HANIEL

Franz Haniel & Cie. GmbH
Annual Report
2020

Indicators

SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS

EUR million	2019	2020	Change
Revenue and profits			
Revenue	2,953	3,105	+5%
Operating profit (EBITA)	247	235	-5%
Profit before taxes	192	153	-20%
Profit after taxes	130	-96	>-100%
Cash flow			
Haniel cash flow	514	551	+7%
Cash flow from operating activities	617	631	+2%
Capital expenditure	463	524	+13%
Dividend of Franz Haniel & Cie. GmbH	60	60	+/-0%
Statement of financial position			
Total assets	6,279	6,035	-4%
Equity	3,356	2,885	-14%
Equity ratio (in percent)	53%	48%	-5% points
Net financial position	823	438	-47%
Employees			
Annual average number of employees (headcount)	19,303	20,400	+6%

Looking back at 2020

Remaining *enkelfähig*: Haniel keeps focus on profitable growth and sustainability

Revenue and operating profit stable despite impacts of coronavirus crisis

Major progress in portfolio restructuring: new business unit Emma acquired, additional investments made in existing business units and PPP Growth, ELG disposal initiated

Management structures at Holding Company and the business units reinforced

Shared management model “HOW” established at Group level

Around EUR 1.6 billion available for additional portfolio development

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 become *enkelfähig.* 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

Group Report of the Management Board

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.

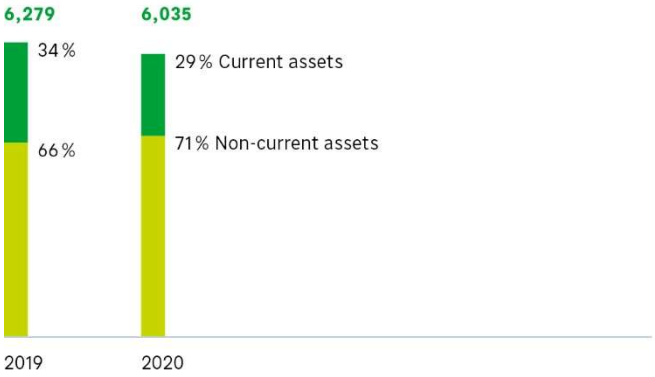
The decline in current assets was due mainly to the use of cash to repay the CECONOMY exchangeable bond. This was offset by ELG's reclassification as a discontinued operation. Current assets amounted to EUR 1,757 million as of December 31, 2020, compared to EUR 2,132 million as of December 31, 2019.

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.

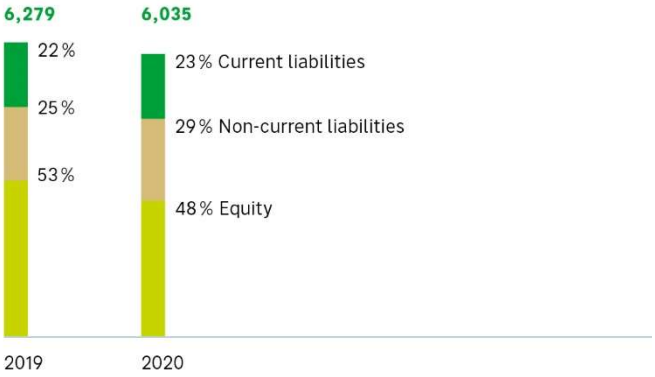
Non-current liabilities increased from EUR 1,543 million as of December 31, 2019 to EUR 1,737 million as of December 31, 2020. Current liabilities increased from EUR 1,381 million as of December 31, 2019 to EUR 1,414 million as of December 31, 2020. These developments, too, were attributable to the acquisition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

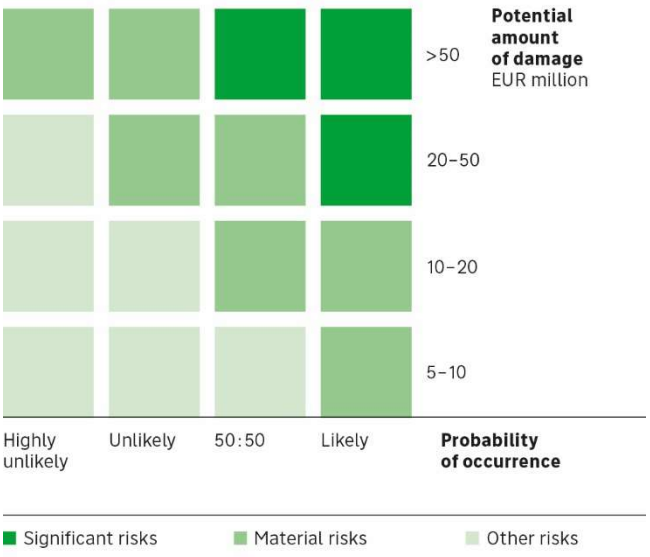
The effectiveness of the risk management system is monitored regularly and improvements are introduced where necessary.

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.

Consolidated financial statements

Haniel Group
Statement of financial position

ASSETS

EUR million	Note	Dec. 31, 2020	Dec. 31, 2019
Property, plant and equipment	1	786	957
Intangible assets	2	2,833	2,638
Investments accounted for at equity	3	309	313
Financial assets	4	273	150
Other non-current assets	5	22	37
Deferred taxes	6	55	52
Non-current assets		**4,278**	**4,147**
Inventories	7	322	629
Trade receivables and similar assets	8	437	532
Financial assets	9	20	102
Income tax assets	6	33	42
Cash and cash equivalents	10	212	566
Other current assets	11	94	146
Assets held for sale	12	639	115
Current assets		**1,757**	**2,132**
Total assets		**6,035**	**6,279**

EQUITY AND LIABILITIES

EUR million	Note	Dec. 31, 2020	Dec. 31, 2019
Equity of shareholders of Franz Haniel & Cie. GmbH		2,550	3,042
Non-controlling interests		335	314
Equity	13	**2,885**	**3,356**
Financial liabilities	14	721	902
Pension provisions	15	421	442
Other non-current provisions	16	66	62
Other non-current liabilities	17	406	6
Deferred taxes	6	122	131
Non-current liabilities		**1,737**	**1,543**
Financial liabilities	14	226	802
Current provisions	16	121	111
Trade payables and similar liabilities	18	201	231
Income tax liabilities	6	29	16
Other current liabilities	19	303	221
Liabilities held for sale	12	534	0
Current liabilities		**1,414**	**1,381**
Total equity and liabilities		**6,035**	**6,279**

Haniel Group
Income statement

EUR million	Note	2020	2019
Revenue	20	**3,105**	**2,953**
Changes in inventories of finished goods and work in progress		2	-1
Other own work capitalized		18	21
Gross revenue		**3,125**	**2,973**
Cost of materials		-1,113	-1,073
Gross profit		**2,012**	**1,900**
Other operating income	21	22	21
Total operating income		**2,034**	**1,921**
Personnel expenses	22	-884	-843
Other operating expenses	23	-615	-534
EBITDA		**535**	**544**
Depreciation and amortization (other than of intangible assets from purchase price allocation)		-299	-297
Impairment of property, plant and equipment and intangible assets (other than of intangible assets from purchase price allocation)		-1	-1
Operating profit (EBITA)		**235**	**247**
Amortization of intangible assets from purchase price allocation		-60	-59
Impairment of intangible assets from purchase price allocation		-25	0
EBIT		**150**	**187**
Result from investments accounted for at equity	3	29	40
Other investment result		11	5
Finance costs	24	-31	-40
Other net financial income	25	-7	-1
Net financial income		**3**	**4**
Profit before taxes		**153**	**192**
Income tax expenses	26	-20	-13
Profit after taxes from continuing operations		**133**	**179**
Profit after taxes from discontinued operations	27	-229	-49
Profit after taxes		**-96**	**130**
of which attributable to non-controlling interests		24	47
of which attributable to shareholders of Franz Haniel & Cie. GmbH		-119	83

Haniel Group
Statement of comprehensive income

EUR million	Note	2020	2019
Profit after taxes		**-96**	**130**
Remeasurements of defined benefit plans recognized in other comprehensive income		-37	-68
Deferred taxes on remeasurements of defined benefit plans recognized in other comprehensive income		1	18
Remeasurements of defined benefit plans		**-36**	**-49**
Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity		**-1**	**-33**
Income and expenses recognized in equity from remeasurement of equity instruments		-2	-4
Deferred taxes on remeasurement of equity instruments		0	0
Remeasurement of equity instruments		**-2**	**-4**
Total other comprehensive income not to be reclassified to profit or loss		**-40**	**-86**
Income and expenses recognized in equity from remeasurement of derivative financial instruments		-3	-4
Reversals recognized in profit or loss		4	1
Deferred taxes on remeasurement of derivative financial instruments		-1	1
Remeasurement of derivative financial instruments		**0**	**-2**
Income and expenses recognized in equity from foreign currency translation		-72	22
Reversals recognized in profit or loss		0	-1
Currency translation effects		**-72**	**21**
Income and expenses recognized in equity from changes recognized directly in equity of investments accounted for at equity		-20	39
Reversals recognized in profit or loss		0	106
Other comprehensive income from investments accounted for at equity		**-20**	**144**
Total other comprehensive income to be reclassified to profit or loss and reversals recognized in profit or loss		**-92**	**163**
Total other comprehensive income		**-131**	**78**
of which attributable to non-controlling interests		-16	-6
of which attributable to shareholders of Franz Haniel & Cie. GmbH		-115	84
Comprehensive income	13	**-227**	**208**
of which attributable to non-controlling interests		8	41
of which from discontinued operations		0	2
of which from continuing operations		8	39
of which attributable to shareholders of Franz Haniel & Cie. GmbH		-235	167
of which from discontinued operations		-247	62
of which from continuing operations		13	105

Haniel Group
Statement of changes in equity

CHANGES IN 2020

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	**Equity of shareholders of Franz Haniel & Cie. GmbH**	Non-controlling interests	**Equity**
As of Jan. 1, 2020	1,000	678	-312	1,703	-27	**3,042**	314	**3,356**
Dividends				-60		**-60**		**-60**
Changes in the scope of consolidation				-194		**-194**	19	**-174**
Changes in shares in companies already consolidated				-2		**-2**	-6	**-8**
Changes in treasury shares					-2	**-2**		**-2**
Comprehensive income			-115	-119		**-235**	8	**-227**
of which profit after taxes				-119		**-119**	24	**-96**
of which other comprehensive income			-115			**-115**	-16	**-131**
As of Dec. 31, 2020	**1,000**	**678**	**-427**	**1,327**	**-29**	**2,550**	**335**	**2,885**

CHANGES IN 2019

EUR million	Subscribed capital	Capital reserve	Accumulated other comprehensive income	Retained earnings	Treasury shares	**Equity of shareholders of Franz Haniel & Cie. GmbH**	Non-controlling interests	**Equity**
As of Jan. 1, 2019 before adjustments	1,000	678	-456	2,037	-23	**3,236**	394	**3,630**
Changes in accordance with IAS 8				-3		**-3**		**-3**
As of Jan. 1, 2019	1,000	678	-456	2,034	-23	**3,233**	394	**3,627**
Dividends				-60		**-60**	-29	**-89**
Changes in the scope of consolidation			71	-71		**0**		**0**
Changes in shares in companies already consolidated			-11	-283		**-294**	-93	**-387**
Changes in treasury shares					-4	**-4**		**-4**
Comprehensive income			84	83		**167**	41	**208**
of which profit after taxes				83		**83**	47	**130**
of which other comprehensive income			84			**84**	-6	**78**
As of Dec. 31, 2019	**1,000**	**678**	**-312**	**1,703**	**-27**	**3,042**	**314**	**3,356**

For further explanatory comments concerning equity, see note 13.

Haniel Group
Statement of cash flows

EUR million	Note	2020	2019
Profit after taxes		-96	130
Depreciation and amortization, impairment losses and reversals on non-current assets		492	377
Change in pension provisions and other non-current provisions		31	-4
Income/expenses from changes in deferred taxes		-31	-28
Non-cash income/expenses and dividends of investments accounted for at equity		-22	59
Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares		4	-16
Other non-cash income and expenses and other payments		173	-4
Haniel cash flow		**551**	**514**
Change in inventories, receivables and similar assets		5	103
Change in other current non-interest-bearing liabilities, current provisions and similar liabilities		75	0
Cash flow from operating activities		**631**	**617**
Proceeds from the disposal of property, plant and equipment, intangible assets and other non-current assets		134	869
Payments for investments in property, plant and equipment, intangible assets and other non-current assets		-394	-382
Proceeds from the disposal of consolidated companies and other business units		1	7
Payments for acquisitions of consolidated companies and other business units		-130	-81
Cash flow from investing activities		**-389**	**413**
Proceeds from contributions to equity		0	0
Payments to shareholders		-62	-112
Payments from changes in shares in companies already consolidated		-8	-443
Proceeds from issuance of financial liabilities		1,136	1,558
Repayments of financial liabilities		-1,658	-1,583
Cash flow from financing activities		**-592**	**-580**
Cash and cash equivalents at the beginning of the period		566	116
Cash and cash equivalents classified as assets held for sale at the beginning of the period		0	0
Increase/decrease in cash and cash equivalents		-350	450
Non-cash increase/decrease in cash and cash equivalents		-3	0
Cash and cash equivalents classified as assets held for sale at the end of the period		1	0
Cash and cash equivalents at the end of the period	33	**212**	**566**

The cash flow from operating activities includes dividends received in the amount of EUR 8 million (previous year: EUR 38 million), interest income of EUR 5 million (previous year: EUR 7 million) and interest payments of EUR 36 million (previous year: EUR 38 million). EUR 36 million was paid in income taxes (previous year: EUR 47 million).

Notes to the consolidated financial statements

A. Segment Reporting

2020 BY BUSINESS UNIT

	People		Planet	Progress		Transformation		Holding Company			
EUR million	Bekaert Deslee	Emma	CWS	Optimar	ROVEMA	TAKKT	CECONOMY financial investment	Holding Company and other companies	Consolidation	**Group**	Discontinued operations
Segment revenue from external customers	319	256	1,242	94	127	1,067				**3,105**	1,329
Segment revenue from transactions with other segments	18								-18	**0**	
Revenue	**337**	**256**	**1,242**	**94**	**127**	**1,067**	**0**	**0**	**-18**	**3,105**	**1,329**
Operating profit (EBITA)	**36**	**16**	**170**	**4**	**11**	**59**	**0**	**-67**	**6**	**235**	**-108**
Result from investments accounted for at equity	0		-1			-1	30			**29**	-6
Finance costs	-5	-1	-8	-4	-1	-5		-16	10	**-31**	-14
Other net financial income	-4		1	-1				7	-9	**-7**	1
Profit before taxes	**17**	**13**	**132**	**-32**	**4**	**47**	**30**	**0**	**-59**	**153**	**-152**
Depreciation and amortization of segment assets	-28	-3	-268	-8	-9	-40		-3		**-359**	-23
Material non-cash income (+) and expenses (-) other than depreciation and amortization	-15	-1	-14	-25	2	-18	30	-15	1	**-55**	-188
Total assets	**541**	**489**	**1,938**	**222**	**297**	**1,082**	**304**	**2,835**	**-2,311**	**5,396**	**639**
of which carrying amount of investments accounted for at equity	4		1				304			**309**	5
of which goodwill	135	325	864	72	133	647				**2,178**	
Financial liabilities	**168**	**48**	**686**	**91**	**55**	**83**	**0**	**220**	**-404**	**947**	**329**
Recognized investments in non-current segment assets	**20**	**390**	**301**	**3**	**9**	**23**	**0**	**144**		**891**	**24**
Annual average number of employees (headcount)	**3,779**	**516**	**11,012**	**445**	**717**	**2,521**	**0**	**136**		**19,126**	**1,274**

See note 34 for a description of the segments.

2020 BY REGION

EUR million	Belgium	Germany	Austria	United Kingdom	Netherlands	Norway	Switzerland	USA	Other countries	**Total**
Segment revenue from external customers, by location of company	211	1,224	73	118	198	91	182	562	446	**3,105**
Non-current intangible assets and property, plant and equipment	198	2,065	29	44	226	154	93	469	341	**3,619**

2019 BY BUSINESS UNIT

	People		Planet	Progress		Transformation		Holding Company			
EUR million	Bekaert Deslee	Emma	CWS	Optimar	ROVEMA	TAKKT	CECONOMY financial investment	Holding Company and other companies	Consolidation	**Group**	Discontinued operations
Segment revenue from external customers	339		1,188	118	96	1,213				**2,953**	1,580
Segment revenue from transactions with other segments						1			-1	**0**	
Revenue	**339**	**0**	**1,188**	**118**	**96**	**1,214**	**0**	**0**	**-1**	**2,953**	**1,580**
Operating profit (EBITA)	**27**	**0**	**155**	**2**	**7**	**118**	**0**	**-62**	**-1**	**247**	**7**
Result from investments accounted for at equity	1					-1	41			**40**	-4
Finance costs	-6		-9	-4	-1	-7		-21	9	**-40**	-20
Other net financial income	1		-1			-1		9	-11	**-1**	18
Profit before taxes	**12**	**0**	**118**	**-9**	**-0**	**101**	**41**	**0**	**-71**	**192**	**-41**
Depreciation and amortization of segment assets	-27		-268	-9	-9	-41		-2		**-356**	-21
Material non-cash income (+) and expenses (-) other than depreciation and amortization	-1		1	1	1	-15	41	5	6	**38**	-59
Total assets	**580**	**0**	**1,894**	**260**	**268**	**1,101**	**295**	**3,385**	**-2,456**	**5,327**	**952**
of which carrying amount of investments accounted for at equity	5		1				295			**302**	12
of which goodwill	147		826	103	132	671				**1,879**	83
Financial liabilities	**192**	**0**	**646**	**105**	**51**	**194**	**0**	**617**	**-499**	**1,306**	**398**
Recognized investments in non-current segment assets	**19**	**0**	**332**	**5**	**6**	**58**	**0**	**107**	**-1**	**526**	**39**
Annual average number of employees (headcount)	**3,354**	**0**	**10,509**	**478**	**691**	**2,706**	**0**	**185**		**17,922**	**1,381**

2019 BY REGION

EUR million	Belgium	Germany	Sweden	United Kingdom	Netherlands	Norway	Switzerland	USA	Other countries	**Total**
Segment revenue from external customers, by location of company	220	960	81	105	178	113	176	653	467	**2,953**
Non-current intangible assets and property, plant and equipment	207	1,678	74	74	234	196	95	557	328	**3,443**

B. General basis of presentation

Accounting principles
The consolidated financial statements of Franz Haniel & Cie. GmbH for the year ended December 31, 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) in effect on the reporting date and adopted by the Commission of the European Union, and in accordance with the supplementary requirements applicable under section 315e (1) HGB (*Handelsgesetzbuch* – German Commercial Code). 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. These consolidated financial statements were prepared by the Management Board on March 9, 2021. They were approved by the Supervisory Board at its meeting on April 13, 2021.

The reporting currency is the euro; figures are shown in EUR million. This may result in rounding differences. For enhanced transparency of presentation, certain items in the statement of financial position and the income statement have been combined. These are explained in the notes. In accordance with IAS 1, the statement of financial position has been classified into non-current and current items. The income statement has been prepared using the nature of expense method.

New accounting standards and interpretations
The following standards and interpretations that were revised or newly-issued by the IASB (International Accounting Standards Board) or the IFRS Interpretations Committee (IFRS IC), as adopted by the Commission of the European Union, were applicable for the first time beginning with the 2020 fiscal year:

Interest Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)
Amendments to IAS 1 and IAS 8 (2018): “Definition of Material”
Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 3 “Definition of a Business”

Interest Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
Since the beginning of 2020, the Haniel Group has applied the Interest Benchmark Reform – “Amendments to IFRS 9, IAS 39 and IFRS 7”, which was published on September 26, 2019 and endorsed by the European Union on January 15, 2020. The supplemental provisions thus applied retrospectively to hedges which had existed at the beginning of the fiscal year. Thanks to the relief provided by these amendments, hedges need not be terminated due to effects arising from the IBOR reform. Application of these new provisions had no material influence on the financial statements for the current period. The relief is applicable for as long as there is uncertainty as to the timing and amount of the expected cash flows resulting from the IBOR reform, or until the hedge is terminated. This is not expected to impact the financial statements for future periods.

The first-time application of additional amendments to existing standards did not give rise to any effects on the presentation of the Haniel Group’s net assets, financial position, and results of operations.

The IASB and the IFRS IC have issued new and amended rules whose application is not mandatory for the Haniel Group until fiscal year 2021 or later. For these standards to be applicable, the required endorsement by the Commission of the European Union is still pending in some cases. The relevant Standards and Interpretations are:

Standard/Interpretation	Effective date
Endorsed by the Commission of the European Union	
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	2021
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	2021
Covid-19-Related Rent Concessions Amendment to IFRS 16	2021
Not yet endorsed by the Commission of the European Union	
Amendments to IFRS 3 (2020): "Reference to the Conceptual Framework"	2022
Amendments to IAS 37 (2020): "Onerous Contracts – Cost of Fulfilling a Contract"	2022
Amendments to IAS 16 (2020): "Property, Plant and Equipment – Proceeds before Intended Use"	2022
Annual Improvement to IFRS Standards 2018 – 2020 Cycle (2020): "Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture"	2022
Amendments to IAS 1 (2020): "Classification of Liabilities as Current or Non-current"	2023
IFRS 17 (2017): "Insurance Contracts"	2023
Amendments to IAS 1 (2021): "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies"	2023
Amendments to IAS 8 (2021): "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates"	2023

On August 27, 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, representing the culmination of phase 2 of the IASB's IBOR project. The Haniel Group applied the amendments introduced in the first phase from the beginning of the year 2020. The purpose of the amendments in the second phase is to mitigate the reporting impacts of replacing an existing reference rate with an alternative one. Under the relief introduced, existing hedges may be continued and there were no material impacts on the financial statements for the current period. Because the relief may be applied for as long as the hedges exist, no material impacts on the financial statements are expected to occur in future periods, either.

The amendments to IFRS 4 "Insurance Contracts" have no impact on the Haniel Group's financial statements.

In response to the coronavirus pandemic and the resulting economic consequences, the IASB published "Covid-19-Related Rent Concessions – Amendment to IFRS 16" on May 28, 2020, which was endorsed on October 9, 2020. The supplemental provisions simplify the accounting for coronavirus-related amendments to rental agreements, such as concessions. These provisions have not been applied by the Haniel Group.

The option of early application of standards already issued was not otherwise exercised. Currently there are also no plans to apply any of the standards issued by the IASB early. The Haniel Group does not foresee any effects from the initial application of the aforementioned standards on presentation of the Group's net assets, financial position, and results of operations.

Consolidation principles

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

Joint ventures as defined by IFRS 11 and associates as defined by IAS 28 are accounted for using the equity method. In the case of joint ventures, the Haniel Group exercises joint control with partners and has an interest in the net assets and/or profits of the joint venture. Associates are companies on which significant influence is exercised. This is normally assumed to be the case with an equity investment of between 20 and 50 percent. To the extent the Haniel Group has an interest in a joint operation as a joint operator, the joint operation's assets and liabilities as well as income and expenses that relate to Haniel's interest are recognized in Haniel's consolidated financial statements.

The reporting date for the separate financial statements of the consolidated subsidiaries is identical with the date for the consolidated financial statements, namely December 31, 2020. The separate financial statements of the domestic and foreign subsidiaries consolidated are prepared in accordance with uniform accounting policies.

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

In accordance with IFRS 3, goodwill is not amortized. Rather, a write-down to the lower recoverable amount is made if necessary depending on the results of an annual impairment test, or an interim test if there are indications of impairment (triggering events). The recoverable amount corresponds to the higher of the value in use and the fair value less costs of disposal. Any goodwill impairment loss is recognized in profit or loss.

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

Intra-Group profits and losses, sales, income and expenses as well as receivables and payables between companies included in the consolidated financial statements are eliminated. Intercompany profits and losses contained in non-current assets and inventories from intra-Group transactions are adjusted to the extent that they are not of minor significance.

Scope of consolidation

Aside from Franz Haniel & Cie. GmbH, 213 domestic and foreign companies were included in full in the consolidated financial statements as of December 31, 2019. In the fiscal year, the number of subsidiaries changed as follows:

Additions due to acquisition of shares or obtaining control	28
Additions due to new company formation	12
Disposals due to sale of shares or loss of control	0
Disposals due to mergers or liquidation	19

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 234 subsidiaries are included in the consolidated financial statements as of December 31, 2020. Of that figure, 28 companies belong to the BekaertDeslee business unit, 55 to CWS, 18 to Emma, 6 to Optimar, 16 to ROVEMA and 61 to TAKKT. 8 subsidiaries are allocated to the Holding and other companies segment. The ELG business unit, which has been classified as held for sale, consists of 42 companies.

In the previous year, one asset leasing company was included in Haniel's consolidated financial statements as a subsidiary because, although Haniel did not hold the majority of the voting rights, based on the contractual provisions it did direct activities that were significant for the amount of the returns and therefore exercised control within the meaning of IFRS 10. This asset leasing company was liquidated during the year under review.

In addition, the Haniel Group leases real estate from an asset leasing company. The corresponding agreements are accounted for in accordance with IFRS 16. In these arrangements and based on the contractual provisions, the Group has neither a legal interest in the companies nor can it direct activities that are significant for the returns. As of the reporting date, the lease liabilities to this unconsolidated leasing company presented in financial liabilities totaled EUR 6 million (previous year: EUR 6 million). The corresponding right-of-use asset was reported at EUR 7 million as of the reporting date (previous year: EUR 7 million).

The Haniel Group also holds equity shares of less than 10 percent each in venture capital funds. Under the contractual provisions, Haniel does not participate in the funds' investment and disposal decisions that are material for the returns from these involvements and thus does not exercise any control. As of the reporting date, the carrying amount of the venture capital funds corresponding to the fair value was EUR 64 million (previous year: EUR 39 million) and is presented in non-current financial assets. In addition to the amounts already paid-in, Haniel committed itself to make additional capital contributions of EUR 102 million (previous year: EUR 14 million) to the venture capital funds, which the fund managers can call in for additional investments by the funds. The maximum loss exposure for Haniel from the venture capital funds thus corresponds to their carrying amount and the outstanding capital contributions. The increase in other contribution commitments resulted from the subscription of additional funds.

Aside from the fully consolidated subsidiaries, 8 (previous year: 8) associates are accounted for in Haniel's consolidated financial statements using the equity method. As in the previous year, no joint ventures are included in the consolidated financial statements.

Foreign currency translation

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

Franz Haniel & Cie. GmbH's reporting currency is the euro. The foreign currency amounts indicated in the financial statements of companies outside the eurozone that are included in the consolidated financial statements are translated using the concept of functional currency in accordance with IAS 21. Given that the subsidiaries operate as financially, economically and organizationally independent entities, their respective local currency is generally the functional currency. The assets and liabilities of companies outside the eurozone are translated at the closing rate, while their income statement items are translated at average annual exchange rates. Goodwill resulting from the acquisition of foreign companies is assigned to the acquired company and translated at the closing rate. All resulting exchange differences are recognized in other comprehensive income. The currencies that are most relevant for Haniel's consolidated financial statements are:

	2020		**2019**	
EUR	Average exchange rate	Closing rate	Average exchange rate	Closing rate
US dollar (USD)	1.1409	1.2271	1.1193	1.1234
UK pound Sterling (GBP)	0.8891	0.8990	0.8773	0.8508
Swiss franc (CHF)	1.0706	1.0802	1.1121	1.0854
Norwegian krone (NOK)	10.6990	10.4703	9.8479	9.8638

Since 1 July 2018, Argentina has been classified as a hyperinflationary economy. Therefore, IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied for Bekaert Textiles Argentina SA. The effects resulting from this are immaterial for the Haniel Group.

The United Kingdom left the European Union on January 31, 2020. This affected a number of business units within the Haniel Group. The continuing operations – the BekaertDeslee and TAKKT business units – as well as ELG, which was reclassified as held for sale, generate revenue in the United Kingdom. Due to the general deterioration in the overall economic situation in Great Britain and Northern Ireland, revenue in this region is expected to decline somewhat. Furthermore, business is likely to be impeded by tariffs and delivery delays. The effect resulting from this is immaterial for the Haniel Group.

Accounting policies
The consolidated financial statements are generally prepared based on historical cost. A material exception to that are certain derivative and non-derivative financial instruments measured at fair value.

Property, plant and equipment (tangible assets) are recognized at cost less depreciation and, if applicable, impairment losses. If the reasons for an impairment loss no longer exist, appropriate reversals are recognized, provided that the resulting carrying amount does not exceed the depreciated cost of the asset. The cost of internally generated property, plant and equipment includes direct costs as well as directly attributable overheads. Allocable borrowing costs are recognized in the cost of qualifying assets.

Property, plant and equipment, with the exception of land, are depreciated over their estimated useful lives using the straight-line method. Depreciation is based on the following useful lives:

Buildings	2 to 50 years
Technical equipment and machinery	2 to 20 years
Operating and office equipment	2 to 20 years

A **lease** is a contract that conveys the right to control the use of an identified asset (leased asset) for a period of time in exchange for consideration.

The Haniel Group generally accounts for all leases as a lessee – with the exception of leased assets of low value and short-term leases (less than 12 months). Right-of-use assets are recognized with respect to the leased assets and liabilities are recognized with respect to the payment obligations resulting from the lease.

The lease liability is measured as the present value of the future lease payments and comprises the following elements: fixed lease payments, less any lease incentives received; variable lease payments; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease.

The discount rate for lease payments is generally calculated using incremental borrowing rates for the specific lease terms and currencies with comparable payment profiles, as the interest rate implicit in the lease cannot be readily determined. Lease liabilities are subsequently measured by reducing the carrying amount of the liability to reflect the lease payments made (effective interest rate method). Interest expenses are presented in finance costs.

Right-of-use assets are measured at cost, which comprises the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Right-of-use assets are subsequently measured at amortized cost, depreciated on a straight-line basis over the term of the lease and recognized under property, plant and equipment.

The right-of-use assets in relation to leased assets are presented within line items that reflect the nature of the respective leased assets. Thus, the Land, buildings and similar assets, Technical equipment and machinery, and Operating and office equipment line items under Property, plant and equipment include right-of-use assets for leased assets. The Other intangible assets line item under Intangible assets also contains right-of-use assets.

The practical expedients for leases for which the underlying asset is of low value and short-term leases (less than 12 months) were applied, and the payments continue to be recognized on a straight-line basis under other operating expenses. Furthermore, the standard is not applied to leases of intangible assets. In the case of contracts containing lease components alongside non-lease components, the option to forgo separation of these components has been applied.

Certain leases contain extension and termination options. When determining the term of the leases, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease are taken into consideration. Changes in lease terms resulting from the lessee's decision to exercise or not exercise such options are only taken into account if they are reasonably certain.

A lessor shall classify each of its leases as either an operating lease or a finance lease. Under a finance lease, an asset must be recognized in the statement of financial position and presented as a receivable in the amount of the net investment value. Under an operating lease, the leased asset is recognized at amortized cost under property, plant and equipment. The lease payments received during the period under review are presented under other operating income.

Purchased **intangible assets** are recognized at cost less amortization and, if applicable, impairment losses. With the exception of goodwill, brand names and works of art with an indefinite life, all useful lives are definite. An indefinite useful life is attributable to the Company's intention to continue using the relevant assets. Intangible assets with finite useful lives are generally amortized over their contractual or estimated useful lives using the straight-line method. This period is between 2 and 20 years. Internally generated intangible assets from which the Group is likely to benefit in future, and which can be measured reliably, are stated at their cost of production. The cost of production includes all costs directly attributable to the development process as well as appropriate portions of the attributable overheads. Attributable borrowing costs for qualifying assets are included. Research and development costs are treated as current expenses if the requirements for capitalization of development costs under IAS 38 are not met.

In accordance with IAS 36, the carrying amount of goodwill is tested for impairment annually and upon the occurrence of indications of impairment (triggering events), on the basis of cash-generating units or groups of units. The Haniel Group performs the regular impairment tests during the fourth quarter of each year. As of the reporting date, there were a total of 20 cash-generating units within the Haniel Group (previous year: 22). This reduction resulted from a reorganization within the TAKKT business unit, which now comprises 7 (previous year: 10) cash-generating units. By contrast, the initial consolidation of Emma resulted in the addition of one cash-generating unit. The carrying amounts of the individual or groups of cash-generating units are compared with their recoverable amount, which is equivalent to the higher of the value in use and the fair value less costs of disposal, determined in a second step if necessary. The fair value is the best estimate of the amount that an independent third party would pay for the (groups of) cash-generating units on the reporting date. Any disposal costs that would be incurred according to best estimate are deducted.

The value in use is measured based on detailed plans of the future cash flows, on the basis of the cash flows before interest and taxes, less maintenance and replacement investments and a perpetual annuity for the years after the detailed planning period. The detailed plans are generally based on five-year financial plans adopted by the responsible management and are used for internal purposes as well. The underlying sales trend and the operating profit margin constitute key planning assumptions. The detailed plans are formulated according to past developments and projected market trends. Specifically, the impacts of the coronavirus pandemic and expectations as to market development at pre-crisis levels were taken into consideration this year. Recovery was mixed throughout the respective business units, as these operate in very different industries which were affected to varying degrees. Over the medium term, and hence within the detailed planning period, every business unit is expected to return to pre-crisis levels. The perpetual annuity is calculated based on expected average market growth, while factoring in expected future company growth. The cash flows thus determined are discounted at a rate reflecting the weighted average cost of capital before taxes (WACC), assigned individually for each cash-generating unit or group of cash-generating units, to determine the value in use of the cash-generating unit. The average cost of capital is determined using market inputs as the weighted average of the costs of equity and debt. The cost of equity used reflects the risk-equivalent return expected from equity investors with respect to the cash-generating units.

The calculation also factors in parameters specific to the business model and country-specific risk premiums that are derived based on external country ratings. The cost of debt used represents the long-term financing terms of companies with comparable creditworthiness.

If the recoverable amount is less than the carrying amount of the individual cash-generating unit or group of cash-generating units, an impairment loss with respect to goodwill is recognized in profit or loss and, if applicable, as well as to other assets of the unit.

The table below summarizes the parameters applied in the fiscal year to determine the values in use in the context of the regular impairment tests for each segment as well as for cash-generating units with significant goodwill:

	Weighted average cost of capital before taxes	Expected future company growth (perpetual annuity)	Goodwill as of Dec. 31, 2020
	%	%	EUR million
BekaertDeslee	8.2 to 10.2	2.0	136
CWS	6.6 to 7.0	1.5 to 2.0	864
of which CWS Hygiene	6.6	1.5	548
of which CWS Workwear	6.9	2.0	284
of which Fire Safety	7.0	1.5	32
Emma	9.8	2.0	325
Optimar	8.5	2.0	72
ROVEMA	8.2	2.0	133
TAKKT	6.8 to 7.1	1.0 to 2.0	648
of which Ratioform Group	6.8	2.0	143
Held for sale			
ELG	11.3	0.0 to 1.0	0

The table below summarizes the parameters applied in the previous year to determine the values in use in the context of the regular impairment tests for each segment as well as for cash-generating units with significant goodwill:

	Weighted average cost of capital before taxes	Expected future company growth (perpetual annuity)	Goodwill as of Dec. 31, 2019
	%	%	EUR million
BekaertDeslee	5.6 to 6.0	2.0	147
CWS	5.5 to 6.2	1.5	826
of which CWS Hygiene	6.2	1.5	545
of which CWS Workwear	5.9	1.5	270
ELG	10.7 to 11.4	3.0 to 4.0	83
Optimar	7.8	2.0	103
ROVEMA	7.5	2.5	132
TAKKT	6.6 to 7.3	1.0 to 2.0	671
of which Packaging Solutions Group	6.8	2.0	153

In addition to goodwill, the Haniel Group also has EUR 162 million (previous year: EUR 143 million) in other intangible assets with indefinite useful lives. These relate predominantly to brand names acquired through business combinations. Their recoverability is reviewed during impairment tests at the level of the cash-generating units. In relation to the total carrying amount of intangible assets with indefinite useful lives, the BekaertDeslee Americas and ROVEMA cash-generating units have significant brand names with indefinite useful lives amounting to EUR 25 million (previous year: EUR 27 million) and EUR 26 million (previous year: EUR 26 million), respectively. The weighted average cost of capital before taxes is 10.2 percent (previous year: 6.0 percent) for BekaertDeslee Americas and 8.2 percent (previous year: 7.5 percent) for ROVEMA; the expected future company growth rate for the years after the detailed planning period amounts to 2.0 percent (previous year: 2.0 percent) for BekaertDeslee Americas and 2.0 percent (previous year: 2.5 percent) for ROVEMA.

During the fiscal year, the Optimar business unit recognized a goodwill impairment amounting to EUR 25 million as a result of the regular impairment tests at the level of the cash-generating units based on the value in use determined in accordance with IAS 36. Thus, goodwill was written down to the value in use, which was determined to be EUR 171 million. The difficult environment in which Optimar operates was further strained during the fiscal year by the negative consequences of the coronavirus pandemic. Decreasing revenue, primarily in connection with fish handling systems for use onboard and in aquacultures, resulted in a lower value in use and consequently to an impairment. The Optimar business unit as a whole constitutes a cash-generating unit.

The evidence for recoverability at all cash-generating units is based on the value in use. The values in use as determined in the course of the regular impairment tests were checked for plausibility using scenarios relating to key assumptions. As in the previous year, in business units for which no goodwill impairment was necessary, no hypothetical need for an impairment loss resulted from these analyses, whether due to a 0.5 percentage point increase in the weighted average cost of capital before taxes, as deemed feasible by the management, or due to a 0.25 percentage point decrease in the expected growth rates after the detailed planning period. The same applies to a 5 percent across-the-board reduction in cash flows before interest and taxes in the detailed planning period.

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

Financial assets include in particular investments (equity instruments), securities and loans (debt instruments). Financial assets are classified as financial assets recognized at amortized cost, as assets recognized at fair value through other comprehensive income or as assets recognized at fair value through profit or loss depending on the contractual cash flow characteristics of the financial assets and the underlying business model according to which they are managed. Since the cash flow characteristics of equity instruments do not consist exclusively of interest and repayments of outstanding principal, they must generally be classified as financial instruments measured at fair value through profit or loss. An exception to this is made for equity instruments which are not held for trading purposes; the Group may exercise the option to irrevocably classify such instruments as financial instruments measured at fair value through other comprehensive income. Depending on the underlying business model, debt instruments whose cash flow characteristics consist exclusively of interest and repayments of outstanding principal are classified as financial instruments measured either at amortized cost ("hold") or as financial instruments measured at fair value through other comprehensive income ("hold and sell"). All remaining debt instruments are classified as financial instruments measured at fair value through profit or loss, as is generally the case with equity instruments. The classification is determined at the date of acquisition and reviewed as of each reporting date. All financial assets are initially recognized at fair value and, provided they are not classified as at fair value through profit or loss, plus transaction costs.

Debt instruments measured at amortized cost are recognized based on the effective interest method. In the Haniel Group, this category also includes listed bonds and commercial paper. They are also subject to the impairment requirements set out in IFRS 9. To determine the expected credit loss for debt instruments measured at amortized cost, each financial instrument is assigned a ratings-based likelihood of default and a default ratio which is customary for the relevant market. The Haniel Group applies the practical expedient for financial instruments with low credit risk when assessing whether the credit risk has materially increased since initial recognition. The credit risk allowance to be recognized for these financial assets is calculated based on the 12-month expected credit loss.

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value as of the reporting date. Changes in value are reported under other comprehensive income. Financial assets in this measurement category are subject to the impairment requirements of IFRS 9. The Haniel Group reports trade receivables eligible for forfaiting under that category.

Equity instruments, debt instruments and derivatives measured at fair value through profit or loss are subsequently measured at fair value as of the reporting date, with fair value changes recognized in the income statement in this instance. Any transaction costs are recognized in profit or loss upon posting. Financial assets in this measurement category are not subject to the impairment requirements of IFRS 9. In the Haniel Group, mainly venture capital funds and derivatives for which no formal hedge accounting is applied are classified under this measurement category.

If the option to measure equity instruments which are not held for trading purposes at fair value through other comprehensive income is irrevocably exercised upon initial recognition, the resulting unrealized gains and losses and deferred taxes thereon are recognized in other comprehensive income. The changes in value recognized in other comprehensive income are not reclassified to profit or loss. By contrast, dividend payments are recognized through profit or loss. Financial assets in this measurement category are not subject to the impairment requirements of IFRS 9. This option, which is exercised on a case-by-case basis, is exercised by the Haniel Group solely for non-listed investments in corporations.

Regular way sales and purchases of non-derivative financial assets of all categories are recognized as of the settlement date.

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

Inventories are stated at cost in general. In addition to the direct material and production costs, production-related portions of the required material and production overheads, as well as depreciation of property, plant and equipment attributable to production, and amortization of intangible assets are included. Borrowing costs are not taken into account. If acquisition or production costs exceed the net realizable value at the end of the fiscal year, inventories are written down accordingly. Depending on the specific circumstances of each business unit, different inventory cost formulas are applied. Normally, the costs of inventories are assigned by using a weighted average or a first-in, first-out (FIFO) cost formula. In addition, the standard cost method is also applied.

Trade receivables and **other current assets** are initially recognized at the transaction price, which corresponds to the consideration paid in exchange for the transfer of goods or rendering of services to a customer. They are subsequently measured at amortized cost in accordance with the effective interest method. **The performance obligations in relation to assets from construction contracts** and **assets from other contracts with customers** are satisfied over a certain **period**. Revenue and profits from long-term contracts are recognized relative to the percentage of completion of the respective project. The percentage of completion is calculated as the ratio of the contract costs already incurred up to the end of the fiscal year to the estimated total project costs (cost-to-cost method) or the work hours performed up to the end of the fiscal year and estimated hours planned. If the cumulative performance per contract (contract costs and contract results) exceeds the prepayments received, the construction contracts are reported as assets. If a negative net amount remains after the prepayments received, this amount is recognized as a **liability from construction costs**. Losses on long-term contracts with customers are immediately recognized in full in the fiscal year in which the loss was identified, irrespective of the stage of completion. An expected credit loss allowance is recognized immediately upon initial recognition before any losses are actually incurred. The simplified approach is applied, under which the valuation allowance is calculated on the basis of the lifetime expected credit loss. Allowances are calculated based on historical experience and current expectations as to credit losses, with adequate methods being applied to reflect the different business activities of the business units.

Tax assets and **tax liabilities** are recognized at the amount expected to be reimbursed from or paid to the tax authorities.

Derivative financial instruments, such as forward contracts, options and swaps, are generally used for hedging purposes to minimize exchange rate, interest rate and other market price risks arising from the operating business and/or from the associated financing requirements. Under IFRS 9, all derivative financial instruments must be recognized at their fair values, irrespective of the purpose or intention for which they were concluded. Changes in the fair values of derivative financial instruments to which hedge accounting applies are reported either in the income statement (fair value hedge) or, in the case of a cash flow hedge, in other comprehensive income, taking deferred taxes into account. Derivative financial instruments which are not subjected to hedge accounting are classified as equity instruments, debt instruments and derivatives measured at fair value through profit or loss in accordance with IFRS 9.4.1.4.

Derivatives used to hedge items in the statement of financial position are referred to as fair value hedges. The gains and losses from the fair value measurement of the hedging instruments are recognized in profit or loss. The changes in value of the underlyings attributable to the hedged risk are also recognized in profit or loss as adjustments to the carrying amounts. Derivatives used to hedge against future cash flow risks from existing or planned transactions are referred to as cash flow hedges. The changes in fair values of the derivatives attributable to the effective portion of the hedge are initially reported in other comprehensive income. In accordance with IFRS 9, the treatment of amounts recognized under other comprehensive income depended on the nature of the underlying hedged item. If the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the amount recognized under other comprehensive income is included in the calculation of the acquisition costs or the carrying amount. For all other types of hedged items, the amount is reclassified to the income statement at the same time as the impact of the hedged item on profit or loss. The changes in the fair values of the derivatives attributable to the ineffective portion of the hedge are immediately recognized in the income statement. In cases where hedge accounting is not applied, the changes in the fair value of derivative financial instruments are immediately recognized in profit or loss.

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

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

Deferred taxes are recognized for temporary differences between the values in the tax accounts of the individual companies and the carrying amounts in the consolidated statement of financial position – with the exception of goodwill that is not deductible for tax purposes – as well as for tax loss carryforwards. Deferred tax assets are recognized only if their realization is ensured with reasonable certainty. Deferred taxes are determined on the basis of the tax rates that will be in effect in future under current legislation. Deferred tax assets and liabilities are offset in accordance with IAS 12 if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority for the same taxable entity. The planning horizon over which the tax-relevant interest carryforwards are calculated is 4 years.

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

With respect to **cash-settled share-based payments**, a **provision** is recognized in accordance with IFRS 2 for the services received, which is measured at fair value upon granting of the payments. The provision is recognized as an accrued expense over the agreed vesting period. Until the liability is settled, the fair value of the liability is remeasured at every reporting date and on the settlement date. Any and all changes in fair value are recognized in profit or loss.

With the exception of provisions for personnel calculated in accordance with IAS 19 or IFRS 2, all **other provisions** are recognized on the basis of IAS 37 if there is a present legal or constructive obligation as a result of past business transactions or events. The outflow of resources embodying economic benefits required to settle the obligation must be probable, and it must be possible to estimate the amount reliably. Provisions with a maturity of more than one year are discounted at market interest rates that are in line with the risk and the period until settlement.

Financial liabilities, with the exception of derivative financial instruments, contingent consideration from business combinations, and financial liabilities held for trading, are initially recognized at fair value plus transaction costs and subsequently at amortized cost using the effective interest method.

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

Revenue comprises revenues contracts with customers, less discounts and rebates. Revenue is generally recognized when control over the products or services transfers to the customer. This occurs either at a certain point in time or over a certain period of time. A product or service is deemed to be transferred once the customer has obtained control over such assets. This is the case when the customer has the ability to use the asset and direct its further use. The Haniel Group manufactures and sells a variety of products and services through its business units. While the BekaertDeslee, ELG, Emma and TAKKT business units tend to satisfy their performance obligations at a certain point in time, the CWS, Optimar and ROVEMA business units satisfy their performance obligations primarily over a certain period of time. BekaertDeslee generates revenue by producing mattress textiles and covers; ELG generates revenue through the trading, processing and recycling of stainless steel scrap and superalloys; and TAKKT generates revenue as a B2B direct marketing specialist that sells business equipment. CWS generates revenue from services for washroom hygiene and textile solutions, while Optimar and ROVEMA manufacture customized fish handling systems and packaging machines and equipment. In general, input-oriented methods are used to determine the degree of completion for performance obligations satisfied over a period of time. The various products and services are sold at customary payment terms and do not comprise any financing components. The consideration received does not comprise any variable purchase price components. The customers' rights of return are taken into account through the recognition of an asset from return claims and the recognition of a

reimbursement liability. If amounts are collected as an agent for third parties, such amounts are not revenue because they do not represent an inflow of economic benefits. Only the compensation for brokering the business is accounted for as revenue in such transactions.

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

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

In accordance with IAS 20, **government grants** are recognized at fair value only if there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received. Grants received as compensation for expenses are recognized as income in the same period in which such expenses are incurred. Grants received for the acquisition or production of assets are deferred as a general rule.

Advertising costs are expensed as soon as there is a right to access the advertising material or services were received in connection with the advertising activities.

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

Goodwill arises in the course of business combinations. All identifiable assets, liabilities and contingent liabilities are measured at fair value upon first-time consolidation. The recognized fair values represent key estimates. If intangible assets are identified, the fair value is determined by recognized valuation methods depending on the type of asset. These valuations are closely related to the management's assumptions concerning the future development of the assets and the applied discount rates. Similar assumptions are necessary in the accounting and valuation of investments accounted for at equity.

In addition to the determination of fair values of the assets, liabilities and contingent liabilities acquired, the valuation of contingent consideration for business combinations is based on estimates and assumptions made by the management regarding the future development of the acquired entity. If the actual development of the entity in the future deviates from the expected development, this may affect the amount of contingent consideration and the profit after taxes.

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

The allowance for expected credit losses in relation to trade receivables is calculated primarily on the basis of estimates and assumptions. For instance, at every reporting date an analysis of allowances is conducted to measure the expected credit losses. The rates used to derive the allowances are based on days overdue for groups of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by guarantee credits and similar forms of credit insurance). The calculation reflects the probability-weighted result, the time value of money and appropriate and supported information that is available at the reporting date pertaining to past events, current conditions and forecasts of future economic conditions. Actual cash inflows may deviate from the carrying amounts recognized in respect of the receivables. In addition, when assessing customer-specific construction contracts, the timing and amount of revenue and profit recognition depend on assumptions made by the management.

The key assumptions and estimates for the measurement of provisions, especially those for pensions, real estate, litigations, pending losses, those related to business combinations and disposals and restructuring measures, concern the probability of the provisions being used, the amount of the obligation and, in the case of non-current provisions, the interest rates applied. In addition, pension obligations under defined benefit plans require actuarial assumptions regarding salary growth and pension growth, life expectancies and employee turnover. The actual development, and hence actual payments due in the future, may deviate from the expected development and the recognized provisions.

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

All assumptions and estimates are based on the circumstances prevailing on the reporting date. Future events and changes in general circumstances often give rise to differences between the actual amounts and the estimates. This also applies in particular to obligations whose existence, amount and timing of occurrence are uncertain. In case of differences, the assumptions and, if necessary, the carrying amounts of the assets and liabilities affected are adjusted accordingly.

The impacts of the coronavirus pandemic were factored into the estimates and assumptions applied, particularly those used in connection with the measurement of inventories and valuation allowances on trade receivables.

C. Notes to the statement of financial position

1 Property, plant and equipment

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	Prepayments and assets under construction	**Total**
Cost					
As of Jan. 1, 2020	**765**	**460**	**647**	**28**	**1,901**
Foreign exchange rate adjustments	-16	-19	-5	-2	**-42**
Additions to scope of consolidation	10	3	5		**18**
Additions	40	22	197	30	**289**
Reclassifications	1	5	4	-10	**0**
Disposals	188	145	273	20	**625**
As of Dec. 31, 2020	**612**	**327**	**575**	**27**	**1,540**
Accumulated depreciation					
As of Jan. 1, 2020	**317**	**286**	**339**	**2**	**944**
Foreign exchange rate adjustments	-6	-13	-4		**-23**
Depreciation	54	33	211		**298**
Impairments	1				**2**
Reversals of impairment losses					**0**
Reclassifications	-1		1		**0**
Disposals	98	106	263		**467**
As of Dec. 31, 2020	**268**	**200**	**284**	**2**	**754**
Net carrying amounts					
As of Dec. 31, 2020	**343**	**126**	**291**	**26**	**786**
As of Jan. 1, 2020	**448**	**174**	**308**	**27**	**957**

Additions to the scope of consolidation during the fiscal year resulted from the acquisition of the Emma business unit as well as from acquisitions by the CWS and ROVEMA business units. Business combinations in the fiscal year are explained under note 32. As in the previous year, the additions and disposals of operating and office equipment during the fiscal year relate primarily to textiles and hand towel dispensers to be rented out by the CWS business unit.

In addition, disposals during the fiscal year relating to costs totaling EUR 335 million and accumulated depreciation amounting to EUR 194 million in total resulted from the reclassification of assets held by the ELG business unit as held for sale.

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	Prepayments and assets under construction	**Total**
Cost					
As of Jan. 1, 2019 before adjustments	**556**	**431**	**539**	**27**	**1,553**
Changes in accounting policies	162	2	53		**216**
As of Jan. 1, 2019	718	433	592	27	**1,770**
Foreign exchange rate adjustments	6	6	1		**12**
Additions to scope of consolidation	8	3	7		**18**
Additions	37	29	213	20	**300**
Reclassifications	8	8	2	-18	**0**
Disposals	10	19	168	1	**198**
As of Dec. 31, 2019	**765**	**460**	**647**	**28**	**1,901**
Accumulated depreciation					
As of Jan. 1, 2019	**269**	**266**	**289**	**1**	**825**
Foreign exchange rate adjustments	2	3	1		**6**
Depreciation	52	32	216		**299**
Impairments					**1**
Reversals of impairment losses					**1**
Reclassifications					**0**
Disposals	5	15	166		**186**
As of Dec. 31, 2019	**317**	**286**	**339**	**2**	**944**
Net carrying amounts					
As of Dec. 31, 2019	**448**	**174**	**308**	**27**	**957**
As of Jan. 1, 2019	**287**	**166**	**251**	**25**	**728**

In the previous year, the change in accounting policies resulted from the first-time application of IFRS 16 “Leases”.

As in the previous year, legally and economically owned property, plant and equipment are not subject to any restrictions on title. EUR 3 million in property, plant and equipment was pledged as collateral for liabilities (previous year: EUR 3 million). Purchase commitments for property, plant and equipment amounted to EUR 2 million (previous year: EUR 3 million).

2 Intangible assets

EUR million	Goodwill	Other intangible assets from purchase price allocation	Other intangible assets	Prepayments	**Total**
Cost					
As of Jan. 1, 2020	**1,990**	**826**	**245**	**26**	**3,088**
Foreign exchange rate adjustments	-44	-23	-2		**-70**
Additions to scope of consolidation	364	67		2	**433**
Additions	2		21	5	**28**
Reclassifications			20	-20	**0**
Disposals	81	35	24		**140**
As of Dec. 31, 2020	**2,231**	**835**	**260**	**13**	**3,339**
Accumulated amortization					
As of Jan. 1, 2020	**29**	**268**	**150**	**3**	**450**
Foreign exchange rate adjustments	-2	-9	-2	1	**-12**
Additions					**0**
Amortization		60	24		**84**
Impairments	108				**108**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals	81	29	14		**123**
As of Dec. 31, 2020	**54**	**291**	**158**	**4**	**507**
Net carrying amounts					
As of Dec. 31, 2020	**2,178**	**544**	**101**	**10**	**2,833**
As of Jan. 1, 2020	**1,962**	**558**	**95**	**23**	**2,638**

Additions to the scope of consolidation during the fiscal year resulted from the initial consolidation of the new Emma business unit as well as from acquisitions by the CWS and ROVEMA business units. Business combinations in the fiscal year are explained under note 32.

As in the previous year, the additions to other intangible assets and prepayments resulted primarily from software.

Disposals during the fiscal year relating to costs totaling EUR 108 million and accumulated amortization amounting to EUR 93 million in total resulted from the reclassification of assets held by the ELG business unit as held for sale.

Other intangible assets from purchase price allocation and other intangible assets include assets with indefinite useful lives totaling EUR 162 million (previous year: EUR 143 million). These relate predominantly to brand names acquired through business combinations as well as works of art belonging to the Haniel Holding Company.

Impairments during the fiscal year comprised the impairments recognized in respect of continuing and discontinued operations.

EUR million	Goodwill	Other intangible assets from purchase price allocation	Other intangible assets	Prepayments	**Total**
Cost					
As of Jan. 1, 2019	**1,920**	**787**	**215**	**31**	**2,953**
Foreign exchange rate adjustments	14	6			**20**
Additions to scope of consolidation	74	36			**110**
Additions			14	15	**29**
Reclassifications			20	-20	**0**
Disposals	18	2	6		**25**
As of Dec. 31, 2019	**1,990**	**826**	**245**	**26**	**3,088**
Accumulated amortization					
As of Jan. 1, 2019	**36**	**208**	**136**	**3**	**383**
Foreign exchange rate adjustments		2			**3**
Amortization		60	17		**77**
Impairments					**0**
Reversals of impairment losses					**0**
Reclassifications					**0**
Disposals	8	2	4		**13**
As of Dec. 31, 2019	**29**	**268**	**150**	**3**	**450**
Net carrying amounts					
As of Dec. 31, 2019	**1,962**	**558**	**95**	**23**	**2,638**
As of Jan. 1, 2019	**1,884**	**579**	**79**	**28**	**2,570**

As in the previous year, legally and economically owned intangible assets are not subject to any restrictions on title. As in the previous year, no intangible assets have been pledged as security for own liabilities.

As of December 31, 2020, there was a purchase commitment for intangible assets in the amount of EUR 1 million (previous year: EUR 2 million).

3 Investments accounted for at equity

EUR million	2020	2019
As of Jan. 1	**313**	**999**
Foreign exchange rate adjustments	-1	
Additions to scope of consolidation		
Additions	1	17
Changes in equity interest recognized in profit or loss	-64	-19
Profit distributions	-1	-39
Changes in equity interest recognized in other comprehensive income	-21	112
Impairments and reversals of impairment losses	87	-1
Reclassifications to assets held for sale	-5	-115
Disposals and transfers		-641
As of Dec. 31	**309**	**313**

Following the reclassification of the METRO AG investment in the previous year, investments accounted for at equity essentially consist of the investment in CECONOMY AG held by Haniel.

Since the demerger of the METRO GROUP, METRO AG, with its registered office in Düsseldorf, has been the holding company for the leading international specialist of the same name for the wholesale and food service sector. On 6 November 2019, EP Global Commerce (EPGC) acquired 12.49 percent of ordinary shares in METRO AG from Haniel by exercising a call option that had been granted to it. Haniel's interest in the voting rights of METRO AG fell from 15.20 percent to 2.71 percent. Since that date, Haniel no longer exercises any significant influence over METRO AG, and the company is no longer accounted for in accordance with the equity method. The remaining shares in METRO AG have consequently been reclassified as assets held for sale.

CECONOMY AG, with its registered office in Düsseldorf, is the holding company for the leading European platform of the same name for consumer electronics companies, concepts and brands. It operates the MediaMarkt and Saturn brand electronics superstores in Europe.

Haniel's interest in the ordinary shares of CECONOMY AG amounted to 22.71 percent as of the reporting date.

Due to the sectors in which it operates, CECONOMY AG has a fiscal year that runs from October 1 to September 30. However, the investment is included in Haniel's consolidated financial statements based on annual reports and published quarterly statements using results from January 1 through December 31.

The impairment test in relation to the equity interest in CECONOMY AG is generally based on planning of future cash flows, a weighted average cost of capital after taxes of 10.7 percent (previous year: 6.6 percent) and a growth rate of 0.0 percent (previous year: 0.3 percent) for the years after the detailed planning period. The impairment test resulted in the reversal of a EUR 87 million impairment during the year under review.

The CECONOMY investment contributed earnings totaling EUR 30 million (previous year: EUR 41 million).

The stock market value of Haniel's 22.54 percent interest (previous year: 22.54 percent) in the ordinary and preferred shares of CECONOMY AG as of the reporting date amounted to EUR 459 million (previous year: EUR 438 million), valued at a share price of EUR 5.67 (previous year: EUR 5.41 per ordinary share).

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

EUR million	**2020**	**2019**
	CECONOMY AG	CECONOMY AG
Revenue	21,474	21,397
Profit after taxes from continuing operations	-236	233
Profit after taxes from discontinued operations	6	1
Other comprehensive income	-67	33
Comprehensive income	-297	267
Dividends received		

	Dec. 31, 2020	**Dec. 31, 2019**
EUR million	CECONOMY AG	CECONOMY AG
Non-current assets	3,734	4,411
Current assets	9,079	8,861
Non-current liabilities	2,406	2,641
Current liabilities	9,683	9,586
Equity	724	1,045
Equity attributable to shareholders	618	962
Haniel's share of equity	139	217
Remaining adjustments from purchase price allocation	748	749
Impairments on investment accounted for at equity	583	671
Carrying amount of the investment	**304**	**295**

In addition, on September 30, 2020 CECONOMY AG had contingent liabilities amounting to EUR 10 million (previous year: EUR 2 million).

In addition to CECONOMY AG, the Haniel Group holds equity interests in other associates. The carrying amount for these equity interests totaled EUR 6 million (previous year: EUR 18 million). The share of comprehensive income from these companies attributable to Haniel was EUR -1 million (previous year: EUR -1 million).

4 Non-current financial assets

EUR million	Dec. 31, 2020	Dec. 31, 2019
Financial assets measured at fair value through profit or loss	**237**	**138**
Venture capital funds and similar debt instruments	64	39
Structured debt instruments	20	10
Investment funds	129	85
Equity instruments held for trading	25	4
Equity instruments measured at fair value through other comprehensive income	9	10
Debt instruments measured at fair value through other comprehensive income	20	
Debt instruments measured at amortized cost	7	2
	273	**150**

Non-current financial assets consists primarily of investments in venture capital funds and financial instruments held by the Holding and other companies segment as medium- and long-term investments. Equity instruments measured at fair value through other comprehensive income include non-listed equity investments in corporations.

5 Other non-current assets

EUR million	Dec. 31, 2020	Dec. 31, 2019
Capitalized contract costs	21	20
Contingent purchase price receivables		
Miscellaneous non-current assets	1	17
	22	**37**

Capitalized contract costs relate to expenses for initiating contracts with customers of the CWS business unit. The contract costs are amortized on a straight-line basis over the expected terms of the contracts. The amount amortized each year is recognized under personnel expenses.

6 Current and deferred taxes

The income tax assets totaling EUR 33 million (previous year: EUR 42 million) concern in particular withholding tax receivables in connection with dividends received. The income tax liabilities of EUR 29 million (previous year: EUR 16 million) essentially contain the income taxes to be paid for the fiscal year.

Deferred taxes are calculated using the respective local tax rates. Changes in tax rates that were enacted up until the reporting date have already been taken into account. The income tax rates applied in the relevant countries varied between 9.0 percent and 33.4 percent (previous year: 9.0 percent and 33.4 percent).

The following deferred tax assets and liabilities exist for temporary differences in the individual items of the statement of financial position, and for tax loss carryforwards:

	Dec. 31, 2020		**Dec. 31, 2019**	
EUR million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	15	102	14	112
Intangible assets	18	228	22	234
Miscellaneous non-current assets	5	8	8	9
Current assets	8	2	12	4
Non-current liabilities	50	1	52	
Non-current provisions	85		87	3
Current provisions	9	6	10	6
Other current liabilities	9	2	11	7
Derivative financial instruments	2	1	7	18
Tax loss carryforwards	81		92	
Less offsetting	226	226	264	264
	55	**122**	**52**	**131**

Deferred tax assets include EUR 45 million (previous year: EUR 33 million) for companies that were making losses in the fiscal year or the previous year. These items are recognized, since future taxable profits are expected for these companies.

The Haniel Group recognized trade tax loss carryforwards of EUR 930 million (previous year: EUR 886 million), unused corporate tax and similar foreign loss carryforwards of EUR 596 million (previous year: EUR 598 million) and interest carryforwards amounting to EUR 429 million (previous year: EUR 533 million), for which no deferred tax assets were recognized in the statement of financial position, given that the realization of the deferred tax assets is not deemed to be sufficiently certain from today's point of view. Of these tax loss carryforwards, EUR 6 million (previous year: EUR 10 million) expire within five years and an additional EUR 1 million (previous year: EUR 3 million) within 15 years.

In accordance with IAS 12, no deferred tax liabilities are recognized for retained earnings of subsidiaries and investments accounted for at equity because the company can control the reversal effect and therefore it is probable that the temporary differences will not be reversed in the foreseeable future. Therefore no deferred tax liabilities are recognized for temporary differences from subsidiaries and investments accounted for at equity in the amount of EUR 107 million (previous year: EUR 144 million).

During the fiscal year, deferred tax liabilities from the prior year were restated. Please refer to note 8 for more detailed information.

7 Inventories

EUR million	Dec. 31, 2020	Dec. 31, 2019
Raw materials and production supplies	70	75
Work and services in progress	24	18
Finished goods and merchandise	223	529
Assets from rights of return	2	1
Prepayments	3	7
	322	**629**

The inventories include EUR 117 million (previous year: EUR 100 million) that were written down to the net realizable value. Write-downs in the amount of EUR 21 million (previous year: EUR 9 million) were made during the fiscal year. By contrast, reversals of write-downs totaled EUR 4 million (previous year: EUR 9 million). The year-on-year reduction in total inventories resulted mainly from the reclassification of the ELG business unit as held for sale.

With the exception of industry-standard restrictions on title, as in the previous year, no inventories were pledged as security for own liabilities.

8 Trade receivables and similar assets

EUR million	Dec. 31, 2020	Dec. 31, 2019
Trade receivables	410	526
Assets from construction contracts	27	5
Assets from other contracts with customers		
	437	**532**

While trade receivables include unconditional claims against customers, assets from construction contracts and assets from other contracts with customers include conditional claims. Assets from construction contracts relate to the Optimar and ROVEMA business units and are settled after completion.

The ELG business unit, which is classified as held for sale, maintains programs for the continual sale of trade receivables to third parties. In accordance with IFRS 9, these transfers qualify for derecognition of the receivables in question.

As in the previous year, no trade receivables are pledged as security for own liabilities at the reporting date.

Changes in allowances on trade receivables, assets from construction contracts and assets from other contracts with customers are as follows:

EUR million	2020	2019
As of Jan. 1	**16**	**17**
Additions	7	3
Utilizations		
Reversals	2	5
Foreign currency, changes in the scope of consolidation and other changes	-1	
As of Dec. 31	**20**	**16**

Allowances are calculated based on a grouping by shared credit risk characteristics, days overdue and adequate impairment rates.

The additions to and reversals of valuation allowances are reported under other operating expenses. A receivable is deemed uncollectible if it has been overdue for longer than 12 months. If a receivable has become uncollectible, it is written off through profit or loss. Subsequent cash inflows in respect of written-off receivables are recognized in profit or loss.

In the ELG business unit, which is classified as held for sale, individual receivables against customers are hedged with default insurance policies. Forms of credit insurance are a component of trade receivables and are factored in when calculating the allowance.

In 2018, in the course of transitioning to IFRS 15 revenue recognized by one business unit was reported at too high a figure, resulting in assets arising under construction contracts being EUR 4 million too high. The relevant line items were restated through other comprehensive income as of January 1, 2019, including the recognition of EUR 1 million in deferred tax liabilities. This adjustment thus also affected assets arising under construction contracts, as well as equity and deferred tax liabilities by the amount stated above as of December 31, 2019.

9 Current financial assets

EUR million	Dec. 31, 2020	Dec. 31, 2019
Debt instruments measured at amortized cost	**20**	**102**
Fixed-term deposits		20
Commercial paper	20	82
	20	**102**

Debt instruments measured at amortized cost includes commercial paper held to scheduled maturity. In the previous year, this item also included fixed-term deposits.

10 Cash and cash equivalents

EUR million	Dec. 31, 2020	Dec. 31, 2019
Bank balances	100	114
Cash on hand and checks	2	
Money market funds	109	452
	212	**566**

Bank balances comprise short-term deposits with an original maturity of up to three months. In the previous year, portions of the proceeds from the disposal of an equity investment were invested in money market funds until such time as they were used, and were reported under cash as of the reporting date.

Cash and cash equivalents amounting to EUR 9 million (previous year: EUR 9 million) are held in countries with local exchange control regulations.

11 Other current assets

EUR million	Dec. 31, 2020	Dec. 31, 2019
Financial assets		
Receivables from investments	1	1
Derivative financial instruments	2	19
Non-financial assets		
Value-added tax receivables and other tax assets	35	37
Prepaid expenses	17	18
Bonuses and discount claims against suppliers	10	17
Miscellaneous current assets	29	55
	94	**146**

The derivative financial instruments serve to hedge interest rate, exchange rate and other price risks and are described in detail under note 30. As in the previous year, no other current assets are pledged as security for own liabilities in the fiscal year.

In the previous year, miscellaneous current assets included among other things EUR 22 million in assets related to the ELG business unit's ferrochrome transactions.

12 Assets and liabilities held for sale

On 6 November 2019, EP Global Commerce GmbH (EPGC) acquired a 12.49 percent interest in METRO AG from Haniel by exercising a call option that had been granted to it. Haniel's interest in the voting rights of METRO AG fell from 15.20 percent to 2.71 percent. Since that date, Haniel no longer exercises any significant influence over METRO AG, and the company is no longer accounted for in accordance with the equity method. In addition, having received a further call option, the buyer had the right to acquire the remaining 2.71 percent of ordinary shares issued by METRO AG from Haniel. The option expired without having been exercised. Because Haniel still intends to sell the remaining shares, they continue to be presented under assets held for sale.

In the context of the strategic realignment and the further development of Haniel's overall portfolio, it was decided at the end of December 2020 to sell the ELG business unit in the short term. Since then, the ELG business unit has been classified

as held for sale. The business unit's income and expenses were reported under profit or loss from discontinued operations (further details under note 27), including retrospectively for the comparative period.

The table below presents an overview of the primary groups of assets and liabilities reported as held for sale:

EUR million	Dec. 31, 2020	Dec. 31, 2019
Assets		
Non-current assets	111	
Deferred taxes	22	
Current assets	506	115
	639	**115**
Liabilities		
Non-current financial liabilities	277	
Other non-current liabilities	84	
Deferred tax liabilities	13	
Current liabilities	160	
	534	**0**

13 Equity

As of December 31, 2020, the subscribed capital of Franz Haniel & Cie. GmbH remained unchanged at EUR 1,000 million. All shares are fully paid-in and held either directly or indirectly by the Haniel family.

Changes in equity are shown in the statement of changes in equity. The reduction in retained earnings resulting from changes in the scope of consolidation was attributable primarily to the granting of a put option to acquire further shares in the context of a business combination, whereas in the previous year it resulted from the reduction in the Group's METRO AG shareholding.

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

In the second half of 2019, Franz Haniel & Cie. GmbH acquired Rentokil Initial's 17.81 percent interest in CWS-boco International GmbH. As a result, Franz Haniel & Cie. GmbH once again secured a 100 percent interest in the holding company for the CWS business unit. Factoring in the derecognition of the present value of the obligation to pay compensation to Rentokil Initial under the profit and loss transfer agreement between Franz Haniel & Cie. GmbH and CWS-boco International GmbH, Group equity was reduced by EUR 387 million in the previous year.

Rentokil Initial's share of comprehensive income prior to the acquisition date amounted to EUR 4 million in the previous year. Of that amount, EUR 8 million related to profit after taxes and EUR -4 million related to other comprehensive income. EUR 19 million was paid to Rentokil Initial under the obligation to pay compensation.

Non-controlling interests in the equity of consolidated subsidiaries related primarily to the free float shares in the Stuttgart-based TAKKT AG. As of the reporting date, Haniel held 50.25 percent (previous year: 50.25 percent) of shares in TAKKT AG, the holding company of the TAKKT business unit.

The tables below contain the financial information on the TAKKT business unit recognized in Haniel's consolidated financial statements:

	Dec. 31, 2020	**Dec. 31, 2019**
EUR million	TAKKT	TAKKT
Non-current assets	858	913
Current assets	223	265
Non-current liabilities	216	268
Current liabilities	139	189
Equity	727	722
of which attributable to non-controlling interests	296	294

	2020	**2019**
EUR million	TAKKT	TAKKT
Revenue	1,067	1,214
Operating profit (EBITA)	59	118
Profit after taxes	37	75
of which attributable to non-controlling interests	19	37
Other comprehensive income	-32	-5
Comprehensive income	5	70
of which attributable to non-controlling interests	3	35
Cash flow from operating activities	123	134
Cash flow from investing activities	9	-44
Cash flow from financing activities	-132	-89
Dividends paid to non-controlling interests	0	28

Since July 1, 2020, Haniel has held a 50.1 percent interest in Emma Sleep GmbH, Frankfurt am Main, via the business unit's holding company. The non-controlling interests in the equity of Emma Sleep GmbH and its subsidiaries reported within the Emma business unit amounted to EUR 24 million as of the reporting date. The comprehensive income attributable to Emma Sleep GmbH amounted to EUR 5 million. Of that amount, EUR 5 million related to profit after taxes and EUR 0 million related to other comprehensive income.

The accumulated other comprehensive income of the Haniel Group changed as follows:

EUR million	As of Jan. 1, 2020	Changes in the scope of consolidation	Changes in shares in companies already consolidated	Other comprehensive income	Currency translation effects	**As of Dec. 31, 2020**
Remeasurements of defined benefit plans	-231			-37		**-267**
Deferred taxes	67			1		**68**
Other comprehensive income from investments accounted for at equity	-98			-1		**-100**
Financial investments in equity instruments	-2			-2		**-4**
Other comprehensive income not to be reclassified to profit or loss	**-264**	**0**	**0**	**-40**	**0**	**-303**
Derivative financial instruments	-2					**-2**
Deferred taxes	1			-1		**0**
Currency translation effects	2			-72		**-70**
Other comprehensive income from investments accounted for at equity	-55			-20		**-75**
Other comprehensive income to be reclassified to profit or loss	**-55**	**0**	**0**	**-92**	**0**	**-147**
Accumulated other comprehensive income	**-319**	**0**	**0**	**-131**	**0**	**-449**
of which attributable to non-controlling interests	-7			-16		**-23**
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-312			-115		**-427**

EUR million	As of Jan. 1, 2019	Changes in the scope of consolidation	Changes in shares in companies already consolidated	Other comprehensive income	Currency translation effects	**As of Dec. 31, 2019**
Remeasurements of defined benefit plans	-167	6		-68	-1	**-231**
Deferred taxes	48			18		**67**
Other comprehensive income from investments accounted for at equity	-129	63		-33		**-98**
Financial investments in equity instruments	0	2		-4		**-2**
Other comprehensive income not to be reclassified to profit or loss	**-248**	**71**	**0**	**-86**	**-1**	**-264**
Derivative financial instruments	0			-3		**-2**
Deferred taxes	0			1		**1**
Currency translation effects	-20			21	1	**2**
Other comprehensive income from investments accounted for at equity	-200			144		**-55**
Other comprehensive income to be reclassified to profit or loss	**-219**	**0**	**0**	**163**	**1**	**-55**
Accumulated other comprehensive income	**-467**	**71**	**0**	**78**	**0**	**-319**
of which attributable to non-controlling interests	-11		11	-6		**-7**
of which attributable to shareholders of Franz Haniel & Cie. GmbH	-456	71	-11	84		**-312**

Reported accumulated other comprehensive income includes a total of EUR -63 million (previous year: EUR 0 million) in net assets and liabilities held for sale. Of that amount, EUR -37 million (previous year: EUR 0 million) is not to be reclassified to profit or loss.

The accumulated other comprehensive income attributable to non-controlling interests included EUR -4 million (previous year: EUR 9 million) in currency translation effects, EUR -23 million (previous year: EUR -20 million) in remeasurements of defined benefit plans, EUR 7 million (previous year: EUR 6 million) in deferred taxes on remeasurements of defined benefit plans, EUR -2 million (previous year: EUR -1 million) in gains and losses on remeasurements of financial investments in equity instruments and EUR -1 million (previous year: EUR -1 million) in gains and losses on remeasurements of derivative financial instruments.

Capital management

The aim of the Haniel Group's capital management is, for one, to safeguard financial flexibility, provide scope for value-enhancing investments, and maintain sound ratios in the statement of financial position. The Group seeks to achieve investment-grade credit ratings. Another aim of capital management is to ensure that the capital employed in the Haniel Group is used to increase value.

Taking into account the business units held for sale, the Haniel Group's net financial position, defined as net financial liabilities less the investment position of the Haniel Holding Company, can be broken down as follows:

EUR million	2020	2019
Financial liabilities	1,274	1,704
- Cash and cash equivalents	213	566
Net financial liabilities	1,061	1,137
- Investment position of the Haniel Holding Company	295	314
Net financial position	766	823

The investment position of the Haniel Holding Company, which is available for the acquisition of new business units, includes non-current and current financial assets and other assets of the Holding and other companies segment.

The Group manages the solidity of its balance sheet ratios by monitoring the equity ratio, the gearing, the interest cover ratio, and the core repayment period.

EUR million	2020	2019
Equity	2,885	3,356
/ Total assets	6,035	6,279
Equity ratio (in %)	**47.8**	**53.4**
Net financial position	766	823
/ Equity	2,885	3,356
Gearing	**0.3**	**0.2**
(Operating profit (EBITA)	199	255
+ Result from investments accounted for at equity	23	36
+ Other investment result)	11	5
/ (Finance costs	-45	-60
- Other net financial income)	-7	-2
Interest cover ratio	**4.5**	**4.8**
(Net financial position	766	823
- Net financial liabilities allocated to financial investments)	100	100
/ EBITDA	523	572
Core repayment period (in years)	**1.3**	**1.3**

The core repayment period is the ratio of EBITDA of the seven business units, including the assets held for sale, and the Holding and other companies segment to the net financial position. Since the financial investment in CECONOMY AG is accounted for at equity and is thus not included in EBITDA, EUR 100 million (previous year: EUR 100 million) in net financial liabilities are deducted and allocated to financial investments for the purpose of calculating the core repayment period.

14 Current and non-current financial liabilities

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

	Dec. 31, 2020				**Dec. 31, 2019**			
EUR million	Up to 1 year	1 to 5 years	More than 5 years	**Total**	Up to 1 year	1 to 5 years	More than 5 years	**Total**
Liabilities due to banks	58	355	40	**453**	164	525	10	**698**
Bonds, commercial paper and other securitized debt	20	55		**75**	505	40		**545**
Liabilities to shareholders	67	72		**139**	59	70		**129**
Lease liabilities	58	132	30	**220**	57	130	70	**258**
Other financial liabilities	23	37		**60**	17	55	1	**74**
	226	**650**	**71**	**947**	**802**	**820**	**82**	**1,704**
of which subordinated	88	105		**193**	74	120	1	**195**

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

As of the reporting date, Bonds, commercial paper and other securitized debt contained promissory loan notes issued by the business units amounting to EUR 55 million (previous year: EUR 140 million) and commercial paper. In the previous year, this item also included the exchangeable bond linked to CECONOMY AG's ordinary shares, amounting to EUR 405 million.

The exchangeable bond linked to ordinary shares of CECONOMY AG with an original nominal volume of EUR 500 million was repaid on schedule in May 2020. Prior to that point, the right of the bondholders to exchange the bond for shares was reported separately from the actual bond under other current liabilities in the statement of financial position as a derivative financial instrument carried at fair value. In accordance with IAS 1.69(d), the bond itself was reported as a current financial liability.

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

Financial liabilities include subordinated liabilities in the amount of EUR 193 million (previous year: EUR 195 million). The subordinated financial liabilities are subordinate to all other liabilities. The individual subordinated financial liabilities are shown in the table below:

EUR million	Dec. 31, 2020	Dec. 31, 2019
Shareholder loans: Haniel family	139	129
Loans of the Haniel Foundation	36	39
Haniel Zerobonds	2	4
Haniel Performance Bonds	5	7
Other financial liabilities	11	16
Total	**193**	**195**

15 Pension provisions

Pension provisions are recognized for obligations arising from current pensions as well as from commitments under old-age, disability and survivors' pension plans. The benefits paid by the Group vary from country to country, depending on the respective legal, tax and economic circumstances. The Haniel Group's company pension schemes comprise both defined contribution plans and defined benefit plans. Other than the payment of the contributions, no further obligations exist in respect of the defined contribution plans. The contributions are shown under personnel expenses and amounted to EUR 32 million (previous year: EUR 31 million) for the statutory pension insurance and EUR 9 million (previous year: EUR 10 million) for other defined contribution plans.

The obligations from defined benefit plans consist primarily of benefit plans based on final salaries with adjustments to counter the effect of inflation. They are financed using external pension funds and through provisions. As part of their investment strategies, the funds invest in various investment classes to avoid risk concentration. In addition, the maturity profile of the plan assets is adjusted in line with the expected benefit payment dates.

The defined benefit obligations are attributable in particular to Germany, the United Kingdom, the Netherlands and Switzerland. The characteristics specific to the aforementioned countries are described in greater detail below.

In Germany the defined benefit obligations are financed primarily through provisions. The obligations are based either on shop agreements or individual contractual arrangements for executives and other employees. The commitments essentially contain pension payments, but often disability or death benefits as well. In defined contribution benefit plans – depending on the pension plan – the pension capital can be paid out in installments or as a one-time payment or annuity. If fixed annuity payments are paid, either a statutorily prescribed pension adjustment review is made on a 3-year cycle, or for defined contribution plans – depending on the plan – guaranteed annual pension increases between 1.5 percent and 2.5 percent are set. A claim to retirement benefits generally exists upon departure. A claim to payment exists upon reaching the age limit, and for commitments as of 2012, at the earliest upon reaching the age of 62.

The majority of the defined benefit obligations in the United Kingdom are financed through external funds into which both the employees and the employer contribute. The investment strategies and minimum allocations are determined by the trustees or boards of trustees in coordination with company representatives. The commitments are made to executives and other employees and encompass benefits for the old-age pension or retirement savings capital as well as survivor benefits.

In the Netherlands the defined benefit pension obligations are based on commitments for executives and other employees. They are financed through employee and employer contributions to insurance policies. The commitments also incorporate benefits in the event of disability or death. The contributions vary depending on salary and age. Pension increases are factored in depending on the return on plan assets. A claim to retirement benefits exists upon departure, however, at the earliest upon reaching the age of 67. The payment is made as an annuity.

The defined benefit obligations in Switzerland are based on commitments for executives and other employees. They are financed through employee and employer contributions to pension funds. The commitments also incorporate benefits in the event of disability or death. The contributions vary depending on salary and age. Pension increases are factored in depending on the return on plan assets. To cover the pension claims, the plans are subject to minimum funding requirements from which future additional contribution obligations may arise. A claim to retirement benefits exists upon departure, however, at the earliest upon reaching the age of 64. Depending on the arrangement/pension plan, the payment can be paid out as an annuity or as a one-time payment.

The defined benefit obligations are measured using the projected unit credit method. This measurement is based on the following specific parameters for each country:

	Dec. 31, 2020				**Dec. 31, 2019**			
%	Germany	United Kingdom	Nether-lands	Switzer-land	Germany	United Kingdom	Nether-lands	Switzer-land
Discount rate	0.5	1.2	0.5	0.1	1.0	2.0	1.0	0.3
Salary trend	2.3	2.2	0.0	1.5	2.5	2.0	0.0	1.5
Pension trend	1.5	2.9	0.0	0.0	1.8	2.7	0.0	0.0

The discount rate is determined using an interest rate curve approach for each currency area based on the yields of fixed interest corporate bonds that have a minimum AA rating from at least one respected rating agency. For the eurozone, the iBoxx™ Corporates AA bonds were used in the fiscal year.

The mortality tables used for the corresponding countries are based on publicly accessible data. In Germany, the measurement is based on the biometric probabilities from the 2018G Heubeck mortality tables.

The average duration of the defined benefit plans was 19 years (previous year: 18 years).

Pension provisions are presented in the following items of the statement of financial position:

EUR million	Dec. 31, 2020	Dec. 31, 2019
Pension provisions	421	442
Other non-current assets		5
Net pension provisions	**421**	**437**

The present value of defined benefit obligations developed as follows in the fiscal year:

EUR million	2020	2019
Present value of defined benefit obligations as of Jan. 1	**586**	**528**
Foreign exchange rate adjustments	-3	5
Changes in the scope of consolidation and other changes	1	4
Current service cost	22	20
Past service cost	-2	-44
Gains and losses arising from settlements		
Interest cost	6	10
Actuarial gains and losses	44	78
of which arising from experience adjustments	-5	-1
of which arising from changes in demographic assumptions	1	-1
of which arising from changes in financial assumptions	48	80
Employees' contributions to plan assets	2	2
Less current pension payments	22	17
Less payments in respect of settlements	1	
Reclassification as held for sale	-111	
Present value of defined benefit obligations as of Dec. 31	**522**	**586**

The pension payments are expected to be EUR 12 million (previous year: EUR 15 million) in the next fiscal year, EUR 53 million in the following 2 to 5 fiscal years (previous year: EUR 67 million) and EUR 86 million in the next 6 to 10 fiscal years (previous year: EUR 96 million).

The plan assets developed as follows:

EUR million	2020	2019
Fair value of plan assets as of Jan. 1	**149**	**155**
Foreign exchange rate adjustments	-2	5
Changes in the scope of consolidation and other changes	1	3
Return on plan assets	1	2
Gains and losses arising from settlements		-29
Remeasurements of plan assets	7	10
Employer's contributions to plan assets	8	6
Employees' contributions to plan assets	2	2
Less current pension payments out of plan assets	12	5
Less payments in respect of settlements		
Reclassification as held for sale	-53	
Fair value of plan assets as of Dec. 31	**101**	**149**

Employer contributions to the plan assets are expected to be EUR 4 million in the coming fiscal year (previous year: EUR 6 million).

The table below shows the plan asset portfolio structure as of the reporting date:

	2020		**2019**	
EUR million	with active market	without active market	with active market	without active market
Cash and cash equivalents	1		5	
Equity instruments	15		21	
Debt instruments	20		60	
Real estate	14		15	
Derivatives				
Investment funds	7		8	
Asset-backed securities				
Structured debt				
Insurance contracts		44		40
Miscellaneous				
Fair value of plan assets as of Dec. 31	**57**	**44**	**109**	**40**

The table below presents the development of the net pension provisions. It corresponds generally to the difference between the changes to the present value of defined benefit obligations and the fair value of the plan assets.

EUR million	2020	2019
Net pension provisions as of Jan. 1	**437**	**373**
Foreign exchange rate adjustments	-1	
Changes in the scope of consolidation and other changes		1
Current service cost	22	20
Past service cost	-2	-44
Gains and losses arising from settlements		29
Interest cost from compounding the defined benefit obligation	6	10
Return on plan assets	1	2
Actuarial gains and losses in respect of the defined benefit obligation	44	78
of which arising from experience adjustments	-5	-1
of which arising from changes in demographic assumptions	1	-1
of which arising from changes in financial assumptions	48	80
Remeasurements of plan assets	7	10
Employer’s contributions to plan assets	8	6
Less current pension payments	10	12
Less payments in respect of settlements	1	
Reclassification as held for sale	-58	
Net pension provisions as of Dec. 31	**421**	**437**

A pension plan was settled in the CWS business unit in the previous year. This resulted in a gain on plan settlement amounting to EUR 15 million.

Of the pension expenses for the fiscal year presented in the income statement, EUR 18 million (previous year: EUR 3 million) are included in personnel expenses and EUR 4 million (previous year: EUR 6 million) are included in finance costs.

The table below presents how the present value of defined benefit obligations as of the reporting date would have changed given variations in isolated significant actuarial parameters.

EUR million	2020	2019
0.5 percentage-point increase in the discount rate	-49	-51
0.5 percentage-point decrease in the discount rate	56	59
0.5 percentage-point increase in the salary growth rate	4	5
0.5 percentage-point decrease in the salary growth rate	-5	-4
0.5 percentage-point increase in the pension growth rate	21	24
0.5 percentage-point decrease in the pension growth rate	-21	-22
One-year increase in life expectancy	17	18
One-year decrease in life expectancy	-18	-19

16 Other non-current and current provisions

EUR million	As of Jan. 1, 2020	Foreign exchange rate adjustments	Changes in the scope of consolidation	Reclassification, Disposals: IFRS 5	Interest effect	Additions	Reversals	Utilizations	**As of Dec. 31, 2020**
Provisions for personnel	27			-1		32	-2	-7	**50**
Provisions for removal	7			-5					**1**
Provisions for restructuring	5			-5					**0**
Miscellaneous non-current provisions	23	-1	2	-17	1	12	-5		**15**
Other non-current provisions	**62**	**-2**	**2**	**-28**	**0**	**44**	**-7**	**-7**	**66**
Provisions for personnel	62	-1	2	-9		67	-11	-45	**66**
Provisions for litigation	1		1			1			**2**
Provisions for warranties	1		4			4			**8**
Provisions for restructuring	27			4		4	-4	-11	**20**
Miscellaneous current provisions	21	-1	2	-1		12	-1	-7	**24**
Current provisions	**111**	**-1**	**9**	**-6**	**0**	**88**	**-15**	**-64**	**121**

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

Provisions for removal usually result from the construction and redesign of land and buildings (improvements and reconstruction) whose removal will be necessary in future because of contractual, constructive or legal obligations. The present value of expected expenses is immediately recognized as a liability and initially corresponds to an appropriate increase in the acquisition cost of the relevant tangible asset. Present value adjustments resulting during the term from changes in the expected settlement amount or from changes in interest rates are generally recognized against the carrying amount of the relevant asset.

Provisions for restructuring include all estimated costs for the restructuring of certain companies and/or business units on the basis of a restructuring plan adopted by the responsible management. As in the previous year, the majority of provisions for restructuring as of the reporting date related to the CWS business unit.

Miscellaneous non-current and current provisions included, among other things, provisions relating to tax risks in the amount of EUR 8 million (previous year: EUR 9 million) and provisions amounting to EUR 9 million (previous year: EUR 13 million) in connection with sand-lime bricks that were produced in former Haniel building materials plants using lime substitutes, and which are being settled by Haniel on a goodwill basis.

The other non-current provisions are expected to be utilized as follows:

	Dec. 31, 2020				**Dec. 31, 2019**			
EUR million	Up to 2 years	2 to 5 years	More than 5 years	**Total**	Up to 2 years	2 to 5 years	More than 5 years	**Total**
Provisions for personnel	10	20	20	**50**	11	11	5	**27**
Provisions for removal		1		**1**		2	5	**7**
Provisions for restructuring				**0**	5			**5**
Miscellaneous non-current provisions	4	3	7	**15**	9	7	7	**23**
	14	**25**	**27**	**66**	**26**	**19**	**17**	**62**

17 Other non-current liabilities

Other non-current liabilities consists primarily of contingent purchase price liabilities in relation to business combinations and liabilities from the granting of a put option to acquire further shares in the context of a business combination. Please refer to note 32 Business combinations for further information.

18 Trade payables and similar liabilities

EUR million	Dec. 31, 2020	Dec. 31, 2019
Trade payables	146	191
Liabilities from construction contracts	26	30
Liabilities from other contracts with customers	30	10
	201	**231**

The decrease in trade payables was due primarily to the reclassification of the ELG business unit as assets held for sale.

Liabilities from construction contracts and liabilities from other contracts with customers relate to payments received before the contractual obligations were satisfied. The increase in liabilities from other contracts with customers was attributable in particular to prepayments made by the CWS business unit and the first-time inclusion of the Emma business unit.

At the beginning of the fiscal year, revenue amounting to EUR 30 million (previous year: EUR 24 million) was recognized under liabilities from construction contracts or from other contracts with customers. The performance obligations recognized as of the reporting date as liabilities from construction contracts have an expected original term of no more than one year; therefore, no further disclosures are made.

19 Other current liabilities

EUR million	Dec. 31, 2020	Dec. 31, 2019
Financial liabilities		
Derivative financial instruments	4	10
Non-financial liabilities		
Liabilities for other taxes	62	47
Liabilities for payroll and social security	22	25
Accrued expenses	155	115
Miscellaneous current liabilities	61	24
	303	**221**

The accrued expenses include in particular periodic expenses for interest, holiday leave not yet taken, rebates, bonuses and invoices in transit. Derivative financial instruments are described in detail under note 30. Other current liabilities includes liabilities from business combinations amounting to EUR 38 million (previous year: EUR 4 million).

D. Notes to the income statement

20 Revenue

EUR million	2020	2019
Trade sales	1,982	1,867
Service sales	1,123	1,086
	3,105	**2,953**

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

EUR million		2020	2019
BekaertDeslee	Europe	135	149
	Americas	128	134
	Asia/Pacific	56	56
	Total	**319**	**339**
CWS	Hygiene	588	555
	Workwear	618	622
	Fire Safety	36	10
	Total	**1,242**	**1,188**
Emma		**256**	**0**
Optimar		**94**	**118**
ROVEMA		**127**	**96**
TAKKT	Germany	235	260
	Europe, excl. Germany	387	408
	USA and Canada	445	545
	Total	**1,067**	**1,213**
Group		**3,105**	**2,953**

The business units Optimar and ROVEMA generate revenues primarily from the sale of automated fish handling systems for use onboard, onshore and in aquacultures and from the sale of packaging machines and equipment, respectively. Emma is an international sleep tech company that primarily sells mattresses and sleep systems online.

21 Other operating income

EUR million	2020	2019
Income from disposals of non-current assets	8	3
Rental and similar income	3	2
Other operating income	12	16
	22	**21**

Income from disposals of non-current assets during the fiscal year related in particular to the sale of a warehouse by the TAKKT business unit; during the previous year, this related mainly to disposals of property, plant and equipment by the CWS and BekaertDeslee business units.

Other operating income included income from the on-charging of expenses, income from insurance reimbursements and income from the sale of certain assets. As in the previous year, no contingent rental income was recognized in the fiscal year.

22 Personnel expenses

EUR million	2020	2019
Wages and salaries	-725	-694
Social security	-126	-126
Expenses for pensions and other benefits	-39	-25
Reversals of provisions for personnel expenses	12	5
Amortization of capitalized internal contract costs	-5	-4
	-884	**-843**

A breakdown of employees by business unit is contained in the segment reporting.

23 Other operating expenses

EUR million	2020	2019
Impairment losses and reversals on trade receivables	-4	2
Write-off of trade receivables	-4	-5
Losses on disposals of non-current assets	-2	-1
Reversals of provisions	10	7
Other operating taxes	-6	-6
Rental and lease expenses	-24	-22
Repairs and maintenance	-42	-43
Sales freight	-50	-19
Legal and consulting costs	-48	-35
IT services	-32	-26
Personnel leasing	-33	-36
Energy costs	-47	-53
Advertising costs and similar expenses	-148	-109
Travel and training costs	-13	-25
Restructuring costs	-3	-18
Miscellaneous operating, administrative and sales expenses	-166	-147
	-615	**-534**

Miscellaneous operating, administrative and sales expenses comprise numerous operating expenses, including communication costs, insurance premiums and auditing expenses. Research and development costs in the amount of EUR 7 million (previous year: EUR 7 million) are also recognized under miscellaneous operating, administrative and sales expenses. Rental and lease expenses included expenses for leases classified as short-term leases as well as for leases for which the underlying asset is of low value.

Restructuring costs include non-recurring expenses by the CWS and BekaertDeslee business units; during the previous year, these related to the CWS, BekaertDeslee and ELG business units.

24 Finance costs

EUR million	2020	2019
Interest and similar expenses	-21	-26
Interest expenses for provisions	-5	-8
Interest expenses for lease liabilities	-5	-5
	-31	**-40**

The decline in interest and similar expenses related mainly to the repayment on schedule of the exchangeable bond linked to CECONOMY AG's ordinary shares.

25 Other net financial income

EUR million	2020	2019
Interest and similar income	5	4
Miscellaneous financial income	-12	-5
	-7	**-1**

The fair value changes in derivative financial instruments recognized through profit or loss are reported under other financial income and amounted to EUR -1 million in the year under review (previous year: EUR -1 million). Additionally, other financial income includes income and expenses from write-downs and reversals of write-downs on non-operating debt instruments amounting to EUR 0 million (previous year: EUR -2 million).

The net exchange differences amounted to EUR -10 million in the fiscal year (previous year: EUR -1 million). They are recognized in other financial income in the amount of EUR -8 million (previous year: EUR -2 million), and in the other operating expenses in the amount of EUR -2 million (previous year: EUR 2 million).

26 Income tax expenses

EUR million	2020	2019
Current taxes	-50	-43
Deferred taxes	31	30
	-20	**-13**

Current taxes included prior-period tax expenses of EUR 1 million (previous year: EUR 0 million).

Deferred tax assets on tax loss carryforwards in the amount of EUR 2 million were reversed through profit or loss in the fiscal year (previous year: EUR 30 million). EUR 1 million in write-downs were reversed (previous year: EUR 0 million), although no write-downs (previous year: EUR 1 million) were recognized in respect of deferred tax assets.

The table below shows a reconciliation between the reported and the expected tax expense:

EUR million	2020	2019
Profit before taxes	153	192
Expected effective income tax rate	30.7%	30.7%
Expected tax result	**-47**	**-59**
Deviation due to varying foreign tax rates	12	12
Changes in tax rates		
Tax portion for tax-exempt income	4	2
Tax portion for non-deductible expenses	2	-6
Non-recognition, write-downs and utilization of tax loss carryforwards	-8	37
Result from investments accounted for at equity	9	12
Prior-period taxes	9	-2
Other tax effects	-1	-8
Reported tax result	**-20**	**-13**
Reported income tax rate	12.8%	6.7%

The expected effective income tax rate comprises corporate income tax, the solidarity surcharge and trade tax as pertinent for German corporations. The prior-year figure was restated due to the reclassification of the ELG business unit as held for sale.

27 Profit after taxes from discontinued operations

Profit after taxes from discontinued operations includes income and expenses for the ELG business unit, the shares in METRO AG, the change in fair value of the call option which were recognized through profit or loss; in the previous year, this item also included the disposal gain and the effects from the unwinding of the at-equity accounting treatment.

During the year under review, a dividend was received from METRO AG amounting to EUR 7 million (previous year: EUR 38 million). Due to the sustained drop in METRO AG’s share price, an impairment loss of EUR 33 million was recognized during the fiscal year.

The profit or loss from discontinued operations breaks down as follows:

EUR million	2020	2019
Revenue and income	1,340	1,583
Expenses	-1,491	-1,625
Profit or loss from discontinued operations before taxes	**-151**	**-42**
Income tax expenses	-7	-8
Profit or loss from discontinued operations after taxes	**-158**	**-50**
Revaluation and disposal gains/losses before taxes	-70	
Income taxes on revaluation and disposal gains/losses		
Revaluation and disposal gains/losses after taxes	**-70**	**0**
Profit after taxes from discontinued operations according to income statement	**-229**	**-49**

Comprehensive income from discontinued operations attributable to the shareholders of Franz Haniel & Cie. GmbH amounted to EUR -247 million during the fiscal year (previous year: EUR 62 million).

E. Other notes

28 Leases

Property, plant and equipment amounting to EUR 786 million (previous year: EUR 957 million) included EUR 577 million (previous year: EUR 712 million) in property, plant and equipment legally owned by Haniel and EUR 209 million (previous year: EUR 245 million) in assets used by Haniel as lessee in the context of leases. These assets have been recognized as right-of-use assets since January 1, 2019, and are classified as follows:

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	**Total**
Book value				
As of Jan. 1, 2020	**181**	**3**	**61**	**245**
Foreign exchange rate adjustments	-4			**-4**
Additions to scope of consolidation	8		1	**9**
Additions	36		31	**67**
Depreciation	38	1	29	**67**
Impairments	1			**1**
Other changes	-35	-1	-2	**-38**
As of Dec. 31, 2020	**146**	**1**	**62**	**209**

Other changes includes the effects from the reclassification of assets held by the ELG business unit as held for sale.

EUR million	Land, buildings and similar assets	Technical equipment and machinery	Operating and office equipment	**Total**
Book value				
As of Jan. 1, 2019 before adjustments	**27**	**2**	**1**	**30**
Adjustments: IFRS 16	162	2	53	**216**
As of Jan. 1, 2019	**189**	**3**	**54**	**246**
Foreign exchange rate adjustments	1			**1**
Additions to scope of consolidation	7		2	**9**
Additions	24	1	32	**57**
Depreciation	35	1	27	**63**
Impairments	0			**0**
Other changes	-5		-1	**-6**
As of Dec. 31, 2019	**181**	**3**	**61**	**245**

The future amount of obligations arising from leases signed but not yet commenced as of the reporting date, is also insignificant.

The overview below presents the amounts recognized in the income statement in relation to leases:

EUR million	2020	2019
Depreciation of right-of-use assets	62	58
Interest expenses for lease liabilities	5	5
Expenses relating to short-term leases	9	7
Expenses relating to low-value assets	3	3
Income from subleasing right-of-use assets	-2	-1
	78	**73**

The statement of cash flows includes the following amounts in relation to leases:

EUR million	2020	2019
Payments for short-term leases and leases relating to low-value assets	-12	-10
Repayments of lease liabilities and interest payments	-75	-74
	-87	**-84**

The payments for short-term leases and leases relating to low-value assets, as well as interest payments in connection with lease liabilities, are presented under cash flows from operating activities; the repayment of lease liabilities is presented in cash flows from financing activities.

Leases are treated as operating leases if Haniel is the lessor and substantially all the risks and rewards incidental to ownership of an underlying asset are not transferred to the contracting party. The leased property therefore continues to be reported in the statement of financial position and the lease payments are recognized as other operating income.

The table below presents the minimum incoming payments for operating leases in the coming years:

	2020				**2019**			
EUR million	Up to 1 year	1 to 5 years	More than 5 years	**Total**	Up to 1 year	1 to 5 years	More than 5 years	**Total**
Operating leases	**1**	**2**	**1**	**4**	**1**	**2**	**1**	**4**

29 Financial risk management

In the context of its operating activities, the Haniel Group is exposed to financial risks. These primarily include liquidity risks, default risks, risks resulting from changes in interest and exchange rates, and price fluctuations in the stock or commodity markets. The purpose of financial risk management is to reduce the extent of these financial risks.

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

For financing purposes, the Haniel Group uses a variety of financing instruments in keeping with industry and commercial practice and subject to customary contractual provisions. No special financial risks arise from this practice.

Liquidity risk
Liquidity risk is the risk of being unable to guarantee the Haniel Group's solvency at all times. Liquidity risk is managed by financial planning measures taken by the business units' holding companies to ensure that the necessary resources are available to fund the operating business and investments. The financing requirement is determined according to the financial plans of the subsidiaries and the Haniel Holding Company. In order to cover the financing requirement, the Haniel Holding Company has at its disposal committed, unutilized credit facilities as well as a commercial paper program. The liquidity risk is also managed within the business units, which also have their own unutilized bilateral short- and long-term credit facilities. The Haniel Group seeks as a general rule to maintain an appropriate reserve of available credit facilities. On the reporting date, the continuing operations within the Haniel Group had access to EUR 1.5 billion in available, committed lines of credit.

Default risk
The default or credit risk is the risk of the Haniel Group's contractual partners not fulfilling their obligations. The Haniel Group is exposed to a default risk both in its operating business and in connection with financial instruments.

In view of the Haniel Group's diverse activities and the large number of existing customer relationships, entailing as a rule minor individual receivables, a concentration of default risks generally does not arise in the business units from trade receivables. In addition, default risks increased during the fiscal year due to the coronavirus crisis; these risks were taken into account through the recognition of appropriate provisions.

However, only the ELG business unit – which was reclassified as held for sale – has some significant individual trade receivables vis-à-vis major customers, due to its industry. These are hedged with default insurance policies. From the Group's perspective, the default risk is therefore not significant.

The investment of cash in selected financial products is governed by directives in the Haniel Group. Depending on the assessment of the counterparty's creditworthiness, corresponding limits are prescribed and monitored in order to avoid a concentration of default risks. Based on internal and external ratings, the default risks can be summarized as follows:

EUR million	Dec. 31, 2020	Dec. 31, 2019
Low default risk	134	198
Medium default risk	15	20
Total	**149**	**218**

In addition to the carrying amounts of the (derivative) financial instruments with positive fair values recognized in the statement of financial position, the maximum default risk of the Haniel Group also includes the nominal volume of the financial guarantee contracts issued. As of the reporting date the nominal volume of financial guarantee contracts totaled EUR 0 million (previous year: EUR 0 million).

Interest rate risk

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

The following interest rate sensitivity analysis illustrates the hypothetical effects on profit before taxes, other comprehensive income and equity, had the prevailing market interest rates changed on the reporting date. It is based on the assumptions that the figures as of the reporting date are representative for the whole year, and that the supposed change in market interest rates could have occurred on the reporting date. Tax effects are disregarded. The analysis relates to the continuing operations. Prior-year figures have been adjusted accordingly.

Dec. 31, 2020	**+ 100 basis points**			**- 100 basis points**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
Euro market interest rates	-5		**-5**	4		**4**
USD market interest rates		1	**1**			**0**
GBP market interest rates			**0**			**0**

Dec. 31, 2019	**+ 100 basis points**			**- 100 basis points**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
Euro market interest rates	-5		**-5**	5		**5**
USD market interest rates			**0**			**0**
GBP market interest rates			**0**			**0**

Exchange rate risk

Exchange rate risks arise from investments and financing measures undertaken in foreign currencies, and from the operating business in connection with buying and selling merchandise and services in currencies other than the functional currency. The resulting risk exposure is determined continually and hedged primarily by entering into forward currency contracts and currency swaps. The majority of exchange rate risks originate from changes in the USD-EUR, GBP-EUR and NOK-EUR rates.

Micro-hedges are among the principal instruments used to hedge exchange rate risks. These entail the direct hedging of an underlying transaction with a currency derivative. In addition to this type of hedging, currency risks can also be hedged as part of a portfolio hedging relationship, in which transactions with identical risks are combined into groups. The overall risk position of such a portfolio represents the hedged item in the hedging relationship which is hedged through the use of appropriate derivatives.

Currency derivatives are also used to hedge forecast transactions in foreign currencies. In this case, the currency derivative (or a combination of several derivatives) that best reflects the probability of occurrence and timing of the forecast transaction is selected.

An exchange rate sensitivity analysis illustrates the theoretical effects on profit before taxes, other comprehensive income and equity from changes in the exchange rates of the currencies USD, GBP and NOK, which are significant for the Haniel Group. The exchange rate sensitivity analysis is based on the non-derivative and derivative financial instruments held by the Group companies in non-functional currencies on the reporting date. It assumes that the exchange rates change by an indicated percentage rate on the reporting date. Movements over time, actual observed changes in other market parameters and tax effects are disregarded. The analysis relates to the continuing operations. Prior-year figures have been adjusted accordingly.

The medium- and long-term borrowing is predominantly done by Franz Haniel & Cie. GmbH, the holding companies of the business units and the financing companies. Depending on the borrowing requirements of the individual Group companies, these companies can also obtain loans in currencies other than the euro for disbursement within the Group. Since these loans are not taken out in the companies' functional currency, IFRS 7.40 requires that they be taken into account when measuring the exchange rate risk, even though such a risk does not exist from the perspective of the Group as a whole.

Dec. 31, 2020	**+10%**			**-10%**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
USD/EUR exchange rate		1	**1**		-1	**-1**
GBP/EUR exchange rate	1	-1	**0**	-1	1	**0**
NOK/EUR exchange rate	-4		**-4**	4		**4**

Dec. 31, 2019	**+10%**			**-10%**		
EUR million	Profit before taxes	Other comprehensive income	**Equity**	Profit before taxes	Other comprehensive income	**Equity**
USD/EUR exchange rate	-5	1	**-4**	5	-1	**4**
GBP/EUR exchange rate		-1	**-1**		1	**1**
NOK/EUR exchange rate	-8		**-8**	8		**8**

Share price risk

The Haniel Group invests over the medium to long term in financial instruments such as investment funds, equities and debt instruments, which are measured at fair value through profit or loss. A hypothetical 10 percent increase (decrease) in the quoted exchange prices of these instruments would result in an improvement (deterioration) of the profit before taxes by EUR 24 million (EUR -24 million). A hypothetical increase (decrease) in the fair value of equity instruments measured at fair value through other comprehensive income, such as direct investments in start-ups, and debt instruments such as credit-linked obligations, would result in an increase (decrease) in other comprehensive income by EUR 3 million (EUR -3 million).

A hypothetical 10 percent increase (decrease) in METRO AG's quoted share price would lead to an increase (decrease) in the profit before taxes of EUR 9 million (EUR -9 million). Presentation in profit after taxes follows from the classification of the METRO shares as assets held for sale.

Other price risks
The Haniel Group is not exposed to any material price risks.

The ELG business unit, which is classified as held for sale, is exposed to risks relating to price fluctuations on the commodity markets, particularly for nickel. The ELG business unit continually determines the risk exposures resulting from the purchase and sale of products and hedges these with respect to nickel primarily through the use of derivative financial instruments (nickel futures). A hypothetical increase (decrease) in the nickel price by USD 1,279 (previous year: USD 1,420) would have reduced (raised) profit by EUR 10 million (EUR 10 million) (previous year: EUR -11 resp. 11 million).

Hedge accounting
The Haniel Group enters into hedging transactions for the purpose of hedging both the fair values of certain assets or liabilities and future cash flows. This also includes currency hedges of planned sales and purchases of merchandise and services, and of investments and divestments.

When accounting for hedges, the hedge accounting rules are sometimes applied. Under the hedge accounting rules, a derivative is classified either as a hedging instrument in a cash flow hedge if it is used to hedge future cash flows, as a hedging instrument in a fair value hedge if it is used to hedge the fair values of certain assets and liabilities, or as a hedging instrument in a hedge of a net investment in a foreign operation if it is used to hedge an investment recognized in a foreign currency.

Currency derivatives used to hedge existing items of the statement of financial position are usually not subjected to formal hedge accounting. The changes in the fair values of these derivatives, which, from an economic point of view, represent effective hedges in the context of the Group strategy, are recognized in profit or loss. Those changes are generally matched by opposite changes in the fair values of the hedged items.

Cash flow hedges – interest rate hedging
The Haniel Group obtains financing largely by way of long-term and short-term bilateral credit facilities, bonds, commercial paper and promissory loan notes. The bilateral credit facilities are generally utilized on a revolving basis with a short-term fixed-rate period. By entering into derivative financial instrument transactions, the Group generally hedges against rising market interest rates and thus against future increases in interest expenses.

As of the reporting date, the continuing operations had no designated hedges. In the previous year, the nominal volume of the hedging instruments amounted to EUR 20 million, USD 100 million and GBP 10 million. These hedging instruments all related to the ELG business unit, which was reported as held for sale during the current year.

The Haniel Group generally applies the supplemental provisions of IFRS 9 contained in “Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform”.

The Treasury departments of the Haniel Group’s business units and the Haniel Holding Company’s Treasury department are monitoring developments relating to the interest rate benchmark reform, and will continue to analyze their impacts on an ongoing basis. The necessary adjustments to IT systems, processes, valuation models and implications on accounting and tax will be factored into the analysis.

Because the hedge accounting did not include any interest hedges as of the reporting date, the change in interbank rates had no impact on the Haniel Group.

Cash flow hedges – currency hedging
The Haniel Group enters into forward exchange contracts to hedge euro-denominated payments. The designated hedged items are highly probable payments denominated in various foreign currencies.

The nominal volume of the hedging instruments designated as of December 31, 2020 amounted to EUR 58 million. They will all become due in 2021. The nominal volume of the hedging instruments designated as of December 31, 2019 amounted to EUR 55 million. They all became due in fiscal year 2020.

In connection with cash flow hedges, losses of EUR 3 million (previous year: losses of EUR 4 million) were recognized in other comprehensive income for the fiscal year. Gains in the amount of EUR 4 million (previous year: EUR 1 million) were transferred from other comprehensive income to finance costs. Of these amounts, EUR 0 million were recognized in the fiscal year (previous year: EUR 0 million) because previously existing hedges were revoked upon the disposal of the hedged items.

There is an economic connection between the designated underlying and the hedging instruments since the terms of the derivative financial instruments are identical to those for the hedged underlying (i.e., nominal amount and (expected) payment date). In the Haniel Group, a hedge ratio of 1:1 is generally used for hedges since the underlying risk of the hedging instruments is identical to the hedged risk. As in the previous year, there were no significant ineffective portions of cash flow hedges.

Fair value hedge
As in the previous year, fair value hedge accounting was not applied in the fiscal year.

30 Additional disclosures on financial instruments

In compliance with the hedging strategy pursued by the Haniel Group, the total derivative financial instruments position is composed as follows:

	Dec. 31, 2020		Dec. 31, 2019	
EUR million	Fair value	of which cash flow hedges	Fair value	of which cash flow hedges
Assets				
Interest rate instruments				
Currency instruments	2		4	
Other derivative financial instruments			15	
	2	**0**	**19**	**0**
Liabilities				
Interest rate instruments			3	3
Currency instruments	4	1	3	2
Other derivative financial instruments			3	
	4	**1**	**10**	**5**

In the previous year, other derivative financial instruments related primarily to nickel derivatives by the ELG business unit, which was classified as held for sale during the current fiscal year. In addition, this item included the obligation to deliver under the exchangeable bond linked to CECONOMY AG's ordinary shares and the obligation to deliver resulting from the granting of the call option in relation to the 2.71 percent of outstanding ordinary shares in METRO AG, both of which fell due during the current fiscal year. Please refer to notes 11 and 19 for information on the presentation of derivative financial instruments designated as hedging instruments.

The table below shows the contractually agreed, undiscounted payments of interest and principal over time of the non-derivative financial liabilities, derivative liabilities and financial guarantee contracts existing as of December 31, 2020:

EUR million	Cash flows 2021	Cash flows 2022	Cash flows from 2023 to 2025	Cash flows from 2026 to 2030	Cash flows from 2031 onwards
Non-derivative financial liabilities and financial guarantee contracts					
Liabilities due to banks	-58	-1	-354	-40	
Bonds, commercial paper and other securitized debt	-22	-10	-46		
Liabilities to shareholders	-69	-41	-36		
Lease liabilities	-61	-49	-89	-28	-7
Other financial liabilities	-52	-10	-31		
Liabilities from business combinations and fixed dividends minority shareholder	-38	-4	-87	-338	
Trade payables	-146				
Financial guarantee contracts					
	-446	**-115**	**-643**	**-406**	**-7**
Derivative liabilities					
Hedge accounting					
Derivatives (net settled)					
Derivatives (gross settled) inflows	32				
Derivatives (gross settled) outflows	-33				
	-1	**0**	**0**	**0**	**0**
Excl. hedge accounting					
Derivatives (net settled)	1				
Derivatives (gross settled) inflows	182	1			
Derivatives (gross settled) outflows	-187	-1			
	-4	**0**	**0**	**0**	**0**
	-5	**0**	**0**	**0**	**0**

The repayments of principal are classified by the earliest period in which the creditors may demand repayment.

For the financial guarantee contracts, the disclosure is made not on the basis of the estimated probable amount, but in the amount of the agreed maximum guarantee at the earliest possible date.

The contractually agreed, undiscounted payments of interest and principal over time of the non-derivative financial liabilities and derivative liabilities and financial guarantee contracts that existed as of December 31, 2019 were as follows:

EUR million	Cash flows 2020	Cash flows 2021	Cash flows from 2022 to 2024	Cash flows from 2025 to 2029	Cash flows from 2030 onwards
Non-derivative financial liabilities and financial guarantee contracts					
Liabilities due to banks	-269	-47	-361	-10	
Bonds, commercial paper and other securitized debt	-509	-1	-40		
Liabilities to shareholders	-60	-27	-49	-1	
Lease liabilities	-60	-47	-88	-61	-10
Other financial liabilities	-13	-23	-39	-1	
Liabilities from business combinations and fixed dividends minority shareholder	-4				
Trade payables	-191				
Financial guarantee contracts					
	-1,113	**-145**	**-577**	**-73**	**-10**
Derivative liabilities					
Hedge accounting					
Derivatives (net settled)	-2				
Derivatives (gross settled) inflows	183				
Derivatives (gross settled) outflows	-184				
	-3	**0**	**0**	**0**	**0**
Excl. hedge accounting					
Derivatives (net settled)					
Derivatives (gross settled) inflows	1,102				
Derivatives (gross settled) outflows	-1,100				
	2	**0**	**0**	**0**	**0**
	-1	**0**	**0**	**0**	**0**

For purposes of the cash flow analysis, in accordance with IFRS 7.B11A the exchangeable bond linked to ordinary shares of CECONOMY AG was considered to be a single financial instrument and is presented in total in the line “bonds, commercial paper and other securitized debt”. The obligation to deliver ordinary shares of CECONOMY AG was not separated.

Reconciliation of financial instruments to IFRS 9 categories

ASSETS

EUR million	**Carrying amounts as of Dec. 31, 2020**	Debt- and equity instruments and derivatives measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Debt instruments measured at amortized cost	Contingent consideration from business combinations	No IFRS 9 category	Outside the scope of IFRS 7
Non-current financial assets	**273**	**237**	**9**	**20**	**7**	**0**	**0**	**0**
Other non-current assets	**22**	**0**	**0**	**0**	**0**	**0**	**0**	**22**
Trade receivables and similar assets	**437**	**0**	**0**	**0**	**410**	**0**	**0**	**27**
Commercial paper	**20**				20			
Current financial assets	**20**	**0**	**0**	**0**	**20**	**0**	**0**	**0**
Cash and cash equivalents	**212**	**109**	**0**	**0**	**102**	**0**	**0**	**0**
Receivables from investments	**1**				1			
Derivative financial instruments	**2**	2						
Value-added tax receivables and other tax assets	**35**							35
Prepaid expenses	**17**							17
Bonuses and discount claims against suppliers	**10**				10			
Miscellaneous current assets	**29**				29			
Other current assets	**94**	**2**	**0**	**0**	**40**	**0**	**0**	**52**
Assets held for sale	**639**	**85**	**0**	**14**	**125**	**0**	**395**	**20**

EUR million	**Carrying amounts as of Dec. 31, 2019**	Debt- and equity instruments and derivatives measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Debt instruments measured at amortized cost	Contingent consideration from business combinations	No IFRS 9 category	Outside the scope of IFRS 7
Non-current financial assets	**150**	**138**	**10**	**0**	**2**	**0**	**0**	**0**
Other non-current assets	**74**	**0**	**0**	**37**	**0**	**0**	**0**	**37**
Trade receivables and similar assets	**532**	**0**	**0**	**15**	**512**	**0**	**0**	**5**
Fixed-term deposits	**20**				20			
Commercial paper	**82**				82			
Current financial assets	**102**	**0**	**0**	**0**	**102**	**0**	**0**	**0**
Cash and cash equivalents	**566**	**452**	**0**	**0**	**114**	**0**	**0**	**0**
Receivables from investments	**1**				1			
Derivative financial instruments	**19**	19						
Value-added tax receivables and other tax assets	**37**							37
Prepaid expenses	**18**							18
Bonuses and discount claims against suppliers	**17**				17			
Miscellaneous current assets	**54**				54			
Other current assets	**146**	**19**	**0**	**0**	**72**	**0**	**0**	**55**
Assets held for sale	**115**	**115**	**0**	**0**	**0**	**0**	**0**	**0**

Reconciliation of financial instruments to IFRS 9 categories

LIABILITIES

EUR million	**Carrying amounts as of Dec. 31, 2020**	Financial liabilities measured at fair value through profit or loss	Contingent consideration from business combinations	Financial liabilities at amortized cost	No IFRS 9 category	Outside the scope of IFRS 7
Liabilities due to banks	**395**			395		
Bonds, commercial paper and other securitized debt	**55**			55		
Liabilities to shareholders	**72**			72		
Lease liabilities	**162**				162	
Other financial liabilities	**37**			37		
Non-current financial liabilities	**721**	**0**	**0**	**559**	**162**	**0**
Other non-current liabilities	**406**	**194**	**207**	**3**	**0**	**2**
Liabilities due to banks	**58**			58		
Bonds, commercial paper and other securitized debt	**20**			20		
Liabilities to shareholders	**67**			67		
Lease liabilities	**58**				58	
Other financial liabilities	**23**			23		
Current financial liabilities	**226**	**0**	**0**	**167**	**58**	**0**
Trade payables and similar liabilities	**201**	**0**	**0**	**146**	**0**	**55**
Liabilities for other taxes	**62**					62
Liabilities for payroll and social security	**22**			13		9
Accrued expenses	**155**			97		58
Derivative financial instruments	**4**	3			1	
Miscellaneous current liabilities	**61**		38	22		1
Other current liabilities	**303**	**3**	**38**	**132**	**1**	**130**
Liabilities held for sale	**534**	5	3	358	158	10

EUR million	**Carrying amounts as of Dec. 31, 2019**	Financial liabilities measured at fair value through profit or loss	Contingent consideration from business combinations	Financial liabilities at amortized cost	No IFRS 9 category	Outside the scope of IFRS 7
Liabilities due to banks	**535**			535		
Bonds, commercial paper and other securitized debt	**40**			40		
Liabilities to shareholders	**70**			70		
Lease liabilities	**200**				200	
Other financial liabilities	**57**			57		
Non-current financial liabilities	**902**	**0**	**0**	**702**	**200**	**0**
Other non-current liabilities	**6**	**0**	**3**	**0**	**0**	**2**
Liabilities due to banks	**164**			164		
Bonds, commercial paper and other securitized debt	**505**			505		
Liabilities to shareholders	**59**			59		
Lease liabilities	**57**				57	
Other financial liabilities	**17**			17		
Current financial liabilities	**802**	**0**	**0**	**745**	**57**	**0**
Trade payables and similar liabilities	**231**	**0**	**0**	**191**	**0**	**40**
Liabilities for other taxes	**47**					47
Liabilities for payroll and social security	**25**			16		9
Accrued expenses	**115**			72		43
Derivative financial instruments	**10**	5			5	
Miscellaneous current liabilities	**24**		1	21		2
Other current liabilities	**221**	**5**	**1**	**110**	**5**	**100**
Liabilities held for sale	**0**	0	0	0	0	0

Fair value measurement

The table below shows the assets and liabilities measured at fair value in the statement of financial position as of December 31, 2020, classified by the following input levels:

Level 1: Quoted prices in active markets for the identical asset or liability

Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data

Level 3: Valuation techniques for which significant inputs are not based on observable market data

If assets and liabilities recurrently measured at fair value must be reclassified between the various levels because, for example, an asset is no longer traded in an active market or is traded for the first time, the reclassification is made at the end of the reporting period. No such transfers between Levels 1 and 2 took place either during the fiscal year or the previous year.

EUR million	**Total Dec. 31, 2020**	Level 1	Level 2	Level 3	Not measured at fair value
Assets					
Recurring fair value measurement					
Non-current financial assets					
Debt instruments measured at fair value through profit or loss	**213**	129	20	64	
Equity instruments measured at fair value through profit or loss	**25**	19		6	
Equity instruments measured at fair value through other comprehensive income	**9**			9	
Debt instruments measured at fair value through other comprehensive income	**20**		20		
Cash and cash equivalents					
Money market funds	**109**	109			
Other current assets					
Derivative financial instruments	**2**		2		
Contingent consideration from business combinations	**0**				
Non-recurring fair value measurement					
Assets held for sale	**639**	85	14		540
Liabilities					
Recurring fair value measurement					
Other non-current liabilities					
Contingent consideration from business combinations	**207**			207	
Other liabilities from business combinations	**194**			194	
Other current liabilities					
Derivative financial instruments	**4**		4		
Contingent consideration from business combinations	**38**			38	
Non-recurring fair value measurement					
Liabilities held for sale	**534**		5		529

In the current fiscal year, other consideration from business combinations consisted solely of a liability resulting from the granting of a put option in the context of a business combination. If the holder exercises the option, Haniel will receive further shares in the acquired company.

The figure for assets and liabilities measured at fair value under assets and liabilities held for sale relates to the financial instruments of the ELG business unit measured at fair value as well as the shares in METRO AG held for sale.

The table below shows the assets and liabilities measured at fair value in the statement of financial position as of December 31, 2019:

EUR million	**Total Dec. 31, 2019**	Level 1	Level 2	Level 3	Not measured at fair value
Assets					
Recurring fair value measurement					
Non-current financial assets					
Debt instruments measured at fair value through profit or loss	**134**	85	10	39	
Equity instruments measured at fair value through profit or loss	**4**	2		2	
Equity instruments measured at fair value through other comprehensive income	**10**			10	
Debt instruments measured at fair value through other comprehensive income	**0**				
Cash and cash equivalents					
Money market funds	**452**	452			
Other current assets					
Derivative financial instruments	**19**		19		
Contingent consideration from business combinations	**0**				
Non-recurring fair value measurement					
Assets held for sale	**115**	115			
Liabilities					
Recurring fair value measurement					
Other non-current liabilities					
Contingent consideration from business combinations	**3**				3
Other liabilities from business combinations	**0**				
Other current liabilities					
Derivative financial instruments	**10**		10		
Contingent consideration from business combinations	**1**			1	

The fair value of financial instruments traded in an active market (Level 1) is based on the quoted prices as of the reporting date. The fair value of assets and liabilities recurrently measured at fair value within Level 2 is determined using the DCF method. Expected future cash flows from the financial instruments are discounted using market interest rates with matching maturities. The creditworthiness of the respective borrower is taken into account by including risk premiums based on credit ratings and maturities in the discount factors. The risk premiums are determined using observable market prices from fixed-income securities. The DCF method is also used for the measurement of contingent consideration from business combinations.

The following table presents a detailed reconciliation of the assets and liabilities recurrently measured at fair value within Level 3, excluding contingent consideration and other liabilities from business combinations, which are explained in more detail in note 32. The reconciliation relates to venture capital funds mainly in the Holding and other companies segment as well as equity investments in non-listed corporations by the CWS and TAKKT business units as well as the Holding and other companies segment. The venture capital funds are measured in accordance with the adjusted net asset method. Under this method, the fair values of the individual investments as determined by the funds on the basis of recognized valuation methods are aggregated and adjusted by an appropriate illiquidity discount for the overall fund. The value of non-listed investments in corporations is calculated based on the one hand on additional capital contributions by investors or on the price at which a third party enters the market in the course of a further financing round (price of recent investment valuation method). On the other hand, recognized company valuation techniques (multiples) are also applied.

EUR million	2020	2019
As of Jan. 1	**51**	**38**
Foreign exchange rate adjustments	-1	
Additions	25	14
Fair value changes recognized in profit or loss	8	5
Fair value changes recognized in other comprehensive income	-2	-4
Disposals	2	2
As of Dec. 31	**79**	**51**
Unrealized gains or losses recognized in profit or loss relating to those financial instruments held at the reporting date	0	0

A hypothetical 10 percent increase (decrease) in the fair value of financial instruments measured at fair value in Level 3 would result in a EUR 8 million increase (decrease) in equity (previous year: EUR 5 million).

The table below shows the fair values of the financial instruments as of December 31, 2020 that are not recognized at fair value in the statement of financial position:

	Carrying amount	**Fair value**		
EUR million		Level 1	Level 2	Level 3
Assets				
Non-current financial assets				
Debt instruments measured at amortized cost	5			5
Loans	2		2	
Liabilities				
Financial liabilities				
Liabilities due to banks	453		452	
Bonds, commercial paper and other securitized debt	75		76	
Liabilities to shareholders	139		139	
Other financial liabilities	60		59	
Other non-current liabilities				
Purchase price liabilities (not contingent) and fixed dividends minority shareholder	3		3	

In accordance with IFRS 7.29 (d), the fair values for lease liabilities need not be disclosed.

The table below shows the fair values of the financial instruments as of December 31, 2019 that were not recognized at fair value in the statement of financial position:

	Carrying amount	**Fair value**		
EUR million		Level 1	Level 2	Level 3
Assets				
Non-current financial assets				
Loans	2		2	
Liabilities				
Financial liabilities				
Liabilities due to banks	698		698	
Bonds, commercial paper and other securitized debt	545		546	
Liabilities to shareholders	129		132	
Other financial liabilities	74		87	
Other non-current liabilities				
Purchase price liabilities (not contingent) and fixed dividends minority shareholder	0			

The fair value of financial instruments traded in an active market (Level 1) is based on the quoted prices as of the reporting date. The fair values for Level 2 are measured analogously to the method for assets and liabilities recurrently measured at fair value using the DCF method. For current financial instruments the carrying amount represents a reasonable estimate of the fair value due to the short residual maturity.

Offsetting financial assets and liabilities

The tables below provide an overview of the financial assets and liabilities that are offset in the statement of financial position. They also present the extent to which there are netting agreements with contractual partners that do not result in a net presentation in the statement of financial position because not all conditions of IAS 32 for a net presentation are met. Global netting arrangements in the Haniel Group relate to derivative financial instruments, for which, in the event of default, the master agreements with the financial institutions stipulate offsetting mutual receivables and liabilities existing at that date.

Concerning assets, the following items in the statement of financial position are affected:

				Master netting agreements		
EUR million	Financial assets (gross amounts)	Financial liabilities set off in the statement of financial position (gross amounts)	**Financial assets presented in the statement of financial position as of Dec. 31, 2020 (net amounts)**	Financial liabilities not set off in the statement of financial position	Collateral received	**Net amounts as of Dec. 31, 2020**
Cash and cash equivalents						
with netting agreement	33	25	**8**			**8**
without netting agreement	204		**204**			**204**
	237	**25**	**212**	**0**	**0**	**212**
Derivative financial instruments						
with netting agreement	1		**1**			**1**
without netting agreement	1		**1**			**1**
	2	**0**	**2**	**0**	**0**	**2**
Securities and current financial instruments						
with netting agreement			**0**			**0**
without netting agreement			**0**			**0**
	0	**0**	**0**	**0**	**0**	**0**

The cash and cash equivalents presented on a net basis in the statement of financial position relate to a cash pooling arrangement between the BekaertDeslee business unit and a bank.

				Master netting agreements		
EUR million	Financial assets (gross amounts)	Financial liabilities set off in the statement of financial position (gross amounts)	**Financial assets presented in the statement of financial position as of Dec. 31, 2019 (net amounts)**	Financial liabilities not set off in the statement of financial position	Collateral received	**Net amounts as of Dec. 31, 2019**
Cash and cash equivalents						
with netting agreement	58	52	**6**			**6**
without netting agreement	560		**560**			**560**
	618	**52**	**566**	**0**	**0**	**566**
Derivative financial instruments						
with netting agreement	3		**3**	1		**2**
without netting agreement	16		**16**			**16**
	19	**0**	**19**	**1**	**0**	**18**

Concerning liabilities, the following items in the statement of financial position are affected:

				Master netting agreements		
EUR million	Financial liabilities (gross amounts)	Financial assets set off in the statement of financial position (gross amounts)	**Financial assets presented in the statement of financial position as of Dec. 31, 2020 (net amounts)**	Financial assets not set off in the statement of financial position	Pledged collateral	**Net amounts as of Dec. 31, 2020**
Derivative financial instruments						
with netting agreement	1		**1**			**1**
without netting agreement	3		**3**			**3**
	4	**0**	**4**	**0**	**0**	**4**

				Master netting agreements		
EUR million	Financial liabilities (gross amounts)	Financial assets set off in the statement of financial position (gross amounts)	**Financial assets presented in the statement of financial position as of Dec. 31, 2019 (net amounts)**	Financial assets not set off in the statement of financial position	Pledged collateral	**Net amounts as of Dec. 31, 2019**
Liabilities due to banks						
with netting agreement	5		**5**			**5**
without netting agreement	693		**693**			**693**
	698	**0**	**698**	**0**	**0**	**698**
Derivative financial instruments						
with netting agreement	3		**3**	1		**2**
without netting agreement	7		**7**			**7**
	10	**0**	**10**	**1**	**0**	**9**

Net gains or losses from IFRS 9 categories

The following table shows the net gains or losses recognized in the income statement by IFRS 9 categories:

EUR million	2020	2019
Debt- and equity instruments and derivatives measured at fair value through profit or loss	10	5
Debt instruments measured at amortized cost	-8	0
Financial liabilities at amortized cost	-30	-31
Profit or loss from continuing operations	**-28**	**-26**
Income after taxes of disposal group	-29	-45
Group	**-57**	**-71**

During the fiscal year, the net gains or losses from equity instruments, debt instruments and derivatives measured at fair value through profit or loss related to changes in the fair values of these financial instruments. The net gains/losses from debt instruments measured at amortized cost include a EUR 6 million increase in net expenses resulting from the measurement of receivables. As in the previous year, the net gains or losses from financial liabilities measured at amortized cost consist primarily of interest expenses and exchange differences arising from the measurement of non-operating liabilities denominated in foreign currencies.

Interest and similar expenses include EUR 25 million from financial liabilities not measured at fair value during the fiscal year (previous year: EUR 32 million). Interest and similar income include interest income from financial assets not measured at fair value through profit or loss amounting to EUR 2 million in the fiscal year (previous year: EUR 3 million).

31 Contingent liabilities

Contingent liabilities amounted to a total of EUR 429 million (previous year: EUR 425 million). They contain other guarantees in the amount of EUR 422 million (previous year: EUR 417 million) and tax-related contingent liabilities in the amount of EUR 8 million (previous year: EUR 8 million). As in the previous year the other guarantees concern the Holding and other companies segment and are related to disposals of companies. Certain provisions were also recognized in connection with these matters. These are recognized under the relevant item.

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

32 Business combinations and disposals of consolidated companies

21 business combinations were carried out in the fiscal year. These related to the acquisition of the new Emma business unit and acquisitions by the CWS and ROVEMA business units. In total, 13 companies or groups of companies were acquired and 8 asset deals were implemented. A 100 percent interest was acquired in each of the companies in the CWS, Optimar and ROVEMA business units.

As of July 1, 2020, 50.1 percent of the Emma business unit had been acquired and included in Haniel’s consolidated financial statements. The company, which was founded in 2013 and has its registered office in Frankfurt am Main, has evolved from an online platform for mattresses and sleep systems to an international sleep tech provider. This acquisition serves to drive forward the Group’s transformation and to add a new element to the People investment field.

The total assets and liabilities acquired through business combinations in the fiscal year are comprised as follows:

	Fair values		**Fair values**
EUR million	Emma	Other acquisitions	
Assets			
Property, plant and equipment	6	12	18
Intangible assets	56	13	69
Deferred taxes	0	2	2
Inventories	16	6	22
Trade receivables and similar assets	12	6	18
Cash and cash equivalents	26	4	31
Other assets	14	2	16
	130	**45**	**175**
Liabilities			
Deferred taxes	15	5	20
Trade payables and similar liabilities	30	7	36
Other liabilities	46	13	59
	91	**25**	**116**

The gross contractual amount of the acquired trade and other receivables is EUR 29 million. Taking into account the expectation that EUR 0 million in receivables will not be recoverable, the fair value of the acquired trade and other receivables amounts to EUR 28 million.

The non-controlling interests in the equity of Emma Sleep GmbH and its subsidiaries reported within the Emma business unit amounted to EUR 24 million as of the reporting date.

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

EUR million	Emma	Other acquisitions	**Total**
Consideration paid	**74**	**52**	**126**
Contingent consideration	244	1	245
Purchase price liabilities		2	2
Other non-cash consideration			
Cash and cash equivalents acquired	26	4	31
Consideration transferred	**344**	**59**	**404**
Net assets acquired	**19**	**20**	**39**
Goodwill	**325**	**39**	**364**

The reported goodwill essentially represents the future prospects accompanying the business combinations and the expertise of the workforce acquired. EUR 8 million in recognized goodwill is tax deductible.

The above amounts were measured on a preliminary basis, meaning that the accounting treatment for the business combination will be adjusted if new information concerning facts and circumstances existing as of the acquisition date which would have resulted in correction of the above amounts becomes known within a year after the acquisition date.

The transaction costs incurred in the context of the business combinations totaled EUR 2 million and are included in other operating expenses.

A put option to acquire further shares was granted in the context of a business combination. The liability resulting from this option was reported under other non-current liabilities.

The companies acquired contributed EUR 295 million to revenue and EUR 12 million to profit after taxes during the period. The profit after taxes includes expenses from the continuation of the purchase price allocation. If each of the companies had been acquired with effect from the beginning of the fiscal year, they would have contributed EUR 466 million to revenue and EUR 18 million to profit after taxes.

Contingent consideration from business combinations developed as follows in the fiscal year:

EUR million	Contingent receivables	Contingent liabilities
As of Jan. 1	**0**	**4**
Additions		245
Disposals		-2
Foreign exchange rate adjustments		
Interest effect		0
Remeasurements		2
Disposals: IFRS 5		-4
As of Dec. 31	**0**	**245**

The fair value of the contingent consideration is determined on the basis of revenue and earnings targets, taking into account long-term business planning. The possible payments for the contingent consideration as of the reporting date range between EUR 39 million and EUR 260 million. The potential additional consideration is not limited. The value of the contingent consideration is determined on a regular basis by qualified employees of the relevant units and discussed with the responsible management.

Disposals of consolidated companies
No companies were disposed in the fiscal year.

33 Notes to the statement of cash flows

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

The cash flow from operating activities is determined indirectly on the basis of the profit after taxes and essentially contains sales-related payments, dividends from investments accounted for at equity, interest paid and received as well as tax payments. Haniel's internal cash earnings indicator used for management purposes, Haniel cash flow, is shown as a separate line item. Haniel cash flow is the profit after taxes, adjusted for all material non-cash income and expenses, and non-recurring, non-operating income and expenses, plus other cash components. Haniel cash flow consequently corresponds to the cash flow from operating activities excluding changes in current net assets. The current net assets contain inventories, trade receivables, and similar assets as well as current non-interest-bearing liabilities, current provisions, and similar liabilities. The inventories item included therein changed by EUR -307 million in the fiscal year (previous year: EUR 12 million), trade receivables and similar assets changed by EUR -95 million (previous year: EUR -21 million) and trade payables and similar liabilities changed by EUR -30 million (previous year: EUR 17 million).

The cash flow from investing activities includes payments for purchases and disposals of individual assets as well as for consolidated companies and other business units. As in the previous year, the proceeds from the disposal of property,

plant and equipment, intangible assets and other assets included in particular proceeds from the repayment or sale of financial investments held by the Haniel Holding Company.

The cash flow from financing activities comprises payments in connection with shareholder transactions as well as financial liabilities. The shareholder transactions essentially include payments to shareholders and payments from changes in shares in companies already consolidated. Payments to shareholders comprise dividend payments to the shareholders of Franz Haniel & Cie. GmbH in the amount of EUR 60 million (previous year: EUR 60 million) and payments for the purchase of treasury shares in the amount of EUR 2 million (previous year: EUR 4 million). In the previous year, the EUR 443 million in payments relating to changes in shares in companies already consolidated related to the acquisition of the remainder of shares in CWS-boco International GmbH. The statement of cash flows includes the cash flows attributable to discontinued operations, the ELG business unit and the METRO investment. Cash flow from operating activities included EUR 7 million in relation to the METRO investment. The cash flows for the ELG business unit break down as follows:

EUR million	2020	2019
Cash flow from operating activities	95	74
Cash flow from investing activities	-18	-17
Cash flow from financing activities	-79	-56

The tables below present the reconciliation of financial liabilities taking into account the cash and non-cash changes. The cash changes represent the sum of the proceeds from the issuance of financial liabilities and repayments of financial liabilities as presented in the statement of cash flows. Financial liabilities have changed as follows:

			Non-cash changes				
EUR million	As of Jan. 1, 2020	**Cash flows**	Changes in the scope of consolidation	Foreign exchange rate adjustments	New leases	Other changes	**As of Dec. 31, 2020**
Liabilities due to banks	698	**-10**	7	-4		-238	**453**
Bonds, commercial paper and other securitized debt	545	**-432**				-38	**75**
Liabilities to shareholders	129	**10**					**139**
Lease liabilities	257	**-76**	9	-4	77	-43	**220**
Other financial liabilities	74	**-14**					**60**
Financial liabilities	**1,703**	**-522**	**16**	**-8**	**77**	**-319**	**947**

			Non-cash changes				
EUR million	As of Jan. 1, 2019	**Cash flows**	Changes in the scope of consolidation	Foreign exchange rate adjustments	New leases	Other changes	**As of Dec. 31, 2019**
Liabilities due to banks	570	**99**	27	2			**698**
Bonds, commercial paper and other securitized debt	595	**-56**				6	**545**
Liabilities to shareholders	120	**9**					**129**
Lease liabilities	259	**-74**	8	3	57	5	**258**
Other financial liabilities	75	**-3**				2	**74**
Financial liabilities	**1,619**	**-25**	**35**	**5**	**57**	**13**	**1,704**

34 Notes to segment reporting

As the chief operating decision maker, the Management Board of Franz Haniel & Cie. GmbH is responsible, together with the investment partners, for developing the investment portfolio and managing the business units and financial investments. For segment reporting purposes, the reportable segments therefore comprise the seven business units, the financial investment in CECONOMY, which is accounted for at equity, and the Holding and other companies segment. The breakdown of the segments reflects the Group structure. It is defined using the management approach, taking internal monitoring and reporting, as well as the organizational structure, into account. Since its strategic realignment, Haniel has had clearly defined investment fields, to which the respective business units are assigned: People, Planet and Progress, as well as Transformation. Management continues to take place at the level of the business units, which thus continue to represent the reportable segments.

The same accounting standards are used for segment reporting and for the consolidated financial statements. The operating profit is the primary management indicator for measuring the operating performance of the business units. The segment assets comprise the total current and non-current assets, including the goodwill assigned to the respective segments. Transactions between the segments take place at arm's length. The financial liabilities encompass the non-current and current financial liabilities contained in the statement of financial position. The sum of this amount and the other liabilities recognized in the statement of financial position is the Group's total liabilities. Recognized investments in non-current segment assets include additions to property, plant and equipment, intangible assets, investments accounted for at equity and non-current financial assets.

The reporting segments are assigned to the investment fields as follows:

People
The People investment field consists of business units whose business models help people lead better lives. These companies are dedicated to health and well-being. At present, this field includes the reporting segments BekaertDeslee and Emma:

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

Emma is a sleep tech provider that primarily sells mattresses directly to end customers online.

Planet
The Planet investment field consists of business units whose business models concentrate on the overarching themes of closed-loop economy and climate change, for instance in the areas of recycling and environmental protection services, climate-neutral energy production and renewable energies. At present, this field comprises the CWS reporting segment.

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

Progress
The Progress investment field consists of business units whose business models are dedicated to the overarching themes of robotics and automation. At present, this field includes the reporting segments Optimar and ROVEMA.

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

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

Transformation
The Transformation investment field consists of business units whose business models do not lend themselves to classification under the primary investment fields but which are to be developed further in a targeted manner. At present, this field includes the reporting segments TAKKT and CECONOMY.

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

The financial investment concerns the investment in **CECONOMY AG** accounted for at equity, which is described in greater detail in note 3.

Holding and other companies
The Holding and other companies segment essentially comprises Franz Haniel & Cie. GmbH and its holding, financing and service companies, excluding the financial investments. In the Holding and other companies segment, Haniel also invests in growth capital ventures.

During the fiscal year, the **ELG** business unit was classified as held for sale. The business unit is presented in the segment reporting as a discontinued operation. In deviation from the presentation in the statement of financial position, the segment reporting also presents the entirety of assets and financial liabilities attributable to ELG for the previous year as discontinued operations for comparative purposes.

During the current fiscal year, no revenue was generated from external customers amounting to more than 10 percent of total revenue.

35 Compensation serving as long-term incentive

For executives, the performance compensation comprises performance cash plans as a variable component. These plans are oriented on the value growth of Haniel or of the respective business units and therefore on the sustainability of the Haniel Group's success. The objective of this form of remuneration is to enable executives to participate in the appreciation of Haniel's value so as to reward them for their contribution to the increase in enterprise value and promote sustainable corporate profits.

The performance cash plans granted during the fiscal year have a term of four or five years. The actual payment from these plans is partially limited in amount, is made in cash depending on target achievement and the fulfillment of stipulated requirements, such as being in active employment, at the end of the term.

Target achievement for Franz Haniel & Cie. GmbH and all business units other than TAKKT is measured primarily based on the development of their respective Haniel Value Added, Net Asset Value and Total Shareholder Return. Where the performance cash plans for TAKKT are concerned, target achievement is measured based on share price performance during the

period under review. All plans are classified as cash-settled share-based payments as defined in IFRS 2. The future payment amount is measured at the fair value of the liability taking into account the contractual terms and conditions. At TAKKT AG, a binomial option pricing model is used to determine the share price-based component. Material measurement assumptions here concern the risk-free interest rate and the applied volatilities based on historical observable data. The liability is remeasured at each reporting date and at the date of settlement. Any changes in fair value are recognized in profit or loss.

The total expense from cash-settled share-based payments was EUR 25 million (previous year: EUR 1 million). The provision recognized in this respect amounted to EUR 26 million as of the reporting date (previous year: EUR 4 million).

36 Related-party disclosures

The significant related entities of the Haniel Group are associates including their subsidiaries.

Revenue attributable to business with associates in the fiscal year totaled EUR 4 million (previous year: EUR 9 million). Expenses in connection with transactions with associates amounted to EUR 0 million (previous year: EUR 0 million). As of the reporting date, trade receivables from and payables to associates amounted to EUR 1 million and EUR 0 million, respectively (previous year: EUR 2 million and EUR 0 million, respectively). All business relations with associates are governed by contracts and conducted at prices and conditions that would equally have been agreed with third parties.

Related persons of the Haniel Group are key management personnel. This includes the members of the Supervisory Board of Franz Haniel & Cie. GmbH and the members of the top-tier executive group. The top-tier executive group comprises the members of the Management Board and the investment partners of the Haniel Holding Company as well as the Management Board members or Managing Directors of the holding companies of the business units.

As in the previous year, some of the liabilities to shareholders presented under note 14 are attributable to members of the Supervisory Board of Franz Haniel & Cie. GmbH. Up to and including 2012, Franz Haniel & Cie. GmbH had annually offered the executives of the Haniel Group the opportunity to subscribe to registered debt securities (Haniel Performance Bonds). The bonds bear interest corresponding to the return on total capital of the Haniel Group before taxes, plus a subordination premium of 3 percentage points. The original maturities ranged from 5 to 10 years. Since 2015, the TAKKT business unit has offered its executives comparable registered debt securities with a five-year maturity, the interest on which is based on the performance of the business unit (TAKKT Performance Bonds). As of the reporting date, a liability in the total amount of EUR 1 million (previous year: EUR 1 million) from the registered debt securities subscribed to by members of the top-tier executive group is recognized.

The companies of the Haniel Group have not otherwise entered into reportable transactions with key management personnel. This also applies to close relatives of this group of persons.

In some cases, key management personnel are members of executive or supervisory bodies of other companies with which the Haniel Group engages in regular business relations. All transactions with these companies are conducted at arm’s length.

The table below provides an overview of the remuneration of members of the top-tier executive group.

EUR million	2020	2019
Short-term employee benefits	13	11
Post-employment benefits	3	3
Termination benefits	7	4
Share-based payments	16	1
Other long-term benefits		1
	39	**20**

Share-based payments and other long-term benefits are described in greater detail in note 35. As of the reporting date, the present value of defined benefit obligations of members of the top-tier executive group amounted to EUR 22 million (previous year: EUR 19 million). The total remuneration of the members of the Supervisory Board of Franz Haniel & Cie. GmbH is presented under note 37. In addition, employee representatives to the Supervisory Board who work for the Haniel Group received salaries from their employment, which are in line with the market.

37 Disclosures required under national legislation

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)

Disclosure of shareholdings in accordance with section 313 (2) and (3) of the German Commercial Code
The full list of shareholdings of Franz Haniel & Cie. GmbH as of the end of the fiscal year, which forms a part of these notes to the consolidated financial statements, is published in the Federal Gazette (*Bundesanzeiger*) and on the

www.haniel.de/en website. The shareholdings of TAKKT AG and CECONOMY AG are indicated in the individual companies' annual reports and on their websites.

Number of employees in accordance with section 314 (1) no. 4 of the German Commercial Code
The number of employees in the Haniel Group, averaged from quarterly figures, was 20,400 (previous year: 19,303) based on a headcount, and 18,646 (previous year: 17,539) on a full-time basis. A breakdown of employees by business unit is contained in the segment reporting.

Compensation paid to the Company's executive bodies in accordance with section 314 (1) no. 6 of the German Commercial Code
With reference to section 286 (4) of the German Commercial Code, the total remuneration of the Management Board of Franz Haniel & Cie. GmbH is not disclosed. 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 of former members of these bodies and of their survivors was EUR 1.9 million (previous year: EUR 1.9 million). Pension provisions amounting to EUR 29.6 million (previous year: EUR 29.5 million) were recognized for the former members of the above bodies and their survivors.

Declaration in accordance with section 161 of the German Stock Corporation Act (AktG), issued by the listed companies included in the consolidated financial statements in accordance with section 314 (1) no. 8 of the German Commercial Code
The following exchange-listed companies are included in the consolidated financial statements as of December 31, 2020: TAKKT AG (fully consolidated) and CECONOMY AG (accounted for at equity). Each of these companies has issued the declaration prescribed by section 161 of the German Stock Corporation Act. These declarations have been made public on the companies' individual websites (www.takkt.com; www.ceconomy.de/en).

Auditor's fee in accordance with section 314 (1) no. 9 of the German Commercial Code
The fee paid to the group auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Germany, for Franz Haniel & Cie. GmbH and its subsidiaries was comprised as follows:

EUR million	2020	2019
Audit services	1.6	1.6
Other assurance services	0.1	0.1
Tax advisory services		
Other services		
	1.7	**1.7**

Exemption in accordance with sections 264 (3) and 264b of the German Commercial Code
The following companies are exempt from the obligation to publish their annual financial statements in accordance with section 264 (3) of the German Commercial Code:

- CWS Business Services GmbH, Duisburg
- CWS-boco Deutschland GmbH, Hamburg
- CWS-boco Supply Chain Management GmbH, Lauterbach
- CWS Complete Washroom Concepts GmbH, Duisburg
- CWS Fire Safety GmbH, Duisburg
- CWS Hygiene International GmbH, Dreieich

- CWS International GmbH, Duisburg
- CWS Workwear International GmbH, Dreieich
- Emma International GmbH, Duisburg
- Haniel Beteiligungs-GmbH, Duisburg
- Haniel Finance Deutschland GmbH, Duisburg
- Initial Hygieneservice GmbH, Lingen
- Patrick Schweyen Verwaltungs GmbH, Malbergweich
- ROVEMA Asset GmbH, Fernwald
- ROVEMA GmbH, Fernwald
- ROVEMA International GmbH, Düsseldorf
- STG Service to go GmbH, Duisburg
- Verwaltungsgesellschaft CWS-boco HealthCare mbH, Hamburg

The following companies are exempt from the obligation to publish their annual financial statements in accordance with section 264b of the German Commercial Code:

- Buchholz Textilreinigung GmbH & Co. KG, Malbergweich
- CWS CLEANROOMS Deutschland GmbH & Co. KG, Dreieich
- CWS HealthCare Deutschland GmbH & Co. KG, Warburg
- CWS HYGIENE Deutschland GmbH & Co. KG, Dreieich
- Initial Textil Service GmbH & Co. KG, Lingen, henceforth: CWS Workwear Deutschland GmbH & Co. KG

38 Events after the reporting date

At the Annual General Meeting on February 17, 2021, the shareholders in CECONOMY AG approved the proposed capital increase and the issuance of convertible bonds, in both instances against in-kind contributions and excluding statutory pre-emptive subscription rights, in connection with the acquisition of the minority interest in MediaMarktSaturn. This transaction is expected to close at the earliest by the end of the first quarter of 2021. In light of the capital increase under the exclusion of statutory pre-emptive subscription rights, Haniel's share of voting rights in CECONOMY AG will fall from 22.71 percent to 16.79 percent.

On February 21, 2021, Haniel 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 field.

On March 1, 2021, the ROVEMA business unit signed agreements to acquire inno-tech and Prins Verpakkingstechniek.

39 Profit appropriation proposal of Franz Haniel & Cie. GmbH

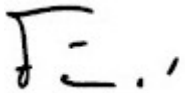
After deducting appropriate write-downs and recognizing adequate valuation allowances and provisions, the net loss for the fiscal year reported in the annual financial statements of Franz Haniel & Cie. GmbH, prepared in accordance with the German Commercial Code, amounts to EUR -91 million as of December 31, 2020. With EUR 180 million in retained earnings brought forward, this results in retained profit of EUR 89 million.

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

The shareholders will therefore receive a dividend of 6 percent on the subscribed capital of EUR 1.0 billion. This represents an amount of EUR 3.00 per EUR 50 ordinary share.

Duisburg, March 9, 2021

The Management Board



Schmidt **Funck**

INDEPENDENT AUDITORS' REPORT

To Franz Haniel & Cie. GmbH, Duisburg

Audit Opinions

We have audited the consolidated financial statements of Franz Haniel & Cie. GmbH, Duisburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report ("Group report of the Management Board") of Franz Haniel & Cie. GmbH for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

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

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group 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 "Auditors Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of 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 consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the remaining parts of the Annual Report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group 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 Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.

- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

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

- Perform audit procedures on the prospective information presented by the executive directors in the group 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
German Public Auditor

Heike Böhle
German Public Auditor

Glossary

C

Capital employed Difference between total assets and the non-interest bearing capital provided.

Cash flow Balance of cash receipts and cash payments in a reporting period. A measure of a company's financial and earning power. For example, operating cash flow indicates how much of the recognized net profit for the period is reflected in cash inflows from operating activities. This cash flow can be used to finance capital expenditures, repay liabilities or pay dividends.

Commercial paper Special instruments (money market paper), usually discount bonds, issued in order to finance short-term credit needs. As a rule, the issuer requires an excellent → rating in order to place and deal in papers of this kind.

Compliance A key element of corporate governance. It denotes the observance of relevant laws and internal guidelines.

Consolidation In the consolidated financial statements, the Group, comprising several legally independent companies, is depicted as if it were a single business. Consolidation consists of bookkeeping techniques that eliminate all intra-Group transactions. It eliminates the double counting of intra-Group transactions when consolidated financial statements are being prepared from the data contained in the annual financial statements of the individual Group companies.

Core repayment period A capital management indicator within the Haniel Group. It is determined by dividing the → net financial position, reduced by the debt allocated to the financial investments CECONOMY AG and METRO AG, by EBITDA.

Cost of capital Product of the → weighted average cost of capital and the average → capital employed.

Current net assets essentially comprise trade receivables and inventories less trade payables. This is an indicator used to determine the capital needed to finance operating activities.

D

DCF – Discounted Cash Flow A method by which future cash flows from an asset are discounted to determine the net present value of that asset. The Haniel Group uses DCF calculations to assess the profitability of investment projects and business acquisitions and to determine the → fair value of non-listed financial instruments.

Deferred taxes Differences between the requirements under tax law and the accounting and measurement regulations in accordance with → IFRS give rise to variances in the amounts recognized for assets and liabilities. Consequently, the tax burden anticipated on the basis of the profit before taxes reported in the consolidated financial statements differs from the actual amount payable. To allow a corresponding tax expense to be posted in the income statement, the effects of these deviations are counterbalanced by deferrals.

Derivative (derivative financial instrument) A contract that is dependent on another asset (underlying asset). The → fair value of a derivative can therefore be derived from market values of traditional underlying assets, such as stocks and commodities, or from market prices, such as interest rates or exchange rates. Derivatives exist in a range of different forms, such as → options, → futures, interest rate caps and → swaps. In the context of Haniel's financial management, derivatives are used to hedge risk.

Divisions Various business activities in the Haniel portfolio.

E

Early risk identification system Systematic reporting measures designed to detect adverse, risk-entailing developments in good time with the help of financial and non-financial company-specific indicators and factors. The early

risk identification system forms part of → risk management.

EBIT Earnings before interest, taxes and profit and loss from investments.

EBITA Earnings before interest, taxes, amortization of intangible assets from purchase price allocation and profit and loss from investments.

EBITDA Earnings before interest, taxes, depreciation of property, plant and equipment, amortization of intangible assets, amortization of intangible assets from purchase price allocation and profit and loss from investments.

Equity method A method for measuring investments in companies over whose business and financial policy Haniel can exert a significant influence or over which it has joint control (investments accounted for at equity). Under the equity method, the carrying amount of the investment is determined by the change in the investor's proportionate interest in the investment's equity. Thus, the carrying amount is increased or decreased by the investor's share in the investment's profit or loss for the period. Distributions received from the investment reduce the carrying amount of the investment.

Equity ratio A capital management indicator within the Haniel Group which is calculated by dividing recognized equity by total assets.

Exchangeable bond An interest-bearing corporate bond that carries a right to exchange the bond for a specified number of shares in another company. Because of this option, exchangeable bonds have a lower interest rate than normal bonds of the same maturity.

F

Fair value A measurement approach based on market prices in accordance with → IFRS.

Family-equity company A holding company owned by a family which combines the professionalism of a private equity investor with the values of a family-owned company.

Financial liabilities The total non-current and current financial liabilities presented in the consolidated statement of financial position.

Full consolidation Procedure for including subsidiaries in the consolidated financial statements if they are under the parent company's control on the basis of a voting right majority or other means of influence. The subsidiary's individual assets and liabilities are included in full in the consolidated statement of financial position.

Future A listed → derivative in which two parties agree to trade a certain quantity of a reference asset, such as a foreign currency, at a future date at a predetermined price.

G

Gearing A capital management indicator within the Haniel Group which is calculated by dividing the → net financial position by the recognized equity.

Goodwill An intangible asset that corresponds to the amount by which the purchase price for a business combination exceeds the total → fair value of the assets and liabilities acquired (net assets). Essentially, it represents the favorable future prospects accompanying the acquisition of the combined business and the expertise of the assembled workforce.

Goodwill impairment If → goodwill is recognized in the course of an acquisition, its carrying amount must be tested at least once a year for indication of impairment. If the anticipated future → cash flows from sales and other income and expenses associated with the takeover are lower than the carrying amount of goodwill at the time of the impairment test, the goodwill must be written down accordingly.

H

Haniel cash flow An internal indicator at the Haniel Group that comprises the profit after taxes, adjusted for all material non-cash income and expenditure, and non-recurring, non-operating income and expenses, plus other cash components. In detail, the profit after taxes is adjusted for non-cash depreciation, amortization, impairment losses and reversals on non-current assets, the change in pension provisions and other non-current provisions, the income and expenses from changes in deferred taxes, the non-cash income and expenses and dividends from investments accounted for at equity (→ equity method) and the gains and losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in ownership interests and other non-cash income and expenses.

Haniel Value Added (HVA) Value-oriented performance indicator used by the Haniel Group, calculated by subtracting → cost of capital from the → return.

Hedging A strategy for managing interest rate, foreign exchange rate, share price or other market price risks by means of → derivatives, which limit the risks associated with the underlying transactions.

HGB – Handelsgesetzbuch (German Commercial Code) Legal basis for the annual financial statements (separate financial statements) of all companies registered in Germany. This is relevant to German corporations in connection with profit distribution.

I

IAS – International Accounting Standard(s)
Financial reporting standard(s) within the → IFRS international regulatory framework.

IASB – International Accounting Standards Board
An independent, international body which approves and continuously develops the → International Financial Reporting Standards (IFRS).

ICS – Internal control system Systematic control measures for monitoring whether existing rules for reducing risks are being observed. This is intended to ensure the functionality and cost-effectiveness of business processes and to counteract impairments of assets. It covers all material business processes, including accounting. The purpose of the accounting-related ICS is to ensure that financial reporting is reliable and that the risk of misstatements in the external and internal Group reports is minimized.

IFRS – International Financial Reporting Standard(s)
An international regulatory framework of accounting standards and interpretations which are developed by the → IASB (International Accounting Standards Board) and ratified by the European Commission. These accounting standards are intended to ensure the internationally comparable preparation of accounts. → Publicly traded companies registered in the EU are required to prepare their consolidated financial statements in accordance with the provisions of IFRS.

IFRS IC – International Financial Reporting Standards Interpretations Committee An independent, international body which issues interpretations and guidance on issues not specifically covered by the → IFRS.

Interest cover ratio A capital management indicator within the Haniel Group that is derived as a quotient from certain items of the income statement. The sum of the → operating profit, → result from investments accounted for at equity and other investment result is divided by the sum of the finance costs and other net financial income. This indicator states how many times the interest to be paid to lenders and financial investors is covered by earnings from the operating business and investments.

Investment position of the Haniel Holding Company
Non-current and current financial assets and other assets held by the Haniel Holding Company, excluding cash and cash equivalents, which are available for the acquisition of new divisions.

M

Market value gearing Relationship between → net financial liabilities at the Haniel Holding Company and the market value of Haniel's investment portfolio.

Multi-channel Combination and integration of a variety of channels to approach customers and to market offered products and services.

N

Net Asset Value (NAV) Value-oriented performance indicator used by the Haniel Group, calculated by subtracting → net financial liabilities at the Holding Company level from the market value of the investment portfolio.

Net financial liabilities Difference between → financial liabilities and cash and cash equivalents recognized in the consolidated statement of financial position.

Net financial position Difference between the → net financial liabilities and → investment position of the Haniel Holding Company.

Non-controlling interests Interests in the equity of subsidiaries of the Haniel Group held by third parties.

O

Operating free cash flow Indicates how much of the recognized net profit for the period is reflected in cash inflows from operating activities after financing changes in net working capital, leasing payments and capital expenditures. This cash flow can be used to finance acquisitions, repay liabilities or pay dividends.

Operating profit This measure of earnings shows the profit contribution made in the period by the operating business, that is to say from the purchase and sale of goods and the provision of services, after deducting the associated expenses. The amount recognized in the income statement is the result before amortization of intangible assets from purchase price allocations, the profit/loss from investments and discontinued operations, interest and income tax expense.

Option Agreement between two parties granting one party the right to receive or sell a certain quantity of an underlying asset, such as a foreign currency, at a predetermined price at a later date.

P

Plan assets Comprise assets that are held by a fund invested for the long term for satisfying payments to employees as well as qualified insurance contracts.

Publicly traded companies Enterprises that have issued securities, e.g. shares or bonds, which are publicly listed and traded (on a stock exchange).

Purchase price allocation Allocation of the purchase price in a business combination to the individual assets and liabilities acquired. The acquired assets and liabilities are measured at → fair value. If the total purchase price exceeds the net assets acquired, this gives rise to → goodwill.

R

Rating A credit score given to companies or financial instruments by agencies, such as Standard & Poor's, Moody's or Scope or banks.

Recognized investments include the acquisition of non-current assets such as buildings, machinery or software. Specifically, the acquisition of assets reported under property, plant and equipment, intangible assets, investments accounted for at equity or non-current financial assets.

Result from investments accounted for at equity Includes the portion of the net profit for the period attributable to Haniel which is generated by companies measured in the consolidated financial statements in accordance with the → equity method.

Return → Operating profit of continuing and discontinued operations plus profit/loss from investments and other net financial income less amortization of intangible assets from purchase price allocations and income tax expenses.

Risk management Systematic procedures for identifying and assessing potential risks for the Group, and for deciding on, implementing and monitoring measures to avoid risks and/or reduce their possible negative impact.

S

Scope of consolidation The companies included in the consolidated financial statements.

Statement of cash flows The statement of cash flows is used to determine and depict cash inflows and outflows. It shows the cash that is generated and expended in a period (→ cash flow).

Strategic business unit (SBU) The organizational level below division. The strategic business units can be structured according to various criteria, e.g. regions or product groups. The strategic business units are frequently depicted in internal controlling and planning processes for analysis purposes, in order to illuminate trends in the → divisions.

Sustainability The model of sustainable development pursues the objective of engaging in business activity to create not only economic value, but also ecological and social benefits, without undermining the development opportunities of future generations.

Swap An agreement between two parties to exchange commodity or cash flows in the future. In an interest rate swap, interest payments are exchanged for an agreed principal amount on the basis of different interest rates. Thus, floating interest rates can be exchanged with fixed interest rates, for example.

T

Total Shareholder Return (TSR) Value-oriented return indicator used by the Haniel Group to determine the return achieved for the shareholders in a given period of time. In addition to the development of the → Net Asset Value, dividends paid are taken into account.

W

Weighted average cost of capital (WACC) represents the return demanded by providers of capital in relation to the → capital employed in the company. It is defined as the weighted average cost of equity and debt. The cost of the equity component corresponds to the return expectations of shareholders, taking into account business model-specific risks. The cost of the debt component reflects the company's financing conditions.

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