co., Ltd.	-	63.491.257
	1.458.140.984	**1.531.753.113**

The loans to group companies consist at December 31, 2019 of the following four loans:

1. 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 2019 was 1,15%. On 31 December 2019 the loans amounted to €998.286.970, including the disagio. In November 2019 Evonik Degussa GmbH changed its name to Evonik Operations GmbH.
2. 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 2019 was 3,20%. This loan is fully covered by a cross currency swap. On 31 December 2019 the EUR equivalent of this loan €459.854.014.

   The loans issued under the Credit Facility Agreements with Evonik Specialty Chemicals (Shanghai) Co. and Evonik Degussa China Co. Ltd were terminated before their planned maturity date on respectively 27 August 2019 and 28 August 2019.

The below movement schedule shows the changes in the loans during 2019:

	2019	2018
	€	€
Balance as at 1 January	**1.531.753.113**	**2.115.694.611**
New granted loan - Evonik Specialty Chemicals (Shanghai) Co.	-	19.096.117
Repaid loan - Evonik Specialty Chemicals (Shanghai) Co.	-19.047.378	-
Repaid loan - Evonik Degussa China Co. Ltd	-63.491.257	-
Disagio loan Evonik Operations GmbH	251.531	248.679
Currency translation effect	8.674.975	20.643.640
Reclassification to short term loan	-	-623.929.934
Balance as at 31 December	**1.458.140.984**	**1.531.753.113**

The total fair value of the loans to group companies approximates €1.471.619.195 on 31 December 2019.

8.2 Deferred tax asset

On 31 December 2019 the deferred tax asset was adjusted. On 31 December 2019 there were no loans outstanding for which the corresponding interest income could be offset against the tax credits, therefore the deferred tax asset on tax credits has been reduced to zero. The deferred tax asset on foreign exchange revaluation has been reduced to zero, since there are no unrealized exchange rate effects for which a deferred tax asset could be created. The deferred tax asset on rating agency fees amounted to €98.445. Additionally a deferred tax asset of €710.095 was created on the other comprehensive income.

The deferred tax asset can be specified as follows:

	Tax credits	Foreign exchange revaluation	Rating agency fees	OCI	Total
	€	€	€	€	€
Balance as at 1 January 2019	**1.926.871**	**17.607**	**138.718**	**-**	**2.083.196**
Change in deferred tax asset	-1.926.871	-17.607	-40.273	710.095	-1.274.656
Balance as at 31 December 2019	**-**	**-**	**98.445**	**710.095**	**808.540**

8.3 Derivatives

On 31 December 2019 Evonik Finance B.V. had 1 cashflow hedges and 1 fair value hedge.
During 2019 4 cashflow hedges ended before their planned maturity date as the loans were repaid earlier than expected.

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

Non-current asset

Derivative	Start date	Maturity date	Notional value		Dirty market value 31.12.2019		Dirty market value 31.12.2018	
Cross-currency swap	03.01.2017	06.05.2021	USD	516.600.000	EUR	32.556.342	EUR	47.337.647

Current assets

Derivatives	Start date	Maturity date	Notional value		Dirty market value 31.12.2019		Dirty market value 31.12.2018	
Cross-currency swap	03.01.2017	06.05.2019	USD	516.600.000	EUR	-	EUR	43.881.293
Cross-currency swap	20.04.2015	18.01.2019	EUR	21.953.483,70	EUR	-	EUR	294.346

Non-current liabilities

Derivatives	Start date	Maturity date	Notional value		Dirty market value 31.12.2019		Dirty market value 31.12.2018	
Cross-currency swap	02.02.2018	28.08.2019	CNY	150.000.000	EUR	-	EUR	1.149.013
Cross-currency swap	20.07.2017	27.08.2019	CNY	250.000.000	EUR	-	EUR	1.078.986
Cross-currency swap	20.09.2017	27.08.2019	CNY	250.000.000	EUR	-	EUR	1.210.435

Current liabilities

Derivatives	Start date	Maturity date	Notional value		Dirty market value 31.12.2019		Dirty market value 31.12.2018	
Cross-currency swap	11.03.2014	28.08.2019	CNY	86.000.000	EUR	-	EUR	629.140
Cross-currency swap	07.01.2014	15.04.2019	CNY	100.000.000	EUR	-	EUR	675.570
Cross-currency swap	07.01.2014	15.04.2019	CNY	20.000.000	EUR	-	EUR	135.114
Cross-currency swap	15.05.2013	18.01.2019	CNY	175.000.000	EUR	-	EUR	955.276

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 58.073.279. 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 31.12.2019		Clean market value 31.12.2018		Change in clean market value	
Cross-currency swap	03.01.2017	06.05.2021	USD	516.600.000	EUR	32.845.175	EUR	47.591.667	EUR	-14.746.492
Cross-currency swap	03.01.2017	06.05.2019	USD	516.600.000	EUR	-	EUR	45.151.020	EUR	-45.151.020
Cross-currency swap	20.04.2015	18.01.2019	EUR	21.953.483,70	EUR	-	EUR	4.981	EUR	-4.981
Total					**EUR**	**32.845.175**	**EUR**	**92.747.668**	**EUR**	**-59.902.493**

Liabilities

Financial instruments	Start date	Maturity date	Notional value		Clean market value 31.12.2019		Clean market value 31.12.2018		Change in clean market value
Cross-currency swap	02.02.2018	28.08.2019	CNY	150.000.000	EUR	-	EUR	347.456	-347.456
Cross-currency swap	20.07.2017	27.08.2019	CNY	250.000.000	EUR	-	EUR	-79.680	79.680
Cross-currency swap	20.09.2017	27.08.2019	CNY	250.000.000	EUR	-	EUR	103.356	-103.356
Cross-currency swap	11.03.2014	28.08.2019	CNY	86.000.000	EUR	-	EUR	602.956	-602.956
Cross-currency swap	07.01.2014	15.04.2019	CNY	100.000.000	EUR	-	EUR	499.932	-499.932
Cross-currency swap	07.01.2014	15.04.2019	CNY	20.000.000	EUR	-	EUR	99.986	-99.986
Cross-currency swap	15.05.2013	18.01.2019	CNY	175.000.000	EUR	-	EUR	255.208	-255.208
Total					**EUR**	**-**	**EUR**	**1.829.214**	**-1.829.214**

Total assets and liabilities	**EUR**	**32.845.175**	**EUR**	**90.918.454**	**-58.073.279**

Fair value hedge

The fair value hedge was entered into and contracted with Evonik Industries AG. The impact of this measurement in 2019 is an increase in the fair value of the zero coupon bond with approx. €0,5 million in comparison with 2018.

Non-current assets

Derivative	Start date	Maturity date	Notional value		MtM value 31.12.2019		MtM value 31.12.2018	
Fair value hedge	10.01.2017	08.03.2021	EUR	650.000.000	EUR	1.947.459	EUR	1.461.906

For the above mentioned financial instruments 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

	31/12/2019	31/12/2018
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.	-	137.903.012
Loan to Cyplus Idesa S.A.P.I. de C.V.	-	40.254.168
Loan to Evonik Neolyse	21.000.000	23.625.000
Loan to Evonik Corporation	-	451.179.039
	21.000.000	**652.961.219**

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

The short term loans to group companies consist at December 31, 2019 of the following loan:

1. 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 2019 was 1,15%. On 31 December 2019 only €21.000.00 has been drawn as a loan.

The loans under the Credit Facility Agreements with Evonik Specialty Chemicals Ltd. of each 350.000.000 CNY matured respectively on 18 January 2019 and 15 April 2019. The loans under the Credit Facility Agreement with Evonik Specialty Chemicals Ltd. of 80.000.000 CNY matured on 15 April 2019.
The loan under the Credit Facility Agreement with Evonik Corporation of 516.600.000 USD matured on 6 May 2019.

The loans under the Credit Facility Agreement with Evonik Specialty Chemicals Ltd. of 306.000.000 CNY were terminated before the planned maturity on 28 August 2019.
The loans under the Credit Facility Agreement with Cyplus Idesa S.A.P.I. de C.V. of 46.400.000 USD were terminated before the planned maturity date on 31 July 2019.

The below movement schedule shows the changes in the loans to group companies during 2019:

	2019	**2018**
	€	**€**
Balance as at 1 January	**652.961.219**	**43.885.500**
New granted loans - Neolyse Ibbenbüren GmbH	-	5.000.000
New granted loans - Cyplus Idesa S.A.P.I. de C.V.	-	4.719.432
Repaid loan - Evonik Corporation	-451.179.039	-
Repaid loan - Neolyse Ibbenbüren GmbH	-2.625.000	-375.000
Repaid loan - Evonik Specialty Chemicals (Shanghai) Co.	-137.903.012	-43.885.500
Repaid loan - Cyplus Idesa S.A.P.I. de C.V.	-40.254.168	-
Currency translation effect	-	19.686.853
Reclassification to short term loan	-	623.929.934
Balance as at 31 December	**21.000.000**	**652.961.219**

8.5 Tax receivables

	31/12/2019	**31/12/2018**
	€	**€**
VAT	11.837	7.054
	11.837	**7.054**

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

8.6 Other receivables

	31/12/2019	31/12/2018
	€	€
Trade receivables	-	4.104
Prepaid expenses	2.267	1.983
	2.267	**6.087**

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

8.7 Receivables from group companies

	31/12/2019	31/12/2018
	€	€
Other receivables from group companies	518.353	-
Cashpool	628.025.892	4.585.733
	628.544.245	**4.585.733**

The cashpool reflects a position towards Evonik Industries AG. The average interest rate on the cashpool is 0% (2018: 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.

The other receivable from group companies relates to a receivable position towards Evonik Industries AG as a result of the termination of the loans to Cyplus Idesa S.A.P.I. de C.V.

8.8 Interest receivable

	31/12/2019	31/12/2018
	€	€
Accrued interest Evonik Spec Chem (Shanghai) Co.	-	4.541.199
Accrued interest Cyplus Idesa S.A.P.I. de C.V.	-	417.430
Accrued Interest Neolyse Ibbenbüren GmbH	160.521	167.509
Accrued interest Evonik Degussa GmbH	3.648.438	3.648.438
Accrued interest Evonik Corporation	2.289.051	4.000.454
Accrued interest Evonik Degussa (China) Co., Ltd.	-	2.096.498
	6.098.010	**14.871.528**

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**
Changes					
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**

	Issued share capital	Share premium	Revaluation Hedge Reserve	Retained earnings	Total
	€	€	€	€	€
At January 1, 2019	**50.000**	**232.190.000**	**830.008**	**15.651.551**	**248.721.559**
Changes					
Revaluation Hedge Reserve	-	-	-3.947.056	-	-3.947.056
Deferred taxes on OCI	-	-	986.764	-	986.764
Result at December 31, 2019	-	-	-	-1.280.375	-1.280.375
At December 31, 2019	**50.000**	**232.190.000**	**-2.130.284**	**14.371.176**	**244.480.892**

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.

Revaluation hedge reserve
The revaluation hedge reserve can be considered as a legal reserve 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	Deferred taxes	Total
At January 1, 2019	**€ 90.889.920**	**€ -89.783.243**	**€ 1.106.677**	**€ -276.669**	**€ 830.008**
Changes	€ -58.044.745	€ 54.097.689	**€ -3.947.056**	€ 986.764	€ -2.960.292
At December 31, 2019	**€ 32.845.175**	**€ -35.685.554**	**€ -2.840.379**	**€ 710.095**	**€ -2.130.284**

Additionally a deferred tax asset of €710.095 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 loss of €1.280.375 to the retained earnings reserves.

The management proposes the following appropriation of result:

	2019
	€
Addition to retained earnings reserve	-1.280.375
Total addition to the retained earnings	**-1.280.375**

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 2019 there was no deferred tax liability created on the revaluation hedge reserve.

	Revaluation hedge reserve	Total
	€	€
Balance as at 1 January 2019	**276.669**	**276.669**
Change in deferred tax liability	-276.669	-276.669
Balance as at 31 January 2019	**-**	**-**

NON-CURRENT LIABILITIES

8.11 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 2019 is an increase in the fair value of the zero coupon bond with approx. €0,5 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 € 31.12.2019	Maturity	Coupon in percent	Interest payment date	Interest	Book value in € 31.12.2019
Fixed interest bond 2016/2021	650.000.000	BBB+/Baa1	99,771	650.650.000	08.03.2021	0,000	-	-	651.084.576
Fixed interest bond 2016/2024	750.000.000	BBB+/Baa1	99,490	755.362.500	07.09.2024	0,375	07.09.2019	891.393	746.681.946
Fixed interest bond 2016/2028	500.000.000	BBB+/Baa1	98,830	511.550.000	07.09.2028	0,750	07.09.2019	1.188.525	494.678.077
Total	**1.900.000.000**			**1.917.562.500**				**2.079.918**	**1.892.444.599**

The total fair value of the bonds approximates €1.917.562.500 on December 31, 2019.

The movement schedule for the bonds is as follows:

	2019	2018
	€	€
Balance as at 1 January	**1.890.086.128**	**1.884.688.547**
Disagio	1.909.561	1.894.956
Fair value hedge	448.910	3.502.625
Balance as at 31 December	**1.892.444.599**	**1.890.086.128**

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.

8.12 Loans from group companies

	31/12/2019	31/12/2018
	€	**€**
Loans from Evonik Industries AG (Shanghai)	-	89.522.673
Loan from Evonik Industries AG (Mexico)	-	30.393.013
Loan from Evonik Industries AG (Neolyse)	10.000.000	23.625.000
	10.000.000	**143.540.686**

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. 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, 2019 of one loan:

1. 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 2019 was 0,90%. On 31 December 2019 only €10.000.00 has been drawn as a loan.

Since the loans under the Credit Facility Agreements with Evonik Speciality Chemicals Shanghai and Cyplus Idesa S.A.P.I. de C.V. matured or were terminated before their planned maturity date, the corresponding back-to-back loans matured or were terminated on the same date.

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

	2019	2018
	€	**€**
Balance as at 1 January	**143.540.686**	**43.885.500**
New granted loan - EVI - Neolyse	-	5.000.000
New granted loan -EVI - Mexico	-	4.631.428
Repayment loan - EVI-Neolyse	-13.625.000	-375.000
Terminated loans	-	-43.885.500
Currency translation effect	-	301.956
Reclassification to short term	-	133.982.302
Repaid loan -EVI- Shanghai	-89.522.673	-
Repaid loan -EVI- Cyplus	-30.393.013	-
Balance as at 31 December	**10.000.000**	**143.540.686**

8.13 Creditors

	31/12/2019	31/12/2018
	€	€
Creditors – group companies	-	5.700.820
Creditors – external	18.175	29.217
	18.175	**5.730.037**

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

8.14 Interest payable to group companies

	31/12/2019	31/12/2018
	€	€
Interest loan Evonik Industries AG (Shanghai)	-	2.348.269
Interest loan Evonik Industries AG (Mexico)	-	118.560
Interest Loan Evonik Industries AG (Neolyse)	86.100	131.094
	86.100	**2.597.923**

8.15 Interest payable on bonds

	31/12/2019	31/12/2018
	€	€
Interest on bonds	2.079.918	2.085.616
	2.079.918	**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	Book value
Fixed interest bond 2016/2021	650.000.000	BBB+/Baa1	99,771	08.03.2021	0,000	-	-	651.084.576
Fixed interest bond 2016/2024	750.000.000	BBB+/Baa1	99,490	07.09.2024	0,375	07.09.2019	891.393	746.681.946
Fixed interest bond 2016/2028	500.000.000	BBB+/Baa1	98,830	07.09.2028	0,750	07.09.2019	1.188.525	494.678.077
Total	**1.900.000.000**						**2.079.918**	**1.892.444.599**

8.16 Contingent liabilities

As per 31 December 2019 there are two outstanding guarantee that should be considered as a contingent liability totaling € 2,9 million (2018: €1,3 million). A 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. A guarantee of €1,6 million was granted for the benefit of Raiffeisenbank Leoben-Bruck eGen securing 49% of the debt obligations of LiteCon GmbH under certain loan agreements

9 Notes to the income statement for the year ended December 31, 2019

9.1 Financial income and expense

Financial income	**2019**	**2018**
	€	**€**
Interest loan Cyplus Idesa S.A.P.I. de C.V.	1.743.562	2.448.972
Interest loan Evonik Specialty Chemicals (Shanghai)	3.223.226	8.553.094
Interest loan Evonik Degussa China Co., Ltd.	2.128.083	3.133.228
Interest loan Evonik Operations GmbH	11.731.531	11.728.679
Interest loan Neolyse Ibbenburen GmbH	270.262	273.213
Interest loan Evonik Corporation	19.168.273	25.817.981
Interest financial derivatives	4.972.374	6.638.904
Interest on cash pool	994	2.273
Exchange rate gain	-	457.526
Gain valuation derivatives	31.054.258	-
Reversal depreciation loan Cyplus Idesa S.A.P.I. de C.V.	269.851	-
	74.562.414	**59.053.870**

Financial expenses	**2019**	**2018**
	€	**€**
Interest loan Cyplus Idesa S.A.P.I. de C.V.	413.051	721.816
Interest loan Evonik Industries AG (Shanghai)	1.525.962	4.231.868
Interest loan Evonik Industries AG (Neolyse)	171.984	213.819
Interest bonds	8.466.363	8.457.457
Interest financial derivatives	22.158.351	31.945.166
Interest cash pool	969	1.734
Guarantee fees	5.700.000	5.700.000
Bank charges	4.450	4.155
Exchange rate loss	34.265.342	-
Loss valuation derivatives	-	741.176
Depreciation loan Cyplus Idesa S.A.P.I. de C.V.	-	269.851
	72.706.472	**52.287.042**

9.2 General and administrative expenses

General and administrative expenses	2019	2018
	€	€
Office expenses	18.540	18.088
Financial services	71.750	70.000
Financial audit fees	29.000	29.000
Management fees	38.435	37.500
Management assistant fees	7.995	7.800
Consultancy and legal fees	2.933	-
Other services	29.595	39.657
Other taxes	327.794	707.582
IT and Communication expenses	520	525
Travel expenses	3.620	6.247
Wages and salaries	13.452	12.911
	543.634	**929.310**

The other services can be broken down as follows:

Other Services	2019	2018
	€	€
Fee Luxembourg stock exchange	500	500
Fee Commision de Surveillance du sector Financier (CSSF)	6.000	6.000
Fee EQS	3.116	3.400
Fee HR services	3.729	3.731
Fee audit commitee	16.000	16.000
Fees relating to the debt issuance program	-	9.750
Postal charges	200	276
Fee Eherkenning	50	-
	29.595	**39.657**

9.3 Audit fees

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

2019	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**

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**

The fees listed above relate to the procedures applied to Evonik Finance B.V. only by accounting firms and external independent auditor 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 2019 financial statements, regardless of whether the work was performed during the financial year.

9.4 Income tax expense

The income tax result of €2.592.683 can be broken down as follows:

	2019	**2018**
	€	**€**
Income deferred taxes	-	260.004
Expense deferred taxes*	-1.984.751	-
Withholding taxes**	-607.932	-1.347.380
Income tax	**-2.592.683**	**-1.087.376**

*Expense deferred taxes consists of a decrease in deferred tax asset created for tax credits of €1.926.871 and a decrease in deferred tax asset created on the unrealized losses on foreign exchange revaluations of € 17.607, additionally the deferred tax asset on rating agency fees reduces with € 40.273.
**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	**2019**	**2018**
	€	**€**
Profit before taxes	1.312.308	5.837.518
Theoretical taxes to be paid**	-316.077	-1.449.380
Withholding taxes	-607.932	-1.347.380
Expense /Income deferred taxes	-1.984.751	260.004
Commercial tax rate***	198%	19%

*Applicable tax rate: 19,0% 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. Additionally in 2019 there is expense impact of €1.926.871 due to the release of the deferred tax asset created on tax credits.

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 2019 with related parties of Evonik Finance B.V. are disclosed in the notes 8.1, 8.4, 8.3, 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 2019, the cost of these management services amounted to €38.435 (2018: €37.500)

9.6 Average number of employees

During 2019, 0 employees were employed on a full-time basis (2018: 0). In 2019 there was 1 employee employed for 0,1 FTE (2018: 0,1 FTE). Of these employees, 0 were employed outside the Netherlands (2018: 0). The average number of employees of proportionally consolidated companies was 0 in 2019 (2018: 0).

9.7 Director's remuneration

	2019	2018
	€	€
Current directors	13.452	12.911
	13.452	**12.911**

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, 2019.

Amsterdam, March 19, 2020

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 2019

Our opinion

In our opinion, the financial statements of Evonik Finance B.V. give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result 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 2019 of Evonik Finance B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- 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.

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Independence

We are independent of Evonik Finance B.V. in accordance with the European Union 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. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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 in the valuation of the loans issued and derivative valuation, we considered these to be key audit matters and have set them 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 €21,519,000 (2018: €22,981,000). As a basis for our judgement, we used 1% of the 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, 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 €1,075,000 (2018: €1,149,000) 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 comment or observation 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, 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 €1,458,140,984 (non-current) and €21,000,000 (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.

Key audit matter	How our audit addressed the matter
	We found the board of directors' assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.
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 €1,458,140,984 (non-current) and €21,000,000 (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. • 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 €34,503,801 (non-current asset) 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 area.	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. following the passing of a resolution by the shareholders at the annual meeting held in 2010. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of ten 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

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, 19 March 2020
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2019 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 board of directors 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 board of directors 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 board of directors, 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.