

Haniel Finance Deutschland GmbH
Annual Financial Statements
2019

Haniel Finance Deutschland GmbH

Statement of financial position

ASSETS			
EUR million	Note	31 Dec. 2019	31 Dec. 2018
Fixed assets			
Financial assets	1		
Loans to affiliated companies		4.0	4.0
Investments in associated companies		256.0	989.9
Other investments		31.9	24.0
Long-term securities		96.0	0.0
Other loans		0.0	21.4
		387.9	1,039.3
Current assets			
Accounts receivable and other assets			
Receivables from affiliated companies	2	865.2	907.3
Other assets	3	1.7	224.7
Securities	4	229.9	68.8
Cash in hand, bank balances		531.5	83.4
		1,628.3	1,284.2
Prepaid expenses	5	1.9	7.9
		2,018.2	2,331.3

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2019	31 Dec. 2018
Equity	6	835.4	835.4
Provisions	7	3.0	1.9
Liabilities	8		
Bonds		419.8	459.8
Liabilities due to banks		23.2	0.0
Trade payables		0.1	0.1
Liabilities to affiliated companies		620.2	577.3
Liabilities to shareholders		75.8	406.6
Other liabilities		40.6	50.1
		1,179.7	1,494.0
		2,018.2	2,331.3

Haniel Finance Deutschland GmbH

Income statement

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

EUR million	Note	2019	2018
Revenue	10	0.1	0.1
Other operating income	11	75.8	5.4
Other operating expenses	12	-0.6	-37.9
		75.3	-32.4
Net investment result	13	38.3	-825.8
Other net financial income	14	-18.0	-5.5
Result before income taxes		95.7	-863.8
Income taxes		-0.1	0.2
Result after income taxes		95.5	-863.6
Result transferred pursuant to a profit and loss transfer agreement		-95.5	863.6
Net income for the year		0.0	0.0

Haniel Finance Deutschland GmbH

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

EUR million	2019	2018
Result after income taxes	95.5	-863.6
Depreciation/amortisation (+)/write-ups (-) of fixed assets	-0.7	903.3
Increase (+)/decrease (-) in provisions	1.0	-1.3
Other non-cash income (-) and expenses (+)	-2.1	3.1
Reclassification of income (-) / expenses (+) from the disposal of fixed assets	-50.0	36.5
Increase (-)/decrease (+) in other receivables and other current assets	12.2	3.1
Increase (+)/decrease (-) in other current liabilities	15.0	7.4
Cash inflow (+)/outflow (-) from operating activities	71.1	88.5
Increase (-)/decrease (+) in receivables from and liabilities to affiliated companies and investments	85.0	-51.3
Inflows (+) from the disposal of long-term financial assets and from the investment of cash funds for short-term cash management	1,180.3	258.4
Outflows (-) from additions to long-term financial assets and for the investment of cash funds for short-term cash management	-433.0	-61.3
Cash inflow (+)/outflow (-) from investing activities	832.4	145.8
Profit/loss transfer to parent company	-95.5	863.6
Decrease (-) in liabilities to shareholders	-330.8	-944.3
Cash proceeds (+) from the issuance of financial liabilities	23.2	0.0
Cash repayments (-) of financial liabilities	-52.2	-72.4
Cash inflow (+)/outflow (-) from financing activities	-455.4	-153.1
Change in cash and cash equivalents	448.1	81.2
Cash and cash equivalents at the beginning of the period	83.4	2.2
Cash and cash equivalents at the end of the period	531.5	83.4

The cash flow from operating activities includes interest income in the amount of EUR 14.6 million (previous year: EUR 5.3 million), interest payments of EUR 8.9 million (previous year: EUR 4.5 million) as well as tax payments of EUR 0.3 million (previous year: EUR 0.0 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 section 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 section 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. Upon subsequent measurement, the Company exercises the option afforded under section 253 (3) sentence 6 HGB. Write-downs are recognised even if an impairment is not expected to be permanent. Loans are recognised at their nominal amounts. 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 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. Money market funds, which are recognised as cash on hand, are recognised at cost or the lower quoted or market price as of the reporting date.

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 parity 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 section 274 (1) sentence 2 HGB.

Deferred taxes are generally 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. The Company's share of taxes is calculated based on its applicable company-specific tax rate of 34.0 per cent (previous year: 34.0 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				31 Dec. 2019
	1 Jan. 2019	Additions	Disposals	Currency adjustments	
Loans to affiliated companies	4.0	1.0	-1.0		4.0
Investments in associated companies	2,159.7		-941.6		1,218.1
Other investments	25.6	7.9	-0.7	0.0	32.8
Long-term securities	0.0	96.6		-0.3	96.3
Other loans	21.4		-21.4		
	2,210.7	105.5	-964.6	-0.3	1,351.2

Changes to loans to affiliated companies related to the provision of long-term loans in connection with Group financing.

Disposals of investments in associated companies related to the Company's entire investment in METRO AG. During the financial year, the Company sold off a further 12.5 per cent of ordinary shares in METRO AG from its investment of 15.2 per cent of shares in total. The remaining 2.7 per cent interest in the ordinary shares no longer represents a strategic investment for the Company and was therefore reclassified as marketable securities during the financial year. Investments in associated companies now consists exclusively of the Company's investment in CECONOMY AG.

Other investments related exclusively to the Company's equity investments in venture capital funds.

Additions to long-term securities related to medium- and long-term investments in financial assets such as investment funds, equities and debt.

The disposals in other loans related to a life insurance certificate held as a financial investment.

Accumulated amortisation					Carrying amount	
1 Jan. 2019	Impairments	Reversals	Disposals	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
0.0				0.0	4.0	4.0
-1,169.7			207.7	-962.0	256.0	989.9
-1.6	-0.7	1.3	0.0	-0.9	31.9	24.0
-0.0	-0.3			-0.3	96.0	0.0
0.0				0.0	0.0	21.4
-1,171.4	-1.0	1.3	207.7	-963.3	387.9	1,039.3

2 Receivables from affiliated companies

Receivables from affiliated companies include the receivable for the internal financing of Group companies, all of which have a remaining term of less than one year.

3 Other assets

Other assets include interest receivables of EUR 0.1 million (previous year: EUR 1.8 million) and tax receivables of EUR 0.4 million (previous year: EUR 11.3 million). During the previous year, this item included one fully secured receivable from the disposal of long-term financial assets, which was settled during the year under review.

Other assets all have a remaining term of less than one year.

4 Securities

Securities include short-term financial investments in commercial paper and term deposits. This item also included corporate bonds in the previous year.

Moreover, this item has also included the Company's remaining 2.7 per cent interest in the ordinary shares of METRO AG since financial year 2019. This interest was reclassified from long-term assets at carrying amount during the current financial year.

Moreover, this item also includes notes of the exchangeable bond linked to the ordinary shares of CECONOMY AG which were repurchased during the current financial year but not yet withdrawn from exchange trading as of the reporting date.

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 section 268 (8) HGB or section 253 (6) sentence 2 HGB as at the reporting date.

Haniel Finance Deutschland GmbH's result 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. 2019	31 Dec. 2018
Other provisions	3.0	1.9
	3.0	1.9

The increase in other provisions related primarily to provisions for expected losses in connection with negative market values of currency hedges.

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 2019 are presented in the table below:

EUR million	31 Dec. 2019				31 Dec. 2018			
	Total	Up to 1 year	More than 1 year	More than 5 years	Total	Up to 1 year	More than 1 year	More than 5 years
Bonds	419.8	419.8			459.8	459.8		
Liabilities due to banks	23.2	23.2			0.0			
Trade payables	0.1	0.1			0.1	0.1		
Liabilities to affiliated companies	620.2	620.2			577.3	577.3		
Liabilities to shareholders	75.8	75.8			406.6	406.6		
Other liabilities	40.6	40.6			50.2	50.2		
	1,179.7	1,179.7	0.0	0.0	1,494.0	1,494.0	0.0	0.0

In financial year 2015, the Company issued an exchangeable bond linked to ordinary shares in the former METRO AG with an original nominal volume of EUR 500.0 million and a 5-year term. Following the demerger of METRO AG during the 2017 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. During the current financial year, bonds with a nominal amount of EUR 52.5 million were repurchased, of which EUR 40.0 million were withdrawn from exchange trading as of the reporting date. Of the originally collected option premium amounting to EUR 45.2 million, which was reported under other current liabilities due to the obligation to deliver ordinary shares upon conversion, EUR 3.6 million was expensed as a result of the repurchase during the current financial year.

As part of the transaction to sell the ordinary shares of METRO AG, the Company entered into an obligation to deliver ordinary shares in METRO upon conversion. This obligation, in respect of which EUR 5.9 million was recognised in the previous year under other liabilities, was derecognised through profit or loss during the current financial year due to the expiry of the option.

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

Liabilities to affiliated companies include liabilities from the current internal financing of Group companies.

The change in liabilities to shareholders was attributable primarily to the provision of financial resources for the parent in order to finance Group development transactions at the level of the parent.

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 and other financial commitments

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 section 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 is presented in the table below:

EUR million	2019	2018
Income from disposals of long-term financial assets	50.0	0.0
Income from reversals of impairments of long-term financial assets	1.3	1.6
Income from derivatives	24.5	3.6
Other income	0.0	0.2
	75.8	5.4

Income from disposals of long-term financial assets amounting to EUR 49.0 million was attributable to the disposal of ordinary shares in METRO AG. Reversals of impairments of long-term financial assets during the financial year related to the investments in venture capital funds, as in the previous year.

Income from derivatives amounting to EUR 20.9 million (previous year: EUR 0.0 million) related to the realisation of option premiums in connection with the disposal of ordinary shares in METRO AG. In addition, this item included income of EUR 3.6 million in the current financial year (previous year: EUR 3.6 million) due to the derecognition of liabilities from the obligation to deliver ordinary shares in CECONOMY AG upon conversion of the bond in connection with the repurchase of portions of the exchangeable bond.

12 Other operating expenses

Other operating expenses includes EUR -0.6 million (previous year: EUR -37.9 million) in expenses such as custodial, accounting and audit fees. During the previous year, this item included a loss on the disposal of long-term financial assets amounting to EUR 37.6 million.

13 Net investment result

EUR million	2019	2018
Income from investments	38.3	77.8
Write-downs on investments	0.0	-903.6
	38.3	-825.8

Income from investments related to METRO AG (previous year: METRO AG and CECONOMY AG).

During the previous year, write-downs on investments included a write-down of EUR 695.9 million on the carrying amount for CECONOMY AG and EUR 207.7 million on the carrying amount for METRO AG due to permanent impairments.

14 Other net financial income

EUR million	2019	2018
Income from other securities and long-term loans	0.9	1.8
of which from affiliated companies	(0.1)	(0.0)
Other interest and similar income	25.9	10.2
of which from affiliated companies	(8.8)	(4.2)
Write-downs and reversals of write-downs on financial assets and marketable securities	-17.4	-2.0
Interest and similar expenses	-27.4	-15.5
of which for affiliated companies	(-3.3)	(-4.3)
of which interest cost on provisions	(0.0)	(0.0)
	-18.0	-5.5

Income from other securities and long-term loans related to interest income from debt securities and long-term loans to affiliated companies, as well as to distributions from investment funds. Write-downs and reversals of write-downs on long-term financial assets and marketable securities amounting to EUR -1.0 million (previous year: EUR -1.2 million) were recognised for fixed assets. This item includes write-downs and reversals of write-downs on debt securities, equities, investment funds held as medium- and long-term investments, as well as write-downs on investments in venture capital funds. During the current financial year, EUR -15.6 million in write-downs related to ordinary shares in METRO AG. Reversals of write-downs on venture capital funds are reported under other operating income due to the nature of the investment in the funds.

Other interest and similar income includes currency translation gains totalling EUR 15.6 million (previous year: EUR 4.4 million). Interest and similar expenses includes currency translation losses totalling EUR 17.0 million (previous year: EUR 4.4 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, currency forwards were used during the current financial year.

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

EUR million	Notional value		Fair value		Carrying amount	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Currency forwards						
Derivatives with affiliated companies	28.1	34.2	-0.3	0.0	-0.3	-0.1
Derivatives with third parties	196.0	112.2	-0.5	0.5	-1.3	-0.2

At the reporting date, a EUR 1.6 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 0.3 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	More than 5 years	31 Dec. 2019	31 Dec. 2018
Currency forwards					
Derivatives with affiliated companies	28.1			28.1	34.2
Derivatives with third parties	196.0			196.0	112.2

16 Disclosures on shareholdings

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

	Shareholding	Equity		Result	
		Total	Share	2019	
	%	EUR million	EUR million	EUR million	
CECONOMY AG, Düsseldorf	22.54	1,187	268	6	

Because the Company reduced its interest in METRO AG, Düsseldorf, to 2.7 per cent during the financial year, METRO AG is no longer classified as a long-term investment within the meaning of section 271 HGB.

17 Events after the reporting date

No reportable events took place after the reporting date.

18 Further disclosures

The managing directors of the Company are:

Dr Axel Gros, Marl, Head of Treasury & Finance (Franz Haniel & Cie. GmbH)

Dr Michael Reuter (until 9 November 2019), Düsseldorf, Head of Group Accounting (Franz Haniel & Cie. GmbH)

Uta Stein, Wesel, Head of Accounting & Controlling (Franz Haniel & Cie. GmbH)

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 for the smallest group of consolidated companies in which Haniel Finance Deutschland GmbH, Duisburg, is included. These consolidated financial statements are submitted to the Electronic Federal Gazette.

Duisburg, 9 March 2020

The Management



Dr Axel Gros



Uta Stein

haniel.de/en