Audited Financial report 2017
Evonik Finance B.V.
Amsterdam

Contents

DIRECTORS' REPORT

Annual Report 2017 of Board of Directors,

We herewith report you on the exercise of our mandate over the financial year, ending by December 31, 2017 and present you the annual accounts for approval. The annual report 2017 has 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.

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

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

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

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

Key Figures Evonik Finance B.V.

Overview in €	2017	2016
Operating result	-1.007.434	-993.745
Financial result	4.363.163	122.579
Profit/loss of financial year	5.093.695	-2.655.190
Equity	227.277.812	102.307.714
Non-current liabilities	2.022.337.392	2.250.879.502
Current liabilities	58.005.026	8.434.086
Financial fixed assets	2.248.988.179	1.454.837.325
Current assets	58.632.051	908.126.930

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 €	2017	2016
- Operating expenses	-1.007.434	-993.745
Operating result	**-1.007.434**	**-993.745**
Interest and similar income	67.868.362	24.365.467
- Interest and similar expense	-63.505.199	-24.242.888
Result before tax	**3.355.729**	**-871.166**
Income tax income /(expense)	1.737.966	-1.784.024
Result after tax	**5.093.695**	**-2.655.190**

The financial year was closed with a result after taxes of €5.093.695

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

Profit of the financial year	€5.093.695
Profit to carry forward	€5.093.695

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 December 31, 2017 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.

Major Events

On January 3, 2017, we closed the acquisition of the Air Products specialty additives business, integrated it into the Nutrition & Care and Resource Efficiency segments, and linked it to our established businesses. 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.

Research and development

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

Financial instruments/ Risks and uncertainties

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

Risk strategy

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

Structure and organization of risk management

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

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

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

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

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

On November 11, 2016 an audit committee for Evonik Finance B.V. has been implemented. The audit committee has three members and the members have specialist knowledge and experience in the application of accounting standards, finance and internal control system. The audit committee comprises one women and two men. In compliance with statutory requirements, it therefore meets the minimum of 30 percent women and 30 percent men.

Overall risk assessment

Given the measures planned and implemented, no risks have been identified that—either individually or in conjunction with other risks—could jeopardize the continued existence of Evonik as a whole, including Evonik Industries AG in its role as the holding company for the Group.

For 2017 we expected more risks than opportunities. During the year, there were some opportunities and risks whose overall effects canceled each other out. Pleasingly, in the Resource Efficiency and Performance Materials segments we were mainly able to realize opportunities, especially in C4 chemicals and methacrylates. In the Nutrition & Care segment, considerably more risks than opportunities materialized, especially in the market for amino acids. Our reporting distinguishes between the categories market and competition risks, legal and compliance risks, and process and organization risks. The main parameters influencing the risk categories in terms of both opportunities realized and risks that materialized resulted from the development of specific market and competition situations. From the present standpoint, the risks for 2018 again outweigh the potential opportunities. Compared with 2017, there has been a slight increase in the risks for the Evonik Group, while the opportunities have increased considerably.

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 our 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. Our Code of Conduct is binding for all employees of the Evonik Group worldwide, including the Executive Board and the governance bodies of all Evonik companies. They are required to comply with the rules set forth in the Code of Conduct, to ensure they are familiar with its content, and to take part in the relevant training. Evonik monitors the observance of human rights along its value chain. To minimize the related risks, we require compliance with the Evonik Supplier Code of Conduct, our Global Social Policy, and the Policy Statement on Human Rights. No compliance incidents occurred in 2017.

Liquidity risks

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

Legal risks

Evonik is exposed to legal risks, resulting, for example, from legal disputes such as claims for compensation, and from administrative proceedings and fines. In its operating business, the 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 2017.

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.

Management statement

The board of management state that to the best of their knowledge. the financial statements of 2017 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, March 21, 2018

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

FINANCIAL STATEMENTS

Company financial statements

1 Balance sheet as at December 31, 2017 (after appropriation of result)

	Note	31/12/2017	31/12/2016*
		€	€
Financial fixed assets	8.1		
Loans to group companies		2.115.694.611	1.438.023.507
Deferred tax asset		1.823.192	-
Financial instruments		131.470.376	-
		2.248.988.179	1.438.023.507
Current assets	8.2		
Loans to group companies		43.885.500	-
Receivables from group companies		-	893.916.173
Tax receivables		9.057	6.776
Other receivables		1.983	1.983
Financial instruments		12.792	80.172.659
Interest receivable		14.722.719	14.201.998
		58.632.051	988.299.589
TOTAL ASSETS		2.307.620.230	2.426.323.096

	Note	31/12/2017	31/12/2016*
		€	€
Equity	8.3		
Issue share capital		50.000	50.000
Share premium		213.090.000	96.450.000
Revaluation Hedge Reserve		3.236.403	-
Retained earnings		10.901.409	5.807.714
		227.277.812	102.307.714
Provisions	8.4		
Deferred tax liability		-	1.342.953
		-	1.342.953
Financial liabilities	8.5		
Loans from group companies		133.931.339	363.864.218
Bonds		1.884.688.547	1.887.015.284
Financial instruments		3.717.506	63.358.841
		2.022.337.392	2.314.238.343
Current liabilities	8.6		
Loans from group companies		43.885.500	-
Creditors		7.529.333	68.767
Payables to group companies		342.814	-
Interest payable to group companies		4.161.763	8.365.319
interest payable on bonds		2.085.616	-
		58.005.026	8.434.086
TOTAL LIABILITIES		2.307.620.230	2.426.323.096

**The comparative figures of 2016 have been changed in order to achieve a better presentation. This has no impact on equity and net result.*

2 Income statement for 2017

	Note	2017 €	2016 €
Income			
Interest and similar income	9.1	67.868.362	24.365.467
Expenses			
Interest and similar expenses	9.1	-63.505.199	-24.242.888
Financial result		4.363.163	122.579
Personnel expenses	9.2	-12.365	-11.001
Other operating expenses	9.2	-995.069	-982.744
Operating result		-1.007.434	-993.745
Income before tax		3.355.729	-871.166
Income tax income/(expense)	9.4	1.737.966	-1.784.024
Result after tax		5.093.695	-2.655.190

3 Cash flow statement for the year ended December 31, 2017

1 Cash flow statement

	Notes	2017	2016
		€	€
Operating result		-1.007.434	-993.745
Change in other working capital			
- Accounts payable		7.460.566	49.298
- Receivables		894.256.706	-885.518.551
		901.717.272	-885.469.253
Received interest		62.346.324	20.927.520
Paid interest		-58.378.164	-16.469.841
Taxes paid		-1.428.179	-1.450.650
Cash flow from operating activities	4.6	**903.249.819**	**-883.455.969**
Cash flow from investing activities	4.6	-	-
Loans from Evonik Industries		-296.999.222	19.023.549
Loans to other companies		-721.556.605	-1.016.122.963
Issued Bonds		-241.121	1.884.929.668
Paid option premium		-	-26.614.656
Proceeds from capital increase		116.640.000	27.500.000
OCI		3.236.403	0
Cash flow from financing activities	4.6	**-898.920.545**	**888.715.598**
Effect of exchange rate differences		-4.329.274	-5.259.629
Changes in cash & cash equivalents		-	-
Cash & cash equivalents January 1		-	-
Cash & Cash equivalents December 31		**0**	**0**

4 General information

4.1 Operations

Evonik Finance B.V. is a 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 profit of € 5.093.695 for the period from January 1 to December 31, 2017, which, together with an increased share premium reserve resulted in net equity of € 227.277.812 (December 31, 2016: € 102.307.714) The earnings of the company will be determined by income items associated with the on-lending of raised funds, and profitability will be based on the margins obtained from the on-lending in excess of the interest to be paid on the notes and the service charges. Based on that, Evonik Finance B.V. will achieve a reasonable profit under these circumstances. Finally, Evonik Finance B.V. is supported by the unconditional and unlimited guarantee of Evonik Industries AG. The accounts have therefore been prepared based upon the going concern principle.

4.6 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

4.7 Notes to the cash flow statement 2017

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 December 31, 2017

ASSETS

8.1 Financial fixed assets

	31/12/2017	31/12/2016
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.	139.152.273	195.144.942
Loan to Evonik Spec Chem (Jilin) Co.	-	54.643.316
Loan to Evonik Methionine SEA Pte. Ltd.	-	147.695.963
Loan to Cyplus Idesa S.A.P.I. de C.V.	34.186.611	36.998.387
Loan to Evonik Neolyse	19.000.000	6.000.000
Loan to Evonik Degussa GmBH	997.786.760	997.540.899
Loan to Evonik Corporation	861.502.543	-
Loan to Evonik Degussa China Co., Ltd.	64.066.424	-
	2.115.694.611	1.438.023.507

The loans to group companies consist at December 31, 2017 of nine loans:

1. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., ltd. for the facility amount of 350.000.000 CNY. The availability period started on 18 January 2013. The final maturity date is 18 January 2019. Interest is paid annually on each 18 January. The average interest rate in 2017 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 in 2017 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 in 2017 was 5,70%.
4. A Credit Facility Agreement with Evonik Specialty Chemicals (Shanghai) Co., ltd. for the facility amount of 306.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 30 November 2019. Interest is paid annually on each 15 November. The average interest rate in 2017 was 5,79%.
5. A Credit Facility Agreement with Cyplus Idesa, S.A.P.I. de C.V. for the facility amount of 46.400.000 USD. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate in 2016 was 5,91%.
6. A Credit Facility Agreement with Neolyse Ibbenbüren GmbH for the facility amount of 26.250.000 EUR. The availability period started on 10 November 2015. The final maturity date is 31 December 2027. Interest is paid in various periods. The average interest rate in 2017 was 1,15%.
7. Two Credit Facility Agreements with Evonik Degussa GmbH for the facility amount of 1.000.000.000 EUR in total. The availability period started on 1 October 2016. The Final maturity date is 7 September 2024 for 500.000.000 EUR and 7 September 2028 for another 500.000.000 EUR. Interest has and will be paid at 7 September each year. The average interest rate in 2017 was 1,15%.
8. A Credit Facility Agreement with Evonik Degussa (China) Co., Ltd. for the facility amount of CNY 500.000.000. The availability period started on 20 July 2017. The final maturity

date is 16 March 2020. Interest will be paid annually on 16 March. The interest rate is set at 4,85%.

9. A Credit Facility Agreement with Evonik Corporation for the facility amount for two loans of each USD 516.600.000. 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 and for the second loan is on 6 May 2021. Interests for both loans will be paid semiannually on 6 May and 6 November. The average interest rate in 2017 was 2,85%.

The Revolving Line of Credit and the availability facility with Evonik Methionine SEA Pte. Ltd has been terminated on 12 April 2017. The loans issued and the outstanding accrued interest against Evonik Methionine SEA Pte. Ltd have been taken over by Evonik Industries AG on 12 April 2017.

The Revolving Line of Credit and the availability facility with Evonik Degussa (China) Ltd. Co has been terminated on 21 December 2017. The loans issued and the outstanding accrued interest against Evonik Methionine SEA Pte. Ltd have been taken over by Evonik Industries AG on 21 December 2017.

On 31 December 2016 the financial instruments consisted of the following:

		Options		FX Forwards	CNY Cross-currency swap			Total
Balance as at 31 December 2016	EUR	80.172.659	EUR	-61.536.674	EUR	-1.822.167	EUR	16.813.818

No hedge accounting was applied on the financial instruments that were present at 31 December 2016. Therefore there was no impact in the other comprehensive income in 2016. The options related to the loan that would be issued to Evonik Corporation. The FX forwards mainly related to the back-to-back financing of the loan to Evonik Corporation. On 3 January 2017 Evonik Finance B.V. did not exercise the options, but used a FX forward and issued a loan to Evonik Corporation. The option was sold to Evonik Industries AG. The FX forwards related to the back-to-back financing of the loan to Evonik Corporation were closed before the intended maturity date and replaced by a cash flow hedge. The CNY cross currency swap is currently presented under the financial liabilities.

On 31 December 2017 the 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	06.05.2019	USD	516.600.000	EUR	66.190.015
Cashflow Hedge	03.01.2017	06.05.2021	USD	516.600.000	EUR	65.280.361

As follows the movement schedule based on the above transactions:

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

On 31 December 2017 a deferred tax asset was built. The deferred tax assets mainly relates to withholding taxes that can be offset against future profits of €1.597.563, further a deferred tax asset of €225.629 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.

	31/12/2017	31/12/2016
	€	€
Loans to Evonik Spec Chem (Shanghai) Co.	43.885.500	-
Short term financial assets	-	893.916.173
Tax receivable	9.057	6.776
Other receivables	1.983	1.983
Financial instrument	12.792	-
Accrued interest Evonik Spec Chem (Shanghai) Co.	5.862.540	6.275.257
Accrued interest Evonik Spec Chem (Jilin) Co.	-	1.263.517
Accrued interest Evonik Methionine SEA Pte. Ltd.	-	3.353.361
Accrued interest Cyplus Idesa S.A.P.I. de C.V.	304.982	402.474
Accrued Interest Neolyse Ibbenbüren GmbH	116.469	13.800
Accrued interest Evonik Degussa GmbH	3.648.438	2.893.589
Accrued interest Evonik Corporation	3.819.328	-
Accrued interest Evonik Degussa (China) Co., Ltd.	970.962	-
	58.632.051	**908.126.930**

The short term loan to group companies consist at December 31, 2017 of the following loan:
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 2017 was 5,85%.

The financial instrument relates to the market-to-market value of two USD swaps.

Financial instruments	Start date	Maturity date	Notional value		MtM value	
FX-Outright	21.09.2017	23.03.2018	USD	311.334	EUR	360
FX-Swap	21.09.2017	23.03.2018	USD	11.500.000	EUR	12.432

The outstanding accrued interests against Evonik Methionine SEA Pte Ltd. and the outstanding accrued interests against Evonik Spec Chem (Jilin) Co. have been taken over by Evonik Industries AG as agreed in the termination contract dated on respectively 12 April 2017 and 21 December 2017.

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, 2017	50.000	96.450.000	-	5.807.714	102.307.714
Changes					
Capital increase March 15, 2017		52.500.000			52.500.000
Capital increase July 20, 2017		32.200.000			32.200.000
Capital increase September 20, 2017		31.940.000			31.940.000
Revaluation (Hedge) Reserve			3.236.403		3.236.403
Result at December 31, 2017				5.093.695	5.093.695
	-	116.640.000	3.236.403	5.093.695	124.970.098
At December 31, 2017	50.000	213.090.000	3.236.403	10.901.409	227.277.812

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 15 March 2017 Evonik Finance B.V. received a €52.500.000 capital contribution from its shareholder Evonik Industries AG.
On both 20 July 2017 and 20 September 2017 Evonik Finance B.V. received a capital contribution of €32.200.000 and €31.940.000 from its shareholder Evonik Industries AG to refinance the loans issued to Evonik Degussa (China) Co., Ltd. These loans were 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 2017	-
FX forwards' accumulated spot effect	-88.183.014
Market-to-market value cash flow hedge 31 December 2017	132.812.996
Currency translation effects at 31 December 2017	-41.393.579
Balance at 31 December 2017	3.236.403

The FX forwards related to the back-to-back financing of the loan to Evonik Corporation were closed before the intended maturity date and replaced by a cash flow hedge. The FX forwards were closed on 9 May 2016, on that day the value of the to be issued loans to Evonik Corporation was €906.713.471. On 3 January 2017 Evonik Finance B.V. issued two loans to Evonik Corporation of in total 1.033.200.000 USD with a EUR equivalent of €994.896.485. The difference of €88.183.014 reflects the FX forwards' accumulated spot effect. The spot effect will amortize over the maturity of the loan.

Proposed appropriation of result
Following the profit appropriation proposed by the Management Board and pursuant to Article 18 sub 2 of the Articles of Association, the Management Board proposes to add the profit of €5.093.695 to the retained earnings reserves.

The management proposes the following appropriation of result:

	2017
	€
Addition to retained earnings reserve	5.093.695
Total addition to the retained earnings	**5.093.695**

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

8.4 Provisions

On 31 December 2016 a deferred tax liability was built on the unrealized gains on foreign exchange revaluations. On 31 December 2017 there was a unrealized loss on foreign exchange revaluations, therefore the deferred tax liability has been reduced to zero and a deferred tax asset has been built.

8.5 Financial liabilities

	31/12/2017	31/12/2016
	€	€
Loans from Evonik Industries AG (Shanghai)	90.333.657	143.097.183
Loan from Evonik Industries AG (Mexico)	24.597.682	26.088.606
Loan from Evonik Industries AG (Neolyse)	19.000.000	6.000.000
Loan from Evonik Industries AG (Jilin)	-	40.982.486
Loan from Evonik Industries AG (Singapore)	-	147.695.943
Bonds	1.884.688.547	1.887.015.284
Financial instruments	3.717.506	63.358.841
	2.022.337.392	2.314.238.343

The loans from Evonik Industries AG consist at December 31, 2017 of six 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 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 2017 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 in 2017 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 in 2017 was 4,70%.
4. A Credit Facility Agreement for the facility amount of 220.000.000 CNY. The availability period started on 15 November 2013. The final maturity date is 15 November 2019.

Interest is paid annually on each 15 November. The average interest rate in 2017 was 4,70%.

5. A Revolving Line of Credit for the facility amount of 34.800.000 USD. The availability period started on 17 March 2015. The final maturity date is 31 December 2021. Interest is paid in various periods. The average interest rate in 2017 was 1,92%.
6. A Revolving Line of Credit for the facility amount of 26.250.000 EUR. The availability period started on 16 February 2016. The final maturity date is 31 December 2027. The interest is paid at 23 October 2017. The average interest rate in 2017 was 0,90%.

The Revolving Line of Credit and the availability facility with Evonik Industries AG for the facility amount of SGD 250.000.0000 has been terminated on 12 April 2017.
The Revolving Line of Credit and the availability facility with Evonik Industries AG for the facility amount of CNY 300.000.000 has been terminated on 21 December 2017.

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

On September 7, 2017 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 financial instruments consists of a fair value hedge and a CNY cross currency swap.
The fair value hedge was closed and contracted with Evonik Industries AG. The impact of this measurement is a decrease in the value of the zero coupon bond with approx. €2 million. Hedge accounting is applied for the fair value hedge.

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 2.029.109

The other financial instrument is a CNY cross-currency swap. 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. For the cross currency swap in CNY no hedge accounting is applied

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	610.241
Cross-currency swap	15.05.2013	18.01.2019	EUR	21.953.483,70	EUR	-401.800
Cross-currency swap	07.01.2014	15.04.2019	CNY	100.000.000	EUR	417.741
Cross-currency swap	07.01.2014	15.04.2019	CNY	20.000.000	EUR	83.548
Cross-currency swap	11.03.2014	15.11.2019	CNY	86.000.000	EUR	310.636
Cross-currency swap	20.07.2017	16.03.2020	CNY	250.000.000	EUR	407.315
Cross-currency swap	20.09.2017	16.03.2020	CNY	250.000.000	EUR	260.716

8.6 Current liabilities

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

	31/12/2017	31/12/2016
	€	€
Loans from Evonik Industries AG (Shanghai)	43.885.500	-
Creditors - group companies	7.506.557	-
Creditors - external	22.776	68.767
Payables to group companies	342.814	-
Interest loan Evonik Industries AG (Shanghai)	4.000.449	4.287.802
Interest loan Evonik Industries AG (Jilin)	8.964	890.160
Interest loan Evonik Industries AG (Singapore)	-	3.094.571
Interest loan Evonik Industries AG (Mexico)	61.200	81.986
Interest Loan Evonik Industries AG (Neolyse)	91.150	10.800
Interest payable on bonds	2.085.616	-
	58.005.026	**8.434.086**

The short term loan from group companies consist at December 31, 2017 of the following loan:
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 2017 was 4,05%.
The payable to group companies reflects the negative cash position towards Evonik Industries AG.

8.7 Contingent liabilities

As per December 31, 2017 there are outstanding guarantees that are to be considered as a contingent liability totaling € 5.3 million. The guarantee of € 4.1 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 € 1.2 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 2017

9.1 Financial income and expense

Financial income	2017	2016
	€	€
Interest loan Cyplus Idesa S.A.P.I. de C.V.	2.120.447	1.424.326
Interest loan Evonik Specialty Chemicals (Shanghai)	10.365.265	10.828.083
Interest loan Evonik Specialty Chemicals (Jilin)	2.609.554	2.975.511
Interest loan Evonik Degussa China Co., Ltd.	1.156.794	-
Interest loan Evonik Methionine SEA Pte. Ltd.	105.330	4.693.157
Interest loan Evonik Degussa GmbH	11.725.861	2.934.488
Interest loan Neolyse Ibbenbüren GmbH	173.011	13.800
Interest loan Evonik Corporation	26.163.453	-
Interest loan Evonik Industries AG (takeover Jilin)	1.793.048	-
Interest financial derivatives	6.651.860	1.495.502
Interest on Cash pool	2.420	600
Gain valuation derivatives	5.001.319	-
	67.868.362	24.365.467

Financial expenses	2017	2016
	€	€
Interest loan Cyplus Idesa S.A.P.I. de C.V.	484.161	239.428
Interest loan Evonik Industries AG (Shanghai)	6.044.366	6.314.443
Interest loan Evonik Industries AG (Jilin)	1.548.467	1.765.621
Interest loan Evonik Industries AG (Singapore)	-	4.317.829
Interest loan Evonik Industries AG (Neolyse)	135.400	10.800
Interest bonds	8.437.372	2.553.784
Interest financial derivatives	30.012.833	2.845.926
Interest Cash pool	1.327	-
Guarantee fees	7.506.557	-
Bank charges	4.124	4.667
Exchange rate loss	9.330.592	1.950.195
Loss valuation derivatives	-	3.309.433
Rating agency fees	-	930.762
	63.505.199	24.242.888

9.2 *General administrative expenses*

General and administrative expenses	2017	2016
	€	€
Office expenses	13.250	8.612
Financial services	69.996	41.820
Financial audit fees	30.000	26.000
Management (assistant) fees	44.820	44.364
Consultancy and legal fees	13.345	8.052
Other services	20.852	11.542
Other taxes	798.582	837.463
IT and Communication expenses	625	594
Travel expenses	3.599	4.297
Wages	12.365	11.001
	1.007.434	993.745

9.3 *Audit fees*

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

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

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

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 2017 financial statements, regardless of whether the work was performed during the financial year.

9.4 *Income tax expense*

The income tax result of €1.737.966 can be broken down as follows:

	2017	2016
	€	€
Income deferred taxes*	3.166.145	-333.374
Withholding taxes**	-1.428.179	-1.450.650
Income tax	**1.737.966**	**-1.784.024**

*Income deferred taxes consists of a deferred tax asset on withholding taxes of €1.597.563 and a deferred tax asset built on the unrealized losses on foreign exchange revaluations of €225.629. Further the deferred tax liability of 2016 (€1.342.953) has been reduced to zero, which also resulted in an increase in the income from deferred taxes.
**The withholding taxes relates to the interest income on the issued loans to Evonik Specialty Chemicals (Shanghai) Ltd., Evonik Degussa (China) Co. 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.

Tax calculation	**2017**	**2016**
	€	€
Profit before taxes	3.355.729	-871.166
Theoretical taxes to be paid**	-828.932	217.792
Withholding taxes	-1.428.179	-1.450.650
income deferred taxes	3.166.145	-333.374
Commercial tax rate	52%	205%

*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 2017 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*

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

March 21, 2018

Laila Aoulad Si Kaddour
Director

Alexander van der Weiden
Director

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

OTHER INFORMATION

10 INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

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

Report on the financial statements 2017

Our opinion

In our opinion Evonik Finance B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017 of Evonik Finance B.V., Amsterdam ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the income statement for the year then ended;
- the cash flow statement for the year 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.

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

Independence

We are independent of Evonik Finance B.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public interest entities, the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en

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beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

Evonik Finance B.V. is a financing company. The company's main activity is the financing of/for 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 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.

Materiality

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

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

Overall materiality	€23.000.000 (2016: €23.600.000).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 1% of total assets.
Rationale for benchmark applied	We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that total assets are an important metric for the financial performance of the company.

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 €1.150.000 (2016: €1.180.000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

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 separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we make on the results of our procedures should be read in this context.

Due to the nature of the Company's business, key audit matters do not change significantly year over year. As compared to last year there have been no changes in key audit matters.

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 €2,115,694,611, 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 €131,470,376 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 the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

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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 2010 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of eight years.

No prohibited non-audit services

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

Services rendered

No other services, in addition to the audit, were provided to the company for the period to which our statutory audit relates.

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, 21 March 2018
PricewaterhouseCoopers Accountants N.V.

M.P.A. Corver RA

Appendix to our auditor's report on the financial statements 2017 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. In this respect we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide 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.