Haniel Finance B.V. Venlo

Annual Financial Report

2017

Annual Financial Report 2017

Management Board's report

The Management Board of Haniel Finance B.V., Venlo, the Netherlands (hereinafter also referred to as 'the Company') presents the Management Board's report and the Company's financial statements for the year ended 31 December 2017.

Haniel Finance B.V., Venlo, the Netherlands is a subsidiary of Franz Haniel & Cie. GmbH, Duisburg, Germany. On 31 December 2017, the employee headcount was 3, as in the previous year. The Company's main activity is the financing of companies belonging to the Haniel Group. According to the Haniel Group financing policy, exchange rate risks are generally hedged using forward currency contracts. These contracts are entered into only with top rated banks.

Highlights of the financial year ended 31 December 2017

In the financial year ended 31 December 2017 certain financial functions relating to the short-term financing on current accounts of Haniel group companies outside Germany were transferred to the German financing entity, Haniel Finance Deutschland GmbH. Since that day the company has focused on granting loans to Haniel Group companies outside Germany and conducting foreign currencies transactions.

Since the end of 2017 the company has been involved in financing transactions in Norwegian krone following the acquisition of a new business unit conducted by the parent company in Norway. As a consequence, the company had entered into borrowing and lending transactions in Norwegian krone. Accompanying derivative transactions in that particular currency may be conducted in the future.

Earnings position

The loss after tax for 2017 amounts to EUR -10 thousand compared to a profit of EUR 1,278 thousand in the previous year. 2017 was characterized by a decreased financial result due to changing financing requirements in connection with the financing of Haniel Group companies.

Financial position

The Company's balance sheet total decreased by EUR 139,415 thousand to EUR 183,181 thousand. This decrease is attributable to the financing requirements of the Company. Consequently, against the backdrop of virtually stable equity, the equity ratio raised significantly from 17 percent last year to 30 percent.

The solvency and liquidity of the Company is ensured through lines of credit, as Haniel Finance B.V. is entitled to utilise lines of credit granted by Franz Haniel & Cie. GmbH in the amount of EUR 793 million, of which EUR 727 million had not been utilised as at 31 December 2017.

No risks endangering the going concern assumption

Neither risks endangering the going concern assumption, nor any noteworthy future risks beyond the normal entrepreneurial risk are observable.

Projections for the year 2018

Throughout 2018, Haniel Finance B.V., Hakkesstraat 23 A, Venlo, the Netherlands will continue to operate certain Group Treasury Services for the Haniel Group companies. In general, the business and earnings performance of Haniel Finance B.V. is closely linked to the financing requirements of the companies belonging to the Haniel Group and the development of market interest rates. For the financial year 2018, the result is expected to be slightly positive.

No major investments are expected. The number of employees is not to expected to change.

Venlo, 6 March 2018

Uta Stein Christian Wirtz

Haniel Finance B.V., Venlo
Statement of financial position

ASSETS

EUR thousand	Note	31 Dec. 2017	31 Dec. 2016
Property, plant and equipment	1	5	5
Non-current assets		5	5
Receivables from affiliated companies	2	181,764	314,155
Other current assets	3	1,335	4,275
Cash and cash equivalents	4	77	4,161
Current assets		183,176	322,591
Total assets		183,181	322,596

EQUITY AND LIABILITIES

EUR thousand	Note	31 Dec. 2017	31 Dec. 2016
Equity	5	55,304	55,314
Financial liabilities due to shareholder	6	60,000	60,000
Non-current liabilities		60,000	60,000
Financial liabilities	6	66,689	202,366
Income tax liabilities	13	376	691
Other current liabilities	7	812	4,225
Current liabilities		67,877	207,282
Total equity and liabilities		183,181	322,596

Haniel Finance B.V., Venlo
Statement of comprehensive income

EUR thousand	Note	2017	2016
Interest and similar income		4,939	5,498
Interest and similar expenses		3,416	3,543
Miscellaneous financial result		-1,010	-389
Financial result	9	513	1,566
Other operating Income	10	41	58
Personnel expenses	11	72	72
Depreciation and amortisation		1	1
Other operating expenses	12	198	226
Profit before taxes		283	1,325
Income tax expenses	13	293	47
Profit / loss after taxes		-10	1,278
Other comprehensive income		0	0
Comprehensive income		-10	1,278
of which attributable to non-controlling interests		0	0
of which attributable to shareholder Franz Haniel & Cie. GmbH		-10	1,278

Haniel Finance B.V., Venlo

Statement of changes in equity

CHANGES IN 2017

EUR thousand	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Equity
As at 1 Jan. 2017	25,000	0	0	30,314	55,314
Dividends				0	0
Comprehensive income				-10	-10
of which profit after taxes				-10	-10
of which other comprehensive income					0
As at 31 Dec. 2017	25,000	0	0	30,304	55,304

CHANGES IN 2016

EUR thousand	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Equity
As at 1 Jan. 2016	25,000	0	0	29,036	54,036
Dividends				0	0
Comprehensive income				1,278	1,278
of which profit after taxes				1,278	1,278
of which other comprehensive income					0
As at 31 Dec. 2016	25,000	0	0	30,314	55,314

For further explanatory comments concerning equity, see note 5 in the notes to the financial statements.

Haniel Finance B.V., Venlo
Statement of cash flows

EUR thousand	Note	2017	2016
Profit / loss after taxes		-10	1,278
Depreciation and amortisation, impairment losses and reversals on non-current assets		1	1
Non-cash income/expenses		440	1,058
Change in receivables and similar assets	3	9	-1
Change in other current non-interest-bearing liabilities, provisions and similar liabilities	7	-259	42
Cash flows from operating activities		181	2,378
Change in receivables / liabilities from affiliated companies	2/6	-69,968	-5,360
Proceeds from the disposal of financial assets		0	0
Cash flows from investing activities		-69,968	-5,360
Payments to shareholders	5	0	0
Proceeds from issuance of financial liabilities		65,703	0
Payments / repayments of financial liabilities		0	39
Cash flows from financing activities		65,703	39
Cash and cash equivalents at the beginning of the period		4,161	7,104
Increase/decrease in cash and cash equivalents		-4,084	-2,943
Cash and cash equivalents at the end of the period		77	4,161

For further explanatory comments concerning the statement of cash flows, see note 15 in the notes to the financial statements

Notes to the financial statements
General basis of presentation

Parent Company
Haniel Finance B.V., Venlo (KvK-nummer 33286563) is a subsidiary of Franz Haniel & Cie. GmbH, Duisburg. The ultimate shareholder, Franz Haniel & Cie. GmbH, Duisburg, prepares consolidated financial statements in which Haniel Finance B.V., Venlo, is included. These consolidated financial statements are submitted to the German Electronic Federal Gazette.

Activity of the Company
The Company's main activity is the financing of companies belonging to the Haniel Group domiciled outside Germany.

Going concern
The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption that the Company will continue to operate as a going concern.

Accounting principles
The financial statements of Haniel Finance B.V., Haakestraat 23A, Venlo, the Netherlands for the year ended 31 December 2017 have been prepared in accordance with the mandatory International Financial Reporting Standards (IFRSs) in effect on the reporting date and adopted by the Commission of the European Union. These financial statements were prepared by the Management Board on 6 March 2018.

The functional currency is the euro; all figures are shown in EUR thousand. In rare cases, this can give rise to rounding differences. For enhanced transparency of presentation, certain items in the statement of financial position and the income statement have been combined. These are explained in the notes. In accordance with IAS 1, the statement of financial position has been classified into non-current and current items. The income statement has been prepared using the nature of expense method.

Against the backdrop of the IAS 1 amendments (disclosure initiative) the notes focus on material disclosures for the Company, taking its nature as a holding company with non-operating business into account.

New accounting regulations
New accounting regulations were issued by the IASB (International Accounting Standards Board) and adopted by the European Commission of the European Union and required to be applied for the first time beginning in financial year 2017:

Amendments to IAS 7 (2016): "Disclosure Initiative"
Amendments to IAS 12 (2016): "Recognition of Deferred Tax Assets for Unrealised Losses"
Annual Improvements to IFRS Standards 2014-2016 Cycle (2016)

The first-time application of these standards does not have any impact on the presentation of Haniel Finance B.V.'s assets, liabilities, financial position and profit or loss in the financial year. The option of early application of standards already issued was not exercised.

The IASB and the IFRS Interpretations Committee (IFRS IC) have issued new or revised rules whose application is not mandatory for Haniel Finance B.V. until financial year 2018 or later. For these standards to be applicable, the required endorsement by the Commission of the European Union is still pending in some cases. The relevant Standards and Interpretations are:

Standard/Interpretation	Effective date
Endorsed by the Commission of the European Union	
IFRS 9 (2014): “Financial Instruments”	2018
IFRS 15 (2014): “Revenue from Contracts with Customers”	2018
Amendments to IFRS 4 (2016): “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	2018
Clarifications to IFRS 15 (2016): “Revenue from Contracts with Customers”	2018
IFRS 16 (2015): “Leases”	2019
Not yet endorsed by the Commission of the European Union	
IFRS 14 (2014): “Regulatory Deferral Accounts”	-
IFRS 17 (2017): “Insurance Contracts”	2021
Amendments to IFRS 10 and IAS 28 (2014): “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	-
Amendments to IFRS 2 (2016): “Classification and Measurement of Share-based Payment Transactions”	2018
Amendments to IAS 40 (2016): “Transfers of Investment Property”	2018
IFRIC 22 (2016): “Foreign Currency Transactions and Advance Consideration”	2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (2016)	2018
IFRIC 23 (2017): „Uncertainty over Income Tax Treatments"	2019
Amendments to IFRS 9 (2017): „Prepayment Features with Negative Compensation“	2019
Amendments to IAS 28 (2017): „Long-term Interests in Associates and Joint Ventures“	2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (2017)	2019

The option of early application of standards already issued was not exercised. Based on our current estimates, early application of the standards already adopted by the Commission of the European Union would have had no effects on the presentation of the net assets, financial position, and profit or loss.

Compared to the current IAS 39, IFRS 9 contains new guidelines on the classification and measurement of financial assets as well as on the recognition of impairments. In addition, IFRS 9 changes the requirement on the application of hedge accounting and introduces new disclosure requirements. The transition to the the new standard entering into effect on 01 January 2018 will result in a decrease in equity amounting to less than EUR 1 million.

The potential impact at the time of first-time mandatory application IFRS 16 for accounting for leases will be analysed in 2018. No major implications following the first-time application are expected.

Foreign currency translation

Business transactions in foreign currencies are translated into the functional currency in the financial statements by applying the spot rate prevailing at the time of the transaction. Gains and losses arising from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities as at the reporting date are recognised in profit or loss. The Company’s functional currency is the euro. The Company is accounted for using the concept of the functional currency in accordance with IAS 21.

Accounting policies
The financial statements are generally prepared based on historical cost. A material exception to that are the (derivative) financial instruments measured at fair value.

Property, plant and equipment (tangible assets) are recognised at cost less depreciation and, if applicable, impairment losses. If the reasons for an impairment loss no longer exist, appropriate reversals are recognised provided that the resulting carrying amount does not exceed the depreciated cost of the asset. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. Depreciation is based on useful lives of between 3 and 23 years.

Receivables from affiliated companies and other current assets are, in the case of loans and receivables, initially recognised at fair value plus transaction costs and subsequently measured at amortised cost.

Income tax assets and liabilities are measured at the amount expected to be reimbursed from or paid to the tax authorities.

Derivative financial instruments are generally used for hedging purposes to minimise exchange rate and interest rate risks arising from the operating business and/or from the associated financing requirements. Under IAS 39, all derivative financial instruments must be recognised at their fair values. Derivatives are used to hedge against future cash flow risks from existing or planned transactions. As no hedge accounting has been applied, the changes in the fair values of the derivative financial instruments are immediately recognised in the income statement.

Deferred tax assets and liabilities are recognised for temporary differences between the values in the tax balance sheet of the Company and the carrying amounts in the statement of financial position. Deferred tax assets are recognised only if their realisation is ensured with reasonable certainty. Deferred taxes are determined on the basis of the tax rates that will be in effect in future under current legislation. Deferred taxes are offset if there is a legally enforceable right to set off current tax assets and tax liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions are recognised on the basis of IAS 37 if there is a present legal or constructive obligation as a result of past business transactions or events. The outflow of resources embodying economic benefits required to settle the obligation must be probable, and it must be possible to estimate the amount reliably. Provisions with a maturity of more than one year are discounted at market interest rates that are in line with the risk and the period until settlement.

Financial liabilities, with the exception of derivative financial instruments and financial liabilities held for trading, are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method.

Portions of assets and liabilities originally recognised as non-current with a remaining maturity of less than one year are generally reported under current items in the statement of financial position.

Other operating income is recognised if the economic benefits are probable and the amount can be reliably determined.

Financial income and financial expenses are recognised in the proper period using the effective interest method.

The financial statements are prepared on the basis of certain assumptions and estimates which have an effect on the amount and presentation of the reported assets, liabilities, income, expenses and contingent liabilities. The assumptions and estimates primarily concern the items set forth below.

In the case of receivables, valuation allowances on doubtful debts rely to a large extent on estimates and assessments made on the basis of the relevant contracting party's creditworthiness, the current economic developments and the analysis of historical losses on bad debts on a portfolio basis. Actual cash inflows may deviate from the carrying amounts recognised in respect of the receivables.

The key assumptions and estimates for the measurement of provisions concern the probability of the provisions being used, the amount of the obligation and, in the case of non-current provisions, the interest rates applied. The actual development, and hence actual expenses incurred in the future, may deviate from the expected development and the recognised provisions.

Deferred tax assets and liabilities are measured on the basis of assumptions and estimates made by management. In addition to the interpretation of the tax regulations applicable to the taxable entity concerned, the key factor in the calculation of deferred tax assets in respect of temporary differences and tax loss carryforwards is an assessment of the likelihood that adequate taxable income will be generated in future or that appropriate tax strategies for utilising tax loss carryforwards will be implemented.

All assumptions and estimates are based on the circumstances prevailing on the reporting date. Future events and changes in general circumstances often give rise to differences between the actual amounts and the estimates. In case of differences, the assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted accordingly.

At the time the financial statements were prepared, there was no indication of any material changes affecting the underlying assumptions and estimates.

Notes to the statement of financial position

1 Property, plant and equipment

EUR thousand	31 Dec. 2017	31 Dec. 2016
Cost		
As at 1 Jan.	15	15
Additions	0	0
Disposals	0	0
As at 31 Dec.	15	15
Accumulated depreciation		
As at 1 Jan.	-9	-9
Depreciation	-1	-1
Disposals	0	0
As at 31 Dec.	-10	-10
Net book value as at 31.12.	5	5

2 Receivables from affiliated companies

Receivables from Group companies consist of loans granted to affiliated companies and a current account against the back-drop of the Company's own financing requirements. In the previous year direct collectable cash pooling accounts of affiliated companies domiciled outside Germany were also included. This method of financing was transferred to a German financing entity, Haniel Finance Deutschland GmbH, during the financial year.

Receivables from affiliated companies are backed by the respective business unit's holding. Therefore, these balances bear the counterparty risk of the Haniel business units which is monitored closely on a regular basis. Receivables from Group companies generate variable interest income for the Company. Interest rates are based on market interest rates.

EUR 72.000 thousand of the receivables from affiliated companies is subordinated.

On the reporting date, the Company's receivables from affiliates companies were denominated in euros and Norwegian krone. For explanations relating to currency risk hedging see note 14.

3 Other current assets

EUR thousand	31 Dec. 2017	31 Dec. 2016
Derivative financial assets	749	4,213
Other current assets	586	62
	1,335	4,275

Derivative financial instruments serve to hedge exchange rate risks. As in the previous year, the maturity of the foreign exchange instruments is under one year and no hedge accounting has been applied. Derivative financial instruments are described in detail under note 14.

The other current assets item includes value added tax receivables and other tax assets, as well as a receivable from a former Haniel Group company, which was demerged during the financial year.

4 Cash and cash equivalents

Bank balances comprise short-term deposits with a maturity of up to three months.

5 Equity

The authorised share capital of EUR 25 million which is divided into 2,500,000 shares with a par value of EUR 10 each, is fully paid in.

6 Financial liabilities

Financial liabilities comprise the interest-bearing obligations of Haniel Finance B.V. that existed at the respective reporting dates. The different types and maturities of the current and non-current financial liabilities are shown in the table below:

	31 Dec. 2017				31 Dec. 2016			
EUR thousand	Up to 1 year	1 to 5 years	More than 5 years	Total	Up to 1 year	1 to 5 years	More than 5 years	Total
Liabilities due to banks	66,055	0	0	66,055	39	0	0	39
Financial liabilities to third parties	66,055	0	0	66,055	39	0	0	39
Liabilities to affiliated companies	634	60,000	0	60,634	202,327	60,000	0	262,327
Financial liabilities	66,689	60,000	0	126,689	202,366	60,000	0	262,366
of which subordinated	0	60,000	0	60,000	0	60,000	0	60,000

Haniel Finance B.V. and Franz Haniel & Cie. GmbH are jointly and severally liable for the repayment of the loans.

At the reporting date, liabilities to affiliated companies consists primarily of an unsecured long-term loan. Additionally, in the previous year this item contained current accounts, which were direct payable cash pool accounts. These liabilities led to variable interest expenses for the Company. The change in this item was attributable solely to the transfer of these financial services to a German financing entity during the financial year.

The increase in liabilities due to banks relates to higher external financing requirements against the backdrop of the refinancing of granted loans to affiliated companies.

As in the previous year, no pledges as collateral have been made for own liabilities.

7 Other current liabilities

EUR thousand	31 Dec. 2017	31 Dec. 2016
Accrued expenses	55	8
Derivative financial instruments	750	4,217
Miscellaneous current liabilities	7	0
	812	4,225

The accrued expenses include mainly periodic expenses for interest.

Derivative financial instruments serve to hedge exchange rate risks. As in the previous year, the maturity of the foreign exchange instruments is under one year and no hedge accounting has been applied.

8 Contingent liabilities and financial commitments

As in the previous year, no contingent liabilities exist at the reporting date. Other financial commitments exist relating to an office rental agreement of EUR 16 thousand in the following year and of EUR 14 thousand in the second year.

Notes to the statement of comprehensive in-come

9 Financial result

EUR thousand	2017	2016
Interest and similar income	4,939	5,498
of which affiliated companies	4,938	5,498
Interest and similar expenses	3,416	3,543
of which affiliated companies	3,309	3,543
Miscellaneous financial result	-1,010	-388
Financial result	513	1,567

Fair value changes of derivatives of external and internal group derivatives are included under the miscellaneous financial result. The fair value change of external derivatives amounted to a gain of EUR 1,946 thousand in 2017 (previous year: loss of EUR 1,135 thousand) and the fair value change of internal Group derivatives amounted to a loss of EUR 1,942 thousand (previous year: gain of EUR 1,320 thousand).

10 Other operating income

The other operating income of EUR 41 thousand (previous year: EUR 58 thousand) mainly relates to income from service fees for affiliated companies.

11 Personnel expenses

The Company had three employees on its payroll in the financial year (as in the previous year). The remuneration relates to short-term employee benefits and amounts to EUR 72 thousand (previous year: EUR 72 thousand).

12 Other operating expenses

Other operating expenses of EUR 198 thousand (previous year: EUR 226 thousand) include expenses for rental, accounting, audit and other consulting services.

13 Income tax expenses

EUR thousand	2017	2016
Current taxes	293	47
Deferred taxes	0	0
	293	47

On the reporting date there were no differences between the tax values of assets and liabilities and the corresponding values in accordance with IFRS. As a result, no deferred tax assets and deferred tax were recognised.

The following table shows a reconciliation between the reported and the expected tax expense:

EUR thousand	2017	2016
Profit before taxes	283	1,325
Expected effective income tax rate	25.0%	25.0%
Expected tax expense	71	331
Prior-period tax	232	-274
Other tax effects	-10	-10
Reported tax expense	293	47

Prior-period tax contains tax expenses attributable to previous financial years. In the previous year the item referred to a non-cash reduction of tax liabilities.

Other notes to the financial statements

14 Financial risk management

In the context of its operating activities, the Haniel Group is exposed to financial risks. These primarily include liquidity risks, default risks, and risks resulting from changes in interest and exchange rates. The purpose of financial risk management is to reduce the extent of these financial risks.

The Haniel Management Board lays down the basic guidelines for financial risk management and determines the general procedures to be followed for hedging financial risks. The holding companies of the divisions have their own treasury departments, which identify, analyse and assess the financial risks before initiating preventive or mitigating measures.

It is corporate policy to exclude or limit interest rate and foreign exchange risks by concluding hedging transactions. All hedges are fundamentally tied to an underlying transaction and are only transacted with banks with a first-class credit rating. No derivatives are concluded for speculative purposes.

In this setup Haniel Finance B.V. offers suitable instruments to the Haniel business units to hedge and to deal with these particular risks in order to fulfil the Haniel financial risk management strategy.

Haniel Finance B.V. could face counterparty party default risks amounting to the positive market value of the derivatives concluded. However, since money market transactions and financial instruments are only transacted with banks with a first-class rating, these risks are classified as low. No concentrations of default risks arising from business relations with individual debtors or groups of debtors have been identified.

In the interest rate area, derivative financial instruments can be used to manage fixed interest periods of loans and to limit the interest rate fluctuation risk. For this purpose interest swap transactions (including combined interest rate currency swaps), forward rate agreements as well as caps and floors can be concluded, wherever sensible.

In the exchange rate area, derivative financial instruments can be used to manage exchange rate risks. Forward exchange contracts, predominantly with short-term horizons are concluded to hedge the foreign exchange risk.

Derivatives transactions as at 31 December 2017

The overall derivative financial instruments position is explained in greater detail below (all amounts in millions of euros):

	Nominal volumes		Fair value	
EUR million	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec 2016
Assets				
Currency instruments	**49.7**	**143.6**	**0.7**	**4.2**
Internal group derivatives	7.4	107.0	0.1	2.9
External derivatives	42.3	36.6	0.6	1.3
Liabilities				
Currency instruments	49.7	132.8	-0.7	-4.2
Internal group derivatives	42.3	25.8	-0.6	-1.3
External derivatives	7.4	107.0	-0.1	-2.9

Derivatives are concluded only with top rated banks. No collateral has been received or pledged. As in the previous year, the maturity of the foreign exchange instruments is under one year.

Hedge accounting has not been applied either in the current financial year or in the previous year.

Fair value measurement

The fair values are determined using suitable valuation techniques for which all significant inputs are based on observable market data. The fair value of financial instruments traded in an active market (Level 1) is based on the quoted prices as at the reporting date. The fair value of assets and liabilities recurrently measured at fair value for Levels 2 and Level 3 are measured using the DCF method. Expected future cash flows from the financial instruments are discounted using market interest rates with matching maturities. Haniel Finance B.V. takes into account the creditworthiness of the respective borrower by determining Credit Value Adjustments (CVA) or Debt Value Adjustments (DVA) based on a premium/discount method. If available, the CVA or DVA is determined using observable market prices for credit derivatives. The fair values of derivatives are measured in accordance to Level 2.

Exchange rate risk

Exchange rate risks arise from financing measures undertaken in foreign currencies other than the functional currency. The majority of exchange rate risks originate from changes in the EUR-USD, EUR-GBP and EUR-NOK rates. The resulting risk exposure is determined continually and hedged primarily by entering into forward currency contracts or refinancing contacts in the same volume and currency.

Haniel Finance B.V. provides Group companies with foreign exchange instruments. The Company hedges this risk with external forward currency contracts of the same volume and maturity.

Consequently, exchange rate fluctuations in the future have a low impact on the financial position of the Company.

Until 2017 the Company had also provided Group companies with cash pooling in foreign currency. Risks arising from these financing activities were also hedged using external forward currency contracts.

An exchange rate sensitivity analysis illustrates the theoretical effects on profit before taxes, other comprehensive income and equity of changes in the exchange rates of the currencies that are significant for Haniel Finance B.V. The exchange rate sensitivity analysis is based on the non-derivative and derivative financial instruments held by the Company in non-functional currencies on the reporting date. It assumes that the exchange rates change by an indicated percentage rate on the reporting date. Changes over time, actual observed changes in other market parameters and tax effects are disregarded. If the exchange rates fluctuate on the reporting date by +10 per cent (-10 per cent), the hypothetical effects on profit before taxes would be around EUR 0 million (EUR 0 million), similarly to last year, and there would be no impact on other comprehensive income.

Interest rate risk

Interest rate risk is the risk of profit or loss being negatively affected by fluctuating market interest rates. The following interest rate sensitivity analysis illustrates the hypothetical effects on profit before taxes, other comprehensive income and equity, had the prevailing market interest rates changed on the reporting date. It is based on the assumptions that the figures as at the reporting date are representative for the whole year, and that the supposed change in market interest rates could have occurred on the reporting date. Tax effects are disregarded. If the interest rates increase (decrease) on the reporting date by 100 basis points, the hypothetical effects on profit before taxes would be around EUR 0.6 million (EUR -0.6 million), whereas last year the hypothetical effects on profit before taxes amounted to EUR 0 million (EUR 0 million).

Liquidity risk

Liquidity risk is the risk of being unable to guarantee the Haniel Group’s solvency at all times. Liquidity risk is managed by financial planning measures to ensure that the necessary resources are available to fund the operating business and investments within the Haniel Group. The financing requirement is determined according to the financial plans. In order to cover the financing requirement, the Holding Company, Franz Haniel & Cie GmbH, has unutilised credit facilities. Haniel Finance B.V. is entitled to utilise these lines of credit of Franz Haniel & Cie. GmbH.

Default risk

The default or credit risk is the risk of the Haniel Finance B.V. contractual partners not fulfilling their obligations. Haniel Finance B.V. is exposed to a default risk in connection with financial instruments. According to an internal risk assessment, the default risks arising from reported financial assets are deemed to be low as receivables from Group companies are backed by the respective business unit’s holding. The counterparty risk of the Haniel Business Units is monitored closely on a regular basis.

15 Notes to the statement of cash flows

The statement of cash flows shows the changes in the Haniel Finance B.V.’s cash and cash equivalents in the course of the financial year resulting from cash inflows and outflows. The statement of cash flows is divided into cash flows from operating, investing and financing activities. The cash and cash equivalents reported at the reporting date are the total of cash on hand, and bank balances with a maturity of up to three months, and are identical with the cash and cash equivalents reported in the statement of financial position.

The cash flow from operating activities is determined indirectly on the basis of the profit after taxes and essentially contains other expense-related payments as well as interest paid and received. It contains interest inflows in the amount of EUR 5.116 thousand (previous year: EUR 5,498 thousand), interest outflows in the amount of EUR 4.114 thousand (previous year: EUR 3,543 thousand) and tax payments in the amount of EUR 608 thousand (previous year: EUR 297 thousand).

The cash flow from investing activities includes payments for purchases and the financing of affiliated companies. The financing cash flows are reported on a net basis. These cash flows relate to cash receipts and payments in connection with cash pooling transactions and deposits with a fixed maturity. In the previous year the company received EUR 60 million inflows relating to a long-term loan from the shareholder and used this bankroll to fund affiliated companies.

The cash flow from financing activities comprises payments in connection with shareholder transactions as well as the cash changes in financial liabilities to third parties and derivatives. The 2017 inflows from the issuance of financial liabilities relates to the external refinancing of internally granted loans.

The EUR -313 thousand difference between the change in financial liabilities to third parties reported in the statement of financial position (see note 6) and the cash flow from financing activities has its origin solely in currency translation effects.

16 Related party disclosures

Related parties of Haniel Finance B.V. are affiliated companies of the Haniel group, the Management Board and close family members of this category of persons. All business relations with affiliated companies are governed by contracts and conducted at prices and conditions that would equally have been agreed with third parties. The company have not entered into reportable transactions with the Management Board.

17 Events after the reporting date

No reportable events took place after the reporting date.

Venlo, 6 March 2018

The Management Board

Uta Stein

Christian Wirtz

Other information

Profit appropriation

Pursuant to Article 23 of the Company’s Articles of Association, the profit is at the disposal of the Annual General Meeting. Pursuant to a resolution passed by the Annual General Meeting, the profit for the financial year 2016 amounting to EUR 1,278 thousand has been transferred to retained earnings.

The Management Board proposes to add the loss for the financial year 2017 amounting to EUR -10 thousand to retained earnings.

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