

Haniel Finance Deutschland GmbH
Annual Financial Statements
2017

Haniel Finance Deutschland GmbH

Statement of financial position

ASSETS			
EUR million	Note	31 Dec. 2017	31 Dec. 2016
Fixed assets			
Financial assets	1		
Loans to affiliated companies		0.0	8.9
Investments in associated companies		2,345.8	2,345.8
Other investments		14.2	8.7
Long-term securities		69.0	420.0
Other loans		26.0	38.7
		2,455.0	2,822.1
Current assets			
Accounts receivable and other assets			
Receivables from affiliated companies	2	901.2	90.9
Other assets	3	17.5	19.1
Securities	4	0.0	445.0
Cash in hand, bank balances		2.2	201.0
		920.9	756.0
Prepaid expenses	5	14.9	21.2
		3,390.8	3,599.3

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2017	31 Dec. 2016
Equity	6	835.4	835.4
Provisions			
Provisions	7	3.3	4.6
Liabilities	8		
Bonds		500.0	500.0
Liabilities due to banks		32.3	0.7
Trade payables		0.1	0.1
Liabilities to affiliated companies		622.3	8.7
Liabilities to shareholders		1,351.0	2,203.4
Other liabilities		46.4	46.4
		2,552.1	2,759.3
		3,390.8	3,599.3

Haniel Finance Deutschland GmbH

Income statement

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

EUR million	Note	2017	2016
Revenue	10		0.1
Other operating income	11	2.1	0.1
Other operating expenses	12	0.2	0.4
		1.9	-0.2
Net investment result	13	81.0	81.3
Other net financial income	14	0.2	-2.0
Result before income taxes		83.1	79.1
Income taxes		0.0	-0.5
Result / Net income for the financial year after income taxes		83.1	79.6
Profit and loss transferred pursuant to a profit and loss transfer agreement		-83.1	-79.6
Net income for the financial year after profit and loss transfer		0.0	0.0

Haniel Finance Deutschland GmbH

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

EUR million	2017	2016
Result / Net income for the financial year after income taxes	83.1	79.6
Depreciation / amortisation (+)/write-ups (-) of fixed assets	3.0	14.5
Increase (+)/decrease (-) in provisions	-1.4	0.6
Other non-cash income (-) and expenses (+)	9.3	4.1
Reclassification of income (-) / expenses (+) from the disposal of fixed assets	-3.4	-0.1
Increase (-)/decrease (+) in other receivables and other current assets	1.7	0.5
Increase (+)/decrease (-) in other current liabilities	0.0	-0.1
Cash inflow (+)/outflow (-) from operating activities	92.3	99.1
Increase (-)/decrease (+) in receivables from and liabilities to affiliated companies and investments	-189.8	54.0
Inflows (+) from the disposal of long-term financial assets and from the investment of cash funds for short-term cash management	1,008.6	486.1
Outflows (-) from additions to long-term financial assets and for the investment of cash funds for short-term cash management	-206.0	-517.1
Cash inflow (+)/outflow (-) from investing activities	612.8	23.0
Profit/loss transfer to parent company	-83.1	-79.6
Decrease (-) in receivables from and liabilities to shareholders	-852.5	-122.5
Cash proceeds (+) from the issuance of financial liabilities	31.8	0.7
Cash repayments (-) of financial liabilities	-0.1	0.0
Cash inflow (+)/outflow (-) from financing activities	-903.9	-201.4
Change in cash and cash equivalents	-198.8	-79.3
Cash and cash equivalents at the beginning of the period	201.0	280.3
Cash and cash equivalents at the end of the period	2.2	201.0

The cash flow from operating activities includes interest income in the amount of EUR 18.5 million (previous year: EUR 28.4 million), interest payments of EUR 2.9 million (previous year: EUR 5.0 million) and tax payments of EUR 0.0 million (previous year: EUR 0.1 million).

Notes

General disclosures and accounting policies

General disclosures and other explanatory information on the annual financial statements

The annual financial statements of our Company have been prepared in accordance with the accounting standards of the German Commercial Code (Handelsgesetzbuch, "HGB") and the German Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung, "GmbHG").

Haniel Finance Deutschland GmbH is domiciled in Duisburg, Germany, and entered in the commercial register of the Duisburg Local Court (Amtsgericht) under the number HR B 9301.

The Company is a small corporation pursuant to § 267 (1) HGB.

Accounting policies

Shares in affiliated companies and investments in associated companies are recognised at cost or the lower fair value if an impairment is expected to be permanent. Shares in venture capital funds are reported under other investments. When accounting for the shares in the venture capital funds, the Company exercises the option provided under § 253 (3) sentence 6 HGB, in accordance with which impairments are recognised in relation to the venture capital funds even if they are not expected to be permanent. Long-term securities are recognised at cost and loans at the nominal amount. If an impairment is expected to be permanent, they are recognised at the lower fair value. If the reasons for an impairment no longer exist in whole or in part, the impairment loss is reversed up to a maximum of the cost or principal amount.

Receivables and other assets are generally recognised at the principal amount less any required valuation allowances. Receivables from corporate income tax credits are recognised at their present value. Marketable securities are recognised at cost or the lower quoted or market price as of the reporting date.

Cash and cash equivalents are recognised using the nominal amount.

Cash in hand and bank balances as well as receivables and liabilities denominated in foreign currency are posted at historical exchange rates and measured at the applicable average spot rate on the reporting date. Receivables and liabilities denominated in foreign currency with a remaining term of more than one year are measured in accordance with the imparity principle, under which unrealised valuation gains are not recognised. Unrealised valuation gains are recognised for items with a remaining term of less than one year.

Income and expenditures in relation to income and expenses for a certain period after the reporting date are reported under prepaid expenses and deferred income. Differences between the settlement amount and the lower issue amount of liabilities are recognised as prepaid expenses and expensed periodically over the term of the liabilities.

Provisions cover all identifiable risks and uncertain obligations. They are recognised at the settlement amount as dictated by prudent business judgement. Future price and cost increases are considered. Provisions with a remaining term of more than one year are discounted in accordance with their remaining term. Provisions for expected losses recognised in connection with derivative financial instruments are charged to net financial income.

Liabilities are recognised at their settlement amounts.

Deferred taxes are recognised for all temporary differences between the carrying amounts and tax bases for assets, liabilities, prepaid expenses and deferred income. Since Haniel Finance Deutschland GmbH is a member of the consolidated tax group of Franz Haniel & Cie. GmbH, the deferred taxes of the consolidated tax group subsidiaries are accounted for at the parent, Franz Haniel & Cie. GmbH. Deferred tax assets on tax loss carryforwards are recognised only if there is reasonable assurance that

they will be realised within five years. Deferred taxes are generally presented on a net basis. A tax burden is recognised on the balance sheet as a deferred tax liability. In the event of a tax benefit, the Company does not exercise the corresponding option to recognise this under § 274 (1) sentence 2 HGB.

Deferred taxes are determined based on the combined income tax rate of the consolidated tax group of Franz Haniel & Cie. GmbH. The combined income tax rate consists of corporate income tax, municipal business income tax and the solidarity surcharge, and is calculated based on the currently applicable statutory tax rates (current financial year: 34.0 per cent; previous year: 33.7 per cent).

Notes to the statement of financial position

1 Financial assets

Changes in financial assets are presented in the statement of changes in fixed assets. Disclosures relating to the shareholdings of Haniel Finance Deutschland GmbH are provided in note 16 below.

EUR million	Cost				
	1 Jan. 2017	Additions	Disposals	Currency adjustments	31 Dec. 2017
Loans to affiliated companies	8.9		-9.3	0.4	0.0
Investments in associated companies	3,001.7	1,393.9	-1,783.6		2,612.0
Other investments	10.6	6.3	-0.7	-0.1	16.1
Long-term securities	431.7	0.2	-360.0	-1.8	70.1
Other loans	38.7	0.3	-13.0		26.0
	3,491.6	1,400.7	-2,166.6	-1.5	2,724.2

Changes in investments in associated companies related exclusively to the demerger of METRO AG into two independent listed companies during the financial year.

As part of this transaction, 90 per cent of the wholesale and foods segment was spun off from the former METRO AG and transferred to a new company. The former METRO AG, which was renamed CECONOMY AG, now operates the consumer electronics business and holds a 10 per cent interest in the new METRO AG, representing the remaining 10 per cent of the assets of the wholesale and foods segment which was formed by way of spin-off in return for the granting of shares. This re-investment resulted in a corresponding decrease in the share in the new METRO AG's share capital attributable to the Company.

As part of the demerger, the shareholders of the transferring company were granted shares in the acquiring company. The costs attributable to this company were determined in accordance with the general principles of exchange. The Company made use of the option, provided under those principles, to recognise the newly granted shares at their carrying amount.

The spin-off from the former METRO AG is recognised as a disposal. A pro rata share of the original cost of the investment and a pro rata share of a previously recognised impairment loss were included as part of the recognised disposal. The potential to reverse the recognised impairment loss is eliminated as a result of the demerger. At the same time, the newly granted shares in the new company are recognised as additions at cost. Additions and disposals therefore relate to the demerged company.

At the reporting date, the line item now includes the investments in both companies.

Disposals of long-term securities related to the scheduled maturity and sale of bonds.

Accumulated depreciation					Carrying amount	
1 Jan. 2017	Impairment loss	Reversals	Disposals	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
0.0				0.0	0.0	8.9
-655.9			389.7	-266.2	2,345.8	2,345.8
-1.9	-1.4	1.3	0.1	-1.9	14.2	8.7
-11.7	-3.3	0.4	13.5	-1.1	69.0	420.0
0.0				0.0	26.0	38.7
-669.5	-4.7	1.7	403.3	-269.2	2,455.0	2,822.1

2 Receivables from affiliated companies

The receivables from affiliates include receivables for the internal financing of Group companies. The changes during the financial year were attributable to the integration of newly acquired Group companies and the transfer from a Dutch financing company - Haniel Finance B.V., Venlo - of activities relating to financing the current operations of foreign subsidiaries.

All receivables from affiliates have a remaining term of less than one year.

3 Other assets

Other assets include interest receivables of EUR 1.0 million (previous year: EUR 9.8 million) and tax receivables of EUR 15.2 million (previous year: EUR 6.8 million).

4 Securities

In the previous year, securities related to short-term financial investments in investment funds, commercial paper, bonds and other securities.

5 Prepaid expenses

Prepaid expenses include the discount of the exchangeable bond linked to ordinary shares of CECONOMY AG maturing in 2020.

6 Equity

There were no restrictions on distributions in accordance with § 268 (8) HGB or § 253 (6) sentence 2 HGB as at the reporting date.

Haniel Finance Deutschland GmbH's net income for the financial year is transferred in full by Franz Haniel & Cie. GmbH based on the existing profit and loss distribution agreement. The equity is composed of the subscribed capital in the amount of EUR 25,000 (previous year: EUR 25,000) and the capital reserves.

7 Provisions

The table below presents a break-down of provisions:

EUR million	31 Dec. 2017	31 Dec. 2016
Provisions for taxes	1.4	1.4
Other provisions	1.9	3.2
	3.3	4.6

The decrease in other provisions related mainly to provisions for expected losses for negative fair values of derivative financial instruments which had not been combined to form valuation units.

8 Liabilities

All obligations of Haniel Finance Deutschland GmbH existing as of the reporting date are presented under liabilities. The various types and remaining maturities of the other liabilities as at 31 December 2017 are presented in the table below:

EUR million	31 Dec. 2017				31 Dec. 2016			
	Total	Up to 1 year	More than 1 year	of that amount: More than 5 years	Total	Up to 1 year	More than 1 year	of that amount: More than 5 years
Bonds	500.0	500.0			500.0	500.0		
Liabilities due to banks	32.3	32.3			0.7	0.7		
Trade payables	0.1	0.1			0.1	0.1		
Liabilities to affiliated companies	622.3	622.3			8.7	8.7		
Liabilities to shareholders	1,351.0	1,351.0			2,203.4	2,203.4		
Other liabilities	46.4	46.4			46.4	46.4		
	2,552.1	2,552.1	0.0	0.0	2,759.3	2,759.3	0.0	0.0

In financial year 2015, the Company issued an exchangeable bond linked to ordinary shares in the former METRO AG with a nominal volume of EUR 500.0 million and a 5-year term. Following the demerger of METRO AG during the financial year, the exchangeable bond is now linked to shares in the renamed CECONOMY AG as the underlying. It was reported as a short-term liability in light of the bondholders' conversion rights. The EUR 45.2 million option premium received was reported under other current liabilities due to the obligation to deliver ordinary shares upon conversion.

The maturities of the liabilities due to banks correspond to the respective financing commitments.

Liabilities to affiliates include liabilities from the current internal financing of Group companies. The changes during the financial year were attributable to the integration of newly acquired Group companies and the transfer from a Dutch financing company – Haniel Finance B.V., Venlo – of activities relating to financing the current operations of foreign subsidiaries.

The change in liabilities to shareholders was attributable to the fact that the Company used funds freed up as the result of the maturity and sale of financial assets to repay these liabilities.

The Company has not provided its own collateral for the liabilities. The bonds are fully backed by a guarantee from the parent company.

9 Contingent liabilities

There were no contingent liabilities as at the reporting date.

Notes to the income statement

The income statement was prepared using the classification pursuant to § 275 (2) HGB (nature of expense method).

10 Revenue

Revenue includes revenue received in connection with the provision of various financial services for Group companies.

11 Other operating income

Other operating income includes income from the disposal of long-term financial assets amounting to EUR 0.8 million (previous year: EUR 0.1 million) and reversals of write-downs on long-term financial assets amounting to EUR 1.3 million (previous year: EUR 0.0 million).

12 Other operating expenses

Other operating expenses includes EUR 0.2 million (previous year: EUR 0.4 million) in expenses such as custodial, accounting and audit fees.

13 Net investment result

EUR million	2017	2016
Income from investments	81.0	81.3
	81.0	81.3

The investment result is attributable solely to METRO AG.

14 Other net financial income

EUR million	2017	2016
Income from other securities and long-term loans	11.8	23.1
of which from affiliated companies	(0.1)	(0.2)
Other interest and similar income	10.3	7.8
of which from affiliated companies	(1.8)	(0.8)
Write-ups and -downs of financial assets and securities classified as current assets	-4.7	-14.7
Interest and similar expenses	-17.2	-18.2
of which to affiliated companies	(-2.7)	(-3.3)
	0.2	-2.0

Of the income from securities, EUR 11.4 million (previous year: EUR 22.6 million) is attributable to long-term financial assets. Write-downs and reversals of write-downs on long-term financial assets and marketable securities amounting to EUR -4.3 million (previous year: EUR -14.5 million) were recognised for fixed assets.

Other interest and similar income includes currency translation gains totalling EUR 7.1 million (previous year: EUR 6.8 million). Interest and similar expenses includes currency translation losses totalling EUR 8.0 million (previous year: EUR 8.4 million).

Other notes

15 Derivative financial instruments

Haniel Finance Deutschland GmbH is exposed to currency and interest rate risks as part of its business. Derivative financial instruments, such as currency forwards, swaps and options, are generally used to hedge these risks.

Derivative financial instruments are used wherever possible and expedient to hedge against interest rate risks and exchange rate risks in relation to financial receivables and liabilities. To that end, interest rate swaps (including combined cross currency interest rate swaps), forward rate agreements, caps and floors, and currency forwards are generally used.

The hedges are entered into only with top rated banks.

At the reporting date no valuation units from derivative financial instruments and related hedged items were formed.

EUR million	Notional value		Fair value		Book value	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Foreign exchange instruments						
Derivatives with affiliated companies	32.7	60.3	0.3	-1.3	-0.1	-1.4

At the reporting date, a EUR 0.1 million provision for expected losses was recognised for negative fair values of derivative financial instruments which had not been combined to form valuation units (previous year: EUR 1.4 million). The provision for expected losses was recognised under other provisions. Under the imparity principle, positive unrealised fair values are generally subject to a prohibition on recognition.

The fair values of the derivatives are determined by discounting the expected future cash flows. Discounting is based on arm's-length interest rates over the remaining term of the instruments.

The remaining term of the notional value of derivatives is as follows:

EUR million	Remaining terms			Notional value	
	Up to 1 year	More than 1 year	Of which more than 5 years	31 Dec. 2017	31 Dec. 2016
Foreign exchange instruments					
Derivatives with affiliated companies	32.7			32.7	60.3

16 Disclosures on shareholdings

The following list contains the companies in which Haniel Finance Deutschland GmbH has an equity interest.

	Shareholding	Equity		Result	
		%	Total EUR million	Share EUR million	2017 EUR million
CECONOMY AG, Düsseldorf	24.79	1,071	266	1,100	
METRO AG, Düsseldorf	22.31	6,783	1,513	130	

17 Events after the reporting date

No reportable events took place after the reporting date.

18 Further disclosures

Managing directors

The managing directors of the Company are:

Dr. Axel Gros, Marl

Dr. Michael Reuter, Düsseldorf (from 12 April 2017)

Uta Stein, Wesel

Ulrich Dickel, Moers (until 12 April 2017)

Remuneration of the managing directors

The managing directors do not receive any remuneration from the Company.

Number of employees

The Company does not have any employees.

Parent company

The Company is a subsidiary of Franz Haniel & Cie. GmbH, Duisburg, HR B 25, Local Court (Amtsgericht) Duisburg. Franz Haniel & Cie. GmbH, Duisburg, prepares consolidated financial statements in which Haniel Finance Deutschland GmbH, Duisburg, is included. These consolidated financial statements are submitted to the Electronic Federal Gazette.

Duisburg, 6 March 2018

The Management



Dr Axel Gros



Dr Michael Reuter



Uta Stein

haniel.de/en