HANIEL

Franz Haniel & Cie. GmbH
Financial Statements
2020

Realignment at Haniel: Report of the Supervisory Board

DOREEN NOWOTNE
Chairwoman of the Supervisory Board

Dear shareholders and friends of the Company,
In fiscal year 2020, Haniel was forced to come to grips with the outbreak of the coronavirus pandemic as it worked to implement the transformation project launched in 2019. During the spring, the focus of efforts to tackle the challenge of reorganization shifted towards protecting the health of everyone who works for and with the Company. Thanks in part to the Haniel Holding Company's new leadership model, the Management Board was able to react quickly to the threats posed by the pandemic, rapidly imposing a range of appropriate measures throughout every business unit.

In 2020, Haniel set in motion a number of projects in connection with the Company's transformation initiative, thereby reinforcing its ability to remain *enkelfähig* – that is, capable of creating value for our grandkids' and great-grandkids' generations. One major success among many was in the area of portfolio development: Haniel's investment in Emma – The Sleep Company during the summer represented a first step in expanding its portfolio. In addition, the investments in funds and young, rapidly growing companies in the PPP Growth area (Wandelbots, infarm) and the expansion of CWS's Fire Safety division highlighted the Group's unwavering focus on growing markets and successful business models.

Another crucial element of the transformation project is to develop a modern, entrepreneurial culture that embodies a shared understanding of leadership. The Management Board applies strict performance management techniques to steer the business units, without which the Group's stable earnings trend would never have been possible this year.

On May 1, I was excited and humbled in equal measure to take over as Chairwoman of the Supervisory Board of Franz Haniel & Cie. GmbH. I wish to thank from the bottom of my heart the family, my colleagues on the Supervisory Board and my predecessor, Franz Markus Haniel, for their trust and confidence in me.

I am inspired by the degree to which the large family identifies with the Company – especially the young members. I have never before seen such devotion to a company by its shareholders. The family's support for and dedication to the Company make it easier for us – the Supervisory Board and myself personally – to do our job: Our focus lies not on short-term profits but on our mandate to secure the Group's long-term success in keeping with our guiding philosophy: "*enkelfähig* – creating value for generations".

In 2020, Haniel took great strides towards achieving its objective of becoming *enkelfähig* and contributing to a future worth living. For this, I would like to thank the Company's Management Board, executives and employees for their systematic efforts in pursuit of long-term objectives, including their rigorous implementation of the new strategy adopted in 2019 – in spite of the hardships imposed by the coronavirus pandemic.

Close collaboration between Management Board and Supervisory Board
The work between the Supervisory Board and the Management Board was marked by a spirit of openness, mutual trust and a shared desire to successfully transform the Company. The Management Board informed us regularly about the status of the Haniel Holding Company and the

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

Thus, I stood in regular contact with the Management Board, above and beyond the regular meetings of the Supervisory Board. We discussed important operational and strategic issues affecting the Group. The Supervisory Board continually and carefully monitored the Group's management and business development based on regular written and oral reports of the Management Board. We examined in depth all the decisions requiring our consent in advance of meetings and passed the necessary resolutions at four regular meetings and five extraordinary meetings. At the meetings, we discussed not only the current state of the business, including the impacts of the coronavirus, but also acquisition projects – in particular Emma. In addition, the CEOs of the ROVEMA, BekaertDeslee and CWS business units presented themselves and their teams, providing insight into developments affecting their companies.

The Audit Committee held four regular and two extraordinary meetings in fiscal year 2020. It monitored the accounting process and the effectiveness of the internal control system, the risk management system, the Internal Auditing office, and the compliance management system. Furthermore, the Committee discussed the independence of the auditor and approved permitted non-audit services. At its meeting on March 18, 2020, it recommended to the Supervisory Board that it propose to the Shareholders' Meeting that the previous auditor be re-elected. The Personnel Committee met three times in 2020, primarily to discuss the remuneration of Management Board members.

A new generation on the Supervisory Board

The elections in April represented a changing of the guard on the boards: I took over chairmanship of the Supervisory Board from Franz Markus Haniel; after many years' service as second Deputy Supervisory Board Chairman, Georg Baur passed the baton to Kay Windthorst; and Kay Richard Landwers succeeded Christoph Böninger as Chairman of the Advisory Board. Dr. Stephan Glander became the new Chairman of the Audit Committee, and Mathias Pahl and Maximilian Schwaiger joined the Supervisory Board as new members.

Annual and consolidated financial statements approved

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Essen, audited the annual financial statements of Franz Haniel & Cie. GmbH and the report of the Management Board for the 2020 fiscal year. The auditors confirmed that the annual financial statements and Report of the Management Board comply with legal provisions and the Company's articles of association. The auditors issued an unqualified auditors' report on the annual financial statements and the report of the Management Board. The auditors also issued an unqualified auditors' report on the consolidated financial statements and the Group report of the Management Board. The auditors participated in the Supervisory Board's meeting on the financial statements and in all meetings of the Audit Committee.

The Management Board submitted the consolidated financial statements, the Group report of the Management Board and the Group auditors' report for 2020 to the Supervisory Board for its examination. Following an in-depth examination, the Supervisory Board approved the consolidated financial statements and the Group report of the Management Board. The Supervisory Board also approved the annual financial statements of Franz Haniel & Cie. GmbH and the Management Board's profit appropriation proposal. The annual financial statements are thereby adopted and the consolidated financial statements approved.

Thanks for outstanding commitment

On behalf of my colleagues on the Supervisory Board, I would like to thank all employees for their dedication and their hard work for customers, employees and the Company. The coronavirus pandemic has tested all of us. Despite the challenges it has faced, the Company has navigated these difficult waters well thus far. That is thanks to the remarkable work of the Management Board team and all employees. I would also like to thank the employee representatives and members of the Works Council for their consistent and constructive feedback.

In the current year, Haniel will continue to focus on implementing its transformation and strategic realignment. This will include in particular the continued restructuring of its portfolio and the establishment of the new system of leadership. We will continue to face particular challenges in

connection with the coronavirus pandemic. We on the Supervisory Board intend to assist and support the Management Board in tackling all of the work and changes yet to come. We have great confidence in the Haniel Group's financial strength and stability as well as its future viability. Together, we will put this crisis behind us and emerge stronger than ever.

Duisburg, April 13, 2021

Doreen Nowotne
Chairwoman of the Supervisory Board

Report of the Management Board

Franz Haniel & Cie. GmbH
Business performance

Business model of Franz Haniel & Cie. GmbH
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. To that end, Franz Haniel & Cie. GmbH has developed a diversified portfolio consisting of investments in companies of varying maturities and sectors. The Company considers itself as a strategic architect that takes an active part in developing companies.

During the current fiscal year, we systematically continued our efforts, initiated in the previous year, to reorganize the Company and have achieved a near-complete realignment of our structures and management tools.

Through a subsidiary, Franz Haniel & Cie. GmbH acquired during the fiscal year a majority interest in Emma Sleep GmbH, a rapidly growing mattress retailer in the direct-to-consumer segment. Since its acquisition, Emma has been managed as an independent business unit within the Haniel Group. Moreover, it continued to systematically assist the business units in implementing their strategic agendas. Thus, the Company systematically pursued its strategic objectives even in the shadow of the coronavirus pandemic.

In the years to come, the investment portfolio will continually grow as further companies are acquired and existing business units are developed further. In addition, strategic options for business units are continually and systematically being evaluated.

The most important indicator for Franz Haniel & Cie. GmbH is the net income for the year under German commercial law, which serves as the basis for calculating the distribution.

Earnings performance of Franz Haniel & Cie. GmbH
Franz Haniel & Cie. GmbH's annual financial statements report a net loss of EUR 91 million in fiscal year 2020 (previous year: net income of EUR 176 million). This development was due to the decline in the investment result from EUR 253 million in the previous year to EUR -13 million. This negative investment result was caused by the loss of dividends and by write-downs on the carrying amounts of investments, both in the wake of the crisis.

The previous year's outlook for a stable net income for the year – expressed subject to the caveat of uncertainty stemming from the coronavirus pandemic – was thus not realized.

Net assets of Franz Haniel & Cie. GmbH
Total assets as of the reporting date amounted to EUR 3,065 million and consisted primarily of long-term financial assets of EUR 2,619 million and receivables from affiliated companies of EUR 403 million. Long-term financial assets decreased by EUR 329 million. The decline was due in particular to the EUR 204 million in write-downs of carrying amounts of investments as well as to the regular partial repayment of a long-term loan by a subsidiary.

Current receivables from affiliated companies rose by EUR 230 million. This increase was due in particular to profit/loss transfers by subsidiaries.

Financial position of Franz Haniel & Cie. GmbH
On the liabilities side of the statement of financial position, EUR 2,669 million relates to equity and EUR 396 million to provisions and liabilities. The equity ratio fell from 89 percent in the previous year to 87 percent and continues to reflect the sound financing of Franz Haniel & Cie. GmbH.

The financial management activities of the Company are focused on securing the Company's long-term financial flexibility. Emphasis is generally placed on a sound balance of financial instruments, a broad basis of reputable banks and investors and a balanced maturity structure of financial liabilities.

Franz Haniel & Cie. GmbH furthermore has access to confirmed lines of credit amounting to EUR 755 million, the full amount of which has not been drawn down by affiliated companies as of December 31, 2020.

Opportunities and risk situation of Franz Haniel & Cie. GmbH
The business and earnings performance of Franz Haniel & Cie. GmbH as a holding company is closely linked to the performance of the Haniel Group. As a consequence, the opportunities and risks faced by the Haniel Group give rise to opportunities and risks for Franz Haniel & Cie. GmbH. The Report of the Management Board for the separate financial statements is therefore essentially identical to the Group report of the Management Board that follows. While the Group's accounting and financial reporting is in accordance with IFRSs, the annual financial statements of

the holding company, Franz Haniel & Cie. GmbH, are prepared in accordance with the German Commercial Code (HGB).

Outlook for Franz Haniel & Cie. GmbH

In general, the earnings performance of Franz Haniel & Cie. GmbH is particularly dependent on dividends and profit transfers from the companies in its portfolio as well as on the results from the financing function. The coronavirus pandemic will continue to impact the performance of the investments in fiscal year 2021. At present, it is not possible to reliably assess or quantify that impact. However, a significantly positive investment result and stable net financial income are expected in fiscal year 2021. The Company will close the coming fiscal year with significant net income for the year in light of these expected results.

Group structure and business models

The Haniel Group comprises seven business units and one financial investment, which are organized into the three investment pillars *People*, *Planet* and *Progress* as well as the segment *Transformation*. The Holding Company, Franz Haniel & Cie. GmbH, plays an active role in the continued development of its portfolio as a strategic architect. The Group's shared management model – the Haniel Operating Way – forms the basis for this approach. The operating business is in the hands of the business units which generally act independently of one another.

Organizational realignment complete
Franz Haniel & Cie. GmbH is a 100 percent family-owned company which has been headquartered in Duisburg since it was founded in 1756. Haniel manages and develops a portfolio of investments in independent companies with the objective of rendering every one of them "*enkelfähig*". When selecting and managing its investments, the Company places a systematic focus not only on sustainability criteria but also on performance. When selecting investments, Haniel is guided by the United Nation's Sustainable Development Goals as well as global megatrends. Since 2019, the Company has classified its investments and potential targets into investment pillars:

People: we enable people to live healthy, happy and peaceful lives.

Planet: we take action to preserve our planet for future generations.

Progress: we foster progress to create innovations, prosperity and economic growth.

Existing business units which are not as readily classified are assigned to an additional segment: "Transformation", where they are systematically cultivated to add value.

Over the medium term, Haniel aims to achieve an overall return in excess of nine percent across all investments, thus outperforming the capital markets. Achievement of this target will be made possible by the Holding Company's restructuring effort, which was completed in 2020, as well as by the introduction of a new management model for the investments. As in the past, capital and management remain separated as a matter of principle at Haniel: Although the Company is 100 percent family-owned, no shareholder works within the Group.

New management model developed
Haniel essentially serves as a strategic architect which plays an active part in developing companies. The Group's shared management model – the Haniel Operating Way (HOW) – forms the basis for this collaboration. The tools offered by the Haniel Operating Way help the investments to streamline and boost the efficiency of their processes and to improve their customer focus in order to achieve operating excellence. In this way, Haniel gives its portfolio companies the opportunity to professionalize further, to learn from one another and to tap into a deep talent pool – all the while maintaining their operational independence. In addition, the Holding Company makes available sufficient capital to grow, be it organically or through acquisitions.

Diversified business models
Haniel's investments operate independently of each other in their respective markets. Except for BekaertDeslee and Optimar, all business units are headquartered in Germany. The business models differ from one another with respect to their sector, business drivers, customer structure and strategy, which results in an advantageous diversification of the Haniel portfolio.

People

BekaertDeslee is a specialist for the development and manufacturing of mattress fabrics and mattress covers. From its headquarters in Belgium, the company oversees a global network of 24 production and distribution locations in 18 countries. Its product range primarily consists of woven and knitted mattress textiles and ready-made covers that are sold to mattress manufacturers in the Americas, Europe and the Asia-Pacific region. BekaertDeslee profits from the continuous growth of the market for mattresses which is driven by global megatrends such as population growth, a growing awareness of the importance of good sleep and the increasing standard of living in emerging markets.

On April 3, 2020, Haniel signed an agreement to acquire 50.1 percent of shares in **Emma – The Sleep Company** (Emma Sleep GmbH). The Frankfurt am Main-based firm was founded in 2013 and has evolved since then from an online platform for mattresses and sleep systems to an international sleep-tech provider that ranks among Europe's

fastest-growing companies. The popular Emma direct-to-customer (D2C) brand is available in 26 countries around the globe and has established itself in the constantly growing market for sleep-related products.

Planet

CWS offers innovative, sustainable and digital rental solutions in 16 European countries, covering six service areas, in which CWS comprehensively advises and supplies its customers: hygiene, mats, workwear, fire safety, cleanrooms, as well as healthcare. The product range extends from end-to-end solutions for hand and toilet hygiene, to dust control mats through to comprehensive workwear and protective clothing collections for companies of all sizes in any industry. The textiles are properly prepared in the business unit's own laundries using environmentally friendly processes, and delivered to customers of all sizes and industries at regular intervals under long-term lease agreements. The rental business is supplemented by the sale from consumables, assorted washroom hygiene products and workwear. In recent years, CWS has also expanded its offering in the cleanroom business. The Fire Safety division was also expanded further and now also provides full-service offerings in preventative fire safety.

Progress

The **Optimar** business unit is a manufacturer of automated fish handling systems for use onboard, onshore as well as in aquacultures. These systems are installed as turnkey projects, either independently or in connection with third-party components. Optimar also offers additional products and services, including remote diagnostics and online maintenance, spare parts and upgrades. In addition to its central production site in Ålesund, on Norway's west coast, Optimar operates at further locations in Norway, the United States, Spain and Romania, supplying customers in more than 30 countries.

Haniel portfolio

Divisions

BekaertDeslee

100 %
Equity interest

BekaertDeslee is a specialist for the development and manufacturing of mattress textiles.

CWS

100 %
Equity interest

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

ELG

100 %
Equity interest

ELG is a specialist in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys, titanium and carbon fibres.

Emma

50.1 %
Equity interest

Emma – The Sleep Company is an internationally operating provider of mattresses and sleep technologies, which belongs to Europe's fastest growing companies.

Optimar

100 %
Equity interest

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

ROVEMA

100 %
Equity interest

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

TAKKT

50.25 %
Equity interest

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

Financial investments

CECONOMY

22.71 %
Equity interest

CECONOMY is a leading developer of consumer electronics brands and concepts in Europe.

As at 31 December 2020

The **ROVEMA** business unit is a premium provider of packaging machines and equipment with a broad product portfolio and a global presence. It operates at twelve locations and is present in more than 50 countries. ROVEMA seeks to develop holistic packaging solutions which from the very beginning take into account the environment, the market and the product, thereby supporting a closed-loop economy. ROVEMA is positioning itself as a leading global partner for sustainable packaging solutions.

Transformation

The **ELG** business unit is a specialist in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys and titanium. With more than 50 locations in North America, Central America, Europe, Africa, Asia and Australia, the business unit has one of the industry's largest global networks.

TAKKT is a B2B direct marketing specialist for business equipment in Europe and North America. The Group and its brands have a presence in more than 25 countries. The subsidiaries' product range comprises more than a million items of operating and warehouse equipment, office furniture, transport packaging, display products, equipment for the restaurant and hotel market as well as retail.

The financial investment **CECONOMY** is a leading platform for consumer electronics brands and concepts in Europe. The companies in CECONOMY's portfolio offer products, services and solutions that make life in the digital world as easy and pleasant as possible. Their operating activities focus on the two omnichannel brands MediaMarkt and Saturn.

Value-oriented management system

Creating value for generations is at the core of the activities of the business units and the Haniel Holding Company. In order to ensure that the conduct of all participants is oriented on this goal, financial and non-financial performance indicators are utilized within the business units and the Haniel Holding Company. At the Group level, the Management Board assesses the business units' development through not only revenue, and operating profit but also operating free cash flow, which indicates how much of the reported profit or loss for the period is reflected in cash flows from operating activities after changes in current net assets, lease payments and investments in fixed assets.

Haniel Group
Revenue and earnings performance

In 2020, CWS, ROVEMA and BekaertDeslee increased their revenue, as did the newly acquired business unit Emma. The ELG business unit is now reported as a discontinued operation because the sale process has been initiated. Revenue from the Haniel Group's continuing operations was up year on year by 5 percent. Due in particular to declining demand experienced by the business unit TAKKT in the wake of the coronavirus pandemic, operating profit fell by 5 percent year on year, to EUR 235 million. Profit after taxes was negative due to impairment effects, specifically relating to goodwill. The Management Board is satisfied with the overall development in the fiscal year, which was overshadowed by the coronavirus pandemic.

Coronavirus crisis leads to global economic contraction
The International Monetary Fund (IMF) estimates that due to the pandemic, the global economy shrank by 3.5 percent in 2020 – a significantly more pronounced deterioration than during the 2008/09 financial crisis.

In the eurozone, the economy contracted by 7.2 percent in 2020 (compared to 1.3 percent growth in the previous year). This development was driven in particular by the steep downturns in France, Spain and Italy, which were particularly hard hit by the coronavirus pandemic in the spring and compelled to impose strict lockdowns lasting several weeks.

In the United States, economic growth fell year on year from 2.2 percent to -3.4 percent.

According to IMF estimates, the pace of growth in the economies of emerging and developing markets slowed to -2.4 percent (previous year: 3.6 percent).

In particular, the weaker economic development in Europe and the USA had a negative impact on the revenue and earnings performance of the Haniel Group.

Revenue trend slightly positive

The Haniel Group posted revenue from continuing operations of EUR 3,105 million in 2020, representing an increase of 5 percent. This increase was attributable primarily to the newly acquired business unit Emma.

Revenue at the specialist machinery manufacturer Optimar and TAKKT fell in a market environment that was difficult for each company. ROVEMA benefited from a stable order backlog in the new machinery business, with its revenue in the fiscal year hitting a historical record. BekaertDeslee also achieved a year-on-year revenue increase, thanks above all to its ready-made mattress covers business. CWS also experienced growth, primarily in its Hygiene division.

Operating profit in decline
Operating profit from continuing operations in 2020 was EUR 235 million, down slightly on the previous year's figure of EUR 247 million. This was due mainly to a negative earnings trend at the TAKKT business unit. That development, in turn, was attributable to weaker customer activity in the wake of the coronavirus pandemic, as well as to one-off expenses in relation to the company's transformation. This was compounded by greater costs for the Holding Company in connection with the company's transformation.

Operating profit rose at CWS, BekaertDeslee, ROVEMA, Optimar and the newly added business unit, Emma. This was due in part to the units' solid earnings performance as well as to consistent cost management.

For instance, CWS's positive performance was achieved not only thanks to revenue growth but also to efficiency enhancements. Due to the increase in sales of ready-made mattress textiles and consistent cost management, BekaertDeslee also lifted its operating profit. At Optimar, it was not only the rally in business with high-margin products in the second half of the year which had a positive effect, but also the cost efficiency programs. ROVEMA benefited from a persistently high level of orders – both in new machinery and in the life cycle segment.

Profit before and after taxes down
Profit before taxes – which consists of the operating profit, the investment result and the result from financing activities as well as the effects from purchase price allocations on earnings – fell from EUR 192 million in the previous year to EUR 153 million in the year under review. This drop was caused by goodwill impairment amounting to EUR 25 million in relation to the Optimar business unit and a decline in the investment result.

Haniel's investment result fell from EUR 45 million in 2019 to EUR 40 million in 2020. This development was largely driven by the earnings contribution from the CECONOMY financial investment, which fell year on year from EUR 41 million to EUR 30 million. The remaining investments increased their contribution from EUR 5 million to EUR 11 million.

The result from financing activities during the reporting period amounted to EUR -38 million. In the previous year, this figure had amounted to EUR -41 million. This slight increase resulted from a reduced interest expense as compared to the previous year. Fluctuations in the market values of financial assets offset this trend.

The profit or loss from discontinued operations was influenced mainly by the ELG business unit, which was recently classified as a discontinued operation. In addition, this item includes the effects on profit or loss stemming from the remaining investment in METRO AG. At ELG, the decrease in industrial activity above all affected its revenue from stainless steel scrap. This was compounded by the standstill of airplane and automotive manufacturing – the primary customers of the Superalloys business area – due to the coronavirus crisis. In addition, transformation expenses and valuation effects also weighed down earnings. These developments led to a EUR -229 million loss from discontinued operations, following a EUR 49 million loss in the previous year.

In particular, the significant loss from discontinued operations led to a negative overall after-tax result, which fell from a EUR 130 million after-tax profit in the previous year to a EUR 96 million loss.

Forecast targets missed mainly due to coronavirus
The Haniel Group's revenue – adjusted for acquisitions and currency translation effects – fell slightly, contrary to the forecast from the previous year. Operating profit also fell short of projections and was down year on year.

Employees
As we live in the shadow of a pandemic, our utmost priority lies on protecting the health and safety of our employees – at the Haniel Holding Company as well as at the business units. In order to render this possible, a wide range of hygiene and social-distancing measures were implemented at every business unit. Over the course of 2020, the coronavirus affected different regions of the world with varying levels of severity – and government reactions to the pandemic also diverged significantly. Because the Haniel Group operates production facilities in countries where those affected by the virus do not receive the same level of support as we in Germany receive, Haniel has established its own coronavirus relief fund to assist employees in need. The executives and employees of FHC and the business units have waved a portion of their pay – on a voluntary basis – so that colleagues throughout the Group can receive rapid assistance without having to deal with red tape. With the generous donation of additional funds by shareholders, we have raised more than a million euros which has already made it possible to help several thousand employees around the world. We regret to report three coronavirus-related deaths within the Haniel Group in 2020.

The employee headcount at the Haniel Group's continuing operations in 2020 was 7 percent higher than the previous year's level. This increase was due mainly to acquisitions. In total, the Group employed on average 19,126 people in 2020. In 2019, the average employee headcount was 17,922.

Haniel Group
Financial position

In 2020, Haniel expanded its portfolio through a material acquisition: in June, the Company purchased a 50.1 percent interest in the online mattress seller Emma – The Sleep Company. The ROVEMA and CWS business units also implemented acquisitions. 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.

Balanced financial governance
The ultimate objective of financial management is to cover the financing and liquidity needs at all times while maintaining entrepreneurial independence and limiting financial risks.

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

Investment-grade ratings confirmed
All of Haniel's ratings are investment-grade: Moody's again confirmed its Baa3 rating in H1 2020. The European rating agency Scope also confirmed its BBB- investment-grade rating, and also issued a stable outlook.

Haniel's financial policy is distinguished by a moderate target net financial debt level of up to EUR 1 billion at the level of the Holding Company coupled with a solid long-term financing structure. Despite the ravages of the coronavirus pandemic, the key figures which are crucial to the rating – total cash cover and market value gearing – remained steady and on par for the aforementioned ratings.

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

Overall, the financial liabilities reported in the Haniel Group's statement of financial position amounted to EUR 947 million as of December 31, 2020, as compared to EUR 1,704 million as of December 31, 2019. The reduction in financial liabilities was due mainly to the repayment of the exchangeable bond linked to CECONOMY's ordinary shares and ELG's reclassification as a discontinued operation. This was offset by the Emma acquisition and the establishment of a bridge portfolio – transitional investments to secure dividends during the portfolio restructuring phase – as well as the financing of portfolio expansions, particularly with respect to CWS.

Moreover, the BekaertDeslee, CWS, ELG and TAKKT business units have access to bank lines of credit as well as a broad range of additional financing instruments. As of December 31, 2020, the value of promissory loan notes and other securitized liabilities in the Haniel Group fell significantly year on year, from EUR 140 million to EUR 75 million.

Solid financial buffer
The net financial liabilities of the Haniel Group, i.e., financial liabilities less cash and cash equivalents, declined to EUR 733 million as of December 31, 2020 compared to EUR 1,137 million at the end of 2019. This was attributable almost exclusively to ELG's reclassification.

The Haniel Group's net financial position decreased from EUR 823 million as of December 31, 2019 to EUR 438 million as of December 31, 2020. The net financial position comprises net financial liabilities less the Haniel Holding Company's investment position, excluding current and non-current receivables from affiliates.

Cash flow from operating activities increases
Cash flow from operating activities is used to assess the strength of the Group's liquidity position in its current business activities. This indicator takes into account cash expenses and income recognized in the income statement, as well as the change in current net assets[1]. In 2020 this rose to EUR 631 million. In the previous year, this figure had amounted to EUR 617 million.

Haniel investing in business units
Cash flow from investing activities, that is the balance of payments for investing activities and proceeds from divestment activities, was EUR -389 million in 2020. Overall, payments of EUR 524 million were offset by proceeds from divesting activities of EUR 135 million. Above all, funds were used to strengthen the business through acquisitions: Haniel purchased the new business unit Emma; ROVEMA acquired DL Packaging, a Dutch provider of used and retrofitted form-fill-seal machines, as well as Hassia Packaging Pvt. Ltd., an Indian packaging machines manufacturer. CWS expanded its Fire Safety division through more than 20 acquisitions and purchased profi-con, a service provider specializing in cleanroom cleaning. The business units again invested considerable amounts in property, plant and equipment and intangible assets. In addition, payments were made to purchase financial assets at the level of the Holding Company. In the previous year, cash flow from investing activities amounted to EUR 413 million, in particular due to the sale of the METRO shares. Payments of EUR 463 million were offset by proceeds of EUR 876 million.

The cash flow from financing activities amounted to EUR - 592 million in 2020. In addition to the repayment of financial liabilities, it also reflects dividend payments to shareholders. In the previous year, this figure had amounted to EUR -580 million.

In 2020, as in the previous year, a dividend of EUR 60 million was paid to the shareholders of Franz Haniel & Cie. GmbH.

EUR million	2019	**2020**
Cash flow from operating activities	617	**631**
Cash flow from investing activities	413	**-389**
Cash flow from financing activities	-580	**-592**

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

Haniel Group
Assets and liabilities

At 48 percent, the equity ratio of the Haniel Group remained high with a slight decrease in total assets. This underscores the potential for future investment by Haniel.

Total assets down slightly
The Haniel Group's total assets decreased slightly from EUR 6,279 million as of December 31, 2019 to EUR 6,035 million as of December 31, 2020. While non-current assets rose slightly, current assets decreased. Non-current assets increased due to goodwill, specifically in connection with the successful purchase of Emma and CWS's acquisitions. In addition, investments in financial assets, particularly at the level of the Holding Company, also contributed to this increase. This was offset by ELG's reclassification as a discontinued operation. Total non-current assets of the Group amounted to EUR 4,278 million as of December 31, 2020, compared to EUR 4,147 million as of December 31, 2019.

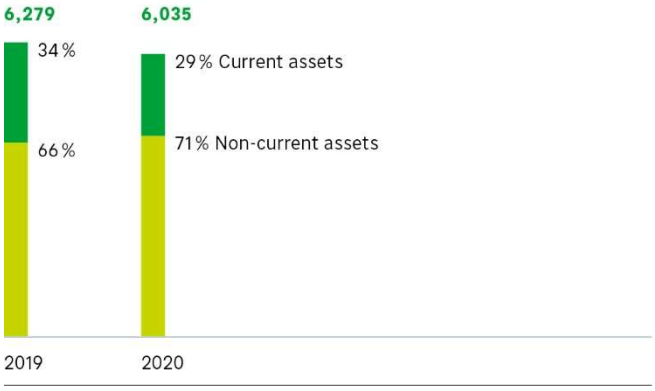
The decline in current assets was due mainly to the use of cash to repay the CECONOMY exchangeable bond. This was offset by ELG's reclassification as a discontinued operation. Current assets amounted to EUR 1,757 million as of December 31, 2020, compared to EUR 2,132 million as of December 31, 2019.

Equity down
The equity of the Haniel Group decreased from EUR 3,356 million as of December 31, 2019 to EUR 2,885 million as of December 31, 2020. This was attributable to the net loss for the year, as well as the mandatory recognition of a liability for potential further acquisitions of shares in Emma. As a consequence, Haniel's equity ratio fell year on year from 53 percent to 48 percent. The continuing high level of the equity ratio underscores the investment potential of the Haniel Group.

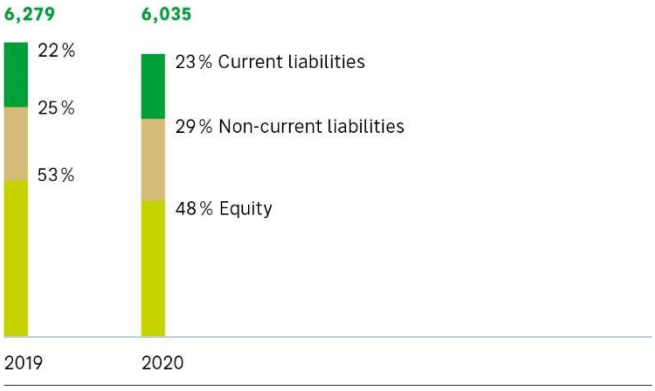
Non-current liabilities increased from EUR 1,543 million as of December 31, 2019 to EUR 1,737 million as of December 31, 2020. Current liabilities increased from EUR 1,381 million as of December 31, 2019 to EUR 1,414 million as of December 31, 2020. These developments, too, were attributable to the acquisition of Emma and ELG's reclassification.

Recognized investments up year on year
The Haniel Group's recognized investments amounted to EUR 915 million in 2020, up as compared to the previous year's figure of EUR 565 million. This development was driven primarily by the Emma acquisition, acquisitions within the business units – particularly in CWS's Fire Safety division – and investments in PPP Growth and financial assets at the level of the Holding Company.

ASSET STRUCTURE
EUR million



EQUITY AND LIABILITY STRUCTURE
EUR million



Holding Company Franz Haniel & Cie.

With the aim of creating value for generations, the Holding Company[1] has realigned its strategy: Haniel now places a systematic focus not only on sustainability criteria but also on performance. Haniel currently has approximately EUR 1.6 billion at its disposal to invest in the restructuring and expansion of its portfolio.

Work on transformation project continues
The aim of Haniel's new strategy is to continue to develop the portfolio and the Company, rendering them fit for the future with strong growth potential. As of December 31, 2020, Haniel had approximately EUR 1.6 billion at its disposal to acquire additional business units. In 2020, portfolio development continued on the basis of acquisitions within the business units and the purchase of a 50.1 percent interest in Emma – The Sleep Company.

In addition to the portfolio's focus on investing in established companies, Haniel has invested a portion of its funds primarily in funds and in companies in the early stages of development, with a focus on the aspects of People, Planet and Progress. In March 2020, Haniel invested EUR 30 million in Gilde Healthcare, a fund specializing in medical technology, digital health and therapeutics. In June, it made its first direct investment, in the Dresden-based robotics start-up, Wandelbots, followed in September 2020 by a further direct investment in infarm, a vertical farming start-up in Berlin. By investing in young companies, Haniel aims to participate in growth earlier on and leverage diversification opportunities. On the whole, the Haniel Holding Company committed more than EUR 130 million in investment capital in 2020 via the PPP Growth division.

Market value of portfolio increases
The value of the investment portfolio is calculated as the sum of the valuations of the shares in business units, the CECONOMY financial investment, the financial assets and other assets, less the net financial liabilities at the Holding Company level. The listed business unit and the financial investment are valued on the basis of three-month average share prices, while the remainder of the business units are valued on the basis of market multiples, and for the financial assets on the basis of fair values as of the reporting date. The value of the portfolio rose from EUR 4,245 million as of December 31, 2019 to EUR 5,103 million as of December 31, 2020. This was attributable in particular to the increase in CWS's market value. Based on the increase in the value of the portfolio and taking into account the dividend, the Total Shareholder Return (TSR) is 22 percent.

Level of debt up slightly
The Haniel Holding Company's net financial liabilities decreased from EUR 86 million as of December 31, 2019 to EUR 61 million as of December 31, 2020.

As of December 31, 2020, the financial assets of the Haniel Holding Company amounted to EUR 680 million as compared to EUR 812 million in the previous year. The net financial position of the Haniel Holding Company, defined as net financial liabilities minus financial assets, was positive and amounted to EUR 619 million as of December 31, 2020.

Based on the self-imposed limit for net financial liabilities of EUR 1 billion, Haniel has approximately EUR 1.6 billion at its disposal as of December 31, 2020 to further develop and expand the portfolio. In this connection, the Haniel Holding Company has readily available, firmly committed long-term lines of credit of EUR 755 million and is therefore in a comfortable aggregate liquidity situation.

The debt target is regularly analyzed against the development of the Holding Company's cash flows and development of the portfolio's market value. Even after the planned acquisition of new business units, Haniel will continue to keep net financial liabilities at about EUR 1 billion, appropriate for an investment-grade rating.

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

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

Responsibility with tradition

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

During the pandemic-ravaged 2020 fiscal year, Haniel lived up to its responsibility to its employees: executives and employees of FHC and the business units donated portions of their salaries to Haniel’s own coronavirus relief fund, which provided aid to employees throughout the Group rapidly and without red tape. Several thousand employees have already received assistance.

The Haniel Foundation is an additional material component of Haniel’s social commitment. To date, it has promoted roughly 1,280 projects worth EUR 38.7 million, thereby highlighting its commitment to a sustainable, value-oriented society and economy. The entrepreneurial foundation concentrates on the *Bildung als Chance* (“Education as Opportunity”) and *enkelfähiges Unternehmertum* (“Sustainable entrepreneurship”) initiatives. In 2020, the focus once again rested on equality of opportunity: with the assistance of partner organizations, the Haniel Foundation supported socio-economically disadvantaged schoolchildren, especially during the coronavirus pandemic. In addition, the Haniel Foundation promoted up-and-coming European leaders through scholarships and fellowships. You can learn more about Haniel’s commitment to sustainability in the CR report, which was prepared in accordance with the standards of the GRI, at www.haniel.de/en.

People: solid development at BekaertDeslee, strong growth at Emma

In the People investment field, we work on a wide range of topics to find companies that help people live better lives. For example, we focus on companies dedicated to health and well-being. Specifically, this may involve medical equipment and consumables or new technologies and services for the healthcare sector. In addition, we also focus on topics such as healthy nutrition, safety and education. At present, two business units make up the People investment pillar: BekaertDeslee and Emma – The Sleep Company.

BekaertDeslee

Despite the effects of the coronavirus pandemic, BekaertDeslee was able to keep its revenue stable in 2020 at EUR 337 million (previous year: EUR 339 million). Its operating profit even increased by 33 percent to EUR 36 million (previous year: EUR 27 million). With effect from March 1, 2020, Frédéric Beucher was appointed CEO of BekaertDeslee, succeeding Dirk Vandeplancke.

Business affected by coronavirus pandemic

BekaertDeslee's performance during the fiscal year was heavily influenced by the developments stemming from the coronavirus pandemic. After a very good start, a number of production sites were forced to close temporarily in the spring due to worldwide lockdowns. Starting in May 2020, demand began to rise sharply in every region, however. In addition, BekaertDeslee was able to react quickly to customers' new requirements: in June, the company brought to market "Virase", a fabric treatment that reduces more than 99 percent of viral activity on its surface within two hours. This new and innovative product was very well received by customers: in the first six months alone, more than 100,000 m² of "Virase" were sold.

Covers segment boasts highly encouraging performance

The business unit's revenue grew organically – i.e., adjusted for acquisitions and currency translation effects – by 2 percent as compared to the previous year. This was attributable in particular to the solid performance of the European covers business, which is driven above all by strong growth in the number of end customers who purchase mattresses online. In addition, revenue in Asia also rose.

Despite the considerable ramifications of the pandemic for certain production sites and supply chains, the business unit managed to fully service recovering demand over the course of the year.

The increase in operating profit was due mainly to the growth in the covers business, as well as to a stricter program of cost-cutting measures introduced at the beginning of the pandemic.

Expansion of global market position

BekaertDeslee aims to expand its global market position. The cornerstones of the strategy are to extend the business unit's market leadership in existing markets, to bolster its presence in growth markets such as China and Brazil, and to continue to expand in the covers segment. Efforts in this area will be assisted through a significant uptick in cover production capacities in Turkey, Mexico and Indonesia. In addition, BekaertDeslee continues to pursue its overarching objective of manufacturing its products sustainably and reducing its carbon footprint over the long term. One particular strategic focus therefore lies on continuing to develop environmentally-friendly products, such as SEAQUAL. This mattress cover textile is made largely from yarns produced from plastic waste, which is collected from the sea by partner organizations and fishers.

Employees
BekaertDeslee had an average of 3,779 employees in 2020, compared to 3,354 employees in the previous year. The 13 percent increase resulted from the continually rising demand for covers and the related expansion of this more labor-intensive business.

Emma – The Sleep Company

On April 3, 2020, Haniel signed an agreement to acquire 50.1 percent of shares in Emma – The Sleep Company (Emma Sleep GmbH). Thus, Haniel added a new element to its portfolio, in the People investment pillar. The company's two founders, Manuel Müller and Dr. Dennis Schmoltzi, each continue to hold a 24.95 percent stake in the company, and will remain as active co-CEOs to push forward with Emma's international expansion.

Strong revenue and profit trend
In the second half of 2020, after the transaction closed on July 1, 2020, Emma generated EUR 256 million in revenue. Operating profit was EUR 16 million in the second half of 2020. The international direct-to-customer company benefited from the systematic implementation of its growth strategy, which was based on the pillars of expansion, product quality and innovation, supply chain and team excellence. In fiscal year 2020, Emma lifted its revenue especially in the overall e-commerce segment and laid a solid foundation for further expansion into new markets, an increase in its market share in existing markets and a deepening of its omnichannel strategy. In addition, the company successfully expanded its sleep product portfolio into the field of sleep tech in 2020.

Employees
Emma is among Europe's fastest-growing companies, both in terms of revenue and employee headcount. The young company was able to continue this trend even in 2020: despite the coronavirus pandemic, Emma continued to grow its international team, and employed 516 people on average throughout the period under review (July 1, 2020 to December 31, 2020).

Planet: a strong year for CWS

In the Planet investment field, we concentrate on two overarching themes: circular economy and climate change. Business models that are interesting for Haniel include recycling and environmental protection services, clean technology solutions, sustainable food production and renewable energies. Planet currently includes one business unit: CWS.

CWS

In the Corona-affected environment, CWS increased its revenue by 5 percent from EUR 1.19 billion in the previous year to EUR 1.24 billion. This increase was due mainly to the inclusion of the newly acquired companies – particularly in the Fire Safety division. Operating profit grew significantly from EUR 155 million to EUR 170 million.

Support from cost-cutting measures

From the beginning of the year on, the coronavirus pandemic brought about increased demand for hygiene products, which was of benefit to CWS. Decreased sales in workwear were more than offset by the Hygiene segment in particular.

One reason for the sharp increase in operating profit was the strong revenue from the profitable Hygiene division. In addition, increased productivity and a number of cost-cutting initiatives in the Workwear division contributed to this trend. Overall, the business unit's operating profit rose by 10 percent to EUR 170 million.

Consistent pursuit of strategic objectives

CWS's performance also reflects the consistent pursuit of the company's strategic objectives. Its efforts to stake out a position as a hygiene solutions provider with a broad product range and service portfolio are progressing according to plan. At the same time, the Workwear segment also made good progress in 2020 in terms of focus and efficiency. In addition, CWS expanded its range of cleanroom products and services by acquiring profi-con and bolstered its Fire Safety division through 13 further acquisitions to enable it to offer a full-service range in the area of preventative fire safety; it also reported strong organic growth. The division is pushing forward with the expansion of its network of branch offices throughout Germany. The long-term objective is to offer the full range of products and services internationally, from fire extinguishers and technical fire protection systems through to safety technology.

Employees

In 2020, CWS employed an average of 11,012 employees, compared to 10,509 in the previous year. This 5 percent increase resulted primarily from the acquisitions in the Fire Safety, Hygiene and Cleanroom divisions.

Progress: Optimar lifts operating profit, ROVEMA concludes highly successful fiscal year

In the Progress investment field, Haniel concentrates on acquisitions that are dedicated to the overriding theme of robotics & automation – for example industrial automation, internal logistics or industrial mechanical engineering. Haniel manages two portfolio companies under this pillar: Optimar and ROVEMA.

Optimar

In an environment that was difficult even before the coronavirus pandemic struck, Optimar generated revenue of EUR 94 million during the year under review. This figure was thus down year on year (previous year: EUR 118 million). While revenue from Onboard and Aquaculture solutions fell sharply, the Service & Aftermarket business nearly achieved the same level of revenue as in the previous year. Despite the considerable drop in revenue, the company was able to increase its operating profit from EUR 2 million in the previous year to EUR 4 million thanks to efficiency enhancements. In August, Håvard Sætre decided to resign as CEO of Optimar. On January 1, 2021, Al Ghelani picked up the baton as his successor.

Coronavirus proves burdensome, efficiency enhancements take effect

The effects of the coronavirus pandemic on Optimar made themselves felt in particular by the middle of the year: social distancing and travel restrictions impaired sales and service considerably over the course of the summer. This led to lost orders and a 20 percent year-on-year drop in revenue. Strict cost management and a stepping-up of efficiency enhancement programs, particularly in the area of project management, nevertheless led to an increase in operating profit by EUR 2 million as compared to the previous year.

Management and service platform expanded

Optimar assiduously continued to pursue its long-term objectives, and in July it acquired shares in BioMetrics, a technology company active in the field of aquaculture biomass monitoring (ABM), which offers solutions via its own management and service platform and generates key data in real time for fish farmers. This supplementary IT solution is used to monitor production processes and helps to optimize the quality of products from aquacultures.

Employees

The average employee headcount fell by 7 percent from 478 in 2019 to 445 during the year under review. This decrease was due to lower utilization, particularly in Spain, and to a reorganization at Optimar US.

ROVEMA

ROVEMA's revenue amounted to EUR 127 million and was thus up significantly as compared to the previous year (EUR 96 million). The company also increased its operating profit considerably, from EUR 7 million in the previous year to EUR 11 million.

Good development in new machinery business

Thanks to its long-running order cycles, ROVEMA initially benefited from well-filled order books from the prior year. During the Europe-wide lockdown in the spring, it was even necessary to call on external support for certain production lines. The new machinery order backlog, as well as incoming orders in the Life Cycle Service segment – i.e., maintenance and servicing of previously installed machinery – continued to show a positive trend in 2020.

The 32 percent jump in revenue was due mainly to the increase in the new machinery business. In light of the solid revenue trend and due to the effects resulting from the efficiency enhancement and cost optimization program launched in 2019, the company's operating profit rose by 57 percent.

Investments acquired in India and the Netherlands

By acquiring Hassia India in July, ROVEMA added a strategically vital service and assembly site to its international

portfolio. In particular, this will enable the company to offer rapid, reliable service in the mid-price segment in Asia and Africa, a previously under-served area. The additional site in India will also bolster ROVEMA's service offering and render possible the expansion of the comprehensive Life Cycle Service concept into Africa and Asia. In addition, the Dutch company DL Packaging became a part of the ROVEMA Group in January 2020. DL Packaging is a leading provider of retrofitted form-fill-seal machines and relevant parts and accessories.

Focus on sustainability

In 2020, ROVEMA modified its strategy to place a clear focus on sustainability and customer service. ROVEMA is positioning itself as a leading global partner for sustainable packaging solutions and aims to generate the entirety of its revenue from sustainable products and services in the long run. By adopting this strategy, the business unit seeks to become more effective, more efficient and more digital, and is setting its sights on both organic and accretive growth.

Employees

In 2020, ROVEMA employed an average of 717 people, as compared to an average of 691 in 2019. This 4 percent increase was due primarily to the acquisition of Hassia India.

Transformation: negative impact of coronavirus pandemic on ELG and TAKKT

In our Transformation segment, we bundle portfolio companies that we cannot assign to the investment pillars, but which we want to develop further in a targeted manner. We work together to ensure that the business units assigned to this segment meet our sustainability and performance orientation requirements. At present, this segment includes the companies ELG and TAKKT as well as our financial investment CECONOMY.

ELG

ELG's revenue amounted to EUR 1.3 billion in 2020 and was thus down significantly as compared to the previous year (EUR 1.6 billion) – primarily as a result of the coronavirus pandemic. The company's operating profit fell from EUR 7 million in the previous year to EUR -30 million. In November, ELG's CEO Detlef Drafz decided to resign with immediate effect. His successor, Donald Weir, assumed his duties with effect from January 1, 2021. Haniel is currently in the process of selling ELG. Accordingly, the business unit has been classified as a "discontinued operation" for the purposes of the IFRS consolidated financial statements.

Collapse in global demand for stainless steel and superalloy scrap due to coronavirus crisis

The 16 percent drop in revenue was due in particular to the lockdowns imposed around the globe in connection with the coronavirus pandemic and the resulting decline in demand throughout the stainless steel and superalloys market segments. Many of ELG's customers scaled back their overall production as a consequence of the economic downturn and many regions introduced lockdowns. This translated to a negative trend for stainless steel scrap tonnages for ELG early in the year. This business began to recover in late summer – particularly in Europe – and the business unit recorded only a slight decline in stainless steel scrap tonnages for the year as a whole. However, a sharp decline in the aerospace industry due to COVID-19 also resulted in a collapse of superalloy scrap tonnages. The situation affecting the aerospace industry, the company's largest customer industry for superalloy scrap, remains dire and demand for nickel-based superalloy scrap and titanium scrap remains at a historical low. In addition to the margin trend, lower annual average prices for stainless steel scrap amplified the negative revenue trend. The decline in oper-ating profit from EUR 7 million to EUR -30 million was due in particular to the decrease in gross profit from the superalloys business caused by volume and price effects. By contrast, the lower stainless steel scrap output tonnages were offset by increased margins. Although ELG was able to reduce its cost basis as compared to the previous year, one-off expenses weighed down its operating profit and led the effects from the cost-cutting program to evaporate.

Transformation initiated to lift value

Haniel and ELG have kicked off a variety of projects to sustainably increase the value of the company. These projects are designed to reduce costs, increase output tonnages and lift the gross margin. A reorganized structure will also streamline the implementation of initiatives within the company. Under the leadership of the new CEO, Donald Weir, the strategy will be refined and implemented in 2021.

Employees

ELG's employee headcount fell by 8 percent in 2020, from an average of 1,381 in 2019 to 1,274. This decrease was due mainly to cost-saving initiatives initiated due to COVID-19 as well as improved efficiency under the transformation program.

TAKKT

Revenue at TAKKT declined by 12 percent from EUR 1,214 million in the previous year to EUR 1,067 million in the year under review. Operating profit fell to EUR 59 million (previous year: EUR 118 million). TAKKT made good progress in implementing the new organizational realignment TAKKT 4.0, which focused on two business models for two different customer types. In September, Felix Zimmermann, CEO of the TAKKT Group, announced that he did not intend to renew his service agreement. The aim is to find a successor in the course of 2021.

Varying impact of coronavirus pandemic on business segments
TAKKT operates the two business models Omnichannel and Web-focused Commerce in the B2B distance selling business. While the Omnichannel Commerce segment tailors its products and services around the more complex needs of quality- and service-oriented customers, the Web-focused Commerce segment addresses its products and services to more price-conscious customers with less complex needs.

TAKKT's various business areas within the segments were affected by the coronavirus pandemic to highly differing degrees: while the web-focused segment the Newport Group fared well with its strong e-commerce presence, the order backlogs of the other business areas declined beginning in mid-March – in some cases significantly. Beginning in May, TAKKT's business stabilized to an increasing extent, although the impacts of the coronavirus pandemic remained tangible, with revenue dropping by 12 percent overall for the year.

Operating profit in decline
The steep decline in revenue led to a sharp drop in operating profit during the year under review. In addition, one-off expenses incurred in the context of the TAKKT 4.0 organizational realignment and the early termination of employment contracts had a negative effect on earnings. On the whole, TAKKT managed to limit the effect of the muted revenue trend on earnings through disciplined cost management, generating an operating profit of EUR 59 million.

Employees
The average employee headcount at TAKKT in 2020 was 2,521, as compared to 2,706 in the previous year. This 7 percent decline was due in particular to personnel measures in the Omnichannel Commerce segment.

CECONOMY
The CECONOMY financial investment's contribution to Haniel's earnings amounted to EUR 30 million in 2020, compared to EUR 41 million in the previous year. Earnings in 2020 were boosted primarily by Haniel's reversal of impairment losses previously recognized in respect of the carrying amount of the investment.

CECONOMY in a challenging market environment
Revenue at CECONOMY amounted to EUR 21,474 million in 2020. This slight year-on-year increase (from EUR 21,397 million) resulted mainly from strong revenue development in the fourth quarter.

By contrast, EBIT declined year on year from EUR 309 million to EUR -59 million. This decline was attributable primarily to the negative impact on earnings stemming from the EUR 268 million impairment on the investment in Fnac Darty S.A. A robust earnings trend in the DACH region was dampened somewhat by the recognition of provisions for legal risks and amortization and write-downs on intangible assets, each in double-digit million amounts. In addition, the closure of markets across large swathes of Europe due to the coronavirus crisis as well as low earnings in the Services & Solutions business also weighed down earnings.

Report on opportunities and risks

Being a successful entrepreneur means seizing opportunities that present themselves and dealing with risk appropriately. The objective is to identify both opportunities and risks for the Haniel Group's business development early on, to analyze them in detail and take measures accordingly.

Seizing 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 and systematically observing markets.

Opportunity management is closely integrated into the process of strategy development. As part of that process, entrepreneurial options are assessed based on a comprehensive understanding of markets, the competition and trends, and initiatives are devised to seize those options to create value.

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

Options for sustainable and profitable growth

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

Optimization of the business portfolio: Haniel continually reviews the strategic alignment of its portfolio. The Haniel investment portfolio will be further developed in this manner by business acquisitions and disposals in order to enhance value creation sustainably. New business units should be able to make a long-term value contribution to the economic success of the Group and be in harmony with its ecological and social values. In particular, they should make a positive contribution to a future worth living and fall into one of three categories: people, planet and progress.

International expansion: All Haniel business units and the financial investment are widely represented in Europe, and BekaertDeslee, ELG, Optimar, ROVEMA and TAKKT in North America as well, and enjoy a strong position there with their various business models. Haniel sees opportunities for further growth by strengthening its presence in these markets and in the fast-growing economies throughout the world. These markets include those in eastern Europe, Latin America and Asia. Opportunities for expansion can be leveraged by founding new companies or by acquiring or investing in existing ones.

Sustainability as a competitive factor: Corporate Responsibility (CR) has a long tradition in the Haniel Group. It is expressed in its striving to increase economic value in accordance with ecological and social contributions. In order to achieve this, and with a sense of conviction that above-average growth can only be achieved by sustainability-focused business models going forward, the Haniel Holding Company has anchored Corporate Responsibility into all phases of value creation: Haniel also assesses acquisition and investment opportunities from a sustainability perspective and issues guidelines to the business units. In that context, the business units work together with experts from the Holding Company to develop independent initiatives designed to bolster profitable growth while taking into account the respective special characteristics of each business and placing a particular focus on the relevant CR aspects. This is because customers increasingly decide in favor of business partners with sustainable business practices, whose products and services are differentiated from the competition by resource efficiency and social compatibility.

Digitalization: Digitalization is profoundly changing the behavior of private consumers and business customers. For the Haniel Group, digitalization offers great opportunities along the value chain, at the customer interface and for developing new business models. The availability of large quantities of data opens opportunities to redesign value-added chains and improve the offering to customers. The development and growing range of solutions based on artificial intelligence open up further avenues of exploration in this area.

Rising need for hygiene products and services: The coronavirus pandemic is likely to have a long-term impact on people's hygiene awareness and on the requirements placed on public institutions. Stricter hygiene rules in the restaurant and retail sector might be favorable for CWS's sales of washroom hygiene products and rental solutions. Consumables such as soaps and disinfectants will likely experience high levels of demand over the longer term.

Rising standard of living: Demand for mattresses which promote health and well-being is expected to grow in markets with a high level of prosperity. The products offered by Emma – The Sleep Company and the materials from BekaertDeslee for mattress covers make a significant contribution here through their design and product characteristics. For Emma and BekaertDeslee medium- and long-term growth opportunities arise from the increasing demand for mattresses in developing economies, in particular in Asia, due to increasing prosperity. ROVEMA will also be able to benefit in the future from the increasing level of prosperity in these markets by supplying high-quality packaging machines: Hygienically flawless, attractive and consumer-friendly packaging will become increasingly important in these markets in the medium and long term. Furthermore, new market opportunities arise through the use of resource-sparing and compostable materials. Optimar will have growth opportunities from the greater importance of fish for the health-conscious nutrition of the growing global population and increasing automation in the fishing industry.

Industry 4.0 and automation: The intelligent utilization of data and the networking of production processes will fundamentally change the value chain in many industries in the future. Optimar and ROVEMA can both benefit from this by using and further strengthening their expertise as a systems integrator for production machinery. For example, service schedules in product lines could be optimized for customers through the interaction of hardware and software. Optimar and ROVEMA thus contribute to their customers' ability to operate their equipment better and more efficiently. Optimar and ROVEMA can obtain even greater customer loyalty with the concomitant expansion of the services and spare parts business.

From an overall perspective, several opportunities remain open to the Haniel Group for sustainable and profitable growth in the future. In particular, the Haniel Holding Company continues to have sufficient financial resources available to acquire new, attractive business units – offering many new opportunities.

Systematic risk management

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

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

The **organizational structure for risk management** is defined throughout the Group and includes all business units. At the level of the business units, the Controlling and Internal Auditing departments coordinate risk identification and, alongside the respective management teams, are responsible for risk assessment as part of corporate planning. Identified risks are discussed with each business unit with the participation of the Management Board, and any need for additional action to manage risks is examined. Furthermore, there is also a Governance Risk & Compliance Committee at the Holding Company level in which the Management Board and the persons responsible for Group functions at the Holding Company are represented. This body serves above all to foster a cross-disciplinary exchange of information on the risks faced by the Holding Company. The Risk Management Officer at the Holding Company level coordinates the risk identification process across all business units and is responsible for further developing the early risk identification system.

A risk is defined as the danger of a negative deviation from the planned or expected development. The identified risks are systematically assessed with regard to their probability

of occurrence and amount of damage, with measures for avoiding or mitigating the risks and provisions already recognized incorporated as part of the assessment. In addition to this risk analysis, a risk inventory is conducted at the Holding Company level. The Haniel Group risk report is prepared based on the business units' risk reports and the Holding Company's risk inventory. The Management of the Holding Company discussed the findings and notifies the Audit Committee of the Group's overall risk situation (including compliance risks and an assessment of the internal control system) as well of material individual risks.

In connection with the **strategic and operational planning**, material risks and measures to limit those risks are updated and if necessary are reassessed together with the Management of the Holding Company before being taken into account in the respective business units' planning.

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

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

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

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

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

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

Group Internal Audit is involved in risk management. It assesses the processes within the companies of the Haniel Group, in particular from the perspectives of operating performance, cost-effectiveness and adherence to statutory regulations and internal guidelines. These efforts also include monitoring the implementation and effectiveness of the risk management system, including the internal control system and the compliance management system. In its risk-based audit plan, Internal Auditing also takes account of the information from the risk analysis and examines significant risk issues where necessary.

Regulations ensure that the minimum requirements of the risk management system are adhered to and applied in the intended manner in the Haniel Group in accordance with statutory provisions. Newly-acquired business units are familiarized with the Haniel standards incrementally as part of their integration.

In addition, there are codes of conduct for the Holding Company and the business units. They set forth the fundamental principles of conduct for employees, based on practiced value concepts.

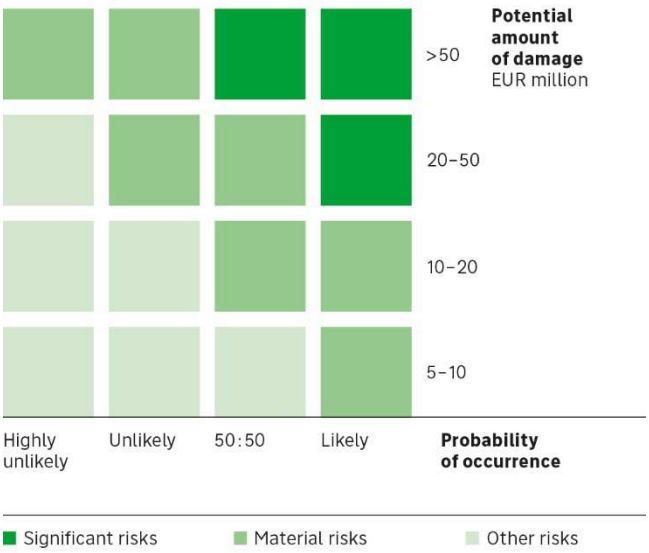
The effectiveness of the risk management system is monitored regularly and improvements are introduced where necessary.

Clearly defined risk fields

A prerequisite of systematic risk management is that risks be identified early on. The central risks identified as of December 31, 2020, to which the Haniel Group is anticipated to be exposed to over the short- and medium-term, are listed below. The identified risks are assigned to ranges in terms of their probability of occurrence and amount of damage, with the amount of damage presented as a possible impact on profit per year. Risk mitigation countermeasures are incorporated before assigning risks to the ranges. By combining the two criteria – probability of occurrence and amount of damage – the individual risks are allocated to the following categories in the Haniel risk matrix: “significant risks”, “material risks” and “other risks”. The central, identified risks are presented below, broken down by these categories, although there are no “significant risks”:

Investments: In particular, Haniel holds investments in CECONOMY AG, which is accounted for as a financial investment, and – to a lesser extent – METRO AG. Factors that exert an unfavorable influence on the consolidated profit of CECONOMY and METRO AG also have a negative effect on the Haniel Group’s investment result or could have a negative effect on the carrying amount of the investments. Given the value of the financial investment, the risk relating to the valuation of investments of the Haniel Group is classified as material. Risks that METRO or CECONOMY are subject to arise in particular from changes in consumer spending and customer expectations in the retail market, as well as increasing competitive pressure from online competitors. If these companies fail to react appropriately to these challenges and fail to successfully implement the transformation projects they have launched, this may have a detrimental impact on their business development. A lasting deterioration in overall economic development in the event the closures due to the COVID-19 pandemic were to persist as well as in the political and regulatory environment in individual countries could also have negative effects on business at METRO or CECONOMY. The task of managing these risks primarily falls to the management of the company in question. As CECONOMY’s largest shareholder, Haniel is involved in the company’s management via its representation on the Supervisory Board. In addition, Haniel exercises its shareholder rights at the Annual General Meetings of CECONOMY and METRO.

HANIEL RISK MATRIX



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

General macroeconomic conditions: The demand for the services and products of the companies in the Haniel Group is also impacted by general macroeconomic conditions. These in turn may be tangibly negatively affected beyond 2020 by external events such as the coronavirus pandemic, for instance. However, the extent and timing of this economic dependency varies in the business units: While ELG's business is especially cyclical as a consequence of the commodities markets, at CWS a weakened economy is reflected to a comparatively lower extent and with some delay. This is due to the long-term contracts with customers in CWS's core rental business. Although the potential impacts of a persistent coronavirus crisis on the business units' strategic planning have already been largely taken into account and the relevant countermeasures have been initiated, the macroeconomic development – particularly under the influence of long-lasting effects from the pandemic and changes in consumer behavior – remains a material risk for business units such as CWS, Optimar and TAKKT even though the diversification within Haniel's portfolio and the Group's presence in different regions will mitigate the impacts of economic fluctuations. The strong market position of the individual business units, comprehensive product and service offerings, a heterogeneous customer base and flexible capacities and cost structures also mitigate risks.

Digitalization: The digital transformation offers not only major opportunities for the Haniel Group, but also entails risks if the Group is not successful in adjusting business models to changed technological possibilities and market requirements. All business units and the financial investment are generally affected by this trend. However, the acceleration and intensification of the digital transformation is especially relevant for TAKKT and CECONOMY. The competitive conditions can change by pure online retailers gaining market share or the increasing significance of open Internet-based marketplaces, which could result in heightened pressure on margins and the loss of market shares. Both TAKKT and CECONOMY have initiated large-scale transformation programs for their companies and are developing their business models further. This increasingly also includes services that offer added value to the customer. In so doing CECONOMY and TAKKT are focusing even more strongly on customer requirements and can react to changes more quickly. Nevertheless, the far-reaching change resulting from digitalization must be classified as a material risk for the Haniel Group.

Business acquisitions and disposals: In order to effectively counter risks associated with corporate transactions, investments and divestitures are carefully examined before their conclusion – including the assistance of qualified external consultants – and are evaluated using uniform DCF rate of return calculation methods. An acquired company is subsequently integrated into the Haniel Group based on detailed timetables and action plans as well as clearly defined responsibilities. Additionally, the success of previously executed business acquisitions is reviewed on a regular basis. If, despite all diligence, the objectives envisaged with an acquisition are not or only partially attained, impairment losses on goodwill and other assets may be necessary. For instance, because the Optimar Group, which was acquired at the end of 2017, has failed to meet expectations in the past three fiscal years and has missed its targets, there is the risk that it will become necessary to recognize an impairment on a portion of the goodwill allocated to it. In the case of business disposals, the resulting commitments remaining in the Group are regularly monitored and assessed. The risks resulting from business combinations and disposals are material risks due to the high significance of portfolio management in the Haniel Group and the inherently related imponderables.

Human resources: The corporate success of the Haniel Group is dependent largely on the expertise and commitment of its employees in key positions. Executives in particular must exhibit the necessary competence, experience and personality in order to make and implement correct decisions in the sense of a value-driven and long-term development of their departments. Accordingly, the selection of executives who do not meet these requirements and who make poor decisions can noticeably impair the Company's successful development. This is all the more true in the context of transforming a company into a high-performance organization in a dynamically changing corporate environment that is marked by digitalization. That is why the Haniel Group strives to recruit qualified staff, to provide them with continuing education and to foster key employees' long-term loyalty to the Company. To that end, the Haniel Group offers attractive remuneration models and regularly conducts performance and development reviews of executives, which also cover systematic succession planning. But above all, the Haniel Group invests in the continual further education of its employees: The internal Haniel Academy offers specialists and managers from the Group seminars and modular programs for interdisciplinary continuing education and to strengthen their leadership skills. In addition, Haniel organizes management training seminars for the Group's joint management system. Haniel uses the Haniel Operating Way (HOW) to set out "guidelines" for executives in taking on the challenges they face as leaders. Overall, risks from human resources are estimated to be material.

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

Commodities prices: The ELG business unit's performance in particular is considerably influenced by the price trend for commodities – above all for nickel, which is in turn affected by economic developments in the industry. Price hedges using derivative financial instruments stabilize business development at ELG, as does the broad geographic distribution of commodity flows in both procurement and distribution. The processing business at ELG Utica Alloys, which is less sensitive to changes in the prices of raw materials, i.e., the business with superalloys have suffered under the collapse of the aviation sector due to the pandemic and was not able to offset these fluctuations. This is why fluctuations in prices for commodities remain a material risk in the Haniel Group due to the business model.

Environmental risks: ELG operates its business on land which in some instances may be exposed to environmental risks due to ground contamination resulting from its use by ELG or its legal predecessors or third parties. ELG maintains a comprehensive environment management system in order to ensure compliance with the applicable environmental standards and official requirements relating to the control and elimination of contamination.

Receivables: Given the nature of the sector in which it operates, ELG in particular delivers its products to a small number of very large customers. In some instances, this can lead to extensive receivables per customer. In order to limit the risks resulting from non-payment, ELG has a comprehensive receivables management system, that as far as possible systematically obtains default insurance to cover this risk and sells accounts receivables within the context of forfaiting programs. The less favorable business climate in many markets due to the coronavirus crisis furthermore results in general in increased risk of default on receivables by ELG and CWS. Even in light of the countermeasures taken, the default on receivables represents a material risk for these business units and a supplemental risk for the other business units.

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

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

Financing requirements for the operating business are secured in the Haniel Group through equity and debt capital. When outside financing is used, the Company seeks to diversify its financing instruments and its circle of investors in order to be able to respond flexibly to developments on the capital markets and in the banking sector. In addition to committed bilateral lines of credit, which are drawn upon only to a limited extent, the Haniel Holding Company also has secured access to capital markets, for example via the current commercial paper program and the existing external rating. When financing with borrowed capital, it is of benefit that the Holding Company and its business units, both as established and reliable partners, enjoy a high degree of trust from banks and other investors. The Haniel Group is thus able to ensure the continuation of the operating business, even if for example economic conditions cause declines in incoming payments from business activities.

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

In the Haniel Group, risks from interest rates, financing and financial investments are currently of comparatively minor significance and thus counted among the other risks.

Compliance: The Haniel Group's business activities are subject to statutory and internal corporate rules and regulations. A failure to comply with these rules and regulations may damage the Company's reputation and may jeopardize its economic success. In order to prevent compliance risks effectively, the Haniel Group has established a comprehensive compliance management system, which is subject to continuous monitoring and improvement. Nevertheless, it is not possible to rule out the possibility of compliance breaches, so these are categorized 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 performance.

No risks jeopardizing the going concern assumption

Considered separately, the risks presented could have adverse effects on the Haniel Group. With regard to the overall risk situation however, the diversification of business models and regions has a positive effect: Many risks are restricted to individual business units or regions and are therefore of comparatively minor significance in relation to the Group as a whole. Where risks inherently affect all business units and the Holding Company it must be assumed that they do not hit all business areas in the same manner and at the same time.

The Haniel Group's risk situation has changed as compared to the previous year, primarily due to the impacts of the COVID-19 pandemic throughout the Group. This represents an increase in risks across many business units of a deterioration in the economic situation, a change in consumer behavior, negative impacts on production and supply chains and defaults on receivables. However, the Group took measures early on such as availing itself of the German partial furlough scheme (*Kurzarbeit*), reductions of costs and expenditures and strict receivables management, which render it possible to appropriately manage risks even in the face of a lasting pandemic. Here, too, the benefits of a diversified portfolio are evident: while ELG and TAKKT felt the fuller brunt of the economic downturn, CWS profited significantly from the increase in demand for hygiene products and services. Thanks to its stable business performance despite the pandemic and the associated share price performance, the CECONOMY financial investment represented a less pronounced impairment risk, meaning that this previously significant risk is now only classified as material. However, from an overall perspective, the Haniel Group remains robust and well prepared with respect to recognizable risks, including those which might arise from the pandemic.

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

Monitoring of the accounting processes

The Haniel Group applies an internal control and risk management system to its accounting processes. The purpose is to ensure that its financial reporting is reliable and that the risk of misstatements in the external and internal Group Reports is minimized. 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, unauthorized access to IT systems, and inadequately trained employees. Regular checks are performed to determine the extent to which these factors can jeopardize the integrity of the consolidated financial statements.

In order to counter potential risks, the Haniel Group has introduced an internal control system that seeks to ensure the reliability and propriety of the financial reporting processes, compliance with the relevant statutory and internal regulations, and the efficiency and effectiveness of procedures. However, even an appropriate and functional internal control system cannot guarantee that all risks will be identified and avoided.

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

The Haniel Group is distinguished by its clear and decentralized management and corporate structure. The local accounting processes are managed by the business units, each of which prepares its own subgroup financial statements. The management of the entities included in the subgroups controls and monitors the risks concerning the operational accounting processes. The Group companies

are responsible for compliance with the guidelines and procedures that apply throughout the Group. They are also answerable for the proper and timely flow of their accounting processes. They are supported in that respect by Corporate Accounting.

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

The Haniel Group's formal analysis and reporting process seeks to ensure that the information contained in the published annual report is reliable and complete. Corporate Accounting performs analytical checks in order to identify potential errors in consolidated reporting.

Standardized and centrally managed IT systems are used to prepare the consolidated financial statements. This applies to consolidation at all stages of the Haniel Group and to the process of preparing the notes to the financial statements. The IT systems used in the accounting department are protected against unauthorized access. Separations of functions and change management systems have been established.

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

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

Report on expected developments

Haniel believes that all business units will report organic revenue growth in fiscal year 2021. Overall, Haniel expects organic consolidated revenue growth to be up significantly as compared to that of the previous year. Haniel furthermore forecasts a significant increase in operating profit, which will be fueled by organic growth at the business units. Profit before taxes is also expected to be significantly higher. This outlook is based on the assumption that the impacts of the coronavirus pandemic will continue to abate in 2021.

Macroeconomic environment marred by uncertainties
The Organization for Economic Cooperation and Development (OECD) expects global economic output to increase by 4 percent in 2021. However, the state of the global economy remains highly uncertain due to the coronavirus pandemic. The OECD expects that any economic recovery in the individual countries will be uneven, which might lead to lasting changes in the global economy. For China, which experienced a recovery earlier on than other countries, it is assumed that growth will be strong and will account for more than a third of global economic growth in 2021. The contribution to global growth by Europe and North America will remain disproportionately small measured against their clout in the global economy.

The OECD expects GDP (gross domestic product) growth in the eurozone to be significantly positive in 2021 at 3.5 percent, although this will not be strong enough to bring production back to the levels known prior to the pandemic. This is not expected to occur until the end of 2022.

The OECD expects GDP growth in the United States to be at 3.2 percent in 2021. This growth is attributable to expectations of an additional stimulus package which will support income as well as consumption for private households. At the same time, improved conditions in key export markets and the ability to attain the agreed objectives in the Phase 1 trade agreement between the United States and China lead the OECD to expect a jump-start for export activities.

Nevertheless, until an effective vaccine can be successfully distributed in the second half of 2021, it is assumed that local virus outbreaks will occur and mitigation measures will subsequently be introduced, dampening business confidence and creating headwinds for new non-residential construction investments.

Since the various business units are active internationally, the results of the Haniel Group also depend on the development of various exchange rates, particularly the US dollar, the British pound and the Swiss franc.

Increases in profits expected
Haniel's Management Board looks to 2021 with optimism, although it is conscious of the economic uncertainties outlined above. Work will continue in 2021 to implement the transformation project in order to make the portfolio and the Group fit for the future and boost its growth prospects. Programs aimed at cutting costs and increasing flexibility, and the already launched implementation of efficiency enhancement programs under the HOW shared management approach lend credence to the assumption that performance will improve in all business units. However, the previously mentioned risks could give rise to deviations from the outlined general economic conditions and thus to revenue and earnings forecasts.

Overall, Haniel's Management Board expects all continuing operations to record organic growth in fiscal year 2021; i.e., growth that is adjusted for acquisitions and currency translation effects. Overall, Haniel's Management Board expects the Haniel Group to report organic revenue significantly above the level as that in the previous year, which was overshadowed by the coronavirus pandemic. Operating profit is also expected to increase sharply.

Net financial income is expected to be up significantly year on year. Operating free cash flow declined significantly due to the recovery of business activities and the increase in investment. Overall, Haniel's Management Board expects profit before and after taxes to increase significantly.

Acquisition activities at the level of the Haniel Holding Company and the business units will remain in focus. As part of its strategic realignment, the Holding Company

plans to expand the portfolio in 2021 and to invest in additional investment funds. As a result, the amount of recognized investments remains tangibly high.

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

Annual financial statements

Franz Haniel & Cie. GmbH
Statement of financial position

ASSETS

EUR million	Note	Dec. 31, 2020	Dec. 31, 2019
Fixed assets	1		
Intangible fixed assets		0.1	0.1
Tangible fixed assets		20.4	22.0
Financial assets		2,618.6	2,947.8
		2,639.0	**2,969.9**
Current assets			
Accounts receivable and other assets			
Trade receivables		0.1	0.0
Receivables from affiliated companies	2	402.7	173.2
Other assets	3	22.5	20.0
Cash in hand, bank balances		0.0	0.0
		425.3	**193.3**
Prepaid expenses	4	0.2	0.1
		3,064.6	**3,163.3**

EQUITY AND LIABILITIES

EUR million	Note	Dec. 31, 2020	Dec. 31, 2019
Equity	5		
Subscribed capital		1,000.0	1,000.0
Par value of treasury shares		–7.1	–6.5
Issued capital		992.9	993.5
Retained earnings			
Other retained earnings		1,586.1	1,587.2
Reserves provided for by the articles of association (Welker Funds)		0.5	0.5
Retained profit		89.4	240.3
		2,668.9	**2,821.5**
Provisions	6	**177.6**	**147.1**
Subordinated liabilities	7	**190.4**	**187.1**
Liabilities	8		
Bonds, commercial paper and other securitized debt		20.0	0.0
Trade payables		0.9	0.3
Liabilities to affiliated companies		0.3	0.3
Other liabilities		6.4	7.0
		27.6	**7.6**
		3,064.6	**3,163.3**

Franz Haniel & Cie. GmbH
Income statement

FOR THE PERIOD FROM JANUARY 1, 2020 TO DECEMBER 31, 2020

EUR million	Note	2020	2019
Revenue	10	4.2	5.7
Other operating income	11	10.0	1.9
Cost of materials	12	–0.8	–1.1
Personnel expenses	13	–52.1	–50.1
Depreciation and amortization		–2.1	–2.2
Other operating expenses	14	–27.8	–21.3
		–68.6	**–67.1**
Net investment result	15	–12.9	252.9
Other net financial income	16	–9.8	–9.5
Profit before taxes		**–91.4**	**176.3**
Income taxes	17	0.4	0.0
Profit after taxes/net income/loss for the financial year		**–90.9**	**176.3**
Retained earnings		180.3	64.0
Retained profit		**89.4**	**240.3**

Franz Haniel & Cie. GmbH
Statement of cash flows

FOR THE PERIOD FROM JANUARY 1, 2020 TO DECEMBER 31, 2020

EUR million	2020	2019
Profit after taxes/net income/loss for the financial year	**–90.9**	**176.3**
Depreciation/amortization (+)/write-ups (–) of fixed assets	206.0	2.2
Increase (+)/decrease (–) in provisions	30.5	12.2
Other non-cash income (–) and expenses (+)	0.5	5.4
Reclassifications of income (–)/expenses (+) from the disposal of fixed assets and other payments	–2.6	0.0
Increase (–)/decrease (+) in other receivables and other current assets	–2.7	–2.1
Increase (+)/decrease (–) in trade payables and other current liabilities	0.0	–2.3
Cash inflow (+)/outflow (–) from operating activities	**140.8**	**191.7**
Inflows (+) from the disposals of tangible and intangible fixed assets	0.0	0.0
Outflows (–) from additions to tangible and intangible fixed assets	–0.4	–0.9
Increase (–)/decrease (+) in receivables from and liabilities to affiliated companies and investments	–129.5	334.4
Inflows (+) from the disposals of affiliated companies	25.0	0.0
Outflows (–) from the acquisition of affiliated companies	0.0	–468.1
Cash inflow (+)/outflow (–) from investing activities	**–102.1**	**–134.6**
Dividends (–) to shareholders	–60.0	–60.0
Purchase (–) of treasury shares	–1.7	–4.0
Cash proceeds (+) from the issuance of financial liabilities	68.4	49.3
Cash repayments (–) of financial liabilities	–45.4	–42.4
Cash inflow (+)/outflow (–) from financing activities	**–38.7**	**–57.1**
Change in cash and cash equivalents	0.0	0.0
Cash and cash equivalents at the beginning of the period	0.0	0.0
Cash and cash equivalents at the end of the period	**0.0**	**0.0**

The cash flow from operating activities includes interest income in the amount of EUR 3.6 million (previous year: EUR 3.6 million), interest payments of EUR 10.3 million (previous year: EUR 10.2 million) as well as dividends and profit transfers from subsidiaries of EUR 191.1 million (previous year: EUR 252.7 million). Income tax reimbursements in the amount of EUR 0.4 million (previous year: payments of EUR 1.7 million) were made during the fiscal year.

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

Notes
General disclosures and accounting policies

Franz Haniel & Cie. GmbH is domiciled in Duisburg, Germany, and entered in the **commercial register** of the Duisburg Local Court (*Amtsgericht*) under number HR B 25.

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

Purchased **intangible fixed assets** are recognized at cost and amortized on a straight-line basis over their expected useful lives of up to five years. Internally generated intangible fixed assets are not capitalized.

Tangible fixed 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 250 (prior to 2017: EUR 150). Corresponding fixed assets costing between EUR 250 and EUR 1,000 (prior to 2017: 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 recognized by impairment losses.

Shares in affiliated companies and other long-term equity investments are recognized at cost or the lower fair value if an impairment is expected to be permanent. **Loans issued** are recognized 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.

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

Cash and cash equivalents are measured at their nominal amounts.

Income and expenditures in relation to income and expenses for a certain period after the reporting date are reported under **prepaid expenses and deferred income**. Differences between the settlement amount and the lower issue amount of liabilities are recognized 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 2018G mortality tables). The average market interest rate determined by the Deutsche Bundesbank for matching maturities for the past ten fiscal 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. Assets which serve solely to satisfy old-age pension obligations are offset against these and presented on the statement of financial position as net liabilities. If the fair value of these assets is greater than the amount of the obligation, the excess amount is recognized under a separate asset item.

Other provisions cover all identifiable risks and uncertain obligations. They are recognized at the settlement amount as dictated by prudent business judgment. 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 recognized in connection with derivative financial instruments are generally charged to net financial result.

Liabilities are recognized at their settlement amounts. Pension obligations are recognized at their present value and discounted using an appropriate average market rate for matching maturities over the past ten fiscal 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 reporting 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 unrealized valuation gains are not recognized. Unrealized valuation gains are recognized for items with a remaining term of less than one year.

Deferred taxes are recognized 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 items on Franz Haniel & Cie. GmbH's statement of financial position, but also those at consolidated tax group subsidiaries. Deferred tax assets on tax loss carry forwards are recognized only if there is reasonable assurance that they will be realized within five years. Deferred taxes are generally presented on a net basis. A tax burden is recognized on the statement of financial position as a deferred tax liability. In the event of a tax benefit (net asset), the Company does not exercise the corresponding option to recognize this under section 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 fiscal year: 30.7 percent; previous year: 30.7 percent).

Notes to the statement of financial position

1 Fixed assets

EUR million	Cost					
	Jan. 1, 2020	Additions	Disposals	Reclassi-fications	Currency adjustments	Dec. 31, 2020
Intangible fixed assets						
Purchased concessions and similar rights	2.0	0.0	0.0			2.0
Tangible fixed assets						
Land and buildings including buildings on third-party land	74.1			0.0		74.1
Other equipment, operating and office equipment	33.0	0.4	–1.0	0.0		32.3
Prepayments and assets under construction	0.1	0.0		–0.1		0.0
	107.1	**0.4**	**–1.0**	**0.0**	**0.0**	**106.5**
Financial assets						
Shares in affiliated companies	2,647.5	0.0	–25.0			2,622.5
Loans to affiliated companies	300.0		–100.0			200.0
Investments	0.3		–0.2			0.0
	2,947.8	**0.0**	**–125.2**	**0.0**	**0.0**	**2,822.6**
	3,057.0	**0.4**	**–126.3**	**0.0**	**0.0**	**2,931.1**

Shares in affiliated companies were affected by disposals in connection with the liquidation of a company, while impairments resulted from a likely permanent drop in the value of two subsidiaries based on their expected performance.

The change in loans to affiliated companies was attributable to the scheduled repayment of a portion of a long-term loan in connection with financing subsidiaries.

Accumulated depreciation, amortization and write-downs					Carrying amount	
Jan. 1, 2020	Annual depreciation and amortization	Impairments	Disposals	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
–1.9	0.0		0.0	–2.0	0.1	0.1
–61.2	–0.6			–61.8	12.3	12.9
–23.9	–1.5	–0.0	1.0	–24.3	8.0	9.1
0.0				0.0	0.0	0.1
–85.1	**–2.0**	**0.0**	**1.0**	**–86.1**	**20.4**	**22.0**
0.0		–204.0		–204.0	2,418.5	2,647.5
0.0				0.0	200.0	300.0
0.0			0.0	0.0	0.0	0.2
0.0	**0.0**	**–204.0**	**0.0**	**–204.0**	**2,618.6**	**2,947.8**
–87.0	**–2.1**	**–204.0**	**1.0**	**–292.1**	**2,639.0**	**2,969.9**

2 Receivables from affiliated companies

Receivables from affiliated companies amounted to EUR 402.7 million (previous year: EUR 173.2 million) and resulted from receivables from intragroup settlement accounts.

All of the receivables from affiliated companies have a remaining term of less than one year.

3 Other assets

The other assets item contains tax receivables totaling EUR 21.0 million (previous year: EUR 19.7 million). The remaining term of all other assets is less than one year.

4 Prepaid expenses

The prepaid expenses of EUR 0.2 million (previous year: EUR 0.1 million) include advance payments for expenditures incurred after the reporting date.

5 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 statement of financial position. Treasury shares with a par value of EUR 0.6 million (previous year: EUR 1.1 million) were acquired during the financial year.

In accordance with section 253 (6) sentence 2 HGB, EUR 11.7 million (previous year: EUR 11.6 million) is subject to a restriction on distribution; in accordance with section 253 (6) sentence 1, that amount represents a difference in the provisions for pensions.

There is no distribution restriction pursuant to section 268 (8) HGB with regard to the net retained earnings as of the reporting date.

6 Provisions

EUR million	Dec. 31, 2020	Dec. 31, 2019
Provisions for pensions and similar obligations	100.8	97.6
Other provisions	76.9	49.5
	177.6	**147.1**

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:

%	Dec. 31, 2020
Discount rate	2.30
Salary trend	2.25
Pension trend	1.50

Pension provisions amounting to EUR 105.9 million (previous year: EUR 100.7 million) were offset against the fair value of the plan assets amounting to EUR 5.1 million as of the reporting date (previous year: EUR 3.1 million). The cost of plan assets amounted to EUR 4.6 million as of the reporting date (previous year: EUR 2.8 million). During the year under review, the gain on plan assets amounted to EUR 0.3 million (previous year: EUR 0.4 million), which was recognized under other net financial income, net of interest expenses in connection with pensions.

Provisions for pensions and similar obligations are discounted using the average market rate of interest for the past ten fiscal years. Had the provisions been discounted using the average market rate of interest of the past seven fiscal years of 1.60 percent (previous year: 1.97 percent), this would have resulted in a difference of an additional EUR 11.7 million (previous year: EUR 11.6 million) in the provision.

The other provisions essentially comprise provisions for personnel remuneration, other personnel-related expenditures, outstanding invoices, as well as provisions in connection with sand-lime bricks made from lime substitutes in former Haniel building materials plants. The increase in this item was attributable in particular to the introduction of a long-term remuneration plan during the current fiscal year.

7 Subordinated liabilities

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

EUR million	Dec. 31, 2020	Dec. 31, 2019
Shareholder loans	138.7	129.2
Loans of the Haniel Foundation	36.3	39.1
Haniel Zerobonds	1.7	3.2
Haniel Performance Bonds	5.0	6.9
Other financial liabilities	8.7	8.7
	190.4	**187.1**

Of the total amount, EUR 88.1 million (previous year: EUR 72.8 million) had a remaining maturity of up to one year and EUR 102.3 million (previous year: EUR 114.3 million) of more than one year. Of that latter amount, EUR 0.2 million (previous year: EUR 0.5 million) had a remaining term of more than five years. Of the shareholder loans, EUR 66.7 million (previous year: EUR 58.7 million) had a term of up to one year and EUR 71.9 million (previous year: EUR 70.5 million) of more than one year.

8 Liabilities

All unsubordinated obligations of Franz Haniel & Cie. GmbH as of the reporting date are presented under liabilities. The various types and remaining maturities of the other liabilities as of December 31, 2020 are presented in the table below:

EUR million	**Dec. 31, 2020**				**Dec. 31, 2019**			
	Total	Up to 1 year	More than 1 year	of that amount: More than 5 years	Total	Up to 1 year	More than 1 year	of that amount: More than 5 years
Bonds, commercial paper and other securitized debt	20.0	20.0			0.0			
Trade payables	0.9	0.9			0.3	0.3		
Liabilities to affiliated companies	0.3	0.3			0.3	0.3		
Other liabilities	6.4	6.1	0.3		7.0	6.5	0.5	
of which for taxes	(3.2)	(3.2)			(4.0)	(4.0)		
	27.6	**27.3**	**0.3**		**7.6**	**7.1**	**0.5**	

Bonds, commercial paper and other securitized debt relate solely to issued commercial paper.

Liabilities to affiliated companies resulted primarily from the financing of subsidiaries.

EUR 0.6 million of other liabilities (previous year: EUR 0.7 million) is secured by payment guarantees. Of that amount, EUR 0.2 million have a remaining term of up to one year and EUR 0.4 million have a remaining term of more than one year. None of them have a remaining term of more than five years.

9 Contingent liabilities and other financial commitments

EUR million	Dec. 31, 2020	Dec. 31, 2019
Liabilities from payment guarantees and provision of collateral for third-party liabilities	**421.4**	**836.5**
of which to affiliated companies	(0.0)	(419.8)
of which to associated companies	(0.0)	(0.0)
of which for pensions	(0.0)	(0.0)
Other financial commitments		
Rental and leasing agreements		
in the following year	0.2	0.3
in 2 to 5 years	0.2	0.4
in 6 or more years	0.8	0.8
Total	**1.2**	**1.5**

In the previous year, liabilities from payment guarantees and provision of collateral for third-party liabilities to affiliated companies related primarily to the assumption of a pledge for a bond issued by a subsidiary which was repaid in full by the subsidiary upon maturity during the fiscal year.

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.

Notes to the income statement

10 Revenue

EUR million	2020	2019
Service revenue	2.9	4.5
of which from affiliated companies	(2.7)	(3.9)
Rental and lease revenue	1.3	1.2
of which from affiliated companies	(0.4)	(0.4)
	4.2	**5.7**

11 Other operating income

EUR million	2020	2019
Income from disposal of fixed assets	2.6	0.0
Income from reversals of provisions	7.0	1.7
Other income	0.4	0.2
	10.0	**1.9**

Income from the disposal of fixed assets included in particular income from the sale of works of art and the disposal of investments in real estate companies.

EUR 5.0 million in prior-period income from the reversal of provisions related to provisions for warranties under a purchase agreement (previous year: EUR 0.0 million).

12 Cost of materials

Cost of materials includes expenses for the purchase of goods and services in connection with revenues.

13 Personnel expenses

EUR million	2020	2019
Wages and salaries	–43.3	–37.9
Social security, pension costs and other benefits	–8.8	–12.2
of which for pensions	(–7.2)	(–10.1)
	–52.1	**–50.1**
Average number of employees (full-time employees)	120.1	157.2

During the current fiscal year, wages and salaries included expenses in relation to the introduction of a long-term remuneration plan, while during the previous year the item contained non-recurring expenses in connection with the Company's strategic realignment.

14 Other operating expenses

Other operating expenses amounted to EUR -27.8 million (previous year: EUR -21.3 million) and included in particular general administrative expenses and consulting fees.

In addition, this item also included other operating taxes amounting to EUR 0.2 million (previous year: EUR 0.2 million).

15 Net investment result

EUR million	2020	2019
Income from investments	0.1	72.6
of which from affiliated companies	(0.1)	(72.6)
Income from profit and loss transfer agreements	196.8	191.9
of which from tax assessments	(25.0)	(21.2)
Expenses from profit and loss transfer agreements	–5.8	–11.7
Impairments investments	–204.0	0.0
	–12.9	**252.9**

The decline in income from investments resulted from the loss of dividends in the wake of the crisis.

Impairment of investments in the current fiscal year related to write-downs on the carrying amounts of investments in two subsidiaries.

16 Other net financial income

EUR million	2020	2019
Income from other securities and long-term loans	1.6	1.4
of which from affiliated companies	(1.6)	(1.4)
Other interest and similar income	2.1	2.4
of which from affiliated companies	(1.4)	(2.4)
of which discounting of provisions	(0.0)	(0.0)
Write-downs of financial assets and securities classified as current assets	0.0	0.0
Interest and similar expenses	–13.5	–13.4
of which interest cost on pension provisions	(–2.3)	(–2.5)
of which interest cost on other provisions	(–0.4)	(–0.3)
	–9.8	**–9.5**

Other net financial income includes a currency translation gain amounting to EUR 0.0 million (previous year: EUR 0.0 million), comprising income amounting to EUR 0.1 million (previous year: EUR 0.0 million) and expenses amounting to EUR 0.1 million (previous year: EUR 0.0 million). Interest and similar income included EUR 0.5 million in prior-period income.

17 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. Income taxes for the past fiscal year included tax benefits in the amount of EUR 0.5 million relating to prior periods.

Deferred taxes are not included in the net tax income/expense. As of December 31, 2020, Franz Haniel & Cie. 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 recognize deferred taxes pursuant to section 274 (1) sentence 2 HGB is not exercised.

Deferred tax assets resulted primarily from temporary differences in carrying amounts relating to differences in pensions and other provisions as well as for provisions not recognized for tax purposes. Additionally, at the reporting date there were deferred tax assets due to previously unutilized tax loss carryforwards. Deferred tax liabilities resulted primarily from temporary differences in the carrying amounts of fixed assets.

Other notes

18 Fees of the independent auditors

The total fee of the auditors, PricewaterhouseCoopers GmbH, for the fiscal year was EUR 0.4 million (previous year: EUR 0.5 million). This total fee comprises services in connection with the audit of the financial statements totaling EUR 0.4 million (previous year: EUR 0.4 million) and to other assurance services and other services totaling EUR 0.0 million (previous year: EUR 0.1 million).

19 Derivative financial instruments

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

At the reporting date, the Company did not hold any derivative financial instruments, as in the previous year.

20 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 associated companies, parties related to members of the Management Board, Supervisory Board, the senior management group and close family members of this category of persons.

21 Disclosures on shareholdings

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.de/en.

The shareholdings of TAKKT AG and CECONOMY AG are indicated in the respective companies' annual reports and on their websites (www.takkt.com, www.ceconomy.de).

22 Executive bodies/governing body remuneration

In accordance with section 286 (4) HGB the total remuneration paid to the Management Board remains undisclosed. The total remuneration of the Supervisory Board was EUR 0.8 million (previous year: EUR 0.9 million); that of the Advisory Board was EUR 0.2 million (previous year: EUR 0.2 million). The remuneration for former members of the Management Board and their survivors was EUR 1.9 million (previous year: EUR 1.9 million); pension provisions totaling EUR 29.6 million (previous year: EUR 29.5 million) were recognized for the former members of the above bodies and their survivors.

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

Thomas Schmidt | Chairman of the Management Board
Dr Florian Funck | Chief Financial Officer

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

Shareholder representatives:
Franz M. Haniel | Chairman (until April 30, 2020), Graduate engineer
Doreen Nowotne | Chairwoman (since May 1, 2020), Independent business consultant
Dr Georg F. Baur | Deputy Chairman (until April 30, 2020), Businessman
Prof. Kay Windthorst | 2nd Deputy Chairman, University professor for public law, University of Bayreuth
Dr. Stephan Glander | CEO, iOLS Commercial Vehicles AG
Mathias Pahl (since May 1, 2020) | Head of Corporate Risk & Broking, Willis Towers Watson Versicherungsmakler GmbH
Patrick Schwarz-Schütte | Businessman
Maximilian Schwaiger (since May 1, 2020) | Vice President Region EMEA Industrial Fluid Solutions, Continental AG

Employee representatives:
Gerd Herzberg | 1st Deputy Chairman, Former trade union secretary (ver.di)
René Albersmeyer | Regional Key Account Manager, CWS-boco Deutschland GmbH
Ralf Fritz | Maintenance man, Franz Haniel & Cie. GmbH
Lutz Leischner | Head of Inventory Management, Prokurist, CWS-boco Supply Chain Management GmbH
Dirk Patermann | Employee, Sales Support Leipzig, CWS-boco Deutschland GmbH
Miriam Bürger | Trade union secretary (IG Metall)

23 Events after the reporting date

On February 21, 2021, the Company, via a subsidiary, signed an agreement to acquire 100 percent of the shares in BauWatch, the European market leader in temporary outdoor security solutions. The agreement is subject to antitrust approval. BauWatch will form an independent business unit within the “People” investment pillar.

24 Profit appropriation proposal

EUR	Dec. 31, 2020
After deducting appropriate write-downs and recognizing adequate valuation allowances and provisions, the net loss for the financial year ending December 31, 2020 amounts to:	–90,904,168.23
Plus retained earnings brought forward from the previous year:	180,289,326.21
This results in retained profit of:	89,385,157.98

The Management Board proposes to pay out a dividend of EUR 60,000,000.00 from retained profit and to carry the amount of EUR 29,385,157.98 forward to a new account.

The shareholders will therefore receive a dividend of 6 percent on share capital of EUR 1,000,000,000.00, which represents an amount of EUR 3.00 per EUR 50.00 ordinary share.

Duisburg, March 9, 2021

The Management Board

Schmidt **Funck**

INDEPENDENT AUDITORS' REPORT

To Franz Haniel & Cie. GmbH, Duisburg

Audit Opinion

We have audited the annual financial statements of Franz Haniel & Cie. GmbH, Duisburg which comprise the statement of financial position as of December 31, 2020, and the income statement for the fiscal year from January 1 to December 31, 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Franz Haniel & Cie. GmbH for the fiscal year from 1 January to 31 December 2020.

In our opinion based on the findings of our audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2020 and of its financial performance for the fiscal year from January 1 to December 31, 2020 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence

we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report

Other Information

The executive directors are responsible for the other information. The other information comprises the remaining parts of the publication "Financial Statements 2020"– excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Essen, March 9, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Lutz Granderath
Wirtschaftsprüfer (German Public Auditor)

Heike Böhle
Wirtschaftsprüferin (German Public Auditor)

Contact / Publication details

Franz Haniel & Cie. GmbH
Franz-Haniel-Platz 1
47119 Duisburg
Germany
Telephone +49 203 806 - 0
info@haniel.de
www.haniel.de/en

BekaertDeslee Holding NV
Deerlijkseweg 22
8790 Waregem
Belgium
Telephone +32 56 62 41 11
info@bekaertdeslee.com
www.bekaertdeslee.com

CWS International GmbH
Franz-Haniel-Platz 6 - 8
47119 Duisburg
Germany
Telephone +49 203 987165 - 8000
info.de@cws.com
www.cws.com

ELG Haniel GmbH
Kremerskamp 16
47138 Duisburg
Germany
Telephone +49 203 4501 - 0
info@elg.de
www.elg.de/en

Emma Sleep GmbH
Wilhelm-Leuschner-Straße 78
60329 Frankfurt am Main
Deutschland
Telephone +49 69 989 723 - 300
info@emma-sleep.com
www.team.emma-sleep.com

Optimar International AS
Valderøyvegen 1129
6050 Valderøy
Norway
Telephone +47 70 10 80 00
info@optimar.no
www.optimar.no

ROVEMA International GmbH
Industriestraße 1
35463 Fernwald
Germany
Telephone +49 641 409 0
info@rovema.de
www.rovema.com/en

TAKKT AG
Presselstraße 12
70191 Stuttgart
Germany
Telephone +49 711 3465 - 80
service@takkt.de
www.takkt.de/en

CECONOMY AG
Benrather Straße 18 - 20
40213 Düsseldorf
Germany
Telephone +49 211 5408 - 7000
info@ceconomy.de
www.ceconomy.de/en

Responsible for the content
Franz Haniel & Cie. GmbH
Franz-Haniel-Platz 1
47119 Duisburg
Germany
Telephone +49 203 806 - 0
info@haniel.de
www.haniel.de/en

These separate financial statements of Franz Haniel & Cie. GmbH are published in German and English. Both versions can be downloaded at www.haniel.de/en. The German version is controlling. All statements in this brochure with regard to occupations and target groups apply, always and irrespective of the formulation to all persons of any gender.

haniel.de/en