

Haniel Finance Deutschland GmbH
Annual Financial Statements
2018

Haniel Finance Deutschland GmbH

Statement of financial position

ASSETS			
EUR million	Note	31 Dec. 2018	31 Dec. 2017
Fixed assets			
Financial assets	1		
Loans to affiliated companies		4.0	0.0
Investments in associated companies		989.9	2,345.8
Other investments		24.0	14.2
Long-term securities		0.0	69.0
Other loans		21.4	26.0
		1,039.3	2,455.0
Current assets			
Accounts receivable and other assets			
Receivables from affiliated companies	2	907.3	901.2
Other assets	3	224.6	17.5
Securities	4	68.8	0.0
Cash in hand, bank balances		83.4	2.2
		1,284.1	920.9
Prepaid expenses	5	7.9	14.9
		2,331.3	3,390.8

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2018	31 Dec. 2017
Equity	6	835.4	835.4
Provisions	7	1.9	3.3
Liabilities	8		
Bonds		459.8	500.0
Liabilities due to banks		0.0	32.3
Trade payables		0.1	0.1
Liabilities to affiliated companies		577.3	622.3
Liabilities to shareholders		406.6	1,351.0
Other liabilities		50.2	46.4
		1,494.0	2,552.1
		2,331.3	3,390.8

Haniel Finance Deutschland GmbH

Income statement

FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

EUR million	Note	2018	2017
Revenue	10	0.1	0.0
Other operating income	11	5.4	2.1
Other operating expenses	12	38.0	0.2
		-32.5	1.9
Net investment result	13	-825.8	81.0
Other net financial income	14	-5.5	0.2
Result before income taxes		-863.8	83.1
Income taxes		-0.2	0.0
Result after income taxes		-863.6	83.1
Profit (previous year: loss) transferred pursuant to a profit and loss transfer agreement		863.6	-83.1
Result after profit and loss transfer		0.0	0.0

Haniel Finance Deutschland GmbH

Statement of cash flows

FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

EUR million	2018	2017
Result after income taxes	-863.6	83.1
Depreciation/amortisation (+)/write-ups (-) of fixed assets	903.3	3.0
Increase (+)/decrease (-) in provisions	-1.3	-1.4
Other non-cash income (-) and expenses (+)	3.1	9.3
Reclassification of income (-) / expenses (+) from the disposal of fixed assets	36.5	-3.4
Increase (-)/decrease (+) in other receivables and other current assets	3.1	1.7
Increase (+)/decrease (-) in other current liabilities	7.4	0.0
Cash inflow (+)/outflow (-) from operating activities	88.5	92.3
Increase (-)/decrease (+) in receivables from and liabilities to affiliated companies and investments	-51.3	-189.8
Inflows (+) from the disposal of long-term financial assets and from the investment of cash funds for short-term cash management	258.4	1,008.6
Outflows (-) from additions to long-term financial assets and for the investment of cash funds for short-term cash management	-61.3	-206.0
Cash inflow (+)/outflow (-) from investing activities	145.8	612.8
Profit/loss transfer to parent company	863.6	-83.1
Decrease (-) in liabilities to shareholders	-944.3	-852.5
Cash proceeds (+) from the issuance of financial liabilities	0.0	31.8
Cash repayments (-) of financial liabilities	-72.4	-0.1
Cash inflow (+)/outflow (-) from financing activities	-153.1	-903.9
Change in cash and cash equivalents	81.2	-198.8
Cash and cash equivalents at the beginning of the period	2.2	201.0
Cash and cash equivalents at the end of the period	83.4	2.2

The cash flow from operating activities includes interest income in the amount of EUR 5.3 million (previous year: EUR 18.5 million) and interest payments of EUR 4.5 million (previous year: EUR 2.9 million). As in the previous year, no tax payments were made.

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 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 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 § 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				
	1 Jan. 2018	Additions	Disposals	Currency adjustments	31 Dec. 2018
Loans to affiliated companies	0.0	4.0			4.0
Investments in associated companies	2,612.0		-452.3		2,159.7
Other investments	16.1	9.5	-0.2	0.1	25.5
Long-term securities	70.1		-70.1		0.0
Other loans	26.0	0.4	-5.0		21.4
	2,724.2	13.9	-527.6	0.1	2,210.6

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

Investments in associated companies again related exclusively to equity investments in CECONOMY AG and METRO AG.

During the current financial year, the Company sold 7.3 per cent of the ordinary shares in METRO AG. Disposals in investments in associated companies related exclusively to this disposal. In addition, the acquirer was granted an option to acquire the remaining 15.2 per cent of ordinary shares in METRO AG; this option was not exercised as at the reporting date.

In light of the permanent impairments, the investments in CECONOMY AG and METRO AG were written down to their fair value totalling EUR 903.6 million.

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

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

The disposal in other loans related to a promissory loan note held as a financial investment. At the reporting date, that item related exclusively to a life insurance certificate held as a financial investment.

Accumulated depreciation					Carrying amount	
1 Jan. 2018	Impairments	Reversals	Disposals	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
0.0				0.0	4.0	0.0
-266.2	-903.6			-1,169.8	989.9	2,345.8
-1.9	-1.2	1.6		-1.5	24.0	14.2
-1.1			1.1	0.0	0.0	69.0
0.0				0.0	21.4	26.0
-269.2	-904.8	1.6	1.1	-1,171.3	1,039.3	2,455.0

2 Receivables from affiliated companies

Receivables from affiliated companies included 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 1.8 million (previous year: EUR 1.0 million) and tax receivables of EUR 11.3 million (previous year: EUR 15.2 million). In addition, during the current financial year this item includes a fully secured receivable from the disposal of long-term financial assets.

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

4 Securities

Securities related to short-term financial investments in commercial paper and bonds.

5 Prepaid expenses

Prepaid expenses include the discount of the exchangeable bond linked to ordinary shares of CEECONOMY 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 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. 2018	31 Dec. 2017
Provisions for taxes	0.0	1.4
Other provisions	1.9	1.9
	1.9	3.3

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 2018 are presented in the table below:

EUR million	31 Dec. 2018				31 Dec. 2017			
	Total	Up to 1 year	More than 1 year	Of which More than 5 years	Total	Up to 1 year	More than 1 year	Of which More than 5 years
Bonds	459.8	459.8			500.0	500.0		
Liabilities due to banks	0.0				32.3	32.3		
Trade payables	0.1	0.1			0.1	0.1		
Liabilities to affiliated companies	577.3	577.3			622.3	622.3		
Liabilities to shareholders	406.6	406.6			1,351.0	1,351.0		
Other liabilities	50.2	50.2			46.4	46.4		
	1,494.0	1,494.0	0.0	0.0	2,552.1	2,552.1	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 40.2 million were repurchased and withdrawn from exchange trading. 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.

As part of the transaction to sell the ordinary shares of METRO AG, the Company entered in to an obligation to deliver ordinary shares in METRO upon conversion. This obligation was recognised under other liabilities in the amount of EUR 5.9 million.

The maturities of the liabilities due to banks in the previous year 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 due primarily to the absorption of the Company's net loss for the year by the parent on the basis of a profit and loss transfer agreement.

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.

During the current financial year, the Company undertook to increase its long-term loan to an affiliated company by EUR 1 million to EUR 5 million in January 2019.

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 0.0 million (previous year: EUR 0.8 million) and reversals of write-downs on long-term financial assets amounting to EUR 1.6 million (previous year: EUR 1.3 million) which related to investments in venture capital funds.

In addition, this item included income of EUR 3.6 million in the current financial year 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 38.0 million (previous year: EUR 0.2 million) in expenses such as custodial, accounting and audit fees. In addition, in the current year, the item contains a loss on the disposal of long-term financial assets amounted to EUR 37.6 million.

13 Net investment result

EUR million	2018	2017
Income from investments	77.8	81.0
Write-downs on investments	-903.6	0.0
	-825.8	81.0

Income from investments related to CECONOMY AG and METRO AG.

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	2018	2017
Income from other securities and long-term loans	1.8	11.8
of which from affiliated companies	(0.0)	(0.1)
Other interest and similar income	10.2	10.3
of which from affiliated companies	(4.2)	(1.8)
Write-downs and reversals of write-downs on financial assets and marketable securities	-2.0	-4.7
Interest and similar expenses	-15.5	-17.2
of which for affiliated companies	(-4.3)	(-2.7)
	-5.5	0.2

Income from other securities and from long-term loans related to interest income from securities such as corporate bonds and

from long-term loans to affiliated companies. Write-downs and reversals of write-downs on long-term financial assets and marketable securities amounting to EUR -1.2 million (previous year: EUR -4.3 million) were recognised for fixed assets. This item includes write-downs and reversals of write-downs on securities such as corporate bonds held for liquidity management purposes, as well as write-downs on investments in venture capital funds. 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 4.4 million (previous year: EUR 7.1 million). Interest and similar expenses includes currency translation losses totalling EUR 4.4 million (previous year: EUR 8.0 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. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Currency forwards						
Derivatives with affiliated companies	34.2	32.7		0.3	-0.1	-0.1

At the reporting date, a EUR 0.3 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 0.1 million). The provision for expected losses was recognised under other provisions. Under the impairment 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. 2018	31 Dec. 2017
Currency forwards					
Derivatives with affiliated companies	27.4	6.8		34.2	32.7
Derivatives with third parties	105.4	6.8		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 EUR million	Share EUR million	2018 EUR million
CECONOMY AG, Düsseldorf	22.54	1,181	266	-82	
METRO AG, Düsseldorf	15.07	6,764	1,019	236	

The share held in CECONOMY AG was reduced by 2.25 per cent to 22.54 per cent during the current financial year due to a capital increase against cash at CECONOMY AG, under the exclusion of existing shareholders' pre-emptive subscription rights.

17 Events after the reporting date

The receivable from the disposal of long-term financial assets was fully settled on 20 February 2019. No further reportable events took place.

18 Further disclosures

Managing directors

The managing directors of the Company are:

Dr. Axel Gros, Marl

Dr. Michael Reuter, Düsseldorf

Uta Stein, Wesel

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, 11 March 2019

The Management



Dr Axel Gros



Dr Michael Reuter



Uta Stein

haniel.de/en