Franz Haniel Subgroup Financial Report 2014

HANIEL

CONTENTS

STATEMENT OF FINANCIAL POSITION
FRANZ HANIEL SUBGROUP

ASSETS

EUR million	Note	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012*
Property, plant and equipment	1	33.4	46.5	50.9
Intangible assets	1	21.7	21.9	22.0
Investments in affiliates	2	656.9	557.5	1,350.4
Investments accounted for at equity	3	3,011.9	3,214.5	3,210.2
Financial assets	4	285.7	2.5	169.3
Other non-current assets		20.0	0.0	0.0
Deferred taxes		10.4	1.4	2.0
Non-current assets		4,040.0	3,844.3	4,804.8
Inventories		0.1	0.1	0.2
Receivables from investments and other current assets	5	65.9	28.6	23.1
Financial assets	6	401.7	15.1	21.2
Income tax assets		39.2	35.5	49.8
Cash and cash equivalents	7	97.0	5.4	22.8
Assets held for sale	8	6.2	780.8	435.9
Current assets		610.1	865.5	553.0
Total assets		4,650.1	4,709.8	5,357.8

* Prior-year figures adjusted in accordance with IAS 8; see the explanations in the explanatory notes on page 11.

EQUITY AND LIABILITIES

EUR million	Notes	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012*
Equity of shareholders of Franz Haniel & Cie. GmbH		3,650.8	2,811.3	2,663.8
Non-controlling interests		3.7	3.8	3.9
Equity	9	3,654.5	2,815.1	2,667.7
Financial liabilities	10	642.3	1,034.3	1,956.5
Pension provisions	11	101.4	78.8	76.7
Other non-current provisions	11	61.6	70.9	84.8
Deferred taxes		0.3	1.8	1.1
Non-current liabilities		805.6	1,185.8	2,119.1
Financial liabilities	10	102.0	566.3	292.7
Current provisions	11	43.8	61.7	49.5
Trade payables and similar liabilities		3.0	1.8	2.1
Income tax liabilities		4.6	1.7	2.6
Other current liabilities	12	36.6	77.4	224.1
Current liabilities		190.0	708.9	571.0
Total equity and liabilities		4,650.1	4,709.8	5,357.8

* Prior-year figures adjusted in accordance with IAS 8; see the explanations in the explanatory notes on page 11.

INCOME STATEMENT
FRANZ HANIEL SUBGROUP

EUR million	Note	2014	2013
Other operating income	13	1,219.7	113.2
Personnel expenses	14	29.8	27.6
Other operating expenses	15	2.9	21.6
		1,187.0	64.0
Depreciation and amortisation		7.6	2.4
Operating profit		1,179.4	61.6
Result from investments accounted for at equity		14.1	95.7
Other investment result	16	34.5	121.8
Finance costs	17	163.3	146.0
Other net financial income	18	24.5	29.2
Net financial income		-90.2	100.7
Profit before taxes		1,089.2	162.3
Income tax expenses	19	-3.9	-5.4
Profit after taxes		1,093.1	167.7
of which attributable to non-controlling interests		-0.1	-0.1
of which attributable to shareholders of Franz Haniel & Cie. GmbH		1,093.2	167.8

STATEMENT OF COMPREHENSIVE INCOME
FRANZ HANIEL SUBGROUP

EUR million	Note	2014	2013
Profit after taxes		1,093.1	167.7
Remeasurements of defined benefit plans recognised in other comprehensive income		-21.6	-1.0
Deferred taxes on remeasurements of defined benefit plans recognised in other comprehensive income		6.6	0.3
Remeasurements of defined benefit plans		-15.0	-0.7
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity		-100.6	2.1
Total other comprehensive income not to be reclassified to profit or loss		-115.6	1.4
Income and expenses recognised in equity from remeasurement of derivative financial instruments		0.0	0.0
Reversals recognised in profit or loss		0.0	0.6
Deferred taxes on remeasurement of derivative financial instruments		0.0	-0.2
Remeasurement of derivative financial instruments		0.0	0.4
Income and expenses recognised in equity from remeasurement of financial assets available for sale		0.8	2.4
Reversals recognised in profit or loss		-0.4	-23.8
Deferred taxes on remeasurement of financial assets available for sale		-0.1	0.3
Remeasurement of financial assets available for sale		0.3	-21.1
Income and expenses recognised in equity from foreign currency translation		0.0	0.0
Reversals recognised in profit or loss		0.0	0.0
Currency translation effects		0.0	0.0
Income and expenses recognised in equity from changes recognised directly in equity of investments accounted for at equity		-106.9	-1.0
Reversals recognised in profit or loss		0.0	0.0
Other comprehensive income from investments accounted for at equity		-106.9	-1.0
Total other comprehensive income to be reclassified to profit or loss and reversals recognised in profit or loss		-106.6	-21.7
Total other comprehensive income		-222.2	-20.3
of which attributable to non-controlling interests		0.0	0.0
of which attributable to shareholders of Franz Haniel & Cie. GmbH	9	-222.2	-20.3
Comprehensive income		870.9	147.4
of which attributable to non-controlling interests		-0.1	-0.1
of which attributable to shareholders of Franz Haniel & Cie. GmbH		871.0	147.5

STATEMENT OF CHANGES IN EQUITY
FRANZ HANIEL SUBGROUP

CHANGES IN 2014

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. 2014	1,000.0	678.0	-276.7	1,415.0	-5.0	2,811.3	3.8	2,815.1
Dividends				-30.0		-30.0		-30.0
Changes in the scope of consolidation						0.0		0.0
Changes in shares in companies already consolidated						0.0		0.0
Capital measures						0.0		0.0
Changes in treasury shares					-1.5	-1.5		-1.5
Comprehensive income			-222.2	1,093.2		871.0	-0.1	870.9
As at 31 Dec. 2014	1,000.0	678.0	-498.9	2,478.2	-6.5	3,650.8	3.7	3,654.5

CHANGES IN 2013

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. 2013	1,000.0	678.0	-256.4	1,247.2	-5.0	2,663.8	3.9	2,667.7
Dividends						0.0		0.0
Changes in the scope of consolidation						0.0		0.0
Changes in shares in companies already consolidated						0.0		0.0
Capital measures						0.0		0.0
Changes in treasury shares						0.0		0.0
Comprehensive income			-20.3	167.8		147.5	-0.1	147.4
As at 31 Dec. 2013	1,000.0	678.0	-276.7	1,415.0	-5.0	2,811.3	3.8	2,815.1

For further explanatory comments concerning equity, see number 9 in the notes to the consolidated financial statements of the Subgroup.

STATEMENT OF CASH FLOWS
FRANZ HANIEL SUBGROUP

EUR million	Note	2014	2013
Profit after taxes		1,093.1	167.7
Depreciation and amortisation, impairment losses and reversals on non-current assets		8.1	6.3
Change in pension provisions and other non-current provisions		-8.3	-12.8
Income/expenses from changes in deferred taxes		-4.1	1.8
Non-cash income/expenses and dividends of investments accounted for at equity		-14.1	4.4
Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares		-1,204.3	-129.1
Other non-cash income/expenses and other payments		7.9	-53.1
Haniel cash flow		-121.7	-14.8
Change in inventories, receivables and similar assets		-10.9	26.7
Change in current non-interest-bearing liabilities, current provisions and similar liabilities		-41.8	3.8
Cash flow from operating activities		-174.4	15.7
Proceeds from the disposal of property, plant and equipment, intangible assets and other assets		45.8	529.0
Payments for investments in property, plant and equipment, intangible assets and other assets		-721.4	-17.9
Proceeds from capital reductions and disposal of affiliated companies		1,983.8	149.1
Payments for capital increases and acquisitions of affiliated companies		-100.0	-33.0
Change in receivables from and liabilities to affiliated companies		-49.0	-2.7
Cash flow from investing activities		1,159.2	624.5
Payments to shareholders		-30.0	0.0
Purchase of treasury shares		-1.5	0.0
Proceeds from issuance of financial liabilities		59.0	380.9
Repayments of financial liabilities		-920.7	-1,038.5
Cash flow from financing activities		-893.2	-657.6
Cash and cash equivalents at the beginning of the period		5.4	22.8
Increase/decrease in cash and cash equivalents		91.6	-17.4
Non-cash increase/decrease in cash and cash equivalents		0.0	0.0
Cash and cash equivalents at the end of the period	22	97.0	5.4

The cash flow from operating activities includes dividend income and profit and loss transfers in the amount of EUR 35 million (previous year: EUR 176 million) and EUR 32 million (previous year: EUR 201 million) including investment income taxes, interest income of EUR 24 million (previous year: EUR 1 million) and interest paid of EUR 187 million (previous year: EUR 199 million). The cash flow from income taxes amounted to EUR 0 million (previous year: tax payment of EUR 17 million).

GENERAL BASIS OF PRESENTATION
NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Subject to certain limitations, the consolidated financial statements of the Franz Haniel Subgroup for the year ended 31 December 2014 have been prepared in accordance with the mandatory International Financial Reporting Standards (IFRS) in effect on the reporting date and adopted by the Commission of the European Union, and in accordance with the supplementary requirements applicable under Section 315a (1) HGB (*Handelsgesetzbuch* – German Commercial Code). These limitations relate to the scope of consolidation (see consolidation principles) and the extent of the disclosures in the notes.

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

At the end of October 2013, Haniel had resolved to sell Celesio, formerly its largest fully-consolidated division. The sale was completed as at 6 February 2014. The equity interest in Celesio AG was therefore reclassified to the "assets held for sale" item in the statement of financial position as at 31 December 2013 of this financial report of the Franz Haniel Subgroup.

The reporting currency is the euro; all figures are presented in millions of euros (EUR million). In rare cases, this can give rise to rounding differences. For enhanced transparency of presentation, certain items in the statement of financial position and the income statement have been combined. These are explained in detail in the notes. In accordance with IAS 1, the statement of financial position has been classified into non-current and current items. The income statement has been prepared using the nature of expense method.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards and interpretations that were revised or newly-issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (IFRS IC), as adopted by the Commission of the European Union, were applicable for the first time beginning with the 2014 financial year:

IFRS 10 (2011): "Consolidated Financial Statements"
IFRS 11 (2011): "Joint Arrangements"
IFRS 12 (2011): "Disclosure of Interests in Other Entities"
IAS 27 revised (2011): "Separate Financial Statements"
IAS 28 revised (2011): "Investments in Associates and Joint Ventures"
Amendments to IFRS 10, IFRS 11 and IFRS 12 (2012): "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
Amendments to IFRS 10, IFRS 12 and IAS 27 (2012): "Investment Entities"
Amendments to IAS 32 (2011): "Offsetting Financial Assets and Financial Liabilities"
Amendments to IAS 36 (2013): "Recoverable Amount Disclosures for Non-Financial Assets"
Amendments to IAS 39 (2013): "Novation of Derivatives and Continuation of Hedge Accounting"

IFRS 10 combines the two principles previously governed by IAS 27 and SIC 12 on determining the parent-subsidiary relationship and introduces a new, uniform concept of control. Control now exists if an entity has power over another entity, is exposed to variable returns from its involvement, such as interest or profit sharing, and can use its control to affect these returns.

IFRS 11 governs the accounting of joint arrangements in which several partners exercise joint control. Such control exists if the partners must mutually decide on activities that significantly affect the returns arising from the arrangement. The standard differentiates between joint ventures and joint operations. In the latter, the partners have direct rights to the individual assets, and direct obligations for the individual liabilities relating to the joint arrangement. Accordingly, these assets and liabilities are recognised directly in the consolidated financial statements of the partner. In contrast, with joint ventures the partners have an interest in the net assets or profits of the joint venture. Interests in joint ventures are accounted for using the equity method in the consolidated financial statements of the Subgroup.

The initial application of the new or revised consolidation standards IFRS 10, IFRS 11 and IAS 28 resulted in a revised presentation in the Franz Haniel Subgroup's financial statements. Previously, those shares in METRO AG held jointly by a Holding Company were presented as loans to or receivables from investments in the Subgroup's consolidated statement of financial position. All shares in METRO AG have been presented as investments accounted for at equity since the beginning of the reporting period. Accordingly, there is a reclassification in the income statement from other net financial income to the result from investments accounted for at equity. All related cash flows are considered in the line item non-cash income/expenses and dividends of investments accounted for at equity as part of the cash flow from operating activities in the statement of cash flows.

The transition guidance provides for retrospective application of the revised consolidation standards. Therefore the previous year's figures have been adjusted. The following tables summarise the effects on the Subgroup's statement of financial position, income statement and the statement of cash flows:

EUR million	31 Dec. 2013	31 Dec. 2012
Assets		
Investments accounted for at equity	576	568
Non-current financial assets	-554	-546
Receivables from investments and other current assets	-22	-22
Total assets	0	0

EUR million	2013
Result from investments accounted for at equity	21
Other net financial income	-21
Profit after taxes	0

EUR million	2013
Non-cash income/expenses and dividends of investments accounted for at equity	22
Haniel cash flow	22
Change in inventories, receivables and similar assets	-12
Cash flow from operating activities	10
Proceeds from the disposal of property, plant and equipment, intangible assets and other assets	-5
Payments for investments in property, plant and equipment, intangible assets and other assets	-5
Cash flow from investing activities	-10

IFRS 12 bundles and expands the disclosure requirements previously governed in various standards regarding interests in other entities and the resultant risks. In the Franz Haniel Subgroup, the initial application of new disclosure requirements results in particular in new disclosures on significant non-controlling interests in fully consolidated subsidiaries, on consolidated and unconsolidated structured entities and on material investments accounted for at equity.

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

REVISED PRESENTATION

The IASB and the IFRS IC have issued new and amended rules whose application is not mandatory for the Franz Haniel Subgroup until financial year 2015 or later. For these standards to be applicable, the required endorsement by the Commission of the European Union is still pending in some cases. The relevant Standards and Interpretations are:

IFRS 9 (2014): "Financial Instruments"
IFRS 14 (2014): "Regulatory Deferral Accounts"
IFRS 15 (2014): "Revenue from Contracts with Customers"
Amendments to IFRS 10, IFRS 12 and IAS 28 (2014): "Investment Entities: Applying the Consolidation Exception"
Amendments to IFRS 10 and IAS 28 (2014): "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
Amendments to IFRS 11 (2014): "Accounting for Acquisitions of Interests in Joint Operations"
Amendments to IAS 1 (2014): "Disclosure Initiative"
Amendments to IAS 16 and IAS 38 (2014): "Clarification of Acceptable Methods of Depreciation and Amortisation"
Amendments to IAS 16 and IAS 41 (2014): "Agriculture: Bearer Plants"
Amendments to IAS 19 (2013): "Defined Benefit Plans – Employee Contributions"
Amendments to IAS 27 (2014): "Equity Method in Separate Financial Statements"
IFRIC 21 (2013): "Levies"
Annual Improvements to IFRSs 2010-2012 Cycle (2013)
Annual Improvements to IFRSs 2011-2013 Cycle (2013)
Annual Improvements to IFRSs 2012-2014 Cycle (2014)

The option of early application of standards already issued was not exercised. Based on our current estimates, early application of the standards already adopted by the Commission of the European Union would not have had material effects on the presentation of the net assets, financial position and results of operations in the 2014 financial year. The potential effects from IFRS 9 on accounting for financial instruments as at the date of first-time mandatory application are being analysed.

CONSOLIDATION PRINCIPLES

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

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

The reporting date for the separate financial statements of all consolidated companies is identical with the date for the consolidated financial statements of the Subgroup, namely 31 December 2014. The separate financial statements of the domestic and foreign subsidiaries consolidated are prepared according to uniform accounting policies.

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

In accordance with IFRS 3, goodwill is not amortised. Depending on the outcome of annual or, if there are indications of impairment, interim impairment tests, the goodwill is written down if necessary to the lower recoverable amount, which is equal to the higher of the value in use and the fair value less costs of disposal. Any goodwill impairment loss is recognised in profit or loss.

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

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

SCOPE OF CONSOLIDATION

Aside from Franz Haniel & Cie. GmbH, 8 domestic and foreign companies were fully included in the consolidated financial statements of the Subgroup as at 31 December 2013.

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

Additions due to acquisition of shares or obtaining control	6
Additions due to new company formation	0
Disposals due to sale of shares or loss of control	0
Disposals due to mergers or liquidation	0

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 14 subsidiaries were included in the consolidated financial statements of the Subgroup as at 31 December 2014:

- Haniel Finance Deutschland GmbH
- Haniel Finance B.V.
- GEWERKSCHAFT SCHIFFSRUDER Verwaltungsgesellschaft für Bergvermögen mbH
- Objekt Niederlehme Verwaltungsgesellschaft mbH
- Objekt Niederlehme Verwaltungsgesellschaft mbH & Co. Grundstücks KG
- VBM Grundstücks- und Projektentwicklungsgesellschaft AG
- Haniel Immobilien Verwaltungsgesellschaft mbH
- Haniel Immobilien GmbH & Co. KG
- SATURA Grundstücksverwaltungsgesellschaft mbH & Co. KG
- Metro Finanzdienstleistung GmbH
- 1. HSB Verwaltung GmbH
- 1. HSB Beteiligungsverwaltung GmbH & Co. KG
- Metro Vermögensverwaltung GmbH
- Metro Vermögensverwaltung GmbH & Co. KG

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

The fully consolidated subsidiaries are generally wholly owned.

Aside from the fully consolidated subsidiaries, 1 (previous year: 1) associate is recognised in the Subgroup's consolidated financial statements using the equity method.

FOREIGN CURRENCY TRANSLATION

Business transactions in foreign currencies are translated into the functional currency in the subsidiaries' separate financial statements by applying the spot rate prevailing at the time of the transaction. Gains and losses arising from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities as at the reporting date are recognised in profit or loss.

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

ACCOUNTING POLICIES

The consolidated financial statements are generally prepared based on historical costs except for the financial instruments (derivatives) that are stated at fair value.

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

Property, plant and equipment, with the exception of land, are depreciated over their estimated useful lives using the straight-line method. Depreciation is based on the following useful lives, which are identical to those applied in the previous year:

Buildings	50 years
Operating and office equipment	3 to 13 years

The Franz Haniel Subgroup has entered into lease agreements under which the lessor remains the beneficial owner of the leased assets (operating lease). Lease payments are recognised in profit or loss. The lease agreements contain common lease extension and pre-emption provisions for the respective items leased.

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

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

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

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

With regard to investments and securities, a distinction is made between those that are available for sale, those held at fair value through profit or loss, and those that are held to maturity. The classification is determined at the date of acquisition and reviewed as at each reporting date. Regular way sales and purchases of financial assets of all categories are recognised as at the settlement date.

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

Financial assets held at fair value through profit or loss are shown at their fair value prevailing on the reporting date. Any transaction costs are recognised in profit or loss upon posting. Fluctuations in the fair value are directly reflected in the income statement.

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences between the values in the tax balance sheets of the individual companies and the carrying amounts in the consolidated statement of financial position – with the exception of goodwill that is not deductible for tax purposes – as well as for tax loss carryforwards. Deferred tax assets are recognised only if their realisation is ensured with reasonable certainty. Deferred taxes are determined on the basis of the tax rates that will be in effect in future under current legislation. Deferred taxes are offset if there is a legally enforceable right to set off current tax assets and tax liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority for the same taxable entity.

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

With the exception of provisions for personnel calculated according to 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 and financial liabilities held for trading, are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, using the effective interest rate method.

Portions of assets and liabilities originally recognised as non-current with a remaining maturity of less than one year are generally reported under current items in the statement of financial position.

Other operating income is recognised if the economic benefits are probable and the amount can be reliably determined.

Dividends are recognised when a legal right to receive payment is established. Interest income and interest expenses not requiring capitalisation pursuant to IAS 23 are recognised in the proper period using the effective interest method.

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

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

In the case of trade receivables, valuation allowances on doubtful debts rely to a large extent on estimates and assessments made on the basis of the relevant customer's creditworthiness, the current economic developments and the analysis of historical losses on bad debts on a portfolio basis. Actual cash inflows may deviate from the carrying amounts recognised in respect of the receivables.

The key assumptions and estimates for the measurement of provisions, especially those for pensions, litigations, pending losses, those related to business combinations and disposals and restructuring measures, concern the probability of the provisions being used, the amount of the obligation and, in the case of non-current provisions, the interest rates applied. In addition, pension obligations under defined benefit plans are subject to actuarial assumptions regarding future wage and salary increases, benefit increases, mortality rates and employee turnover. The actual development, and hence actual expenses incurred in the future, may deviate from the expected development and the recognised provisions.

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

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

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

EUR million	31 Dec. 2014	31 Dec. 2013
Land, buildings and similar assets	31.5	44.7
Operating and office equipment	1.8	1.8
Prepayments and assets under construction	0.1	
Property, plant and equipment	33.4	46.5
Goodwill	0.1	0.1
Licences and similar rights		0.1
Other intangible assets	21.6	21.7
Intangible assets	21.7	21.9

The EUR 13 million decline in land, buildings and similar assets resulted from the reclassification of EUR 6 million in real estate assets as held for sale and EUR 7 million in impairments and depreciation and amortisation in the current financial year.

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

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

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

2 INVESTMENTS IN AFFILIATES

Investments in affiliates chiefly comprise the investments in the holding companies of the CWS-boco, ELG and TAKKT divisions and are measured at cost in the amount of EUR 657 million (previous year: EUR 558 million). The additions during the financial year resulted from the implementation of capital increases.

3 INVESTMENTS ACCOUNTED FOR AT EQUITY

EUR million	2014	2013
As at 1 Jan.	3,214.5	3,210.2
Additions		7.5
Changes in equity interest recognised in profit or loss	14.1	95.7
Profit distribution		-100.0
Changes in equity interest recognised in other comprehensive income	-207.5	1.1
Impairments		
Reclassification as assets held for sale		
Disposals and transfers	-9.2	
As at 31 Dec.	3,011.9	3,214.5

Investments accounted for at equity mainly comprise the investment of EUR 3,012 million by Franz Haniel & Cie. GmbH in Metro (previous year: EUR 3,215 million). METRO AG, domiciled in Düsseldorf, is the holding company of the METRO GROUP, an international retail group. The METRO GROUP's independent sales lines operate self-service wholesale trade (METRO Cash & Carry), retail electronics (Media-Saturn), self-service hypermarket (Real) and department store (Galeria Kaufhof) businesses in Europe and Asia.

Haniel and Schmidt-Ruthenbeck, two of the METRO GROUP's founding shareholders, increased their stakes in METRO AG in 2007. Since then Haniel has directly and indirectly held 34.0 per cent of the capital and 34.2 per cent of the voting rights in METRO AG. Schmidt-Ruthenbeck directly and indirectly held 15.8 per cent of the voting rights. At the end of November 2012, Haniel announced it would reduce its share of voting rights in METRO AG by 4.23 per cent to 30.01 per cent. This sale was completed in February 2013. Up to 31 October 2014, Haniel and Schmidt-Ruthenbeck held contractually pooled voting rights of 45.78 per cent. Following the rescission of the agreement with Schmidt-Ruthenbeck, Haniel still exercises a significant influence on METRO AG based on its voting rights.

The impairment test on the investment in METRO AG is performed as a general rule by applying the same model and relevant parameters that are used to test the impairment of goodwill. The impairment test, based on planning of future cash flows, a weighted average cost of capital before taxes of 9.8 per cent (previous year: 10.6 per cent) and a growth rate of 0.5 per cent – as in the previous year – for the years after the detailed planning period did not indicate a need to adjust the carrying amount of the investment accounted for at equity in the financial year.

The Metro investment contributed earnings totalling EUR 14 million (previous year: EUR 96 million).

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

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

EUR million	2014	2013
Revenue	62,625	65,042
Profit after taxes	127	443
Other comprehensive income	-652	-9
Comprehensive income	-525	434
Dividends received from METRO AG		97

EUR million	31 Dec. 2014	31 Dec. 2013
Non-current assets	14,918	16,566
Current assets	16,713	16,424
Non-current liabilities	7,420	8,053
Current liabilities	19,150	19,239
Equity	5,061	5,698
Equity attributable to shareholders of METRO AG	5,032	5,649
Haniel's share of equity of METRO AG	1,498	1,682
Cumulative hidden reserves from purchase price allocation	2,535	2,554
Impairments of investments accounted for at equity	1,021	1,021
Carrying amount of the METRO investment	3,012	3,215

In addition, METRO AG has contingent liabilities from suretyships and rent guarantees and other warranty contracts in the amount of EUR 58 million (previous year: EUR 63 million).

The stock market value of Haniel’s 29.8 per cent interest (previous year: 29.8 per cent) in the common and preferred shares of METRO AG as at the reporting date amounted to EUR 2,462 million (previous year: EUR 3,424 million), valued at a stock price of EUR 25.31 per share (previous year: EUR 35.20 per share).

4 FINANCIAL ASSETS

EUR million	Financial assets available for sale	Other securities	Loans to affiliated companies	Loans	Total
Cost					
As at 1 Jan. 2014	2.5	0.0	0.0	0.0	2.5
Foreign exchange rate adjustments			5.1		5.1
Additions to scope of consolidation				7.0	7.0
Additions	191.1	5.0	104.3		300.4
Changes in fair value	-2.8				-2.8
Reclassifications					0.0
Disposals	26.0				26.0
As at 31 Dec. 2014	164.8	5.0	109.4	7.0	286.2
Accumulated depreciation					
As at 1 Jan. 2014	0.0	0.0	0.0	0.0	0.0
Foreign exchange rate adjustments					0.0
Depreciation					0.0
Impairments	0.5				0.5
Reversals of impairment losses					0.0
Reclassifications					0.0
Disposals					0.0
As at 31 Dec. 2014	0.5	0.0	0.0	0.0	0.5
Net carrying amounts					
As at 31 Dec. 2014	164.3	5.0	109.4	7.0	285.7
As at 1 Jan. 2014	2.5	0.0	0.0	0.0	2.5

The additions to financial assets available for sale in the year under review resulted primarily from the acquisition of bonds.

The addition to other securities related to the acquisition of a promissory note loan (commercial paper).

Additions to loans to affiliated companies include the provision of long-term loans to Group companies denominated in euros and US dollars. Loans include a non-current receivable from a finance lease.

EUR million	Financial assets available for sale	Other securities	Loans to affiliated companies	Loans	Total
Cost					
As at 1 Jan. 2013	2.5	0.0	0.0	227.8	230.3
Foreign exchange rate adjustments					0.0
Additions to scope of consolidation					0.0
Additions				12.1	12.1
Changes in fair value					0.0
Reclassifications					0.0
Disposals				239.9	239.9
As at 31 Dec. 2013	2.5	0.0	0.0	0.0	2.5
Accumulated depreciation					
As at 1 Jan. 2013	0.0	0.0	0.0	61.0	61.0
Foreign exchange rate adjustments					0.0
Depreciation					0.0
Impairments				3.9	3.9
Reversals of impairment losses					0.0
Reclassifications					0.0
Disposals				64.9	64.9
As at 31 Dec. 2013	0.0	0.0	0.0	0.0	0.0
Net carrying amounts					
As at 31 Dec. 2013	2.5	0.0	0.0	0.0	2.5
As at 1 Jan. 2013	2.5	0.0	0.0	166.8	169.3

The addition under Loans is attributable to the capitalisation of interest on the granting of long-term loans to third parties. The loans were disposed of during the previous year and were first written down pursuant to IAS 39.63 based on the future cash flows. The impairments are recognised in other net financial income.

5 RECEIVABLES FROM INVESTMENTS AND OTHER CURRENT ASSETS

EUR million	31 Dec. 2014	31 Dec. 2013
Receivables from affiliated companies	43.6	3.2
Receivables from investments	4.4	4.8
Other current assets	17.9	20.6
	65.9	28.6

Other current assets include value added tax receivables and other tax assets in the amount of EUR 3 million (previous year: EUR 2 million). In the previous year, this item also included EUR 10 million in cash collateral for derivatives.

6 FINANCIAL ASSETS

EUR million	31 Dec. 2014	31 Dec. 2013
Derivative financial instruments	4.7	15.1
Financial assets available-for-sale	160.2	
Other securities and fixed-term deposits	236.8	
	401.7	15.1

The available for sale financial instruments are Haniel's current financial investments in investment funds and bonds. The line item other securities and fixed-term deposits contains commercial paper and instalment loans.

7 CASH AND CASH EQUIVALENTS

Bank balances of EUR 97 million (previous year: EUR 5 million) comprise short-term deposits with a maturity of up to three months. The additions in the financial year resulted from the corresponding current financial assets.

8 ASSETS HELD FOR SALE

In December 2014, Haniel resolved to sell the real estate no longer required for operations. This real estate was presented as available for sale as at the reporting date. The sale is expected to be completed in 2015.

At the end of October 2013, the Management Board and Supervisory Board of Franz Haniel & Cie. GmbH resolved to sell the Celesio division in order to further reduce net financial debt and to streamline the investment portfolio. Against this backdrop, the equity interest in Celesio AG was reported under assets held for sale in 2013. This measure was successfully completed as at 6 February 2014.

The table below shows the main groups of assets classified as held for sale:

EUR million	31 Dec. 2014	31 Dec. 2013
Assets		
Property, plant and equipment	6.2	
Investments in affiliates		780.8
	6.2	780.8

9 EQUITY

As at 31 December 2014, the subscribed capital of Franz Haniel & Cie. GmbH remained unchanged at EUR 1,000 million. All shares are fully paid-in and held either directly or indirectly by the Haniel family.

Changes in equity are shown in the statement of changes in equity on page 8.

Treasury shares with a par value of EUR 1 million (previous year: EUR 0 million) were acquired during the financial year.

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

EUR million	As at 1 Jan. 2014	Other comprehensive income	As at 31 Dec. 2014
Remeasurements of defined benefit plans	-21.2	-21.6	-42.8
Deferred taxes	6.5	6.6	13.1
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity	-129.7	-100.6	-230.3
Other comprehensive income not to be reclassified to profit or loss	-144.4	-115.6	-260.0
Derivative financial instruments			
Financial assets available for sale		0.4	0.4
Deferred taxes		-0.1	-0.1
Currency translation effects			
Share of other comprehensive income of investments accounted for at equity	-132.3	-106.9	-239.2
Other comprehensive income to be reclassified to profit or loss	-132.3	-106.6	-238.9
Accumulated other comprehensive income	-276.7	-222.2	-498.9
of which attributable to non-controlling interests			
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-276.7	-222.2	-498.9

EUR million	As at 1 Jan. 2013 after adjustments	Other comprehensive income	As at 31 Dec. 2013
Remeasurements of defined benefit plans	-20.2	-1.0	-21.2
Deferred taxes	6.2	0.3	6.5
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity	-131.8	2.1	-129.7
Other comprehensive income not to be reclassified to profit or loss	-145.8	1.4	-144.4
Derivative financial instruments	-0.6	0.6	
Financial assets available for sale	21.4	-21.4	
Deferred taxes	-0.1	0.1	
Currency translation effects			
Share of other comprehensive income of investments accounted for at equity	-131.3	-1.0	-132.3
Other comprehensive income to be reclassified to profit or loss	-110.6	-21.7	-132.3
Accumulated other comprehensive income	-256.4	-20.3	-276.7
of which attributable to non-controlling interests			
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-256.4	-20.3	-276.7

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

10 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

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

	31 Dec. 2014				31 Dec. 2013			
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	10.0			10.0	8.4			8.4
Bonds, commercial paper and other securitised debt		478.9		478.9	465.9	860.3		1,326.2
Liabilities to investments					0.1			0.1
Liabilities to shareholders	62.7	100.7		163.4	55.4	99.8		155.2
Lease liabilities								
Other financial liabilities	29.0	27.7	35.0	91.7	27.4	31.2	43.0	101.6
Financial liabilities to third parties	101.7	607.3	35.0	744.0	557.2	991.3	43.0	1,591.5
Liabilities to affiliated companies	0.3			0.3	9.1			9.1
Financial liabilities	102.0	607.3	35.0	744.3	566.3	991.3	43.0	1,600.6
of which subordinated	91.3	127.4	34.8	253.5	82.5	129.9	42.8	255.2

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

The bonds, commercial paper and other securitised debt item includes bonds from the Debt Issuance Programme of EUR 0.5 billion (previous year: EUR 1.3 billion). In the previous year, this item also included EUR 3 million in commercial paper.

The decrease was related to the repurchase of portions of the euro bond with a EUR 413 million nominal volume and the repayment of one euro bond by Franz Haniel & Cie. GmbH with a nominal volume of EUR 436 million.

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

After taking into account cash and cash equivalents (note 7), the net financial liabilities to unrelated third parties amount to EUR 647 million (previous year: EUR 1,586 million).

Financial liabilities include subordinated liabilities in the amount of EUR 254 million (previous year: EUR 255 million). The subordinated financial liabilities rank below all other obligations. The subordinated financial liabilities are shown in the table below:

EUR million	31 Dec. 2014	31 Dec. 2013
Shareholder loans Haniel family	163.4	155.2
Loans of the Haniel Foundation	36.3	35.9
Haniel Zerobonds and Zinsbonds	18.8	21.7
Haniel Performance Bonds	26.3	33.7
Other financial liabilities	8.7	8.7
Total	253.5	255.2

11 PROVISIONS

EUR million	31 Dec. 2014	31 Dec. 2013
Pension provisions	101.4	78.8
Provisions for personnel	6.6	7.7
Miscellaneous non-current provisions	55.0	63.2
Other non-current provisions	61.6	70.9
Provisions for personnel	6.4	5.7
Miscellaneous current provisions	37.4	56.0
Current provisions	43.8	61.7

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

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

The miscellaneous non-current and current provisions contain provisions for damages 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.

12 OTHER CURRENT LIABILITIES

Derivative financial instruments and accrued expenses are the principal items recognised under other current liabilities. The accrued expenses include periodic expenses for interest, holiday leave not yet taken and invoices not yet received.

NOTES TO THE INCOME STATEMENT

13 OTHER OPERATING INCOME

Other operating income in the financial year was EUR 1,220 million (previous year: EUR 113 million) and essentially includes income from the disposal of shares in Celesio AG and real estate assets as well as income for services and rental income.

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

14 PERSONNEL EXPENSES

EUR million	2014	2013
Wages and salaries	26.3	23.7
Social security	2.2	2.1
Expenses for pensions and other benefits	2.0	2.3
Reversals of provisions for personnel expenses	-0.7	-0.5
	29.8	27.6

15 OTHER OPERATING EXPENSES

The other operating expenses of EUR 3 million (previous year: EUR 22 million) comprise numerous operating expenses, for example for consulting services, IT landscape, repairs, insurance, advertising and representation. Other operating expenses were influenced during the financial year by the reversal of EUR 17 million in provisions no longer required.

16 OTHER INVESTMENT RESULT

EUR million	2014	2013
Income from investments in affiliated companies	35.0	96.7
Income from financial assets available for sale	-0.5	25.1
	34.5	121.8

The income from financial assets available for sale resulted from the sale of investment funds.

17 FINANCE COSTS

EUR million	2014	2013
Interest and similar expenses	159.0	143.0
Interest expenses for pension and other provisions	4.3	3.0
	163.3	146.0

The interest and similar expenses in the financial year include expenses from bond redemptions above the principal amount as well as from the early termination of cash flow hedges as a result of the elimination of hedged items.

The interest and similar expenses of the previous year included income from non-cash measurement changes pursuant to IAS 39.AG8 of the euro bonds issued by Franz Haniel & Cie. GmbH in the amount of EUR 37 million.

18 OTHER NET FINANCIAL INCOME

EUR million	2014	2013
Interest and similar income	21.6	18.6
Miscellaneous financial income	2.9	10.6
	24.5	29.2

Changes in the fair value of derivative financial instruments recognised in profit and loss amounted to EUR 1 million in the financial year (previous year: EUR 1 million) and are included in miscellaneous financial income.

The net exchange differences amounted to EUR 1 million in the financial year (previous year: EUR -1 million) and are recognised in miscellaneous financial income. The other net financial income in the financial year contains impairments of long-term loans in the amount of EUR 0 million (previous year: EUR 4 million).

The Franz Haniel Subgroup expects EUR 10 million in minimum lease payments in the coming years from the lease of a property under a financial lease (previous year: EUR 0 million). The financial proceeds not yet realised amounted to EUR 3 million (previous year: EUR 0 million). The present value of outstanding minimum lease payments thus amounted to EUR 7 million as at the reporting date (previous year: EUR 0 million).

19 INCOME TAX EXPENSES

EUR million	2014	2013
Current taxes	0.2	-7.2
Deferred taxes	-4.1	1.8
	-3.9	-5.4

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SUBGROUP

20 FINANCIAL RISK MANAGEMENT

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

The Management Board lays down the basic guidelines for financial risk management and determines the general procedures to be followed for hedging financial risks. The holding companies of the fully consolidated divisions have their own treasury departments, which identify, analyse and assess the financial risks before initiating preventive or mitigating measures. The central treasury department advises the subsidiaries and, in addition to its own hedging transactions, enters into hedges on their behalf as well. All hedges relate to an underlying hedged item. No derivative financial instruments are used for speculative purposes.

For financing purposes, Haniel uses a variety of financing instruments in keeping with industry and commercial practice and subject to customary contractual provisions. No special financial risks arise from this practice. The rating agencies Standard & Poor's and Moody's raised Haniel's rating in the previous year to BB+ and Ba1. This reduced the interest rate for the two euro benchmark bonds issued in 2009 and 2010 by 125 basis points back to the original rate. The contractual conditions governing the euro bonds issued in February 2012 by Franz Haniel & Cie. GmbH with an issue amount of EUR 400 million at the end of the reporting period provide for an interest rate increase of 125 basis points if Haniel's rating falls below BB or Ba2.

LIQUIDITY RISK

Liquidity risk is the risk of being unable to guarantee the Franz Haniel Subgroup's solvency at all times. Liquidity risk is managed by financial planning measures taken by the fully-consolidated divisions 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 holding company. In order to cover the financing requirement, the Holding Company has at its disposal committed, unutilised credit facilities as well as a commercial paper programme and a "Debt Issuance Programme". The liquidity risk is managed additionally within the fully consolidated divisions, which also have their own unutilised bilateral short- and long-term credit facilities. The Haniel Group seeks as a general rule to maintain an appropriate reserve of available credit facilities.

DEFAULT RISK

The default or credit risk is the risk of the Franz Haniel Subgroup's contractual partners not fulfilling their obligations. Haniel is exposed to a default risk both in its operating business and in connection with short- and medium-term financial investments.

According to an internal risk assessment, the default risks arising from current and non-current financial assets are deemed to be low.

The investment of excess liquidity in corresponding financial products is governed by appropriate directives in the Haniel Group. Depending on the assessment of the counterparty's creditworthiness, corresponding limits are prescribed and monitored in order to avoid a concentration of default risks. This assessment of creditworthiness is performed on the basis of an internal rating system, which also relies in part on external ratings. Based on this internal rating system, the default risks with respect to current and non-current financial assets as well as cash and cash equivalents may be summarised as follows. If a counterparty or the acquired financial asset is rated as a "low default risk", this corresponds to an investment-grade credit rating.

In addition to the carrying amounts of the (derivative) financial instruments with positive fair values recognised in the statement of financial position, the maximum default risk of the Franz Haniel Subgroup also includes the nominal amount of the financial guarantee contracts issued. As at the reporting date, financial guarantee contracts with a nominal volume totalling EUR 18 million (previous year: EUR 21 million) had been granted.

INTEREST RATE RISK

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

EXCHANGE RATE RISK

Exchange rate risks arise from investments and financing measures undertaken in foreign currencies. Forward currency contracts are the primary instruments used to hedge against exchange rate risks.

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

HEDGE ACCOUNTING

The Franz Haniel Subgroup generally enters into hedging transactions for the purpose of hedging both the fair values of certain assets or liabilities and future cash flows. This also includes currency hedges of planned purchases and of investments and divestments.

In accordance with IAS 39, all derivatives entered into are initially recognised in the statement of financial position at cost, corresponding to fair value, and are subsequently measured at their fair value as at the reporting date. 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 HEDGE – INTEREST RATE HEDGING

The Franz Haniel Subgroup obtains financing largely by way of long-term bilateral credit facilities, bonds and promissory note loans. The bilateral credit facilities are generally utilised on a revolving basis with a short-term fixed-rate period. By entering into derivative financial instrument transactions, Haniel hedges against rising market interest rates and thus against future increases in interest expenses.

CASH FLOW HEDGE – CURRENCY HEDGING

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

21 CONTINGENT LIABILITIES

EUR million	31 Dec. 2014	31 Dec. 2013
Liabilities from		
financial guarantee contracts	18.0	20.8
miscellaneous guarantees	496.3	484.6
	514.3	505.4

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

22 NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows the changes in the Franz Haniel Subgroup's cash and cash equivalents in the course of the financial year resulting from cash inflows and outflows. The statement of cash flows is divided into cash flow from operating, investing and financing activities. The cash and cash equivalents reported at the reporting date are the total of cash on hand, bank balances with an original maturity of less than three months, cheques, and money market funds, and are identical to the cash and cash equivalents reported in the statement of financial position.

The cash flows from operating activities are determined indirectly on the basis of the profit after taxes and essentially contain payments caused by operations, dividends from investments as well as interest paid and received. Haniel's internal cash earnings indicator used for management purposes, Haniel cash flow, is shown as a separate line item. Haniel cash flow is the profit after taxes, adjusted for all material non-cash income and expenses, and non-recurring, non-operating income and expenses, plus other cash components. Haniel cash flow consequently corresponds to the cash flow from operating activities excluding changes in current net assets.

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

The cash flows from financing activities comprise payments in connection with shareholder transactions as well as financial liabilities. Payments to shareholders include dividend payments to the shareholders of Franz Haniel & Cie. GmbH amounting to EUR 30 million (previous year: EUR 0 million) and partners for the acquisition of treasury shares amounting to EUR 2 million (previous year: EUR 0 million).

The cash flows from financing activities also include the cash changes in financial liabilities. Repayments of financial liabilities included in particular amounts paid to repurchase and redeem euro bonds during the financial year. The proceeds from the sale of shares in Celesio AG were used to repay these bonds.

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

EUR million	2014	2013*
Dividends received	32	201
Other operating cash flow	-44	-43
Interest paid	-163	-184
Operating cash flow	-175	-26
Dividend payments to shareholders	-30	0
Purchase of treasury shares	-2	0
Divestments/investments	1,159	625
Cash change in net financial liabilities to third parties	952	599
Non-cash change in net financial liabilities to third parties	-13	-11
Change in net financial liabilities to third parties before IAS 39	939	588
Non-cash changes in measurement of euro-denominated bonds in accordance with IAS 39	0	37
Change in net financial liabilities to third parties	939	625

23 MARKET VALUE

After deducting net financial debt, the market value of the investment portfolio as at 31 December 2014 amounted to EUR 4,428 million (previous year: EUR 5,320 million). The market value is the total of the valuations of the divisions and other assets. The valuation is performed on the basis of three-month average prices for the listed divisions and on the basis of market multiples for the other divisions.

24 EVENTS AFTER THE REPORTING DATE

No reportable events took place after the reporting date.

* Prior-year figures adjusted in accordance with IAS 8; see the explanations in the notes to the consolidated financial statements of the Subgroup on page 11.

25 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 year reported in the annual financial statements of Franz Haniel & Cie. GmbH, prepared in accordance with the German Commercial Code, amounts to EUR 1,052 million.

The Management Board proposes paying out a dividend of EUR 40 million.

The shareholders will therefore receive a dividend of 4 per cent on the subscribed capital of EUR 1,000 million. This represents an amount of EUR 2.00 per EUR 50 ordinary share.

Duisburg, 5 March 2015

The Management Board

Gemkow

Funck

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PUBLICATION DETAILS

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

04/15

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