

# Annual financial statements of Evonik Industries AG

.....  
FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2017  
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## Balance sheet

### Balance sheet for Evonik Industries AG

| in € million   | Note | Dec. 31, 2017 | Dec. 31, 2016 |
|--|------|---------------|---------------|
| Intangible assets                                    |      | 16            | 11            |
| Property, plant and equipment                        |      | 52            | 44            |
| Financial assets                                     |      | 9,430         | 9,011         |
| <b>Non-current assets</b>                            | 2.1  | <b>9,498</b>  | <b>9,066</b>  |
| <b>Inventories</b>                                   | 2.2  | <b>6</b>      | <b>9</b>      |
| Trade accounts receivable                            |      | 9             | 9             |
| Receivables from affiliated companies                |      | 3,221         | 2,308         |
| Receivables from companies held as other investments |      | -             | 31            |
| Other assets   |      | 97            | 277           |
| <b>Receivables and other assets</b>                  | 2.3  | <b>3,327</b>  | <b>2,625</b>  |
| <b>Cash and cash equivalents</b>                     | 2.4  | <b>637</b>    | <b>4,272</b>  |
| <b>Current assets</b>                                |      | <b>3,970</b>  | <b>6,906</b>  |
| <b>Prepaid expenses and deferred charges</b>         | 2.5  | <b>16</b>     | <b>11</b>     |
| <b>Total assets</b>                                  |      | <b>13,484</b> | <b>15,983</b> |
| <b>Issued capital</b>                                |      | <b>466</b>    | <b>466</b>    |
| <b>Capital reserve</b>                               |      | <b>721</b>    | <b>721</b>    |
| <b>Revenue reserves</b>                              |      | <b>4,611</b>  | <b>4,606</b>  |
| - statutory reserve                                  |      | 47            | 47            |
| - other revenue reserves                             |      | 4,564         | 4,559         |
| <b>Net profit</b>                                    |      | <b>770</b>    | <b>936</b>    |
| <b>Equity</b>  | 2.6  | <b>6,568</b>  | <b>6,729</b>  |
| Provisions for pensions and similar obligations      |      | 54            | 36            |
| Provisions for taxes                                 |      | 198           | 174           |
| Other provisions                                     |      | 358           | 367           |
| <b>Provisions</b>                                    | 2.7  | <b>610</b>    | <b>577</b>    |
| Bonds  |      | 1,750         | 1,250         |
| Liabilities to banks                                 |      | 80            | 65            |
| Trade accounts payable                               |      | 82            | 87            |
| Liabilities to affiliated companies                  |      | 4,336         | 7,196         |
| Other payables                                       |      | 57            | 63            |
| <b>Liabilities</b>                                   | 2.8  | <b>6,305</b>  | <b>8,661</b>  |
| <b>Deferred income</b>                               |      | <b>1</b>      | <b>16</b>     |
| <b>Total equity and liabilities</b>                  |      | <b>13,484</b> | <b>15,983</b> |

## Income statement

### Income statement for Evonik Industries AG

| in € million  | Note | 2017        | 2016         |
|---|------|-------------|--------------|
| Sales   | 3.1  | 667         | 635          |
| Increase/reduction in finished goods and work in progress                         |      | -5          | 4            |
| Other own work capitalized  |      | 5           | -            |
| Other operating income  | 3.2  | 971         | 896          |
| Cost of materials   | 3.3  | -246        | -221         |
| Personnel expense   | 3.4  | -366        | -341         |
| Depreciation and amortization of intangible assets, property, plant and equipment |      | -20         | -17          |
| Other operating expense   | 3.5  | -1,356      | -1,125       |
| <b>Operating result</b>   |      | <b>-350</b> | <b>-169</b>  |
| Income from profit-and-loss transfer agreements                                   |      | 832         | 1,480        |
| Income from investments   |      | 2           | 1            |
| <b>Income from investments</b>  | 3.6  | <b>834</b>  | <b>1,481</b> |
| Write-downs of financial assets and current securities                            | 3.7  | -49         | -19          |
| Write-ups of financial assets and current securities                              | 3.8  | 149         | 12           |
| Net interest income/expense   | 3.9  | -43         | 18           |
| <b>Income before income taxes</b>   |      | <b>541</b>  | <b>1,323</b> |
| Income taxes  | 3.11 | -166        | -85          |
| <b>Income after taxes</b>   |      | <b>375</b>  | <b>1,238</b> |
| <b>Net income</b>   |      | <b>375</b>  | <b>1,238</b> |
| Profit carried forward from the previous year                                     |      | 400         | -            |
| Additions to revenue reserves   |      | -5          | -302         |
| <b>Net profit</b>   |      | <b>770</b>  | <b>936</b>   |

## Notes to the financial statements for 2017

### 1 Basis of preparation of the financial statements

#### 1.1 General information

The annual financial statements for Evonik Industries AG, Essen (Germany) (referred to as Evonik Industries AG or the company) have been prepared in accordance with the accounting standards set out in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

To enhance clarity, some items have been combined in the balance sheet and income statement. These are stated separately in the notes.

The income statement has been drawn up using the total cost format.

Evonik Industries AG is a large stock company within the meaning of Section 267 Paragraph 3 of the German Commercial Code (HGB). The company's registered office is in Essen (Germany), and it is entered in the commercial register B at Essen District Court under the number 19474.

There is a domination agreement and a profit-and-loss transfer agreement between Evonik Industries AG and Evonik Degussa GmbH. Both agreements were last amended in 2013.

#### 1.2 Accounting and valuation principles

##### 1.2.1 Intangible assets, property, plant and equipment

Purchased intangible assets are recognized at the cost of acquisition, including ancillary acquisition costs, and amortized on a straight-line basis over their estimated useful lives. Their useful life is between one and five years. Self-generated intangible assets are not capitalized.

Property, plant and equipment are valued at the cost of acquisition, including ancillary acquisition costs. Additions to property, plant and equipment subject to depletion made before January 1, 2008 and in fiscal 2009 are depreciated—insofar as this is permitted for tax purposes—using the declining balance method, with a subsequent switch to the straight-line method. The straight-line depreciation method has been used for all additions since fiscal 2010. Depreciation is calculated on the basis of the following customary useful lives for the various types of assets.

##### Useful lives of property, plant and equipment

| in years                      |      |
|-------------------------------|------|
| Other facilities              | 15   |
| Factory fittings              | 20   |
| Distribution systems          | 15   |
| Machinery and other equipment | 10   |
| Vehicles                      | 5    |
| IT systems                    | 3-7  |
| Factory and office equipment  | 5-10 |

To harmonize the valuation methods used by the Evonik Group in Germany, starting from fiscal 2017 the chemical industry depreciation table is used as the basis for determining the useful life of non-current assets for Evonik Industries AG. Application of this depreciation table, which is also used for other German non-manufacturing companies in the Evonik Group, reduces the useful life of vehicles from 6 to 5 years and the useful life of factory and office equipment from a maximum of 13 years in the past to a maximum of 10 years.

Movable assets acquired in the reporting period are depreciated on a pro rata temporis basis from the month of acquisition using the straight-line method. Assets purchased for more than €150 but no more than €1,000 are grouped in a collective item for the year. The overall cost of this collective item is depreciated in five equal installments in the year in which it is established and the following four years.

Write-downs are made for any decline in the value of assets that is expected to be lasting and goes beyond normal wear and tear.

### 1.2.2 Financial assets

Financial assets are recognized at cost of acquisition or, in the event of a decline in value that is expected to be lasting, at the lower fair value. Investments in companies that are listed on the stock market are written down to the lower stock market price on the reporting date if the decline in value is expected to be permanent. If and insofar as the reasons for a write-down no longer apply, financial assets are written up to their fair value or higher stock market price on the reporting date, but only up to their amortized cost. In accordance with Section 271 Paragraph 1 Sentence 1 of the German Commercial Code (HGB), the investments included in financial assets are equity interests in other companies which serve the company's own operations by establishing a lasting relationship.

### 1.2.3 Inventories

Inventories are measured at cost of acquisition or production, taking into account the lowest value principle. The cost of acquisition is calculated using the average cost method, plus ancillary costs. The cost of production comprises direct production costs, plus an appropriate portion of material and manufacturing overheads and depreciation of non-current assets. Interest on debt is not capitalized. Write-downs are recognized for inventory risks resulting from diminished usability, slow-moving items, etc.

### 1.2.4 Receivables, other assets, and cash and cash equivalents

Receivables, other assets, and cash and cash equivalents are recognized at nominal value. Specific risks relating to receivables are recognized through individual write-downs. The general credit risk on receivables is taken into account through a global valuation allowance.

### 1.2.5 Issued capital

The issued capital (capital stock) is measured at nominal value.

### 1.2.6 Provisions

In accordance with Section 253 Paragraphs 1 and 2 of the German Commercial Code (HGB), provisions for pensions and similar commitments are valued using the projected unit credit method. This method takes account of expected future salary and pension increases as well as pension obligations and accrued entitlements as of the reporting date. As in the previous year, the valuation is based on the biometric data in the 2005 G mortality tables published by Klaus Heubeck.

Actuarial methods are used to value provisions for pensions and other non-current personnel-related provisions for phased retirement programs, early retirement, continued payment of salaries after death, annual bonuses and the granting of annual vacation entitlements in the event of illness, anniversaries and some elements of employees' long-term accounts.

In accordance with Section 253 Paragraph 2 Sentence 1 of the German Commercial Code (HGB), provisions due in more than one year are discounted using the average market interest rate corresponding to their term. For provisions for pension obligations, this is derived from the past ten fiscal years, while for other provisions it is derived from the past seven fiscal years. In accordance with Section 253 Paragraph 6 Sentence 2 of the German Commercial Code (HGB), the difference between pension provisions using the ten-year average for the interest rate as of the reporting date and the seven-year average, less deferred taxes recognized on this amount, may not be distributed.

In application of the option provided for by Section 253 Paragraph 2 Sentences 2 and 3 of the German Commercial Code (HGB), these provisions are discounted over an assumed term of 15 years. For the valuation as of December 31, 2017, the interest rate as of this date was projected from interest rate data published as of November 30, 2017. The average rate for the past seven fiscal years was 2.80 percent (2016: 3.24 percent), while for the past ten fiscal years it was 3.68 percent (2016: 4.01 percent). These rates are identical with the rates published by the Bundesbank as of December 31, 2017.

The table shows the assumptions used for the actuarial valuation of the obligations:

#### Actuarial assumptions

| in %                     | 2017 |
|--------------------------|------|
| Future salary increases  | 2.50 |
| Employee turnover        | 2.15 |
| Future pension increases | 1.50 |

Obligations relating to pension commitments are for company pensions.

In the previous years, the company transferred assets ("funded assets") to the pension trust Evonik Pensionstreuhand e.V., Essen (Germany) to insure some of the pension obligations to employees against insolvency.

In accordance with Section 246 Paragraph 2 Sentence 2 of the German Commercial Code (HGB), these assets were offset against the provisions of €820 million (2016: €760 million) for settlement of these obligations. The fair value of the netted funded assets is €766 million (2016: €724 million).

The historical cost of acquisition of the assets was €594 million (2016: €589 million). The market values were taken as their fair values and correspond to the fair values derived from the master fund as of December 29, 2017.

Section 268 Paragraph 8 of the German Commercial Code (HGB) imposes a ban on the distribution of any fair value in excess of the cost of acquisition of pension assets, less the related deferred tax liabilities recognized in the balance sheet. This does not apply to the company as it has sufficient reserves.



The company has established provisions for the full amount of top-up and termination benefits for employees on the German phased retirement plan or who have signed agreements to embark on this plan, plus pro rata provisions for their salary payments in the period in which they are not working.

To support the adjustment of headcount without causing undue hardship, provisions for termination benefits were established in the prior years and adjusted accordingly in the reporting period.

Commitments relating to long-term accounts comprise two components. The first is an obligation to grant collectively agreed one-time payments and vacation during the period in which employees do not work, plus final company-financed benefits. This obligation is recognized in the financial statements through a provision. Entitlements to final company-financed benefits for which there is not yet a firm agreement are weighted by the probability of use. The second component comprises current amounts credited by employees to their personal long-term accounts, which are insured against insolvency through a contractual trust arrangement. This component is a securities-based commitment as defined by Section 253 Paragraph 1 Sentence 3 German Commercial Code (HGB).

The obligations correspond to the fair value of the assets allocated, totaling €36 million (2016: €29 million). Pursuant to Section 246 Paragraph 2 Sentence 2 of the German Commercial Code (HGB), the assets that are designated as insolvency insurance for commitments on employee accounts are offset against these commitments. The historical cost of acquisition of the assets was €33 million (2016: €26 million). Where market values are available for assets, they are used as the fair value. These assets are held in a segregated equity and bond fund. The asset valuations correspond to the fair values of this segregated fund, which is managed by Allianz, as of December 29, 2017.

The other provisions and tax provisions take adequate account of all identifiable risks and uncertain liabilities. The amounts allocated to provisions reflect the anticipated utilization of the provisions based on a prudent assessment of the settlement amount. In accordance with Section 253 Paragraph 2 Sentence 1 of the German Commercial Code (HGB), provisions due in more than one year are discounted over their remaining term using the average market interest rate for the past seven years.

### 1.2.7 Liabilities

Bonds and liabilities are recognized at nominal value or at the settlement amount if this is higher.

Foreign currency assets and liabilities are recognized at the historical rates at the time of their initial recognition. Items with a remaining term of more than one year are subsequently valued using the imparity principle at the average spot rates on the reporting date. As a result, positive values are not recognized. Items with a remaining term of less than one year are valued at the average spot rate on the reporting date so positive values are also included.

The valuation of receivables and liabilities from the cash pool, overnight funds, trade accounts receivable and payable, cash and cash equivalents, and liabilities to banks are valued at the average spot rate (ECB rate fixed daily).

Valuation units are formed in accordance with Section 254 of the German Commercial Code (HGB) by comparing the fair value of overnight funds with the fair value of the related hedging transaction. If the difference is negative, a provision for impending losses is recognized. All valuation units are presented on the balance sheet as net hedges.

### 1.2.8 Deferred tax liabilities

In accordance with Section 274 Paragraph 1 of the German Commercial Code (HGB), deferred taxes are recognized for differences between the valuation of assets, liabilities and deferred items for the commercial accounts and their tax valuations; these differences are expected to be reduced in future fiscal years. Tax loss carryforwards and interest carried forward are included in the calculation of deferred tax assets at the level at which they are expected to be offset in the next five years.

The tax rates used to calculate deferred taxes are those valid under current legislation or that have been announced as being applicable as of the date when the temporary differences will probably be settled. Such discrepancies between balance sheet valuations are valued using a company-specific tax rate of 32.2 percent (2016: 32.1 percent). This comprises 15 percent German corporation tax, a 5.5 percent solidarity surcharge on the corporation tax and 16.4 percent trade tax.

If a company forms part of a tax entity, deferred taxes are assigned to the controlling company (formal viewpoint).

If deferred tax assets exceed deferred tax liabilities, the option of recognizing the net deferred tax asset in accordance with Section 274 Paragraph 1 Sentence 2 of the German Commercial Code (HGB) is not utilized. If the net result is a tax liability, this is recognized on the balance sheet as a deferred tax liability. On the income statement, the change in deferred taxes is then shown separately in income taxes.

### 1.2.9 Sales

Sales are recognized after sales deductions and deduction of value-added tax and all other taxes directly related to sales. Sales comprise revenue from the sale, rental or leasing of products and the provision of services.

Products comprise goods covered by the company's normal product portfolio. In addition, assets are deemed to be products and are recognized as such if they are normally sold as part of the reporting company's business activities. Revenues from the provision of services are recognized as sales where they are based on an exchange of services.

## 2 Notes to the balance sheet

(in € million, except where stated otherwise)

### 2.1 Non-current assets

#### Change in intangible assets

| in € million                                    | Acquired licenses,<br>trademarks and<br>similar rights | Advance<br>payments<br>made | Total     |
|---|--|-----------------------------|-----------|
| <b>Cost of acquisition/production</b>           |  |                             |           |
| <b>As of January 1, 2016</b>                    | <b>29</b>  | –                           | <b>29</b> |
| Additions                                       | 7  | –                           | 7         |
| Disposal  | –5   | –                           | –5        |
| Reclassification                                | 3  | –                           | 3         |
| <b>As of December 31, 2016</b>                  | <b>34</b>  | –                           | <b>34</b> |
| Additions                                       | 5  | –                           | 5         |
| Disposal  | –  | –                           | –         |
| Reclassification                                | 6  | –                           | 6         |
| <b>As of December 31, 2017</b>                  | <b>45</b>  | –                           | <b>45</b> |
| <b>Amortization and write-downs</b>             |  |                             |           |
| <b>As of January 1, 2016</b>                    | <b>20</b>  | –                           | <b>20</b> |
| Amortization                                    | 5  | –                           | 5         |
| Write-ups                                       | –  | –                           | –         |
| Disposal  | –2   | –                           | –2        |
| Reclassification                                | –  | –                           | –         |
| <b>As of December 31, 2016</b>                  | <b>23</b>  | –                           | <b>23</b> |
| Amortization in fiscal year                     | 6  | –                           | 6         |
| Write-ups in fiscal year                        | –  | –                           | –         |
| Disposal  | –  | –                           | –         |
| Reclassification                                | –  | –                           | –         |
| <b>As of December 31, 2017</b>                  | <b>29</b>  | –                           | <b>29</b> |
| <b>Carrying amounts as of December 31, 2016</b> | <b>11</b>  | –                           | <b>11</b> |
| <b>Carrying amounts as of December 31, 2017</b> | <b>16</b>  | –                           | <b>16</b> |

## Change in property, plant and equipment

| in € million                                    | Land, land<br>rights and<br>buildings,<br>including<br>buildings on<br>leased land | Plant and<br>machinery | Other plant,<br>office<br>furniture and<br>equipment | Advance<br>payments<br>and<br>construction<br>in progress | <b>Total</b> |
|---|--|------------------------|--|---|--------------|
| <b>Cost of acquisition/production</b>           |  |                        |  |   |              |
| <b>As of January 1, 2016</b>                    | <b>1</b>   | <b>3</b>               | <b>60</b>  | <b>4</b>  | <b>68</b>    |
| Additions                                       | –  | –                      | 17   | 11  | 28           |
| Disposal  | –  | –                      | –8   | –   | –8           |
| Reclassification                                | –  | –                      | 1  | –4  | –3           |
| <b>As of December 31, 2016</b>                  | <b>1</b>   | <b>3</b>               | <b>70</b>  | <b>11</b>   | <b>85</b>    |
| Additions                                       | 1  | –                      | 18   | 9   | 28           |
| Disposal  | –  | –                      | –2   | –   | –2           |
| Reclassification                                | –  | –                      | 3  | –9  | –6           |
| <b>As of December 31, 2017</b>                  | <b>2</b>   | <b>3</b>               | <b>89</b>  | <b>11</b>   | <b>105</b>   |
| <b>Depreciation and write-downs</b>             |  |                        |  |   |              |
| <b>As of January 1, 2016</b>                    | <b>–</b>   | <b>1</b>               | <b>36</b>  | <b>–</b>  | <b>37</b>    |
| Depreciation                                    | –  | 1                      | 11   | –   | 12           |
| Write-ups                                       | –  | –                      | –  | –   | –            |
| Disposal  | –  | –                      | –8   | –   | –8           |
| Reclassification                                | –  | –                      | –  | –   | –            |
| <b>As of December 31, 2016</b>                  | <b>–</b>   | <b>2</b>               | <b>39</b>  | <b>–</b>  | <b>41</b>    |
| Depreciation in fiscal year                     | 1  | –                      | 13   | –   | 14           |
| Write-ups in fiscal year                        | –  | –                      | –  | –   | –            |
| Disposal  | –  | –                      | –2   | –   | –2           |
| Reclassification                                | –  | –                      | –  | –   | –            |
| <b>As of December 31, 2017</b>                  | <b>1</b>   | <b>2</b>               | <b>50</b>  | <b>–</b>  | <b>53</b>    |
| <b>Carrying amounts as of December 31, 2016</b> | <b>1</b>   | <b>1</b>               | <b>31</b>  | <b>11</b>   | <b>44</b>    |
| <b>Carrying amounts as of December 31, 2017</b> | <b>1</b>   | <b>1</b>               | <b>39</b>  | <b>11</b>   | <b>52</b>    |

## Change in financial assets

| in € million                                    | Shares in affiliated companies | Loans to affiliated companies | Investments | Total        |
|---|--------------------------------|-------------------------------|-------------|--------------|
| <b>Cost of acquisition/production</b>           |                                |                               |             |              |
| <b>As of January 1, 2016</b>                    | <b>9,058</b>                   | <b>366</b>                    | <b>64</b>   | <b>9,488</b> |
| Additions                                       | 28                             | 187                           | 1           | 216          |
| Disposal  | -                              | -68                           | -           | -68          |
| Reclassification                                | -                              | -                             | -           | -            |
| <b>As of December 31, 2016</b>                  | <b>9,086</b>                   | <b>485</b>                    | <b>65</b>   | <b>9,636</b> |
| Additions                                       | 117                            | 381                           | -           | 498          |
| Disposal  | -                              | -155                          | -           | -155         |
| Reclassification                                | -                              | -24                           | -           | -24          |
| <b>As of December 31, 2017</b>                  | <b>9,203</b>                   | <b>687</b>                    | <b>65</b>   | <b>9,955</b> |
| <b>Write-downs</b>                              |                                |                               |             |              |
| <b>As of January 1, 2016</b>                    | <b>611</b>                     | <b>-</b>                      | <b>7</b>    | <b>618</b>   |
| Write-downs                                     | 19                             | -                             | -           | 19           |
| Write-ups                                       | -5                             | -                             | -7          | -12          |
| Disposal  | -                              | -                             | -           | -            |
| Reclassification                                | -                              | -                             | -           | -            |
| <b>As of December 31, 2016</b>                  | <b>625</b>                     | <b>-</b>                      | <b>-</b>    | <b>625</b>   |
| Write-downs in fiscal year                      | -                              | 49                            | -           | 49           |
| Write-ups in fiscal year                        | -149                           | -                             | -           | -149         |
| Disposal  | -                              | -                             | -           | -            |
| Reclassification                                | -                              | -                             | -           | -            |
| <b>As of December 31, 2017</b>                  | <b>476</b>                     | <b>49</b>                     | <b>-</b>    | <b>525</b>   |
| <b>Carrying amounts as of December 31, 2016</b> | <b>8,461</b>                   | <b>485</b>                    | <b>65</b>   | <b>9,011</b> |
| <b>Carrying amounts as of December 31, 2017</b> | <b>8,727</b>                   | <b>638</b>                    | <b>65</b>   | <b>9,430</b> |

Additions of shares in affiliated companies result from total payments of €117 million into the capital reserves of one company.

For information on the list of shareholdings of Evonik Industries AG, please refer to Note 4.12.

## 2.2 Inventories

### Inventories

| in € million     | Dec. 31, 2017 | Dec. 31, 2016 |
|------------------|---------------|---------------|
| Work in progress | -             | 5             |
| Merchandise      | 6             | 4             |
|                  | <b>6</b>      | <b>9</b>      |

## 2.3 Receivables and other assets

### Receivables and other assets

| in € million   | Dec. 31, 2017                     |                     |              | Dec. 31, 2016 |
|--|-----------------------------------|---------------------|--------------|---------------|
|  | Remaining term<br>up to<br>1 year | more than<br>1 year | Total        |               |
| Trade accounts receivable                            | 9                                 | -                   | 9            | 9             |
| Receivables from affiliated companies                | 3,221                             | -                   | 3,221        | 2,308         |
| Receivables from companies held as other investments | -                                 | -                   | -            | 31            |
| Other assets   | 83                                | 14                  | 97           | 277           |
|  | <b>3,313</b>                      | <b>14</b>           | <b>3,327</b> | <b>2,625</b>  |

The following table shows the breakdown of receivables from affiliated companies:

### Receivables from affiliated companies

| in € million              | Dec. 31, 2017 | Dec. 31, 2016 |
|---------------------------|---------------|---------------|
| Financial receivables     | 3,039         | 2,185         |
| Other receivables         | 40            | 57            |
| Trade accounts receivable | 142           | 66            |
|                           | <b>3,221</b>  | <b>2,308</b>  |

The receivables from affiliated companies contain, among other things, claims relating to profit-and loss transfer agreements, mainly with Evonik Degussa GmbH. Other assets mainly comprise income tax receivables and value-added tax credits.

## 2.4 Cash and cash equivalents

Cash and cash equivalents comprise credit balances with banks.

## 2.5 Prepaid expenses and deferred charges

In 2017, the prepaid expenses and deferred charges comprised the accrual of an issuance discount and bank charges relating to the issue of a €5 million hybrid bond. The discount and bank charges will be released to interest expense on a pro rata temporis basis, over an expected period of five years, using the effective interest method.

## 2.6 Equity

### (a) Issued capital

As in the previous year, the company's issued capital (capital stock) was €466,000,000 on the reporting date. It is divided into 466,000,000 no-par registered shares. The arithmetic value of each share is €1.

**( b ) Authorized capital**

A resolution on authorized capital was adopted at the Annual Shareholders' Meeting on May 20, 2014. This authorizes the Executive Board until May 1, 2019 to increase the company's capital stock, subject to the approval of the Supervisory Board, by up to €116,500,000 by issuing new registered no-par shares (Authorized Capital 2014).

This authorization may be exercised through one or more issuances.

The new shares may be issued against cash and/or contributions in kind. The Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights when issuing new shares in the following cases:

- for capital increases against contributions in kind,
- if the capital increase is against cash and the proportionate share of the capital stock attributable to the new shares does not exceed 10 percent of the capital stock, and the issue price of the new shares is not significantly below the stock market price of shares already listed on the stock exchange,
- to exclude fractional amounts arising from the subscription ratio,
- insofar as is necessary to grant holders and/or creditors of warrants or conversion rights or obligors of warrant and/or conversion obligations subscription rights to new shares to the extent that they would be entitled to them after exercise of their warrants and/or conversion rights or fulfillment of their warrant or conversion obligations,
- to grant shares to employees (employee stock), provided that the new shares for which subscription rights are excluded do not in aggregate account for a proportionate share of the capital stock in excess of 1 percent,
- for a scrip dividend.

The proportionate amount of the capital stock attributable to the shares for which subscription rights are excluded, together with the proportionate amount of the capital stock attributable to treasury stock or to conversion and/or warrant rights or obligations arising from debt instruments, which are sold or issued after May 20, 2014 under exclusion of subscription rights, may not exceed 20 percent of the capital stock. If the sale or issue takes place in application—analogously or mutatis mutandis—of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act (AktG), this shall also be deemed to constitute exclusion of subscription rights.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to define further details of capital increases out of the Authorized Capital 2014.

The authorized capital has not yet been utilized.

**( c ) Conditional capital**

Under a further resolution adopted by the Annual Shareholders' Meeting of May 20, 2014, the capital stock is conditionally increased by up to €37,280,000, divided into up to 37,280,000 registered shares with no par value (Conditional Capital 2014). This conditional capital increase relates to a resolution of the above Shareholder's Meeting granting authorization to issue convertible and/or warrant bonds.

The conditional capital increase will only be conducted insofar as holders or creditors of warrant or conversion rights or obligors of warrant or conversion obligations arising from warrant bonds and/or convertible bonds issued or guaranteed on the basis of the authorization resolved at the Annual Shareholders' Meeting of May 20, 2014, exercise their warrants or conversion rights or, insofar as they have an obligation to exercise the warrants or conversion obligations, meet the obligation to exercise the warrant or conversion obligations, and

other forms of settlement are not used. In principle, the shareholders have a statutory right to subscription rights to the convertible and/or warrant bonds; the authorization sets out specific cases where the Executive Board may exclude subscription rights to convertible and/or warrant bonds, subject to the approval of the Supervisory Board. The new shares shall be issued at the warrant or conversion price set in accordance with the above provisions of the resolution.

The new shares are entitled to a dividend from the start of the fiscal year in which they are issued. The Executive Board is authorized, subject to the approval of the Supervisory Board, to define further details of capital increases out of the conditional capital.

The conditional capital has not yet been utilized.

#### **( d ) Treasury shares**

On March 3, 2017, Evonik Industries AG announced that it would be utilizing the authorization granted by the Annual Shareholders' Meeting on May 18, 2016 to purchase shares in the company totaling up to €130.8 million by April 7, 2017 at the latest. The purpose of purchasing the shares was to grant shares to employees of Evonik Industries AG and certain subordinated companies in the Evonik Group, as well as to members of the management of subordinated affiliated companies of Evonik Industries AG as part of an employee share program.

Through this share buyback program, by April 5, 2017 Evonik Industries AG purchased a total of 621,241 shares in the company (corresponding to 0.1 percent or €621,241 of the capital stock). A total of €18.7 million was spent on the shares, corresponding to an average price of €30.02 per share. The purchases were made from March 7, 2017 at an average daily volume of around 28,200 shares on each Xetra trading day through a bank acting on the instructions of Evonik Industries AG. The maximum purchase price of each share repurchased (excluding ancillary costs) could not exceed or fall short of the opening price as set in the opening auction for the trading day for shares in Evonik Industries AG in Xetra trading on the Frankfurt Stock Exchange by more than 5 percent. At the start of April, 564,408 ordinary shares (including 140,711 bonus shares) were transferred to participating employees on the basis of the share price and the exchange rate for the US dollar, Singapore dollar, and Chinese yuan prevailing on April 6, 2017. The remaining 56,833 ordinary shares were sold to third parties via the stock exchange by April 13, 2017. As of December 31, 2017, Evonik Industries AG therefore no longer held any treasury shares.

#### **( e ) Capital reserve**

The capital reserve of €721 million results primarily from additions pursuant to Section 272 Paragraph 2 No. 4 of the German Commercial Code (HGB). In fiscal 2017, €203 thousand resulting from the purchase and issue of shares for the employee share program was allocated to the capital reserve.

#### **( f ) Revenue reserves**

This balance sheet item contains the statutory reserve totaling €47 million. The other revenue reserves amounted to €4,564 million as of December 31, 2017 (2016: €4,559 million).

The change in the other revenue reserves results from the allocation of part of the present net profit of €4,537,505.50.

#### **( g ) Net profit**

The net profit contains profit of €400 million carried forward from the previous year in accordance with the resolution on the distribution of the profit taken by the Annual Shareholders' Meeting on May 23, 2017.



**( h ) Amounts subject to the ban on distribution**

The increase in unrealized assets from the fair value measurement of assets offset against pension obligations, which amounted to €172 million, and the difference of €117 million resulting from the change in the discount rate for pensions from a seven-year average to a ten-year average resulted in a total amount of €289 million, which is subject to the ban on distribution. Profits may only be distributed if, after the distribution, this amount is available as freely available reserves plus any profit carried forward and less any loss carried forward. As of December 31, 2017, the freely available reserves and profit carried forward at Evonik Industries AG totaled €5,687 million.

**2.7 Provisions****Provisions**

| in € million                                    | Dec. 31, 2017 | Dec. 31, 2016 |
|---|---------------|---------------|
| Provisions for pensions and similar obligations | 54            | 36            |
| Provisions for taxes                            | 198           | 174           |
| Other provisions                                | 358           | 367           |
| thereof attributable to                         |               |               |
| – personnel-related                             | 170           | 169           |
| – miscellaneous                                 | 188           | 198           |
|   | <b>610</b>    | <b>577</b>    |

Valuation of pension provisions using the average market interest rate for the past seven years gives a pension obligation of €937 million as of December 31, 2017. Valuation of pension provisions using the average market interest rate for the past ten years gives a pension obligation of €820 million as of December 31, 2017. The difference is €117 million.

Provisions for taxes contain appropriate amounts for fiscal years for which tax assessments have not yet been finalized.

Further, the other provisions include, among other things, provisions for restructuring, outstanding invoices, provisions for impending liabilities from pending transactions, and a provision for ongoing appraisal proceedings.

€359 million (2016: €323 million) of the total provisions relate to components due in more than one year.

## 2.8 Liabilities

### Liabilities

| in € million                        | Dec. 31, 2017   |                     |                              |              |
|-------------------------------------|-----------------|---------------------|------------------------------|--------------|
|                                     | Remaining term  |                     |                              | Total        |
|                                     | up to<br>1 year | more than<br>1 year | thereof more than<br>5 years |              |
| Bonds                               | –               | 1,750               | 750                          | 1,750        |
| Liabilities to banks                | 80              | –                   | –                            | 80           |
| Trade accounts payable              | 82              | –                   | –                            | 82           |
| Liabilities to affiliated companies | 4,049           | 287                 | 28                           | 4,336        |
| Other payables                      | 54              | 3                   | –                            | 57           |
| of which for taxes                  | 6               | –                   | –                            | 6            |
| of which for social security        | 1               | –                   | –                            | 1            |
|                                     | <b>4,265</b>    | <b>2,040</b>        | <b>778</b>                   | <b>6,305</b> |

### Liabilities

| in € million                        | Dec. 31, 2016   |                     |                              |              |
|-------------------------------------|-----------------|---------------------|------------------------------|--------------|
|                                     | Remaining term  |                     |                              | Total        |
|                                     | up to<br>1 year | more than<br>1 year | thereof more than<br>5 years |              |
| Bonds                               | –               | 1,250               | 750                          | 1,250        |
| Liabilities to banks                | 65              | –                   | –                            | 65           |
| Trade accounts payable              | 87              | –                   | –                            | 87           |
| Liabilities to affiliated companies | 7,146           | 50                  | 35                           | 7,196        |
| Other payables                      | 42              | 21                  | –                            | 63           |
| of which for taxes                  | 6               | –                   | –                            | 6            |
| of which for social security        | 1               | –                   | –                            | 1            |
|                                     | <b>7,340</b>    | <b>1,321</b>        | <b>785</b>                   | <b>8,661</b> |

The following table shows the breakdown of liabilities to affiliated companies:

#### Liabilities to affiliated companies

| in € million           | Dec. 31, 2017 | Dec. 31, 2016 |
|------------------------|---------------|---------------|
| Financial liabilities  | 4,225         | 7,100         |
| Trade accounts payable | 17            | 15            |
| Other payables         | 94            | 81            |
|                        | <b>4,336</b>  | <b>7,196</b>  |

The financial liabilities to affiliated companies include loans from Evonik Peroxide Holding B.V., Amsterdam (Netherlands), Evonik Dutch Holding B.V., Amsterdam (Netherlands), RCIV Vermögensverwaltungs-GmbH, Essen (Germany), and Evonik Industries de Mexico S.A. de C.V., Mexico City (Mexico), and liabilities relating to cash pooling with, among others, RBV Verwaltungs-GmbH, Essen (Germany), RÜTGERS GmbH, Essen (Germany), Evonik Technology & Infrastructure GmbH, Essen (Germany), Evonik Antwerpen N.V., Antwerp (Belgium), Evonik Röhm GmbH, Essen (Germany), Evonik Corporation, Parsippany (New Jersey, USA), Evonik Resource Efficiency GmbH, Essen (Germany), Evonik Speciality Organics Ltd., Milton Keynes (UK), Evonik Performance Materials GmbH, Essen (Germany), RÜTGERS Dienstleistungs-GmbH, Essen (Germany), and Evonik Nutrition & Care GmbH, Essen (Germany). Further, liabilities to affiliated companies include value-added tax invoiced for the tax entity, imputable taxes, and liabilities for the reimbursement of expenses.

The other payables totaling €57 million contain liabilities for the payment of wage tax (€5 million), special contributions to the pension fund (€6 million), and interest on bonds (€16 million). Further, this item includes liabilities relating to profit-participation rights amounting to €21 million issued by Evonik Industries AG under the profit participation plans 2009 through 2013. In this way, employees eligible to subscribe to these rights had an opportunity to participate in the company's success. The nominal value of each right is €1. No new profit-participation rights were issued in 2017 or 2016. The total number of rights in circulation is 21,084,605. They earn a fixed return of 2 percent or 4 percent p.a.; a higher return is dependent on the Group's return on capital employed (ROCE).

### 3 Notes to the income statement

(in € million, except where stated otherwise)

#### 3.1 Sales

The sales split between the reporting units was as follows in 2017:

##### Sales

| in € million                     | 2017       | 2016       |
|----------------------------------|------------|------------|
| Procurement                      | 279        | 249        |
| IT services                      | 183        | 196        |
| HR Germany                       | 86         | 78         |
| Intellectual Property Management | 29         | 27         |
| Financial services               | 27         | 31         |
| Other                            | 63         | 54         |
|                                  | <b>667</b> | <b>635</b> |

The regional breakdown of sales in 2017 was as follows:

##### Regional breakdown of sales

| in € million              | 2017       | 2016       |
|---------------------------|------------|------------|
| Western Europe            | 609        | 569        |
| thereof Germany           | 569        | 514        |
| North America             | 34         | 41         |
| Asia-Pacific North        | 11         | 13         |
| Asia-Pacific South        | 8          | 7          |
| Central and South America | 3          | 3          |
| Eastern Europe            | 1          | –          |
| Middle East and Africa    | 1          | 2          |
|                           | <b>667</b> | <b>635</b> |

### 3.2 Other operating income

#### Other operating income

| in € million   | 2017       | 2016       |
|--|------------|------------|
| Currency translation gains                             | 910        | 670        |
| Miscellaneous costs passed through to Group companies  | 27         | 26         |
| Income from invoicing of project and consultancy costs | 20         | 21         |
| Miscellaneous other operating income                   | 7          | 32         |
| <b>Income relating to other periods</b>                |            |            |
| Income from the reversal of provisions                 | 6          | 147        |
| Other income relating to other periods                 | 1          | -          |
|  | <b>971</b> | <b>896</b> |

The currency translation gains of €910 million are stated gross in compliance with the ban on netting imposed by Section 246 Paragraph 2 of the German Commercial Code (HGB). Currency translation gains amounted to €914 million. Economically, these two items comprise a single unit. In a net view, the overall result would have been net loss of €4 million.

### 3.3 Cost of materials

#### Cost of materials

| in € million                            | 2017       | 2016       |
|---|------------|------------|
| Expenses for raw materials and supplies | 228        | 195        |
| Expenses for purchased services         | 18         | 26         |
|   | <b>246</b> | <b>221</b> |

### 3.4 Personnel expense

#### Personnel expense

| in € million  | 2017       | 2016       |
|---|------------|------------|
| Wages and salaries  | 304        | 285        |
| Social security contributions and expenses for pensions and similar obligations | 62         | 56         |
| of which for pensions   | 28         | 24         |
|   | <b>366</b> | <b>341</b> |

### 3.5 Other operating expense

#### Other operating expense

| in € million                              | 2017         | 2016         |
|---|--------------|--------------|
| Currency translation losses               | 914          | 675          |
| IT expense                                | 134          | 119          |
| Corporate services                        | 103          | 146          |
| Legal and consulting expenses             | 35           | 63           |
| Rental costs                              | 25           | 21           |
| Patent expenses                           | 7            | 9            |
| Other taxes                               | 3            | 2            |
| Expenses for additions to provisions      | 2            | 13           |
| Project expenses                          | -            | 13           |
| Miscellaneous other operating expenses    | 133          | 63           |
| <b>Expenses relating to other periods</b> |              |              |
| Miscellaneous other operating expenses    | -            | 1            |
|   | <b>1,356</b> | <b>1,125</b> |

The currency translation losses of €914 million are stated gross in compliance with the ban on netting imposed by Section 246 Paragraph 2 of the German Commercial Code (HGB). Currency translation gains amounted to €910 million. Economically, these two items comprise a single unit. In a net view, the overall result would have been net loss of €4 million.

### 3.6 Income from investments

#### Income from investments

| in € million                                    | 2017       | 2016         |
|---|------------|--------------|
| Income from profit-and-loss transfer agreements | 832        | 1,480        |
| Income from investments                         | 2          | 1            |
| of which from affiliated companies              | 1          | -            |
|   | <b>834</b> | <b>1,481</b> |

The year-on-year reduction in income from profit-and-loss transfer agreements mainly results from a lower profit transfer from Evonik Degussa GmbH.

### 3.7 Write-downs of financial assets and current securities

Write-downs of financial assets totaled €49 million (2016: €19 million). This amount resulted from the write-down of the value of loans to an affiliated company to their fair value.

### 3.8 Write-ups of financial assets and current securities

Write-ups of financial assets totaled €149 million (2016: €12 million) and resulted from the write-up of two affiliated companies.

### 3.9 Net interest income/expense

#### Net interest income/expense

| in € million                         | 2017       | 2016      |
|--------------------------------------|------------|-----------|
| Other interest and similar income    | 116        | 111       |
| of which from affiliated companies   | 79         | 56        |
| Interest and similar expenses        | -159       | -93       |
| of which for interest on provisions  | -35        | -7        |
| of which due to affiliated companies | -12        | -6        |
|                                      | <b>-43</b> | <b>18</b> |

The €39 million change in interest relating to pensions and personnel-related commitments is included in interest and similar expenses. Current income from pension fund assets of €37 million is also included in interest and similar expenses.

### 3.10 Deferred taxes

If a company forms part of a tax entity, deferred taxes are assigned to the controlling company (formal viewpoint).

Tax-relevant temporary differences relating to other provisions were offset against tax-deductible temporary differences relating to financial assets. In accordance with Section 274 Paragraph 1 Sentence 2 of the German Commercial Code (HGB), net deferred tax assets relating to temporary differences were not capitalized.

### 3.11 Income taxes

The income taxes totaling €166 million comprise tax expenses of €134 million for current taxes and tax expense of €32 million relating to previous years. The current tax expense comprises corporation tax of €66 million, including the solidarity surcharge, and trade tax of €68 million.

## 4 Other disclosures

### 4.1 Further information on the reporting period

#### Average number of employees during the year

| No. of employees | 2017         | 2016         |
|------------------|--------------|--------------|
| Exempt employees | 1,201        | 1,189        |
| Other employees  | 1,460        | 1,478        |
| Apprentices      | -            | -            |
|                  | <b>2,661</b> | <b>2,667</b> |

#### Auditor's fees

The auditor for the annual financial statements of Evonik Industries AG was PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf (Germany).

Audit fees were incurred for Evonik Industries AG and the companies it controls, in particular for the statutory audit of the separate and consolidated financial statements of Evonik Industries AG, reviews of interim financial statements, audit-related support in connection with the implementation of new financial reporting

standards, and the audit of information systems and processes. Further, other audit-related services were provided, especially services in connection with regulatory and statutory requirements, and other services, principally project-related consultancy services in connection with the optimization and management of business processes.

As permitted by Section 285 No. 17 of the German Commercial Code (HGB), no information is given on the auditor's fees as these are included in the consolidated financial statements of Evonik Industries AG, Essen (Germany).

## 4.2 Contingent liabilities

### Contingent liabilities

| in € million   | Dec. 31, 2017 | Dec. 31, 2016 |
|--|---------------|---------------|
| Guarantee obligations                                | 79            | 69            |
| of which liabilities relating to retirement pensions | –             | –             |
| of which for the benefit of affiliated companies     | 79            | 69            |
| of which for the benefit of associates               | –             | –             |
| Obligations under indemnity guarantees               | 2,573         | 2,674         |
| of which liabilities relating to retirement pensions | 169           | 178           |
| of which for the benefit of affiliated companies     | 2,573         | 2,673         |
| of which for the benefit of associates               | –             | –             |
|  | <b>2,652</b>  | <b>2,743</b>  |

As part of its Group financing activities, Evonik Industries AG provides banks with guarantees and indemnities in respect of companies in the Evonik Group. Further, Evonik Industries AG has provided guarantees and indemnities for possible obligations of Group companies towards third parties.

All guarantees and indemnities are continuously monitored by the Accounting and Corporate Finance departments. They are provided almost exclusively to assure the activities of Group companies so utilization is not likely.

Credit insurance guarantees totaled €2,214 million and are examined as part of the monthly financial reporting and liquidity planning process. The liquidity of the subsidiaries in the Evonik Group is ensured through a uniform corporate financing strategy, so utilization is not likely.

Contract fulfillment guarantees amounted to €177 million. Group companies are required to meet the contractual obligations they have entered into. Controlling of contracts at individual companies ensures ongoing monitoring so utilization of these guarantees is not probable.

As well as the guarantee obligations and indemnity guarantees of Evonik Industries AG, contract fulfillment guarantees include guarantees in respect of credit balances for the phased early retirement plan under statutory insolvency requirements. These credit balances are covered by guarantees that are renewed every six months and cover the maximum balance in the relevant period. The level of these guarantees is based on the companies included in the guarantees and the forecast data on the number of employees to be covered by the guarantees. The trustee for this guarantee model for the phased early retirement plan is Deutsche Treuinvest-Stiftung, Frankfurt am Main (Germany). As of December 31, 2017, the guarantees totaled €169 million.

There are also other guarantees amounting to €261 million. Since these are managed by the responsible specialist departments, especially the Legal Division, it is assumed that they will not be utilized.

Evonik has issued letters of comfort for affiliated companies in which it undertakes to provide liquid assets for these companies insofar as is necessary to enable them to settle obligations in existence as of December 31,



2017 and those that arise in 2018 and that are due in not less than twelve months from December 31, 2017. The liquidity of the subsidiaries in the Evonik Group is ensured through a uniform corporate financing strategy, so utilization is not likely.

### 4.3 Information pursuant to Section 285 No. 3 and No. 3a of the German Commercial Code (HGB)

#### Information pursuant to Section 285 No. 3 and No. 3a of the German Commercial Code (HGB)

| in € million   | Dec. 31, 2017 |
|--|---------------|
| Commitments arising from rental and leasing contracts                      |               |
| due in 2018  | 13            |
| due in 2019  | 14            |
| due in 2020  | 11            |
| due in 2021  | 10            |
| due in 2022  | 10            |
| due after 2022   | 38            |
| <b>Total</b>   | <b>96</b>     |
| of which for the benefit of affiliated companies                           | 6             |
| of which for the benefit of associates                                     | -             |
| of which relating to retirement pensions                                   | -             |
| Order commitments relating to investments                                  | 6             |
| Commitments under long-term offtake agreements and other legal commitments |               |
| due in 2018  | 69            |
| due in 2019  | 49            |
| due in 2020  | 32            |
| due in 2021  | 5             |
| due in 2022  | 1             |
| due after 2022   | -             |
| <b>Total</b>   | <b>156</b>    |
| of which for the benefit of affiliated companies                           | -             |
| of which for the benefit of associates                                     | -             |
| of which relating to retirement pensions                                   | -             |

### 4.4 Financial derivatives

In the course of its business, Evonik Industries AG is exposed to currency and interest rate risks. Financial derivatives are used to reduce or eliminate these risks. Foreign currency receivables and liabilities are hedged. Moreover, Evonik Industries AG concludes financial derivatives contracts on behalf of subsidiaries. Financial derivatives contracts are only concluded with banks and trading institutions with first-class credit standing within fixed limits. Only common instruments found on the market with sufficient liquidity are used. Therefore Evonik assumes that there are no material credit risks.

Forward exchange rate agreements, currency options and cross-currency interest rate swaps were concluded in fiscal 2017 to hedge currency risks.

The fair values of the currency, interest rate, and commodity derivatives were determined using discounted cash flow methods based on the exchange rates at the European Central Bank, observed interest rate structure curves, and observed commodity prices.

Fair values are recognized using the imparity principle: Negative fair values are recognized as provisions for impending losses unless they are included in a valuation portfolio or form a valuation unit with corresponding underlying transactions. Under its currency hedging policy, Evonik Industries AG has passed on some forward exchange rate agreements concluded with subsidiaries to banks on a back-to-back basis and grouped some to form a currency portfolio. The amount remaining after internal netting is hedged with banks. Forward exchange rate agreements concluded with banks on a back-to-back basis and the corresponding counter-transactions with subsidiaries are combined in valuation units through macro hedges. These are presented as net hedges so the valuation result is low. The critical terms match method is applied to determine the effectiveness of the hedging relationship and the average term of the derivatives is less than one year. In addition, Evonik Industries AG establishes currency portfolios for those transactions that are not passed on through other transactions. As of December 31, 2017, provisions for impending losses totaling €5 million were established for negative balances on these currency portfolios and the negative fair values of forward exchange agreements for which no counter-transaction was recognized on the balance sheet. The amounts relating to the establishment of these provisions are shown in other operating expense.

The following hedged items are included in valuation units with forward exchange rate agreements at the nominal amounts given below:

#### Items hedged by forward exchange rate agreements

| in € million | Dec. 31, 2017 |
|--------------|---------------|
| Assets       | 1,134         |
| Liabilities  | 2,041         |
|              | <b>3,175</b>  |

In addition, Evonik Industries AG has hedged intragroup foreign currency loans in Chinese renminbi yuan (CNY) through cross-currency swaps with expiration dates up to 2023. By entering into these swaps, Evonik Industries AG has hedged both the currency risks arising from the currency loans and the interest rates in the foreign currencies. Evonik Industries AG has established micro-hedges. These are accounted for as net hedges and the effectiveness of the hedging relationship is demonstrated using the dollar offset method. It was not necessary to recognize any provisions for impending losses as of December 31, 2017. In connection with the cross-currency interest rate swaps, valuation units with corresponding underlying transactions amounting to €780 million were formed. To achieve the desired hedging structure for the foreign currency loans through cross-currency interest rate swaps, in some cases several hedging contracts were concluded for each valuation unit.

As of the reporting date, Evonik Industries AG had the following derivative financial instruments to hedge currency risks:

### Financial derivatives used to hedge interest rate and currency risks

| in € million                       | Notional value<br>< 1 year |            | Notional value<br>> 1 year |            | Fair value    |          |
|------------------------------------|----------------------------|------------|----------------------------|------------|---------------|----------|
|                                    | Dec. 31, 2017              |            | Dec. 31, 2017              |            | Dec. 31, 2017 |          |
|                                    | External                   | Intragroup | External                   | Intragroup | Positive      | Negative |
| Forward exchange rate agreements   | 3,535                      | 2,652      | 266                        | 265        | 108           | 104      |
| Cross-currency interest rate swaps | 86                         | -          | 2,458                      | 1,776      | 154           | 145      |

The notional values are stated as absolute values; the fair values include accrued interest.

Commodity swaps with a notional value of €40 million and a term of up to two years were used to hedge forecast purchases of raw materials. As of December 31, 2017, they had a fair value of €0 million. No provisions were recognized for impending losses.

### 4.5 Performance-related remuneration

Evonik's remuneration system comprises a basic salary, annual short-term incentive payments and, as a long-term component, the Long-Term Incentive Plans for members of the Executive Board and other executives of the Evonik Group. Since Evonik did not have a quoted share price, for members of the Executive Board the targets for the annual tranches of these LTI Plans issued up to and including 2012 were based on the development of uniformly defined business indicators. However, the target amounts and performance periods of the plans differed. Following the stock exchange listing, the performance of Evonik shares became the central element in the LTI Plan for the first time in 2013. The redesigned LTI Plan was introduced for both Executive Board members and other executives. Following the stock exchange listing of Evonik Industries AG, the performance of shares in the company also became relevant for the valuation of the pre-2013 LTI Plans.

All LTI Plans are share-based payments with cash settlement. They are valued on the reporting date using a Monte Carlo simulation, which models exercise patterns. The LTI Plans result in personnel expense which is distributed over the term of each tranche.

#### Evonik LTI Plan for Executive Board members-2012 tranche

The reference base for this long-term remuneration component is a sustained rise in the value of the company. The plan rewards achieving or exceeding the operating earnings targets set in the mid-term planning and their impact on the value of the company. Each of these tranches runs for five years from January 1 of the year in which it was granted.

Entitlements are based on individually agreed target amounts provided that earnings targets are met (lower threshold). LTI payments are calculated in the year following the end of the performance period, when the necessary indicators are available. Payments are capped at three times the target amount, and can be zero if the defined lower threshold is not reached.

To determine the value of the company as a basis for ascertaining target attainment, the share price at the end of the performance period is used. For this purpose, the average price of shares in Evonik in the three months prior to the end of the performance period is calculated. In addition, dividends paid and any capital increases or decreases during the performance period are taken into account. The cumulative discrepancy

between planned and actual target attainment in the performance period and the dividends paid in the last year of the performance period are taken into account in the calculation. If there is no share price, the value of equity is determined on the basis of the last share transaction in the last twelve months of the performance period. If there was no share transaction in the last twelve months, a fictitious equity value is used. This is derived by applying a fixed EBITDA multiple to the company's business performance in the last full fiscal year.

Under the terms of the plan, the 2012 tranche for members of the Executive Board became vested as of December 31, 2016 and was measured regularly. No intrinsic value resulted from this. There was no income or expense for the 2012 tranche in fiscal 2017, nor was any provision recognized as of December 31, 2017.

### **Evonik LTI Plan for Executive Board members and other executives—Tranches 2013 through 2017**

In view of the stock exchange listing of Evonik Industries AG, the Supervisory Board redesigned the LTI Plan for the period from 2013 so it differs from the tranches for 2012 and previous years. Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index<sup>SM</sup>.

Based on the contractually agreed target amount, which is defined in euros, a number of virtual shares is calculated using the share price at the start of the performance period. This is based on the price in the last 60 trading days before the start of performance period. The performance period starts on January 1 of the grant year and runs for four years. Since there was no share price at the start of the performance period, as an exception, the virtual shares for the 2013 tranche were calculated from the share price in the first 60 trading days following admission to the stock exchange (April 25, 2013). At the end of the performance period, the starting price of Evonik shares is viewed against the share price at the end of the performance period. This is compared with the performance of the benchmark index (total shareholder return).

If the relative performance is below 70 percentage points, the relative performance factor is deemed to be zero. If the relative performance is above 130 percentage points, the relative performance factor is set at 130.

The payment is calculated by multiplying the relative performance by the number of virtual shares allocated and the average price of Evonik shares at the end of the performance period.

At the end of the performance period, there is an option to extend it once for a further year. Partial exercise at the end of the original performance period is not permitted. The upper limit for these payments is set at 300 percent of the individual target amount.

Since the previous performance periods for the LTI Plan for executives, including the 2012 tranche, were three years, the 2013 tranche for executives was set to allow the first half of the 2013 tranche to be exercised after three years and the second half after four years. As a further incentive for the transition, the payments for this tranche are multiplied by 1.2. From the 2014 tranche, a four-year performance period is also applied for executives. As of December 31, 2017, there was a provision of €38.9 million (2016: €29.7 million) for the LTI Plans for 2013, 2014, 2015, 2016, and 2017.

As of December 31, 2017, total provisions for share-based payment amounted to €38.9 million (2016: €29.7 million). In 2017, total expense for share-based payment was €14.8 million (2016: €8.4 million).

## 4.6 Related parties

The presentation includes all material transactions with related parties. Under the German Commercial Code (HGB), the provisions of IAS 24 are used to define related parties.

### Transactions with related parties in 2017

| in € million                               | Type of related party |                |                            |
|--|-----------------------|----------------|----------------------------|
|  | Affiliated companies  | Joint ventures | Public sector corporations |
| <b>Type of transaction</b>                 |                       |                |                            |
| Contingent liabilities                     | 2,652                 | -              | -                          |
| Currency translation gains                 | 330                   | -              | -                          |
| Currency translation losses                | 590                   | -              | -                          |
| Services provided                          | 477                   | 127            | -                          |
| Investment in time deposits                | -                     | -              | 50                         |
| Termination of investment in time deposits | -                     | -              | 50                         |
| Reimbursement of costs and other expenses  | 119                   | -              | 2                          |
| Interest income                            | 78                    | -              | -                          |
| Income from costs that were passed through | 44                    | -              | -                          |
| Interest expense                           | 12                    | -              | -                          |
| Rental income                              | 4                     | -              | -                          |
| Other financial obligations                | 6                     | -              | 1                          |
| Rental expenses                            | 14                    | -              | -                          |

For information on income and expenses relating to profit-and-loss transfer agreements with subsidiaries, please see Note 3.6. The dividend for fiscal 2016 was paid in the second quarter of 2017, following the adoption of the resolution by the Annual Shareholders' Meeting on May 23, 2017. RAG-Stiftung, Essen (Germany) received €364 million.

Related parties also include members of the management who are directly or indirectly responsible for corporate planning, management and oversight of the Group, and members of their families. At Evonik, these parties comprise the Executive Board and Supervisory Board of Evonik Industries AG, and the Executive Board and Board of Trustees of RAG-Stiftung.

For details of the remuneration paid to the members of the Executive Board and Supervisory Board, please see the information pursuant to Section 285 No. 9 of the German Commercial Code (HGB) (and Note 4.8).

## 4.7 Members of the Executive Board and Supervisory Board

### Members of the Executive Board

#### **Christian Kullmann, Hamminkeln**

Chairman of the Executive Board (since May 24, 2017)

- a) Borussia Dortmund GmbH & Co. KGaA  
Evonik Performance Materials GmbH (until May 31, 2017)

#### **Dr. Harald Schwager, Speyer**

(since September 1, 2017)

Deputy Chairman of the Executive Board

- a) Evonik Nutrition & Care GmbH (Chairman since September 25, 2017)  
Evonik Resource Efficiency GmbH (Chairman since October 6, 2017)  
Evonik Performance Materials GmbH (Chairman since September 27, 2017)
- b) KSB Management SE (since November 4, 2017)

#### **Thomas Wessel, Herten**

Chief Human Resources Officer

Responsible for Technology & Infrastructure

- a) Evonik Nutrition & Care GmbH  
Evonik Resource Efficiency GmbH  
Evonik Performance Materials GmbH  
Evonik Technology & Infrastructure GmbH (Chairman)  
Pensionskasse Degussa VVaG (Chairman since June 26, 2017)  
Vivawest GmbH  
Vivawest Wohnen GmbH
- b) Gesellschaft zur Sicherung von Bergmannswohnungen mbH

#### **Ute Wolf, Düsseldorf**

Chief Financial Officer

- a) Deutsche Asset Management Investment GmbH  
Evonik Nutrition & Care GmbH  
Evonik Resource Efficiency GmbH  
Evonik Performance Materials GmbH  
Klöckner & Co. SE (since May 12, 2017)  
Pensionskasse Degussa VVaG

### The following members left the Executive Board of Evonik Industries AG in 2017:

#### **Dr. Klaus Engel, Mülheim an der Ruhr**

Chairman of the Executive Board (until May 23, 2017)

- a) NATIONAL-BANK AG
- b) Borussia Dortmund Geschäftsführungs-GmbH

**Dr. Ralph Sven Kaufmann, Düsseldorf**

Responsible for the Nutrition & Care, Resource Efficiency and Performance Materials segments  
(until June 30, 2017)

- a) Evonik Nutrition & Care GmbH (until June 30, 2017 Chair)  
Evonik Resource Efficiency GmbH (until June 30, 2017 Chair)  
Evonik Performance Materials GmbH (until June 30, 2017 Chair)

Key:

- a) Membership of statutory supervisory boards.
- b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to Section 125 Paragraph 1 Sentence 5 of the German Stock Corporation Act (AktG).

### Members of the Supervisory Board

#### **Dr. Werner Müller, Mülheim an der Ruhr**

Chairman of the Supervisory Board

Chairman of the Executive Board of RAG-Stiftung

- a) Borussia Dortmund GmbH & Co. KGaA  
RAG Aktiengesellschaft (Chair)  
RAG Deutsche Steinkohle AG (Chair)
- b) Contilia GmbH  
Stadler Rail AG, Bussnang (Switzerland)

#### **Edeltraud Glänzer, Hanover**

Deputy Chairwoman of the Supervisory Board

Deputy Chairwoman of the Mining, Chemical and Energy Industrial Union (IG BCE)

- a) B. Braun Melsungen AG  
Merck KGaA

#### **Martin Albers, Dorsten**

Chairman of the Group Works Council of Evonik Industries AG

Chairman of the Works Council for the Essen campus facilities

- a) Pensionskasse Degussa VVaG
- b) PEAG Holding GmbH

#### **Prof. Barbara Albert, Darmstadt**

Professor of Solid State Chemistry at the Eduard-Zintl Institute of Inorganic and Physical Chemistry of the Technical University of Darmstadt

- a) Schunk GmbH & Co. KG

#### **Prof. Aldo Belloni, Munich**

(since May 24, 2017)

Chief Executive Officer of Linde AG

- b) TÜV Süd e. V.

#### **Karin Erhard, Hanover**

Legal advisor to the Mining, Chemical and Energy Industrial Union (IG BCE)

- a) INEOS Deutschland GmbH  
INEOS Köln GmbH

#### **Carmen Fuchs, Alzenau**

Chairwoman of the Works Council for the Hanau facilities

- a) Pensionskasse Degussa VVaG



**Prof. Barbara Grunewald, Bonn**

Chair for Civil Law and Commercial Law  
at the University of Cologne

**Ralf Hermann, Herten**

Member of the Works Council for the Marl facilities

- a) Pensionskasse Degussa VVaG
- b) RAG-Stiftung

**Prof. Wolfgang A. Herrmann, Freising**

President of Munich Technical University

- b) Bayerische Forschungsallianz GmbH (Chair)

**Frank Löllgen, Cologne**

Regional Director North Rhine of the Mining, Chemical and Energy  
Industrial Union (IG BCE)

- a) Bayer AG

**Dr. Siegfried Luther, Gütersloh**

Former CFO of Bertelsmann AG (now Bertelsmann SE & Co. KGaA)

- a) Schaeffler AG  
Sparkasse Gütersloh-Rietberg

**Norbert Pohlmann, Essen**

Member of the Works Council for the Goldschmidtstraße facilities

- a) BKK Novitas

**Dr. Wilfried Robers, Gescher**

Chairman of the Executive Staff Council of the Evonik Group

- a) Pensionskasse Degussa VVaG (until November 30, 2017)

**Michael Rüdiger, Utting am Ammersee**

Chief Executive Officer of DekaBank Deutsche Girozentrale

- a) Deka Immobilien GmbH  
Deka Investment GmbH (Chair)  
Landesbank Berlin Investment GmbH (since January 1, 2018, Chair since January 15, 2018)  
Liquiditäts-Konsortialbank GmbH in liquidation (Chair)

**Anke Strüber-Hummelt, Marl**

Chairwoman of the Works Council for the Marl facilities

- a) Evonik Resource Efficiency GmbH (until March 31, 2017)

**Ulrich Terbrack, Reinheim**

Member of the Works Council in Darmstadt

**Angela Titzrath, Hamburg**

Chairwoman of the Executive Board of Hamburger Hafen und Logistik AG

- a) AXA Konzern Aktiengesellschaft

**Dr. Volker Trautz, Munich**

Former Chairman of the Management Board of LyondellBasell Industries

- a) Citigroup Global Markets Deutschland AG
- b) CERONA Companhia de Energia Renovável, São Paulo (Brazil)  
Perstorp Holding AB, Malmö (Sweden) (until March 31, 2017)

**Ulrich Weber, Krefeld**

Former member of the Board of Management of Deutsche Bahn AG responsible for Human Resources and Law

- a) DB Cargo AG (until December 31, 2017)  
Schenker AG (until December 31, 2017)  
DB Gastronomie GmbH (Chair) (until December 31, 2017)  
DB JobService GmbH (Chair) (until December 31, 2017)  
DB Zeitarbeit GmbH (Chair) (until December 31, 2017)  
DEVK Deutsche Eisenbahn Versicherung–Lebensversicherungsverein AG  
Betriebliche Sozialeinrichtung der Deutschen Bahn  
DEVK Deutsche Eisenbahn Versicherung–Lebensversicherungsverein AG  
Sach- und HUK–Versicherungsverein AG  
HDI Global SE

**The following member left the Supervisory Board of Evonik Industries AG in 2017:**

**Stephan Gemkow, Overath**

(until May 23, 2017)

Chairman of the Management Board of Franz Haniel & Cie. GmbH

- a) TAKKT AG (Chair)
- b) Flughafen Zürich AG (Switzerland) (since April 20, 2017)  
JetBlue Airways Corporation, New York (USA)

Key:

- a) Membership of statutory supervisory boards.
- b) Membership of comparable German and foreign supervisory bodies of business enterprises pursuant to Section 125 Paragraph 1 Sentence 5 of the German Stock Corporation Act (AktG).

#### 4.8 Total remuneration of the Executive Board and Supervisory Board

The total remuneration paid to the members of the Executive Board for their work in 2017 was €11,296 thousand (2016: €12,167 thousand). The figure for 2017 includes bonus payments of €178 thousand for the previous year, for which no provision was established in 2016. The total remuneration also contains the fair value of the LTI Plan 2017 as of the legally binding commitment or grant date. As of the grant date, this comprised €2,676 thousand over the four-year performance period. There are a total of 108,283 virtual shares that will be used as the calculation basis to determine possible future payments. This is performance-related remuneration.

Current expenses for pension provision for the Executive Board totaled €1,311 thousand (2016: €2,149 thousand). The settlement amount of the pension obligations was €10,191 thousand on December 31, 2017 (2016: €23,392 thousand).

Total remuneration of former members of the Executive Board and those who stepped down in the fiscal year, and their surviving dependents, was €11,176 thousand in 2017 (2016: €1,414 thousand).

As of the reporting date €57,714 thousand (2016: €37,250 thousand) was allocated to provisions for pension obligations to former members of the Executive Board and their surviving dependents.

The remuneration of the Supervisory Board for 2017 totaled €3,170 thousand (2016: €3,239 thousand).

Details of the remuneration system of the Executive Board members, together with an individual breakdown of the amounts paid to Executive Board and Supervisory Board members can be found in the remuneration report in the combined management report for Evonik Industries AG for 2017.

#### 4.9 Declaration of conformity with the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration of conformity in accordance with Section 161 of the German Stock Corporate Act (AktG). This has been published on the company's website at [www.evonik.com/responsibility](http://www.evonik.com/responsibility) and as part of the declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB).

#### 4.10 Information pursuant to Section 160 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG)

##### Notifications pursuant to Section 40 Paragraph 1 of the German Securities Trading Act (WpHG)<sup>1</sup>

As of the date of finalization of the financial statements we had received the following notifications of shareholdings in Evonik Industries AG pursuant to Section 33 Paragraph 1 or Paragraph 2 of the German Securities Trading Act (WpHG)<sup>1</sup>. Under this Act, notification must be submitted not only of directly acquired voting rights in the company (Section 33 WpHG<sup>1</sup>), but also of those voting rights attributable to the notifier through a subsidiary or a third party with which the notifier has a contractual agreement governed by the law of obligations (Section 34 Paragraph 1 WpHG<sup>1</sup>). Further, voting rights may be attributable to shareholders on the basis of shareholder agreements (Section 34 Paragraph 2 WpHG<sup>1</sup>). The total voting rights disclosed therefore comprise both directly acquired voting rights and those determined indirectly on the basis of attribution.

Note that in each case these notifications relate to the date stated in the notification. Consequently, the notifier's shareholding could have changed as of the date of preparation of the financial statements, without the notifier being required to submit a new notification in accordance with Section 33 WpHG<sup>1</sup>, if no relevant threshold was involved.

<sup>1</sup> In the version valid from January 3, 2018.

**Notifications pursuant to Section 33 Paragraph 1 of the German Securities Trading Act (WpHG)<sup>2</sup>**

| Notifier  | Date of change | Threshold | Voting rights |             | Attributable voting rights <sup>a)</sup>   |
|---|----------------|-----------|---------------|-------------|--|
|   |                |           | in %          | absolute    |  |
| Government of Singapore, represented by the Finance Minister, Singapore (Republic of Singapore) | Oct. 6, 2016   | 3 %       | 0.39 %        | 1,806,000   | 0.39 % attributable pursuant to Section 22 WpHG  |
| CVC Nominees Limited, St. Helier (Jersey)   | May 31, 2016   | 3 %       | 1.33 %        | 6,185,556   | 1.33 % attributable pursuant to Section 22 WpHG  |
| BlackRock, Inc., Wilmington (Delaware, USA)   | Feb. 7, 2017   | 3 %       | 2.97 %        | 13,848,139  | 2.97 % attributable pursuant to Section 22 WpHG  |
| RAG-Stiftung, Essen (Germany)   | Jul. 16, 2015  | 75 %      | 74.04 %       | 345,005,998 | 6.13 % attributable pursuant to Section 22 Paragraph 2 WpHG; the voting rights of The Gabriel Finance Limited Partnership exceed 3 % |

a) The sections cited here relate to the version of the law in force at the time of the respective voting rights notifications.

#### 4.11 Inclusion in the consolidated financial statements of RAG-Stiftung

RAG-Stiftung, Essen (Germany) is the parent company of Evonik Industries AG, and prepares the consolidated financial statements for largest and smallest groups of companies. The consolidated financial statements are published in the Federal Gazette.

The consolidated financial statements for Evonik Industries AG are also published in the Federal Gazette.

<sup>2</sup> In the version valid from January 3, 2018.

## 4.12 List of shareholdings

### List of shareholdings

|   | Name  | Registered office | Shareholding in % | Fiscal year | Footnote       | Equity in € million | Net income/loss before P/L transfer |
|---|---|-------------------|-------------------|-------------|----------------|---------------------|-------------------------------------|
| <b>Consolidated subsidiaries: Germany</b> |   |                   |                   |             |                |                     |                                     |
| 1   | BK-Wolfgang-Wärme GmbH                      | Hanau             | 100.00            | 2017        |                | 2                   | 1                                   |
| 2   | CyPlus GmbH                                 | Hanau             | 100.00            | 2017        | <sup>1</sup>   | 8                   | 14                                  |
| 3   | Evonik Animal Nutrition GmbH                | Essen             | 100.00            | 2017        |                | 1                   | -                                   |
| 4   | Evonik Beteiligungs-GmbH                    | Frankfurt am Main | 100.00            | 2017        | <sup>1</sup>   | 1                   | -                                   |
| 5   | Evonik Catering Services GmbH               | Marl              | 100.00            | 2017        | <sup>1</sup>   | -                   | 1                                   |
| 6   | Evonik Creavis GmbH                         | Essen             | 100.00            | 2017        | <sup>1</sup>   | 5                   | -                                   |
| 7   | Evonik Dahlenburg GmbH                      | Dahlenburg        | 100.00            | 2017        | <sup>1</sup>   | 2                   | 1                                   |
| 8   | Evonik Degussa GmbH                         | Essen             | 100.00            | 2017        | <sup>1</sup>   | 4,907               | 830                                 |
| 9   | Evonik Digital GmbH                         | Essen             | 100.00            | 2017        | <sup>1</sup>   | 3                   | -1                                  |
| 10  | Evonik Dr. Straetmans GmbH                  | Hamburg           | 100.00            | 2017        |                | 16                  | 2                                   |
| 11  | Evonik Functional Solutions GmbH            | Essen             | 100.00            | 2017        | <sup>1</sup>   | 20                  | 20                                  |
| 12  | Evonik Goldschmidt Rewo GmbH                | Essen             | 100.00            | 2017        |                | 55                  | 9                                   |
| 13  | Evonik Gorapur GmbH                         | Wittenburg        | 100.00            | 2017        |                | 1                   | 5                                   |
| 14  | Evonik Gorapur Verwaltungs-GmbH             | Wittenburg        | 100.00            | 2017        |                | 22                  | 4                                   |
| 15  | Evonik IP GmbH                              | Gründau           | 100.00            | 2017        | <sup>1</sup>   | 29                  | 110                                 |
| 16  | Evonik Logistics Services GmbH              | Marl              | 100.00            | 2017        | <sup>1</sup>   | 1                   | 15                                  |
| 17  | Evonik Materials GmbH                       | Marl              | 100.00            | 2017        | <sup>1,2</sup> | 13                  | -                                   |
| 18  | Evonik Nutrition & Care GmbH                | Essen             | 100.00            | 2017        | <sup>1</sup>   | 234                 | 16                                  |
| 19  | Evonik Oil Additives GmbH                   | Essen             | 100.00            | 2017        | <sup>1</sup>   | 31                  | 96                                  |
| 20  | Evonik Performance Materials GmbH           | Essen             | 100.00            | 2017        | <sup>1</sup>   | 244                 | 14                                  |
| 21  | Evonik Peroxygens Holding GmbH              | Essen             | 100.00            | 2017        |                | 62                  | -                                   |
| 22  | Evonik Projekt-Beteiligungs-GmbH & Co. KG   | Essen             | 99.00             | 2017        |                | 343                 | -                                   |
| 23  | Evonik Projekt-Beteiligung Verwaltungs-GmbH | Essen             | 100.00            | 2017        |                | -                   | -                                   |
| 24  | Evonik Real Estate GmbH & Co. KG            | Marl              | 100.00            | 2017        |                | 204                 | 20                                  |
| 25  | Evonik Real Estate Verwaltungs-GmbH         | Marl              | 100.00            | 2017        |                | -                   | -                                   |
| 26  | Evonik Resource Efficiency GmbH             | Essen             | 100.00            | 2017        | <sup>1</sup>   | 285                 | 29                                  |
| 27  | Evonik Risk and Insurance Services GmbH     | Essen             | 100.00            | 2017        | <sup>1</sup>   | 1                   | 2                                   |
| 28  | Evonik Röhm GmbH                            | Essen             | 100.00            | 2017        | <sup>1</sup>   | 170                 | 341                                 |
| 29  | Evonik Schlüchtern GmbH                     | Schlüchtern       | 100.00            | 2017        | <sup>1,2</sup> | 20                  | -                                   |
| 30  | Evonik Specialty Chemicals GmbH             | Essen             | 100.00            | 2017        | <sup>1</sup>   | 3                   | -1                                  |
| 31  | Evonik Technochemie GmbH                    | Essen             | 100.00            | 2017        | <sup>1</sup>   | 58                  | -26                                 |
| 32  | Evonik Technology & Infrastructure GmbH     | Essen             | 100.00            | 2017        | <sup>1</sup>   | 303                 | 1                                   |
| 33  | Evonik Venture Capital GmbH                 | Hanau             | 100.00            | 2017        | <sup>1</sup>   | 6                   | -1                                  |

## List of shareholdings

|   | Name                                       | Registered office            | Shareholding in % | Fiscal year | Footnote        | Equity in € million | Net income/loss before P/L transfer |
|---|--|------------------------------|-------------------|-------------|-----------------|---------------------|-------------------------------------|
| 34  | HD Ceracat GmbH                            | Frankfurt am Main            | 100.00            | 2017        |                 | -                   | -                                   |
| 35  | KMV Vermögensverwaltungs-GmbH              | Marl                         | 100.00            | 2017        |                 | 10                  | -1                                  |
| 36  | Mönch-Kunststofftechnik GmbH               | Bad König                    | 100.00            | 2017        | <sup>1</sup>    | 1                   | 2                                   |
| 37  | RBV Verwaltungs-GmbH                       | Essen                        | 100.00            | 2017        |                 | 878                 | 20                                  |
| 38  | RCIV Vermögensverwaltungs-GmbH             | Essen                        | 100.00            | 2017        |                 | 26                  | -1                                  |
| 39  | RÜTGERS Dienstleistungs-GmbH               | Essen                        | 100.00            | 2017        | <sup>1, 2</sup> | 6                   | -3                                  |
| 40  | RÜTGERS GmbH                               | Essen                        | 100.00            | 2017        |                 | 313                 | -11                                 |
| 41  | Stockhausen Unterstützung-Einrichtung GmbH | Krefeld                      | 100.00            | 2017        |                 | -                   | -                                   |
| 42  | StoHaas Marl GmbH                          | Marl                         | 100.00            | 2017        |                 | 35                  | 20                                  |
| 43  | Westgas GmbH                               | Marl                         | 100.00            | 2017        |                 | 8                   | 11                                  |
| <b>Consolidated subsidiaries: other countries</b> |  |                              |                   |             |                 |                     |                                     |
| 44  | Degussa International, Inc.                | Wilmington (Delaware, USA)   | 100.00            | 2017        |                 | 1,235               | 21                                  |
| 45  | DSL Japan Co., Ltd.                        | Tokyo (Japan)                | 51.00             | 2017        |                 | 10                  | 2                                   |
| 46  | Egesil Kimya Sanayi ve Ticaret A.S.        | Istanbul (Turkey)            | 51.00             | 2017        |                 | 10                  | 8                                   |
| 47  | Evonik Acrylics Africa (Pty) Ltd.          | Johannesburg (South Africa)  | 100.00            | 2017        |                 | 2                   | -                                   |
| 48  | Evonik Aerosil France S.A.R.L.             | Salaise-sur-Sanne (France)   | 100.00            | 2017        |                 | 3                   | -                                   |
| 49  | Evonik Africa (Pty) Ltd.                   | Midrand (South Africa)       | 100.00            | 2017        |                 | 15                  | 1                                   |
| 50  | Evonik Agroferm Zrt.                       | Kaba (Hungary)               | 100.00            | 2017        |                 | 21                  | 3                                   |
| 51  | Evonik Amalgamation Ltd.                   | Milton Keynes (UK)           | 100.00            | 2017        |                 | -                   | -                                   |
| 52  | Evonik Antwerpen NV                        | Antwerp (Belgium)            | 100.00            | 2017        |                 | 405                 | 19                                  |
| 53  | Evonik Argentina S.A.                      | Buenos Aires (Argentina)     | 100.00            | 2017        |                 | 21                  | -1                                  |
| 54  | Evonik Australia Pty Ltd.                  | Mount Waverley (Australia)   | 100.00            | 2017        |                 | 5                   | 1                                   |
| 55  | Evonik Brasil Ltda.                        | São Paulo (Brazil)           | 100.00            | 2017        |                 | 206                 | -63                                 |
| 56  | Evonik Canada Inc.                         | Calgary (Canada)             | 100.00            | 2017        |                 | 40                  | 11                                  |
| 57  | Evonik Catalysts India Pvt. Ltd.           | Dombivli (India)             | 100.00            | 2017        |                 | 19                  | 6                                   |
| 58  | Evonik Chemicals Ltd.                      | Milton Keynes (UK)           | 100.00            | 2017        | <sup>3</sup>    | 104                 | 47                                  |
| 59  | Evonik Chile S.A.                          | Santiago (Chile)             | 99.99             | 2017        |                 | 1                   | -                                   |
| 60  | Evonik Colombia S.A.S.                     | Medellín (Colombia)          | 100.00            | 2017        |                 | -                   | -                                   |
| 61  | Evonik Corporation                         | Parsippany (New Jersey, USA) | 100.00            | 2017        |                 | 2,896               | -13                                 |
| 62  | Evonik Cyro Canada Inc.                    | Burlington (Canada)          | 100.00            | 2017        |                 | 11                  | -                                   |
| 63  | Evonik Cyro LLC                            | Wilmington (Delaware, USA)   | 100.00            | 2017        |                 | 121                 | 32                                  |
| 64  | Evonik Degussa Africa (Pty) Ltd.           | Midrand (South Africa)       | 100.00            | 2017        |                 | 11                  | -                                   |
| 65  | Evonik Degussa (China) Co., Ltd.           | Beijing (China)              | 100.00            | 2016        |                 | 21                  | -35                                 |
| 66  | Evonik Dutch Holding B.V.                  | Amsterdam (Netherlands)      | 100.00            | 2017        |                 | 42                  | -                                   |
| 67  | Evonik España y Portugal, S.A.U.           | Granollers (Spain)           | 100.00            | 2017        |                 | 26                  | 2                                   |
| 68  | Evonik Fermas s.r.o.                       | Slovenská L'upča (Slovakia)  | 100.00            | 2017        |                 | 19                  | 2                                   |
| 69  | Evonik Fibres GmbH                         | Schörfling (Austria)         | 100.00            | 2017        |                 | 13                  | 2                                   |

## List of shareholdings

|     | Name  | Registered office            | Shareholding in % | Fiscal year | Footnote | Equity in € million | Net income/loss before P/L transfer |
|-----|---|------------------------------|-------------------|-------------|----------|---------------------|-------------------------------------|
| 70  | Evonik Finance B.V.                           | Amsterdam (Netherlands)      | 100.00            | 2017        |          | 229                 | 7                                   |
| 71  | Evonik Foams Inc.                             | Wilmington (Delaware, USA)   | 100.00            | 2017        |          | 48                  | 5                                   |
| 72  | Evonik Forhouse Optical Polymers Corporation  | Taichung (Taiwan)            | 51.00             | 2017        |          | 13                  | -                                   |
| 73  | Evonik France S.A.S.                          | Ham (France)                 | 100.00            | 2017        |          | 15                  | -                                   |
| 74  | Evonik Goldschmidt UK Ltd.                    | Milton Keynes (UK)           | 100.00            | 2017        |          | 22                  | 1                                   |
| 75  | Evonik Gulf FZE                               | Dubai (United Arab Emirates) | 100.00            | 2017        |          | 1                   | -                                   |
| 76  | Evonik Hong Kong Ltd.                         | Hong Kong (Hong Kong)        | 100.00            | 2017        |          | 12                  | 2                                   |
| 77  | Evonik India Pvt. Ltd.                        | Mumbai (India)               | 100.00            | 2017        |          | 16                  | 3                                   |
| 78  | Evonik Industries de Mexico, S.A. de C.V.     | Mexico City (Mexico)         | 100.00            | 2017        |          | 52                  | 4                                   |
| 79  | Evonik International AG                       | Zurich (Switzerland)         | 100.00            | 2017        |          | 7                   | 2                                   |
| 80  | Evonik International Costa Rica, S.A.         | Santa Ana (Costa Rica)       | 100.00            | 2017        |          | 1                   | -                                   |
| 81  | Evonik International Holding B.V.             | Amsterdam (Netherlands)      | 100.00            | 2017        |          | 4,769               | 72                                  |
| 82  | Evonik Iran AG                                | Teheran (Iran)               | 100.00            | 2017        |          | 1                   | -                                   |
| 83  | Evonik Italia S.r.l.                          | Pandino (Italy)              | 100.00            | 2017        |          | 13                  | 1                                   |
| 84  | Evonik Japan Co., Ltd.                        | Tokyo (Japan)                | 100.00            | 2017        |          | 108                 | 24                                  |
| 85  | Evonik Jayhawk Fine Chemicals Corporation     | Carson City (Nevada, USA)    | 100.00            | 2017        |          | 13                  | -1                                  |
| 86  | Evonik Korea Ltd.                             | Seoul (South Korea)          | 100.00            | 2017        |          | 18                  | 5                                   |
| 87  | Evonik Limited Egypt                          | Cairo (Egypt)                | 100.00            | 2017        |          | -                   | -                                   |
| 88  | Evonik Malaysia Sdn. Bhd.                     | Kuala Lumpur (Malaysia)      | 100.00            | 2017        |          | 1                   | -                                   |
| 89  | Evonik Materials Corporation                  | Wilmington (Delaware, USA)   | 100.00            | 2017        |          | 144                 | -10                                 |
| 90  | Evonik Materials Netherlands B.V.             | Utrecht (Netherlands)        | 100.00            | 2017        | 3        | 4                   | 3                                   |
| 91  | Evonik Membrane Extraction Technology Limited | Milton Keynes (UK)           | 100.00            | 2017        |          | -6                  | -                                   |
| 92  | Evonik Methionine SEA Pte. Ltd.               | Singapore (Singapore)        | 100.00            | 2017        |          | 438                 | 13                                  |
| 93  | Evonik Metilatos S.A.                         | Rosario (Argentina)          | 100.00            | 2017        |          | 12                  | 3                                   |
| 94  | Evonik Mexico, S.A. de C.V.                   | Mexico City (Mexico)         | 100.00            | 2017        |          | 8                   | 1                                   |
| 95  | Evonik Oil Additives Asia Pacific Pte. Ltd.   | Singapore (Singapore)        | 100.00            | 2017        |          | 100                 | 35                                  |
| 96  | Evonik Oil Additives Canada Inc.              | Morrisburg (Canada)          | 100.00            | 2017        |          | 7                   | 6                                   |
| 97  | Evonik Oil Additives S.A.S.                   | Lauterbourg (France)         | 100.00            | 2017        |          | 13                  | 3                                   |
| 98  | Evonik Oil Additives USA, Inc.                | Horsham (Pennsylvania, USA)  | 100.00            | 2017        |          | 22                  | 14                                  |
| 99  | Evonik Oxeno Antwerpen NV                     | Antwerp (Belgium)            | 100.00            | 2017        |          | 89                  | 10                                  |
| 100 | Evonik Para-Chemie GmbH                       | Gramatneusiedl (Austria)     | 99.00             | 2017        |          | 9                   | 3                                   |
| 101 | Evonik Pension Scheme Trustee Limited         | Milton Keynes (UK)           | 100.00            | 2017        |          | -                   | -                                   |
| 102 | Evonik Peroxid GmbH                           | Weissenstein (Austria)       | 100.00            | 2017        |          | 8                   | 1                                   |
| 103 | Evonik Peroxide Africa (Pty) Ltd.             | Umbogintwini (South Africa)  | 100.00            | 2017        |          | 8                   | 1                                   |

## List of shareholdings

|     | Name  | Registered office          | Shareholding in % | Fiscal year | Footnote | Equity in € million | Net income/loss before P/L transfer |
|-----|---|----------------------------|-------------------|-------------|----------|---------------------|-------------------------------------|
| 104 | Evonik Peroxide Holding B.V.                                | Amsterdam (Netherlands)    | 100.00            | 2017        |          | 193                 | -                                   |
| 105 | Evonik Peroxide Ltd.  | Morrinsville (New Zealand) | 100.00            | 2017        |          | 17                  | 2                                   |
| 106 | Evonik Peroxide Netherlands B.V.                            | Amsterdam (Netherlands)    | 100.00            | 2017        |          | 15                  | 1                                   |
| 107 | Evonik Perú S.A.C.  | Lima (Peru)                | 100.00            | 2017        |          | 2                   | -                                   |
| 108 | Evonik Re S.A.  | Luxembourg (Luxembourg)    | 100.00            | 2017        |          | 5                   | -                                   |
| 109 | Evonik Rexim (Nanning) Pharmaceutical Co., Ltd.             | Nanning (China)            | 100.00            | 2017        |          | 15                  | 4                                   |
| 110 | Evonik Rexim S.A.S.   | Ham (France)               | 100.00            | 2017        |          | 10                  | -3                                  |
| 111 | Evonik (SEA) Pte. Ltd.                                      | Singapore (Singapore)      | 100.00            | 2017        |          | 365                 | 2                                   |
| 112 | Evonik Servicios, S.A. de C.V.                              | Mexico City (Mexico)       | 100.00            | 2017        |          | 1                   | -                                   |
| 113 | Evonik (Shanghai) Investment Management Co., Ltd.           | Shanghai (China)           | 100.00            | 2017        |          | 3                   | -                                   |
| 114 | Evonik Silica Belgium BVBA                                  | Ostend (Belgium)           | 100.00            | 2017        |          | 9                   | 1                                   |
| 115 | Evonik Silica Finland Oy                                    | Hamina (Finland)           | 100.00            | 2017        |          | 59                  | 44                                  |
| 116 | Evonik Silquimica, S.A.U.                                   | Zubillaga-Lantaron (Spain) | 100.00            | 2017        |          | 12                  | 1                                   |
| 117 | Evonik Speciality Organics Ltd.                             | Milton Keynes (UK)         | 100.00            | 2017        |          | 304                 | -                                   |
| 118 | Evonik Specialty Chemicals (Jilin) Co., Ltd.                | Jilin (China)              | 100.00            | 2017        |          | -49                 | -32                                 |
| 119 | Evonik Specialty Chemicals (Nanjing) Co., Ltd.              | Nanjing (China)            | 100.00            | 2017        |          | -9                  | -4                                  |
| 120 | Evonik Specialty Chemicals (Shanghai) Co., Ltd.             | Shanghai (China)           | 100.00            | 2017        |          | 191                 | 58                                  |
| 121 | Evonik Taiwan Ltd.  | Taipei (Taiwan)            | 100.00            | 2017        |          | 11                  | 2                                   |
| 122 | Evonik Tasnee Marketing LLC                                 | Riyadh (Saudi Arabia)      | 75.00             | 2017        |          | 9                   | 1                                   |
| 123 | Evonik Thai Aerosil Co., Ltd.                               | Bangkok (Thailand)         | 100.00            | 2017        |          | 21                  | 6                                   |
| 124 | Evonik (Thailand) Ltd.                                      | Bangkok (Thailand)         | 100.00            | 2017        |          | 8                   | 1                                   |
| 125 | Evonik Tianda (Liaoyang) Chemical Additive Co., Ltd.        | Liaoyang (China)           | 97.04             | 2017        |          | 29                  | 4                                   |
| 126 | Evonik Ticaret Ltd. Sirketi                                 | Tuzla/Istanbul (Turkey)    | 100.00            | 2017        |          | 7                   | 2                                   |
| 127 | Evonik Trustee Limited                                      | Milton Keynes (UK)         | 100.00            | 2017        |          | -                   | -                                   |
| 128 | Evonik UK Holdings Ltd.                                     | Milton Keynes (UK)         | 100.00            | 2017        |          | 699                 | 1                                   |
| 129 | Evonik United Silica Industrial Ltd.                        | Taoyuan Hsien (Taiwan)     | 100.00            | 2017        |          | 33                  | 9                                   |
| 130 | Evonik United Silica (Siam) Ltd.                            | Rayong (Thailand)          | 70.00             | 2017        |          | 16                  | 6                                   |
| 131 | Evonik Vietnam Limited Liability Company                    | Ho-Chi-Minh City (Vietnam) | 100.00            | 2017        |          | 2                   | -                                   |
| 132 | Evonik Wellink Silica (Nanping) Co., Ltd.                   | Nanping (China)            | 60.00             | 2017        |          | 38                  | 8                                   |
| 133 | Insilco Ltd.  | Gajraula (India)           | 73.11             | 2017        |          | 12                  | -                                   |
| 134 | J.M. Huber India Pvt. Ltd.                                  | Mumbai (India)             | 100.00            | 2017        |          | 16                  | -                                   |
| 135 | JIDA Evonik High Performance Polymers (Changchun) Co., Ltd. | Changchun (China)          | 84.04             | 2017        |          | 17                  | 9                                   |
| 136 | Laporte Industries Ltd.                                     | Milton Keynes (UK)         | 100.00            | 2017        |          | 3                   | -                                   |
| 137 | Laporte Nederland (Holding) B.V.                            | Amsterdam (Netherlands)    | 100.00            | 2017        |          | 31                  | -                                   |
| 138 | MedPalett AS  | Sandnes (Norway)           | 100.00            | 2017        |          | 3                   | 2                                   |



## List of shareholdings

|  | Name  | Registered office                 | Shareholding in % | Fiscal year | Footnote | Equity in € million | Net income/loss before P/L transfer |
|--|---|-----------------------------------|-------------------|-------------|----------|---------------------|-------------------------------------|
| 139  | Nilok Chemicals Inc. (in liquidation)                 | Parsippany (New Jersey, USA)      | 100.00            | 2017        |          | in liquidation      |                                     |
| 140  | Nippon Aerosil Co., Ltd.                              | Tokyo (Japan)                     | 80.00             | 2017        |          | 63                  | 16                                  |
| 141  | OOO DESTEK  | Podolsk (Russian Federation)      | 65.25             | 2017        |          | 5                   | 5                                   |
| 142  | OOO Evonik Chimia                                     | Moscow (Russian Federation)       | 100.00            | 2017        |          | 16                  | 4                                   |
| 143  | PT. Evonik Indonesia                                  | Cikarang Bekasi (Indonesia)       | 99.98             | 2017        |          | 7                   | -                                   |
| 144  | PT. Evonik Sumi Asih                                  | Bekasi Timur (Indonesia)          | 75.00             | 2017        |          | 11                  | 1                                   |
| 145  | Qingdao Evonik Silica Materials Co., Ltd.             | Qingdao (China)                   | 100.00            | 2017        |          | 38                  | -                                   |
| 146  | Roha B.V.   | Tilburg (Netherlands)             | 100.00            | 2017        |          | 2                   | -                                   |
| 147  | RÜTGERS Organics Corporation                          | State College (Pennsylvania, USA) | 100.00            | 2017        |          | -9                  | -1                                  |
| 148  | SKC Evonik Peroxide Korea Co., Ltd.                   | Ulsan (South Korea)               | 55.00             | 2017        |          | 30                  | 6                                   |
| 149  | Silbond Corporation                                   | Weston (Michigan, USA)            | 100.00            | 2017        |          | 48                  | 8                                   |
| 150  | Stockhausen Nederland B.V.                            | Amsterdam (Netherlands)           | 100.00            | 2017        |          | 1                   | 1                                   |
| <b>Companies recognized as joint operations: Germany</b>         |   |                                   |                   |             |          |                     |                                     |
| 151  | Neolyse Ibbenbüren GmbH                               | Ibbenbüren                        | 50.00             | 2017        |          | 17                  | -1                                  |
| <b>Companies recognized as joint operations: other countries</b> |   |                                   |                   |             |          |                     |                                     |
| 152  | Veramaris (USA) LLC                                   | Blair (Nebraska, USA)             | 50.00             | 2017        |          | -                   | -                                   |
| 153  | Veramaris V.O.F.                                      | Delft (Netherlands)               | 50.00             | 2017        |          | -                   | -                                   |
| <b>Non-consolidated subsidiaries: Germany</b>                    |   |                                   |                   |             |          |                     |                                     |
| 154  | PKU Pulverkautschuk Union GmbH (in liquidation)       | Marl                              | 100.00            | 2017        |          | in liquidation      |                                     |
| 155  | Studiengesellschaft Kohle mbH                         | Mülheim                           | 84.18             | 2016        |          | -                   | -                                   |
| <b>Non-consolidated subsidiaries: other countries</b>            |   |                                   |                   |             |          |                     |                                     |
| 156  | EGL Ltd.  | Milton Keynes (UK)                | 100.00            | 2016        |          | -                   | -                                   |
| 157  | Evonik Advanced Botanicals S.A.S.                     | Parcay Meslay (France)            | 100.00            | 2016        |          | -                   | -                                   |
| 158  | Evonik East Africa Limited                            | Nairobi (Kenya)                   | 100.00            | 2017        |          | -                   | -                                   |
| 159  | Evonik Guatemala, S.A.                                | Guatemala City (Guatemala)        | 100.00            | 2017        |          | -                   | -                                   |
| 160  | Evonik International Trading (Shanghai) Co., Ltd.     | Shanghai (China)                  | 100.00            | 2016        |          | -                   | -                                   |
| 161  | Evonik (Philippines) Inc.                             | Taguig City (Philippines)         | 99.99             | 2017        |          | -                   | -                                   |
| 162  | Laporte Chemicals Ltd.                                | Milton Keynes (UK)                | 100.00            | 2017        |          | -                   | -                                   |
| 163  | LLC "Evonik Ukraine"                                  | Kiev (Ukraine)                    | 100.00            | 2016        |          | -                   | -                                   |
| <b>Joint ventures (at equity): other countries</b>               |   |                                   |                   |             |          |                     |                                     |
| 164  | CyPlus Idesa, S.A.P.I. de C.V.                        | Mexico City (Mexico)              | 50.00             | 2017        |          | 25                  | -8                                  |
| 165  | Daicel-Evonik Ltd.                                    | Tokyo (Japan)                     | 50.00             | 2017        |          | 17                  | 4                                   |
| 166  | Evonik Headwaters LLP                                 | Milton Keynes (UK)                | 50.00             | 2016        |          | -                   | -                                   |
| 167  | Evonik Lanxing (Rizhao) Chemical Industrial Co., Ltd. | Rizhao (China)                    | 50.00             | 2017        |          | 5                   | -                                   |

## List of shareholdings

|   | Name   | Registered office                 | Shareholding in % | Fiscal year | Footnote | Equity in € million | Net income/loss before P/L transfer |
|---|--|-----------------------------------|-------------------|-------------|----------|---------------------|-------------------------------------|
| 168   | Evonik Treibacher GmbH                         | Treibach/Althofen (Austria)       | 50.00             | 2017        |          | 13                  | 2                                   |
| 169   | LiteCon GmbH                                   | Hönigsberg/Mürzzuschlag (Austria) | 49.00             | 2017        |          | 2                   | -1                                  |
| 170   | Rusferm Limited                                | Nicosia (Cyprus)                  | 49.00             | 2017        |          | -                   | -                                   |
| 171   | San-Apro Ltd.                                  | Kyoto (Japan)                     | 50.00             | 2016        |          | 8                   | 3                                   |
| 172   | Saudi Acrylic Polymers Company, Ltd.           | Jubail (Saudi Arabia)             | 25.00             | 2017        |          | 47                  | -5                                  |
| <b>Joint ventures (not recognized at equity): Germany</b>         |  |                                   |                   |             |          |                     |                                     |
| 173   | dev.log GmbH                                   | Niederkassel                      | 50.00             | 2017        |          | 1                   | -                                   |
| 174   | StoHaas Management GmbH                        | Marl                              | 50.00             | 2017        |          | -                   | -                                   |
| <b>Joint ventures (not recognized at equity): other countries</b> |  |                                   |                   |             |          |                     |                                     |
| 175   | Idevo Servicios, S.A. de C.V.                  | Mexico City (Mexico)              | 50.00             | 2017        |          | -                   | -                                   |
| 176   | RSC Evonik Sweeteners Co., Ltd.                | Bangkok (Thailand)                | 50.00             | 2016        |          | 2                   | -                                   |
| <b>Associates (recognized at equity): Germany</b>                 |  |                                   |                   |             |          |                     |                                     |
| 177   | ARG mbH & Co. KG                               | Duisburg                          | 19.93             | 2017        |          | 8                   | 34                                  |
| 178   | TÜV NORD InfraChem GmbH & Co. KG               | Marl                              | 49.00             | 2016        |          | 2                   | -                                   |
| 179   | TÜV NORD InfraChem Verwaltungsgesellschaft mbH | Marl                              | 49.00             | 2016        |          | -                   | -                                   |
| 180   | Vestaro GmbH                                   | Munich                            | 49.00             | 2016        |          | 1                   | -                                   |
| <b>Associates (recognized at equity): other countries</b>         |  |                                   |                   |             |          |                     |                                     |
| 181   | ABCR Laboratorios, S.L.                        | Forcarei (Spain)                  | 50.00             | 2017        |          | 8                   | 1                                   |
| 182   | Biosynthetic Technologies, LLC                 | Havre (Montana, USA)              | 5.75              | 2016        |          | -9                  | -12                                 |
| <b>Associates (not recognized at equity): Germany</b>             |  |                                   |                   |             |          |                     |                                     |
| 183   | ARG Verwaltungs GmbH                           | Duisburg                          | 20.00             | 2017        |          | -                   | -                                   |
| 184   | Umschlag Terminal Marl GmbH & Co. KG           | Marl                              | 50.00             | 2017        |          | -                   | -                                   |
| 185   | Umschlag Terminal Marl Verwaltungs-GmbH        | Marl                              | 50.00             | 2017        |          | -                   | -                                   |
| 186   | Vivawest GmbH                                  | Essen                             | 25.00             | 2017        |          | 1,207               | 211                                 |
| <b>Associates (not recognized at equity): Other countries</b>     |  |                                   |                   |             |          |                     |                                     |
| 187   | HPNow ApS                                      | Copenhagen (Denmark)              | 21.19             | 2016        |          | -                   | -                                   |

<sup>1</sup> There are domination and/or profit-and-loss transfer agreements with these companies.

<sup>2</sup> These companies had a shortened fiscal year.

<sup>3</sup> These companies had an extended fiscal year.

Evonik holds more than 5 percent of the voting rights in the following company, which is defined as a large stock corporation in accordance with Section 267 Paragraph 3 of the German Commercial Code (HGB) (disclosure pursuant to Section 285 No. 11 b German Commercial Code (HGB)):

Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany) (shareholding: 14.78 percent; fiscal year 2016/2017: income after taxes: €6.3 million; equity: €348 million).

#### **4.13 Events after the reporting date**

No reportable events have occurred since the reporting date.

#### 4.14 Proposal for the distribution of the profit

Since January 1, 2017, shareholders are entitled to their dividend on the third working day following the Annual Shareholders' Meeting unless a later payment date is set in the Articles of Association or the resolution of the Annual Shareholders' Meeting on the distribution of the profit (Section 58 Paragraph 4, Sentences 2 and 3 of the German Stock Corporation Act (AktG). An earlier payment date is not provided for. The net profit for fiscal 2017 should be used to pay a dividend of €1.15 per share entitled to the dividend.

The Executive Board proposes that the net profit of Evonik Industries AG for fiscal 2017 amounting to €770,000,000.00 should be utilized as follows:

##### Distribution of the net profit

|  |                          |
|--|--------------------------|
| - Payment of a dividend of €1.15 per no-par share entitled to the dividend | = €535,900,000.00        |
| - Allocation to other revenue reserves                                     | = €0.00                  |
| - Profit carried forward   | = €234,100,000.00        |
| <b>Net profit</b>  | <b>= €770,000,000.00</b> |

The dividend will be paid on May 28, 2018.

This proposal for the allocation of the profit is based on the capital stock of €466,000,000.00—divided into 466,000,000 no-par shares—entitled to a dividend on February 19, 2018 (date of finalization of the annual financial statements). The number of shares entitled to the dividend and thus the total dividend could decrease by the date of adoption of the resolution on the distribution of the net profit. In this case, the Executive Board and Supervisory Board will submit an amended proposal for the distribution of the profit, which will, however, propose an unchanged dividend of €1.15 per no-par share entitled to the dividend, but increase the amount to be carried forward.

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company in accordance with German accepted accounting principles, and the management report for the company, which is combined with the management report for the Evonik Group, includes a fair view of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of the company.

Essen, February 19, 2018

**Evonik Industries AG**  
**The Executive Board**

Kullmann

Dr. Schwager

Wessel

Wolf

## **INDEPENDENT AUDITOR'S REPORT**

To Evonik Industries AG, Essen

### ***REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT***

#### *Audit Opinions*

We have audited the annual financial statements of Evonik Industries AG, Essen, which comprise the balance sheet as at 31 December 2017, and the statement of profit and loss for the financial year from 1 January to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Evonik Industries AG, which is combined with the group management report, for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

#### *Basis for the Audit Opinions*

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is

sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

### *Key Audit Matters in the Audit of the Annual Financial Statements*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Pension provisions
- ② Accounting treatment of hedging relationships

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

#### ① Pension provisions

- ① In the annual financial statements of Evonik Industries AG, pension provisions amounting to EUR 54 million are reported, comprising the settlement amount in accordance with commercial law of the direct obligations under the Company's pension plans amounting to EUR 820 million, less the fair value of the plan assets of EUR 766 million. The pension plan obligations resulting from direct commitments are measured using the projected unit credit method. This requires assumptions to be made in particular about long-term salary and pension increases, staff turnover and average life expectancy. The Company's plan assets are measured at fair value, which in turn involves making estimates that are subject to uncertainties. In our view, these matters were of particular significance in the context of our audit because the recognition and measurement of this significant item are based to a large extent on estimates and assumptions made by the Company's executive directors.
- ② Our audit included an evaluation of the actuarial expert report and the technical competence of the actuarial expert, among other things. Given the special features of the actuarial calculations, we received support from our internal pension specialists for this purpose. With their assistance, we assessed the appropriateness of the valuation methods on which the valuations were based as well as the valuation parameters used. In addition, we analyzed the development of the obligations and the effects of changes in the valuation parameters and the numerical data on the basis of the actuarial expert report, and assessed their plausibility. Finally, we reconciled the accounting entries for the provisions and the disclosures in the notes to the annual financial statements based on the actuarial expert report. We obtained bank confirmations for the fair values of the quoted securities held directly, fund units and bank balances included in the plan assets. In the case of quoted securities for which the bank confirmations did not include fair values, unquoted bonds and structured products held directly as well as other fund units, we assessed the methods on which the respective valuation was based and the valuation parameters used with the assistance of our internal specialists. Based on our audit

procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the executive directors were justified and sufficiently documented.

- ③ The Company's disclosures relating to pension provisions are contained in sections 1.2.6 and 2.7 of the notes to the annual financial statements.

## ② Accounting treatment of hedging relationships

- ① Evonik Industries AG uses a variety of derivative financial instruments – in particular forward exchange transactions, cross-currency interest rate swaps and interest rate swaps – to hedge against currency and interest rate risks. The hedging policy defined by the executive directors serves as the basis for these transactions and is documented in corresponding internal guidelines. In the context of Evonik Industries AG's currency hedging activities, some forward exchange transactions and cross-currency interest rate swaps concluded with subsidiaries were traded through to banks in matching onward transactions, while others were combined into a currency portfolio and, after internal offsetting, the net position was hedged with banks. Furthermore, the Company also enters into external cross-currency interest rate swaps in order to hedge the currency risk arising from the cash flows for redemption and interest payments on foreign currency borrowings within the Group and from cross-currency interest rate swaps within the Group.

The Company's interest rate risk is required to correspond to a defined interest rate structure, and receiver interest rate swaps are concluded to ensure compliance with this requirement.

As of the balance sheet date, Evonik Industries AG had outstanding forward exchange transactions amounting to EUR 6,718 million (notional amount), cross-currency interest rate swaps amounting to EUR 3,020 million (notional amount) and interest rate swaps amounting to EUR 1,300 million (notional amount). The positive fair values of the total derivative financial instruments used for hedging purposes amount to EUR 262 million as of the balance sheet date and the negative fair values amount to EUR 249 million.

As far as possible, the derivative financial instruments are combined with the respective hedged items into hedging relationships for purposes of accounting under German commercial law. For currency hedging purposes in particular, portfolio hedges are also recognized in addition to micro-hedges. The consequence of this is that, due to the application of the net hedge presentation method, changes in the values or cash flows of the derivative financial instruments over the term of the hedging relationship are not reflected in the financial statements, provided that the hedging relationship is effective. If the hedging relationship is ineffective and results in a net loss, a provision for anticipated losses is recognized.

In our view, these matters were of particular significance for our audit due to the high complexity and number of hedging instruments as well as the extensive accounting and reporting requirements.

- ② As part of our audit and together with the assistance of our internal specialists, among other things we evaluated the contractual and financial bases of the hedging relationship between the hedged transactions and the derivative financial instruments as hedging instruments and assessed the accounting treatment. We examined the procedures for recognizing and accounting for hedging relationships, including the ineffective amounts. We also assessed the Company's risk management system with regard to (derivative) financial instruments, including the internal activities to monitor compliance with the hedging policy. We evaluated the Company's internal guidelines on hedging against currency and interest rate risks, in particular with respect to a risk management strategy documented in writing and the assignment of responsibilities by the executive directors, and assessed their appropriateness and effectiveness. In addition, for the purpose of auditing the fair value measurement of the derivative financial instruments, we also evaluated the methods of calculation employed using market data. With regard to the expected cash flows and the assessment of the effectiveness of hedges, we essentially conducted a retrospective assessment of past hedging levels. In



addition, we verified the accounting treatment of the hedges and in particular their presentation in the balance sheet and statement of profit and loss, and assessed compliance with the applicable accounting requirements. Based on our audit procedures, we were able to satisfy ourselves that the estimates applied and assumptions made by the executive directors are justified and sufficiently documented.

- ③ The Company's disclosures pertaining to hedging relationships are contained in section 4.4 "Derivative financial instruments" of the notes to the annual financial statements.

#### *Other Information*

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate governance report and declaration on corporate governance" of the management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

#### *Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report*

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

#### *Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. 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 override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

### ***OTHER LEGAL AND REGULATORY REQUIREMENTS***

#### ***Further Information pursuant to Article 10 of the EU Audit Regulation***

We were elected as auditor by the annual general meeting on 23 May 2017. We were engaged by the supervisory board on 25 October 2017. We have been the auditor of Evonik Industries AG, Essen, without interruption since the Company first met the requirements as a public-interest entity within the meaning of § 319a Abs. 1 Satz 1 HGB in the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

***GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT***

The German Public Auditor responsible for the engagement is Antje Schlotter.

Düsseldorf, 20 February 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Eckhard Sprinkmeier  
Wirtschaftsprüfer  
  
(German Public Auditor)

Antje Schlotter  
Wirtschaftsprüferin  
  
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