Consolidated interim financial statements

Haniel Group
Statement of financial position

ASSETS

EUR million	30 Jun. 2018	31 Dec. 2017
Property, plant and equipment	730	728
Intangible assets	2,586	2,533
Investments accounted for at equity	1,443	2,474
Financial assets	30	97
Other non-current assets	69	48
Deferred taxes	89	97
Non-current assets	**4,947**	**5,977**
Inventories	628	561
Trade receivables and similar assets	702	548
Financial assets	1	0
Income tax assets	76	52
Cash and cash equivalents	84	68
Other current assets	164	162
Current assets	**1,655**	**1,391**
Total assets	**6,602**	**7,368**

EQUITY AND LIABILITIES

EUR million	30 Jun. 2018	31 Dec. 2017
Equity of shareholders of Franz Haniel & Cie. GmbH	3,236	4,154
Non-controlling interests	360	345
Equity	**3,596**	**4,499**
Financial liabilities	712	503
Pension provisions	354	356
Other non-current provisions	89	85
Other non-current liabilities	59	78
Deferred taxes	218	214
Non-current liabilities	**1,432**	**1,236**
Financial liabilities	987	992
Current provisions	75	108
Trade payables and similar liabilities	238	240
Income tax liabilities	25	27
Other current liabilities	249	266
Current liabilities	**1,574**	**1,633**
Total equity and liabilities	**6,602**	**7,368**

Haniel Group
Income statement

1ST HALF-YEAR

EUR million	2018	2017
Revenue	**2,403**	**2,053**
Changes in inventories of finished goods and work in progress	4	2
Other own work capitalised	10	3
Gross revenue	**2,417**	**2,058**
Cost of materials	1,405	1,252
Gross profit	**1,012**	**806**
Other operating income	9	12
Total operating income	**1,021**	**818**
Personnel expenses	442	350
Other operating expenses	299	254
EBITDA	**280**	**214**
Depreciation and amortisation (other than of intangible assets from purchase price allocation)	123	79
Impairment of property, plant and equipment and intangible assets	0	0
Operating profit (EBITA)	**157**	**135**
Amortisation of intangible assets from purchase price allocation	31	13
EBIT	**126**	**122**
Result from investments accounted for at equity	–949	5
Other investment result	0	1
Finance costs	29	35
Other net financial income	41	12
Net financial income	**–937**	**–17**
Profit before taxes	**–811**	**105**
Income tax expenses	31	34
Profit after taxes	**–842**	**71**
of which attributable to non-controlling interests	27	22
of which attributable to shareholders of Franz Haniel & Cie. GmbH	–869	49

Haniel Group
Statement of comprehensive income

1ST HALF-YEAR

EUR million	2018	2017
Profit after taxes	**–842**	**71**
Remeasurements of defined benefit plans recognised in other comprehensive income	10	12
Deferred taxes on remeasurements of defined benefit plans recognised in other comprehensive income	–3	–3
Remeasurements of defined benefit plans	**7**	**9**
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity	**3**	**–32**
Income and expenses recognised in equity from remeasurement of equity instruments	0	
Deferred taxes on remeasurement of equity instruments	0	
Remeasurement of equity instruments	**0**	
Total other comprehensive income not to be reclassified to profit or loss	**10**	**–23**
Income and expenses recognised in equity from remeasurement of derivative financial instruments	–1	0
Reversals recognised in profit or loss	1	1
Deferred taxes on remeasurement of derivative financial instruments	0	0
Remeasurement of derivative financial instruments	**0**	**1**
Income and expenses recognised in equity from remeasurement of debt instruments	0	
Reversals recognised in profit or loss	0	
Deferred taxes on remeasurement of debt instruments	0	
Remeasurement of debt instruments	**0**	
Income and expenses recognised in equity from remeasurement of financial assets available for sale		0
Reversals recognised in profit or loss		–1
Deferred taxes on remeasurement of financial assets available for sale		0
Remeasurement of financial assets available for sale		**–1**
Income and expenses recognised in equity from foreign currency translation	9	–41
Reversals recognised in profit or loss	0	2
Currency translation effects	**9**	**–39**
Income and expenses recognised in equity from changes recognised directly in equity of investments accounted for at equity	–5	25
Reversals recognised in profit or loss	0	0
Other comprehensive income from investments accounted for at equity	**–5**	**25**
Total other comprehensive income to be reclassified to profit or loss and reversals recognised in profit or loss	**4**	**–14**
Total other comprehensive income	**14**	**–37**
of which attributable to non-controlling interests	4	–9
of which attributable to shareholders of Franz Haniel & Cie. GmbH	10	–28
Comprehensive income	**–828**	**34**
of which attributable to non-controlling interests	31	13
of which attributable to shareholders of Franz Haniel & Cie. GmbH	–859	21

Haniel Group
Statement of changes in equity

1ST HALF-YEAR 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	–538	3,033	–19	**4,154**	345	**4,499**
Changes in accounting and valuation principles			–2	8		**6**	2	**8**
As at 1 Jan. 2018	1,000	678	–540	3,041	–19	**4,160**	347	**4,507**
Dividends				–60		**–60**	–18	**–78**
Changes in the scope of consolidation						**0**		**0**
Changes in shares in companies already consolidated						**0**		**0**
Capital measures						**0**		**0**
Changes in treasury shares					–5	**–5**		**–5**
Comprehensive income			10	–869		**–859**	31	**–828**
of which profit after taxes				–869		**–869**	27	**–842**
of which other comprehensive income			10			**10**	4	**14**
As at 30 Jun. 2018	**1,000**	**678**	**–530**	**2,112**	**–24**	**3,236**	**360**	**3,596**

1ST HALF-YEAR 2017

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	**Equity of shareholders of Franz Haniel & Cie. GmbH**	Non-controlling interests	**Equity**
As at 1 Jan. 2017	1,000	678	–426	2,753	–15	**3,990**	258	**4,248**
Dividends				–50		**–50**	–18	**–68**
Changes in the scope of consolidation						**0**		**0**
Changes in shares in companies already consolidated			5	138		**143**	162	**305**
Capital measures						**0**		**0**
Changes in treasury shares						**0**		**0**
Comprehensive income			–28	49		**21**	13	**34**
of which profit after taxes				49		**49**	22	**71**
of which other comprehensive income			–28			**–28**	–9	**–37**
As at 30 Jun. 2017	**1,000**	**678**	**–449**	**2,890**	**–15**	**4,104**	**415**	**4,519**

Haniel Group
Statement of cash flows

1ST HALF-YEAR

EUR million	2018	2017
Profit after taxes	–842	71
Depreciation and amortisation, impairment losses and reversals on non-current assets	154	92
Change in pension provisions and other non-current provisions	4	3
Income / expenses from changes in deferred taxes	0	4
Non-cash income / expenses and dividends of investments accounted for at equity	1,028	77
Gains / losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares	0	–3
Other non-cash income / expenses and other payments	–33	23
Haniel cash flow	**311**	**267**
Change in inventories, receivables and similar assets	–240	–7
Change in current non-interest-bearing liabilities, current provisions and similar liabilities	–48	–41
Cash flow from operating activities	**23**	**219**
Proceeds from the disposal of property, plant and equipment, intangible assets and other assets	78	705
Payments for investments in property, plant and equipment, intangible assets and other assets	–139	–95
Proceeds from the disposal of consolidated companies and other business units	–1	21
Payments for acquisitions of consolidated companies and other business units	–58	–503
Cash flow from investing activities	**–120**	**128**
Proceeds from contributions to equity	0	0
Payments to shareholders	–78	–68
Payments from changes in shares in companies already consolidated	0	0
Proceeds from issuance of financial liabilities	778	401
Repayments of financial liabilities	–586	–818
Cash flow from financing activities	**114**	**–485**
Cash and cash equivalents at the beginning of the period	68	265
Increase / decrease in cash and cash equivalents	17	–138
Non-cash increase / decrease in cash and cash equivalents	–1	–1
Cash and cash equivalents at the end of the period	**84**	**126**

The cash flow from operating activities includes dividends received in the amount of EUR 79 million (previous year: EUR 86 million), interest income of EUR 8 million (previous year: EUR 16 million) and interest payments of EUR 34 million (previous year: EUR 45 million). EUR 40 million was paid in income taxes (previous year: EUR 38 million).

Selected explanatory notes
A. Segment information

1ST HALF-YEAR 2018 BY DIVISION

EUR million	Bekaert Deslee	CWS-boco	ELG	Optimar	ROVEMA	TAKKT	Financial investment CECONOMY	Financial investment METRO	Holding and other compa-nies	Consoli-dation	**Group**
Segment revenue from external customers	159	566	986	72	53	567					**2,403**
Segment revenue from transactions with other segments											**0**
Revenue	**159**	**566**	**986**	**72**	**53**	**567**	**0**	**0**	**0**	**0**	**2,403**
Operating profit (EBITA)	**13**	**72**	**23**	**3**	**5**	**60**	**0**	**0**	**–19**	**0**	**157**
Result from investments accounted for at equity							–370	–579			**–949**
Profit before taxes	**4**	**56**	**16**	**–2**	**2**	**52**	**–370**	**–579**	**28**	**–18**	**–811**
Employees (average headcount)	**2,830**	**10,612**	**1,317**	**419**	**658**	**2,693**	**0**	**0**	**203**		**18,732**

1ST HALF-YEAR 2017 BY DIVISION

EUR million	Bekaert Deslee	CWS-boco	ELG	TAKKT	Metro investment	Holding and other companies	Consoli-dation	**Group**
Segment revenue from external customers	172	411	905	565				**2,053**
Segment revenue from transactions with other segments								**0**
Revenue	**172**	**411**	**905**	**565**	**0**	**0**	**0**	**2,053**
Operating profit (EBITA)	**19**	**39**	**23**	**74**	**0**	**–20**	**0**	**135**
Result from investments accounted for at equity					5			**5**
Profit before taxes	**7**	**34**	**13**	**64**	**5**	**0**	**–18**	**105**
Employees (average headcount)	**2,680**	**7,703**	**1,219**	**2,545**	**0**	**208**		**14,355**

For segment reporting purposes, the reportable segments comprise the six divisions, the two financial investments CECONOMY and METRO, which are accounted for at equity, and the Holding and other companies segment. Since the acquisition of the new divisions, Optimar and ROVEMA, and the demerger of the METRO GROUP did not take place until the second half of 2017, no comparative figures are presented for the previous year. The Holding and other companies segment essentially comprises Franz Haniel & Cie. GmbH and its holding, financing and service companies, excluding the financial investments.

The segments are defined using the management approach, taking internal monitoring and reporting, as well as the organisational structure, into account. The same accounting standards are used for segment reporting and for the consolidated interim financial statements. 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. Prior-year figures have been adjusted accordingly.

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

EUR million		**Revenue**
BekaertDeslee	Europe	73
	Americas	61
	Asia / Pacific	25
	Total	**159**
CWS-boco	Hygiene Solutions	265
	Textile Solutions	301
	Total	**566**
ELG	Stainless Steel Scrap	871
	Superalloys	115
	Total	**986**
Optimar		**72**
ROVEMA		**53**
TAKKT	Germany	135
	Europe without Germany	188
	USA and Canada	244
	Total	**567**
Group		**2,403**

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. The revenues of Optimar and ROVEMA are mainly recognized over a certain period of time.

B. Other notes

Accounting principles

The consolidated interim financial statements of Franz Haniel & Cie. GmbH, Duisburg, as at 30 June 2018 were 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.

The consolidated interim financial statements have been prepared in accordance with IAS 34 and the further provisions relating to interim financial reporting. The accounting policies applied correspond to those applied in preparing the consolidated financial statements as at 31 December 2017. Please refer to the consolidated financial statements of Franz Haniel & Cie. GmbH as at 31 December 2017 for further information on the individual accounting policies applied.

Neither the consolidated interim financial statements nor the Haniel Group interim management report have been audited or reviewed.

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 2018 financial year:

IFRS 9 (2014): “Financial Instruments”
IFRS 15 (2014): “Revenue from Contracts with Customers”
Amendments to IFRS 2 (2016): “Classification and Measurement of Share-based Payment Transactions”
Amendments to IFRS 4 (2016): “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”
Clarifications to IFRS 15 (2016): “Revenue from Contracts with Customers”
Annual Improvements to IFRS Standards 2014–2016 Cycle (2016)
Amendments to IAS 40 (2016): “Transfers of Investment Property”
IFRIC 22 (2016): “Foreign Currency Transactions and Advance Consideration”

IFRS 9 and IFRS 15 became applicable for the first time as at 1 January 2018. The table below presents an overview of the effects on the consolidated statement of financial position:

EUR million	31 Dec. 2017	Adjustments IFRS 9	Adjustments IFRS 15	1 Jan. 2018
Assets				
Financial assets	97	–3		94
Other non-current assets	48		16	64
Deferred taxes	97	1	1	99
Inventories	561		1	562
		–2	**18**	
Equity and liabilities				
Equity of shareholders of Franz Haniel & Cie. GmbH	4,154	–2	8	4,160
Non-controlling interests	345		2	347
Deferred taxes	214		4	218
Current provisions	108		–2	106
Trade payables and similar liabilities	240		3	243
Other current liabilities	266		3	269
		–2	**18**	

IFRS 9 “Financial Instruments”

Compared to the previously applicable IAS 39, IFRS 9 contains new guidelines on the classification and measurement of financial assets. In addition, IFRS 9 changes the requirements on the application of hedge accounting and introduces new disclosure requirements in the notes to the consolidated financial statements. IFRS 9 was introduced by the Haniel Group retrospectively, without adjustment to prior-year comparative figures. The following presents the material effects from the first-time application:

Classification and measurement

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

Financial assets with a carrying amount of EUR 71 million, which were classified in accordance with IAS 39 as available-for-sale financial assets, with changes in fair value recognised in equity (accumulated other comprehensive income), are classified in accordance with IFRS 9 as debt instruments measured at amortised cost. This reclassification resulted in the reduction of financial assets by EUR 3 million and equity by EUR 2 million. The reclassified financial assets were derecognised in full during the reporting period.

Financial assets with a carrying amount of EUR 14 million, which had been classified at fair value through profit or loss under the fair value option provided in IAS 39, are now accounted for under IFRS 9 as debt instruments measured at fair value through profit or loss.

Financial assets with a carrying amount of EUR 4 million, which were classified in accordance with IAS 39 as available-for-sale financial assets, with changes in fair value recognised in equity (accumulated other comprehensive income), are now classified in accordance with IFRS 9 as investments in equity instruments measured at fair value through other comprehensive income. When these financial assets are sold in future, the changes in fair value recognised in equity will not be reclassified to the income statement.

Financial assets with a carrying amount of EUR 8 million, which had been classified as loans and receivables under IAS 39, are classified under IFRS 9 as debt instruments measured at amortised cost. This did not result in any adjustments to the measured amounts.

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

– Trade receivables
– Assets from construction contracts
– Assets from other contracts with customers
– Debt instruments measured at amortised cost

To determine the expected credit loss for debt instruments measured at amortised cost, each financial instrument is assigned a ratings-based likelihood of default and a default ratio which is customary for the relevant market. There was no change in the expected credit loss as compared to 1 January 2018.

After taking into account EUR 1 million in deferred taxes, the EUR 3 million in effects from classification, measurement and impairment resulted in a net reduction of Group equity by EUR 2 million.

IFRS 15 "Revenue from Contracts with Customers"
IFRS 15 combines the previously existing regulations on revenue recognition into a single standard. Starting from a five-step model, IFRS 15 contains detailed guidelines on the timing and amount of revenue recognition. During its transition to IFRS 15, Haniel exercised the modified initial application option, whereby cumulative adjustments were recognised in retained earnings as at 1 January 2018. No comparative information in accordance with IFRS 15 is presented.

The application of the new standard in the Haniel Group results in only minor changes on an aggregate basis with respect to the timing and amount of the revenue recognised. The adjustments made in the course of the first-time application of IFRS 15 affected Group equity as at 1 January 2018 as follows:

In the CWS-boco division, the costs of obtaining a contract, which were previously recognised directly as an expense, must be recognised as an asset and amortised over the expected contractual term. This resulted in an increase in Group equity by EUR 12 million as at 1 January 2018.

Furthermore, the CWS-boco division was required to recognise non-refundable fees incurred in relation to the division's initial establishment – which had previously been recognised directly in revenue – as a liability from other contracts with customers, to be amortised over the term of the contract. This resulted in a decrease in Group equity by EUR 2 million as at 1 January 2018.

Overall, IFRS 15 did not result in any material changes to the income statement.

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

Scope of consolidation

Aside from Franz Haniel & Cie. GmbH, 231 domestic and foreign companies were included in full in the consolidated financial statements as at 31 December 2017. In the reporting period, the number of subsidiaries changed as follows:

Additions due to acquisition of shares or obtaining control	2
Additions due to new company formation	2
Disposals due to sale of shares or loss of control	0
Disposals due to mergers or liquidation	8

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 227 subsidiaries are included in the consolidated interim financial statements as at 30 June 2018. Of that figure, 30 companies belong to the BekaertDeslee division, 45 to CWS-boco, 46 to ELG, 5 to Optimar, 17 to ROVEMA and 73 to TAKKT. 11 subsidiaries are allocated to the Holding and other companies segment.

Business combinations

During the reporting period, the TAKKT division realised 2 business combinations, acquiring one individual company per combination. A 100 per cent interest was acquired in each of these companies.

The total assets and liabilities acquired through business combinations in the reporting period overall are comprised as follows:

EUR million	**Fair values**
Assets	
Property, plant and equipment	3
Intangible assets	15
Inventories	1
Trade receivables and similar assets	4
Cash and cash equivalents	8
	31
Liabilities	
Deferred taxes	3
Trade payables and similar liabilities	6
Other liabilities	2
	11

Given the short timeframe between the date on which control was obtained and the date on which the interim financial statements were prepared, there may be deviations in some of the figures presented once the purchase price allocation has been finalised, particularly with respect to property, plant and equipment, intangible assets and deferred taxes.

The gross contractual amount of the acquired trade receivables is EUR 4 million. Taking into account the expectation that an amount of EUR 0 million will not be recoverable, the fair value of the acquired trade receivables amounts to EUR 4 million.

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

EUR million	Total
Consideration paid	**54**
Other non-cash consideration	1
Cash and cash equivalents acquired	7
Consideration transferred	**62**
Net assets acquired	**20**
Goodwill	**42**

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 are immaterial.

The companies acquired contributed EUR 23 million to revenue and EUR 1 million to profit after taxes during the reporting period. If each of the companies had been acquired with effect from the beginning of the reporting period, they would have contributed EUR 34 million to revenue and EUR 1 million to profit after taxes.

Contingent consideration from business combinations developed as follows in the reporting period:

EUR million	Contingent receivables	Contingent liabilities
As at 1 Jan.	**12**	**1**
Additions		
Settlements		
Foreign exchange rate adjustments		
Interest effect		
Remeasurements		
As at 30 Jun.	**12**	**1**

The fair value of the contingent consideration is determined on the basis of revenue and earnings targets, taking into account long-term business planning. The possible payments for the contingent consideration as at the reporting date range between EUR –20 million and EUR 9 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.

Impairment of investments accounted for at equity

Due to the long-term decline in the share prices of CECONOMY AG and METRO AG, the carrying amounts of the two financial investments were tested for impairment as at 30 June 2018. The impairment test was conducted on the basis of projected future cash flows, a pre-tax weighted average cost of capital of 15.4 per cent for CECONOMY AG (previous year: 13.5 per cent) and 10.4 per cent for METRO AG (previous year: 9.9 per cent), as well as a growth rate for the years after the detailed planning period of 0.25 per cent for both investments (previous year: 0.5 per cent). The tests indicated impairment losses for CECONOMY of EUR 298 million and for METRO of EUR 574 million. The primary cause of the impairment lies in the fact that the underlying corporate planning assumed a weaker future business development for both investments accounted for at equity. The impairment losses were calculated based on measurements correct as at 30 June 2018. Offsetting effects on earnings arising from the transaction with EP Global Commerce (EPGC) announced on 24 August 2018 were thus not taken into consideration in the reporting period.

Contingent liabilities

The contingent liabilities have not changed significantly since 31 December 2017.

Fair value measurement

The table below shows the assets and liabilities measured at fair value in the statement of financial position as at 30 June 2018, 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 transfers between Levels 1 and 2 took place during the reporting period.

EUR million	**Total 30 Jun. 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	**19**			19	
Investments in equity instruments measured at fair value through other comprehensive income	**8**			8	
Other non-current assets					
Contingent consideration from business combinations	**12**			12	
Other current assets					
Derivative financial instruments	**3**		3		
Liabilities					
Recurring fair value measurement					
Other current liabilities					
Derivative financial instruments	**15**		15		
Contingent consideration from business combinations	**1**			1	

The table below shows the assets and liabilities measured at fair value in the statement of financial position as at 31 December 2017:

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

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. The reconciliation essentially concerns venture capital funds in the Holding and other companies segment. The venture capital funds are measured in accordance with the adjusted net asset method. Under this method, the fair values of the individual investments as determined by the funds on the basis of recognised valuation methods are aggregated and adjusted by an appropriate illiquidity discount for the overall fund.

EUR million	2018	2017
As at 1 Jan.	**19**	**10**
Foreign exchange rate adjustments	0	0
Change in the scope of consolidation	0	0
Additions	8	10
Fair value changes recognised in profit or loss	0	0
Disposals	0	1
Transfers into Level 3	0	0
Transfers out of Level 3	0	0
As at 30 Jun.	**27**	**19**
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 30 June 2018 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	3		3	
Other non-current assets				
Indemnification claims against previous shareholders from business combinations	1		1	
Liabilities				
Financial liabilities				
Liabilities due to banks	806		806	
Bonds, commercial paper and other securitised debt	651		714	
Liabilities to shareholders	122		128	
Lease liabilities	32		36	
Other financial liabilities	88		99	
Other non-current liabilities				
Purchase price liabilities (not contingent) and fixed dividends minority shareholder	57		57	

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

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

The 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.

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 reporting period 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 cash flow from investing activities includes payments for purchases and disposals of individual assets as well as for consolidated companies and other business units. During the reporting period, 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 50 million) and payments for the purchase of treasury shares in the amount of EUR 0 million (previous year: EUR 0 million).

The cash flow from financing activities also includes the cash changes in financial liabilities. During the reporting period, the repayments of financial liabilities included the funds used to repay a bond issued by Franz Haniel & Cie. GmbH in the amount of EUR 195 million (previous year: EUR 247 million).

Events after the reporting date

On 12 July 2018, CECONOMY AG implemented a capital increase of 10 per cent under the exclusion of existing shareholders' pre-emptive subscription rights. This resulted in a reduction in Haniel's shareholding from 25.0 per cent to 22.7 per cent.

On 24 August 2018, Haniel signed an agreement to sell 7.3 per cent of ordinary shares in METRO AG to EP Global Commerce (EPGC). The purchaser was also given the option to acquire a further 15.2 per cent of ordinary shares in METRO AG. The agreement is subject to the requisite approvals.

Duisburg, 28 August 2018

The Management Board

Gemkow **Funck** **Schmidt**