Franz Haniel & Cie. GmbH
Financial Statements
2014

HANIEL

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REPORT OF THE SUPERVISORY BOARD

Dear Sir or Madam,

2014 was yet another year that brought key changes for our family-owned company Haniel: the sale of the entirety of our Celesio investment to the healthcare services provider McKesson was wrapped up with a good outcome and the reduction of debts began in the previous year was largely completed. This means that Haniel can once again turn its attention towards investing in future growth. The Supervisory Board advised the Management Board on these issues, which are of fundamental importance for the future success of the Company, in four ordinary and two extraordinary meetings. One further resolution was passed by way of circulation.

CHANGES ON THE SUPERVISORY BOARD

The sale of Celesio resulted in changes in the composition of the Supervisory Board: In January 2014, the Supervisory Board resolved to reduce the number of members from 16 to 12. This reduction in the size of the Board reflects the significant decrease in the number of employees of the Group following the Celesio sale.

Employee representatives Manfred Breitenstein and Thomas Römer from Celesio left the Supervisory Board as at 6 February 2014. Christoph Böninger and Baron Wolf von Buchholtz left the Supervisory Board at the conclusion of the Shareholders' Meeting on 26 April 2014. Christoph Böninger had been a standing member of the Supervisory Board since 2003 and aside from providing competent and far-sighted advice to the Company, he was also a driving force behind the shareholder qualification programme and strengthened the ties between the family and the company. He will remain Chairman of the Advisory Board. Baron Wolf von Buchholtz has been a member of the Supervisory Board since 1998 and has left the Board on account of age. In the past 16 years, he consistently provided critical and constructive advice on the development of the family-owned company and was a competent and important advisor when it came to transforming the portfolio. The Supervisory Board thanks everyone for their committed, trusting and open collaboration.

TRANSPARENCY IN COOPERATION

As in years past, the cooperation between the Supervisory Board and the Management Board was characterised by an atmosphere of great openness and mutual trust. The Management Board informed us regularly about the status of the Haniel Holding Company and the Group as a whole – also with regard to important individual events. In accordance with my duty as Chairman of the Supervisory Board of Franz Haniel & Cie. GmbH, beyond the normal meetings, I have also been in regular contact with the Chairman of the Management Board primarily, but also with the CFO. We discussed important business and strategic issues affecting the group.

The Supervisory Board continually and carefully monitored the group of companies' management and business development based on regular written and oral reports of the Management Board. We examined in depth all the decisions requiring our consent and passed the necessary resolutions.

The Audit Committee held four meetings in the 2014 reporting period. It monitored the accounting process and the effectiveness of the internal control system, the risk management system, the Internal Auditing office, and the compliance management system. Moreover, the committee examined and confirmed the independence of the auditor of the financial statements, and resolved, in its meeting on 26 April 2014, to recommend to the Shareholders' Meeting to re-appoint the previous auditor.

ANNUAL SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS APPROVED

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, audited the annual financial statements of Franz Haniel & Cie. GmbH and the Report of the Management Board for the 2014 financial year. The auditors confirmed that the annual financial statements and Report of the Management Board comply with legal provisions and the Company's articles of association. The auditors issued an unqualified auditors' report on the annual financial statements and the Report of the Management Board. The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group Report of the Management Board. The auditors participated in the Supervisory Board's meeting on the financial statements and in all meetings of the Audit Committee. Furthermore, the Supervisory Board again engaged the auditors to assess the Haniel Group's early risk identification system. This voluntary examination was conducted in accordance with section 317 (4) of the German Commercial Code (Handelsgesetzbuch, "HGB"). The auditors verified the suitability of the system to detect early any risks endangering the going concern assumption.

The Management Board submitted the consolidated financial statements, the Group Report of the Management Board and the Group auditors' report for 2014 to the Supervisory Board for its examination. Following an in-depth examination, the Supervisory Board approved the consolidated financial statements and the Group Report of the Management Board. The Supervisory Board also approved the annual financial statements of Franz Haniel & Cie. GmbH and the Management Board's profit appropriation proposal. The annual financial statements are thereby adopted and the consolidated financial statements approved.

GRATITUDE FOR A JOB WELL DONE

In the context of a coordinated strategic plan, Haniel has once again turned its attention to investing in new business areas. The Management Board and Supervisory Board are working closely together on this. The Supervisory Board thanks the Management Board and the employees for their faithful collaboration and looks forward to advancing the growth in Haniel's value together with them.

Duisburg, 10 April 2015

Franz M. Haniel
Chairman of the Supervisory Board

THE SUPERVISORY BOARD

OUR SUPERVISORY BOARD IS COMPOSED OF SIX SHAREHOLDER REPRESENTATIVES AND SIX EMPLOYEE REPRESENTATIVES. THE CHAIRMANSHIP HAS ALWAYS BEEN HELD BY A FAMILY MEMBER. THE SUPERVISORY BOARD IN PARTICULAR ENSURES THAT THE DEVELOPMENT OF THE GROUP OF COMPANIES IS IN ACCORDANCE WITH ITS TRADITIONAL VALUES.

SHAREHOLDER REPRESENTATIVES

FRANZ M. HANIEL
CHAIRMAN
Graduate engineer

DR GEORG F. BAUR
DEPUTY CHAIRMAN
Businessman

CHRISTOPH BÖNINGER
until 26 April 2014
Graduate designer

BARON WOLF V. BUCHHOLTZ
until 26 April 2014
Graduate businessman

PROF HENNING KAGERMANN
Graduate physicist

DR PAUL-BERNHARD KALLEN
Graduate economist

DR MICHAEL SCHÄDLICH
Graduate physicist

PROF KAY WINDTHORST
University Professor

EMPLOYEE REPRESENTATIVES

GERD HERZBERG
DEPUTY CHAIRMAN
Former trade union secretary (Ver.di)

MANFRED BREITENSTEIN
until 6 February 2014
Commercial employee

RALF FRITZ
Maintenance man

BERND HERGENRÖTHER
Electrician

FADI KAMAL
Design engineer

IRINA PANKEWITZ
Textile cleaner

THOMAS RÖMER
until 6 February 2014
Division manager

HANS WETTENGL
Trade union secretary (IG Metall)

THE MANAGEMENT BOARD

HANIEL'S MANAGEMENT BOARD IS COMPOSED OF TWO MEMBERS WHOSE RESPONSIBILITIES ARE CLEARLY DEFINED. NEVERTHELESS, THEY WORK CLOSELY TOGETHER AND MANAGE THE COMPANY AS A TEAM.

STEPHAN GEMKOW
CHAIRMAN
Born 1960

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

DR FLORIAN FUNCK
Born 1971

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

Dr Florian Funck

Stephan Gemkow

CORPORATE GOVERNANCE

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

FREE FROM CONFLICTS OF INTEREST

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

The more than 680 shareholders are organised in the Shareholders' Meeting. It meets once a year and elects from its midst six shareholder representatives to serve five years on the Supervisory Board. The shareholder representatives and six employee representatives on the Supervisory Board help to shape the fundamental business policies of the Company and influence the corporate strategy. The Supervisory Board has equal representation as a co-determined monitoring body; it is always chaired by a member of the family. Shareholder and employee representatives jointly appoint and dismiss members of the Management Board, monitor their work and support them in an advisory capacity. Four members of the Supervisory Board form the Audit Committee, which also has equal representation. This committee monitors the accounting process and the effectiveness of the internal control system, the risk management system, the Internal Auditing office, and the compliance management system. Moreover, the committee examines and confirms the independence of the auditors of the financial statements. Details of the work of the Supervisory Board in the 2014 financial year are contained in the Report by the Chairman of the Supervisory Board on page 6. The Shareholders' Meeting elects also from its midst 30 members for the Advisory Board, which particularly facilitates communication between the executive bodies of the Company (Supervisory Board and Management Board) and the members of the family.

BINDING PRINCIPLES OF CONDUCT

The Haniel Holding Company itself, as well as through its divisions, is active in many different economic and social systems, and thus encounters differing cultural and national standards as well as legal regulations. It is precisely this that makes it essential that all employees at every level of the Company share the same values of openness and integrity. Essential components of the Haniel culture are the principles of legality, incorruptibility and fair competition. In 2014, Haniel revised its Code of Conduct. Haniel expressly commits to the principle of fair competition in the Code of Conduct. In addition, it sets out the principles of conduct for employees of the Holding Company, so that they neither offer nor accept inappropriate favours, they reject all forms of discrimination, and they disclose any conflicts of interest between their business and private affairs. Such principles of conduct are in place Group-wide. In addition, all divisions have a compliance management system that assists in preventing, detecting and eliminating abuses.

EASY ACCESS TO INFORMATION

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

DIALOGUE WITH INVESTORS

Haniel's financial market partners can contact the staff of the Corporate Finance and Corporate Development/M&A departments directly. After the Company's Annual Accounts Press Conference, Haniel issues invitations to an Investor or Analyst Call. The Management Board is closely involved in the dialogue with the financial community.

CORPORATE GOVERNANCE
GROUP ORGANISATION

FAMILY

SHAREHOLDERS' MEETING
about 680 family members

elects

FAMILY

ADVISORY BOARD
up to 30 members

elects

FAMILY AND EXTERNAL MEMBERS

SHAREHOLDER REPRESENTATIVES
4 family and 2 external members

COMPANY

EMPLOYEES
about 11,500 employees*

elect

COMPANY

EMPLOYEE REPRESENTATIVES
6 members

FAMILY AND EXTERNAL MEMBERS, COMPANY

SUPERVISORY BOARD
12 members

appoints/dismisses/supervises/advises

COMPANY

MANAGEMENT BOARD OF THE HOLDING COMPANY
2 members

COMPANY

DIVISIONS

* Annual average (headcount); see also explanations on page 45 in the Haniel annual report 2014. The German employees elect the employee representatives to the Supervisory Board.

CORPORATE RESPONSIBILITY

Haniel sees itself as a value developer – including where sustainability is concerned. In 2014, the family-equity company reached key milestones in integrating corporate responsibility (CR) into all relevant core processes – both at the level of interactions with the divisions as well as within the Holding Company itself.

For 259 years going, Haniel has exemplified the pairing of entrepreneurial drive with a stable set of values. Haniel's values – shared and adhered to in equal measure by the Haniel family and the management – are enshrined in the Code of Conduct. Haniel revised and updated its Code of Conduct for all employees in 2014. The divisions also issue similar guidelines on the basis of the Code of Conduct. Among other things, the Code of Conduct reflects the ten principles of the UN Global Compact in the areas of human rights, labour standards, environmental protection and the fight against corruption. On 27 March 2014, Haniel became a participant in the United Nations initiative, and undertook to uphold and promote awareness of the ten principles. The divisions have also joined the UN Global Compact or have subscribed to its guiding principles.

CR: AN INTEGRAL COMPONENT OF MANAGEMENT DIALOGUE

In addition to laying the foundation for a shared understanding of its values, Haniel focuses its CR activities throughout the Group in three action areas: employees, value chain and innovation. Each division is responsible for implementing these action areas as they relate to its individual business model. To that end, Haniel's Management Board meets regularly with the divisional management teams throughout the year to set individual targets as permitted by law and to discuss progress. In this way, the Holding Company assumes the mantle of a motivational force and a sparring partner. Where necessary, overarching initiatives are discussed at the Holding Company's regular CEO meetings, which are held by Haniel's Management Board and attended by the heads of the management teams and the CEOs of the respective divisions. In addition to this high-level dialogue, the CR Round Table is held three times a year: this network of CR experts at the Holding Company and all divisions meets to exchange information, share their experiences and discuss best practices.

CR is also anchored in the Holding Company's organisation analogously to the process involving the management teams of the divisions. For instance, the directors of all departments join the Management Board each year at the CR Conference. There, they discuss the relevant issues faced by the Holding Company as they relate to Haniel's three CR action areas, agree on specific targets and objectives and kick off new projects. This is how Haniel anchors CR within all of the Company's relevant core processes – both at the level of interactions with the divisions as well as within the Holding Company itself.

HOLDING COMPANY INVESTS SUSTAINABLY

Haniel is laying the foundation for a shared understanding of CR and raising employee awareness of the need to conduct themselves responsibly in their day-to-day professional lives. In addition to regular communications on the topic of sustainability, a week-long campaign covering the issues of energy efficiency, waste management and healthy diet was held in 2014, as well as a seminar which gave employees the chance to learn about the meaning of CR in the every-day dealings of the Company on the basis of a specific case study. A remuneration-relevant target has been agreed with every employee having signed up to participate in the CR projects initiated. Among other things, the Holding Company has launched an interdisciplinary project aimed at integrating CR aspects into key management processes throughout the phases of the investment cycle. In 2014, a large number of potential acquisition targets were reviewed to determine whether fit with Haniel's values and the criteria in its investment filter, which also included CR aspects. New financial investments have also been scrutinised from a CR perspective since the autumn of 2014. In addition, CR aspects are systematically taken into account by the Holding Company in granting its approval to invest in or acquire divisions in accordance with its investment and enterprise valuation guidelines. Since 1 November 2014, these guidelines have stipulated that the specific positive and negative impacts on the objectives laid out in Haniel's CR action areas be assessed in investment proposals. The updated guidelines have been in force since mid-2014. In 2014, the Holding Company conducted an analysis of its corporate culture and gained valuable insight into how to structure its innovation management process for the future. Employees and executives participated in qualitative interviews and an employee survey on issues such as innovation was carried out. The Holding Company also met its objective of increasing the number and quality of annual employee development reviews: 98.6 per cent of employees have discussed their abilities and potential with their direct supervisor and, where necessary, agreed on individual development measures.

DIVISIONS MAKING PROGRESS

The agenda for the September 2014 management dialogue between the Holding Company and the divisions included for the first time progress reports on the CR programme agreed in 2013. All divisions have made good progress in reaching their objectives.

CR is an integral component of **CWS-boco's** business model. Under the motto "Serving you, serving nature", the specialist for washroom hygiene products, workwear and dust control mats offers its customers a product rental service which is centred on the responsible stewardship of the environment. In 2014, CWS-boco invested in the expansion and modernisation of its service network. Among other things, a new laundry concept was developed to place an even sharper focus on the sparing use of resources. By the end of 2014, CWS-boco lowered the amount of energy consumed per kilogramme of laundry – aggregated from the figures for mats, hand towel rolls and workwear – throughout the Group by 8.5 per cent as compared to 2012. This reduction was made possible thanks to a comprehensive range of measures which included process optimisation, more efficient facilities and equipment and new high-tech laundries. The use of the innovative dispatch planning tool "Optimize my Day" has also enabled CWS-boco to save resources: in 2014, the service fleet drove 850,000 fewer kilometres thanks to improved dispatch planning. CWS-boco is also on track when it

comes to training and continuing education: the company's goal is to document all training and continuing education measures in a database by the end of 2015 and to set country-specific guidelines which are tailored to meet the individual needs of employees participating in training and continuing education programmes. Over 90 per cent of the company's employees were already documented by the end of 2014. More information: www.cws-boco.com/en-US/sustainability-0.

ELG trades and recycles commodities for the stainless steel industry and operates in the market segment for superalloys. Sustainability is firmly anchored in the recycling company's business model. ELG is a driving force behind the Group's commitment, and it published its first CR report in the spring of 2014. The company lives up to its high level of responsibility for products along the value chain by continuously raising its own environmental and safety standards. The division wishes to further improve its (already) effective alarm system for radioactivity of material deliveries at trans-shipment centres. In 2014, the technology department reviewed and improved its radioactivity audits as well as the detection equipment it uses around the world. In addition, ELG kicked off a project aimed at identifying health and safety risks to employees so that it can better avoid workplace accidents in the future. A first milestone was reached in 2014, when a global reporting system for absences due to accidents and illness went live. In the innovation action area, the division's objective is to further expand its carbon fibre recycling activities. In 2014, ELG increased the volume of recycled carbon scrap to 458 tonnes. Further details can be found in ELG's CR Report at www.elg.de/en/about-elg/philosophy.html.

TAKKT intends to establish itself as a shining example for sustainability within the industry by 2016 on the basis of the Group-wide "SCORE" (Sustainable Corporate Responsibility) programme. In order to meet its clients' ecological and social standards, TAKKT – a B2B direct marketing specialist for business equipment – is offering an expanding range of "green" products such as climate-neutrally produced transport equipment, environmentally friendly packaging solutions and office furniture which is crafted using recycled materials. In 2014, such products made up 6.6 per cent of the company's revenue, representing an increase. TAKKT also involves its business partners in its efforts to enhance sustainability: a supplier sustainability evaluation system launched as a pilot project in 2013 was expanded to include additional companies and suppliers in 2014. TAKKT presently sources 23.7 per cent of its products from certified suppliers. In order to recruit and promote talented individuals, the division has kicked off the implementation of a systematic human resources development programme – beginning with its largest segment, the Business Equipment Group, which has approximately 1,000 employees. The programme is expected to go live by the end of 2015. During the year under review, a computerised applicant management system was established and various measures designed to help the company retain high-potential employees were implemented. For more information, please see TAKKT's 2015 Sustainability Report and Progress Report at www.takkt.de/sustainability-reports.html.

In keeping with its vision for sustainability, "We offer quality of life", the **METRO GROUP** and its four sales divisions METRO Cash & Carry, Media-Saturn, Real and Galeria Kaufhof are continually pushing forward with their strategic and operational efforts to anchor sustainability within their core business. In order to guarantee product quality and safety, as well as to ensure that products are not harmful to society and the environment, the international retailer group has taken steps to make certain that the origins of its merchandise can be traced. To accomplish this, it has taken an innovative approach: the company has implemented an international industry-wide solution to bring about full transparency along the entire supply chain as to the resources used and the products sourced. Customers of all METRO Cash & Carry shops in Germany can already trace the origins of meat and fish products. Shoppers can use a smartphone app to access product information such as the type of animal, its origin, fishing and farming practices and the date it was processed. The METRO GROUP's general objective is to source products in as sustainable a manner as possible. The Group's procurement policies form the basis for this. In addition, processes are developed by which ecological, social and economic effects are assessed. In order to increase employee awareness of sustainability and to bring about behavioural changes, the Group has developed general information campaigns as well as a variety of training programmes. In 2014, the programmes already included an e-learning module on the issue of sustainability and procurement specialist training programmes designed to ensure that social standards are complied with along the supply chain. More information: www.metrogroup.de/en/responsibility.

CR PROGRAMME TO BE FURTHER EXPANDED IN 2015

In addition to the advances already made in the CR activities it has launched, in September 2014 Haniel discussed and agreed with the divisions the next objectives for the three action areas and the measures designed to bring them about. In the summer, the Holding Company also set itself new objectives for 2015.

Haniel

Employees: In 2015, CR aspects will be factored in to the variable remuneration of top executives of the Group for the first time.
Value chain: The company will lift its energy efficiency by centralising heating and cooling equipment and by constructing a combined heat and power unit; it expects this to lead to savings of approximately 40 per cent of energy expenses by 2016. In order to test the use of alternative engines in its service fleet, the Holding Company has launched an electromobility pilot project: By the middle of 2015 an electric vehicle will be acquired which employees can use for service calls. The project also includes the installation of a charging station at the company's headquarters.
Innovation: With the aim of paving the way towards innovation in the Haniel Group, the Holding Company will develop processes and structures in 2015 which will strengthen its ability to innovate and promote innovation by the divisions.

CWS-boco

Employees: CWS-boco's TÜV-certified "Sales Excellence" training programme for career changers will strengthen the quality of its

direct sales advising even further: in 2015, programme participants will make up 50 per cent of new hires in sales.
Value chain: The uniform Code of Conduct for suppliers, which has already been successfully established for textiles procurement, is being rolled out in additional areas. Going forward, the new Code will also apply to procurement of non-textile products, e.g., dispensers, and the "indirect spending" procurement area, which is responsible for purchasing all services and merchandise outside of the direct product procurement process; these include service vehicles and IT equipment. The target for the middle of 2016 is for 85 per cent of textile and 70 per cent of non-textile products to be procured via suppliers who have signed the Code of Conduct.
Innovation: Going forward, the continued optimisation of service routes and the associated reduction in kilometres driven will be managed by CWS-boco on the basis of an additional performance indicator: By the end of 2015, 90 per cent of drivers in eight countries will be equipped with the relevant dispatch planning tool.

ELG
Employees: ELG's objective is to increase employee loyalty. In order to further improve employee health and safety, the company is expanding on the project it had initiated in 2014. Among other things, it plans to establish a uniform reporting system for work-related accidents by the end of 2015, as well as to investigate the global differences in employee turnover rates.
Value chain: In 2015, ELG plans to analyse the ecological advantages of recycling as compared to using primary commodities in a study of its primary products. At the same time, it hopes to identify potential room to reduce CO_2 emissions.
Innovation: The division has also set itself an ambitious target when it comes to carbon fibre recycling: the objective is to increase the volume of processed carbon scrap produced annually from 458 to 900 tonnes by the end of 2015. In addition, the company plans to team up with its partners to test the use of recycled carbon fibre in new applications in order to increase the share of recycled material used in the material.

TAKKT
Employees: In order to recruit and promote talented individuals, TAKKT will expand the project launched in 2013: the systematic human resources development programme will be implemented at all segments by the end of 2016.
Value chain: The company continues to push forward with its CR efforts as they relate to the supply chain. By the end of 2016, it aims to procure half of the goods and merchandise it sources from suppliers who have been evaluated from a sustainability perspective. The share of suppliers having been evaluated will increase to 10 per cent.
Innovation: TAKKT aims to use advertising materials more efficiently and would like to reduce the amount of paper used per EUR 1 million in revenue by 35 per cent of the amount used in 2011 by 2016. The expansion of digital channels and the development of innovative printing concepts will help it achieve its goal.

METRO GROUP
Employees: The strategic importance of sustainability to the METRO GROUP is underscored by linking Management Board and global senior management remuneration to the group's score on the Dow Jones Sustainability Index (DJSI).
Value chain: When putting together its product ranges, the METRO GROUP focuses on bundled procurement of many merchandise groups at their place of origin as well as regional products on offer. By sourcing products such as fruits, vegetables and meats from local producers, the group will not only be able to meet growing customer demand for regional products but also make a vital contribution to sustainability in 2015: this will enable it to support the businesses of suppliers and boost the economic development of the individual regions. In addition, shorter transport distances will also improve the CO_2 footprint of the merchandise.
Innovation: After the successful conclusion of the pilot project in Germany, the group will expand its merchandise tracing solution. By the end of 2015, it will be implemented in additional European countries and in the medium term it will also grow to include further product groups such as fruits and vegetables.

A RESPONSIBLE PARTNER
Having a well-trained and well-educated workforce is essential to the Group's long-term success. Employees who are committed to the Group's corporate objectives receive the support they need in order to continue growing individually. At their annual performance reviews, employees and their supervisors discuss which abilities they would like to refine and they agree on specific measures – such as a management training course at the Haniel Academy, a part-time course of study or advanced training in a specialised field. Moreover, the Haniel Academy makes a vital contribution to the development and networking of specialists and executives within the Haniel Group. In the tailored development programmes offered in the "Haniel Leadership Curriculum", talented up-and-comers, members of the middle management and top executives reflect on current and future trends. The Group-wide Academy curriculum seizes on current topics such as how to successfully deal with changes in, the ever-accelerating pace of and complexity in the working world. Half-day "Smarty" sessions give employees of the Holding Company suggestions on dealing with issues such as time and conflict management or promoting wellness and offer insight into individual departments at the Holding Company, including Corporate Responsibility. Moreover, these "Smart Training" sessions have been offering special courses for employees in administrative functions since 2014.

Haniel offers its employees a diverse range of options for achieving the right work/life balance, including flexitime and part-time opportunities. In addition, employees who are eligible for telecommuting can also work from their home offices. In 2014, a corresponding works agreement entered into force at the Haniel Holding Company. To help establish a better balance between work and family, the Company subsidises child care for children not yet of schooling age. In addition, it grants paid leaves of absence to employees who must care for relatives or sick children. An employee benefit fund offers aid to employees who through no fault of their own have come into hard times financially.

As responsible employers, the divisions and the Holding Company are committed to employee health and wellness. In 2014, the Haniel Holding Company initiated a project relating to a structured occupational health and wellness management system. This system includes measures relating to healthcare, sport and fitness, nutrition and stress prevention. The TAKKT "aKKtiv" programme also enables it to promote employee health and wellness.

The Holding Company and the divisions would like to increase employee sensitivity to the need to protect resources and the environment – for instance with environmentally friendly company car guidelines. The Haniel Holding Company's Green Car Policy calls for

a continuous reduction in CO_2 thresholds. In 2014, these limits were reduced for newly acquired cars by 10 grammes per kilometre. ELG has also developed company car guidelines, which it will introduce in early 2015. TAKKT is also providing incentives to employees who do not drive a company car to commute to work in a manner that uses resources sparingly: the company has introduced a Germany-wide bonus system for CO_2 savers to motivate its employees to make their daily commute in the most environmentally friendly way possible.

COMMITMENT BY TRADITION

By Haniel's corporate values, economic success obliges it to create added value for society. As a "corporate citizen", the Holding Company has traditionally been committed to the improvement of its home town of Duisburg in order to create a long-term benefit for the region and to increase the quality of life in the city – such as with Haniel Klassik Open Air concerts, which were held for the first time in 2013 and will be held again in 2015. Together with the Deutsche Oper am Rhein, the Duisburger Philharmonic and the city of Duisburg, Haniel is providing every Duisburg resident free access to the arts and allows recording companies to reach new target groups. In the Ruhrort harbour district, where the Group has been headquartered for 259 years, Haniel provides financial as well as material and non-material support in the areas of site responsibility and promoting education. The focus of this support lies in particular on socially disadvantaged children and young people.

For more information on Haniel's CR strategy and on the Group's social commitment, go to www.haniel.de/en/responsibility. An overview of the progress made in implementing the ten principles of the UN Global Compact can be found starting on page 142 in the Haniel annual report 2014.

REPORT OF THE MANAGEMENT BOARD

FRANZ HANIEL & CIE. GMBH
BUSINESS PERFORMANCE

In financial year 2014, Franz Haniel & Cie. GmbH successfully completed the sale of its equity interest in Celesio AG and reduced its debt through the scheduled repayment and redemption of bonds. By doing this, Franz Haniel & Cie. GmbH created new entrepreneurial leeway to invest in new business areas.

The annual financial statements of Franz Haniel & Cie. GmbH report a net income for 2014 of EUR 1,052 million (previous year: EUR 119 million). This result was primarily affected by the income from the sale of the equity interest in Celesio AG, which is included in the other operating income of EUR 1,247 million (previous year: EUR 141 million). The decrease in the net investment income from EUR 194 million to EUR 30 million is attributable to the lower earnings contribution of an equity investment of an affiliated company. The other net financial income of EUR 153 million (previous year: EUR 156 million) was subject to a one-off charge from repurchasing bonds in the notional amount of EUR 413 million.

EUR 1,500 million in investments (previous year: EUR 50 million) was attributable to long-term financial assets. EUR 1,400 million of that amount resulted from capital increases at affiliated companies and EUR 100 million from the granting of long-term subordinated loans to affiliated companies.

The Company's financial management focuses on securing long-term financial flexibility. This means emphasising a balanced composition of financing instruments, a broad basis of renowned banks and investors, as well as a balanced maturity structure of financial liabilities. Moreover, the Company has issued bonds with a nominal volume of EUR 0.5 billion with maturities between 5 and 7 years. The emphasis on long-term financing is also reflected in the structure of the balance sheet of Franz Haniel & Cie. GmbH, which shows that 84 per cent (previous year: 62 per cent) of liabilities are due after more than one year. The increase is attributable to a bond of Franz Haniel & Cie. GmbH maturing during the financial year.

In addition, Franz Haniel & Cie. GmbH has binding bilateral lines of credit amounting to 1 billion euros; 1 billion euros of which had not been utilised as at 31 December 2014.

Franz Haniel & Cie. GmbH's solid financing is also reflected in the balance sheet structure. The developments in the financial year led to a significant increase in equity. Given the stable total equity and liabilities, the equity ratio rose subsequently to 72 per cent (previous year: 46 per cent).

At 31 December 2014, the employee headcount was 215 (previous year: 229).

As a management Holding Company, Franz Haniel & Cie. GmbH's business performance is closely linked with the development of the Haniel Group. Accordingly, the opportunities and risks of Franz Haniel & Cie. GmbH result from the opportunities and risks for the Haniel Group. The Report of the Management Board for the separate financial statements therefore substantially corresponds to the following Group Report of the Management Board. The Group's accounting is pursuant to IFRS standards; the annual financial statements of management Holding Company, Franz Haniel & Cie. GmbH, are prepared based on HGB standards.

The earnings development of Franz Haniel & Cie. GmbH generally depends on the dividends and profit and loss transfers of the equity investments as well as earnings from the financing function. A decrease in net annual income is expected overall for the 2015 financial year against the backdrop of the one-off income from the sale of the equity interest in Celesio AG in the 2014 financial year. However, positive developments are expired in the investment result and other net financial income as a result of further successful easing of the debt burden in the 2014 financial year.

GROUP STRUCTURE AND BUSINESS MODELS

The Haniel Group combines four divisions. Franz Haniel & Cie. GmbH functions as a strategic management holding company and is responsible for portfolio management. The operating business is in the hands of the divisions, which act independently of one another and which each occupy a leading market position.

HOLDING COMPANY DESIGNS THE PORTFOLIO

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

When structuring the portfolio, Haniel concentrates on business models that are supported by global megatrends and therefore have a high potential for increases in value over the long term. Promising markets and business models are analysed continually in order to detect growth opportunities. Haniel strives to reach a leading market position in all divisions. Its strategy also includes the disposal of divisions if Haniel has exhausted the potential to increase value or Haniel is no longer the best owner. For this reason Haniel decided to sell the Celesio division to McKesson, the leading North American healthcare services company. The transaction was successfully completed in February 2014.

In addition to portfolio management, the Haniel Holding Company's task is to create the range of actions permitted for the operating divisions – in this respect the Holding Company considers itself to be a strategic catalyst. Significant strategic thrusts and initiatives are agreed on in discussion with the divisions, which are then implemented by the divisions under their own responsibility. The Haniel Management Board regularly discusses the progress with the divisions' management. The Haniel Holding Company is also responsible for selecting and developing top executives for the divisions and offering the divisions tools and selected services. This ensures that all divisions use their respective business models to contribute to the value enhancement of the investment portfolio in the best manner possible.

DIVERSIFIED BUSINESS MODELS

Haniel's divisions – the 100-per cent holdings CWS-boco and ELG, the majority shareholding TAKKT (50.25%) as well as Metro minority interest (30.01%) – act independently of one another in their respective markets. The business models differ significantly from one another:

CWS-boco offers end-to-end solutions in the fields of washroom hygiene, dust control mats, workwear and textile solutions. The division is one of the international leaders in this field with activities in 18 European countries as well as China.

CWS-boco focuses on the rental business. The offerings range from customised collections of employee clothing, to protective and safety clothing as well as modern hygiene products such as towel, soap and fragrance dispensers. The textiles are properly prepared in the division's own laundries and the dispensers are regularly serviced, both under long-term service contracts. The rental business is supplemented by the sale of consumables such as soap, disinfectants and paper as well as washroom hygiene products and workwear. In recent years, CWS-boco has also expanded its offering in the cleanroom business. The company offers customers in this segment professional preparation of cleanroom apparel, while satisfying the highest certification standards, particularly with respect to the absence of particulates. CWS-boco's customers – companies of various sizes and industries – benefit from a comprehensive service network as well as sustainable products and processes.

Since the Focus Future repositioning project was initiated in 2010, CWS-boco has seen a significant increase in customer satisfaction as well as significant cost savings. In future, the sales initiative launched in 2014 will shift to a strategic focus – in the wake of which the number of sales staff will first be increased significantly. To that end new employees will be prepared for their sales work in the Sales Excellence programme in theoretical and practical training units. The division expects significant growth momentum from these measures. And beyond that, CWS-boco achieves additional growth potential by taking over local companies that supplement the existing service network. The specialist for washroom hygiene products and textile solutions also plans to introduce a new IT system during the course of a multi-year project.

The ELG division is the global leader in the trading and recycling of commodities, in particular for the stainless steel industry. With more than 40 locations in North America, Europe, Asia, Australia and South Africa, the division has one of the industry's largest global networks. The product line essentially comprises stainless steel scrap and superalloys. Superalloys are high-alloy, nickel-containing scrap and titanium scrap. ELG's customers, primarily global stainless steel producers and companies from the aviation industry, receive the material in exactly the composition that they need for further processing – just in time and pursuant to the highest quality standards. Scrap recycling companies in the superalloys business are also certified by their customers in order to ensure high product quality.

In order to be able to meet customer requirements in the future as well, the company is continually increasing its international presence. For example, additional procurement sources for stainless steel scrap and superalloys are developed, and new customers are gained in growth markets. Accordingly, in the previous year ELG used acquisitions to further expand the superalloys business, thus laying the foundation for additional growth.

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

The TAKKT division is a B2B direct marketing specialist for business equipment with a comprehensive service offering and business activities primarily in Europe and North America. The product range comprises operating and warehouse equipment, office furniture and accessories, transport packaging, display products as well as equipment for the retail sales and the restaurant and hotel markets. The offerings of hundreds of suppliers are bundled and clearly presented.

In its sales approach TAKKT follows a multi-brand strategy that comprises multi-channel and web-focused brands. Multi-channel brands combine the classic catalogue business, which is aimed more at medium-sized and larger companies, with an online offering, telephone sales and field representatives in an integrated approach. TAKKT's web-focused brands are concentrated on customers who cannot be reached efficiently using the traditional catalogue business and the related online offerings. When a customer has ordered the desired product via one of these channels, TAKKT offers its customers fast delivery using sophisticated logistics systems that are individually tailored to the target countries.

TAKKT intends to increase its profitability by several paths. This includes extending e-commerce, which encompasses the further development of web-focused brands, as well as the expansion of multi-channel activities. TAKKT strives for a balanced combination of the catalogue business, e-commerce activities and direct sales using telephone sales and field representatives. Additional initiatives include the continual expansion of the product line and increased use of private labels in the product line. In addition, the portfolio company is fostering the international expansion of existing successful business models and acquiring promising companies to supplement previous business activities.

Another division of the Haniel Group, the METRO GROUP, is among the most important international retail groups. The METRO GROUP includes the four autonomous sales lines: METRO Cash & Carry, Media-Saturn, Real and Galeria Kaufhof. METRO Cash & Carry is in the self-service wholesale business and focuses on commercial customers, in particular hotels, restaurants and catering companies. The electronics retailer Media-Saturn sells household devices and consumer electronics under the Media-Markt and Saturn brands. Real offers an extensive and wide-ranging product line in the self-service hypermarkets business. Galeria Kaufhof is a leading operator of department stores. The METRO GROUP's sales lines distribute their products and services in sales outlets and online to customers in 30 countries across Europe and Asia.

The METRO GROUP's strategic objective is to create added value for the customer. In order to achieve this objective the METRO GROUP intends to orient its business even more strongly on the needs of the customer and to promote innovation. In addition, profitable growth will be pursued in all sales lines and expansion will be driven forward selectively. To take into account changing buying habits among customers, Metro Cash & Carry's delivery service and multi-channel sales function are being further expanded. As part of their multi-channel activities, the sales lines are increasingly dovetailing their retail business with online sales. At Media-Saturn and Galeria Kaufhof, customers can have the merchandise they order online shipped to them, but they can also pick it up at the nearest location or use services there.

VALUE-ORIENTED MANAGEMENT SYSTEM

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

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

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

FRANZ HANIEL & CIE. GMBH

CWS-boco

EQUITY INTEREST 100%

CWS-boco ranks among the leading international service providers of washroom hygiene products, dust control mats, workwear and textile services.

ELG

EQUITY INTEREST 100%

ELG is one of the world's leading specialists in trading and recycling raw materials, in particular for the stainless steel industry.

TAKKT

EQUITY INTEREST 50.25%

TAKKT is the market-leading B2B direct marketing specialist for business equipment in Europe and North America.

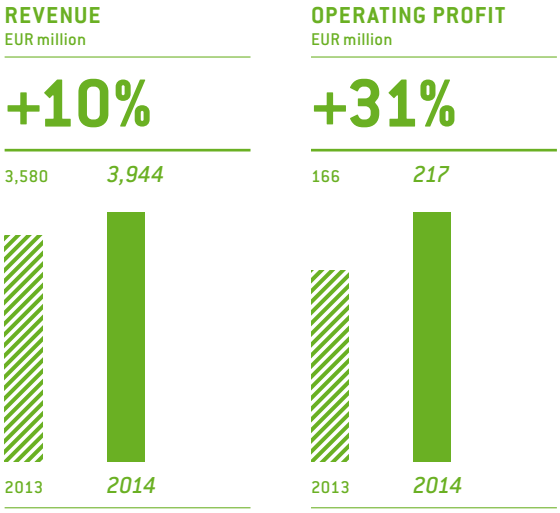
METRO GROUP

EQUITY INTEREST 30.01%

METRO GROUP is among the premier international retail groups.

HANIEL GROUP
REVENUE AND EARNINGS PERFORMANCE

The Haniel Group has successfully lifted its operating profit in 2014 by more than 30 per cent.* A primary decisive factor for this positive development was the encouraging momentum in ELG's and TAKKT's sales markets, but CWS-boco and the Haniel Holding Company also contributed to this success. Moreover, the disposal of Celesio resulted in EUR 696 million in disposal gains – and thus also in a considerably higher after-tax result.



STABLE MACROECONOMIC ENVIRONMENT

With global gross domestic product increasing by 3.3 per cent in 2014, growth of the global economy was comparable to that in the preceding year. At the beginning of last year, an overall improvement in the economic momentum was still initially assumed for 2014. This estimate was not confirmed, however. The expectations for economic growth had to be corrected downward again during the course of the year as a result of a general economic slowdown.

Economic development in individual regions of the world varied greatly in 2014: While economic momentum in emerging markets weakened from the high level of the previous year, the developed economies, in which the Haniel Group primarily operates, posted slight to moderate growth. For example, the euro zone ended the economic contraction process of previous years and again grew slightly by 0.8 per cent. The regional differences within the euro zone remained, however: Germany posted above-average growth of 1.5 per cent, while economic growth in France was just 0.4 per cent and economic performance in Italy dropped by 0.4 per cent. The US economy developed significantly more positively than the euro zone. Following a brief period of economic weakness in the spring, the indicators at year's end improved noticeably, adding up to growth of 2.4 per cent.

In addition to the economy, the development in the stainless steel market segment is of particular significance for the ELG division: overall heightened global demand in 2014 from industries which consume stainless steel resulted in an increase in global stainless steel production. The price of nickel, which is also a significant raw material for ELG's business, also ranged at a higher price level than in the previous year.

The rather positive economic development in the US and Germany, as well as the encouraging development in the stainless steel market had an overall positive effect on the Haniel Group's revenue and earnings performance.

ELG PROVIDED A SIGNIFICANT INCREASE IN CONSOLIDATED REVENUE

The Haniel Group posted a significant increase in revenue in 2014, rising 10 per cent to EUR 3,944 million. In addition to the positive business development, the first full-year consolidation of the companies acquired by CWS-boco and ELG in the prior year also made a positive contribution. By contrast, currency translation effects did not have a significant influence on revenue development. Adjusted for business combinations and disposals as well as currency translation effects, the Haniel Group increased revenue by 8 per cent. This is primarily attributable to the positive revenue development at ELG, where the increased demand for production of stainless steel and superalloys led to substantially higher output tonnage. Higher prices of nickel and titanium, significant raw materials for ELG's business, also made a positive contribution to revenue growth. The TAKKT division benefited from the improved general economic conditions and also generated a revenue increase. In the US in particular, TAKKT was able to increase its revenue thanks to strong growth companies and the upturn in the public sector business. At the same time, slightly better business development in Europe contributed to revenue growth. The CWS-boco division reached the previous year's revenue level despite intense competition in the market.

OPERATING PROFIT INCREASED BY 31 PER CENT

The Haniel Group improved its operating profit from EUR 166 million to EUR 217 million – an increase of 31 per cent. This is attributable in particular to ELG's considerable gains, but also to the positive business development at TAKKT. In addition, CWS-boco experienced a strong increase in earnings thanks to savings in the area of operating expenses through the modernisation of its laundry network and its supply chain. The Haniel Holding Company also made a positive contribution to the increase in earnings. This was due, among other factors, to non-recurring income from the reversal of provisions which were no longer necessary.

PROFIT BEFORE TAXES FALLS

Despite significantly higher operating profit, profit before taxes declined from EUR 117 million in the previous year to EUR 31 million in 2014. This is attributable to the fact that the increase in operating profit was offset by a decrease in both the result from financing activities and investment result.

The result from financing activities, which is composed of finance costs and other net financial income, worsened from EUR -169 million in the previous year to EUR -200 million in 2014. The primary reason for this was that the proceeds from the disposal of Celesio were

* Prior-year figures have been adjusted in the report of the Management Board in accordance with IFRSs; also see the explanations in the notes to the consolidated financial statements on page 74 in the Haniel annual report 2014.

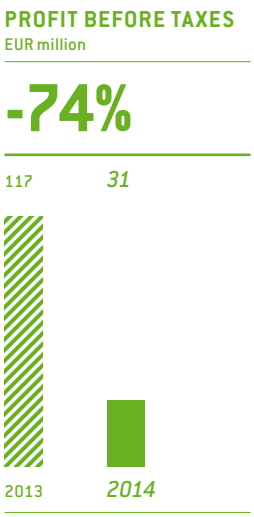
used in part to redeem bonds with a principal amount of EUR 413 million. The premiums paid on the repurchase had a negative impact on the result from financing activities in the current financial year. Going forward, however, these buy-backs will significantly relieve pressure on the net interest result of the Haniel Holding Company.

The investment result was also down in 2014, amounting to EUR 14 million, compared to EUR 120 million in the previous year. A decisive factor here was the decrease of the result from the Metro investment from EUR 96 million to EUR 14 million. The causes for this included portfolio, currency translation and non-recurring effects as well as lower income from property sales at METRO GROUP: In particular, the missing earnings contribution due to the disposal of Real's eastern European business, impairment losses on goodwill at Metro Cash & Carry, negative impacts on earnings from store closures at Real and restructuring measures at Media-Saturn weighed down the result. Adjusted for the aforementioned effects, however, METRO GROUP's operating profit was up slightly compared to the previous year. In addition, Haniel Group's investment result declined year-on-year because in the previous year it included income from the disposal of two investment funds

HIGH PROFIT AFTER TAXES DUE TO DISPOSAL OF CELESIO

Celesio has been reported as a discontinued operation since 2013 and is therefore no longer included in the Haniel Group's revenue, operating profit and profit before taxes. The profit after taxes from discontinued operations in 2014 was comprised solely of the earnings from Celesio and totalled EUR 714 million. Celesio's profit after taxes from operating activities is accounted for up to the disposal date and was EUR 18 million; the disposal gain after taxes amounted to EUR 696 million. In the previous year, profit after taxes from discontinued operations was EUR 185 million and solely comprised Celesio's current operations.

At EUR -28 million, profit after taxes from continuing operations was below the previous year's figure of EUR 82 million. Although the profit before taxes was lower, the tax expense increased from EUR 35 million in the previous year to EUR 59 million. This increase was caused by non-recurring tax income in the previous year and the fact that, while the premiums to be paid on the repurchase of bonds and the lower result from the Metro investment reduced earnings before taxes, they did not result in a reduction in taxes.



The Haniel Group's aggregate profit after taxes in 2014 was EUR 686 million, thus significantly exceeding the previous year's EUR 267 million.

HANIEL VALUE ADDED AND ROCE IMPROVED

In addition to the revenue and earnings figures, the Haniel Group also uses Haniel value added (HVA) and the return on capital employed (ROCE) as value-oriented performance indicators.* HVA expresses the value contribution generated within a single year. Positive value is added if earnings after taxes and before finance costs, i.e., the return, exceeds the cost of capital. The cost of capital is calculated by multiplying the weighted average cost of capital with the average capital employed. The weighted average cost of capital reflects the return expectations of equity and debt holders, factoring in the risks associated with providing capital. The costs of equity and debt are determined each year, as is their weighting. A weighted average cost of capital of 8.1 per cent was used to calculate HVA in 2013 and 2014.

EUR million	2013	**2014**
Return	607	**907**
– Cost of capital	824	**634**
Haniel value added (HVA)	**-217**	**273**
Return	607	**907**
/ Average capital employed	10,173	**7,832**
Return on capital employed (ROCE)	**6.0%**	**11.6%**

HVA was EUR 273 million in 2014 and EUR -217 million in the previous year. The increase had two causes: first, at EUR 907 million in 2014, the return was significantly higher than in 2013 due to the disposal gain from the Celesio transaction. Second, the cost of capital fell because the average capital employed declined significantly as a result of the disposal of Celesio.

The performance indicator ROCE reflects the return realised on the average capital employed. The Haniel Group's ROCE increased from 6.0 per cent in the previous year to 11.6 per cent in 2014. Hence, the return on capital employed during the 2014 financial year was significantly above the weighted average cost of capital of 8.1 per cent; it had been below that figure in the previous year.

EXPECTED INCREASE ATTAINED IN REVENUE AND PROFIT AFTER TAXES

In last year's annual financial statements, Haniel Holding Company forecast that the improved economic environment in particular would have a positive impact in the Haniel Group's business

* For a detailed calculation of the HVA and ROCE indicators, see the explanation in the notes to the consolidated financial statements on page 101 in the Haniel annual report 2014.

development in 2014. ELG and TAKKT particularly benefited from an improved economic environment in 2014 in their markets and increased their operating profit even more than expected. In comparison, the CWS-boco division did not increase its revenue as forecast due to intense competition; however, it did achieve a significant increase in operating earnings compared to previous years.

As expected, the METRO GROUP posted a slight increase in revenue adjusted for business combinations and disposals as well as currency translation effects. As assumed, the operating profit before non-recurring expenses was below the previous year's level. This was due to lower income from property sales and the loss of the earnings contribution from Real's eastern European business, which was sold. Currency translation effects also had a negative impact. The result from the Metro investment at Haniel was – contrary to the projection – below the previous year's level: While the METRO GROUP did achieve improvements in its net financial income and tax expense as expected, there were unexpectedly high non-recurring expenses.

The Haniel Group's profit before taxes was not – as assumed – above the previous year's level, but rather well below it. This was due in part to the result from the Metro investment remaining below expectations, but also to bond repurchases turning out higher than originally planned. These repurchases weighed down the result from financing activities as a result of the premiums to be paid in 2014, albeit with the objective of achieving significant savings on the interest expense in subsequent years.

As expected, Haniel obtained a high net disposal gain of EUR 696 million on the disposal of Celesio. The Haniel Group therefore posted high positive profit after taxes – as expected – in the 2014 financial year despite a lower result from the Metro investment and a decline in the result from financing activities.

Haniel value added and ROCE, the value-oriented performance indicators, improved significantly as expected because, on the one hand, the net disposal gain on the disposal of Celesio increased the return significantly, and on the other hand, the outgoing assets significantly reduced the annual average capital employed.

HANIEL GROUP
FINANCIAL POSITION

The disposal of the Celesio division has enabled the Haniel Group to further reduce its net financial liabilities. The company now has a broad liquidity base. Thus, there is sufficient latitude available to again invest in new profitable business divisions at any time.

FINANCIAL GOVERNANCE BETWEEN THE HOLDING COMPANY AND THE DIVISIONS

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

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

TRUSTING COOPERATION WITH FINANCING PARTNERS

As a family business with stable but limited equity financing, access to sources of debt capital are of high importance to Haniel. Accordingly, a good reputation with financial partners is essential. A significant aspect of this is providing rating agencies and business partners with timely and transparent information while maintaining equal treatment with respect to financial information and material contractual components. Only if this is ensured a company can earn a high degree of trust from banks and investors as a long-standing and reliable business partner, such as Haniel has enjoyed for many years.

IMPROVED RATING OUTLOOK

A stable good rating is evidence of the corresponding creditworthiness and creates transparency that is necessary for a trusting relationship with financing partners. For that reason, Haniel voluntarily submits to external ratings. The rating agencies' classifications of the Haniel Holding Company are based in particular on the market value gearing, which is the ratio between net financial liabilities at the Holding Company level and the value of the investment portfolio, as well as the cash flows at the Holding Company level. In addition, the number and weight of the individual equity investments in the Haniel investment portfolio influence the rating. Thanks in particular to the significantly lower net financial liabilities, Haniel successfully reduced its market value gearing as at 31 December 2014.

The improved market value gearing had a positive impact on the classification by the rating agencies. While the long-term ratings from Standard & Poor's and Moody's were left at BB+ and Ba1, respectively, following the recent increase in the second half of 2013, Standard & Poor's has already factored in the significantly more favourable financial conditions and raised its outlook to "positive". Moody's continues to assess the rating of Franz Haniel & Cie. GmbH as "stable". The improved outlook for Haniel is another important step toward the desired stable investment grade rating.

BROAD-BASED FINANCING

Diversification of financing is a significant core element of financial management. The use of various financing instruments with a broad range of business partners not only ensures access to liquidity at all times, it also reduces the dependency on individual financial instruments and business partners. In addition, the Group can respond flexibly to developments on the capital markets and in the banking sector. Binding commitments for credit facilities which are, however, utilised to only a limited extent, are an expression of the effort to obtain secure and independent financing. The Haniel Group has used and unused credit facilities on the scale of EUR 2.2 billion.

Additional financing security is ensured by a balanced maturity structure with appropriate long-term financing, in particular in the form of corporate bonds. The financial liabilities reported in the Haniel Group's Statement of Financial Position were EUR 1,468 million as at 31 December 2014. Of that amount, EUR 392 million is due in less than one year, EUR 970 million is due in one to five years, and EUR 106 million is due in more than five years. The majority of liabilities are denominated in euros. Liabilities in foreign currencies are primarily in US dollars.

In addition to bank loans, Haniel also obtains financing regularly on the capital market using bonds, commercial paper and promissory loan notes. To that end, the Haniel Holding Company updates its commercial paper programme at longer intervals and its debt issuance programme in the current amount of EUR 2 billion annually. Based on information contained therein, bonds can be placed very flexibly in terms of the timing and amount and adjusted to the respective market conditions.

In 2014 the Haniel Holding Company used proceeds from the Celesio disposal to redeem bonds with a principal amount of EUR 413 million. These redemptions, as well as the scheduled repayment of a bond in October, reduced the carrying amount of outstanding bonds in the Haniel Group from EUR 1.3 billion as at 31 December 2013 to EUR 0.5 billion at year's end 2014. In addition, the CWS-boco, ELG and TAKKT divisions have increasingly financed themselves on the

market for promissory loan notes in recent years, thus broadening their financing base. The value of promissory loan notes, commercial paper and other securitised debt in the Haniel Group amounted to EUR 0.2 billion at year's end. In addition, the CWS-boco and ELG divisions maintain programmes for the continual sale of trade receivables to third parties.

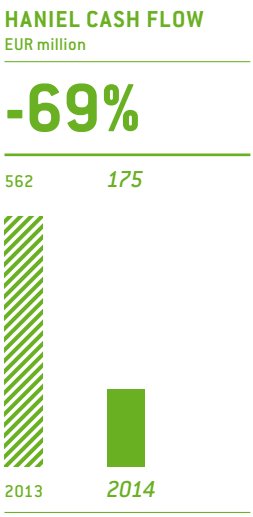
NET FINANCIAL LIABILITIES SIGNIFICANTLY REDUCED

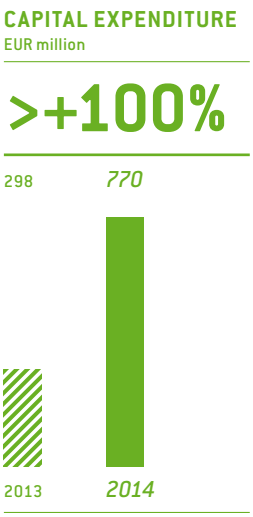
The disposal of the Celesio division in February 2014 and the proceeds of EUR 1,999 million resulted in a substantial reduction in the Group's debt: net financial liabilities, i.e., financial liabilities less cash and cash equivalents, fell within the Group from EUR 3,843 million at the end of 2013 to EUR 1,358 million as at 31 December 2014.

At the level of the Haniel Holding Company, net financial liabilities fell from EUR 1,586 million to EUR 647 million. Financial assets, including current and non-current receivables from affiliated companies, amounted to EUR 737 million. That figure primarily includes financial assets with short and medium terms which the Haniel Holding Company intends to use for future acquisitions. As the financial assets are greater than the net financial liabilities, the Haniel Holding Company is de facto debt-free.

HANIEL CASH FLOW DECLINES

Haniel uses the performance indicator Haniel cash flow to assess the strength of its liquidity position in its current business activities. This indicator reveals the extent to which Haniel generates sufficient financial resources through its current business activities to secure funding both for its current net assets* as well as its investing activities. Haniel cash flow fell from EUR 562 million to EUR 175 million in 2014 – as anticipated in the previous year. The causes of this decline were rooted in lower earnings contributions from Celesio's operating activities, as the division was only included in 2014 prior to the date on which the disposal was completed. In addition, Haniel cash flow was lower because, unlike in the previous year, the METRO GROUP did not distribute a dividend in 2014 due to its short financial year, which comprised only nine months.





Cash flows from operating activities, which supplement Haniel cash flow in depicting the change in current net assets, amounted to EUR -135 million in 2014, and were thus lower than the Haniel cash flow. This is attributable to the fact that financial resources were tied up as a result of the increase in current net assets. At ELG in particular, inventories and trade receivables increased as expected, primarily as a result of the higher prices for nickel and greater output tonnage. In the previous year, cash flows from operating activities amounted to EUR 660 million, which was substantially higher than the Haniel cash flow. This was due to a reduction in inventories in terms of value and volume at ELG in 2013.

EUR million	2013	**2014**
Haniel cash flow	562	**175**
Cash flow from operating activities	660	**-135**
Cash flow from investing activities	309	**779**
Cash flow from financing activities	-964	**-1,093**

HIGH CASH FLOW FROM DIVESTMENTS

Cash flow from investing activities, i.e., the net outlays for capital expenditure and proceeds from divesting activities, amounted to EUR 779 million in 2014. Payments for investments in property, plant and equipment, intangible assets and business acquisitions amounted to EUR 770 million. That figure primarily included payments for financial assets by the Haniel Holding Company following the disposal of Celesio, as well as investments in property, plant and equipment and other assets by the divisions. Proceeds from divestment activities amounted to EUR 1,549 million in 2014. That amount primarily consisted of the proceeds from the disposal of the Celesio division, less cash and cash equivalents disposed of by the Haniel Group.

In the previous year, cash flows from investing activities amounted to EUR 309 million. That figure included EUR 298 million in payments, primarily for investments by the divisions in property, plant and equipment. Proceeds from divestment activities amounted to EUR 607 million in the previous year and were thus already high; that figure included in particular inflows of cash at the Haniel Holding Company level from disposal of shares in METRO AG and two investment funds.

Cash flows from financing activities amounted to EUR -1,093 million, compared with EUR -964 million in 2013. That figure includes the scheduled repayment and redemption of bonds with a total principal amount of EUR 849 million and the distribution of dividends to the shareholders of Franz Haniel & Cie. GmbH amounting to EUR 30 million. In the previous year, Haniel also significantly reduced its debt, although it did not distribute any dividends to the shareholders of the Holding Company.

* Net current assets consist essentially of trade receivables and inventories less trade payables.

HANIEL GROUP
ASSETS AND LIABILITIES

The Haniel Group has further strengthened its balance sheet structure and significantly raised its equity ratio. This was due to the disposal of the Celesio division, which significantly reduced total assets. In addition, a portion of the proceeds was used to reduce indebtedness by repurchasing and redeeming outstanding bonds.

LOWER TOTAL ASSETS

The disposal of Celesio reduced the total assets of the Haniel Group from EUR 13,387 million as at 31 December 2013 to EUR 6,446 million as at 31 December 2014. This manifested above all in current assets, which fell from EUR 8,620 million to EUR 1,662 million: As at 31 December 2013, the Celesio division's assets were still included as assets held for sale, which have now been completely disposed of by way of the sale. Current assets increased due to the fact that a portion of the sale proceeds flowed to current financial assets. In addition, the ELG division's inventories and trade receivables increased, particularly as a result of higher commodities prices. Non-current assets increased from EUR 4,767 million to EUR 4,784 million. The growth resulted from newly acquired mid-term financial assets with a maturity of more than twelve months, in which Haniel has temporarily invested following the Celesio disposal. A decline in the carrying amount of investment in METRO AG, which is accounted for using the equity method, reduced total assets.

EQUITY RATIO INCREASED SHARPLY

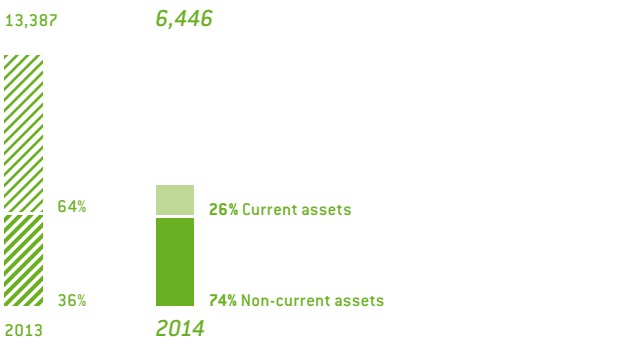
Equity fell from EUR 4,556 million as at 31 December 2013 to EUR 3,973 million as at 31 December 2014. This is because the disposal of the Celesio divisions resulted in the corresponding non-controlling interests also leaving the Group. Nonetheless, the equity ratio increased significantly due to the lower total assets: this figure increased from 34 per cent to 62 per cent, thus underscoring the Group's investment potential. In contrast, non-current liabilities declined from EUR 2,240 million to EUR 1,574 million. The decisive factor here was that the Haniel Holding Company used some of the proceeds from the disposal of the Celesio division for the early repurchase of outstanding bonds. Current liabilities also fell, in particular due to the disposal of liabilities of the sold Celesio division as well as the scheduled repayment of a bond of the Haniel Holding Company, falling from EUR 6,591 million to EUR 899 million. Thus the Group successfully further strengthened its balance sheet structure as at 31 December 2014.

INCREASE IN RECOGNISED INVESTMENTS

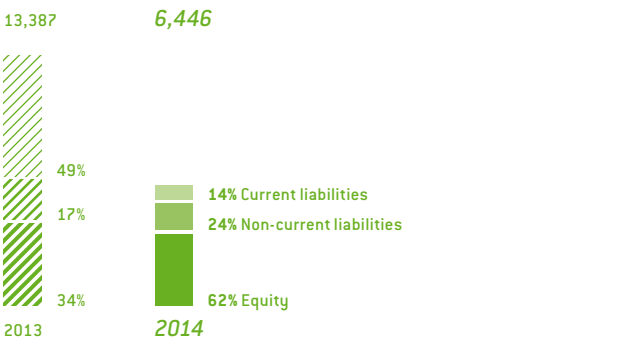
Despite the disposal of Celesio, the Haniel Group's recognised investments increased from EUR 309 million in the previous year to EUR 357 million in financial year 2014. The elimination of the Celesio division's investments was more than compensated for by extensive investments by the Haniel Holding Company in mid-term financial assets with a term of more than one year. The remaining recognised investments are attributable in particular to the purchase of textiles and towel dispensers intended for rental and the expansion of the laundry network in the CWS-boco division.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSET STRUCTURE
EUR million



EQUITY AND LIABILITY STRUCTURE
EUR million



HANIEL GROUP
EMPLOYEES

The disposal of Celesio reduced the headcount in the Haniel Group considerably. While the average number of employees was 50,279 in the 2013 financial year, the number of employees in 2014 averaged 11,544.

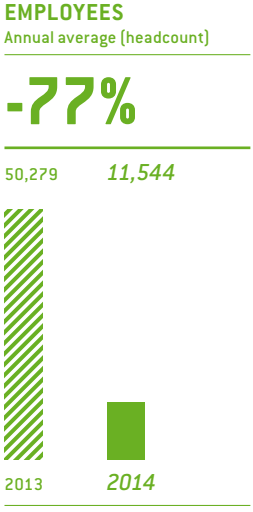
CELESIO DISPOSAL REDUCES HEADCOUNT

The number of people employed by Celesio was 38,754 in 2013; they had been accounted for in the previous year under discontinued operations. The disposal of the Celesio division sharply reduced the overall headcount in the Haniel Group in 2014.

In continuing operations, the number of employees was 11,544 in 2014, almost unchanged from 11,525 in 2013. Development in the divisions varied. At ELG the number of employees in the financial year just ended increased from 1,224 to 1,267, which is attributable primarily to the expansion of the superalloys business. The first full-year consolidation of Metals Management Aerospace, the company acquired in 2013 in this market segment, impacted that figure as well.

The average number of employees at TAKKT dropped slightly from 2,551 to 2,528 due to the planned discontinuation of Topdeq business operations. By contrast, CWS-boco recorded overall stable development of the staffing level, although it was further reduced as planned due to the modernisation of the laundry network. Given that new jobs were created concurrently in sales operations, the number of employees remained largely unchanged at 7,529 following 7,527 employees in the previous year.

EMPLOYEES
Annual average (headcount)



HOLDING COMPANY FRANZ HANIEL & CIE.

The Haniel Holding Company* succeeded in creating new entrepreneurial leeway in 2014. Following the successful disposal of the Celesio division and the reduction in liabilities, the family-equity company concentrated on the structured search for new divisions.

TRANSACTION PROCEEDS CREATE FINANCIAL LEEWAY

Haniel received EUR 1,999 million from the disposal of Celesio at the beginning of the financial year. That formed the basis for new entrepreneurial leeway. Among other things, Haniel used the proceeds from the Celesio transaction to repay bonds valued at EUR 436 million as scheduled and to redeem bonds with a principal amount of EUR 413 million early. These bond redemptions will also significantly reduce the Haniel Holding Company's interest payments over the coming years, although this resulted in a one-off financial charge in 2014. In addition to the scheduled repayment and redemption of bonds, low risk, but currently low interest financial assets were acquired temporarily and the capital base of the divisions was strengthened for their further development.

Due to these actions, the net financial liabilities at the Holding Company level went from EUR 1,586 million at the end of 2013 to EUR 647 million as at 31 December 2014. Taking into account the current and non-current receivables from affiliated companies, these liabilities are offset by financial assets valued at EUR 737 million. The Haniel Holding Company is thus essentially debt-free. Thus, Haniel has created a solid liquidity buffer which will enable it to acquire new divisions.

STRUCTURED SEARCH FOR NEW BUSINESS DIVISIONS

As a family-equity company, Haniel pursues a long-term investment approach and makes capital available to future investments, for example for implementing growth strategies. Haniel's investment filter is used to screen for well-positioned, small and medium-sized enterprises which operate in attractive niche sectors and can leverage Haniel's support and expertise to expand their leading market position over the medium to long term. Their business activities should make a contribution to the diversification of the Haniel

* Incl. the Holding Company's financing and service companies. The separate financial statements of Franz Haniel & Cie. are published at www.haniel.com under "Creditor Relations".

portfolio and promise an appropriate value contribution. In addition, Haniel gives preference to non-listed companies in which it can acquire a significant majority stake. In line with Haniel's objective of being "enkelfähig", the only candidates for acquisition are companies which already make a positive contribution to the environment and society through their sustainable actions, or which will be able to do so in the future. Based on these criteria, the Holding Company reviews all companies offered for purchase – as well as companies identified internally whose business models appear interesting for Haniel. In this connection, Haniel has analysed megatrends and, based on that analysis, defined search fields in which potentially interesting business models are carefully examined. During the course of the year the company has already examined a number of companies available for sale.

SOLID FINANCING SECURED

After the acquisition of new divisions, Haniel aims to have debt of around EUR 1 billion at the level of the Holding Company over the medium to long term, thus representing a considerably lower level than in the past years. Therefore, significantly lower lines of credit and capital market financing are necessary. Accordingly, the Group has already cut back considerably on both forms of financing, among others, by redeeming on schedule the 2009 issued bond in October 2014. In spite of the scheduled reduction of outstanding bonds, Haniel will continue to rely on the two proven cornerstones of financing – bank loans and bonds. However, the major part of financing is and remains the equity made permanently available by the Haniel family.

Haniel submits itself to external rating assessments voluntarily, thus ensuring broad access to capital markets. Standard & Poor's and Moody's have already raised their ratings in the second half of 2013 to BB+ and Ba1, respectively. Standard & Poor's supplemented this during the first half of 2014 with a positive outlook. This reflects the expected expansion of the portfolio as well as conservative debt targets and is another step towards a stable investment-grade rating.

MARKET VALUE OF THE PORTFOLIO DECREASED

The value of the investment portfolio minus remaining net financial liabilities at the Holding Company level amounted to EUR 4,428 million as at 31 December 2014. At the end of 2013, it was EUR 5,320 million, primarily as a result of the higher Metro share price. The value of the investment portfolio is calculated as the sum of the valuations of the divisions, financial assets and non-current and current receivables from affiliated companies. Listed divisions are valued on the basis of three-month average share prices, while the remainder of divisions are valued on the basis of market multipliers. Despite the lower value of the investment portfolio, the important rating input, the market value gearing – which is the ratio of the net financial liabilities to the market value of the investment portfolio – declined in 2014 because Haniel was able to use the proceeds from the Celesio disposal to significantly reduce net financial liabilities.

SIMPLIFICATION OF THE METRO SHAREHOLDING STRUCTURE

Haniel ended the pooling agreement with the Schmidt-Ruthenbeck family as of 31 October 2014. This agreement primarily served to pool voting rights and was a unique structure amongst well-known listed companies, which was effectively not required. This action did not change Haniel's 30.01 per cent interest in the voting rights in METRO AG.

HANIEL HOLDING COMPANY INCREASES ITS EARNINGS CONTRIBUTION

The amount contributed by the Haniel Holding Company to operating profit improved in 2014 due to non-recurring income from the reversal of provisions no longer needed, among other items.

CWS-BOCO

CWS-boco increased its operating profit again in the 2014 financial year. This was made possible in particular through the sharp focus placed by the entire division on cutting costs and improving quality over several years – especially in the modernisation of its laundry network and its supply chain. CWS-boco's revenue remained stable compared to the previous year. The positive business development in the core German market compensated for the slight revenue declines in some European countries with difficult market environments.

OPERATING PROFIT LIFTED

Thanks to greater efficiency in operating processes and better quality of service, CWS-boco increased operating profit in 2014 compared to the previous year from EUR 64 million to EUR 71 million, thus continuing the positive earnings trend of previous years. Key measures implemented in this context included the optimisation of the Europe-wide laundry network as well as the construction of a central warehouse and service location in Poland in which,

REVENUE
EUR million

+0%

REVENUE
by division in %

Washroom hygiene/mats
50

Textile services
50

among other things, replacement clothing for customers is stored and prepared in accordance with customer requirements. The modernisation of the laundry network focused primarily on enhancing efficiency and reducing the use of resources such as energy and detergents. Moreover, the aim of the central warehousing and service location in Poland is to ensure that uniformly high quality standards are applied in the workwear business throughout Europe and that processing times are reduced.

STABLE REVENUE DEVELOPMENT

At EUR 751 million, CWS-boco's revenue in 2014 – also adjusted for business combinations and disposals as well as currency translation effects – was at the previous year's level. While CWS-boco posted positive business development, above all in Germany, revenue development in other countries such as the Netherlands or Italy was characterised by a difficult market environment. In addition, the strategic decisions to exit the flat linen business and the related intensified focus on the cleanroom business at the Beijing location contributed to this development.

Revenue in CWS-boco's core business – the rental service for workwear, washroom hygiene products and dust control mats – remained stable in 2014. Among other things, CWS-boco succeeded in further reducing contract cancellation rates for dust control mats and washroom hygiene products. Cancellation rates remained virtually stable at a low level for workwear. The division achieved this by further intensifying customer care and expanding its focused complaint and cancellation management efforts. Adjusted for business combinations and disposals as well as currency translation effects, revenue from the rental business remained at the previous year's level as well.

CWS-boco supplements its service business by selling consumables, such as soap, disinfectant and paper, as well as dispensers and workwear. Revenue in this trade business increased in 2014 by 1 per cent year on year – adjusted for business combinations and disposals as well as currency translation effects, trade revenue remained stable.

OPERATING PROFIT
EUR million

+11%

EMPLOYEES
Annual average (headcount)

+0%

CWS-BOCO EXPANDS SALES AND CLEANROOM BUSINESS

CWS-boco is expanding its sales function in order to enable further growth in the highly competitive sector. To that end, the division increased the number of sales employees and launched the Sales Excellence programme. This twelve-month programme offers a variety of theoretical and practical training units to sales employees, culminating in a TÜV certificate. In addition, participants are also assigned a mentor for the full term of the course, who supports them in honing their skills and applying them in practice. After the first participants successfully completed the training programme in Germany, it is now being adapted to specific products and extended to additional foreign subsidiaries.

Additionally, CWS-boco has strengthened its competitive position in the growth market of the cleanroom business in the past year. Based on the existing cleanroom expertise gained in Belgium, Ireland, Poland and China, the first cleanroom laundry was opened in Germany during the first half of 2014. In addition to this, CWS-boco initiated the acquisition of an established provider in southern Germany in the second half of the year. Hence, CWS-boco now also offers professional preparation of cleanroom apparel in Germany, while satisfying the highest certified standards for particle-free clothing. The target group includes companies in the pharmaceutical, medical technology and electronics industries.

With respect to the product portfolio, CWS-boco brought an important addition to the market to complete the no-contact washroom: the hygienic Clean Touch door handle. A hygienic film that is replaced automatically enables the handle to be used without direct skin contact.

ELG

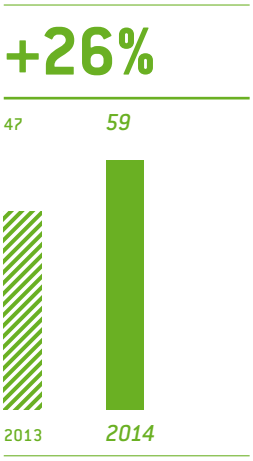
The ELG division increased both its output tonnage and operating profit significantly in 2014. The company benefited primarily from increasing demand for scrap in the stainless steel market segment and the higher price level of nickel, a key raw material for ELG. ELG also achieved encouraging gains in the successfully expanded superalloys business, to which business combinations in the previous year also contributed

IMPROVED MARKET ENVIRONMENT AND RISING NICKEL PRICES IN STAINLESS STEEL SCRAP BUSINESS

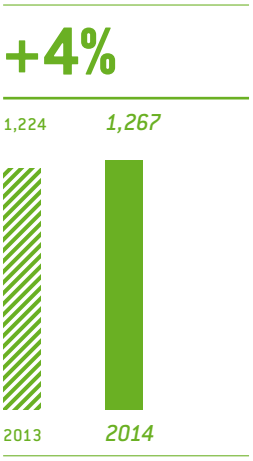
In spite of an increasing slowdown as a result of geopolitical crises in the second half of the year, the global economy grew at a similar rate in 2014 compared with the preceding year. The demand for production of stainless steel increased significantly in this general economic environment, which was positive overall. The production of stainless steel increased accordingly, in particular in China and the US where, above all, the ramp-up of a new stainless steel mill contributed to the increase. Following negative growth in recent years, production in Europe also increased slightly. This growth in the US and Europe resulted in stronger demand for stainless steel scrap, which had an overall positive effect on ELG's output tonnage. The stainless steel market segment was again characterised by high competitive pressure in 2014, not least due to the significant increase in demand. Dealers in both the European and the US markets contended with strong competition for the limited stainless steel scrap available. By contrast, the increase in Chinese production did not lead to an increased demand for stainless steel scrap. Companies in China primarily use a substitute known as nickel pig iron rather than stainless steel scrap to produce stainless steel.

The stainless steel market segment also benefited from rising prices for nickel, the most valuable element in the stainless steel scrap processed by ELG. In the first months of the financial year, the price of nickel rose steadily to USD 21,000 per tonne, and subsequently ranged around a level of USD 19,000 per tonne until mid-September. This is attributable above all to market participants expecting a significant shortage of nickel after Indonesia imposed export restrictions on nickel ore, which is used in the production of nickel pig iron, at the beginning of the year. As a result of inventory levels of nickel pig iron in China still exceeding expectations and the uncertainties due to the geopolitical crises, nickel prices plateaued at year's end at approximately USD 15,000 per tonne – the same price level as at the beginning of the year. Despite this, the price averaged USD 16,900 per tonne in 2014, 12 per cent higher than the previous year's price. In contrast, the prices for chrome and iron – the other significant components in stainless steel scrap – declined during the course of the year due to high supply.

OPERATING PROFIT
EUR million

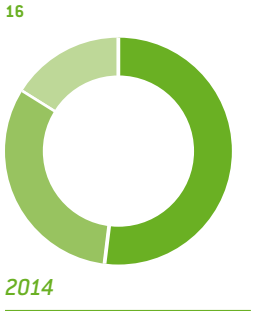


EMPLOYEES
Annual average (headcount)



REVENUE
EUR million

REVENUE
by sales region in %



POSITIVE MARKET DEVELOPMENT FOR SUPERALLOYS

The superalloys market segment was characterised by stronger demand compared to the previous year – over the entire course of 2014. Companies in the aviation industry in particular had increased demand for superalloys scraps, which in turn had a positive impact on ELG's output tonnage. The prices of the commodities significant for ELG's superalloys business, such as nickel, titanium, tungsten and cobalt, also developed positively. For example, the price level for titanium was approximately 30 per cent higher than that of the previous year.

OUTPUT TONNAGE AND OPERATING PROFIT IMPROVED SIGNIFICANTLY

ELG took advantage of the significantly improved environment in the stainless steel market segment to increase its output tonnage for stainless steel scrap by 15 per cent year on year. Including the acquisitions of ABS Industrial Resources and Metals Management Aerospace in this market segment in 2013, ELG's superalloys business increased tonnage by 38 per cent. Both new companies displayed encouraging development in 2014. This has allowed ELG to significantly expand its superalloys business as an additional pillar. By diversifying its operating activities, ELG has strengthened

its foundation for sustainable growth. Even adjusted for the two business combinations, ELG increased output tonnage by 16 per cent year on year as a result of the strong demand for superalloys.

ELG boosted revenue by 18 per cent to EUR 2,213 million in 2014 thanks to the higher output tonnage and price increases for nickel and titanium. Despite the improved demand for scrap, ELG's margins in the stainless steel scrap business declined slightly, above all as a result of higher procurement prices. On the other hand, the sharp increase in demand and the limited recycling capacity for superalloys resulted in higher margins at ELG.

ELG's operating profit also experienced significant growth, increasing from EUR 47 million in the previous year to EUR 59 million in 2014. Positive effects in this regard were attributable to the increase in revenue and the expansion of the high-margin superalloys business. It should also be noted that 2013 operating profit was affected positively by non-recurring items totalling EUR 7 million. This non-recurring income was primarily attributable to the sale of a receivable written down in previous years as well as to insurance payments.

TAKKT

Business development at TAKKT was characterised by positive growth momentum in Europe and the US in 2014. Both revenue and operating profit increased. In addition, TAKKT continued to drive forward the expansion of its multi-channel business and continued to focus its portfolio with the disposal of the Plant Equipment Group and the discontinuation of business operations at Topdeq.

TAKKT REMAINS ON EXPANSION COURSE

TAKKT division revenue increased by 3 per cent to EUR 981 million – adjusted for the planned discontinuation of Topdeq's business operations and for currency translation effects, revenue actually increased significantly by 6 per cent.

The business operation of Office Equipment Group, including the Topdeq brand, was discontinued incrementally as scheduled by September 2014. This process – in particular the clearance sale of the existing inventories – was financially satisfactory. In

REVENUE
EUR million

+3%

REVENUE
by division in %

TAKKT EUROPE
53

TAKKT AMERICA
47

2014

addition, TAKKT was able to sell the Topdeq trademarks to a competitor. Adjusted for the Topdeq discontinuation and currency translation effects, revenue at TAKKT EUROPE increased by 3 per cent thanks to improved general economic conditions. Within TAKKT EUROPE, both segments contributed to revenue growth – however, the Packaging Solution Group experienced stronger growth than the Business Equipment Group. Business development was particularly positive in the high-revenue home market, Germany.

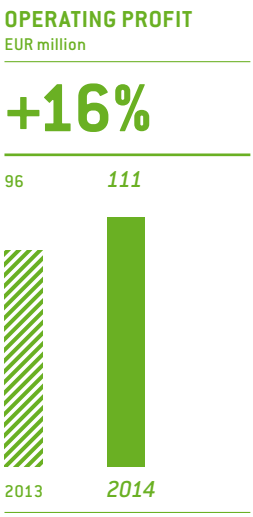
Adjusted for currency translation effects, TAKKT AMERICA increased revenue by 8 per cent, with business in the three segments varying. The Office Equipment Group recorded especially solid growth. Among other factors, higher demand from US state government institutions contributed to this growth. The Specialties Group benefited from positive development in the North American restaurant sector and from strong growth momentum from GPA, a B2B direct marketing supplier for display products.

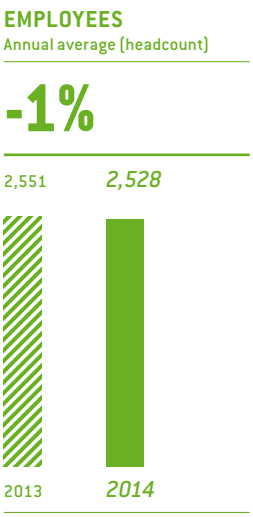
By contrast, the Plant Equipment Group, which operates in a highly competitive environment and owns the C&H main brand, recorded a slight decline in revenue.

In order to create better opportunities for development at the Plant Equipment Group, TAKKT concluded an agreement on its disposal with the strategic investor Global Industrial in December 2014. The transaction was completed at the beginning of 2015. By taking this step TAKKT can concentrate more resources on further developing its integrated multi-channel business.

OPERATING PROFIT LIFTED

Due to its strong business performance, TAKKT increased its operating profit from EUR 96 million in 2013 to EUR 111 million in 2014. This increase resulted – in addition to the elimination of one-off expenses for the Topdeq closure in 2013 – above all from the positive business development at TAKKT AMERICA. TAKKT EUROPE also increased profits slightly – adjusted for the Topdeq business.





However, projects launched in connection with the DYNAMIC initiative led to higher expenses in 2014.

EXPANSION OF THE MULTI-CHANNEL SALES FUNCTION CONTINUED

TAKKT is integrating various sales channels in connection with the expansion of its multi-channel sales function in order to address customers as needed: through the catalogue, online, by telephone and via employees in the external sales force. To that end, the B2B direct marketing supplier launched the DYNAMIC initiative in 2012 with the goal of orienting business activities even more strongly on the multi-channel sales approach. DYNAMIC comprises approximately 50 projects, which are individually tailored to the Group companies in question. The first projects have already been successfully concluded.

E-commerce is an important component of the multi-channel activities, which again developed very well in 2014. After reaching 28 per cent in the previous year, e-commerce's share of total revenue expanded to 30 per cent during the financial year.

METRO GROUP

The METRO GROUP made additional progress in its strategic realignment and increased revenue adjusted for business combinations and disposals as well as currency translation effects. However, operating profit decreased due to one-off expenses, negative currency translation effects, portfolio measures as well as lower income from property sales. Therefore, the Haniel Group's investment result from the METRO GROUP was significantly below that of the previous year.

STRATEGIC REALIGNMENT CONTINUES

The strategic objective of the METRO GROUP is to create added value for the customer. In order to achieve this objective it intends to expand its supply and multi-channel activities, improve product ranges and strengthen own brands. The METRO GROUP made further progress in all of these measures in 2014. For example, METRO Cash & Carry increased revenue significantly from its delivery business, which is now offered in all sales countries. In addition METRO Cash & Carry made additional investments in its own delivery warehouses, from which parts of the delivery business are settled. Online revenue at Media-Saturn was also increased significantly. This is attributable in part to the expansion and close networking of the sales channels at Media-Markt and Saturn. For example, customers can order merchandise online, and if available, pick it up the same day at the store or use services there. On the other hand, pure online offerings are being further expanded, in particular under the Redcoon brand. Real further increased the revenue share of own brands primarily by adding to the product portfolio.

ADJUSTED REVENUE HIGHER

The METRO GROUP 's revenue fell by 4 per cent in 2014 to EUR 62,625 million. The primary causes for this were negative currency translation effects as well as the disposal of the Real's eastern European business. Adjusted for business combinations and disposals as well as currency translation effects, revenue increased by 2 per cent. One particular reason for this was the expansion of the international location network: METRO GROUP opened 55 new locations in nine countries during the financial year. The Christmas business was also positive overall in 2014.

Revenue at Metro Cash & Carry fell by 3 per cent. The decisive cause of this was negative currency translation effects, in particular as a result of the exchange rate trend of the Russian rouble. Adjusted for currency translation effects, however, revenue increased. This was due in part to international expansion, above all in China and Russia, and also to slight organic growth. The drivers here were Asia and eastern Europe, including Russia. Development in Germany was stable, while revenue fell in the other western Europe.

Media-Saturn increased revenue by 1 per cent – despite negative currency translation effects in particular as a result of the development of the rouble. The expansion of the distribution chain, in particular in eastern Europe, was of decisive importance here. Following somewhat restrained development in the first nine months of the year, organic revenue growth edged into the black due to positive Christmas business in all regions. However, development in Germany, the core country, declined slightly overall.

The disposal of Real's eastern European business in Romania, Russia and Ukraine was completed in 2013; Poland and Turkey followed in 2014. This resulted in a significant decline in revenue for the sales line Real. In the remaining business in Germany, revenue fell slightly due to location closings. Organic revenue growth remained stable, however. The intense competition, in particular by discounters, was countered by successfully modernising numerous locations.

Revenue from Galeria Kaufhof was at the previous year's level. Here, the positive development of the online business offset the rather weak textiles business selling winter wear.

ONE-OFF EXPENSES WEIGH DOWN OPERATING PROFIT

The METRO GROUP's operating profit was EUR 1,187 million in 2014, following EUR 1,797 million in the previous year. The reason for this decrease was higher one-off expenses in 2014, stemming primarily from write-downs on goodwills at Metro Cash & Carry, Real store closures and restructuring measures at Media-Saturn.

Adjusted for one-off expenses, the operating profit declined from EUR 1,801 million to EUR 1,678 million. This was due primarily to negative currency translation effects, the missing earnings contribution from Real's eastern Europe business, which was sold off, and lower income from property sales. This was offset by cost savings and improved margin, in particular at Media-Saturn. On a like-for-like basis, the operating profit was above the previous year's level.

LOWER EARNINGS CONTRIBUTION FOR HANIEL

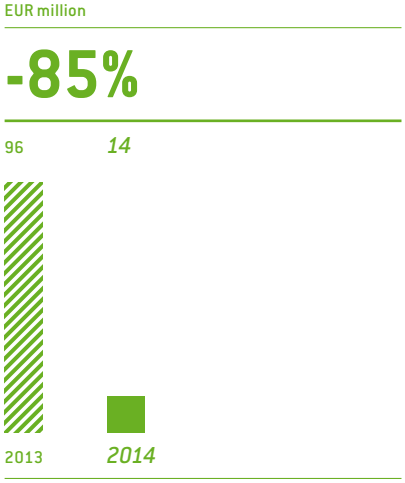
The significant decrease in the METRO GROUP's operating profit had a proportionately negative impact on the investment result the Haniel Group derives from the METRO GROUP. Despite the METRO GROUP's improved result from financing activities and lower tax expense, its investment result declined from EUR 96 million in the previous year to EUR 14 million in 2014. The improvement in the METRO GROUP's result from financing activities was due to in particular lower indebtedness as well as income from the disposal of the equity interest in Booker Group PLC.

SIMPLIFICATION OF THE METRO SHAREHOLDING STRUCTURE

Haniel ended the pooling agreement with the Schmidt-Ruthenbeck family as at 31 October 2014. This agreement primarily served to pool voting rights and was a structure which was effectively not required. The ending of the pooling agreement allowed the shareholding structure in METRO AG to be simplified significantly.

HANIEL INVESTMENT RESULT

EUR million



SUPPLEMENTARY REPORT

No reportable events took place after the reporting date.

REPORT ON OPPORTUNITIES AND RISKS

Being a successful entrepreneur means exploiting opportunities that present themselves. However, this frequently entails risks. This risk to business development in the Haniel Group must be recognised early, analysed in detail, and where appropriate, mitigated to a reasonable level.

EXPLOITING OPPORTUNITIES TO INCREASE VALUE

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

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

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

OPTIONS FOR SUSTAINABLE AND PROFITABLE GROWTH

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

Optimising the business portfolio: Haniel continually reviews the strategic alignment of its portfolio. New divisions should be able to make a long-term value contribution to the economic success of the Group and be in accordance with its ecological and social values. The Holding Company follows two parallel approaches in this regard. On the one hand, it analyses the potential of various sectors and markets on the basis of global megatrends with the objective of identifying and contacting attractive companies. On the other hand, the Holding Company continually reviews current takeover offers. Based on this, the Haniel investment portfolio will be developed further by business acquisitions and disposals in order to enhance value creation while always maintaining a solid financing structure.

International expansion: All Haniel divisions are widely represented in western Europe, and ELG and TAKKT in North America as well, and enjoy a strong position there with their various business models. Haniel sees opportunities for further growth by strengthening its presence in these markets and in the fast-growing economies throughout the world – either by founding or acquiring businesses. The divisions are already active in various ways in eastern Europe, and will further expand their presence there. The other regions, in particular Asia, offer many different expansion opportunities.

Sustainability as a competitive factor: Corporate responsibility has a long tradition in the Haniel Group. It is expressed in its striving to increase economic value in accordance with ecological and social contributions. In order to live up to this vision, Haniel has identified three action areas in the field of sustainability: employees, value chain and innovation. Each of the divisions and the Holding Company are responsible for improving on these areas of emphasis, regardless of their respective business model and taking into account their unique features, with the overarching objective of developing the potential for additional profitable growth. You can find detailed information on the subject of sustainability in the Haniel Group in the "Corporate Responsibility" section starting on page 12.

Multi-channel activities: Continuing digitalisation gives rise to growth opportunities through the consistent expansion of METRO GROUP's retail and wholesale activities and of TAKKT's mail-order business into a multi-channel business. These growth opportunities at the METRO GROUP reside in the dovetailing of the stationary business with the e-commerce activities. The METRO GROUP can create real added value for the customer on this basis. TAKKT, the specialist mail-order company, is strengthening its existing distribution channels, including catalogue, telemarketing, field service and e-commerce, and improving the links between them. TAKKT is thus developing into a multi-channel company, whose offerings are present wherever customers inform themselves about products and make purchasing decisions. This is opening up opportunities for additional growth.

Increasing demand for raw materials: ELG's core business is the trading and recycling of raw materials, particularly for the stainless steel market segment. Growth opportunities for ELG result from increasing global demand for stainless steel products that is anticipated over the medium and long term. It must also be assumed that the superalloys segment will continue to gain significance. In this sector, ELG recycles very high-grade materials. These include in particular titanium scrap and high-alloy, nickel-containing scrap which are used in, e.g., the aerospace industry and energy generation. ELG has strengthened this area of operations by making acquisitions in recent years, thus significantly expanding its foundation for future growth. In addition to trading in stainless steel scrap and superalloys, ELG is active in the nascent business of recycling carbon fibres. ELG is planning to expand this innovative business model further.

From an overall perspective, there remain a number of opportunities open to the Haniel Group for sustainable and profitable growth in the future. While the Celesio disposal removed the opportunities

related to that division – in particular the opportunity resulting from the growing demand for healthcare services – the Haniel Holding Company hence has sufficient financial resources for acquiring new attractive business segments that offer many new opportunities.

SYSTEMATIC RISK MANAGEMENT

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

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

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

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

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

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

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

Financial risk reporting and management include liquidity risks, default risks, risks resulting from changes in interest and exchange rates, and price fluctuations in the commodity markets. The objective is to avoid or limit financial risks. To that end, the Holding Company has laid out general principles for financial risk management. These principles are prescribed in guidelines for the treasury departments of the Holding Company and the fully consolidated divisions. In addition, the Holding Company has special guidelines for the investment of financial resources. The management of financial risks is explained in detail in the notes to the consolidated financial statements starting on page 112 in the Haniel annual report 2014.

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

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

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

Corporate bylaws and regulations derived from them ensure that the elements of the risk management system are adhered to and applied in the intended manner in the Haniel Group as allowed by law. Codes of conduct for the Holding Company and the divisions supplement these regulations. They set forth the basic principles of conduct for employees, based on practised value concepts.

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

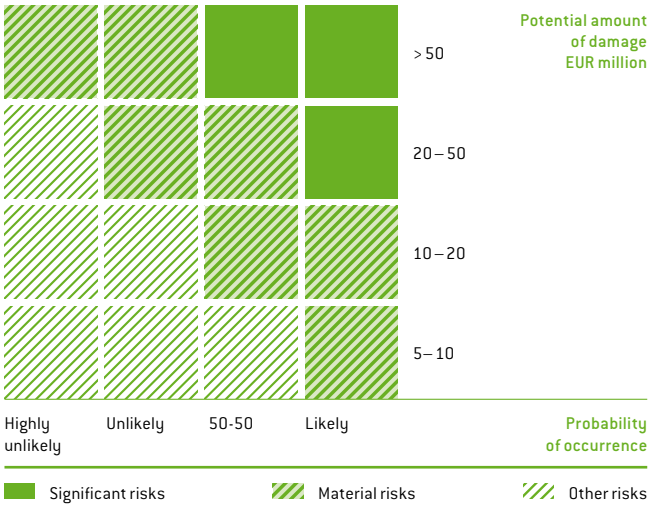
In 2014 the auditors were again commissioned by the Supervisory Board to subject the Group's early risk identification system to a voluntary audit analogously to § 317 (4) of the German Commercial Code (Handelsgesetzbuch, "HGB"). The auditor verified the suitability of this system.

CLEARLY DEFINED RISK FIELDS

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

Investments: Haniel holds a substantial equity interest in the METRO GROUP in particular. Factors that exert an unfavourable influence on the consolidated profit of METRO AG also have a negative effect on Haniel Group's net investment income or could have a negative effect on the carrying amount of the investment. This risk in the Haniel Group must be classified as significant due to the size of the interest in the METRO GROUP. Risks to which the METRO GROUP is exposed arise in particular from changes in consumption patterns and customer expectations of retailers, as well as increasing competitive pressure from e-commerce. If the METRO GROUP fails to react appropriately to these challenges and fails to successfully implement the transformation projects it has launched, this may have a detrimental impact on its business development. In addition, a deterioration of the macroeconomic environment and an erroneous assessment of markets for international expansion could also have a negative effect on METRO GROUP's business. The task of managing these risks primarily falls to the management of the METRO GROUP. As the largest shareholder, Haniel supports management in managing these risks with its representatives on the supervisory board and by exercising ownership rights in the Annual General Meeting.

HANIEL RISK MATRIX



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

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

Overall economic development: The demand for the divisions' services and products is also influenced by overall economic developments. However, the extent and timing of this dependency varies in the fully consolidated divisions: While a weakening economy directly impairs business development at ELG and TAKKT, at CWS-boco it is felt to a comparatively lesser extent and after a delay. This is due to the long-term nature of the contracts with customers in CWS-boco's core rental business. Overall economic development represents a material risk even though the diversification of the Haniel business portfolio and its presence in various regions mitigates the effects of economic fluctuations. The strong market position of the individual divisions, comprehensive product and service offerings, a heterogeneous customer base and flexible capacities and cost structures also mitigate risks.

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

Information technology: Well-functioning IT systems tailored to strategy represent a necessary precondition for Haniel Group's operating activities and administrative departments. Insufficient customisability of IT systems may entail significant competitive disadvantages when strategic requirements change. Haniel Holding and the divisions therefore review their IT strategy regularly and modernise or replace systems if required. In order to counter risks that are inextricably linked with such projects, systematic and substantiated selection processes and modern project management methods are applied when introducing new IT systems. Furthermore, the ongoing use of IT systems entails the risk of an outage and unauthorised data access. In addition to heightened security awareness of employees, professionally organised IT operations prevent such risks from materialising. There are uniform minimum standards throughout the Group for IT operations. In compliance with these standards, Haniel Holding and the divisions have additional emergency systems available, perform regular backups of relevant data and ensure that unauthorised persons cannot access IT systems. Overall, the risks resulting from information technology in the Haniel Group are considered material.

Commodity prices: The ELG division's performance is considerably influenced by the price trend for commodities – particularly for nickel, which is in turn affected by economic developments in the industry. Price hedges using derivative financial instruments stabilise business development at ELG, as does the broad geographic distribution of commodity flows in both procurement and distribution. Nevertheless, fluctuations in commodity prices remain a material risk due to the business model.

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

Exchange rates: Because the Haniel Group has business activities of a considerable scope in countries that do not use the euro as the local currency, its operating business and financing transactions are subject to exchange rate fluctuations, which could have a negative impact on the Haniel Group's profit. On the one hand, this concerns transaction risks that arise primarily from earning revenue and incurring the accompanying costs in different currencies. On the other hand, there are translation risks that stem from translating income and expenses in other currencies into euros. While translation risks are not normally hedged against exchange rate fluctuations, the Group uses a variety of hedging instruments to limit transaction risks. These are explained in detail in the notes to the consolidated financial statements starting on page 114 in the Haniel annual report 2014. In the Haniel Group, exchange rate risks are among the material risks, in particular with regard to the unhedged translation risks.

Interest rates and financing: Changes in interest rates can result in higher financing costs and thus have an adverse effect on profits. In this regard, changes in the market interest rate must be differentiated from the change in the margin that must be paid in addition to the market rate. The Group uses a variety of hedging instruments to limit the risks from fluctuations in market interest rates. These are explained in detail in the notes to the consolidated financial statements starting on page 113 in the Haniel annual report 2014. Long-term credit agreements, promissory loan notes and bonds are appropriate forms of financing for limiting the volatility of interest margins. In the case of such financing, the interest margin also depends on the Holding Company's rating. This is based on the market value gearing, that is, the ratio between net financial liabilities and the market value of the investment portfolio as well as the cash flow at the Holding Company level. In addition, the number and weight of the individual equity investments in the Haniel investment portfolio influence the rating.

In addition to equity, financing requirements for the operating business are secured in the Haniel Group primarily through debt capital. When outside financing is used, the company seeks to diversify its financing instruments and its circle of investors in order to be able to respond flexibly to developments on the capital markets and in the banking sector. In addition to committed bilateral lines of credit, which are drawn upon only to a limited extent, capital market programmes at the Holding Company, such as the Debt Issuance Programme, are updated regularly. When financing with borrowed capital, it is of benefit that the Holding Company and its divisions, both as established and reliable partners, enjoy a high degree of trust from banks and other investors. The Haniel Group is thus able to ensure the continuation of the operating business, even if for example economic conditions cause declines in incoming payments from business activities.

Regarding the temporary investment of financial resources following the disposal of the Celesio division, there is, in principle, a risk that a counterparty will become insolvent and hence a risk of a loss of receivables. To counter that risk, Haniel divides the investments among a large number of contracting parties and sets limits corresponding to their creditworthiness. This is documented in the guidelines for the investment of financial resources and is regularly monitored.

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

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

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

NO RISKS ENDANGERING THE GOING CONCERN ASSUMPTION

Compared to the previous year, the risk situation of the Haniel Group has improved due to the disposal of Celesio at the beginning of 2014. The risks arising from that division, in particular from governmental regulations in the pharmaceutical market, are no longer relevant. Furthermore, the significance of risks from interest rates and financing has declined because a portion of the proceeds from the Celesio disposal was used to considerably reduce the financial liabilities of the Haniel Holding Company.

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

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

CONTROLLED ACCOUNTING PROCESSES

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

In order to counter potential risks, the Haniel Group installed an internal control system that seeks to ensure the reliability and propriety of the financial reporting processes, compliance with the relevant statutory and internal regulations, and the efficiency and effectiveness of procedures. However, even an appropriate and functional internal control system cannot guarantee that all risks will be identified and avoided. The Haniel Group's internal control system is based on the COSO publication "Internal Control-Integrated Framework". COSO is the Committee of Sponsoring Organizations of the Treadway Commission.

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

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

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

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

Standardised and centrally managed IT systems are used to prepare the consolidated financial statements. This applies to

consolidation at all stages of the Haniel Group and to the process of preparing the notes to the financial statements. The closing process is supported by numerous validations. The IT systems used in the accounting department are protected against unauthorised access. Separations of functions and change management systems are installed.

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

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

REPORT ON EXPECTED DEVELOPMENTS

For the 2015 financial year Haniel expects that the Haniel Group's profit before taxes will increase significantly. In addition to an expected improvement in the divisions' operating profit, this development will be attributable in particular to the significant anticipated improvement in the result from financing activities.

STABLE MACROECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) expects gross domestic product to grow globally by 3.5 per cent in 2015, which would thus be just above the 2014 level of 3.3 per cent. This estimate already factors in the economic slowdown observed in the second half of 2014. Based on the current forecast, the Haniel Management Board is confident going into the new financial year, particularly as the markets in which Haniel divisions are active are expected to see somewhat better economic development than in the previous year: For example, the US, with forecast growth of 3.6 per cent following 2.4 per cent in 2014, may also be the primary driver of global growth in 2015. In addition, following euro zone growth of 0.8 per cent in 2014, the IMF is forecasting somewhat higher growth of 1.2 per cent for 2015. Not only Germany is expected to contribute to this growth with 1.3 per cent, but also France and Italy, whose economies have recently been weaker. Development in the euro zone is of special significance for all divisions because a considerable portion of their business activities takes place there.

For ELG, the development of the stainless steel market is also key. Global production of stainless steel in 2015 is anticipated to grow by about 5 per cent, which is attributable in particular to increasing production figures in China, but also in the US. In Europe, however, production of stainless steel is expected to remain at the previous year's level. With regard to nickel, an important commodity for the stainless steel business, experts expect a shortage in 2015 as a result of the Indonesian export restrictions on nickel ore – and thus a higher nickel price level.

However, the Haniel Management Board also sees significant risks for economic development in 2015: In addition to the debt crisis in the euro zone, for which a long-term solution has not yet been found, hotbeds of regional conflict have formed or strengthened, among other things. Such threats have the potential to contribute to a significant worsening of the global economic trend. Since the various divisions are active internationally, the results of the Haniel Group also depend on the development of various exchange rates, particularly the US dollar, the British pound and the Swiss franc. In addition, the Metro investment result is impacted significantly by the development of the Russian rouble. Deviations from the assumed economic development and the future exchange rates compared to the planning assumptions could significantly change the forecast Haniel Group's profit.

HIGHER OPERATING PROFIT AT CWS-BOCO, ELG AND TAKKT

In addition to the continuation of the strategic initiatives in the divisions, the economic outlook in 2015 is anticipated to have a positive effect on the Haniel Group's business development. However, the economic situation will impact the divisions to varying degrees.

At CWS-boco, slight revenue growth adjusted for currency translation effects is expected overall for 2015. In addition to the economic development in Europe, this will primarily be attributable to the expansion of sales operations. While sales activities will already have a positive impact on revenue, they will continue to weigh down earnings in 2015 and not make a positive earnings contribution until subsequent years. It can nevertheless be assumed that CWS-boco will slightly improve upon the previous year's strong profit in the 2015 financial year. Additional measures to modernise the international laundry network and systematically optimise operating processes will contribute to that increase.

The ELG division expects to benefit primarily from increasing stainless steel production in the US in 2015. For this reason ELG expects an increase in output tonnage in the single-digit percentage range. For the superalloys business in 2015, ELG expects continuing strong demand, in particular from the aviation industry. For nickel, an important commodity for the business, ELG is also planning on higher prices compared to 2014, in which nickel prices averaged USD 16,900 per tonne. Based on these assumptions, ELG anticipates revenue growth in the single-digit percentage range for 2015. As a consequence, ELG assumes operating profit will improve noticeably. As development on the commodity markets is very volatile, ELG's revenue and operating profit may also deviate significantly from this forecast, however.

TAKKT is also anticipated to benefit from an improved economic climate, particularly in the US, but also in Europe. The discontinuation of the Topdeq business in 2014 as well as the disposal of the Plant Equipment Group at the beginning of 2015 will have a negative impact on revenue. Adjusted for business combinations and disposals as well as currency translation effects, TAKKT expects a slight increase in revenue. Operating profit is expected to increase moderately. TAKKT will continue to consistently pursue its growth initiatives in 2015. The DYNAMIC initiative better coordinates the various sales and marketing channels, thus further optimising the sales approach. Furthermore, TAKKT intends to generate growth in its business with existing and new customers through new products and services.

For the METRO GROUP, revenue adjusted for business combinations and disposals as well as currency translation effects is expected to increase slightly. This growth will continue to be driven by expansion of the international network of stores as well as by the continuing expansion of multi-channel sales. The METRO GROUP will continue its strong focus on efficient structures and strict cost control. A slight increase in operating profit before one-off expenses and adjusted for currency translation effects is therefore expected for 2015. However, the METRO GROUP also anticipates one-off expenses in 2015, albeit to a lesser extent than in 2014. Based on this assumption and considering the current changes in foreign exchange rates for the Russian rouble, Haniel expects its investment result from the METRO GROUP to be at the previous year's level.

SIGNIFICANT INCREASE IN PROFIT BEFORE TAXES

Overall, Haniel expects the Group to generate revenue growth, adjusted for currency translation effects, in the single-digit

percentage range in financial year 2015. This forecast is based in particular on ELG's expectation of significantly higher revenue. Operating profit is expected to experience a moderate increase, driven by higher operating profit at the divisions. Profit before taxes is expected to increase considerably. In addition to the increase in operating profit, this will derive in particular from a noticeable improved result from financing activities. This income was weighed down significantly in the 2014 financial year by bond redemptions by the Haniel Holding Company. In 2015 this will lead to considerable savings on interest, which will contribute clearly to an increase in profit before taxes.

However, the high disposal gain from the disposal of the Celesio division had a positive impact on profit after taxes in 2014. Therefore profit after taxes in 2015 is expected to be significantly below the previous year's level.

The development in profit after taxes is reflected in the value-oriented performance indicators, Haniel value added and return on capital employed in 2014. As the disposal gain from the disposal of the Celesio division was included in the 2014 return, this return will decline significantly in 2015. This will result in a significant degradation of the value-oriented performance indicators, even though the average capital employed, and thus the cost of capital, will be lower due to the deconsolidation of Celesio.

By contrast, Haniel cash flow, which was not impacted positively in 2014 from the income from the Celesio disposal, is expected to be significantly above the previous year's level in 2015. In contrast to 2014, METRO AG will again distribute a dividend to Haniel in the 2015 financial year, which will positively impact Haniel cash flow. In addition, the one-off expenses incurred in connection with the bond redemptions in 2014 will not be incurred in the result from financing activities, and in addition, the envisaged savings on interest payments will be realised. Both effects will positively impact Haniel cash flow.

The focus of the Haniel Holding Company's activities will continue to lie on its search for new business divisions. Should there be a business acquisition in the coming financial year, the investments in non-current assets in 2015 would likely increase considerably over 2014. But even excluding the investments at the Holding Company level, capital expenditures are anticipated to be higher, which is attributable in particular to the planned modernisation of IT systems in the CWS-boco and TAKKT divisions.

If the search for new business divisions or supplementary acquisitions for existing divisions is successful, the changes in revenue and earnings expected for the Haniel Group will differ from the changes presented.

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
FRANZ HANIEL & CIE. GMBH

ASSETS

EUR million	Note	31 Dec. 2014	31 Dec. 2013
Fixed assets	1		
Intangible assets		0.2	0.4
Property, plant and equipment		34.9	42.3
Financial assets		3,413.7	2,694.8
		3,448.8	**2,737.5**
Current assets			
Inventories			
Accounts receivable and other assets			
Receivables from affiliated companies	2	46.0	661.1
Receivables from companies in which the Company has a participating interest		4.4	4.2
Other assets	3	43.0	41.8
Securities	4	25.6	47.7
Cash in hand, bank balances		60.2	0.4
		179.2	**755.2**
Prepaid expenses	5	**0.8**	**2.1**
		3,628.8	**3,494.8**

EQUITY AND LIABILITIES

EUR million	Note	31 Dec. 2014	31 Dec. 2013
Equity	6		
Subscribed capital		1,000.0	1,000.0
Par value of treasury shares		-1.4	-1.0
Issued capital		998.6	999.0
Earned surplus			
Other earned reserves		572.9	574.0
Reserves provided for by the articles of association (Welker-Funds)		0.5	0.5
Retained profit/accumulated loss		1,052.7	30.3
		2,624.7	**1,603.8**
Provisions	7	**176.0**	**200.2**
Subordinated liabilities	8	**248.7**	**247.9**
Liabilities	9		
Bonds		488.0	1,372.2
Liabilities due to banks		10.2	6.0
Trade payables		2.8	1.7
Liabilities to affiliated companies		49.3	
Other liabilities		29.1	63.0
		579.4	**1,442.9**
		3,628.8	**3,494.8**

INCOME STATEMENT
FRANZ HANIEL & CIE. GMBH

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

EUR million	Note	2014	2013
Other operating income	11	1,246.5	140.6
Personnel expenses	12	35.1	33.0
Amortisation of intangible assets and depreciation of property, plant and equipment		8.1	3.3
Other operating expenses	13	28.2	27.0
		1,175.1	**77.3**
Net investment result	14	29.7	194.0
Other net financial income	15	-153.3	-155.9
Result from ordinary operations		**1,051.5**	**115.4**
Income taxes	16	0.9	3.7
Net income/Net loss for the financial year		**1,052.4**	**119.1**
Accumulated deficit/retained earnings		0.3	-88.8
Retained profit/Accumulated loss		**1,052.7**	**30.3**

CASH FLOW STATEMENT
FRANZ HANIEL & CIE. GMBH

FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

EUR million	2014	2013
Net income/net loss for the financial year	**1,052.4**	**119.1**
Depreciation/amortisation (+)/writeups (-) of fixed assets	8.6	11.7
Increase (+)/decrease (-) in provisions	-24.2	-17.7
Other non-cash income (-) and expenses (+)	12.4	-15.3
Reclassification of income (-)/expenses (+) from the disposal of fixed assets	-1,204.3	-126.8
Increase (-)/decrease (+) in other receivables and other current assets	-1.3	10.7
Increase (+)/decrease (-) in trade payables and other current liabilities	-32.6	-0.9
Cash inflow (+)/outflow (-) from current activities	**-189.0**	**-19.2**
Inflows (+) from the disposals of tangible and intangible fixed assets	0.5	11.0
Outflows (-) from additions to tangible and intangible assets	-0.6	-0.3
Increase (-)/decrease (+) in receivables and from liabilities to affiliated companies and equity investments	564.0	165.4
Inflows (+) from the disposals of affiliated companies from the reporting entity structure	1,983.6	
Inflows (+) from the disposal of financial assets	1.3	468.0
Outflows (-) from additions to long-term financial assets and due to financial investments as part of short-term cash management	-1,425.6	-78.2
Cash inflow (+)/outflow (-) from investing activities	**1,123.2**	**565.9**
Dividends (-) to shareholders	-30.0	
Purchase (-) of treasury shares	-1.5	
Cash proceeds (+) from the issuance of financial liabilities	18.4	262.1
Cash repayments (-) of financial liabilities	-861.3	-808.4
Cash inflow (+)/outflow (-) from financing activities	**-874.4**	**-546.3**
Change in cash and cash equivalents	59.8	0.4
Cash and cash equivalents at beginning of the period	0.4	
Cash and cash equivalents at the end of the period	**60.2**	**0.4**

The cash flow from current activities contains interest received in the amount of EUR 11.0 million (previous year: EUR 39.9 million) and interest payments of EUR 152.5 million (previous year: EUR 185.5 million). There were no income tax payments made during the financial year (previous year: cash inflows of EUR 15.4 million).

The cash flow from investing activities includes payments for purchases and disposals of individual assets and payments in connection with the financing of the affiliated companies and other equity investments.

The cash flow from financing activities comprises payments in connection with shareholder transactions as well as financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
GENERAL DISCLOSURES AND ACCOUNTING POLICIES

Various items are aggregated in the balance sheet and income statement to increase the clarity of presentation. The aggregated items are disclosed separately in the notes to the financial statements.

Purchased intangible assets are recognised at cost and amortised on a straight-line basis over their expected useful lives. Internally generated intangible assets are not capitalised.

Tangible assets are measured at cost, finite-lived tangible fixed assets are systematically depreciated over their useful lives. The straight-line method of depreciation is generally used.

Depreciation is based on the following useful lives:

Buildings	33 to 50 years
Operating and office equipment	3 to 13 years

Independently used moveable fixed assets that are subject to wear and tear are written off in full in the year of acquisition if their cost does not exceed EUR 150. As from 1 January 2008, corresponding fixed assets costing between EUR 150 and EUR 1,000 are pooled annually in a summary account, which is depreciated over five years. Impairments expected to be permanent are recognised by impairment losses.

Shares in affiliated companies and other long-term equity investments are recognised at cost or the lower fair value if an impairment is expected to be permanent. Loans issued are recognised at the principal amount or the lower fair value if an impairment is expected to be permanent. If the reasons for an impairment no longer exist in whole or in part, the impairment loss is reversed up to a maximum of the cost or principal amount.

Marketable securities are recognised at cost or the lower quoted or market price as of the reporting date.

Receivables and other assets are generally recognised at the principal amount less any required valuation allowances.

Differences between the settlement amount and the lower issue amount of liabilities are recognised as prepaid expenses and expensed periodically over the term of the liabilities.

Provisions for pensions and similar obligations are determined using the actuarial projected unit credit method based on biometric probabilities (Prof. Dr. Klaus Heubeck's 2005G mortality tables). The average market interest rate determined by the Deutsche Bundesbank for matching maturities for the past seven financial years is used to discount the obligation over an assumed residual term of 15 years. Salary and pension increases expected in future are taken into account when determining the obligations.

The tax provisions and other provisions cover all recognisable risks and uncertain liabilities. They are recognised at the settlement amount as dictated by prudent business judgement. Future price and cost increases are considered. Provisions with a remaining term of more than one year are discounted in accordance with their remaining term. Provisions for expected losses recognised in connection with derivative financial instruments are generally charged to the net financial result.

Liabilities are recognised at their settlement amounts. Pension obligations are recognised at their present value and discounted using an appropriate average market rate for matching maturities over the past seven financial years.

Cash in hand and bank balances as well as receivables and liabilities denominated in foreign currency are posted at historical exchange rates and measured at the applicable average spot rate on the balance sheet date. Receivables and liabilities denominated in foreign currency with a remaining term of more than one year are measured in accordance with the imparity principle, under which unrealised valuation gains are not recognised. Unrealised valuation gains are recognised for items with a remaining term of less than one year.

Deferred taxes are recognised for all temporary differences between the carrying amounts and tax bases for assets, liabilities, prepaid expenses and deferred income. This takes into account not only the differences between Franz Haniel & Cie. GmbH's own balance sheet items, but also those at consolidated tax group subsidiaries. Deferred tax assets on tax loss carry forwards are recognised only if there is reasonable assurance that they will be realised within 5 years. Deferred taxes are generally presented on a net basis. A tax burden is recognised on the balance sheet as a deferred tax liability. In the event of a tax benefit (net asset), the Company does not exercise the corresponding option to recognise this under § 274 (1) sentence 2 HGB. Deferred taxes are determined based on the combined income tax rate of the consolidated tax group of Franz Haniel & Cie. GmbH. The combined income tax rate consists of corporate income tax, municipal business income tax and the solidarity surcharge, and is calculated based on the currently applicable statutory tax rates (current financial year: 30.7 per cent; previous year: 30.7 per cent).

BALANCE SHEET DISCLOSURES

1 FIXED ASSETS

EUR million	**Cost**				
	As at 1 Jan. 2014	Additions	Disposals	Transfer	As at 31 Dec. 2014
Intangible assets					
Purchased concessions and similar rights	2.5	0.0	-0.2	0.0	2.3
Property, plant and equipment					
Land and buildings including buildings on third-party land	92.4		-0.2		92.2
Other equipment, operating and office equipment	32.8	0.5	-1.0		32.3
Prepayments and construction in progress		0.1			0.1
	125.2	**0.6**	**-1.2**	**0.0**	**124.5**
Financial assets					
Shares in affiliated companies	2,692.7	1,400.0	-780.9	0.5	3,312.3
Investments	2.0			-0.5	1.5
Long-term securities					0.0
Loans to affiliated companies		100.4	-0.1		100.3
Loans to investments					0.0
Other loans	0.1				0.1
	2,694.8	**1,500.4**	**-781.0**	**0.0**	**3,414.2**
Total	**2,822.5**	**1,501.0**	**-782.4**	**0.0**	**3,541.0**

Impairment losses in the amount of EUR 4.7 million were taken on real estate in tangible fixed assets.

The additions in shares in affiliated companies resulted from capital increases, while the disposals concern the complete disposal of the equity interest in Celesio AG with a carrying amount of EUR 780.9 million. The addition to loans to affiliated companies resulted from the granting of subordinated loans to affiliated companies. Against the backdrop of the change in shareholdings, one equity investment was reclassified into shares in affiliated companies.

Accumulated depreciation					**Carrying amount**	
As at 1 Jan. 2014	Annual depreciation and amortisation	Impairment loss	Disposals	As at 31 Dec. 2014	As at 31 Dec. 2014	As at 31 Dec. 2013
-2.1	-0.2	0.0	0.2	-2.1	0.2	0.4
-61.9	-2.0	-4.7	0.1	-68.5	23.7	30.5
-21.0	-1.2		1.0	-21.2	11.1	11.8
0.0				0.0	0.1	0.0
-82.9	**-3.2**	**-4.7**	**1.1**	**-89.7**	**34.9**	**42.3**
0.0				0.0	3,312.3	2,692.7
0.0		-0.5		-0.5	1.0	2.0
0.0				0.0	0.0	0.0
0.0				0.0	100.3	0.0
0.0				0.0	0.0	0.0
0.0				0.0	0.1	0.1
0.0	**0.0**	**-0.5**	**0.0**	**0.0**	**3,413.7**	**2,694.8**
-85.0	**-3.4**	**-5.2**	**1.3**	**-91.8**	**3,448.8**	**2,737.5**

2 RECEIVABLES FROM AFFILIATED COMPANIES

The decline in receivables from affiliated companies to EUR 46.0 million (previous year: EUR 661.1 million) essentially concerns the settlement account within the Group. The residual term of the liabilities is less than one year.

3 OTHER ASSETS

The other assets contain interest receivables of EUR 0.4 million (previous year: EUR 2.2 million) and receivables from taxes of EUR 41.6 million (previous year: EUR 37.7 million).

4 SECURITIES

The securities include euro bonds of Franz Haniel & Cie. GmbH which were repurchased during the financial year but not taken out of trading and short-term financial investments.

5 PREPAID EXPENSES

The prepaid expenses of EUR 0.8 million presented (previous year: EUR 2.1 million) are essentially discounts on euro bonds.

6 EQUITY

The difference between the cost and the par value of the treasury shares held by the Company was charged to the freely distributable reserves. The par value was offset against subscribed capital on the face of the balance sheet. Treasury shares with a par value of EUR 0.4 million were acquired during the financial year.

There is no distribution restriction pursuant to § 268 (8) HGB with regard to the net retained earnings as at the balance sheet date.

7 PROVISIONS

EUR million	31 Dec. 2014	31 Dec. 2013
Provisions for pensions and similar obligations	70.9	67.8
Provisions for taxes		
Other provisions	105.1	132.4
	176.0	**200.2**

The carrying amount of provisions for pensions and similar obligations is determined using the projected unit credit method based on actuarial methods. Provisions were determined based on the following parameters:

%	31 Dec. 2014
Discount rate	4.62
Salary trend	2.75
Pension trend	1.75

The other provisions essentially comprise provisions for personnel remuneration, outstanding invoices, as well as provisions for claims in connection with sand-lime bricks made from lime substitutes in former Haniel building materials plants. These claims are settled by Haniel voluntarily to maintain goodwill.

8 SUBORDINATED LIABILITIES

The subordinated financial liabilities are subordinate to all other liabilities. The subordinated financial liabilities are shown in the table below:

EUR million	31 Dec. 2014	31 Dec. 2013
Shareholder loans	163.4	155.2
Loans of the Haniel Foundation	36.3	35.9
Haniel Zerobonds and Zinsbonds	13.8	14.2
Haniel Performance Bonds	26.4	33.9
Other financial liabilities	8.8	8.7
	248.7	**247.9**

Of the total amount, EUR 31.7 EUR million (previous year: EUR 38.7 million) is due in more than five years, EUR 126.0 million (previous year: EUR 126.5 million) is due in one year to five years and EUR 91.0 million (previous year: EUR 82.7 million) is due within one year.

9 LIABILITIES

All unsubordinated obligations of Franz Haniel & Cie. GmbH as at the reporting date are presented under liabilities.

The various types and maturities of the other liabilities as at 31 December 2014 are presented in the following table:

EUR million	**31 Dec. 2014**				**31 Dec. 2013**			
	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**
Bonds		488.0		**488.0**	472.2	900.0		**1,372.2**
Liabilities due to banks	10.2			**10.2**	6.0			**6.0**
Trade payables	2.8			**2.8**	1.7			**1.7**
Liabilities to affiliated companies	49.3			**49.3**				**0.0**
Other liabilities	27.9	1.0	0.2	**29.1**	61.7	1.1	0.2	**63.0**
Thereof for taxes				**0.0**				**0.0**
	90.2	**489.0**	**0.2**	**579.4**	**541.6**	**901.1**	**0.2**	**1,442.9**

The EUR 884.2 million overall decline in bonds relates to the scheduled repayment of a euro bond and the repurchase of portions of the euro bonds issued by Franz Haniel & Cie. GmbH. These bonds were removed from trading. The decline in liabilities is related primarily to the sale of the equity interest in Celesio AG and the use of the cash inflows to repay debt.

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

EUR 1.4 million of the other liabilities (previous year: EUR 1.3 million) is secured by payment guarantees.

10 CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS

EUR million	31 Dec. 2014	31 Dec. 2013
Liabilities from payment guarantees and provision of collateral for third-party liabilities	**516.9**	**509.3**
Thereof to affiliated companies	1.9	1.8
Other financial commitments		
Rental and leasing agreements		
in the following year	0.3	0.3
in 2 to 5 years	0.2	0.2
in 6 or more years	0.9	0.9
Total	**1.4**	**1.4**

The Management Board believes that it is currently improbable that Franz Haniel & Cie. GmbH will have to use the contingent liabilities vis-à-vis third parties to any significant degree. With respect to contingent liabilities for affiliated companies, to the knowledge of the Management Board, the companies in question will be able to satisfy the underlying obligations. Recourse to Franz Haniel & Cie. GmbH is therefore not expected.

INCOME STATEMENT DISCLOSURES

11 OTHER OPERATING INCOME

EUR million	2014	2013
Income from disposal of fixed assets	1,204.4	126.9
Income from reversals of provisions	18.4	6.3
Other income	23.7	7.4
	1,246.5	**140.6**

Other operating income includes primarily income from the disposal of shares in affiliated companies amounting to EUR 1,203.9 million (previous year: EUR 103.9 million). In the previous year, it also included income from the disposal of shares in investment funds in the amount of EUR 21.5 million.

The reversals of provisions, EUR 13.0 million (previous year: EUR 3.3 million) relate to provisions for warranties.

Other income contains income from cost transfers for services provided in the amount of EUR 8.1 million, which is offset by the same amount of costs in other operating expenses.

12 PERSONNEL EXPENSES

EUR million	2014	2013
Wages and salaries	25.9	23.8
Social security, pensions costs and other benefits	9.2	9.2
Thereof for pensions	7.0	7.2
	35.1	**33.0**
Average number of employees (full-time employees)	183.0	190.0

The personnel expenses include interest cost on pension provisions of EUR 3.2 million (previous year: EUR 3.2 million).

13 OTHER OPERATING EXPENSES

Other operating expenses of EUR 28.2 million (previous year: EUR 27.0 million) include general and administrative expenses as well as expenses for consulting services and operating taxes.

14 NET INVESTMENT RESULT

EUR million	2014	2013
Income from investments	10.6	41.3
Thereof from affiliated companies	10.6	40.3
Income from profit and loss transfer agreements	24.0	152.8
Thereof from tax assessments	-0.3	3.3
Expenses from profit and loss transfer agreements and income subsidies	-4.4	-0.1
Write-downs of other long-term equity investments	-0.5	
	29.7	**194.0**

15 OTHER NET FINANCIAL INCOME

EUR million	2014	2013
Income from other securities and long-term loans	3.1	8.1
Thereof from affiliated companies	0.1	
Other interest and similar income	6.0	8.0
Thereof from affiliated companies	5.3	2.5
Write-downs of financial assets and securities classified as current assets	-0.9	-0.1
Interest and similar expenses	-161.5	-171.9
Thereof to affiliated companies	-0.4	-3.1
Thereof interest cost on provisions	-2.5	-2.0
	-153.3	**-155.9**

The write-downs of EUR 0.9 million in the current financial year (previous year: EUR 0.1 million) are attributable to marketable securities.

The net financial result includes expenses from currency translation totalling EUR 5.0 million (previous year: EUR 0.1 million).

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.

16 INCOME TAXES

Corporate income tax, municipal business income tax, the solidarity surcharge and income taxes paid in foreign countries are presented as income tax expense.

Deferred taxes are not included in the net tax income/expense. As at 31 December 2014, Franz Haniel & Cie. GmbH expects a future tax benefit from timing differences between the financial and tax accounts because the deferred tax assets exceed the deferred tax liabilities. The option to recognise deferred taxes pursuant to § 274 (1) sentence 2 HGB is not exercised.

Deferred tax assets result essentially from temporarily different carrying amounts of investments in corporations and partnerships, differences in pension and other provisions as well as provisions not recognised for tax purposes. To date, there are no deferred tax receivables due to previously unused tax loss carryforwards.

Deferred tax liabilities result essentially from temporarily different carrying amounts of investments in corporations and partnerships as well as tangible fixed assets.

17 FEES OF THE INDEPENDENT AUDITORS PURSUANT TO § 285 NO. 17 HGB

The total fee of the auditors, PricewaterhouseCoopers Aktiengesellschaft, for the financial year was EUR 0.4 million (previous year: EUR 0.5 million). This aggregate fee relates to services in connection with the audit of the financial statements totalling EUR 0.3 million (previous year: EUR 0.4 million) and to other assurance services and other services totalling EUR 0.1 million (previous year: EUR 0.1 million).

18 DERIVATIVE FINANCIAL INSTRUMENTS

Franz Haniel & Cie. GmbH is exposed to currency, interest rate, and price change risks as part of its business. Derivative financial instruments, such as currency forwards, swaps and options, are generally used to hedge these risks.

Derivative financial instruments are entered into wherever possible and expedient to hedge interest-bearing financial liabilities and limit the interest rate risk. To that end, interest rate swaps (including combined cross currency interest rate swaps), forward rate agreements, as well as caps and floors are generally used.

The hedges are entered into only with top rated banks. The underlying transactions and the (micro) hedges are combined into a valuation unit, if volume and maturity of the instruments match.

If the cash flows net to zero, the derivative financial instruments are not recognised separately, but are aggregated using the net hedge presentation method.

EUR million	**Nominal amount**		**Fair value**		**Book value**	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Interest swaps						
Derivatives with affiliated companies	**100.0**	**120.0**	**4.6**	**5.2**	**0.3**	**0.2**
Derivatives with third parties	**50.0**	**120.0**	**-1.6**	**-5.2**	**-0.2**	**-0.2**
Thereof for affiliated companies	50.0	120.0	-1.6	-5.2	-0.2	-0.2
Thereof for own interest						
Foreign exchange instruments	**85.2**		**-1.5**			
Thereof for affiliated companies	85.2		-1.5			

The decrease in the nominal amount is due to the early termination of hedging transactions with banks.

Given that portfolio hedge accounting continued for the remaining valuation units and cash flows will be netted in the future, no provisions for expected losses had to be recognised for negative fair values of EUR 1.4 million (previous year: EUR 5.0 million). Under the imparity principle, positive unrealised fair values are generally subject to a prohibition on recognition.

The fair values of the derivatives are determined by discounting the expected future cash flows. Discounting is based on arm's-length interest rates over the remaining term of the instruments.

If the hedges become ineffective, the dollar offset method is normally used to determine the ineffectiveness by comparing the fair values of the hedged item and the hedging instrument.

The remaining term of the nominal amount of derivatives is as follows:

EUR million	**Remaining terms**			**Nominal amount**	
	Up to 1 year	1 to 5 years	Up to 5 years	31 Dec. 2014	31 Dec. 2013
Interest swap					
Derivatives with affiliates		100.0		100.0	120.0
Derivatives with third parties		50.0		50.0	120.0
Foreign exchange instruments	**85.2**			**85.2**	

19 RELATED-PARTY DISCLOSURES

There are no material transactions with related parties that are not at arm's length. From the perspective of Franz Haniel & Cie. GmbH, related parties are affiliated companies and associates, parties related to members of the Management Board, Supervisory Board, the senior management group and close family members of this category of persons.

20 DISCLOSURES ON SHAREHOLDINGS PURSUANT TO § 285 NO. 11 HGB

The full list of shareholdings of Franz Haniel & Cie. GmbH and the Haniel Group, which forms a part of these notes to the financial statements, is published in the electronic Federal Gazette (elektronischer Bundesanzeiger) and on the website, www.haniel.com.

The shareholdings of TAKKT AG and METRO AG are indicated in the individual companies' annual reports and on their websites (www.takkt.com; www.metrogroup.de).

21 EXECUTIVE BODIES/GOVERNING BODY REMUNERATION

The individual members of the Supervisory Board and the Management Board are listed on pages 7 and 8.

In accordance with § 286 (4) HGB, the total remuneration paid to the members of the Management Board in the financial year is not disclosed. The total remuneration of the Supervisory Board was EUR 0.6 million (previous year: EUR 0.6 million); that of the Advisory Board was EUR 0.2 million (previous year: EUR 0.2 million).

The remuneration for previous members of these bodies and their survivors was EUR 2.1 million (previous year: EUR 2.0 million); pension provisions totalling EUR 24.8 million (previous year: EUR 25.0 million) for these persons have been recognised.

22 EVENTS AFTER THE REPORTING DATE

No reportable events took place after the reporting date.

Duisburg, 5 March 2015

The Management Board

Gemkow **Funck**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Franz Haniel & Cie. GmbH, and the report of the Management Board includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Duisburg, 5 March 2015

The Management Board

Gemkow **Funck**

AUDITORS' REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement, cash flow statement and the notes to the annual financial statements, together with the bookkeeping system, and the report of the Management Board of Franz Haniel & Cie. GmbH, Duisburg, for the financial year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and report of the Management Board in accordance with German commercial law are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the report of the Management Board based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 German Commercial Code (Handelsgesetzbuch, "HGB"), and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, "IDW"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in conformity with German principles of proper accounting and in the report of the Management Board are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the report of the Management Board are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the annual financial statements and the report of the Management Board. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on our findings from our audit, the annual financial statements are in line with statutory requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The report of the Management Board is consistent with the annual financial statements, and on the whole, provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of its future development.

Essen, 5 March 2015

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Granderath
Wirtschaftsprüfer
(German Public Auditor)

Wienands
Wirtschaftsprüfer
(German Public Auditor)

PROFIT APPROPRIATION PROPOSAL
FRANZ HANIEL & CIE. GMBH

Euro	31 Dec. 2014
After deducting appropriate write-downs and recognising adequate valuation allowance and provisions, the net income for the financial year:	1,052,471,214.69
Plus retained earnings brought forward from the previous year:	277,328.21
This results in retained profit of:	1,052,748,542.90

The Management Board proposes to pay out a dividend of EUR 40,000,000.00 for the financial year, an allocation to the earned reserves of EUR 600,000,000.00 and to carry the amount of EUR 412,748,542.90 forward to a new account.

The shareholders receive a dividend of 4 per cent on share capital of EUR 1,000,000,000.00 , which corresponds to EUR 2.00 for each capital contribution of EUR 50.00.

Duisburg, 5 March 2015

The Management Board

Gemkow **Funck**

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