

Haniel Finance Deutschland GmbH
Annual Financial Statements
2016

Haniel Finance Deutschland GmbH

Statement of financial position

ASSETS			
EUR million	Note	31 Dec. 2016	31 Dec. 2015
Fixed assets			
Financial assets	1		
Loans to affiliated companies		8.9	8.9
Investments in associated companies		2,345.8	2,346.8
Other investments		8.7	0.0
Long-term securities		420.0	637.9
Other loans		38.7	25.3
		2,822.1	3,018.9
Current assets			
Accounts receivable and other assets			
Receivables from affiliated companies	2	90.9	94.3
Other assets	3	19.1	19.4
Securities	4	445.0	231.1
Cash in hand, bank balances		201.0	280.3
		756.0	625.1
Prepaid expenses	5	21.2	27.5
		3,599.3	3,671.5

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2016	31 Dec. 2015
Equity	6	835.4	835.4
Provisions			
Provisions	7	4.6	5.3
Liabilities	8		
Bonds		500.0	500.0
Liabilities due to banks		0.7	0.0
Trade payables		0.1	0.1
Liabilities to affiliated companies		8.7	0.3
Liabilities to shareholders		2,203.4	2,285.2
Other liabilities		46.4	45.2
		2,759.3	2,830.8
		3,599.3	3,671.5

Haniel Finance Deutschland GmbH

Income statement

FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

EUR million	Note	2016	2015
Revenue	10	0.1	0.0
Other operating income	11	0.1	474.8
Other operating expenses	12	0.4	39.4
		-0.2	435.4
Net investment result	13	81.3	87.5
Other net financial income	14	-2.0	-4.3
Result before income taxes		79.1	518.6
Income taxes		-0.5	0.0
Result / Net income for the financial year after income taxes		79.6	518.6
Profit and loss transferred pursuant to a profit and loss transfer agreement		-79.6	-518.6
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 2016 TO 31 DECEMBER 2016

EUR million	2016	2015
Result / Net income for the financial year after income taxes	79.6	518.6
Depreciation / amortisation (+)/write-ups (-) of fixed assets	14.5	13.6
Increase (+)/decrease (-) in provisions	0.6	-0.8
Other non-cash income (-) and expenses (+)	4.1	-470.0
Reclassification of income (-) / expenses (+) from the disposal of fixed assets	-0.1	35.1
Increase (-)/decrease (+) in other receivables and other current assets	0.5	-12.7
Increase (+)/decrease (-) in other current liabilities	-0.1	0.0
Cash inflow (+)/outflow (-) from operating activities	99.1	83.8
Increase (-)/decrease (+) in receivables from and liabilities to affiliated companies and investments	54.0	-755.5
Inflows (+) from the disposal of long-term financial assets and from the investment of cash funds for short-term cash management	486.1	1,436.7
Outflows (-) from additions to long-term financial assets and for the investment of cash funds for short-term cash management	-517.1	-1,294.7
Cash inflow (+)/outflow (-) from investing activities	23.0	-613.5
Profit/loss transfer to parent company	-79.6	-518.6
Increase (+)/decrease (-) in equity	0.0	-1,550.0
Increase (-)/decrease (+) in receivables from and liabilities to shareholders	-122.5	2,334.4
Cash proceeds (+) from the issuance of financial liabilities	0.7	513.8
Cash repayments (-) of financial liabilities	0.0	0.0
Cash inflow (+)/outflow (-) from financing activities	-201.4	779.6
Change in cash and cash equivalents	-79.3	249.9
Increase in cash and cash equivalents from merger	0.0	13.7
Cash and cash equivalents at beginning of the period	280.3	16.7
Cash and cash equivalents at the end of the period	201.0	280.3

The cash flow from operating activities includes interest income in the amount of EUR 28.4 million (previous year: EUR 6.3 million), interest payments of EUR 5.0 million (previous year: EUR 3.1 million) and tax payments of EUR 0.1 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 § 267 (1) HGB.

The provisions of the German Commercial Code (Handelsgesetzbuch, HGB) which were amended pursuant to the German Accounting Directive Implementation Act (Bilanzrichtlinien-Umsetzungsgesetz, BilRUG) were applicable for the first time during the year under review. This resulted in the Company reporting revenue from services for the first time. Correspondingly, other operating expenses were reclassified as cost of materials, and other receivables were reclassified as trade receivables. The format of the income statement was also changed to reflect the new legal requirements.

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. Investments in associated companies consist exclusively of investments in relation to the Metro investment. 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.

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 the net financial result.

Liabilities are recognised at their settlement amounts. Discounts on the issue amount of liabilities are capitalised and amortised over the term of the liabilities.

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: 33.7%; previous year: 30.7%).

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. 2016	Additions	Disposals	Currency adjustment	31 Dec. 2016
Loans to affiliated companies	8.9				8.9
Investments in associated companies	3,002.7		-1.0		3,001.7
Other investments	0.0	11.1	-0.5		10.6
Long-term securities	651.9	89.3	-309.7	0.2	431.7
Other loans	25.3	13.4			38.7
	3,688.8	113.8	-311.2	0.2	3,491.6

The decline in investments in associated companies was attributable to the disposal of one investment in relation to the Metro investment.

Other investments consists exclusively of the Company's investments in venture capital funds.

The changes in long-term securities resulted from the acquisition and scheduled maturity of interest-bearing bonds. The impairment losses recognised in respect of this item were related to the acquisition of these securities at a premium.

The other loans item concerns promissory note loans and insurance policies.

Accumulated depreciation			Carrying amount		
1 Jan. 2016	Impairment loss	Disposals	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015
0.0				8.9	8.9
-655.9			-655.9	2,345.8	2,346.8
0.0	-2.0	0.1	-1.9	8.7	0.0
-14.1	-12.5	14.9	-11.7	420.0	637.9
0.0				38.7	25.3
-670.0	-14.5	15.0	-669.5	2,822.1	3,018.9

2 Receivables from affiliated companies

The receivables from affiliated companies include receivables for the internal financing of Group companies.

3 Other assets

Other assets include interest receivables in the amount of EUR 9.8 million (previous year: EUR 13.5 million) and receivables from taxes of EUR 6.8 million (previous year: EUR 4.1 million).

4 Securities

The securities are 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 Metro AG due 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. 2016	31 Dec. 2015
Provisions for taxes	1.4	3.4
Other provisions	3.2	1.9
	4.6	5.3

The increase in other provisions resulted primarily from the recognition of 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 2016 are presented in the following table:

EUR million	31 Dec. 2016				31 Dec. 2015			
	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	0.7	0.7			0.0			
Trade payables	0.1	0.1			0.1	0.1		
Liabilities to affiliated companies	8.7	8.7			0.3	0.3		
Liabilities to shareholders	2,203.4	2,203.4			2,285.2	2,285.2		
Other liabilities	46.4	46.4			45.2	45.2		
	2,759.3	2,759.3	0.0		2,830.8	2,830.8	0.0	

In financial year 2015, the Company issued an exchangeable bond linked to ordinary shares in Metro AG with a nominal volume of EUR 500.0 million and a 5-year term. 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 affiliated companies include liabilities from the current internal financing of Group companies.

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.

In accordance with BilRUG, income pursuant to § 277 (1) HGB is reported as revenue for the first time beginning in financial year 2016. In the previous year, this income amounting to EUR 0.1 million was reported under other operating income.

11 Other operating income

In the previous year, other operating income included EUR 474.1 million in income resulting from the merger of subsidiaries with the Company; that income was reported in the previous year as extraordinary income and has been reclassified as other operating income in accordance with the new legal requirements. In addition, this item also includes EUR 0.5 million in refunds of other operating taxes from previous years.

Furthermore, the prior-year amount also included EUR 0.1 million in income in relation to various services rendered to Group companies, which is reported as revenue beginning in financial year 2016 in accordance with BilRUG.

12 Other operating expenses

Other operating expenses includes EUR 0.4 million (previous year: EUR 39.4 million) in expenses such as custodial, accounting and audit fees. In addition, a loss of EUR 35.1 million was incurred in the previous year on the disposal of ordinary shares in Metro AG and EUR 3.8 million in transaction costs was incurred in connection with the issue of the exchangeable bond linked to ordinary shares of Metro AG.

13 Net investment result

EUR million	2016	2015
Income from investments	81.3	87.5
	81.3	87.5

The investment result is attributable solely to the Metro investment.

14 Other net financial income

EUR million	2016	2015
Income from other securities and long-term loans	23.1	16.5
of which from affiliated companies	(0.2)	(0.1)
Other interest and similar income	7.8	0.5
of which from affiliated companies	(0.8)	(0.4)
Write-ups and -downs of financial assets and securities classified as current assets	-14.7	-13.9
Interest and similar expenses	-18.2	-7.4
of which to affiliated companies	(-3.3)	(-2.9)
	-2.0	-4.3

Of the income from securities, EUR 22.6 million (previous year: EUR 15.7 million) is attributable to financial fixed assets. Write-

downs and reversals of write-downs on long-term financial assets and marketable securities amounting to EUR 14.5 million (previous year: EUR 13.6 million) were recognised for fixed assets.

Other net financial income includes a results from currency translation totalling EUR -1.6 million (previous year: EUR -0.3 million), which consists of income of EUR 6.8 million (previous year: EUR 0.1 million) and expenses of EUR 8.4 million (previous year: EUR 0.4 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. The underlying transactions and the (micro) hedges are combined into a valuation unit, if volume and maturity of the instruments match. If the cash flows net to zero, the derivative financial instruments are not recognised separately, but are aggregated using the net hedge presentation method.

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

Euro million	Notional value		Fair value		Book value	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Foreign exchange instruments						
Derivatives with affiliated companies	60.3	19.6	-1.3	0.1	-1.4	-0.1

At the reporting date, a EUR 1.4 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. If the hedges become ineffective, the dollar offset method is normally used to determine the ineffectiveness by comparing the fair values of the hedged item and the hedging instrument.

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. 2016	31 Dec. 2015
Foreign exchange instruments					
Derivatives with affiliated companies	60.3			60.3	19.6

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	2016	
	%	EUR million	EUR million	EUR million	
METRO AG, Düsseldorf (German Commercial Code (HGB) financial statements as at 30 Sept. 2016)	24.79	6,122	1,518	12	

17 Events after the reporting date

On 6 February 2017, the shareholders of METRO AG approved the demerger of Metro AG into two independent, listed companies.

18 Further disclosures

Managing directors

The managing directors of the Company are:

Ulrich Dickel, Moers

Dr Axel Gros, Marl

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, 6 March 2017

The Management

Ulrich Dickel

Dr Axel Gros

Uta Stein



haniel.de/en