

Unaudited Financial report 1st Half Year 2017
Evonik Finance B.V.
Amsterdam

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DIRECTORS' REPORT

1st Half Year Report 2017 of Board of Directors,

We herewith report you on the exercise of our mandate over the 1st half year, ending by 30 June 2017 and present you the financial report for the 1st half year for approval. The financial report for the 1st half year has not been audited by an auditor.

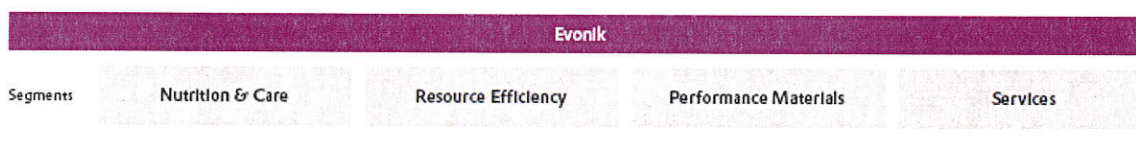
Evonik Finance B.V. is a 100% subsidiary company of Evonik Industries AG (also referred to herein as 'Evonik'), based in Germany with operations throughout the world.

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



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 €	30.06.2017	30.06.2016
Operating result	-525.205	-469.999
Financial result	3.369.692	-16.420.757
Profit/loss of financial year	5.185.771	-17.468.452

in €	30.06.2017	31.12.2016
Equity	151.894.900	102.307.714
Non-current liabilities	2.098.857.968	2.250.879.502
Current liabilities	29.213.369	8.434.086
Financial fixed assets	2.261.801.275	1.454.837.325
Current assets	19.961.379	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 €	30.06.2017	30.06.2016
- Operating expenses	-525.205	-469.999
Operating result	-525.205	-469.999
Financial income	34.790.185	10.439.686
- Financial expenses	-31.420.493	-26.860.443
Result before tax	2.844.487	-16.890.756
Income tax	2.341.284	-577.696
Result after tax	5.185.771	-17.468.452

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 30 June 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

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 25 April 2013. Effective 23 September 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 ChemicalsSM.

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

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 in the 1st half year of 2017 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 the 1st half year of 2017.

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 the 1st half year of 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. 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.

Statement in relation to the 1st half year of 2017 financial statements

We hereby declare, to the best of our knowledge, the financial statements prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Amsterdam, August 3, 2017



Laila Aoulad Si Kaddour
Director



Alexander van der Weiden
Director

FINANCIAL STATEMENTS

Company financial statements

1 Balance sheet as at June 30, 2017 (after appropriation of result)

		30/06/2017	31/12/2016
	Notes	€	€
Financial fixed assets	8.1		
Loans to group companies		2.191.239.569	1.438.023.507
Financial instruments		70.561.706	16.813.818
		2.261.801.275	1.454.837.325
Current assets	8.2		
Receivables from group companies		-	893.916.173
Tax receivables		3.532.479	6.776
Other receivables		283	1.983
Interest receivable		16.428.617	14.201.998
		19.961.379	908.126.930
TOTAL ASSETS		2.281.762.654	2.362.964.255

		30/06/2017	31/12/2016
	Notes	€	€
Equity	8.3		
Issue share capital		50.000	50.000
Share premium		148.950.000	96.450.000
Retained earnings		10.993.485	5.807.714
OCI		-8.098.585	0
		151.894.900	102.307.714
Provisions	8.4		
Deferred tax liability		1.796.417	1.342.953
		1.796.417	1.342.953
Non-current liabilities	8.5		
Loans from group companies		215.979.334	363.864.218
Bonds		1.882.878.634	1.887.015.284
		2.098.857.968	2.250.879.502
Current liabilities	8.6		
Creditors		27.519	68.767
Payables to group companies		19.632.367	0
Interest payable to group companies		4.213.586	8.365.319
interest payable on bonds		5.339.897	0
		29.213.369	8.434.086
TOTAL LIABILITIES		2.281.762.654	2.362.964.255

2 Income statement

	Notes	30/06/2017 €	30/06/2016 €
Income			
Interest and similar income	9.1	34.790.185	10.439.686
Expenses			
Interest and similar expenses	9.1	-31.420.493	-26.860.443
Financial result		<u>3.369.692</u>	<u>-16.420.757</u>
Personnel expenses	9.2	-6.127	-5.116
Other operating expenses	9.2	-519.078	-464.883
Total expenses		<u>-525.205</u>	<u>-469.999</u>
Loss before tax		2.844.487	-16.890.756
Income tax expense	9.4	2.341.284	-577.696
Loss after tax		<u><u>5.185.771</u></u>	<u><u>-17.468.452</u></u>

3 Cash flow statement

	Notes	30/06/2017	2016
		€	€
Operating result		-525.205	-993.745
Change in other working capital			
- Accounts payable		-41.249	49.298
- Receivables		913.549.048	-885.518.551
		913.507.799	-885.469.253
Received interest		28.168.703	20.927.520
Paid interest		-24.077.027	-16.469.841
Taxes paid		-729.762	-1.450.650
Cash flow from operating activities	4.6	916.344.508	-883.455.969
Cash flow from investing activities	4.6	0	0
Loans from Evonik Industries		-201.632.772	19.023.549
Loans to other companies		-753.216.062	-1.016.122.963
Issued Bonds		-2.051.034	1.884.929.668
Paid option premium		0	-26.614.656
Proceeds from capital increase		52.500.000	27.500.000
OCI		-8.098.585	0
Cash flow from financing activities	4.6	-912.498.453	888.715.598
Effect of exchange rate differences		-3.846.055	-5.259.629
Changes in cash & cash equivalents		0	0
Cash & cash equivalents January 1		0	0
Cash & Cash equivalents June 30		0	0

4 General information

4.1 Operations

Evonik Finance B.V. is a subsidiary of the Evonik Industries AG. As such its primary goals are to cover for the structural financing needs from non-German Evonik group companies and joint-ventures, by providing loans and guarantees. Borrowings and bond issuances are normally undertaken by Evonik Industries AG or its financing subsidiary Evonik Finance B.V., whose 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 15 December 2010 with an authorized share capital of €250.000 and is located at the following address: Hettenheuvelweg 37/39, 1101 BM Amsterdam, the Netherlands. Evonik Finance B.V registered at the chamber of commerce under number 51480433.

4.4 Related-party transactions

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

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

4.5 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.

4.6 Notes to the cash flow statement 30.06.2017

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, 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.

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, the Chinese renminbi yuan (CNY) forward exchange rate (development of exchange rates expected by the market) and the United States Dollar (USD). 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.

As of 2017 the zero coupon bond is subsequently stated at fair value.

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.

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 June 30, 2017

ASSETS

8.1 Financial fixed assets

	30/06/2017	31/12/2016
	€	€
Loan to ED Spec Chem (Shanghai) Co.	184.596.498	195.144.942
Loan to ED Spec Chem (Jilin) Co.	51.689.604	54.643.316
Loan to Evonik Methionine SEA Pte. Ltd.	0	147.695.963
Loan to Cyplus Idesa S.A.P.I. de C.V.	35.927.096	36.998.387
Loan to Evonik Neolyse	16.000.000	6.000.000
Loan to Evonik Degussa GmbH	997.663.595	997.540.899
Loan to Evonik Corporation	905.362.776	0
	<u>2.191.239.569</u>	<u>1.438.023.507</u>

The loans to group companies consist at 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 01 July 2019. Interest is paid annually on each 1st of July. The average interest rate until 30 June 2017 was 5,26%.
7. 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 until 30 June 2017 was 5,82%.
8. 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 until 30 June 2017 was 1,15%.

9. 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 until 30 June 2017 was 1,15%.
10. A Credit Facility Agreement with Evonik Corporation for the facility amount of 1.033.200.000 USD. The availability period started on 3 January 2017. The Final maturity date is 6 May 2021. Interest will be paid annually on each 6 May. The average interest rate until 30 June 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 financial instruments relate to the market-to-market value of cross currency swaps in CNY and USD and forward agreements in USD. For the cross currency swaps in CNY and the forward agreements in USD no hedge accounting is applied. For the cross currency swaps in USD hedge accounting is applied. The financial instruments are contracted with Evonik industries AG for hedging the foreign currency risks on the intercompany loans which are not covered by back to back financing.

As follows the movement schedule based on the above transactions:

	Loans to group	Financial instruments	Total
	€	€	€
Balance as at 1 January 2017	1.438.023.507	16.818.818	1.454.842.325
New granted loans	1.006.768.794	0	1.006.768.794
Terminated loans	-151.321.541	0	-151.321.541
Disagio loan Evonik Degussa GmbH	122.696	0	122.696
Currency translation effect	-102.353.887	53.742.888	-48.610.999
Balance as at 30 June 2017	2.191.239.569	70.561.706	2.261.801.275

8.2 Current assets

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

	30/06/2017	31/12/2016
	€	€
Short term financial assets	0	893.916.173
Tax receivable	3.532.479	6.776
Accrued interest Evonik Spec Chem (Shanghai) Co.	3.491.858	6.275.257
Accrued interest Evonik Spec Chem (Jilin) Co.	-12.991	1.263.517
Accrued interest Evonik Methionine SEA Pte. Ltd.	0	3.353.361
Accrued interest Cyplus Idesa S.A.P.I. de C.V.	406.088	402.474
Accrued Interest Neolyse Ibbenbüren GmbH	86.825	13.800
Accrued interest Evonik Degussa GmbH	8.586.411	2.893.589
Accrued interest Evonik Corporation	3.870.426	0
Other receivables	283	1.983
	19.961.379	908.126.930

The outstanding accrued interest against Evonik Methionine SEA Pte Ltd. have been taken over by Evonik Industries AG as agreed in the termination contract dated on 12 April 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 30 June 2017.

EQUITY AND LIABILITIES

8.3 Equity

	Issued share capital	Share premium	Retained earnings	OCI	Total
	€	€	€	€	€
At December 31, 2016	50.000	96.450.000	5.807.714	0	102.307.714
Changes					
Capital increase		52.500.000			52.500.000
OCI				-8.098.585	-8.098.585
Result at June 30, 2017			5.185.771		5.185.771
At June 30, 2017	50.000	148.950.000	10.993.485	-8.098.585	151.894.900

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.

OCI

The €8.098.525 is a result of hedge accounting applied to the new cross currency swap in USD.

8.4 Provisions

	30/06/2017	31/12/2016
	€	€
Deferred tax liability	1.796.417	1.342.953
	<u>1.796.417</u>	<u>1.342.953</u>

8.5 Non-current liabilities

	30/06/2017	31/12/2016
	€	€
Loan from Evonik Industries AG (Shanghai)	135.362.151	143.097.183
Loan from Evonik Industries AG (Jilin)	38.767.201	40.982.486
Loan from Evonik Industries AG (Singapore)	0	147.695.943
Loan from Evonik Industries AG (Mexico)	25.849.982	26.088.606
Loan from Evonik Industries AG (Neolyse)	16.000.000	6.000.000
Bonds	1.882.878.634	1.887.015.284
	<u>2.098.857.968</u>	<u>2.250.879.502</u>

The loans from Evonik Industries AG consist at 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 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 until 30 June 2017 was 4,28%.
7. 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 until 30 June 2017 was 1,83%.
8. 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 until 30 June 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 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, 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	11.872.309	11.872.309
Terminated loans	-151.321.541	-151.321.541
Currency translation effect	-8.435.652	-8.435.651
Balance as at 30 June 2017	215.979.334	215.979.334

On 7 September 2016 Evonik Finance B.V. issued bonds with a nominal value of €1.9 billion. In total Evonik Finance B.V. issued three fixed tranches:

1. €650 million with a tenor of 4.5 years and a coupon of 0%. Issued price: 99.771%
2. €750 million with a tenor of 8 years and a coupon of 0.375%. Issued price: 99,490%
3. €500 million with a tenor of 12 years and a coupon of 0.750%. Issued price 98.830%

The bonds were issued at discount. The repayment of the bonds to the investors is guaranteed by Evonik Industries AG. As of 10 January 2017 the zero coupon bond is subsequently stated at fair value. A 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.

8.6 Current liabilities

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

	30/06/2017 €	31/12/2016 €
Creditors - group companies	12.373	0
Creditors - external	15.145	68.767
Payables to group companies	19.632.367	0
Interest loan Evonik Industries AG (Shanghai)	2.383.799	4.287.802
Interest loan Evonik Industries AG (Jilin)	1.670.359	890.160
Interest loan Evonik Industries AG (Singapore)	0	3.094.571
Interest loan Evonik Industries AG (Mexico)	91.479	81.986
Interest Loan Evonik Industries AG (Neolyse)	67.950	10.800
Interest payable on bonds	5.339.897	0
	29.213.369	8.434.086

8.7 Contingent liabilities

As per 30 June 2017 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

9.1 Financial income and expense

Financial income	30/06/2017	30/06/2016
	€	€
Interest loan Cyplus Idesa S.A.P.I. de C.V.	1.064.772	520.678
Interest loan Specialty Chemicals (Shanghai)	5.253.025	5.418.776
Interest loan Specialty Chemicals (Jilin)	1.441.892	1.488.958
Interest loan Evonik Methionine SEA Pte. Ltd.	105.330	2.256.895
Interest loan Evonik Degussa GmbH	5.815.518	0
Interest loan Neolyse Ibbenbüren GmbH	73.025	0
Interest loan Evonik Corporation	13.406.758	0
Interest financial derivatives	3.233.896	754.237
Interest on cashpool	1.105	142
Gain valuation derivatives	4.394.864	0
	34.790.185	10.439.686

Financial expenses	30/06/2017	30/06/2016
	€	€
Interest loan Cyplus Idesa S.A.P.I. de C.V.	235.012	72.679
Interest loan Evonik Industries AG (Shanghai)	3.063.137	3.159.982
Interest loan Evonik Industries AG (Jilin)	855.596	883.524
Interest loan Evonik Industries (Singapore)	0	2.071.334
Interest loan Neolyse Ibbenbüren GmbH	57.150	0
Interest bonds	4.190.616	0
Interest financial derivatives	14.774.848	1.433.813
Interest cashpool	1.173	0
Loss valuation derivatives	0	16.225.266
Rating agency fees	0	0
Bank charges	2.043	2.808
Exchange rate loss	8.240.918	3.011.037
	31.420.493	26.860.443

9.2 General administrative expenses

General and administrative expenses	30/06/2017	30/06/2016
	€	€
Office expenses	4.350	4.306
Financial services	34.998	20.910
Financial audit fees	15.000	8.153
Management (assistant) fees	22.410	22.182
Consultancy and legal fees	11.747	2.732
Other services	9.206	2.014
Other taxes	419.940	402.616
IT and Communication expenses	312	295
Travel expenses	1.115	1.675
Wages	6.127	5.116
	525.205	469.999

9.3 Audit fees

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

30/06/2017	PwC Accountants	Total
	€	€
Audit of the financial statements	10.000	10.000
Other audit services	5.000	5.000
Other non-audit services	0	0
	<hr/>	<hr/>
	15.000	15.000
30/06/2016	PwC Accountants	Total
	€	€
Audit of the financial statements	8.153	8.153
Other audit services	0	0
Other non-audit services	0	0
	<hr/>	<hr/>
	8.153	8.153

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

	30/06/2017	30/06/2016
	€	€
Corporate income tax*	-1.796.417	0
Income deferred taxes*	4.867.463	138.103
Withholding taxes**	-729.762	-715.799
	<hr/>	<hr/>
Income tax	2.341.284	-577.696

**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 2017 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*

Until 30 June 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 until 30 June 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 30 June 2017.

Amsterdam, August 3, 2017



Laila Aoulad Si Kaddour
Director



Alexander van der Weiden
Director

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