Financial report 2016
Evonik Finance B.V.
Amsterdam

PricewaterhouseCoopers
Accountants N.V.
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Contents

DIRECTORS' REPORT

Annual Report 2016 of Board of Directors,

We herewith report you on the exercise of our mandate over the financial year, ending by December 31, 2016 and present you the annual accounts for approval.

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.

Evonik is one of the world's leading specialty chemicals companies. We concentrate on attractive growth markets—especially health, nutrition, and resource efficiency. Our strengths include the balanced spectrum of our business activities, end-markets and regions. Around 80 percent of sales come from market-leading positions, which we are systematically expanding. Our strong competitive position is based on integrated technology platforms, innovative strength and working closely with our customers. 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.

Market oriented structure

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

Corporate structure

	Evonik			
Segments	Nutrition & Care	Resource Efficiency	Performance Materials	Services

The Nutrition & Care segment produces specialty chemicals, principally for use in consumer goods for everyday applications, animal nutrition and healthcare products.

The Resource Efficiency segment supplies high-performance materials for environment-friendly and energy-efficient system solutions for the automotive, paints, coatings, adhesives and construction industries and many other sectors.

The heart of the Performance Materials segment is the production of polymer materials and intermediates, mainly for the rubber, plastics and agriculture industries.

The Services segment offers services for the chemical segments and external customers at our sites and supports the chemicals businesses and the management holding company by providing standardized Group-wide administrative services.

Key Figures Evonik Finance B.V.

Overview in €	2016	2015
Operating result	**-993.745**	**-872.119**
Financial result	**122.579**	**6.187.779**
Profit/loss of financial year	**-2.655.190**	**3.022.158**
Equity	**102.307.714**	**77.462.904**
Non-current liabilities	**2.250.879.502**	**354.641.507**
Current liabilities	**8.434.086**	**7.957.037**
Financial fixed assets	**1.454.837.325**	**421.900.544**
Current assets	**908.126.930**	**19.170.482**

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 €	2016	2015
- Operating expenses	-993.745	-872.119
Operating result	**-993.745**	**-872.119**
Financial income	24.365.467	24.061.893
- Financial expenses	-24.242.888	-17.874.114
Result before tax	**-871.166**	**5.315.660**
Income tax	-1.784.024	-2.293.502
Result after tax	**-2.655.190**	**3.022.158**

The financial year was closed with a loss after taxes of € 2.655.190.

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

Loss of the financial year	€2.655.190
Loss to carry forward	€2.655.190

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Business Outlook

In 2017, Evonik Finance B.V. will 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 December 31, 2016 five bonds with a total nominal value of € 3.15 billion has 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.

Important events after balance sheet date

On May 6, 2016, Evonik Industries AG, a shareholder of Evonik Degussa GmbH, signed a contract for the purchase of the special additive business of Air Products and Chemicals, Inc. (Air Products) for US $ 3.8 billion. The takeover took place on January 3rd 2017, after the approval of the relevant competition authorities.
To finance this acquisition, Evonik Finance B.V. issued two loans, each US $ 516 million to Evonik Corporation on January 3rd 2017.
The current expectation is that these two new loans will generate an increase in interest income for Evonik Finance B.V.. These loans will mature in 2019 and 2021.

Circumstances which can influence the development of the company

Shares in Evonik Industries AG have been listed on the stock exchanges in Frankfurt am Main (Prime Standard) and Luxembourg since April 25, 2013. Effective September 23, 2013, they were included in Deutsche Börse's MDAX index. As of the same date, the shares were also listed on the STOXX Europe 600 index and the corresponding sub-indices, including the DJ STOXX Chemicals^{SM}.

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 is exposed to a variety of risks in the course of its business activities. Risk management therefore forms a central element in the management of the company and is geared to targeted management of risk with a view to securing present and future potential for success and avoiding, preventing, countering and minimizing risk. We only enter into entrepreneurial risks if we are convinced that they can generate a sustained rise in the value of the company and that we are able to control any possible implications.

Structure and organization of risk management

Evonik has an internal risk management structure covering the entire Group. Alongside organizational measures and internal control systems, this is supported by Corporate Auditing as a process-unrelated controlling and consulting body.

Risk management 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 (see opportunity and risk matrix). The evaluation is always based on a net view, in other words, taking into account risk limitation measures. Risk limitation measures can reduce, transfer or avoid gross risks. Common measures include economic counter-action, insurance and the establishment of provisions on the balance sheet.

On November 11, 2016 an audit committee for Evonik Finance B.V. has been implemented. The audit committee has three members and the members have specialist knowledge and experience in the application of accounting standards, finance and internal control system.

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 our 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 our business environment closely, anticipate market trends and consistently develop our portfolio in conformance with our corporate strategy. Altogether, the ratio of probabilities and risks for Evonik 2016 remained approximately at the level of previous year.

Compliance risks

Compliance risks relate to compliance with regulations and ethically correct business conduct. All Evonik employees are subject to the binding regulations on fair treatment of each other and of business partners set out in our Code of Conduct. The compliance issues regarded as particularly important from Evonik's viewpoint are combined in a so called House of Compliance. To minimize compliance risks, extensive training and sensitization of employees is undertaken at classroom based training sessions and/or through e-learning programs. The issues grouped at the House of Compliance include fighting corruption, data protection, IT compliance, know-how protection and antitrust and foreign trade law. No compliance incidents occurred in 2016.

Liquidity risks

At the heart of Evonik's central liquidity risk management is a group-wide cash pool. 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.

Legal risks

Evonik is exposed to risks relating to legal disputes, administrative proceedings and fines. Similarly, guarantee claims against the company may result from divestments. 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 2016.

Credit risks

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

Amsterdam, March 21, 2017

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

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FINANCIAL STATEMENTS

Company financial statements

1 Balance sheet as at December 31, 2016 (after appropriation of result)

ASSETS

	Notes	31/12/2016 €	31/12/2015 €
Financial fixed assets	8.1		
Loans to group companies		1.438.023.507	421.900.544
Financial instruments		16.813.818	0
		1.454.837.325	**421.900.544**
Current assets	8.2		
Receivables from group companies		893.916.173	8.398.326
Tax receivables		6.776	8.055
Other receivables		1.983	0
Interest receivable		14.201.998	10.764.101
		908.126.930	**19.170.482**
TOTAL ASSETS		**2.362.964.255**	**441.071.026**

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	Notes	31/12/2016	31/12/2015
		€	€
Equity	8.3		
Issue share capital		50.000	50.000
Share premium		96.450.000	68.950.000
Retained earnings		5.807.714	8.462.904
		102.307.714	**77.462.904**
Provisions	8.4		
Deferred tax liability		1.342.953	1.009.578
		1.342.953	**1.009.578**
Non-current liabilities	8.5		
Loans from group companies		363.864.218	347.807.506
Financial instruments		0	6.834.001
Bonds		1.887.015.284	0
		2.250.879.502	**354.641.507**
Current liabilities	8.6		
Creditors		68.767	19.468
Interest payable to group companies		8.365.319	7.937.569
		8.434.086	**7.957.037**
TOTAL LIABILITIES		**2.362.964.255**	**441.071.026**

2 Income statement for 2016

	Notes	2016 €	2015 €
Income			
Interest and similar income	9.1	24.365.467	24.061.893
Expenses			
Interest and similar expenses	9.1	-24.242.888	-17.874.114
Financial result		**122.579**	**6.187.779**
Personnel expenses	9.2	-11.001	-9.857
Other operating expenses	9.2	-982.744	-862.262
Total expenses		**-993.745**	**-872.119**
Loss before tax		**-871.166**	**5.315.660**
Income tax expense	9.4	-1.784.024	-2.293.502
Loss after tax		**-2.655.190**	**3.022.158**

3 Cash flow statement

	Notes	2016	2015
		€	€
Operating result		**-993.745**	**-872.118**
Change in other working capital			
- Accounts payable		49.298	-5.325
- Receivables		-885.518.551	3.382.204
		-885.469.253	3.376.879
Received interest		20.927.520	18.344.792
Paid interest		-16.469.841	-13.639.820,00
Taxes paid		-1.450.650	-1.406.038,00
Cash flow from operating activities	**4.7**	**-883.455.969**	**5.803.695**
Cash flow from investing activities	**4.7**	**0**	**0**
Loans from Evonik Industries		19.023.549	39.168.216
Loans to other companies		-1.016.122.963	-46.132.080
Issued Bonds		1.884.929.668	0
Paid option premium		-26.614.656	0
Proceeds from capital increase		27.500.000	0
Cash flow from financing activities	**4.7**	**888.715.598**	**-6.963.864**
Effect of exchange rate differences		-5.259.629	1.160.169
Changes in cash & cash equivalents		0	0
Cash & cash equivalents January 1		0	0
Cash & Cash equivalents December 31		**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 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. The rating agency Moody´s raised its rating one notch from Baa2 with a positive outlook to 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 December 15, 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 Going Concern

The company generated a net loss of € 2.655.190 for the period from January 1 to December 31, 2016, which, together with an increased share premium reserve resulted in net equity of € 102.307.714 (December 31, 2015: € 77.462.904) 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 usually 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 2016

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, dividends received and income taxes are included in cash from operating 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.

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.

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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.

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 *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.

5.10 *Deferred tax liability*

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

5.11 *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.

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6 Accounting policies for the income statement

6.1 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.

6.2 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.

6.3 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.

6.4 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 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 December 31, 2016

ASSETS

8.1 Financial fixed assets

	31/12/2016	31/12/2015
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.	195.144.942	202.314.185
Loans to Evonik Spec Chem (Jilin) Co.	54.643.316	56.650.804
Loans to Evonik Methionine SEA Pte. Ltd.	147.695.963	145.942.811
Loans to Cyplus Idesa S.A.P.I. de C.V.	36.998.387	16.992.744
Loan to Neolyse Ibbenbüren GmbH	6.000.000	0
Loan to Evonik Degussa GmbH	997.540.899	0
	1.438.023.507	**421.900.544**

The loans to group companies consist at December 31, 2016 of ten loans:

1. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., ltd. for the facility amount of 342.500.000 CNY. The availability period started on 2 February 2012. The final maturity date is 2 February 2018. Interest is paid annually on each 2 February. The average interest rate in 2016 was 5,85%.
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 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate in 2016 was 4,74%.
3. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., ltd. for the facility amount of 350.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2016 was 5,51%.
4. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., ltd. for the facility amount of 80.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2016 was 5,70%.
5. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., ltd. for the facility amount of 306.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 30 November 2019. Interest is paid annually on each 15 November. The average interest rate in 2016 was 5,79%.
6. A Credit Facility Agreement with Evonik Specialty Chemicals (Jilin) Co., Ltd. for the facility amount of 400.000.000 CNY. The availability period started on 01 July 2013. The final maturity date is 01July 2019. Interest is paid annually on each 1st of July. The average interest rate in 2016 was 5,26%.
7. A Revolving Line of Credit with Evonik Methionine SEA Pte. Ltd., for the facility amount of 250.000.000 SGD. The availability period started on 01 January 2013. The final maturity date is 01January 2018. Interest is paid in various periods. The average interest rate in 2016 was 3,02 %.
8. A Credit Facility Agreement with Cyplus Idesa, S.A.P.I. de C.V. for the facility amount of 46.400.000 USD. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate in 2016 was 5,48%.

9. 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 will be paid at 23 October 2017. The average interest rate in 2016 was 1,15%.
10. A Credit Facility Agreement with Evonik Degussa GmbH for the facility amount of 1.000.000.000 EUR. The availability period started on 1 October 2016. The Final maturity date is 7 September 2028. Interest will be paid at 7 September 2017. The average interest rate in 2016 was 1,15%.

The financial instrument relates to the market-to-market value of a cross-currency swap, three forward agreements and two options. The cross currency swap is contracted with Evonik industries AG for hedging the foreign currency risks on the intercompany loans. No hedge accounting is applied on the cross currency swap. Two FX forward contracts and the options relate to a loan to be issued to Evonik Corporation on January 3rd 2017. Hedge accounting is applied. The third forward agreement relates to a SWAP in USD for the part of the credit facility with Cyplus Idesa S.A.P.I. de C.V. that is not covered by back-to-back financing from Evonik Industries AG. No hedge accounting is applied.

As follows the movement schedule based on the above transactions:

	Loans to group	**Financial instruments**	**Total**
	€	€	€
Balance as at 1 January 2016	**421.900.544**	**-6.834.001**	**415.066.543**
New granted loans	1.022.000.750	0	1.022.000.750
Currency translation effect	-5.877.787	23.647.819	17.770.032
Balance as at 31 December 2016	**1.438.023.507**	**16.813.818**	**1.454.837.325**

8.2 *Current assets*

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

	31/12/2016	**31/12/2015**
	€	**€**
Short term financial assets	893.916.173	8.398.326
Tax receivable	6.776	8.055
Accrued interest Evonik Spec Chem (Shanghai) Co.	6.275.257	6.453.361
Accrued interest Evonik Spec Chem (Jilin) Co.	1.263.517	1.312.636
Accrued interest Evonik Methionine SEA Pte. Ltd.	3.353.361	2.861.181
Accrued interest Cyplus Idesa S.A.P.I. de C.V.	402.474	136.923
Accrued Interest Neolyse Ibbenbüren GmbH	13.800	0
Accrued interest Evonik Degussa GmbH	2.893.589	0
Other receivables	1.983	0
	908.126.930	**19.170.482**

The short term financial assets relates to the positive cash pool position towards Evonik Industries AG.

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 accounts held at the Royal Bank of Scotland have been terminated in October 2016.

EQUITY AND LIABILITIES

8.3 Equity

	Issued share capital	Share premium	Retained earnings	Total
	€	€	€	€
At December 31, 2015	**50.000**	**68.950.000**	**8.462.904**	**77.462.904**
Changes				
Capital increase		27.500.000		27.500.000
Result for the year			-2.655.190	-2.655.190
At December 31, 2016	**50.000**	**96.450.000**	**5.807.714**	**102.307.714**

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 11 May 2016 Evonik Finance B.V. received a €27.500.000 capital contribution from its shareholder Evonik Industries AG.

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 €2.655.190 to the retained earnings reserves.

The management proposes the following appropriation of result:

	2016
	€
Addition to retained earnings reserve	- 2.655.190
Total addition to the retained earnings	**-2.655.190**

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

8.4 Provisions

	31/12/2016	31/12/2015
	€	€
Deferred tax liability	1.342.953	1.009.578
	1.342.953	**1.009.578**

8.5 Non-current liabilities

	31/12/2016	31/12/2015
	€	€
Loans from Evonik Industries AG (Shanghai)	143.097.183	148.354.294
Loans from Evonik Industries AG (Jilin)	40.982.486	42.488.102
Loans from Evonik Industries AG (Singapore)	147.695.943	145.942.790
Loans from Evonik Industries AG (Mexico)	26.088.606	11.022.320
Loans from Evonik Industries AG (Neolyse)	6.000.000	0
Bonds	1.887.015.284	0
Financial instruments	0	6.834.001
	2.250.879.502	**354.641.507**

The loans from Evonik Industries AG consist at December 31, 2016 of nine loans and bonds.
All the below mentioned loans fall due between 1 and 5 years.

1. A Credit Facility Agreement for the facility amount of 342.500.000 CNY. The availability period started on 2 February 2012. The final maturity date is 2 February 2018. Interest is paid annually on each 2 February. The average interest rate in 2016 was 4,05%.
2. A Credit Facility Agreement for the facility amount of 175.000.000 CNY. The availability period started on 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate in 2016 was 3,97%.
3. A Credit Facility Agreement for the facility amount of 250.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2016 was 4,56%.
4. A Credit Facility Agreement for the facility amount of 60.000.000 CNY. The availability period started on 15 April 2013. The final maturity date is 15 April 2019. Interest is paid annually on each 15 April. The average interest rate in 2016 was 4,70%.
5. A Credit Facility Agreement for the facility amount of 220.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 15 November 2019. Interest is paid annually on each 15 November. The average interest rate in 2016 was 4,70%.
6. A Credit Facility Agreement for the facility amount of 300.000.000 CNY. The availability period started on 01 July 2013. The final maturity date is 01 July 2019. Interest is paid annually on each 1st of July. The average interest rate in 2016 was 4,28%.
7. A Revolving Line of Credit for the facility amount of 250.000.000 SGD. The availability period started on 01 January 2013. The final maturity date is 01 January 2018. Interest is paid in various periods. The average interest rate in 2016 was 2,77%.
8. A Revolving Line of Credit for the facility amount of 34.800.000 USD. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate in 2016 was 1,52%.
9. 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 at 23 October 2017. The average interest rate in 2016 was 0,90%.

The loans granted by Evonik Industries AG partly serve as back to back financing for the loans granted to Evonik Specialty Chemicals (Shanghai) Co., Evonik Specialty Chemicals (Jilin) Co, Evonik Methionine SEA Pte Ltd., 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 2016	**347.807.506**	**347.807.506**
New granted loans	19.993.173	19.993.173
Currency translation effect	-3.936.461	-3.936.461
Balance as at 31 December 2016	**363.864.218**	**363.864.218**

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.

8.6 Current liabilities

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

	31/12/2016	31/12/2015
	€	€
Creditors - external	68.767	19.468
Interest loan Evonik Industries AG (Shanghai)	4.287.802	4.394.531
Interest loan Evonik Industries AG (Jilin)	890.160	922.864
Interest loan Evonik Industries AG (Singapore)	3.094.571	2.605.801
Interest loan Evonik Industries AG (Mexico)	81.986	14.373
Interest Loan Evonik Industries AG (Neolyse)	10.800	0
	8.434.086	**7.957.037**

8.7 Contingent liabilities

As per December 31, 2016 there are outstanding guarantees that are to be considered as a contingent liability totaling € 7 million. The guarantees of € 6 million were provided to secure the purchase of a Pressure Swing Adsorption and 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 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 for 2016

9.1 Financial income and expense

Financial income	**2016**	**2015**
	€	**€**
Interest loan Cyplus Idesa S.A.P.I. de C.V.	1.424.326	299.812
Interest loan Evonik Spec Chem (Shanghai) Co.	10.828.083	10.622.637
Interest loan Evonik Spec Chem (Jilin) Co.	2.975.511	3.137.462
Interest loan Evonik Methionine SEA Pte. Ltd.	4.693.157	4.360.395
Interest loan Evonik Degussa GmbH	2.934.488	0
Interest loan Neolyse Ibbenbüren GmbH	13.800	0
Interest financial derivatives	1.495.502	1.388.782
Interest on cashpool	600	1.815
Exchange rate gain	0	4.250.990
	24.365.467	**24.061.893**

Financial expenses	**2016**	**2015**
	€	**€**
Interest loan Evonik Industries AG (Cyplus).	239.428	14.522
Interest loan Evonik Industries AG (Shanghai)	6.314.443	6.020.593
Interest loan Evonik Industries AG (Jilin)	1.765.621	1.861.720
Interest loan Evonik Industries AG (Singapore)	4.317.829	3.951.103
Interest loan Evonik Industries AG (Neolyse)	10.800	0
Interest bonds	2.553.784	0
Interest financial derivatives	2.845.926	2.931.167
Interest cashpool	0	49
Loss valuation derivatives	3.309.433	3.090.821
Rating agency fees	930.762	0
Bank charges	4.667	4.139
Exchange rate loss	1.950.195	0
	24.242.888	**17.874.114**

9.2 *General administrative expenses*

General and administrative expenses	2016	2015
	€	€
Office expenses	8.612	8.525
Financial services	41.820	41.400
Financial audit fees	26.000	16.306
Management (assistant) fees	44.364	43.920
Consultancy and legal fees	8.052	296
Other services	11.542	3.480
Other taxes	837.463	744.009
IT and Communication expenses	594	645
Travel expenses	4.297	3.681
Wages	11.001	9.857
	993.745	**872.119**

9.3 *Audit fees*

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

2016	PwC Accountants	Total
	€	€
Audit of the financial statements	25.000	25.000
Other audit services	0	0
Other non-audit services	1.000	1.000
	26.000	**26.000**

2015	PwC Accountants	Total
	€	€
Audit of the financial statements	16.306	16.306
Other audit services	0	0
Other non-audit services	0	0
	16.306	**16.306**

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 2016 financial statements, regardless of whether the work was performed during the financial year.

9.4 *Income tax expense*

The negative income tax result of €1.784.024 can be broken down as follows:

	2016	2015
	€	€
Income deferred taxes*	-333.374	-887.464
Withholding taxes**	-1.450.650	-1.406.038
Income tax	**-1.784.024**	**-2.293.502**

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

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

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 2016 with related parties of Evonik Finance B.V. are disclosed in the notes 8.1, 8.2, 8.5 and 8.6.

9.6 *Average number of employees*

During 2016, 0 employees were employed on a full-time basis (2015: 0). In 2016 there was 1 employee employed for 0,1 FTE (2015: 0,1 FTE). Of these employees, 0 were employed outside the Netherlands (2015: 0).The average number of employees of proportionally consolidated companies was 0 in 2016 (2015: 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 per December 31, 2016.

March 22, 2017

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

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

pwc PricewaterhouseCoopers Accountants N.V.
For identification purposes only

OTHER INFORMATION

10 INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To: the general meeting of Evonik Finance B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Evonik Finance B.V. as at 31 December 2016, and of its result and its cash flows for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Evonik Finance B.V., Amsterdam ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the income statement for the year then ended;
- the cash flow statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Evonik Finance B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Ref.: e0398312

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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 financial instruments in place to mitigate interest rate risk and currency risk. We paid specific attention to the areas of focus following from the operations of the company, as set out below.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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 management that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a financing company. We therefore included specialists in the area of financial instruments 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'.

We set certain quantitative thresholds for materiality. 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 on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €23,600,000 (2015: €3,000,000). We determined materiality based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders to be the most important stakeholders. Based thereon we applied a benchmark of 1% of total assets. 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. Based on qualitative considerations we performed audit procedures on the operating and expense income statement line item, applying a benchmark of 5% of profit before tax.

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

We agreed with management that we would report to them misstatements identified during our audit above €1,180,000 (2015: €125,000) 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 management, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

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

Key audit matter	*How our audit addressed the matter*
Valuation and existence of the loans issued We consider the valuation and existence of the loans issued, as disclosed in note 8.1 to the financial statements for a total amount of €1,438,023,507, to be a key audit matter. This is due to the size of the loan portfolio in combination with the fact that management's assessment of objective evidence of impairment is very important and judgemental. As a result, any impairment may have a material effect on the financial statements. Management did not identify any objective evidence that a loan is impaired.	We performed the following procedures to test the existence of the loans issued to Evonik subsidiaries, and to test management's assessment of possible loss events to address the valuation: • We evaluated the financial situation of the group companies to which loans have been provided by analysing their respective current financial data (such as result and equity) and their ability to repay the notional and interest payments to the company. • We evaluated the financial position of the Evonik subsidiaries by verifying observable data from rating agencies, developments in credit spreads and other publicly available data. • We analysed if there were any loss events at an individual loan level by challenging the valuation assessments prepared by management, which we did by analysing the financial situation of the companies to which loans have been provided. • We performed a margin analysis. • We recalculated the amortised cost value based on the effective interest method. • We compared interest receipts with bank statements. • We performed confirmation procedures with the counterparties of the loans. We found management's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Key audit matter	*How our audit addressed the matter*
Derivative valuation We consider the fair value of the derivatives portfolio of €16,813,818 as disclosed in note 8.1 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 always fully liquid and therefore valuation is a complex area.	We performed the following procedures to address 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. Based on these procedures we found management's 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. We also tested the mathematical accuracy of the models used and reconciled the outcome of the valuation system with the general ledger. 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 all 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.

Management is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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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 2011 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of six years.

Responsibilities for the financial statements and the audit

Responsibilities of management

Management 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 management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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.

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, 22 March 2017
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

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Appendix to our auditor's report on the financial statements 2016 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 management.
- Concluding on the appropriateness of management's 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 management 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.

We provide management 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 management, 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.