Companies House

Registration number: 01476788

ELG Utica Alloys Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

HAWSONS

Pegasus House, 463a Glossop Road, Sheffield S10 2QD Telephone (0114) 266 7141

ELG Utica Alloys Limited

Contents

Company Information	1
Strategic Report	2
Director's Report	3
Statement of Director's Responsibilities	4
Independent Auditor's Report	5 to 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 to 26

ELG Utica Alloys Limited

Company Information

Directors	Mr A Jones
Registered office	Unit 1 Adwick Park Manvers Rotherham South Yorkshire S63 5AB
Bankers	HSBC Bank plc 35 College Street Rotherham S65 1AF
Auditors	Hawsons Chartered Accountants Statutory Auditors Pegasus House 463a Glossop Road Sheffield South Yorkshire S10 2QD

ELG Utica Alloys Limited

Strategic Report for the Year Ended 31 December 2017

The director presents his strategic report for the year ended 31 December 2017.

Fair review of the business
The performance of the group by activity measured by sales value is set out below:

	2017		2016	
	£	%	£	%
Processing division	1,624,148	3.12	1,776,791	4.59
Speciality Alloys	50,467,458	96.88	36,909,200	95.41
	52,091,606	100	38,685,991	100

The trading environment showed signs of recovery during 2017 with increased activity in key sectors of the super alloy and allied industries, resulting in both increased demand and higher prices for key alloys and metals.

The company successfully secured its first significant scrap / revert management contract with a high-profile Aerospace manufacturer during the first half of 2017. The company was also awarded approved supplier status with other key aerospace manufacturing companies providing the foundation to further expand business levels within the scrap / revert management industry.

The company has traded profitably for the year to 31st December 2017, generating a turnover of £52.1m and a pre-tax profit of £2.25m. Compared to turnover of £38.7m and a pre tax profit of £0.13m for 2016.

The increase in metals prices together with both diversification in business activities and a general increase in demand have assisted with the improved financial performance of 2017.

Principal risks and uncertainties
The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks are considered to be

- Global economic recovery; the business buys and sells material globally, and demand and production of scrap is key to business success;
- Metal price movements; the business holds a large quantity of inventory, and movements in metal prices can effect the margins of the business;
- Currency movements; the business holds a large quantity of inventory, and movements in currencies can effect the margins of the business.

As part of its management control, the Board continuously reviews business risks. Furthermore, an external BSI audit of management systems is performed each year as part of the company's ISO9001 accreditation.

Approved by the Board on 27 April 2018 and signed on its behalf by:

....
Mr A Jones
Director

ELG Utica Alloys Limited

Director's Report for the Year Ended 31 December 2017

The director presents his report and the financial statements for the year ended 31 December 2017.

Directors of the company
The directors who held office during the year were as follows:

Mr R A Hannam - Director (resigned 28 February 2018)

Mr A Jones - Director

Mr D Orlov - Director (resigned 16 October 2017)

Principal activity
The principal activity of the company is sourcing, processing and supply of primary and secondary alloys and metals. The company also provides haulage services.

Disclosure of information to the auditors
The directors of the company who held office at the date of the approval of this Annual Report as set out above confirm that:

• so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and

• they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Hawsons Chartered Accountants as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 27 April 2018 and signed on its behalf by:

....

Mr A Jones
Director

ELG Utica Alloys Limited

Statement of Director's Responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that *they give a true and fair view of the state of affairs of the company and of the profit or loss of the* company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of ELG Utica Alloys Limited

Opinion

We have audited the financial statements of ELG Utica Alloys Limited (the 'company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of ELG Utica Alloys Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the director

As explained more fully in the Statement of Director's Responsibilities set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Independent Auditor's Report to the Members of ELG Utica Alloys Limited (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

....
Christopher Hill (Senior Statutory Auditor)
For and on behalf of Hawsons Chartered Accountants, Statutory Auditor

Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

27 April 2018

ELG Utica Alloys Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	2	52,091,606	38,685,991
Cost of sales		(46,854,594)	(35,557,000)
Gross profit		5,237,012	3,128,991
Distribution costs		(302,739)	(251,741)
Administrative expenses		(2,624,210)	(2,652,010)
Other operating income		114,698	74,280
Operating profit		2,424,761	299,520
Other interest receivable and similar income	7	25,640	52,436
Interest payable and similar charges	8	(192,616)	(220,612)
Profit before tax		2,257,785	131,344
Taxation	9	(469,672)	(294,229)
Profit/(loss) for the financial year		1,788,113	(162,885)
Total comprehensive income for the year		1,788,113	(162,885)

All comprehensive income for the financial year is attributable to equity holders of the parent company.

The above results were derived from continuing operations.

ELG Utica Alloys Limited

(Registration number: 01476788)
Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	5,564,703	6,009,213
Investments	12	379,032	379,032
		5,943,735	6,388,245
Current assets			
Stocks	13	17,098,203	15,258,485
Debtors	14	12,872,963	11,694,458
Cash at bank and in hand		478,239	15,507
		30,449,405	26,968,450
Creditors: Amounts falling due within one year	15	(19,074,884)	(17,831,360)
Net current assets		11,374,521	9,137,090
Total assets less current liabilities		17,318,256	15,525,335
Provisions for liabilities	18	(11,290)	(6,482)
Net assets		17,306,966	15,518,853
Capital and reserves			
Called up share capital	16	25,186	25,186
Share premium reserve		47,468	47,468
Capital redemption reserve		17,333	17,333
Profit and loss account		17,216,979	15,428,866
Total equity		17,306,966	15,518,853

These financial statements were approved and authorised for issue by the director on 27 April 2018

....

Mr A Jones
Director

ELG Utica Alloys Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2017	25,186	47,468	17,333	15,428,866	15,518,853
Profit for the year	-	-	-	1,788,113	1,788,113
Total comprehensive income	-	-	-	1,788,113	1,788,113
At 31 December 2017	25,186	47,468	17,333	17,216,979	17,306,966

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2016	25,186	47,468	17,333	15,591,751	15,681,738
Loss for the year	-	-	-	(162,885)	(162,885)
Total comprehensive income	-	-	-	(162,885)	(162,885)
At 31 December 2016	25,186	47,468	17,333	15,428,866	15,518,853

The notes on pages 12 to 26 form an integral part of these financial statements.

ELG Utica Alloys Limited

Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Profit/(loss) for the year		1,788,113	(162,885)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	587,787	644,553
Profit on disposal of tangible assets		(2,209)	(9,988)
Finance income		(25,640)	(52,436)
Finance costs		192,616	220,612
Income tax expense		469,672	294,229
		3,010,339	934,085
Working capital adjustments			
Increase in stocks		(1,839,718)	(2,420,232)
Increase in trade debtors		(1,178,505)	(1,311,150)
Increase in trade creditors		1,265,845	3,670,364
Cash generated from operations		1,257,961	873,067
Income taxes paid		(464,864)	(14,031)
Net cash flow from operating activities		793,097	859,036
Cash flows from investing activities			
Interest received		25,640	52,436
Acquisitions of tangible assets		(145,338)	(68,462)
Proceeds from sale of tangible assets		4,270	19,968
Net cash flows from investing activities		(115,428)	3,942
Cash flows from financing activities			
Interest paid		(192,616)	(220,612)
Net increase in cash and cash equivalents		485,053	642,366
Cash and cash equivalents at 1 January	17	(780,120)	(1,422,486)
Cash and cash equivalents at 31 December	17	(295,067)	(780,120)

1 Accounting policies

Statutory information
ELG Utica Alloys Limited is a private company, limited by shares, domiciled in England and Wales, company number 01476788. The registered office is at Unit 1 Adwick Park, Manvers, Rotherham, S63 5AB.

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Exemption from preparing group accounts
As a wholly owned subsidiary of a company established under the law of an EEA state (see note 23) the company is exempt under section 400 of the Companies Act 2006 from preparing and delivering to the Registrar of Companies consolidated financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. There has been no material departure from this standard.

Basis of preparation
These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling. The financial statements are those of the company as an individual entity.

Revenue recognition
Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Land and buildings	4% straight line
Motor vehicles	20% - 25% reducing balance
Plant and machinery	25% reducing balance
Fixtures and fittings	25% reducing balance

Investments
Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

1 Accounting policies (continued)

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Going concern
After due consideration of all relevant factors, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Deferred tax

Deferred tax shall be recognised in respect of all timing differences at the reporting date, except as otherwise required by FRS102. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currency
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Hire purchase and leasing
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments are included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

1 Accounting policies (continued)

Pensions
The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Derivative financial instruments and hedging
The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and nickel prices. The company uses foreign exchange forward contracts and forward nickel contracts to hedge these exposures. The company does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivatives are recognised in the income statement as they arise.

2 Revenue

An analysis of turnover by geographical location is given below:

	2017 £	2016 £
Sales - UK	12,066,086	8,683,410
Sales - Europe	22,651,940	16,159,996
Sales - USA	8,145,240	8,525,040
Sales - Rest of world	9,228,340	5,317,545
	52,091,606	38,685,991

During the year 76.84% (2016 - 77.55%) of the company's turnover related to exports.

3 Operating profit/(loss)

Arrived at after charging/(crediting)

	2017 £	2016 £
Foreign currency (gains)/losses	714,136	582,640
Profit on disposal of tangible fixed assets	(2,209)	(9,988)
Depreciation of owned assets	587,787	644,553
Auditor's remuneration	47,940	42,000

4 Auditors' remuneration

	2017 £	2016 £
Audit of the financial statements	32,000	31,500
Other fees to auditors		
Other services	15,940	10,500
	47,940	42,000

5 Particulars of employees

The average number of persons employed by the company (including the director) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Production	59	51
Administration and support	8	11
	67	62

The aggregate payroll costs were as follows:

	2017 £	2016 £
Wages and salaries	2,457,432	2,065,028
Social security costs	249,546	209,619
Pension costs, defined contribution scheme	56,074	56,324
	2,763,052	2,330,971

6 Director's remuneration

The directors' remuneration for the year was as follows:

	2017 £	2016 £
Remuneration (including benefits in kind)	166,260	151,413
Contributions paid to money purchase schemes	10,250	7,000
	176,510	158,413

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid director:

	2017 £	2016 £
Remuneration (including benefits in kind)	147,945	134,393
Company contributions to money purchase pension schemes	10,250	7,000
	158,195	141,393

7 Other interest receivable and similar income

	2017 £	2016 £
Other interest receivable	-	13
Interest receivable from group companies	25,640	52,423
	25,640	52,436

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank borrowings	51,413	20,861
Interest on loans from group undertakings	141,203	199,751
	192,616	220,612

9 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
Current taxation		
Corporation tax charge	464,864	48,531
Deferred taxation		
Origination and reversal of timing differences	4,808	245,698
Total tax on profit on ordinary activities	469,672	294,229

9 Taxation (continued)

Factors affecting current tax charge for the year

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Profit before tax	2,257,785	131,344
Corporation tax at standard rate	434,624	26,269
Capital allowances for the period in excess of depreciation	(393)	58,713
Expenses not deductible for tax	37,273	1,088
Corporation tax losses utilised in year	(1,832)	(37,539)
Deferred tax expense (credit) from unrecognised tax loss or credit	-	245,698
Total tax charge	469,672	294,229

Deferred tax

Deferred tax assets and liabilities

2017	Asset £	Liability £
Unutilised losses	49,692	-
Accelerated capital allowances	-	60,982
	49,692	60,982

2016	Asset £	Liability £
Unutilised losses	61,137	-
Accelerated capital allowances	-	67,619
	61,137	67,619

10 Intangible assets

	Goodwill £
Cost	
At 1 January 2017 and 31 December 2017	361,001
Amortisation	
At 1 January 2017 and 31 December 2017	361,001
Net book value	
At 31 December 2016 and 31 December 2017	-

11 Tangible assets

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2017	5,334,558	3,283,448	241,462	40,490	8,899,958
Additions	-	145,338	-	-	145,338
Disposals	-	(26,013)	-	-	(26,013)
At 31 December 2017	5,334,558	3,402,773	241,462	40,490	9,019,283
Depreciation					
At 1 January 2017	800,647	1,879,960	169,648	40,490	2,890,745
Charge for the year	206,357	356,281	25,149	-	587,787
Eliminated on disposal	-	(23,952)	-	-	(23,952)
At 31 December 2017	1,007,004	2,212,289	194,797	40,490	3,454,580
Carrying amount					
At 31 December 2017	4,327,554	1,190,484	46,665	-	5,564,703
At 31 December 2016	4,533,911	1,403,488	71,814	-	6,009,213

12 Investments in subsidiaries, joint ventures and associates

	2017 £	2016 £
Shares in group undertakings and participating interests	379,032	379,032

Shares in group undertakings and participating interests	Subsidiary undertakings £
Cost	
At 1 January 2017	379,032
Additions	-
Disposals	-
At 31 December 2017	379,032
Net book value	
At 31 December 2017	379,032
At 31 December 2016	379,032

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proprtion of voting rights and shares held	Principal activity
Subsidiary undertakings			
ABS Alloys and Metals SA (Pty) Limited	Ordinary	100%	Alloy Merchants. Registered in South Africa
RS Metals GmbH	Ordinary	100%	Non trading. Registered in Germany.
Marsmetal SAS	Ordinary	100%	Speciality alloys. Registered in France
ELG Utica Alloys Singapore PTE. Ltd	Ordinary	100%	Speciality alloys. Registered in Singapore.

12 Investments in subsidiaries, joint ventures and associates (continued)

The profit for the financial period of ABS Alloys and Metals SA (Pty) Limited was £182,423 and the aggregate amount of capital and reserves at the end of the period was £1,692,960.

The profit for the financial period of RS Metals GmbH was £1,263 and the aggregate amount of capital and reserves at the end of the period was £33,090.

The profit for the financial period of Marsmetal SAS was £93,330 and the aggregate amount of capital and reserves at the end of the period was £1,698,516.

The loss for the financial period of ELG Utica Alloys Singapre PTE. Ltd was £650,924 and the aggregate amount of capital and reserves at the end of the period was -£851,817.

13 Stocks

	2017 £	2016 £
Stocks	17,098,203	15,258,485

14 Debtors

	Note	2017 £	2016 £
Trade debtors		8,065,132	5,191,673
Amounts owed from group undertakings		3,964,350	5,312,295
Derivative financial instruments	22	110,731	41,186
Other debtors		266,080	575,648
Prepayments and accrued income		466,670	573,656
		12,872,963	11,694,458

15 Creditors

	Note	2017 £	2016 £
Due within one year			
Loans and borrowings		773,306	795,627
Trade creditors		3,303,722	2,456,658
Amounts owed to group undertakings		10,671,124	11,690,040
Social security and other taxes		133,217	80,087
Other payables		254,387	68,744
Accrued expenses		3,810,720	2,585,485
Derivative financial instruments	22	128,408	154,719
		19,074,884	17,831,360

16 Share capital

Allotted, called up and fully paid shares

	2017 No.	2017 £	2016 No.	2016 £
Ordinary A shares of £1 each	10,000	10,000	10,000	10,000
Ordinary B shares of £1 each	10,000	10,000	10,000	10,000
Ordinary C shares of £1 each	2,668	2,668	2,668	2,668
Ordinary D shares of £1 each	2,518	2,518	2,518	2,518
	25,186	25,186	25,186	25,186

There are no restrictions on the distribution of dividends and the repayment of capital. Ordinary C and Ordinary D shareholders are not entitled to vote at General meetings.

17 Cash and cash equivalents

	2017 £	2016 £
Cash on hand	6,268	4,193
Cash at bank	(301,335)	(784,313)
	(295,067)	(780,120)

18 Deferred tax and other provisions

	Deferred tax £
At 1 January 2017	(6,482)
Charged to the profit & loss account	(4,808)
At 31 December 2017	(11,290)

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £56,074 (2016 - £56,324).

Contributions totalling £883 (2016 - £1,146) were payable to the scheme at the end of the year and are included in creditors.

20 Commitments

Operating lease commitments
The total of future minimum lease payments is as follows:

	2017 £	2016 £
Not later than one year	122,378	133,658
Later than one year and not later than five years	200,339	178,898
Later than five years	-	5,468
	322,717	318,024

The amount of non-cancellable operating lease payments recognised as an expense during the year was £194,481 (2016 - £187,263).

21 Related party transactions

Key management personnel
The remuneration of the directors, who are the key management personnel of the company, is set out in note 6.

Transactions with other members of the group
The company has taken advantage of the exemption in FRS102 from disclosing transactions with other members of the group.

22 Financial instruments

Categorisation of financial instruments

	Assets £	2017 Liabilities £	Assets £	2016 Liabilities £
Forward foreign exchange contracts	110,731	(128,408)	41,186	(154,719)
	110,731	(128,408)	41,186	(154,719)

Currency derivatives
The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is a party to foreign currency forward contracts in the management of its exchange rate exposures.

23 Control

The company is controlled by ELG Utica Alloys International GmbH. The ultimate controlling party is Franz Haniel & Cie. GmbH. Both are companies incorporated in Germany. Copies of the parent's consolidated financial statements may be obtained from Kremerskamp 16, D-47138 Duisberg, Germany.

24 Financial risk management

The company has exposures to two main areas of risk - foreign exchange currency exposure and customer credit exposure.

Foreign exchange transactional currency exposure
The company is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts.

Customer credit exposure
The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

HANIEL

ANNUAL REPORT 2017

BREAKING NEW **GROUND**

Digital Journey

THESE ACCOUNTS FORM PART OF THE GROUP ACCOUNTS OF COMPANY No. 1476788

SATURDAY

COMPANIES HOUSE

FRANZ HANIEL & CIE. GMBH

FAMILY-EQUITY **SINCE 1756!**

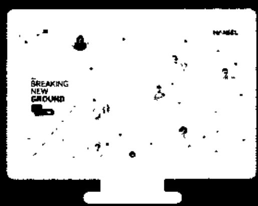
Franz Haniel & Cie. GmbH is a German family-equity company. Our approach combines the best of both worlds: We are building a diversified portfolio with the professionalism of a private equity investor. Yet at the same time, we are a family-owned enterprise that adheres to the values of the "honourable businessman".

Haniel is building a diversified portfolio with the objective of increasing value. As a value developer, we pursue a long-term and sustainable investment strategy. This is possible due to equity provided for an unlimited term by the family shareholders. Haniel strives to achieve this economic goal in harmony with ecological and social goals.

We have been headquartered in Duisburg-Ruhrort since our founding in 1756. Here, new ideas have been conceived, realised and refined for more than 260 years, and will continue to mould the future. Thinking in generations, acting sustainably, shaping the future – these values are what define our objective of being "enkelfähig".

ON THE ROAD TO THE FUTURE

DIGITAL JOURNEY @HANIEL



ONLINE ANNUAL REPORT

MAGAZINE

The Haniel Group is working hard to adapt the digital transformation at all levels. You can read all about the paths we've taken and the milestones we've already achieved in the magazine section of this Annual Report and in our Online Annual Report.

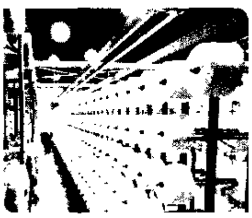
HANIEL GROUP
INDICATORS

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2016	2017	Change 2016/2017	See page
Revenue and profits				
Revenue	3,620	4,138	+14%	28
Operating profit	229	214	-7%	29
Profit before taxes	193	235	+22%	29
Profit after taxes	144	248	+72%	30
Cash flow				
Haniel cash flow	374	487	+30%	32
Cash flow from operating activities	253	462	+83%	33
Capital expenditure	592	1,168	+97%	33
Dividend of Franz Haniel & Cie. GmbH	50	50	+/-0%	33
Statement of financial position				
Total assets	7,066	7,368	+4%	34
Equity	4,248	4,499	+6%	34
Equity ratio (in per cent)	60	61	+1% point	34
Net financial position	575	1,331	>+100%	32
Employees				
Annual average number of employees (headcount)	13,882	18,481	+33%	35

DIVISIONS

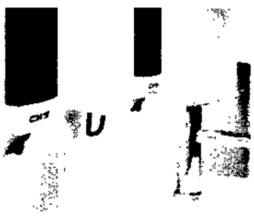
BEKAERTDESLEE



100% EQUITY INTEREST

BekaertDeslee is a globally leading specialist for the development and manufacturing of woven and knitted mattress textiles and ready-made mattress covers.
www.bekaertdeslee.com

CWS-BOCO



82.19% EQUITY INTEREST

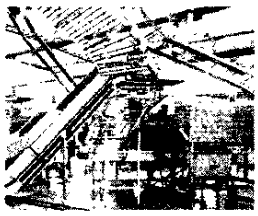
CWS-boco ranks among the leading international full-service providers of individual washroom hygiene and textile solutions.
www.cws-boco.com

ELG

100% EQUITY INTEREST

ELG is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys, titanium and carbon fibres.
www.elg.de

OPTIMAR



100%[1] EQUITY INTEREST

Optimar is a global leader for automated fish handling systems for use on ships, on land and for fish farms.
www.optimar.no

[1] Management plans on an equity investment in 2018

FRANZ HANIEL & CIE. GMBH
PORTFOLIO DEVELOPMENT

- Haniel increases **revenue** and **profit before and after taxes** significantly
- **Portfolio successfully expanded** by acquisition of ROVEMA and Optimar
- Buy-and-build strategy driven forward with joint venture at **CWS-boco**
- Demerger of the **METRO GROUP** increases portfolio diversification
- **Portfolio value** increased to above EUR 5.6 billion
- Financial resources of more than **EUR 800 million** available for additional portfolio development
- **Digital initiative** shows positive results

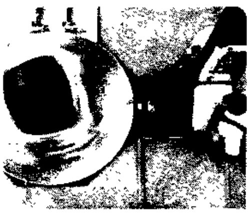
FINANCIAL INVESTMENTS

ROVEMA

100% EQUITY INTEREST

ROVEMA is a global leader in the manufacturing of packaging machines and equipment for a wide variety of products and applications.
www.rovema.com/en

TAKKT



50.25% EQUITY INTEREST

TAKKT bundles a portfolio of B2B direct marketing specialists for business equipment in Europe and North America in a single company.
www.takkt.com

CECONOMY

25.00% EQUITY INTEREST

CECONOMY is Europe's leading platform for companies, concepts and brands in the sector of consumer electronics.
www.ceconomy.de/en

METRO

22.50% EQUITY INTEREST

METRO is one of the leading international companies in the wholesale and food service sector.
www.metroag.de/en

CONTENTS

Letter from the Chairman 03

HANIEL GROUP 06
The Management Board 06
Report of the Supervisory Board 08
The Supervisory Board 09
Corporate Governance 10
Corporate Responsibility 12
Creditor Relations 18

GROUP REPORT OF THE MANAGEMENT BOARD 20
Group structure and business models 22
Report on business situation 28
Haniel Group 28
Holding Franz Haniel & Cie. 37
BekaertDeslee 40
CWS-boco 42
ELG 44
Optimar 46
ROVEMA 47
TAKKT 48
CECONOMY and METRO 50
Report on opportunities and risks 52
Report on expected developments 61

CONSOLIDATED FINANCIAL STATEMENTS 64
Statement of financial position 66
Income statement 68
Statement of comprehensive income 69
Statement of changes in equity 70
Statement of cash flows 71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 72
Segment reporting 72
General basis of presentation 74
Notes to the statement of financial position 88
Notes to the income statement 113
Other notes 116
Independent auditors' report 144

ADDITIONAL INFORMATION 148
Glossary 148
Contact / Publication details 154

STEPHAN GEMKOW
Chairman of the Management Board

LETTER FROM THE CHAIRMAN

“FAMILY-E IS OUR MODEL FOR SUCCESS”

DEAR SIR OR MADAM,
Haniel took a major step forward in the past year. The future line-up of the Company is taking shape step by step with important changes in the portfolio.

Following approval by the antitrust authorities in the middle of the year, we integrated a major portion of Rentokil Initial's Central European business under the umbrella of our CWS-boco division. This joint venture is our largest investment in the past ten years. Towards the end of 2017, we also completed two interesting acquisitions. ROVEMA has belonged to the Haniel portfolio since November. The company is a leading manufacturer of packaging machines: There is hardly a foodstuffs manufacturer who does not work with ROVEMA machines. Despite ROVEMA's already excellent market position, we see numerous avenues for further growth.

Optimar has supplemented our portfolio since December. Also a machine manufacturer, but in a completely different sector. The Norwegian company develops, produces and installs automated systems for handling fish on ships, on land and for fish farms. As one of the market leaders in this segment, Optimar benefits from long-term megatrends: For example, demand for healthy and resource-efficient proteins is increasing with a growing global population and rising prosperity. The further automation of industrial value-added chains and the utilisation of innovative technologies in the handling of fish also promises above-average growth opportunities.

An additional diversification of our portfolio arose from the demerger of the METRO GROUP financial investment into two companies, CECONOMY and METRO.

When on the lookout for further investments, consideration is given only to those companies which already make a positive contribution to the environment and society through their sustainable actions, or which will be able to do so in the future. As a reflection of this aspiration, we have been a member of the UN Global Compact since 2014. We support the principles of the UN Global Compact such as human rights, labour standards, environmental protection and the fight against corruption, and ensure that they are proclaimed loud and wide.

HANIEL SCORES POINTS AS A RELIABLE INVESTOR

We are experiencing a very competitive environment when it comes to business acquisitions. That we nevertheless succeeded in enriching our portfolio with several equity investments at once demonstrates that our positioning as a family-equity company is bearing fruit. Our professionalism, paired with the understanding of values of a family business, is judged by owners and management of medium-sized companies in particular as an advantage. What is decisive now is to support our new divisions with their further growth. For example, ROVEMA and Optimar are intended to be a nucleus for additional buy-and-build activities. Both companies could benefit from the further development of Industry 4.0 and further advance their digital initiatives with support from Haniel.

DIGITAL TRANSFORMATION GATHERS SPEED

Together with our Schacht One digital unit, our divisions now have 50 projects either executed or in the pipeline. Specific results include fello.online, used by CWS-boco to address small enterprises and to test a simple subscription solution for workwear. ELG recently went online with remetal.de, where holder of scrap metal can easily find customers for their waste metals. Start-ups in which Haniel has invested through six venture capital funds are also integrated in these projects as needed. This currently gives us access to far above 200 innovative companies and we want to also use the resulting learning opportunities to inspire internal innovation processes at Haniel and to provide momentum as we continue to seek out new investments.

The success of our “digital journey” depends on the people who shape it. All divisions are creating functions that are firmly dedicated to digital topics. For example, at the beginning of 2018 TAKKT appointed its first Chief Digital Officer, thus firmly anchoring innovation and digitalisation as a board responsibility. To support colleagues in the divisions, the Haniel Academy also continually expands its offering of digital and innovation subjects.

POSITIVE BUSINESS DEVELOPMENT

In spite of the personnel reinforcements, digital transformation remains an enormous challenge for all equity investments within the Haniel Group. This makes it even more important that we will be able to meet that challenge based on a stable business. 2017 can be considered quite satisfying in that respect: Revenue increased organically in all divisions. ELG benefited from a price increase for significant raw materials such as nickel and iron and posted a significantly higher operating profit. CWS-boco also showed good organic growth, although as expected, operating profit initially declined due to necessary integration expenses. BekaertDeslee's development was especially encouraging – above all in the ready-made mattress covers business – and generated a result at the previous year's level. TAKKT posted a lower result, not least due to the planned higher expenses for digitalisation.

We also received significantly higher income from our financial investments. In this area, the demerger of the METRO GROUP was completed in July 2017. The demerged wholesale and food business has since operated under the METRO brand. The remaining company, which focuses on consumer electronics, operates under the CECONOMY brand. Both companies are managed as separate German stock corporations with independent corporate profiles and their own listings on the stock exchange.

OUR SUCCESS IS A TEAM EFFORT

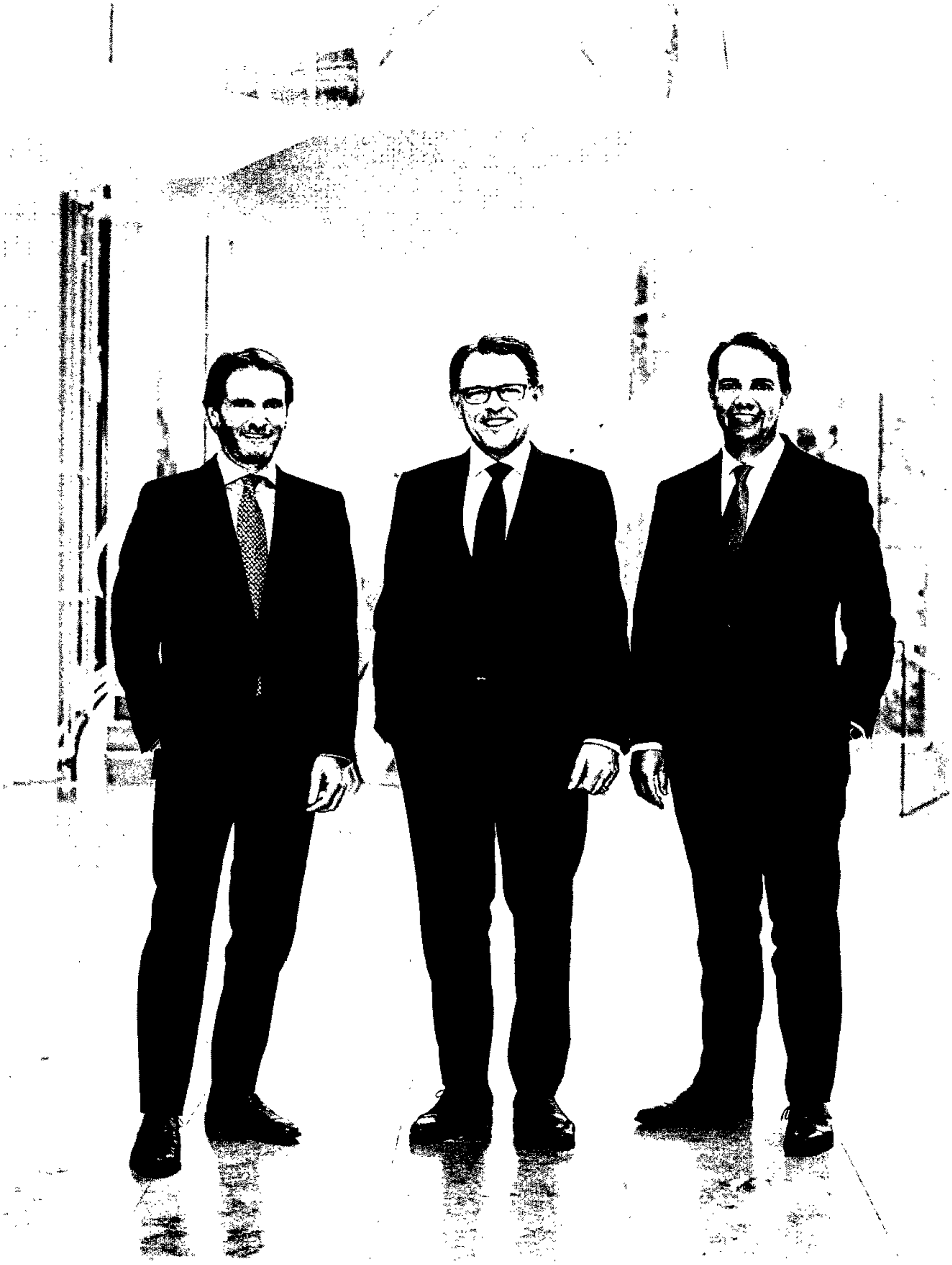
We have changed Haniel considerably within just three years: At the end of 2014 the portfolio had only three divisions and one financial investment – with the corresponding risks in terms of concentration in industries and markets. With respect to digitalisation, we were at best in our infancy. Three years later we look on a broadly diversified portfolio with six market-leading divisions and two financial investments. We are thus excellently prepared for further growth – and we have positioned Haniel on the market as a successful and reliable investor. Likewise, digital transformation at Haniel has long since advanced from a plan to an ongoing process in which we are making good progress.

Our objective is to be "enkelfähig" – and we are meeting that goal more and more thanks to the most recent successes. To see how Haniel is again transforming as a company is joyful – but it also entails great effort. Together with my colleagues Florian Funck and Thomas Schmidt I would like to thank the employees at all levels for their extraordinary commitment in the past year! We would also like to thank the shareholder committees and the Supervisory Board for their constructive cooperation. We are on the right path!

Duisburg, 6 March 2018

Stephan Gemkow

STEPHAN GEMKOW
Chairman of the Management Board



THOMAS SCHMIDT **STEPHAN GEMKOW** **DR FLORIAN FUNCK**

CORPORATE GOVERNANCE

THE MANAGEMENT BOARD

STEPHAN GEMKOW
CHAIRMAN OF THE MANAGEMENT BOARD
born 1960

Stephan Gemkow has been Chairman of Haniel's Management Board and Chief Human Resources Officer since 1 August 2012. He is responsible not only for overall strategy, but also for Corporate Development/M&A, Human Resources, Corporate Legal, Internal Audit, Shareholders and Communications. After spending the first years of his career as a management consultant for BDO Deutsche Warentreuhand AG, the business graduate has held various management positions at the Lufthansa Group since 1990, most recently spending six years as a member of the Executive Board responsible for Finance and, since 2009, for Aviation Services as well. Gemkow is Chairman of the Supervisory Board of TAKKT AG. He is also a member of the Board of Directors of Flughafen Zürich AG as well as the Board of Directors of JetBlue Airways Corporation, New York.

DR FLORIAN FUNCK
born 1971

Dr Florian Funck has been a member of Haniel's Management Board since 1 September 2011. He is responsible for Corporate General Services, Corporate Controlling, Strategic Planning & Accounting, Corporate Finance and Corporate Tax. As a doctor of business administration, he began his career at the Haniel Holding Company in 1999. In June 2004, he was appointed to the TAKKT Managing Board in Stuttgart, where he was responsible for Controlling and Finance. Funck is a member of the Supervisory Boards of CECONOMY AG, METRO AG, TAKKT AG and Vonovia SE.

THOMAS SCHMIDT
born 1971

Thomas Schmidt was appointed to Haniel's Management Board on 30 January 2017 and will be involved in the portfolio management and enhancement process. He is also Managing Director of the CWS-boco division. The engineering graduate began his career in 1996 with various positions at the US group General Electric (GE). Schmidt subsequently performed management duties as General Manager of various regions before moving to TE Connectivity Ltd. in mid-2008. He initially served there as Vice President EMEA with responsibility for Communications & Industrial Solutions, and became President of TE Industrial in July 2010.

FRANZ M. HANIEL
Chairman of the Supervisory Board

OPENNESS AND TRUST AT HANIEL

REPORT **OF THE SUPER-VISORY BOARD**

DEAR SIR OR MADAM,

The Haniel portfolio met two strategic milestones in 2017, which had already been announced the previous year. Following approval by antitrust authorities, in the middle of the year Haniel realised the joint venture with Rentokil Initial under the CWS-boco umbrella. Thomas Schmidt, appointed by the Supervisory Board in its first meeting in January as the third Haniel board member, is concentrating on the further development of the joint venture. Also during the course of the summer, the METRO GROUP was demerged into two listed German stock corporations, which also resulted in increased diversification of the Haniel portfolio. Additional important steps in this direction were the two acquisitions that the Holding Company realised in November and December: First, the acquisition of ROVEMA, a leading manufacturer of packaging machines and equipment for food products. And second, the take-over of Optimar, an established provider of automated fish handling systems. These investments should contribute to the further success of our family-equity company and its ability to pay dividends.

DIGITAL TRANSFORMATION REMAINS IN FOCUS

As in years past, the cooperation between the Supervisory Board and the Management Board was characterised by an atmosphere of great openness and mutual trust. The Management Board informed us regularly about the status of the Haniel Holding Company and the Group as a whole – also with regard to important individual events. This applies to the digital transformation as well. In addition to their own projects, all divisions also worked with Schacht One on new digital solutions and some were brought to market. We consider these innovations as opportunities for securing the future of the portfolio companies and are pleased that the digital initiative remains the focus of the further strategic development of the Haniel Group.

In accordance with my duty as Chairman of the Supervisory Board of Franz Haniel & Cie. GmbH, beyond the normal meetings, I have also been in regular contact with the Chairman of the Management Board primarily, but also with the other board members. We discussed important business and strategic issues affecting the Group. The Supervisory Board continually and carefully monitored the group of companies' management and business development based on regular written and oral reports of the Management Board. We examined in depth all the decisions requiring our consent and passed the necessary resolutions at four regular and three extraordinary meetings.

The Audit Committee held four meetings in the 2017 reporting period. It monitored the accounting process and the effectiveness of the internal control system, the risk management system, the Internal Auditing office, and the compliance management system. Moreover, the committee examined and confirmed the independence of the auditor of the financial statements, and resolved, in its meeting on 17 March 2017, to recommend to the Supervisory Board that it propose to the Shareholders' Meeting that the previous auditor be reappointed.

ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS APPROVED

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Essen, audited the annual financial statements of Franz Haniel & Cie. GmbH and the report of the Management Board for the 2017 financial year. The auditors confirmed that the annual financial statements and Report of the Management Board comply with legal provisions and the Company's articles of association. The auditors issued an unqualified auditors' report on the annual financial statements and the report of the Management Board. The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group report of the Management Board. The auditors participated in the Supervisory Board's meeting on the financial statements and in all meetings of the Audit Committee. Furthermore, the Supervisory Board again engaged the auditors to assess the Haniel Group's early risk identification system. This voluntary examination was conducted in accordance with section 317 (4) of the German Commercial Code (Handelsgesetzbuch, "HGB"). The auditors verified the suitability of the system to detect early any risks endangering the going concern assumption.

The Management Board submitted the consolidated financial statements, the Group report of the Management Board and the Group auditors' report for 2017 to the Supervisory Board for its examination. Following an in-depth examination, the Supervisory Board approved the consolidated financial statements and the Group report of the Management Board. The Supervisory Board also approved the annual financial statements of Franz Haniel & Cie. GmbH and the Management Board's profit appropriation proposal. The annual financial statements are thereby adopted and the consolidated financial statements approved.

THANKS FOR OUTSTANDING COMMITMENT

At the forefront for Haniel, in addition to investments in additional sustainable business segments, is above all the integration of newly acquired companies and their development. The Supervisory Board wishes to thank the Management Board and employees for their commitment and hard work over this past year. We look forward to working together with them to further advance the long-term value enhancement of our portfolio as part of a coordinated strategic plan. We will continue to advise, monitor and support the Management Board with great care in the year to come.

Duisburg, 10 April 2018

F. Haniel

FRANZ M. HANIEL
Chairman of the Supervisory Board

THE SUPERVISORY BOARD

SHAREHOLDER REPRESENTATIVES

FRANZ M. HANIEL | Chairman, Graduate engineer

DR GEORG F. BAUR | Deputy Chairman, Businessman

THOMAS GEITNER | Graduate engineer

DR PAUL-BERNHARD KALLEN | Graduate economist

DR MICHAEL SCHÄDLICH | Graduate physicist

PROF. DR KAY WINDTHORST | University professor

EMPLOYEE REPRESENTATIVES

GERD HERZBERG | Deputy Chairman, Former trade union secretary (Ver.di)

RALF FRITZ | Maintenance man

BERND HERGENRÖTHER | Electrician

FADI KAMAL | Design engineer

IRINA PANKEWITZ | Textile cleaner

HANS WETTENGL | Trade union secretary (IG Metall)

CORPORATE MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Distinct responsibility structures and cooperation based on partnership: These are the principles that distinguish Corporate Governance at Haniel. One essential element is the strict separation of corporate management and control, in line with the requirements for exchange-listed companies. Both sides engage in trusting dialogue, which is also how the Company communicates with its partners on the financial market.

FREE FROM CONFLICTS OF INTEREST

One characteristic sets Haniel apart from many other family-owned companies: Since the start of the 20th century, managers from outside the family have been responsible for the Corporate Governance. No family members work in the Haniel Group. Entrepreneurial decisions can be made free from familial obligations. The family attaches importance to sustainable growth and value enhancement. The steps to be taken along the way are at the discretion of the Management Board, which confers with the board of the Company. The basic structure of Corporate Governance at Haniel thus adheres to the standards set out in the German law governing stock corporations.

The roughly 690 shareholders are organised in the Shareholders' Meeting. It meets once a year and elects from its midst six shareholder representatives to serve five years on the Supervisory Board. The shareholder representatives and six employee representatives on the Supervisory Board help to shape the fundamental business policies of the Company and influence the corporate strategy. The Supervisory Board has equal representation as a co-determined monitoring body; it is always chaired by a member of the family. Shareholder and employee representatives jointly appoint and dismiss members of the Management Board, monitor their work and support them in an advisory capacity. Four members of the Supervisory Board form the Audit Committee, which also has equal representation. This committee monitors the accounting process and the effectiveness of the internal control system, the risk management system, the Internal Auditing office, and the compliance management system. Furthermore, the Committee discussed the independence and selection of the auditor and approved permitted non-audit services. In addition, there is a Personnel Committee which discusses the composition of the Management Board, Management Board remuneration and other matters relating to the Management Board. Details of the work of the Supervisory Board in the 2017 financial year are contained in the Report by the Supervisory Board starting on page 8. The Shareholders' Meeting elects also from its midst 30 members for the Advisory Board, which facilitates communication between the executive bodies of the Company (Supervisory Board and Management Board) and the members of the family.

BINDING PRINCIPLES OF CONDUCT

The Haniel Holding Company itself, as well as through its divisions, is active in many different economic and social systems, and thus encounters differing cultural and national standards as well as legal regulations. It is precisely this that makes it essential that all employees at every level of the Company share the same values of openness and integrity. Essential components of the Haniel culture are the principles of legality, incorruptibility and fair competition. Haniel expressly commits itself to fair competition in its Code of Conduct. The Code also contains principles of conduct for employees of the Holding Company, pursuant to which they neither offer nor accept favours, reject all forms of discrimination, and disclose conflicts of interest between their business and private affairs. Such principles of conduct are in place Group-wide. In addition, all previous divisions have a compliance management system that assists in preventing, detecting and eliminating abuses. At the recently acquired companies ROVEMA and Optimar, the structure of an appropriate compliance system is in planning.

EASY ACCESS TO INFORMATION

For Haniel as a family-equity company, a solid equity base plays an important role. In addition, Haniel also uses borrowed capital in its financial strategy. To gain the trust of potential investors and to maintain the appreciation of its current investors, Haniel focuses on transparency and fairness in its financial communication: Every capital market participant, including banks, investors and analysts, are provided with the same information needed to assess the Company's performance. This applies in equal measure to the family shareholders as providers of equity. The corporate website represents a broad information platform where, among other things, the corporate group's portfolio and strategy are elucidated. Haniel also publishes its annual and half year financial reports there, as well as the latest press releases. In addition, presentations, information on the investment strategy and additional separate and consolidated subgroup financial statements can be accessed online under the "Creditor Relations" heading. A financial calendar contains early announcements of important events for the Holding Company and the divisions. Moreover, Haniel publicly declares how the Holding Company is rated by the credit rating agencies Standard & Poor's, Moody's and Scope. Haniel submits itself to external ratings voluntarily in order to be able to use all the available financing options. For Haniel, transparent and fair financial communication is inseparably connected with continuity. The Company informs its partners at regular intervals and in a consistent manner about current developments. Thus, financial reports are always published in the customary place and in the customary form in order to make it easier for the reader to find and analyse the information. Haniel draws attention to any deviations from the preceding years.

GROUP ORGANISATION

The family and the Company – distinct responsibility structures and cooperation based on partnership

FAMILY

SHAREHOLDERS' MEETING

ABOUT 690 FAMILY MEMBERS
- Meets once a year

ELECTS MEMBERS

ADVISORY BOARD

UP TO 30 MEMBERS
- Appointed for 5 years
- Communication between the family and the executive bodies of the Company

ELECTS 4 FAMILY AND 2 EXTERNAL MEMBERS

SUPERVISORY BOARD

12 MEMBERS
- Chaired by a family member
- Helps to shape the fundamental business policies of the Company
- Forms an Audit Committee and a Personnel Committee

COMPANY

EMPLOYEES

ABOUT 18,500 EMPLOYEES[1]

ELECT 6 EMPLOYEE REPRESENTATIVES

[1] Annual average (headcount), see also explanations on page 35. The German employees elect the employee representatives to the Supervisory Board

APPOINTS / DISMISSES / SUPERVISES / ADVISES

MANAGEMENT BOARD OF THE HOLDING COMPANY

3 MEMBERS

DIVISIONS AND FINANCIAL INVESTMENTS

6 DIVISIONS
2 FINANCIAL INVESTMENTS

ONLINE

Watch this film to learn more about Corporate Governance at Haniel.

AN INTEGRAL COMPONENT AT EVERY STAGE OF ADDED VALUE

CORPORATE RESPONSIBILITY

As a family-equity company, Haniel's objective is to systematically anchor Corporate Responsibility (CR) within all phases of value creation. On the basis of a shared understanding of values and in a mutual dialogue, the Holding Company and the divisions continually push forward with their commitment to CR.

SHARED CANON OF VALUES

THINKING IN GENERATIONS

Our history as a family enterprise that has been successful for centuries shapes our long-term thoughts and actions.

CREATING VALUE

Our sustained value-enhancing corporate management ensures our economic success – which both obliges and enables us to create social value.

ASSUMING RESPONSIBILITY

We consider it our duty to bring economic, environmental and social objectives into harmony.

ACTING IN AN ENTREPRENEURIAL MANNER

We stand out at all corporate levels by acting in a forward-looking manner with a pronounced desire to create.

SHAPING CHANGE

We see change as an opportunity for sustained growth – but instead of allowing ourselves to be led by events, we actively shape markets.

SUPPORT OUR STAFF

To enable our staff to contribute their creativity and skills to corporate success in the best possible manner, we both challenge and encourage them by means of trusting dialogue.

Increasing value, living values – for over 260 years, Haniel has combined entrepreneurial drive with a stable framework of values in line with this principle. Accordingly, Corporate Responsibility is firmly anchored in the Company's DNA and is embodied in equal part by the owner family as well as by the management. The aim is to combine economic success with responsibility for employees, society and the environment, thereby creating value for generations. The shared understanding of values is expressed in Haniel's Code of Conduct, which defines principles of conduct in business dealings at all levels. In its Code, Haniel commits among other things to environmental responsibility, fair and safe working conditions, combating corruption and to compliance with internationally recognised human rights. At the same time, these are in line with the principles of the UN Global Compact. As a signatory to the United Nations initiative, Haniel has committed to uphold and spread the principles and ensure transparent reporting. The divisions are also members of the UN Global Compact or adhere to the principles underpinning it; they have also issued their own codes of conduct based on Haniel's Code of Conduct.

RESPONSIBILITY AS A FAMILY-EQUITY COMPANY

SUSTAINABLE INVESTMENT

The Haniel Holding Company is building a diversified portfolio. The objective of active portfolio management is to sustainably increase enterprise value. Haniel strives to achieve this economic goal in harmony with ecological and social goals. This approach is applied along the entire value chain - from the investment phase to portfolio management through to divestment. The Haniel Holding Company has established a variety of processes and tools for investment decisions and integrated CR into its existing principles. When looking into potential acquisition targets, social and ecological criteria are also examined using Haniel's investment filter in order to enable it to assess the candidate's CR profile. Only those business models that are able to make a positive contribution to sustainability, both now and in the future, are considered. After the completion of an acquisition, CR becomes a component of the integration plan. Depending on previously existing activities, structures and processes are first expanded to anchor CR in the core business. The Holding Company decides on the divisions' investments and acquisition projects on the basis of the Capital Expenditure and Valuation Guidelines: These guidelines require all investments and acquisitions which are subject to the requisite approvals process be analysed in detail with respect to the positive and any negative implications for the CR strategy. The Holding Company's decision-making process relating to investments in financial assets also takes CR aspects into account.

CR ASPIRATION AS AN OWNER

The Holding Company places its focus where it has leverage: In developing and managing equity investments. Haniel lays down guidelines and principles for CR management. Rules of procedure which set out the framework for collaboration on the basis of statutory provisions stipulate that the Holding Company be involved in the development of the divisions' CR strategies. This is because it has an interest in all equity investments prioritising those CR issues which are relevant to them on the basis of stakeholder expectations, developing on that basis an individual CR programme for each business model with objectives and measures, and implementing them by establishing a CR organisation. At the management and departmental levels, there are Corporate Responsibility officers and a regular CR dialogue between the Holding Company and the other divisions. Group-wide Corporate Responsibility initiatives are discussed if necessary at meetings with the CEO, to which Haniel's Management Board regularly invites decision-makers from the divisions.

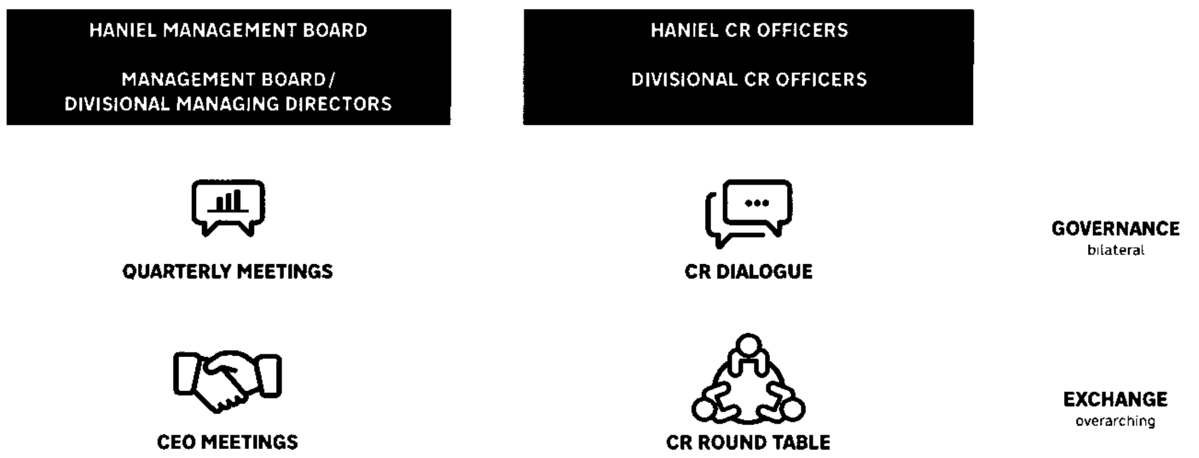
In addition, the Holding Company organises the Group CR Round Table, where CR experts exchange information and experience.

CLEAR DEFINITION OF HANIEL CR ACTION AREAS

The results of CR management are presented in a transparent, regular CR report. The Holding Company and the divisions prepare this report on the basis of the internationally recognised guidelines of the Global Reporting Initiative (GRI). The publication of the next GRI report for the Holding Company is planned for mid-2018, in which Haniel will report based on the three CR action areas - Employees, Value Chain and Innovation. These are based on the Holding Company's first stakeholder survey and materiality analysis from 2013, which is currently under review. This review is a result of the experiences and further developments collected by Haniel in recent years in the field of Corporate Responsibility, as well as a change in the CR organisation: The responsibility for coordinating CR activities in the Holding Company and the Haniel Group was transferred in 2017 from the "Shareholders and Sustainability" department to Strategic Investment Controlling. In addition, new external requirements make an adjustment necessary. This includes in particular the European Union's CSR Directive and the corresponding German implementing legislation. Based on the above, in 2017 the Holding Company initiated an additional process of determining the material topics with respect to environmental, employee and social issues, as well as respect for human rights and combating corruption and bribery. Starting from the materiality analyses already conducted, the CR experts in the Haniel Group identified these topics, which were then coordinated between top management at the divisions and the Haniel Management Board. The result is published online in the separate report on the non-financial statement at the corporate websites at:

www.haniel.de/en/responsibility/nonfinancialstatement2017

CR ORGANISATION AT THE HANIEL GROUP



The Holding Company continues to adhere to its proven CR management approach. While taking into account expectations placed on an appropriate CR organisation as well as those peculiarities of a diversified group of companies with decentralised management which make Haniel unique, content continues to be accentuated. Common CR action areas and individual initiatives are discussed in dialogue with the divisions. Haniel's Management Board and the management teams of the divisions agree on objectives and measures and discuss progress in regular top management meetings. In this way, the Holding Company ensures that the portfolio companies continually review how their business activities affect the environment and society.

SUSTAINABILITY AT THE HANIEL GROUP

CONTINUOUS COMMITMENT ON THE PART OF THE DIVISIONS

In 2017, the divisions continued to pursue the existing objectives set out in Haniel's Group-wide action areas.

For **BekaertDeslee**, taking responsibility means in particular offering safe, high-quality products and improving the customers' sleeping comfort. The division has launched a campaign as part of the new, customer-oriented mission statement – "Close to you" – in which employees serve as ambassadors for our corporate values and ethical principles. At the same time, the manufacturer of mattress textiles seeks to ensure that its business activities are socially responsible and environmentally friendly. BekaertDeslee is focusing on its collaboration with yarn suppliers – who represent the largest share of procurement volume – along the entire value chain. To that end, the first step was to develop a supplier declaration by which the yarn manufacturers pledge to comply with internationally recognised core labour standards and to respect human rights. By the end of 2017, 75 per cent of the Group's largest yarn suppliers have signed this declaration. In order to avoid waste in the production process, BekaertDeslee launched a pilot project at its largest location in Turkey. That project is aimed at raising employee awareness and thus reducing reject goods. In the area of textile finishing, the division also aims to use resources more efficiently: the implementation of an innovative finishing technique is intended to reduce the use of water, chemicals and energy over the medium term. Where employees are concerned, the focus lies squarely on health and safety: The previous DesleeClama locations were also integrated into the established reporting system in 2017 so that there is now Group-wide transparency with respect to accidents and absences. The Group had a 3.24 accident rate for the reporting period (accidents x 200,000/work hours) and a rate of days absent due to accident of 0.22 (days absent x 1,000/work hours). This means that the Group has achieved its objective of reducing the accident rate to 3.59 and the days-absent rate to 0.24. For 2018, the interdisciplinary CR team, which is tasked with integrating sustainability into core processes, is preparing to publish its first CR report for BekaertDeslee. More information at www.bekaertdeslee.com.

As a full-service vendor for textile services and washroom hygiene solutions, **CWS-boco** is committed to sustainable business, resource-sparing work and respect for people and the environment. This applies to the entire value chain, from production through to service. As of 30 June 2017, CWS-boco acquired significant Central European activities in the hygiene, workwear and clean room segments from Rentokil Initial. CWS-boco's business in 16 countries and Initial activities in 10 European countries were combined when the joint venture was established. A new company thus exists under the umbrella of the CWS-boco group, which requires an adjustment of the CR strategy: The division will validate focus areas, harmonise indicators and define new target levels in 2018. For this reason, the latter are set aside in the current report and the reported figures do not yet include Initial's activities.

CWS-boco operates its own laundries, at which hundreds of tonnes of textiles are washed daily. In particular, increasing resource efficiency by continually modernising the laundry network represents a vital ecological lever: Energy consumption in 2017 was 1.04 kWh per kilogramme of washed laundry. CWS-boco was thus able to achieve an increase in efficiency for the second year in a row. Water used per kilogramme of laundry also declined to 6.85 litres thanks to especially efficient technologies for multiple usage of water and recycling of waste water. CWS-boco also offers sustainable and innovative solutions in the product area, for example, the first workwear collection made from fair-trade-certified cotton. Since its introduction at the beginning of 2016, 160,000 items have been produced and three additional collections have been introduced. The company is also focusing on employee health and safety. Risk assessments of accident risks have been conducted for 90 per cent of the service and laundry employees. Workplace safety and health management systems in six national companies have been certified in accordance with the internationally recognised OHSAS standard since 2016. Extensive information on CWS-boco's commitment to sustainability is available in its CR report "Handle with Care" and on the website www.cws-boco.com/en-US/sustainability-0.

For more than 50 years, **ELG** has been active in the recycling and global trading of raw materials – particularly in the market segments stainless steel and superalloys. This means that sustainability is firmly anchored in ELG's business model and corporate philosophy. ELG and the Fraunhofer-UMSICHT research institution identified the ecological advantages to recycling in a joint project. ELG's major products such as stainless steel, titanium and carbon fibre were analysed to determine the carbon footprint. The results allow the division to quantify how much CO_2 can be saved at customers compared to the use of primary raw materials. ELG's recycling activities in 2017 resulted in a saving of 4,408 million tonnes of CO_2. At the same time, the study identified approaches for reducing CO_2 emissions resulting from ELG's own business activities. With respect to the health and safety of its employees, ELG rolled out the "Health & Safety plus" global reporting system, which records workplace accidents, absences and employee turnover. ELG is placing particular attention on industrial employees in this respect. Company-wide campaigns and location-specific measures intend to help steadily reduce the rate of accidents and absences. ELG reached the self-imposed goal for 2017 of reducing the number of days absent to 7.5 per full-time employee per year and is working continually on reducing the number of work accidents from 18 per million work hours in 2017 to 15 per million. ELG passed a milestone in the still-young market segment of carbon fibre recycling: After the British subsidiary, ELG Carbon Fibre, has worked successfully since 2016 on the development of carbon mats for the production of car bodies in the vehicles manufacturing industry, the first prototype containing materials from ELG Carbon Fibre was introduced in September 2017 at the "Goodwood Festival of Speed" automotive trade show. Further details are available in the CR Report and online at www.elg.de/en/sustainability.html.

At **TAKKT**, sustainability and growth go hand in hand: The leading B2B direct marketing specialist for business equipment created its group-wide SCORE "Sustainable Corporate Responsibility" programme, which lays the foundation for coordinating sustainable business management measures across all segments and for implementing those measures in the day-to-day business – for instance in procurement. With an expanded valuation programme for suppliers based on the internationally recognised EcoVadis platform, TAKKT aims to systematically map, document and improve sustainability in the supply chain. At the end of 2017, the share of procurement volume purchased from certified suppliers was 46.8 per cent. This commitment will be expanded in the future: By the end of 2020, 50 to 60 per cent of the procurement volume will be sourced from certified suppliers. In addition, TAKKT would like 30 to 40 per cent of the directly imported procurement volume to be certified. In 2017, this was 39.8 per cent. A further relevant lever is to reduce the resources used in marketing activities. The company is increasing the efficiency of customer-oriented marketing, while concurrently reducing the use of paper by systematically expanding e-commerce. In 2017, TAKKT used approximately 5.4 kg of paper per order, thus already reaching its goal for 2020 of 6.0 to 6.5 kg. In order to reduce emissions, the division drew up 13 climate balance sheets for material companies and thus created a strong foundation of data on which to build further measures. With respect to employees, the company is concerned with local social commitment: The share of employees who are able to take paid leave to do volunteer work amounted to 65.7 per cent in 2017. For more information, go to www.takkt.de/en/sustainability.

ROVEMA, the food packaging machinery manufacturer, has been part of Haniel's portfolio since November 2017, and **Optimar**, the manufacturer of automated fish handling systems, was added in December 2017. Both companies were screened prior to acquisition using the Haniel investment filter, which examines to what extent companies satisfy social and ecological criteria and thus fit with Haniel's core values. Based on the findings in the respective due diligence processes, the further integration of ROVEMA and Optimar also take into account the Haniel Holding Company's requirement that there be a professional CR management approach in place: prioritising the main CR issues, deriving on that basis an individualised CR programme with objectives and measures, and implementing that programme serve to ensure that an appropriate CR organisation is established.

No CR targets were agreed with the financial investments **CECONOMY** and **METRO** in the Group action areas. The companies continue to pursue their commitments independently and each have their own CR organisation and strategy. CECONOMY empowers life in the digital world. The sustainability approach adopted by the MediaMarktSaturn Retail Group, the largest investment, is closely tied to the vision and strategy of CECONOMY. MediaMarktSaturn derives sustainability goals in various dimensions of action from this mission. Since the demerger of the METRO GROUP, CECONOMY AG has been developing its own CR strategy. The results of this process will be included in the company's sustainability report. For more information, go to www.ceconomy.de/en/corporate-responsibility.

METRO's objective is to generate added value for its customers, while concurrently reducing negative impacts. At METRO, sustainability encompasses every individual aspect of behaviour and is firmly integrated into the corporate strategy. In order to live up to its objective the financial investment has embedded sustainability in its core business, thus ensuring that whenever economic and environmental or social considerations affect one another, overlaps are dealt with in an efficient, solution-oriented way. The retail group describes its broad CR commitment along the value chain in the Corporate Responsibility report and on its website www.metroag.de/en/responsibility.

FOCUS ON EMPLOYEES

ENCOURAGEMENT AND SUPPORT

As a family-owned company, the Haniel Holding Company assumes responsibility for its employees and takes care to ensure that they are able to develop their skills and realise their potential. The Haniel Academy provides momentum within the Group and serves as a platform where experience can be exchanged. Its role is to support the professionalisation, development and networking of the Group's employees – for instance with the "Haniel Leadership Curriculum". The tailored development programmes assist ambitious Haniel Group employees with potential along their path from their first leadership role through to top management, and prepare them for new entrepreneurial challenges. In addition, the "Haniel Management School" provides experienced executives with a format that examines not only current management methods and concepts but also issues of the future. The Haniel Academy's curriculum is primarily designed for specialists and managers of the Group and addresses current challenges. Major topics in 2017 in particular were agility and flexibility of companies in a dynamic environment in light of digital transformation.

EMPOWERING EMPLOYEES

The ideas, abilities and commitment of employees are crucial to the Group's success. Haniel maintains regular dialogue with employees, which is characterised by openness and mutual respect. The Group has established a variety of formats to that end. For instance, personal development interviews between employees and their superiors ensure individualised, targeted continuing development. During the annual dialogue, the employee's strengths and potential for development are identified and development measures, such as participation in seminars and programmes at the Haniel Academy, are agreed. At Haniel, all employees are given the opportunity for professional and individual development – regardless of their gender, age or nationality.

RESPONSIBLE EMPLOYER

The aim of company health management is to safeguard the health and productivity of employees. The Haniel Holding Company offers, among other things, a series of preventative check-ups and sport offerings such as fitness classes or back and spine exercise courses, some of which are free of charge. In addition, the Haniel Academy offers seminars on health and stress management. In 2017, the focus was on the provision of healthcare for employees over 50. Each participant received individual recommendations as a result of a diagnostics process tailored especially for this age group.

Haniel helps its employees to strike a balance between their professional and private lives, and gives them a high degree of flexibility. A variety of working models enables employees to bring their professional activities into harmony with their respective life situations. These include flex-time and part-time models as well as partial early retirement models. Employees who work in an area where telecommuting is a possibility can work from their home office on an alternating schedule. In addition, they are granted paid leave to care for family members. Haniel has entered into a partnership with a family service that provides individual advice to employees to meet their diverse needs.

SOCIAL COMMITMENT

HAND IN HAND FOR MORE SOCIAL INNOVATION

In keeping with Haniel's values, the companies of the Haniel Group are actively committed to creating added value for society and the environment – in those areas where its competencies make this possible. The Holding Company sees itself as a "corporate citizen" and has traditionally provided not only financial but also material and conceptual support to promote education and culture, as well as a sense of responsibility for its hometown, Duisburg. Since April 2016, Haniel has been working with the KfW Foundation, the Prof. Otto Beisheim Foundation and Social Impact gGmbH to encourage innovation and a spirit of entrepreneurship in the region: The Social Impact Lab Duisburg at the Group Headquarters in Ruhrort is the first centre for social innovation to open in North Rhine-Westphalia. The Lab supports business founders who want to use their ideas to solve pressing social challenges; it connects them with other stakeholders and establishes them in the region. The commitment has an additional local form in the "Haniel Klassik Open Air" – a concert that is jointly organised every two years with Deutsche Oper am Rhein, the city of Duisburg, and the Duisburg Philharmonic. In 2017, this allowed the Holding Company to offer the residents of Duisburg free access once again to high culture and allowed the music companies to reach new target groups.

MORE INFORMATION ON CORPORATE RESPONSIBILITY

at Haniel, the separate report on the non-financial statement in compliance with CSR Directive Implementing Act pursuant to section 289b of the German Commercial Code and the 2017 UN Global Compact Communication of Progress are available at the Company's website at www.haniel.de/en/responsibility.

FRANZ HANIEL & CIE. GMBH

CREDITOR RELATIONS

A TRUSTING DIALOGUE

As a family-owned family-equity company the Haniel Holding Company is not listed on a stock exchange – however, we do have a capital-market orientation. This is because stable access to borrowed capital plays a vital role in our conservative approach to financing. Our cooperation with lenders is characterised by a spirit of equal treatment, openness and trust. For that reason, our aim is to provide our investors and financial service providers with all relevant information on the Haniel Holding Company in a timely and comprehensive manner.

01 FINANCIAL STRATEGY

STABLE, FLEXIBLE FINANCING

Our long-term financing requirements are covered through equity and subordinated loans from our shareholders. In addition, we obtain long-term financing via the capital market and through long-term, bilateral lines of credit.

A conservative market value gearing and balanced cash flows at the Holding Company level are part and parcel of financial management that is "enkelfähig". The market value of our portfolio at the end of 2017 amounted to around EUR 6.8 billion. Within the framework of our conservative financial strategy, we consider the current level of net financial liabilities of EUR 1 billion as appropriate. We analyse this debt target regularly depending on the development of the Holding Company's cash flows and the development of the portfolio's market value.

MARKET VALUE GEARING
% [1]

[1] Net financial liabilities held by the Holding Company/gross market value of the portfolio held by the Holding Company at spot rates

TOTAL CASH COVER
Factor [2]

[2] Operating cash inflows of the Holding Company (particularly from equity investments) to the sum of operating cash outflows of the Holding Company (particularly Holding Company expenses, interest) and dividend payments from the Holding Company to the shareholders

02
RATING

OBJECTIVE: STABLE INVESTMENT-GRADE RATING
For secure and attractive access to the capital markets, we would like to provide our investors an external opinion as to our creditworthiness in the form of a rating; this is also important for the relevant analyses. The objective is to maintain a stable investment-grade rating over the long term.

We consider ourselves to be structured accordingly. In 2017 Deutsche Bundesbank again classified Haniel in a class synonymous with eligibility for central bank collateral. In addition, we currently have an investment-grade rating by two rating agencies.

BA1

MOODY'S INVESTORS SERVICE (MOODY'S)
In January 2017, Moody's confirmed our long-term issuer rating of Ba1, while raising its outlook to "positive".

BBB-

SCOPE RATINGS AG (SCOPE)
In February 2016, Scope rated our creditworthiness with a long-term issuer rating of BBB- with a stable outlook.

BBB-

STANDARD & POOR'S RATING SERVICES (S&P)
In April 2016, S&P lifted our long- and short-term issuer rating from BB+/B with a positive outlook to BBB-/A-3 with a stable outlook.

03
INSTRUMENTS

SECURING LIQUIDITY FOR THE LONG TERM
In order to cover our liquidity needs in the long term, we use a diversified borrowing mix that includes bank and capital market financing. We take care to ensure that we have a balanced maturity structure for the financial instruments we conclude and that we have sufficient free lines of credit. We regularly renew our bilateral, committed lines of credit without financial covenants. Haniel issues commercial paper and bonds on the capital market as a key component of its financial strategy.

COMMERCIAL PAPER PROGRAMME

Issuers	Franz Haniel & Cie. GmbH Haniel Finance B.V.
Guarantor	Franz Haniel & Cie. GmbH
Programme volume (EUR)	500,000,000
Arrangers	Deutsche Bank AG Goldman Sachs International
Listing	—

HANIEL 0.000% EXCHANGEABLE BOND

Term to maturity	2015/2020
Volume at issuance (EUR)	500,000,000
ISIN	DE000A161GV3

GO TO THE CREDITOR RELATIONS HOMEPAGE:

www.haniel.de/en/creditor-relations

Group report of the Management Board

Revenue by region
EUR billion

23% **Germany**
42% **Other Europe**
32% **Americas**
2% **Asia**
1% **Other countries**

Revenue by division
EUR billion

8% **BekaertDeslee**
23% **CWS-boco**
41% **ELG**
27% **TAKKT**
1% **ROVEMA**

22 Group structure and business models

28 Report on business situation
28 Haniel Group
28 Revenue and earnings performance
31 Financial position
34 Assets and liabilities
35 Employees

52 Report on opportunities and risks
61 Report on expected developments

Group structure and business models

The Haniel Group combines six divisions and two financial investments. Franz Haniel & Cie. GmbH functions as a strategic management Holding Company and is responsible for portfolio management. The operating business is in the hands of the divisions which act independently of one another and which each occupy a leading market position.

Active portfolio management
Franz Haniel & Cie. GmbH is a tradition-steeped German family-equity company whose objective is to sustainably increase the value of its investment portfolio over the long term. Since the family shareholders have provided equity for an unlimited term, Haniel can pursue a long-term investment strategy. This strategy is aimed towards generating returns which permanently exceed the cost of capital. Haniel strives to achieve this economic goal in harmony with ecological and social goals. The company pursues this goal by following the guiding principal of the "honourable businessman". In addition, capital and management are separated as a matter of principle at Haniel: Although the Company is 100 per cent family-owned, no shareholder works at the Company.

When structuring the portfolio, Haniel concentrates on business models that are supported by global megatrends and therefore have a high potential for increases in value over the long term. Promising markets and business models are analysed continually in order to detect growth opportunities. For example, Haniel added two corporate groups to its portfolio in 2017: ROVEMA and Optimar. Haniel also supports the divisions with their further growth, both organically and through acquisitions, by using a buy&build strategy. This was clearly demonstrated in the past year primarily by the further development of CWS-boco. Haniel and Rentokil Initial formed a joint venture on 30 June 2017, in which the CWS-boco business and significant parts of Initial's European activities were combined. In addition, Haniel's support of the demerger of the METRO GROUP into CECONOMY and METRO further diversified the portfolio.

Holding Company as strategic catalyst
In addition to portfolio management, the Holding Company is also responsible for the strategic guidelines for the operating divisions – in this respect the Holding Company considers itself as a strategic catalyst. Strategic initiatives are agreed on in discussions with the divisions, and then implemented by the divisions under their own responsibility. The divisional management teams report regularly to Haniel's Management Board on their progress. The Haniel Holding Company is also responsible for selecting and developing top executives for the divisions and offering tools and selected services to the companies. The social and economic significance of digitalisation has prompted Haniel to use the opportunities it presents as a growth lever. The divisions' Digital Agendas, which factor in the varying general conditions and depth of value creation of each division, determine the direction of digital transformation. Haniel's Schacht One digital unit provides relevant offerings and networks for the transformation. Haniel has also made investments in various venture capital funds. Independent venture capital activities by the divisions supplement the involvement in start-ups. Comprehensive training offerings by Haniel Academy covering all facets of digital transformation and corresponding dialogue and informational offerings by the Holding Company round out Haniel's approach. The intent is to ensure that all divisions use their respective business models to contribute to increasing the value of the investment portfolio over the long term.

Diversified business models
Haniel's divisions act just as independently of one another in their respective markets as the CECONOMY and METRO financial investments. Except for BekaertDeslee and Optimar, all divisions are headquartered in Germany. The business models differ from one another with respect to their sector, business drivers, customer structure and strategy, which results in a significant diversification of the Haniel portfolio.

BekaertDeslee is a globally leading specialist for the development and manufacturing of mattress textiles.

From its headquarters in Belgium, the company has been operating a global network of 22 facilities in 15 countries since the acquisition of the DesleeClama Group in 2016. Its product range primarily consists of woven and knitted textiles and ready-made covers that are sold to mattress manufacturers in the Americas, Europe and the Asia-Pacific region. BekaertDeslee profits from the continuous growth of the market for mattresses which is driven by sustainable global megatrends such as population growth, a growing awareness of the positive impact of good sleep on human health and the increasing standard of living in emerging markets.

BekaertDeslee works together with its customers to customise and produce mattress textiles to the customers' standard of quality in terms of both design and product features. The centralised development team is constantly working to further refine products in order to enable the company to offer its customer base a broad and innovative product range. Thanks to BekaertDeslee's global production network, customers also benefit from extremely short lead times.

The BekaertDeslee division is continuing its growth path as part of the Haniel Group. The company aims to expand its market position in the Americas, in Europe and the Asia-Pacific region. BekaertDeslee is focused on continuously improving its product quality, designs and delivery times. In addition to organic growth in existing markets, it is constantly searching for opportunities to tap into new markets and reviewing potential acquisition targets to accelerate its growth. BekaertDeslee's customers are increasingly buying ready-made covers for mattresses. For that reason, the company continued to systematically expand its business with products characterised by a greater depth of value added. Buyers in this segment include the so-called "bed-in-a-box" companies, i.e., online mattress retailers.

Additional strategic emphasis rests on raising operational excellence, optimising procurement processes and ensuring continuous improvement. These initiatives are vital to ensuring that the company will be able to expand its market position in the long-term by offering competitive prices while at the same time realising attractive margins. BekaertDeslee's strategy revolves around the standardisation of production processes, which enable the company to manage regional facilities as a global "virtual" plant. Above all, the procurement initiative will standardise the quality of the yarns to be purchased and centralise their procurement in order to generate economies of scale.

CWS-boco ranks among the leading European full-service providers of professional solutions in the segments for washroom hygiene products, dust control mats, workwear and textile services. In order to strengthen its market

Haniel portfolio

Divisions

BekaertDeslee	CWS-boco	ELG	Optimar	ROVEMA	TAKKT
100%	**82.19%**	**100%**	**100%**[1]	**100%**	**50.25%**
Equity interest	**Equity interest**	**Equity interest**	**Equity interest**	**Equity interest**	**Equity interest**
BekaertDeslee is a globally leading specialist for the development and manufacturing of woven and knitted mattress textiles and ready-made mattress covers.	CWS-boco ranks among the leading international full-service providers of individual washroom hygiene and textile solutions.	ELG is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys, titanium and carbon fibres.	Optimar is a global leader for automated fish handling systems for use on ships, on land and for fish farms.	ROVEMA is a global leader in the manufacturing of packaging machines and equipment for a wide variety of products and applications.	TAKKT bundles a portfolio of B2B direct marketing specialists for business equipment in Europe and North America in a single company.

Financial investments

CECONOMY	METRO
25.00%	**22.50%**
Equity interest	**Equity interest**
CECONOMY is Europe's leading platform for companies, concepts and brands in the sector of consumer electronics.	METRO is one of the leading international companies in the wholesale and food service sector.

[1] Management plans on an equity investment in 2018

position, Haniel and Rentokil Initial formed a joint venture on 30 June 2017, which combined CWS-boco's business in 16 countries with Initial's activities in 10 European countries. At the same time, CWS-boco sold its Italy business to Rentokil Initial. This gave rise to a highly innovative and leading European company under the aegis of the CWS-boco Group, in which Haniel holds 82.19 per cent of the shares and Rentokil Initial holds 17.81 per cent, and which will generate sales of about EUR 1.1 billion in 2018. The optimisation of and synergies in the laundry and warehousing network were worked on during integration in 2017.

CWS-boco focuses on the rental business. The offerings range primarily from collections of workwear to protective and safety clothing, modern hygiene solutions such as towel, soap and fragrance dispensers, as well as dust control mats. The textiles are properly prepared in the division's own laundries using environmentally friendly processes, and the dispensers are regularly serviced, both under long-term service contracts. The rental business is supplemented by the sale from consumables, additional washroom hygiene products and workwear. In recent years, CWS-boco has also expanded its offering in the cleanroom business. In this field, the company offers customers professional processing of cleanroom clothing, while satisfying the high certification standards, particularly with respect to sterility and the absence of particulates. In addition, CWS-boco further developed its business with service offerings under the "loovio by CWS" brand relating to high-quality public washrooms that are available to users for a fee. CWS-boco's customers, companies of various sizes and industries, benefit from a comprehensive service network as well as sustainable products and processes. Customers can optimise their carbon footprint through CWS-boco's reusable strategy and its preparation of textiles in a manner that saves resources. This sustainable approach is a cornerstone of the business: CWS-boco Germany was awarded the gold rating, the highest award from the international scoring platform EcoVadis, for the third time in a row.

Implementation of the new divisional structure, which was accelerated in 2017 in the course of the integration of the Rentokil-Initial activities, was fully completed at the beginning of 2018. CWS-boco now has two divisions across all countries: The Hygiene Solutions division will provide washroom hygiene solutions and dust control mats, while the Textile Solutions division's service portfolio will cover renting and sale of textiles, cleanroom, health and health care products. The new structure makes it possible to address customer needs more individually across Europe.

CWS-boco is tapping additional potential by taking over regional companies that supplement and expand the existing service network. The specialist for washroom hygiene and textile solutions is also working on the introduction of a new IT system during the course of a multi-year project.

The **ELG** division is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys, titanium and carbon fibres. With 50 locations in North America, Europe, Asia and Australia, the division has one of the industry's largest global networks.

ELG's customers receive the material in exactly the composition they need for further processing – just in time and in accordance with the high quality standards as certified by the customer. The product line primarily comprises stainless steel scrap and superalloys. Superalloys concern high-alloy, nickel-containing scrap and titanium scrap; business with this scrap is conducted under the name ELG Utica Alloys. ELG delivers secondary raw materials that are checked for quality and adapted to the customer's needs. The recycling business is a material part of the service spectrum: Production waste is recycled and returned to the customer in optimal quality within a closed-loop cycle.

ELG laid the groundwork for dynamic growth through acquisitions and capacity expansion in the past. In order to be able to meet customer requirements in the future as well, the company intends to further optimise its international presence. This will make it possible to tap into additional procurement sources for stainless steel scrap and superalloys and to win over new customers in growth markets.

In addition to the trading in and recycling of stainless steel scrap and superalloys, ELG is active in the Carbon Fibre business segment, the recycling of carbon fibres.

The **Optimar** division, a globally leading company for automated fish handling systems, has been part of the Haniel Group since 20 December 2017. The company manufactures high-quality automated systems for handling fish on ships, on land and for aquaculture. These systems are installed as turnkey projects, either independently or in connection with third-party solutions. As a full-service provider, Optimar also offers ancillary products and services. Aside from its headquarters and manufacturing facility in Ålesund on Norway's west coast, Optimar operates other locations in Norway, the United States, Spain and Romania. The company delivers to international customers in more than 30 countries.

The market for automated fish handling systems benefits from several long-term megatrends and therefore offers great potential. The rising demand for protein by a growing world population, a higher level of prosperity and ongoing automation within industrial value chains are megatrends which are helping to propel the company's sustainable, dynamic growth. In addition, ageing fishing fleets offer further growth momentum.

Optimar offers its customers innovative solutions – including, if necessary, an end-to-end range of products and solutions from a single source, from transport to handling through to palletising. Its products can be supported by supplementary project and IT solutions as required. This enables customers from the fishing industry and aquaculture operators to optimise their production processes and thus also the quality of their products. Optimar's solutions take up less space and thus help improve systems capacity utilisation on ships while shortening processing times. At the same time, more careful fish handling results in increased efficiency for customers.

Optimar places great value in research and development. Ålesund, Norway – the location of company's headquarters – is an international fishing industry cluster. Close contact with all relevant market players ensures that Optimar can quickly offer solutions to issues faced by its own customers in the fishing industry which also take into account environmental and consumer interests. Take the development of OptiLice, for example: this solution was developed by Optimar to handle pest infestations affecting salmon populations without the use of medication.

On 30 November 2017, Haniel acquired the **ROVEMA** division. The company is headquartered in Fernwald in Hesse and is a premium manufacturer of packaging machines and equipment with a broad product portfolio and a global presence with locations in more than 50 countries.

The packaging market overall and the market for vertical packaging solutions in particular is supported by a number of trends. The demand for ready-to-use foodstuffs is rising, and Western consumption patterns are being increasingly adopted in emerging markets. Packaging serves increasingly as a marketing and differentiation tool to increase sales. The significance of food safety is growing and can often only be ensured by appropriate packaging. Demand for high-quality products is increasing worldwide, whereby a corresponding signal effect can be attained by high-quality packaging. Additionally, ROVEMA also sees opportunities in regional expansion as well as the increasing automation and digitalisation in packaging processes (Industry 4.0). ROVEMA's position in the value chain and the corresponding application knowledge surrounding the core competencies of product, packaging and machines gives rise to numerous contact points to the digital transformation.

From consulting and project design, through development and construction, and on to installation and acceptance, ROVEMA is in a close dialogue with its customers. The company's product portfolio includes solutions for the entire spectrum of primary and secondary packaging: dosing, vertical form fill and seal (VFFS), cartoning and final packaging machines. The internal technical centre, founded in 1992, conducts pure research and also ensures rapid knowledge transfer from theory into practice. Multifaceted service offerings supplement the offer. The company's product portfolio comprises of trading, refurbishment and service offerings for all facets of used, high quality packaging machines. The vertical packaging machines in the premium segment are made available for sale with a modular design and a strong focus on service. The primary fields of application for ROVEMA products to date are in the safe and hygienic packaging of foodstuffs in a wide variety of forms and consistencies: powders, chunky products, frozen goods, and liquid products. An expansion of applications beyond the food industry is possible and is being pursued. ROVEMA's diversified customer structure includes multinational corporate groups as well as regional specialists.

The **TAKKT** division bundles a portfolio of B2B direct marketing specialists for business equipment in Europe and North America. Each company follows an essentially comparable business model, but with a different focus with respect to customer groups, product lines, regions or distribution channels. The sales brands concentrate mainly on the sale of durable stable-priced equipment as well as special items for recurring use to corporate customers. The product range comprises operating and warehouse equipment, office furniture, transport packaging, display products as well as equipment for the restaurant sector and retail grocery trade.

In its sales approach, TAKKT follows a multi-brand strategy that comprises multi-channel and web-focused brands and which is based on the different requirements of the respective customer groups. Multi-channel brands focus on discerning customers from mid-sized and larger companies. To that end they combine a broad online offering, from the online shop to customer-specific e-procurement solutions, with the classic catalogue business and – where sensible – with employees for telephone sales and field representatives in an integrated approach. TAKKT uses web-focused brands to address smaller and more transaction-oriented customers. When a customer has ordered the desired product via one of the channels, TAKKT offers fast delivery and complementary services.

At the centre of TAKKT's additional growth is the expansion of e-commerce activities as well as even better dovetailing of the various channels in integrated multi-channel sales. TAKKT developed Vision 2020 to advance the digital transformation of the business. A long-term change in organisation as well as investments in employees and new technologies is expected to increase organic sales growth and double the e-commerce business. The company has identified six focus areas and initiated specific action plans within these areas in all of the TAKKT Group's segments in order to implement the digital transformation throughout the company.

As of 1 January 2018, the web-focused brands Certeo, BiGDUG and Mydisplays within the TAKKT EUROPE division were transferred to a newly-founded division called newport. OfficeFurnitureOnline, acquired at the beginning of 2018, will also be integrated into the newport group. By founding the division, these activities can use their brand management, infrastructure, and product range to position themselves more strongly and more independently in the market. In addition, TAKKT Beteiligungsgesellschaft, founded in 2016, and its investments in innovative start-ups will also be brought into the newport group. TAKKT Beteiligungsgesellschaft's objective is to make strategic equity investments in newly-founded, strong growth companies that specialise in the B2B direct marketing segment or in services along the value chain of the TAKKT companies. The portfolio comprised seven investments already at the end of 2017.

The division also requires promising companies to complement existing business activities. TAKKT looks for established companies with a scalable business model in B2B direct marketing with positive growth prospects. Acquisitions offer TAKKT the opportunity to extend its product portfolio, develop new customer groups or expand regionally and thus further diversify. TAKKT's acquisitions are also aimed at gaining new expertise if possible.

Following approval by the METRO GROUP Annual General Meeting on 6 February 2017, the demerger of the company was completed on 12 July 2017. The company that focuses on consumer electronics operates under the CECONOMY brand. The wholesale and food business has since operated under the METRO brand. Both companies are managed as separate German stock corporations with independent corporate profiles and their own listings on the stock exchange. This means Haniel has two financial investments.

With more than 2 billion customer contacts per year, the **CECONOMY** financial investment is the leading European platform for companies, concepts and brands in the field of consumer electronics. CECONOMY's companies aim to provide guidance to customers and offer them solutions for exploiting the possibilities of innovative technologies in the best manner possible. With its two strong brands, MediaMarkt and Saturn, the company is represented in 15 European countries, and is number one in consumer electronics retailing in nine countries – measured by sales, market share, selling space and number of employees. Customers can use the offering on MediaMarktSaturn's markets and online channels in any desired combination at home and on the go. To enable that, the advantages of modern technologies have been integrated in all locations – with more than 1,000 digitally-optimised and multi-channel-capable markets in Europe.

METRO, the wholesale and grocery specialist, consists primarily of the METRO Wholesale and Real segments. The METRO Wholesale segment comprises the METRO/MAKRO Cash & Carry wholesale markets and the delivery business. It is aimed primarily at commercial customers, in particular hotels, restaurants and catering companies. The Real segment concentrates on retail business in Germany and thus to consumers. Real is one of the leading hypermarket companies in Germany and offers an extensive and wide-ranging product line. METRO is active in 35 countries with local wholesale companies and delivery specialists – among others, METRO Lieferservice (delivery service), Classic Fine Foods, Pro à Pro and Rungis Express. This business is very well positioned in its markets – through both wholesale sales as well as the growing presence in the delivery business. In view of the changing buying habits among its customers, the delivery business in wholesale sales and multi-channel sales is being further expanded. Real has created new store concepts following a consolidation phase. In addition, the company has offered a large number of items for purchase online using a new marketplace format since February 2017.

Furthermore, the HoReCa Digital business unit, founded in 2015, bundles the Group's digital initiatives such as the METRO Accelerator powered by Techstars. There are also various service companies that provide comprehensive services throughout the Group.

Value-oriented management system
Sustainably increasing shareholder value is at the core of the activities of the divisions and the Haniel Holding Company. In order to ensure that the conduct of all participants is oriented on this goal, financial and non-financial indicators are utilised within the divisions and the Haniel Holding Company. At Group level, the Management Board uses, in addition to revenue, operating profit to assess the development of the divisions. Additionally, the profit before taxes is used as an indicator, which includes the investment result and the result from financing activities in addition to the operating profit.

A benchmark for value contribution in the Haniel Group is the Haniel value added (HVA). This indicator illustrates whether the Haniel Group or its divisions are generating results that at least cover the cost of capital. The cost of capital comprises the yield required by debt and equity providers and reflects the risk attributable to the Company's business activities. The return on capital employed (ROCE) is also used as a yield indicator in addition to Haniel value added. Recognised investments in non-current assets as well as the Haniel cash flow, in the sense of a cash-earnings indicator, are used to manage liquidity.

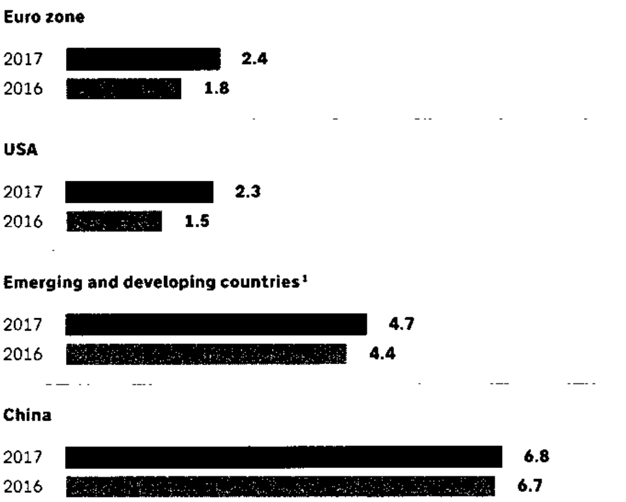
The indicators used for Group management are also used in the Haniel Group's compensation systems.

Report on the non-financial statement released
The management approach of Franz Haniel & Cie. GmbH to Corporate Responsibility (CR), consisting of the Haniel Group's CR organisation, CR targets as well as significant initiatives by the divisions and the Holding Company in this area are presented in the Corporate Responsibility section starting on page 12 of this annual report. Comprehensive detailed information on sustainability is also available on Haniel's website. The separate voluntary report on the non-financial statement pursuant to the CSR Directive Implementing Act (CSR-Richtlinie-Umsetzungsgesetz) pursuant to section 289b of the German Commercial Code (Handelsgesetzbuch, "HGB") as regards disclosure of non-financial and diversity information can be found at the following website:
www.haniel.de/en/responsibility/nonfinancialstatement2017

Haniel Group
Revenue and earnings performance

The Haniel Group posted double-digit sales growth in 2017. The ELG division and the Initial activities at CWS-boco, which were first included in the second half of 2017, made particular contributions to this growth. As expected, operating profit declined, primarily due to the costs for integrating the Initial activities at CWS-boco. The Haniel Group increased both before- and after-tax profit significantly.

GROWTH BY REGION
%



[1] 205 countries incl. China in total

Source: International Monetary Fund, World Economic Outlook Update, January 2018

Macroeconomic environment clearly revitalised
According to an estimate by the International Monetary Fund (IMF) the global economy grew strongly in 2017, gaining 3.7 per cent.

The upturn strengthened in the euro zone in 2017. Despite the political uncertainties from important elections in the reporting year and an unclear Brexit process, the euro zone countries again increased their growth rate to 2.4 per cent. The European Central Bank continued its expansive monetary policy. Broad domestic demand driven by consumers and investment as well as lively exports carried this upturn.

The economic upturn accelerated in the USA as well where, according to the estimate by the IMF, full year growth was 2.3 per cent following 1.5 per cent in the previous year. Consumer spending and business investments were lively. Industrial production also recovered. The energy sector, which had been very weak in the previous year, contributed to this recovery due to higher oil prices. As expected, the Federal Reserve Bank raised key interest rates further in several small steps.

The emerging and developing countries benefited from an uptick in global trade as well as the trend toward higher commodity prices. According to the IMF, on the aggregate these countries again grew at a somewhat faster pace of 4.7 per cent in 2017, although major regional differences remained. China's economic expansion was robust, gaining 6.8 per cent as a result of governmental support and also stimulated the Southeast Asian and other regions. Brazil again saw slight growth in 2017, while Russia's growth was moderate.

Relevant commodity prices at higher levels
In addition to the macroeconomic environment, the conditions in the stainless steel market segment are of great significance to the Haniel Group. The relevant commodity prices for ELG were higher in 2017 than in the previous year. A good economic outlook was one key factor behind this development. The price of nickel, the most significant price driver in stainless steel, was on average 8 per cent above the prior-year figure. The price level of commodities relevant for the superalloys business such as titanium ranged significantly below the previous year's level but increased during the course of the year.

The positive economic development in Europe and the improved conditions in the stainless steel and superalloys market segments had a favourable effect on the overall Haniel Group's revenue and earnings.

ELG and CWS-boco as sales drivers

Overall, the Haniel Group posted revenue of EUR 4,138 million in 2017, which corresponds to a significant increase of 14 per cent. Higher revenue at ELG in particular contributed to the gain. In addition, the first-time inclusion of Initial's activities in the second half of the year at CWS-boco contributed positively to revenue growth. Negative currency translation effects from the USD had a countereffect.

Adjusted for currency translation effects as well as company acquisitions and disposals, revenue increased by 11 per cent compared to the previous year. This is primarily attributable to the higher average price level of nickel and iron in 2017 and the ELG division's higher output tonnage. But the revenue of all other divisions also grew organically year-on-year, that is to say positively, when adjusted for currency translation effects and disposals of companies.

Operating profit weighed down by integration

The Haniel Group's operating profit declined slightly in the 2017 financial year to EUR 214 million. This resulted in particular from the one-off expenses for the integration of the Initial companies acquired at CWS-boco. The operating profit at TAKKT also slid below the previous year's level due to a higher expense for digitalisation, a weaker US business, and extraordinary income in 2016. BekaertDeslee's operating profit was at the previous year's level. In contrast, the ELG division increased its operating profit significantly year-on-year due to the more positive market environment; however, it was unable to fully compensate for the earnings development at other divisions.

REVENUE
EUR million

+14%

OPERATING PROFIT
EUR million

−7%

Profit before taxes increased

Profit before taxes increased from EUR 193 million in the previous year to EUR 235 million. The higher profit from the CECONOMY and METRO financial investments as well as the improved results from financing activities more than compensated for the slightly lower operating profit.

The investment result, primarily from the financial investments in CECONOMY and METRO, increased from EUR 46 million in the previous year to EUR 82 million in financial year 2017. Among others, it profited from slightly positive revenue growth in both companies as well as lower expenses for restructuring measures.

PROFIT BEFORE TAXES
EUR million

+22%

The result from financing activities, which is composed of finance costs and other net financial income, improved to EUR −61 million in the reporting period, following EUR −82 million in the previous year. Among other items, the scheduled repayment of the Haniel bond in February 2017 and the resulting lower interest cost contributed to this improvement.

Profit after taxes significantly higher

With a higher profit before taxes and a positive net tax income resulting from a significant income from deferred taxes compared to the previous year, the profit after taxes was significantly above that of 2016. Following EUR 144 million in the previous year, the profit after taxes came in at EUR 248 million in the 2017 financial year.

PROFIT AFTER TAXES
EUR million

+72%

Haniel value added significantly above the previous year's level

In addition to the revenue and earnings figures, the Haniel Group also uses Haniel value added (HVA) and the return on capital employed (ROCE) as value-oriented performance indicators[2]. HVA expresses the value contribution generated within a single year. The costs of equity and debt are determined each year, as is their weighting. As in the previous year, the weighted average cost of capital for measuring HVA in 2017 was 7.8 per cent.

EUR million	2016	**2017**
Return	230	**314**
– Cost of capital	495	**505**
Haniel value added (HVA)	**–265**	**–191**
Return	230	**314**
/ Average capital employed	6,347	**6,469**
Return on capital employed (ROCE)	**3.6%**	**4.9%**

HVA was EUR –191 million in 2017, significantly above the previous year's level of EUR –265 million. This was attained by a higher return with only slightly higher cost of capital compared to the previous year.

The performance indicator ROCE reflects the return realised on the average capital employed. The Haniel Group's ROCE increased through the higher 4.9 per cent return generated in 2017, compared to 3.6 per cent in the previous year. The return on the average capital employed in the 2017 financial year was thus below the weighted average cost of capital of 7.8 per cent.

Regarding the value-oriented performance indicators, it should be considered that both the available financial assets as well as the financial investments earn structural yields, which are below the total cost of capital. Against this backdrop, the value-based portfolio development remains a significant objective of the Haniel Holding Company.

Expectations exceeded

Adjusted for acquisitions and currency translation effects, the Haniel Group attained a significantly higher increase in sales than forecast. The main driver for this was stronger-than-expected revenue growth of the ELG division. Also with respect to operating profit, Haniel benefited at the Group level from the ELG division exceeding its operating profit projection significantly. On the other hand, the integration of Initial activities at CWS-boco proceeded at a faster pace than expected. This resulted in integration-related one-off expenses being incurred sooner than expected, which had a negative impact on CWS-boco's operating profit and at the Group level as forecast. Excluding earnings effects from the joint venture, an increase in operating profit was realised as expected.

The CECONOMY and METRO financial investments each posted a slight organic increase in sales as had been forecast for the METRO GROUP in the 2016 annual report – even excluding the demerger. Haniel's investment result from the CECONOMY and METRO financial investments was higher than expected due to lower expenses for restructuring measures and the demerger of the METRO GROUP.

On an aggregate basis, profits of the Haniel Group – both before and after taxes – came in better than forecast and were significantly above the previous year's level. Accordingly, the value-oriented performance indicators HVA and ROCE also surpassed projections. Haniel cash flow benefited from the contributions from the acquired Initial activities and rose more than expected compared to the previous year.

[2] For a detailed calculation of the HVA and ROCE indicators, see the explanations of the notes to the consolidated financial statements on page 105

Haniel Group
Financial position

Following the integration of substantial Central European parts of Initial at CWS-boco, Haniel successfully continued expanding its portfolio with the acquisition of ROVEMA and Optimar. Sufficient liquid assets are available for additional acquisitions, including from the Haniel cash flow, which increased significantly from the positive development of operating activities. The financial structure of the Group remains extremely solid and is reinforced by investment-grade ratings for the Haniel Holding Company.

Financial governance between the Holding Company and the divisions

The ultimate objective of financial management is to cover the financing and liquidity needs at all times while maintaining entrepreneurial independence and limiting financial risks. The Holding Company prescribes principles to the divisions to establish minimum organisational requirements and to govern the structure of key financial management processes, including financial risk management. These directives are documented in guidelines for the treasury departments of the Holding Company and the divisions. The Holding Company and the divisions use this basis to identify, analyse and evaluate the financial risks that each operating business is responsible for – in particular liquidity, credit, interest rate and currency risks – and take measures to avoid or limit these risks. In addition, the Holding Company sets the financing and financial risk management strategy and approves the financial counterparties and financial instruments used, as well as limits and reports.

While staying within these guidelines, the divisions manage their own financing based on their own financial and liquidity planning. Cash management is also the responsibility of the divisions. In order to leverage economies of scale, the Holding Company and its finance companies support the divisions and, together with partner banks, offer cash pools in various countries. Combining central directives with the autonomy of the divisions in terms of their financing takes into account the divisions' individual requirements for financial management.

Trusting collaboration

As a family business with stable, but limited equity financing, access to sources of debt capital are of high importance to Haniel. Accordingly, a good reputation with financial partners is essential. Significant aspects to this include timely and open information from rating agencies and business partners while observing equal treatment of banks and investors. When this can be guaranteed, a company can earn a high level of trust as a longstanding and reliable business partner for banks and investors.

Investment-grade ratings confirmed

Haniel Holding Company submits itself to external ratings voluntarily, thus ensuring broad access to capital markets. Haniel bases this on three rating assessments: Moody's supplemented its current rating of Ba1 with a "positive outlook" in January 2017. The European rating agency Scope classified Haniel as investment-grade with a BBB- rating, as did Standard & Poor's, who also put Haniel in this class with its BBB-rating.

Broad-based financing

The Haniel Group's financial management relies on diversification of financing: various financing instruments with a variety of business partners ensure access to liquidity at all times and reduce the dependency on individual financial instruments and business partners. Overall, the Haniel Group had used and unused credit facilities on the scale of EUR 2 billion as at 31 December 2017. This exemplifies the pursuit of security and independence.

A balanced maturity profile with an appropriate, long-term orientation guarantees additional financial stability. A further key pillar of financial management is the Haniel Holding Company's secured access to capital markets via the current commercial paper programme of EUR 500 million.

Overall, the financial liabilities reported in the Haniel Group statement of financial position declined to EUR 1,495 million as at 31 December 2017, compared to EUR 1,750 million as at 31 December 2016. Of that amount, EUR 992 million is due in less than one year, EUR 458 million is due in one to five years, and EUR 45 million is due in more than five years. The majority of liabilities are denominated in euros. Liabilities in foreign currencies are primarily in US dollars. The decline in financial liabilities resulted from the scheduled repayment of a bond of EUR 247 million. This bond was repaid without refinancing due to sufficient liquidity. The current financial liabilities, that is with maturities of less than one year, remained stable despite the bond repayment. This resulted from the reclassification of another bond maturing in February 2018. The decrease in financial liabilities in the maturity category of between one and five years arose from the reclassification of the previously mentioned bond of EUR 195 million that matured in February 2018. In addition, of the liabilities reported as current, EUR 483 million are attributable to the exchangeable bond linked to ordinary shares of CECOMOMY AG. Although this does not reach maturity until 2020, it is reported as a current liability due to the right of the bondholders to exchange the bond for shares, which can be exercised at any time.

The carrying amount of outstanding bonds as at 31 December 2017 of EUR 678 million following the bond repayment is below the level of EUR 918 million at the end of 2016. In addition, the CWS-boco, ELG and TAKKT divisions have also financed themselves on the market for promissory loan notes in recent years and thus broadened their financing base. As at 31 December 2017, the value of promissory loan notes, commercial paper and other securitised liabilities in the Haniel Group amounted to EUR 223 million – and was thus above the level reported as at 31 December 2016. Individual divisions also maintain programs for the ongoing sale of trade receivables to third parties.

Solid financial buffer
The net financial liabilities of the Haniel Group, i.e., financial liabilities less cash and cash equivalents, declined to EUR 1,427 million as at 31 December 2017 compared to EUR 1,485 million at the end of 2016. The use of cash for the repayment of the bond did not result in a larger reduction of net financial liabilities. The net financial position in the Haniel Group increased to EUR 1,331 million as at 31 December 2017, following EUR 575 million as at 31 December 2016. The net financial position equals the net financial liabilities less the investment position of the Haniel Holding Company – excluding current and non-current receivables from affiliates. The increase in net financial position is attributable in particular to the use of financial resources for the expansion of the portfolio by the establishment of the joint venture at CWS-boco as well as the acquisition of ROVEMA and Optimar.

Haniel cash flow increased significantly through positive development of operating activities.

Net financial liabilities at the level of the Haniel Holding Company also increased, from EUR 917 million as at 31 December 2016 to EUR 1,040 million as at 31 December 2017. That is because the Haniel Holding Company provided financial resources to the divisions and acquired two new divisions with ROVEMA and Optimar. This resulted in a reduction of the balance of cash and cash equivalents. Additionally, the CWS-boco division was able to establish the joint venture with Rentokil Initial through the financial support of the Haniel Holding Company.

The net financial liabilities at the Holding Company level are offset by a portfolio of financial assets that will be used in the coming years for the acquisition of additional divisions as well as for the redemption of outstanding bonds. Including current and non-current receivables from affiliates, the Haniel Holding Company had financial assets valued at EUR 908 million as at 31 December 2017.

Haniel cash flow increased
The Haniel Group uses the performance indicator Haniel cash flow to assess the strength of its liquidity position in its current business activities. Haniel cash flow is first and foremost available for financing current net assets[1] and investments. Haniel cash flow increased from EUR 374 million in the previous year to EUR 487 million in 2017. The primary causes for the increase were the first-time contributions by the Initial companies as well as the overall positive development of the operating activities in the divisions.

[1] Current net assets essentially comprise trade receivables and inventories less trade payables

Cash flow from operating activities, which supplements Haniel cash flow in depicting the change in current net assets, amounted to EUR 462 million in 2017, and was thus also somewhat less than Haniel cash flow. The discontinuance of sales of receivables at CWS-boco contributed to this. In the previous year, cash flow from operating activities amounted to EUR 253 million, which was also less than the Haniel cash flow. The cause was the commitment of financial resources, in particular through the increase in trade receivables and inventories, as a result of a higher nickel price at year's end at ELG and larger business volume in the fourth quarter.

Acquisition of Initial units, ROVEMA and Optimar drives total investment

Cash flow from investing activities, that is the balance of payments for investing activities and proceeds from divestment activities, was EUR -303 million in 2017. In addition to the investments by the divisions in property, plant and equipment and intangible assets, the most significant investments were the acquisition of the Initial companies by CWS-boco as well as the takeover of both ROVEMA and Optimar. Payments of EUR 1,168 million were offset by proceeds from divesting activities of EUR 865 million. These were primarily attributable to the decrease of financial investments by the Haniel Holding Company. In the previous year, the cash flow from investing activities was EUR -286 million. Payments amounting to EUR 592 million - including for the acquisition of the DesleeClama Group and financial assets at the level of the Holding Company - were offset by proceeds amounting to EUR 306 million. This resulted in particular from the scheduled maturity of financial assets which had been acquired in prior years by the Haniel Holding Company.

HANIEL CASH FLOW
EUR million

+30%

CAPITAL EXPENDITURE
EUR million

+97%

EUR million	2016	**2017**
Haniel cash flow	374	**487**
Cash flow from operating activities	253	**462**
Cash flow from investing activities	-286	**-303**
Cash flow from financing activities	-44	**-353**

Cash flow from financing activities in 2017 were EUR -353 million, following EUR -44 million in 2016. Significantly more funds were thus used for the repayment of financial liabilities than in the previous year. As in the previous year, a dividend of EUR 50 million was paid to the shareholders of Franz Haniel & Cie. GmbH in 2017.

Haniel Group
Assets and liabilities

The equity ratio of the Haniel Group remained high with higher total assets. This underscores the further investment potential of the Haniel Group, even after 2017's successful investments.

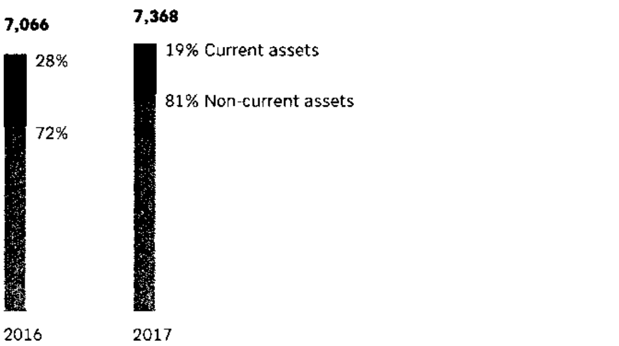
Higher total assets
The Haniel Group's total assets increased from EUR 7,066 million as at 31 December 2016 to EUR 7,368 million as at 31 December 2017. Non-current assets increased at the expense of current assets. This increase resulted from CWS-boco's founding of the joint venture with the Initial activities in Central Europe as well as the acquisition of ROVEMA and Optimar. Countering this, non-current financial assets declined in particular because bonds were disposed of by the Haniel Holding Company to finance the acquisitions. Total non-current assets of the Group amounted to EUR 5,977 million as at 31 December 2017, – following EUR 5,122 million as at 31 December 2016. Current assets declined due to the reduction of current financial assets from EUR 1,944 million as at 31 December 2016 to EUR 1,391 million as at 31 December 2017.

Equity ratio remains high
The equity of the Haniel Group increased from EUR 4,248 million as at 31 December 2016 to EUR 4,499 million as at 31 December 2017. This was due to in particular the profit after taxes and the inclusion of significant Central European Initial companies in CWS-boco as part of the establishment of the joint venture. The equity ratio increased slightly from 60 per cent to 61 per cent because not only did equity increase, but so did total assets. The continuing high level of the equity ratio underscores the investment potential of the Haniel Group.

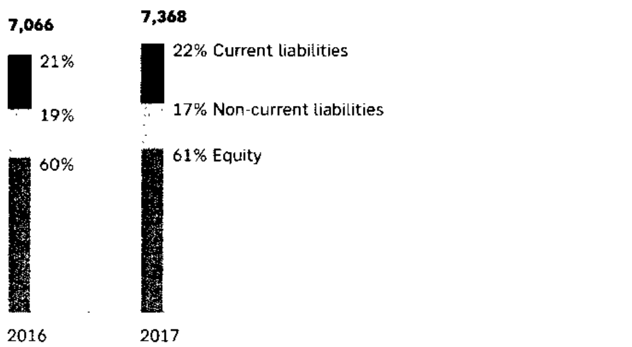
Non-current liabilities declined to EUR 1,236 million as a consequence of the reclassification to current liabilities of the bond of Franz Haniel & Cie. GmbH maturing in 2018. Current liabilities increased from the acquisition of ROVEMA and Optimar as well as the establishment of the joint venture. They amounted to EUR 1,633 million as at 31 December 2017, following EUR 1,504 million as at 31 December 2016.

Recognised investments significantly above the previous year due to acquisitions
The Haniel Group's recognised investments increased sharply from EUR 412 million in the previous year to EUR 1,600 million in the 2017 financial year. With the acquisition of significant Central European Initial companies as well as the new Optimar and ROVEMA divisions, both the value as well as the number of acquisitions in 2017 were significantly above those of 2016, in which DesleeClama represented the largest single investment. The recognised investments in the existing business for property, plant and equipment and other assets declined because the acquisition of financial assets by the Haniel Holding Company had greatly increased these items in the previous year.

ASSET STRUCTURE
EUR million



EQUITY AND LIABILITY STRUCTURE
EUR million



Haniel Group
Employees

The number of employees in the Haniel Group increased again in the 2017 financial year due to CWS-boco's joint venture with Rentokil Initial and the acquisition of ROVEMA and Optimar.

Staffing in the divisions increased
The average number of employees in the Haniel Group increased in 2017 by upwards of 33 per cent, from 13,882 in the previous year to 18,481. This is attributable in particular to the consistent implementation of the buy&build strategy.

BekaertDeslee had an average of 2,677 employees in 2017, following 2,340 employees in the previous year. The increase resulted above all from the demand for additional production staff in Mexico and Romania.

Business development at **CWS-boco** increased the most due to the establishment of the joint venture with Rentokil Initial for the takeover of Initial's activities in 10 European countries: from an average of 7,661 employees in 2016 to 10,768 employees in 2017. The increase was particularly high in Germany and Benelux.

Business development at the **ELG** division improved with higher output tonnage due to more favourable general market conditions caused by higher prices for relevant commodities. As a result, staffing in the ELG division increased slightly from an average of 1,181 to 1,240.

ROVEMA had an average of 649 employees in 2017; at **Optimar** the number of employees averaged 375.

The average number of employees at **TAKKT** also grew slightly year-on-year from 2,489 to 2,566 also due to the hiring of digital talent. TAKKT announced the hiring goal of up to 100 employees with excellent digital abilities; more than 70 positions have already been staffed. The division also established its own trainee programme for digital talents in order to prepare young managers specifically for the digital transformation.

EMPLOYEES
Annual average (headcount)

+33%

Digitalisation is impacting human resource requirements: Key positions such as Chief Digital Officer, Senior Digital Advisor, Digital Transformation Manager or User Experience Designer were created and staffed group-wide.

Digitalisation affects human resource requirements
Digitalisation is changing the corporate culture over the long-term and affecting collaboration. It has a significant influence on quantitative and qualitative human resource requirements. The effects of digital transformation on organisation and collaboration in the divisions vary greatly depending on the business model. The Haniel Group couples this topic with a clear strategic focus. The Haniel Academy, which trains and develops managers and employees of the Haniel Group, provides a number of offerings covering all manner of issues related to digital transformation. In addition, Haniel has established initiatives to promote dialogue and provide information to address this trend and has also established the Schacht One digital unit.

Abbreviated Corporate Governance Declaration: Promote diversity
Haniel's Management Board acknowledges that diversity is a strategic success factor for the future viability of Haniel. Depending on the department and location, there are various offerings in the companies of the Haniel Group that open opportunities for improving the compatibility of career and family. These opportunities are being further expanded. Shaping general conditions represents a focus of activity here in particular, also in the light of the German Act to Promote Equal Participation of Women and Men in Management Positions. Nevertheless, qualification remains the decisive criterion for staffing positions. Appropriate actions will therefore lead to a corresponding increase in the percentage of women in the Haniel Group in the foreseeable future. As resolved by the Management

Board of Franz Haniel & Cie. GmbH in accordance with, and in the same scope as an abbreviated Corporate Governance Declaration pursuant to statutory requirements for Franz Haniel & Cie. GmbH, the target levels for the percentage of women for the Haniel Holding Company until 31 December 2021 are 10 per cent for the first management level and 6.25 per cent for the second management level. The minimum quota for the Management Board is zero and the minimum quota is 8.3 per cent for the Supervisory Board.

Holding Company Franz Haniel & Cie.

The Haniel Holding Company[1] continued to successfully develop its portfolio in 2017: Together with the CWS-boco division, the family-equity company established a joint venture with Rentokil Initial, thus opening long-term prospects for growth for the division. Haniel diversified its portfolio with the acquisitions of ROVEMA and Optimar, two fast-growing companies which operate in different segments of the field of mechanical engineering. The Holding Company is also continuing its work to systematically implement the digital transformation strategy.

Portfolio further strengthened and diversified
Together with the CWS-boco division, the Haniel Holding Company established a joint venture with Rentokil Initial on 30 June 2017, thus strengthening the division's market position for the long term. The joint venture creates an innovative, leading European company that offers workwear, cleanroom and hygiene services. In addition to a capital increase, the Holding Company provided the division an additional EUR 500 million as interim financing. Following the acquisition of Rentokil Initial's Central European activities, the Haniel Holding Company holds 82.19 per cent of shares in the joint venture, and Rentokil Initial holds 17.81 per cent.

ROVEMA, a recognised premium manufacturer of packaging machines and equipment, has been a part of the Haniel Group since 30 November 2017. Optimar, a leading manufacturer of high-quality, automated fish handling systems for use on ships, on land and for aquaculture, has belonged to the Haniel Group since 20 December 2017.

The strategic decision by Metro's management regarding the demerger of the METRO GROUP, which became effective on 12 July 2017 upon entry in the commercial register, resulted in a splitting of the group into CECONOMY, which is focused on consumer electronics, and METRO, the wholesale and grocery specialist. This gives rise to new prospects for growth and development for both financial investments. In addition, the split results in a greater diversification of Haniel's portfolio.

The value of Haniel's investment portfolio as at 31 December 2017 amounted to EUR 5,624 million.

Following the successful portfolio measures, Haniel has financial resources on the scale of more than EUR 800 million for the acquisition of additional business segments. As a family-equity company, Haniel follows a long-term investment approach with respect to acquisitions. Its focus lies on well-positioned medium-sized companies which operate in attractive niches which can expand their market-leading position with the help of Haniel, contributing to the diversification of the portfolio. In addition, Haniel gives preference to the acquisition of controlling interests in non-listed companies, which can also take place in stages. In line with Haniel's objective of being "enkelfähig", particular emphasis is placed on companies which are able to make a positive contribution to long-term value creation through their sustainable actions. In addition to the acquisition of new business segments, Haniel will also emphasise the expansion and further development of the existing divisions as part of its buy&build strategy.

In a challenging market environment, Haniel will continue to find the right companies by patiently and prudently weighing options as they arise.

Value of the portfolio up slightly
The value of the investment portfolio increased from EUR 5,284 million at the end of 2016 to EUR 5,624 million as at 31 December 2017. It is calculated as the sum of the valuations of the divisions, the CECONOMY and METRO financial investments, the financial assets as well as other assets less net financial liabilities at the Holding Company level. The listed division and the financial investments are valued on the basis of three-month average share prices, while the remainder of the divisions are valued on the basis of market multiples, and for the financial assets on the basis of fair values as at the reporting date.

[1] Including the Holding Company's equity investment, financing and service companies. You can find the financial statements of the Franz Haniel & Cie subgroup under "Creditor Relations" at www.haniel.de/en.

Digital transformation further advanced

Promoting the divisions' digital transformation aligns with Haniel's objective of acting as a value developer for the divisions, keeping the focus both on value and values. Haniel applies a holistic approach to the Group's digital transformation that comprises several interwoven elements: The divisions have developed Digital Agendas, the primary aim of which is to transform the portfolio companies' existing value chains. The strategies also offer sufficient latitude to develop innovative, unconventional, digital-based business ideas.

Schacht One, Haniel's digital workbench, coordinates, supports and accelerates the implementation of the Digital Agendas. Schacht One has already worked with the divisions on 50 corresponding projects as of 2017.

Haniel's investments in venture capital investment funds give it a very strong basis for better understanding the business models of start-ups and learning about new innovative business models at an early stage. As at 31 December 2017, Haniel had committed a total of EUR 42 million for six different investment funds which in turn want to invest in a total of well over 200 young companies. This network also has the potential to inspire internal innovation processes and provide momentum for the continued search for new companies to invest in. Moreover, the Holding Company supports its divisions in making their own investments in young and innovative start-ups.

Knowledge transfer and the exchange of ideas – both within and outside the Haniel Group – are an important aspect of the holistic approach to digitalisation. This is also the focus of the Haniel Leadership Lab, the Group-wide management conference. The Holding Company also coordinates trips by employees of the Haniel Group to hotspots such as Berlin and Stockholm where they expand their external networks in the digital and start-up scene. In addition, the Haniel Academy offers a comprehensive programme of seminars on digitalisation, which is continually being expanded.

Financial assets used for portfolio development

Haniel used some of its financial assets in 2017 to execute a capital increase at CWS-boco during the course of the joint venture with Rentokil Initial and to acquire ROVEMA and Optimar. In addition, financial assets are loaned to the divisions and invested in interest-bearing financial investments. As at 31 December 2017, taking into account current and non-current receivables from and liabilities to affiliates, there were financial assets valued at EUR 908 million versus net financial liabilities amounting to EUR 1,040 million. The net financial position of the Haniel Holding Company, defined as net financial liabilities less financial assets, was thus EUR -132 million as at 31 December 2017. Based on the self-imposed limit for net financial liabilities of EUR 1 billion, Haniel therefore has more than EUR 800 million to further develop and expand the portfolio. Planned returns from internal loans will reduce the external indebtedness and thus create additional latitude. The Haniel Holding Company also has firmly committed long-term lines of credit of EUR 667 million available and is therefore in a comfortable aggregate liquidity situation.

Sufficient liquidity is available for the acquisition of additional divisions.

The non-interest bearing exchangeable bond issued in 2015 and linked to shares in METRO AG, which became CECONOMY after the demerger, represents a key element of financing. Haniel has used this to secure excellent financing terms until 2020. In addition, funding has been secured over the long term by way of the aforementioned credit facility and shareholder and employee loans. However, the most important part of financing is and remains the equity made permanently available by the Haniel family.

The debt target is regularly analysed against the development of the Holding Company's cash flows and development of the portfolio's market value. Even after the planned acquisition of new divisions, Haniel will continue to keep net financial liabilities at about EUR 1 billion, appropriate for an investment-grade rating.

S&P and Scope with investment-grade ratings

In January 2017, Moody's raised its outlook on Haniel's rating to "positive" and confirmed the Ba1 rating. Moody's thus acknowledged the steps taken at Bekaert-Deslee and CWS-boco as part of the investment strategy as well as the effects on the Haniel portfolio from the demerger of the METRO GROUP. Haniel voluntarily submits to external rating assessments with the objective of obtaining a stable long-term investment-grade rating. Two of the three ratings of the Haniel Holding Company are currently ranked investment grade. Since February 2016, the Holding Company has had a long-term investment-grade issuer rating of BBB- with a stable outlook from the European rating agency, Scope. In April 2016, Standard & Poor's Ratings Services (S&P) had raised its long- and short-term corporate credit rating to BBB-/A-3 (stable outlook). Haniel is thus also classified as investment grade at S&P.

Earnings contribution of the Holding Company down on prior year

The Haniel Holding Company's contribution to the Group's operating profit in 2017 was below the previous year's level. In 2016 higher income from the reversal of provisions no longer needed contributed to operating profit.

Responsibility for the region and society

The CR commitment of the Haniel Holding Company is based on two pillars: First, as a family-equity company Haniel takes responsibility along its own value-added chain. Second, Haniel systematically pursues its social commitment while focusing on promoting education, site responsibility and employee commitment. Responsibility for the region is supported by numerous initiatives and projects at the corporate headquarters – be it materially, non-materially, or financially.

Together with the KfW Foundation, the Prof. Otto Beisheim Foundation and Social Impact gGmbH, the Haniel Holding Company operates Social Impact Lab Duisburg. This incubator for social entrepreneurs supports business founders who want to use their ideas to solve pressing social challenges; it connects them with other stakeholders and establishes them in the region. As of 31 December 2017, 46 teams had already commenced or completed this programme. 24 companies have resulted from this incubator, 21 of which are still on the market. Individual teams have been successful throughout Germany and internationally. In addition, substantive offerings such as a mentoring programme and specialist workshops promote an exchange of ideas between the start-up teams and Haniel employees.

BekaertDeslee

BekaertDeslee generated a revenue increase of 9 per cent in 2017. Organically, revenue rose by 8 per cent. In particular, business with ready-made mattress covers was highly positive. Operating profit was on par with the prior-year level. The company has completed the comprehensive integration measures as planned following the acquisition of the DesleeClama Group. The division is working continually to expand its global market position.

Integration successfully completed

BekaertDeslee is a growth-oriented company that aims to expand its global market position through both organic growth and acquisitions. The acquisition of the DesleeClama Group strengthened the division's leading position in the market significantly. The combined company's broad market coverage and high degree of customer proximity give it a strong competitive position. In the course of the consolidation, among other successes, the Belgian headquarters of both companies were combined in Waregem. In addition, the division relocated DesleeClama's production activities in the United States to Bekaert Textiles' existing production locations in the United States and Mexico. At its headquarters in Waregem, BekaertDeslee began efforts to establish an innovation centre that bundles the development and design departments and other central company functions under one roof.

REVENUE
EUR million

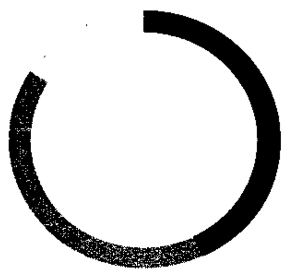
+9%

REVENUE
by region

43% Americas

41% Europe

16% Asia/Pacific



Long-term trend toward upmarket materials

BekaertDeslee continues to benefit from long-term megatrends. With regard to organic growth, this made a considerable contribution to the further expansion of BekaertDeslee's position in the market for mattress textiles. The market for mattress textiles is characterised by a long-term trend toward higher-value materials, which is attributable in particular to an increasing readiness to purchase higher-priced mattresses. Specifically, these materials include knitted mattress textiles. This is because these textiles make it possible to realise not only sophisticated, three-dimensional designs but also additional functions which improve the quality of sleep. BekaertDeslee can benefit from this trend due to its many years' experience with knitted textiles.

The integration measures served to strengthen the division's leading position in the market significantly.

Increased demand for mattress covers

Among BekaertDeslee's core customer groups, the emerging trend is for their procurement departments to purchase prefabricated mattress covers. On the one hand, this is because cost and efficiency considerations are increasingly motivating long-established mattress manufacturers to shift to a business model where they merely "combine" individual components. On the other hand, the new group of "bed-in-a-box" companies – i.e., primarily online mattress retailers – have other needs with respect to product characteristics. For instance, mattresses need to be wrinkle-free after having been folded and rolled up for shipping. This is where BekaertDeslee can wield its expertise. As a consequence, sales of ready-made mattress covers were highly encouraging in 2017 and the company will continue to systematically expand its business with products characterised by a greater depth of value added.

Cost initiatives successfully continued

In 2017, BekaertDeslee successfully and systematically continued its work to implement both the procurement initiative and the Lean Manufacturing Initiative. In particular, the centralisation and standardisation of yarn purchasing resulted in a reduction in costs. The Lean Manufacturing Initiative is designed to standardise and improve production processes. The division is pursuing an overarching strategy to foster continuous improvement at all locations.

The business with products with a greater depth of value added – such as ready-made mattress covers – is increasing.

Strengthened market position after integration

BekaertDeslee generated EUR 337 million in revenue in 2017, compared with EUR 310 million in the previous year. The DesleeClama Group was acquired last year and made its first contributions to this positive revenue trend over the year. Organic revenue, i.e., adjusted for business combinations and disposals and currency translation effects, grew by 8 per cent. By regions, BekaertDeslee benefited from the positive development of business in Europe, whereas business activities in the USA were under pressure. Within the product portfolio, the growing demand for ready-made mattress covers continued to have a positive influence on revenue development.

OPERATING PROFIT
EUR million

+/-0%

EMPLOYEES
Annual average (headcount)

+14%

In 2017, BekaertDeslee's operating profit remained stable, amounting to EUR 28 million, with all regions making a positive contribution to earnings. However, the efficiency gains realised and the inclusion of DesleeClama in the figures for the entire year were not sufficient to offset the loss of earnings due to a dip in sales to a major customer and increased energy costs in Mexico. The operating profit was weighed down by the amortisation of the purchase price allocation amounting to EUR 10 million. Adjusted for this, BekaertDeslee's operating profit was EUR 38 million in 2017.

Digital Agenda implemented

In 2017, BekaertDeslee worked on several projects relating to its Digital Agenda with the Haniel Group's digital workbench, Schacht One. The objective is to accelerate the digital transformation of the business. Under the Digital Agenda, BekaertDeslee systematically focuses on the needs of its target groups – from mattress manufacturers to retailers through to end consumers. The digitally assisted, automated quality assurance of ready-made textiles was successfully tested in 2017 as a prototype and is being introduced into the production process.

CWS-boco

The merger of Initial's Central European business on 30 June 2017 with the CWS-boco division opens attractive opportunities for further development in the hygiene, workwear and cleanroom segments. The consolidation resulted in a sharp increase in revenue to EUR 970 million. But CWS-boco also grew organically thanks to continuing positive impacts from the sales initiative. The operating profit was weighed down to a considerable extent by the expenses for integration and restructuring.

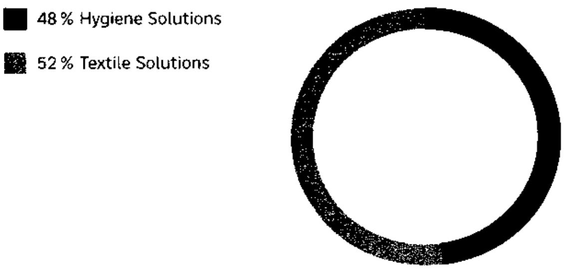
Joint venture opens up growth opportunities

On 30 June 2017, Haniel and Rentokil Initial agreed to form a joint venture, merging CWS-boco's business in 16 countries with Initial's activities in 10 European countries. At the same time, CWS-boco sold its Italy business to Rentokil Initial. This gave rise to an innovative and leading European company in the attractive market for workwear, cleanroom and hygiene services under the aegis of the CWS-boco Group. After the transaction Haniel holds 82.19 per cent of the share and Rentokil Initial holds 17.81 per cent. The two companies complement each other regionally and pool their longstanding expertise. The joint venture creates a state-of-the-art service platform enabling it to offer improved and more efficient customer solutions while safeguarding a consistently high level of quality. This platform benefits from increased efficiency in the supply chain, improved global sourcing and a broad range of innovative technology and other services. The integration of the two companies was

REVENUE
EUR million

+21%

REVENUE
by division



the focus in the second half of the year. CWS-boco has already implemented initial efficiency measures, in particular in the administrative area.

Successful integration of CWS-boco and Initial activities: One of the leading European service providers for workwear, washroom hygiene and cleanroom solutions has been created.

Establishment of new divisional structure

The implementation of the new divisional structure, which was accelerated in 2017 in the course of the integration of the Initial activities, was fully completed at the beginning of 2018. CWS-boco has established two divisions across all countries: The Hygiene Solutions division will provide washroom hygiene solutions and dust control mats, while the Textile Solutions division's service portfolio will cover the renting and sale of textiles and cleanroom, health, and health care products. The new structure allows the company to address customer needs more individually across Europe.

The division continued the project to revamp its IT systems in 2017. The objective of this project is to realise high, uniform standards of customer service and processes within the company. In addition, this is designed to support the cross-border integration of warehouse and service processes.

Focus on digitalisation

CWS-boco is working intensively to digitalise its products and services to meet customer needs. The company continued its work in 2017 on various projects based on its Digital Agenda with Haniel's Schacht One digital unit. For example, the division developed the new

"My CWS-boco" customer portal, which has been online in Germany since October 2017. The division expanded its digital service spectrum with fello.online. Since the fall of 2017, customers have been able to rent work clothes quickly, flexibly and at low cost using fello.online.

In addition, CWS-boco further developed its business with service offerings under the "loovio by CWS" brand relating to high-quality public washrooms that are available to users for a fee. Additional washrooms at rest stops and in retail shops were opened in 2017. The division also supplemented its network in the Textile Solutions division by adding an additional location near Dresden in 2017. The division's cleanroom laundries service the growing demand for cleanroom apparel primarily in the micro-electronics and pharmaceuticals industries.

Lower cancellation rates show high customer satisfaction.

Revenue increased

At EUR 970 million, CWS-boco's revenue in 2017 was up by 21 per cent year on year. This was primarily attributable to the inclusion of the Initial activities in the second half of the year. Adjusted for currency translation effects and acquisition effects, revenue increased by 5 per cent compared to the same period of the previous year. CWS-boco thus boosted revenue in both divisions. The Hygiene Solutions division generated growth of 2 per cent and the Textile Solutions division increased its revenue by 6 per cent compared to the previous year. This shows the positive effects from the sales initiative and the related internal "Sales Excellence" training programme, which has now also been introduced in Switzerland. This means the division has not only gained a significant number of new customers, but also improved support for existing customers. The cancellation rates at CWS-boco, which not only remain at a low level, but also declined year-on-year, are evidence of the high customer satisfaction.

OPERATING PROFIT
EUR million

-34%

EMPLOYEES
Annual average (headcount)

+41%

Operating profit weighed down by integration

The operating profit was weighed down in particular by one-off expenses for the integration of the Initial companies, location closings and planned staff reduction measures. In addition, the depreciation of the purchase price allocation in connection with the acquisition of the Initial companies already reduced profits in 2017 by EUR 15 million. The first-time, half-year contribution to earnings by the Initial companies of EUR 23 million could not fully compensate for the high charge in 2017. The operating profit therefore declined from EUR 77 million in the previous year to EUR 51 million.

ELG

ELG benefited from a significant relaxation of the market environment in 2017 and was able to increase output tonnage both at ELG Utica Alloys, the business with superalloys, as well as for stainless steel scrap. Higher commodity prices for stainless steel in particular, as well as increased availability of scrap increased revenue by 22 per cent. With a stable gross margin, the division generated a significant increase in operating profit, which was borne both by the stainless steel scrap segment as well as by ELG Utica Alloys.

REVENUE
by sales region

Positive market environment in the stainless steel scrap business

Global production of stainless steel in 2017 was 6 per cent above the previous year's level. Regionally, this is primarily attributable to the Chinese market, which is responsible for more than 50 per cent of global production. Production in China again increased year on year: by more than 6 per cent. Stainless steel production also increased in the USA and Europe, the markets especially relevant to ELG, as a result of the improved market environment. In addition, the production of stainless steel also saw positive growth in India, Taiwan and Indonesia. Higher commodity prices led to a year-on-year increase in the availability of scrap in the procurement market.

Positive trend for commodity prices

Nickel, chrome and iron are the primary price drivers of the stainless steel scrap processed by ELG, which is why the price that the division obtains for its products is highly dependent on the prices for these raw materials. In anticipation of a marked shortage of supply, nickel began the year 2017 at prices above USD 10,000 per tonne, but was subjected to strong volatility however. During the first half of the year, a change in commodity policy in Indonesia and the Philippines for the export of nickel ore to China as well as other factors led to temporary declines in the nickel price, occasionally falling below USD 9,000 per tonne. Investor expectations with respect to the long-term success of electric mobility had a counter effect in the second half of the year. As a result, nickel saw a significant increase in demand as a component for drive batteries. In addition to the growth in stainless steel production previously mentioned, during the course of the year this led to an increase in the nickel price to above USD 12,000 per tonne.

REVENUE
EUR million

+22%

Positive market environment with higher commodities prices in the stainless steel business compared to the previous year

On average, the price of nickel was just under USD 10,400 per tonne, which was nonetheless 8 per cent above the prior-year level. The average prices for iron and chrome reached a significantly higher level compared to those of the prior year.

Improved market environment in the superalloys business

ELG Utica Alloys, ELG's division specialising in superalloys, also benefited from an improved market environment in 2017 as far as prices and quantities were concerned. Among other things, the acquisition and integration processes for major customers, which had reduced demand in the same period of the previous year, were completed. Output tonnage increased significantly, in particular in trading, but also saw encouraging growth in recycling, which is largely independent of commodity prices. Demand from the aviation industry remained at a high level. The upturn of the trade business was also supported by the increase in the price of nickel and titanium during the course of the year, which are important for ELG Utica Alloys.

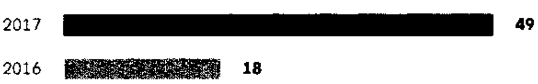
Growth in demand for recycling superalloys

Revenue and operating profit increased significantly

The overall improvement in the market environment had a positive effect on business development at ELG. While ELG's output tonnage of stainless steel increased by 5 per cent, the output tonnage of superalloy scraps at ELG Utica Alloys was up even more, 10 per cent over the value in the previous year. The higher average prices for nickel and other commodities relevant to ELG had a positive impact on revenue: this increased sharply by 22 per cent to EUR 1,696 million. ELG benefited from the supporting market environment, and as a result of a stable gross margin, from an improved absolute gross profit. Combined with a cost basis that rose at a slower pace, this led to a significant increase in operating profit in 2017, up EUR 31 million to EUR 49 million.

OPERATING PROFIT
EUR million

>+100%



EMPLOYEES
Annual average (headcount)

+5%

Strengthening for the future through digitalisation

ELG systematically continued to implement the digital transformation strategy developed in 2016 and stepped up its efforts to realise the innovation and digitalisation initiatives. The company is focusing on optimisation options along the value chain and on business model innovations. Initial solutions such as the "MyELG" app, which improves the interaction with stainless steel scrap suppliers, and the web-based "ATTIS" database at ELG Utica Alloys, are already in use internationally. The most recent digital projects by ELG's in-house innovation unit are "deinschrottplatz.de", a search portal for nearby scrap locations, and the remetal.de platform. Owners of scrap can use remetal.de to find suitable buyers for their waste metals at all times regardless of quantity, quality and location. Many projects are usually realised together with Schacht One and experienced partners.

Optimar

Optimar, one of the world's leading companies for automated fish handling systems, has been part of the Haniel Group since 20 December 2017. The Norwegian company develops, manufactures and installs onboard, onshore and aquaculture solutions.

International positioning
The company, which employs 375 people, is a leading manufacturer of high-quality automated systems for handling fish on ships, on land and for aquaculture. The company installs machinery and equipment as turnkey projects, either independently or in connection with third-party solutions. As a full-service provider, Optimar also offers ancillary products and services. Aside from its headquarters and manufacturing facility in Ålesund, the company operates other production locations in Norway, the United States, Spain and Romania. Optimar delivers to international customers in more than 30 countries.

The growing global population with its rising demand for protein, the continuing pace of automation in the fishing industry and the need to modernise the fishing fleet offer long-term support for the business model.

Customers benefit from Optimar solutions
Optimar is able to offer its customers an end-to-end range of products and solutions along the entire primary value chain from a single source: from transport to handling through to palletising. Its processing solutions are supported by supplementary project and IT solutions. This enables customers from the fishing industry and aquaculture operators to optimise their production processes and thus also the quality of their products. Optimar's solutions take up less space onboard and thus help improve systems capacity utilisation while reducing processing times. At the same time, fish are handled more carefully and this results in increased efficiency overall.

Long-term megatrends as growth drivers
The market for fish handling machinery and equipment benefits from several long-term megatrends and therefore offers great potential. The rising demand for protein by a growing world population, increasing prosperity and ongoing automation within industrial value chains are trends which can help to propel the company's sustainable, dynamic growth.

Development of digital solutions
As part of the digital transformation of its business, Optimar is already working to develop special offers and services. The increasing use of data analytics and augmented reality solutions makes it possible to better assist customers in maintaining their equipment, even at high sea, thus optimising operation times. In addition, Optimar is working to develop optical recognition systems to identify different types of fish in order to increase the level of automation and accelerate handling processes.

As Optimar was not included in the consolidated financial statements until the end of 2017, the division has not yet contributed to consolidated revenue and earnings.

ROVEMA

ROVEMA is a globally recognised premium manufacturer of packaging machines and equipment with a broad product portfolio and presence around the world. The company has been part of the Haniel Group since 30 November 2017. In addition to its headquarters in Fernwald in Hesse, ROVEMA has a presence in more than 50 countries and continued its previous dynamic development further in 2017.

Headquartered in Germany – globally active

The company has 649 employees worldwide and is a recognised premium manufacturer of packaging machines and equipment: From consulting and project design, through development and construction, and on to installation and acceptance, ROVEMA is in a close dialogue with its customers. Its expertise on the interaction of products, packaging and the corresponding machines has been expanded continually since ROVEMA was founded in 1957. The company's product portfolio includes solutions for the entire spectrum of primary and secondary packaging: dosing, vertical form fill and seal (VFFS), cartoning and final packaging machines. Multifaceted service offerings round off the product range. The packaging machines are available with a modular design and with a strong focus on service. ROVEMA is also active in the trading, overhaul and provision of services for all facets of used, high quality packaging machines under the Retrofit name. To date, 30,000 machines have been installed around the world.

Global megatrends such as the increasing level of prosperity, food safety, automation and digitalisation support the business model.

Broad range of applications

The primary fields of application for ROVEMA machines to date are in the safe and hygienic packaging of foodstuffs in a wide variety of forms and consistencies: powders, chunky products, frozen goods, and liquid products. An expansion beyond the current focus on the food industry is possible and is being pursued.

Customers benefit from ROVEMA solutions

ROVEMA's diversified customer structure includes multinational corporate groups and regional specialists. They benefit from turnkey equipment from a single source with machines that lead in performance and trustworthiness and a broad range of applications. The full service offering across the entire product life cycle of the machines also meets the demands of customers.

Long-term megatrends as growth drivers

The packaging market overall and the market for vertical packaging solutions is supported by a number of trends. In addition to the global rise in demand for ready-to-use foodstuffs, Western consumption patterns are being increasingly adopted in emerging markets. Packaging serves increasingly as a marketing and differentiation tool to increase sales of the products offered. The significance of food safety is growing and can often only be ensured by appropriate packaging. Demand for high-quality products is increasing worldwide, whereby a corresponding signal effect can be attained by high-quality packaging.

Industry 4.0 and regional expansion as additional opportunities

ROVEMA also has opportunities in regional expansion as well as the increasing automation and digitalisation in the packaging processes (Industry 4.0). In addition, ROVEMA's position in the value chain and the corresponding application knowledge surrounding product, packaging and machines give rise to numerous connecting factors to the digital transformation. For example, in 2017 ROVEMA brought to market P@ck-Control, the first control system with a fully-integrated robotics concept in control technology. ROVEMA also presented the new Human Machine Interface (HMI) in 2017. This user interface to machines is characterised by easily understandable operation. Among other things, it allows remote access to the machine and presents compacted information so that process parameters are available immediately.

Revenue and operating profit encouraging

ROVEMA earned revenue of EUR 20 million and an operating profit of EUR 2 million in the period from 30 November to 31 December 2017.

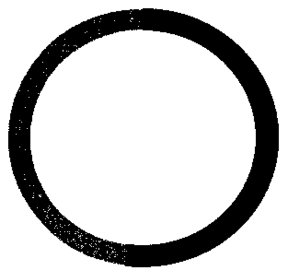
TAKKT

TAKKT continued its investment in digital transformation in 2017. The division realised slight organic growth. While revenue growth in Europe was satisfactory, a decrease was posted in America. Due to the planned increase in expenses for implementing the Digital Agenda and the one-off income in the prior-year period, operating profit declined as expected.

REVENUE
by division

52 % TAKKT EUROPE

48 % TAKKT AMERICA



Additional segments for establishing new business models

TAKKT renamed and supplemented its segments at the beginning of 2018: At TAKKT EUROPE the KAISER+KRAFT group was created from the Business Equipment group and the Packaging Solutions group became the Ratioform group. Additionally, the web-focused brands Certeo, BiGDUG and Mydisplays were transferred to a newly-founded segment called newport group within the TAKKT EUROPE division. The newport group was strengthened at the beginning of 2018 by the acquisition of the leading British online dealer, OfficeFurnitureOnline. By founding the segments, these activities can use their brand management, infrastructure, and product range to position themselves more strongly and more independently in the market. TAKKT expects the renaming of the segments based on the major sales brands as of 2018 to render external communications more straightforward.

In addition, TAKKT Beteiligungsgesellschaft, founded in 2016, and its investments in innovative start-ups will also be brought into the newport group. TAKKT Beteiligungsgesellschaft's objective is to make strategic equity investments in newly-founded, strong growth companies that specialise in the B2B direct marketing segment or in services along the value chain of the TAKKT companies. TAKKT Beteiligungsgesellschaft made additional investments in 2017: in Crowdfox the online marketplace, in Authentic Vision, a provider of counterfeit-proof digital fingerprints for products, in Book A Tiger, the online booking platform for facility services, as well as parcelLab, a provider of a technological solution for intelligent shipment monitoring and automated customer communications. It also invested in Cavalry Ventures, a venture capital fund. The portfolio comprised seven investments already at the end of 2017.

REVENUE
EUR million

-1%

Additional newport group division as basis for growth in European online-focused business models

At TAKKT AMERICA the Merchandising Equipment group was renamed the Hubert group, the Restaurant Equipment group became the Central group, the Displays group was renamed the D2G group, and the Office Equipment group became the NBF group.

Significant progress with digital transformation

TAKKT has made good progress in implementing the Digital Agenda. The position of Chief Digital Officer, CDO, as a member of executive management was staffed in all segments. TAKKT is hiring more than 100 new employees with pronounced digital abilities overall, of which more than 70 positions have already been staffed. In addition, the company has established a Digital Traineeship Programme designed to prepare talented candidates to master future challenges. The holistic approach to digitalisation impressed the jury for the Digital Champions Award, which TAKKT received in June 2017 in the category Organisation & Processes.

Organic revenue increases slightly

TAKKT's revenue declined slightly by 1 per cent in 2017 to EUR 1,116 million. Negative currency translation effects, in particular the weakening of the USD during the course of the year, impacted revenue. Adjusted for currency translation and acquisition effects, revenue grew slightly compared to the previous year. The low growth rate is attributable above all to the revenue trend of the American companies.

Progress made with Digital Agenda

TAKKT EUROPE recorded organic revenue growth of 3 per cent. Within the European business, the Ratioform group saw somewhat stronger growth than the KAISER+KRAFT group, which sells operating, warehouse and office equipment. The German market and a British subsidiary made above-average contributions to growth in this segment. The Ratioform group posted stronger growth in foreign markets than in Germany.

At TAKKT AMERICA, revenue dropped organically by 2 per cent. Significant differences in growth were seen. The Hubert group, which specialises in the sales of items for sales promotion as well as commodities and equipment for the restaurant sector, posted significant revenue losses compared to the previous year. This was attributable primarily to weak demand in the American food service market and retail grocery trade as well as to a noticeably lower project business. The other segments posted slight organic revenue increases compared to the previous year. The D2G group, as a specialist for display products,

OPERATING PROFIT
EUR million

−13%

EMPLOYEES
Annual average (headcount)

+3%

achieved the highest growth. The NBF group, which specialises in the trading of office equipment, saw only a slight increase in its revenue level in 2017, following strong growth in previous years. The Central group also realised only small organic revenue increases following a strong previous year.

Weak business in the USA and expenses for Digital Agenda weigh on operating profit

TAKKT's operating profit decreased from EUR 142 million to EUR 123 million. It should be taken into account that in the same period of the previous year, non-recurring income was realised in relation to the adjustment through profit or loss of the variable purchase price liabilities for the acquisitions of Post-Up Stand and BiGDUG amounting to EUR 9 million. The scheduled higher forward-looking investments for implementing the digital transformation and the weaker business in the USA also had a negative impact on earnings.

CECONOMY and METRO financial investments

The demerger of the METRO GROUP into the two independent companies CECONOMY and METRO, each of which is exchange-listed, was completed in July 2017. Among other reasons, lower expenses for restructuring measures resulted in a higher contribution to earnings for Haniel from the investments in CECONOMY and METRO compared to the previous year's level.

Demerger of the METRO GROUP

On 6 February 2017, the Annual General Meeting of METRO AG approved the demerger of the METRO GROUP into two independent companies which specialise on their own market segment. Following the positive conclusion of the approval process initiated by METRO AG, the demerger was completed on 12 July 2017. The demerged wholesale and food business has since operated under the METRO brand. The remaining company, which focuses on consumer electronics, operates under the CECONOMY brand. Both companies are managed as separate German stock corporations with independent corporate profiles and their own listings on the stock exchange. In the course of the demerger, the share in METRO declined from 25.00 per cent to 22.50 per cent. This is attributable to the capital increase at METRO, which was undertaken to enable a reverse holding by CECONOMY in METRO.

CECONOMY and METRO show progress with strategic initiatives

Both companies achieved further progress with respect to their strategic initiatives in 2017. Delivery revenue increased sharply at METRO. This was also supported by the acquisition of Pro à Pro, a French specialist for food service distribution, which supplies various customer groups, including the hotel, restaurant and caterer (HoReCa) sector, with foodstuffs directly.

At CECONOMY, online revenue for the two brands MediaMarkt and Saturn was also encouraging. To strengthen its position as a leading European platform in consumer electronics, in August 2017 CECONOMY acquired a 24 per cent equity interest in Fnac Darty, a French retail company for consumer electronics, household devices and entertainment electronics with a presence in nine additional countries.

Both companies also drove forward their engagement in the start-up segment. METRO expanded its Accelerator Initiative for promoting innovative digital solutions for independent entrepreneurs in the hotel, restaurant and catering sector, by a separate programme for the retail segment. CECONOMY expanded its Spacelab accelerator to an open platform for retail companies and start-ups. Under the new name "Retailtech Hub", this platform is also open to partner companies from areas other than consumer electronics and is aimed at tech start-ups along the entire retail value-added chain.

Demerger into a wholesale and food specialist, METRO, and a consumer electronics company, CECONOMY, completed

---

METRO increases revenue and profits

In 2017, revenue at METRO amounted to EUR 37,147 million and was thus 2 per cent above the previous year's level. While revenue was increased in METRO's wholesale business, revenue in the food business at Real declined. The positive development at METRO Wholesale was caused in particular by organic growth of 1 per cent as well as the contribution of the acquired company, Pro à Pro. In contrast, at Real in addition to a slight decline in organics sales, location levies in particular had a negative impact. On the other hand, online revenue saw positive growth, in particular as a result of the integration of the acquired marketplace, Hitmeister. At EUR 857 million, METRO's operating profit was significantly above the previous year's level. In addition to revenue growth, lower expenses for restructuring measures in particular contributed to the earnings improvement.

Decline in earnings at CECONOMY

At CECONOMY revenue increased by 1 per cent to EUR 22,197 million in 2017. A significant driver was organic growth in Germany, which was supported by several campaigns, for example, the five-year anniversary of the MediaMarkt online shop. In addition, Spain and Turkey in particular made positive contributions to revenue growth. The operating profit was weighed down in particular by Black Friday price reductions throughout the industry, which additionally led to negative impacts on the Christmas business. As a consequence, operating profit was EUR 281 million, down slightly year on year.

INVESTMENT RESULT FROM FINANCIAL INVESTMENTS
EUR million

+74%

Higher earnings contribution for Haniel
The operating profits from CECONOMY and METRO had a proportionately positive impact on Haniel's investment result. Additionally, improvements in the net financial income from METRO as well as in the net tax income from CECONOMY had a positive impact. At the level of Haniel, the share dilution at METRO AG caused by the demerger resulted in a charge against earnings. Despite this, the Haniel investment result from the financial investments in CECONOMY and METRO increased significantly from EUR 46 million in the previous year to EUR 80 million during the 2017 financial year.

Report on opportunities and risks

Being a successful entrepreneur means exploiting opportunities that present themselves and dealing with risk appropriately. The objective is to identify both opportunities and risks for the Haniel Group's business development early on, to analyse them in detail and take measures accordingly.

Exploiting opportunities to increase value

In the Haniel Group, opportunities are viewed as entrepreneurial courses of action that must be leveraged in order to attain additional profitable growth. Opportunities are identified primarily by continually observing markets. To that end, both the Holding Company and the operating divisions collect and analyse market, trend and competitor information. As a result, Haniel is in a position to identify trends and requirements on often fragmented markets early on and to advance innovations.

Opportunity management is closely integrated into the process of strategy development. As part of strategic planning, entrepreneurial options are systematically evaluated and initiatives are developed in order to use these options to increase value. In the next step, strategic initiatives are specified in detail in operational planning and actions are derived.

The strategy and its implementation are discussed in depth by the members of Haniel's Management Board with the management of the divisions in regularly scheduled discussions. Over and above that, the Holding Company's strategy is continuously reassessed. On that basis the Holding Company realigns its business portfolio by making acquisitions and disposals if necessary. To that end, the Management Board engages in regular dialogue with the Supervisory Board.

Options for sustainable and profitable growth

The Haniel Group enjoys a large number of options for entrepreneurial action. The Holding Company and divisions continually search for possibilities that secure sustainable and profitable growth. The opportunities identified in the Haniel Group are listed below:

Optimising the business portfolio: Haniel continually reviews the strategic alignment of its portfolio. The Haniel investment portfolio will be further developed in this manner by business acquisitions and disposals in order to enhance value creation sustainably. New divisions should be able to make a long-term value contribution to the economic success of the Group and be in accordance with its ecological and social values. The Holding Company follows two parallel approaches in this regard to identify suitable acquisition candidates. On the one hand, it analyses the potential of various sectors and markets on the basis of global megatrends with the objective of identifying and contacting attractive companies. On the other hand, the Holding Company reviews current takeover offers. This approach by the Holding Company is supplemented at the division level by the acquisition of companies with similar or supplementary products, customers or know-how, following a buy&build approach to further develop the divisions strategically.

International expansion: All Haniel divisions and the financial investments are widely represented in Europe, and BekaertDeslee, ELG, Optimar, ROVEMA and TAKKT in North America as well, and enjoy a strong position there with their various business models. Haniel sees opportunities for further growth by strengthening its presence in these markets and in the fast-growing economies throughout the world. These markets include those in eastern Europe, Latin America and Asia. Opportunities for expansion can be leveraged by founding new companies or acquiring existing ones.

Sustainability as a competitive factor: Corporate Responsibility has a long tradition in the Haniel Group. It is expressed in its striving to increase economic value in accordance with ecological and social contributions. In order to live up to this vision, Haniel has identified three action areas in the field of sustainability: employees, value chain and innovation. Each of the divisions and the Holding Company are responsible for improving on these areas of focus, regardless of their respective business model and in line with the specific features of the business with the overarching objective of developing potentials for increases in efficiency and additional profitable growth. This is because customers increasingly decide in favour of business partners with sustainable business practices, whose products and services are differentiated from the competition by resource efficiency and social compatibility. For example, as a full service-provider of washroom hygiene, dust control mats and workwear, CWS-boco uses energy- and water-efficient technologies as part of its modernisation of the laundry network. These technologies cannot only save resources but reduce costs over the long term as well. You can find detailed information on the subject of sustainability in the Haniel Group in the Corporate Responsibility section starting on page 12.

Digitalisation: Digitalisation is profoundly changing the behaviour of private consumers and business customers. Buzzwords such as blockchain, Industry 4.0, virtual reality, big data and smart devices are signs of digital change. For the Haniel Group, digitalisation offers great opportunities along the value chain, at the customer interface and for developing new business models. As a current example, the settlement process for goods and services can now be completed automatically without corresponding delivery notes or invoices using cryptographically-related data records. The availability of large quantities of data opens opportunities to redesign value-added chains and improve the offering to customers. Each of the Haniel divisions have developed a Digital Agenda that will enable them to utilise the opportunities presented by digitalisation even better. In addition, with Schacht One Haniel has established its own company to act as a platform for implementing digital projects. The Company's investments in digitally-oriented venture capital funds also give it the ability to learn from and participate in developments on the start-up scene.

Multi-channel activities: Continuing digitalisation gives rise to growth opportunities through the consistent enhancement of CECONOMY's retail activities and of TAKKT's mail order business into a multi-channel business. At CECONOMY these growth opportunities reside in the even greater dovetailing of brick-and-mortar business with the e-commerce activities. CECONOMY can use this as a basis for creating true added value for the customer. Services play an important role here, for example, repairs or customer support with products that are becoming increasingly more complex. The DYNAMIC initiative by TAKKT, the direct marketing specialist, has already intensively advanced the linking of the catalogue, e-commerce/procurement, telephone marketing and external sales force distribution channels in recent years. That places TAKKT wherever customers inform themselves about products and make purchasing decisions. TAKKT's Digital Agenda is aimed at utilising the growth opportunities arising from this broad presence even better and improving its market position.

Increasing demand for raw materials: ELG's core business is the trading and recycling of raw materials, in particular for the stainless steel market segment. Growth opportunities for ELG result from increasing global demand for stainless steel products that is anticipated over the medium and long term. It must also be assumed that ELG Utica Alloys, the superalloys business, will continue to gain significance. In this sector, ELG recycles very high-grade materials. These include in particular titanium scrap and high-alloy, nickel-containing scrap which are used in, e.g., the aerospace industry and energy generation. In addition to trading in stainless steel scrap and superalloys, ELG is active in the nascent business of recycling carbon fibres, whose areas of application are steadily expanding.

Increasing standard of living: Demand for mattresses which promote health and well-being is expected to grow in markets with a high level of prosperity. The materials from BekaertDeslee for mattress covers make a significant contribution here through their design and product characteristics. For BekaertDeslee medium- and long-term growth opportunities arise from the increasing demand for mattresses in developing economies, in particular in Asia, due to increasing prosperity. ROVEMA will also be able to benefit in the future from the increasing level of prosperity in these markets by supplying high-quality packaging machines: Hygienically flawless, attractive and consumer-friendly packaging will become increasingly important in these markets in the medium and long term. Optimar will have further growth opportunities from the greater importance of fish for the health-conscious nutrition of the growing global population and increasing automation in the fishing industry.

Industry 4.0 and automation: The intelligent utilisation of data and the networking of production processes will fundamentally change the value chain in many industries in the future. Optimar and ROVEMA can both benefit from this by using and further strengthening their expertise as a systems integrator for production machinery. For example, service schedules in product lines could be optimised for customers through the interaction of hardware and software. Optimar and ROVEMA thus contribute to their customers' ability to operate their equipment better and more efficiently. Optimar and ROVEMA can obtain even greater customer loyalty with the concomitant expansion of the services and spare parts business.

From an overall perspective, several opportunities remain open to the Haniel Group for sustainable and profitable growth in the future. In particular, the Haniel Holding Company continues to have sufficient financial resources available to acquire new, attractive divisions – offering many new opportunities.

Systematic risk management

The objective of the risk management system at the Haniel Group is a forward-looking evaluation of risks with respect to the overriding corporate objectives of value creation, growth and liquidity. The purpose is to identify those risks at an early stage that negatively impact the implementation of strategic and operating initiatives and hence endanger the realisation of value and growth potential or having adequate liquidity available at all times. This does not mean avoiding all potential risks. Rather, risks should be identified early so that rapid and effective countermeasures can be taken, or conscious decisions can be made to take on manageable ones – thereby also to exploit entrepreneurial opportunities.

Haniel's risk management system is based on an integration concept and accordingly comprises multiple components. The Holding Company stipulates the scope of activities for the key components and sets minimum central requirements which must be implemented at the discretion of each of the divisions, as suiting the individual business models.

The **organisational structure for risk management** is defined throughout the Group and includes all divisions. At the level of the divisions, the controlling or Internal Auditing departments coordinate risk identification and are responsible for risk assessment as part of corporate planning. Identified risks are discussed by the Risk Management Board with the participation of the Management Board, and any need for additional action to manage risks is examined. Furthermore, there is also a Risk Management Committee at the Holding Company level in which the Management Board and the heads of all corporate and staff departments are represented. This body serves above all to foster a cross-disciplinary exchange of information on the risks faced by the Holding Company. The Risk Management Officer at the Holding Company level coordinates the risk identification process across all divisions and is responsible for further developing the early risk identification system.

In connection with the **strategic and operational planning** process, material risks and measures for their mitigation are identified. A risk is defined as the danger of a negative deviation from the planned or expected development. The identified risks are systematically assessed with regard to their probability of occurrence and amount of damage, with measures for avoiding or mitigating the risks and provisions already recognised incorporated as part of the assessment. The identified risks are discussed in the planning meetings by the Management Board of the Holding Company and the management of the divisions. The risks are subsequently discussed in greater detail in the Risk Management Board. In addition to this risk analysis, a risk inventory is conducted at the Holding Company level. The results are discussed by the Risk Management Committee. The Haniel Group risk report is prepared based on the divisions' risk reports and the Holding Company's risk inventory. The members of the Management Board discuss the findings and inform the Audit Committee about the Group's overall risk situation and about significant individual risks.

As part of their **reporting of revenue and results** during the period, the divisions submit not only key financial figures but also company-specific non-financial figures and issues to the Holding Company so that undesirable developments can be detected in good time. This reporting is supplemented by risks that exceed defined thresholds.

An additional element of risk management is the ongoing collection and **analysis of information on markets, trends and competitors**.

Investment controlling encompasses annual budgeting as well as the review of the capital spent. Capital spending projects are assessed using uniform discounted cash flow (DCF) calculations. Minimum risk-adequate rates of return are specified for each division and each strategic business unit.

Financial risk reporting and management include liquidity risks, default risks, risks resulting from changes in interest and exchange rates, and price fluctuations in the equity or commodity markets. The objective is to avoid or limit financial risks. To that end, the Holding Company has laid out general principles for financial risk management. These principles are prescribed in guidelines for the treasury departments of the Holding Company and the divisions. In addition, the Holding Company has special guidelines for the investment of financial resources. The management of financial risks is explained in detail in the notes to the consolidated financial statements starting on page 116.

The **internal control system** is designed to ensure that existing regulations for risk reduction are adhered to at all levels within the Group. This is intended to ensure the functionality and cost-effectiveness of business processes and to counteract impairments of assets. The internal control system is implemented in the Holding Company and divisions according to their specific business models and incorporates both process-integrated and process-independent control measures. It covers all significant business processes including the accounting process.

The **compliance management system** comprises preventative measures designed to ensure compliance with statutory and internal corporate rules and regulations. To that end, Haniel has prescribed uniform minimum standards throughout the Group. Compliance risks in the Group are systematically captured and evaluated as part of the compliance management system, and discussed between the management of the divisions and the Management Board of the Holding Company. A hotline for reporting possible compliance violations is also a component of the compliance management system. In addition, training sessions with examinations are held on compliance issues. Furthermore, the divisions and the Holding Company each have compliance officers who serve as employee liaisons to help clarify potential issues.

The **Internal Auditing departments** in the divisions and the Holding Company are integrated into the risk management system. They monitor the processes within the companies of the Haniel Group, in particular from the perspectives of operating performance, cost-effectiveness and adherence to statutory regulations and internal guidelines. These efforts also include monitoring the implementation and effectiveness of the risk management system, including the internal control system and the compliance management system. In its risk-based audit plan, Internal Auditing also takes account of the information from the risk analysis and examines significant risk issues where necessary.

Corporate bylaws and regulations derived from them ensure that the elements of the risk management system are adhered to and applied in the intended manner in the Haniel Group in accordance with statutory provisions. Newly-acquired divisions are familiarised with the Haniel standards incrementally as part of their integration.

In addition to corporate bylaws and regulations, there are codes of conduct for the Holding Company and the divisions. They set forth the fundamental principles of conduct for employees, based on practised value concepts.

The effectiveness of the risk management system is monitored regularly and improvements are introduced where necessary.

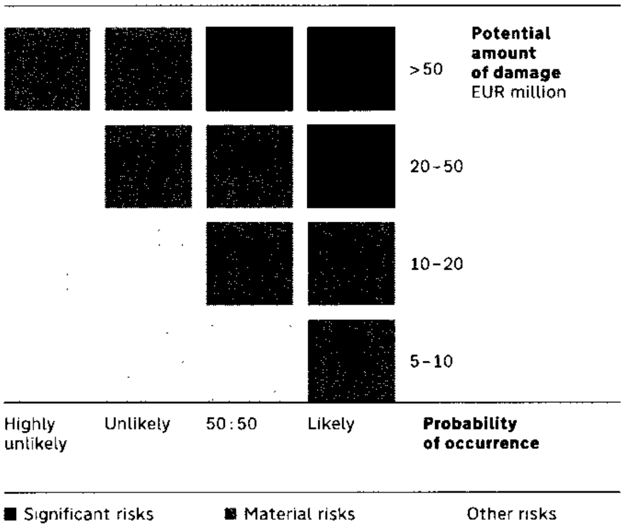
In 2017, the auditors were again commissioned by the Supervisory Board to subject the Group's early risk identification system to a voluntary audit analogously to section 317 (4) of the German Commercial Code (Handelsgesetzbuch, "HGB"). The auditor verified the suitability of this system overall.

Clearly defined risk fields

A prerequisite of systematic risk management is that risks are identified in a timely fashion. The central risks identified as at 31 December 2017, to which the Haniel Group is anticipated to be exposed to over the short- and medium-term, are listed below. The identified risks are assigned to ranges in terms of their probability of occurrence and amount of damage, with the amount of damage presented as a possible impact on profit per year. Risk mitigation countermeasures are incorporated before assigning risks to the ranges. By combining the two criteria – probability of occurrence and amount of damage – the individual risks are allocated to the following categories in the Haniel risk matrix: "significant risks", "material risks" and "other risks". The central, identified risks are presented below, broken down by these categories, commencing with "significant":

Investments: Haniel holds significant equity investments in METRO AG and CECONOMY AG, in particular, which resulted from the demerger of the METRO GROUP in 2017. Factors that exert an unfavourable influence on the consolidated profit of METRO or CECONOMY also have a negative effect on the Haniel Group's investment result or could have a negative effect on the carrying amount of the investments. Due to the

HANIEL RISK MATRIX



size of METRO AG, this risk in the Haniel Group must be classified as significant, while the risk in the Haniel Group resulting from the investment in CECONOMY AG must be classified as material due to the smaller size of the company. Risks that METRO or CECONOMY are subject to arise in particular from changes in consumer spending and customer expectations in the retail market, as well as increasing competitive pressure from online competitors. If these companies fail to react appropriately to these challenges and fail to successfully implement the transformation projects they have launched, this may have a detrimental impact on their business development. A deterioration in overall economic development as well as in the political and regulatory environment in individual countries could also have negative effects on business at METRO or CECONOMY. The task of managing these risks primarily falls to the management of the company in question. As the largest shareholder, Haniel supports management in managing these risks through representation on the Supervisory Board and by exercising ownership rights in the Annual General Meeting.

Corporate strategy: Corporate strategy risks can arise above all from the erroneous assessment of future developments in the market, technological and competitive environment. Erroneous assessments can also relate to the attractiveness of new regional markets or to the future feasibility of business models overall. The Haniel Group counters this risk through intensive analyses of the markets and competitors and by way of regular strategy discussions between the Management Board of the Holding Company and the management teams of the divisions. In addition, the diversified portfolio of business fields helps to mitigate the effects of adverse developments in individual sectors. However, the high relevance of strategic decisions to success means that the related risks in the Haniel Group count among the material risks.

General macroeconomic conditions: The demand for the services and products of the companies in the Haniel Group is also impacted by general macroeconomic conditions. However, the extent and timing of this economic dependency varies in the divisions: While ELG's business is especially cyclical as a consequence of the commodities markets, at CWS-boco a weakened economy is reflected to a comparatively lower extent and with some delay. This is due to the long-term contracts with customers in CWS-boco's core rental business. Overall economic development represents a material risk even though the diversification of the Haniel business portfolio and its presence in various regions mitigates the effects of economic fluctuations. The strong market position of the individual divisions, comprehensive product and service offerings, a heterogeneous customer base and flexible capacities and cost structures also mitigate risks.

Digitalisation: The digital transformation offers not only major opportunities for the Haniel Group, but also entails risks if the Group is not successful in adjusting business models to changed technological possibilities and market requirements. All divisions and financial investments are generally affected by this trend. However, the acceleration and intensification of the digital transformation is especially relevant for TAKKT and CECONOMY. The competitive conditions can change by pure online retailers gaining market share or the increasing significance of open Internet-based marketplaces, which could result in heightened pressure on margins and the loss of market shares. Both TAKKT and CECONOMY have initiated large-scale transformation programmes for their companies and are developing their business models into integrated multi-channel businesses. This increasingly also includes services that offer added value to the customer. In so doing CECONOMY and TAKKT are focusing even more strongly on customer requirements and can react to changes more quickly. Nevertheless, the far-reaching change resulting from digitalisation must be classified as a material risk for the Haniel Group.

Business acquisitions and disposals: In order to effectively counter risks associated with corporate transactions, investments and divestitures are carefully examined before their conclusion – including the assistance of qualified external consultants – and are evaluated using uniform DCF rate of return calculation methods. An acquired company is subsequently integrated into the Haniel Group based on detailed timetables and action plans as well as clearly defined responsibilities. Additionally, the success of previously executed business acquisitions is reviewed on a regular basis. If, despite all diligence, the objectives envisaged with an acquisition are not or only partially attained, impairment losses on goodwill and other assets may be necessary. In the case of business disposals, the resulting commitments remaining in the Group are regularly monitored and assessed. In connection with the disposal of the previous Xella division, this also includes claims asserted in litigation arising from allegedly defective sand-lime bricks from previous Haniel building materials plants. The risks resulting from business combinations and disposals are material risks due to the high significance of portfolio management in the Haniel Group and the inherently related imponderables.

Human resources: The corporate success of the Haniel Group is dependent largely on the expertise and commitment of its employees. Executives must exhibit the necessary competence, experience and personality in order to make and implement correct decisions in the sense of a value-driven and long-term development of their departments. Accordingly, the selection of executives who do not meet these requirements and who make poor decisions can noticeably impair the Company's successful development. This applies all the more so in a rapidly-changing corporate environment characterised by digitalisation. That is why the Haniel Group strives to recruit qualified staff, to provide them with continuing education and to foster their long-term loyalty to the Company. To that end the Haniel Group offers attractive compensation models and conducts regular succession planning aimed at filling jobs which become available with qualified internal candidates. But above all, the Haniel Group invests in the continual further education of its employees: The internal Haniel Academy offers specialists and managers from the Group seminars and modular programmes for interdisciplinary continuing education and to strengthen their leadership skills. The programmes in the Haniel Leadership Curriculum prepare emerging management talent, experienced executives and top managers for future challenges and management tasks. Detailed information on training and continuing education at the Haniel Group can be found in the "Corporate Responsibility" section beginning on page 12. Overall, risks from human resources are estimated to be material.

Information technology: Well-functioning IT systems tailored to strategy represent a necessary precondition for the Haniel Group's operating activities and administrative departments. Insufficient customisability of IT systems may entail significant competitive disadvantages when strategic requirements change. The Haniel Holding Company and the divisions therefore review their IT strategy regularly and modernise or replace systems if required. In order to counter risks that are inextricably linked with such projects, systematic and substantiated selection processes and modern project management methods are applied when introducing new IT systems. Furthermore, the ongoing use of IT systems entails the risk of an outage and the risk of unauthorised data access or manipulation. In addition to heightened security awareness of employees, professionally organised IT operations prevent such risks. There are uniform minimum standards throughout the Group for IT operations. In compliance with these standards, the Haniel Holding

Company and the divisions have additional emergency systems available, perform regular backups of relevant data and ensure that unauthorised persons cannot access IT systems. Overall, the risks resulting from information technology in the Haniel Group are considered material.

Commodities prices: The ELG division's performance in particular is considerably influenced by the price trend for commodities – above all for nickel, which is in turn affected by economic developments in the industry. Price hedges using derivative financial instruments stabilise business development at ELG, as does the broad geographic distribution of commodity flows in both procurement and distribution. In addition, the ELG division is further expanding the business with superalloys at ELG Utica Alloys, whose recycling business is less dependent on commodity prices. Nevertheless, fluctuations in commodity prices remain a material risk in the Haniel Group due to the business model.

Receivables: Given the nature of the sector in which it operates, ELG in particular delivers its products to a small number of very large customers. In some instances, this can lead to extensive receivables per customer. In order to limit the risks resulting from non-payment, ELG has a comprehensive receivables management system, that as far as possible systematically obtains default insurance to cover this risk and sells accounts receivables within the context of forfaiting programmes. Even after factoring in these countermeasures, the default on receivables represents a material risk.

Exchange rates: Because the Haniel Group has business activities of a considerable scope in countries that do not use the euro as the local currency, its operating business and financing transactions are subject to exchange rate fluctuations, which could have a negative impact on the Haniel Group's profit. On the one hand, this concerns transaction risks that arise primarily from earning revenue and incurring the accompanying costs in different currencies. On the other hand, there are translation risks that stem from translating income and expenses in other currencies into euros. While translation risks are generally not hedged against exchange rate fluctuations, the Group uses a variety of hedging instruments to limit transaction risks. These are explained in detail in the notes to the consolidated financial statements starting on page 118. In the Haniel Group, exchange rate risks are among the material risks, in particular regarding the unhedged translation risks.

Interest rates and financing: Changes from interest rates can result in higher borrowing costs and thus have an adverse effect on profits. In this regard, changes in the market interest rate must be differentiated from the change in the margin that must be paid in addition to the market rate. The Group uses a variety of hedging instruments to limit the risks from fluctuations in market interest rates. These are explained in detail in the notes to the consolidated financial statements starting on page 117. Long-term credit agreements, promissory loan notes and bonds are appropriate forms of financing for limiting the volatility of interest margins. In the case of such financing, the interest margin also depends on the Holding Company's rating. This is based on the market value gearing, that is, the ratio between net financial liabilities and the market value of the investment portfolio as well as cash flows at the Holding Company level. In addition, the number and weight of the individual equity investments in the Haniel investment portfolio influence the rating.

Financing requirements for the operating business are secured in the Haniel Group through equity and debt capital. When outside financing is used, the Company seeks to diversify its financing instruments and its circle of investors in order to be able to respond flexibly to developments on the capital markets and in the banking sector. In addition to committed bilateral lines of credit, which are drawn upon only to a limited extent, the Haniel Holding Company also has secured access to capital markets, for example via the current commercial paper programme and the existing external rating. When financing with borrowed capital, it is of benefit that the Holding Company and its divisions, both as established and reliable partners, enjoy a high degree of trust from banks and other investors. The Haniel Group is thus able to ensure the continuation of the operating business, even if for example economic conditions cause declines in incoming payments from business activities.

In the Haniel Group, risks from interest rates and financing are currently of comparatively minor significance and thus counted among the other risks.

Compliance: The Haniel Group's business activities are subject to statutory and internal corporate rules and regulations. A failure to comply with these rules and regulations may damage the Company's reputation and may jeopardise its economic success. In order to prevent compliance risks effectively, the Haniel Group has established a comprehensive compliance management system. For this reason, compliance risks are classified as other risks.

Litigation: Neither Franz Haniel & Cie. GmbH nor any of its current subsidiaries are involved in ongoing or currently foreseeable litigation that could have a significant impact on the Group's assets or financial position or performance.

No risks jeopardising the going concern assumption

Considered separately, the risks presented could have adverse effects on the Haniel Group. With regard to the overall risk situation however, the diversification of business models and regions has a positive effect: Many risks are restricted to individual divisions or regions and are therefore of comparatively minor significance in relation to the Group as a whole. Where risks inherently affect all divisions and the Holding Company it must be assumed that they do not hit all business units in the same manner and at the same time.

The diversification of business activities increased compared to the previous year due to the further development of the investment portfolio in 2017. The completed demerger of the METRO GROUP into METRO and CECONOMY, as well as the acquisition of the Optimar and ROVEMA divisions have contributed to diversification. By contrast, the takeover of significant parts of the Central European business from Rentokil Initial in the areas of hygiene, workwear and cleanroom have resulted in a greater weight for the risks affiliated with CWS-boco's business model. The addition of the risk from digitalisation as a material risk for the Group reflects the higher dynamic for change in the market, technological and competitive environment. From an overall perspective, the Haniel Group remains robust and well prepared with respect to recognisable risks.

There are no recognisable individual or aggregate risks which jeopardise the Group as a going concern, nor are there any noteworthy future risks beyond the normal entrepreneurial risk. For Haniel, the risks presented are also accompanied by numerous opportunities for sustainable, profitable growth.

Monitoring of the accounting processes

The Haniel Group applies an internal control and risk management system to its accounting processes. The purpose is to ensure that its financial reporting is reliable and that the risk of misstatements in the external and internal Group Reports is minimised. Misstatements are most likely to originate from complex transactions or consolidation procedures, mass transactions, the materiality of individual items of the financial statements, the use of discretion and estimates, unauthorised access to IT systems, and inadequately trained employees. Regular checks are performed to determine the extent to which these factors can jeopardise the integrity of the consolidated financial statements.

In order to counter potential risks, the Haniel Group has introduced an internal control system that seeks to ensure the reliability and propriety of the financial reporting processes, compliance with the relevant statutory and internal regulations, and the efficiency and effectiveness of procedures. However, even an appropriate and functional internal control system cannot guarantee that all risks will be identified and avoided.

The existing risk and control structure is systematically recorded and documented. For this purpose, the most important risk fields are regularly updated and checked on the basis of clearly defined qualitative and quantitative materiality criteria. In the event of changed or newly emerged accounting-related risks or identified control weaknesses, it is the divisions' responsibility, in coordination with Corporate Accounting, to implement appropriate control measures at the earliest possible opportunity. The effectiveness of the defined controls is checked and documented at regular intervals by means of self-assessment on the part of the controlling officers or their supervisors. The results of these self-assessments are subject to regular validation by independent third parties. Responsibility for establishing and supervising the internal control system lies with the Management Board. In addition, the Audit Committee monitors the system's effectiveness.

The Haniel Group is distinguished by its clear and decentralised management and corporate structure. The local accounting processes are managed by the divisions, each of which prepares its own subgroup financial statements. The management of the entities included in the subgroups controls and monitors the risks concerning the operational accounting processes. The Group companies are responsible for compliance with the guidelines and procedures that apply throughout the Group. They are also answerable for the proper and timely flow of their accounting processes. They are supported in that respect by Corporate Accounting.

Corporate Accounting prepares the consolidated financial statements. The Communications Department has lead responsibility for the Group report of the Management Board. The relevance of ongoing developments of the IFRS standards and other applicable statutory provisions and their impact on the consolidated financial statements and / or the Group report of the Management Board is continuously assessed. The Management Board and Group companies are informed, as necessary, of any consequences on consolidated reporting. Financial reporting is governed by accounting guidelines applicable throughout the Group, a uniform Group chart of accounts, and a financial statements calendar applicable throughout the Group. The accounting guidelines are updated annually, considering relevant changes in the law. There are binding provisions and uniform instruments for complex issues, such as goodwill impairment testing and the measurement of deferred taxes. External experts are brought in if required, for example, to measure pension obligations or to prepare expert opinions on the purchase price allocation for acquisitions.

The Haniel Group's formal analysis and reporting process seeks to ensure that the information contained in the published annual report is reliable and complete. Corporate Accounting performs analytical checks in order to identify potential errors in consolidated reporting. The checks are documented and reviewed according to the principle of dual control. A detailed timetable and fixed responsibilities apply for the preparation of accounts.

Standardised and centrally managed IT systems are used to prepare the consolidated financial statements. This applies to consolidation at all stages of the Haniel Group and to the process of preparing the notes to the financial statements. The closing process is supported by numerous validations. The IT systems used in the accounting department are protected against unauthorised access. Separations of functions and change management systems have been established.

As an important element of internal process monitoring that is independent of the relevant processes, the Internal Auditing departments are responsible for systematically auditing and independently assessing the internal control systems.

As part of the audit of the consolidated financial statements, external auditors report on their material audit findings and any weaknesses in the internal control system relating to the entities included in the financial statements.

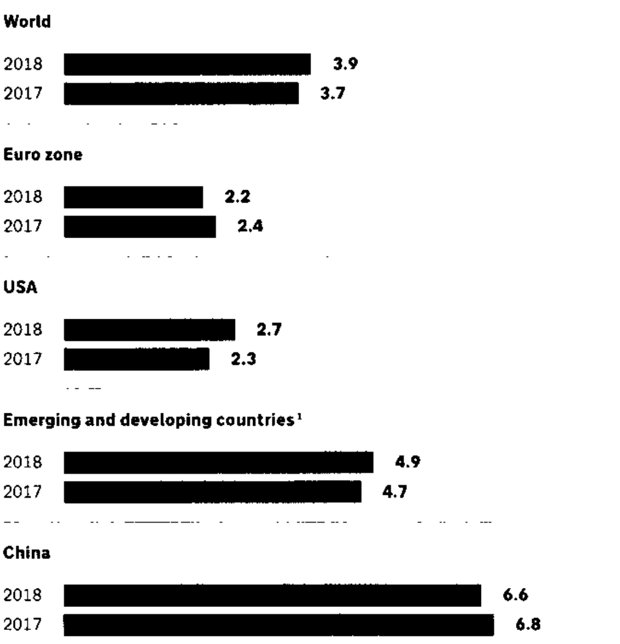
Report on expected developments

Haniel expects an increase in revenue for the 2018 financial year. The first-time full-year inclusion of the Initial companies in CWS-boco as well as the new ROVEMA and Optimar divisions will contribute to this increase. In addition, Haniel also expects a significant increase in operating profit. It is also assumed that the investment result from the financial investments in CECONOMY and METRO will be significantly above the previous year's level, and correspondingly, that profit before taxes should also come in significantly higher.

Macroeconomic environment with tailwind

The International Monetary Fund (IMF) estimates that the global economy will grow by 3.9 per cent in 2018. The drivers are robust global trade, the stronger upward trend in the USA as well as greater momentum in the emerging and developing countries. The anticipated slightly weaker growth in China will dampen an even stronger upward trend for global economic output. However, according to the IMF a requirement of the overall positive global economic trend is that the risks from increasing protectionism, the Brexit negotiations and the uncertain geopolitical situation in many regions do not escalate and that there are no financial market corrections.

GROWTH FORECAST WORLD AND BY REGIONS
%



[1] 205 countries incl. China in total

Source: International Monetary Fund, World Economic Outlook Update, January 2018

The economy in the euro zone is expected to grow on a broad basis by 2.2 per cent in 2018. This is based on higher employment, stronger consumer spending as well as an increasing willingness by companies for capital spending. Demand from other regions will also provide stimulus. However, the European economy could be disrupted by Brexit or a realignment of the EU.

For the USA, the IMF expects a lively upturn, driven by robust consumer spending, more dynamic corporate spending and an upturn in capital spending. Additionally, the massive tax reductions should stimulate the US economy. According to the IMF projection, the US economy will grow by 2.7 per cent in 2018.

The IMF estimates that growth in emerging and developing countries in 2018 will be a combined rate of 4.9 per cent. While China's rate of expansion will slow somewhat to an estimated 6.6 per cent as a result of the now high indebtedness, India and the countries in Southeast Asia (ASEAN-5) will experience very strong growth. A solid economic recovery is looming for Brazil and Russia.

Higher long-term interest rates expected

Against the backdrop of the strong development of the economy in the USA, the Federal Reserve Bank has announced additional moderate interest rate increases for 2018. The European Central Bank (ECB) will dial back their bond purchases successively. Despite the robust upswing in the euro zone, the key interest rates should remain low in 2018 and the differences in interest rates between the USA and Europe will thus widen. Long-term interest rates can be expected to trend upward globally in the course of the continuing stable development of the global economy.

More pleasing development of relevant commodity prices

In addition to the general economy, the development of the stainless steel market segment is important for ELG in particular. In addition to general economic development, global production of stainless steel is particularly dependent on demand in China. Stainless steel production is expected to continue to increase there and for the rest of Asia. Slight growth is expected in Europe and the USA. Overall, this results in a forecast increase in the production of stainless steel of 3 to 4 per cent. In this environment it is still assumed that certain relevant commodity prices in 2018 will range slightly above the average price level of 2017.

Since the various divisions are active internationally, the results of the Haniel Group also depend on the development of various exchange rates, particularly the US dollar, the British pound and the Swiss franc. The development of the Russian ruble also has a significant influence on the investment result derived from the METRO financial investment.

Revenue growth in all divisions

In an economic environment that is forecast to be favourable on an aggregate basis, the Haniel Management Board views 2018 with confidence. However, the previously mentioned uncertainties and risks could give rise to deviations from the outlined general conditions and thus to revenue and earnings forecasts.

After adjusting for business combinations and disposals as well as currency translation effects, the **BekaertDeslee** division expects a noticeable increase in revenue in financial year 2018. The successful further expansion of business with mattress covers and an increased sales volume for knitted materials are likely to reflect positively in revenue and thus contribute to organic growth. The company expects that its operating profit will also follow the same trend as for revenue and rise correspondingly.

Both revenue and earnings development at **CWS-boco** will be positively affected in 2018 by the joint venture created with Rentokil Initial: Following its transformation, the company can provide customer-oriented service offerings and outstanding operating performance throughout its service area. Specific benefits of the deal include economies of scale in the area of procurement as well as expanded and optimised locations and logistics organisations. Revenue will increase from the full-year inclusion of Initial's activities as well as by organic growth. Adjusted for acquisitions and currency translation effects, CWS-boco expects revenue growth in 2018 in the single-digit percentage range. The division also expects the full-year inclusion of the Initial companies, lower one-off expenses for integration measures, as well as positive effects from the integration and operational optimisation projects to cause the operating profit to come in significantly higher in comparison to 2017.

The **ELG** division views the market environment in 2018 with confidence in relation to the expected demand by stainless steel plants and the availability of scrap. The output tonnage for stainless steel scrap is expected to increase in the single-digit percentage range. Both an increasing availability of scrap as well as ELG's expansion of the network of scrap locations will contribute to this increase. The company expects a slight increase in the output tonnage of superalloys, carried by the recycling programme for both titanium and nickel alloys. Additionally, ELG expects that relevant commodity prices – such as the price for nickel – recover further on an annual average in comparison to the previous year. Based on these assumptions the division expects an increase in revenues in the single-digit percentage range for 2018, adjusted for company acquisitions and disposals as well as currency translation effects. ELG's operating profit will presumably increase disproportionately. This earnings improvement should also be achieved through continuing strict cost management and increases in efficiency. As development on the commodity markets is very volatile, ELG's revenue and operating profit may also deviate significantly from this forecast, however.

In 2018, the **Optimar** division will be included in the Haniel Group's financial statements for a full year. The division believes that the growth trend experienced in recent years will continue, and that it will contribute more than EUR 125 million to consolidated revenue. An operating profit in the single-digit million range is expected due to the amortisation of the purchase price allocation.

The **ROVEMA** division, which will also be included in the Haniel Group's financial statements for a full year in 2018, expects a revenue contribution of more than EUR 100 million for 2018. ROVEMA expects an operating profit in the single-digit million range, also resulting from amortisation of the purchase price allocation.

Adjusted for company acquisitions and disposals as well as currency translation effects, the **TAKKT** division expects an increase in revenue between 2 and 4 percent for 2018. TAKKT expects a favourable market environment in Europe, but continues to see uncertainties in individual market segments in the USA. Growth impulses from the implementation of the Digital Agenda should become increasingly noticeable. The division assumes that the operating profit will follow the revenue trend. TAKKT expects to incur a comparable expense in 2018 for the implementation of the Digital Agenda as in the previous year. The implementation of the Digital Agenda with the objective of doubling the e-commerce business, a long-term change in organisation, investments in employees and new technologies as well as the mid-term increase in organic revenue growth will be continued.

Haniel expects slight organic revenue growth for the **CECONOMY** and **METRO** financial investments. It is also assumed that both CECONOMY and METRO will be able to increase their operating profit significantly. This derives especially from the fact that expenses for restructuring and efficiency improvement measures as well as other one-off expenses at both companies are expected to be significantly less. In addition to the increase in operating profit at CECONOMY, an increase of the contribution to earnings from the equity investment in Fnac Darty is also expected as this investment will be included for 12 months for the first time in 2018. As a result of this improvement in earnings, Haniel expects that the investment result from both the CECONOMY and the METRO financial investment will be significantly above the previous year's level

Significant increase in revenue at the Haniel Group
For financial year 2018 on an aggregate basis, the Haniel Management Board expects positive effects for the Group from the joint venture created at CWS-boco with Rentokil Initial and the acquisition of ROVEMA and Optimar in the previous year. Adjusted for acquisitions and currency translation effects, an increase in revenue in the single-digit percentage range is assumed. All divisions are expected to contribute to this forecast increase. The operating profit is expected to increase significantly. In addition to the initial full-year inclusion of Initial's activities at CWS-boco, coupled with lower integration expenses, and the contributions from ROVEMA and Optimar, the other divisions will also make positive contributions.

The results from financing activities should come in better than the previous year due to the repayment of a bond in February 2018. It is assumed that profit before and after taxes will increase significantly due to the higher operating profit, the increasing investment result from the CECONOMY and METRO financial investments as well as the improved interest result. It is expected on this basis that the value-oriented performance indicators – return on capital employed (ROCE) and Haniel value added (HVA) – will also be markedly higher than in the previous year. The Haniel cash flow should also benefit from the positive earnings development and be above the 2017 level.

For the existing business, Haniel's Management Board plans capital expenditure for property, plant and equipment and intangible assets to be well above the previous year's level. In addition to replacement investments and expanded capacities, primarily for the further modernisation of IT systems in the CWS-boco, TAKKT and ELG divisions, increasing investments in the digitalisation of the divisions will also contribute to this increase. Capital spending will also increase from the first-time inclusion of the Initial activities at CWS-boco. At the level of the Haniel Holding Company – as well as at the divisions – the focus will continue to remain on acquisition activities. This will have a material influence on the volume of capital expenditure, as it already had in 2017. In 2017, the acquisition of the shares of the Central European business from Rentokil Initial as well as of ROVEMA and Optimar increased the volume of capital expenditure significantly. This volume is not expected for 2018.

Revenue and profits could deviate from the development presented due to the acquisition of additional divisions or supplementary acquisitions by the existing divisions.

Consolidated financial statements

66 Statement of financial position
68 Income statement
69 Statement of comprehensive income
70 Statement of changes in equity
71 Statement of cash flows

Haniel Group
Statement of financial position

ASSETS

EUR million	Note	31 Dec. 2017	31 Dec. 2016
Property, plant and equipment	1	**728**	576
Intangible assets	2	**2,533**	1,462
Investments accounted for at equity	3	**2,474**	2,538
Financial assets	4	**97**	456
Other non-current assets		**48**	32
Deferred taxes	5	**97**	58
Non-current assets		**5,977**	**5,122**
Inventories	6	**561**	547
Trade receivables	7	**548**	456
Financial assets	8	**0**	446
Income tax assets	5	**52**	47
Cash and cash equivalents	9	**68**	265
Other current assets	10	**162**	183
Current assets		**1,391**	**1,944**
Total assets		**7,368**	**7,066**

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2017	31 Dec. 2016
Equity of shareholders of Franz Haniel & Cie. GmbH		**4,154**	3,990
Non-controlling interests		**345**	258
Equity	11	**4,499**	**4,248**
Financial liabilities	12	**503**	758
Pension provisions	13	**356**	340
Other non-current provisions	14	**85**	77
Other non-current liabilities	15	**78**	9
Deferred taxes	5	**214**	130
Non-current liabilities		**1,236**	**1,314**
Financial liabilities	12	**992**	992
Current provisions	14	**108**	82
Trade payables and similar liabilities	16	**240**	182
Income tax liabilities	5	**27**	24
Other current liabilities	17	**266**	224
Current liabilities		**1,633**	**1,504**
Total equity and liabilities		**7,368**	**7,066**

Haniel Group
Income statement

EUR million	Note	2017	2016
Revenue	18	**4,138**	**3,620**
Changes in inventories of finished goods and work in progress		-6	4
Other own work capitalised		17	5
Gross revenue		**4,150**	**3,629**
Cost of materials		2,397	2,087
Gross profit		**1,753**	**1,542**
Other operating income	19	35	31
Total operating income		**1,788**	**1,573**
Personnel expenses	20	747	669
Other operating expenses	21	581	485
		460	**419**
Depreciation and amortisation		246	190
Impairment of goodwill		*0*	*0*
Operating profit		**214**	**229**
Result from investments accounted for at equity		80	46
Other investment result		2	0
Finance costs	22	66	86
Other net financial income	23	5	4
Net financial income		**21**	**-36**
Profit before taxes		**235**	**193**
Income tax expenses	24	-13	49
Profit after taxes		**248**	**144**
of which attributable to non-controlling interests		60	48
of which attributable to shareholders of Franz Haniel & Cie. GmbH		188	96

Haniel Group
Statement of comprehensive income

EUR million	Note	2017	2016
Profit after taxes		**248**	**144**
Remeasurements of defined benefit plans recognised in other comprehensive income		–7	–9
Deferred taxes on remeasurements of defined benefit plans recognised in other comprehensive income		2	3
Remeasurements of defined benefit plans		**–5**	**–6**
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity		**–19**	**–10**
Total other comprehensive income not to be reclassified to profit or loss		**–24**	**–16**
Income and expenses recognised in equity from remeasurement of derivative financial instruments		0	–3
Reversals recognised in profit or loss		2	2
Deferred taxes on remeasurement of derivative financial instruments		–1	0
Remeasurement of derivative financial instruments		**1**	**–1**
Income and expenses recognised in equity from remeasurement of financial assets available for sale		0	7
Reversals recognised in profit or loss		–4	2
Deferred taxes on remeasurement of financial assets available for sale		1	–3
Remeasurement of financial assets available for sale		**–3**	**6**
Income and expenses recognised in equity from foreign currency translation		–76	2
Reversals recognised in profit or loss		1	2
Currency translation effects		**–75**	**4**
Income and expenses recognised in equity from changes recognised directly in equity of investments accounted for at equity		–56	14
Reversals recognised in profit or loss		12	0
Other comprehensive income from investments accounted for at equity		**–44**	**14**
Total other comprehensive income to be reclassified to profit or loss and reversals recognised in profit or loss		**–121**	**23**
Total other comprehensive income		**–145**	**7**
of which attributable to non-controlling interests		–18	2
of which attributable to shareholders of Franz Haniel & Cie. GmbH		–127	5
Comprehensive income	11	**103**	**151**
of which attributable to non-controlling interests		42	50
of which attributable to shareholders of Franz Haniel & Cie. GmbH		*61*	*101*

Haniel Group
Statement of changes in equity

CHANGES IN 2017

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	**Equity of shareholders of Franz Haniel & Cie. GmbH**	Non-controlling interests	**Equity**
As at 1 Jan. 2017	1,000	678	-426	2,753	-15	**3,990**	258	**4,248**
Dividends				-50		**-50**	-19	**-69**
Changes in the scope of consolidation			10	-10		**0**		**0**
Changes in shares in companies already consolidated			5	152		**157**	64	**221**
Capital measures						**0**		**0**
Changes in treasury shares					-4	**-4**		**-4**
Comprehensive income			-127	188		**61**	42	**103**
of which profit after taxes				188		**188**	60	**248**
of which other comprehensive income			-127			**-127**	-18	**-145**
As at 31 Dec. 2017	**1,000**	**678**	**-538**	**3,033**	**-19**	**4,154**	**345**	**4,499**

CHANGES IN 2016

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	**Equity of shareholders of Franz Haniel & Cie. GmbH**	Non-controlling interests	**Equity**
As at 1 Jan. 2016	1,000	678	-432	2,708	-11	**3,943**	226	**4,169**
Dividends				-50		**-50**	-18	**-68**
Changes in the scope of consolidation			1	-1		**0**		**0**
Changes in shares in companies already consolidated						**0**		**0**
Capital measures						**0**		**0**
Changes in treasury shares					-4	**-4**		**-4**
Comprehensive income			5	96		**101**	50	**151**
of which profit after taxes				96		**96**	48	**144**
of which other comprehensive income			5			**5**	2	**7**
As at 31 Dec. 2016	**1,000**	**678**	**-426**	**2,753**	**-15**	**3,990**	**258**	**4,248**

For further explanatory comments concerning equity, see note 11.

Haniel Group
Statement of cash flows

EUR million	Note	2017	2016
Profit after taxes		248	144
Depreciation and amortisation, impairment losses and reversals on non-current assets		246	195
Change in pension provisions and other non-current provisions		17	0
Income/expenses from changes in deferred taxes		-70	-13
Non-cash income/expenses and dividends of investments accounted for at equity		2	35
Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares		-8	-3
Other non-cash income/expenses and other payments		52	16
Haniel cash flow		**487**	**374**
Change in inventories, receivables and similar assets		-26	-146
Change in current non-interest-bearing liabilities, current provisions and similar liabilities		1	25
Cash flow from operating activities		**462**	**253**
Proceeds from the disposal of property, plant and equipment, intangible assets and other assets		843	304
Payments for investments in property, plant and equipment, intangible assets and other assets		-252	-496
Proceeds from the disposal of consolidated companies and other business units		22	2
Payments for acquisitions of consolidated companies and other business units		-916	-96
Cash flow from investing activities		**-303**	**-286**
Proceeds from contributions to equity		0	0
Payments to shareholders		-73	-72
Payments from changes in shares in companies already consolidated		0	0
Proceeds from issuance of financial liabilities		1,070	665
Repayments of financial liabilities		-1,350	-637
Cash flow from financing activities		**-353**	**-44**
Cash and cash equivalents at the beginning of the period		265	342
Increase/decrease in cash and cash equivalents		-194	-77
Non-cash increase/decrease in cash and cash equivalents		-3	0
Cash and cash equivalents at the end of the period	29	**68**	**265**

The cash flow from operating activities includes dividends received in the amount of EUR 86 million (previous year: EUR 81 million), interest income of EUR 25 million (previous year: EUR 30 million) and interest payments of EUR 66 million (previous year: EUR 70 million). EUR 67 million was paid in income taxes (previous year: EUR 75 million).

A. Segment reporting

2017 BY DIVISION

EUR million	Bekaert Deslee	CWS-boco	ELG	Optimar	ROVEMA	TAKKT	Financial investments CECONOMY and METRO	Holding and other companies	Consolidation	Group
Segment revenue from external customers	337	970	1,696		20	1,115				**4,138**
Segment revenue from transactions with other segments						1			–1	**0**
Revenue	**337**	**970**	**1,696**	**0**	**20**	**1,116**	**0**	**0**	**-1**	**4,138**
Depreciation and amortisation of segment assets	24	167	16		1	27		2		**237**
Operating profit	**28**	**51**	**49**	**0**	**2**	**123**	**0**	**-39**	**0**	**214**
Result from investments accounted for at equity	1					–1	80			**80**
Finance costs	10	6	19			8		36	-13	**66**
Other net financial income	–2	1						15	-9	**5**
Profit before taxes	**16**	**46**	**30**	**0**	**2**	**115**	**80**	**29**	**-83**	**235**
Material non-cash income (+) and expenses (–) other than depreciation and amortisation	–3	-35	-30			3	80	13	14	**42**
Total assets	**554**	**1,759**	**770**	**268**	**289**	**1,005**	**2,467**	**2,561**	**-2,305**	**7,368**
of which carrying amount of investments accounted for at equity	6					1	2,467			**2,474**
of which goodwill	138	768	86	101	133	594				**1,820**
Financial liabilities	**170**	**506**	**311**	**72**	**67**	**138**	**0**	**1,057**	**-826**	**1,495**
Recognised investments in non-current segment assets	**19**	**1,093**	**16**	**196**	**237**	**31**	**0**	**996**	**-988**	**1,600**
Average number of employees (headcount)	**2,677**	**10,768**	**1,240**	**375**	**649**	**2,566**	**0**	**206**		**18,481**

See note 30 for a description of the segments.

2017 BY REGION

EUR million	Belgium	Germany	France	United Kingdom	Netherlands	Switzerland	USA	Other countries	Total
Segment revenue from external customers, by location of company	185	966	167	293	536	166	1,216	609	**4,138**
Non-current intangible assets and property, plant and equipment	207	1,622	7	78	141	83	505	618	**3,261**

2016 BY DIVISION

EUR million	Bekaert Deslee	CWS-boco	ELG	Optimar	ROVEMA	TAKKT	METRO investment	Holding and other companies	Consoli-dation	**Group**
Segment revenue from external customers	310	799	1,386			1,125				**3,620**
Segment revenue from transactions with other segments		1							-1	**0**
Revenue	**310**	**800**	**1,386**	**0**	**0**	**1,125**	**0**	**0**	**-1**	**3,620**
Depreciation and amortisation of segment assets	23	119	17			28		2		**189**
Operating profit	**28**	**77**	**18**	**0**	**0**	**142**	**0**	**-36**	**0**	**229**
Result from investments accounted for at equity							46			**46**
Finance costs	9	9	19			8		57	-16	**86**
Other net financial income	-1		-4			-1		20	-10	**4**
Profit before taxes	**20**	**67**	**-7**	**0**	**0**	**133**	**46**	**-2**	**-64**	**193**
Material non-cash income (+) and expenses (-) other than depreciation and amortisation	7	-3	-14			-10	46	-19	-4	**3**
Total assets	**604**	**734**	**870**	**0**	**0**	**1,052**	**2,531**	**2,583**	**-1,308**	**7,066**
of which carrying amount of investments accounted for at equity	6					1	2,531			**2,538**
of which goodwill	156	279	91			626				**1,152**
Financial liabilities	**172**	**165**	**406**	**0**	**0**	**180**	**0**	**1,149**	**-322**	**1,750**
Recognised investments in non-current segment assets	**131**	**134**	**13**	**0**	**0**	**19**	**0**	**134**	**-19**	**412**
Average number of employees (headcount)	**2,340**	**7,661**	**1,181**	**0**	**0**	**2,489**	**0**	**211**		**13,882**

2016 BY REGION

EUR million	Belgium	Germany	France	United Kingdom	Nether-lands	Switzer-land	USA	Other countries	**Total**
Segment revenue from external customers, by location of company	142	822	151	247	398	170	1,121	569	**3,620**
Non-current intangible assets and property, plant and equipment	29	873	8	84	21	61	560	402	**2,038**

B. General basis of presentation

Accounting principles
The consolidated financial statements of Franz Haniel & Cie. GmbH for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) in effect on the reporting date and adopted by the Commission of the European Union, and in accordance with the supplementary requirements applicable under section 315e (1) HGB (Handelsgesetzbuch – German Commercial Code). Franz Haniel & Cie. GmbH is domiciled in Duisburg, Germany, and entered in the commercial register of the Duisburg Local Court (Amtsgericht) under number HR B 25. These consolidated financial statements were prepared by the Management Board on 6 March 2018. They were approved by the Supervisory Board at its meeting on 10 April 2018.

The reporting currency is the euro; figures are shown in EUR million. 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 standards and interpretations
The following standards and interpretations that were revised or newly-issued by the IASB (International Accounting Standards Board) or the IFRS Interpretations Committee (IFRS IC), as adopted by the Commission of the European Union, were applicable for the first time beginning with the 2017 financial year:

Amendments to IAS 7 (2016): "Disclosure Initiative"
Amendments to IAS 12 (2016): "Recognition of Deferred Tax Assets for Unrealised Losses"
Annual Improvements to IFRS Standards 2014–2016 Cycle (2016)

The first-time application of the new or revised standards did not give rise to any effects on the presentation of the Haniel Group's net assets, financial position, and results of operations in the financial year.

The IASB and the IFRS IC have issued new and amended rules whose application is not mandatory for the Haniel Group until financial year 2018 or later. For these standards to be applicable, the required endorsement by the Commission of the European Union is still pending in some cases. The relevant Standards and Interpretations are:

Standard / Interpretation	*Effective date*
Endorsed by the Commission of the European Union	
IFRS 9 (2014): "Financial Instruments"	2018
IFRS 15 (2014): "Revenue from Contracts with Customers"	2018
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
IFRS 16 (2015): "Leases"	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 40 (2016): "Transfers of Investment Property"	2018
IFRIC 22 (2016): "Foreign Currency Transactions and Advance Consideration"	2018
IFRIC 23 (2017): "Uncertainty over Income Tax Treatments"	2019
Amendments to IFRS 9 (2017): "Prepayment Features with Negative Compensation"	2019
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. Currently there are also no plans to apply any of the standards issued by the IASB early. With the exception of the revised standards described below, the Haniel Group does not foresee any effects from the initial application of the aforementioned standards on presentation of the Group's net assets, financial position, and results of operations.

Compared to the current IAS 39, IFRS 9 contains new guidelines on the classification and measurement of financial assets as well as on the recognition of impairments. In addition, IFRS 9 changes the requirements on the application of hedge accounting and introduces new disclosure requirements in the notes to the consolidated financial statements. Based on the Group-wide analyses conducted, it is expected that the measurement basis (fair value versus amortised cost) will change only for individual financial assets. Additionally, the new impairment requirements will tend to result in earlier recognition of impairments. There are no noteworthy accounting changes with respect to the cash flow hedges in the Haniel Group as a result of the changeover to IFRS 9.

IFRS 15 combines the previously existing provisions on revenue recognition into a single standard. Starting from a five-step model, IFRS 15 contains detailed guidelines on the timing and amount of revenue recognition. In addition, the standard introduces new disclosure requirements in the notes to the consolidated financial statements. The application of the new standard in the Haniel Group results in only minor changes on an aggregate basis with respect to the timing and amount of the revenue recognised. In the CWS-boco division, the costs of obtaining an contract, which were previously recognised directly as an expense, must be recognised as an asset and amortised over the expected contractual term.

The changeover to IFRS 9 and IFRS 15 did not result in any material changes in equity in either case as at the transition date 1 January 2018. In total, the changeover resulted in an increase in equity amounting to less than EUR 10 million.

Compared to the current provisions of IAS 17, in future IFRS 16 will have extensive effects on lease accounting at the lessee. While the lessee had previously recognised assets only for those lease transactions in which the lessee had the significant risks and rewards from the lease transaction, henceforth the lessee must generally recognise a right-of-use asset and a corresponding lease liability for all lease transactions. In the Haniel Group, this will result in an increase in non-current assets and financial liabilities. In the income statement, it will tend to improve the operating profit because a portion of the previous expenses from operating leases will be recognised as finance costs in net financial income going forward. IFRS 16 also imposes new disclosure requirements in the notes to the consolidated financial statements. A project to systematically record and analyse existing leases was launched for a more detailed assessment of the effects of lease accounting going forward.

Consolidation principles
Subsidiaries directly or indirectly controlled by Franz Haniel & Cie. GmbH in accordance with IFRS 10 are fully consolidated in the consolidated financial statements. Control exists if Haniel has power over another entity, is exposed to variable returns from its involvement, such as interest or profit sharing, and can use its power to affect these returns.

Joint ventures as defined by IFRS 11 and associates as defined by IAS 28 are accounted for using the equity method. In the case of joint ventures, the Haniel Group exercises joint control with partners and has an interest in the net assets and / or profits of the joint venture. Associates are companies on which significant influence is exercised. This is normally assumed to be the case with an equity investment of between 20 and 50 per cent. To the extent the Haniel Group has an interest in a joint operation as a joint operator, the joint operation's assets and liabilities as well as income and expenses that relate to Haniel's interest are recognised in Haniel's consolidated financial statements.

The reporting date for the separate financial statements of the consolidated subsidiaries is identical with the date for the consolidated financial statements, namely 31 December 2017. The separate financial statements of the domestic and foreign subsidiaries consolidated are prepared in accordance with uniform accounting policies.

Acquisitions are accounted for using the acquisition method on the basis of the fair values as at the date control was obtained (IFRS 3). The portion of the consideration that was transferred in expectation of future positive cash flows from the acquisition and that cannot be allocated to identified or identifiable assets as part of their remeasurement to fair value is reported as goodwill under intangible assets. The full goodwill method was not applied. Non-controlling interests are therefore measured at the proportionate fair value of the identifiable net assets.

In accordance with IFRS 3, goodwill is not amortised. Rather, a write-down to the lower recoverable amount is made if necessary depending on the results of an annual impairment test, or an interim test if there are triggering events. The recoverable amount corresponds to the higher of the value in use and the fair value less costs of disposal. Any goodwill impairment loss is recognised in profit or loss.

Transactions that change the ownership interest in a subsidiary without resulting in a loss of control are accounted for as equity transactions. Transactions that result in a loss of control are recognised in profit or loss as a gain or loss on disposal. If shares continue to be held after the loss of control, the remaining equity interest is measured at fair value. Any difference between the existing carrying amount of those shares and their fair value is included in the gain or loss on disposal.

Intra-Group profits and losses, sales, income and expenses as well as receivables and payables between companies included in the consolidated financial statements are eliminated. Intercompany profits and losses contained in non-current assets and inventories from intra-Group transactions are adjusted to the extent that they are not of minor significance.

Scope of consolidation
Aside from Franz Haniel & Cie. GmbH, 206 domestic and foreign companies were included in full in the consolidated financial statements as at 31 December 2016. In the financial year, the number of subsidiaries changed as follows:

Additions due to acquisition of shares or obtaining control	36
Additions due to new company formation	2
Disposals due to sale of shares or loss of control	6
Disposals due to mergers or liquidation	7

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 231 subsidiaries are included in the consolidated financial statements as at 31 December 2017. Of that figure, 30 companies belong to the BekaertDeslee division, 48 to CWS-boco, 47 to ELG, 5 to Optimar, 17 to ROVEMA and 73 to TAKKT. 11 subsidiaries are allocated to the Holding and other companies segment.

In this connection, one asset leasing company is included in Haniel's consolidated financial statements as a subsidiary because, although Haniel does not hold the majority of the voting rights, based on the contractual provisions it does direct activities that are significant for the amount of the returns and therefore exercises control within the meaning of IFRS 10.

In addition, the Haniel Group leases real estate from two asset leasing companies. The corresponding agreements are accounted for as finance leases in accordance with IAS 17. In these arrangements and based on the contractual provisions, the Group has neither a legal interest in the companies nor can it direct activities that are significant for the returns. As at the reporting date, the lease liabilities to these two unconsolidated leasing companies presented in financial liabilities totalled EUR 14 million (previous year: EUR 15 million).

The Haniel Group also holds equity shares of less than 10 per cent each in venture capital funds. Under the contractual provisions, Haniel does not participate in the funds' investment and disposal decisions that are material for the returns from these involvements and thus does not exercise any control. As at the reporting date, the carrying amount of the venture capital funds corresponding to the fair value was EUR 14 million (previous year: EUR 9 million) and is presented in non-current financial assets. In addition to the amounts already paid-in, Haniel committed itself to make additional capital contributions of EUR 26 million (previous year: EUR 29 million) to the venture capital funds, which the fund managers can call in for additional investments by the funds. The maximum loss exposure for Haniel from the venture capital funds thus corresponds to their carrying amount and the outstanding capital contributions.

Aside from the fully consolidated subsidiaries, 7 (previous year: 6) associates are accounted for in Haniel's consolidated financial statements using the equity method. As in the previous year, no joint ventures are included in the consolidated financial statements.

Foreign currency translation
Business transactions in foreign currency are translated into the functional currency in the separate 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.

Franz Haniel & Cie. GmbH's reporting currency is the euro. The foreign currency amounts indicated in the financial statements of companies outside the euro zone that are included in the consolidated financial statements are translated using the concept of functional currency in accordance with IAS 21. Given that the subsidiaries operate as financially, economically and organisationally independent entities, their respective local currency is the functional currency. The assets and liabilities of companies outside the euro zone are translated at the closing rate, while their income statement items are translated at average annual exchange rates. Goodwill resulting from the acquisition of foreign companies is assigned to the acquired company and translated at the closing rate. All resulting exchange differences are recognised in other comprehensive income. The currencies that are most relevant for Haniel's consolidated financial statements are:

	2017		2016	
Euro	Average exchange rate	Closing rate	Average exchange rate	Closing rate
US dollar (USD)	1.1272	1.1993	1.1062	1.0541
UK pound sterling (GBP)	0.8762	0.8872	0.8172	0.8562
Swiss franc (CHF)	1.1702	1.1102	1.0900	1.0739

Accounting policies
The consolidated 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. The cost of internally generated property, plant and equipment includes direct costs as well as directly attributable overheads. Allocable borrowing costs are recognised in the cost of qualifying assets.

Property, plant and equipment, with the exception of land, are depreciated over their estimated useful lives using the straight-line method. Depreciation is based on the following useful lives:

Buildings	5 to 50 years
Technical equipment and machinery	2 to 20 years
Operating and office equipment	2 to 20 years

The useful lives of operating and office equipment reported under property, plant and equipment were modified in the financial year as part of a change in estimates connected with the acquisition and integration of Initial's activities in the CWS-boco division. This resulted in lower depreciation in the financial year and an increase of EUR 8 million in profit before taxes.

If, in the context of **lease transactions**, the Haniel Group, as a lessee, bears all material risks and rewards and is thus regarded as the beneficial owner, the requirements for finance leases under IAS 17 are met. In these cases, the relevant assets are capitalised at the lower of their fair value or the present value of the minimum lease payments, and depreciated on a straight-line basis over the shorter of their useful life or the term of the lease. The present value of the payment obligations resulting from the future lease instalments is recognised under current and non-current financial liabilities. Call options exist at the end of the basic term of the lease, in line with general market terms, for the majority of buildings leased under finance lease agreements.

In addition to the finance leases, the Haniel Group has entered into lease agreements under which the lessor remains the beneficial owner of the leased assets (operating lease). Lease payments are recognised in profit or loss. The lease agreements contain common rental and pre-emption provisions for the respective items leased.

Purchased **intangible assets** are recognised at cost less amortisation and, if applicable, impairment losses. With the exception of goodwill, brand names and works of art with an indefinite life, all useful lives are definite. An indefinite useful life is attributable to the Company's intention to continue using the relevant assets. Intangible assets with finite useful lives are generally amortised over their contractual or estimated useful lives using the straight-line method. This period is between 2 and 20 years. Internally generated intangible assets from which the Group is likely to benefit in future, and which can be measured reliably, are stated at their cost of production. The cost of production includes all costs directly attributable to the development process as well as appropriate portions of the attributable overheads. Attributable borrowing costs for qualifying assets are included. Research and development costs are treated as current expenses if the requirements for capitalisation of development costs under IAS 38 are not met.

In accordance with IAS 36, the carrying amount of goodwill is tested for impairment annually and upon the occurrence of indications of impairment (triggering events), on the basis of cash-generating units or groups of units. The Haniel Group performs the regular impairment tests during the fourth quarter of each year. No regular impairment tests were performed for the Optimar and ROVEMA cash-generating units in the financial year given the short amount of time between the respective acquisition dates and the reporting date. As at the reporting date, there were a total of 24 cash-generating units within the Haniel Group (previous year: 22). The increase was due to the acquisition of the Optimar and ROVEMA divisions. In the context of the impairment tests, the carrying amounts of the individual or groups of cash-generating units are compared with their recoverable amount, which is equivalent to the higher of the value in use and the fair value less costs of disposal, determined in a second step if necessary. The fair value is the best estimate of the amount that an independent third party would pay for the (groups of) cash-generating units on the reporting date. Any disposal costs that would be incurred according to best estimate are deducted.

The value in use is measured based on detailed plans of the future cash flows, on the basis of the cash flows before interest and taxes, less maintenance and replacement investments and a perpetual annuity for the years after the detailed planning period. The detailed plans are generally based on five-year financial plans adopted by the responsible management and are used for internal purposes as well. The underlying sales trend and the operating profit margin constitute key planning assumptions. The detailed plans are formulated according to past developments and projected market trends. The perpetual annuity is calculated based on expected average market growth, while factoring in expected future company growth. The cash flows thus determined are discounted at a rate reflecting the weighted average cost of capital before taxes (WACC), assigned individually for each cash-generating unit or group of cash-generating units, to determine the value in use of the cash-generating unit. The average cost of capital is determined using market inputs as the weighted average of the costs of equity and debt. The cost of equity used reflects the risk-equivalent return expected from equity investors with respect to the cash-generating units. The calculation also factors in parameters specific to the business model and country-specific risk premiums that are derived based on external country ratings. The cost of debt used represents the long-term financing terms of companies with comparable creditworthiness.

If the recoverable amount is less than the carrying amount of the individual cash-generating unit or group of cash-generating units, an impairment loss with respect to goodwill is recognised in profit or loss and, if applicable, as well as to other assets of the unit.

The table below summarises the parameters applied in the financial year to determine the values in use in the context of the regular impairment tests for each segment as well as for cash-generating units with significant goodwill:

	Weighted average cost of capital before taxes	Expected future company growth (perpetual annuity)	Goodwill as at 31 Dec. 2017
	%	%	EUR million
BekaertDeslee	7.3 to 9.6	2.0	138
CWS-boco	7.1 to 9.7	1.5	768
of which CWS-boco Germany	7.9	1.5	492
of which CWS-boco BeNeLux	7.7	1.5	153
ELG	10.8 to 12.3	0.0 to 4.0	86
Optimar			101
ROVEMA			133
TAKKT	7.7 to 8.6	1.0 to 2.0	594
of which Packaging Solutions Group	7.7	2.0	153

The table below summarises the parameters applied in the previous year to determine the values in use in the context of the regular impairment tests for each segment as well as for cash-generating units with significant goodwill:

	Weighted average cost of capital before taxes	Expected future company growth (perpetual annuity)	Goodwill as at 31 Dec. 2016
	%	%	EUR million
BekaertDeslee	7.4 to 10.5	2.0	156
CWS-boco	6.7 to 8.0	1.5	279
of which CWS-boco Germany	8.0	1.5	209
ELG	11.4 to 12.3	0.0 to 4.0	91
TAKKT	7.7 to 8.2	1.0 to 2.0	626
of which Specialties Group	8.1	2.0	240
of which Packaging Solutions Group	8.0	2.0	153

In addition to goodwill, the Haniel Group also has EUR 140 million (previous year: EUR 108 million) in other intangible assets with indefinite useful lives. These relate predominantly to brand names acquired through business combinations. Their recoverability is reviewed during impairment tests at the level of the cash-generating units. In relation to the total carrying amount of intangible assets with indefinite useful lives, the BekaertDeslee Americas and ROVEMA cash-generating units have significant brand names with indefinite useful lives amounting to EUR 25 million (previous year: EUR 29 million) and EUR 26 million (previous year: EUR 0 million), respectively. BekaertDeslee Americas' weighted average cost of capital before taxes is 9.5 per cent (previous year: 10.5 per cent); the expected future company growth rate for the years after the detailed planning period amounts to 2.0 per cent, as in the previous year. No regular impairment test was performed for the ROVEMA cash-generating unit in the financial year given the short amount of time between the respective acquisition dates and the reporting date.

As in the previous year, there was no impairment of goodwill and no impairment losses were recognised on intangible assets with indefinite useful lives as a result of the regular impairment tests at the level of the cash-generating units in the financial year based on the value in use determined in accordance with IAS 36.

The evidence for recoverability at all cash-generating units is based on the value in use. The values in use as determined in the course of the regular impairment tests were checked for plausibility using scenarios relating to key assumptions. As in the previous year no hypothetical need for an impairment loss resulted from these analyses, whether due to a 0.5 percentage point increase in the weighted average cost of capital before taxes, as deemed feasible by the management, or due to a 0.25 percentage point decrease in the expected growth rates after the detailed planning period. The same applies to a 5 per cent across-the-board reduction in cash flows before interest and taxes in the perpetual annuity.

Associates and **joint ventures** are accounted for using the equity method defined in IAS 28 and IFRS 11, respectively. Based on the acquisition cost of the shares in associates and joint ventures at the date of acquisition, the carrying amount of the investments is increased or decreased by the Haniel Group's share of the post-acquisition profits or losses of the investment and other equity changes in the investment. Goodwill included in the carrying amount and determined in accordance with the full consolidation principles is not amortised. An impairment test is conducted if there is objective evidence, as defined in IAS 39, of a possible impairment of the total carrying amount of the investment.

Alongside loans, the **financial assets** primarily include investments and securities. Loans are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost by applying the effective interest rate method. If there is objective evidence within the meaning of IAS 39 that assets are impaired, they are written down to the lower present value of the expected cash flows, based on the original effective interest rate.

With regard to investments and securities, a distinction is made in accordance with IAS 39 between those that are available for sale, those held at fair value through profit or loss, and those that are held to maturity. The classification is determined at the date of acquisition and reviewed as of each reporting date. In addition to non-listed investments, investment funds, and listed bonds that are not necessarily intended to be held to maturity are in particular classified as available for sale. In addition to the financial instruments voluntarily designated at the acquisition date as at fair value through profit or loss, this category includes those financial instruments that are held for trading. In the Haniel Group, solely the venture capital funds, which are managed on a fair value basis, are designated as at fair value. Regular way sales and purchases of non-derivative financial assets of all categories are recognised as at the settlement date.

Available for sale financial assets are initially recognised at fair value plus transaction costs and subsequently shown at their respective fair values on the reporting date (see note 26 for the determination of fair values). The resulting unrealised gains and losses are recognised in other comprehensive income, taking deferred taxes into account.
If no active market is available and a fair value cannot be reliably measured, the assets are shown at cost. If there is a material indication that assets may be impaired, they are written down through profit or loss. If the reasons for the impairment no longer exist, appropriate reversals of impairment losses are recognised. In the case of equity instruments, these reversals are recognised in other comprehensive income; in the case of debt instruments, they are recognised in profit or loss, provided that the conditions of IAS 39 are fulfilled. If these assets are sold, the cumulative gain or loss previously recognised in other comprehensive income is reversed to profit or loss.

Financial assets classified as at fair value through profit or loss are recognised using their fair value as at each reporting date. Any transaction costs are recognised in profit or loss upon posting. Fluctuations in fair value are recognised directly in the income statement.

Financial assets classified as held to maturity are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. If there is objective evidence that assets are impaired, they are written down to the lower present value of the expected cash flows, based on the original effective interest rate.

Financial assets and liabilities are presented at net in the statement of financial position if there is a legal right to offset at the present time. In addition, there must be an intention to settle on a net basis or to realise the asset and settle the related liability simultaneously. Otherwise, the financial asset and liability are presented at gross in the statement of financial position.

Inventories are stated at cost in general. In addition to the direct material and production costs, production-related portions of the required material and production overheads, as well as depreciation of property, plant and equipment attributable to production, and amortisation of intangible assets are included. Borrowing costs are not taken into account. If acquisition or production costs exceed the net realisable value at the end of the financial year, inventories are written down accordingly. Depending on the specific circumstances of each division, different inventory cost formulas are applied. Normally, the costs of inventories are assigned by using a weighted average or a first-in, first-out (FIFO) cost formula. In addition, the standard cost method is also applied.

Trade receivables 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.

Long-term contracts are measured using the percentage of completion method. Revenue and profits from long-term contracts are recognised relative to the percentage of completion of the respective project. The percentage of completion is generally calculated as the ratio of the contract costs already incurred up to the end of the financial year to the total project costs currently expected (cost-to-cost method). If the profit generated by a long-term contract cannot be projected reliably, revenue is only recognised in an amount equal to the contract costs incurred (zero profit method). Losses on long-term contracts with customers are immediately recognised in full in the financial year in which the loss was identified, irrespective of the stage of completion.

Tax assets and **tax liabilities** are recognised 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 minimise exchange rate, interest rate and other market price 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, 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. In accordance with IAS 39.9, derivative financial instruments for which hedge accounting is not applied must be classified as held for trading.

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 fair values of the derivatives 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 or loss. The changes in the fair values of the derivatives 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.

Non-current assets and groups of assets classified as held for sale are no longer depreciated as from the reclassification date but measured at the lower of the carrying amount and the fair value less costs to sell. These fair values are normally determined based on concluded purchase contracts or purchase price offers that are already sufficiently specific. Assets and groups of assets and their respective liabilities (disposal groups) held for sale are shown separately from other assets and liabilities in the statement of financial position, each as a separate current item, as from the reclassification date. The previous year's figures in the statement of financial position are not adjusted to reflect reclassifications. If the disposal group comprises a material business segment or operation, the profit or loss after taxes from discontinued operations is reported separately in the income statement. The previous year's income statement is adjusted accordingly. The profit after taxes from discontinued operations comprises the operation's current earnings, the result of the measurement described above, and the gain or loss on disposal. In the statement of cash flows, the incoming and outgoing payments of the discontinued operations are presented together with the corresponding payments of the continuing operations.

Deferred taxes are recognised for temporary differences between the values in the tax accounts of the individual companies and the carrying amounts in the consolidated 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 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 tax assets and liabilities are offset in accordance with IAS 12 if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority for the same taxable entity.

In accordance with IAS 19, **provisions for pensions** and similar obligations are determined using the actuarial projected unit credit method. In addition to biometric calculation principles, this method primarily takes into account the current long-term capital market interest rate as well as assumptions about future increases in salaries and pensions. Remeasurements are recognised directly in other comprehensive income in their full amount. These amounts are not reclassified to profit or loss. Remeasurements comprise actuarial gains and losses as well as the difference between the actual return on plan assets and the expected return recognised in net interest expense. In addition, effects from an asset ceiling may be included in the remeasurement. The net interest expense presented in the finance costs includes the expense from compounding the present value of defined benefit obligations and the expected return on plan assets.

With the exception of provisions for personnel calculated in accordance with IAS 19 or IFRS 2, all **other 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, contingent consideration from business combinations, and financial liabilities held for trading, are initially recognised at fair value plus transaction costs and subsequently at amortised cost using the effective interest method. Liabilities under finance leases are recognised in the amount of the present value of the future lease payments, taking into account the interest rate that was used as the basis at the time the lease was signed, as well as the repayments on principal made in the meantime.

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.

Revenue comprises revenues from the sale of products and services less discounts, rebates, and if necessary, deferred income from customer loyalty programmes. Revenue from the sale of products is recognised upon transfer of risk and rewards of ownership to the customer. Provisions are established to account for customers' rights of return. Revenue from services is recognised in accordance with the provision of services. If amounts are collected as an agent for third parties, such amounts are not revenue because they do not represent an inflow of economic benefits. Only the compensation for brokering the business is accounted for as revenue in such transactions.

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 capitalisation in accordance with IAS 23 are recognised in the proper period using the effective interest method.

In accordance with IAS 20, **government grants** are recognised at fair value only if there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received. Grants received as compensation for expenses are recognised as income in the same period in which such expenses are incurred. Grants received for the acquisition or production of assets are deferred as a general rule.

Advertising costs are expensed as soon as there is a right to access the advertising material or services were received in connection with the advertising activities.

The consolidated 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.

Goodwill arises in the course of business combinations. All identifiable assets, liabilities and contingent liabilities are measured at fair value upon first-time consolidation. The recognised fair values represent key estimates. If intangible assets are identified, the fair value is determined by recognised valuation methods depending on the type of asset. These valuations are closely related to the management's assumptions concerning the future development of the assets and the applied discount rates. Similar assumptions are necessary in the accounting and valuation of investments accounted for at equity.

In addition to the determination of fair values of the assets, liabilities and contingent liabilities acquired, the valuation of contingent consideration for business combinations is based on estimates and assumptions made by the management regarding the future development of the acquired entity. If the actual development of the entity in the future deviates from the expected development, this may affect the amount of contingent consideration and the profit after taxes.

Impairment tests of goodwill, other intangible assets with indefinite useful lives and investments are based on forward-looking assumptions. Paying due regard to past developments and assumptions concerning the future development of markets, the test is generally performed on the basis of a five-year planning period. The key assumptions when assessing impairment are estimated growth rates after the detailed planning period, weighted average cost of capital and tax rates. Further key planning assumptions relate to the future sales trend and the operating profit margin. The premises above and the underlying calculation model can significantly influence the individual values and ultimately the amount of a possible impairment.

In the case of trade receivables, valuation allowances on doubtful debts rely to a large extent on estimates and assessments made on the basis of the relevant customer'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 pensions, real estate, litigations, pending losses, those related to business combinations and disposals and 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. In addition, pension obligations under defined benefit plans require actuarial assumptions regarding salary growth and pension growth, life expectancies and employee turnover. The actual development, and hence actual payments due 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 also applies in particular to obligations whose 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 consolidated financial statements were prepared, there was no indication of any material changes affecting the underlying assumptions and estimates.

C. Notes to the statement of financial position

1 Property, plant and equipment

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	Prepayments and assets under construction	**Total**
Cost					
As at 1 Jan. 2017	**528**	**385**	**445**	**12**	**1,370**
Foreign exchange rate adjustments	–15	–12	–4		**–31**
Additions to scope of consolidation	41	31	89	7	**168**
Additions	10	29	162	10	**211**
Reclassifications	1	14	2	–17	**0**
Disposals	18	26	203		**247**
As at 31 Dec. 2017	**547**	**421**	**491**	**12**	**1,471**
Accumulated depreciation					
As at 1 Jan. 2017	**252**	**246**	**296**	**0**	**794**
Foreign exchange rate adjustments	–7	–6	–3		**–16**
Depreciation	17	29	141		**187**
Impairments	1	1		1	**3**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals	9	21	195		**225**
As at 31 Dec. 2017	**254**	**249**	**239**	**1**	**743**
Net carrying amounts					
As at 31 Dec. 2017	**293**	**172**	**252**	**11**	**728**
As at 1 Jan. 2017	**276**	**139**	**149**	**12**	**576**

Property, plant and equipment includes assets totalling EUR 34 million (previous year: EUR 36 million) recognised based on finance leases. Of this amount, EUR 30 million (previous year: EUR 34 million) relates to land, buildings and similar assets, EUR 2 million (previous year: EUR 0 million) to technical equipment and machinery, and EUR 2 million (previous year: EUR 2 million) to operating and office equipment. As in the previous year, no further individual non-cash investments were made in property, plant and equipment (finance leases).

The additions to the scope of consolidation in the financial year resulted primarily from the CWS-boco division's acquisition of Initial's activities and the acquisitions of ROVEMA and Optimar. Business combinations in the financial year are explained under note 28. As in the previous year, the additions and disposals during the financial year relate primarily to textiles and hand towel dispensers to be rented out by the CWS-boco division.

The EUR 3 million in impairments recognised in the financial year were mainly connected with optimisation measures implemented by the CWS-boco division.

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	Prepayments and assets under construction	Total
Cost					
As at 1 Jan. 2016	**511**	**364**	**425**	**7**	**1,307**
Foreign exchange rate adjustments	-2	-2	-1		**-5**
Additions to scope of consolidation	15	26	1		**42**
Additions	7	17	113	11	**148**
Reclassifications	2	3	1	-6	**0**
Disposals	5	23	94		**122**
As at 31 Dec. 2016	**528**	**385**	**445**	**12**	**1,370**
Accumulated depreciation					
As at 1 Jan. 2016	**238**	**241**	**281**	**0**	**760**
Foreign exchange rate adjustments		-1			**-1**
Depreciation	17	27	109		**153**
Impairments					**0**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals	3	21	94		**118**
As at 31 Dec. 2016	**252**	**246**	**296**	**0**	**794**
Net carrying amounts					
As at 31 Dec. 2016	**276**	**139**	**149**	**12**	**576**
As at 1 Jan. 2016	**273**	**123**	**144**	**7**	**547**

As in the previous year, legally and economically owned property, plant and equipment are not subject to any restrictions on title. Property, plant and equipment of EUR 3 million (previous year: EUR 3 million) are pledged as security for own liabilities. Purchase commitments for property, plant and equipment amounted to EUR 4 million (previous year: EUR 2 million).

During the previous year, the CWS-boco division received a EUR 1 million government grant in relation to the construction of a laundry in Croatia.

2 Intangible assets

EUR million	Goodwill	Licences and similar rights	Other intangible assets	Prepayments	Total
Cost					
As at 1 Jan. 2017	**1,192**	**414**	**220**	**24**	**1,850**
Foreign exchange rate adjustments	–61	–19	–15		**–95**
Additions to scope of consolidation	729	347	103		**1,179**
Additions		6		24	**30**
Reclassifications		5	–3	–2	**0**
Disposals	3	5	1		**9**
As at 31 Dec. 2017	**1,857**	**748**	**304**	**46**	**2,955**
Accumulated depreciation					
As at 1 Jan. 2017	**40**	**278**	**68**	**2**	**388**
Foreign exchange rate adjustments		–9	–4		**–13**
Depreciation		42	8		**50**
Impairments			1	5	**6**
Reversals of impairment losses					**0**
Reclassifications		2	–2		**0**
Disposals	3	5	1		**9**
As at 31 Dec. 2017	**37**	**308**	**70**	**7**	**422**
Net carrying amounts					
As at 31 Dec. 2017	**1,820**	**440**	**234**	**39**	**2,533**
As at 1 Jan. 2017	**1,152**	**136**	**152**	**22**	**1,462**

The additions to the scope of consolidation in the financial year resulted primarily from the CWS-boco division's acquisition of Initial's activities and the acquisitions of ROVEMA and Optimar. Business combinations in the financial year are explained under note 28.

As in the previous year, the additions to licences and similar rights and prepayments resulted primarily from software.

Impairments recognised in respect of prepayments amounting to EUR 5 million in the financial year were primarily attributable to the CWS-boco division and related to software.

Impairments recognised in respect of other intangible assets amounting to EUR 1 million in the financial year were primarily attributable to the CWS-boco division and concerned customer lists. In the previous year, impairments amounting to EUR 1 million related primarily to a brand in the TAKKT division which is no longer used. That brand was written off in full.

EUR million	Goodwill	Licences and similar rights	Other intangible assets	Prepayments	**Total**
Cost					
As at 1 Jan. 2016	**1,153**	**381**	**204**	**15**	**1,753**
Foreign exchange rate adjustments	4	3	2		**9**
Additions to scope of consolidation	35	32	14		**81**
Additions		8	1	12	**21**
Reclassifications		2		–2	**0**
Disposals		12	1	1	**14**
As at 31 Dec. 2016	**1,192**	**414**	**220**	**24**	**1,850**
Accumulated depreciation					
As at 1 Jan. 2016	**41**	**262**	**58**	**3**	**364**
Foreign exchange rate adjustments	–1	1	1		**1**
Depreciation		27	9		**36**
Impairments			1		**1**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals		12	1	1	**14**
As at 31 Dec. 2016	**40**	**278**	**68**	**2**	**388**
Net carrying amounts					
As at 31 Dec. 2016	**1,152**	**136**	**152**	**22**	**1,462**
As at 1 Jan. 2016	**1,112**	**119**	**146**	**12**	**1,389**

Other intangible assets include assets with indefinite useful lives totalling EUR 140 million (previous year: EUR 108 million). These relate predominantly to brand names acquired through business combinations as well as works of art belonging to the Haniel Holding Company.

As in the previous year, legally and economically owned intangible assets are not subject to any restrictions on title. As in the previous year, no intangible assets have been pledged as security for own liabilities.

As at 31 December 2017, there was a purchase commitment for intangible assets in the amount of EUR 2 million (previous year: EUR 4 million).

3 Investments accounted for at equity

EUR million	2017	2016
As at 1 Jan.	**2,538**	**2,562**
Foreign exchange rate adjustments		1
Additions to scope of consolidation		5
Additions	1	1
Changes in equity interest recognised in profit or loss	80	46
Profit distribution	-82	-81
Changes in equity interest recognised in other comprehensive income	-63	4
Impairments and reversals of impairments		
Disposals and transfers		
As at 31 Dec.	**2,474**	**2,538**

In the previous year, investments accounted for at equity mainly comprised the EUR 2,531 million investment by Franz Haniel & Cie. GmbH in METRO AG. At the prior-year reporting date, Haniel's interest in voting rights of METRO AG was 25.00 per cent. On 30 March 2016, the METRO GROUP announced its intention to demerge the METRO GROUP into two independent, exchange-listed companies. On 6 February 2017, the shareholders of METRO AG approved the proposal to demerge the company. The demerger entered into effect upon entry into the commercial register on 12 July 2017. In the course of the demerger, the two sales lines METRO Cash & Carry and Real, as well as additional associates and business activities such as logistics, IT and real estate were hived off to Metro Wholesale & Food Specialist AG (operating under the name METRO AG since 18 December 2017). The former METRO AG now operates under the name CECONOMY AG.

The demerger of the METRO GROUP resulted in the carrying amount of the investment, which is accounted for at equity, being split between CECONOMY AG and METRO AG. The demerger itself generally had no impact on profit or loss. CECONOMY AG's 10.00 per cent equity interest in METRO AG resulted in a reduction of Haniel's interest in voting shares in METRO AG to 22.50 per cent. This led to a negative earnings contribution for Haniel amounting to EUR 29 million, which was reported as a change in equity interest recognised through profit or loss. Haniel continues to exercise a significant influence over CECONOMY AG and METRO AG after the demerger. Therefore, both equity interests are recognised as investments accounted for at equity.

CECONOMY AG, with its registered office in Düsseldorf, is the holding company for the leading European platform of the same name for consumer electronics companies, concepts and brands. It operates the MediaMarkt and Saturn brand electronics superstores in Europe.

At the reporting date, Haniel's interest in the voting rights of CECONOMY AG was 25.00 per cent. In 2015, Haniel issued an exchangeable bond linked to ordinary shares in the former METRO AG with a nominal volume of EUR 500 million and a 5-year term. Therefore, a future reduction of the proportional interest held in CECONOMY AG is possible.

The CECONOMY investment contributed earnings totalling EUR 42 million in the second half of the year.

The impairment test on the investment in CECONOMY AG is performed as a general rule by applying the same model and relevant parameters that are used to test the impairment of goodwill. The impairment test is based on planning of future cash flows, a weighted average cost of capital before taxes of 13.5 per cent and a growth rate of 0.5 per cent for the years after the detailed planning period. In addition, the division during the financial year of the equity and accumulated difference attributable to Haniel for the METRO GROUP resulted in a reversal of impairment losses of EUR 255 million recognised in respect of the carrying amount of the investment accounted for at equity.

The stock market value of Haniel's 24.79 per cent interest in the common and preferred shares of CECONOMY AG as at the reporting date amounted to EUR 1,022 million, valued at a stock price of EUR 12.61 per ordinary share.

Since the demerger of the METRO GROUP, METRO AG, with its registered office in Düsseldorf, has been the holding company for the leading international specialist of the same name for the wholesale and food service sector. The sales lines operate wholesale and food service shops (METRO Cash & Carry) and self-service hypermarkets (Real).

At the reporting date, Haniel's interest in the voting rights of METRO AG was 22.50 per cent.

The METRO investment contributed earnings totalling EUR 64 million in the second half of the year.

The impairment test on the investment in METRO AG is performed as a general rule by applying the same model and relevant parameters that are used to test the impairment of goodwill. The impairment test is based on planning of future cash flows, a weighted average cost of capital before taxes of 10.0 per cent and a growth rate of 0.5 per cent for the years after the detailed planning period. Following the allocation of the equity attributable to Haniel and the cumulative difference attributable to the METRO Group, the carrying amount of the investment accounted for at equity was reduced by a EUR 255 million impairment loss during the financial year.

The stock market value of Haniel's 22.31 per cent interest in the common and preferred shares of METRO AG as at the reporting date amounted to EUR 1,349 million, valued at a stock price of EUR 16.65 per ordinary share.

The financial investments in CECONOMY AG and METRO AG contributed a total of EUR 80 million to earnings in the financial year (previous year: METRO GROUP EUR 46 million). Of that amount, EUR 3 million was attributable to the former METRO AG in the first half of 2017.

In the previous year, the impairment test on the investment in the former METRO AG was performed as a general rule by applying the same model and relevant parameters that are used to test the impairment of goodwill. The impairment test is based on planning of future cash flows, a weighted average cost of capital before taxes of 10.2 per cent and a growth rate of 0.5 per cent for the years after the detailed planning period. The test did not indicate any need to adjust the carrying amount of the investment accounted for at equity in the previous year. The stock market value of Haniel's 24.79 per cent interest in the common and preferred shares of the former METRO AG as at the prior-year reporting date amounted to EUR 2,559 million, valued at a stock price of EUR 31.59 per ordinary share.

Due to the sectors in which they operate, both CECONOMY AG and METRO AG have a financial year that runs from 1 October to 30 September. However, the investments are included in Haniel's consolidated financial statements based on annual reports and published quarterly statements using results from 1 January through 31 December.

Material financial information on the IFRS consolidated financial statements of the two investments as well as a reconciliation to the carrying amounts of the CECONOMY and METRO investments reported in Haniel's consolidated financial statements are presented below.

	2nd half-year 2017		1st half-year 2017	2016
EUR million	CECONOMY AG	METRO AG (new)	METRO AG	METRO AG
Revenue	12,199	19,304	27,845	58,313
Profit after taxes from continuing operations	222	326	53	241
Profit after taxes from discontinued operations	576			49
Other comprehensive income	-48	-106	-160	71
Comprehensive income	750	220	-107	361
Dividends received from METRO AG			81	81

The profit or loss after tax from discontinued operations recognised in CECONOMY AG's consolidated financial statements includes the gains/losses on measurement/disposal resulting from the demerger of the METRO GROUP. In Haniel's view, generally all valuation effects in the first half of 2017 resulting from the classification as discontinued operations reported in CECONOMY AG's consolidated financial statements were not to be included. In the previous year, the profit after taxes from discontinued operations of the former METRO AG related to trailing income from the Galeria Kaufhof sales line sold as at 30 September 2015.

	31 Dec. 2017		31 Dec. 2016
EUR million	CECONOMY AG	METRO AG (new)	METRO AG
Non-current assets	2,121	9,100	13,193
Current assets	9,327	6,776	16,014
Non-current liabilities	1,057	4,201	5,789
Current liabilities	9,640	8,261	17,758
Equity	751	3,414	5,660
Equity attributable to shareholders	720	3,373	5,638
Haniel's share of equity	178	753	1,398
Remaining adjustments from purchase price allocation	778	1,505	1,983
Impairments on investment accounted for at equity		747	850
Carrying amount of the investment	**956**	**1,511**	**2,531**

In addition, as at 30 September 2017, METRO AG had contingent liabilities from payment guarantees as well as rent guarantees and other warranty contracts in the amount of EUR 28 million. As at 30 September 2017, CECONOMY AG had no contingent liabilities. In the previous year, as at 30 September 2016, the former METRO AG had contingent liabilities from payment guarantees as well as rent guarantees and other warranty contracts in the amount of EUR 69 million.

In addition to CECONOMY AG and METRO AG, the Haniel Group holds equity interests in other associates. The carrying amount for these equity interests totalled EUR 7 million (previous year: EUR 7 million). The share of comprehensive income from these companies attributable to Haniel was EUR 0 million, as in the previous year.

4 Financial assets

EUR million	Financial assets available for sale	Financial assets measured at fair value through profit or loss	Other securities	Loans	**Total**
Cost					
As at 1 Jan. 2017	**429**	**9**	**18**	**6**	**462**
Foreign exchange rate adjustments	-3				**-3**
Additions to scope of consolidation					**0**
Additions	4	6		1	**11**
Changes in fair value	-4				**-4**
Reclassifications					**0**
Disposals	349	1	13		**363**
As at 31 Dec. 2017	**77**	**14**	**5**	**7**	**103**
Accumulated depreciation					
As at 1 Jan. 2017	**2**	**0**	**0**	**4**	**6**
Foreign exchange rate adjustments					**0**
Impairments					**0**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals					**0**
As at 31 Dec. 2017	**2**	**0**	**0**	**4**	**6**
Net carrying amounts					
As at 31 Dec. 2017	**75**	**14**	**5**	**3**	**97**
As at 1 Jan. 2017	**427**	**9**	**18**	**2**	**456**

In both years, the disposals under financial assets available for sale mainly related to sales and planned redemptions of bonds in the Holding and other companies segment. The financial assets measured at fair value through profit or loss are venture capital funds in the Holding and other companies segment.

EUR million	Financial assets available for sale	Financial assets measured at fair value through profit or loss	Other securities	Loans	**Total**
Cost					
As at 1 Jan. 2016	**642**	**0**	**5**	**13**	**660**
Foreign exchange rate adjustments	1				**1**
Additions to scope of consolidation					**0**
Additions	90	11	13		**114**
Changes in fair value	–7	–2			**–9**
Reclassifications				–7	**–7**
Disposals	297				**297**
As at 31 Dec. 2016	**429**	**9**	**18**	**6**	**462**
Accumulated depreciation					
As at 1 Jan. 2016	**1**	**0**	**0**	**0**	**1**
Foreign exchange rate adjustments					**0**
Impairments	2			4	**6**
Reversals of impairment losses	1				**1**
Reclassifications					**0**
Disposals					**0**
As at 31 Dec. 2016	**2**	**0**	**0**	**4**	**6**
Net carrying amounts					
As at 31 Dec. 2016	**427**	**9**	**18**	**2**	**456**
As at 1 Jan. 2016	**641**	**0**	**5**	**13**	**659**

5 Current and deferred taxes

The income tax assets totalling EUR 52 million (previous year: EUR 47 million) concern in particular withholding tax receivables in connection with dividends received. The income tax liabilities of EUR 27 million (previous year: EUR 24 million) essentially contain the income taxes to be paid for the financial year.

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 income tax rates applied in the relevant countries varied between 9.0 per cent and 34.4 per cent (previous year: 9.0 per cent and 39.0 per cent).

The following deferred tax assets and liabilities exist for temporary differences in the individual items of the statement of financial position, and for tax loss carryforwards:

	31 Dec. 2017		31 Dec. 2016	
EUR million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	15	62	12	56
Intangible assets	24	238	32	165
Miscellaneous non-current assets	3	2	2	7
Current assets	14	5	24	6
Non-current liabilities	10	1	13	1
Non-current provisions	71	1	69	1
Current provisions	10	4	12	2
Other current liabilities	7	6	6	17
Derivative financial instruments	3	4	9	7
Tax loss carryforwards	49		11	
Less offsetting	109	109	132	132
	97	**214**	**58**	**130**

Deferred tax assets include EUR 17 million (previous year: EUR 27 million) for companies that were making losses in the financial year or the previous year. These items are recognised, since future taxable profits are expected for these companies.

Trade tax loss carryforwards of EUR 921 million (previous year: EUR 986 million) and unused corporate tax and similar foreign loss carryforwards of EUR 571 million (previous year: EUR 613 million) exist in the Haniel Group, for which no deferred tax assets were recognised in the statement of financial position, given that the realisation of the deferred tax assets is not deemed to be sufficiently certain from today's point of view. Of these tax loss carryforwards, EUR 20 million (previous year: EUR 46 million) expire within five years and an additional EUR 3 million (previous year: EUR 4 million) within 15 years.

In accordance with IAS 12, no deferred tax liabilities are recognised for retained earnings of subsidiaries and investments accounted for at equity because the company can control the reversal effect and therefore it is probable that the temporary differences will not be reversed in the foreseeable future. Therefore no deferred tax liabilities are recognised for temporary differences from subsidiaries and investments accounted for at equity in the amount of EUR 161 million (previous year: EUR 161 million).

6 Inventories

EUR million	31 Dec. 2017	31 Dec. 2016
Raw materials and production supplies	59	49
Work and services in progress	13	6
Finished goods and merchandise	469	488
Prepayments	20	4
	561	**547**

The inventories include EUR 97 million (previous year: EUR 95 million) that were written down to the net realisable value. Write-downs in the amount of EUR 6 million (previous year: EUR 5 million) were made during the financial year. Reversals of write-downs totalled EUR 4 million (previous year: EUR 6 million). This was due primarily to the disposal of previously impaired items of inventory.

With the exception of industry-standard restrictions on title, as in the previous year, no inventories were pledged as security for own liabilities.

7 Trade receivables

The CWS-boco and ELG divisions maintain programs for the continual sale of trade receivables to third parties. In accordance with IAS 39, as a rule these transfers qualify for derecognition of the receivables in question. Nevertheless, the division continues to handle the servicing of the receivables sold. In some cases, the division in question also retains a portion of the credit risk, the late payment risk or exchange rate risk from the receivables it sold.

In the previous year, out of EUR 23 million in receivables sold, the CWS-boco division recognised an asset of EUR 7 million as a continuing involvement. A corresponding liability was also recognised in the same amount. The maximum exposure to loss from this item was EUR 7 million.

Trade receivables include EUR 13 million in receivables from long-term construction contracts (previous year: EUR 0 million).

As in the previous year, no trade receivables are pledged as security for own liabilities at the reporting date.

The table below illustrates the changes in valuation allowances for trade receivables:

EUR million	2017	2016
As at 1 Jan.	**15**	**14**
Additions	1	1
Utilisations	1	
Reversals	2	1
Foreign currency, changes in the scope of consolidation and other changes	1	1
As at 31 Dec.	**14**	**15**

The valuation allowances contain individual and portfolio-based allowances. The additions to valuation allowances are reported under other operating expenses. Once a bad debt is confirmed, the valuation allowance is utilised. Subsequent cash inflows in respect of written-off receivables are recognised in profit or loss. Reversals of valuation allowances are reported under other operating income.

As at the reporting date, the trade receivables that are past due, but not impaired, are structured as follows:

EUR million	31 Dec. 2017	31 Dec. 2016
Carrying amount of past due, but not impaired receivables	84	58
of which past due for		
< 3 months	74	50
3 to 6 months	7	5
> 6 to 12 months	2	2
> 12 months	1	1

With regard to the receivables that are past due, but not impaired, there is no indication that the debtors will not discharge their payment obligations. The same applies for receivables which are neither past due nor impaired.

8 Financial assets

EUR million	31 Dec. 2017	31 Dec. 2016
Financial assets available for sale		324
Other securities and fixed-term deposits		122
	0	**446**

The available for sale financial instruments, and other securities and fixed-term deposits were used to finance business combinations in the financial year. The available for sale financial instruments reported in the previous year were Haniel's short-term financial investments in investment funds and corporate bonds. In the previous year, the line item other securities and fixed-term deposits contained commercial paper.

9 Cash and cash equivalents

EUR million	31 Dec. 2017	31 Dec. 2016
Bank balances	68	100
Cash on hand and cheques		1
Money market funds		164
	68	**265**

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

Cash and cash equivalents amounting to EUR 5 million (previous year: EUR 10 million) are held in countries with local exchange control regulations.

10 Other current assets

EUR million	31 Dec. 2017	31 Dec. 2016
Receivables from investments	2	
Derivative financial instruments	5	14
Value added tax receivables and other tax assets	29	23
Prepaid expenses	17	17
Bonuses and discount claims against suppliers	15	17
Miscellaneous current assets	94	112
	162	**183**

The derivative financial instruments serve to hedge interest rate, exchange rate and other price risks and are described in detail under note 26. As in the previous year, no other current assets are pledged as security for own liabilities in the financial year.

Miscellaneous current assets include among other things the assets related to the ELG division's ferrochrome transactions. At the reporting date, these assets amounted to EUR 55 million (previous year: EUR 61 million).

11 Equity

As at 31 December 2017, the subscribed capital of Franz Haniel & Cie. GmbH remained unchanged at EUR 1,000 million. All shares are fully paid-in and held either directly or indirectly by the Haniel family.

Changes in equity are shown in the statement of changes in equity on page 70. The changes in the scope of consolidation presented there relate to the reduction in the shareholding in METRO AG.

Treasury shares with a par value of EUR 1 million (previous year: EUR 1 million) were acquired during the financial year.

As part of the acquisition of Initial's activities, the CWS-boco division issued company shares with a fair value of EUR 305 million to Rentokil Initial. As a result, Rentokil Initial now holds a 17.81 per cent interest in the holding company of the CWS-boco division, CWS-boco International GmbH. The share of equity attributable to this investment amounted to EUR 148 million and was recognised in non-controlling interests. The equity attributable to shareholders of Franz Haniel & Cie. GmbH increased by an amount equal to the difference (EUR 157 million in total). This amount was recognised in retained earnings and accumulated other comprehensive income.

Franz Haniel & Cie. GmbH and CWS-boco International GmbH entered into a profit and loss transfer agreement in the second half of 2017. Pursuant to this, the present value of the obligation to pay compensation to the minority shareholder over the minimum contractual term, which amounted to EUR 84 million, was reclassified from non-controlling interests to other current and non-current liabilities. This resulted in a reduction in non-controlling interests by EUR 148 million to EUR 64 million. Equity increased by a total of EUR 221 million.

The non-controlling interests in the equity of consolidated subsidiaries relate primarily to the free float at TAKKT AG, which is domiciled in Stuttgart, and since the financial year, the shares held by Rentokil Initial in CWS-boco International GmbH, which is domiciled in Duisburg. As at the reporting date, Haniel holds 50.25 per cent (previous year: 50.25 per cent) in TAKKT AG, the holding company of the TAKKT division, and 82.19 per cent (previous year: 100.0 per cent) in CWS-boco International GmbH, the holding company of the CWS-boco division. The tables below contain the financial information on the TAKKT and CWS-boco divisions recognised in Haniel's consolidated financial statements.

	31 Dec. 2017		**31 Dec. 2016**
EUR million	CWS-boco	TAKKT	TAKKT
Non-current assets	1,466	769	808
Current assets	293	236	244
Non-current liabilities	742	207	228
Current liabilities	310	138	193
Equity	707	660	631
of which attributable to non-controlling interests	70	263	249

EUR million	**2017**		**2016**
Revenue	970	1,116	1,125
Operating profit	51	123	142
Profit after taxes	37	96	91
of which attributable to non-controlling interests	8	48	47
Other comprehensive income	-5	-30	3
Comprehensive income	32	66	94
of which attributable to non-controlling interests	9	33	48
Cash flow from operating activities	191	103	117
Cash flow from investing activities	-690	-34	-16
Cash flow from financing activities	-513	-68	-102
Dividends paid to non-controlling interests	0	18	16

The accumulated other comprehensive income of the Haniel Group changed as follows:

EUR million	As at 1 Jan. 2017	Changes in the scope of consolidation	Changes in shares in companies already consolidated	Other comprehensive income	Currency translation effects	**As at 31 Dec. 2017**
Remeasurements of defined benefit plans	-152			-7	2	**-157**
Deferred taxes	43			2		**45**
Other comprehensive income from investments accounted for at equity	-155	10		-19		**-164**
Other comprehensive income not to be reclassified to profit or loss	**-264**	**10**	**0**	**-24**	**2**	**-276**
Derivative financial instruments	-3			1		**-2**
Financial assets available for sale	7			-4		**3**
Deferred taxes	-1			1		**0**
Currency translation effects	37			-75	-2	**-40**
Other comprehensive income from investments accounted for at equity	-196			-44		**-240**
Other comprehensive income to be reclassified to profit or loss	**-156**	**0**	**0**	**-121**	**-2**	**-279**
Accumulated other comprehensive income	**-420**	**10**	**0**	**-145**	**0**	**-555**
of which attributable to non-controlling interests	6		-5	-18		**-17**
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-426	10	5	-127		**-538**

EUR million	As at 1 Jan. 2016	Changes in the scope of consolidation	Changes in shares in companies already consolidated	Other comprehensive income	Currency translation effects	**As at 31 Dec. 2016**
Remeasurements of defined benefit plans	-145	1		-9	1	**-152**
Deferred taxes	40			3		**43**
Other comprehensive income from investments accounted for at equity	-145			-10		**-155**
Other comprehensive income not to be reclassified to profit or loss	**-250**	**1**	**0**	**-16**	**1**	**-264**
Derivative financial instruments	-2			-1		**-3**
Financial assets available for sale	-2			9		**7**
Deferred taxes	2			-3		**-1**
Currency translation effects	34			4	-1	**37**
Other comprehensive income from investments accounted for at equity	-210			14		**-196**
Other comprehensive income to be reclassified to profit or loss	**-178**	**0**	**0**	**23**	**-1**	**-156**
Accumulated other comprehensive income	**-428**	**1**	**0**	**7**	**0**	**-420**
of which attributable to non-controlling interests	4			2		**6**
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-432	1		5		**-426**

The accumulated other comprehensive income attributable to the non-controlling interests includes EUR 1 million (previous year: EUR 14 million) in currency translation effects, EUR –24 million (previous year: EUR –12 million) in remeasurements of defined benefit plans, and EUR 6 million (previous year: EUR 4 million) in deferred taxes on remeasurements of defined benefit plans.

Capital management

The aim of the Haniel Group's capital management is, for one, to safeguard financial flexibility, provide scope for value-enhancing investments, and maintain sound ratios in the statement of financial position. The Group seeks to achieve investment-grade credit ratings. Another aim of capital management is to ensure that the capital employed in the Haniel Group is used to increase value.

The Haniel Group's net financial position, defined as net financial liabilities less the investment position of the Haniel Holding Company, can be broken down as follows:

EUR million	2017	2016
Financial liabilities	1,495	1,750
– Cash and cash equivalents	68	265
Net financial liabilities	**1,427**	**1,485**
– Investment position Haniel Holding Company	96	910
Net financial position	**1,331**	**575**

The investment position of the Haniel Holding Company, which is available for the acquisition of new divisions, includes non-current and current financial assets and other assets of the Holding and other companies segment.

The Group manages the solidity of its balance sheet ratios by monitoring the equity ratio, the gearing, the interest cover ratio, and the core repayment period.

EUR million	2017	2016
Equity	4,499	4,248
/ Total assets	7,368	7,066
Equity ratio (in %)	**61.1**	**60.1**
Net financial position	1,331	575
/ Equity	4,499	4,248
Gearing	**0.3**	**0.1**
(Operating profit	214	229
+ Result from investments accounted for at equity	80	46
+ Other investment result)	2	
/ (Finance costs	66	86
– Other net financial income)	5	4
Interest cover ratio	**4.9**	**3.4**
(Net financial position	1,331	575
– Net financial liabilities allocated to financial investments)	600	600
/ (Operating profit	214	229
+ Depreciation and amortisation	246	190
+ Impairment of goodwill)		
Core repayment period	**1.6**	**-0.1**

The core repayment period is the ratio of the operating profit plus depreciation and amortisation of the six divisions and the Holding and other companies segment to the net financial position. Since the financial investments in CECONOMY AG and METRO AG are accounted for at equity and are thus not included operating profit, EUR 600 million in net financial liabilities are deducted and allocated to financial investments for the purpose of calculating the core repayment period.

In order to manage the capital employed from yield perspectives, the Group uses the Haniel value added (HVA) and the return on capital employed (ROCE) as value-oriented performance indicators. They show whether the profits generated with the capital employed cover the cost of capital.

EUR million	2017	2016	2015
Operating profit	214	229	
+ Result from investments accounted for at equity	80	46	
+ Other investment result	2		
+ Other net financial income	5	4	
– Income tax expenses	–13	49	
Return	**314**	**230**	
Total assets	7,368	7,066	6,847
– Current provisions	108	82	95
– Trade payables and similar liabilities	240	182	137
– Income tax liabilities	27	24	22
– Other current liabilities	266	224	208
– Deferred tax liabilities	214	130	115
– Non-interest bearing liabilities held for sale			
Capital employed	**6,513**	**6,424**	**6,270**
Average capital employed (current and previous year divided by two)	6,469	6,347	
x Weighted average cost of capital (in %)	7.8	7.8	
Cost of capital	**505**	**495**	
Return	314	230	
– Cost of capital	505	495	
Haniel value added (HVA)	**–191**	**–265**	
Return	314	230	
/ Average capital employed	6,469	6,347	
Return on capital employed (ROCE, in %)	**4.9**	**3.6**	

The weighted average cost of capital (WACC) reflects the expected return of equity and debt providers after taxes.

In addition, investment projects are assessed using uniform DCF methods; risk-appropriate minimum rates of return are specified for each division and each strategic business unit.

12 Current and non-current financial liabilities

Financial liabilities comprise the interest-bearing obligations of the Haniel Group 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 Dec. 2017				31 Dec. 2016			
EUR million	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	163	173	14	**350**	106	268	32	**406**
Bonds, commercial paper and other securitised debt	757	144		**901**	768	300		**1,068**
Liabilities to shareholders	44	80		**124**	80	62		**142**
Lease liabilities	4	13	17	**34**	3	14	17	**34**
Other financial liabilities	24	48	14	**86**	35	48	17	**100**
	992	**458**	**45**	**1,495**	**992**	**692**	**66**	**1,750**
of which subordinated	66	121	14	**201**	113	103	15	**231**

The maturities of the liabilities due to banks correspond to the respective financing commitments.

As at the reporting date, the bonds, commercial paper and other securitised debt item comprises euro bonds issued by Franz Haniel & Cie. GmbH in the amount of EUR 195 million (previous year: EUR 442 million), the exchangeable bond linked to ordinary shares of CECONOMY AG in the amount of EUR 483 million (previous year: EUR 476 million), commercial paper in the amount of EUR 70 million (previous year: EUR 0 million) and promissory loan notes issued by the divisions in the amount of EUR 153 million (previous year: EUR 150 million). The decline in securitised debt as compared to the previous year resulted in particular from the maturity of the euro bond issued by Franz Haniel & Cie. GmbH.

The exchangeable bond linked to ordinary shares of CECONOMY AG with a nominal volume of EUR 500 million has a term until May 2020. The right of the bondholders to exchange the bond for shares is reported separately from the actual bond under other current liabilities in the statement of financial position as a derivative financial instrument carried at fair value. In accordance with IAS 1.69(d), the bond itself must be reported as a current financial liability.

Liabilities to shareholders relate to shareholders of Franz Haniel & Cie. GmbH.

Future finance lease payments and their present values are shown in the table below:

	31 Dec. 2017				31 Dec. 2016			
EUR million	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**
Minimum lease payments	5	18	22	**45**	4	19	24	**47**
Less interest portion	1	5	5	**11**	1	5	7	**13**
Present value	**4**	**13**	**17**	**34**	**3**	**14**	**17**	**34**

Financial liabilities include subordinated liabilities in the amount of EUR 201 million (previous year: EUR 231 million). The subordinated financial liabilities are subordinate to all other liabilities. The individual subordinated financial liabilities are shown in the table below:

EUR million	31 Dec. 2017	31 Dec. 2016
Shareholder loans Haniel family	124	142
Loans of the Haniel Foundation	38	38
Haniel Zerobonds and Zinsbonds	8	10
Haniel Performance Bonds	18	30
Other financial liabilities	13	11
Total	**201**	**231**

13 Pension provisions

Pension provisions are recognised for obligations arising from current pensions as well as from commitments under old-age, disability and survivors' pension plans. The benefits paid by the Group vary from country to country, depending on the respective legal, tax and economic circumstances. The Haniel Group's company pension schemes comprise both defined contribution plans and defined benefit plans. Other than the payment of the contributions, no further obligations exist in respect of the defined contribution plans. The contributions are shown under personnel expenses and amounted to EUR 27 million (previous year: EUR 26 million) for the statutory pension insurance and EUR 7 million (previous year: EUR 7 million) for other defined contribution plans.

The obligations from defined benefit plans consist primarily of benefit plans based on final salaries with adjustments to counter the effect of inflation. They are financed using external pension funds and through provisions. As part of their investment strategies, the funds invest in various investment classes to avoid risk concentration. In addition, the maturity profile of the plan assets is adjusted in line with the expected benefit payment dates.

The defined benefit obligations are attributable in particular to Germany, the United Kingdom, the Netherlands and Switzerland. The characteristics specific to the aforementioned countries are described in greater detail below.

In Germany the defined benefit obligations are financed through provisions. The obligations are based either on shop agreements or individual contractual arrangements for executives and other employees. The commitments essentially contain pension payments, but often disability or death benefits as well. In defined contribution benefit plans - depending on the pension plan - the pension capital can be paid out in instalments or as a one-time payment or annuity. If fixed annuity payments are paid, either a statutorily prescribed pension adjustment review is made on a 3-year cycle, or for defined contribution plans - depending on the plan - guaranteed annual pension increases between 1.5 per cent and 2.5 per cent are set. A claim to retirement benefits generally exists upon departure. For commitments as of 2012, payment claims arise at the earliest upon reaching the age of 62.

The majority of the defined benefit obligations in the United Kingdom are financed through external funds into which both the employees and the employer contribute. The investment strategies and minimum allocations are determined by the trustees or boards of trustees in coordination with company representatives. The commitments are made to executives and other employees and encompass benefits for the old-age pension or retirement savings capital as well as survivor benefits.

In the Netherlands the defined benefit pension obligations are based on commitments for executives and other employees. They are financed through employee and employer contributions to insurance policies. The commitments also incorporate benefits in the event of disability or death. The contributions vary depending on salary and age. Pension increases are factored in depending on the return on plan assets. A claim to retirement benefits exists upon departure, however, at the earliest upon reaching the age of 67. The payment is made as an annuity.

The defined benefit obligations in Switzerland are based on commitments for executives and other employees. They are financed through employee and employer contributions to pension funds. The commitments also incorporate benefits in the event of disability or death. The contributions vary depending on salary and age. Pension increases are factored in depending on the return on plan assets. To cover the pension claims, the plans are subject to minimum funding requirements from which future additional contribution obligations may arise. A claim to retirement benefits exists upon departure, however, at the earliest upon reaching the age of 64. Depending on the arrangement/pension plan, the payment can be paid out as an annuity or as a one-time payment.

The defined benefit obligations are measured using the projected unit credit method. This measurement is based on the following specific parameters for each country:

	31 Dec. 2017				**31 Dec. 2016**			
%	Germany	United Kingdom	Switzer-land	Nether-lands	Germany	United Kingdom	Switzer-land	Nether-lands
Discount rate	2.0	2.5	0.7	2.0	2.2	2.7	0.6	2.2
Salary growth rate	2.5	2.2	1.5	1.5	2.5	2.3	1.5	1.5
Pension growth rate	1.5	3.0	0.5	0.5	1.5	3.2	0.0	0.5

The discount rate is determined using an interest rate curve approach for each currency area based on the yields of fixed interest corporate bonds that have a minimum AA rating from at least one respected rating agency. In exceptional cases, if there is not a sufficiently liquid market for such corporate bonds in a currency area, the yields of corresponding government bonds are used instead.

The mortality tables used for the corresponding countries are based on publicly accessible data. In Germany, the measurement is based on the biometric probabilities from the 2005G Heubeck mortality tables.

The average duration of the defined benefit plans was 19 years (previous year: 18 years).

Pension provisions are presented in the following items of the statement of financial position:

EUR million	31 Dec. 2017	31 Dec. 2016
Pension provisions	356	340
Other non-current assets	2	1
Net pension provisions	**354**	**339**

The present value of defined benefit obligations developed as follows in the financial year:

EUR million	2017	2016
Present value of defined benefit obligations as at 1 Jan.	**506**	**475**
Foreign exchange rate adjustments	–10	–6
Changes in the scope of consolidation and other changes	9	4
Current service cost	18	16
Past service cost		
Gains and losses arising from settlements		–1
Interest cost	10	11
Actuarial gains and losses	11	21
of which arising from experience adjustments	–2	–1
of which arising from changes in demographic assumptions		–1
of which arising from changes in financial assumptions	13	23
Employees' contributions to plan assets	2	3
Less current pension payments	16	17
Less payments in respect of settlements		
Present value of defined benefit obligations as at 31 Dec.	**530**	**506**

The pension payments are expected to be EUR 15 million (previous year: EUR 14 million) in the next financial year, EUR 67 million in the following 2 to 5 financial years (previous year: EUR 64 million) and EUR 91 million in the next 6 to 10 financial years (previous year: EUR 88 million).

The plan assets developed as follows:

EUR million	2017	2016
Fair value of plan assets as at 1 Jan.	**167**	**154**
Foreign exchange rate adjustments	–6	–8
Changes in the scope of consolidation and other changes	6	3
Return on plan assets	3	4
Gains and losses arising from settlements		
Remeasurements of plan assets	4	12
Employer's contributions to plan assets	6	5
Employees' contributions to plan assets	2	3
Less current pension payments out of plan assets	6	6
Less payments in respect of settlements		
Fair value of plan assets as at 31 Dec.	**176**	**167**

Employer contributions to the plan assets are expected to be EUR 6 million in the coming financial year (previous year: EUR 5 million).

The table below shows the plan asset portfolio structure as at the reporting date:

EUR million	2017 with active market	2017 without active market	2016 with active market	2016 without active market
Cash and cash equivalents	4			
Equity instruments	7		10	
Debt instruments	35		38	
Real estate	1		1	
Derivatives				
Investment funds	5		4	
Asset-backed securities				
Structured debt				
Insurance contracts		124		114
Others				
Fair value of plan assets as at 31 Dec.	**52**	**124**	**53**	**114**

The table below presents the development of the net pension provisions. It corresponds generally to the difference between the changes to the present value of defined benefit obligations and the fair value of the plan assets.

EUR million	2017	2016
Net pension provisions as at 1 Jan.	**339**	**321**
Foreign exchange rate adjustments	–4	2
Changes in the scope of consolidation and other changes	3	1
Current service cost	18	16
Past service cost		
Gains and losses arising from settlements		–1
Interest cost from compounding the defined benefit obligation	10	11
Return on plan assets	3	4
Actuarial gains and losses in respect of the defined benefit obligation	11	21
of which arising from experience adjustments	–2	–1
of which arising from changes in demographic assumptions		–1
of which arising from changes in financial assumptions	13	23
Remeasurements of plan assets	4	12
Employer's contributions to plan assets	6	5
Less current pension payments	10	11
Less payments in respect of settlements		
Net pension provisions as at 31 Dec.	**354**	**339**

A pension plan was settled in the CWS-boco division in the previous year. This resulted in a gain on plan settlement amounting to EUR 1 million.

Of the pension expenses for the financial year presented in the income statement, EUR 18 million (previous year: EUR 15 million) are included in personnel expenses and EUR 7 million (previous year: EUR 7 million) are included in finance costs.

The table below presents how the present value of defined benefit obligations as at the reporting date would have changed given variations in isolated significant actuarial parameters.

EUR million	2017	2016
0.5 percentage points increase in the discount rate	–46	–44
0.5 percentage points decrease in the discount rate	52	50
0.5 percentage points increase in the salary growth rate	8	9
0.5 percentage points decrease in the salary growth rate	–8	–9
0.5 percentage points increase in the pension growth rate	21	24
0.5 percentage points decrease in the pension growth rate	–19	–23
One year increase in life expectancy	14	15
One year decrease in life expectancy	–14	–15

14 Other non-current and current provisions

EUR million	As at 1 Jan. 2017	Foreign exchange rate adjustments	Changes in the scope of consolidation	Reclassification	Interest effect	Additions	Reversals	Utilisations	**As at 31 Dec. 2017**
Provisions for personnel	20		2	–1		7	–2	–6	**20**
Provisions for removal	8					1	–1		**8**
Provisions for restructuring	0					15			**15**
Miscellaneous non-current provisions	49	–4	2	–1	2		–4	–2	**42**
Other non-current provisions	**77**	**–4**	**4**	**–2**	**2**	**23**	**–7**	**–8**	**85**
Provisions for personnel	46	–2	4	1		50	–5	–39	**55**
Provisions for litigation	1								**1**
Provisions for warranties	2		2			1		–1	**4**
Provisions for restructuring	3		2			17		–3	**19**
Miscellaneous current provisions	30		1	1		8	–4	–7	**29**
Current provisions	**82**	**–2**	**9**	**2**	**0**	**76**	**–9**	**–50**	**108**

The non-current provisions for personnel comprise obligations from performance cash plans, anniversaries and partial retirement schemes. Current provisions for personnel include bonuses, obligations under social plans and termination benefits.

Provisions for removal usually result from the construction and redesign of land and buildings (improvements and reconstruction) whose removal will be necessary in future because of contractual, constructive or legal obligations. The present value of expected expenses is immediately recognised as a liability and initially corresponds to an appropriate increase in the acquisition cost of the relevant tangible asset. Present value adjustments resulting during the term from changes in the expected settlement amount or from changes in interest rates are generally recognised against the carrying amount of the relevant asset.

Provisions for restructuring include all estimated costs for the restructuring of certain companies and / or business units on the basis of a restructuring plan adopted by the responsible management. The majority of provisions for restructuring as at the reporting date related to the CWS-boco division.

In the financial year miscellaneous non-current and current provisions primarily contain provisions relating to business combinations and disposals in the amount of EUR 20 million (previous year: EUR 27 million) and provisions amounting to EUR 13 million (previous year: EUR 18 million) in connection with sand-lime bricks that were produced in former Haniel building materials plants using lime substitutes, and which are being settled by Haniel on a goodwill basis.

The other non-current provisions are expected to be utilised as follows:

	31 Dec. 2017				**31 Dec. 2016**			
EUR million	Up to 2 years	2 to 5 years	More than 5 years	**Total**	Up to 2 years	2 to 5 years	More than 5 years	**Total**
Provisions for personnel	9	8	3	**20**	9	8	3	**20**
Restructuring costs	8	7		**15**				**0**
Provisions for removal			8	**8**			8	**8**
Miscellaneous non-current provisions	11	6	25	**42**	11	8	30	**49**
	28	**21**	**36**	**85**	**20**	**16**	**41**	**77**

15 Other non-current liabilities

Other non-current liabilities primarily include the non-current portion of the obligation to pay compensation to the minority shareholder of CWS-boco International GmbH, amounting to EUR 74 million (previous year: EUR 0 million).

16 Trade payables and similar liabilities

EUR million	31 Dec. 2017	31 Dec. 2016
Trade payables	186	175
Prepayments received on account of orders	6	7
Liabilities from construction contracts	48	0
	240	**182**

17 Other current liabilities

EUR million	31 Dec. 2017	31 Dec. 2016
Liabilities for other taxes	40	30
Liabilities for payroll and social security	25	15
Accrued expenses	103	100
Derivative financial instruments	51	54
Miscellaneous current liabilities	47	25
	266	**224**

The accrued expenses include in particular periodic expenses for interest, holiday leave not yet taken, rebates, bonuses and invoices in transit. Derivative financial instruments are described in detail under note 26. The other current liabilities item includes liabilities from business combinations amounting to EUR 5 million (previous year: EUR 1 million) and the current portion of the obligation to pay compensation to the minority shareholder of CWS-boco International GmbH, amounting to EUR 10 million (previous year: EUR 0 million).

D. Notes to the income statement

18 Revenue

EUR million	2017	2016
Trade sales	3,249	2,898
Service sales	889	722
	4,138	**3,620**

A breakdown of revenue by division and region is provided in the segment reporting on pages 72 and 73.

19 Other operating income

EUR million	2017	2016
Income from disposals of non-current assets	9	4
Reversals of valuation allowances on doubtful receivables	2	1
Rental and similar income	2	2
Miscellaneous operating income	22	24
	35	**31**

Among other things, the miscellaneous operating income includes subsidies for advertising expenses received and similar income in the amount of EUR 2 million (previous year: EUR 2 million), as well as gains from remeasurement of contingent consideration from business combinations in the amount of EUR 0 million (previous year: EUR 9 million). As in the previous year, no contingent rental income was recognised in the financial year.

The table below presents the minimum incoming payments for operating leases in the coming years.

	2017				2016			
EUR million	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**
Operating leases	1	2	2	**5**	1	2	2	**5**

20 Personnel expenses

EUR million	2017	2016
Wages and salaries	608	544
Social security	111	100
Expenses for pensions and other benefits	35	29
Reversals of provisions for personnel expenses	–7	–4
	747	**669**

A breakdown of employees by division is contained in the segment reporting on pages 72 and 73.

21 Other operating expenses

EUR million	2017	2016
Valuation allowances on and write-offs of receivables	6	5
Losses from disposals of non-current assets	2	1
Reversals of provisions	–9	–10
Other operating taxes	9	8
Rental and operating lease expenses	70	64
Repairs and maintenance	51	44
Sales freight	15	12
Legal and consulting costs	38	28
IT services	23	18
Personnel leasing	28	14
Energy costs	52	45
Advertising costs and similar expenses	96	94
Travel and training costs	21	20
Restructuring costs	34	1
Miscellaneous operating, administrative and sales expenses	145	141
	581	**485**

The table below presents the minimum outgoing payments for operating leases in the coming years.

	2017				2016			
EUR million	*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***
Operating leases	61	115	54	**230**	51	103	50	**204**

The minimum outgoing payments are not offset by any future minimum incoming lease payments from subletting arrangements (previous year: EUR 1 million).

Miscellaneous operating, administrative and sales expenses comprise numerous operating expenses, including communication costs, insurance premiums and auditing expenses. Research and development costs in the amount of EUR 3 million (previous year: EUR 1 million) are also recognised under miscellaneous operating, administrative and sales expenses.

22 Finance costs

EUR million	2017	2016
Interest and similar expenses	55	75
Interest expenses for provisions	9	9
Interest expenses under finance leases	2	2
	66	**86**

23 Other net financial income

EUR million	2017	2016
Interest and similar income	9	11
Miscellaneous financial income	–4	–7
	5	**4**

Changes in the fair value of derivative financial instruments recognised in profit or loss amounted to EUR 7 million in the financial year (previous year: EUR –6 million) and are included in miscellaneous financial income.

The net exchange differences amounted to EUR –18 million in the financial year (previous year: EUR 3 million). They are recognised in the miscellaneous financial income in the amount of EUR –16 million (previous year: EUR 3 million), and in the other operating expenses in the amount of EUR –2 million (previous year: EUR 0 million).

24 Income tax expenses

EUR million	2017	2016
Current taxes	57	62
Deferred taxes	–70	–13
	–13	**49**

The current taxes include prior-period tax income amounting to EUR 3 million (previous year: EUR 5 million).

Deferred tax assets and liabilities were remeasured due to reductions in tax rates in the financial year, in particular in the United States and Belgium. This resulted in deferred tax income amounting to EUR 30 million.

Deferred tax assets on tax loss carryforwards in the amount of EUR 35 million were recognised through profit or loss in the financial year (previous year: EUR 19 million reversed to expenses). EUR 0 million in write-downs on deferred tax assets (previous year: EUR 1 million) were offset by EUR 3 million in reversals of write-downs (previous year: EUR 5 million).

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

EUR million	2017	2016
Profit before taxes	235	193
Expected effective income tax rate	30.7%	30.7%
Expected tax expense	**72**	**59**
Deviation due to varying foreign tax rates	–3	–11
Changes in tax rates	–30	–1
Tax portion for tax-exempt income		–1
Tax portion for non-deductible expenses	–3	14
Non-recognition, write-downs and utilisation of tax loss carryforwards	–21	17
Result from investments accounted for at equity	–24	–14
Effect of non-tax-deductible goodwill impairments		
Prior-period taxes	–5	–8
Other tax effects	1	–6
Reported tax expense	**–13**	**49**
Reported income tax rate	–5.5%	25.4%

The expected effective income tax rate comprises corporate income tax, the solidarity surcharge and trade tax as pertinent for German corporations.

E. Other notes

25 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, risks resulting from changes in interest and exchange rates, and price fluctuations in the stock or commodity markets. The purpose of financial risk management is to reduce the extent of these financial risks.

The 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. The Treasury department at the Haniel Holding Company advises the subsidiaries and, in addition to its own hedging transactions, enters into hedges on their behalf as well. All hedges relate to an underlying hedged item. No derivative financial instruments are used for speculative purposes.

For financing purposes, the Haniel Group uses a variety of financing instruments in keeping with industry and commercial practice and subject to customary contractual provisions. No special financial risks arise from this practice.

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 taken by the divisions' holding companies 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 of the subsidiaries and the Haniel Holding Company. In order to cover the financing requirement, the Haniel Holding Company has at its disposal committed, unutilised credit facilities as well as a commercial paper programme. The liquidity risk is also managed within the divisions, which also have their own unutilised bilateral short- and long-term credit facilities. The Haniel Group seeks as a general rule to maintain an appropriate reserve of available credit facilities.

Default risk
The default or credit risk is the risk of the Haniel Group's contractual partners not fulfilling their obligations. The Haniel Group is exposed to a default risk both in its operating business and in connection with financial instruments.

In view of the Haniel Group's diverse activities and the large number of existing customer relationships, entailing as a rule minor individual receivables, a concentration of default risks generally does not arise in the divisions from trade receivables. Only in the ELG division, however, due to its industry are there some significant individual trade receivables vis-à-vis major customers. These are hedged with default insurance policies. From the Group's perspective, the default risk is therefore not significant.

The investment of cash in selected financial products is governed by directives in the Haniel Group. Depending on the assessment of the counterparty's creditworthiness, corresponding limits are prescribed and monitored in order to avoid a concentration of default risks. Based on internal and external ratings, the default risks with respect to current and non-current financial assets, derivative financial instruments with positive fair values, as well as cash and cash equivalents may be summarised as follows.

EUR million	31 Dec. 2017	31 Dec. 2016
Low credit risk	103	980
Medium credit risk	67	201
Total	**170**	**1,181**

In addition to the carrying amounts of the (derivative) financial instruments with positive fair values recognised in the statement of financial position, the maximum default risk of the Haniel Group also includes the nominal volume of the financial guarantee contracts issued. As at the reporting date the nominal volume of financial guarantee contracts totalled EUR 0 million (previous year: EUR 17 million).

Interest rate risk

Interest rate risk is the risk of profit or loss being negatively affected by fluctuating market interest rates. The interest rate risk is limited with derivative financial instruments, chiefly interest rate swaps. Decisions on the use of derivative financial instruments are made on the basis of the planned indebtedness, investment position and interest rate expectations. The interest rate hedging strategy is reviewed and new targets are defined at regular intervals. The Haniel Group generally seeks to maintain an appropriate hedged interest rate position.

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.

31 Dec. 2017	**+100 basis points**			**-100 basis points**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
Euro market interest rates	-2	-1	**-3**	2	1	**3**
USD market interest rates	-1		**-1**	1		**1**
GBP market interest rates			**0**			**0**

31 Dec. 2016	**+100 basis points**			**-100 basis points**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
Euro market interest rates	-2	-5	**-7**	2	5	**7**
USD market interest rates	2		**2**	-2		**-2**
GBP market interest rates		1	**1**		-1	**-1**

Exchange rate risk
Exchange rate risks arise from investments and financing measures undertaken in foreign currencies, and from the operating business in connection with buying and selling merchandise and services in currencies other than the functional currency. The resulting risk exposure is determined continually and hedged primarily by entering into forward currency contracts and currency swaps. The majority of exchange rate risks originate from changes in the USD-EUR and GBP-EUR rates.

Micro-hedges are the principal instruments used to hedge exchange rate risks. These entail the direct hedging of an underlying transaction with a currency derivative. Currency derivatives are also used to hedge forecast transactions in foreign currencies. In this case, the currency derivative (or a combination of several derivatives) that best reflects the probability of occurrence and timing of the forecast transaction is selected.

An exchange rate sensitivity analysis illustrates the theoretical effects on profit before taxes, other comprehensive income and equity from changes in the exchange rates of the currencies USD and GBP, which are significant for the Haniel Group. The exchange rate sensitivity analysis is based on the non-derivative and derivative financial instruments held by the Group companies in non-functional currencies on the reporting date. It assumes that the exchange rates change by an indicated percentage rate on the reporting date. Movements over time, actual observed changes in other market parameters and tax effects are disregarded.

The medium- and long-term borrowing is predominantly done by Franz Haniel & Cie. GmbH, the holding companies of the divisions and the financing companies located in Germany and the Netherlands. Depending on the borrowing requirements of the individual Group companies, these companies can also obtain loans in currencies other than the euro for disbursement within the Group. Since these loans are not taken out in the companies' functional currency, IFRS 7.40 requires that they be taken into account when measuring the exchange rate risk, even though such a risk does not exist from the perspective of the Group as a whole.

31 Dec. 2017	**+10%**			**-10%**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
USD-EUR exchange rate	29		**29**	-29		**-29**
GBP-EUR exchange rate	5		**5**	-5		**-5**

31 Dec. 2016	**+10%**			**-10%**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
USD-EUR exchange rate	37		**37**	-37		**-37**
GBP-EUR exchange rate	7		**7**	-7		**-7**

Share price risk
Share price risks in Haniel's consolidated financial statements result from the exchangeable bond linked to ordinary shares of CECONOMY AG issued in May 2015. Fluctuations in the quoted price of CECONOMY AG have a direct impact on the measurement of the obligation to deliver. A hypothetical 10 per cent increase (decrease) in CECONOMY AG's quoted share price as at 31 December 2017 would lead to a decrease (increase) in the profit before taxes of EUR 18 million (EUR 14 million) (previous year: EUR 15 million or EUR 12 million). Compensating changes in value from the CECONOMY shares held are not included in the aforementioned sensitivity analysis due to their treatment as an investment accounted for at equity in accordance with IFRS 7.3(a).

Other price risks
These price risks concern the risks arising from fluctuating commodity prices, especially the price of nickel. The ELG division continually determines the risk exposures resulting from the purchase and sale of products and hedges these with respect to nickel primarily through the use of derivative financial instruments (nickel futures).

The sensitivities are measured, taking into account the effect on profit or loss of value changes in the derivative financial instruments, disregarding the compensating value changes in the hedged items.

A hypothetical increase (decrease) in the nickel price by USD 1,104 per tonne (previous year: USD 1,379 per tonne) (financial year: 9 per cent; previous year: 14 per cent of the spot nickel price as at the reporting date) would have reduced (raised) profit before taxes by EUR 9 million (EUR 9 million) (previous year: EUR 16 (16) million). The assumed change in the nickel price corresponds to the initial margin established by the London Metal Exchange (LME). This is the amount that must be deposited as margin when entering into a contract.

Hedge accounting
The Haniel Group enters into hedging transactions for the purpose of hedging both the fair values of certain assets or liabilities and future cash flows. This also includes currency hedges of planned sales and purchases of merchandise and services, and of investments and divestments.

When accounting for hedges, the hedge accounting rules are sometimes applied. Under the hedge accounting rules, a derivative is classified either as a hedging instrument in a cash flow hedge if it is used to hedge future cash flows, as a hedging instrument in a fair value hedge if it is used to hedge the fair values of certain assets and liabilities, or as a hedging instrument in a hedge of a net investment in a foreign operation if it is used to hedge an investment recognised in a foreign currency.

Currency derivatives used to hedge existing items of the statement of financial position are usually not subjected to formal hedge accounting. The changes in the fair values of these derivatives, which, from an economic point of view, represent effective hedges in the context of the Group strategy, are recognised in profit or loss. Those changes are generally matched by opposite changes in the fair values of the hedged items.

Cash flow hedges – interest rate hedging
The Haniel Group obtains financing largely by way of long-term and short-term bilateral credit facilities, bonds, commercial paper and promissory loan notes. The bilateral credit facilities are generally utilised on a revolving basis with a short-term fixed-rate period. By entering into derivative financial instrument transactions, the Group hedges against rising market interest rates and thus against future increases in interest expenses. At the reporting date, the Group has hedged interest payments amounting to EUR 0 million, USD 1 million and GBP 0 million. These hedges originate from floating-rate liabilities with a nominal volume of EUR 25 million, USD 50 million and GBP 15 million. In the previous year, the Group had hedged interest payments amounting to EUR 0 million, USD 1 million and GBP 0 million. These hedges originated from floating-rate liabilities with a nominal volume of EUR 25 million, USD 50 million and GBP 15 million.

Cash flow hedges – currency hedging
The Haniel Group enters into forward exchange contracts to hedge euro-denominated payments. The designated hedged items are highly probable payments denominated in various foreign currencies.

The designated underlying transactions as at 31 December 2017 amount to EUR 40 million. They mature in the amount of EUR 15 million in Q1 2018, in the amount of EUR 15 million in Q2 2018, in the amount of EUR 9 million in Q3 2018, and in the amount of EUR 1 million in Q4 2018.

The designated underlying transactions as at 31 December 2016 amounted to EUR 33 million. They matured in the amount of EUR 13 million in Q1 2017, in the amount of EUR 13 million in Q2 2017, and in the amount of EUR 7 million in Q3 2017.

In connection with cash flow hedges, EUR 0 million (previous year: losses of EUR 3 million) were recognised in other comprehensive income for the financial year. Losses in the amount of EUR 2 million (previous year: EUR 2 million) were transferred from other comprehensive income to finance costs. Of these amounts, EUR 0 million were recognised in the financial year (previous year: EUR 1 million) because previously existing hedges were revoked upon the disposal of the hedged items.

As in the previous year, there were no significant ineffective portions of cash flow hedges.

Fair value hedge
As in the previous year, fair value hedge accounting was not applied in the financial year.

Hedge of a net investment in a foreign operation
Non-derivative financial liabilities denominated in foreign currency are used to hedge the net investment in a foreign operation. As in the previous year, there were no significant ineffective portions of the net investment hedges.

26 Additional disclosures on financial instruments

In compliance with the hedging strategy pursued by the Haniel Group, the total derivative financial instruments position is composed as follows:

	31 Dec. 2017		31 Dec. 2016	
EUR million	Fair value	of which cash flow hedges	Fair value	of which cash flow hedges
Assets				
Interest rate instruments				
Currency instruments	5		3	
Other derivative financial instruments			11	
	5	**0**	**14**	**0**
Liabilities				
Interest rate instruments	4	4	8	5
Currency instruments	1		11	
Other derivative financial instruments	46		35	
	51	**4**	**54**	**5**

The other derivative financial instruments are nickel derivatives held by the ELG division and the obligation from the exchangeable bond to deliver ordinary shares of CECONOMY AG.

The table below shows the contractually agreed, undiscounted payments of interest and principal over time of the non-derivative financial liabilities, derivative liabilities and financial guarantee contracts existing as at 31 December 2017:

EUR million	Cash flows 2018	Cash flows 2019	Cash flows from 2020 to 2022	Cash flows from 2023 to 2027	Cash flows from 2028 onwards
Non-derivative financial liabilities and financial guarantee contracts					
Liabilities due to banks	–175	–83	–95	–15	
Bonds, commercial paper and other securitised debt	–788	–6	–143		
Liabilities to shareholders	–48	–31	–64		
Lease liabilities	–5	–9	–9	–12	–10
Other financial liabilities	–26	–12	–39	–15	
Liabilities from business combinations and fixed dividends minority shareholder	–14	–19	–57		
Trade payables	–186				
Financial guarantee contracts					
	–1,242	**–160**	**–407**	**–42**	**–10**
Derivative liabilities					
Hedge accounting					
Derivatives (net settled)	–2	–1	–1		
Derivatives (gross settled) inflows	4				
Derivatives (gross settled) outflows	–4				
	–2	**–1**	**–1**	**0**	**0**
Without hedge accounting					
Derivatives (net settled)	–9				
Derivatives (gross settled) inflows	87	2			
Derivatives (gross settled) outflows	–88	–2			
	–10	**0**	**0**	**0**	**0**
	–12	**–1**	**–1**	**0**	**0**

The repayments of principal are classified by the earliest period in which the creditors may demand repayment.

For the financial guarantee contracts, the disclosure is made not on the basis of the estimated probable amount, but in the amount of the agreed maximum guarantee at the earliest possible date.

For purposes of the cash flow analysis, in accordance with IFRS 7.B11A the exchangeable bond linked to ordinary shares of CECONOMY AG is considered to be a single financial instrument and is presented in total in the line “bonds, commercial paper and other securitised debt”. The obligation to deliver ordinary shares of CECONOMY AG is not separated.

The contractually agreed, undiscounted payments of interest and principal over time of the non-derivative financial liabilities and derivative liabilities and financial guarantee contracts that existed as at 31 December 2016 were as follows:

EUR million	Cash flows 2017	Cash flows 2018	Cash flows from 2019 to 2021	Cash flows from 2022 to 2026	Cash flows from 2027 onwards
Non-derivative financial liabilities and financial guarantee contracts					
Liabilities due to banks	-110	-50	-227	-34	
Bonds, commercial paper and other securitised debt	-823	-268	-46		
Liabilities to shareholders	-84	-22	-52		
Lease liabilities	-4	-5	-14	-13	-11
Other financial liabilities	-44	-8	-43	-19	
Liabilities from business combinations	-1	-7			
Trade payables	-175				
Financial guarantee contracts	-1	-1	-3	-5	-7
	-1,242	**-361**	**-385**	**-71**	**-18**
Derivative liabilities					
Hedge accounting					
Derivatives (net settled)	-2	-2	-3		
Derivatives (gross settled) inflows	19				
Derivatives (gross settled) outflows	-19				
	-2	**-2**	**-3**	**0**	**0**
Without hedge accounting					
Derivatives (net settled)	-1	-1	-1		
Derivatives (gross settled) inflows	287	1			
Derivatives (gross settled) outflows	-298	-1			
	-12	**-1**	**-1**	**0**	**0**
	-14	**-3**	**-4**	**0**	**0**

IAS 39 categorisation of financial instruments

ASSETS

EUR million	**Carrying amounts as at 31 Dec. 2017**	Financial assets designated as at fair value	Financial assets held for trading	Contingent considera-tion from business combinations	Loans and receivables	Financial assets available for sale	No IAS 39 category	Outside the scope of IFRS 7
Financial assets available for sale	**75**					75		
Financial assets measured at fair value through profit or loss	**14**	14						
Other securities	**5**				5			
Loans	**3**				3			
Non-current financial assets	**97**	**14**	**0**	**0**	**8**	**75**	**0**	**0**
Other non-current assets	**48**	**0**	**0**	**12**	**0**	**0**	**2**	**34**
Trade receivables	**548**	**0**	**0**	**0**	**535**	**0**	**0**	**13**
Financial assets available for sale	**0**							
Other securities and fixed-term deposits	**0**							
Current financial assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash and cash equivalents	**68**	**0**	**0**	**0**	**68**	**0**	**0**	**0**
Receivables from investments	**2**				2			
Derivative financial instruments	**5**		5					
Value added tax receivables and other tax assets	**29**							29
Prepaid expenses	**17**							17
Bonuses and discount claims against suppliers	**15**				15			
Miscellaneous current assets	**94**				65		3	26
Other current assets	**162**	**0**	**5**	**0**	**82**	**0**	**3**	**72**

EUR million	**Carrying amounts as at 31 Dec. 2016**	Financial assets designated as at fair value	Financial assets held for trading	Contingent considera-tion from business combinations	Loans and receivables	Financial assets available for sale	No IAS 39 category	Outside the scope of IFRS 7
Financial assets available for sale	**427**					427		
Financial assets measured at fair value through profit or loss	**9**	9						
Other securities	**18**				18			
Loans	**2**				2			
Non-current financial assets	**456**	**9**	**0**	**0**	**20**	**427**	**0**	**0**
Other non-current assets	**32**	**0**	**0**	**0**	**0**	**0**	**0**	**32**
Trade receivables	**456**	**0**	**0**	**0**	**456**	**0**	**0**	**0**
Financial assets available for sale	**324**					324		
Other securities and fixed-term deposits	**122**				122			
Current financial assets	**446**	**0**	**0**	**0**	**122**	**324**	**0**	**0**
Cash and cash equivalents	**265**	**0**	**0**	**0**	**101**	**164**	**0**	**0**
Receivables from investments	**0**							
Derivative financial instruments	**14**		14					
Value added tax receivables and other tax assets	**23**							23
Prepaid expenses	**17**							17
Bonuses and discount claims against suppliers	**17**				17			
Miscellaneous current assets	**112**				67		7	38
Other current assets	**183**	**0**	**14**	**0**	**84**	**0**	**7**	**78**

IAS 39 categorisation of financial instruments

LIABILITIES

EUR million	**Carrying amounts as at 31 Dec. 2017**	Financial liabilities held for trading	Contingent considera-tion from business combinations	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7
Liabilities due to banks	**187**			187		
Bonds, commercial paper and other securitised debt	**144**			144		
Liabilities to shareholders	**80**			80		
Lease liabilities	**30**				30	
Other financial liabilities	**62**			62		
Non-current financial liabilities	**503**	**0**	**0**	**473**	**30**	**0**
Other non-current liabilities	**78**	**0**	**0**	**76**	**0**	**2**
Liabilities due to banks	**163**			163		
Bonds, commercial paper and other securitised debt	**757**			757		
Liabilities to investments	**0**					
Liabilities to shareholders	**44**			44		
Lease liabilities	**4**				4	
Other financial liabilities	**24**			24		
Current financial liabilities	**992**	**0**	**0**	**988**	**4**	**0**
Trade payables and similar liabilities	**240**	**0**	**0**	**186**	**0**	**54**
Liabilities for other taxes	**40**					40
Liabilities for payroll and social security	**25**			17		8
Accrued expenses	**103**			63		40
Derivative financial instruments	**51**	47			4	
Miscellaneous current liabilities	**47**		1	44		2
Other current liabilities	**266**	**47**	**1**	**124**	**4**	**90**

EUR million	**Carrying amounts as at 31 Dec. 2016**	Financial liabilities held for trading	Contingent considera-tion from business combinations	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7
Liabilities due to banks	**300**			300		
Bonds, commercial paper and other securitised debt	**300**			300		
Liabilities to shareholders	**62**			62		
Lease liabilities	**31**				31	
Other financial liabilities	**65**			65		
Non-current financial liabilities	**758**	**0**	**0**	**727**	**31**	**0**
Other non-current liabilities	**9**	**0**	**4**	**3**	**0**	**2**
Liabilities due to banks	**106**			106		
Bonds, commercial paper and other securitised debt	**768**			768		
Liabilities to shareholders	**80**			80		
Lease liabilities	**3**				3	
Other financial liabilities	**35**			35		
Current financial liabilities	**992**	**0**	**0**	**989**	**3**	**0**
Trade payables and similar liabilities	**182**	**0**	**0**	**175**	**0**	**7**
Liabilities for other taxes	**30**					30
Liabilities for payroll and social security	**15**			8		7
Accrued expenses	**100**			70		30
Derivative financial instruments	**54**	49			5	
Miscellaneous current liabilities	**25**			23		2
Other current liabilities	**224**	**49**	**0**	**101**	**5**	**69**

Fair value measurement

The table below shows the assets and liabilities measured at fair value in the statement of financial position as at 31 December 2017, classified by the following input levels:

Level 1: Quoted prices in active markets for the identical asset or liability
Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data
Level 3: Valuation techniques for which significant inputs are not based on observable market data

If assets and liabilities recurrently measured at fair value must be reclassified between the various levels because, for example, an asset is no longer traded in an active market or is traded for the first time, the reclassification is made at the end of the reporting period. No such transfers between Levels 1 and 2 took place either during the financial year or the previous year.

EUR million	**Total 31 Dec. 2017**	Level 1	Level 2	Level 3	Not measured at fair value
Assets					
Recurring fair value measurement					
Non-current financial assets					
Financial assets available for sale	**75**	70		5	
Financial assets measured at fair value through profit or loss	**14**			14	
Other non-current assets					
Contingent consideration from business combinations	**12**			12	
Current financial assets					
Financial assets available for sale	**0**				
Cash and cash equivalents					
Money market funds	**0**				
Other current assets					
Derivative financial instruments	**5**		5		
Liabilities					
Recurring fair value measurement					
Other non-current liabilities					
Contingent consideration from business combinations	**0**				
Other current liabilities					
Derivative financial instruments	**51**		51		
Contingent consideration from business combinations	**1**			1	

The table below shows the assets and liabilities measured at fair value in the statement of financial position as at 31 December 2016:

EUR million	Total 31 Dec. 2016	Level 1	Level 2	Level 3	Not measured at fair value
Assets					
Recurring fair value measurement					
Non-current financial assets					
Financial assets available for sale	**427**	425		1	1
Financial assets measured at fair value through profit or loss	**9**			9	
Other non-current assets					
Contingent consideration from business combinations	**0**				
Current financial assets					
Financial assets available for sale	**324**	324			
Cash and cash equivalents					
Money market funds	**164**	164			
Other current assets					
Derivative financial instruments	**14**		14		
Liabilities					
Recurring fair value measurement					
Other non-current liabilities					
Contingent consideration from business combinations	**4**			4	
Other current liabilities					
Derivative financial instruments	**54**		54		
Contingent consideration from business combinations	**0**				

The financial assets available for sale category includes securities and investments in the amount of EUR 0 million (previous year: EUR 1 million) that are recognised at amortised cost. In the previous year, these were primarily investments in non-listed companies. It was not possible to reliably measure the fair value of these investments for lack of an active market.

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 within Level 2 is determined using the DCF method. Expected future cash flows from the financial instruments are discounted using market interest rates with matching maturities. The creditworthiness of the respective borrower is taken into account by including risk premiums based on credit ratings and maturities in the discount factors. The risk premiums are determined using observable market prices from fixed-income securities. The DCF method is also used for the measurement of contingent consideration from business combinations.

The following table presents a detailed reconciliation of the assets and liabilities recurrently measured at fair value within Level 3, excluding contingent consideration from business combinations, which are explained in more detail in note 28. The reconciliation essentially concerns venture capital funds in the Holding and other companies segment. The venture capital funds are measured in accordance with the adjusted net asset method. Under this method, the fair values of the individual investments as determined by the funds on the basis of recognised valuation methods are aggregated and adjusted by an appropriate illiquidity discount for the overall fund.

EUR million	2017	2016
As at 1 Jan.	**10**	**0**
Foreign exchange rate adjustments		
Change in the scope of consolidation		
Additions	10	12
Fair value changes recognised in profit or loss		–2
Disposals	1	
Transfers into Level 3		
Transfers out of Level 3		
As at 31 Dec.	**19**	**10**
Unrealised gains or losses recognised in profit or loss relating to those financial instruments held at the reporting date	0	–2

The table below shows the fair values of the financial instruments as at 31 December 2017 that are not recognised at fair value in the statement of financial position:

	Carrying amounts	**Fair value**		
EUR million		Level 1	Level 2	Level 3
Assets				
Non-current financial assets				
Other securities	5		5	
Loans	3		3	
Other non-current assets				
Indemnification claims against previous shareholders from business combinations	2		2	
Liabilities				
Financial liabilities				
Liabilities due to banks	350		350	
Bonds, commercial paper and other securitised debt	901	196	724	
Liabilities to shareholders	124		128	
Lease liabilities	34		38	
Other financial liabilities	86		97	
Other non-current liabilities				
Purchase price liabilities (not contingent) and fixed dividends minority shareholder	76		76	

The table below shows the fair values of the financial instruments as at 31 December 2016 that were not recognised at fair value in the statement of financial position:

	Carrying amounts	**Fair value**		
EUR million		Level 1	Level 2	Level 3
Assets				
Non-current financial assets				
Other securities	18		18	
Loans	2		2	
Other non-current assets				
Indemnification claims against previous shareholders from business combinations	0			
Liabilities				
Financial liabilities				
Liabilities due to banks	406		407	
Bonds, commercial paper and other securitised debt	1,068	456	646	
Liabilities to shareholders	142		148	
Lease liabilities	34		39	
Other financial liabilities	100		110	
Other non-current liabilities				
Purchase price liabilities (not contingent)	3		3	

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 values for Level 2 are measured analogously to the method for assets and liabilities recurrently measured at fair value using the DCF method.

Offsetting financial assets and liabilities

The tables below provide an overview of the financial assets and liabilities that are offset in the statement of financial position. It also presents the extent to which there are netting agreements with contractual partners that do not result in a net presentation in the statement of financial position because not all conditions of IAS 32 for a net presentation are met. Global netting arrangements in the Haniel Group relate to derivative financial instruments, for which, in the event of default, the master agreements with the financial institutions stipulate offsetting mutual receivables and liabilities existing at that date.

Concerning assets, the following items in the statement of financial position are affected:

				Master netting agreements		
EUR million	Financial assets (gross amounts)	Financial liabilities set off in the statement of financial position (gross amounts)	**Financial assets presented in the statement of financial position as at 31 Dec. 2017 (net amounts)**	Financial liabilities not set off in the statement of financial position	Received collateral	**Net amounts as at 31 Dec. 2017**
Cash and cash equivalents						
with netting agreement	60	59	**1**			**1**
without netting agreement	67		**67**			**67**
	127	**59**	**68**	**0**	**0**	**68**
Derivative financial instruments						
with netting agreement	3		**3**	1		**2**
without netting agreement	2		**2**			**2**
	5	**0**	**5**	**1**	**0**	**4**

The cash and cash equivalents presented on a net basis in the statement of financial position relate to a cash pooling arrangement between the BekaertDeslee division and a bank.

				Master netting agreements		
EUR million	Financial assets (gross amounts)	Financial liabilities set off in the statement of financial position (gross amounts)	**Financial assets presented in the statement of financial position as at 31 Dec. 2016 (net amounts)**	Financial liabilities not set off in the statement of financial position	Received collateral	**Net amounts as at 31 Dec. 2016**
Cash and cash equivalents						
with netting agreement	33	32	**1**			**1**
without netting agreement	264		**264**			**264**
	297	**32**	**265**	**0**	**0**	**265**
Derivative financial instruments						
with netting agreement	13		**13**	3		**10**
without netting agreement	1		**1**			**1**
	14	**0**	**14**	**3**	**0**	**11**

Concerning liabilities, the following items in the statement of financial position are affected:

				Master netting agreements		
EUR million	Financial liabilities (gross amounts)	Financial assets set off in the statement of financial position (gross amounts)	**Financial liabilities presented in the statement of financial position as at 31 Dec. 2017 (net amounts)**	Financial assets not set off in the statement of financial position	Pledged collateral	**Net amounts as at 31 Dec. 2017**
Derivative financial instruments						
with netting agreement	1		**1**	1		**0**
without netting agreement	50		**50**			**50**
	51	**0**	**51**	**1**	**0**	**50**

				Master netting agreements		
EUR million	Financial liabilities (gross amounts)	Financial assets set off in the statement of financial position (gross amounts)	**Financial liabilities presented in the statement of financial position as at 31 Dec. 2016 (net amounts)**	Financial assets not set off in the statement of financial position	Pledged collateral	**Net amounts as at 31 Dec. 2016**
Derivative financial instruments						
with netting agreement	9		**9**	3		**6**
without netting agreement	45		**45**			**45**
	54	**0**	**54**	**3**	**0**	**51**

Net gains or losses from IAS 39 categories

The following table shows the net gains or losses recognised in the income statement by IAS 39 category:

EUR million	2017	2016
Financial assets designated as at fair value	1	-2
Financial assets and liabilities held for trading	-15	-16
Financial assets available for sale	9	8
Financial assets held to maturity		
Loans and receivables	-2	-6
Other financial liabilities	-67	-67
	-74	**-83**

The net gains or losses on financial assets designated as at fair value include the venture capital funds in the Holding and other companies segment. The net gains or losses on financial assets and liabilities held for trading purposes include gains and losses from fair value changes of these financial instruments. The net gains or losses on financial assets available for sale include in particular income and expenses from bonds and investment funds in the Holding and other companies segment recognised in profit or loss. The net gains or losses from loans and receivables consist primarily of interest income and impairments and reversals of impairments on these financial instruments. The net gains or losses from other financial liabilities consist primarily of interest expenses and exchange differences arising from the measurement of non-operating liabilities denominated in foreign currencies.

Changes in the fair value of financial assets available for sale in the amount of EUR 0 million (previous year: EUR 7 million) were recognised in other comprehensive income during the financial year. Income arising from fair value changes totalling EUR 4 million were transferred from other comprehensive income to the other net financial income (previous year: expenses of EUR 2 million).

Interest and similar expenses include EUR 51 million from financial liabilities not measured at fair value during the financial year (previous year: EUR 72 million). Interest and similar income include interest income from financial assets not measured at fair value through profit or loss amounting to EUR 9 million in the financial year (previous year: EUR 11 million).

27 Contingent liabilities

The Haniel Group's contingent liabilities amounted to a total of EUR 424 million (previous year: EUR 439 million). In addition to financial guarantee contracts within the meaning of IAS 39 in the amount of EUR 0 million (previous year: EUR 17 million), they contain other guarantees in the amount of EUR 416 million (previous year: EUR 414 million) and tax-related contingent liabilities in the amount of EUR 8 million (previous year: EUR 8 million). As in the previous year the other guarantees concern the Holding and other companies segment and are related to disposals of companies. Certain provisions were also recognised in connection with these matters. These are recognised under the relevant item.

As in the previous year, no contingent receivables exist as at the reporting date.

28 Business combinations and disposals of consolidated companies

During the financial year, four business combinations were carried out. These related to acquisitions by the CWS-boco and TAKKT divisions as well as the acquisition of the new divisions, Optimar and ROVEMA. In total, 36 individual firms were acquired. A 100 per cent interest was acquired in each of these companies.

In addition to acquiring the new divisions, the acquisition of continental European business from Rentokil in the hygiene, workwear and clean room segments as at 30 June 2017 in the CWS-boco division classifies as material from the Haniel Group's perspective. The merger of the two companies serves to strengthen the division's market position.

Since 30 November 2017, the ROVEMA division has been included in Haniel's consolidated financial statements. The company is headquartered in Fernwald in the German state of Hesse, and is a global leader in the manufacturing of packing machines and equipment. Its product portfolio covers solutions spanning the entire spectrum of primary and secondary packaging, as well as service and support.

The Optimar division was acquired as of 20 December 2017. Based in Ålesund, Norway, the company is a global leader in the development, manufacture and installation of automated fish handling systems for use on ships, on land and for fish farms.

The total assets and liabilities acquired through business combinations in the financial year are comprised as follows:

	Fair values				
EUR million	Initial activities	Optimar	ROVEMA	Other acquisitions	**Total**
Assets					
Property, plant and equipment	154	3	10	1	**168**
Intangible assets	263	92	95	1	**451**
Deferred taxes	6				**6**
Inventories	5	24	12		**41**
Trade receivables	52	37	20		**109**
Cash and cash equivalents	20	11	7		**38**
Other assets	11		11		**22**
	511	**167**	**155**	**2**	**835**
Liabilities					
Financial liabilities	3	6	22		**31**
Pension provisions	4				**4**
Deferred taxes	86	22	26		**134**
Trade payables and similar liabilities	18	47	10		**75**
Income tax liabilities	4	4	1		**9**
Other liabilities	41	9	16	1	**67**
	156	**88**	**75**	**1**	**320**

The finalisation of the purchase price allocation for Initial's activities in the second half of 2017 resulted in slight shifts between the presented classes of assets and liabilities compared to the figures published in the Half-yearly Financial Report 2017.

The gross contractual amount of the acquired trade and other receivables is EUR 124 million. Taking into account the expectation that EUR 4 million in receivables will not be recoverable, the fair value of the acquired trade and other receivables amounts to EUR 120 million. Of that amount, a fair value of EUR 58 million is recognised in respect of the acquisition of Initial's activities. The gross contractual amount of the acquired receivables amounted to EUR 34 million in the case of Optimar and EUR 28 million in the case of ROVEMA.

The consideration transferred for the business combinations and the resulting goodwill are presented in the table below:

EUR million	Initial activities	Optimar	ROVEMA	Other acquisitions	Total
Consideration paid	**534**	**169**	**206**	**3**	**912**
Contingent consideration	-11				**-11**
Issued company shares	305				**305**
Purchase price liabilities					
Cash and cash equivalents acquired	20	11	7		**38**
Consideration transferred	**848**	**180**	**213**	**3**	**1,244**
Net assets acquired	**355**	**79**	**80**	**1**	**515**
Goodwill	**493**	**101**	**133**	**2**	**729**

Company shares with a fair value of EUR 305 million were issued to Rentokil Initial as part of the consideration transferred for Initial's activities. As a result, Rentokil Initial now holds a 17.81 per cent interest in the holding company of the CWS-boco division, CWS-boco International GmbH. The value of the company shares issued was determined using a multiples-based valuation technique.

The reported goodwill essentially represents the future prospects accompanying the business combinations and the expertise of the workforce acquired. The recognised goodwill is not tax deductible.

The transaction costs incurred in the context of the business combinations totalled EUR 7 million and are included in other operating expenses. Of these transaction costs, EUR 5 million was attributable to the acquisition of Initial's activities, EUR 1 million to Optimar and EUR 1 million to ROVEMA.

Contingent consideration was agreed as part of the acquisition of Initial's activities. At the acquisition date, this contingent consideration was recognised as an asset with a fair value of EUR 11 million. The development of this contingent consideration depends on the amount of the division's future profits. The amount of contingent consideration to be paid is not limited. At present, a range of payments between EUR -20 million and EUR -3 million appears possible.

In addition, indemnification claims have been agreed with Rentokil Initial in respect of contractually defined environmental risks and tax arrears arising from the period prior to the acquisition. The amount of these claims against Rentokil Initial is not limited and an asset of EUR 5 million corresponding to the provisions for those risks has been recognised.

The companies or groups of companies acquired contributed EUR 185 million to revenue and EUR 11 million to profit after taxes during the financial year. Of this amount, EUR 163 million or EUR 9 million was attributable to Initial's activities, and EUR 20 million or EUR 2 million to ROVEMA. The profit after taxes includes expenses from the continuation of the purchase price allocation and one-off effects. If each of the companies had been acquired with effect from the beginning of the financial year, they would have contributed EUR 550 million to revenue and EUR 23 million to profit after taxes. Initial's activities would have contributed EUR 329 million to revenue and EUR 14 million to profit after taxes. ROVEMA would have contributed EUR 103 million to revenue and EUR 4 million to profit after taxes. Optimar would have contributed EUR 114 million to revenue and EUR 5 million to profit after taxes.

Contingent consideration from business combinations developed as follows in the financial year:

EUR million	Contingent receivables	Contingent liabilities
As at 1 Jan.	**0**	**4**
Additions	11	
Settlements		4
Foreign exchange rate adjustments		
Interest effect	1	1
Remeasurements		
As at 31 Dec.	**12**	**1**

The fair value of the contingent consideration is determined on the basis of revenue and earnings targets, taking into account long-term business planning. The TAKKT division paid a EUR 4 million purchase price liability during the financial year in relation to the 2015 acquisition of Post-Up Stand. The possible payments for the contingent consideration as at the reporting date range between EUR -20 million and EUR -2 million. The value of the contingent consideration is determined on a regular basis by qualified employees of the relevant units and discussed with the responsible management.

Business combinations after the reporting date
Effective as of 29 January 2018, the TAKKT division fully acquired Equip4Work Ltd., which is headquartered in Dumfries, United Kingdom. The company is part of the newport Group within TAKKT EUROPE. Translated at the closing rate on the reporting date, the purchase price amounted to EUR 39 million and was free of financial liabilities and cash and cash equivalents. A further potential variable purchase price payment of up to EUR 11 million was also agreed. No company shares will be issued to settle the consideration transferred. Given the short amount of time between the acquisition date and the preparation of the consolidated financial statements, no conclusive information was available as to the future inclusion of the company in the consolidated financial statements.

Disposals
The CWS-boco division disposed of its business activities in China and Italy in various transactions during the financial year. This resulted in the deconsolidation of 5 individual entities. The ELG division sold its subsidiary in Switzerland. The total assets and liabilities disposed of are comprised as follows:

EUR million	Carrying amounts
Assets	
Property, plant and equipment	9
Intangible assets	
Inventories	2
Trade receivables	20
Cash and cash equivalents	2
Other assets	3
	36
Liabilities	
Financial liabilities	
Pension provisions	1
Trade payables	8
Other current liabilities	6
	15

The consideration received for the disposals amounted to EUR 28 million. Including the EUR 2 million in available cash and cash equivalents held by the units disposed of and the EUR 4 million in other non-cash components held during the financial year, the total cash amount for the disposals was EUR 22 million. Taking into account the EUR 2 million in transaction costs which were expensed in the financial year and the other comprehensive income of EUR –1 million to be reclassified to the income statement, the deconsolidation gain amounted to EUR 4 million.

29 Notes to the statement of cash flows

The statement of cash flows shows the changes in the Haniel Group'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 bank balances with an original maturity of less than three months, cash on hand and cheques, and money market funds, and are identical to 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 sales-related payments, dividends from investments accounted for at equity, interest paid and received as well as tax payments. Haniel's internal cash earnings indicator used for management purposes, Haniel cash flow, is shown as a separate line item. Haniel cash flow is the profit after taxes, adjusted for all material non-cash income and expenses, and non-recurring, non-operating income and expenses, plus other cash components. Haniel cash flow consequently corresponds to the cash flow from operating activities excluding changes in current net assets. The current net assets contain inventories, trade receivables, and similar assets as well as current non-interest-bearing liabilities, current provisions, and similar liabilities. The inventories item included therein changed by EUR 14 million in the financial year (previous year: EUR 105 million), trade receivables changed by EUR 92 million (previous year: EUR 89 million) and trade payables and similar liabilities changed by EUR 58 million (previous year: EUR 45 million).

The cash flow from investing activities includes payments for purchases and disposals of individual assets as well as for consolidated companies and other business units. During the financial year, the proceeds from the disposal of property, plant and equipment, intangible assets and other assets included in particular proceeds from the repayment or sale of financial investments held by the Haniel Holding Company.

In addition to payments for business combinations conducted in the corresponding reporting period, the payments for acquisitions of consolidated companies and other business units during the financial year included EUR 4 million in payments to settle purchase price liabilities relating to previous business combinations in the TAKKT division.

The cash flow from financing activities comprises payments in connection with shareholder transactions as well as financial liabilities. The shareholder transactions essentially include payments to shareholders and payments from changes in shares in companies already consolidated. Payments to shareholders include dividend payments to the shareholders of Franz Haniel & Cie. GmbH in the amount of EUR 50 million (previous year: EUR 50 million) and payments for the purchase of treasury shares in the amount of EUR 4 million (previous year: EUR 4 million).

The cash flow from financing activities also includes the cash changes in financial liabilities. During the financial year, the repayments of financial liabilities included the funds used to repay a bond issued by Franz Haniel & Cie. GmbH in the amount of EUR 247 million.

The following table presents the reconciliation of financial liabilities taking into account the cash and non-cash changes. The cash change is the sum of the proceeds from the issuance of financial liabilities and repayments of financial liabilities as presented in the statement of cash flows. The financial liabilities changed as follows during the financial year:

EUR million	As of 1 Jan. 2017	**Cash flows**	Non-cash changes: Changes in the scope of consolidation	Non-cash changes: Foreign exchange rate adjustments	Non-cash changes: New leases	Non-cash changes: Other changes	**As of 31 Dec. 2017**
Liabilities due to banks	406	**-72**	28	-12			**350**
Bonds, commercial paper and other securitised debt	1,068	**-173**				6	**901**
Liabilities to shareholders	142	**-18**					**124**
Lease liabilities	34	**-3**	3				**34**
Other financial liabilities	100	**-14**					**86**
Financial liabilities	**1,750**	**-280**	**31**	**-12**	**0**	**6**	**1,495**

30 Notes to segment reporting

As the chief operating decision maker, the Management Board of Franz Haniel & Cie. GmbH is responsible for developing the investment portfolio and managing the divisions and financial investments. Therefore, for segment reporting purposes the reportable segments comprise the six divisions, the financial investments accounted for at equity and the Holding and other companies segment. The breakdown of the segments reflects the Group structure. It is defined using the management approach, taking internal monitoring and reporting, as well as the organisational structure, into account.

The same accounting standards are used for segment reporting and for the consolidated financial statements. The operating profit is the primary management indicator for measuring the operating performance of the divisions. The segment assets comprise the total current and non-current assets, including the goodwill assigned to the respective segments. Transactions between the segments take place at arm's length. The financial liabilities encompass the non-current and current financial liabilities contained in the statement of financial position. The sum of this amount and the other liabilities recognised in the statement of financial position is the Group's total liabilities. Recognised investments in non-current segment assets include additions to property, plant and equipment, intangible assets, investments accounted for at equity and non-current financial assets.

BekaertDeslee is a globally leading specialist for the development and manufacturing of woven and knitted mattress textiles and ready-made mattress covers.

CWS-boco ranks among the leading international full-service providers of individual washroom hygiene and textile solutions.

ELG is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys, titanium and carbon fibres.

Optimar is a global leader for automated fish handling systems for use on ships, on land and for fish farms.

ROVEMA is a global leader in the manufacturing of packaging machines and equipment for a wide variety of products and applications.

TAKKT bundles a portfolio of B2B direct marketing specialists for business equipment in Europe and North America in a single company.

The financial investments concern the investments in CECONOMY AG and METRO AG accounted for at equity, which are described in greater detail in note 3.

The Holding and other companies segment essentially comprises Franz Haniel & Cie. GmbH and its holding, financing and service companies, excluding the financial investments.

In the financial year, the ELG division generated revenue in the amount of EUR 469 million, and EUR 391 million (previous year: EUR 386 million and EUR 367 million) with two external customers.

31 Related-party disclosures

The significant related entities of the Haniel Group are associates including their subsidiaries.

Revenue attributable to business with associates in the financial year totalled EUR 13 million (previous year: EUR 11 million). Expenses in connection with transactions with associates amounted to EUR 1 million (previous year: EUR 1 million). As at the reporting date, trade receivables from and payables to associates amounted to EUR 4 million and EUR 0 million, respectively (previous year: EUR 2 million and EUR 0 million, respectively). All business relations with associates are governed by contracts and conducted at prices and conditions that would equally have been agreed with third parties.

Related persons of the Haniel Group are key management personnel. This includes the members of the Supervisory Board of Franz Haniel & Cie. GmbH and the members of the top-tier executive group. The top-tier executive group comprises the members of the Management Board of the Haniel Holding Company as well as the Management Board members or Managing Directors of the holding companies of the divisions.

As in the previous year, some of the liabilities to shareholders presented under note 12 are attributable to members of the Supervisory Board of Franz Haniel & Cie. GmbH. Up to and including 2012, Franz Haniel & Cie. GmbH had annually offered the executives of the Haniel Group the opportunity to subscribe to registered debt securities (Haniel Performance Bonds). The bonds bear interest corresponding to the return on total capital of the Haniel Group before taxes, plus a subordination premium of 3 percentage points. The original maturities ranged from 5 to 10 years. Since 2015, the TAKKT division has offered its executives comparable registered debt securities with a five-year maturity, the interest on which is based on the performance of the division (TAKKT Performance Bonds). As at the reporting date, a liability in the total amount of EUR 5 million (previous year: EUR 6 million) from the registered debt securities subscribed to by members of the top-tier executive group is recognised.

The companies of the Haniel Group have not otherwise entered into reportable transactions with key management personnel. This also applies to close relatives of this group of persons.

In some cases, key management personnel are members of executive or supervisory bodies of other companies with which the Haniel Group engages in regular business relations. All transactions with these companies are conducted at arm's length.

The table below provides an overview of the remuneration of members of the top-tier executive group.

EUR million	2017	2016
Short-term employee benefits	**14**	10
Post-employment benefits	2	2
Termination benefits	1	
Share-based payments	2	4
Other long-term benefits	1	1
	20	**17**

Share-based payments and other long-term benefits are described in greater detail in the following section. As at the reporting date, the present value of defined benefit obligations of members of the top-tier executive group amounted to EUR 16 million (previous year: EUR 14 million). The total remuneration of the members of the Supervisory Board of Franz Haniel & Cie. GmbH is presented under note 32. In addition, employee representatives to the Supervisory Board who work for the Haniel Group received salaries from their employment, which are in line with the market.

Compensation serving as long-term incentive
For members of the top-tier executive group, the performance compensation comprises performance cash plans as a variable component. These plans are oriented on the value growth of Haniel or of the respective divisions and therefore on the sustainability of the Haniel Group's success.

The performance cash plans granted during the financial year have a term of four years. The actual payment from these plans is limited in amount and is made in cash depending on target achievement and the fulfillment of stipulated requirements, such as being in active employment, at the end of the term.

Target attainment in the BekaertDeslee, CWS-boco and ELG divisions is essentially measured on the development of the respective Haniel value added. These performance cash plans are therefore presented as other long-term benefits.

In contrast, target attainment in the performance cash plans for the Management Board of TAKKT AG and Franz Haniel & Cie. GmbH is based on the development of the share price or market value in the period under consideration. Accordingly, the performance cash plans are classified as cash-settled share-based payments as defined in IFRS 2. The future payment amount is measured at the fair value of the liability taking into account the contractual terms and conditions. At TAKKT AG, a binomial option pricing model is used to determine the share price-based component. Material measurement assumptions here concern the risk-free interest rate and the applied volatilities based on historical observable data. The liability is remeasured at each reporting date and at the date of settlement. Any changes in fair value are recognised in profit or loss. The total expense from cash-settled share-based payments was EUR 2 million (previous year: EUR 4 million). The provision recognised in this respect amounted to EUR 10 million as at the reporting date (previous year: EUR 11 million).

32 Disclosures required under national legislation

Compensation paid to the Company's executive bodies in accordance with section 314 (1) no. 6 of the German Commercial Code

With reference to section 286 (4) of the German Commercial Code, the total remuneration of the Management Board of Franz Haniel & Cie. GmbH is not disclosed. The total remuneration of the Supervisory Board was EUR 0.9 million (previous year: EUR 0.8 million); that of the Advisory Board was EUR 0.2 million (previous year: EUR 0.2 million). The remuneration of former members of these bodies and of their survivors was EUR 2.2 million (previous year: EUR 2.2 million). Pension provisions amounting to EUR 24.8 million (previous year: EUR 25.0 million) were recognised for the former members of the above bodies and their survivors.

Declaration in accordance with section 161 of the German Stock Corporation Act (AktG), issued by the listed companies included in the consolidated financial statements in accordance with section 314 (1) no. 8 of the German Commercial Code

The following exchange-listed companies are included in the consolidated financial statements as at 31 December 2017: TAKKT AG (fully consolidated) as well as CECONOMY AG and METRO AG (each accounted for at equity). Each of these companies has issued the declaration prescribed by section 161 of the German Stock Corporation Act. These declarations have been made public on the companies' individual websites (www.takkt.de; www.ceconomy.de; www.metroag.de).

Auditor's fee in accordance with section 314 (1) no. 9 of the German Commercial Code

The fee paid to the group auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Germany, for Franz Haniel & Cie. GmbH and its subsidiaries was comprised as follows:

EUR million	2017	2016
Audits of financial statements	1.8	1.2
Other certification services	0.1	0.1
Tax consultancy		0.1
Other services		0.1
	1.9	**1.5**

Disclosure of shareholdings in accordance with section 313 (2) and (3) of the German Commercial Code

The full list of shareholdings of Franz Haniel & Cie. GmbH as of the end of the financial year, which forms a part of these notes to the consolidated financial statements, is published in the Federal Gazette (Bundesanzeiger) and on the www.haniel.com website. The shareholdings of TAKKT AG, CECONOMY AG and METRO AG are indicated in the individual companies' annual reports (www.takkt.de; www.ceconomy.de; www.metroag.de).

Number of employees in accordance with section 314 (1) no. 4 of the German Commercial Code

The number of employees in the Haniel Group, averaged from quarterly figures, was 18.481 (previous year: 13.882) based on a headcount, and 16.790 (previous year: 12.775) on a full-time basis. A breakdown of employees by division is contained in the segment reporting on pages 72 and 73.

Exemption in accordance with sections 264 (3) and 264b of the German Commercial Code
The following companies are exempt from the obligation to publish their annual financial statements in accordance with section 264 (3) of the German Commercial Code:

- BSC Verwaltungsgesellschaft mbH, Dreieich
- CWS-boco Deutschland GmbH, Hamburg
- CWS-boco International GmbH, Duisburg
- CWS-boco Supply Chain Management GmbH, Lauterbach
- CWS Complete Washroom Concepts GmbH, Duisburg
- CWS Safety GmbH, Duisburg
- Haniel Beteiligungs-GmbH, Duisburg
- Haniel Finance Deutschland GmbH, Duisburg
- Initial Hygieneservice GmbH, Lingen
- Initial Textile Holdings GmbH, Lingen
- Rentokil Initial Holdings GmbH, Lingen
- Schacht One GmbH, Essen
- STG Service to go GmbH, Duisburg
- TEUTO Brandschutz und Sicherheit GmbH, Bielefeld
- Verwaltungsgesellschaft CWS-boco Healthcare mbH, Hamburg
- Zahn HiTex GmbH, Mühldorf am Inn

BSC Brandschutz Service Center GmbH & Co. KG, Dreieich, CWS-boco HealthCare GmbH & Co. KG, Warburg, and Initial Textil Service GmbH & Co. KG, Lingen, are exempt from the obligation to publish their annual financial statements pursuant to section 264b of the German Commercial Code.

33 Events after the reporting date

No reportable events took place after the reporting date.

34 Profit appropriation proposal of Franz Haniel & Cie. GmbH

After deducting appropriate write-downs and recognising adequate valuation allowances and provisions, the net income for the financial year reported in the annual financial statements of Franz Haniel & Cie. GmbH, prepared in accordance with the German Commercial Code, amounts to EUR 121 million as at 31 December 2017.

The Management Board proposes to pay out a dividend of EUR 60 million.

The shareholders will therefore receive a dividend of 6 per cent on the subscribed capital of EUR 1.0 billion. This represents an amount of EUR 3.00 per EUR 50 ordinary share.

Duisburg, 6 March 2018

The Management Board

Gemkow **Funck** **Schmidt**

"INDEPENDENT AUDITORS' REPORT

To Franz Haniel & Cie. GmbH, Duisburg

Audit Opinions

We have audited the consolidated financial statements of Franz Haniel & Cie. GmbH, Duisburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report ("Group report of the Management Board") of Franz Haniel & Cie. GmbH for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the Corporate Governance Declaration pursuant to § 289f Abs. 4 HGB (disclosures in relation to the target ratio of female board members) contained in the "Employees" section of the group management report
- the separate non-financial report pursuant to § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the Annual Report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Essen, 12 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Granderath
Wirtschaftsprüfer
(German Public Auditor)

Wienands
Wirtschaftsprüfer
(German Public Auditor)

Glossary

B

B2B – Business-to-Business The sale of goods or services to other companies or corporate customers.

C

Capital employed Difference between total assets and the non-interest bearing capital provided.

Cash flow Balance of cash receipts and cash payments in a reporting period. A measure of a company's financial and earning power. For example, operating cash flow indicates how much of the recognised net profit for the period is reflected in cash inflows from operating activities. This cash flow can be used to finance capital expenditures, repay liabilities or pay dividends.

Commercial paper Special instruments (money market paper), usually discount bonds, issued in order to finance short-term credit needs. As a rule, the issuer requires an excellent → rating in order to place and deal in papers of this kind.

Compliance A key element of → corporate governance. It denotes the observance of relevant laws and internal guidelines.

Consolidation In the consolidated financial statements, the Group, comprising several legally independent companies, is depicted as if it were a single business. Consolidation consists of bookkeeping techniques that eliminate all intra-Group transactions. It eliminates the double counting of intra-Group transactions when consolidated financial statements are being prepared from the data contained in the annual financial statements of the individual Group companies.

Core repayment period A capital management indicator within the Haniel Group. It is determined by dividing the → net financial position, reduced by the debt allocated to the financial investments CECONOMY AG and METRO AG, by the → operating profit before depreciation, amortisation and impairments.

Corporate governance Rules, statutes, directives and recommendations pertaining to how a company is managed and controlled. The principles of corporate governance at Haniel are described in greater detail in the corporate governance report on pages 32 to 33.

Cost of capital Product of the → weighted average cost of capital and the average → capital employed.

Current net assets essentially comprise trade receivables and inventories less trade payables. This is an indicator used to determine the capital needed to finance operating activities.

D

DCF – Discounted Cash Flow A method by which future cash flows from an asset are discounted to determine the net present value of that asset. The Haniel Group uses DCF calculations to assess the profitability of investment projects and business acquisitions and to determine the → fair value of non-listed financial instruments.

Deferred taxes Differences between the requirements under tax law and the accounting and measurement regulations in accordance with → IFRS give rise to variances in the amounts recognised for assets and liabilities. Consequently, the tax burden anticipated on the basis of the profit before taxes reported in the consolidated financial statements differs from the actual amount payable. To allow a corresponding tax expense to be posted in the income statement, the effects of these deviations are counterbalanced by deferrals.

Derivative (derivative financial instrument) A contract that is dependent on another asset (underlying asset). The → fair value of a derivative can therefore be derived from market values of traditional underlying assets, such as stocks and commodities, or from market prices, such as interest rates or exchange rates. Derivatives exist in a range of different forms, such as → options, → futures, interest rate caps and → swaps. In the context of Haniel's financial management, derivatives are used to hedge risk.

Divisions Various business activities in the Haniel portfolio.

E

Early risk identification system Systematic reporting measures designed to detect adverse, risk-entailing developments in good time with the help of financial and non-financial company-specific indicators and factors. The early risk identification system forms part of → risk management.

E-commerce The marketing and sale of products and services via the Internet.

Equity method A method for measuring investments in companies over whose business and financial policy Haniel can exert a significant influence or over which it has joint control (investments accounted for at equity). Under the equity method, the carrying amount of the investment is determined by the change in the investor's proportionate interest in the investment's equity. Thus, the carrying amount is increased or decreased by the investor's share in the investment's profit or loss for the period. Distributions received from the investment reduce the carrying amount of the investment.

Equity ratio A capital management indicator within the Haniel Group which is calculated by dividing recognised equity by total assets.

Exchangeable bond An interest-bearing corporate bond that carries a right to exchange the bond for a specified number of shares in another company. Because of this option, exchangeable bonds have a lower interest rate than normal bonds of the same maturity.

F

Fair value A measurement approach based on market prices in accordance with → IFRS.

Family-equity company A holding company owned by a family which combines the professionalism of a private equity investor with the values of a family-owned company.

Financial liabilities The total non-current and current financial liabilities presented in the consolidated statement of financial position.

Free cash flow indicates the cash flows from operating activities that were not used for capital expenditures. At Haniel, the free cash flow is the balance of the cash flow from operating activities and the cash flow from investing activities.

Full consolidation Procedure for including subsidiaries in the consolidated financial statements if they are under the parent company's control on the basis of a voting right majority or other means of influence. The subsidiary's individual assets and liabilities are included in full in the consolidated statement of financial position.

Future A listed → derivative in which two parties agree to trade a certain quantity of a reference asset, such as a foreign currency, at a future date at a predetermined price.

G

Gearing A capital management indicator within the Haniel Group which is calculated by dividing the → net financial position by the recognised equity.

Goodwill An intangible asset that corresponds to the amount by which the purchase price for a business combination exceeds the total → fair value of the assets and liabilities acquired (net assets). Essentially, it represents the favourable future prospects accompanying the acquisition of the combined business and the expertise of the assembled workforce.

Goodwill impairment If → goodwill is recognised in the course of an acquisition, its carrying amount must be tested at least once a year for indication of impairment. If the anticipated future → cash flows from sales and other income and expenses associated with the takeover are lower than the carrying amount of goodwill at the time of the impairment test, the goodwill must be written down accordingly.

H

Haniel cash flow An internal indicator at the Haniel Group that comprises the profit after taxes, adjusted for all material non-cash income and expenditure, and non-recurring, non-operating income and expenses, plus other cash components. In detail, the profit after taxes is adjusted for non-cash depreciation, amortisation, impairment losses and reversals on non-current assets, the change in pension provisions and other non-current provisions, the income and expenses from changes in deferred taxes, the non-cash income and expenses and dividends from → investments accounted for at equity, and the gains and losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in ownership interests and other non-cash income and expenses.

Haniel value added (HVA) Value-oriented performance indicator used by the Haniel Group, calculated by subtracting → cost of capital from the → return.

Hedging A strategy for managing interest rate, foreign exchange rate, share price or other market price risks by means of → derivatives, which limit the risks associated with the underlying transactions.

HGB – Handelsgesetzbuch (German Commercial Code) Legal basis for the annual financial statements (separate financial statements) of all companies registered in Germany. This is relevant to German corporations in connection with profit distribution.

I

IAS – International Accounting Standard(s) Financial reporting standard(s) within the → IFRS international regulatory framework.

IASB – International Accounting Standards Board An independent, international body which approves and continuously develops the → International Financial Reporting Standards (IFRS).

ICS – Internal control system Systematic control measures for monitoring whether existing rules for reducing risks are being observed. This is intended to ensure the functionality and cost-effectiveness of business processes and to counteract impairments of assets. It covers all material business processes, including accounting. The purpose of the accounting-related ICS is to ensure that financial reporting is reliable and that the risk of misstatements in the external and internal Group reports is minimised.

IFRS – International Financial Reporting Standard(s) An international regulatory framework of accounting standards and interpretations which are developed by the → IASB (International Accounting Standards Board) and ratified by the European Commission. These accounting standards are intended to ensure the internationally comparable preparation of accounts. → Publicly traded companies registered in the EU are required to prepare their consolidated financial statements in accordance with the provisions of IFRS.

IFRS IC – International Financial Reporting Standards Interpretations Committee An independent, international body which issues interpretations and guidance on issues not specifically covered by the → IFRS.

Interest cover ratio A capital management indicator within the Haniel Group that is derived as a quotient from certain items of the income statement. The sum of the → operating profit, → result from investments accounted for at equity and other investment result is divided by the sum of the finance costs and other net financial income. This indicator states how many times the interest to be paid to lenders and financial investors is covered by earnings from the operating business and investments.

Investment position of the Haniel Holding Company Non-current and current financial assets and other assets held by the Haniel Holding Company, excluding cash and cash equivalents, which are available for the acquisition of new divisions.

M

Market value gearing Relationship between → net financial liabilities at the Haniel Holding Company and the market value of the Haniel investment portfolio.

Multi-channel Combination and integration of a variety of channels to approach customers and to market offered products and services.

N

Net financial liabilities Difference between → financial liabilities and cash and cash equivalents recognised in the consolidated statement of financial position.

Net financial position Difference between the → net financial liabilities and → investment position of the Haniel Holding Company.

Nickel pig iron A substitute product used particularly in China to produce stainless steel. Nickel pig iron is produced from lower-quality nickel ore which comes primarily from Indonesia and the Philippines.

Non-controlling interests Interests in the equity of subsidiaries of the Haniel Group held by third parties.

O

Operating profit This measure of earnings shows the profit contribution made in the period by the operating business, that is to say from the purchase and sale of goods and the provision of services, after deducting the associated expenses. The amount recognised in the income statement is the result before the profit/loss from investments and discontinued operations, interest and income tax expense.

Option Agreement between two parties granting one party the right to receive or sell a certain quantity of an underlying asset, such as a foreign currency, at a predetermined price at a later date.

P

Plan assets Comprise assets that are held by a fund invested for the long term for satisfying payments to employees as well as qualified insurance contracts.

Publicly traded companies Enterprises that have issued securities, e.g. shares or bonds, which are publicly listed and traded (on a stock exchange).

Purchase price allocation Allocation of the purchase price in a business combination to the individual assets and liabilities acquired. The acquired assets and liabilities are measured at → fair value. If the total purchase price exceeds the net assets acquired, this gives rise to → goodwill.

R

Rating A credit score given to companies or financial instruments by agencies, such as Standard & Poor's, Moody's or Scope or banks.

Recognised investments include the acquisition of non-current assets such as buildings, machinery or software. Specifically, the acquisition of assets reported under property, plant and equipment, intangible assets, investments accounted for at equity or non-current financial assets.

Result from investments accounted for at equity Includes the portion of the net profit for the period attributable to Haniel which is generated by companies measured in the consolidated financial statements in accordance with the → equity method.

Return → Operating profit of continuing and discontinued operations plus profit/loss from investments and other net financial income less income tax expenses.

Return on capital employed (ROCE) Value-oriented performance indicator used within the Haniel Group that is determined by dividing the → return by the average → capital employed.

Risk management Systematic procedures for identifying and assessing potential risks for the Group, and for deciding on, implementing and monitoring measures to avoid risks and/or reduce their possible negative impact.

S

Scope of consolidation The companies included in the consolidated financial statements.

Statement of cash flows The statement of cash flows is used to determine and depict cash inflows and outflows. It shows the cash that is generated and expended in a period (→ cash flow).

Strategic business unit (SBU) The organisational level below division. The strategic business units can be structured according to various criteria, e.g. regions or product groups. The strategic business units are frequently depicted in internal controlling and planning processes for analysis purposes, in order to illuminate trends in the → divisions.

Superalloys At the ELG division, these are high-alloy, nickel-containing scrap and titanium scrap processed by ELG for its customers.

Sustainability The model of sustainable development pursues the objective of engaging in business activity to create not only economic value, but also ecological and social benefits, without undermining the development opportunities of future generations (corporate responsibility – CR).

Swap An agreement between two parties to exchange commodity or cash flows in the future. In an interest rate swap, interest payments are exchanged for an agreed principal amount on the basis of different interest rates. Thus, floating interest rates can be exchanged with fixed interest rates, for example.

U

United Nations Global Compact (UN Global Compact) Initiative of the United Nations under which companies undertake to align their business activities and strategies with ten universally accepted principles relating to human rights, labour standards, environmental protection and the fight against corruption.

W

Web-focused brands sell their products and services primarily via the Internet.

Weighted average cost of capital (WACC) represents the return demanded by providers of capital in relation to the → capital employed in the company. It is defined as the weighted average cost of equity and debt. The cost of the equity component corresponds to the return expectations of shareholders, taking into account business model-specific risks. The cost of the debt component reflects the company's financing conditions.

Contact / Publication details

Franz Haniel & Cie. GmbH
Franz-Haniel-Platz 1
47119 Duisburg
Germany
Telephone +49 203 806-0
info@haniel.de
www.haniel.de/en

BekaertDeslee Holding NV
Deerlijkseweg 22
8790 Waregem
Belgium
Telephone +32 56 62 41 11
info@bekaertdeslee.com
www.bekaertdeslee.com

CWS-boco International GmbH
Franz-Haniel-Platz 6-8
47119 Duisburg
Germany
Telephone +49 203 987165-8000
info@cws-boco.com
www.cws-boco.com

ELG Haniel GmbH
Kremerskamp 16
47138 Duisburg
Germany
Telephone +49 203 4501-0
info@elg.de
www.elg.de

Optimar International AS
Valderøyvegen 1129
6050 Valderøy
Norway
Telephone +47 70 10 80 00
info@optimar.no
www.optimar.no

ROVEMA International GmbH
Industriestraße 1
35463 Fernwald
Germany
Telephone +49 641 409-0
info@rovema.de
www.rovema.com/en

TAKKT AG
Presselstraße 12
70191 Stuttgart
Germany
Telephone +49 711 3465-80
service@takkt.de
www.takkt.com

METRO AG
Metro-Straße 1
40235 Düsseldorf
Germany
Telephone +49 211 6886-4252
presse@metro.de
www.metroag.de/en

CECONOMY AG
Benrather Straße 18-20
40213 Düsseldorf
Germany
Telephone +49 211 5408-7000
info@ceconomy.de
www.ceconomy.de/en

Responsible for the content
Franz Haniel & Cie. GmbH
Franz-Haniel-Platz 1
47119 Duisburg
Germany
Telephone +49 203 806-0
info@haniel.de
www.haniel.de/en

Consulting, Concept & Design
Silvester Group
www.silvestergroup.com

Photography
Bettina Engel-Albustin, Moers
Katja Velmans, Düsseldorf

Production
Druckpartner, Essen

RECYCLED
Paper made from recycled material
FSC
www.fsc.org
FSC® C017894

Print CO_2 compensated
Id-No 1871206
www.bvdm-online.de

Printed with a zero carbon footprint on recycled paper made entirely from waste paper.

This annual report is published in German and English Both versions can be viewed online or downloaded at www haniel.de/en The German version is controlling The separate financial statements of Franz Haniel & Cie. GmbH are published in the electronic Federal Gazette (Bundesanzeiger). They are also available on request from Franz Haniel & Cie GmbH All statements in this brochure with regard to occupations and target groups apply, always and irrespective of the formulation, to both male and female persons.

04/18 - d/1,500 - e/500

haniel.de/en

Franz Haniel & Cie. GmbH
Franz-Haniel-Platz 1
47119 Duisburg
Germany
Telephone +49 203 806-0
info@haniel.de
www.haniel.de/en

You also find the Haniel Annual Report and the Haniel Magazine online: http://haniel.corporate-report.com/2017/en