

Haniel Group Interim Management Report 2023



Interim Management Report

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Haniel Group

Statement of financial position

ASSETS

EUR million	30 Jun. 2023	31 Dec. 2022
Property, plant and equipment	1,029	984
Intangible assets	3,308	3,359
Investments accounted for at equity	214	260
Financial assets	454	430
Other non-current assets	24	23
Deferred taxes	70	68
Non-current assets	5,099	5,123
Inventories	459	466
Trade receivables and similar assets	543	524
Financial assets	73	89
Income tax assets	45	32
Cash and cash equivalents	85	185
Other current assets	173	150
Current assets	1,378	1,447
Total assets	6,478	6,570

EQUITY AND LIABILITIES

EUR million	30 Jun. 2023	31 Dec. 2022
Equity of shareholders of Franz Haniel & Cie. GmbH	2,307	2,411
Non-controlling interests	258	273
Equity	2,564	2,684
Financial liabilities	1,280	1,236
Pension provisions	254	254
Other non-current provisions	94	89
Other non-current liabilities	428	470
Deferred taxes	246	256
Non-current liabilities	2,302	2,306
Financial liabilities	870	716
Current provisions	78	99
Trade payables and similar liabilities	316	433
Income tax liabilities	30	58
Other current liabilities	319	274
Current liabilities	1,612	1,580
Total equity and liabilities	6,478	6,570

Haniel Group

Income statement

1ST HALF-YEAR

EUR million	2023	2022
Revenue	2,205	2,000
Changes in inventories of finished goods and work in progress	0	11
Other own work capitalised	11	8
Gross revenue	2,216	2,019
Cost of materials	-797	-759
Gross profit	1,419	1,260
Other operating income	11	8
Total operating income	1,430	1,268
Personnel expenses	-574	-521
Other operating expenses	-539	-474
EBITDA	317	273
Depreciation and amortisation (other than of intangible assets from purchase price allocation)	-173	-157
Impairment of property, plant and equipment and intangible assets (other than of intangible assets from purchase price allocation)	-0	-1
Operating profit (EBITA)	144	115
Amortisation of intangible assets from purchase price allocation	-36	-33
Impairment of intangible assets from purchase price allocation	0	-11
EBIT	108	70
Result from investments accounted for at equity	-41	-57
Other investment result	-17	-1
Finance costs	-61	-20
Other net financial income	7	-17
Net financial income	-111	-96
Profit before taxes	-3	-25
Income tax expenses	-21	-19
Profit after taxes from continuing operations	-24	-44
Profit after taxes from discontinued operations	0	-151
Profit after taxes	-24	-196
of which attributable to non-controlling interests	13	8
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-37	-203

Haniel Group

Statement of comprehensive income

1ST HALF-YEAR

EUR million	2023	2022
Profit after taxes	-24	-196
Remeasurements of defined benefit plans recognised in other comprehensive income	1	116
Deferred taxes on remeasurements of defined benefit plans recognised in other comprehensive income	-0	-35
Remeasurements of defined benefit plans	0	82
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity	-4	-20
Income and expenses recognised in equity from remeasurement of equity instruments	-1	1
Deferred taxes on remeasurement of equity instruments	0	0
Remeasurement of equity instruments	-1	
Total other comprehensive income not to be reclassified to profit or loss	-5	63
Income and expenses recognised in equity from remeasurement of derivative financial instruments	-0	0
Reversals recognised in profit or loss	-0	1
Deferred taxes on remeasurement of derivative financial instruments	0	-0
Remeasurement of derivative financial instruments	-0	1
Income and expenses recognised in equity from foreign currency translation	-5	52
Reversals recognised in profit or loss	-0	0
Currency translation effects	-5	52
Income and expenses recognised in equity from changes recognised directly in equity of investments accounted for at equity	1	25
Reversals recognised in profit or loss	0	16
Other comprehensive income from investments accounted for at equity	1	41
Total other comprehensive income to be reclassified to profit or loss and reversals recognised in profit or loss	-5	93
Total other comprehensive income	-10	155
of which attributable to non-controlling interests	-3	18
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-7	137
Comprehensive income	-34	-40
of which attributable to non-controlling interests	11	26
of which from discontinued operations	0	0
of which from continuing operations	11	26
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-44	-66
of which from discontinued operations	0	-151
of which from continuing operations	-44	85

Haniel Group

Statement of changes in equity

1ST HALF-YEAR 2023

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	Equity of shareholders of Franz Haniel & Cie. GmbH	Non-controlling interests	Equity
As at 1 Jan. 2023	1,000	678	-115	931	-83	2,411	273	2,684
Dividends				-59		-59	-22	-81
Changes in the scope of consolidation						0		0
Changes in shares in companies already consolidated				3		3	-4	-1
Changes in treasury shares				-0	-4	-4		-4
Comprehensive income			-7	-37		-44	11	-34
of which profit after taxes				-37		-37	13	-24
of which other comprehensive income			-7			-7	-3	-10
As at 30 Jun. 2023	1,000	678	-122	838	-87	2,307	258	2,564

1ST HALF-YEAR 2022

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	Equity of shareholders of Franz Haniel & Cie. GmbH	Non-controlling interests	Equity
As at 1 Jan. 2022	1,000	678	-288	1,293	-34	2,650	305	2,955
Dividends				-79		-79	-26	-106
Changes in the scope of consolidation			29	-29		0	-0	-0
Changes in shares in companies already consolidated				-118		-118	-36	-154
Changes in treasury shares					-49	-49		-49
Comprehensive income			137	-203		-66	26	-40
of which profit after taxes				-203		-203	8	-196
of which other comprehensive income			137			137	18	155
As at 30 Jun. 2022	1,000	678	-122	863	-83	2,337	269	2,606

Haniel Group

Statement of cash flows

1ST HALF-YEAR

EUR million	2023	2022
Profit after taxes	-24	-196
Depreciation and amortisation, impairment losses and reversals on non-current assets	209	352
Change in pension provisions and other non-current provisions	6	8
Income/expenses from changes in deferred taxes	-11	-10
Non-cash income/expenses and dividends of investments accounted for at equity	41	71
Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares	-1	-2
Other non-cash income/expenses and other payments	17	27
Change in inventories, receivables and similar assets	-170	-233
Change in current non-interest-bearing liabilities, current provisions and similar liabilities	1	31
Cash flow from operating activities	68	48
Proceeds from the disposal of property, plant and equipment, intangible assets and other assets	2	50
Payments for investments in property, plant and equipment, intangible assets and other assets	-160	-191
Proceeds from the disposal of consolidated companies and other business units	1	0
Payments for acquisitions of consolidated companies and other business units	-28	-205
Cash flow from investing activities	-185	-346
Proceeds from contributions to equity	0	0
Payments to shareholders	-82	-132
Payments from changes in shares in companies already consolidated	-42	-85
Proceeds from issuance of financial liabilities	1,383	1,288
Repayments of financial liabilities	-1,242	-772
Cash flow from financing activities	17	299
Cash and cash equivalents at the beginning of the period	185	53
Increase/decrease in cash and cash equivalents	-100	1
Non-cash increase/decrease in cash and cash equivalents	0	1
Cash and cash equivalents classified as assets held for sale at the end of the period	0	-3
Cash and cash equivalents at the end of the period	85	52

The cash flow from operating activities includes dividends received in the amount of EUR 0 million (previous year: EUR 14 million), interest income of EUR 8 million (previous year: EUR 4 million) and interest payments of EUR 48 million (previous year: EUR 17 million). EUR 45 million were paid in income taxes (previous year: EUR 35 million).

Accounting Principles

Accounting principles

The consolidated interim financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of Franz Haniel & Cie. GmbH, Duisburg, as at 30 June 2023 were prepared in accordance with the International Financial Reporting Standards (IFRSs) in effect on the reporting date and adopted by the Commission of the European Union.

The accounting policies applied correspond to those applied in preparing the consolidated financial statements as at 31 December 2022. Please refer to the consolidated financial statements of Franz Haniel & Cie. GmbH as at 31 December 2022 for further information on the individual accounting policies applied. This interim management report is not prepared in accordance with IAS 34. The reporting currency is the euro; figures are shown in EUR million. This may result in rounding differences. For enhanced transparency of presentation, certain items in the statement of financial position and the income statement have been combined. In accordance with IAS 1, the statement of financial position has been classified into non-current and current items. The income statement has been prepared using the nature of expense method.

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

New accounting standards and interpretations

The following standards and interpretations that were revised or newly issued by the IASB (International Accounting Standards Board) or the IFRS Interpretations Committee (IFRS IC), as adopted by the Commission of the European Union, were applicable for the first time beginning with the 2023 financial year:

IFRS 17 Insurance Contracts including Amendments to IFRS 17	
Disclosure of Accounting Policies (Amendment to IAS 1)	
Definition of Accounting Estimates (Amendment to IAS 8)	
Deferral Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)	
Initial Application of IFRS 17 and IFRS 9 - Comparative Information	

The first-time application of IFRS 17 had no material effect on the presentation of the Group's assets, liabilities, financial position, and financial performance.

The further amendments are clarifications to already existing standards which did not result in any accounting changes within the Haniel Group.

Scope of consolidation

Aside from Franz Haniel & Cie. GmbH, domestic and foreign companies were included in full in the consolidated financial statements as at 31 December 2022. In the reporting period, the number of subsidiaries changed as follows:

Additions due to acquisition of shares or obtaining control	0
Additions due to new company formation	17
Disposals due to sale of shares or loss of control	0
Disposals due to mergers or liquidation	5

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 308 subsidiaries are included in the consolidated interim financial statements as at 30 June 2023. Of that figure, 23 companies belong to BauWatch, 31 to the BekaertDeslee division, 66 to CWS, 29 to Emma, 77 to KMK kinderzimmer, 16 to ROVEMA and 53 to TAKKT. 13 subsidiaries are allocated to the Holding and other companies segment.

Haniel Group

Management Commentary

Operative Performance

The Haniel Group is looking back on an operationally successful first half of 2023 – despite the overall challenging economic environment. In the first half of 2023 the Haniel Group's revenue increased by 10 percent, amounting to EUR 2,205 million compared to EUR 2,000 million in the first half of 2022. The positive performance was due especially to growth at CWS and Emma. Adjusted for acquisitions and currency translation effects, revenue grew by 9 percent.

Operating profit grew significantly by 26 percent to EUR 144 million (EUR 115 million in the first half of 2022), essentially because of a strong operative performance. While CWS, Emma, BauWatch and KMK kinderzimmer contributed positively to this development, the operating profit of BekaertDeslee, Rovema and TAKKT declined compared to the first half of 2022.

Profit after taxes increased by EUR 20 million versus prior year and amounted to EUR -24 million mainly caused by the seasonal negative result of the CECONOMY investment and the sharp rise in interest expenses.

Strategic Development

In the first half of 2023, Haniel expanded its Growth Capital segment. As a growth investor, Haniel focuses on ambitious cleantech companies: In June, Haniel extended its investment in the cleantech start-up 1KOMMA5° and has since become the company's largest external shareholder. Moreover, Haniel committed to climate tech fund Pale blue dot II.

Moreover, the divisionalization of CWS into the four individual segments CWS Cleanrooms, CWS Fire Safety, CWS Hygiene and CWS Workwear is progressing.

Initiatives within the portfolio companies as part of the *enkelfähig* transformation continue to be implemented.

Changes in the Balance Sheet / Financial Position

The Haniel Group's net financial position rose from EUR 1.6 billion to EUR 1.9 billion due to acquisitions, payments to shareholders and a negative cash performance.

The cash performance was driven seasonally, especially by Emma's business model. Operating free cashflow amounted to EUR -134 million during the first half of the year. In the first half of 2022, this figure had amounted to EUR -91 million. In comparison to the first half of 2023 catch-up effects are expected in the second half of the year.

The total assets of the Haniel Group decreased from EUR 6,570 million as of December 31, 2022, to EUR 6,478 million as of June 30, 2023. Non-current assets went down slightly due to scheduled depreciation and amortization of non-current assets as well as a lower valuation of CECONOMY. The reduction in current assets is mainly due to significantly lower cash and cash equivalents as a result of the payment of trade accounts payable.

The Haniel Group's equity ratio has not changed significantly and remains at a very solid level of 40 percent as of June 30, 2023 (41 percent as of December 31, 2022) underscoring the investment potential of the Haniel Group. The reduction in equity was mainly attributable to dividend payments to shareholders.

Current financial liabilities increased due to the financing of payments to shareholders and investments. In contrast, the current trade payables are on a significantly lower level than at year-end.

Haniel continues to have a sound financial structure. The rating agencies Moody's and Scope confirmed their investment-grade ratings for the Haniel Holding Company.

Outlook on second half year 2023

Haniel's management affirms its outlook as stated in the Annual Report 2022 and generally assumes that the Haniel Group's revenue will be up year on year thanks to organic growth. Operating profit is also expected to increase slightly. Due to non-recurring items in 2022, the management expects operating free cash flow to be down in 2023 as compared to 2022, albeit significantly higher than the level reported in 2021.

Revenue and profits could deviate from the development presented due to the acquisition of additional portfolio companies or supplementary acquisitions by the existing portfolio companies, as well as the disposal of portfolio companies. Moreover, they may be affected by unforeseeable macroeconomic developments.

Publication details**Responsible for the content**

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