Annual financial statements of Evonik Industries AG

FOR THE FISCAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2016

EVONIK
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Contents

Balance sheet

Balance sheet for Evonik Industries AG

in € million	Note	Dec. 31, 2016	Dec. 31, 2015
Intangible assets		11	9
Property, plant and equipment		44	31
Financial assets		9,011	8,870
Non-current assets	2.1	9,066	8,910
Inventories	2.2	9	8
Trade accounts receivable		9	21
Receivables from affiliated companies		2,308	2,585
Receivables from companies held as other investments		31	11
Other assets		277	103
Receivables and other assets	2.3	2,625	2,720
Other securities	2.4	–	249
Cash and cash equivalents	2.5	4,272	2,056
Current assets		6,906	5,033
Prepaid expenses and deferred charges		11	8
Total assets		15,983	13,951
Issued capital		466	466
Capital reserve		721	721
Revenue reserves		4,606	4,235
– statutory reserve		47	47
– other revenue reserves		4,559	4,188
Net profit		936	605
Equity	2.6	6,729	6,027
Provisions for pensions and similar obligations		36	76
Provisions for taxes		174	266
Other provisions		367	508
Provisions	2.7	577	850
Bonds		1,250	1,250
Liabilities to banks		65	71
Trade accounts payable		87	72
Liabilities to affiliated companies		7,196	5,607
Other payables		63	74
Liabilities	2.8	8,661	7,074
Deferred income		16	–
Total equity and liabilities		15,983	13,951

Income statement

Income statement for Evonik Industries AG

in € million	Note	2016	2015
Sales	3.1	635	592
Increase in inventories of work in progress		4	1
Other operating income	3.2	896	1,431
Cost of materials	3.3	–221	–235
Personnel expense	3.4	–341	–337
Depreciation and amortization of intangible assets, property, plant and equipment		–17	–15
Other operating expenses	3.5	–1,125	–1,294
Operating result		–169	143
Income from profit-and-loss transfer agreements		1,480	1,496
Income from investments		1	13
Income from investments	3.6	1,481	1,509
Write-downs of financial assets and current securities	3.7	–19	–41
Write-ups of financial assets and current securities	3.8	12	10
Net interest expense	3.9	18	–157
Income before income taxes		1,323	1,464
Income taxes	3.11	–85	–259
Income after taxes		1,238	1,205
Net income		1,238	1,205
Additions to revenue reserves		–302	–600
Net profit		936	605

Notes to the financial statements for 2016

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)—in the version of the Accounting Directive Implementation Act (BilRUG)—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.

Since January 1, 2015, the Executive Board of Evonik Industries AG has concentrated on the strategic development of the Evonik Group through a management holding structure. On March 5, 2015, the plant management agreements between the company and five subsidiaries (Evonik Degussa GmbH, Evonik Röhm GmbH, Evonik Oil Additives GmbH, Evonik Goldschmidt Rewo GmbH and Evonik Technochemie GmbH, all with registered offices in Essen (Germany)), which were concluded between 2011 and 2013, were terminated with effect from June 30, 2015.

Under the plant management structure, the sales revenues shown on the income statement of Evonik Industries AG for 2015 only contained fees for the management of these plants. All other income and expenses were allocated to the companies that owned the plants and were recognized in their annual financial statements. The plant management fee for the first half of 2015 was €31million and was recognized in sales.

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
Machinery and other equipment	10
Vehicles	6
IT systems	3-7
Factory and office equipment	5-13

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 carried 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 Securities

Other securities are carried at cost of acquisition or fair value, whichever is lower on the reporting date.

1.2.6 Issued capital

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

1.2.7 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 the derived from the past ten fiscal years, while for other provisions it is derived from the past seven fiscal years. The change in the discount rate for provisions for pension obligations to the average interest rate for the past ten years instead of the past seven years is due to the revised provisions set out in the legislation implementing the directive on credit agreements relating to residential property, which amends the commercial law provisions and came into force on March 21, 2016. As a result of this change, there was a reduction in pension obligations as of the reporting date. The resulting valuation gain is recognized in the financial result. In accordance with Section 253 Paragraph 6 Sentence 2 of the German Commercial Code (HGB), the difference between pension provisions valued using the ten-year average interest rate as of the reporting date and the seven-year average, less deferred taxes recognized on this amount, is subject to a ban on distribution.

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, 2016, the interest rate as of this date was projected from interest rate data published as of November 30, 2016. The average rate for the past seven fiscal years was 3.24 percent (2015: 3.89 percent), while for the past ten fiscal years it was 4.01 percent. These rates are identical with the rates published by the Bundesbank as of December 31, 2016.

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

Actuarial assumptions

in %	2016
Future salary increases	2.50
Employee turnover	2.20
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 €760 million (2015: €753 million) for settlement of these obligations. The fair value of the netted funded assets is €724 million (2015: €676 million).

The historical cost of acquisition of the assets was €589 million (2015: €584 million). The market values were taken as their fair values and correspond to the fair values derived from the master fund as of December 30, 2016.

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 year 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 €29 million (2015: €23 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 €26 million (2015: €21 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 30, 2016.

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.

1.2.8 Liabilities

Bonds and liabilities are recognized at nominal value or at the settlement amount.

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.

1.2.9 Deferred tax liabilities

Deferred taxes are established in accordance with Section 274 Paragraph 1 of the German Commercial Code (HGB) for differences between the valuation of assets, liabilities and deferred income/deferred charges in the commercial accounts and the valuation used for tax purposes. These differences are expected to be settled in subsequent 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 measured using a company-specific tax rate of 32.1 percent (2015: 32.0 percent). This comprises 15 percent German corporation tax, a 5.5 percent solidarity surcharge on the corporation tax and 16.3 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.

1.2.10 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, trademarks and similar rights	Advance payments made	Total
Cost of acquisition/production			
As of January 1, 2015	21	4	25
Additions from asset deals	1	–	1
Additions	2	–	2
Disposals through asset deals	–	–	–
Disposal	–	–	–
Reclassification	5	–4	1
As of December 31, 2015	29	–	29
Additions	7	–	7
Disposal	–5	–	–5
Reclassification	3	–	3
As of December 31, 2016	34	–	34
Amortization and write-downs			
As of January 1, 2015	16	–	16
Additions from asset deals	–	–	–
Amortization in fiscal year	4	–	4
Write-ups in fiscal year	–	–	–
Disposal through asset deals	–	–	–
Disposal	–	–	–
Reclassification	–	–	–
As of December 31, 2015	20	–	20
Amortization and write-downs in fiscal year	5	–	5
Write-ups in fiscal year	–	–	–
Disposal	–2	–	–2
Reclassification	–	–	–
As of December 31, 2016	23	–	23
Carrying amounts as of December 31, 2015	9	–	9
Carrying amounts as of December 31, 2016	11	–	11

Change in property, plant and equipment

in € million	Land, land rights and buildings, including buildings on leased land	Plant and machinery	Other plant, office furniture and equipment	Advance payments and construction in progress	Total
Cost of acquisition/production					
As of January 1, 2015	1	2	35	2	40
Additions from asset deals	–	1	16	–	17
Additions	–	–	11	4	15
Disposal through asset deals	–	–	–1	–	–1
Disposal	–	–	–2	–	–2
Reclassification	–	–	1	–2	–1
As of December 31, 2015	1	3	60	4	68
Additions	–	–	17	11	28
Disposal	–	–	–8	–	–8
Reclassification	–	–	1	–4	–3
As of December 31, 2016	1	3	70	11	85
Depreciation and write-downs					
As of January 1, 2015	–	1	28	–	29
Additions from asset deals	–	–	–	–	–
Depreciation and write-downs in fiscal year	–	–	11	–	11
Write-ups in fiscal year	–	–	–	–	–
Disposal through asset deals	–	–	–1	–	–1
Disposal	–	–	–2	–	–2
Reclassification	–	–	–	–	–
As of December 31, 2015	–	1	36	–	37
Depreciation and write-downs in fiscal year	–	1	11	–	12
Write-ups in fiscal year	–	–	–	–	–
Disposal	–	–	–8	–	–8
Reclassification	–	–	–	–	–
As of December 31, 2016	–	2	39	–	41
Carrying amounts as of December 31, 2015	1	2	24	4	31
Carrying amounts as of December 31, 2016	1	1	31	11	44

Change in financial assets

in € million	Shares in affiliated companies	Loans to affiliated companies	Investments	Total
Cost of acquisition/production				
As of January 1, 2015	9,073	282	63	9,418
Additions	401	180	2	583
Disposal	–416	–96	–1	–513
Reclassification	–	–	–	–
As of December 31, 2015	9,058	366	64	9,488
Additions	28	187	1	216
Disposal	–	–68	–	–68
Reclassification	–	–	–	–
As of December 31, 2016	9,086	485	65	9,636
Write-downs				
As of January 1, 2015	584	–	–	584
Write-downs	33	–	7	40
Write-ups	–6	–	–	–6
Disposal	–	–	–	–
Reclassification	–	–	–	–
As of December 31, 2015	611	–	7	618
Write-downs in fiscal year	19	–	–	19
Write-ups in fiscal year	–5	–	–7	–12
Disposal	–	–	–	–
Reclassification	–	–	–	–
As of December 31, 2016	625	–	–	625
Carrying amounts as of December 31, 2015	8,447	366	57	8,870
Carrying amounts as of December 31, 2016	8,461	485	65	9,011

Additions of shares in affiliated companies result from a total payment of €28 million into the capital reserves of one company.

The write-downs in the fiscal year contained €19 million for financial assets.

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, 2016	Dec. 31, 2015
Work in progress	5	1
Merchandise	4	7
	9	8

2.3 Receivables and other assets

Receivables and other assets

in € million	Dec. 31, 2016 Remaining term up to 1 year	Dec. 31, 2016 Remaining term more than 1 year	Dec. 31, 2016 Total	Dec. 31, 2015
Trade accounts receivable	8	1	9	21
Receivables from affiliated companies	2,308	–	2,308	2,585
Receivables from companies held as other investments	31	–	31	11
Other assets	252	25	277	103
	2,599	26	2,625	2,720

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

Receivables from affiliated companies

in € million	Dec. 31, 2016	Dec. 31, 2015
Financial receivables	2,185	2,507
Other receivables	57	34
Trade accounts receivable	66	44
	2,308	2,585

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 Other securities

Evonik Industries AG was the sole investor and owned all investment certificates in DeAM-Fonds Treasury 1. This investment fund was liquidated in June 2016. The disposal of the certificates led to a loss of €0.1 million.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and credit balances with banks.

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 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 warrants 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 4, 2016, Evonik Industries AG announced that it would be utilizing the authorization granted by the Annual Shareholders' Meeting on March 11, 2013 to purchase shares in the company totaling up to €113.4 million by April 12, 2016 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 part of an employee share program.

Through this share buyback program, by April 12, 2016 Evonik Industries AG purchased a total of 574,115 shares in the company (corresponding to 0.1 percent or €574,115 of the capital stock). A total of €14.9 million was spent on the shares, corresponding to an average price of €25.90 per share. The purchases were made from March 8, 2016 at an average daily volume of around 23,900 shares on each Xetra trading day through a bank acting on the instructions of Evonik Industries AG. The consideration for 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. In mid April, 511,868 ordinary shares (including 130,327 bonus shares) were transferred to participating employees on the basis of the share price and the exchange rate for the US dollar prevailing on April 14, 2016. The remaining 62,247 ordinary shares were sold to third parties by April 19, 2016. As of December 31, 2016, Evonik therefore no longer held any treasury shares.

The resolution adopted by the Annual Shareholders’ Meeting on March 11, 2013 authorizing the Executive Board to buy back shares in the company was rescinded at the Annual Shareholders’ Meeting on May 18, 2016, and replaced by a new authorization to buy shares in the company up to May 17, 2021.

(e) Capital reserve

The capital reserve of €721 million results from additions pursuant to Section 272 Paragraph 2 No. 4 of the German Commercial Code (HGB). In fiscal 2016, €566 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 €4,559 million as of December 31, 2016 (2015: €4,188 million).

The change in other revenue reserves resulted from the allocation of €69,100,000.00 from the net profit for fiscal 2015 following the resolution by the Annual Shareholders’ Meeting on May 18, 2016, and the addition of €302,241,691.74 of the net income for 2016.

(g) Amounts subject to the ban on distribution

The fair value of assets offset against pension obligations, which amounted to €135 million, and the difference of €93 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 €228 million, which is subject to the ban on distribution. Since net income and freely available reserves amount to €6,218 million, the company is not subject to a ban on distribution.

2.7 Provisions

Provisions

in € million	Dec. 31, 2016	Dec. 31, 2015
Provisions for pensions and other post-employment benefits	36	76
Provisions for taxes	174	266
Other provisions	367	508
thereof attributable to		
- personnel-related	169	174
- miscellaneous	198	334
	577	**850**

Valuation of pension provisions using the average market interest rate for the past seven years gives a pension obligation of €853 million as of December 31, 2016. Valuation of pension provisions using the average market interest rate for the past ten years gives a pension obligation of €760 million as of December 31, 2016. The difference is €93 million.

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

The other provisions contain a provision in connection with the stake in STEAG GmbH, Essen (Germany), which was divested in 2011. The partial reversal of this provision was largely responsible for the decline in provisions in 2016. Further, this item includes, among other things, provisions for restructuring, outstanding invoices, provisions for impending liabilities from pending transactions, and a provision for ongoing appraisal proceedings.

€183 million (2015: €248 million) of the total provisions relate to components due in more than one year.

2.8 Liabilities

Liabilities

in € million	Dec. 31, 2016 Remaining term up to 1 year	more than 1 year	thereof more than 5 years	Total
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
	7,340	1,321	785	8,661

Liabilities

in € million	Dec. 31, 2015 Remaining term up to 1 year	more than 1 year	thereof more than 5 years	Total
Bonds	–	1,250	750	1,250
Liabilities to banks	71	–	–	71
Trade accounts payable	72	–	–	72
Liabilities to affiliated companies	5,570	37	26	5,607
Other payables	35	39	–	74
of which for taxes	5	–	–	5
of which for social security	1	–	–	1
	5,748	1,326	776	7,074

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

Liabilities to affiliated companies

in € million	Dec. 31, 2016	Dec. 31, 2015
Financial liabilities	7,100	5,497
Trade accounts payable	15	26
Other payables	81	84
	7,196	5,607

The financial liabilities to affiliated companies include loans from RCIV Vermögensverwaltungs-GmbH, Essen (Germany), and liabilities relating to cash pooling with, among others, Evonik Finance B.V., Amsterdam (Netherlands), Evonik Degussa GmbH, Essen (Germany), Evonik Corporation, Parsippany (New Jersey, USA), Evonik Speciality Organics Ltd., Milton Keynes (UK), RÜTGERS GmbH, Essen (Germany), RBV Verwaltungs-GmbH, Essen (Germany), Evonik Röhm GmbH, Essen (Germany), Evonik Technology & Infrastructure GmbH, Essen (Germany), Evonik Antwerpen N.V., Antwerp (Belgium), Evonik Resource Efficiency GmbH, Essen (Germany), Evonik Performance Materials GmbH, Essen (Germany), Evonik Oil Additives GmbH, Essen (Germany), Evonik Peroxide Holding B.V., Amsterdam (Netherlands), Evonik Nutrition & Care GmbH, Essen (Germany), and Evonik (SEA) Pte. Ltd., Singapore (Singapore). 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 liabilities totaling €63 million contain liabilities for the payment of wage tax and interest on bonds (€14 million). Further, this item includes liabilities relating to profit-participation rights amounting to €38 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 2016 or 2015. The total number of rights in circulation is 38,626,619. 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

In the prior year, sales included plant management fees of €31 million for the period prior to the termination of the corresponding agreements on June 30, 2015.

As a consequence of the new definition of Section 277 Paragraph 1 of the German Commercial Code (HGB) resulting from Accounting Directive Implementation Act (BilRUG), the prior-year sales figures are not fully comparable with the figures for 2016. Application of the BilRUG version of Section 277 Paragraph 1 German Commercial Code (HGB) in 2015 would have resulted in sales of €628 million.

The sales split between the reporting units was as follows in 2016:

Sales

in € million	2016	2015
Procurement	249	280
IT services	196	173
HR Germany	78	40
Financial services	31	26
Intellectual Property Management	27	13
Plant management fees	–	31
Other	54	29
	635	592

The regional breakdown of sales in 2016 was as follows:

Regional breakdown of sales

in € million	2016	2015
Germany	514	497
Other European countries	55	55
North America	41	22
Asia-Pacific	20	15
Central and South America	3	2
Other	2	1
	635	592

3.2 Other operating income

Other operating income

in € million	2016	2015
Currency translation gains	670	939
Miscellaneous costs passed through to Group companies	26	27
Income from invoicing of project and consultancy costs	21	6
Proceeds from the disposal of assets	–	413
Invoicing of rental costs	–	7
Miscellaneous other operating income	32	31
Income relating to other periods:		
Income from the reversal of provisions	147	8
	896	1,431

Due to the impact of the new definition of Section 277 Paragraph 1 of the German Commercial Code (HGB) resulting from BilRUG, the prior-year figures for other operating income are not fully comparable with the figures reported for 2016. As a result of application of the new definition in 2016, €32 million was recognized in sales instead of in other operating income. If the BilRUG version of Section 277 Paragraph 1 of the German Commercial Code (HGB) had been applied in 2015, other operating income would have been €36 million lower.

In 2015, the proceeds from the disposal of assets mainly comprised the divestment of the shares in Vivawest GmbH, Essen (Germany). The currency translation gains of €670 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 losses amounted to €675 million. Economically, these two items comprise a single unit. In a net view, the overall result would have been net loss of €5 million.

3.3 Cost of materials

Cost of materials

in € million	2016	2015
Expenses for raw materials and supplies	195	235
Expenses for purchased services	26	–
	221	235

The prior-year figures for purchased services are not comparable with those for fiscal 2016 due to the new definition pursuant to Section 277 Paragraph 1 of the German Commercial Code (HGB) and the associated shift from other operating expenses to cost of materials. As a result of application of the new definition in 2016, €26 million was recognized in expenses for purchased services instead of in other operating expenses. If the BilRUG version of Section 277 Paragraph 1 HGB had been applied in 2015, the cost of materials would have been €29 million higher.

3.4 Personnel expense

Personnel expense

in € million	2016	2015
Wages and salaries	285	282
Social security contributions and expenses for pensions and similar obligations	56	55
of which for pensions	24	25
	341	337

3.5 Other operating expenses

Other operating expenses

in € million	2016	2015
Currency translation losses	675	921
Corporate services	146	136
IT expense	119	90
Legal and consulting expenses	63	30
Rental costs	21	17
Expenses for additions to provisions	13	6
Project expenses	13	–
Patent expenses	9	6
Other taxes	2	2
Miscellaneous other operating expenses	63	86
Expenses relating to other periods		
Miscellaneous other operating expenses	1	–
	1,125	1,294

Due to the impact of the new definition of Section 277 Paragraph 1 of the German Commercial Code (HGB) resulting from BilRUG, the prior-year figures for other operating expenses are not fully comparable with the figures reported for 2016. As a result of application of the new definition in 2016, €26 million was recognized in the cost of materials instead of in other operating expenses. If the BilRUG version of Section 277 Paragraph 1 HGB had been applied in 2015, other operating expenses would have been €29 million lower.

The currency translation losses of €675 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 €670 million. Economically, these two items comprise a single unit. In a net view, the overall result would have been a net loss of €5 million.

3.6 Income from investments

Income from investments

in € million	2016	2015
Income from profit-and-loss transfer agreements	1,480	1,496
Income from investments	1	13
of which from affiliated companies	–	13
	1,481	1,509

In the prior year, income from profit-and-loss transfer agreements included income of €303 million from German corporation tax and trade tax allocations from various companies included in the same tax entity as Evonik Industries AG. Since 2016, tax allocations have not been levied.

The year-on-year reduction in income from profit-and-loss transfer agreements mainly results from a slightly lower profit transfer from Evonik Degussa GmbH. Most of the income from investments in 2015 resulted from dividend payments from Vivawest GmbH.

3.7 Write-downs of financial assets and current securities

Write-downs of financial assets totaled €19 million (2015: €40 million). This amount resulted from the write-down of the value of an affiliated company to its fair value. There were no write-downs of current securities in the reporting period (2015: €1 million).

3.8 Write-ups of financial assets and current securities

Write-ups of financial assets totaled €12 million (2015: €6 million) and resulted from the write-up of an affiliated company and an investment. There were no write-ups of current securities in the reporting period (2015: €4 million).

3.9 Net interest expense

Net interest expense

in € million	2016	2015
Other interest and similar income	111	68
of which interest on provisions	–	–
of which from affiliated companies	56	49
Interest and similar expenses	–93	–225
of which for interest on provisions	–7	–105
of which due to affiliated companies	–6	–10
	18	–157

The €13 million change in interest relating to pensions and personnel-related commitments is included in interest and similar income. Current income from pension fund assets of €43 million is also included in interest and similar income.

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 other receivables. 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 €85 million comprise tax expenses of €117 million for current taxes and tax expense of €32 million relating to previous years. The current tax expense comprises corporation tax of €61 million, including the solidarity surcharge, and trade tax of €56 million.

4 Other disclosures

4.1 Further information on the reporting period

Average number of employees during the year

No. of employees	2016	2015
Exempt employees	1,189	2,723
Other employees	1,478	7,919
Apprentices	–	762
	2,667	11,404

The decline in the average number of employees during the year was due to the fact that the average for the previous year included employees for whom Evonik Industries AG was the employer under German civil law until termination of the plant management agreements on June 30, 2015. As of December 31, 2016, Evonik Industries AG had 2,706 employees (2015: 2,486).

Auditor’s fees

As permitted by Section 285 No. 17 of the German Commercial Code (HGB), no information is given on the auditors’ 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, 2016	Dec. 31, 2015
Guarantee obligations	69	43
of which liabilities relating to retirement pensions	–	–
of which for the benefit of affiliated companies	69	43
of which for the benefit of associates	–	–
Obligations under indemnity guarantees	774	607
of which liabilities relating to retirement pensions	178	164
of which for the benefit of affiliated companies	773	606
of which for the benefit of associates	–	–
	843	650

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.

With the exception of one contentious withdrawal of €12 thousand, no guarantees or indemnities have been utilized since the establishment of Evonik Industries AG. 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.

Credit insurance guarantees totaled €378 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 €190 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, 2016, the guarantees totaled €178 million.

There are also other guarantees amounting to €275 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, 2016 and those that arise in 2017 and that are due in not less than twelve months from December 31, 2016. 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, 2016
Commitments arising from rental and leasing contracts	
due in 2017	15
due in 2018	14
due in 2019	14
due in 2020	11
due in 2021	8
due after 2021	39
Total	**101**
of which due to affiliated companies	10
of which due to associates	–
of which relating to retirement pensions	–
Order commitments relating to investments	5
Commitments under long-term offtake agreements and other legal commitments	
due in 2017	64
due in 2018	50
due in 2019	32
due in 2020	29
due in 2021	20
due after 2021	–
Total	**195**
of which due to affiliated companies	–
of which due to 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 2016 to hedge currency risks.

For the annual financial statements, all derivative financial instruments are measured at fair value. The fair value shows the result that would have been obtained by closing out the derivative as of the reporting date, without taking the underlying (hedged) item into account. The fair value of forward exchange rate agreements is calculated as the present value based on the spot price on the balance-sheet date. A premium or discount is then applied for the exchange rate agreed in the contract. The fair value of options is determined using recognized option pricing models.

Fair values are recognized using the imparity principle: Negative fair values are recognized as provisions for anticipated 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 closed out 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, 2016, 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, 2016
Assets	3,876
Liabilities	4,189
	8,065

In addition, Evonik Industries AG has hedged intragroup foreign currency loans in Chinese renminbi yuan (CNY) and Brazilian real (BRL) 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, 2016. In connection with the cross-currency interest rate swaps, valuation units with corresponding underlying transactions amounting to €561 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.

Further, Evonik Industries AG granted US dollar loans to Group companies in China and a Singapore dollar loan to a Group company in the Netherlands. These result in a foreign currency risk for Evonik Industries AG. Evonik Industries AG has hedged this risk by purchasing USD forward exchange agreements. Micro-hedges were formed for these transactions. Like all valuation units, they are recognized as net hedges. The term of these hedging transactions is up to three years. As of December 31, 2016, it was not necessary to recognize any provisions for impending losses as the hedge relationship was effective according to the dollar offset method.

To hedge the currency-induced purchase price risks for the planned acquisition of the Air Products specialty additives business and the silica business of J.M. Huber, Evonik Industries AG concluded US dollar currency options with banks and passed them through to subsidiaries on back-to-back terms. The currency options were combined with the relevant hedged transactions and accounted for as net hedges. The critical terms match method is applied to determine the effectiveness of the hedging relationship. The term of the options relating to Air Products was less than one month and the average term of the options relating to J.M. Huber was less than 15 months. It was not necessary to recognize any provisions for impending losses as of December 31, 2016.

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

	Notional value < 1 year		Notional value > 1 year		Fair value	
	Dec. 31, 2016		Dec. 31, 2016		Dec. 31, 2016	
in € million	External	Intragroup	External	Intragroup	Positive	Negative
Forward exchange rate agreements and currency options	6,608	6,017	1,953	1,596	452	448
Cross-currency interest rate swaps	49	–	634	88	24	19

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

Commodity swaps with a notional value of €67 million and a term of up to three years were used to hedge forecast purchases of raw materials in US dollars against price fluctuations. As of December 31, 2016, they had a negative fair value of €5 million. Since the commodity swaps in micro-hedges were accounted for as net hedges and the effectiveness of the hedging relationship was demonstrated using the dollar offset method, a provision for impending losses was recognized as of December 31, 2016.

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 both members of the Executive Board and other executives 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 members of the Executive Board—2011 and 2012 tranches

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.

As of December 31, 2016, there was no provision for the 2012 tranche granted to the Executive Board (2015, including 2011 tranche: €0.1 million). In keeping with the terms of the plan, regular exercise of the 2011 tranche took place in 2016.

The 2012 tranche of the Evonik LTI Plan for Executive Board members was vested as of December 31, 2016 but had no intrinsic value as of this date.

Evonik LTI Plan for Executive Board members and other executives—Tranches 2013 through 2016

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 2011 and 2012 tranches. Performance is measured by the absolute performance of Evonik's share price and its performance relative to the MSCI World Chemicals Index℠.

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. As from 2014, a four-year performance period is applied for executives. As of December 31, 2016, there was a provision of €29.7 million (2015: €28.3 million) for the LTI Plans for 2013, 2014, 2015 and 2016. As of December 31, 2016, total provisions for share-based payment amounted to €29.7 million (2015: €28.4 million). In 2016, total expense, including expense for share-based payment, was €8.4 million (2015: €25.7 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 2016

in € million	Type of related party		
Type of transaction	Affiliated companies	Joint ventures	Public sector corporations
Contingent liabilities	842	–	–
Currency translation gains	359	–	–
Currency translation losses	372	–	–
Services provided	464	91	–
Termination of investment in time deposits	–	–	100
Reimbursement of costs and other expenses	130	–	5
Interest income	58	–	–
Income from costs that were passed through	44	–	–
Interest expense	8	–	–
Rental income	5	–	–
Other financial obligations	10	–	–
Rental expenses	8	–	–

For information on income and expenses relating to profit-and-loss transfer agreements with subsidiaries, please see Note 3.6. The dividend for fiscal 2015 was paid in the second quarter, after the resolution of the Annual Shareholders' Meeting on May 18, 2016. RAG-Stiftung, Essen (Germany) (RAG-Stiftung), received €364 million, and The Gabriel Finance Limited Partnership, St. Helier (Jersey) received €23 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).

In 2016, business relations with the Evonik Group amounting to €5 million (2015: €4 million) were maintained by one member of the Board of Trustees of RAG-Stiftung through companies attributable to this person. This amount principally comprised goods and services supplied.

4.7 Members of the Executive Board and Supervisory Board

Members of the Executive Board

Dr. Klaus Engel, Mülheim an der Ruhr
Chairman of the Executive Board
a) NATIONAL-BANK AG
b) Borussia Dortmund Geschäftsführungs-GmbH

Christian Kullmann, Hamminkeln
Deputy Chairman of the Executive Board (since May 6, 2016)
Chief Strategic Officer
a) Borussia Dortmund GmbH & Co. KGaA
Evonik Performance Materials GmbH

Dr. Ralph Sven Kaufmann, Düsseldorf
Responsible for the Nutrition & Care, Resource Efficiency
and Performance Materials segments
a) Evonik Nutrition & Care GmbH (Chair)
Evonik Resource Efficiency GmbH (Chair)
Evonik Performance Materials GmbH (Chair)

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
Pensionskasse Degussa VVaG
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
Pensionskasse Degussa VVaG

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
(since May 19, 2016)
Deputy Chairperson of the Supervisory Board (since May 19, 2016)
Deputy Chairperson of the Mining, Chemical and Energy Industrial Union (IG BCE)
a) B. Braun Melsungen AG
Merck KGaA
Solvay GmbH (until October 15, 2016)

Martin Albers, Dorsten
Deputy Chairman of the Works Council for the
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 at Darmstadt Technical University
a) Schunk GmbH & Co. KG (since April 13, 2016)

Karin Erhard, Hanover
Board Secretary to the Pay-Scale/Finances Division of the
Mining, Chemical and Energy Industrial Union (IG BCE)
a) INEOS Deutschland GmbH
INEOS Köln GmbH

Carmen Fuchs, Alzenau
Chairperson of the Works Council for the Hanau facilities (since September 1, 2016)
a) Pensionskasse Degussa VVaG

Stephan Gemkow, Overath
Chairman of the Management Board of Franz Haniel & Cie. GmbH
a) TAKKT AG (Chair)
b) JetBlue Airways Corporation, New York (USA)

Prof. Barbara Grunewald, Bonn
Chair for Civil Law and Commercial Law
at the University of Cologne

Ralf Hermann, Herten
Chairman of the Group Works Council of Evonik Industries AG
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
a) Schaeffler AG
Sparkasse Gütersloh-Rietberg

Norbert Pohlmann, Essen
Chairman 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

Michael Rüdiger, Utting am Ammersee
Chief Executive Officer of DekaBank Deutsche Girozentrale
a) Deka Immobilien GmbH
Deka Investment GmbH (until September 30, 2016 and again since January 1, 2017)
(Chair until September 30, 2016 and again since January 9, 2017)
Landesbank Berlin Investment GmbH (Chair) (until September 30, 2016)
Liquiditäts-Konsortialbank GmbH in liquidation (Chair)

Anke Strüber-Hummelt, Marl
(since May 19, 2016)
Chairperson of the Works Council for the Marl facilities (since January 1, 2017)
a) Evonik Resource Efficiency GmbH

Ulrich Terbrack, Reinheim
Deputy Chairman of the Group Works Council of Evonik Industries AG

Angela Titzrath, Hamburg
(since May 19, 2016)
Member (since October 1, 2016) and Chairperson (since January 1, 2017) of the Executive Board of Hamburger Hafen und Logistik AG
a) AXA Konzern Aktiengesellschaft

Ulrich Weber, Krefeld
(since May 19, 2016)
Member of the Board of Management of Deutsche Bahn responsible for Human Resources
a) DB Cargo AG
Schenker AG
DB Gastronomie GmbH (Chair)
DB JobService GmbH (Chair)
DB Zeitarbeit GmbH (Chair)
DEVK Deutsche Eisenbahn Versicherung
Lebensversicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
DEVK Deutsche Eisenbahn Versicherung
Sach- und HUK-Versicherungsverein a. G.
Betriebliche Sozialeinrichtung der Deutschen Bahn
HDI Global SE

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)
OSF Merchant Banking, São Paulo (Brazil) (until June 30, 2016)
Perstorp Holding AB, Malmö (Sweden)

The following gentlemen left the Supervisory Board of Evonik Industries AG in 2016:

Michael Vassiliadis, Hanover
(until May 18, 2016)
Deputy Chairman of the Supervisory Board
Chairman of the Mining, Chemical and Energy Industrial Union (IG BCE)

a) BASF SE
K + S AG
RAG Aktiengesellschaft
RAG Deutsche Steinkohle AG
STEAG GmbH

b) RAG-Stiftung

Dieter Kleren, Wesseling
(until May 18, 2016)
Chairman of the Works Council for the Wesseling facilities

Steven Koltes, St. Moritz (Switzerland)
(until May 18, 2016)
Co-Chairman CVC Capital Partners Group

b) Frontiers Media S.A. (Switzerland)
Kaltroco Limited (Jersey)

Dr. Christian Wildmoser, Surpierre (Switzerland)
(until May 18, 2016)
Managing Director of CVC Capital Partners Switzerland GmbH

b) Sigma Group Holdings S.à r.l. (Luxembourg)

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 2016 was €12,167 thousand (2015: €15,608 thousand). The figure for 2016 includes bonus payments of €242 thousand for the previous year, for which no provision was established in 2015. The total remuneration also contains the fair value of LTI Plan 2016 as of the legally binding commitment or grant date. As of the grant date, this comprised €2,973 thousand over the four-year performance period. There are a total of 139,109 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 €2,149 thousand (2015: €875 thousand). The settlement amount of the pension obligations was €23,392 thousand as of December 31, 2016 (2015: €20,914 thousand).
Total remuneration for former members of the Executive Board and their surviving dependents was €1,414 thousand in 2016 (2015: €2,427 thousand).

As of the reporting date €37,250 thousand (2015: €38,704 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 2016 totaled €3,239 thousand (2015: €2,818 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 2016.

4.9 Declaration of conformity with the German Corporate Governance Code

The Executive Board and Supervisory Board have submitted the declaration prescribed by Section 161 of the German Stock Corporation Act (AktG). The declaration on corporate governance in compliance with Section 289a of the German Commercial Code (HGB) has been made available to the public on the company's website at www.evonik.com/declaration-on-corporate-governance.

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

Notifications pursuant to Section 26 Paragraph 1 of the German Securities Trading Act (WpHG)

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 21 Paragraph 1 or Paragraph 1a of the German Securities Trading Act (WpHG). Under this Act, notification must be submitted not only of directly acquired voting rights in the company (Section 21 WpHG), 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 22 Paragraph 1 WpHG). Further, voting rights may be attributable to shareholders on the basis of shareholder agreements (Section 22 Paragraph 2 WpHG). The total voting rights disclosed therefore comprise both directly acquired voting rights and those determined indirectly on the basis of attribution.

Notifications pursuant to Section 21 Paragraph 1 of the German Securities Trading Act (WpHG)

Notifier	Date of notification	Date of change	Threshold	Voting rights in %	absolute	Attributable voting rights
Ellington Investments Pte. Ltd., Singapore (Republic of Singapore)	April 26, 2013	April 24, 2013	3%	4.64%	21,630,616	
Bartley Investments Pte. Ltd., Singapore (Republic of Singapore)	April 26, 2013	April 24, 2013	3%	4.64%	21,630,616	4.64% attributable from Ellington Investments Pte. Ltd. pursuant to Section 22 Paragraph 1, Sentence 1, No. 1 WpHG
Tembusu Capital Pte. Ltd., Singapore (Republic of Singapore)	April 26, 2013	April 24, 2013	3%	4.64%	21,630,616	4.64% attributable from Ellington Investments Pte. Ltd. and Bartley Investments Pte. Ltd. pursuant to Section 22 Paragraph 1, Sentence 1, No. 1 WpHG.

Notifications pursuant to Section 21 Paragraph 1 of the German Securities Trading Act (WpHG)

Notifier	Date of change	Threshold	Voting rights in %	absolute	Attributable voting rights
Government of Singapore, represented by the Finance Minister, Singapore (Republic of Singapore)	October 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)	November 29, 2016	3%	3.08%	14,372,831	3,08 % attributable pursuant to Section 22 WpHG – Voting rights reduced to 13,848,139 on February 7, 2017 (2.97% pursuant to Section 22 WpHG)
RAG-Stiftung, Essen (Germany)	July 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%

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.

4.12 List of shareholdings

List of shareholdings

	Name	Registered office	Shareholding in %	Fiscal year	Equity in € million	Net income/loss & P/L transfer agreement
Consolidated subsidiaries: Germany						
1	BK-Wolfgang-Wärme GmbH	Hanau	100.00	2016	1	1
2	CyPlus GmbH	Hanau	100.00	2016	8	16*
3	Evonik Beteiligungs-GmbH	Frankfurt am Main	100.00	2016	1	1*
4	Evonik Catering Services GmbH	Marl	100.00	2016	–	2*
5	Evonik Creavis GmbH	Essen	100.00	2016	9	–*
6	Evonik Dahlenburg GmbH	Dahlenburg	100.00	2016	2	1*
7	Evonik Degussa GmbH	Essen	100.00	2016	4,907	1,474*
8	Evonik Functional Solutions GmbH	Essen	100.00	2016	–	–*
9	Evonik Goldschmidt Rewo GmbH	Essen	100.00	2016	46	15
10	Evonik Gorapur GmbH	Wittenburg	100.00	2016	1	4
11	Evonik Gorapur Verwaltungs-GmbH	Wittenburg	100.00	2016	18	4
12	Evonik IP GmbH	Gründau	100.00	2016	8	60
13	Evonik Nutrition & Care GmbH	Essen	100.00	2016	234	14*
14	Evonik Oil Additives GmbH	Essen	100.00	2016	31	232*
15	Evonik Performance Materials GmbH	Essen	100.00	2016	244	13*
16	Evonik Peroxygens Holding GmbH	Essen	100.00	2016	62	–
17	Evonik Projekt-Beteiligungs-GmbH & Co. KG	Essen	99.00	2016	344	–
18	Evonik Projekt-Beteiligung Verwaltungs-GmbH	Essen	100.00	2016	–	–
19	Evonik Real Estate GmbH & Co. KG	Marl	100.00	2016	204	28
20	Evonik Real Estate Verwaltungs-GmbH	Marl	100.00	2016	–	–
21	Evonik Resource Efficiency GmbH	Essen	100.00	2016	285	24*
22	Evonik Risk and Insurance Services GmbH	Essen	100.00	2016	1	3*
23	Evonik Röhm GmbH	Essen	100.00	2016	170	419*
24	Evonik Specialty Chemicals GmbH	Essen	100.00	2016	0	–*
25	Evonik Technochemie GmbH	Essen	100.00	2016	58	-11*
26	Evonik Technology & Infrastructure GmbH	Essen	100.00	2016	303	1*
27	Evonik Venture Capital GmbH	Hanau	100.00	2016	6	-1*
28	Goldschmidt ETB GmbH	Essen	100.00	2016	1	–*

List of shareholdings

	Name	Registered office	Shareholding in %	Fiscal year	Equity in € million	Net income/loss & P/L transfer agreement
29	HD Ceracat GmbH	Frankfurt am Main	100.00	2016	–	–
30	ILaS Integrierte Logistik & Service GmbH	Marl	100.00	2016	1	–1*
31	KMV Vermögensverwaltungs-GmbH	Marl	100.00	2016	11	–
32	Mönch-Kunststofftechnik GmbH	Bad König	100.00	2016	1	–3*
33	RBV Verwaltungs-GmbH	Essen	100.00	2016	858	11
34	RCIV Vermögensverwaltungs-GmbH	Essen	100.00	2016	26	1
35	RÜTGERS Dienstleistungs-GmbH	Essen	100.00	2016	4	1
36	RÜTGERS GmbH	Essen	100.00	2016	327	–7
37	Stockhausen Unterstützungseinrichtung GmbH	Krefeld	100.00	2016	–	–
38	Westgas GmbH	Marl	100.00	2016	8	13
Consolidated subsidiaries: other countries						
39	Degussa International, Inc.	Wilmington (Delaware, USA)	100.00	2016	1,382	11
40	DSL. Japan Co., Ltd.	Tokyo (Japan)	51.00	2016	10	–
41	Egesil Kimya Sanayi ve Ticaret A.S.	Istanbul (Turkey)	51.00	2016	11	9
42	Evonik Acrylics Africa (Pty) Ltd.	Johannesburg (South Africa)	51.00	2016	3	–
43	Evonik Aerosil France S.A.R.L.	Salaise-sur-Sanne (France)	100.00	2016	3	–
44	Evonik Africa (Pty) Ltd.	Midrand (South Africa)	100.00	2016	14	–
45	Evonik Agroferm Zrt.	Kaba (Hungary)	100.00	2016	18	3
46	Evonik Amalgamation Ltd.	Milton Keynes (UK)	100.00	2016	–	–
47	Evonik Argentina S.A.	Buenos Aires (Argentina)	100.00	2016	7	–2
48	Evonik Australia Pty Ltd.	Mount Waverley (Australia)	100.00	2016	5	1
49	Evonik Canada Inc.	Calgary (Canada)	100.00	2016	40	8
50	Evonik Catalysts India Pvt. Ltd.	Dombivli (India)	100.00	2016	15	3
51	Evonik Chile S.A.	Santiago (Chile)	99.99	2016	–	–
52	Evonik Colombia S.A.S.	Medellín (Colombia)	100.00	2016	–	–
53	Evonik Corporation	Parsippany (New Jersey, USA)	100.00	2016	3,125	118
54	Evonik Cyro Canada Inc.	Burlington (Canada)	100.00	2016	11	1
55	Evonik Cyro LLC	Wilmington (Delaware, USA)	100.00	2016	107	7
56	Evonik Degussa Africa (Pty) Ltd.	Midrand (South Africa)	100.00	2016	12	–
57	Evonik Degussa Antwerpen N.V.	Antwerp (Belgium)	100.00	2016	385	20
58	Evonik Degussa Brasil Ltda.	São Paulo (Brazil)	100.00	2016	57	–105
59	Evonik Degussa (China) Co., Ltd.	Beijing (China)	100.00	2015	–25	34
60	Evonik Dutch Holding B.V.	Amsterdam (Netherlands)	100.00	2016	42	–
61	Evonik España y Portugal, S.A.U.	Granollers (Spain)	100.00	2016	26	13

List of shareholdings

	Name	Registered office	Shareholding in %	Fiscal year	Equity in € million	Net income/loss & P/L transfer agreement
62	Evonik Fermas s.r.o.	Slovenská L'upča (Slovakia)	100.00	2016	20	2
63	Evonik Fibres GmbH	Schörfling (Austria)	100.00	2016	12	4
64	Evonik Finance B.V.	Amsterdam (Netherlands)	100.00	2016	102	–3
65	Evonik Foams Inc.	Wilmington (Delaware, USA)	100.00	2016	50	3
66	Evonik Forhouse Optical Polymers Corporation	Taichung (Taiwan)	51.00	2016	14	–2
67	Evonik France S.A.S.	Ham (France)	100.00	2016	16	–14
68	Evonik Goldschmidt UK Ltd.	Milton Keynes (UK)	100.00	2016	22	4
69	Evonik Gulf FZE	Dubai (United Arab Emirates)	100.00	2016	1	–
70	Evonik Hong Kong Ltd.	Hong Kong (Hong Kong)	100.00	2016	10	1
71	Evonik India Pvt. Ltd.	Mumbai (India)	100.00	2016	15	1
72	Evonik Industries de Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00	2016	53	5
73	Evonik International AG	Zurich (Switzerland)	100.00	2016	9	3
74	Evonik International Costa Rica, S.A.	Santa Ana (Costa Rica)	100.00	2016	1	–2
75	Evonik International Holding B.V.	Amsterdam (Netherlands)	100.00	2016	3,521	344
76	Evonik Iran AG	Teheran (Iran)	100.00	2016	2	–
77	Evonik Italia S.r.l.	Pandino (Italy)	100.00	2016	18	4
78	Evonik Japan Co., Ltd.	Tokyo (Japan)	100.00	2016	95	13
79	Evonik Jayhawk Fine Chemicals Corporation	Carson City (Nevada, USA)	100.00	2016	18	–
80	Evonik Korea Ltd.	Seoul (South Korea)	100.00	2016	14	5
81	Evonik Limited Egypt	Cairo (Egypt)	100.00	2016	–	–
82	Evonik Malaysia Sdn. Bhd.	Kuala Lumpur (Malaysia)	100.00	2016	1	–
83	Evonik MedAvox S.p.A. (in liquidation)	Milan (Italy)	100.00	2016	in liquidation	
84	Evonik Membrane Extraction Technology Limited	Milton Keynes (UK)	100.00	2016	–7	1
85	Evonik Methionine SEA Pte. Ltd.	Singapore (Singapore)	100.00	2016	442	81
86	Evonik Metilatos S.A.	Rosario (Argentina)	100.00	2016	13	6
87	Evonik Mexico, S.A. de C.V.	Mexico City (Mexico)	100.00	2016	9	–
88	Evonik Oil Additives Asia Pacific Pte. Ltd.	Singapore (Singapore)	100.00	2016	68	38
89	Evonik Oil Additives Canada Inc.	Morrisburg (Canada)	100.00	2016	4	3
90	Evonik Oil Additives S.A.S.	Lauterbourg (France)	100.00	2016	10	1
91	Evonik Oil Additives USA, Inc.	Horsham (Pennsylvania, USA)	100.00	2016	23	19
92	Evonik Oxeno Antwerpen N.V.	Antwerp (Belgium)	100.00	2016	79	–2
93	Evonik Para-Chemie GmbH	Gramatneusiedl (Austria)	99.00	2016	7	2
94	Evonik Pension Scheme Trustee Limited	Milton Keynes (UK)	100.00	2016	–	–

List of shareholdings

	Name	Registered office	Shareholding in %	Fiscal year	Equity in € million	Net income/loss & P/L transfer agreement
95	Evonik Peroxid GmbH	Weissenstein (Austria)	100.00	2016	9	1
96	Evonik Peroxide Africa (Pty) Ltd.	Umbogintwini (South Africa)	100.00	2016	7	1
97	Evonik Peroxide Holding B.V.	Amsterdam (Netherlands)	100.00	2016	193	–
98	Evonik Peroxide Ltd.	Morrinsville (New Zealand)	100.00	2016	17	2
99	Evonik Peroxide Holding B.V.	Amsterdam (Netherlands)	100.00	2016	17	1
100	Evonik Re S.A.	Luxembourg (Luxembourg)	100.00	2016	5	–
101	Evonik Rexim (Nanning) Pharmaceutical Co., Ltd.	Nanning (China)	100.00	2016	12	-1
102	Evonik Rexim S.A.S.	Ham (France)	100.00	2016	13	-3
103	Evonik (SEA) Pte. Ltd.	Singapore (Singapore)	100.00	2016	397	8
104	Evonik Servicios, S.A. de C.V.	Mexico City (Mexico)	100.00	2016	1	–
105	Evonik (Shanghai) Investment Management Co., Ltd.	Shanghai (China)	100.00	2016	3	1
106	Evonik Silquimica, S.A.U.	Zubillaga-Lantaron (Spain)	100.00	2016	12	1
107	Evonik Speciality Organics Ltd.	Milton Keynes (UK)	100.00	2016	343	–
108	Evonik Specialty Chemicals (Jilin) Co., Ltd.	Jilin (China)	100.00	2016	-19	-46
109	Evonik Specialty Chemicals (Shanghai) Co., Ltd.	Shanghai (China)	100.00	2016	144	15
110	Evonik Taiwan Ltd.	Taipei (Taiwan)	100.00	2016	9	4
111	Evonik Tasnee Marketing LLC	Riyadh (Saudi Arabia)	75.00	2016	9	–
112	Evonik Thai Aerosil Co., Ltd.	Bangkok (Thailand)	100.00	2016	26	6
113	Evonik (Thailand) Ltd.	Bangkok (Thailand)	100.00	2016	7	–
114	Evonik Tianda (Liaoyang) Chemical Additive Co., Ltd.	Liaoyang (China)	97.04	2016	28	3
115	Evonik Ticaret Ltd. Sirketi	Tuzla/Istanbul (Turkey)	100.00	2016	7	2
116	Evonik Trustee Limited	Milton Keynes (UK)	100.00	2016	–	–
117	Evonik UK Holdings Ltd.	Milton Keynes (UK)	100.00	2016	797	93
118	Evonik United Silica Industrial Ltd.	Taoyuan Hsien (Taiwan)	100.00	2016	33	7
119	Evonik United Silica (Siam) Ltd.	Rayong (Thailand)	70.00	2016	12	3
120	Evonik Vietnam Limited Liability Company	Ho-Chi-Minh City (Vietnam)	100.00	2016	2	–
121	Evonik Wellink Silica (Nanping) Co., Ltd.	Nanping (China)	60.00	2016	44	11
122	Insilco Ltd.	Gajraula (India)	73.11	2016	13	–
123	JIDA Evonik High Performance Polymers (Changchun) Co., Ltd.	Changchun (China)	84.04	2016	9	–
124	Laporte Industries Ltd.	Milton Keynes (UK)	100.00	2016	2	–
125	Laporte Nederland (Holding) B.V.	Amsterdam (Netherlands)	100.00	2016	1	–
126	MedPalett AS	Sandnes (Norway)	100.00	2016	5	3

List of shareholdings

	Name	Registered office	Shareholding in %	Fiscal year	Equity in € million	Net income/loss & P/L transfer agreement
127	Nilok Chemicals Inc. (in liquidation)	Parsippany (New Jersey, USA)	100.00	2016	in liquidation	
128	Nippon Aerosil Co., Ltd.	Tokyo (Japan)	80.00	2016	69	14
129	OOO DESTEK	Podolsk (Russian Federation)	65.25	2016	4	3
130	OOO Evonik Chimia	Moscow (Russian Federation)	100.00	2016	12	3
131	PT. Evonik Indonesia	Cikarang Bekasi (Indonesia)	99.98	2016	8	–
132	PT. Evonik Sumi Asih	Bekasi Timur (Indonesia)	75.00	2016	13	1
133	Roha B.V.	Tilburg (Netherlands)	100.00	2016	2	–
134	RÜTGERS Organics Corporation	State College (Pennsylvania, USA)	100.00	2016	-16	-1
135	Silbond Corporation	Weston (Michigan, USA)	100.00	2016	46	5
136	SKC Evonik Peroxide Korea Co., Ltd.	Ulsan (South Korea)	55.00	2016	27	2
137	Stockhausen Nederland B.V.	Amsterdam (Netherlands)	100.00	2016	–	-62
Companies recognized as joint operations: Germany						
138	Neolyse Ibbenbüren GmbH	Ibbenbüren	50.00	2016	17	–
139	StoHaas Marl GmbH	Marl	50.00	2016	35	16
140	StoHaas Monomer GmbH & Co. KG	Marl	50.00	2016	202	55
Companies recognized as joint operations: other countries						
141	ROH Delaware LLC	Deer Park (Texas, USA)	50.00	2016	1	–
142	ROH Delaware LP	Deer Park (Texas, USA)	50.00	2016	8	36
Non-consolidated subsidiaries: Germany						
143	PKU Pulverkautschuk Union GmbH (in liquidation)	Marl	100.00	2016	in liquidation	
144	Studiengesellschaft Kohle mbH	Mülheim	84.18	2015	–	–
Non-consolidated subsidiaries: other countries						
145	EGL Ltd.	Milton Keynes (UK)	100.00	2016	–	–
146	Evonik Advanced Botanicals S.A.S.	Évry (France)	100.00	2015	–	–
147	Evonik Guatemala, S.A.	Guatemala City (Guatemala)	100.00	2016	–	–
148	Laporte Chemicals Ltd.	Milton Keynes (UK)	100.00	2016	–	–
149	LLC “Evonik Ukraine“	Kiev (Ukraine)	100.00	2016	–	–
Joint ventures (at equity): other countries						
150	CyPlus Idesa, S.A.P.I. de C.V.	Mexico City (Mexico)	50.00	2016	37	-3
151	Daicel-Evonik Ltd.	Tokyo (Japan)	50.00	2016	17	4
152	Evonik Headwaters LLP	Milton Keynes (UK)	50.00	2015	–	–
153	Evonik Lanxing (Rizhao) Chemical Industrial Co., Ltd.	Rizhao (China)	50.00	2016	6	–
154	Evonik Treibacher GmbH	Treibach/Althofen (Austria)	50.00	2016	10	2
155	LiteCon GmbH	Hönigsberg/Mürzzuschlag (Austria)	49.00	2016	3	-1

List of shareholdings

	Name	Registered office	Shareholding in %	Fiscal year	Equity in € million	Net income/loss & P/L transfer agreement
156	Rusferm Limited	Nicosia (Cyprus)	49.00	2016	–	–
157	Saudi Acrylic Polymers Company, Ltd.	Jubail (Saudi Arabia)	25.00	2016	58	4
Joint ventures (not recognized at equity): Germany						
158	dev.log GmbH	Niederkassel	50.00	2016	1	–
159	StoHaas Management GmbH	Marl	50.00	2016	–	–
Joint ventures (not recognized at equity): other countries						
160	Idevo Servicios, S.A. de C.V.	Mexico City (Mexico)	50.00	2016	–	–
161	RSC Evonik Sweeteners Co., Ltd.	Bangkok (Thailand)	50.00	2016	2	–
Associates (recognized at equity): Germany						
162	ARG mbH & Co. KG	Duisburg	19.93	2016	8	22
163	TÜV NORD InfraChem GmbH & Co. KG	Marl	49.00	2015	2	–
164	TÜV NORD InfraChem Verwaltungsgesellschaft mbH	Marl	49.00	2015	–	–
165	Vestaro GmbH	Munich	49.00	2016	1	–
Associates (recognized at equity): other countries						
166	ABCR Laboratorios, S.L.	Forcarei (Spain)	50.00	2016	7	–
Associates (not recognized at equity): Germany						
167	ARG Verwaltungs GmbH	Duisburg	20.00	2016	–	–
168	Industriepark Münchsmünster GmbH & Co. KG	Münchsmünster	30.00	2015	8	–
169	Industriepark Münchsmünster Verwaltungsgesellschaft mit beschränkter Haftung	Münchsmünster	38.00	2015	–	–
170	Umschlag Terminal Marl GmbH & Co. KG	Marl	50.00	2016	–	–
171	Umschlag Terminal Marl Verwaltungs-GmbH	Marl	50.00	2016	–	–
172	Vivawest GmbH	Essen	25.00	2016	1,117	165

* There are domination and/or profit-and-loss transfer agreements with these companies.

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. 11b German Commercial Code (HGB)):

Borussia Dortmund GmbH & Co. KGaA, Dortmund (Germany) (shareholding: 14.78 percent; fiscal year 2015/2016: income after taxes: €28.3 million; equity: €347 million).

4.13 Events after the reporting date

On May 6, 2016 Evonik Industries AG signed an agreement to purchase the specialty additives business of Air Products and Chemicals, Inc., Allentown (Pennsylvania, USA) for US$3.8 billion (approximately €3.5 billion). The acquisition was closed on January 3, 2017 following approval by the relevant antitrust authorities. The purchase price was paid by Evonik Industries AG and cross-charged to the Group companies involved in the transaction.

4.14 Proposal for the distribution of the profit

The Executive Board proposes that the net profit of Evonik Industries AG for fiscal 2016 amounting to €935,900,000.00 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	= €400,000,000.00
Net profit	**= €935,900,000.00**

The dividend will be paid on May 29, 2017.

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 17, 2017 (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.

4.15 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 17, 2017

Evonik Industries AG
The Executive Board

Dr. Engel Kullmann Dr. Kaufmann

Wessel Wolf

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report, which is combined with the group management report, of Evonik Industries AG, Essen, for the business year from January 1 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the annual financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements, complies with legal requirements as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 20, 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lutz Granderath	Antje Schlotter
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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