HANIEL

Franz Haniel & Cie. GmbH
Annual Report
2019

Indicators

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2018	2019	Change
Revenue and profits			
Revenue	4,683	4,533	–3%
Operating profit	301	255	–15%
Profit before taxes	–475[1]	175	>+100%
Profit after taxes	–848	130	>+100%
Cash flow			
Haniel cash flow	522	514	–2%
Cash flow from operating activities	380	617	+62%
Capital expenditure	342	463	+35%
Dividend of Franz Haniel & Cie. GmbH	60	60	+/– 0%
Statement of financial position			
Total assets	6,256	6,283	+/– 0%
Equity	3,630	3,358	–7%
Equity ratio (in per cent)	58%	53%	–5 %-points
Net financial position	974	823	–16%
Employees			
Annual average number of employees (headcount)	18,824	19,302	+3%

[1] Following the disposal of most of the shares held in METRO, METRO is no longer classified as a reporting segment and is reported as a “discontinued operation”. Prior-year figures have been adjusted accordingly. Please see the explanation in the notes to the consolidated financial statements.

Looking back at 2019

Strategic realignment: focus on profitable growth and sustainability

Revenue and operating profit down year on year

Profit before and after taxes up significantly

Haniel acquires full stake in CWS

Around EUR 1.7 billion available for additional portfolio development following METRO exit

Passing on the torch at Haniel

Realignment at Haniel: Report of the Supervisory Board

FRANZ M. HANIEL
Chairman of the Supervisory Board

Dear shareholders,
In 2019, Haniel turned the page to a new chapter in its 264-year history: following its successful financial consolidation over recent years, Haniel is now once more working to realign its strategy. One crucial element of this evolution is to develop a modern, entrepreneurial culture that embodies a shared understanding of leadership. In order to create value for generations, Haniel is transforming itself from a traditional Holding Company to an investment Holding Company that operates as a strategic architect. It will set ambitious targets and lay down guidelines, while implementing the necessary measures to steer its business units and the portfolio as a whole.

Haniel's objective has always been to secure a future worth living for subsequent generations. That objective will be at the heart of its corporate strategy going forward. Haniel will invest only in enterprises that meet performance targets as well as clear sustainability criteria.

As a profit-oriented family business, Haniel's explicit goal for its future investment portfolio is to beat the return on the capital market in the medium term. The sale of the METRO shares in 2019 provided the Holding Company with additional resources to continue to restructure its portfolio.

At the same time, progress is being made in the digital transformation. Schacht One was an important catalyst in this area, and now that the various business units have established their own clear Digital Agendas, it has been given its independence.

Change in top management
Stephan Gemkow relinquished his chairmanship of the Management Board at Haniel with effect from 30 June 2019, after nearly seven years' service in the role. He was succeeded by Thomas Schmidt, who has served on Haniel's Management Board since January 2017 and was Chairman of the Management Board at CWS until 30 June 2019. The family bade a grateful farewell to Mr Gemkow at the 2019 Shareholders' Meeting. He played a vital role in Haniel's financial consolidation during challenging times.

At the end of April 2020, I intend to relinquish my Chairmanship of the Supervisory Board to Doreen Nowotne, who has been a Supervisory Board member since April 2018. Ms Nowotne will therefore become the first non-family Chairwoman of the Supervisory Board in the Company's history. I believe that the year 2020 is the right time to pass the torch on to a new generation on the Boards, which will continue to carry out the process of Haniel's strategic realignment that has already been accomplished in many areas. Ms Nowotne is just the right expert to oversee the Company's continued evolution and strategic realignment, thanks to her many years of experience with investment management. I wish her and the entire Supervisory Board every success and good fortune in this endeavour. I am extremely grateful for the trust and support I have been afforded in past years.

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 various business units – also with regard to important individual events.

In accordance with my duty as Chairman of the Supervisory Board of Franz Haniel & Cie. GmbH, beyond the normal meetings of the Board, I have also been in regular contact with the Management Board. We discussed important operational 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 in advance of meetings and passed the necessary resolutions at five regular meetings and two extraordinary meetings. The meetings focused on investment opportunities for portfolio development as well as, in particular, the strategic realignment of the Company.

The Audit Committee held five meetings in the 2019 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. Furthermore, the Committee discussed the independence of the auditor and approved permitted non-audit services. At its meeting on 18 March 2019, it recommended to the Supervisory Board that it propose to the Shareholders' Meeting that the previous auditor be re-elected.

Annual 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 2019 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.

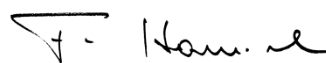
The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group report of the Management Board. The auditors participated in the Supervisory Board's meeting on the financial statements and in all meetings of the Audit Committee.

The Management Board submitted the consolidated financial statements, the Group report of the Management Board and the Group auditors' report for 2019 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
The Supervisory Board wishes to thank the Management Board and employees for their commitment and hard work over this past year. In the current year, Haniel will continue to focus on implementing its strategic realignment. This will include in particular the continued restructuring of its portfolio and the establishment of the new culture of leadership. The spread of the coronavirus presents us with special challenges. As the Supervisory Board, we are accompanying and supporting the Management Board in all the upcoming tasks and changes. We have great confidence in the financial strength, stability and future feasibility of our Company. Together we will master this crisis and emerge from it stronger.

Duisburg, 1 April 2020

Franz M. Haniel



Chairman of the Supervisory Board

Group report of the Management Board

Group structure and business models

Report on business situation
Haniel Group
Revenue and earnings performance
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Assets and liabilities
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Holding Company Franz Haniel & Cie.
BekaertDeslee
CWS
ELG
Optimar
ROVEMA
TAKKT
Financial investment CECONOMY

Report on opportunities and risks
Report on expected developments

Group structure and business models

The Haniel Group combines six business units and one financial investment. The Holding Company Franz Haniel & Cie. GmbH operates as a strategic architect which plays an active role in the continued development of the portfolio, setting out a shared management model – the Haniel Operating Way – as a framework for doing so. The operating business is in the hands of the business units which act independently of one another.

Haniel turns the page

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. On 1 July 2019, Thomas Schmidt succeeded Stephan Gemkow as CEO. In the course of the year, a transformation project was launched to make the portfolio and the Group fit for the future and enable them to generate continued growth. Haniel's specific investment approach focuses on sustainability criteria while placing a clear emphasis on performance. When selecting future investments, Haniel is guided by the United Nation's Sustainable Development Goals as well as global megatrends. The Company systematically invests in sustainable business models from three different categories:

- People: we enable people to live healthy, happy and peaceful lives.
- Planet: we take action to preserve our planet for future generations.
- Progress: we foster progress to create innovations, prosperity and economic growth.

In this way, Haniel lays out clear criteria: it invests only in companies whose business models and corporate cultures meet these standards. At the same time, Haniel focuses on performance. Over the medium term, the Group aims to achieve an overall return in excess of nine per cent, thus outperforming the capital markets. Efforts in this regard will be supported by a new leadership model and a reorganisation of the management Holding Company. As in the past, capital and management remain separated as a matter of principle at Haniel: Although the Company is 100 per cent family-owned, no shareholder works at the Company.

Haniel developing a new leadership model

Haniel is shaping a diversified portfolio of investments in companies of varying degrees of maturity from different industries, and is investing for the long term. As a Holding Company, Haniel considers itself a strategic architect that takes an active part in developing the companies. The performance-oriented operating management model – the Haniel Operating Way (HOW) – forms the basis for this collaboration. It centres around process and customer orientation in order to achieve operational excellence at every business unit. In this way, Haniel offers the portfolio companies a chance to increase their level of professionalism, to share their experiences with other business units, to make use of proven tools and gain access to the best talents without detracting from the operational independence of the business units. In addition, the Holding Company makes sufficient capital available to promote organic or acquisition-driven growth.

The Haniel Holding Company has been split into two divisions in order to make it leaner and more effective. Going forward, the Investment division will feature specialist teams that are responsible for overseeing acquisitions of new companies, managing the existing business units and ensuring that they continue to add value. The Holding Services/Heritage division will bundle services for the Holding Company and the shareholders.

Diversified business models

On 6 November 2019, EP Global Commerce (EPGC) exercised a call option to purchase approximately 12.5 per cent of the shares in METRO AG from Haniel. There also exists a call option with respect to Haniel's remaining 2.71 per cent interest in METRO. As a consequence, Haniel no longer accounts for METRO as a financial investment, and has withdrawn from its supervisory board. Already in 2018, Haniel sold 7.3 per cent of METRO AG's ordinary shares outstanding to EPGC.

Haniel's business units and the CECONOMY financial investment operate independently of each other in their respective markets. Except for BekaertDeslee and Optimar, all business units 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 specialist for the development and manufacturing of mattress textiles. From its headquarters in Belgium, the company oversees a global network of 27 production and distribution locations in 19 countries. 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 develop and produce mattress textiles to the customers' standard of quality in terms of both design and product features. Thanks to BekaertDeslee's global production network, customers also benefit from extremely short lead times.

CWS offers innovative, sustainable and digital rental solutions in the fields of hygiene, workwear and fire safety. The business unit is active in these fields in 17 European countries. With effect from 31 July 2019, Haniel acquired 17.81 per cent of the shares from Rentokil Initial, and thus once again holds a 100 per cent interest in CWS.

CWS focuses on sustainable rental solutions. Its offering covers six service areas, in which CWS comprehensively advises and supplies its customers: hygiene, mats, workwear, fire safety, cleanrooms, as well as healthcare. The product range extends from end-to-end solutions for hand and toilet hygiene, to dust control mats through to comprehensive workwear and protective clothing collections for companies of all sizes in any industry. The textiles are properly prepared in the business unit's own laundries using environmentally friendly processes, and delivered to customers of all sizes and industries at regular intervals under long-term lease agreements. The rental business is supplemented by the sale from consumables, assorted

Haniel portfolio

Divisions

BekaertDeslee	CWS	ELG	Optimar	ROVEMA	TAKKT
100 %	**100 %**	**100 %**	**100 %**	**100 %**	**50.25 %**
Equity interest	**Equity interest**	**Equity interest**	**Equity interest**	**Equity interest**	**Equity interest**
BekaertDeslee is a specialist for the development and manufacturing of mattress textiles.	CWS offers innovative, sustainable and digital rental solutions in the fields of hygiene, workwear and fire safety.	ELG is a specialist 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 manufacturer of automated fish processing systems for use onboard, onshore and in aquacultures.	ROVEMA is a premium provider of packaging machines and equipment with a broad product portfolio and a global presence.	TAKKT is a B2B direct marketer for business equipment in Europe and North America.

Financial investments

CECONOMY

22.71 %
Equity interest
CECONOMY is a leading developer of consumer electronics brands and concepts in Europe.

As at 31 December 2019

washroom hygiene products and workwear. In recent years, CWS has also expanded its offering in the cleanroom business. CWS further developed its business with service offerings through its own "Complete Washroom Solutions" unit relating to high-quality public washrooms that are available to users for a fee. Through its Fire Safety division, CWS is now also providing full service offerings in preventative fire safety.

In the autumn of 2019, CWS realised the strategic acquisition of washroom hygiene specialist Vendor, thereby bolstering CWS's core business in the Benelux market. In addition, further acquisitions were initiated in 2019 to complement the expanding cleanroom business.

The **ELG** business unit is a specialist 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 more than 50 locations in North America, Europe, Asia and Australia, the business unit 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 their high quality standards. The product line primarily comprises stainless steel scrap and superalloys.

In order to continue to be able to satisfy the needs of its customers in the future, the company intends to further optimise its international presence. For instance, in September, ELG purchased the remaining shares in Iberinox Recycling Plus, thereby strengthening its position in the Spanish market segment. In 2018, Iberinox Recycling Plus was hived off from a Spanish company specialising in the trading and processing of stainless steel scrap – Iberinox 88 – and since then has been operated as a joint venture between ELG (which has held a 30 per cent interest thus far) and Iberinox (70 per cent interest).

In addition, ELG is active in the field of carbon fibre recycling through its ELG Carbon Fibre business area. The material is reinforced with carbon fibre and is extremely resilient and lightweight, which makes a large number of applications attractive. In November 2018, ELG transferred the ELG Carbon Fibre business area into a joint venture with the Mitsubishi Corporation. Since 2019, Mitsubishi has held a 25 per cent interest in the joint venture. The objective of this collaboration is to accelerate the development of the product portfolio and to win over new customer groups.

The **Optimar** business unit is a manufacturer of high-quality, automated fish handling systems for use Onboard, Onshore as well as in aquacultures. These systems are installed as turnkey projects, either independently or in connection with third-party components. Moreover, as a full service manufacturer Optimar offers complementary products and services – from remote diagnostics and online service through to spare parts, maintenance and retrofitting. 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.

Optimar offers its customers innovative solutions 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 Onboard while shortening processing times. At the same time, more careful fish handling results in increased efficiency for customers.

The **ROVEMA** business unit is a premium provider of packaging machines and equipment with a broad product portfolio and a global presence. It operates at eleven locations and is present in more than 50 countries.

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, filling and sealing, cartoning and final packaging machines. New product, packaging and machinery solutions are devised and developed at the company's own technical laboratory. This also ensures rapid knowledge transfer from theory into practice. Multifaceted service offerings round off the product range. The company also offers trading, refurbishment and services for all facets of used, high quality packaging machines. The primary fields of application for ROVEMA products are in the safe and hygienic packaging of foodstuffs in a wide variety of forms and consistencies: powders, bulk goods, frozen goods, and liquid products. ROVEMA's diversified customer structure in-

cludes multinational corporate groups as well as regional specialists.

TAKKT is a B2B direct marketing specialist for business equipment in Europe and North America. The Group and its brands have a presence in more than 25 countries. The subsidiaries' product range comprises more than a million items of operating and warehouse equipment, office furniture, transport packaging, display products, equipment for the restaurant and hotel market as well as retail. In November 2019 it was decided to reorganise the company. Going forward, TAKKT will conduct the B2B direct marketing business via two business models: Omnichannel and Web-focused Commerce. While the Omnichannel Commerce segment tailors its products and services around the needs of quality- and service-oriented customers, the Web-focused Commerce segment addresses its products and services to more price-conscious customers. The existing KAISER+KRAFT, ratioform and NBF business areas will be managed in the Omnichannel Commerce segment. Newport and Displays2go will be assigned to the Web-focused Commerce segment. Hubert and Central will belong to the Omnichannel Commerce segment for the time being, although they presently operate a slightly different business model than that of the other three Omnichannel Commerce businesses. As a result, TAKKT is currently looking into various strategic options for these two companies. As part of the transformation of the organisation, various functions will be integrated more closely with the respective segments and their discretion for making operating decisions will be extended.

The financial investment **CECONOMY** is a leading platform of consumer electronics brands and concepts in Europe. The companies in CECONOMY's portfolio interact with billions of consumers every year and offer products, services and solutions that make life in the digital world as easy and pleasant as possible. The business model is based on a clear distribution of responsibilities. CECONOMY AG serves as the management Holding Company and provides basic functions such as finance, accounting, controlling, legal and compliance. Several group companies are responsible for the operating business, with the focus placed on the MediaMarktSaturn Retail Group which includes the MediaMarkt and Saturn brands.

Value-oriented management system

Sustainably increasing shareholder value is at the core of the activities of the business units 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 business units and the Haniel Holding Company. At Group level, the Management Board uses operating profit alongside revenue to assess the development of the business units. In 2018, the Management Board decided to modify the definition of the KPI operating profit in order to reflect the increase in acquisition activities. Operating profit is now adjusted to exclude the amortisation of intangible assets from purchase price allocation because these expenses result from business combinations and are therefore not incurred in relation to the Group's operating activities. As previously, the profit before taxes is also used as an indicator. This KPI is based on the operating profit, adjusted by amortisation of intangible assets from purchase price allocation, the investment result and the result from financing activities.

Haniel Group
Revenue and earnings performance

In 2019, the Haniel Group's revenue fell by 3 per cent – particularly as a result of the weaker performance of the early-cycle ELG business unit. The increased revenue at CWS, TAKKT and BekaertDeslee was unable to offset this decline. As a consequence of this and due to one-off factors, operating profit was significantly lower at EUR 255 million. Nevertheless, profit after taxes rose sharply. This figure had been weighed down considerably in the same period of the previous year by impairment losses on the CECONOMY financial investment.

Macroeconomic environment weakening, outlook cautiously optimistic
According to the International Monetary Fund (IMF), the global economy grew by 2.9 per cent in 2019, significantly slower than in the previous year (3.6 per cent). Global growth was hampered not only by low growth rates in economically powerful emerging markets such as China, India, Mexico and South Africa, but also by weaker trends in the industrialised nations.

Economic development in the eurozone was also weaker in 2019 than in the previous year, with a plus of 1.2 per cent. Weakened global trade and the repeated postponements of Brexit weighed down the economy. In addition, production in Germany continued to decline. By contrast, the expansionary monetary policy of the European Central Bank (ECB) and private consumption bolstered growth in the eurozone.

In the United States, economic growth fell year on year from 2.9 per cent to 2.3 per cent. This development was attributable in particular to the simmering trade conflict with China, higher tariffs on imports from various countries and the return to a neutral fiscal policy.

According to IMF estimates, the economies of emerging and developing markets grew by 3.7 per cent (previous year: 4.5 per cent). This sharp decline was due primarily to shrinking growth rates in certain major economies such as China, India, Russia, Mexico and Saudi Arabia. Trade policy uncertainties and geopolitical tensions further impinged on trade and manufacturing. By contrast, a global easing of monetary policy supported economic growth, meaning that the IMF expects rising growth rates in the future.

In particular the weaker economic development in Europe and the United States had a negative effect on the Haniel Group's revenue and earnings performance, particularly for the early-cycle business units ELG and ROVEMA.

Revenue trend down
The Haniel Group posted overall revenue of EUR 4,533 million in 2019, representing a decrease of 3 per cent. In contrast to the previous year, positive currency translation effects relating to the US dollar and acquisition effects – primarily at CWS, ELG and TAKKT – were felt.

Organically – i.e., adjusted for currency translation effects and company acquisitions and disposals, revenue decreased by 6 per cent compared to 2018. In addition to the increasingly difficult market environment, the decline in tonnages in the stainless steel scrap business weighed on ELG's results. Revenue also fell for both specialist machinery manufacturers, ROVEMA and Optimar. By contrast, BekaertDeslee achieved a year-on-year revenue increase, thanks above all to its ready-made mattress covers business. CWS also experienced growth in both divisions, Workwear and Hygiene. TAKKT's revenue also rose year on year.

Operating profit in decline
Operating profit in 2019 was EUR 255 million, down on the previous year's figure of EUR 301 million. This was due in particular to the significantly weaker operating performance at the ELG business unit, which generated an operating profit that was down significantly year on year in a difficult market environment for stainless steel scrap trading. The economic slowdown also weighed on ROVEMA's results: during the year under review, operating profit for the manufacturer of packaging machines was down significantly as compared to 2018. TAKKT experienced rising personnel expenses and costs of materials. As a consequence, its operating profit was lower than in 2018. Optimar also recorded a decline in this area.

Thanks to a positive business performance and efficiency enhancements, CWS's operating profit was up significantly

year on year. Due to the increase in sales of ready-made mattress textiles, BekaertDeslee also lifted its operating profit as compared to the previous year.

The increases in operating profit at CWS and BekaertDeslee were not sufficient, however, to offset the declines experienced by the other business units and the higher costs incurred by the Holding Company as a result of the transformation project.

Due to the weaker business development and the increasing macroeconomic slowdown, every business unit initiated its own programme to reduce costs and increase flexibility. One-off expenses amounting to EUR 43 million were incurred in this connection.

Profit before taxes increases

The Group's profit before taxes – comprising the operating profit plus the investment result and the result from financing activities – had been weighed down in the previous year by significant impairments on the CECONOMY financial investment and therefore rose from EUR -475[1] million to EUR 175 million during the reporting period.

Haniel's investment result essentially consists of the investment result from the financial investment in CECONOMY. CECONOMY once again made a positive contribution to Haniel's investment result, in the amount of EUR 41 million. This followed the EUR -707 million contribution to the investment result which was attributable to the CECONOMY financial investment in the previous year. Overall, Haniel's investment result increased from EUR -702 million in 2018 to EUR 42 million in 2019.

The result from financing activities during the reporting period amounted to EUR -62 million. In the previous year, this figure had amounted to EUR -13 million. While the result in the previous year had been influenced by positive one-off factors in connection with an exchangeable bond linked to CECONOMY shares, it was weighed down in 2019 by the first-time application of the new accounting standard for leases.

The profit or loss from discontinued operations, which includes the disposal of the shares in METRO AG, amounted to EUR -24 million as compared to EUR -321 million in the previous year. While the negative result for the previous year was attributable to an impairment on the former METRO financial investment, this year's result was negatively impacted mainly by valuation adjustments relating to the retailer Real, as well as the proceeds from the disposal of the METRO shares.

Profit after taxes up significantly year on year

The higher profit before taxes, combined with a slightly lower tax expense, resulted in an increase from EUR -848 million in the previous year to EUR 130 million in 2019.

Operating profit fails to hit target due to cyclical factors

The Haniel Group's revenue – adjusted for acquisitions and currency translation effects – fell slightly lower than forecast in the previous year, although it was in line with the forecast in August 2019. The reported operating profit was also significantly lower than forecast in the previous year, although it was in line with expectations published in August 2019.

As anticipated, the result from financing activities was significantly lower. The investment result was considerably higher – as forecast – due to the fact that impairment losses had been recognised in relation to the CECONOMY financial investment in the previous year. As a consequence, the Haniel Group's profit before and after taxes was up significantly year on year, in line with the forecast.

Consequently, the value-oriented performance indicators, return on capital employed (ROCE)[2] and Haniel value added (HVA)[3], also came in significantly higher year on year, as forecast.

At EUR 514 million, Haniel cash flow was slightly below the previous year's level. The deviation from the forecast was due in particular to the weaker business performance.

[1] Following the disposal of most of the shares held in METRO, METRO is no longer classified as a reporting segment and is reported as a "discontinued operation". Prior-year figures have been adjusted accordingly. Please see the explanation in the notes to the consolidated financial statements.
[2] ROCE is calculated by dividing the return by the average amount of capital employed.
[3] HVA is calculated by subtracting the cost of capital from the return. For a detailed calculation of the HVA and ROCE indicators, see the explanations in the notes to the consolidated financial statements.

Haniel Group
Financial position

In 2019, Haniel sold the majority of its remaining shares in METRO AG to EP Global Commerce and re-acquired a 100 per cent interest in CWS. The TAKKT, CWS and ELG business units also implemented acquisitions. Haniel continues to have a sound financial structure. Not only the rating agency Moody's but also Scope confirmed their investment-grade ratings for the Haniel Holding Company.

Balanced financial governance
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.

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

Investment-grade ratings confirmed
All of Haniel's ratings are investment-grade: Moody's again confirmed its Baa3 rating in H1 2019. The European rating agency Scope also confirmed its BBB- investment-grade rating, and also issued a stable outlook.

Haniel's financial policy is distinguished by a moderate target net financial debt level of up to EUR 1 billion at the level of the Holding Company coupled with a solid long-term financing structure. The ratings valuations were also supported by the sound development of the total cash cover and market value gearing, key figures which are crucial to the rating.

Broad-based financing
The Haniel Group's financial management relies on diversification of financing: various financing instruments with different business partners ensure access to liquidity at all times and reduce the dependency on individual financial instruments and business partners. A further key pillar of financial management is the ability to obtain funding on the capital market. To that end, the Haniel Holding Company updates its commercial paper programme at larger intervals.

Overall, the financial liabilities reported in the Haniel Group's statement of financial position amounted to EUR 1,704 million as at 31 December 2019, as compared to EUR 1,390 million as at 31 December 2018. Of that amount, EUR 902 million has a maturity of more than one year. Of the EUR 802 million that is presented as current liabilities, EUR 405 million is attributable to the exchangeable bond linked to ordinary shares of CECONOMY. The increase in financial liabilities resulted mainly from the first-time application of the new IFRS 16 "Leases" and from the financing of portfolio expansions.

Moreover, the BekaertDeslee, CWS, ELG and TAKKT business units have access to bank lines of credit as well as a broad range of additional financing instruments. As at 31 December 2019, the value of promissory loan notes and other securitised liabilities in the Haniel Group remained unchanged year on year, at EUR 140 million. Moreover, the ELG business unit maintains a programme for the continual 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 1,137 million as at 31 December 2019 compared to EUR 1,274 million at the end of 2018. This resulted from the sale of the shares in METRO. The first-time application of IFRS 16 "Leases" and the expansion of the portfolio as well as the acquisition of the remaining CWS shares had an offsetting effect.

The Haniel Group's net financial position decreased from EUR 974 million as at 31 December 2018 to EUR 823 million as at 31 December 2019. The net financial position comprises net financial liabilities less the Haniel Holding Company's investment position, excluding current and non-current receivables from affiliates.

Cash flow from operating activities increases

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. Although the first-time application of the new IFRS standard on leases had a positive effect on Haniel cash flow, the figure was down slightly year on year, falling from EUR 522 million to EUR 514 million. This decrease was due in particular to the reduction in proceeds from dividend payments from the CECONOMY and METRO financial investments.

Cash flow from operating activities, which supplements Haniel cash flow in depicting the change in current net assets, rose to EUR 617 million in 2019. In the previous year, cash flows from operating activities amounted to EUR 380 million. This metric was significantly below Haniel cash flow, being weighed down significantly by the fact that financial resources were tied up particularly in connection with inventories at ELG, which were higher due to price and quantity-related reasons. These inventories were reduced in 2019.

Haniel invests within business units and sells off METRO shares

Cash flow from investing activities, that is the balance of payments for investing activities and proceeds from divestment activities, was EUR -30 million in 2019. Overall, payments of EUR 463 million were offset by proceeds from divesting activities of EUR 876 million. Above all, funds were used to strengthen the business through acquisitions. TAKKT took over the e-commerce gastronomy equipment seller XXLhoreca, CWS bought out the washroom hygiene specialist Vendor and ELG purchased the remaining interest in Iberinox Recycling Plus, a stainless steel scrap trader. The business units again invested considerable amounts in property, plant and equipment and intangible assets. In addition, payments were made to purchase financial assets at the level of the Holding Company. Proceeds resulted mainly from the disposal of the METRO shares. In the previous year, the cash flow from investing activities was EUR -116 million. Payments of EUR 343 million were offset by proceeds of EUR 227 million.

The cash flows from financing activities amounted to EUR -580 million in 2019. That figure included the purchase of the remaining CWS shares from Rentokil Initial as part of the increase in the Group's shareholding. It also reflected the repayment of financial liabilities as well as the dividend payments to shareholders. In the previous year, this figure had amounted to EUR -214 million.

In 2019, as in the previous year, a dividend of EUR 60 million was paid to the shareholders of Franz Haniel & Cie. GmbH.

EUR million	2018	**2019**
Haniel cash flow	522	**514**
Cash flow from operating activities	380	**617**
Cash flow from investing activities	–116	**413**
Cash flow from financing activities	–214	**–580**

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

Haniel Group
Assets and liabilities

At 53 per cent, the equity ratio of the Haniel Group remained high with a slight increase in total assets. This underscores the potential for future investment by Haniel.

Total assets up slightly
The Haniel Group's total assets increased slightly from EUR 6,256 million as at 31 December 2018 to EUR 6,283 million as at 31 December 2019. While non-current assets declined slightly, current assets increased slightly. The primary reason for the decrease in non-current assets was the sale of the METRO shares to EP Global Commerce (EPGC). On 6 November 2019, EPGC exercised a call option to purchase another approximately 12.5 per cent of the shares in METRO AG from Haniel. Total non-current assets of the Group amounted to EUR 4,147 million as at 31 December 2019, compared to EUR 4,445 million as at 31 December 2018.

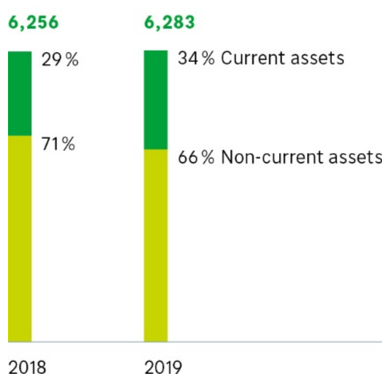
The increase in current assets was due to the addition of proceeds from the sale of the METRO shares, which were invested for the time being. Current assets amounted to EUR 2,136 million as at 31 December 2019, compared to EUR 1,811 million as at 31 December 2018.

Equity ratio remains high
The equity of the Haniel Group decreased from EUR 3,630 million as at 31 December 2018 to EUR 3,358 million as at 31 December 2019. This was due in particular to the purchase of the remaining shares in CWS from Rentokil Initial. In accordance with IFRS, a majority of the purchase price for the remaining shares was netted directly against equity. In contrast, the net income for the year had a positive effect on equity. With effect from 31 July 2019, Haniel acquired 17.81 per cent of the shares from Rentokil Initial, and thus once again holds a 100 per cent interest in CWS. The first-time application of IFRS 16 "Leases" meant that all leases had to be reported as financial liabilities. As a result, and due to the acquisition of the remaining CWS shares by Haniel, the equity ratio fell from 58 per cent to 53 per cent. The continuing high level of the equity ratio underscores the investment potential of the Haniel Group.

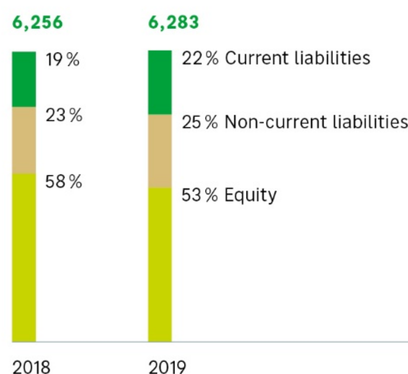
The change in lease accounting led non-current liabilities to increase from EUR 1,420 million as at 31 December 2018 to EUR 1,544 million as at 31 December 2019. This effect also impacted the current liabilities, which rose from EUR 1,206 million as at 31 December 2018 to EUR 1,381 million as at 31 December 2019. In addition, the reclassification of a non-current liability as current also had an effect.

Recognised investments up year on year
The Haniel Group's recognised investments amounted to EUR 565 million in 2019, up as compared to the previous year's figure of EUR 351 million. This development was driven primarily by the acquisitions of Vendor by CWS, of XXLhoreca by TAKKT and of financial assets by the Holding Company. In addition, the new IFRS 16 "Leases" resulted in newly concluded leases being reported as recognised investments from 2019 onwards.

ASSET STRUCTURE
EUR million



EQUITY AND LIABILITY STRUCTURE
EUR million



Haniel Group
Employees

The employee headcount at the Haniel Group in 2019 was slightly above the previous year's level, increasing by 3 per cent. In total, the Group employed on average 19,302 people in 2019. In 2018, the average employee headcount was 18,824.

BekaertDeslee had an average of 3,354 employees in 2019, compared to 2,876 employees in the previous year. This increase was due to persistently rising demand for ready-made mattress covers, causing the business unit to further expand this more personnel-intensive business. This development was offset slightly by the effects of staff reductions at the business unit's Holding Company.

As part of the integration of Initial's activities at **CWS**, structures and processes were successfully optimised. As a consequence, the number of employees fell from an average of 10,585 in the previous year to 10,509 in 2019 despite the acquisition of Vendor and the successive expansion of the Fire Safety business area.

The number of employees at **ELG** rose slightly from an average of 1,343 in 2018 to 1,381 in 2019. This was affected mainly by the integration of Spain-based Iberinox.

Optimar also increased capacities in line with its growth strategy – not only in production but also in software development and automation technology. The average number of employees rose from 422 in 2018 to 478 in 2019.

In 2019, **ROVEMA** employed an average of 691 people, as compared to an average of 676 in 2018. The increase related to the establishment of structures, including those intended to raise the efficiency of production processes and distribution. Cost-reduction programmes offset this trend.

The average employee headcount at **TAKKT** in 2019 remained virtually unchanged at 2,706, as compared to 2,718 in the previous year.

Holding Company Franz Haniel & Cie.

The Holding Company[1] has realigned the Group's strategy with respect to developing the portfolio to create value: Going forward, Haniel will invest solely in sustainable business models. Haniel currently has EUR 1.7 billion at its disposal to invest in the restructuring and expansion of its portfolio.

Change in leadership at Haniel
With effect from 1 July 2019, Thomas Schmidt succeeded Stephan Gemkow as the Chairman of the Management Board of Franz Haniel & Cie. GmbH; Mr Gemkow left the Company by amicable and mutual agreement with the shareholders. Thomas Schmidt has been a member of the Haniel Holding Company's Management Board since 2017 and prior to taking on the mantle of Chairman also served as a Managing Director of CWS.

Transformation project initiated
In 2019, Haniel developed a Group-wide cost-reduction programme and a transformation project was launched to make the portfolio and the Group fit for the future and enable them to generate continued growth. The new strategy revolves around investing exclusively in sustainable business models, streamlining the Holding Company into a lean, agile organisation, and developing a new operating model to steer and manage the Group. In line with Haniel's objective of being "enkelfähig", only those companies are considered for inclusion in the portfolio which are able to make a positive contribution to long-term value creation and a future worth living. As part of the transformation project, one-off expenses amounting to EUR 20 million will be incurred.

Exit from METRO investment
In spring of 2018, Haniel decided to initiate its exit from the METRO financial investment. After signing the contract with EP Global Commerce ("EPGC"), it was sold an initial 7.3 per cent of the issued ordinary shares of METRO AG. On 6 November 2019, EPGC exercised a call option to purchase approximately 12.5 per cent of the shares in METRO AG from Haniel. There also exists a call option with respect to Haniel's remaining 2.71 per cent interest in METRO. As a result, Haniel no longer accounts for METRO as a financial investment.

With effect from 31 July 2019, Haniel also acquired 17.81 per cent of the shares in CWS from Rentokil Initial, and thus once again holds a 100 per cent interest.

Portfolio development remains in focus
Following the sale of the vast majority of the METRO shares, Haniel had financial resources of EUR 1.7 billion at its disposal at 31 December 2019 to acquire additional business units. Haniel has dedicated itself to ensuring that coming generations have good prospects for the future. Specifically, Haniel is guided by the United Nations' Sustainable Development Goals and the economic megatrends of our time. The realignment of our strategy resulted in the clear definition of three focal points: people, planet and progress. The Group will invest only in business models which clearly fall into one of these three categories and which make a positive contribution to a future worth living. In 2019, portfolio development continued on the basis of acquisitions within the business units and the purchase of the remainder of the CWS shares amounting to EUR 552 million.

In addition to the portfolio's focus on established companies, Haniel will invest a portion of its funds primarily in investment funds and in companies in the early stages of development, in line with the focal points of people, planet and progress. Thus, Haniel will participate in growth at an earlier stage and leverage additional opportunities for diversification.

Market value of portfolio decreases
The value of the investment portfolio is calculated as the sum of the valuations of the business units, the CECONOMY financial investment, the financial assets and other assets, less the net financial liabilities at the Holding Company level. The listed business unit and the financial investment are valued on the basis of three-month average share prices, while the remainder of the business units are valued on the basis of market multiples, and for the financial assets on the basis of fair values as at the reporting date. The value of the portfolio fell from EUR 4,255 million as at 31 December 2018 to EUR 4,245 million as at 31 De-

[1] Incl. the Holding Company's investment, financing and service companies. You will find the financial statements of the Franz Haniel & Cie. subgroup at www.haniel.de/en.

cember 2019. This was attributable in particular to the declining market values of TAKKT and ELG.

Level of debt kept low
The net financial liabilities of the Haniel Holding Company were reduced significantly. They fell from EUR 549 million as at 31 December 2018 to EUR 86 million as at 31 December 2019. The retention of a portion of the proceeds from the METRO disposal in treasury has resulted in a significant increase in cash and cash equivalents and thus in a significant decrease in net financial liabilities.

As at 31 December 2019, the financial assets of the Haniel Holding Company amounted to EUR 812 million as compared to EUR 917 million in the previous year. The net financial position of the Haniel Holding Company, defined as net financial liabilities minus financial assets, was positive and amounted to EUR 726 million as at 31 December 2019.

Based on the self-imposed limit for net financial liabilities of EUR 1 billion, Haniel therefore has approximately EUR 1.7 billion at its disposal as at 31 December 2019 to further develop and expand the portfolio. In this connection, the Haniel Holding Company has firmly committed long-term lines of credit of EUR 745 million available and is therefore in a comfortable aggregate liquidity situation.

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 business units, Haniel will continue to keep net financial liabilities at about EUR 1 billion, appropriate for an investment-grade rating.

Ratings in investment grade
The Haniel Holding Company continues to benefit from investment-grade ratings from all commissioned rating agencies. Moody's confirmed its Baa3 investment-grade rating and Scope confirmed its rating of BBB-.

Responsibility with tradition
Haniel has taken responsibility as a "corporate citizen" of Duisburg and the region for more than 260 years. A large number of initiatives and projects are supported, primarily at the Group Headquarters. Social commitment revolves around three focal points: promoting education, site responsibility and employee commitment.

With the support of Haniel and the new sponsor "Anthropia", the "Impact Factory" was founded at Franz-Haniel-Platz on 1 January 2019 as the successor organisation to the Social Impact Lab Duisburg. The new organisation was unveiled to the public on 11 April. The objective is to further professionalise the incubator for start-ups in the Ruhr region. The organisation will give support to start-ups looking to tap into sustainable markets and achieve more than just maximising profits. In contrast to the Social Impact Lab, the primary focus will henceforth be placed on economically sustainable business models.

The Haniel Foundation is an additional material component of Haniel's social commitment. To date, the Haniel Foundation has dedicated EUR 35 million to support approximately 1,270 projects. As an educational foundation, its work is concentrated on educational opportunity and up-and-coming talents. Its work in 2019 was characterised by the further development of the "Education as Opportunity" project, which supports disadvantaged students. The Haniel Foundation also supports passing on the values of the honourable businessman and sustainable entrepreneurship to young management trainees.

You can learn more about Haniel's commitment to sustainability in the CR report, which was prepared in accordance with the standards of the GRI, at www.haniel.de/en.

BekaertDeslee

BekaertDeslee recorded significant revenue growth of EUR 339 million in 2019. The business unit benefited in particular from rising revenue in its business with ready-made mattress covers. Operating profit at BekaertDeslee rose by 28 per cent to EUR 27 million, thanks to the improvement in the company's business performance and the introduction of cost and efficiency measures.

Expansion of global market position is a strategic objective

As a growth-oriented company, BekaertDeslee aims to expand its global market position. The strategy's focus rests on further exploiting potential in its core business and expanding its market share of ready-made mattress covers. In 2019, BekaertDeslee increased its production capacities in order to expand its business in Europe and Mexico. In addition, the company continues to systematically align its design, product portfolio and service model with customer needs.

Innovative products and sustainability in focus

When developing mattress textiles, not only are special customer requirements taken into account, but also ecological aspects. For the new SEAQUAL™ product, which was unveiled in 2019, plastic is collected from the sea and processed into new yarns using intelligent textile technology. BekaertDeslee then uses that yarn to make high-quality mattress textiles and covers.

Performance in covers business improves

BekaertDeslee generated EUR 339 million in revenue in 2019, compared with EUR 318 million in the previous year. The business unit's revenue also grew organically – i.e., adjusted for acquisitions and currency translation effects – by 5 per cent as compared to the previous year. Business was up, particularly in the United States and Europe. Within the product portfolio, the growing demand for ready-made mattress covers continued to have a positive influence on revenue development. Business with "bed-in-a-box" companies, which mainly comprised online mattress retailers, rose sharply. Thanks to its know-how, BekaertDeslee is able to satisfy their special requirements for product features, such as the need for mattresses to be wrinkle-free after shipping. BekaertDeslee continued to systematically expand its business with products characterised by a greater depth of value added and increased its production capacities.

Operating profit increased

BekaertDeslee lifted its operating profit from EUR 21 million in the previous year to EUR 27 million in 2019. This 28 per cent increase was attributable in large part to greater sales of mattress covers. The cost of yarn remained low. The increase in the demand for mattress covers led the company to hire new staff, thus causing a rise in personnel expenses. The cost optimisation programme initiated in 2019 played a positive role.

CWS

The CWS business unit has positioned itself as a provider of solutions and has achieved further strategic milestones in its integration of Initial's activities. Since April 2019, all services in the Hygiene and Workwear segments as well as the new Fire Safety business area have been offered under the overarching CWS brand. The company reported an increase in revenue to EUR 1,188 million. Operating profit increased significantly to EUR 155 million.

Progress made in implementation of strategy and integration

Since 1 April 2019, CWS has offered its services under the overarching CWS brand. This includes the solutions offered for washrooms and mats in the Hygiene division and the workwear, cleanroom and healthcare service range in the Workwear division. The new CWS Fire Safety business area was also added. The business unit is thus working to position itself on the market as a provider of end-to-end solutions and has succeeded in growing its core business both organically and through acquisitions.

On 31 July 2019, Haniel acquired the entirety of Rentokil Initial's previously held minority interest in CWS. This increases the flexibility and speed with which entrepreneurial decisions are made. Integration continued apace in 2019 in the areas of administration, purchasing and IT, with significant progress made in optimising the network of locations and services offered. One example is increased efficiency thanks to a centralised supply chain organisation and the expanded customer fulfilment centre at the Workwear division in Poland. Procurement and inventory management have been optimised, and demand and inventory planning have been centralised.

Fire Safety business area with growth plans

With the CWS Fire Safety business area, the business unit is now also providing full service offerings in preventative fire safety. The new Fire Safety business area made several regional acquisitions to significantly expand its offering on the German market. The aim is to establish a network of branch offices throughout Germany to offer the full range of products and services, from technical systems such as smoke extractor systems through to basic products such as fire extinguishers.

Acquisitions strengthen business

In addition to taking over regional fire safety companies, CWS shored up its core business in the Benelux market by acquiring the washroom hygiene specialist Vendor. In the growing cleanroom market, CWS initiated two strategic acquisitions in 2019, thus pushing forward with its efforts to expand its range of services offered.

In addition, CWS increased its strategic investment in the mobile laundry Jonny Fresh to 16 per cent and took over the mat business of the textiles rental service Hiller.

Revenue increased

CWS's revenue in 2019 was EUR 1,188 million, up 4 per cent year on year. Revenue also grew organically – i.e., adjusted for acquisitions and currency translation effects – by 3 per cent as compared to the same period of the previous year. CWS increased revenue in both divisions: Hygiene grew by 3 per cent and Workwear by 2 per cent. In Germany in particular, the Hygiene division reported a strong increase in revenue, while the Workwear division grew especially due to above-average growth in Eastern Europe and in the areas of cleanroom and healthcare.

Operating profit up by 11 per cent

CWS lifted its operating profit significantly from EUR 140 million in 2018 to EUR 155 million in the year under review. CWS benefited largely from organic revenue growth, as well as from productivity enhancements and cost-cutting initiatives. These were offset by expenses incurred in relation to the optimisation of locations as well as for key projects such as the switch between ERP systems, digitalisation and the international roll-out of the new brand identity.

ELG

As price pressure and competition mounted and the economy slowed down, the significantly weaker market environment weighed down the early-cycle ELG business unit's revenue and earnings considerably in 2019. Revenue declined as a consequence by 13 per cent to EUR 1.6 billion, particularly because of the weaker stainless steel scrap business. The market environment and increased competitive pressure dragged down the gross margin in both segments. Overall, this caused operating profit to drop to EUR 7 million.

Market environment increasingly difficult

The more difficult macroeconomic environment had a negative impact on demand for and production of stainless steel. Production in Europe and the United States declined sharply year on year. In both regions, producers found themselves operating in a weaker market environment with increased price pressure, which in the European Union was exacerbated by imports from third countries. Globally speaking, stainless steel production grew by only 1 per cent in 2019. This was driven mainly by China. Outside of China, 2019 saw a roughly 9 per cent drop in production to become the worst year for stainless steel since the economic crisis a decade ago.

Nickel price up year on year

Above all nickel, but also chrome and iron are the primary price drivers of the stainless steel scrap processed by ELG. The price that the business unit obtains for its products is therefore highly dependent on the prices for these raw materials. While the remaining commodity prices were down year on year, the average price for nickel rose by 6 per cent to approximately USD 13,900 per tonne. This increase was more than offset by greater discounts on nickel in scrap, which had a negative impact on ELG's revenue.

Solid demand in superalloys business

ELG Utica Alloys, the segment that specialises in superalloys, recorded encouraging demand in 2019. The aerospace segment proved considerably robust, the demand for titanium scrap and nickel-based superalloy scrap remaining high, meaning that output tonnage in the superalloys business increased. The tariffs imposed by the United States on imports from China negatively impacted procurement of nickel-based superalloys scrap and hence also quantities and margins.

Continued strategic development

In September, ELG acquired the remaining shares in the Spain-based Iberinox Recycling Plus, thereby strengthening its position in the European market. Iberinox Recycling Plus was hived off in 2018 from a Spanish company specialising in the trading and processing of stainless steel scrap – Iberinox 88. Since then it has been operated as a joint venture between ELG, which has held a 30 per cent interest thus far, and Iberinox 88, which has held 70 per cent interest thus far.

On 5 April 2019, ELG transferred its ELG Carbon Fibre business area to a joint venture with the Mitsubishi Corporation, which has held a 25 per cent interest in the shares since then. This transaction provides the joint venture access to potential customer groups in the Asian and North American markets and enables it to push forward with the continued development of its product portfolio.

Revenue falls and operating profit in decline

Business development at ELG slowed as cyclical factors led to a significantly more difficult market environment. Total output tonnage fell 13 per cent below the figure for the previous year. This was due on the one hand to the 7 per cent decrease in stainless steel scrap output tonnage. On the other hand, lower tonnages for ferrochrome had a negative impact. In addition, a lower price level overall negatively affected revenue in 2019. That figure fell by 13 per cent from EUR 1.8 billion in 2018 to EUR 1.6 billion. The business unit's operating profit fell sharply from EUR 32 million in the previous year to EUR 7 million in 2019. This decline, which was caused by cyclical factors, could not be offset by cost reduction measures.

Optimar

In 2019, Optimar increased revenue, above all in the Onboard and the Service & Aftermarket segments. By contrast, declining revenue in the remaining segments caused total revenue to fall below the previous year's figure, at EUR 118 million. Operating profit dropped to EUR 2 million in 2019.

Positioning as a systems integrator

The manufacturer of high-quality, automated fish handling systems has continued to develop its range of innovative solutions for the respective requirements Onboard, Onshore as well as in aquacultures. As a full-service manufacturer which also offers complementary products and services such as remote diagnostics, spare parts, and maintenance, Optimar developed a concept in the first half of 2019 that will enable it to position itself as a systems integrator. This range of products and solutions is supported by supplementary project and IT solutions used to monitor production processes. This enables customers from the fishing industry and aquaculture operators to optimise their production processes and thus also the quality of their products.

Revenue and operating profit down

In 2019, Optimar generated revenue of EUR 118 million, thus falling below the EUR 123 million level for the previous year, which had seen extraordinarily high trading revenue in the aquacultures segment. The order backlog declined sharply over the course of the year. The business for Onboard solutions experienced sound development. By contrast, the business for Onshore solutions and that for higher-margin products in the aquacultures segment were below expectations. Less profitable projects weighed down the operating profit, which fell from EUR 3 million in the previous year to EUR 2 million in 2019. Various measures were initiated with the objective of bringing the company back to a growth path. The focus of those measures rests on strengthening sales and distribution, improving project management and pipeline management, as well as increasing cost efficiency.

ROVEMA

In 2019, the weakening economy had a negative impact on business at ROVEMA, the global supplier of premium packaging machines and equipment. The order backlog in the New Machinery segment was significantly worse in the first three quarters than in the previous year. As a result, revenue amounted to EUR 96 million. Operating profit also declined. The business unit developed a programme of countermeasures and managed to report a significant increase in the order backlog in the fourth quarter.

Sustainability within the business model
Ecological aspects such as waste prevention and the sparing use of resources play a growing role in the market for packaging. Based on its product, packaging and machinery expertise, ROVEMA works together with the customer to develop pioneering solutions. ROVEMA has taken up a clearer position with respect to sustainability. ROVEMA's sustainability strategy covers the areas of Safe Food, Save Energy, Sustainable Packaging and Supply Chain. Examples from the product portfolio include packaging using recyclable films and renewable resources. The reduction of transport volumes and longer sell-by dates for foods show how ROVEMA machinery spares resources and can improve its carbon footprint thanks to sustainable packaging solutions.

Market environment for mechanical engineering challenging
According to the VDMA, the German industry association for mechanical engineering, mechanical engineering firms in Germany reported a 5 per cent year-on-year decline in orders for food and packaging machines in 2019.

An eye on improved production processes
Despite the economic trend, ROVEMA continues to pursue its strategy of making the company's structures and processes fit for the competitive environment and the future. In 2019, ROVEMA began preparations to introduce a new ERP system. The system is intended to be rolled out throughout the Group and will improve production processes and offer greater transparency. In addition, ROVEMA expanded and modernised its production capacities. A new facility enables the company to use the spaces dedicated to its production processes and logistics more efficiently.

Revenue and operating profit weighed down by cyclical factors
Due to the decline in demand for packaging machines, which was caused by cyclical factors, ROVEMA recorded EUR 96 million in revenue, representing a 13 per cent year-on-year decrease due mainly to the drop in the new machines business. Given the revenue trend, ROVEMA realised an operating profit of EUR 7 million in 2019, as compared to EUR 11 million in the previous year. The efficiency enhancement and cost optimisation program that was launched in response to this development did not offset the weaker revenue, but caused a sharp uptick in the order backlog.

TAKKT

In 2019, TAKKT decided to realign its organisation to focus on two business models. The B2B direct marketing specialist lifted its revenue in a challenging general environment by 3 per cent to EUR 1,214 million. By contrast, operating profit declined.

Changes to Group and management structures
In November, the Management Board and the Supervisory Board decided to implement a new organisational approach focusing on two business models and a new management structure. Going forward, TAKKT will operate the two business models Omnichannel and Web-focused Commerce in the B2B distance selling. While the Omnichannel Commerce segment tailors its products and services around the needs of quality- and service-oriented customers, the Web-focused Commerce segment addresses its products and services to more price-conscious customers. This is expected to provide the basis for additional growth.

Acquisitions strengthen business
The Newport Group – which was formed in the previous year as a new business area for younger, fast-growing business models – continued to grow rapidly. At the beginning of May, the Group was bolstered through the acquisition of XXLhoreca, a Dutch e-commerce food service supplier.

Significant revenue increase
In 2019, TAKKT generated EUR 1,214 million in revenue, up 3 per cent as compared to the previous year. The acquisitions of Runelandhs and XXLhoreca had a positive effect in this regard. Organic revenue fell by 1 per cent. Aside from the loss of a major customer, the worsening general economic conditions contributed to this trend.

Organic revenue at TAKKT EUROPE declined by 1 per cent. Revenue for KAISER+KRAFT, which specialises in plant, warehouse and office equipment, was in decline; it remained virtually at the same level as in the previous year for the packaging solutions specialist ratioform. By contrast, the Newport Group generated growth rates in the low double-digit range. Revenue at TAKKT AMERICA also fell by 1 per cent, in organic terms. While the remaining business units experienced slight organic growth, the loss of a major customer had a negative impact on the Hubert Group, which specialises in merchandising and food equipment.

Operating profit in decline
In 2019, TAKKT's operating profit fell from EUR 133 million in the previous year to EUR 118 million. Gross profit rose slightly. Earnings were influenced by one-off expenditures in connection with adjustments to cost structures and the new organisational focus. Adjusted for those non-recurring expenses in the year under review and the previous year, TAKKT successfully limited the impacts of the weaker revenue trend on earnings by implementing a strict cost management programme.

Financial investment CECONOMY

The CECONOMY financial investment's contribution to Haniel's earnings was once again positive in 2019 and amounted to EUR 41 million; in the previous year, that figure had been massively reduced as a result of impairment losses. In 2019, the company approved a cost and efficiency programme which also entailed the reduction of staffing levels. The costs for implementing that programme weighed down CECONOMY's EBIT.

CECONOMY pushes forward with transformation
In 2019, CECONOMY continued to pursue the strategy devised in the previous year to transform its business. The central levers in the strategy are the accelerated expansion of multi-channel and service offers as well as the reduction of the cost basis in order to free up resources for investments in IT and logistics. For instance, the company approved a cost and efficiency programme in April 2019. The objective is to streamline the Group's processes, structures and business activities, cut costs and lay the foundation for profitable growth. The optimisation and restructuring related in particular to the central and administrative units in Germany.

On 24 June 2019, CECONOMY completed the sale of its approximately 9 per cent share in METRO AG to EP Global Commerce II GmbH (EPGC), a transaction that was decided upon in September 2018. EPGC exercised the call option agreed in 2018 regarding the transfer of the remaining 5.4 per cent of shares.

CECONOMY in a challenging market environment
At EUR 21,397 million, revenue at CECONOMY in 2019 was down slightly as compared to the previous year's level. In Italy and the Netherlands, revenue was down due to a weak consumer climate and a fierce competitive environment. The growth in the online business and in the Services & Solutions area had a positive impact.

EBIT fell year on year from EUR 400 million to EUR 309 million due to the cost and efficiency programme and the change in management. Adjusted for these one-off factors, EBIT was up year on year. Net financial income improved significantly against the backdrop of the previous year's one-off factors. These related to impairment losses on the shares of METRO AG and the proceeds from the sale of those shares during the year under review. After a deeply negative result in the previous year, CECONOMY's profit after taxes was once again positive at EUR 233 million.

Haniel investment result significantly positive
Since the share of CECONOMY AG's earnings included in Haniel's investment result was thus once again significantly positive, Haniel's investment result from the CECONOMY financial investment was EUR 41 million compared to EUR -707 million in the same period of the previous year. The negative share price performance for the CECONOMY shares in 2018 prompted Haniel to test the financial investment for impairment. The review resulted in the recognition of an impairment loss of EUR -654 million.

Report on opportunities and risks

Being a successful entrepreneur means seizing 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 business units 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 drive innovation.

Opportunity management is closely integrated into the process of strategy development. As part of this, 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 operational planning and actions are derived.

The strategy and its implementation are discussed in depth by the members of Haniel's management team with the management of the business units in regularly scheduled meetings. 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 business units continually search for possibilities that secure sustainable and profitable growth. The opportunities identified in the Haniel Group are listed below:

Optimisation of 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 business units 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. In particular, they should make a positive contribution to a future worth living and fall into one of three categories: people, planet and progress. In order to identify suitable acquisition candidates, the Holding Company is pursuing a twin-track approach: starting from global megatrends and taking into account the UN Global Sustainability Goals, it analyses on the one hand the potential of various industries and markets with the objective of identifying and approaching attractive companies. On the other hand, the Holding Company reviews current takeover offers. This approach by the Holding Company is supplemented at the business unit level by the acquisition of companies with similar or supplementary products, customers or know-how, following a buy&build approach to further develop the business units strategically.

International expansion: All Haniel business units and the financial investment 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 by acquiring or investing in existing ones.

Sustainability as a competitive factor: Corporate Responsibility (CR) 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 achieve this, and with a sense of conviction that above-average growth can only be achieved by sustainability-focused business models going forward, the Haniel Holding Company has anchored Corporate Responsibility into all phases of value creation: Haniel also assesses acquisition and investment opportunities from a sustainability perspective and issues guidelines to the business units. In that context, the business units work together with experts from the Holding Company to develop independent initiatives designed to bolster profitable growth while taking into account the respective special characteristics of each business and the relevant CR aspects. 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.

Digitalisation: Digitalisation is profoundly changing the behaviour of private consumers and business customers. For the Haniel Group, digitalisation offers great opportunities along the value chain, at the customer interface and for developing new business models. The settlement process for goods and services can be completed automatically using cryptographically-related data records: blockchain. The availability of large quantities of data opens opportunities to redesign value-added chains and improve the offering to customers. The development and growing range of solutions based on artificial intelligence open up further avenues of exploration in this area, such as when addressing target groups in TAKKT's Web-focused segment. Each of the Haniel business units has developed a Digital Agenda that will enable them to utilise the opportunities presented by digitalisation even better. This also includes aspects for a cultural and organisational realignment which results from the digital transformation.

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 long term. It must also be assumed that ELG Utica Alloys, the superalloys business, will continue to gain significance, as very valuable materials are processed here. These include in particular titanium scrap and high-alloy, nickel-containing scrap which are used in, e.g., the aerospace industry and energy generation.

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. Furthermore, new market opportunities arise through the use of resource-sparing and compostable materials. Optimar will have 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 business units – 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 overarching 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 business units, as suiting the individual business models.

The **organisational structure for risk management** is defined throughout the Group and includes all business units. At the level of the business units, 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 persons responsible for Group functions at the Holding Company 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 business units 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 teams of the Holding Company and the business units (Risk Management Committee). 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 business units' 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 business units submit not only key financial figures but also company-specific non-financial figures (KPIs) 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 business unit and each strategic business area.

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 business units. 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.

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 business units 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 business units 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 business units and the Holding Company each have compliance officers who serve as employee liaisons to help clarify potential issues.

The **Internal Auditing departments** in the business units 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 business units 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 business units. They set forth the fundamental principles of conduct for employees, based on practised value concepts.

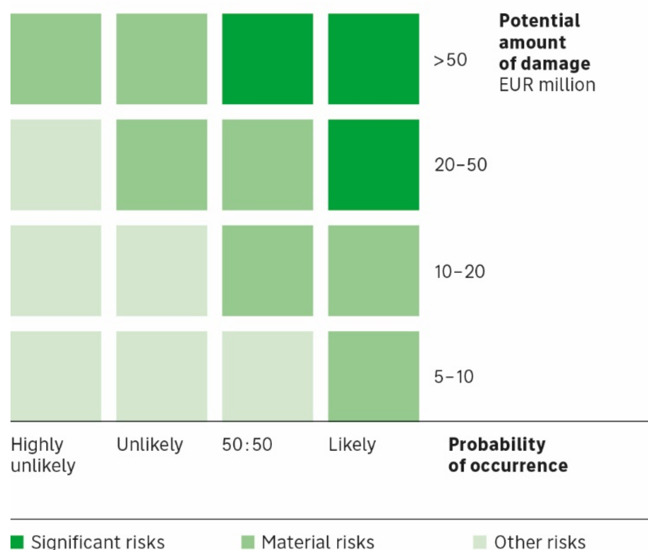
The effectiveness of the risk management system is monitored regularly and improvements are introduced where necessary.

Clearly defined risk fields

A prerequisite of systematic risk management is that risks are identified early on. The central risks identified as at 31 December 2019, 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: In particular, Haniel holds investments in CECONOMY AG, which is accounted for as a financial investment, and – to a lesser extent – METRO AG. Factors that exert an unfavourable influence on the consolidated profit of 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 investment. Given the value of the financial investment, the risk relating to the valuation of investments of the Haniel Group is classified as significant. 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 CECONOMY’s largest shareholder, Haniel is involved in the company’s management via its representation on the Supervisory Board. In addition, Haniel exercises its shareholder rights at the Annual General Meetings of CECONOMY and METRO.

HANIEL RISK MATRIX



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 teams of the Holding Company and the business units. 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. These in turn may be tangibly negatively affected by external events such as the coronavirus outbreak, for instance. However, the extent and timing of this economic dependency varies in the business units: While ELG's business is especially cyclical as a consequence of the commodities markets, at CWS 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'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 business units, 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 business units and the financial investment 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 further. 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 business unit, 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 with qualified internal candidates. But above all, the Haniel Group invests in the continuous 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. In addition, Haniel organises management training seminars for the Group's joint management system. Haniel uses the Haniel Operating Way (HOW) to set "guidelines" for executives in taking on the challenges they face as leaders. 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 business units 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 business units 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 business unit'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 business unit is further expanding the business with superalloys at ELG Utica Alloys, whose recycling business is less dependent on prices for commodities. Nevertheless, fluctuations in prices for commodities 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. In the Haniel Group, exchange rate risks are among the material risks, in particular regarding the unhedged translation risks.

Interest rates, financing and financial investments: 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. 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 business units, 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.

When investing financial resources and investing in funds, there is the risk of value fluctuations, which Haniel aims to minimise by diversifying its investments. Moreover, when investing financial resources, there is generally the risk that one counterparty will become insolvent, thus giving rise to the risk of default on receivables. In order to counter that risk, Haniel distributes these investments across a large number of contractual partners and has set corresponding limits depending on the partners' creditworthiness. This is documented in a set of guidelines for investing financial resources, and is subject to regular monitoring.

In the Haniel Group, risks from interest rates, financing and financial investments 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, 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 business units or regions and are therefore of comparatively minor significance in relation to the Group as a whole. Where risks inherently affect all business units and the Holding Company it must be assumed that they do not hit all business areas in the same manner and at the same time.

The Haniel Group's risk situation has remained largely stable as compared to the previous year. Following Haniel's general exit from the METRO investment, only the risk associated with the valuation of the investment diminished accordingly. Together with the unchanged risk relating to the CECONOMY financial investment, it is now classified as a risk from the valuation of investments. However, 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 business units' 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 business units, 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.

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 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 believes that all business units will report organic revenue growth in financial year 2020. Overall, Haniel expects organic consolidated revenue growth to be up slightly as compared to that of the previous year. Haniel forecasts a significant increase in operating profit, which will be fuelled by organic growth at the business units. Profit before taxes is also expected to be significantly higher. The forecast does not factor in the impacts of the coronavirus pandemic, as these cannot presently be assessed or quantified.

Macroeconomic environment marred by uncertainties
The Organisation for Economic Cooperation and Development (OECD) expects economic output to grow by 2.9 per cent in 2020 – and thus forecasts growth to be just as slow as in 2019, the weakest year since the financial crisis. It is assumed that the global risks will not increase further. By contrast, private consumer spending could continue to shore up the global economic trend if real wages develop well. Continued low interest rates could also stave off a weakening in the economy.

According to the OECD, gross domestic product (GDP) in the eurozone is likely to be somewhat weaker in 2020 than in 2019, at 1.1 per cent. Growth forecasts are based in particular on the assumption of high spending by private households on the back of wage growth and accommodating macroeconomic policies. However, investments and exports are likely to be weighed down by uncertainty and low foreign demand.

The OECD also expects GDP growth in the United States to be somewhat lower in 2020, at 2.0 per cent. The key growth drivers will be high private household spending and investments in residential property construction. However, as fiscal easing is scaled back and tariffs and uncertainties rise, investment by companies and exports are likely to feel the burden. An escalation in the trade dispute with China in particular could put the brakes on growth.

The spread of the coronavirus represents a further uncertainty. For instance, the World Bank has already announced to reduce its global growth forecast for at least the first half of 2020.

Even before the coronavirus outbreak began, it was expected that interest rates would be kept at the same low level in 2020 as in the previous year. At present, the central banks of major economies are already implementing or preparing supportive measures. On the other hand, the potential cut in key rates is offset by expected increases in risk premiums on debt financing.

Since the various business units 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.

Increases in profits expected
Haniel's Management Board looks to 2020 with cautious optimism, although it is conscious of the economic uncertainties outlined above. Work will continue in 2020 to implement the transformation project launched in 2019 in order to make the portfolio and the Group fit for the future and boost its growth prospects. Due to the weaker business development and the increasing macroeconomic slowdown, every business unit initiated its own programme to reduce costs and increase flexibility. However, the previously mentioned risks could give rise to deviations from the outlined general economic conditions and thus to revenue and earnings forecasts.

Overall, Haniel's Management Board expects all business units to record organic growth in financial year 2020; i.e., growth that is adjusted for acquisitions and currency translation effects. Overall, Haniel's Management Board expects the Haniel Group to report organic revenue slightly above the level as that in the previous year. Operating profit is expected to rise significantly.

Net financial income is expected to be down slightly year on year. Overall, Haniel's Management Board expects profit before and after taxes to increase significantly. A slight increase is also assumed for Haniel cash flow, resulting from a significantly higher planned contribution from the business units.

The continued spread of the so-called coronavirus will affect demand as well as production and supply processes. At present, it is impossible to either assess or quantify the magnitude of the impact this will have on

our revenue and earnings performance for financial year 2020. The potentially significant changes that may result from this event have not been factored into our current forecast.

The OECD's forecast for global economic performance in 2020 also does not reflect the current developments with regard to the coronavirus.

Acquisition activities at the level of the Haniel Holding Company and the business units will remain in focus. As part of its strategic realignment, the Holding Company plans to expand the portfolio in 2020 and to invest in additional investment funds. This will noticeably increase the amount of recognised investments.

Revenue and profits could deviate from the development presented due to the acquisition of additional business units or supplementary acquisitions by the existing business units, as well as the disposal of business units.

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Haniel Group
Statement of financial position

ASSETS

EUR million	Note	31 Dec. 2019	31 Dec. 2018
Property, plant and equipment	1	957	728
Intangible assets	2	2,638	2,570
Investments accounted for at equity	3	313	999
Financial assets	4	150	40
Other non-current assets	5	37	66
Deferred taxes	6	52	42
Non-current assets		**4,147**	**4,445**
Inventories	7	629	617
Trade receivables and similar assets	8	535	553
Financial assets	9	102	279
Income tax assets	6	42	47
Cash and cash equivalents	10	566	116
Other current assets	11	146	197
Assets held for sale	26	115	3
Current assets		**2,136**	**1,811**
Total assets		**6,283**	**6,256**

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2019	31 Dec. 2018
Equity of shareholders of Franz Haniel & Cie. GmbH		3,044	3,236
Non-controlling interests		314	394
Equity	12	**3,358**	**3,630**
Financial liabilities	13	902	749
Pension provisions	14	442	375
Other non-current provisions	15	62	71
Other non-current liabilities	16	6	61
Deferred taxes	6	132	164
Non-current liabilities		**1,544**	**1,420**
Financial liabilities	13	802	641
Current provisions	15	111	104
Trade payables and similar liabilities	17	231	214
Income tax liabilities	6	16	18
Other current liabilities	18	221	228
Current liabilities		**1,381**	**1,206**
Total equity and liabilities		**6,283**	**6,256**

Haniel Group
Income statement

EUR million	Note	2019	2018
Revenue	19	**4,533**	**4,683**
Changes in inventories of finished goods and work in progress		–2	3
Other own work capitalised		22	21
Gross revenue		**4,553**	**4,707**
Cost of materials		–2,471	–2,663
Gross profit		**2,082**	**2,044**
Other operating income	20	24	31
Total operating income		**2,107**	**2,076**
Personnel expenses	21	–932	–900
Other operating expenses	22	–602	–627
EBITDA		**572**	**549**
Depreciation and amortisation (other than of intangible assets from purchase price allocation)		–317	–248
Impairment of property, plant and equipment and intangible assets		–1	–1
Operating profit (EBITA)		**255**	**301**
Amortisation of intangible assets from purchase price allocation		–60	–61
EBIT		**195**	**239**
Result from investments accounted for at equity	3	36	–707
Other investment result		5	5
Finance costs	23	–60	–56
Other net financial income	24	–2	43
Net financial income		**–20**	**–715**
Profit before taxes		**175**	**–475**
Income tax expenses	25	–21	–52
Profit after taxes from continuing operations		**154**	**–527**
Profit after taxes from discontinued operations	26	–24	–321
Profit after taxes		**130**	**–848**
of which attributable to non-controlling interests		47	64
of which attributable to shareholders of Franz Haniel & Cie. GmbH		83	–912

Haniel Group
Statement of comprehensive income

EUR million	Note	2019	2018
Profit after taxes		**130**	**–848**
Remeasurements of defined benefit plans recognised in other comprehensive income		–68	–10
Deferred taxes on remeasurements of defined benefit plans recognised in other comprehensive income		18	4
Remeasurements of defined benefit plans		**–49**	**–7**
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity		**–33**	**4**
Income and expenses recognised in equity from remeasurement of equity instruments		–4	0
Deferred taxes on remeasurement of equity instruments		0	0
Remeasurement of equity instruments		**–4**	**0**
Total other comprehensive income not to be reclassified to profit or loss		**–86**	**–3**
Income and expenses recognised in equity from remeasurement of derivative financial instruments		–4	1
Reversals recognised in profit or loss		1	1
Deferred taxes on remeasurement of derivative financial instruments		1	–1
Remeasurement of derivative financial instruments		**–2**	**1**
Income and expenses recognised in equity from foreign currency translation		22	18
Reversals recognised in profit or loss		–1	0
Currency translation effects		**21**	**18**
Income and expenses recognised in equity from changes recognised directly in equity of investments accounted for at equity		39	–23
Reversals recognised in profit or loss		106	64
Other comprehensive income from investments accounted for at equity		**144**	**40**
Total other comprehensive income to be reclassified to profit or loss and reversals recognised in profit or loss		**163**	**60**
Total other comprehensive income		**78**	**57**
of which attributable to non-controlling interests		–6	5
of which attributable to shareholders of Franz Haniel & Cie. GmbH		84	52
Comprehensive income	12	**208**	**–791**
of which attributable to non-controlling interests		41	69
of which from discontinued operations		0	0
of which from continuing operations		41	69
of which attributable to shareholders of Franz Haniel & Cie. GmbH		167	–860
of which from discontinued operations		89	–305
of which from continuing operations		78	–555

Haniel Group
Statement of changes in equity

CHANGES IN 2019

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. 2019 before adjustments	1,000	678	–456	2,037	–23	**3,236**	394	**3,630**
Changes in accounting and valuation principles						**0**		**0**
As at 1 Jan. 2019	1,000	678	–456	2,037	–23	**3,236**	394	**3,630**
Dividends				–60		**–60**	–29	**–89**
Changes in the scope of consolidation			71	–71		**0**		**0**
Changes in shares in companies already consolidated			–11	–283		**–294**	–93	**–387**
Changes in treasury shares					–4	**–4**		**–4**
Comprehensive income			84	83		**167**	41	**208**
of which profit after taxes				83		**83**	47	**130**
of which other comprehensive income			84			**84**	–6	**78**
As at 31 Dec. 2019	**1,000**	**678**	**–312**	**1,706**	**–27**	**3,044**	**314**	**3,358**

CHANGES IN 2018

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. 2018 before adjustments	1,000	678	–539	3,033	–18	**4,154**	345	**4,499**
Changes in accounting and valuation principles			–1	8		**7**	2	**8**
As at 1 Jan. 2018	1,000	678	–540	3,041	–18	**4,160**	347	**4,507**
Dividends				–60		**–60**	–20	**–80**
Changes in the scope of consolidation			33	–33		**0**		**0**
Capital measures						**0**	–2	**–2**
Changes in treasury shares					–5	**–5**		**–5**
Comprehensive income			52	–912		**–860**	69	**–791**
of which profit after taxes				–912		**–912**	64	**–848**
of which other comprehensive income			52			**52**	5	**57**
As at 31 Dec. 2018	**1,000**	**678**	**–456**	**2,037**	**–23**	**3,236**	**394**	**3,630**

For further explanatory comments concerning equity, see note 12.

Haniel Group
Statement of cash flows

EUR million	Note	2019	2018
Profit after taxes		130	–848
Depreciation and amortisation, impairment losses and reversals on non-current assets		377	309
Change in pension provisions and other non-current provisions		–4	–11
Income/expenses from changes in deferred taxes		–28	–1
Non-cash income/expenses and dividends of investments accounted for at equity		59	1,107
Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares		–16	–6
Other non-cash income/expenses and other payments		–4	–28
Haniel cash flow		**514**	**522**
Change in inventories, receivables and similar assets		103	–100
Change in current non-interest-bearing liabilities, current provisions and similar liabilities		0	–42
Cash flow from operating activities		**617**	**380**
Proceeds from the disposal of property, plant and equipment, intangible assets and other assets		869	227
Payments for investments in property, plant and equipment, intangible assets and other assets		–382	–284
Proceeds from the disposal of consolidated companies and other business units		7	–1
Payments for acquisitions of consolidated companies and other business units		–81	–58
Cash flow from investing activities		**413**	**–116**
Proceeds from contributions to equity		0	0
Payments to shareholders		–112	–96
Payments from changes in shares in companies already consolidated		–443	0
Proceeds from issuance of financial liabilities		1,558	1,163
Repayments of financial liabilities		–1,583	–1,281
Cash flow from financing activities		**–580**	**–214**
Cash and cash equivalents at the beginning of the period		116	68
Increase/decrease in cash and cash equivalents		450	50
Non-cash increase/decrease in cash and cash equivalents		0	–2
Cash and cash equivalents at the end of the period	32	**566**	**116**

The cash flow from operating activities includes dividends received in the amount of EUR 38 million (previous year: EUR 79 million), interest income of EUR 7 million (previous year: EUR 6 million) and interest payments of EUR 38 million (previous year: EUR 52 million). EUR 47 million was paid in income taxes (previous year: EUR 56 million).

Notes to the consolidated financial statements

A. Segment reporting

2019 BY DIVISION

EUR million	Bekaert-Deslee	CWS	ELG	Optimar	ROVEMA	TAKKT	Invest-ment CECO-NOMY	Holding and other compa-nies	Consoli-dation	**Group**	Discon-tinued opera-tions
Segment revenue from external customers	339	1,188	1,580	118	96	1,213				**4,533**	
Segment revenue from transactions with other segments						1			–1	**0**	
Revenue	**339**	**1,188**	**1,580**	**118**	**96**	**1,214**	**0**	**0**	**–1**	**4,533**	**0**
Operating profit (EBITA)	**27**	**155**	**7**	**2**	**7**	**118**	**0**	**–62**	**0**	**255**	**0**
Result from investments accounted for at equity	1		–4			–1	41			**36**	–41
Finance costs	–6	–9	–22	–4	–1	–7		–21	10	**–60**	
Other net financial income	1	–1	–1			–1		9	–11	**–2**	18
Profit before taxes	**12**	**118**	**–19**	**–9**	**–0**	**101**	**41**	**40**	**–109**	**175**	**–24**
Depreciation and amortisation of segment assets	–27	–268	–21	–9	–9	–41		–2		**–377**	
Material non-cash income (+) and expenses (-) other than depreciation and amortisation	–1	1	–3	1	1	–15	41	5	6	**35**	–56
Total assets	**580**	**1,894**	**837**	**260**	**271**	**1,101**	**295**	**3,385**	**–2,456**	**6,168**	**115**
of which carrying amount of investments accounted for at equity	5	1	12				295			**313**	
of which goodwill	147	826	83	103	132	671				**1,962**	
Financial liabilities	**192**	**646**	**398**	**105**	**51**	**194**	**0**	**617**	**–499**	**1,704**	**0**
Recognised investments in non-current segment assets	**19**	**332**	**39**	**5**	**6**	**58**	**0**	**107**	**–1**	**565**	**0**
Average number of employees (headcount)	**3,354**	**10,509**	**1,381**	**478**	**691**	**2,706**	**0**	**185**		**19,302**	**0**

See note 33 for a description of the segments.

2019 BY REGION

EUR million	Belgium	Germany	France	United Kingdom	Nether-lands	Norway	Switzer-land	USA	Other countries	**Total**
Segment revenue from external customers, by location of company	220	1,229	177	321	398	113	176	1,203	696	**4,533**
Non-current intangible assets and property, plant and equipment	207	1,708	12	91	244	196	95	622	418	**3,594**

2018 BY DIVISION

EUR million	Bekaert-Deslee	CWS	ELG	Optimar	ROVEMA	TAKKT	Invest-ments CECO-NOMY	Holding and other compa-nies	Consoli-dation	**Group**	Discon-tinued opera-tions
Segment revenue from external customers	318	1,140	1,811	123	110	1,181				**4,683**	
Segment revenue from transactions with other segments		1							–1	**0**	
Revenue	**318**	**1,141**	**1,811**	**123**	**110**	**1,181**	**0**	**0**	**–1**	**4,683**	**0**
Operating profit	**21**	**140**	**32**	**3**	**11**	**133**	**0**	**–40**	**0**	**301**	**0**
Result from investments accounted for at equity	1		1			–1	–707		–1	**–707**	–321
Finance costs	–8	–6	–17	–3	–1	–6		–25	10	**–56**	
Other net financial income	1	2				1		47	–8	**43**	
Profit before taxes	**6**	**110**	**15**	**–7**	**4**	**117**	**–707**	**104**	**–117**	**–475**	**–321**
Depreciation and amortisation of segment assets	–22	–226	–15	–8	–9	–27		–2		**–309**	
Material non-cash income (+) and expenses (-) other than depreciation and amortisation	2	–23	–4	1	3	–15	–672	46	–24	**–686**	–356
Total assets	**557**	**1,724**	**857**	**239**	**285**	**1,115**	**256**	**2,664**	**–2,175**	**5,522**	**734**
of which carrying amount of investments accounted for at equity	5		4			1	256			**265**	734
of which goodwill	144	771	87	103	132	647				**1,884**	
Financial liabilities	**183**	**480**	**415**	**77**	**74**	**154**	**0**	**633**	**–626**	**1,390**	**0**
Recognised investments in non-current segment assets	**14**	**202**	**28**	**5**	**5**	**86**	**0**	**14**	**–3**	**351**	**0**
Average number of employees (headcount)	**2,876**	**10,585**	**1,343**	**422**	**676**	**2,718**	**0**	**204**		**18,824**	**0**

2018 BY REGION

EUR million	Belgium	Germany	France	United Kingdom	Nether-lands	Norway	Switzer-land	USA	Other countries	**Total**
Segment revenue from external customers, by location of company	219	1,167	197	347	536	108	167	1,269	673	**4,683**
Non-current intangible assets and property, plant and equipment	198	1,628	7	98	132	190	86	526	433	**3,298**

B. General basis of presentation

Accounting principles
The consolidated financial statements of Franz Haniel & Cie. GmbH for the year ended 31 December 2019 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 9 March 2020. They were approved by the Supervisory Board at its meeting on 1 April 2020.

The reporting currency is the euro; figures are shown in EUR million. This may result in 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 2019 financial year:

IFRS 16 (2015): "Leases"
Amendments to IFRS 9 (2017): "Prepayment Features with Negative Compensation"
Annual Improvements to IFRS Standards 2015–2017 Cycle (2017)
Amendments to IAS 19 (2018): "Plan Amendment, Curtailment or Settlement"
Amendments to IAS 28 (2017): "Long-term Interests in Associates and Joint Ventures"
IFRIC 23 (2017): "Uncertainty over Income Tax Treatments"

With the exception of the first-time application of IFRS 16 "Leases", the first-time application of the amended and new standards did not have any impact on the presentation of the Haniel Group's net assets, financial position, and results of operations.

IFRS 16 "Leases"
IFRS 16 replaces the existing standards on leases. The standard requires that generally all leases and the associated contractual rights and obligations be presented in the lessee's statement of financial position. Consequently, the requirement under IAS 17 that the lessee classify leases as either operating or finance leases, is not longer applicable. The lessee recognises the present value of future lease payments as a financial liability. A corresponding right-of-use asset is recognised under property, plant and equipment, and is generally equal to the present value of future lease payments plus directly attributable costs. The right-of-use asset is amortised on a straight-line basis over the shorter of the lease term and the useful life of the leased asset. The provisions of IAS 36 relating to the identification and recognition of impairments also apply to right-of-use assets.

During its transition to IFRS 16, Haniel exercised the modified retrospective approach. Under that expedient, the recognised right-of-use asset is equal to the present value of the lease liability. The prior-year comparative figures were not restated. Initial costs directly attributable to the right-of-use asset were not taken into account. Additionally, right-of-use assets are adjusted to reflect any provisions for onerous leases which had been recognised in the statement of financial position immediately prior to initial application. The leases were discounted using the incremental borrowing rate of 1 January 2019. The weighted average incremental borrowing rate for the lease liabilities recognised for the first time as at the beginning of the reporting period was 2.9 per cent.

The minimum payments for operating leases as at 31 December 2018 were reconciled to the recognised lease liabilities as at 1 January 2019 as follows:

EUR million	
Minimum lease payments for operating leases as of 31 December, 2018	**256**
Short term leases	–10
Low value leases	–13
Effects from extension or cancellation options and other effects	32
Effect from discounting	–35
Additional lease liability recognised on the initial application of IFRS 16 as of 1 January, 2019	**230**
Lease liability as of 31 December, 2018	30
Lease liability as of 1 January, 2019	**260**

Haniel generally exercises its option of directly expensing short-term leases that have terms of less than 12 months and leases for which the underlying asset is of low value. The lease payments in connection with these arrangements are recognised under other operating expenses.

The overview below presents the effects from the first-time application of IFRS 16 on the consolidated statement of financial position:

EUR million	31 Dec. 2018	Adjustments IFRS 16	1 Jan. 2019
Assets			
Property, plant and equipment	728	217	945
Other current assets	197	–1	196
		216	
Equity and liabilities			
Non-current financial liabilities	749	179	928
Other non-current provisions	71	–11	60
Other non-current liabilities	61	–2	59
Current financial liabilities	641	51	692
Other current liabilities	228	–1	227
		216	

The right-of-use assets recognised under property, plant and equipment relate primarily to land, buildings and similar assets, as well as to operating and office equipment.

In a few instances, Haniel functions as the lessor in a lease. These leases are accounted for as operating leases; this means that the leased asset continues to be reported in the statement of financial position and the lease payments are recognised as other operating income.

The IASB and the IFRS IC have issued new and amended rules whose application is not mandatory for the Haniel Group until financial year 2020 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	
Interest Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	2020
Amendments to IAS 1 and IAS 8 (2018): “Definition of Material”	2020
Amendments to References to the Conceptual Framework in IFRS Standards	2020
Not yet endorsed by the Commission of the European Union	
IFRS 17 (2017): “Insurance Contracts”	2021
Amendments to IFRS 3 (2018): “Definition of Business”	2020

The Haniel Group applies the supplemental provisions of IFRS 9 contained in “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”, which was published on 26 September 2019 and endorsed by the European Union on 15 January 2020. Accordingly, the new provisions are applied retrospectively to hedges which had been concluded as at the reporting date. The new provisions provide the Company with certain relief in relation to hedge accounting rules, specifically that a hedge needs not be terminated due to effects arising from the IBOR reform. Application of the new provisions had no material influence on the financial statements for the current or future periods.

The option of early application of standards already issued was not otherwise exercised. Currently there are also no plans to apply any of the standards issued by the IASB early. 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.

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 2019. 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 indications of impairment (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, 218 domestic and foreign companies were included in full in the consolidated financial statements as at 31 December 2018. In the financial year, the number of subsidiaries changed as follows:

Additions due to acquisition of shares or obtaining control	17
Additions due to new company formation	4
Disposals due to sale of shares or loss of control	5
Disposals due to mergers or liquidation	21

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 213 subsidiaries are included in the consolidated financial statements as at 31 December 2019. Of that figure, 30 companies belong to the BekaertDeslee business unit, 49 to CWS, 42 to ELG, 5 to Optimar, 14 to ROVEMA and 62 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 one asset leasing company (previous year: two asset leasing companies). The corresponding agreements are accounted for in accordance with IFRS 16. 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 6 million (previous year: EUR 12 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 39 million (previous year: EUR 27 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 14 million (previous year: EUR 16 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, 8 (previous year: 8) 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 generally 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:

	2019		**2018**	
EUR	Average exchange rate	Closing rate	Average exchange rate	Closing rate
US dollar (USD)	1.1193	1.1234	1.1798	1.1450
UK pound sterling (GBP)	0.8773	0.8508	0.8846	0.8945
Swiss franc (CHF)	1.1121	1.0854	1.1546	1.1269
Norwegian krone (NOK)	9.8479	9.8638	9.5962	9.9483

Since 1 July 2018, Argentina has been classified as a hyperinflationary economy. Therefore, IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for Bekaert Textiles Argentina SA. The effects resulting from this are immaterial for the Haniel Group.

Accounting policies

The consolidated financial statements are generally prepared based on historical cost. A material exception to that are certain derivative and non-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	2 to 50 years
Technical equipment and machinery	2 to 20 years
Operating and office equipment	2 to 20 years

A **lease** is a contract that conveys the right to control the use of an identified asset (leased asset) for a period of time in exchange for consideration.

The Haniel Group generally accounts for all leases as a lessee – with the exception of leased assets of low value and short-term leases (less than 12 months). Right-of-use assets are recognised with respect to the leased assets and liabilities are recognised with respect to the payment obligations resulting from the lease.

The lease liability is measured as the present value of the future lease payments and comprises the following elements: fixed payments, less any lease incentives received, variable lease payments, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease.

The discount rate for lease payments is generally calculated using incremental borrowing rates for the specific lease terms and currencies, as the interest rate implicit in the lease cannot be readily determined. Lease liabilities are subsequently measured by reducing the carrying amount of the liability to reflect the lease payments made (effective interest rate method). Interest expenses are presented in finance costs.

Right-of-use assets are measured at cost, which comprises the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Right-of-use assets are subsequently measured at amortised cost, depreciated on a straight-line basis over the term of the lease and recognised under property, plant and equipment.

The practical expedients for leases for which the underlying asset is of low value and short-term leases (less than 12 months) were applied, and the payments continue to be recognised on a straight-line basis under other operating expenses. Furthermore, the standard is not applied to leases of intangible assets. In the case of contracts containing lease components alongside non-lease components, the option to forego separation of these components has been applied.

Certain leases contain extension and termination options. When determining the term of the leases, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease are taken into consideration. Changes in lease terms resulting from the lessee's decision to exercise or not exercise such options are only taken into account if they are reasonably certain.

A lessor shall classify each of its leases as either an operating lease or a finance lease. Under a finance lease, an asset must be recognised in the statement of financial position and presented as a receivable in the amount of the net investment value. Under an operating lease, the leased asset is recognised at amortised cost under property, plant and equipment. The lease payments received during the period under review are presented under other operating income.

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. As at the reporting date, there were a total of 22 cash-generating units within the Haniel Group (previous year: 23). The reduction resulted from the deconsolidation of Carbon Fibre from the ELG business unit. 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. 2019
	%	%	EUR million
BekaertDeslee	5.6 to 6.0	2.0	147
CWS	5.5 to 6.2	1.5	826
of which CWS Hygiene	6.2	1.5	545
of which CWS Workwear	5.9	1.5	270
ELG	10.7 to 11.4	3.0 to 4.0	83
Optimar	7.8	2.0	103
ROVEMA	7.5	2.5	132
TAKKT	6.6 to 7.3	1.0 to 2.0	671
of which Ratioform Group	6.8	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. 2018
	%	%	EUR million
BekaertDeslee	7.1 to 9.6	2.0	144
CWS	6.7 to 6.9	1.5	771
of which CWS Hygiene	6.9	1.5	500
of which CWS Workwear	6.7	1.5	270
ELG	10.9 to 12.9	0.0 to 4.0	87
Optimar	9.3	2.5	103
ROVEMA	7.3	1.5	132
TAKKT	7.0 to 7.9	1.0 to 2.0	647
of which Packaging Solutions Group	7.5	2.0	153

In addition to goodwill, the Haniel Group also has EUR 143 million (previous year: EUR 142 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 27 million (previous year: EUR 27 million) and EUR 26 million (previous year: EUR 26 million), respectively. The weighted average cost of capital before taxes is 6.0 per cent (previous year: 9.1 per cent) for BekaertDeslee Americas and 7.5 per cent (previous year: 7.3 per cent) for ROVEMA; the expected future company growth rate for the years after the detailed planning period amounts to 2.0 per cent (previous year: 2.0 per cent) for BekaertDeslee Americas and 2.5 per cent (previous year: 1.5 per cent) for ROVEMA.

As in the previous year, 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 of a possible impairment of the total carrying amount of the investment.

Financial assets include in particular investments (equity instruments), securities and loans (debt instruments). The classification of financial assets upon initial recognition depends on the contractual cash flow characteristics of the financial assets and the underlying business model according to which they are managed. Since the cash flow characteristics of equity instruments do not consist exclusively of interest and repayments of outstanding principal, they must generally be classified as financial instruments measured at fair value through profit or loss. An exception to this is made for equity instruments which are not held for trading purposes; upon initial recognition, the Group may exercise the option to irrevocably classify such instruments as financial instruments measured at fair value through other comprehensive income. Depending on the underlying business model, debt instruments whose cash flow characteristics consist exclusively of interest and repayments of outstanding principal are classified as financial instruments measured either at amortised cost ("hold") or as financial instruments measured at fair value through other comprehensive income ("hold and sell"). All remaining debt instruments are classified as financial instruments measured at fair value through profit or loss, as is generally the case with equity instruments. The classification is determined at the date of acquisition and reviewed as of each reporting date. Financial assets are initially recognised at fair value and, provided they are not subsequently measured at fair value through profit or loss, plus transaction costs.

Debt instruments which are subsequently measured at amortised cost are accounted for using the effective interest method. In the Haniel Group, this category also includes listed bonds and commercial paper. They are also subject to the impairment requirements set out in IFRS 9. To determine the expected credit loss for debt instruments subsequently measured at amortised cost, each financial instrument is assigned a ratings-based likelihood of default and a default ratio which is customary for the relevant market. The Haniel Group applies the practical expedient for financial instruments with low credit risk when assessing whether the credit risk has materially increased since initial recognition. The credit risk allowance to be recognised for these financial assets is calculated based on the 12-month expected credit loss.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value as at the reporting date. Changes in value are reported under other comprehensive income. Financial assets in this measurement category are subject to the impairment requirements of IFRS 9. The Haniel Group reports trade receivables eligible for forfaiting under that category.

Equity instruments, debt instruments and derivatives measured at fair value through profit or loss are subsequently measured at fair value as at the reporting date, with fair value changes recognised in the income statement in this instance. Any transaction costs are recognised in profit or loss upon posting. Financial assets in this measurement category are not subject to the impairment requirements of IFRS 9. In the Haniel Group, mainly venture capital funds and derivatives for which no formal hedge accounting is applied are classified under this measurement category.

If the option to measure equity instruments which are not held for trading purposes at fair value through other comprehensive income is irrevocably exercised upon initial recognition, the resulting unrealised gains and losses and deferred taxes thereon are recognised in other comprehensive income. The changes in value recognised in other comprehensive income are not reclassified to profit or loss. By contrast, dividend payments are recognised through profit or loss. Financial assets in this measurement category are not subject to the impairment requirements of IFRS 9. This option, which is exercised on a case-by-case basis, is exercised by the Haniel Group solely for non-listed investments in corporations.

Regular way sales and purchases of non-derivative financial assets of all categories are recognised as at the settlement date.

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 assets and liabilities 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 business unit, 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 initially recognised at the transaction price, which corresponds to the consideration paid in exchange for the transfer of goods or rendering of services to a customer. **They** are subsequently measured at amortised cost in accordance with the effective interest method. **The performance obligations in relation to assets from construction contracts** and **assets from other contracts with customers** are satisfied over a certain **period**. Revenue and profits from long-term contracts are recognised relative to the percentage of completion of the respective project. The percentage of completion is calculated as the ratio of the contract costs already incurred up to the end of the financial year to the estimated total project costs (cost-to-cost method) or the work hours performed up to the end of the financial year and estimated hours planned. If the cumulative performance per contract (contract costs and contract results) exceeds the prepayments received, the construction contracts are reported as assets. If a negative net amount remains after the prepayments received, this amount is recognised as a **liability from construction costs**. 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. An expected credit loss allowance is recognised immediately upon initial recognition before any losses are actually incurred. The simplified approach is applied, under which the valuation allowance is calculated on the basis of the lifetime expected credit loss. Allowances are calculated based on historical experience and current expectations as to credit losses, with adequate methods being applied to reflect the different business activities of the business units.

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 IFRS 9, 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. Derivative financial instruments which are not subjected to hedge accounting are classified as equity instruments, debt instruments and derivatives measured at fair value through profit or loss in accordance with IFRS 9.4.1.4.

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 hedging instruments are recognised in profit or loss. The changes in value of the underlyings attributable to the hedged risk are also recognised in profit or loss as adjustments to the carrying amounts. 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. In accordance with IFRS 9, the treatment of amounts recognised under other comprehensive income depended on the nature of the underlying hedged item. If the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the amount recognised under other comprehensive income is included in the calculation of the acquisition costs or the carrying amount. For all other types of hedged items, the amount is reclassified to the income statement at the same time as the impact of the hedged item on 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.

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 contracts with customers, less discounts and rebates. Revenue is generally recognised when control over the products or services transfers to the customer. This occurs either at a certain point in time or over a certain period of time. A product or service is deemed to be transferred once the customer has obtained control over such assets. This is the case when the customer has the ability to use the asset and direct its further use. The Haniel Group manufactures and sells a variety of products and services through its business units. While the BekaertDeslee, ELG and TAKKT business units tend to satisfy their performance obligations at a certain point in time, the CWS, Optimar and ROVEMA business units satisfy their performance obligations primarily over a certain period of time. BekaertDeslee generates revenue by producing mattress textiles and covers; ELG generates revenue through the trading, processing and recycling of stainless steel scrap and superalloys; and TAKKT generates revenue as a B2B direct marketing specialist that sells business equipment. CWS generates revenue from services for washroom hygiene and textile solutions, while Optimar and ROVEMA manufacture customised fish handling systems and packaging machines and equipment. In general, input-oriented methods are used to determine the degree of completion for performance obligations satisfied over a period of time. The various products and services are sold at customary payment terms and do not comprise any financing components. The consideration received does not comprise any variable purchase price components. The customers’ rights of return are taken into account through the recognition of an asset from return claims and the recognition of a reimbursement liability. 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.

The allowance for expected credit losses in relation to trade receivables is calculated primarily on the basis of estimates and assumptions. For instance, at every reporting date an analysis of allowances is conducted to measure the expected credit losses. The rates used to derive the allowances are based on days overdue for groups of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by guarantee credits and similar forms of credit insurance). The calculation reflects the probability-weighted result, the time value of money and appropriate and supported information that is available at the reporting date pertaining to past events, current conditions and forecasts of future economic conditions. Actual cash inflows may deviate from the carrying amounts recognised in respect of the receivables. In addition, when assessing customer-specific construction contracts, the timing and amount of revenue and profit recognition depend on assumptions made by the management.

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. 2019 before adjustment	**556**	**431**	**539**	**27**	**1,553**
Changes in accounting and valuation principles	162	2	53		**216**
As at 1 Jan. 2019	718	433	592	27	**1,770**
Foreign exchange rate adjustments	6	6	1		**12**
Additions to scope of consolidation	8	3	7		**18**
Additions	37	29	213	20	**300**
Reclassifications	8	8	2	–18	**0**
Disposals	10	19	168	1	**198**
As at 31 Dec. 2019	**765**	**460**	**647**	**28**	**1,901**
Accumulated depreciation					
As at 1 Jan. 2019	**269**	**266**	**289**	**1**	**825**
Foreign exchange rate adjustments	2	3	1		**6**
Depreciation	52	32	216		**299**
Impairments					**1**
Reversals of impairment losses					**1**
Reclassifications					**0**
Disposals	5	15	166		**186**
As at 31 Dec. 2019	**317**	**286**	**339**	**2**	**944**
Net carrying amounts					
As at 31 Dec. 2019	**448**	**174**	**308**	**27**	**957**
As at 1 Jan. 2019	**287**	**166**	**251**	**25**	**728**

The change in accounting policies related to the first-time application of IFRS 16 “Leases”. Please refer to note 27 for a discussion of leases.

Additions to scope of consolidation during the financial year resulted from acquisitions by the CWS, ELG and TAKKT business units. Business combinations in the financial year are explained under note 31. 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 business unit.

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. 2018 before adjustments	**548**	**420**	**490**	**11**	**1,470**
Adjustment initial consolidation	1	0	0		**1**
As at 1 Jan. 2018	549	421	490	11	**1,471**
Foreign exchange rate adjustments	4	2			**5**
Additions to scope of consolidation	2				**3**
Additions	13	21	184	21	**239**
Reclassifications	1	3	1	–5	**0**
Disposals	13	15	136		**164**
As at 31 Dec. 2018	**556**	**431**	**539**	**27**	**1,553**
Accumulated depreciation					
As at 1 Jan. 2018	**255**	**247**	**239**	**1**	**742**
Foreign exchange rate adjustments	2	1	–0		**3**
Depreciation	17	32	185		**234**
Impairments					**0**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals	5	14	135		**154**
As at 31 Dec. 2018	**269**	**266**	**289**	**1**	**825**
Net carrying amounts					
As at 31 Dec. 2018	**287**	**166**	**251**	**25**	**728**
As at 1 Jan. 2018	**293**	**173**	**252**	**10**	**727**

Property, plant and equipment recognised in the previous year included assets totalling EUR 30 million based on finance leases. Of this amount, EUR 27 million related to land, buildings and similar assets, EUR 2 million to technical equipment and machinery, and EUR 1 million to operating and office equipment. No further individual non-cash investments were made in property, plant and equipment (finance leases).

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 3 million (previous year: EUR 3 million).

2 Intangible assets

EUR million	Goodwill	Other intangible assets from purchase price allocation	Other intangible assets	Prepayments	Total
Cost					
As at 1 Jan. 2019 before adjustment	**1,920**	**787**	**215**	**31**	**2,953**
Changes in accounting and valuation principles					**0**
As at 1 Jan. 2019	1,920	787	215	31	**2,953**
Foreign exchange rate adjustments	14	6			**20**
Additions to scope of consolidation	74	36			**110**
Additions			14	15	**29**
Reclassifications			20	–20	**0**
Disposals	18	2	6		**25**
As at 31 Dec. 2019	**1,990**	**826**	**245**	**26**	**3,088**
Accumulated depreciation					
As at 1 Jan. 2019	**36**	**208**	**136**	**3**	**383**
Foreign exchange rate adjustments		2			**3**
Additions					**0**
Depreciation		60	17		**77**
Impairments					**0**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals	8	2	4		**13**
As at 31 Dec. 2019	**29**	**268**	**150**	**3**	**450**
Net carrying amounts					
As at 31 Dec. 2019	**1,962**	**558**	**95**	**23**	**2,638**
As at 1 Jan. 2019	**1,884**	**579**	**79**	**28**	**2,570**

Additions to scope of consolidation during the financial year resulted from acquisitions by the CWS, ELG and TAKKT business units. Business combinations in the financial year are explained under note 31.

As in the previous year, the additions to other intangible assets and prepayments resulted primarily from software.

Other intangible assets from purchase price allocation and other intangible assets include assets with indefinite useful lives totalling EUR 143 million (previous year: EUR 142 million). These relate predominantly to brand names acquired through business combinations as well as works of art belonging to the Haniel Holding Company.

EUR million	Goodwill	Other intangible assets from purchase price allocation	Other intangible assets	Prepayments	**Total**
Cost					
As at 1 Jan. 2018 before adjustments	**1,856**	**872**	**181**	**45**	**2,953**
Adjustment initial consolidation	5				**5**
As at 1 Jan. 2018	1,861	872	181	45	**2,959**
Foreign exchange rate adjustments	17	8			**25**
Additions to scope of consolidation	43	15			**58**
Additions			13	15	**28**
Reclassifications			29	–28	**0**
Disposals		108	8		**116**
As at 31 Dec. 2018	**1,920**	**787**	**215**	**31**	**2,953**
Accumulated depreciation					
As at 1 Jan. 2018	**36**	**252**	**127**	**6**	**421**
Foreign exchange rate adjustments		3			**3**
Depreciation		61	14		**75**
Impairments					**0**
Reversals of impairment losses					**0**
Reclassifications			3	–3	**0**
Disposals		108	8		**116**
As at 31 Dec. 2018	**36**	**208**	**136**	**3**	**383**
Net carrying amounts					
As at 31 Dec. 2018	**1,884**	**579**	**79**	**28**	**2,570**
As at 1 Jan. 2018	**1,820**	**620**	**54**	**39**	**2,533**

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 2019, there was a purchase commitment for intangible assets in the amount of EUR 2 million (previous year: EUR 2 million).

3 Investments accounted for at equity

EUR million	2019	2018
As at 1 Jan.	**999**	**2,474**
Foreign exchange rate adjustments		–1
Additions to scope of consolidation		
Additions	17	4
Changes in equity interest recognised in profit or loss	–19	69
Profit distribution	–39	–79
Changes in equity interest recognised in other comprehensive income	112	44
Impairments and reversals of impairments	–1	–1,097
Reclassification as assets held for sale	–115	
Disposals and transfers	–641	–415
As at 31 Dec.	**313**	**999**

Investments accounted for at equity essentially comprised Haniel’s investments in CECONOMY AG and METRO AG. 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. On 6 November 2019, EP Global Commerce (EPGC) acquired 12.49 per cent of ordinary shares in METRO AG from Haniel by exercising a call option that had been granted to it. Haniel’s interest in the voting rights of METRO AG fell from 15.20 per cent to 2.71 per cent. Since that date, Haniel no longer exercises any significant influence over METRO AG, and the company is no longer accounted for in accordance with the equity method. The remaining shares in METRO AG have consequently been reclassified as assets held for sale. In addition, having received a further call option, the buyer has the right to acquire the remaining 2.71 per cent of ordinary shares issued by METRO AG from Haniel.

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.

Due to the sectors in which it operates, CECONOMY AG has a financial year that runs from 1 October to 30 September. However, the investment is included in Haniel’s consolidated financial statements based on annual reports and published quarterly statements using results from 1 January through 31 December.

On 29 June 2018, CECONOMY AG announced that it had conducted a capital increase against cash contributions under the exclusion of existing shareholders’ pre-emptive subscription rights, issuing 32.6 million shares at an issue price of EUR 8.50 per share. The increase in CECONOMY AG’s share capital was entered into the commercial register on 12 July 2018. This resulted in a reduction in Haniel’s shareholding. Haniel’s interest in the ordinary shares of CECONOMY AG thus fell from 25.00 per cent to 22.71 per cent. Haniel continues to exercise a significant influence and measures its investment in accordance with the equity method. In 2015, Haniel issued an exchangeable bond linked to ordinary shares in the former METRO AG with an original nominal volume of EUR 500 million and a 5-year term. Therefore, a reduction of the proportional interest held in CECONOMY AG is possible.

Due to the permanent drop in CECONOMY AG's share price in the previous year, the carrying amount of the investment was tested for impairment. The impairment test is generally based on planning of future cash flows, a weighted average cost of capital after taxes of 6.6 per cent (previous year: 7.4 per cent) and a growth rate of 0.3 per cent (previous year: 0.3 per cent) for the years after the detailed planning period. The impairment test had identified a EUR 654 million impairment in the previous year. The primary cause of the impairment was the fact that the underlying corporate planning assumed a weaker future business development for the investment accounted for at equity.

The CECONOMY investment contributed earnings totalling EUR 41 million (previous year: EUR -707 million).

The stock market value of Haniel's 22.54 per cent interest (previous year: 22.54 per cent) in the ordinary and preferred shares of CECONOMY AG as at the reporting date amounted to EUR 438 million (previous year: EUR 255 million), valued at a share price of EUR 5.41 (previous year: EUR 3.15 per ordinary share).

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

EUR million	**2019**	**2018**
	CECONOMY AG	CECONOMY AG
Revenue	21,397	21,536
Profit after taxes from continuing operations	233	94
Profit after taxes from discontinued operations	1	–301
Other comprehensive income	33	143
Comprehensive income	267	–64
Dividends received		21

In the previous year, the profit after taxes from discontinued operations from the consolidated financial statements of CECONOMY AG included the current results of the Russian MediaMarkt business, which was sold on 31 August 2018, as well as the related gain or loss on disposal.

	31 Dec. 2019	**31 Dec. 2018**
EUR million	CECONOMY AG	CECONOMY AG
Non-current assets	4,411	2,251
Current assets	8,861	8,723
Non-current liabilities	2,641	1,196
Current liabilities	9,586	8,977
Equity	1,045	801
Equity attributable to shareholders	962	783
Haniel's share of equity	217	177
Remaining adjustments from purchase price allocation	749	750
Impairments on investment accounted for at equity	671	671
Carrying amount of the investment	**295**	**256**

In addition, at 30 September 2019 CECONOMY AG had contingent liabilities amounting to EUR 2 million (previous year: EUR 1 million).

In addition to CECONOMY AG, the Haniel Group holds equity interests in other associates. The carrying amount for these equity interests totalled EUR 18 million (previous year: EUR 9 million). The share of comprehensive income from these companies attributable to Haniel was EUR -4 million (previous year: EUR 0 million).

4 Financial assets

EUR million	31 Dec. 2019	31 Dec. 2018
Debt instruments measured at fair value through profit or loss	134	27
Investments in equity instruments measured at fair value through profit or loss	4	2
Investments in equity instruments measured at fair value through other comprehensive income	10	9
Debt instruments measured at amortized cost		
Debt instruments measured at fair value through other comprehensive income		
Loans	2	2
	150	**40**

Financial assets measured at fair value through profit or loss include investment funds and structured debt instruments as well as venture capital funds, which are mainly attributable to the Holding and other companies segment. Equity instruments measured at fair value through other comprehensive income include non-listed equity investments in corporations.

5 Other non-current assets

EUR million	31 Dec. 2019	31 Dec. 2018
Capitalised contract costs	20	18
Contingent purchase price receivables		13
Miscellaneous non-current assets	17	35
	37	**66**

Recognised contract costs relate to expenses for initiating contracts with customers of the CWS business unit. The contract costs are amortised on a straight-line basis over the expected terms of the contracts. The amount amortised each year is recognised under personnel expenses.

6 Current and deferred taxes

The income tax assets totalling EUR 42 million (previous year: EUR 47 million) concern in particular withholding tax receivables in connection with dividends received. The income tax liabilities of EUR 16 million (previous year: EUR 18 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 33.4 per cent (previous year: 9.0 per cent and 33.6 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. 2019		**31 Dec. 2018**	
EUR million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	14	112	16	70
Intangible assets	22	234	20	233
Miscellaneous non-current assets	8	9	4	5
Current assets	12	6	11	3
Non-current liabilities	52		7	
Non-current provisions	87	3	71	2
Current provisions	10	6	7	3
Other current liabilities	11	7	9	3
Derivative financial instruments	7	18	4	15
Tax loss carryforwards	92		63	
Less offsetting	264	264	170	170
	52	**132**	**42**	**164**

Deferred tax assets include EUR 33 million (previous year: EUR 21 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.

The Haniel Group recognised trade tax loss carryforwards of EUR 886 million (previous year: EUR 832 million), unused corporate tax and similar foreign loss carryforwards of EUR 598 million (previous year: EUR 526 million) and interest carryforwards amounting to EUR 533 million (previous year: EUR 710 million), 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 10 million (previous year: EUR 21 million) expire within five years and an additional EUR 3 million (previous year: EUR 3 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 144 million (previous year: EUR 151 million).

7 Inventories

EUR million	31 Dec. 2019	31 Dec. 2018
Raw materials and production supplies	75	68
Work and services in progress	18	13
Finished goods and merchandise	529	526
Assets from rights of return	1	1
Prepayments	7	9
	629	**617**

The inventories include EUR 100 million (previous year: EUR 117 million) that were written down to the net realisable value. Write-downs in the amount of EUR 9 million (previous year: EUR 14 million) were made during the financial year. By contrast, reversals of write-downs totalled EUR 9 million (previous year: EUR 4 million).

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

8 Trade receivables and similar assets

EUR million	31 Dec. 2019	31 Dec. 2018
Trade receivable	526	545
Assets from construction contracts	9	7
Assets from other contracts with customers		1
	535	**553**

While trade receivables include unconditional claims against customers, assets from construction contracts and assets from other contracts with customers include conditional claims. Assets from construction contracts relate to the Optimar and ROVEMA business units and are settled after completion.

The ELG business unit maintains programs for the continual sale of trade receivables to third parties. In accordance with IFRS 9, these transfers qualify for derecognition of the receivables in question.

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

Changes in allowances on trade receivables, assets from construction contracts and assets from other contracts with customers are as follows:

EUR million	2019	2018
As at 1 Jan.	**17**	**14**
Additions	3	5
Utilisations		2
Reversals	5	1
Foreign currency, changes in the scope of consolidation and other changes		1
As at 31 Dec.	**16**	**17**

Allowances are calculated based on a grouping by shared credit risk characteristics, days overdue and adequate impairment rates.

The additions to and reversals of valuation allowances are reported under other operating expenses. A receivable is deemed uncollectible if it has been overdue for longer than 12 months. If a receivable has become uncollectible, it is written off through profit or loss. Subsequent cash inflows in respect of written-off receivables are recognised in profit or loss.

In the ELG business unit, individual receivables against customers are hedged with default insurance policies. Forms of credit insurance are a component of trade receivables and are factored in when calculating the allowance.

9 Financial assets

EUR million	31 Dec. 2019	31 Dec. 2018
Other securities and fixed-term deposits	20	
Debt instruments measured at amortised cost	82	279
	102	**279**

Debt instruments measured at amortised cost includes commercial paper held to scheduled maturity. In the previous year, this item also contained a fully secured receivable as well as corporate bonds.

10 Cash and cash equivalents

EUR million	31 Dec. 2019	31 Dec. 2018
Bank balances	114	90
Cash on hand and cheques		1
Money market funds	452	25
	566	**116**

Bank balances comprise short-term deposits with an original maturity of up to three months. Portions of the proceeds from the disposal of an equity investment are invested in money market funds until such time as they are used, and are reported under cash as at the reporting date.

Cash and cash equivalents amounting to EUR 9 million (previous year: EUR 6 million) are held in countries with local exchange control regulations.

11 Other current assets

EUR million	31 Dec. 2019	31 Dec. 2018
Receivables from investments	1	11
Derivative financial instruments	19	12
Value added tax receivables and other tax assets	37	37
Prepaid expenses	18	17
Bonuses and discount claims against suppliers	17	19
Miscellaneous current assets	55	101
	147	**197**

The derivative financial instruments serve to hedge interest rate, exchange rate and other price risks and are described in detail under note 29. 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 business unit's ferrochrome transactions. At the reporting date, these assets amounted to EUR 22 million (previous year: EUR 61 million).

12 Equity

As at 31 December 2019, 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. As in the previous year, the changes in the scope of consolidation presented there relate to the reductions in the shareholding in METRO AG. In addition, this item had also included a reduction in the shareholding in CECONOMY AG in the previous year.

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

In the second half of 2019, Franz Haniel & Cie. GmbH acquired Rentokil Initial's 17.81 per cent interest in CWS-boco International GmbH. As a result, Franz Haniel & Cie. GmbH once again secured a 100 per cent interest in the Holding Company for the CWS business unit. Factoring in the derecognition of the present value of the obligation to pay compensation to Rentokil Initial under the profit and loss transfer agreement between Franz Haniel & Cie. GmbH and CWS-boco International GmbH, Group equity was reduced by EUR 387 million.

Rentokil Initial's share of comprehensive income as at the acquisition date amounted to EUR 4 million during the year under review (previous year: EUR 17 million). Of that amount, EUR 8 million related to profit after taxes (previous year: EUR 17 million) and EUR -4 million related to other comprehensive income (previous year: EUR 0 million). EUR 19 million was paid to Rentokil Initial under the obligation to pay compensation (previous year: EUR 10 million).

Non-controlling interests in the equity of consolidated subsidiaries related primarily to the free float shares in the Stuttgart-based TAKKT AG. At the reporting date, Haniel held 50.25 per cent (previous year: 50.25 per cent) of shares in TAKKT AG, the Holding Company of the TAKKT business unit. The tables below contain the financial information on the TAKKT business unit recognised in Haniel's consolidated financial statements.

	31 Dec. 2019	31 Dec. 2018	
EUR million	TAKKT	CWS	TAKKT
Non-current assets	913	1,456	837
Current assets	265	268	278
Non-current liabilities	268	625	234
Current liabilities	189	374	156
Equity	722	725	724
of which attributable to non-controlling interests	294	88	295

	2019	2018	
EUR million	TAKKT	CWS	TAKKT
Revenue	1,214	1,141	1,181
Operating profit	118	140	133
Profit after taxes	75	75	88
of which attributable to non-controlling interests	37	17	44
Other comprehensive income	–5	0	11
Comprehensive income	70	75	99
of which attributable to non-controlling interests	35	17	49
Cash flow from operating activities	131	284	100
Cash flow from investing activities	–44	–198	–74
Cash flow from financing activities	–86	–101	–25
Dividends paid to non-controlling interests	28	10	18

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

EUR million	As at 1 Jan. 2019	Changes in the scope of consolidation	Changes in shares in companies already consolidated	Other comprehensive income	Currency translation effects	**As at 31 Dec. 2019**
Remeasurements of defined benefit plans	–167	6		–68	–1	**–231**
Deferred taxes	48			18		**67**
Other comprehensive income from investments accounted for at equity	–129	63		–33		**–98**
Remeasurement of equity instruments	0	2		–4		**–2**
Other comprehensive income not to be reclassified to profit or loss	**–248**	**71**	**0**	**–86**	**–1**	**–264**
Derivative financial instruments	0			–3		**–2**
Deferred taxes	0			1		**1**
Currency translation effects	–20			21	1	**2**
Other comprehensive income from investments accounted for at equity	–200			144		**–55**
Other comprehensive income to be reclassified to profit or loss	**–219**	**0**	**0**	**163**	**1**	**–55**
Accumulated other comprehensive income	**–467**	**71**	**0**	**78**	**0**	**–319**
of which attributable to non-controlling interests	–11		11	–6		**–7**
of which attributable to shareholders of Franz Haniel & Cie. GmbH	–456	71	–11	84		**–312**

EUR million	As at 1 Jan. 2018 (after adjustments IFRS 9)	Changes in the scope of consolidation	Changes in shares in companies already consolidated	Other comprehensive income	Currency translation effects	**As at 31 Dec. 2018**
Remeasurements of defined benefit plans	–156			–10	–1	**–167**
Deferred taxes	44			4		**48**
Other comprehensive income from investments accounted for at equity	–165	33		4		**–129**
Remeasurement of equity instruments	0					**0**
Other comprehensive income not to be reclassified to profit or loss	**–277**	**33**	**0**	**–3**	**–1**	**–248**
Derivative financial instruments	–2			2		**0**
Deferred taxes	1			–1		**0**
Currency translation effects	–39			18	1	**–20**
Other comprehensive income from investments accounted for at equity	–240			40		**–200**
Other comprehensive income to be reclassified to profit or loss	**–280**	**0**	**0**	**60**	**1**	**–219**
Accumulated other comprehensive income	**–557**	**33**	**0**	**57**	**0**	**–467**
of which attributable to non-controlling interests	–17			5		**–11**
of which attributable to shareholders of Franz Haniel & Cie. GmbH	–540	33		52		**–456**

The accumulated other comprehensive income attributable to non-controlling interests included EUR 9 million (previous year: EUR 7 million) in currency translation effects, EUR -20 million (previous year: EUR -26 million) in remeasurements of defined benefit plans, EUR 6 million (previous year: EUR 7 million) in deferred taxes on remeasurements of defined benefit plans, EUR -1 million (previous year: EUR 0 million) in gains and losses on remeasurements of financial investments in equity instruments and EUR -1 million (previous year: EUR 0 million) in gains and losses on remeasurements of derivative financial instruments.

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	2019	2018
Financial liabilities	1,704	1,390
- Cash and cash equivalents	566	116
Net financial liabilities	1,137	1,274
- Investment position Haniel Holding Company	314	300
Net financial position	823	974

The investment position of the Haniel Holding Company, which is available for the acquisition of new business units, 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	2019	2018
Equity	3,358	3,630
/ Total assets	6,283	6,256
Equity ratio (in %)	**53.5**	**58.0**
Net financial position	823	974
/ Equity	3,358	3,630
Gearing	**0.2**	**0.3**
(Operating profit (EBITA)	255	301
+ Result from investments accounted for at equity	36	–707
+ Other investment result)	5	5
/ (Finance costs	–60	–56
– Other net financial income)	–2	43
Interest cover ratio	**4.8**	**–31.5**
(Net financial position	823	974
– Net financial liabilities allocated to financial investments)	100	300
/ EBITDA	572	549
Core repayment period (in years)	**1.3**	**1.2**

The core repayment period is the ratio of EBITDA of the six business units and the Holding and other companies segment to the net financial position. Since the financial investment in CECONOMY AG is accounted for at equity and is thus not included in EBITDA, EUR 100 million (previous year: EUR 300 million) in net financial liabilities are deducted and allocated to financial investments for the purpose of calculating the core repayment period.

13 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. 2019				31 Dec. 2018			
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	164	525	10	**698**	117	442	11	**570**
Bonds, commercial paper and other securitised debt	505	40		**545**	455	140		**595**
Liabilities to shareholders	59	70		**129**	44	77		**120**
Lease liabilities	57	130	70	**258**	8	11	11	**30**
Other financial liabilities	17	55	1	**74**	18	55	2	**75**
	802	**820**	**82**	**1,704**	**641**	**724**	**25**	**1,390**
of which subordinated	74	120	1	**195**	60	125	2	**187**

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

At the reporting date, bonds, commercial paper and other securitised debt included the exchangeable bond linked to the ordinary shares in CECONOMY AG amounting to EUR 405 million (previous year: EUR 451 million) and promissory loan notes amounting to EUR 140 million (previous year: EUR 144 million) issued by the business units. The year-on-year decrease in securitised liabilities was due in particular to the repurchase of portions of the exchangeable bond linked to the ordinary shares of CECONOMY AG.

The exchangeable bond linked to ordinary shares of CECONOMY AG with an original 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.

Financial liabilities include subordinated liabilities in the amount of EUR 195 million (previous year: EUR 187 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. 2019	31 Dec. 2018
Shareholder loans Haniel family	129	120
Loans of the Haniel Foundation	39	38
Haniel Zerobonds	4	6
Haniel Performance Bonds	7	8
Other financial liabilities	16	15
Total	**195**	**187**

14 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 33 million (previous year: EUR 27 million) for the statutory pension insurance and EUR 12 million (previous year: EUR 10 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 primarily 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. A claim to payment exists upon reaching the age limit, and for commitments as of 2012, 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. 2019				**31 Dec. 2018**			
%	Germany	United Kingdom	Netherlands	Switzerland	Germany	United Kingdom	Netherlands	Switzerland
Discount rate	1.0	2.0	1.0	0.3	1.9	2.7	1.9	0.9
Salary growth rate	2.5	2.0	0.0	1.5	2.5	2.2	1.5	1.5
Pension growth rate	1.8	2.7	0.0	0.0	1,8	3.1	0.5	0.0

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. For the eurozone, the iBoxx™ Corporates AA bonds were used in the financial year.

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 2018G Heubeck mortality tables.

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

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

EUR million	31 Dec. 2019	31 Dec. 2018
Pension provisions	442	375
Other non-current assets	5	2
Net pension provisions	**437**	**373**

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

EUR million	2019	2018
Present value of defined benefit obligations as at 1 Jan.	**528**	**530**
Foreign exchange rate adjustments	5	4
Changes in the scope of consolidation and other changes	4	
Current service cost	20	20
Past service cost		
Gains and losses arising from settlements	–44	–16
Interest cost	10	9
Actuarial gains and losses	78	7
of which arising from experience adjustments	–1	–3
of which arising from changes in demographic assumptions	–1	3
of which arising from changes in financial assumptions	80	7
Employees' contributions to plan assets	2	2
Less current pension payments	17	28
Less payments in respect of settlements		
Present value of defined benefit obligations as at 31 Dec.	**586**	**528**

The pension payments are expected to be EUR 15 million (previous year: EUR 17 million) in the next financial year, EUR 67 million in the following 2 to 5 financial years (previous year: EUR 68 million) and EUR 96 million in the next 6 to 10 financial years (previous year: EUR 93 million).

The plan assets developed as follows:

EUR million	2019	2018
Fair value of plan assets as at 1 Jan.	**155**	**176**
Foreign exchange rate adjustments	5	2
Changes in the scope of consolidation and other changes	3	
Return on plan assets	2	3
Gains and losses arising from settlements	–29	–14
Remeasurements of plan assets	10	–3
Employer's contributions to plan assets	6	7
Employees' contributions to plan assets	2	2
Less current pension payments out of plan assets	5	18
Less payments in respect of settlements		
Fair value of plan assets as at 31 Dec.	**149**	**155**

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:

	2019		**2018**	
EUR million	with active market	without active market	with active market	without active market
Cash and cash equivalents	5			
Equity instruments	21		6	
Debt instruments	60		33	
Real estate	15		1	
Derivatives				
Investment funds	8		5	
Asset-backed securities				
Structured debt				
Insurance contracts		40		110
Others				
Fair value of plan assets as at 31 Dec.	**109**	**40**	**45**	**110**

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	2019	2018
Net pension provisions as at 1 Jan.	**373**	**354**
Foreign exchange rate adjustments		2
Changes in the scope of consolidation and other changes	1	
Current service cost	20	20
Past service cost		
Gains and losses arising from settlements	–15	–2
Interest cost from compounding the defined benefit obligation	10	9
Return on plan assets	2	3
Actuarial gains and losses in respect of the defined benefit obligation	78	7
of which arising from experience adjustments	–1	–3
of which arising from changes in demographic assumptions	–1	3
of which arising from changes in financial assumptions	80	7
Remeasurements of plan assets	10	–3
Employer’s contributions to plan assets	6	7
Less current pension payments	12	10
Less payments in respect of settlements		
Net pension provisions as at 31 Dec.	**437**	**373**

A pension plan was settled in the CWS business unit in the financial year. This resulted in a gain on plan settlement amounting to EUR 15 million (previous year: EUR 2 million).

Of the pension expenses for the financial year presented in the income statement, EUR 5 million (previous year: EUR 18 million) are included in personnel expenses and EUR 8 million (previous year: EUR 6 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	2019	2018
0.5 percentage points increase in the discount rate	–51	–43
0.5 percentage points decrease in the discount rate	59	51
0.5 percentage points increase in the salary growth rate	5	7
0.5 percentage points decrease in the salary growth rate	–4	–5
0.5 percentage points increase in the pension growth rate	24	22
0.5 percentage points decrease in the pension growth rate	–22	–19
One year increase in life expectancy	18	16
One year decrease in life expectancy	–19	–14

15 Other non-current and current provisions

EUR million	As at 1 Jan. 2019	First time application IFRS 16	Foreign exchange rate adjust-ments	Changes in the scope of consolida-tion	Reclassi-fication	Interest effect	Additions	Reversals	Utilisations	**As at 31 Dec. 2019**
Provisions for personnel	18				1		14	–1	–6	**27**
Provisions for removal	7									**7**
Provisions for restructuring	10				–5					**5**
Miscellaneous non-current provisions	36	–11			–2	2			–1	**23**
Other non-current provisions	**71**	**–11**	**0**	**0**	**–6**	**2**	**14**	**–1**	**–7**	**62**
Provisions for personnel	64				–1		59	–6	–54	**62**
Provisions for litigation	2							–1	–1	**1**
Provisions for warranties	2								–1	**1**
Provisions for restructuring	14				5		19	–4	–8	**27**
Miscellaneous current provisions	23				2		5	–1	–8	**21**
Current provisions	**104**	**0**	**0**	**0**	**6**	**0**	**84**	**–12**	**–71**	**111**

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. As in the previous year, the majority of provisions for restructuring as at the reporting date related to the CWS business unit.

Miscellaneous non-current and current provisions included, among other things, provisions relating to tax risks in the amount of EUR 9 million (previous year: EUR 6 million) and provisions amounting to EUR 13 million (previous year: EUR 13 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. 2019				**31 Dec. 2018**			
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	11	11	5	**27**	8	8	2	**18**
Provisions for removal		2	5	**7**		2	5	**7**
Restructuring costs	5			**5**	10			**10**
Miscellaneous non-current provisions	9	7	7	**23**	7	7	22	**36**
	25	**20**	**17**	**62**	**25**	**17**	**29**	**71**

16 Other non-current liabilities

Other non-current liabilities primarily included the non-current portion of the obligation to pay compensation to the former minority shareholder of CWS-boco International GmbH, amounting to EUR 56 million, which was derecognised as a result of the acquisition of the interest.

17 Trade payables and similar liabilities

EUR million	31 Dec. 2019	31 Dec. 2018
Trade payables	191	176
Liabilities from construction contracts	30	24
Liabilities from other contracts with customers	10	14
	231	**214**

Liabilities from construction contracts and liabilities from other contracts with customers relate to payments received before the contractual obligations were satisfied.

At the beginning of the financial year, revenue amounting to EUR 24 million (previous year: EUR 41 million) was recognised under liabilities from construction contracts or from other contracts with customers.

18 Other current liabilities

EUR million	31 Dec. 2019	31 Dec. 2018
Liabilities for other taxes	47	44
Liabilities for payroll and social security	25	23
Accrued expenses	115	109
Derivative financial instruments	10	10
Miscellaneous current liabilities	24	42
	221	**228**

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 29. The other current liabilities item includes liabilities from business combinations amounting to EUR 4 million (previous year: EUR 2 million) and the current portion of the obligation to pay compensation to the minority shareholder of CWS-boco International GmbH, amounting to EUR 0 million (previous year: EUR 19 million).

D. Notes to the income statement

19 Revenue

EUR million	2019	2018
Trade sales	3,417	3,615
Service sales	1,116	1,069
	4,533	**4,683**

The table below presents a further breakdown of revenue according to essential categories by business unit:

EUR million		2019	2018
BekaertDeslee	Europe	149	136
	Americas	134	125
	Asia/Pacific	56	57
	Total	**339**	**318**
CWS	Hygiene	555	528
	Workwear	622	608
	Fire Safety	10	4
	Total	**1,188**	**1,140**
ELG	Stainless Steel Scrap	1,342	1,574
	Superalloys	237	237
	Total	**1,580**	**1,811**
Optimar		**118**	**123**
ROVEMA		**96**	**110**
TAKKT	Germany	260	267
	Europe without Germany	408	389
	USA and Canada	545	525
	Total	**1,213**	**1,181**
Group		**4,533**	**4,683**

The divisions Optimar and ROVEMA generate revenues primarily from the sale of automated fish handling systems for use on ships, on land and for fish farms or from the sale of packaging machines and equipment.

20 Other operating income

EUR million	2019	2018
Income from disposals of non-current assets	3	7
Rental and similar income	2	2
Miscellaneous operating income	19	22
	24	**31**

Income from disposals of non-current assets during the year under review related in particular to the disposal of property, plant and equipment by the CWS and BekaertDeslee business units, and in the previous year mainly to the sale of an office building in the United States by the TAKKT business unit.

Other operating income included income from the on-charging of expenses, income from insurance reimbursements and income from the sale of certain assets. As in the previous year, no contingent rental income was recognised in the financial year.

21 Personnel expenses

EUR million	2019	2018
Wages and salaries	–767	–735
Social security	–138	–132
Expenses for pensions and other benefits	–30	–39
Reversals of provisions for personnel expenses	6	10
Amortisation of capitalised internal contract costs	–4	–3
	–932	**–900**

A breakdown of employees by business unit is contained in the segment reporting.

22 Other operating expenses

EUR million	2019	2018
Impairment losses and reversals on trade receivables	2	–3
Write-off on trade receivables	–4	–4
Losses from disposals of non-current assets	–2	–2
Reversals of provisions	7	14
Other operating taxes	–9	–10
Rental and operating lease expenses	–24	–82
Repairs and maintenance	–54	–54
Sales freight	–19	–18
Legal and consulting costs	–42	–32
IT services	–30	–28
Personnel leasing	–38	–35
Energy costs	–60	–60
Advertising costs and similar expenses	–109	–104
Travel and training costs	–28	–28
Restructuring costs	–20	–8
Miscellaneous operating, administrative and sales expenses	–172	–173
	–602	**–627**

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 7 million (previous year: EUR 7 million) are also recognised under miscellaneous operating, administrative and sales expenses.

The decline in rental and operating lease expenses was due mainly to the first-time application of IFRS 16 “Leases”. By contrast, the right-of-use assets recognised in relation to lease arrangements since 1 January 2019 resulted in an increase in depreciation.

Restructuring expenses included non-recurring expenses recognised by the CWS, BekaertDeslee and ELG business units.

23 Finance costs

EUR million	2019	2018
Interest and similar expenses	–42	–49
Interest expenses for provisions	–10	–6
Interest expenses on lease liabilities	–8	–1
	–60	**–56**

The increase in interest expenses in connection with lease liabilities was due to the first-time application of IFRS 16 “Leases”.

24 Other net financial income

EUR million	2019	2018
Interest and similar income	6	7
Miscellaneous financial income	–8	36
	–2	**43**

The fair value changes in derivative financial instruments recognised through profit or loss are reported under other financial income and amounted to EUR 0 million in the year under review (previous year: EUR 36 million). Additionally, other financial income includes income and expenses from write-downs and reversals of write-downs on non-operating debt instruments amounting to EUR -2 million (previous year: EUR 2 million).

The net exchange differences amounted to EUR -5 million in the financial year (previous year: EUR -3 million). They are recognised in other financial income in the amount of EUR -6 million (previous year: EUR -3 million), and in the other operating expenses in the amount of EUR 2 million (previous year: EUR -1 million).

25 Income tax expenses

EUR million	2019	2018
Current taxes	–50	–53
Deferred taxes	29	1
	–21	**–52**

Current taxes did not include any prior-period tax expenses (previous year: EUR 2 million).

Deferred tax assets on tax loss carryforwards in the amount of EUR 31 million were recognised through profit or loss in the financial year (previous year: EUR 13 million). No write-downs or reversals of write-downs were recognised in respect of deferred tax assets (previous year: EUR 0 million in write-downs, EUR 3 million in reversals).

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

EUR million	2019	2018
Profit before taxes	175	–475
Expected effective income tax rate	30.7%	30.7%
Expected tax result	**–54**	**146**
Deviation due to varying foreign tax rates	12	9
Changes in tax rates		1
Tax portion for tax-exempt income	2	5
Tax portion for non-deductible expenses	–14	–9
Non-recognition, write-downs and utilisation of tax loss carryforwards	26	18
Result from investments accounted for at equity	12	–218
Prior-period taxes	–2	–1
Other tax effects	–4	–2
Reported tax result	**–21**	**–52**
Reported income tax rate	12.0%	–

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

26 Profit after taxes from discontinued operations

On 6 November 2019, EP Global Commerce GmbH (EPGC) acquired a 12.49 per cent interest in METRO AG from Haniel by exercising a call option that had been granted to it. Haniel's interest in the ordinary shares of METRO AG fell from 15.20 per cent to 2.71 per cent. Since that date, Haniel no longer exercises any significant influence over METRO AG, and the company is no longer accounted for in accordance with the equity method. There remains a unilateral call option in respect of the remaining METRO shares, which had not been exercised as at the reporting date.

The loss after taxes from discontinued operations amounted to EUR 24 million (previous year: loss of EUR 321 million) and included Haniel's share of METRO AG's profit, the gain or loss on disposal, the effects from the reversal of equity accounting and the fair value change of the call option recognised through profit or loss.

During the year under review, a dividend was received from METRO AG amounting to EUR 38 million (previous year: EUR 57 million).

The figure reported under assets held for sale as at 31 December 2019 related exclusively to the remaining METRO shares.

E. Other notes

27 Leases

Property, plant and equipment amounting to EUR 957 million (previous year: EUR 728 million) included EUR 712 million (previous year: EUR 698 million) in property, plant and equipment legally owned by Haniel and EUR 245 million (previous year: EUR 30 million) in assets used by Haniel as lessee in the context of leases. These assets have been recognised as right-of-use assets since 1 January 2019, and are classified as follows:

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	**Total**
Book value				
As at 1 Jan. 2019 before adjustment	**27**	**2**	**1**	**30**
Adjustments IFRS 16	162	2	53	**217**
As at 1 Jan. 2019	**189**	**4**	**54**	**247**
Foreign exchange rate adjustments	1			**1**
Additions to scope of consolidation	7		2	**9**
Additions	24	1	32	**57**
Depreciation	35	1	27	**63**
Impairment				**0**
Other changes	–5		–1	**–6**
As at 31 Dec. 2019	**181**	**4**	**60**	**245**

The future amount of obligations arising from leases signed but not yet commenced as at the reporting date, is insignificant.

The overview below presents the amounts recognised in the income statement in relation to leases:

EUR million	2019
Depreciation of right-of-use assets	63
Impairment of right-of-use assets	
Reversal of right-of-use assets	
Interest expenses on lease liabilities	8
Expenses relating to short-term leases	7
Expenses relating to low-value assets	3
Expenses relating to variable lease payments	
Income from subleasing right-of-use assets	–1
	80

The statement of cash flows includes the following amounts in relation to leases:

EUR million	2019
Payments for short-term leases and leases relating to low-value assets	–10
Repayments of lease liabilities and interest payments	–74
	–84

The payments for short-term leases and leases relating to low-value assets, as well as interest payments in connection with lease liabilities, are presented under cash flows from operating activities; the repayment of lease liabilities is presented in cash flows from financing activities.

Leases are treated as operating leases if Haniel is the lessor and substantially all the risks and rewards incidental to ownership of an underlying asset are not transferred to the contracting party. The leased property therefore continues to be reported in the statement of financial position and the lease payments are recognised as other operating income.

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

	2019				**2018**			
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**	**1**	**4**	**1**	**2**	**1**	**4**

28 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 business units 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 business units' 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 business units, 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. At the reporting date, the Haniel Group had access to EUR 1.9 billion in available, committed lines of credit.

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 business units from trade receivables. Only in the ELG business unit, 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 can be summarised as follows:

EUR million	31 Dec. 2019	31 Dec. 2018
Low credit risk	198	375
Medium credit risk	20	72
Total	**218**	**447**

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 0 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. 2019	**+ 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	–8		**–8**	8		**8**
USD market interest rates		2	**2**		–2	**–2**
GBP market interest rates			**0**			**0**

31 Dec. 2018	**+ 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	–4		**–4**	4		**4**
USD market interest rates	–3	1	**–2**	3	–1	**2**
GBP market interest rates			**0**			**0**

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, GBP-EUR and NOK-EUR rates.

Micro-hedges are among the principal instruments used to hedge exchange rate risks. These entail the direct hedging of an underlying transaction with a currency derivative. In addition to this type of hedging, currency risks can also be hedged as part of a portfolio hedging relationship, in which transactions with identical risks are combined into groups. The overall risk position of such a portfolio represents the hedged item in the hedging relationship which is hedged through the use of appropriate derivatives.

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, GBP and NOK, 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 business units and the financing companies. 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. 2019	**+10%**			**–10%**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
USD-EUR exchange rate	–10		**–10**	10		**10**
GBP-EUR exchange rate	1	–1	**0**	–1	1	**0**
NOK-EUR exchange rate	1		**1**	–1		**–1**

31 Dec. 2018	**+10%**			**–10%**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
USD-EUR exchange rate	21	–1	**20**	–21	1	**–20**
NOK-EUR exchange rate	2		**2**	–2		**–2**
GBP-EUR exchange rate	6		**6**	–6		**–6**

Share price risk

Fluctuations in the quoted price of CECONOMY AG have a direct impact on the measurement of the obligation under the exchangeable bond to deliver ordinary shares of CECONOMY AG. As in the previous year, a hypothetical 10 per cent increase (decrease) in CECONOMY AG's quoted share price as at 31 December 2019 would not lead to any decrease or increase in the profit before taxes. 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).

A hypothetical 10 per cent increase (decrease) in METRO AG's quoted share price would lead to an increase (decrease) in the profit before taxes of EUR 14 million (EUR -14 million). In addition, fluctuations in the share price of METRO AG affected the value of the obligation to deliver ordinary shares in connection with the granting of the call option for 2.71 per cent of METRO AG's issued ordinary shares. A 10 per cent increase in the quoted share price would lead to a decrease in the profit after taxes by EUR -9 million; a 10 per cent decrease in the quoted share price would result in an increase in the profit after taxes by EUR 3 million. The figure reported under profit after taxes follows from the classification of the shareholding in METRO AG under discontinued operations.

The Haniel Group invests over the medium to long term in financial instruments such as investment funds, equities and debt instruments, which are measured at fair value through profit or loss. A hypothetical 10 per cent increase (decrease) in the quoted exchange prices of these instruments would result in an improvement (deterioration) of the profit before taxes by EUR 14 million (EUR -14 million). A hypothetical increase (decrease) in the fair value of equity instruments measured at fair value through other comprehensive income, such as direct investments in start-ups, would result in an increase (decrease) in other comprehensive income by EUR 1 million (EUR -1 million).

Other price risks
These price risks concern the risks arising from fluctuating commodity prices, especially the price of nickel. The ELG business unit 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 1,420 per tonne (previous year: USD 1,257 per tonne) (financial year: 10 per cent; previous year: 12 per cent of the spot nickel price as at the reporting date) would have reduced (raised) profit before taxes by EUR -11 million (EUR 11 million) (previous year: EUR -10 (10) 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 nominal volume of the hedging instruments amounted to EUR 20 million, USD 100 million and GBP 10 million. EUR 20 million, USD 50 million and GBP 0 million of these instruments mature in financial year 2020, EUR 0 million, USD 0 million and GBP 10 million in financial year 2021, and EUR 0 million, USD 50 million and GBP 0 million in financial year 2022 or in subsequent financial years. In the previous year, the Group had designated hedging instruments with a nominal volume amounting to EUR 20 million, USD 95 million and GBP 10 million. EUR 0 million, USD 45 million and GBP 0 million of these instruments matured in financial year 2019, EUR 20 million, USD 50 million and GBP 0 million will mature in financial year 2020, and EUR 0 million, USD 0 million and GBP 10 million will mature in financial year 2021.

The Haniel Group applies the supplemental provisions of IFRS 9 contained in "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform".

Of the interest rate hedges included in hedge accounting that will be affected by the interest rate benchmark reform, GBP 10 million related to GBP-LIBOR rates as at the reporting date and USD 100 million related to USD-LIBOR rates, and had been concluded with respect to underlying loans in the same amount.

The Treasury departments of the Haniel Group's business units and the Haniel Holding Company's Treasury department are monitoring developments relating to the interest rate benchmark reform, and will continue to analyse their impacts on an ongoing basis. The necessary adjustments to IT systems, processes, valuation models and implications on accounting and tax will be factored into the analysis.

Haniel does not anticipate that the changes to the interbank rates will take effect before the end of 2021. In Haniel's estimation, GBP-LIBOR rates will be replaced by SONIA and USD-LIBOR rates will be replaced by SOFR. Of the USD-denominated interest hedges, USD 50 million have terms ending in or after 2022, and may well be affected by the reform. Haniel expects that other than the benchmark rates, there will be no changes to the contract terms for these instruments. The business units and the Holding Company will endeavour to switch over the benchmark rates for hedges and underlyings in the most synchronous manner possible, so that no material ineffectiveness or revaluations will be expected to occur as a result of the reform.

The terms of all other hedges will end prior to the end of 2021, meaning that the reform will most likely not have any relevant influence on them.

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 nominal volume of the hedging instruments designated as at 31 December 2019 amounted to EUR 55 million. They will all become due in 2020. The nominal volume of the hedging instruments designated as at 31 December 2018 amounted to EUR 49 million. They all became due in financial year 2019.

In connection with cash flow hedges, losses of EUR 4 million (previous year: gains of EUR 1 million) were recognised in other comprehensive income for the financial year. Losses in the amount of EUR 1 million (previous year: EUR 1 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 0 million) because previously existing hedges were revoked upon the disposal of the hedged items.

There is an economic connection between the designated underlying and the hedging instruments since the terms of the derivative financial instruments are identical to those for the hedged underlying (i.e., nominal amount and (expected) payment date). In the Haniel Group, a hedge ratio of 1:1 is generally used for hedges since the underlying risk of the hedging instruments is identical to the hedged risk. 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 were 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.

29 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. 2019		**31 Dec. 2018**	
EUR million	Fair value	of which cash flow hedges	Fair value	of which cash flow hedges
Assets				
Interest rate instruments				
Currency instruments	4		3	1
Other derivative financial instruments	15		8	
	19	**0**	**12**	**1**
Liabilities				
Interest rate instruments	3	3	2	2
Currency instruments	3	2	1	
Other derivative financial instruments	3		6	
	10	**5**	**10**	**3**

The other derivative financial instruments are nickel derivatives held by the ELG business unit, the obligation from the exchangeable bond to deliver ordinary shares of CECONOMY AG and the obligation from the granting of the call option to deliver up to 2.71 per cent of issued shares in METRO AG. Please refer to notes 11 and 18 for information on the presentation of derivative financial instruments designated as hedging instruments.

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 2019:

EUR million	Cash flows 2020	Cash flows 2021	Cash flows from 2022 to 2024	Cash flows from 2025 to 2029	Cash flows from 2030 onwards
Non-derivative financial liabilities and financial guarantee contracts					
Liabilities due to banks	–269	–47	–361	–10	
Bonds, commercial paper and other securitised debt	–509	–1	–40		
Liabilities to shareholders	–60	–27	–49	–1	
Lease liabilities	–53	–42	–75	–54	–9
Other financial liabilities	–13	–23	–39	–1	
Liabilities from business combinations and fixed dividends minority shareholder	–4	–1	–2		
Trade payables	–191				
Financial guarantee contracts					
	–1,106	**–141**	**–566**	**–66**	**–9**
Derivative liabilities					
Hedge accounting					
Derivatives (net settled)	–2				
Derivatives (gross settled) inflows	183				
Derivatives (gross settled) outflows	–184				
	–3	**0**	**0**	**0**	**0**
Without hedge accounting					
Derivatives (net settled)					
Derivatives (gross settled) inflows	1,102	23			
Derivatives (gross settled) outflows	–1,100	–23			
	2	**0**	**0**	**0**	**0**
	–1	**0**	**0**	**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 2018 were as follows:

EUR million	Cash flows 2019	Cash flows 2020	Cash flows from 2021 to 2023	Cash flows from 2024 to 2028	Cash flows from 2029 onwards
Non-derivative financial liabilities and financial guarantee contracts					
Liabilities due to banks	–116	–94	–378	–7	
Bonds, commercial paper and other securitised debt	–466	–102	–41		
Liabilities to shareholders	–48	–40	–52	–1	
Lease liabilities	–9	–3	–12	–7	–9
Other financial liabilities	–54	–13	–40	–2	
Liabilities from business combinations	–22	–19	–38		
Trade payables	–176				
Financial guarantee contracts					
	–891	**–271**	**–561**	**–17**	**–9**
Derivative liabilities					
Hedge accounting					
Derivatives (net settled)	–1	–1			
Derivatives (gross settled) inflows	21				
Derivatives (gross settled) outflows	–21				
	–1	**–1**	**0**	**0**	**0**
Without hedge accounting					
Derivatives (net settled)					
Derivatives (gross settled) inflows	117				
Derivatives (gross settled) outflows	–118				
	–1	**0**	**0**	**0**	**0**
	–2	**–1**	**0**	**0**	**0**

Reconciliation of financial instruments to IFRS 9 categories

ASSETS

EUR million	**Carrying amounts as at 31 Dec. 2019**	Debt- and equity instruments and derivatives measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Debt instruments measured at amortised cost	Contingent consideration from business combinations	No IFRS 9 category	Outside the scope of IFRS 7
Debt instruments measured at fair value through profit or loss	**134**	134						
Equity instruments measured at fair value through profit or loss	**4**	4						
Equity instruments measured at fair value through other comprehensive income	**10**		10					
Loans	**2**				2			
Non-current financial assets	**150**	**138**	**10**	**0**	**2**	**0**	**0**	**0**
Other non-current assets	**37**	**0**	**0**	**0**	**0**	**0**	**0**	**37**
Trade receivables and similar assets	**535**	**0**	**0**	**15**	**511**	**0**	**0**	**9**
Debt instruments measured at amortised cost	**102**				102			
Current financial assets	**102**	**0**	**0**	**0**	**102**	**0**	**0**	**0**
Cash and cash equivalents	**566**	**452**	**0**	**0**	**114**	**0**	**0**	**0**
Receivables from investments	**1**				1			
Derivative financial instruments	**19**	19						
Value added tax receivables and other tax assets	**37**							37
Prepaid expenses	**18**							18
Bonuses and discount claims against suppliers	**17**				17			
Miscellaneous current assets	**54**				54			
Other current assets	**146**	**19**	**0**	**0**	**72**	**0**	**0**	**55**
Assets held for sale	**115**	**115**	**0**	**0**	**0**	**0**	**0**	**0**

EUR million	**Carrying amounts as at 31 Dec. 2018**	Debt- and equity instruments and derivatives measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Debt instruments measured at amortised cost	Contingent consideration from business combinations	No IFRS 9 category	Outside the scope of IFRS 7
Debt instruments measured at fair value through profit or loss	**27**	27						
Equity instruments measured at fair value through profit or loss	**2**	2						
Equity instruments measured at fair value through other comprehensive income	**9**		9					
Loans	**2**				2			
Non-current financial assets	**40**	**29**	**9**	**0**	**2**	**0**	**0**	**0**
Other non-current assets	**66**	**0**	**0**	**0**	**0**	**13**	**0**	**53**
Trade receivables and similar assets	**553**	**0**	**0**	**30**	**515**	**0**	**0**	**8**
Debt instruments measured at amortised cost	**279**				279			
Current financial assets	**279**	**0**	**0**	**0**	**279**	**0**	**0**	**0**
Cash and cash equivalents	**116**	**25**	**0**	**0**	**91**	**0**	**0**	**0**
Receivables from investments	**11**				11			
Derivative financial instruments	**12**	11					1	
Value added tax receivables and other tax assets	**37**							37
Prepaid expenses	**17**							17
Bonuses and discount claims against suppliers	**19**				19			
Miscellaneous current assets	**101**				90		3	8
Other current assets	**197**	**11**	**0**	**0**	**120**	**0**	**4**	**62**
Assets held for sale	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**3**

Reconciliation of financial instruments to IFRS 9 categories

LIABILITIES

EUR million	**Carrying amounts as at 31 Dec. 2019**	Financial liabilities at fair value through profit or loss	Contingent consideration from business combinations	Financial liabilities at amortised cost	No IFRS 9 category	Outside the scope of IFRS 7
Liabilities due to banks	**535**			535		
Bonds, commercial paper and other securitised debt	**40**			40		
Liabilities to shareholders	**70**			70		
Lease liabilities	**200**				200	
Other financial liabilities	**57**			57		
Non-current financial liabilities	**902**	**0**	**0**	**702**	**200**	**0**
Other non-current liabilities	**6**	**0**	**4**	**0**	**0**	**2**
Liabilities due to banks	**164**			164		
Bonds, commercial paper and other securitised debt	**505**			505		
Liabilities to shareholders	**59**			59		
Lease liabilities	**57**				57	
Other financial liabilities	**17**			17		
Current financial liabilities	**802**	**0**	**0**	**745**	**57**	**0**
Trade payables and similar liabilities	**231**	**0**	**0**	**191**	**0**	**40**
Liabilities for other taxes	**47**					47
Liabilities for payroll and social security	**25**			16		9
Accrued expenses	**115**			72		43
Derivative financial instruments	**10**	5			5	
Miscellaneous current liabilities	**24**		1	21		2
Other current liabilities	**221**	**5**	**1**	**110**	**5**	**100**

EUR million	**Carrying amounts as at 31 Dec. 2018**	Financial liabilities at fair value through profit or loss	Contingent consideration from business combinations	Financial liabilities at amortised cost	No IFRS 9 category	Outside the scope of IFRS 7
Liabilities due to banks	**453**			453		
Bonds, commercial paper and other securitised debt	**140**			140		
Liabilities to shareholders	**77**			77		
Lease liabilities	**22**				22	
Other financial liabilities	**57**			57		
Non-current financial liabilities	**749**	**0**	**0**	**726**	**22**	**0**
Other non-current liabilities	**61**	**0**	**0**	**59**	**0**	**2**
Liabilities due to banks	**117**			117		
Bonds, commercial paper and other securitised debt	**455**			455		
Liabilities to shareholders	**44**			44		
Lease liabilities	**8**				8	
Other financial liabilities	**18**			18		
Current financial liabilities	**641**	**0**	**0**	**634**	**8**	**0**
Trade payables and similar liabilities	**214**	**0**	**0**	**176**	**0**	**38**
Liabilities for other taxes	**44**					44
Liabilities for payroll and social security	**23**			14		8
Accrued expenses	**109**			68		41
Derivative financial instruments	**10**	7			3	
Miscellaneous current liabilities	**42**		2	35		5
Other current liabilities	**228**	**7**	**2**	**117**	**3**	**98**

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 2019, 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. 2019**	Level 1	Level 2	Level 3	Not measured at fair value
Assets					
Recurring fair value measurement					
Non-current financial assets					
Debt instruments measured at fair value through profit or loss	**134**	85	10	39	
Equity instruments measured at fair value through profit or loss	**4**	2		2	
Equity instruments measured at fair value through other comprehensive income	**10**			10	
Other non-current assets					
Contingent consideration from business combinations	**0**				
Current financial assets					
Debt instruments measured at fair value through profit or loss	**0**				
Equity instruments measured at fair value through other comprehensive income	**0**				
Debt instruments measured at fair value through other comprehensive income	**0**				
Cash and cash equivalents					
Money market funds	**452**	452			
Other current assets					
Derivative financial instruments	**19**		19		
Contingent consideration from business combinations	**0**				
Non-recurring fair value measurement					
Assets held for sale	**115**	115			
Liabilities					
Recurring fair value measurement					
Other non-current liabilities					
Contingent consideration from business combinations	**4**			1	3
Other current liabilities					
Derivative financial instruments	**10**		10		
Contingent consideration from business combinations	**0**				

The table below shows the assets and liabilities measured at fair value in the statement of financial position as at 31 December 2018:

EUR million	**Total 31 Dec. 2018**	Level 1	Level 2	Level 3	Not measured at fair value
Assets					
Recurring fair value measurement					
Non-current financial assets					
Debt instruments measured at fair value through profit or loss	**27**			27	
Equity instruments measured at fair value through profit or loss	**2**			2	
Equity instruments measured at fair value through other comprehensive income	**9**			9	
Other non-current assets					
Contingent consideration from business combinations	**13**			13	
Current financial assets					
Debt instruments measured at fair value through profit or loss	**0**				
Equity instruments measured at fair value through other comprehensive income	**0**				
Debt instruments measured at fair value through other comprehensive income	**0**				
Cash and cash equivalents					
Money market funds	**25**	25			
Other current assets					
Derivative financial instruments	**12**		12		
Contingent consideration from business combinations	**0**				
Non-recurring fair value measurement					
Assets held for sale	**3**			3	
Liabilities					
Recurring fair value measurement					
Other non-current liabilities					
Contingent consideration from business combinations	**0**				
Other current liabilities					
Derivative financial instruments	**10**		10		
Contingent consideration from business combinations	**2**			2	

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 31. The reconciliation relates to venture capital funds mainly in the Holding and other companies segment as well as equity investments in non-listed corporations by the CWS and TAKKT business units. 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. The value of non-listed investments in corporations is calculated based on the one hand on additional capital contributions by investors or on the price at which a third party enters the market in the course of a further financing round (price of recent investment valuation method). On the other hand, recognised company valuation techniques (multiples) are also applied.

EUR million	2019	2018
As at 1 Jan.	**38**	**19**
Foreign exchange rate adjustments		
Change in the scope of consolidation		
Additions	14	14
Fair value changes recognised in profit or loss	5	5
Fair value changes recognised in other comprehensive income	–4	
Disposals	2	
Transfers into Level 3		
Transfers out of Level 3		
As at 31 Dec.	**51**	**38**
Unrealised gains or losses recognised in profit or loss relating to those financial instruments held at the reporting date	0	0

The table below shows the fair values of the financial instruments as at 31 December 2019 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				
Loans	2		2	
Liabilities				
Financial liabilities				
Liabilities due to banks	698		698	
Bonds, commercial paper and other securitised debt	545		546	
Liabilities to shareholders	129		132	
Other financial liabilities	74		87	
Other non-current liabilities				
Purchase price liabilities (not contingent) and fixed dividends minority shareholder	0			

Beginning in the current financial year, under IFRS 7.29 (d) the fair values of the lease liabilities need no longer be disclosed.

The table below shows the fair values of the financial instruments as at 31 December 2018 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				
Loans	2		2	
Liabilities				
Financial liabilities				
Liabilities due to banks	570		570	
Bonds, commercial paper and other securitised debt	595		602	
Liabilities to shareholders	120		124	
Lease liabilities	30		35	
Other financial liabilities	75		82	
Other non-current liabilities				
Purchase price liabilities (not contingent) and fixed dividends minority shareholder	59		59	

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. For current financial instruments the book value represents a reasonable estimate of the fair value due to the short residual maturity.

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. They also present 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. 2019 (net amounts)**	Financial liabilities not set off in the statement of financial position	Received collateral	**Net amounts as at 31 Dec. 2019**
Cash and cash equivalents						
with netting agreement	57	52	**5**			**5**
without netting agreement	561		**561**			**561**
	618	**52**	**566**	**0**	**0**	**566**
Derivative financial instruments						
with netting agreement	3		**3**	1		**2**
without netting agreement	16		**16**			**16**
	19	**0**	**19**	**1**	**0**	**18**
Securities and current financial instruments						
with netting agreement			**0**			**0**
without netting agreement	20		**20**			**20**
	20	**0**	**20**	**0**	**0**	**20**

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 business unit 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. 2018 (net amounts)**	Financial liabilities not set off in the statement of financial position	Received collateral	**Net amounts as at 31 Dec. 2018**
Cash and cash equivalents						
with netting agreement	66	65	**1**			**1**
without netting agreement	115		**115**			**115**
	181	**65**	**116**	**0**	**0**	**116**
Derivative financial instruments						
with netting agreement	2		**2**	1		**1**
without netting agreement	10		**10**			**10**
	12	**0**	**12**	**1**	**0**	**11**
Securities and current financial instruments						
with netting agreement			**0**			**0**
without netting agreement			**0**			**0**
	0	**0**	**0**	**0**	**0**	**0**

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. 2019 (net amounts)**	Financial assets not set off in the statement of financial position	Pledged collateral	**Net amounts as at 31 Dec. 2019**
Derivative financial instruments						
with netting agreement	3		**3**	1		**2**
without netting agreement	7		**7**			**7**
	10	**0**	**10**	**1**	**0**	**9**

				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. 2018 (net amounts)**	Financial assets not set off in the statement of financial position	Pledged collateral	**Net amounts as at 31 Dec. 2018**
Derivative financial instruments						
with netting agreement	1		**1**	1		**0**
without netting agreement	9		**9**			**9**
	10	**0**	**10**	**1**	**0**	**9**

Net gains or losses from IFRS 9 categories

The following table shows the net gains or losses recognised in the income statement by IFRS 9 categories:

EUR million	2019	2018
Debt- and equity instruments and derivatives measured at fair value through profit or loss	–26	68
Equity instruments measured at fair value through other comprehensive income		
Debt instruments measured at amortised cost	1	–2
Debt instruments measured at fair value through other comprehensive income		
Financial liabilities measured at amortised cost / Other financial liabilities	–46	–48
	–71	18

During the financial year, the net gains or losses from equity instruments, debt instruments and derivatives measured at fair value through profit or loss related to changes in the fair values of these financial instruments. In the previous year, the change in the fair value of the option component of the CECONOMY exchangeable bond had a positive influence. During the financial year, the net gains or losses from debt instruments measured at amortised cost consist primarily of interest income and impairments and reversals of impairments on these financial instruments. As in the previous year, the net gains or losses from financial liabilities measured at amortised cost/other financial liabilities consist primarily of interest expenses and exchange differences arising from the measurement of non-operating liabilities denominated in foreign currencies.

Interest and similar expenses include EUR 46 million from financial liabilities not measured at fair value during the financial year (previous year: EUR 45 million). Interest and similar income include interest income from financial assets not measured at fair value through profit or loss amounting to EUR 5 million in the financial year (previous year: EUR 7 million).

During the previous year, a disposal gain of EUR 2 million was realised in relation to debt instruments measured at amortised cost.

30 Contingent liabilities

The Haniel Group's contingent liabilities amounted to a total of EUR 425 million (previous year: EUR 427 million). They contain other guarantees in the amount of EUR 417 million (previous year: EUR 419 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.

31 Business combinations and disposals of consolidated companies

During the financial year, control was acquired over 9 companies or groups of companies in the ELG, CWS and TAKKT business units. In total, 18 individual companies were acquired and one asset deal was implemented. A 100 per cent interest was acquired in each of these companies.

The total assets and liabilities acquired through business combinations in the financial year are comprised as follows:

	Fair values
EUR million	
Assets	
Property, plant and equipment	18
Intangible assets	36
Deferred taxes	4
Inventories	24
Trade receivables and similar assets	23
Cash and cash equivalents	4
Other assets	7
	116
Liabilities	
Pension provisions	1
Deferred taxes	8
Trade payables and similar liabilities	5
Income tax liabilities	1
Other liabilities	26
	82

The gross contractual amount of the acquired trade and other receivables is EUR 28 million. Taking into account the expectation that EUR 0 million in receivables will not be recoverable, the fair value of the acquired trade and other receivables amounts to EUR 28 million.

The consideration transferred for the business combinations and the resulting goodwill are presented in the table below:

EUR million	Total
Consideration paid	91
Contingent consideration	7
Purchase price liabilities	3
Other non-cash consideration	4
of which shares previously recognised using the equity method	4
Cash and cash equivalents acquired	4
Consideration transferred	**109**
Net assets acquired	**34**
Goodwill	**74**

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 2 million and are included in other operating expenses.

The companies acquired contributed EUR 79 million to revenue and EUR 5 million to profit after taxes during the period. The profit after taxes includes expenses from the continuation of the purchase price allocation. If each of the companies had been acquired with effect from the beginning of the financial year, they would have contributed EUR 213 million to revenue and EUR 7 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.	**13**	**2**
Additions		7
Settlements	13	2
Foreign exchange rate adjustments		
Interest effect		
Remeasurements		–3
As at 31 Dec.	**0**	**4**

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 possible payments for the contingent consideration as at the reporting date range between EUR 24 million and EUR 0 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.

Disposals of consolidated companies

During the financial year, the ELG business unit contributed its Carbon Fibre business activities into a joint venture with the Mitsubishi Corporation. As a result of this, 5 individual companies were deconsolidated. The total assets and liabilities disposed of overall are comprised as follows:

EUR million	**Carrying amounts**
Assets	
Property, plant and equipment	**7**
Intangible assets	**11**
Inventories	**5**
Trade receivables	
Cash and cash equivalents	**3**
Other assets	**2**
	28
Liabilities	
Financial liabilities	**1**
Pension provisions	
Trade payables	**1**
Other current liabilities	**1**
	3

The consideration received in exchange for the sale amounted to EUR 25 million. Factoring in the cash and cash equivalents available at the units sold, amounting to EUR 3 million, and other non-cash components amounting to EUR 15 million, this resulted in a cash amount for the sale of EUR 7 million. Taking into account the EUR 1 million in expensed transaction costs during the financial year and the EUR 1 million in accumulated other comprehensive income to be reclassified to the income statement, the deconsolidation result was EUR 0. After the implementation of the joint venture, the Group's interest in ELG Carbon Fibre Ltd. is now measured using the equity method.

32 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 12 million in the financial year (previous year: EUR 56 million), trade receivables and similar assets changed by EUR -18 million (previous year: EUR 5 million) and trade payables and similar liabilities changed by EUR 17 million (previous year: EUR -26 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. As in the previous 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.

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 comprise dividend payments to the shareholders of Franz Haniel & Cie. GmbH in the amount of EUR 60 million (previous year: EUR 60 million) and payments for the purchase of treasury shares in the amount of EUR 4 million (previous year: EUR 4 million). Payments for changes in shares in already consolidated companies in the amount of EUR 443 million relate to the acquisition of the remaining share in CWS-boco International GmbH.

The statement of cash flows includes cash flows from the discontinued operations relating to the METRO investment amounting to EUR 915 million (previous year: EUR 267 million).

The tables below present the reconciliation of financial liabilities taking into account the cash and non-cash changes. The cash changes represent the sum of the proceeds from the issuance of financial liabilities and repayments of financial liabilities as presented in the statement of cash flows. Financial liabilities have changed as follows:

			Non-cash changes				
EUR million	As of 1 Jan. 2019	**Cash flows**	Changes in the scope of consolidation	Foreign exchange rate adjustments	New leases	Other changes	**As of 31 Dec. 2019**
Liabilities due to banks	570	**99**	27	2			**698**
Bonds, commercial paper and other securitised debt	595	**–56**				6	**545**
Liabilities to shareholders	120	**9**					**129**
Lease liabilities	259	**–74**	8	3	57	5	**258**
Other financial liabilities	75	**–3**				2	**74**
Financial liabilities	**1,619**	**–25**	**35**	**5**	**57**	**13**	**1,704**

The amounts carried forward for lease liabilities during the year under review could not be reconciled to the amounts for the previous year because they included effects of adjustments resulting from the first-time application of the new standard on leases as at 1 January 2019.

			Non-cash changes				
EUR million	As of 1 Jan. 2018	**Cash flows**	Changes in the scope of consolidation	Foreign exchange rate adjustments	New leases	Other changes	**As of 31 Dec. 2018**
Liabilities due to banks	350	**214**		6			**570**
Bonds, commercial paper and other securitised debt	901	**–312**				6	**595**
Liabilities to shareholders	124	**–4**					**120**
Lease liabilities	34	**–4**					**30**
Other financial liabilities	86	**–12**				1	**75**
Financial liabilities	**1,495**	**–118**	**0**	**6**	**0**	**7**	**1,390**

33 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 business units and financial investments. For segment reporting purposes, the reportable segments therefore comprise the six business units, the financial investment in CECONOMY, which is 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.

During the current financial year, Haniel largely sold off its equity interest in METRO AG, retaining only a minority interest in METRO AG. As a consequence, METRO no longer constitutes a reporting segment and is reported as a discontinued operation in the segment reporting. Prior-year figures have been restated accordingly. During the previous year, the investment in METRO AG was reported as a separate reporting segment, "METRO financial investment".

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 business units. 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 specialist for the development and manufacturing of mattress textiles.

CWS offers innovative, sustainable and digital rental solutions in the fields of hygiene, workwear and fire safety.

ELG is a specialist 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 manufacturer of automated fish processing systems for use onboard, onshore and in aquacultures.

ROVEMA is a premium provider of packaging machines and equipment with a broad product portfolio and a global presence.

TAKKT is a B2B direct marketing specialist for business equipment in Europe and North America.

The financial investment concerns the investment in CECONOMY AG accounted for at equity, which is 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.

During the current financial year, no revenue was generated from external customers amounting to more than 10 per cent of total revenue. In the previous year, the ELG business unit generated revenue from two external customers amounting to EUR 503 million and EUR 388 million, respectively.

34 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 9 million (previous year: EUR 13 million). Expenses in connection with transactions with associates amounted to EUR 0 million (previous year: EUR 0 million). As at the reporting date, trade receivables from and payables to associates amounted to EUR 2 million and EUR 0 million, respectively (previous year: EUR 14 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 business units.

As in the previous year, some of the liabilities to shareholders presented under note 13 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 business unit has offered its executives comparable registered debt securities with a five-year maturity, the interest on which is based on the performance of the business unit (TAKKT Performance Bonds). As at the reporting date, a liability in the total amount of EUR 1 million (previous year: EUR 2 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	2019	2018
Short-term employee benefits	11	13
Post-employment benefits	3	3
Termination benefits	4	8
Share-based payments		–1
Other long-term benefits	1	1
	19	**24**

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 19 million (previous year: EUR 19 million). The total remuneration of the members of the Supervisory Board of Franz Haniel & Cie. GmbH is presented under note 35. 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 business units 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 fulfilment of stipulated requirements, such as being in active employment, at the end of the term.

Target attainment in the BekaertDeslee, CWS, ELG, Optimar and ROVEMA business units 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 –1 million (previous year: EUR –1 million). The provision recognised in this respect amounted to EUR 4 million as at the reporting date (previous year: EUR 7 million).

35 Disclosures required under national legislation

Disclosures relating to members of the Management Board in accordance with section 285 no. 10 of the German Commercial Code

Stephan Gemkow | Chairman of the Management Board (until 30 June 2019)
Thomas Schmidt | Chairman of the Management Board (since 1 July 2019)
Dr Florian Funck | Member of the Management Board

Disclosures relating to members of the Supervisory Board in accordance with section 285 no. 10 of the German Commercial Code

Shareholder representatives:
Franz M. Haniel | Chairman, Graduate engineer
Dr Georg F. Baur | Deputy Chairman, Businessman
Dr Stephan Glander | Graduate chemist
Doreen Nowotne | Businesswoman
Patrick Schwarz-Schütte | Businessman
Prof. Dr Kay Windthorst | University professor

Employee representatives:
Gerd Herzberg | Deputy Chairman, Former trade union secretary (ver.di)
Mario Büscher | Business administrator for company pension schemes (until 31 January 2019)
René Albersmeyer | Regional Key Account Manager (since 1 February 2019)
Ralf Fritz | Maintenance
Lutz Leischner | Graduate mathematician
Dirk Patermann | Service consultant
Hans Wettengl | Trade union secretary (IG Metall) (until 30 November 2019)
Miriam Bürger | Trade union secretary (IG Metall) (since 5 December 2019)

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.de/en website. The shareholdings of TAKKT AG and CECONOMY AG are indicated in the individual companies' annual reports and on their websites.

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 19,302 (previous year: 18,824) based on a headcount, and 17,539 (previous year: 17,120) on a full-time basis. A breakdown of employees by business unit is contained in the segment reporting.

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 0.9 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 1.9 million (previous year: EUR 2.0 million). Pension provisions amounting to EUR 29.5 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 2019: TAKKT AG (fully consolidated) and CECONOMY AG (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.com; www.ceconomy.de/en).

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	2019	2018
Audits for financial statements	1.6	1.8
Other certification services	0.1	
Tax consultancy		
Other services		0.2
	1.7	**2.0**

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:

- BlueRise GmbH, Duisburg
- Brandschutz Seidl GmbH, Ingolstadt
- CWS-boco Deutschland GmbH, Hamburg
- CWS-boco International GmbH, Duisburg
- CWS-boco Supply Chain Management GmbH, Lauterbach
- CWS Complete Washroom Concepts GmbH, Duisburg
- CWS Fire 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
- ROVEMA Asset GmbH, Fernwald

- ROVEMA GmbH, Fernwald
- ROVEMA International GmbH, Düsseldorf
- Schacht One GmbH, Essen
- STG Service to go GmbH, Duisburg
- Verwaltungsgesellschaft CWS-boco HealthCare mbH, Hamburg
- Zahn HiTex GmbH, Mühldorf am Inn

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.

36 Events after the reporting date

No reportable events took place after the reporting date.

37 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 176 million as at 31 December 2019. With EUR 64 million in retained earnings brought forward, this results in retained profit of EUR 240 million.

The Management Board proposes to pay out a dividend of EUR 60 million from retained profit and to carry the amount of EUR 180 million forward to new account.

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, 9 March 2020

The Management Board

Schmidt **Funck**

"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 2019, 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 2019, 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 2019.

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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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 "Auditors 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 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.

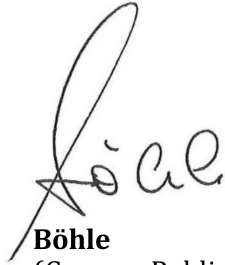
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- 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, 9 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



Granderath
(German Public Auditor)

Böhle
(German Public Auditor)

Glossary

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 EBITDA.

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.

EBIT Earnings before interest, taxes and profit and loss from investments.

EBITA Earnings before interest, taxes, amortisation of intangible assets from purchase price allocation and profit and loss from investments.

EBITDA Earnings before interest, taxes, depreciation of property, plant and equipment, amortisation of intangible assets, amortisation of intangible assets from purchase price allocation and profit and loss from investments.

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.

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,(→ equity method) 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 Haniel's 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.

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 amortisation of intangible assets from purchase price allocations, 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.

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.

P

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 amortisation of intangible assets from purchase price allocations and 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.

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.

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.

W

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.

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