Haniel Finance B.V. Venlo

Annual Financial Report

2016

Annual Financial Report 2016

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 2016.

Haniel Finance B.V., Venlo, the Netherlands is a subsidiary of Franz Haniel & Cie. GmbH, Duisburg, Germany. On 31 December 2016, 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 risk are generally hedged by forward currency contracts. These contracts are entered into only with top rated banks.

Highlights of the financial year ended 31 December 2016

In 2016 the company increased its financial positions in receivables from and in payables to affiliated company due to the financing of an acquisition undertaken by a Haniel business unit in Belgium.

Earnings position

The profit after tax for 2016 amounts to EUR 1,278 thousand on the level of the previous year (previous year: EUR 1,328 thousand). 2016 is characterized by a decreased financial result due to changing financing requirements in connection with the financing of Haniel group companies. This impact, however, was offset by an increase in the tax result.

Financial position

The Company's balance sheet total increased by EUR 153,979 thousand to EUR 322,596 thousand. This increase is attributable in a large part to an increase in receivables from and payables to affiliated companies due to the financing requirements of these companies. Consequently, the equity ratio declined from 32 percent last year to 17 percent.

The solvency and liquidity of the company is ensured by lines of credit, as Haniel Finance B.V. is entitled to utilise lines of credit of Franz Haniel & Cie. GmbH in the amount of 668 million euros, which totally had not been utilised as at 31 December 2016.

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 2017

Throughout 2017, Haniel Finance B.V., Hakkesstraat 23 A, Venlo, the Netherlands will continue to operate the Group Treasury Services for the Haniel Group companies. Certain service functions could be transferred to the German financing entity of the Haniel Group from it. This is under review for 2017. 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 2017, the result is expected to be on current year's level year as a result of the financing requirements of the Haniel Group companies outside Germany.

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

Venlo, 6 March 2017

Jürgen Barten	Ulrich Dickel	Dr. Axel Gros

Haniel Finance B.V., Venlo

Statement of financial position

ASSETS

EUR thousands	Note	31 Dec. 2016	31 Dec. 2015
Property, plant and equipment	1	5	6
Non-current assets		5	6
Receivables from affiliated companies	2	314,155	159,950
Other current assets	3	4,275	1,557
Cash and cash equivalents	4	4,161	7,104
Current assets		322,591	168,611
Total assets		322,596	168,617

EQUITY AND LIABILITIES

EUR thousands	Note	31 Dec. 2016	31 Dec. 2015
Equity	5	55,314	54,036
Financial liabilities due to shareholder	6	60,000	0
Non-current liabilities		60,000	0
Financial liabilities	6	202,366	111,940
Income tax liabilities		691	941
Other current liabilities	7	4,225	1,700
Current liabilities		207,282	114,581
Total equity and liabilities		322,596	168,617

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

EUR thousands	Note	2016	2015
Interest and similar income		5,498	2,918
Interest and similar expenses		3,543	644
Miscellaneous financial result		-389	-321
Financial result	9	1,566	1,953
Other operating Income	10	58	174
Personnel expenses	11	72	72
Depreciation and amortisation		1	1
Other operating expenses	12	226	296
Profit before taxes		1,325	1,758
Income tax expenses	13	47	430
Profit after taxes		1,278	1,328
Other comprehensive income		0	0
Comprehensive income		1,278	1,328
of which attributable to non-controlling interest		0	0
of which attributable to shareholder Franz Haniel & Cie. GmbH		1,278	1,328

Haniel Finance B.V., Venlo

Statement of changes in equity

CHANGES IN 2016

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Equity
As at 1 Jan. 2016	25,000	0	29,036	54,036
Dividends			0	0
Capital decrease				0
Comprehensive income			1,278	1,278
As at 31 Dec. 2016	25,000	0	30,314	55,314

CHANGES IN 2015

EUR thousand	Subscribed capital	Capital reserve	Retained earnings	Equity
As at 1 Jan. 2015	25,000	241,372	407,708	674,080
Dividends			-380,000	-380,000
Capital decrease		-241,372		-241,372
Comprehensive income			1,328	1,328
As at 31 Dec. 2015	25,000	0	29,036	54,036

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	2016	2015
Profit after taxes		1,278	1,328
Depreciation and amortisation, impairment losses and reversals on non-current assets		1	1
Non-cash income/expenses		1,058	618
Gains/losses from the disposal of non-current assets		0	0
Change in receivables and similar assets	3	-1	471
Change in other current non-interest-bearing liabilities, provisions and similar liabilities	7	42	-481
Cash flows from operating activities		2,378	1,937
Change in receivables / liabilities from affiliated companies	2/6	-5,360	620,423
Proceeds from the disposal of financial assets		0	0
Cash flows from investing activities		-5,360	620,423
Payments to shareholders	5	0	-621,372
Proceeds from issuance of financial liabilities		0	0
Payments / Repayments of financial liabilities		39	0
Cash flows from financing activities		39	-621,372
Cash and cash equivalents at the beginning of the period		7,104	6,116
Increase/decrease in cash and cash equivalents		-2,943	988
Cash and cash equivalents at the end of the period		4,161	7,104

For further explanatory comments concerning 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 of continuity of the company.

Accounting principles
The financial statements of Haniel Finance B.V., Haakestraat 23A, Venlo, the Netherlands for the year ended 31 December 2016 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 2017.

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 2016:

Amendments to IFRS 10, IFRS 12 and IAS 28 (2014): "Investment Entities: Applying the Consolidation Exception"
Amendments to IFRS 11 (2014): "Accounting for Acquisitions of Interests in Joint Operations"
Amendments to IAS 1 (2014): "Disclosure Initiative"
Amendments to IAS 16 and IAS 38 (2014): "Clarification of Acceptable Methods of Depreciation and Amortisation"
Amendments to IAS 16 and IAS 41 (2014): "Agriculture: Bearer Plants"
Amendments to IAS 19 (2013): "Defined Benefit Plans – Employee Contributions"
Amendments to IAS 27 (2014): "Equity Method in Separate Financial Statements"
Annual Improvements to IFRSs 2010-2012 Cycle (2013)
Annual Improvements to IFRSs 2012-2014 Cycle (2014)

The first-time application of these standards do not have any impact on the presentation of the 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 the Haniel Finance B.V. until financial year 2017 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
Not yet endorsed by the Commission of the European Union	
IFRS 14 (2014): “Regulatory Deferral Accounts”	-
IFRS 16 (2015): “Leases”	2019
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 IFRS 4 (2016): “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	2018
Amendments to IAS 7 (2016): “Disclosure Initiative”	2017
Amendments to IAS 12 (2016): “Recognition of Deferred Tax Assets for Unrealised Losses”	2017
Amendments to IAS 40 (2016): “Transfers of Investment Property”	2018
Clarifications to IFRS 15 (2016): “Revenue from Contracts with Customers”	2018
IFRIC 22 (2016): “Foreign Currency Transactions and Advance Consideration”	2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (2016)	2017/2018

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 in the 2016 financial year. The potential impact at the time of first-time mandatory application of IFRS 9 on accounting for financial instruments and IFRS 16 for accounting for leases will be analysed.

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 Companys 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 the useful lives 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 minimize 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 positions. 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 statement is 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 statement was 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. 2016	31 Dec. 2015
Cost		
As at 1 Jan.	15	14
Additions	0	1
Disposals	0	0
As at 31 Dec.	15	15
Accumulated depreciation		
As at 1 Jan.	-9	-8
Depreciation	-1	-1
Disposals	0	0
As at 31 Dec.	-10	-9
Net book value as at 31.12.	5	6

2 Receivables from affiliated companies

Receivables from group companies consist of current accounts, which are direct collectable cash pooling accounts, and loans. These receivables are backed by the respective business unit 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 a variable interest income for the company. Interest rates are based on market interest rates.

EUR 73 million of the receivables from affiliated companies are subordinated.

On the balance sheet date the company's receivables from affiliates companies notate in Euro and British pounds. For explanations of the currency risk hedging see note 14.

3 Other current assets

EUR thousand	31 Dec. 2016	31 Dec. 2015
Derivative financial assets	4,213	1,498
Other current assets	62	59
	4,275	1,557

Derivative financial instruments serve to hedge exchange rate risks. As 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.

4 Cash and cash equivalents

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

5 Equity

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

The capital reserve (share premium) of EUR 241 million was repaid in total in 2015. Additionally, in the previous year the company paid a one-off dividend of EUR 380 million, which corresponded to 152 EUR per share.

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. 2016				31 Dec. 2015			
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	39	0	0	39	0	0	0	0
Liabilities to affiliated companies	202,327	60,000	0	262,327	111,940	0	0	111,940
Financial liabilities	202,366	60,000	0	262,366	111,940	0	0	111,940
of which subordinated	0	60,000	0	60,000	0	0	0	0

Haniel Finance B.V. and Franz Haniel & Cie. GmbH are jointly and severally liable for repayment of the loans. Current liabilities to affiliated companies consist of current accounts, which are direct payable cash pool accounts. These liabilities lead to variable interest expenses for the company. The increase in non-current liabilies to affilated companies is solely attributable to an uncesured long-term loan with an variable interest granted by the parent company.

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

7 Other current liabilities

EUR thousand	31 Dec. 2016	31 Dec. 2015
Accrued expenses	8	13
Derivative financial instruments	4,217	1,687
	4,225	1,700

The accrued expenses include periodic expenses for invoices in transit. Derivative financial instruments serve to hedge exchange rate risks. As 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	2016	2015
Interest and similar income	5,498	2,918
thereof affiliated companies	5,498	2,917
Interest and similar expenses	3,543	644
thereof affiliated companies	3,543	644
Miscellaneous financial result	-388	-321

Fair value changes of derivatives of external and internal group derivatives are included in the Miscellaneous financial result. The fair value change of external derivatives amounts in 2016 to a loss of EUR 1,135 thousand (previous year: profit of EUR 1,166 thousand) and the fair value change of internal group derivatives amounts to a profit of EUR 1,320 thousand (previous year: loss of EUR 1,351 thousand).

10 Other operating income

The other operating income of EUR 58 thousand (previous year: EUR 174 thousand) mainly relates to income from service fees for affiliated companies.

11 Personnel expenses

The Company has three employees, the directors, on its payroll in the financial year (also in the previous year). The remunera-tion of the directors of the company 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 226 thousand (previous year: EUR 296 thousand) include expenses for rental, accounting, audit and other consulting services.

13 Income tax expenses

EUR thousand	2016	2015
Current taxes	47	430
Deferred taxes	0	0
	47	430

On balance sheets date no differences between the tax values and the values according to IFRS of assets and liabilities occur. Though, no deferred tax assets and deferred tax liabilities have to be accounted for.

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

EUR thousand	2016	2015
Profit before taxes	1,325	1,758
Expected effective income tax rate	25.0%	25.0%
Expected tax expense	331	440
Prior-period tax	-274	0
Other Tax effects	-10	-10
Reported tax expense	47	430

The position prior-period tax referres to the release of tax provisions.

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 fulfill the Haniel financial risk management strategy.

Haniel Finance B.V. could face contracting 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 to be classed as low. A concentration of default risks arising from business relations with individual debtors or groups of debtors has not 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, where ever sensible.

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

Derivatives transactions as per 31 December 2016

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

	Nominal volumes		Fair value	
EUR million	31.12. 2016	31.12. 2015	31.12. 2016	31.12. 2015
Assets				
Currency instruments	**143.6**	**90.3**	**4.2**	**1.5**
Internal group derivatives	107.0	67.2	2.9	0.8
External derivatives	36.6	23.1	1.3	0.7
Liabilities				
Currency instruments	132.8	115.9	-4.2	-1.7
Internal group derivatives	25.8	23.1	-1.3	-0.7
External derivatives	107.0	92.8	-2.9	-1.0

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

Hedge accounting has neither been applied in the financial year nor 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 resulting risk exposure is determined continually and hedged primarily by entering into forward currency contracts. The majority of exchange rate risks originate from changes in the EUR-USD and EUR-GBP rates.

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. Since 2015 the company provides group companies additionally with cash pooling in foreign currency. Risks arising from these financing activities are also hedged with external forward currency contracts. Consequently, exchange rates fluctuations in the future have a low impact on the financial position of the company.

An exchange rate sensitivity analysis illustrates these theoretical effects on profit before taxes, other comprehensive income and equity of changes in the exchange rates of the currencies that are significant for the 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. Movements 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 percent (-10 percent), the hypothetical effects on profit before taxes would be around EUR 0 million (EUR 0 million) similar to last year and there would be no impact on the 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 million (EUR 0 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 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 flow from operating, investing and financing activities. The cash and cash equivalents reported at the reporting date are the total of cash on hand, 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 5,498 thousand (previous year: EUR 2,786 thousand), interest outflows in the amount of EUR 3,543 thousand (previous year: EUR 644 thousand) and tax payments in the amount of EUR 297 thousand (previous year: EUR 0 thousand).

The cash flow from investing activities includes payments for purchases 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 financial year 2016 the company received EUR 60 million inflows concerning 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 and derivatives.

16 Related party disclosures

Related parties of Haniel Finance B.V. are affiliated companies of the Haniel group and key management personnel, which includes the Management Board, the senior management 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 key management personnel. The management board has been compensated exclusively with short-term benefits in the amount of EUR 72 thousand (previous year: EUR 72 thousand).

17 Events after the reporting date

No reportable events took place after the reporting date.

Venlo, 6 March 2017

The Management Board

Jürgen Barten Ulrich Dickel Dr. Axel Gros

Other information

Profit appropriation

Pursuant to Article 23 of the Company's articles of association the profit is at the disposal of the general meeting. Pursuant to a resolution passed by the general meeting, the profit for the financial year 2015 amounting to EUR 1,328 thousand has been transferred to retained earnings.

The management board proposes to add the profit for the financial year 2016 amounting to EUR 1,278 thousand to retained earnings. The financial statements reflect this proposal.

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