# Franz Haniel Subgroup
## Financial Report
## 2016

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# Franz Haniel Subgroup
# Statement of financial position

ASSETS

| EUR million | Note | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|---|
| Property, plant and equipment | 1 | 31.4 | 33.4 |
| Intangible assets | 1 | 20.7 | 21.4 |
| Investments in affiliates | 2 | 983.9 | 973.9 |
| Investments accounted for at equity | 3 | 2,530.9 | 2,562.4 |
| Financial assets | 4 | 569.2 | 775.1 |
| Other non-current assets | 5 | 20.7 | 20.4 |
| Deferred taxes | | 3.3 | 0.0 |
| Non-current assets | | 4,160.1 | 4,386.6 |
| | | | |
| Inventories | | 0.1 | 0.1 |
| Receivables from investments and other current assets | 6 | 243.4 | 173.9 |
| Financial assets | 7 | 445.6 | 231.4 |
| Income tax assets | | 33.6 | 28.4 |
| Cash and cash equivalents | 8 | 231.3 | 319.0 |
| Assets held for sale | 9 | 0.0 | 2.1 |
| Current assets | | 954.0 | 754.9 |
| Total assets | | 5,114.1 | 5,141.5 |

EQUITY AND LIABILITIES

| EUR million | Note | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|---|
| Equity of shareholders of Franz Haniel & Cie. GmbH | | 3,739.1 | 3,730.0 |
| Non-controlling interests | | 3.6 | 3.8 |
| Equity | 10 | 3,742.7 | 3,733.8 |
| | | | |
| Financial liabilities | 11 | 312.0 | 618.2 |
| Pension provisions | 12 | 101.1 | 95.5 |
| Other non-current provisions | 12 | 24.2 | 30.8 |
| Deferred taxes | | 0.5 | 0.4 |
| Non-current liabilities | | 437.8 | 744.9 |
| | | | |
| Financial liabilities | 11 | 836.7 | 550.2 |
| Current provisions | 12 | 22.1 | 38.8 |
| Trade payables and similar liabilities | | 2.2 | 1.2 |
| Income tax liabilities | | 2.7 | 5.3 |
| Other current liabilities | 13 | 69.9 | 67.3 |
| Current liabilities | | 933.6 | 662.8 |
| Total equity and liabilities | | 5,114.1 | 5,141.5 |

# Franz Haniel Subgroup
# Income statement

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| Other operating income | 14 | 6.7 | 7.9 |
| Personnel expenses | 15 | 26.2 | 26.9 |
| Other operating expenses | 16 | 14.0 | -0.4 |
| | | -33.5 | -18.6 |
| Depreciation and amortisation | | 2.4 | 2.0 |
| Operating profit | | -35.9 | -20.6 |
| | | | |
| Result from investments accounted for at equity | 3 | 45.5 | 56.6 |
| Other investment result | 17 | 70.9 | 52.9 |
| Finance costs | 18 | 57.3 | 58.9 |
| Other net financial income | 19 | 19.9 | 22.8 |
| Net financial income | | 79.0 | 73.4 |
| | | | |
| Profit before taxes | | 43.1 | 52.8 |
| Income tax expenses | 20 | -13.1 | 7.4 |
| Profit after taxes | | 56.2 | 45.4 |
| of which attributable to non-controlling interests | | -0.2 | 0.1 |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | | 56.4 | 45.3 |

# Franz Haniel Subgroup
## Statement of comprehensive income

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| Profit after taxes | | 56.2 | 45.4 |
| | | | |
| Remeasurements of defined benefit plans recognised in other comprehensive income | | -4.6 | 7.0 |
| Deferred taxes on remeasurements of defined benefit plans recognised in other comprehensive income | | 1.4 | -2.1 |
| Remeasurements of defined benefit plans | | -3.2 | 4.9 |
| Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity | | -10.4 | 45.1 |
| Total other comprehensive income not to be reclassified to profit or loss | | -13.6 | 50.0 |
| | | | |
| Income and expenses recognised in equity from remeasurement of derivative financial instruments | | 0.0 | 0.0 |
| Reversals recognised in profit or loss | | 0.0 | 0.0 |
| Deferred taxes on remeasurement of derivative financial instruments | | 0.0 | 0.0 |
| Remeasurement of derivative financial instruments | | 0.0 | 0.0 |
| Income and expenses recognised in equity from remeasurement of financial assets available for sale | | 8.8 | -2.3 |
| Reversals recognised in profit or loss | | -0.3 | -0.1 |
| Deferred taxes on remeasurement of financial assets available for sale | | -2.6 | 0.7 |
| Remeasurement of financial assets available for sale | | 5.9 | -1.7 |
| Income and expenses recognised in equity from foreign currency translation | | 0.0 | 0.0 |
| Reversals recognised in profit or loss | | 0.0 | 0.0 |
| Currency translation effects | | 0.0 | 0.0 |
| Income and expenses recognised in equity from changes recognised directly in equity of investments accounted for at equity | | 14.4 | -4.6 |
| Reversals recognised in profit or loss | | 0.0 | 33.9 |
| Other comprehensive income from investments accounted for at equity | | 14.4 | 29.3 |
| Total other comprehensive income to be reclassified to profit or loss and reversals recognised in profit or loss | | 20.3 | 27.6 |
| | | | |
| Total other comprehensive income | | 6.7 | 77.6 |
| of which attributable to non-controlling interests | | 0.0 | 0.0 |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | 10 | 6.7 | 77.6 |
| | | | |
| Comprehensive income | | 62.9 | 123.0 |
| of which attributable to non-controlling interests | | -0.2 | 0.1 |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | | 63.1 | 122.9 |

# Franz Haniel Subgroup
## Statement of changes in equity

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 | 1,000.0 | 678.0 | -381.5 | 2,443.7 | -10.2 | 3,730.0 | 3.8 | 3,733.8 |
| Dividends | | | | -50.0 | | -50.0 | | -50.0 |
| Changes in the scope of consolidation | | | | | | 0.0 | | 0.0 |
| Changes in shares in companies already consolidated | | | | | | 0.0 | | 0.0 |
| Capital measures | | | | | | 0.0 | | 0.0 |
| Changes in treasury shares | | | | | -4.0 | -4.0 | | -4.0 |
| Comprehensive income | | | 6.7 | 56.4 | | 63.1 | -0.2 | 62.9 |
| As at 31 Dec. 2016 | 1,000.0 | 678.0 | -374.8 | 2,450.1 | -14.2 | 3,739.1 | 3.6 | 3,742.7 |

CHANGES IN 2015

| 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. 2015 | 1,000.0 | 678.0 | -498.9 | 2,478.2 | -6.5 | 3,650.8 | 3.7 | 3,654.5 |
| Dividends | | | | -40.0 | | -40.0 | | -40.0 |
| Changes in the scope of consolidation | | | 39.8 | -39.8 | | 0.0 | | 0.0 |
| Changes in shares in companies already consolidated | | | | | | 0.0 | | 0.0 |
| Capital measures | | | | | | 0.0 | | 0.0 |
| Changes in treasury shares | | | | | -3.7 | -3.7 | | -3.7 |
| Comprehensive income | | | 77.6 | 45.3 | | 122.9 | 0.1 | 123.0 |
| As at 31 Dec. 2015 | 1,000.0 | 678.0 | -381.5 | 2,443.7 | -10.2 | 3,730.0 | 3.8 | 3,733.8 |

For further explanatory comments concerning equity, see number 10 in the notes to the consolidated financial statements of the Subgroup.

# Franz Haniel Subgroup
## Statement of cash flows

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| Profit after taxes | | 56.2 | 45.4 |
| Depreciation and amortisation, impairment losses and reversals on non-current assets | | 2.4 | 2.0 |
| Change in pension provisions and other non-current provisions | | -5.6 | -29.8 |
| Income/expenses from changes in deferred taxes | | -4.3 | 9.0 |
| Non-cash income/expenses and dividends of investments accounted for at equity | | 35.5 | 31.0 |
| Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares | | -0.7 | -0.5 |
| Other non-cash income/expenses and other payments | | 21.7 | 11.4 |
| Haniel cash flow | | 105.2 | 68.5 |
| | | | |
| Change in inventories, receivables and similar assets | | 2.9 | -1.9 |
| Change in current non-interest-bearing liabilities, current provisions and similar liabilities | | -16.5 | -10.4 |
| Cash flow from operating activities | | 91.6 | 56.2 |
| | | | |
| Proceeds from the disposal of property, plant and equipment, intangible assets and other assets | | 318.4 | 742.0 |
| Payments for investments in property, plant and equipment, intangible assets and other assets | | -337.6 | -573.8 |
| Proceeds from capital reductions and disposal of affiliated companies | | 0.0 | 0.0 |
| Payments for capital increases and acquisitions of affiliated companies | | -10.0 | -317.0 |
| Change in receivables from and liabilities to affiliated companies | | -66.3 | -92.8 |
| Cash flow from investing activities | | -95.5 | -241.6 |
| | | | |
| Payments to shareholders | | -50.0 | -40.0 |
| Purchase of treasury shares | | -4.0 | -3.7 |
| Proceeds from issuance of financial liabilities | | 46.3 | 552.5 |
| Repayments of financial liabilities | | -76.1 | -101.4 |
| Cash flow from financing activities | | -83.8 | 407.4 |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 319.0 | 97.0 |
| Increase/decrease in cash and cash equivalents | | -87.7 | 222.0 |
| Non-cash increase/decrease in cash and cash equivalents | | 0.0 | 0.0 |
| Cash and cash equivalents at the end of the period | 23 | 231.3 | 319.0 |

The cash flow from operating activities includes dividend income and profit and loss transfers in the amount of EUR 150 million (previous year: EUR 141 million) respectively EUR 159 million (previous year: EUR 151 million) including investment income taxes and intercompany tax allocation, interest income of EUR 40 million (previous year: EUR 26 million) and interest paid of EUR 49 million (previous year: EUR 59 million). As in the previous year, no income tax payments were made.

# Notes to the financial statements

# A. General basis of presentation

## Accounting principles

These consolidated financial statements of the Franz Haniel Subgroup serve the purpose of informing the capital market about the net assets, financial position and results of operations of Franz Haniel & Cie. in its capacity as an investor. Against this background, the majority investments in the BekaertDeslee, CWS-boco, ELG and TAKKT divisions, and their subsidiaries, have not been fully consolidated in these consolidated financial statements of the Franz Haniel Subgroup.

Likewise, deferred taxes were not calculated on the basis of the full consolidated tax group for Franz Haniel & Cie. By contrast, the full consolidated tax group was used as a basis for assessing the recoverability of excess deferred tax assets within the Subgroup.

For the rest, subject to certain limitations, the consolidated financial statements of the Franz Haniel Subgroup for the year ended 31 December 2016 have been prepared in accordance with the mandatory International Financial Reporting Standards (IFRS) in effect on the reporting date and adopted by the Commission of the European Union, and in accordance with the supplementary requirements applicable under Section 315a (1) HGB (Handelsgesetzbuch – German Commercial Code). These limitations relate to the scope of disclosures in the notes.

The Franz Haniel Subgroup consolidated financial statements are integrated, in the present form, in the Haniel consolidated financial statements. Excerpts are contained in the “Holding and other companies” and “Metro investment” segment of the segment report in the Haniel consolidated financial statements.

The reporting currency is the euro; all figures are presented in millions of euros (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 detail 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 International Accounting Standards Board (IASB) 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 2016 financial year:

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

Beyond that, the first-time application of the new or revised standards in the financial year did not give rise to any effects on the presentation of the Subgroup’s net assets, financial position and results of operations.

The IASB and the IFRS IC have issued new and amended rules whose application is not mandatory for the Franz Haniel Subgroup until financial year 2017 or later. For these standards to be applicable, the required endorsement by the Commission of the European Union is still pending in some cases. The relevant Standards and Interpretations are:

| Standard/Interpretation | Effective date |
|---|---|
| Endorsed by the Commission of the European Union | |
| IFRS 9 (2014): “Financial Instruments” | 2018 |
| IFRS 15 (2014): “Revenue from Contracts with Customers” | 2018 |
| | |
| Not yet endorsed by the Commission of the European Union | |
| IFRS 14 (2014): “Regulatory Deferral Accounts” | - |
| IFRS 16 (2015): “Leases” | 2019 |
| Amendments to IFRS 10 and IAS 28 (2014): “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | - |
| Amendments to IFRS 2 (2016): “Classification and Measurement of Share-based Payment Transactions” | 2018 |
| Amendments to IFRS 4 (2016): “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” | 2018 |
| Amendments to IAS 7 (2016): “Disclosure Initiative” | 2017 |
| Amendments to IAS 12 (2016): “Recognition of Deferred Tax Assets for Unrealised Losses” | 2017 |
| Amendments to IAS 40 (2016): “Transfers of Investment Property” | 2018 |
| Clarifications to IFRS 15 (2016): “Revenue from Contracts with Customers” | 2018 |
| IFRIC 22 (2016): “Foreign Currency Transactions and Advance Consideration” | 2018 |
| Annual Improvements to IFRS Standards 2014-2016 Cycle (2016) | 2017/2018 |

The option of early application of standards already issued was not exercised. There are currently no plans to apply early any of the standards issued by the IASB. With the exception of the revised standards described below, the Franz Haniel Subgroup 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 requirement on the application of hedge accounting and introduces new disclosure requirements in the notes to the consolidated financial statements of the Subgroup. Based on the analyses conducted to date, 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.

Compared to the current provisions of IAS 17, the effects of IFRS 16 on lease accounting at the lessee are extensive. 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 Franz Haniel Subgroup, this will result in a slight 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 in net financial income going forward. IFRS 16 also imposes new disclosure requirements in the notes to the consolidated financial statements of the Subgroup. A project to systematically record and analyse existing leases was launched in the year under review for a more detailed analysis of the effects of IFRS 16.

## Consolidation principles

The investments in the holding companies of the BekaertDeslee, CWS-boco, ELG and TAKKT divisions are measured at cost and are included in the investments in affiliates.

Subsidiaries directly or indirectly controlled by Franz Haniel & Cie. GmbH in accordance with IFRS 10 are fully consolidated in the consolidated financial statements of the Subgroup. 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 control to affect these returns.

The reporting date for the separate financial statements of all subsidiaries included in the consolidated financial statements of the Subgroup is identical with the date for the consolidated financial statements of the Subgroup, namely 31 December 2016. 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 measured at the proportionate fair value of the identifiable net assets.

In accordance with IFRS 3, goodwill is not amortised. Depending on the outcome of annual or, if there are triggering events, interim impairment tests, the goodwill is written down if necessary to the lower recoverable amount, which is equal 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.

Intragroup profits and losses, sales, income and expenses as well as receivables and payables between companies included in the consolidated financial statements of the Subgroup are eliminated.

## Scope of consolidation

Aside from Franz Haniel & Cie. GmbH, nine domestic and foreign companies were fully included in the consolidated financial statements of the Subgroup as at 31 December 2015.

In the financial year, the number of subsidiaries changed as follows:

| | |
|---|---|
| Additions due to acquisition of shares or obtaining control | 0 |
| Additions due to new company formation | 2 |
| Disposals due to sale of shares or loss of control | 0 |
| Disposals due to mergers or liquidation | 0 |

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of eleven subsidiaries are included in the consolidated financial statements of the Subgroup as at 31 December 2016:

- Haniel Finance Deutschland GmbH
- Haniel Finance B.V.

- Haniel Beteiligungs-GmbH
- Schacht One GmbH
- GEWERKSCHAFT SCHIFFSRUDER Verwaltungsgesellschaft für Bergvermögen mbH
- Objekt Niederlehme Verwaltungsgesellschaft mbH
- Objekt Niederlehme Verwaltungsgesellschaft mbH & Co. Grundstücks KG
- VBM Grundstücks- und Projektentwicklungsgesellschaft AG
- Haniel Immobilien Verwaltungsgesellschaft mbH
- Haniel Immobilien GmbH & Co. KG
- SATURA Grundstücksverwaltungsgesellschaft mbH & Co. KG

In this connection, an asset leasing company is included in the consolidated financial statements of the Subgroup 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 definition of IFRS 10.

The fully consolidated subsidiaries are generally wholly owned.

As of this financial year the Franz Haniel Subgroup also holds equity shares of less than 10 per cent each in five 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 9 million (previous year: EUR 0 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 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, one (previous year: one) associate is recognised in the Subgroup's consolidated financial statements using the equity method.

### 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. All subsidiaries are accounted for using the concept of the functional currency in accordance with IAS 21. All of the subsidiaries included in these consolidated financial statements of the Subgroup operate as financially, economically and organisationally independent entities; their functional currency is the euro.

### Accounting policies

The consolidated financial statements of the Subgroup are generally prepared based on historical cost. A material exception to that are the (derivative) financial instruments measured at fair value.

Property, plant and equipment (tangible assets) are recognised at cost less depreciation and, if applicable, impairment losses. If the reasons for an impairment loss no longer exist, appropriate reversals are recognised provided that the resulting carrying amount does not exceed the depreciated cost of the asset.

Property, plant and equipment, 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 | 50 years |
| Operating and office equipment | 3 to 13 years |

The Franz Haniel Subgroup 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 lease extension and pre-emption provisions for the respective items leased.

If the Subgroup is the lessor in a finance lease transaction, the lease is recognised as a receivable in the amount of the net investment value of the leased asset at the beginning of the lease term. The lease payments received subsequently are apportioned into principal and interest payments. The principal repayment reduces the existing receivable, the interest portion is recognised through profit and loss in other net financial income.

Purchased intangible assets are recognised at cost less amortisation and, if applicable, impairment losses. Intangible assets are generally amortised over their contractual or estimated useful lives using the straight-line method. Licences and similar rights are amortised over a period of 3 to 15 years. With the exception of works of art with indefinite useful lives, all useful lives are finite.

Investments in affiliates are carried at cost or the lower recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell.

Associates 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 at the date of acquisition, the carrying amount of the investments is increased or decreased by Haniel'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 according to the full consolidation principles is not amortised. An impairment test is conducted if there is objective evidence 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 that assets are impaired, they are written down to the lower present value, 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 at 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 the fair value through profit or loss, this category includes those financial instruments that are held for trading. In the Franz Haniel Subgroup, 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 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 market values on the reporting date. 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 held at fair value through profit or loss are shown at their fair value prevailing on the reporting date. Any transaction costs are recognised in profit or loss upon posting. Fluctuations in the fair value are directly reflected in the income statement. The Franz Haniel Subgroup reports investments in venture capital funds in the category at fair value through profit and loss. 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.

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, 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.

Trade receivables, receivables from investments and other current assets are, in the case of loans and receivables, initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Valuation allowances are determined to take into account existing risks.

Tax assets and tax liabilities are carried 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 currency, interest rate and market price risks arising from the operating business and/or from the associated financing requirements.

Regular way sales and purchases of financial instruments are recorded on the settlement date. Under IAS 39, all derivative financial instruments must be recognised at their fair values, irrespective of the purpose or intention for which they were concluded. Changes in the fair values of derivative financial instruments to which hedge accounting applies are reported either in the income statement (fair value hedge) or, in the case of a cash flow hedge, in other comprehensive income, taking deferred taxes into account. Pursuant to 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 the fair values of derivative financial instruments attributable to the effective portion of the hedge are initially reported in other comprehensive income. A transfer to the income statement is made at the time the hedged item impacts profit or loss. The changes in the fair values of the derivative financial instruments attributable to the ineffective portion of the hedge are immediately recognised in the income statement. In cases where hedge accounting is not applied, the changes in the fair value of derivative financial instruments are immediately recognised in profit or loss.

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

Non-current assets and groups of assets classified as held for sale are no longer depreciated as at 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. If the disposal group comprises a material business segment or operation, the after-tax profit or loss from discontinued operations is reported separately in the income statement. The previous year's income statement is adjusted accordingly. The profit or loss from discontinued operations after taxes comprises the result of the measurement described above, the operation's current earnings 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 tax assets and liabilities are recognised for temporary differences between the values in the tax balance sheets of the individual companies and the carrying amounts in the 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 taxes are offset if there is a legally enforceable right to set off current tax assets and tax liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority for the same taxable entity (IAS12).

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. Remeasurement gains and losses are recognised directly in other comprehensive income in their full amount. These amounts are not later reclassified to profit or loss. Remeasurement gains and losses arise from actuarial gains and losses as well as from the difference between the actual income from plan assets and the expected income 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.

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 pursuant to IAS 23 are recognised in the proper period using the effective interest method.

The financial statements are prepared on the basis of certain assumptions and estimates which have an effect on the amount and presentation of the reported assets, liabilities, income, expenses and contingent liabilities. The assumptions and estimates primarily concern the items set forth below.

The impairment tests on investments and other assets are based on forwarding-looking assumptions. Paying due regard to past developments and assumptions concerning the future development of markets, the test is 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 development of revenue, the gross margin 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 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, 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 are subject to actuarial assumptions regarding future wage and salary increases, benefit increases, mortality rates and employee turnover. The actual development, and hence actual expenses incurred in the future, may deviate from the expected development and the recognised provisions.

Deferred tax assets and liabilities are measured on the basis of assumptions and estimates made by management. In addition to the interpretation of the tax regulations applicable to the taxable entity concerned, the key factor in the calculation of deferred tax assets in respect of temporary differences and tax loss carryforwards is an assessment of the likelihood that adequate taxable income will be generated in future or that appropriate tax strategies for utilising tax loss carryforwards will be implemented.

All assumptions and estimates are based on the circumstances prevailing on the reporting date. Future events and changes in general circumstances often give rise to differences between the actual amounts and the estimates. This applies in particular to financial obligations that cannot be measured because their existence, amount and timing of occurrence are uncertain. In case of differences, the assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted accordingly. At the time the consolidated financial statements of the Subgroup were prepared, there was no indication of any material changes in the underlying assumptions and estimates.

# B. Notes to the statement of financial position

## 1 Property, plant and equipment & intangible assets

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Land, buildings and similar assets | 28.0 | 30.1 |
| Operating and office equipment | 2.9 | 3.0 |
| Prepayments and assets under construction | 0.5 | 0.3 |
| Property, plant and equipment | 31.4 | 33.4 |
| | | |
| Goodwill | 0.1 | 0.1 |
| Other intangible assets | 20.6 | 21.3 |
| Intangible assets | 20.7 | 21.4 |

As in the previous year, no qualified borrowing costs were capitalised on property, plant and equipment and intangible assets in the financial year.

Other intangible assets include assets with indefinite useful lives totalling EUR 21 million (previous year: EUR 21 million). The principal component of this item is works of art belonging to Franz Haniel & Cie. GmbH.

As in the previous year, legally and economically owned property, plant and equipment and intangible assets are not subject to any restrictions on title, and no assets were pledged as collateral for own liabilities.

## 2 Investments in affiliates

Investments in affiliates chiefly comprise the investments in the holding companies of the BekaertDeslee, CWS-boco, ELG and TAKKT divisions and are measured at cost in the amount of EUR 984 million (previous year: EUR 974 million). The additions during the financial year resulted from a capital increase carried out at a subsidiary.

## 3 Investments accounted for at-equity

| EUR million | 2016 | 2015 |
|---|---|---|
| As at 1 Jan. | 2,562.4 | 3,011.9 |
| Additions | | |
| Changes in equity interest recognised in profit or loss | 45.5 | 56.6 |
| Profit distribution | -81.0 | -87.5 |
| Changes in equity interest recognised in other comprehensive income | 4.0 | 74.3 |
| Impairments | | |
| Reclassification as assets held for sale | | |
| Disposals and transfers | | -492.9 |
| As at 31 Dec. | 2,530.9 | 2,562.4 |

Investments accounted for at equity mainly comprise the investment by Franz Haniel & Cie. GmbH in METRO AG. METRO AG, domiciled in Düsseldorf, is the holding company of the METRO GROUP, an international retail group. The METRO GROUP's independent sales lines operate self-service wholesale trade (METRO Cash & Carry), retail electronics (Media-Saturn) and self-service hypermarket (Real) businesses in Europe and Asia.

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

On 30 March 2016, the METRO GROUP announced that they are seeking to demerge the METRO GROUP into two independent, exchange-listed companies by mid-2017. To that end, technically the two previous sales divisions, Metro Cash & Carry and Real, as well as additional accompanying companies and business activities such as logistics, IT and real estate, should be separated out and spun off. Upon a corresponding acceptance of the proposal by the shareholders of METRO AG, going forward Haniel would have a significant influence in both exchange-listed companies.

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, based on planning of future cash flows, a weighted average cost of capital before taxes of 10.2 per cent (previous year: 10.4 per cent) and a growth rate of 0.5 per cent – as in the previous year – for the years after the detailed planning period did not indicate a need to adjust the carrying amount of the investment accounted for at equity in the financial year.

The Metro investment contributed earnings totalling EUR 46 million (previous year: EUR 57 million).

Due to the nature of its industry, METRO AG has had a financial year of 1 October through 30 September instead of the calendar year since 2013. However, the METRO GROUP is included in Haniel's consolidated financial statements based on interim financial statements using results from 1 January through 31 December.

Material financial information on the IFRS consolidated financial statements of METRO AG as well as a reconciliation of the carrying amount of the Metro investment reported in the Franz Haniel Subgroup's consolidated financial statements are presented below.

| EUR million | 2016 | 2015 |
|---|---|---|
| Revenue | 58,313 | 58,991 |
| Profit after taxes | 241 | 2 |
| Profit after taxes from discontinued operations | 49 | 850 |
| Other comprehensive income | 71 | 155 |
| Comprehensive income | 361 | 1,007 |
| | | |
| Dividends received from METRO AG | 81 | 88 |

The profit after taxes from discontinued operations from the consolidated financial statements of METRO AG presented in the above table for the financial year 2015 includes the current results of the Galeria Kaufhof sales line, which was sold on 30 September 2015, as well as the related gain or loss on disposal and trailing income.

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Non-current assets | 13,193 | 13,153 |
| Current assets | 16,014 | 17,104 |
| Non-current liabilities | 5,789 | 6,827 |
| Current liabilities | 17,758 | 17,716 |
| Equity | 5,660 | 5,714 |
| Equity attributable to shareholders of METRO AG | 5,638 | 5,699 |
| | | |
| Haniel’s share of equity of METRO AG | 1,398 | 1,413 |
| Cumulative hidden reserves from purchase price allocation | 1,983 | 1,999 |
| Impairments of investments accounted for at equity | 850 | 850 |
| Carrying amount of the METRO investment | 2,531 | 2,562 |

In addition, METRO AG has contingent liabilities from suretyships, rent guarantees and other warranty contracts in the amount of EUR 69 million (previous year: EUR 71 million).

The stock market value of Haniel’s unchanged 24.79 per cent interest in the common and preferred shares of METRO AG as at the reporting date amounted to EUR 2,559 million (previous year: EUR 2,395 million), valued at a stock price of EUR 31.59 per ordinary share (previous year: EUR 29.56 per ordinary share).

## 4 Financial assets

| EUR million | Financial assets available for sale | Financial assets measured at fair value through profit or loss | Other securities | Loans to affiliated companies | Loans | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at 1 Jan. 2016 | 639.2 | 0.0 | 5.0 | 124.3 | 7.0 | 775.5 |
| Foreign exchange rate adjustments | 1.3 | 0.1 | | 2.1 | | 3.5 |
| Additions to scope of consolidation | | | | | | 0.0 |
| Additions | 89.3 | 11.1 | 13.0 | 9.2 | 0.1 | 122.7 |
| Fair value changes | -7.4 | -2.0 | | | | -9.4 |
| Reclassifications | | | | | -6.9 | -6.9 |
| Disposals | 296.4 | 0.4 | | 19.2 | 0.2 | 316.2 |
| As at 31 Dec. 2016 | 426.0 | 8.8 | 18.0 | 116.4 | 0.0 | 569.2 |
| | | | | | | |
| Accumulated depreciation | | | | | | |
| As at 1 Jan. 2016 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Foreign exchange rate adjustments | | | | | | 0.0 |
| Depreciation | | | | | | 0.0 |
| Impairments | | | | | | 0.0 |
| Reversals of impairment losses | 0.5 | | | | | 0.5 |
| Reclassifications | | | | | | 0.0 |
| Disposals | | | | | | 0.0 |
| As at 31 Dec. 2016 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | |
| Net carrying amounts | | | | | | |
| As at 31 Dec. 2016 | 426.0 | 8.8 | 18.0 | 116.4 | 0.0 | 569.2 |
| As at 1 Jan. 2016 | 638.7 | 0.0 | 5.0 | 124.3 | 7.0 | 775.0 |

As in the previous year, the changes to financial assets available for sale in the financial year resulted primarily from acquisitions of bonds and the scheduled maturities of bonds. The majority of the fair value changes are attributable to the acquisition of these bonds above their principal amount.

The financial assets measured at fair value through profit or loss are investments in venture capital funds.

Loans to affiliated companies include euro and US dollar long-term loans to Group companies. Additions and disposals relate to such loans falling due and being granted.

A receivable from a finance lease reported in the previous year as a long-term loan is presented as a current receivable as at the reporting date because it falls due in financial year 2017.

| EUR million | Financial assets available for sale | Financial assets measured at fair value through profit or loss | Other securities | Loans to affiliated companies | Loans | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| As at 1 Jan. 2015 | 164.8 | 0.0 | 5.0 | 109.4 | 7.0 | 286.2 |
| Foreign exchange rate adjustments | -0.2 | | | 6.0 | | 5.8 |
| Additions to scope of consolidation | | | | | | 0.0 |
| Additions | 562.7 | | | 8.9 | | 571.6 |
| Changes in fair value | -14.9 | | | | | -14.9 |
| Reclassifications | | | | | | 0.0 |
| Disposals | 73.1 | | | | | 73.1 |
| As at 31 Dec. 2015 | 639.3 | 0.0 | 5.0 | 124.3 | 7.0 | 775.6 |
| | | | | | | |
| Accumulated depreciation | | | | | | |
| As at 1 Jan. 2015 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Foreign exchange rate adjustments | | | | | | 0.0 |
| Depreciation | | | | | | 0.0 |
| Impairments | | | | | | 0.0 |
| Reversals of impairment losses | | | | | | 0.0 |
| Reclassifications | | | | | | 0.0 |
| Disposals | | | | | | 0.0 |
| As at 31 Dec. 2015 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| | | | | | | |
| Net carrying amounts | | | | | | |
| As at 31 Dec. 2015 | 638.8 | 0.0 | 5.0 | 124.3 | 7.0 | 775.1 |
| As at 1 Jan. 2015 | 164.3 | 0.0 | 5.0 | 109.4 | 7.0 | 285.7 |

The additions and disposals under financial assets available for sale resulted from the acquisition and maturity of bonds. Additions under loans to affiliated companies related to the acquisition of a promissory loan note denominated in US dollars issued by a subsidiary.

## 5 Other non-current assets

Other non-current assets contain life insurance policies held as financial assets.

## 6 Receivables from investments and other current assets

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Receivables from affiliated companies | 206.0 | 139.7 |
| Derivative financial instruments | 2.6 | 3.5 |
| Other current assets | 34.8 | 30.7 |
| | 243.4 | 173.9 |

Other current assets include non-financial assets such as value added tax receivables and other tax assets in the amount of EUR 5 million (previous year: EUR 6 million) as well as interest claims in the amount of EUR 10 million (previous year: EUR 14 million). In addition, they include a receivable from a finance lease amounting to EUR 7 million, which in the previous year had a remaining term of longer than one year.

Receivables from affiliated companies include receivables from the financing of Group companies.

## 7 Financial assets

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Financial assets available for sale | 323.4 | 212.5 |
| Other securities and fixed-term deposits | 122.2 | 18.9 |
| | 445.6 | 231.4 |

The available for sale financial instruments are current financial investments in investment funds and bonds. The line item other securities and fixed-term deposits contains investments in commercial papers.

## 8 Cash and cash equivalents

Cash and cash equivalents of EUR 231 million (previous year: EUR 319 million) consist of bank balances, money market funds as well as cash on hand and cheques.

## 9 Assets held for sale

In the previous year, all of the assets held for sale concerned property, plant and equipment.

Real estate no longer required for operations, which in the previous year had been reported as assets held for sale, was successfully sold during the financial year.

## 10 Equity

As at 31 December 2016, 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 8. Changes in the scope of consolidation, presented in the previous year, stood in the context of the reduction of shares in METRO AG.

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

The total amount of accumulated other comprehensive income changed as follows:

| EUR million | As at 1 Jan. 2016 | Other comprehensive income | As at 31 Dec. 2016 |
|---|---|---|---|
| Remeasurements of defined benefit plans | -35.8 | -4.6 | -40.4 |
| Deferred taxes | 11.0 | 1.4 | 12.4 |
| Other comprehensive income from investments accounted for at equity | -145.4 | -10.4 | -155.8 |
| Other comprehensive income not to be reclassified to profit or loss | -170.2 | -13.6 | -183.8 |
| Derivative financial instruments | | | |
| Financial assets available for sale | -2.0 | 8.5 | 6.5 |
| Deferred taxes | 0.6 | -2.6 | -2.0 |
| Currency translation effects | | | |
| Other comprehensive income from investments accounted for at equity | -209.9 | 14.4 | -195.5 |
| Other comprehensive income to be reclassified to profit or loss | -211.3 | 20.3 | -191.0 |
| Accumulated other comprehensive income | -381.5 | 6.7 | -374.8 |
| of which attributable to non-controlling interests | | | |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | -381.5 | 6.7 | -374.8 |

| EUR million | As at 1 Jan. 2015 | Other comprehensive income | As at 31 Dec. 2015 |
|---|---|---|---|
| Remeasurements of defined benefit plans | -42.8 | 7.0 | -35.8 |
| Deferred taxes | 13.1 | -2.1 | 11.0 |
| Other comprehensive income from investments accounted for at equity | -230.3 | 45.1 | -145.4 |
| Other comprehensive income not to be reclassified to profit or loss | -260.0 | 50.0 | -170.2 |
| Derivative financial instruments | | | |
| Financial assets available for sale | 0.4 | -2.4 | -2.0 |
| Deferred taxes | -0.1 | 0.7 | 0.6 |
| Currency translation effects | | | |
| Other comprehensive income from investments accounted for at equity | -239.2 | 29.3 | -209.9 |
| Other comprehensive income to be reclassified to profit or loss | -238.9 | 27.6 | -211.3 |
| Accumulated other comprehensive income | -498.9 | 77.6 | -381.5 |
| of which attributable to non-controlling interests | | | |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | -498.9 | 77.6 | -381.5 |

The accumulated other comprehensive income presented contains a total amount of EUR 0 million (previous year: EUR 0 million) that is attributable to assets and liabilities held for sale.

## 11 Current and non-current financial liabilities

Financial liabilities comprise all interest-bearing obligations of the Franz Haniel Subgroup 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. 2016 | | | | 31 Dec. 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | 0.8 | | | 0.8 | | | | 0.0 |
| Bonds, commercial paper and other securitised debt | 723.0 | 195.2 | | 918.2 | 469.2 | 465.1 | | 934.3 |
| Liabilities to shareholders | 79.6 | 62.4 | | 142.0 | 53.4 | 94.9 | | 148.3 |
| Other financial liabilities | 33.3 | 38.8 | 15.6 | 87.7 | 27.6 | 31.2 | 27.0 | 85.8 |
| Financial liabilities to third parties | 836.7 | 296.4 | 15.6 | 1,148.7 | 550.2 | 591.2 | 27.0 | 1,168.4 |
| Liabilities to affiliated companies | | | | 0.0 | | | | 0.0 |
| Financial liabilities | 836.7 | 296.4 | 15.6 | 1,148.7 | 550.2 | 591.2 | 27.0 | 1,168.4 |
| of which subordinated | 112.6 | 101.5 | 14.3 | 228.4 | 80.7 | 125.1 | 26.9 | 232.7 |

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

The exchangeable bond linked to ordinary shares of METRO 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. Pursuant to IAS 1.69 (d), the bond itself must be reported as a current financial liability.

The bonds, commercial paper and other securitised debt item includes bonds from the Debt Issuance Programme of EUR 442 million (previous year: EUR 465 million) and the exchangeable bond linked to ordinary shares of METRO AG in the amount of EUR 476 million (previous year: EUR 469 million). The increase in bonds with a remaining term of up to 1 year resulted primarily from the recognition of a bond maturing in February 2017 under the category up to 1 year.

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

Financial liabilities include subordinated liabilities in the amount of EUR 228 million (previous year: EUR 233 million). The subordinated financial liabilities rank below all other obligations. The subordinated financial liabilities are shown in the table below:

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Shareholder loans Haniel family | 142.0 | 148.3 |
| Loans of the Haniel Foundation | 37.9 | 36.3 |
| Haniel Zerobonds and Zinsbonds | 10.3 | 11.3 |
| Haniel Performance Bonds | 29.5 | 28.1 |
| Other financial liabilities | 8.7 | 8.7 |
| Total | 228.4 | 232.7 |

Net financial liabilities to third parties, including cash and cash equivalents (note 8), amounted to EUR 917 million (previous year: EUR 849 million).

## 12 Provisions

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Pension provisions | 101.1 | 95.5 |
| | | |
| Provisions for personnel | 7.9 | 7.6 |
| Miscellaneous non-current provisions | 16.3 | 23.2 |
| Other non-current provisions | 24.2 | 30.8 |
| | | |
| Provisions for personnel | 5.1 | 5.4 |
| Miscellaneous current provisions | 17.0 | 33.4 |
| Current provisions | 22.1 | 38.8 |

Pension provisions are recognised for obligations arising from current pensions as well as from commitments under old-age, disability and survivors’ pension plans. The company pension schemes comprise defined benefit, unfunded plans. The carrying amounts of pension provisions under defined benefit plans are determined according to the projected unit credit method using actuarial principles.

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

The miscellaneous non-current and current provisions contain provisions in connection with sand-lime bricks that were produced in former Haniel building materials plants using lime substitutes.

## 13 Other current liabilities

The Other current liabilities are presented in the table below:

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Liabilities for other taxes | 0.9 | 0,0 |
| Accrued expenses | 28.4 | 28.1 |
| Derivative financial instruments | 39.0 | 38.2 |
| Miscellaneous current liabilities | 1.6 | 1.0 |
| | 69.9 | 67.3 |

The accrued expenses include periodic expenses for interest, holiday leave not yet taken and invoices not yet received. Derivative financial instruments also includes the exchange right of the holders of the exchangeable bond linked to ordinary shares of METRO AG.

# C. Notes to the income statement

## 14 Other operating income

Other operating income in the financial year was EUR 7 million (previous year: EUR 8 million) and essentially includes income for services and rental income.

As in the previous year, there were no reversals of impairment losses recognised in respect of items of property, plant and equipment and intangible assets.

## 15 Personnel expenses

| EUR million | 2016 | 2015 |
|---|---|---|
| Wages and salaries | 22.2 | 22.1 |
| Social security | 2.1 | 2.1 |
| Expenses for pensions and other benefits | 2.8 | 3.3 |
| Reversals of provisions for personnel expenses | -0.9 | -0.6 |
| | 26.2 | 26.9 |

## 16 Other operating expenses

The other operating expenses of EUR 14 million (previous year: EUR 0 million) comprise numerous operating expenses, for example for consulting services, IT landscape, repairs, insurance, advertising and representation. Other operating expenses were influenced during the financial year by the reversal of EUR 7 million (previous year: EUR 20 million) in provisions no longer required.

## 17 Other investment result

| EUR million | 2016 | 2015 |
|---|---|---|
| Result from investments in affiliated companies | 69.1 | 52.9 |
| Result from financial assets measured at fair value through profit or loss | -1.9 | 0,0 |
| Result from available for sale financial assets | 3.7 | 0,0 |
| | 70.9 | 52.9 |

The result from financial assets measured at fair value through profit or loss consists exclusively of the change in fair value of venture capital funds. The result from available for sale financial assets consists primarily of a dividend from an investment following the sale of real estate.

## 18 Finance costs

| EUR million | 2016 | 2015 |
|---|---|---|
| Interest and similar expenses | 54.8 | 56.3 |
| Interest expenses for pension and other provisions | 2.5 | 2.6 |
| | 57.3 | 58.9 |

The interest and similar expenses in the financial year include expenses from bond redemptions above the principal amount in the amount of EUR 1 million (previous year: EUR 1 million).

## 19 Other net financial income

| EUR million | 2016 | 2015 |
|---|---|---|
| Interest and similar income | 21.2 | 15.0 |
| Miscellaneous financial income | -1.3 | 7.8 |
| | 19.9 | 22.8 |

Changes in the fair value of derivative financial instruments recognised in profit or loss amounted to EUR -2 million in the financial year (previous year: EUR 9 million) and are included in miscellaneous financial income. Of that, EUR 1 million (previous year: EUR 9 million) is attributable to the change in the fair value of the option component of the exchangeable bond linked to ordinary shares of METRO AG.

The net exchange differences amounted to EUR 0 million in the financial year (previous year: EUR -1 million) and are recognised in miscellaneous financial income.

The Franz Haniel Subgroup expects EUR 8 million in minimum lease payments in the coming years from the lease of a property under a financial lease (previous year: EUR 9 million). The unearned finance income amounted to EUR 1 million (previous year: EUR 2 million). The present value of outstanding minimum lease payments thus amounted to EUR 7 million as at the reporting date (previous year: EUR 7 million).

## 20 Income tax expenses

| EUR million | 2016 | 2015 |
|---|---|---|
| Current taxes | -8.7 | -1.6 |
| Deferred taxes | -4.4 | 9.0 |
| | -13.1 | 7.4 |

Current taxes include an effect from an intercompany tax allocation from a subsidiary amounting to EUR 8 million (previous year: EUR 2 million).

# D. Other notes

## 21 Financial risk management

In the context of its operating activities, the Franz Haniel Subgroup and its divisions are exposed to financial risks. These primarily include liquidity risks, default risks, and risks resulting from changes in interest and exchange rates. The purpose of financial risk management is to reduce the extent of these financial risks.

The 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 central treasury department 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, Haniel 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. The contractual conditions governing the euro bond issued in February 2012 by Franz Haniel & Cie. GmbH with an issue amount of EUR 400 million at the reporting date provide for an interest rate increase of 125 basis points if Haniel’s rating falls below BB or Ba2.

### Liquidity risk

Liquidity risk is the risk of being unable to guarantee the Franz Haniel Subgroup’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. In order to cover the financing requirement, the Haniel Holding 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 Franz Haniel Subgroup’s contractual partners not fulfilling their obligations. Haniel is exposed to a default risk both in its operating business and in connection with short- and medium-term financial investments.

The investment of excess liquidity in selected financial products is governed by appropriate 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 (excluding receivables from affiliated companies), derivative financial instruments with positive fair values, as well as cash and cash equivalents may be summarised as follows:

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Low credit risk | 954 | 1,053 |
| Medium credit risk | 177 | 149 |
| Total | 1,131 | 1,202 |

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 Franz Haniel Subgroup also includes the nominal amount of the financial guarantee contracts issued. As at the reporting date, financial guarantee contracts with a nominal volume totalling EUR 16 million (previous year: EUR 17 million) had been granted.

### 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 and interest rate expectations. The interest rate hedging strategy is reviewed and new targets are defined at regular intervals. The Subgroup generally seeks to maintain an appropriate hedged interest rate position.

### Exchange rate risk
Exchange rate risks arise from investments and financing measures undertaken in foreign currencies. The resulting risk exposure is determined continually. Forward currency contracts are the primary instruments used to hedge against exchange rate risks.

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.

The medium- and long-term borrowing is predominantly done by the Franz Haniel & Cie. GmbH 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.

### Share price risk
Share price risks in the consolidated financial statements of the Subgroup result from the exchangeable bond linked to ordinary shares of METRO AG issued in May 2015. Fluctuations in the quoted price of METRO AG have a direct impact on the measurement of the obligation to deliver. A hypothetical 10 per cent increase (decrease) in METRO AG’s quoted price would lead to a decrease (increase) in the profit before taxes of EUR 15 million (EUR 12 million). Compensating changes in value from the Metro 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).

### Hedge accounting
The Franz Haniel Subgroup generally 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 purchases 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.

There was no hedge accounting in the Franz Haniel Subgroup as at the reporting date.

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 hedge – Interest rate hedging

The Franz Haniel Subgroup obtains financing largely by way of long-term bilateral credit facilities, bonds and promissory note loans. 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, Haniel hedges against rising market interest rates and thus against future increases in interest expenses.

### Cash flow hedge – Currency hedging

With respect to payment obligations in foreign currencies, the Franz Haniel Subgroup enters into forward exchange contracts to hedge euro-denominated payments.

## 22 Contingent liabilities

| EUR million | 31 Dec. 2016 | 31 Dec. 2015 |
|---|---|---|
| Liabilities from | | |
| financial guarantee contracts | 16.4 | 17.3 |
| miscellaneous guarantees | 414.1 | 510.8 |
| | 430.5 | 528.1 |

As in the previous year, no contingent receivables exist as at the reporting date.

## 23 Notes to the statement of cash flows

The statement of cash flows shows the changes in the Franz Haniel Subgroup'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 flows from operating activities are determined indirectly on the basis of the profit after taxes and essentially contain payments caused by operations, dividends from investments as well as interest paid and received. 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.

Cash flows from investing activities include payments for acquisitions and disposals of individual assets as well as payments in connection with capital increases, as well as transactions that change the ownership interest in affiliated companies or investments accounted for at equity, as well as payments in connection with the financing of the affiliated companies.

The cash flows from financing activities comprise payments in connection with shareholder transactions as well as financial liabilities. Payments to shareholders include dividend payments to the shareholders of Franz Haniel & Cie. GmbH in the amount of EUR 50 million (previous year: EUR 40 million) and payments for the purchase of treasury shares in the amount of EUR 4 million (previous year: EUR 4 million).

The cash flows from financing activities also include the cash changes in financial liabilities. In the previous year, the proceeds from issuance of financial liabilities contained in particular the issue of an exchangeable bond linked to ordinary shares of METRO AG.

For the purpose of providing information to investors, the cash flow of the Franz Haniel Subgroup is presented below in a modified format compared with the statement of cash flows on page 9, and reflects the source and application of funds approach used for business management purposes:

| EUR million | 2016 | 2015 |
|---|---|---|
| Dividends received | 159 | 151 |
| Other operating cash flow | -58 | -61 |
| Interest paid | -9 | -33 |
| Operating cash flow | 92 | 57 |
| Dividend payments to shareholders | -50 | -40 |
| Purchase of treasury shares | -4 | -4 |
| Divestments/investments | -96 | -243 |
| Cash flow from other derivatives | 0 | 35 |
| Cash change in net financial liabilities to third parties | -58 | -195 |
| Non-cash change in net financial liabilities to third parties | -10 | -7 |
| Change in net financial liabilities to third parties | -68 | -202 |

In the previous year, the cash flows from other derivatives also included the proceeds from the option premium collected from the issue of an exchangeable bond linked to ordinary shares of METRO AG.

The decrease in interest paid was mainly due to interest inflows from financial assets with fixed interest payment dates, acquired in the previous year. These inflows were opposed by outflows for the acquisition of such financial assets in part significantly above their nominal value in the previous year. Taking these effects into account, interest outflows of EUR 30 million are attributable to the financial year 2016, the outflows for Divestments/investments are accordingly lower.

## 24 Market value

The market value of the investment portfolio as at 31 December 2016 amounted to EUR 5,284 million (previous year: EUR 4,887 million). The market value is calculated as the sum of the valuations of the divisions, the METRO GROUP financial investment, financial assets and other assets, less net financial liabilities. The valuation is performed on the basis of three-month average prices for the listed divisions and the financial investment in the METRO GROUP, on the basis of market multiples for the other divisions and on the basis of fair values for other financial assets.

## 25 Events after the reporting date

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

## 26 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 91 million.

The Management Board proposes paying out a dividend of EUR 50 million.

The shareholders will therefore receive a dividend of 5 per cent on the subscribed capital of EUR 1,000 million. This represents an amount of EUR 2.50 per EUR 50 ordinary share.

Duisburg, 6 March 2017

The Management Board

Gemkow Funck Schmidt

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These consolidated financial statements of the Subgroup are published in German and English.
The German original is controlling.

04/17

haniel.de/en