Unaudited Financial Report 1st Half Year 2018
Evonik Finance B.V.
Amsterdam

Contents

DIRECTORS' REPORT

1st Half Year Report 2018 of Board of Directors

We herewith report you on the exercise of our mandate over the 1st half year, ending by 30 June 2018 and present you the annual accounts for approval. The financial report for the 1st half year 2018 has not been audited by an auditor.

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

Key Figures Evonik Finance B.V.

Overview in €	30/06/2018	2017
Operating result	-466.580	-1.007.434
Financial result	6.339.174	4.363.163
Profit/loss of financial year	4.876.085	5.093.695
Equity	252.446.008	227.277.812
Non-current liabilities	1.920.070.854	2.022.337.392
Current liabilities	122.890.095	58.005.026
Financial fixed assets	1.622.128.932	2.248.988.179
Current assets	673.278.025	58.632.051

Evonik Finance B.V. was founded on 15 December 2010 with an authorized share capital of €250.000.

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 €	30/06/2018	30/06/2017
- Operating expenses	-466.580	-525.205
Operating result	-466.580	-525.205
Financial income	29.164.618	34.790.185
- Financial expenses	-22.825.444	-31.420.493
Result before tax	5.872.594	2.844.487
Income tax	-996.509	2.341.284
Result after tax	4.876.085	5.185.771

Business Outlook

In 2018, Evonik Finance B.V. will probably expand its activities especially with regards to the granting of loans to foreign subsidiaries and joint ventures.

Evonik has a debt issuance program to place bonds with a total volume of up to € 5 billion. By 30 June 2018 five bonds with a total nominal value of € 3.15 billion have been issued under this program.

Bonds issued under the debt issuance program

	Nominal value in € million	Rating (S&P / Moody's)	Maturity	Coupon in percent	Issue price in percent
Evonik Industries AG					
Fixed-interest bond 2013/2020	500	BBB+ / Baa1	April 8, 2020	1.875	99.185
Fixed-interest bond 2015/2023	750	BBB+ / Baa1	Jan. 23, 2023	1.000	99.337
Evonik Finance B.V.					
Fixed-interest bond 2016/2021	650	BBB+ / Baa1	March 8, 2021	0.000	99.771
Fixed-interest bond 2016/2024	750	BBB+ / Baa1	Sept. 7, 2024	0.375	99.490
Fixed-interest bond 2016/2028	500	BBB+ / Baa1	Sept. 7, 2028	0.750	98.830

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

Evonik's 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. Evonik only enter into entrepreneurial risks if it is convinced that in this way it can generate a sustained rise in the value of the company and, at the same time, permanently limit possible negative implications.

Structure and organization of risk management

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

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

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

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

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

On 11 November 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 audit committee comprises of three members. In compliance with statutory requirements, more than half of its members, among which the chairman, are independent within the meaning of the Dutch Corporate Gouvernance Code.

Overall risk assessment

Given the measures planned and implemented, no risks have been identified that —either individually or in conjunction with other risks— could jeopardize the continued existence of Evonik. In accordance with it's risk catalog, Evonik Industries AG monitors risks on the basis of the four categories defined by the COSO Enterprise Risk Management model: strategic, operational, compliance/legal and financial.

Due to the fields in which it operates, the Evonik Group is confronted with constantly changing national and international political, societal, demographic, legal and economic operating conditions. To counter the resultant risks Evonik Industries AG monitors it's business environment closely, anticipate market trends and consistently develop it's portfolio in conformance with it's corporate strategy. Altogether, the ratio of probabilities and risks for Evonik in the 1st half year of 2018 remained approximately at the level of previous year.

Compliance risks

Compliance means lawful business conduct. All forms of corruption, including "facilitation payments," are prohibited at Evonik. All employees are subject to the binding regulations on fair treatment of each other and of business partners set out in Evonik's Code of Conduct. Risks could therefore 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. Evonik's Code of Conduct is binding for all employees of the Evonik Group worldwide, including the Executive Board and the governance bodies of all Evonik companies. They are required to comply with the rules set forth in the Code of Conduct, to ensure they are familiar with its content, and to take part in the relevant training. Evonik monitors the observance of human rights along its value chain. To minimize the related risks, Evonik requires compliance with the Evonik Supplier Code of Conduct, it's Global Social Policy, and the Policy Statement on Human Rights. No compliance incidents occurred in the 1st half year of 2018.

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 and it's good rating. Overall, Evonik believes 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 group is exposed to liability risks, especially in connection with product liability, patent law, tax law, competition law, antitrust law and environmental law. Evonik Industries AG developed a concept involving high quality and safety standards to ensure a controlled approach to such risks. Insurance cover has been purchased for the financial consequences of any damage that may nevertheless occur as a result of damage to property, product liability claims and other risks. Where necessary, provisions have been set up for such risks. This report will be deposited in accordance with the legal terms and will be available at the head office. No legal incidents occurred in the 1st half year 2018.

Credit risks

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

Interest rates and exchange rates risks

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

Statement in relation to the 1st half year of 2018 financial statements

The board of management state that to the best of their knowledge, the financial statements of the 1st half year 2018 are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board and give a true and fair view of the assets, liabilities, financial position and profit or loss of Evonik Finance B.V. and that the management report includes a fair review of the development and the performance of the business and the position of Evonik Finance B.V., together with a description of the principal risks and uncertainties that it faces.

The executive board comprises one women and one men. In compliance with statutory requirements, it therefore meets the minimum of 30 percent women and 30 percent men.

Amsterdam, August 2, 2018

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

FINANCIAL STATEMENTS

Company financial statements

1 Balance sheet as at June 30, 2018 (after appropriation of result)

	Note	30/06/2018	31/12/2017
		€	€
Financial fixed assets	8.1		
Loans to group companies		1.564.922.382	2.115.694.611
Deferred tax asset		1.498.061	1.823.192
Financial instruments		55.708.489	131.470.376
		1.622.128.932	2.248.988.179
Current assets	8.2		
Loans to group companies		603.373.713	43.885.500
Tax receivables		8.437	9.057
Other receivables		3.283	1.983
Financial instruments		52.326.442	12.792
Interest receivable		17.566.150	14.722.719
		673.278.025	58.632.051
TOTAL ASSETS		2.295.406.957	2.307.620.230

	Note	30/06/2018	31/12/2017
		€	€
Equity	8.3		
Issue share capital		50.000	50.000
Share premium		232.190.000	213.090.000
Revaluation Hedge Reserve		4.428.514	3.236.403
Retained earnings		15.777.494	10.901.409
		252.446.008	**227.277.812**
Provisions	8.4		
Deferred tax liability		1.462.838	0
		1.462.838	**0**
Financial liabilities	8.5		
Loans from group companies		28.508.486	133.931.339
Bonds		1.887.983.572	1.884.688.547
Financial instruments		2.115.958	3.717.506
		1.918.608.016	**2.022.337.392**
Current liabilities	8.6		
Loans from group companies		112.152.769	43.885.500
Financial instruments		1.937.455	-
Creditors		25.055	7.529.333
Payables to group companies		1.581.087	342.814
Interest payable to group companies		1.853.832	4.161.763
interest payable on bonds		5.339.897	2.085.616
		122.890.095	58.005.026
TOTAL LIABILITIES		2.295.406.957	2.307.620.230

2 Income statement

	Notes	30/06/2018 €	30/06/2017 €
Income			
Interest and similar income	9.1	29.164.618	34.790.185
Expenses			
Interest and similar expenses	9.1	-22.825.444	-31.420.493
Financial result		**6.339.174**	**3.369.692**
Personnel expenses	9.2	-6.383	-6.127
Other operating expenses	9.2	-460.197	-519.078
Total expenses		**-466.580**	**-525.205**
Income before tax		**5.872.594**	**2.844.487**
Income tax	9.4	-996.509	2.341.284
Profit after tax		**4.876.085**	**5.185.771**

3 Cash flow statement

	Notes	30/06/2018	2017
			€
Operating result		-466.580	-1.007.434
Change in other working capital			
- Accounts payable		-7.504.278	7.460.566
- Receivables		1.237.592	894.256.706
		-6.266.686	901.717.272
Received interest		26.039.924	62.346.324
Paid interest		-21.559.457	-58.378.164
Taxes paid		-671.378	-1.428.179
Cash flow from operating activities	4.7	-2.924.177	903.249.819
Cash flow from investing activities	4.7	-	-
Loans from Evonik Industries		-13.371.440	-296.999.222
Loans to other companies		-8.715.984	-721.556.605
Issued Bonds		3.295.026	-241.121
Proceeds from capital increase		19.100.000	116.640.000
OCI		2.654.949	3.236.403
Cash flow from financing activities	4.7	2.962.551	-898.920.545
Effect of exchange rate differences		-38.374	-4.329.274
Changes in cash & cash equivalents		-	-
Cash & cash equivalents January 1		-	-
Cash & Cash equivalents June 30		0	0

4 General information

4.1 Operations

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

The rating agency Standard & Poor's (S&P) has issued a long-term corporate credit rating of BBB+ with a stable outlook and a short-term credit rating of A-2 for Evonik Industries AG. The rating agency Moody´s has issued a lpng-term corporate credit rating of Baa1 with a stable outlook for Evonik Industries AG. 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 15 December 2010 with an authorized share capital of € 250.000 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 Changes in accounting policies

In order to be in line with Evonik group policies all loans are classified based on the duration of the loans. Further as of 1 January 2018, hedge accounting is applied on the CNY cross currency swaps on the level of Evonik Finance B.V.

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 30/06/2018*

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

5 Accounting policies for the balance sheet

5.1 General information

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Dutch Accounting Standards for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are denominated in Euro(s).

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

5.2 Prior-year comparison

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

5.3 Foreign currencies

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

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the income statement.

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

5.4 Financial assets

Receivables disclosed under financial 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.
Deferred income taxes are recognized at nominal value.

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 quoted in an open market. 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 quoted in an open market, 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. Changes in the fair value of these derivative instruments are recognized directly in the income statement.

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.

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.

Evonik Finance B.V. shall discontinue prospective 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

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).

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 *Receivables*

Trade receivables are recognized initially at fair value including transaction costs, if material and subsequently measured at amortized cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

5.6 *Cash and cash equivalents*

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

5.7 *Equity*

Where the Company purchases treasury shares, the consideration paid is deducted from equity (retained earnings (other reserves) or any other reserve if the articles of association allow so) until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received is included in equity (other reserves or any other reserve). The consideration received will be added to the reserve from which earlier the purchase price has been deducted.

5.8 *Provisions*

Provisions are recognized for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated.

Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

5.9 *Deferred taxes*

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 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.

5.10 *Non-current liabilities*

Long-term borrowings are initially recognized at fair value, net of transaction costs incurred. Long-term borrowings are subsequently stated at amortized costs, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the long-term borrowings using the effective interest method.

5.11 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.

5.12 Contingent liabilities

Contingent liabilities are possible or present obligation arising from past events where an outflow of resources is not improbable 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 not 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 expense

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses.

7 Financial instruments and risk management

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

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

Credit risks

Credit risks relating to financial contracts are systematically examined when the contracts are concluded and monitored continuously afterwards. Ceilings are set for each counterparty 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 interest rates and exchange rates. The risks and opportunities associated with interest rates and exchange rates are managed centrally by the Finance Division of Evonik Industries AG, which also issues instructions on the management of liquidity and default risks. Financial derivatives are used exclusively to reduce the risks resulting from operating and financing activities and therefore always relate to corresponding underlying transactions. Use of financial instruments for speculation is not permitted.

Forward exchange contracts, currency swaps, currency options and cross-currency interest rate swaps are used to manage currency risks. When setting interest terms, we pay attention to careful structuring of the fixed-to-floating interest ratio; interest rate swaps can be used to optimize the situation.

In the management of currency risks, we distinguish between risk positions recognized on the balance sheet and off-balance-sheet (i.e. forecast and firmly agreed) risk positions. Risks included in the balance sheet (trade accounts receivable and financial transactions) are fully hedged using forward exchange contracts and cross-currency interest rate swaps. Risk positions relating to forecast and firmly agreed cash inflows and outflows are determined on a decentralized basis and managed/hedged centrally in accordance with the principles/hedging strategy adopted by the Executive Board. Alongside forward exchange contracts, currency options are used for this purpose.

Liquidity risks

At the heart of Evonik's central liquidity risk management is a group-wide cash pool. Evonik Finance B.V. participates in the cash pool of Evonik Industries AG. In addition, the Group's financial independence is secured through a broadly diversified financing structure. Overall, Evonik believes that adequate financing instruments are available to ensure sufficient liquidity at all times.

8 Notes to the balance sheet as at June 30, 2018

ASSETS

8.1 Financial fixed assets

	30/06/2018	31/12/2017
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.	59.090.320	139.152.273
Loan to Cyplus Idesa S.A.P.I. de C.V.	-	34.186.611
Loan to Evonik Neolyse Ibbenbüren GmbH	-	19.000.000
Loan to Evonik Degussa GmbH	997.910.862	997.786.760
Loan to Evonik Corporation	443.129.182	861.502.543
Loan to Evonik Degussa China Co., Ltd.	64.792.018	64.066.424
	1.564.922.382	**2.115.694.611**

The loans to group companies consist at 30 June 2018 of five loans:

1. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 306.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 30 November 2019. Interest is paid annually on each 15 November. The average interest rate until 30 June 2018 was 5,79%.
2. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 150.000.000 CNY. This credit facility agreement is an amendment of the previous credit facility agreement of 342.500.000 CNY that had a maturity date of 2 February 2018. The new availability period started on 2 February 2018. The final maturity date is 2 February 2021. Interest is paid annually on each 2 February. The average interest rate until 30 June 2018 was 4,75%.
3. 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 until 30 June 2018 was 1,15%.
4. A Credit Facility Agreement with Evonik Degussa (China) Co., Ltd. for the facility amount of 500.000.000 CNY. The availability period started on 20 July 2017. The final maturity date is 16 March 2020. Interest will be paid annually on 16 March. The average interest rate until 30 June 2018 was 4,85%.
5. 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 interest rate until 30 June 2018 was 3,20%.

On 30 June 2018 there were two long term financial instruments. The first financial instrument relates to the market-to-market value of a USD cash flow hedge. For the cash flow hedge in USD hedge accounting is applied. The financial instrument is contracted with Evonik Industries AG for hedging the foreign currency risk on the intercompany loans which are not covered by back to back financing.

Financial instruments	Start date	Maturity date	Notional value	Dirty market value
Cashflow Hedge	03.01.2017	06.05.2021	USD 516.600.000	EUR 55.385.496

The second financial instrument relates to a fair value hedge. The fair value hedge was closed and contracted with Evonik Industries AG. The impact of this measurement is an increase in the value of the zero coupon bond with approx. €0,3 million

Financial instruments	Start date	Maturity date	Notional value	Dirty market value
Fair value hedge	10.01.2017	08.03.2021	EUR 650.000.000,00	EUR 322.993

As follows the movement schedule based on the above transactions:

	Loans to group
	€
Balance as at 1 January 2018	**2.115.694.611**
New granted loans	19.096.117
Disagio loan Evonik Degussa GmbH	124.102
Currency translation effect	13.889.054
Reclassification to short term loan	-583.881.502
Balance as at 30 June 2018	**1.564.922.382**

On 30 June 2018 a deferred tax asset was built. The deferred tax assets mainly relates to withholding taxes that can be offset against future profits of €1.363.327 further a deferred tax asset of €134.734 was built on the unrealized losses on foreign exchange revaluations.

8.2 *Current assets*

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

	30/06/2018	31/12/2017
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.	101.075.547	43.885.500
Loan to Cyplus Idesa S.A.P.I. de C.V.	35.168.984	-
Loan to Evonik Neolyse Ibbenbüren GmbH	24.000.000	-
Loan to Evonik Corporation	443.129.182	-
Tax receivable	8.437	9.057
Other receivables	3.283	1.983
Financial instrument	52.326.442	12.792
Accrued interest Evonik Spec Chem (Shanghai) Co.	2.927.402	5.862.540
Accrued interest Cyplus Idesa S.A.P.I. de C.V.	589.941	304.982
Accrued Interest Neolyse Ibbenbüren GmbH	132.122	116.469
Accrued interest Evonik Degussa GmbH	9.341.260	3.648.438
Accrued interest Evonik Corporation	3.788.755	3.819.328
Accrued interest Evonik Degussa (China) Co., Ltd.	786.670	970.962
	673.278.025	**58.632.051**

The short term loan to group companies consist at 30 June 2018 of the following loan:

1. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 350.000.000 CNY. The availability period started on 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate until 30 June 2018 was 4,74%.
2. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 350.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate until 30 June 2018 was 5,51%.
3. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., Ltd. for the facility amount of 80.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate until 30 June 2018 was 5,70%.
4. A Credit Facility Agreement with Cyplus Idesa, S.A.P.I. de C.V. for the facility amount of 46.400.000 USD and 41.000.000 USD have been drawn. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate until 30 June 2018 was 6,51%.
5. A Credit Facility Agreement with Neolyse Ibbenbüren GmbH for the facility amount of 26.250.000 EUR and 24.000.000 EUR have been drawn. 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 until 30 June 2018 was 1,15%.
6. A Credit Facility Agreement with Evonik Corporation for the facility amount for two loans of each 516.600.000 USD. The availability period started on 20 December 2016 and both loans have been fully drawn on 3 January 2017. The final maturity date for the first loan is on 6 May 2019. Interests for this loan will be paid semiannually on 6 May and 6 November. The interest rate until 30 June 2018 was 2,50%.

As follows the movement schedule based on the above transactions:

	Loans to group
	€
Balance as at 1 January 2018	**43.885.500**
New granted loans	5.000.000
Matured loans	-43.885.500
Currency translation effect	14.492.211
Reclassification to short term loan	583.881.502
Balance as at 30 June 2018	**603.373.713**

The financial instruments relate to the market-to-market value a USD swaps and a USD cash flow hedge. For the cash flow hedge in USD hedge accounting is applied. The financial instrument is contracted with Evonik Industries AG for hedging the foreign currency risk on the intercompany loans which are not covered by back to back financing.

Financial instruments	Start date	Maturity date	Notional value		MtM value	
FX-Outright	27.06.2018	27.12.2018	USD	165.000	EUR	181
Cashflow Hedge	03.01.2017	06.05.2019	USD	516.600.000	EUR	52.326.261

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

EQUITY AND LIABILITIES

8.3 *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			1.192.111		1.192.111
Result at June 30, 2018				4.876.085	4.876.085
	-	19.100.000	1.192.111	4.876.085	25.168.196
At June 30, 2018	50.000	232.190.000	4.428.514	15.777.494	252.446.008

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

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

Other comprehensive income
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 other comprehensive income can be broken down as follows:

	€
Balance at 1 January 2018	**3.236.403**
Adjustments of the market-to-market values	-23.720.856
Currency translation effects of loans not covered by back to back financing	26.375.804
Deferred tax liability on other comprehensive income	-1.462.838
Balance at 30 June 2018	**4.428.514**

8.4 *Provisions*

On 30 June 2018 a deferred tax liability of €1.462.838 was built on the other comprehensive income.

8.5 *Financial liabilities*

	30/06/2018	31/12/2017
	€	€
Loans from Evonik Industries AG (Shanghai)	28.508.486	90.333.657
Loan from Evonik Industries AG (Mexico)	0	24.597.682
Loan from Evonik Industries AG (Neolyse)	0	19.000.000
Bonds	1.887.983.572	1.884.688.547
Financial instruments	2.115.958	3.717.506
	1.918.608.016	2.022.337.392

The loan from Evonik Industries AG consist at 30 June 2018 of the following loan:

1. A Credit Facility Agreement for the facility amount of 220.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 15 November 2019. Interest is paid annually on each 15 November. The average interest rate until 30 June 2018 was 4,70%.

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

As follows the movement schedule based on the above transactions:

	Loans from group	Total
	€	€
Balance as at 1 January 2018	133.931.339	133.931.339
Currency translation effect	319.260	319.260
Reclassification to short term	-105.742.113	-105.742.113
Balance as at 30 June 2018	28.508.486	28.508.486

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. The impact of the fair value hedge on this measurement is an increase in the value of the zero coupon bond with approx. €0,3 million.

The financial instruments consist of CNY cross-currency swap. For the cross currency swap in CNY hedge accounting is applied. The financial instrument is contracted with Evonik Industries AG for hedging the foreign currency risk on the intercompany loans which are not covered by back to back financing.

Financial instruments	Start date	Maturity date	Notional value		Dirty market value	
Cross-currency swap	11.03.2014	15.11.2019	CNY	86.000.000	EUR	648.477
Cross-currency swap	20.07.2017	16.03.2020	CNY	250.000.000	EUR	392.743
Cross-currency swap	20.09.2017	16.03.2020	CNY	250.000.000	EUR	524.612
Cross-currency swap	02.02.2018	02.02.2021	CNY	150.000.000	EUR	550.126

8.6 *Current liabilities*

All liabilities mentioned below fall due in less than one year.

	30/06/2018	31/12/2017
	€	€
Loans from Evonik Industries AG (Shanghai)	62.848.257	43.885.500
Loan from Evonik Industries AG (Mexico)	25.304.512	0
Loan from Evonik Industries AG (Neolyse)	24.000.000	0
Creditors - group companies	12.445	7.506.557
Creditors - external	12.610	22.776
Payables to group companies	1.581.087	342.814
Financial instruments	1.937.455	0
Interest loan Evonik Industries AG (Shanghai)	1.658.608	4.000.449
Interest loan Evonik Industries AG (Jilin)	8.964	8.964
Interest loan Evonik Industries AG (Mexico)	82.860	61.200
Interest loan Evonik Industries AG (Neolyse)	103.400	91.150
Interest payable on bonds	5.339.897	2.085.616
	122.890.095	**58.005.026**

The loans from Evonik Industries AG consist at 30 June 2018 of the following loans:

1. A Credit Facility Agreement for the facility amount of 175.000.000 CNY. The availability period started on 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate until 30 June 2018 was 3,97%.
2. A Credit Facility Agreement for the facility amount of 250.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate until 30 June 2018 was 4,56%.
3. A Credit Facility Agreement for the facility amount of 60.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate until 30 June 2018 was 4,70%.
4. A Revolving Line of Credit for the facility amount of 34.800.000 USD and 29.500.000 USD have been drawn. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate until 30 June 2018 was 2,55%.
5. A Revolving Line of Credit for the facility amount of 26.250.000 EUR and 24.000.000 EUR have been drawn. The availability period started on 16 February 2016. The final maturity date is 31 December 2027. The interest is paid at 23 October 2017. The average interest rate until 30 June 2018 was 0,90%.

The payable to group companies reflects the negative cash position towards Evonik Industries AG.

The financial instruments consist of CNY cross-currency swaps and the market to market value of two USD swaps. For the cross currency swap in CNY hedge accounting is applied. The cross currency swaps are contracted with Evonik Industries AG for hedging the foreign currency risk on the intercompany loans which are not covered by back to back financing.

Financial instruments	Start date	Maturity date	Notional value		Dirty market value	
Cross-currency swap	15.05.2013	18.01.2019	CNY	175.000.000	EUR	742.500
Cross-currency swap	15.05.2013	18.01.2019	EUR	21.953.483,70	EUR	-168.455
Cross-currency swap	07.01.2014	15.04.2019	CNY	100.000.000	EUR	619.999
Cross-currency swap	07.01.2014	15.04.2019	CNY	20.000.000	EUR	124.000

Financial instruments	Start date	Maturity date	Notional value		MtM value	
FX-Outright	20.03.2018	24.09.2018	USD	357.952	EUR	19.159
FX-Swap	23.03.2018	24.09.2018	USD	11.500.000	EUR	600.252

8.7 Contingent liabilities

As per 30 June 2018 there are outstanding guarantees that are to be considered as a contingent liability totaling € 5.6 million. The guarantee of € 4.3 million were provided as collateral for a facility for hedging transactions at the joint venture Cyplus Idesa, S.A.P.I de C.V., Mexico City (Mexico). In addition 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.

9 Notes to the income statement

9.1 Financial income and expense

Financial income	**30/06/2018**	**30/06/2017**
	€	**€**
Interest loan Cyplus Idesa S.A.P.I. de C.V.	1.098.041	1.064.772
Interest loan Evonik Specialty Chemicals (Shanghai)	4.374.580	5.253.025
Interest loan Evonik Specialty Chemicals (Jilin)	0	1.441.892
Interest loan Evonik Degussa China Co., Ltd.	1.578.101	0
Interest loan Evonik Methionine SEA Pte. Ltd.	0	105.330
Interest loan Evonik Degussa GmbH	5.816.924	5.815.518
Interest loan Neolyse Ibbenbüren GmbH	132.889	73.025
Interest loan Evonik Corporation	12.579.776	13.406.758
Interest financial derivatives	3.300.987	3.233.896
Interest on cash pool	2.057	1.105
Exchange rate gain	281.263	0
Gain valuation derivatives	0	4.394.864
	29.164.618	**34.790.185**

Financial expenses	**30/06/2018**	**30/06/2017**
	€	**€**
Interest loan Cyplus Idesa S.A.P.I. de C.V.	289.332	235.012
Interest loan Evonik Industries AG (Shanghai)	2.208.668	3.063.137
Interest loan Evonik Industries AG (Jilin)	0	855.596
Interest loan Evonik Industries AG (Neolyse)	104.000	57.150
Interest bonds	4.194.414	4.190.616
Interest financial derivatives	15.707.727	14.774.848
Interest cash pool	1.665	1.173
Bank charges	2.135	2.043
Exchange rate loss	0	8.240.918
Loss valuation derivatives	317.503	0
	22.825.444	**31.420.493**

9.2 General administrative expenses

General and administrative expenses	**30/06/2018**	**30/06/2017**
	€	**€**
Office expenses	9.044	4.350
Financial services	34.998	34.998
Financial audit fees	16.500	15.000
Management (assistant) fees	22.650	22.410
Consultancy and legal fees	0	11.747
Other services	11.073	9.206
Other taxes	362.520	419.940
IT and Communication expenses	276	312
Travel expenses	3.136	1.115
Wages	6.383	6.127
	466.580	**525.205**

9.3 *Audit fees*

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

30/06/2018	PwC Accountants	Total
	€	€
Audit of the financial statements	12.500	12.500
Other audit services	4.000	4.000
Other non-audit services	0	0
	16.500	**16.500**

30/06/2017	PwC Accountants	Total
	€	€
Audit of the financial statements	10.000	10.000
Other audit services	5.000	5.000
Other non-audit services	0	0
	15.000	**15.000**

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

9.4 *Income tax expense*

The negative income tax result of €996.509 can be broken down as follows:

	30/06/2018	30/06/2017
	€	€
Corporate income tax*	0	-1.796.417
Expense deferred taxes*	-325.131	4.867.463
Withholding taxes**	-671.378	-729.762
Income tax	**-996.509**	**2.341.284**

*Expense deferred taxes consists of a decrease of the deferred tax asset on withholding taxes of €234.236 and a decrease of the deferred tax asset built on the unrealized losses on foreign exchange revaluations of €90.895.
**The withholding taxes relates 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	**30/06/2018**	**30/06/2017**
	€	**€**
Profit before taxes	5.872.594	2.844.487
Theoretical taxes to be paid**	-1.383.148	-701.122
Corporate income tax	-	-1.796.417
Withholding taxes	-671.378	-1.450.650
Expense deferred taxes	-325.131	4.867.463
Commercial tax rate	17%	57%

*Applicable tax rate: 20,0% over the taxable income until: € 200.000
*Applicable tax rate: 25,0% over all further income above: € 200.000
** As there were enough withholding taxes to offset against the profit before taxes, no corporate income tax expense has been built.

9.5 *Related parties*

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. The ultimate shareholder of the company is Evonik Industries AG, Essen (Germany). All companies in which Evonik Industries AG ultimately has a majority interest are considered to be a related party. Significant transactions in 2018 with related parties of Evonik Finance B.V. are disclosed in the notes 8.1, 8.2 and 8.5.

9.6 *Average number of employees*

Until 30 June 2018, 0 employees were employed on a full-time basis (2016: 0). In 2018 there was 1 employee employed for 0,1 FTE (2017: 0,1 FTE). Of these employees, 0 were employed outside the Netherlands (2017: 0).The average number of employees of proportionally consolidated companies was 0 until 30 June 2018 (2017:0).

9.7 *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 30 June 2018.

Amsterdam, August 2, 2018

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

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