

Haniel Finance B.V. Venlo
Annual Financial Report
2018

Annual Financial Report 2018

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Management Board's report

The Management Board of Haniel Finance B.V., Hakkesstraat 23 A, Venlo, the Netherlands (hereinafter also referred to as 'the Company' or 'Haniel Finance B.V.')

 presents the Management Board's report and the Company's financial statements for the year ended 31 December 2018. Haniel Finance B.V. is a subsidiary of Franz Haniel & Cie. GmbH, Duisburg, Germany. On 31 December 2018, the employee headcount was 3, as in the previous year.

The Company's main activity is generally the financing of companies belonging to the Haniel Group – predominantly those domiciled outside Germany – by such instruments as granting loans and entering into derivative transactions for and with Haniel Group companies. The volume and terms of these instruments depends on the counterparties' requirements.

According to the Haniel Group financing policy, exchange rate risks are generally hedged using forward currency contracts. However, a portfolio approach is – if appropriate – possible. This approach can result in minor unhedged positions.

Highlights of the financial year ended 31 December 2018

The process of transferring financial functions to a German financing entity, Haniel Finance Deutschland GmbH, which had been initiated in 2017, was continued and completed in 2018. In this context the Company repaid all group-internal and external financial liabilities. Thus, on the balance sheet date, the Company is financial debt-free and is financed almost completely by equity provided by the parent company.

Furthermore, the office rental agreement for the office in Venlo was terminated in the financial year 2018. The termination will be effective on 01 December 2019 and the company will move its place of residence to Nijmegen, the Netherlands.

Earnings position

The profit after tax for 2018 amounts to EUR 559 thousand compared to a loss of EUR 10 thousand in the previous year. The increase in 2018 is due to an improved result from currency transaction against the backdrop of lower volumes and changed exchange rates as well as from profits from the reversal of loss allowance.

Financial position

The Company's balance sheet total decreased by EUR 127,605 thousand to EUR 55,577 thousand. This decrease is attributable to the total repayment of financial liabilities. The financial resources used for the redemption of the financial liabilities were provided by a Haniel Group company. Consequently, the receivables from affiliated companies went down as well. The Company is now financed – almost entirely – by equity. Consequently, against the backdrop of virtually stable equity, the equity ratio raised significantly from 30.2 percent last year to 99.8 percent.

Should refinancing needs occur, Haniel Finance B.V. can use the existing balance on the internal current account with Haniel Finance Deutschland GmbH.

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 financial year 2019

Throughout 2019, Haniel Finance B.V. might continue to operate certain Group Treasury Services for the Haniel Group companies, depending on demand. 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, the development of market interest rates and exchange rates. The volume and intensity of these services are expected to be on lower levels with regard to the decision of the shareholder to transfer financial functions to a German financing entity. However, for the financial year 2019, the result is expected to be positive.

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

Venlo, 11 March 2019

Uta Stein

Christian Wirtz

Haniel Finance B.V., Venlo

Statement of financial position

ASSETS			
EUR thousand	Note	31 Dec. 2018	31 Dec. 2017
Property, plant and equipment	1	5	5
Deferred taxes	14	32	0
Non-current assets		37	5
Receivables from affiliated companies	2	55,420	181,764
Other current assets	3	51	1,335
Income tax assets	14	69	0
Cash and cash equivalents	4	0	77
Current assets		55,540	183,176
Total assets		55,577	183,181

EQUITY AND LIABILITIES

EUR thousand	Note	31 Dec. 2018	31 Dec. 2017
Equity	5	55,464	55,304
Financial liabilities due to shareholder	6	0	60,000
Non-current liabilities		0	60,000
Financial liabilities	6	0	66,689
Current provisions	7	104	0
Income tax liabilities	14	0	376
Other current liabilities	8	9	812
Current liabilities		113	67,877
Total equity and liabilities		55,577	183,181

Haniel Finance B.V., Venlo

Statement of comprehensive income

EUR thousand	Note	2018	2017
Interest and similar income		4,675	4,939
Interest and similar expenses		3,614	3,416
Miscellaneous financial result		-42	-1,010
Financial result	10	1,019	513
Other operating income	11	23	41
Personnel expenses	12	72	72
Depreciation and amortisation		0	1
Other operating expenses	13	149	198
Profit before taxes		821	283
Income tax expenses	14	262	293
Profit / loss after taxes		559	-10
Other comprehensive income		0	0
Comprehensive income		559	-10
of which attributable to non-controlling interests		0	0
of which attributable to shareholder Franz Haniel & Cie. GmbH		559	-10

Haniel Finance B.V., Venlo

Statement of changes in equity

CHANGES IN 2018

EUR thousand	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Equity
As at 1 Jan. 2018 before adjustments	25,000	0	0	30,304	55,304
Changes in accounting policies				-399	-399
As at 1 Jan. 2018	25,000	0	0	29,905	54,905
Dividends				0	0
Comprehensive income				559	559
of which profit after taxes				559	559
of which other comprehensive income					0
As at 31 Dec. 2018	25,000	0	0	30,464	55,464

CHANGES IN 2017

EUR thousand	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Equity
As at 1 Jan. 2017	25,000	0	0	30,314	55,314
Dividends				0	0
Comprehensive income				-10	-10
of which profit after taxes				-10	-10
of which other comprehensive income					0
As at 31 Dec. 2017	25,000	0	0	30,304	55,304

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	2018	2017
Profit / loss after taxes		559	-10
Depreciation and amortisation, impairment losses and reversals on non-current assets		0	1
Change in provisions		104	0
Income/expenses from changes in deferred taxes		-32	0
Non-cash income/expenses		-680	440
Change in receivables and similar assets	3	466	9
Change in other current non-interest-bearing liabilities, provisions and similar liabilities	8	-431	-259
Cash flows from operating activities		-14	181
Change in receivables / liabilities from affiliated companies	2/6	66,334	-69,968
Proceeds from the disposal of financial assets		0	0
Cash flows from investing activities		66,334	-69,968
Proceeds from issuance of financial liabilities		0	65,703
Payments / repayments of financial liabilities		-66,397	0
Cash flows from financing activities		-66,397	65,703
Cash and cash equivalents at the beginning of the period		77	4,161
Increase/decrease in cash and cash equivalents		-77	-4,084
Cash and cash equivalents at the end of the period		0	77

For further explanatory comments concerning the statement of cash flows, see note 16 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 that the Company will continue to operate as a going concern.

Accounting principles

The financial statements of Haniel Finance B.V., Haakesstraat 23A, Venlo, the Netherlands, for the year ended 31 December 2018 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 11 March 2019.

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 2018:

IFRS 9 (2014): „Financial Instruments“	2018
IFRS 15 (2014): „Revenue from Contracts with Customers“	2018
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
Clarifications to IFRS 15 (2016): „Revenue from Contracts with Customers“	2018
Annual Improvements to IFRS Standards 2014–2016 Cycle (2016)	2018
Amendments to IAS 40 (2016): „Transfers of Investment Property“	2018
IFRIC 22 (2016): „Foreign Currency Transactions and Advance Consideration“	2018

First time adoption of IFRS 9 “Financial Instruments”

Compared to the previously applicable IAS 39, IFRS 9 contains new guidelines on the classification and measurement of financial assets. In addition, IFRS 9 changes the requirements on the application of hedge accounting and introduces new disclosure requirements in the notes to the financial statements. IFRS 9 was introduced by the company retrospectively, without adjustment to prior year comparative figures.

The following presents the material effects on the Company from the first-time application of IFRS 9:

Classification and measurement

The first-time application of IFRS 9 resulted in a change in the classification and subsequent measurement of financial assets. The assets reported by the Company as at 31 December 2017 were reclassified on the basis of a review of the business model within which the financial assets are held and their contractual cash flow characteristics:

Financial assets with a carrying amount of EUR 182 million, which had been classified as loans and receivables under IAS 39, are classified under IFRS 9 as debt instruments measured at amortised cost. This did not result in any adjustments to the measured amounts.

Impairment

Moreover, IFRS 9 introduces the expected credit losses model as the new impairment model for financial assets. In principle, the credit losses expected to occur are taken into account when the financial asset is recognised for the first time, resulting in an earlier recognition of impairment. The following financial assets in the Company's statement of financial position are generally affected by this new model:

- Debt instruments measured at amortised cost.

To determine the expected credit loss for debt instruments measured at amortised cost, each financial instrument is assigned a ratingsbased likelihood of default and a default ratio which is customary for the relevant market.

Compared with 31 December 2017, the Company recognised on 01 January 2018 an expected credit loss on debt instruments measured at amortised cost and on unutilised lines of credit totalling to EUR 0.6 million. Taking deferred taxes in the amount of EUR 0.2 million into account, the Company's equity decreases by EUR 0.4 million.

The first-time application of all other standards does not have any impact on the presentation of 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 Haniel Finance B.V. until financial year 2019 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:

Endorsed by the Commission of the European Union	
IFRS 16 (2015): „Leases“	2019
Amendments to IFRS 9 (2017): „Prepayment Features with Negative Compensation“	2019
IFRIC 23 (2017): „Uncertainty over Income Tax Treatments“	2019
Not yet endorsed by the Commission of the European Union	
IFRS 14 (2014): „Regulatory Deferral Accounts“	-
IFRS 17 (2017): „Insurance Contracts“	2021
Amendments to IFRS 10 and IAS 28 (2014): „Sale or Contribution of Assets between an Investor and its Associate or Joint Venture“	-
Amendments to IAS 28 (2017): „Long-term Interests in Associates and Joint Ventures“	2019
Annual Improvements to IFRS Standards 2015–2017 Cycle (2017)	2019
Amendments to IAS 19 (2018): „Plan Amendment, Curtailment or Settlement“	2019

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.

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 Company's 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 useful lives of 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. Appropriate expected credit losses are recognised.

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 minimise 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 position. 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 statements are 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 statements were 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. 2018	31 Dec. 2017
Cost		
As at 1 Jan.	15	15
Additions	0	0
Disposals	0	0
As at 31 Dec.	15	15
Accumulated depreciation		
As at 1 Jan.	-10	-9
Depreciation	0	-1
Disposals	0	0
As at 31 Dec.	-10	-10
Net book value as at 31 Dec.	5	5

2 Receivables from affiliated companies

Receivables from affiliated companies consist of a current account receivable from the shareholder, which is carried on an account of a German financing entity. The change in the financial year is related to the procurement of financial resources by the shareholder in order to redeem internal and external financial debt.

In the previous year, loans to other Haniel Group companies were included as well.

Receivables from affiliated companies are backed by the respective business unit's 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 variable interest income for the Company. Interest rates are based on market interest rates.

On the reporting date, the Company's receivables from affiliated companies were denominated in euros.

3 Other current assets

EUR thousand	31 Dec. 2018	31 Dec. 2017
Derivative financial assets	0	749
Other current assets	51	586
	51	1,335

Derivative financial instruments served to hedge exchange rate risks. During the current financial year all derivative transactions were transferred to a German financing entity. Derivative financial instruments are described in detail under note 15.

The Other current assets item includes value added tax receivables and other tax assets. In the previous year, a receivable from a former Haniel Group company, which was demerged during that year, was included.

4 Cash and cash equivalents

Last year's cash and cash equivalents comprised short-term deposits with a maturity of up to three months.

5 Equity

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

The changes in accounting policies are solely attributable to the recognition of expected credit losses on debt instruments measured at amortised costs, on unutilized lines of credit and offsetting deferred tax assets in the course of the mandatory first-time adoption of IFRS 9 "Financial Instruments" effective on 1 January 2018.

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:

EUR thousand	31 Dec. 2018				31 Dec. 2017			
	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	0	0	0	0	66,055	0	0	66,055
Financial liabilities to third parties	0	0	0	0	66,055	0	0	66,055
Liabilities to affiliated companies	0	0	0	0	634	60,000	0	60,634
Financial liabilities	0	0	0	0	66,689	60,000	0	126,689
of which subordinated	0	0	0	0	0	60,000	0	60,000

Throughout the financial year the Company, repaid all internal and external financial debt items. Thus, the Company is debt-free on the balance sheet date.

Last year, no pledges as collateral have been made for own liabilities.

7 Current provisions

The item Current provisions contains solely provisions against the backdrop of recognized expected credit losses on unutilised lines of credit.

8 Other current liabilities

EUR thousand	31 Dec. 2018	31 Dec. 2017
Accrued expenses	7	55
Derivative financial instruments	0	750
Miscellaneous current liabilities	2	7
	9	812

The Accrued expenses include periodic expenses for auditing. In the previous year accrued interest was included as well.

Derivative financial instruments served to hedge exchange rate risks. During the financial year all derivative transactions were transferred to a German financing entity.

9 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 14 thousand in the following year. The office rental agreement was terminated in the financial year. The termination will be effective from 01 December 2019 onwards.

Notes to the statement of comprehensive income

10 Financial result

EUR thousand	2018	2017
Interest and similar income	4,675	4,939
of which affiliated companies	4,675	4,938
Interest and similar expenses	3,614	3,416
of which affiliated companies	2,104	3,309
Miscellaneous financial result	-42	-1,010
Financial result	1,019	513

Fair value changes of derivatives of external and internal group derivatives are included under the miscellaneous financial result. The fair value change of external derivatives amounted to a loss of EUR 456 thousand in 2018 (previous year: gain of EUR 1,946 thousand) and the fair value change of internal Group derivatives amounted to a gain of EUR 456 thousand (previous year: loss of EUR 1,942 thousand). Reversals of expected credit losses in the amount of EUR 472 thousands are included in the item Miscellaneous financial result.

11 Other operating income

The other operating income of EUR 23 thousand (previous year: EUR 41 thousand) mainly relates to income from service fees for affiliated companies.

12 Personnel expenses

The Company had three employees on its payroll in the financial year (as in the previous year). The remuneration relates to short-term employee benefits and amounts to EUR 72 thousand (previous year: EUR 72 thousand).

13 Other operating expenses

Other operating expenses of EUR 149 thousand (previous year: EUR 198 thousand) include expenses for rental, accounting, audit and other consulting services.

14 Income tax expenses

EUR thousand	2018	2017
Current taxes	117	293
Deferred taxes	145	0
	262	293

At the reporting date the differences between the tax values of assets and liabilities and the corresponding values in accordance to IFRS are solely attributable to expected credit losses on unutilised lines of credit, that had been recognised mandatorily in the course of the first-time adoption of IFRS 9 "Financial Instruments" on 01 January 2018 and developed afterwards. Thus, deferred tax assets were recognised on these differences.

In the previous year there were no differences in the valuation between tax values and IFRS-Values and, consequently, no deferred taxes.

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

EUR thousand	2018	2017
Profit before taxes	821	283
Expected effective income tax rate	25.0%	25.0%
Expected tax expense	205	71
Aperiodic tax effects	69	232
Other tax effects	-12	-10
Reported tax expense	262	293

Aperiodic tax effects contain tax expenses or income attributable to previous or future financial years.

Income tax assets contain a tax-prepayment for the current financial year. The income tax liability of the previous year was paid in the current financial year.

Other notes to the financial statements

15 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. No derivatives are concluded for speculative purposes.

In this setup the general purpose of Haniel Finance B.V. is offering suitable instruments to the Haniel business units to hedge and to deal with these particular risks in order to fulfil the Haniel financial risk management strategy.

Haniel Finance B.V. could face counterparty 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 classified as low. No concentrations of default risks arising from business relations with individual debtors or groups of debtors have 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, wherever sensible.

In the exchange rate area, derivative financial instruments can be used to manage exchange rate risks. Forward exchange contracts, predominantly with short-term horizons, are concluded to hedge the foreign exchange risk. In this context micro-hedging- and portfolio-hedging-strategies are possible approaches. Within the portfolio-hedging minor unhedged positions are possible.

Derivative transactions as at 31 December 2018

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

EUR million	Nominal volumes		Fair value	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec 2017
Assets				
Currency instruments	0.0	49.7	0.0	0.7
Internal group derivatives	0.0	7.4	0.0	0.1
External derivatives	0.0	42.3	0.0	0.6
Liabilities				
Currency instruments	0.0	49.7	0.0	-0.7
Internal group derivatives	0.0	42.3	0.0	-0.6
External derivatives	0.0	7.4	0.0	-0.1

No collateral has been received or pledged. On the balance sheet date, the Company has not entered into derivative transactions. In the previous year, the maturity of the foreign exchange instruments was under one year.

Hedge accounting has not been applied both years.

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 or refinancing contracts in the same volume and currency.

Consequently, exchange rate fluctuations have a low impact on the financial position of the Company.

An exchange rate sensitivity analysis illustrates the theoretical effects on profit before taxes, other comprehensive income and equity of changes in the exchange rates of the currencies that are significant for 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. Changes over time, actual observed changes in other market parameters and tax effects are disregarded.

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 0.6 million (EUR -0.6 million), thus last year's hypothetical effects on profit before taxes amounted to EUR 0.6 million (EUR -0.6 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's holding. The counterparty risk of the Haniel business units is monitored closely on a regular basis.

As at 31 December 2018 the only receivables are from a German financing entity which are economically receivables from the shareholder Franz Haniel & Cie. GmbH and, therefore, bear the default risk of that company. Thus, the default risk is acknowledged as low.

16 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 flows from operating, investing and financing activities. The cash and cash equivalents reported at the reporting date are the total of cash on hand, and 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 4,967 thousand (previous year: EUR 5,116 thousand), interest outflows in the amount of EUR 4,756 thousand (previous year: EUR

4,114 thousand) and tax payments in the amount of EUR 562 thousand (previous year: EUR 608 thousand).

The cash flow from investing activities includes payments for purchases and 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.

The cash flow from financing activities comprises payments in connection with shareholder transactions as well as the cash changes in financial liabilities to third parties and derivatives. The 2017 inflows from the issuance of financial liabilities relate to the external refinancing of internally granted loans. In 2018 these financial liabilities were repaid completely.

The following table represents the reconciliation of financial liabilities to third parties taking into account the cash and non-cash changes:

2018		Non-cash changes			
EUR thousand	31 Dec. 2017	Cash changes	Foreign exchange rate adjustments	Other changes	31 Dec. 2018
Financial liabilities to third parties	66,055	-66,397	342	0	0

2017		Non-cash changes			
EUR thousand	31 Dec. 2016	Cash changes	Foreign exchange rate adjustments	Other changes	31 Dec. 2017
Financial liabilities to third parties	39	65,703	313	0	66,055

17 Related party disclosures

Related parties of Haniel Finance B.V. are affiliated companies of the Haniel Group, the Management Board 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 has not entered into reportable transactions with the Management Board.

18 Events after the reporting date

No reportable events took place after the reporting date.

Venlo, 11 March 2019

The Management Board

Uta Stein

Christian Wirtz

Other information

Profit appropriation

Pursuant to Article 23 of the Company's Articles of Association, the profit is at the disposal of the Annual General Meeting. Pursuant to a resolution passed by the Annual General Meeting, the profit for the financial year 2017 amounting to EUR - 10 thousand has been transferred to retained earnings.

The Management Board proposes to add the profit for the financial year 2018 amounting to EUR 559 thousand to retained earnings.

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