Haniel Finance B.V.
Venlo

Annual Financial Report 2013

13 March 2014

Contents

Management board's report

The management board of Haniel Finance B.V., Venlo, Nederland (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 2013.

Franz Haniel & Cie. GmbH, Duisburg is the parent company of Haniel Finance B.V. The Company's main activity is the financing of companies belonging to the Haniel Group.

Highlights of the year period ended 31 December 2013

In 2012 it has been decided to reduce the position in Metro AG. The disposal of 13,7 million shares in Metro AG to the capital market was realized in February 2013. Additionally the company sold 2,7 million shares of Metro AG to a company belonging to the Haniel Group.

Financial position

The Company's balance sheet total decreased by EUR 100.517 thousand to EUR 740.868 thousand. This decrease is attributable to a large part to the disposal of the Metro shares EUR 344.379 thousand stated above and the increase of receivables by EUR 248.304 thousand on the other hand. The decrease of liabilities is mainly caused by the settlement of a liability amounting to EUR 102.270 thousand resulting from a short-term security lending transaction.

Earnings position

Due to the disposal of Metro shares the Company realized a profit on disposal of EUR 4.663 thousand (see note 11) and on the other hand the earnings related to the dividends from Metro declined to EUR 1 thousand in 2013 (EUR 22.140 thousand in 2012). Net financial result increased from EUR 5.818 thousand in 2012 to EUR 23.236 thousand in 2013 mainly relating to the settlement of a short-term security lending transaction.

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 discernible.

Projections for the year 2014

Throughout 2014, Haniel Finance B.V., Hakkesstraat 23 A, Venlo, NL will continue to perform the Group Treasury Services for the Haniel Group companies domiciled outside Germany.

The position in Metro AG has been reduced to 1.000 shares. Therefore equity market volatility will not be a great driver of results in the future anymore. Besides the profit relating to the settlement of a short-term security lending transaction, we expect that net interest margin less expenses will be at the same level as in prior year. No major investments are expected. The number of employees will not change.

Directors' statement

We, members of the management board of the Company, confirm to the best of our knowledge that:

- the financial statements as per 31 December 2013 give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the management board's report gives a true and fair overview of the important events during the period ended 31 December 2013 and its effect on the financial statements 2013, and of the principal risks and uncertainties that the Company faces.

Venlo, 13 March 2014

Management board,

Jürgen Barten | Ulrich Dickel | Dr. Axel Gros

STATEMENT OF FINANCIAL POSITION

Assets

EUR thousand	Note	31.12.2013	31.12.2012	01.01.2012
Property, plant and equipment	1	6	7	8
Financial assets	2	35	56.458	486.346
Deferred taxes	3	1.356	1.960	2.443
Non-current assets		**1.397**	**58.425**	**488.797**
Receivables from group companies and other assets	4	738.756	490.452	422.492
Financial assets	5	299	721	914
Income tax assets		174	175	148
Cash and cash equivalents	6	242	3.670	1.710
Assets held for sale	7	0	287.942	0
Current assets		**739.471**	**782.960**	**425.264**
Total assets		**740.868**	**841.385**	**914.061**

Equity & liabilities

EUR thousand	Note	31.12.2013	31.12.2012	01.01.2012
Equity	**8**	**668.590**	**641.329**	**732.506**
Financial liabilities	9	0	0	30.675
Non-current liabilities		**0**	**0**	**30.675**
Financial liabilities	9	71.959	96.463	139.820
Current provisions		0	0	1
Trade payables and similar liabilities	10	1	175	2
Income tax liabilities		0	0	6.460
Other current liabilities	10	318	103.418	4.597
Current liabilities		**72.278**	**200.056**	**150.880**
Total equity & liabilities		**740.868**	**841.385**	**914.061**

INCOME STATEMENT

EUR thousand	Note	2013	2012
Other operating income	11	4.780	13
Personnel expenses	12	72	72
Other operating expenses	13	359	512
		4.349	**-571**
Depreciation and amortisation		1	1
Operating profit		**4.348**	**-572**
Result from investments	14	15	-95.940
Finance costs	15	3.429	4.437
Other net financial income	15	26.665	10.255
Net financial income		**23.251**	**-90.122**
Profit before taxes		**27.599**	**-90.694**
Income tax expenses	16	338	483
Profit after taxes		**27.261**	**-91.177**

STATEMENT OF CHANGES IN EQUITY

EUR thousand	Subscribed capital	Share premium	Unappropriated retained earnings	**Total**
Balance as at 01.01.2012	**25.000**	**241.372**	**466.134**	**732.506**
Comprehensive income			-91.177	**-91.177**
Balance as at 31.12.2012 / 01.01.2013	**25.000**	**241.372**	**374.957**	**641.329**
Comprehensive income			27.261	**27.261**
Balance as at 31.12.2013	**25.000**	**241.372**	**402.218**	**668.590**

STATEMENTS OF CASH FLOWS

EUR thousand	31.12.2013	31.12.2012
Profit after taxes	27.261	-91.177
Depreciation and amortisation, impairment losses and reversals on non-current assets	-13	118.081
Change in pension provisions and other provisions		-1
Income/expenses from changes in deferred taxes	604	483
Non-cash income and expenses	-375	-5.818
Gains/losses from the disposal of non-current assets	-4.663	
Change in receivables and similar assets	-1	-44.674
Change in other current non-interest-bearing liabilities, provisions and similar liabilities	-583	-1.790
Cash flows from operating activities	**22.230**	**-24.896**
Change in receivables from affiliated companies (current and non-current)	-272.796	
Proceeds from the disposal of financial assets	246.772	
Payments for investment in financial assets		104.442
Cash flows from investing activities	**-26.024**	**104.442**
Repayments of financial liabilities	367	-77.585
Cash flows from financing activities	**367**	**-77.585**
Cash and cash equivalents at the beginning of the period	3.670	1.710
Increase/decrease in cash and cash equivalents	-3.427	1.961
Cash and cash equivalents at the end of the period	**243**	**3.671**

The cash flow includes dividend income in the amount of EUR 1 thousand (previous year: EUR 22.140 thousand), interest income of EUR 8.299 thousand (previous year: EUR 5.638 thousand) and interest paid of EUR 1.700 thousand (previous year: EUR 1.563 thousand). Income tax reimbursement amounted to EUR 266 thousand (previous year: tax payment of EUR 6.460 thousand).

NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL BASIS OF PRESENTATION

ACCOUNTING PRINCIPLES

The financial statement of Haniel Finance B.V., Hakkesstraat 23A, Venlo, the Netherlands for the year ended 31 December 2013 has been prepared for the first time in accordance with the mandatory International Financial Reporting Standards (IFRS) in effect on the reporting date and adopted by the Commission of the European Union, and in accordance with the supplementary requirements applicable under Dutch Commercial Code.

For periods up to and including the year ended 31 December 2012, the company prepared its financial statements in accordance with generally accepted accounting principle in the Netherlands (Dutch GAAP). Accordingly, the company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012. In preparing these financial statements, the company's opening statement of financial position was prepared as per 1 January 2012, the date of transition to IFRS. IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The company has not applied the exemptions.

In accordance with IFRS 1 all standards that are mandatory as of 31 December 2013 were applied in Haniel Finance B.V., Venlo financial report with retrospective effect.

The change in accounting policy has a limited impact on the financial situation, assets, liabilities, financial position, profit or loss and cash flow. The effects of the reconciliation are presented in the disclosures in the notes to the accounting methods differing from Dutch GAAP under number 18.

The reporting 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.

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 2013:

IFRS 13 (2011): „Fair Value Measurement“
IAS 19 revised (2011): „Employee Benefits“
Amendments to IFRS 1 (2010): „Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters“
Amendments to IFRS 1 (2012): „Government Loans“
Amendments to IFRS 7 (2011): „Disclosures – Offsetting Financial Assets and Financial Liabilities“
Amendments to IAS 1 (2011): „Presentation of Items of Other Comprehensive Income“
Amendments to IAS 12 (2010): „Deferred Tax – Recovery of Underlying Assets“
Annual Improvements to IFRSs 2009-2011 Cycle (2012)
IFRIC 20 (2011): „Stripping Costs in the Production Phase of a Surface Mine“

The first-time application of this 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 half-year financial statement. 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 2014 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:

IFRS 9 (2009): „Financial Instruments“
IFRS 10 (2011): „Consolidated Financial Statements“
IFRS 11 (2011): „Joint Arrangements“
IFRS 12 (2011): „Disclosure of Interests in Other Entities“
IFRS 14 (2014): „Regulatory Deferral Accounts“
IAS 27 revised (2011): „Separate Financial Statements“
IAS 28 revised (2011): „Investments in Associates and Joint Ventures“
Amendments to IFRS 9 and IFRS 7 (2011): „Mandatory Effective Date and Transition Disclosures“
Amendments to IFRS 10, IFRS 11 and IFRS 12 (2012): „Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance“
Amendments to IFRS 10, IFRS 12 and IAS 27 (2012): „Investment Entities“
Amendments to IAS 19 (2013): „Defined Benefit Plans – Employee Contributions“
Amendments to IAS 32 (2011): „Offsetting Financial Assets and Financial Liabilities“
Amendments to IAS 36 (2013): „Recoverable Amount Disclosures for Non-Financial Assets“
Amendments to IAS 39 (2013): „Novation of Derivatives and Continuation of Hedge Accounting“
IFRIC 21 (2013): „Levies“
Annual Improvements to IFRSs 2010-2012 Cycle (2013)
Annual Improvements to IFRSs 2011-2013 Cycle (2013)

The option of early application of standards already issued was not exercised.

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 reporting 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. Allocable borrowing costs are recognised in the cost of qualifying assets. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

Trade receivables, receivables from investments 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. Valuation allowances are determined to take into account existing risks.

Tax assets and tax liabilities are measured at the amount expected to be reimbursed from or paid to the tax authorities.

Derivative financial instruments, such as forward contracts, options and swaps, are generally used for hedging purposes to minimize exchange rate, interest rate and other market price risks arising from the operating business and/or from the associated financing requirements.

Regular way sales and purchases of financial instruments are recorded on the settlement date. Under IAS 39, all derivative financial instruments must be recognised at their fair values, irrespective of the purpose or intention for which they were concluded. Changes in the fair values of derivative financial instruments to which hedge accounting applies are reported either in the income statement (fair value hedge) or, in the case of a cash flow hedge, in other comprehensive income, taking deferred taxes into account.

Derivatives used to hedge items in the statement of financial position are referred to as fair value hedges. The gains and losses from the fair value measurement of the derivatives and the underlying hedged items are recognised in profit or loss. Derivatives used to hedge against future cash flow risks from existing or planned transactions are referred to as cash flow hedges. The changes in the fair values of derivative financial instruments attributable to the effective portion of the hedge are initially reported in other comprehensive income. A transfer to the income statement is made at the time the hedged item impacts profit and loss. The changes in the fair values of the derivative financial instruments attributable to the ineffective portion of the hedge are immediately recognised in the income statement. In cases where hedge accounting is not applied, the changes in the fair value of derivative financial instruments are immediately recognised in profit or loss.

Non-current assets and groups of assets are classified as held for sale if their carrying amounts are mainly derived from their potential sale and not from their ongoing use. This condition is deemed to be fulfilled if, among other things, the sale is highly probable, the asset or the group of assets is available for immediate sale and the sale is expected to be completed within one year starting from the time of the classification.

Deferred tax assets and liabilities are recognised for temporary differences between the values in the tax balance sheets of the individual companies and the carrying amounts in the statement of financial position – with the exception of goodwill that is not deductible for tax purposes – as well as for tax loss carryforwards. Deferred tax assets for tax loss carryforwards are recognised only if their realisation is reasonably certain. 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 in the manner prescribed under IAS 12.

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.

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.

Dividends are recognised when a legal right to receive payment is established. Interest income and interest expenses not requiring capitalization pursuant to IAS 23 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 trade receivables and the other receivables reported under financial assets, valuation allowances on doubtful debts rely to a large extent on estimates and assessments made on the basis of the relevant customer's or 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, especially those for litigations, pending losses, restructuring measures, 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. This applies in particular to financial obligations that cannot be measured because their existence, amount and timing of occurrence are uncertain. 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.

B. NOTES TO THE STATEMENT OF FINANCIAL POSITION

(1) PROPERTY, PLANT & EQUIPMENT

EUR thousand	31.12.2013	31.12.2012	01.01.2012
Accumulated costs as at 01.01.	**14**	**14**	**14**
Additions			
Disposals			
Accumulated costs as at 31.12.	**14**	**14**	**14**
Accumulated depreciation as at 01.01.	**-7**	**-6**	**-5**
Depreciation	-1	-1	-1
Disposals			
Accumulated depreciation as at 31.12.	**-8**	**-7**	**-6**
Net book value as at 31.12.	**6**	**7**	**8**

(2) FINANCIAL ASSETS

EUR thousand	31.12.2013	31.12.2012	01.01.2012
Accumulated costs as at 01.01.	**154.427**	**965.882**	**969.606**
Additions		2.212	2.793
Reclassifications		-26.078	-6.517
Transfers IFRS 5		-787.589	
Accumulated costs as at 31.12.	**57**	**154.427**	**965.882**
Accumulated depreciation as at 01.01.	**-97.969**	**-479.536**	**-58.384**
Impairment		-118.080	-421.152
Reversal of impairment	14		
Disposals	97.933		
Transfers IFRS 5		499.647	
Accumulated depreciation as at 31.12.	**-22**	**-97.969**	**-479.536**
Net book value as at 31.12.	**35**	**56.458**	**486.346**

The financial assets as at 31 December 2013 and 31 December 2012 only reflect the investment in Metro AG which has been reduced to 1.000 shares beginning of 2013 (see Management Report page 3). The remaining investment has been valued at the year-end stock market price (31 December 2013 EUR 35,20 and 31 December 2012 EUR 21,00). In 2013 the unrealised gain has been recognised in the profit and loss account (in 2012 an unrealised loss amounting to EUR 118.080 thousand).

(3) DEFERRED TAXES

Deferred taxes are calculated using the respective local tax rates. Changes in tax rates that were enacted up until the reporting date have already been taken into account. The deferred tax assets exist for tax loss carry forward. In assessing the realisation of the tax deferral, management considers the projected future taxable income and the maximum period during which the tax claim should be realised. The income tax rates applied as at 31 December 2013 and 31 December 2012 varied between 20 per cent and 25 per cent.

(4) RECEIVABLES FROM GROUP COMPANIES AND OTHER CURRENT ASSETS

EUR thousand	**31.12.2013**	**31.12.2012**	**01.01.2012**
Receivables from group companies	738.697	463.555	422.404
Receivables from parent company	0	26.841	0
Other current assets	59	56	88
	738.756	**490.452**	**422.492**

Receivables from group companies consist of loans and current accounts, are held to maturity and generate a variable interest income for the company, Interest rates are based on market interest rates.

In December 2008 the Company has issued Subordinated Zero Coupon to Floating Rate Bonds (reference is made to the long-term liabilities). To hedge the expenses resulting from these bonds, Haniel Finance B.V. has granted a subordinated zero coupon loan to its parent company in 2009. The loan has a nominal value of EUR 32.000 thousand. The issue price was EUR 19.061 thousand. The maturity date was 11 December 2013 or earlier in case the issued bonds are previously redeemed. In 2011 a part of the loan (EUR 1.709 thousand) has been repaid. The loan has been repaid in 2013 as the Subordinated Zero Coupon to Floating Rate Bonds have been reedemed on 11 December 2013.

(5) FINANCIAL ASSETS

Financial assets are derivative financial instruments which serve to hedge exchange rate risks.

(6) CASH AND CASH EQUIVALENTS

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

(7) ASSETS HELD FOR SALE

The Managing Board of the Haniel Group resolved an extensive action plan in November 2012 to reduce net financial debt. As part of these actions, the sale of common shares of Metro AG explained was initiated, which was concluded in the Q1 2013 (see Management board's report).

(8) EQUITY

The issued capital totals EUR 25 thousand and is divided into 2,500,000 shares with a par value of EUR 10 each. The share premium is made up of paid-in surplus (regarded as paid-up capital for tax purposes).

(9) CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities comprise the interest-bearing obligations of Haniel Finance B.V. that existed as at the respective reporting dates. The different types and maturities of the current and non-current financial liabilities are shown in the table below:

	31.12.2013			31.12.2012			01.01.2012		
EUR thousand	Up to 1 year	1 to 5 years	Total	Up to 1 year	1 to 5 years	Total	Up to 1 year	1 to 5 years	Total
Bonds, commercial paper and other securitised debt				27.217		**27.217**	50.000	24.538	**74.538**
Liabilities due to banks	3.079		**3.079**	2.713		**2.713**	24.161	6.137	**30.298**
Financial liabilities to third parties	**3.079**		**3.079**	**29.930**		**29.930**	**74.161**	**30.675**	**104.836**
Liabilities to affiliated companies	68.880		**68.880**	66.533		**66.533**	65.659		**65.659**
Financial liabilities	**71.959**		**71.959**	**96.463**		**96.463**	**139.820**	**30.675**	**170.495**
of which subordinated				27.217		**27.217**		24.538	**24.538**

Haniel Finance B.V. and Franz Haniel & Cie. GmbH are jointly and severally liable for repayment of the loans.

In December 2008 the Company has issued Subordinated Zero Coupon to Floating Rate Bonds. The issue price was EUR 19.520 thousand, being 61% of the original principle amount of these bonds (EUR 32.000 thousand). In 2011 a part of the loan (EUR 2.000 thousand nominal) has been repaid at 84% or EUR 1.680 thousand. The bonds have been redeemed on 11 December 2013.

Liabilities to affiliated companies consist of loans and current accounts, are held to maturity and lead to variable interest expenses for the company.

(10) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

EUR thousand	31.12.2013	31.12.2012	01.01.2012
Trade payables	1	175	2
Liabilities for other taxes		4	8
Liabilities for payroll and social security		6	
Accrued expenses	18	418	2.484
Derivative financial instruments	299	720	2.107
Miscellaneous current liabilities	1	102.270	
	319	**103.593**	**4.599**

The accrued expenses include periodic expenses for invoices in transit. Derivative financial instruments serve to hedge exchange rate risks. Miscellaneous current liabilities contain a short-term liability amounting to EUR 102.270 thousand as at 31 December 2012 resulting from a short term security lending transaction with respect to Metro shares, valued at year-end stock market price.

C. NOTES TO THE INCOME STATEMENT

(11) OTHER OPERATING INCOME

The other operating income of EUR 4.780 thousand in 2013 mainly related to the income from the disposal of Metro shares. Additionally it includes income from service fees for affiliated companies.

(12) PERSONNEL EXPENSES

The Company had three employees on its payroll in the financial year (2012 also 3). The remuneration of the directors of the company amounts to EUR 72 thousand (2012: EUR 72 thousand). The supervisory board does not receive a remuneration.

(13) OTHER OPERATING EXPENSES

Other operating expenses of EUR 359 thousand include expenses for rental, accounting, audit and other consulting services.

Fees for the audit of the financial statements 2013 amounted to EUR 15,000 (2012: EUR 21,000), for other audit engagement amounting to EUR 3,000 (2012: EUR 4,000), for non-audit services amounting to EUR 0 (2012: EUR 3,000) and for tax advisory services in the amount of EUR 31,000 (2012: EUR 51,000).

(14) RESULT FROM INVESTMENTS

EUR thousand	**2013**	**2012**
Income from investments	1	22.140
Impairment on investments	14	-118.080
	15	**-95.940**

The result from investments relates solely to the investment in Metro AG.

(15) FINANCE COSTS AND OTHER NET FINANCIAL INCOME

EUR thousand	**2013**	**2012**
Interest and similiar expenses	3.429	4.437
Finance Costs	**3.429**	**4.437**
thereof affiliated companies	613	999
Interest and similiar income	11.093	8.317
Miscellaneous financial income	15.572	1.938
Other net financial income	**26.665**	**10.255**
thereof affiliated companies	11.093	8.317

The miscellaneous financial income in 2013 and 2012 relates to the settlement of a short-term security lending transaction.

(16) INCOME TAXES

EUR thousand	2013	2012
Current taxes	-266	
Deferred taxes	604	483
	338	**483**

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

EUR thousand	2013	2012
Profit before taxes	27.599	-90.694
Expected effective income tax rate	25,0%	25,0%
Expected tax expense	**6.900**	**-22.674**
Tax portion for tax-exempt income		-5.535
Tax portion for tax-exempt expenses		29.545
Non-recognition, write-downs and utilisation of tax loss carryforwards	-526	-408
Prior-period taxes	-972	
Other tax effects	-5.064	-444
Reported tax expense	**338**	**484**

D. OTHER NOTES TO THE FINANCIAL STATEMENTS

(17) 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 Managing 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.

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.

It is predominantly forward exchange business, generally with short-term time horizons not exceeding one year that is concluded to hedge the foreign exchange risk.

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.

The other derivative financial instruments essentially include derivatives (options) split off from structured financial products.

Derivatives transactions as per 31 December 2013

The overall derivative financial instruments position is explained in greater detail below in connection with the hedging strategy pursued by Haniel Finance B.V. (all amounts in millions of euros):

	Nominal volumes		Market values	
EUR million	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Foreign exchange instruments				
External derivatives	27,1	80,6	-0,2	0,5
Internal group derivatives	27,1	79,9	0,2	-0,5

The market values are determined using capital market data on the balance sheet date and suitable valuation methods. If interest rates are needed to determine them, the market interest rates prevailing for the respective residual term of the derivatives are used.

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 both in its operating business and in connection with financial instruments. According to an internal risk assessment, the default risks arising from significant loans reported under non-current financial assets are deemed to be low.

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. The financing requirement is determined according to the financial plans. In order to cover the financing requirement, the Holding Company has unutilised credit facilities. The credit facilities are available for Haniel Finance B.V..

(18) 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, dividends from investments as well as interest paid and received.

The cash flow from investing activities includes payments for purchases and disposals of individual assets as well as the financing of 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.

(19) ACCOUNTING METHODS DIFFERING FROM DUTCH GAAP

	Profit & Loss 2012	**Equity 31.12.2012**	**Equity 01.01.2012**
Dutch GAAP	91.064	641.327	732.391
Derivatives	119	2	121
Deferred taxes	-6		-6
IFRS	**91.177**	**641.329**	**732.506**

Venlo, 13 March 2014

Management board,

Jürgen Barten

Ulrich Dickel

Dr. Axel Gros

Supervisory board,

Peter Knapp

OTHER INFORMATION

INDEPENDENT AUDITOR`s REPORT

Reference is made to the auditor´s report as included hereinafter.

EVENTS AFTER THE REPORTING DATE

No events took place after the reporting date.

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 loss for the financial year 2012 amounting to EUR 91.177 thousand has been transferred to retained earnings.

The management board proposes to add the profit for the financial year 2013 amounting to EUR 27.261 thousand to retained earnings. The financial statements reflect this proposal.