FRANZ HANIEL & CIE. GMBH

HANIEL

# Annual Report 2021

# Indicators

**SUMMARY OF THE CONSOLIDATED FINANCIAL STATEMENTS**

| EUR million | 2020 | 2021 | Change |
|---|---|---|---|
| **Revenue and profits** | | | |
| Revenue | 3,105 | 3,676 | +18% |
| Operating profit (EBITA) | 235 | 276 | +18% |
| Profit before taxes | 153 | 265 | +73% |
| Profit after taxes | -96 | 175 | >+100% |
| **Cash flow** | | | |
| Cash flow from operating activities | 631 | 442 | -30% |
| Capital expenditure | 524 | 822 | +57% |
| Operating free cash flow | 338 | 116 | -66% |
| Dividend of Franz Haniel & Cie. GmbH | 60 | 60 | +/-0% |
| **Statement of financial position** | | | |
| Total assets | 6,035 | 6,303 | +4% |
| Equity | 2,885 | 2,955 | +2% |
| Equity ratio (in percent) | 48% | 47% | -1% point |
| Net financial position | 440 | 1,131 | >+100% |
| **Employees** | | | |
| Annual average number of employees (headcount) | 20,400 | 20,715 | +2% |

# Looking back at 2021

"*Enkelfähig*" – Key milestones achieved in journey to create value for generations to come as Europe's leading purpose-driven investor:

Significant progress in portfolio restructuring: new business units BauWatch and KMK kinderzimmer acquired; ELG divestment process completed

HOW shared management model established at every business unit, with considerable increases in productivity already achieved

Progress made in establishing a performance-oriented, entrepreneurial and diverse culture by increasing the number of women on the management team and establishing a compliance management system, among other things

Revenue and operating profit up sharply, targets exceeded

Net portfolio value up from EUR 5.1 billion to EUR 5.4 billion

Around EUR 1.2 billion available for additional portfolio development

# Haniel continues its transformation journey: Report of the Supervisory Board

**DOREEN NOWOTNE**
Chairwoman of the Supervisory Board

**Dear shareholders and friends of the Company,**

In 2021, Haniel continued to make steady progress in its transformation. The management team succeeded in achieving a number of key milestones in the Company's strategic realignment. On the whole, we therefore look back on fiscal year 2021 with satisfaction, despite the lingering effects of the coronavirus pandemic.

Haniel's objective is to become "*enkelfähig*". The word "*enkelfähig*" encapsulates our conviction that sustainability and economic success go hand-in-hand. In order to achieve this objective, ever since it adopted its strategic realignment in 2019 Haniel has been instituting a series of significant changes in three core areas: portfolio, leadership and culture.

The management team has achieved important milestones on this journey through portfolio restructuring: Haniel's acquisition of the security systems provider BauWatch and the early childhood education specialist KMK kinderzimmer in 2021 enabled it to add fast-growing companies to its "People" investment area in particular. In addition, more than ten smaller acquisitions by the existing business units contributed to their own continued development. Beyond these investments, Haniel also successfully completed a major divestment in the past year: the stainless steel scrap dealer ELG, which has been in the portfolio for nearly 40 years, was sold off to the Luxembourg-based steel manufacturer Aperam.

The management also kept its objectives in the areas of management and culture in focus, with continued work in the business units to establish the Haniel Operating Way (HOW), a shared management model. It also significantly increased the share of women in leadership positions throughout the entire Group and promoted awareness among Group executives of the relevance of diversity in teams. A further focus was on sensitizing executives and key organizational units to compliance matters.

Haniel has been undergoing a process of transformation for more than two years now. Because of pandemic conditions, the management team, the Supervisory Board and the family have only rarely been able to meet in person recently to share their views. However, thanks to widespread use of online solutions, we have been able to keep our shareholders apprised of the progress we have made in our transformation and to discuss the family's questions about these changes. I am particularly pleased to see how much young people are engaging with the Company's new strategy and how they identify with it. I wish to thank from the bottom of my heart the family and my colleagues on the Supervisory Board for their trust and confidence in me.

I would also like to thank the management team, the executives and employees throughout the entire Group for their tenacity in implementing the transformation project which we launched in 2019.

**Close collaboration between management and Supervisory Board**

The work between the Supervisory Board and the management was marked by a spirit of openness, mutual trust and a shared desire to successfully transform the Company. The management team informed us regularly about the status of the Haniel Holding Company and the business units – also with regard to important individual projects.

Aside from the regular meetings of the Supervisory Board, I was also in constant contact with the management team – Thomas Schmidt and Florian Funck in particular. 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 team. We examined in depth all the decisions requiring our consent in advance of meetings and passed the necessary resolutions at four regular meetings and nine extraordinary meetings. We met to discuss not only the current state of the business but also the BauWatch and KMK kinderzimmer acquisitions and the sale of ELG. In addition, we discussed in detail the strategic and operational development of Emma, Optimar and CWS with their management teams.

The Audit Committee held four regular and two extraordinary meetings in fiscal year 2021. 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, 2021, it recommended to the Supervisory Board that it propose to the Shareholders' Meeting that the previous auditor be re-elected. The Personnel Committee met five times in 2021, primarily to discuss contractual and remuneration-related matters pertaining to the management, as well as the implementation of amended statutory regulations concerning the share of women in leadership positions.

**Annual financial statements and consolidated financial statements**

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Essen, audited the annual financial statements of Franz Haniel & Cie. GmbH and the report of the Management Board for the 2021 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 submitted the consolidated financial statements, the Group report of the Management Board and the Group auditors' report for 2021 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's profit appropriation proposal. The annual financial statements are thereby adopted and the consolidated financial statements approved. After conducting its own detailed review, the Supervisory Board concurred with the management's proposal that the net income for fiscal year 2021 be used to distribute a dividend of EUR 80 million to the shareholders.

**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 and the Company. The coronavirus pandemic has continued to test all of us. Despite the challenges it has faced, the Company has navigated these difficult waters well. That is thanks to the outstanding work of the management 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.

For weeks now, a terrible war has been raging in Ukraine which we condemn unreservedly. This crisis demands our fullest engagement, both at a professional and at a humanitarian level. Aside from the management team's clear decision to suspend all business relationships with companies in Russia and Belarus, our focus has been on how we can offer support to affected employees.

Even in the face of this difficult political situation and the associated uncertainties, Haniel will continue to focus on implementing its transformation and its strategic realignment in 2022. Above all, this includes the further expansion of the portfolio, with a special focus on bolstering the Planet investment area. Furthermore, the Company will step up its work to refine the Haniel Operating Way and implement value-creating initiatives at the business units.

We on the Supervisory Board intend to assist and support the management in tackling all of the work and changes yet to come. We have great confidence in the Haniel Group's management team, as well as in the Group's financial strength, stability and future viability.

**Duisburg, April 7, 2022**

**Doreen Nowotne**
Chairwoman of the Supervisory Board

# Group Report of the Management Board

# Group structure and business models

**The Haniel Group comprises eight 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.**

Franz Haniel & Cie. GmbH is a 100 percent family-owned company which has been headquartered in Duisburg since it was founded in 1756. It manages a portfolio of independent businesses with the goal of making all investments future-proof ("*enkelfähig*") and creating value for generations. 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. In 2021, Haniel furthermore developed its own assessment method: based on the "Future Worth Living" rating, a total of ten principles are examined to quantify the potential offered by a prospective acquisition target. If a company does not meet these criteria or offers no potential for future improvement, the investment is declined – regardless of the potential return. Existing portfolio companies must also meet these minimum requirements.

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 under the three investment pillars are assigned to the Transformation segment, where they are systematically developed to add value.

Over the medium term, Haniel aims to achieve an overall return of more than 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.

**Shared management model HOW**

Haniel is a strategic architect that creates value within and through the portfolio companies. The companies of the Haniel Group are operationally independent and responsible for their own value development. In support of the transformation to forward-thinking entrepreneurship that creates value for generations to come, Haniel has developed the "Haniel Operating Way" (HOW), a shared management model that makes the methods and means available to achieve better results. By implementing HOW throughout the business units, we aim to accomplish three Group-wide objectives by 2025, focusing on employee satisfaction, the customer experience and "*enkelfähig*" growth that creates value for generations to come.

**Diversified business models**

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

## People

On April 8, 2021, Haniel acquired 100 percent of the shares in Europe's market leader for temporary outdoor security solutions, **BauWatch**, which has its registered office in Apeldoorn (Netherlands). The access control, alarm and video systems offered by the company are currently used mainly at construction sites; other potential areas of application include open storage spaces and business premises, parking lots and recycling yards. BauWatch had 354 employees as of December 31, 2021.

**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 25 production and distribution locations

in 18 countries. Its product range primarily consists of woven and knitted mattress textiles (fabrics) and ready-made covers that are sold to mattress manufacturers and online bed-in-a-box (BiaB) retailers 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 sustained population growth, a growing awareness of the importance of good sleep and the rising standard of living in emerging markets. BekaertDeslee employed an average of 3,831 people in 2021 (previous year: 3,779).

**Emma – The Sleep Company**, with its registered office in Frankfurt am Main, was founded in 2013 and has evolved since then from an online platform for mattresses 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 more than 30 countries around the globe and has established itself in the constantly growing market for sleep-related products. Emma employed an average of 641 people in 2021 (previous year: 516).

On June 16, 2021, Haniel agreed on a long-term partnership with the founders and shareholders of **KMK kinderzimmer**, with Haniel acquiring a majority interest in the company in August 2021. KMK kinderzimmer is a dynamically growing early-childhood education provider that operates nurseries and daycare centers in Hamburg and Munich. The company, founded in 2011, currently looks after more than 4,000 children from a broad range of socio-economic backgrounds at its facilities. A private entity, KMK kinderzimmer operates within the framework of public law to help cities and municipalities fulfill their obligation to provide state-guaranteed and socially relevant early childhood education – thereby also making a variety of living and working models possible. KMK kinderzimmer thus plays a relevant and sustainable part in the creation of an equal-opportunity society. As of December 31, 2021, KMK kinderzimmer employed 584 people.

## Planet

**CWS** offers innovative and sustainable service solutions in 15 European countries, covering six service areas, in which CWS comprehensively advises and supplies its customers: hygiene, mats, workwear, fire safety, cleanrooms and healthcare/nursing. The service offering 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 and additional hygiene products as well as flexible purchase solutions for workwear. In recent years, CWS has substantially expanded its cleanroom range, and now offers not only workwear but also cleaning and training solutions for cleanrooms. The Fire Safety division was expanded further and now also provides the full range of tailored solutions in preventative fire safety. On average, CWS employed 11,247 people during the year (previous year: 11,012).

## 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. On average, Optimar employed 420 people in 2021 (previous year: 445).

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 13 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. ROVEMA employed an average of 874 people in 2021 (previous year: 717).

## Transformation

On May 6, 2021, Haniel agreed the sale of **ELG** Haniel GmbH to the Luxembourg-based Aperam S.A. The deal closed on December 27, 2021. Aperam acquired ELG in its entirety. The 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 will continue to be managed by Aperam as an independent company.

**TAKKT** is a B2B distance seller for business equipment in Europe and North America. The group operates in more than 25 countries through its Industrial & Packaging, Office Furniture & Displays and FoodService divisions. The product range of the subsidiaries comprises more than 600,000 products for the areas of plant and warehouse equipment, office furniture, transport packaging, display articles and equipment for the food service industry, hotel market and retailers. On average, the TAKKT Group employed 2,629 people in 2021 (previous year: 2,521).

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 Group level, the Management Board uses operating profit and operating free cash flow alongside revenue to assess the development of the business units.

# Haniel portfolio

## Divisions

Equity interest

**BauWatch**


BauWatch is the fast-growing European market leader in outdoor temporary security solutions, offering a tech-enabled end-to-end service proposition.

Equity interest

**BekaertDeslee**


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

Equity interest

**CWS**


CWS offers innovative, sustainable service solutions in the fields of hygiene, mats, workwear, fire safety, cleanrooms as well as healthcare.

Equity interest

**Emma**


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

Equity interest

**KMK kinderzimmer**


KMK kinderzimmer is a dynamically growing German provider of early childhood education.

Equity interest

**Optimar**


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

Equity interest

**ROVEMA**


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

Equity interest

**TAKKT**


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

## Financial investment

Equity interest

**CECONOMY**


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

As at 31 December 2021

# Haniel Group
# Revenue and earnings performance

**Revenue from the Haniel Group's continuing operations was up 18 percent year on year, amounting to EUR 3,676 million. BekaertDeslee, CWS, Emma and TAKKT increased their revenue in 2021. The ELG business unit is reported as a discontinued operation due to the closing of its divestment; it also looks back on a successful fiscal year. In particular, BekaertDeslee, CWS, Emma and TAKKT increased their contributions to earnings substantially. As a result, the Haniel Group's operating profit amounted to EUR 276 million, up 18 percent as compared to the previous year. The management team is satisfied with the overall development of the Group in a second fiscal year that stood in the shadow of a pandemic.**

**Global economy again posting positive growth rates**
According to the International Monetary Fund (IMF), the global economy expanded by 5.9 percent in 2021 overall. In the eurozone, the economy grew by 5.2 percent in 2021 (compared to 6.4 percent contraction in the previous year). In the United States, economic growth increased year on year from -3.4 percent to 5.6 percent. According to IMF estimates, the pace of growth in the economies of emerging and developing markets rose to 6.5 percent (previous year: -2 percent).

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

**Revenue trend positive**
The Haniel Group posted revenue from continuing operations of EUR 3,676 million in 2021, representing an increase of EUR 571 million, or 18 percent. This was attributable to the positive revenue trend in the BekaertDeslee, CWS, Emma and TAKKT business units, as well as to additional revenue generated by the newly acquired BauWatch and KMK kinderzimmer business units. Adjusted for acquisitions and currency translation effects, revenue grew by 16 percent.

BekaertDeslee benefited from positive price and volume trends, particularly in a highly attractive market environment in North America as well as in the emerging economies; by contrast, the European market in 2021 proved difficult. The business with ready-made mattress covers, which has been consistently positive for years, also boosted revenue in 2021, meaning that the business unit was able to increase its revenue by EUR 14 million as compared to the previous year. CWS increased its revenue by EUR 7 million, in particular through acquisitions (some of which international) in the Fire Safety and Cleanroom segments. For the first time, Emma contributed to the Haniel Group's overall revenue for a full year; this contribution was significant thanks to the introduction of new products and the company's expansion into six new growth markets. The contribution was EUR 388 million higher than in the previous year, which had included only the revenue from the second half of the year. At TAKKT, the economic uptick was reflected in rising order backlogs and revenue; the business unit's contribution to consolidated revenue was EUR 111 million greater than in the previous year as a result. The two new business units BauWatch and KMK kinderzimmer also reported significant growth on a whole-year basis, making their first contributions to consolidated revenue. By contrast, the specialist machinery manufacturers ROVEMA and Optimar reported declining revenue in a difficult market environment.

**Operating profit improving**
Operating profit from continuing operations in 2021 was EUR 276 million, up sharply as compared to the previous year's figure of EUR 235 million. Every business unit except the machinery manufacturers ROVEMA and Optimar contributed to this increase – particularly BekaertDeslee, CWS, Emma and TAKKT. This was due in part to the units' solid revenue trend as well as to consistent cost management.

The increase in the sales of high-margin, ready-made mattress fabrics and mattress covers as well as consistent cost management resulted in BekaertDeslee reporting a EUR 5 million year-on-year increase in operating profit. CWS implemented comprehensive measures to lift its productivity and cut its costs. This enables the business unit to significantly increase its operating profit by EUR 11 million as compared to the previous year. The company benefited from excellent performance in the areas of workwear and

cleanroom. At Emma, the sustained significant revenue growth resulting from global expansion and additions to the portfolio primarily resulted in an equally positive earnings trend. Earnings, which were included in the consolidated figures for a full year for the first time, were EUR 8 million greater than in the previous year. After the previous year, which was heavily influenced by the coronavirus pandemic, TAKKT's order backlog was on the rise in fiscal year 2021. The resulting sharp increase in revenue resulted in a steep rise in operating profit, which was up EUR 19 million year on year.

**Profit before and after taxes up**
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 – climbed from EUR 153 million in the previous year to EUR 265 million in the year under review. This was caused by the positive revenue and earnings trend as well as the positive valuation effects contained in the financial and investment result, which are discussed below. Furthermore, in contrast to the previous year, no expenses were recognized in relation to goodwill impairments.

Haniel's investment result rose from EUR 40 million in 2020 to EUR 105 million in 2021. The main driver of this development was the increased contribution from other investments, particularly investments in funds. The investment result from the CECONOMY financial investment rose from EUR 29 million in the previous year to EUR 47 million in the year under review.

The result from financing activities during the reporting period amounted to EUR -50 million. In the previous year, this figure had amounted to EUR -37 million. This decline resulted primarily from a more pronounced negative interest result as compared to the previous year and changes in the market values of debt instruments.

The profit or loss from discontinued operations was influenced mainly by the ELG business unit, which was sold in December 2021. It also included items relating to the disposal, such as project costs. In addition to these items, interest and tax expenses and a negative investment result, among other things, resulted in a loss from discontinued operations amounting to EUR 27 million, as compared to a EUR 229 million loss in the previous year.

In particular, the sharp increase in profit before taxes resulted in a profit after taxes: this amounted to EUR 175 million in 2021 (previous year: EUR 96 million loss after taxes).

**Outlook affirmed**
Not only the organic revenue of the Haniel Group, but also its reported operating profit and profit before taxes rose – as projected – year on year in the year under review. Haniel even beat its internal revenue and profit targets for 2021.

**Employees**
As we continue live in the shadow of a lingering 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 make this possible, hygiene and social distancing measures at every business unit were continually adapted through the course of the year in reaction to the development of the pandemic. Haniel's own Coronavirus Relief Fund, established in 2020 to assist particularly hard-hit Haniel Group employees, was still available in 2021 to offer quick relief without red tape.

The employee headcount at the Haniel Group's continuing operations in 2021 was above the previous year's level, increasing by 2 percent. The increase was due mainly to acquisitions. In total, the Group employed on average 20,715 people in 2021. In 2020, the average employee headcount was 20,400.

# Haniel Group
# Financial position

**In 2021, Haniel significantly restructured its portfolio through a series of transactions: over the course of the year, Haniel acquired the security systems provider BauWatch as well as a majority interest in the early childhood education entity KMK kinderzimmer. At the same time, the planned sale of ELG was finalized. ROVEMA and CWS 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 2021. 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 programme at larger intervals.

Overall, the financial liabilities reported in the Haniel Group's statement of financial position amounted to EUR 1,476 million as of December 31, 2021, as compared to EUR 947 million as of December 31, 2020. The increase in liabilities was due primarily to the acquisition of the BauWatch business unit and the majority stake in KMK kinderzimmer.

Moreover, the BekaertDeslee, CWS and TAKKT business units in particular have access to bank lines of credit as well as a broad range of additional financing instruments.

**Solid financial buffer**
The net financial liabilities of the Haniel Group, i.e., financial liabilities less cash and cash equivalents, increased to EUR 1,423 million as of December 31, 2021 compared to EUR 735 million at the end of 2020. As mentioned above, this was mainly attributable to the investments in BauWatch and KMK kinderzimmer.

The net financial position rose from EUR 440 million as of December 31, 2020 to EUR 1,131 million as of December 31, 2021. 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 decreases**
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 2021, this fell to EUR 442 million. In the previous year, this figure had amounted to EUR 631 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 -735 million in 2021. Overall, payments of EUR 822 million were offset by proceeds from divesting activities of EUR 87 million. Funds were used primarily to strengthen the business through acquisitions: Haniel purchased the new business units BauWatch and KMK kinderzimmer, and ROVEMA acquired inno-tech, a specialist for vertical stainless steel packaging machines for the foodstuffs industry that focuses on frozen foods and large-format packaging, for instance for spices and pet food. ROVEMA further expanded its market footprint in the Benelux sales territory by acquiring the Dutch company Prins Verpakkingstechniek und Engineering, which specializes in the sale of packaging machines. CWS expanded its Cleanroom division with the addition of the Irish companies Specialised Sterile Environments Ltd. and Service Matters Ltd., as well as the Dutch specialist WERO. It also enlarged its Fire Safety division through six further acquisitions, including a number of international deals. The business units again invested considerable amounts in property, plant and equipment and intangible assets.

The cash flow from financing activities amounted to EUR 132 million in 2021. In addition to dividend payments to shareholders, this item also reflected the assumption of liabilities, primarily to finance the acquisitions and payments to purchase additional shares in TAKKT. In the previous year, this figure had amounted to EUR -592 million.

Operating free cash flow amounted to EUR 116 million during the year under review. In the previous year, this figure had amounted to EUR 338 million. This was attributable to the significant decrease in cash flow due to the change in net operating assets. In the previous year, that figure had still included the discontinued business unit ELG with a significantly positive change. In 2021, the increase in inventories and stocks, among other things, had an additional detrimental effect on operating free cash flow.

In 2021, as in the previous year, a dividend of EUR 60 million was paid to the shareholders of Franz Haniel & Cie. GmbH.

| EUR million | 2020 | **2021** |
|---|---|---|
| Cash flow from operating activities | 631 | **442** |
| Cash flow from investing activities | -389 | **-735** |
| Cash flow from financing activities | -592 | **132** |

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

# Haniel Group
# Assets and liabilities

**At 47 percent, the equity ratio of the Haniel Group remained high with a slight increase in total assets. This underscores the potential for future investment by Haniel.**

**Total assets up slightly**
The Haniel Group's total assets increased slightly from EUR 6,035 million as of December 31, 2020 to EUR 6,303 million as of December 31, 2021; this development was due primarily to acquisitions. Non-current assets increased to EUR 5,081 million as of December 31, 2021, compared to EUR 4,278 million as of December 31, 2020. Non-current assets increased due to the acquisition of BauWatch and KMK kinderzimmer, as well as investments in long-term financial assets, primarily in connection with the expansion of the PPP Growth+ investment area at the Holding Company level.

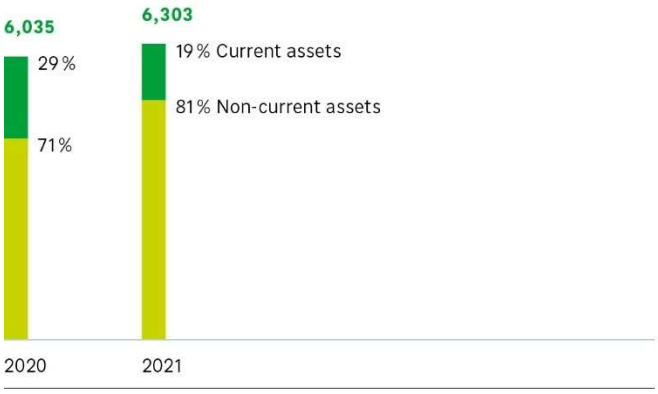
Current assets amounted to EUR 1,223 million as of December 31, 2021, compared to EUR 1,760 million as of December 31, 2020. The decrease in current assets resulted mainly from the successful completion of the sale of ELG. The former business unit was reported under current assets held for sale as of December 31, 2020. This was offset primarily by the rise in receivables and a strategic increase in inventories at the business units.

**Equity increases**
The equity of the Haniel Group increased from EUR 2,885 million as of December 31, 2020 to EUR 2,955 million as of December 31, 2021. This increase was attributable to the net income for the year, although it was offset by the dividend distribution. Because total assets increased as well, Haniel's equity ratio fell slightly year on year – from 48 percent to 47 percent. The continuing high level of the equity ratio underscores the investment potential of the Haniel Group.

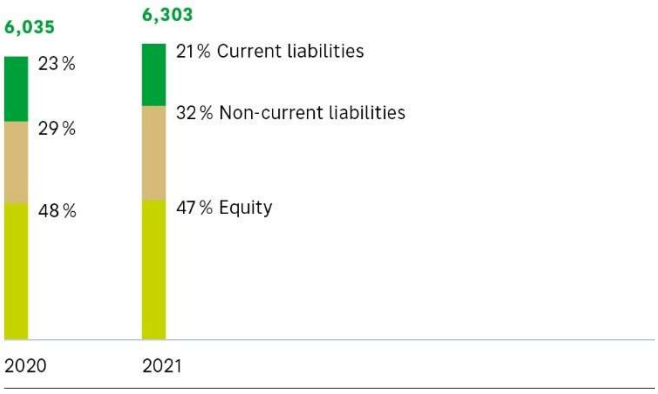
Non-current liabilities increased from EUR 1,737 million as of December 31, 2020 to EUR 2,026 million as of December 31, 2021. This development was due to the measurement of purchase price liabilities relating to lease and other financial liabilities, which rose due to the inclusion of the newly acquired business units in particular. Current liabilities decreased from EUR 1,412 million as of December 31, 2020 to EUR 1,322 million as of December 31, 2021. The decline in current liabilities was essentially due to the sale of ELG and was offset by an increase in financial liabilities in connection with financing the investments of the current year.

**Recognized investments up year on year**
Recognized investments amounted to EUR 1,047 million in 2021, up as compared to the previous year's figure of EUR 915 million. This development was driven mainly by the acquisition of BauWatch and KMK kinderzimmer as well as continued investment in the PPP Growth+ area.

**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 1.2 billion at its disposal to invest in the restructuring and expansion of its portfolio.**

**Work on transformation project continues**
Haniel's objective is to render its portfolio future-proof and to continue to develop it in order to generate significant growth. In 2021, the Company continued to develop its portfolio on the basis of acquisitions within the business units and the purchase of BauWatch and a majority interest in KMK kinderzimmer.

Alongside its focus on established companies, Haniel continues to expand its PPP Growth+ area. In 2021, Haniel thus 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. By investing in young companies, Haniel aims to participate in growth earlier on and leverage diversification opportunities. During the year under review, Haniel invested in particular in funds which focus on sustainable investments, such as Verdane Idun and Five Seasons in Europe; G2VP and Vision Ridge in the United States; and C-Bridge Healthcare in China. At the same time, it also made additional direct investments: Haniel acquired a stake in the school communications platform Sdui as well as in Happybrush, which specializes in sustainable oral hygiene. On the whole, the Haniel Holding Company committed more than EUR 150 million in investment capital in 2021 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 5,103 million as of December 31, 2020 to EUR 5,371 million as of December 31, 2021. This was attributable in particular to the increase in the market values of CWS, Emma and TAKKT. Based on the above portfolio values and taking into account the dividend, the total shareholder return (TSR) for 2021 was 6.4 percent.

**Level of debt up**
Due to investments in new business units, the Haniel Holding Company's net financial liabilities increased from EUR 61 million as of December 31, 2020 to EUR 543 million as of December 31, 2021.

As of December 31, 2021, the financial assets of the Haniel Holding Company amounted to EUR 746 million as compared to EUR 680 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 203 million as of December 31, 2021.

Based on the self-imposed limit for net financial liabilities of EUR 1 billion, Haniel has approximately EUR 1.2 billion at its disposal as of December 31, 2021 to further develop and expand the portfolio. In that connection, the Haniel Holding Company has access to firmly committed long-term lines of credit of EUR 735 million and a EUR 500 million commercial paper programme which it may utilize at any time, 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 currently aims to maintain net financial liabilities at about EUR 1 billion, appropriate for an investment-grade rating.

**Ratings in investment grade**
The Haniel Holding Company continues to boast investment-grade ratings from both 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 265 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.

In 2021, Haniel stepped up its activities in Duisburg-Ruhrort by launching the initiative "UrbanZero – Ruhrort becomes enkelfähig". The joint initiative, brought to life with the partners HeimatERBE and greenzero.me, seeks to make Haniel's home base the world's first environmentally neutral neighborhood, thereby laying out the blueprint for forward-thinking urban development. This objective, which focuses not only on environmental neutrality but also biodiversity and environmental protection, is expected to be achieved by 2029 thanks to the support of the citizens of Ruhrort, partner companies and policymakers.

In this, as generally in the transformation of the local economic landscape towards more sustainable business models, the collaboration with the Impact Factory is a key to success. The start-up incubator was founded in 2019 and is today Germany's leading launchpad for sustainable, economically successful start-ups having an impact in the Ruhr region.

In fiscal year 2021, which continued to be overshadowed by the pandemic, Haniel remained conscious of its responsibility towards its employees: while the Haniel Coronavirus Relief Fund, which the Company had established in the previous year, continued to make steady distributions to particularly hard-hit colleagues within the Haniel Group, Haniel also offered on-site vaccinations to all Holding Company employees and employees of the companies at Franz-Haniel-Platz.

The Haniel Foundation is an additional material component of Haniel's social commitment. To date, it has promoted roughly 1,300 projects worth EUR 40.1 million, thereby highlighting its commitment to a sustainable, value-oriented and future-proof society and economy. The entrepreneurial foundation concentrates on the *Bildung als Chance* ("Education as Opportunity") and *enkelfähiges Unternehmertum* ("Sustainable entrepreneurship") initiatives. In 2021, the focus rested on equality of opportunity in Duisburg: with the assistance of selected social enterprises, the Haniel Foundation supported socio-economically disadvantaged schoolchildren, especially during the coronavirus pandemic. The Haniel Foundation also promoted up-and-coming European leaders through scholarships and fellowships.

**Condensed corporate governance declaration: Diversity is the key to forward-thinking entrepreneurship**
Haniel's Supervisory Board and management team recognize and affirm that diversity is vital to Haniel's ability to create value for future generations through its business units. Haniel promotes a culture in which everyone feels respected in order to tap the full potential of its employees. To promote this culture of diversity and commitment, the Supervisory Board and the management team at Haniel have set ambitious targets for equality of opportunity among men and women in leadership positions by recruiting, hiring, developing and retaining talented female executives. One elementary component of this ambition is a clearly embraced and perceived culture of respect. Appropriate measures and opportunities for promoting diversity are continually being refined and implemented.

In keeping with the condensed corporate governance declaration, the Management Board of Franz Haniel & Cie. GmbH has accordingly set targets for opportunities for women to serve in leadership positions within the Holding Company. This has been done in accordance with the statutory requirements applicable to Franz Haniel & Cie. GmbH for the period ended on December 31, 2021. The target was set at 10 percent for the first management level beneath the Management Board and 6.25 percent for the second level; the minimum quota for the Management Board was zero and 8.3 percent for the Supervisory Board. All targets have been either met or exceeded.

The Management Board has set new targets for the period ending on December 31, 2026: the share of women in the first two levels beneath the Management Board is 50 percent by the named date; the target of zero will continue to apply for the Management Board until December 31, 2024. The grounds for this were stated in the text of the resolution as follows: The Supervisory Board supports in principle the targets set out in the Acts Promoting Equal

Participation of Women and Men in Leadership Positions (*Gesetze zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen*, "FüPoG I+II") and strives to achieve these targets at Franz Haniel & Cie. GmbH. In keeping with the Haniel family's canon of values and the policies set out by the management team (Management Board) as part of the current transformation process ("Becoming *enkelfähig*"), the Supervisory Board recognizes the great importance of systematically offering opportunities to women – not only on the management team (Management Board) but also at less senior levels of management. However, in the interest of successfully concluding the fundamental and comprehensive transformation process which the Haniel Group is currently undergoing, continuity of the management team (Management Board) is indispensable. Any change in the composition of the management team (Management Board) at the present juncture cannot be supported by the Supervisory Board – the success of the transformation process must not be jeopardized in any event. The binding contractual terms of the members of the management (Management Board) also play a considerable role in this connection. Due to the successful work of the two members of the Management Board, the Supervisory Board wishes to continue this collaboration. However, the members of the Supervisory Board agree without reservation that in the event it is deemed expedient in future to increase the size of the Management Board, the agreed targets should be reassessed and a resolution in this regard should be passed. The common view is that this may also take place before the end of 2024. This is intended to ensure that the equal participation of women and men in leadership positions, which the Supervisory Board also strives for, is adequately taken into account in the event of any changes.

Two women are to be represented on the Supervisory Board by the aforementioned date. The members of the Supervisory Board agree that the objective of the FüPoG should be achieved. However, this requires a number of preparations – both for shareholder and for employee representatives. In the Haniel family, members have to be prepared to serve on the Supervisory Board. On the employee side, nominations are made via the relevant works councils, general works councils and trade unions and should ideally reflect the objectives of the FüPoG. However, limits are set by the existing freedom of choice.

Against this background, the Supervisory Board deems it appropriate to set the target at two. Doing so provides the Company the necessary leeway to gradually achieve the objective of the Acts Promoting Equal Participation on a sustainable basis.

# 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. The "*enkelfähig*" strategy is based on the conviction that only sustainable business models that make a positive contribution to a future worth living in are also economically successful in the long run. Haniel classifies such businesses into one of three investment pillars: People, Planet and Progress. The Haniel Group made noteworthy additions to the People segment in particular, with the acquisition of the Dutch BauWatch Group – a provider of state-of-the-art monitoring solutions for construction sites, buildings and facilities – as well as a majority interest in daycare operator KMK kinderzimmer. At the end of the fiscal year, a further key milestone in the portfolio transformation was achieved with the divesture of ELG to Aperam S.A., thereby reducing the influence of the highly volatile raw materials sector on the portfolio.

**International expansion:** All Haniel business units and the financial investment are widely represented in Europe, and BekaertDeslee, 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. This includes economies in eastern Europe, North America, Latin America and southeast Asia. Opportunities for expansion can be leveraged by founding new companies or by acquiring or investing in existing ones.

**"*Enkelfähig*" – 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 breathe life into this vision and with the firm conviction that in the future only those business models rooted in sustainability can achieve above-average growth, the Haniel Holding Company has integrated Corporate Responsibility into every phase of value creation: Haniel assesses acquisition and investment opportunities from a sustainability perspective on the basis of a Future Worth Living (FwL) assessment, and helps the business units to evaluate their product ranges and continually increase their share of "*enkelfähig* solutions", thereby generating additional growth. 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.

**Rising standard of living:** Demand for mattresses and solutions 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 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 even improve customer loyalty with the concomitant expansion of the services and spare parts business.

**Education and security**: KMK kinderzimmer's scalable business model is adaptable to the constantly growing demand for early childhood education in Germany; the company creates available nursery and day care places for all and promotes a work/life balance through its modern educational concept. It should be noted in particular that there is a shortage of more than 470,000 places in Germany's childcare market and that Germany has a relatively low share of children in day care in an international comparison. This underscores the social relevance of KMK providing high-quality education for all children – regardless of socioeconomic background. The BauWatch Group in particular can benefit from the trend towards efficient, automated monitoring of buildings, facilities and construction sites for the purpose of preventing unauthorized access or theft with its state-of-art monitoring and access control solutions. The continued strong investment activity in the construction and infrastructure sectors in Germany and Europe is likely to also support this trend in the future.

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 departments primarily 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 Group as a whole. 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 Group-wide risk management 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 Haniel 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. 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.

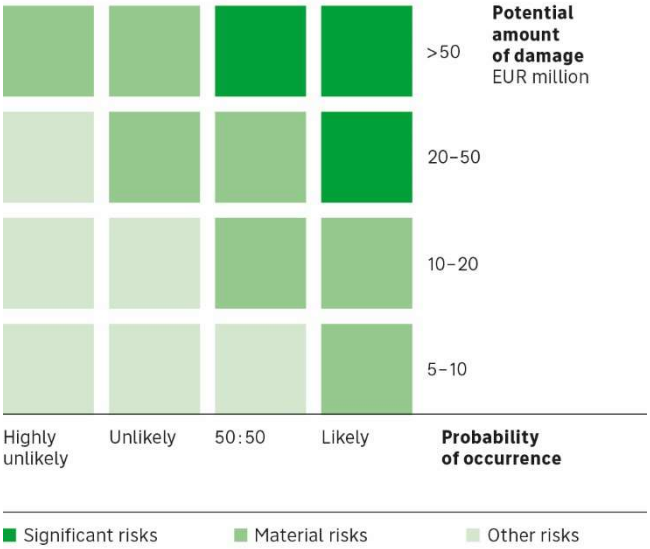
The **compliance management system** comprises preventative measures designed to ensure compliance with statutory and internal corporate rules and regulations. To that end, Haniel has prescribed uniform minimum standards throughout the Group. Compliance risks in the Group are systematically captured and evaluated as part of the compliance management system, and discussed between the management of the business units and the Holding Company. Another element of the compliance management system is a Code of Ethics along with a decentralized reporting system which enables employees and third parties to submit information (even anonymously) about potential compliance breaches in any commonly used language. 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.

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

**HANIEL RISK MATRIX**




## 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, 2021, 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:** Haniel holds equity 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 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 CECONOMY is 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 of renewed closures due to the COVID-19 pandemic as well as in the political and regulatory environment in individual countries could also have negative effects on business at 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.

**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 acquisition targets and 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 2021 by external events such as the coronavirus pandemic, for instance. However, the extent and timing of this economic dependency varies in the business units: for instance, a slowing economy, particularly in the hotels and office customers segment due to closures and shifts towards working from home at CWS is reflected at CWS after a delay, yet all the more significantly over the course of this year. 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 – remain 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. In addition, secondary effects from the COVID-19 pandemic were felt in the areas of materials availability and inflation. The impacts of the Ukraine conflict can also affect the overall economic situation and thus the companies of the Haniel Group. However, at the time of writing, the immediate impacts are only slight: key business relationships with customers in Russia exist only at Optimar. Moreover, neither Russia nor Ukraine are relevant to Haniel from an exports or supply chain perspective.

**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. This is compounded by the general increase in risks from cyber attacks and

criminality – for instance ransomware attacks – in connection with the Russia/Ukraine conflict.

**Business acquisitions and disposals:** In order to effectively counter risks associated with corporate transactions, investments and divestitures are carefully examined before their conclusion by the Holding Company's investment teams and by 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. As a feature of the newly established HOW post-merger integration process for acquisitions, business combinations are regularly subjected to a success check. If, despite all diligence, the objectives envisaged with an acquisition are not or only partially attained, impairment losses on goodwill and other assets may be necessary. In the case of business disposals, the resulting commitments remaining in the Group are regularly monitored and assessed. 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 and to empower their teams as a consequence. 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.

**Raw materials and energy prices:** With the divesture of the ELG business unit at the end of 2021, the extent to which prices for raw materials, primarily nickel, affect the Haniel Group's business development has generally diminished in significance. Nonetheless, BekaertDeslee in particular remains dependent on market prices for yarns used in the production of mattress fabrics and mattress covers, meaning that rising raw materials prices generally continue to represent a material risk for the Haniel Group, as do fluctuations in raw materials in general due to the nature of the business models. Rising energy prices can negatively affect the earnings trends of all business units of the Haniel Group and are therefore also categorized as a material risk. Particularly with respect to the current Ukraine conflict, the risks from energy price hikes are on the rise, particularly in Europe. Although the Haniel Group has generally locked in electricity and gas prices in key European markets for 2022, there remain contract and counterparty risks due to the consequences of war and *force majeure*. In particular any embargo on raw materials would result in further disruptions and even greater price increases for covering purchases. Therefore, energy prices are also categorized as a material risk.

**Receivables:** The less favorable business climate in many markets due to the coronavirus crisis results in general in increased risk of default on receivables by certain business units. Taking into account the countermeasures, the default on receivables represents an additional risk.

**Exchange rates:** Because the Haniel Group has business activities of a considerable scope in countries that do not use the euro as the local currency, its operating business and financing transactions are subject to exchange rate fluctuations, which could have a negative impact on 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, Haniel uses a variety of hedging instruments to limit transaction risks. These are explained in detail in the notes to the financial statements. Because the Haniel Group has largely hedged its transaction risks, exchange rate risks are classified only as other 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 Haniel 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 programme 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. However, investments by the Holding Company in growth capital in the growth segment are among the main risks in view of the increase in funds employed and the associated risk of loss in the event of negative valuation developments.

**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.

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 the Holding Company's Accounting & Controlling department, 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.

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 Audit 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 2022. Overall, Haniel expects organic 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. This outlook is based on the assumption that the impacts of the coronavirus pandemic will continue to abate in 2022. The current outlook does not factor in the potential impact that the Ukraine crisis might have on the Haniel Group's business.**

**Macroeconomic environment marred by uncertainties**
The Organisation for Economic Cooperation and Development (OECD) expects global economic output to increase by 4.5 percent in 2022, assuming that the world better copes with the pandemic and that the money and fiscal policy remains supportive over the course of the year. However, the global economic situation remains highly uncertain due to the coronavirus pandemic, high inflation rates and the Ukraine conflict. The OECD forecasts 4.3 percent growth in the eurozone and 3.7 percent in the United States.

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 2022 with cautious optimism, although it is conscious of the economic uncertainties outlined above. Work will continue in 2022 to implement the transformation project in order to make the portfolio and the Group fit for the future and boost its growth prospects. A Group-wide inflation management project 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 political and economic 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 business units to record organic growth in fiscal year 2022; 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.

Operating free cash flow will rise significantly due to the recovery of business activities and stricter cash management.

The Ukraine conflict has led Haniel to suspend all business relationships with companies in Russia and Belarus. This measure will mainly affect the Optimar business unit. The impacts on the Group's revenue and earnings performance for fiscal year 2022 cannot yet be conclusively estimated and are not reflected in the current outlook.

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 2022 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, 2021 | Dec. 31, 2020 |
|---|---|---|---|
| Property, plant and equipment | 1 | 911 | 786 |
| Intangible assets | 2 | 3,360 | 2,833 |
| Investments accounted for at equity | 3 | 346 | 309 |
| Financial assets | 4 | 398 | 273 |
| Other non-current assets | 5 | 22 | 22 |
| Deferred taxes | 6 | 44 | 55 |
| **Non-current assets** | | **5,081** | **4,278** |
| | | | |
| Inventories | 7 | 407 | 322 |
| Trade receivables and similar assets | 8 | 503 | 437 |
| Financial assets | 9 | 90 | 20 |
| Income tax assets | 6 | 32 | 33 |
| Cash and cash equivalents | 10 | 53 | 212 |
| Other current assets | 11 | 138 | 94 |
| Assets held for sale | 12 | 0 | 639 |
| **Current assets** | | **1,223** | **1,757** |
| **Total assets** | | **6,303** | **6,035** |

**EQUITY AND LIABILITIES**

| EUR million | Note | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|---|
| Equity of shareholders of Franz Haniel & Cie. GmbH | | 2,650 | 2,550 |
| Non-controlling interests | | 305 | 335 |
| **Equity** | 13 | **2,955** | **2,885** |
| | | | |
| Financial liabilities | 14 | 886 | 721 |
| Pension provisions | 15 | 375 | 421 |
| Other non-current provisions | 16 | 82 | 66 |
| Other non-current liabilities | 17 | 508 | 406 |
| Deferred taxes | 6 | 175 | 122 |
| **Non-current liabilities** | | **2,026** | **1,737** |
| | | | |
| Financial liabilities | 14 | 590 | 226 |
| Current provisions | 16 | 99 | 121 |
| Trade payables and similar liabilities | 18 | 284 | 201 |
| Income tax liabilities | 6 | 44 | 29 |
| Other current liabilities | 19 | 305 | 303 |
| Liabilities held for sale | 12 | 0 | 534 |
| **Current liabilities** | | **1,323** | **1,414** |
| **Total equity and liabilities** | | **6,303** | **6,035** |

# Haniel Group
## Income statement

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| **Revenue** | 20 | **3,676** | **3,105** |
| Changes in inventories of finished goods and work in progress | | 11 | 2 |
| Other own work capitalized | | 17 | 18 |
| **Gross revenue** | | **3,704** | **3,125** |
| Cost of materials | | –1,372 | –1,113 |
| **Gross profit** | | **2,332** | **2,012** |
| Other operating income | 21 | 32 | 22 |
| **Total operating income** | | **2,363** | **2,034** |
| Personnel expenses | 22 | –964 | –884 |
| Other operating expenses | 23 | –816 | –615 |
| **EBITDA** | | **584** | **535** |
| Depreciation and amortization (other than of intangible assets from purchase price allocation) | | –305 | –299 |
| Impairment of property, plant and equipment and intangible assets (other than of intangible assets from purchase price allocation) | | –3 | –1 |
| **Operating profit (EBITA)** | | **276** | **235** |
| Amortization of intangible assets from purchase price allocation | | –66 | –60 |
| Impairment of intangible assets from purchase price allocation | | 0 | –25 |
| **EBIT** | | **210** | **150** |
| | | | |
| Result from investments accounted for at equity | 3 | 47 | 29 |
| Other investment result | 24 | 58 | 11 |
| Finance costs | 25 | –36 | –31 |
| Other net financial income | 26 | –15 | –7 |
| **Net financial income** | | **55** | **3** |
| | | | |
| **Profit before taxes** | | **265** | **153** |
| Income tax expenses | 27 | –63 | –20 |
| **Profit after taxes from continuing operations** | | **202** | **133** |
| Profit after taxes from discontinued operations | 28 | –27 | –229 |
| **Profit after taxes** | | **175** | **–96** |
| of which attributable to non-controlling interests | | 32 | 24 |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | | 143 | –119 |

# Haniel Group
# Statement of comprehensive income

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| **Profit after taxes** | | **175** | **–96** |
| | | | |
| Remeasurements of defined benefit plans recognized in other comprehensive income | | 55 | –37 |
| Deferred taxes on remeasurements of defined benefit plans recognized in other comprehensive income | | –14 | 1 |
| **Remeasurements of defined benefit plans** | | **40** | **–36** |
| **Pro-rata other comprehensive income not to be reclassified to profit or loss from investments accounted for at equity** | | **6** | **–1** |
| Income and expenses recognized in equity from remeasurement of equity instruments | | 27 | –2 |
| Deferred taxes on remeasurement of equity instruments | | 0 | 0 |
| **Remeasurement of equity instruments** | | **27** | **–2** |
| **Total other comprehensive income not to be reclassified to profit or loss** | | **73** | **–40** |
| | | | |
| Income and expenses recognized in equity from remeasurement of derivative financial instruments | | 0 | –3 |
| Reversals recognized in profit or loss | | 2 | 4 |
| Deferred taxes on remeasurement of derivative financial instruments | | 0 | –1 |
| **Remeasurement of derivative financial instruments** | | **2** | **0** |
| Income and expenses recognized in equity from foreign currency translation | | 59 | –72 |
| Reversals recognized in profit or loss | | 15 | 0 |
| **Currency translation effects** | | **74** | **–72** |
| Income and expenses recognized in equity from changes recognized directly in equity of investments accounted for at equity | | –13 | –20 |
| Reversals recognized in profit or loss | | 0 | 0 |
| **Other comprehensive income from investments accounted for at equity** | | **–13** | **–20** |
| **Total other comprehensive income to be reclassified to profit or loss and reversals recognized in profit or loss** | | **63** | **–92** |
| | | | |
| **Total other comprehensive income** | | **136** | **–131** |
| of which attributable to non-controlling interests | | 26 | –16 |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | | 110 | –115 |
| | | | |
| **Comprehensive income** | 13 | **311** | **–227** |
| of which attributable to non-controlling interests | | 58 | 8 |
| of which from discontinued operations | | 1 | 0 |
| of which from continuing operations | | 57 | 8 |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | | 253 | –235 |
| of which from discontinued operations | | –17 | –247 |
| of which from continuing operations | | 270 | 13 |

# Haniel Group
# Statement of changes in equity

**CHANGES IN 2021**

| 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, 2021 | 1,000 | 678 | –427 | 1,327 | –29 | **2,550** | 335 | **2,885** |
| Dividends | | | | –60 | | **–60** | –35 | **–95** |
| Changes in the scope of consolidation | | | 28 | –87 | | **–59** | 3 | **–55** |
| Changes in shares in companies already consolidated | | | | –30 | | **–30** | –56 | **–86** |
| Changes in treasury shares | | | | | –5 | **–5** | | **–5** |
| Comprehensive income | | | 110 | 143 | | **253** | 58 | **311** |
| of which profit after taxes | | | | 143 | | **143** | 32 | **175** |
| of which other comprehensive income | | | 110 | | | **110** | 26 | **136** |
| **As of Dec. 31, 2021** | **1,000** | **678** | **–288** | **1,293** | **–34** | **2,650** | **305** | **2,955** |

**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** | 0 | **–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** |

For further explanatory comments concerning equity, see note 13.

# Haniel Group
# Statement of cash flows

| EUR million | Note | 2021 | 2020 |
|---|---|---|---|
| Profit after taxes | | 175 | –96 |
| Depreciation and amortization, impairment losses and reversals on non-current assets | | 373 | 492 |
| Change in pension provisions and other non-current provisions | | 16 | 31 |
| Income/expenses from changes in deferred taxes | | 9 | –31 |
| Non-cash income/expenses and dividends of investments accounted for at equity | | –46 | –22 |
| Gains/losses from the disposal of non-current assets and consolidated companies and from remeasurement for changes in shares | | 22 | 4 |
| Other non-cash income and expenses and other payments | | –31 | 173 |
| Change in inventories, receivables and similar assets | | –150 | 5 |
| Change in other current non-interest-bearing liabilities, current provisions and similar liabilities | | 74 | 75 |
| **Cash flow from operating activities** | | **442** | **631** |
| | | | |
| Proceeds from the disposal of property, plant and equipment, intangible assets and other assets | | 56 | 134 |
| Payments for investments in property, plant and equipment, intangible assets and other assets | | –330 | –394 |
| Proceeds from the disposal of consolidated companies and other business units | | 31 | 1 |
| Payments for acquisitions of consolidated companies and other business units | | –492 | –130 |
| **Cash flow from investing activities** | | **–735** | **–389** |
| | | | |
| Proceeds from contributions to equity | | 0 | 0 |
| Payments to shareholders | | –101 | –62 |
| Payments from changes in shares in companies already consolidated | | –124 | –8 |
| Proceeds from issuance of financial liabilities | | 2,077 | 1,136 |
| Repayments of financial liabilities | | –1,720 | –1,658 |
| **Cash flow from financing activities** | | **132** | **–592** |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 212 | 565 |
| Increase/decrease in cash and cash equivalents | | –161 | –350 |
| Non-cash increase/decrease in cash and cash equivalents | | 2 | –2 |
| **Cash and cash equivalents at the end of the period** | 34 | **53** | **212** |

The cash flow from operating activities includes dividends received in the amount of EUR 8 million (previous year: EUR 8 million), interest income of EUR 9 million (previous year: EUR 5 million) and interest payments of EUR 41 million (previous year: EUR 36 million). EUR 42 million was paid in income taxes (previous year: EUR 36 million).

The increase/decrease in cash and cash equivalents includes operating free cash flow (OFCF) of EUR 116 million (previous year: EUR 338 million). The notes to the statement of cash flows contain an explanation of how operating free cash flow is calculated (note 34).

# Notes to the consolidated financial statements

## A. General basis of presentation

**Accounting principles**

The consolidated financial statements of Franz Haniel & Cie. GmbH for the year ended December 31, 2021 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, 2022. They were approved by the Supervisory Board at its meeting on April 7, 2022.

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 2021 fiscal year:

| |
|---|
| Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) |
| Covid-19-Related Rent Concessions (Amendments to IFRS 16) |
| Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 |

**Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

In the previous year, the Haniel Group applied the amendments contained in Phase 1 of the Interest Rate Benchmark Reform. 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 same period of the previous year.

Since the beginning of 2021, the Haniel Group has applied the Interest Rate Benchmark Reform – Phase 2 ("Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16"), which was published on August 27, 2020 and endorsed by the European Union on January 13, 2021. 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" were of no relevance to the Haniel Group's accounting.

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 were not applied by the Haniel Group in the past fiscal year.

The IASB and the IFRS IC have issued new and amended rules whose application is not mandatory for the Haniel Group until fiscal year 2022 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** | |
| COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16) | 2022 |
| Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) | 2022 |
| Annual Improvements to IFRS Standards 2018–2020 | 2022 |
| Property, Plant & Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 2022 |
| Reference to the Conceptual Framework (Amendments to IFRS 3) | 2022 |
| IFRS 17 Insurance Contracts including Amendments to IFRS 17 | 2023 |
| Disclosure of Accounting Policies (Amendments to IAS 1) | 2023 |
| Definition of Accounting Estimates (Amendments to IAS 8) | 2023 |
| **Not yet endorsed by the Commission of the European Union** | |
| Classification of Liabilities as Current or Non-current (Amendments to IAS 1) | 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) | 2023 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | – |
| Initial Application of IFRS 17 and IFRS 9 – Comparative Information | 2023 |

The IASB has extended, by one year, the May 2020 amendment to IFRS 16 that provides lessees with an exemption from assessing whether a coronavirus pandemic-related rent concession is a lease modification. Because there were no rent concessions within the Haniel Group, as in the previous year, this amendment had no impact on Haniel's accounting.

The amendments to IAS 37 specify that the cost of fulfilling an onerous contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. These amendments apply to contracts for which the reporting entity has not yet fulfilled all its obligations as of the initial application date.

The amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 which were made in the context of the Annual Improvements process became applicable for the first time as of January 1, 2022. The amendment to IFRS 1 introduces an option providing relief for subsidiaries applying IFRSs for the first time as they transition to IFRSs. The amendment to IFRS 9 clarifies which fees an entity includes when assessing whether to derecognize a financial liability. The improvement to IFRS 16 is intended to resolve potential confusion and has no bearing on Haniel's accounting. The amendment to IAS 41 bears no relevance to the Haniel Group.

The amendments to IAS 16 prohibit entities from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use at its intended location. Instead, an entity must recognize such sales proceeds and related cost of producing these goods in profit or loss. At present, it does not appear that this amendment will have any effect on the Haniel Group.

As a result of the amendments to IFRS 3, the Standard now references the 2018 Conceptual Framework instead of the 1989 Conceptual Framework; this has no material effect on the Haniel Group's accounting.

The initial date of mandatory application of IFRS 17 has been postponed until January 1, 2023. The Standard covers the accounting for insurance contracts and replaces the applicable transitional standard IFRS 4. Its scope covers insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. The Standard is also applicable to non-insurance companies and will therefore be adopted by Haniel beginning in fiscal year 2023. A detailed analysis of the resulting impacts has yet to be performed. It is not expected that this will have any material effects on the presentation of the Group's assets, liabilities, financial position, and financial performance.

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, 2021. 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., 234 domestic and foreign companies were included in full in the consolidated financial statements as of December 31, 2020. In the fiscal year, the number of subsidiaries changed as follows:

| | |
|---|---|
| Additions due to acquisition of shares or obtaining control | 79 |
| Additions due to new company formation | 12 |
| Disposals due to sale of shares or loss of control | 37 |
| Disposals due to mergers or liquidation | 23 |

Accordingly, in addition to Franz Haniel & Cie. GmbH, a total of 265 subsidiaries are included in the consolidated financial statements as of December 31, 2021. Of that figure, 20 companies belong to the BauWatch business unit, 25 to BekaertDeslee, 54 to CWS, 24 to Emma, 6 to Optimar, 16 to ROVEMA, 51 to KMK kinderzimmer and 59 to TAKKT. 10 subsidiaries are allocated to the Holding Company and other companies. The deconsolidation of the ELG business unit as of December 31, 2021 resulted in the disposal of 36 companies.

As in the previous year, Haniel leases real estate from an asset leasing company. The corresponding agreement is 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 company nor can it direct activities that are significant for the returns. As of the reporting date, the lease liability to this unconsolidated leasing company presented in financial liabilities totaled EUR 5 million (previous year: EUR 6 million). The corresponding right-of-use asset was reported at EUR 6 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 150 million (previous year: EUR 64 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 65 million and USD 145 million (previous year: EUR 62 million and USD 49 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, 3 (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:

| | **2021** | | **2020** | |
|---|---|---|---|---|
| EUR | Average exchange rate | Closing rate | Average exchange rate | Closing rate |
| US dollar (USD) | 1.1821 | 1.1326 | 1.1409 | 1.2271 |
| UK pound Sterling (GBP) | 0.8594 | 0.8403 | 0.8891 | 0.8990 |
| Swiss franc (CHF) | 1.0808 | 1.0331 | 1.0706 | 1.0802 |
| Norwegian krone (NOK) | 10.1597 | 9.9888 | 10.6990 | 10.4703 |

Since July 1, 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 BekaertDeslee and TAKKT business units generate revenue in the United Kingdom. However, as had been estimated in the previous year, the resulting impacts of this have proven to be immaterial.

**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 (CGU) 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 19 cash-generating units within the Haniel Group (previous year: 20). As a result of the initial consolidation of BauWatch and KMK kinderzimmer, each of which representing a cash-generating unit, the number of cash-generating

units has increased by two. At the same time, the number of CGUs declined by three due to the deconsolidation of the ELG business 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, as in the previous year, 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 by the coronavirus crisis. Over the medium term, and hence within the detailed planning period, every business unit is expected to return to or even exceed pre-crisis levels. In certain areas, a recovery was observed already during the fiscal year; moreover, the impacts of a deteriorating situation on the respective business are now known. 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 business unit 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, 2021 |
|---|---|---|---|
| | % | % | EUR million |
| BauWatch | | | 233 |
| BekaertDeslee | 9.0 to 10.2 | 2.0 | 146 |
| CWS | 8.2 to 8.9 | 1.5 to 2.0 | 904 |
| of which CWS Hygiene | 8.8 | 1.5 | 552 |
| of which CWS Workwear | 8.9 | 1.5 | 294 |
| of which Fire Safety | 8.2 | 2.0 | 58 |
| Emma | 11.8 | 2.6 | 325 |
| KMK kinderzimmer | | | 141 |
| Optimar | 9.0 | 2.5 | 75 |
| ROVEMA | 7.9 | 2.0 | 137 |
| TAKKT | 7.4 to 8.1 | 1.0 to 2.0 | 669 |
| of which Ratioform Group | 7.4 | 2.0 | 143 |

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 business unit 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 Packaging Solutions Group | 6.8 | 2.0 | 143 |
| Held for sale | | | |
| ELG | 11.3 | 0.0 to 1.0 | 0 |

In addition to goodwill, the Haniel Group also has EUR 185 million (previous year: EUR 162 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 27 million (previous year: EUR 25 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: 10.2 percent) for BekaertDeslee Americas and 7.9 percent (previous year: 8.2 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: 2.0 percent) for ROVEMA.

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. At Optimar, a 5 percent decrease in cash flow before interest and taxes during the detailed planning period, as deemed feasible by the management, would result in a hypothetical need to recognize an impairment loss. A 0.5 percentage-point increase in the weighted average cost of capital before taxes or a decrease in the expected growth rates after the detailed planning period would not result in a hypothetical need to recognize an impairment loss. In the other business units, 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, Emma and TAKKT business units tend to satisfy their performance obligations at a certain point in time, the BauWatch, CWS, KMK kinderzimmer, Optimar and ROVEMA business units satisfy their performance obligations primarily over a certain period of time. BekaertDeslee generates sales revenue through the manufacture of mattress fabrics and mattress covers, and TAKKT generates sales revenue as a B2B direct marketing specialist which sells business equipment. BauWatch offers temporary outdoor security solutions and technology-based services. CWS generates revenue from services relating to washroom hygiene products and textile solutions. KMK kinderzimmer operates a large number of childcare facilities. Optimar and ROVEMA manufacture customized fish handling systems and packaging machines and equipment, respectively. In general, input-oriented methods are used at CWS, Optimar and ROVEMA to determine the percentage of completion for performance obligations satisfied over a period of time. BauWatch and KMK kinderzimmer use output-oriented methods. 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.

# B. 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, 2021** | **612** | **327** | **575** | **27** | **1,540** |
| Foreign exchange rate adjustments | 8 | 9 | 2 | | **20** |
| Additions to scope of consolidation | 73 | 1 | 40 | 4 | **117** |
| Additions | 35 | 28 | 197 | 27 | **287** |
| Reclassifications | 4 | 15 | 1 | –21 | **–2** |
| Disposals | 18 | 34 | 167 | 3 | **222** |
| **As of Dec. 31, 2021** | **713** | **344** | **649** | **35** | **1,741** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| **As of Jan. 1, 2021** | **268** | **200** | **284** | **2** | **754** |
| Foreign exchange rate adjustments | 3 | 7 | 2 | | **12** |
| Depreciation | 49 | 23 | 205 | | **278** |
| Impairments | | | | | **1** |
| Reversals of impairment losses | 1 | | | | **1** |
| Reclassifications | | | | | **0** |
| Disposals | 14 | 33 | 164 | 2 | **214** |
| **As of Dec. 31, 2021** | **306** | **197** | **327** | | **830** |
| | | | | | |
| **Net carrying amounts** | | | | | |
| **As of Dec. 31, 2021** | **407** | **147** | **323** | **34** | **911** |
| **As of Jan. 1, 2021** | **343** | **126** | **291** | **26** | **786** |

Additions to the scope of consolidation during the fiscal year resulted from the acquisition of the BauWatch and KMK kinderzimmer business units as well as from acquisitions by the CWS and ROVEMA business units. Business combinations in the fiscal year are explained under note 33. 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.

| 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 | | 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** |

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). Collateral in the amount of EUR 3 million (previous year: EUR 0 million) has been provided for third-party liabilities. Purchase commitments for property, plant and equipment amounted to EUR 2 million (previous year: EUR 2 million).

## 2 Intangible assets

| EUR million | Goodwill | Other intangible assets from purchase price allocation | Other intangible assets | Prepayments | **Total** |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As of Jan. 1, 2021** | **2,231** | **835** | **260** | **13** | **3,339** |
| Foreign exchange rate adjustments | 40 | 18 | 2 | | **60** |
| Additions to scope of consolidation | 415 | 130 | | 1 | **546** |
| Additions | | | 15 | 8 | **23** |
| Reclassifications | | | 14 | –12 | **2** |
| Disposals | | 31 | 7 | 2 | **40** |
| **As of Dec. 31, 2021** | **2,686** | **952** | **284** | **8** | **3,931** |
| | | | | | |
| **Accumulated amortization** | | | | | |
| **As of Jan. 1, 2021** | **54** | **291** | **158** | **4** | **507** |
| Foreign exchange rate adjustments | 1 | 7 | 1 | | **10** |
| Amortization | | 66 | 27 | | **93** |
| Impairments | | | 1 | 1 | **2** |
| Reversals of impairment losses | | | | | **0** |
| Reclassifications | | | | | **0** |
| Disposals | | 31 | 7 | 2 | **40** |
| **As of Dec. 31, 2021** | **55** | **333** | **181** | **2** | **571** |
| | | | | | |
| **Net carrying amounts** | | | | | |
| **As of Dec. 31, 2021** | **2,631** | **619** | **103** | **6** | **3,360** |
| **As of Jan. 1, 2021** | **2,178** | **544** | **101** | **10** | **2,833** |

Additions to the scope of consolidation during the fiscal year resulted from the initial consolidation of the new BauWatch and KMK kinderzimmer business units as well as from acquisitions by the CWS and ROVEMA business units. Business combinations in the fiscal year are explained under note 33.

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

Other intangible assets from purchase price allocation and other intangible assets include assets with indefinite useful lives totaling EUR 185 million (previous year: EUR 162 million). These relate predominantly to brand names acquired through business combinations as well as works of art belonging to the Haniel Holding Company.

Impairments in the fiscal year included the impairment losses recognized by the continuing operations; in the previous year, this item also included impairment losses recognized by discontinued operations.

| 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 | | **–12** |
| 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** |

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, 2021, there was a purchase commitment for intangible assets in the amount of EUR 0 million (previous year: EUR 1 million).

## 3 Investments accounted for at equity

| EUR million | 2021 | 2020 |
|---|---|---|
| **As of Jan. 1** | **309** | **313** |
| Foreign exchange rate adjustments | | –1 |
| Additions to scope of consolidation | | |
| Additions | | 1 |
| Changes in equity interest recognized in profit or loss | 47 | –64 |
| Profit distributions | | –1 |
| Changes in equity interest recognized in other comprehensive income | –7 | –21 |
| Impairments and reversals of impairment losses | –1 | 87 |
| Reclassifications to assets held for sale | | –5 |
| Disposals and transfers | –3 | |
| **As of Dec. 31** | **346** | **309** |

Investments accounted for at equity essentially consist of the investment in CECONOMY AG held by Haniel.

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 11.62 percent (previous year: 10.7 percent) and a growth rate of 0.0 percent (previous year: 0.0 percent) for the years after the detailed planning period.

The CECONOMY investment contributed earnings totaling EUR 44 million (previous year: EUR 30 million).

The stock market value of Haniel's 22.55 percent interest (previous year: 22.54 percent) in the ordinary and preferred shares of CECONOMY AG as of the reporting date amounted to EUR 307 million (previous year: EUR 459 million), valued at a share price of EUR 3.79 (previous year: EUR 5.67) 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 | **2021** | **2020** |
|---|---|---|
| | CECONOMY AG | CECONOMY AG |
| Revenue | 20,751 | 21,474 |
| Profit after taxes from continuing operations | 199 | –236 |
| Profit after taxes from discontinued operations | 13 | 6 |
| Other comprehensive income | –30 | –67 |
| Comprehensive income | 182 | –297 |
| | | |
| Dividends received | | |

| | **Dec. 31, 2021** | **Dec. 31, 2020** |
|---|---|---|
| EUR million | CECONOMY AG | CECONOMY AG |
| Non-current assets | 3,788 | 3,734 |
| Current assets | 9,047 | 9,079 |
| Non-current liabilities | 2,628 | 2,406 |
| Current liabilities | 9,348 | 9,683 |
| Equity | 859 | 724 |
| Equity attributable to shareholders | 789 | 618 |
| | | |
| Haniel's share of equity | 178 | 139 |
| Remaining adjustments from purchase price allocation | 747 | 748 |
| Impairments on investment accounted for at equity | 583 | 583 |
| **Carrying amount of the investment** | **342** | **304** |

In addition, on September 30, 2021 CECONOMY AG had contingent liabilities amounting to EUR 22 million (previous year: EUR 10 million).

In addition to CECONOMY AG, the Haniel Group holds equity interests in other associates. The carrying amount for these equity interests totaled EUR 4 million (previous year: EUR 6 million). The share of comprehensive income from these companies attributable to Haniel was EUR 2 million (previous year: EUR -1 million).

## 4 Non-current financial assets

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| **Financial assets measured at fair value through profit or loss** | **350** | **237** |
| Venture capital funds and similar debt instruments | 150 | 64 |
| Structured debt instruments | 21 | 20 |
| Investment funds | 141 | 129 |
| Equity instruments held for trading | 39 | 25 |
| **Equity instruments measured at fair value through other comprehensive income** | **26** | **9** |
| **Debt instruments measured at fair value through other comprehensive income** | **20** | **20** |
| **Debt instruments measured at amortized cost** | **2** | **7** |
| | **398** | **273** |

Non-current financial assets consist primarily of investments in growth capital via funds and direct investments, as well as financial instruments held as medium- and long-term investments.

Equity instruments measured at fair value through other comprehensive income include non-listed equity investments in corporations.

The year-on-year changes in non-current financial assets related in particular to further investments in growth capital and increases in market value.

## 5 Other non-current assets

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Capitalized contract costs | 21 | 21 |
| Contingent purchase price receivables | | |
| Miscellaneous non-current assets | 1 | 1 |
| | **22** | **22** |

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 32 million (previous year: EUR 33 million) concern in particular withholding tax receivables in connection with dividends received. The income tax liabilities of EUR 44 million (previous year: EUR 29 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 30.7 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, 2021** | | **Dec. 31, 2020** | |
|---|---|---|---|---|
| EUR million | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Property, plant and equipment | 9 | 98 | 15 | 102 |
| Intangible assets | 17 | 253 | 18 | 228 |
| Miscellaneous non-current assets | 8 | 15 | 5 | 8 |
| Current assets | 10 | 2 | 8 | 2 |
| Non-current liabilities | 47 | 1 | 50 | 1 |
| Non-current provisions | 75 | 2 | 85 | |
| Current provisions | 4 | 9 | 9 | 6 |
| Other current liabilities | 12 | 6 | 9 | 2 |
| Derivative financial instruments | 1 | 1 | 2 | 1 |
| Tax loss carryforwards | 71 | | 81 | |
| Less offsetting | 211 | 211 | 226 | 226 |
| | **44** | **175** | **55** | **122** |

Deferred tax assets include EUR 64 million (previous year: EUR 45 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 958 million (previous year: EUR 930 million), unused corporate tax and similar foreign loss carryforwards of EUR 612 million (previous year: EUR 596 million) and interest carryforwards amounting to EUR 398 million (previous year: EUR 429 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 8 million (previous year: EUR 6 million) expire within five years and an additional EUR 0 million (previous year: EUR 1 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 135 million (previous year: EUR 107 million).

## 7 Inventories

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Raw materials and production supplies | 94 | 70 |
| Work and services in progress | 24 | 24 |
| Finished goods and merchandise | 277 | 223 |
| Assets from rights of return | 2 | 2 |
| Prepayments | 10 | 3 |
| | **407** | **322** |

The inventories include EUR 13 million (previous year: EUR 22 million) that were written down to the net realizable value. Write-downs in the amount of EUR 9 million (previous year: EUR 21 million) were made during the fiscal year. By contrast, reversals of write-downs totaled EUR 8 million (previous year: EUR 4 million). The year-on-year increase in overall inventories resulted mainly from the positive business development in the fiscal year as well as the increase in safety stock levels to cushion the impact of procurement bottlenecks.

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, 2021 | Dec. 31, 2020 |
|---|---|---|
| Trade receivables | 476 | 410 |
| Assets from construction contracts | 26 | 27 |
| Assets from other contracts with customers | 0 | 0 |
| | **503** | **437** |

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.

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 | 2021 | 2020 |
|---|---|---|
| **As of Jan. 1** | **20** | **16** |
| Additions | 7 | 7 |
| Utilizations | 4 | |
| Reversals | 3 | 2 |
| Foreign currency, changes in the scope of consolidation and other changes | 3 | –1 |
| **As of Dec. 31** | **23** | **20** |

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.

## 9 Current financial assets

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Financial assets measured at fair value through profit or loss | 90 | |
| Debt instruments measured at amortized cost | | 20 |
| | **90** | **20** |

Financial assets measured at fair value through profit or loss consisted exclusively of ordinary shares in METRO AG. In the previous year, these shares were reported as held for sale.

In the previous year, debt instruments measured at amortized cost included commercial paper held to their scheduled maturity in the current fiscal year.

## 10 Cash and cash equivalents

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Bank balances | 52 | 100 |
| Cash on hand and checks | 1 | 2 |
| Money market funds | | 109 |
| | **53** | **212** |

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 4 million (previous year: EUR 9 million) are held in countries with local exchange control regulations.

## 11 Other current assets

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| **Financial assets** | | |
| Receivables from investments | 1 | 1 |
| Derivative financial instruments | 2 | 2 |
| **Non-financial assets** | | |
| Value-added tax receivables and other tax assets | 54 | 35 |
| Prepaid expenses | 23 | 17 |
| Bonuses and discount claims against suppliers | 17 | 10 |
| Miscellaneous current assets | 40 | 29 |
| | **138** | **94** |

The derivative financial instruments serve to hedge interest rate, exchange rate and other price risks and are described in detail under note 31. As in the previous year, no other current assets are pledged as security for own liabilities in the fiscal year.

## 12 Assets and liabilities 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. Since then, the ELG business unit has been classified as held for sale. The business unit was sold during the fiscal year and deconsolidated as of December 31, 2021. Its income and expenses were reported under profit or loss from discontinued operations (further details under note 28), including retrospectively for the comparative period.

In addition, in the previous year the shares in METRO AG held by Haniel were classified as held for sale. In the current fiscal year, the shares were reclassified as financial assets because METRO no longer represents a strategic investment for Haniel and there are no specific plans to sell the shares at this time.

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

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| **Assets** | | |
| Non-current assets | | 111 |
| Deferred taxes | | 22 |
| Current assets | | 506 |
| | **0** | **639** |
| **Liabilities** | | |
| Non-current financial liabilities | | 277 |
| Miscellaneous non-current liabilities | | 84 |
| Deferred tax liabilities | | 13 |
| Current liabilities | | 160 |
| | **0** | **534** |

Note 33 presents the carrying amounts for ELG as of the date of deconsolidation.

## 13 Equity

As of December 31, 2021, 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 remeasurement of a put option to acquire further shares in the context of a business combination. The remeasurement resulted from an adjustment to estimates made during the first year after acquisition; these were recognized in equity.

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

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 59.45 percent (previous year: 50.25 percent) of shares in TAKKT AG, the holding company of the TAKKT business unit. The 9.20 percent increase in the share in TAKKT AG during the 2021 fiscal year resulted in a EUR 86 million reduction in Group equity.

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

| | **Dec. 31, 2021** | **Dec. 31, 2020** |
|---|---|---|
| EUR million | TAKKT | TAKKT |
| Non-current assets | 890 | 858 |
| Current assets | 303 | 223 |
| Non-current liabilities | 210 | 200 |
| Current liabilities | 195 | 139 |
| Equity | 788 | 743 |
| of which attributable to non-controlling interests | 266 | 305 |

| | 2021 | 2020 |
|---|---|---|
| EUR million | TAKKT | TAKKT |
| Revenue | 1,178 | 1,067 |
| Operating profit (EBITA) | 78 | 59 |
| Profit after taxes | 57 | 37 |
| of which attributable to non-controlling interests | 26 | 19 |
| Other comprehensive income | 60 | –32 |
| Comprehensive income | 117 | 5 |
| of which attributable to non-controlling interests | 52 | 3 |
| | | |
| Cash flow from operating activities | 60 | 123 |
| Cash flow from investing activities | –4 | 9 |
| Cash flow from financing activities | –57 | –132 |
| Dividends paid to non-controlling interests | 35 | 0 |

Haniel holds a 50.1 percent interest (previous year: 50.1 percent) in Emma Sleep GmbH, Frankfurt am Main, via the Emma 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 30 million as of the reporting date (previous year: EUR 24 million). The comprehensive income attributable to Emma Sleep GmbH amounted to EUR 5 million (previous year: EUR 5 million). Of that amount, EUR 5 million (previous year: EUR 5 million) related to profit after taxes and EUR 0 million (previous year: EUR 0 million) related to other comprehensive income.

Haniel has held a 60 percent interest in KMK kinderzimmer Holding GmbH, Hamburg, since September 1, 2021 via the KMK kinderzimmer business unit's holding company. The non-controlling interests in the equity of KMK kinderzimmer Holding GmbH and its subsidiaries reported within the KMK kinderzimmer business unit amounted to EUR 6 million as of the reporting date. The comprehensive income attributable to KMK kinderzimmer Holding GmbH amounted to EUR 0 million. Of that amount, EUR 0 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, 2021 | Changes in the scope of consolidation | Changes in shares in companies already consolidated | Other comprehensive income | Currency translation effects | **As of Dec. 31, 2021** |
|---|---|---|---|---|---|---|
| Remeasurements of defined benefit plans | –267 | 36 | 3 | 55 | –2 | **–176** |
| Deferred taxes | 68 | –2 | –1 | –14 | | **51** |
| Other comprehensive income from investments accounted for at equity | –100 | | | 6 | | **–93** |
| Financial investments in equity instruments | –4 | –10 | | 27 | | **14** |
| **Other comprehensive income not to be reclassified to profit or loss** | **–303** | **24** | **2** | **73** | **–2** | **–204** |
| Derivative financial instruments | –2 | | | 2 | | **0** |
| Deferred taxes | 0 | | | | | **0** |
| Currency translation effects | –70 | | | 74 | 2 | **6** |
| Other comprehensive income from investments accounted for at equity | –75 | | | –13 | | **–88** |
| **Other comprehensive income to be reclassified to profit or loss** | **–147** | **0** | **0** | **63** | **2** | **–82** |
| **Accumulated other comprehensive income** | **–449** | **24** | **2** | **136** | **0** | **–287** |
| of which attributable to non-controlling interests | –23 | –5 | 2 | 26 | | **1** |
| of which attributable to shareholders of Franz Haniel & Cie. GmbH | –427 | 28 | | 110 | | **–288** |

| 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** |

Reported accumulated other comprehensive income in the previous year included a total of EUR -63 million in net assets and liabilities held for sale. Of that amount, EUR -37 million is not to be reclassified to profit or loss. Due to deconsolidation, other comprehensive income did not include any amounts attributable to assets or liabilities held for sale as of the reporting date.

The accumulated other comprehensive income attributable to non-controlling interests included EUR 7 million (previous year: EUR -4 million) in currency translation effects, EUR -15 million (previous year: EUR -23 million) in remeasurements of defined benefit plans, EUR 4 million (previous year: EUR 7 million) in deferred taxes on remeasurements of defined benefit plans, EUR 6 million (previous year: EUR -2 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.

In the previous year, 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, was broken down as follows:

| EUR million | 2021 | 2020 |
|---|---|---|
| Financial liabilities | 1,476 | 947 |
| - Cash and cash equivalents | 53 | 212 |
| Net financial liabilities | 1,423 | 735 |
| - Investment position: Haniel Holding Company | 292 | 295 |
| Net financial position | 1,131 | 440 |

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 Company and other companies.

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 | 2021 | 2020 |
|---|---|---|
| Equity | 2,955 | 2,885 |
| / Total assets | 6,303 | 6,035 |
| **Equity ratio (in %)** | **46.9** | **47.8** |
| | | |
| Net financial position | 1,131 | 440 |
| / Equity | 2,955 | 2,885 |
| **Gearing** | **0.4** | **0.2** |
| | | |
| (Operating profit (EBITA) | 276 | 235 |
| + Result from investments accounted for at equity | 47 | 29 |
| + Other investment result) | 58 | 11 |
| / (Finance costs | –36 | –31 |
| – Other net financial income) | –15 | –7 |
| **Interest cover ratio** | **7.6** | **7.3** |
| | | |
| (Net financial position | 1,131 | 440 |
| – Net financial liabilities allocated to financial investments) | 100 | 100 |
| / EBITDA | 584 | 535 |
| **Core repayment period (in years)** | **1.8** | **0.6** |

The core repayment period is the ratio of EBITDA of the business units, as well as the Holding Company and other companies, 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, 2021** | | | | **Dec. 31, 2020** | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | 333 | 532 | 20 | **885** | 58 | 355 | 40 | **453** |
| Bonds, commercial paper and other securitized debt | 98 | 37 | | **135** | 20 | 55 | | **75** |
| Liabilities to shareholders | 83 | 47 | | **130** | 67 | 72 | | **139** |
| Lease liabilities | 67 | 142 | 69 | **278** | 58 | 132 | 30 | **220** |
| Other financial liabilities | 10 | 38 | | **48** | 23 | 37 | | **60** |
| | **590** | **796** | **89** | **1,476** | **226** | **650** | **71** | **947** |
| of which subordinated | 92 | 82 | | **174** | 88 | 105 | | **193** |

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 45 million (previous year: EUR 55 million) and commercial paper.

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

Financial liabilities include subordinated liabilities in the amount of EUR 174 million (previous year: EUR 193 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, 2021 | Dec. 31, 2020 |
|---|---|---|
| Shareholder loans: Haniel family | 130 | 139 |
| Loans of the Haniel Foundation | 29 | 36 |
| Haniel Zerobonds | 2 | 2 |
| Haniel Performance Bonds | 2 | 5 |
| Miscellaneous financial liabilities | 11 | 11 |
| **Total** | **174** | **193** |

## 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 34 million (previous year: EUR 32 million) for the statutory pension insurance and EUR 11 million (previous year: EUR 9 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 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 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, 2021** | | **Dec. 31, 2020** | |
|---|---|---|---|---|
| % | Germany | Switzerland | Germany | Switzerland |
| Discount rate | 1.1 | 0.1 | 0.5 | 0.1 |
| Salary trend | 2.5 | 1.5 | 2.3 | 1.5 |
| Pension trend | 1.8 | 0.0 | 1.5 | 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: 19 years).

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

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Pension provisions | 375 | 421 |
| Other non-current assets | 0 | 0 |
| **Net pension provisions** | **375** | **421** |

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

| EUR million | 2021 | 2020 |
|---|---|---|
| **Present value of defined benefit obligations as of Jan. 1** | **521** | **586** |
| Foreign exchange rate adjustments | 2 | –3 |
| Changes in the scope of consolidation and other changes | | 1 |
| Current service cost | 18 | 22 |
| Past service cost | –1 | –2 |
| Gains and losses arising from settlements | –3 | |
| Interest cost | 2 | 6 |
| Actuarial gains and losses | –50 | 44 |
| of which arising from experience adjustments | –2 | –5 |
| of which arising from changes in demographic assumptions | –4 | 1 |
| of which arising from changes in financial assumptions | –44 | 48 |
| Employees' contributions to plan assets | 2 | 2 |
| Less current pension payments | 13 | 22 |
| Less payments in respect of settlements | | 1 |
| Reclassification as held for sale | | –111 |
| **Present value of defined benefit obligations as of Dec. 31** | **480** | **522** |

The pension payments are expected to be EUR 14 million (previous year: EUR 12 million) in the next fiscal year, EUR 57 million in the following 2 to 5 fiscal years (previous year: EUR 53 million) and EUR 92 million in the next 6 to 10 fiscal years (previous year: EUR 86 million).

The plan assets developed as follows:

| EUR million | 2021 | 2020 |
|---|---|---|
| **Fair value of plan assets as of Jan. 1** | **101** | **149** |
| Foreign exchange rate adjustments | | –3 |
| Changes in the scope of consolidation and other changes | | 1 |
| Return on plan assets | | 1 |
| Gains and losses arising from settlements | –3 | |
| Remeasurements of plan assets | | 7 |
| Employer's contributions to plan assets | 8 | 8 |
| Employees' contributions to plan assets | 2 | 2 |
| Less current pension payments out of plan assets | 3 | 12 |
| Less payments in respect of settlements | | |
| Reclassification as held for sale | | –53 |
| **Fair value of plan assets as of Dec. 31** | **106** | **101** |

Employer contributions to the plan assets are expected to be EUR 8 million in the coming fiscal year (previous year: EUR 4 million).

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

| | 2021 | | 2020 | |
|---|---|---|---|---|
| EUR million | with active market | without active market | with active market | without active market |
| Cash and cash equivalents | 1 | | 1 | |
| Equity instruments | 16 | | 15 | |
| Debt instruments | 20 | | 20 | |
| Real estate | 15 | | 14 | |
| Derivatives | | | | |
| Investment funds | 14 | | 7 | |
| Asset-backed securities | | | | |
| Structured debt | | | | |
| Insurance contracts | | 24 | | 44 |
| Miscellaneous | 17 | | | |
| **Fair value of plan assets as of Dec. 31** | **82** | **24** | **57** | **44** |

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 | 2021 | 2020 |
|---|---|---|
| **Net pension provisions as of Jan. 1** | **420** | **437** |
| Foreign exchange rate adjustments | 2 | |
| Changes in the scope of consolidation and other changes | | |
| Current service cost | 18 | 22 |
| Past service cost | –1 | –2 |
| Gains and losses arising from settlements | | |
| Interest cost from compounding the defined benefit obligation | 2 | 6 |
| Return on plan assets | | 1 |
| Actuarial gains and losses in respect of the defined benefit obligation | –50 | 44 |
| of which arising from experience adjustments | –2 | –5 |
| of which arising from changes in demographic assumptions | –4 | 1 |
| of which arising from changes in financial assumptions | –44 | 48 |
| Remeasurements of plan assets | | 7 |
| Employer’s contributions to plan assets | 8 | 8 |
| Less current pension payments | 10 | 10 |
| Less payments in respect of settlements | | 1 |
| Reclassification as held for sale | | –58 |
| **Net pension provisions as of Dec. 31** | **373** | **422** |

Of the pension expenses for the fiscal year presented in the income statement, EUR 17 million (previous year: EUR 18 million) are included in personnel expenses and EUR 2 million (previous year: EUR 4 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 | 2021 | 2020 |
|---|---|---|
| 0.5 percentage-point increase in the discount rate | –40 | –49 |
| 0.5 percentage-point decrease in the discount rate | 47 | 56 |
| 0.5 percentage-point increase in the salary growth rate | 3 | 4 |
| 0.5 percentage-point decrease in the salary growth rate | –2 | –5 |
| 0.5 percentage-point increase in the pension growth rate | 20 | 21 |
| 0.5 percentage-point decrease in the pension growth rate | –17 | –21 |
| One-year increase in life expectancy | 15 | 17 |
| One-year decrease in life expectancy | –14 | –18 |

## 16 Other non-current and current provisions

| EUR million | As of Jan. 1, 2021 | Foreign exchange rate adjustments | Changes in the scope of consolidation | Reclassification, Disposals: IFRS 5 | Interest effect | Additions | Reversals | Utilizations | **As of Dec. 31, 2021** |
|---|---|---|---|---|---|---|---|---|---|
| Provisions for personnel | 51 | | | | | 26 | –1 | –5 | **72** |
| Provisions for removal | 1 | | | | | | | | **1** |
| Provisions for restructuring | 0 | | | | | | | | **0** |
| Miscellaneous non-current provisions | 15 | | | | | | –1 | –4 | **9** |
| **Other non-current provisions** | **66** | **0** | **0** | **0** | **0** | **26** | **–2** | **–9** | **82** |
| Provisions for personnel | 66 | 1 | | –1 | | 52 | –12 | –49 | **57** |
| Provisions for litigation | 2 | | | | | 2 | –1 | –1 | **3** |
| Provisions for warranties | 8 | | | | | 2 | | | **10** |
| Provisions for restructuring | 20 | | | | | | –5 | –10 | **6** |
| Miscellaneous current provisions | 24 | | 5 | | | 7 | –10 | –4 | **23** |
| **Current provisions** | **121** | **1** | **6** | **0** | **0** | **62** | **–28** | **–63** | **99** |

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.

Miscellaneous non-current and current provisions included, among other things, provisions relating to tax risks in the amount of EUR 10 million (previous year: EUR 8 million) and provisions amounting to EUR 7 million (previous year: EUR 9 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, 2021** | | | | **Dec. 31, 2020** | | | |
|---|---|---|---|---|---|---|---|---|
| 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 | 13 | 42 | 17 | **72** | 10 | 20 | 20 | **51** |
| Provisions for removal | | 1 | 1 | **1** | | 1 | | **1** |
| Provisions for restructuring | | | | **0** | | | | **0** |
| Miscellaneous non-current provisions | 5 | 3 | 1 | **9** | 4 | 3 | 7 | **15** |
| | **18** | **46** | **18** | **82** | **14** | **25** | **27** | **66** |

## 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.

## 18 Trade payables and similar liabilities

| EUR million | Dec. 31, 2021 | Dec. 31, 2020 |
|---|---|---|
| Trade payables | 217 | 146 |
| Liabilities from construction contracts | 39 | 26 |
| Liabilities from other contracts with customers | 28 | 30 |
| | **284** | **201** |

The increase in trade payables was attributable primarily to an increase in payables at the Emma and TAKKT business units due to their business situation.

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 construction contracts was attributable in particular to the Optimar business unit. Moreover, liabilities relating to prepayments in the Emma business unit rose due to its business situation.

At the beginning of the fiscal year, revenue amounting to EUR 26 million (previous year: EUR 30 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, 2021 | Dec. 31, 2020 |
|---|---|---|
| **Financial liabilities** | | |
| Derivative financial instruments | 3 | 4 |
| **Non-financial liabilities** | | |
| Liabilities for other taxes | 67 | 62 |
| Liabilities for payroll and social security | 25 | 22 |
| Accrued expenses | 176 | 155 |
| Miscellaneous current liabilities | 34 | 61 |
| | **305** | **303** |

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 31. Miscellaneous current liabilities includes liabilities from business combinations amounting to EUR 8 million (previous year: EUR 38 million).

# C. Notes to the income statement

## 20 Revenue

| EUR million | 2021 | 2020 |
|---|---|---|
| Trade sales | 2,459 | 1,982 |
| Service sales | 1,217 | 1,123 |
| | **3,676** | **3,105** |

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

| EUR million | | 2021 | 2020 |
|---|---|---|---|
| BauWatch | | **45** | |
| BekaertDeslee | Europe | 113 | 135 |
| | Americas | 150 | 128 |
| | Asia/Pacific | 70 | 56 |
| | **Total** | **332** | **319** |
| CWS | Hygiene | 558 | 588 |
| | Workwear | 630 | 618 |
| | Fire Safety | 60 | 36 |
| | **Total** | **1,248** | **1,242** |
| Emma | | **645** | **256** |
| KMK kinderzimmer | | **16** | |
| Optimar | | **92** | **94** |
| ROVEMA | | **120** | **127** |
| TAKKT | Germany | 268 | 235 |
| | Europe, excl. Germany | 449 | 387 |
| | USA and Canada | 461 | 445 |
| | **Total** | **1,177** | **1,067** |
| **Group** | | **3,676** | **3,105** |

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. BauWatch offers services in the field of temporary outdoor security solutions and technology-driven services. KMK kinderzimmer generates revenue by operating childcare facilities.

## 21 Other operating income

| EUR million | 2021 | 2020 |
|---|---|---|
| Income from disposals of non-current assets | 6 | 8 |
| Rental and similar income | 2 | 3 |
| Other operating income | 24 | 12 |
| | **32** | **22** |

Income from disposals of non-current assets during the fiscal year related in particular to the sale of real estate held by the CWS business unit; during the previous year, this related mainly to the sale of a warehouse by the TAKKT business unit.

Other operating income included income from the on-charging of expenses, prior-period income and credits, 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 | 2021 | 2020 |
|---|---|---|
| Wages and salaries | –788 | –725 |
| Social security | –141 | –126 |
| Expenses for pensions and other benefits | –42 | –39 |
| Reversals of provisions for personnel expenses | 13 | 12 |
| Amortization of capitalized internal contract costs | –6 | –5 |
| | **–964** | **–884** |

## 23 Other operating expenses

| EUR million | 2021 | 2020 |
|---|---|---|
| Impairment losses and reversals on trade receivables | –3 | –4 |
| Write-off of trade receivables | –5 | –4 |
| Losses on disposals of non-current assets | –1 | –2 |
| Reversals of provisions | 17 | 10 |
| Other operating taxes | –7 | –6 |
| Rental and lease expenses | –29 | –24 |
| Repairs and maintenance | –41 | –42 |
| Sales freight | –104 | –50 |
| Legal and consulting costs | –55 | –48 |
| IT services | –37 | –32 |
| Personnel leasing | –46 | –33 |
| Energy costs | –51 | –47 |
| Advertising costs and similar expenses | –244 | –148 |
| Travel and training costs | –16 | –13 |
| Restructuring costs | | –3 |
| Miscellaneous operating, administrative and sales expenses | –194 | –166 |
| | **–816** | **–615** |

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 5 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.

The previous year's restructuring costs included one-off expenses incurred by the CWS and BekaertDeslee business units.

## 24 Other investment result

| EUR million | 2021 | 2020 |
|---|---|---|
| Changes in fair value from financial assets designated as at fair value | 32 | 10 |
| Result from equity investments measured at fair value | 26 | 1 |
| | **58** | **11** |

Changes in fair value from financial assets designated as at fair value consisted primarily of fair value changes and distributions from investments in equity funds, direct investments in partnerships and investment funds held as medium- and long-term investments. Equity instruments consist of fair value changes and dividends from equities and direct investments in corporations, specifically from the investment in METRO AG.

## 25 Finance costs

| EUR million | 2021 | 2020 |
|---|---|---|
| Interest and similar expenses | –29 | –21 |
| Interest expenses for provisions | –2 | –5 |
| Interest expenses for lease liabilities | –5 | –5 |
| | **–36** | **–31** |

The increase in interest and similar expenses related primarily to compounding on a long-term contingent purchase price liability.

## 26 Other net financial income

| EUR million | 2021 | 2020 |
|---|---|---|
| Interest and similar income | 9 | 5 |
| Miscellaneous financial income | –24 | –12 |
| | **–15** | **–7** |

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 amounting to EUR 0 million (previous year: EUR 0 million) and fair value changes of non-operating debt instruments.

The net exchange differences amounted to EUR 0 million in the fiscal year (previous year: EUR -10 million). They are recognized in other financial income in the amount of EUR -2 million (previous year: EUR -8 million), and in the other operating expenses in the amount of EUR 2 million (previous year: EUR -2 million).

## 27 Income tax expenses

| EUR million | 2021 | 2020 |
|---|---|---|
| Current taxes | –56 | –50 |
| Deferred taxes | –7 | 31 |
| | **–63** | **–20** |

Current taxes included prior-period tax expenses of EUR 2 million (previous year: EUR -1 million).

Deferred tax assets on tax loss carryforwards in the amount of EUR 10 million were reversed through profit or loss in the fiscal year (previous year: EUR 2 million). No write-downs were reversed (previous year: EUR 1 million) and no write-downs (previous year: EUR 0 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 | 2021 | 2020 |
|---|---|---|
| Profit before taxes | 265 | 153 |
| Expected effective income tax rate | 30.7% | 30.7% |
| **Expected tax result** | **–81** | **–47** |
| Deviation due to varying foreign tax rates | 15 | 12 |
| Tax portion for tax-exempt income | 13 | 4 |
| Tax portion for non-deductible expenses | –15 | 2 |
| Non-recognition, write-downs and utilization of tax loss carryforwards | 3 | –8 |
| Result from investments accounted for at equity | 14 | 9 |
| Effect of non-tax-deductible goodwill impairments | 1 | |
| Prior-period taxes | –2 | 9 |
| Permanent differences | –9 | |
| Other tax effects | –2 | –1 |
| **Reported tax result** | **–62** | **–20** |
| Reported income tax rate | 23.6% | 12.8% |

The expected effective income tax rate comprises corporate income tax, the solidarity surcharge and trade tax as pertinent for German corporations.

## 28 Profit after taxes from discontinued operations

Profit after taxes from discontinued operations included income and expenses for the ELG business unit, and in the previous year had also included expenses in relation to shares in METRO AG and the change in fair value of the call option which was recognized through profit or loss in the total amount of EUR -23 million.

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Revenue and income | 2,003 | 1,340 |
| Expenses | –1,965 | –1,491 |
| **Profit or loss from discontinued operations before taxes** | **38** | **–151** |
| Income tax expenses | –14 | –7 |
| **Profit or loss from discontinued operations after taxes** | **24** | **–158** |
| | | |
| Revaluation and disposal gains/losses before taxes | –52 | –70 |
| Income taxes on revaluation and disposal gains/losses | | |
| **Revaluation and disposal gains/losses after taxes** | **–52** | **–70** |
| | | |
| **Profit after taxes from discontinued operations according to income statement** | **–27** | **–229** |

Comprehensive income from discontinued operations attributable to the shareholders of Franz Haniel & Cie. GmbH amounted to EUR -17 million during the fiscal year (previous year: EUR -247 million).

# D. Other notes

## 29 Leases

Property, plant and equipment amounting to EUR 911 million (previous year: EUR 786 million) included EUR 645 million (previous year: EUR 577 million) in property, plant and equipment legally owned by Haniel and EUR 266 million (previous year: EUR 209 million) in assets used by Haniel as lessee in the context of leases. These assets are recognized as right-of-use assets and 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, 2021** | **146** | **1** | **62** | **209** |
| Foreign exchange rate adjustments | 2 | | | **2** |
| Additions to scope of consolidation | 69 | | 4 | **73** |
| Additions | 29 | 1 | 22 | **52** |
| Depreciation | 37 | | 30 | **68** |
| Impairments | | | | **0** |
| Other changes | –2 | | –1 | **–4** |
| **As of Dec. 31, 2021** | **206** | **2** | **57** | **266** |

| 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** |

The future amount of obligations arising from leases signed but not yet commenced as of the reporting date is EUR 54 million (nominal). This related primarily to concluded lease agreements for future childcare facilities, which had not yet commenced as of the reporting date.

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Depreciation of right-of-use assets | 68 | 62 |
| Interest expenses for lease liabilities | 5 | 5 |
| Expenses relating to short-term leases | 10 | 9 |
| Expenses relating to low-value assets | 3 | 3 |
| Income from subleasing right-of-use assets | –1 | –2 |
| | **85** | **78** |

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

| EUR million | 2021 | 2020 |
|---|---|---|
| Payments for short-term leases and leases relating to low-value assets | –13 | –12 |
| Repayments of lease liabilities and interest payments | –73 | –75 |
| | **–86** | **–87** |

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:

| | **2021** | | | | **2020** | | | |
|---|---|---|---|---|---|---|---|---|
| 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** | **1** | **1** | **3** | **1** | **2** | **1** | **4** |

## 30 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 programme. 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 Haniel Group had access to EUR 1.1 billion in available, committed lines of credit. In addition, the Group had a EUR 500 million commercial paper programme, of which EUR 410 million had not yet been utilized as of the reporting date.

**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 again taken into account through the recognition of appropriate provisions.

The Group has no significant individual receivables from major customers.

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, 2021 | Dec. 31, 2020 |
|---|---|---|
| Low default risk | 56 | 134 |
| Medium default risk | 20 | 15 |
| **Total** | **76** | **149** |

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. In the previous year, the analysis related to the continuing operations.

| **Dec. 31, 2021** | **+ 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 | –8 | | **–8** | 8 | | **8** |
| USD market interest rates | –1 | | **–1** | 1 | | **1** |
| GBP market interest rates | | | **0** | | | **0** |

| **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** |

**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 forecasted 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 US dollar (USD), pound Sterling (GBP), Norwegian krone (NOK) and Swiss francs (CHF), 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 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, 2021** | **+10%** | | | **–10%** | | |
|---|---|---|---|---|---|---|
| EUR million | Profit before taxes | Other comprehensive income | **Equity** | Profit before taxes | Other comprehensive income | **Equity** |
| USD/EUR exchange rate | –8 | 1 | **–7** | 8 | –1 | **7** |
| GBP/EUR exchange rate | –2 | –1 | **–3** | 2 | 1 | **3** |
| NOK/EUR exchange rate | 1 | | **1** | –1 | | **–1** |
| CHF/EUR exchange rate | 1 | –3 | **–2** | –1 | 3 | **2** |

| **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** |

**Share price and market risk**

As part of its investment strategy, the Haniel Group invests in growth capital. In that connection, investments are made in a large number of funds launched by highly reputable investment companies, alongside direct investments in companies in the growth phase. In addition, cash and cash equivalents are used for medium- and long-term investments in a variety of financial instruments such as investment funds, equities and structured financial instruments. These equity and debt instruments are measured at fair value through profit or loss or other comprehensive income.

A hypothetical 10 percent increase (decrease) in the market value of equity and debt instruments measured at fair value through profit or loss would result in an improvement (deterioration) of the profit before taxes by EUR 35 million (EUR -35 million). A hypothetical increase (decrease) in the fair value of equity and debt instruments measured at fair value through other comprehensive income would result in an increase (decrease) in other comprehensive income by EUR 5 million (EUR -5 million).

In addition, the Haniel Group holds ordinary shares in METRO AG, which are reported as current financial assets and measured at fair value through profit or loss. 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).

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

**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 Group had no designated hedges.

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, 2021 amounted to EUR 38 million. They will all become due in 2022. The nominal volume of the hedging instruments designated as of December 31, 2020 amounted to EUR 58 million. They all fell due in 2021.

In connection with cash flow hedges, gains/losses of EUR 0 million (previous year: losses of EUR 3 million) were recognized in other comprehensive income for the fiscal year. Gains in the amount of EUR 2 million (previous year: gains of EUR 4 million) were transferred from other comprehensive income to finance costs.

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.

## 31 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, 2021** | | **Dec. 31, 2020** | |
|---|---|---|---|---|
| EUR million | Fair value | of which cash flow hedges | Fair value | of which cash flow hedges |
| **Assets** | | | | |
| Currency instruments | 2 | | 2 | |
| | **2** | **0** | **2** | **0** |
| **Liabilities** | | | | |
| Currency instruments | 3 | 1 | 4 | 1 |
| | **3** | **1** | **4** | **1** |

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, 2021:

| EUR million | Cash flows 2022 | Cash flows 2023 | Cash flows from 2024 to 2026 | Cash flows from 2027 to 2031 | Cash flows from 2032 onwards |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities and financial guarantee contracts** | | | | | |
| Liabilities due to banks | –114 | –80 | –637 | –53 | |
| Bonds, commercial paper and other securitized debt | –98 | –13 | –25 | | |
| Liabilities to shareholders | –85 | –21 | –27 | | |
| Lease liabilities | –71 | –62 | –97 | –61 | –70 |
| Other financial liabilities | –49 | –16 | –23 | –2 | |
| Liabilities from business combinations and fixed dividends minority shareholder | –8 | –9 | –163 | –322 | |
| Trade payables | –217 | | | | |
| Financial guarantee contracts | | | | | |
| | **–642** | **–201** | **–972** | **–438** | **–70** |
| **Derivative liabilities** | | | | | |
| Hedge accounting | | | | | |
| Derivatives (net settled) | | | | | |
| Derivatives (gross settled) inflows | 54 | | | | |
| Derivatives (gross settled) outflows | –55 | | | | |
| | **–1** | **0** | **0** | **0** | **0** |
| Excl. hedge accounting | | | | | |
| Derivatives (net settled) | | | | | |
| Derivatives (gross settled) inflows | 130 | | | | |
| Derivatives (gross settled) outflows | –132 | | | | |
| | **–2** | **0** | **0** | **0** | **0** |
| | **–3** | **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, 2020 were as follows:

| 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** |

## Reconciliation of financial instruments to IFRS 9 categories

**ASSETS**

| EUR million | **Carrying amounts as of Dec. 31, 2021** | 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** | **398** | **350** | **26** | **20** | **2** | **0** | **0** | **0** |
| **Other non-current assets** | **22** | **0** | **0** | **0** | **0** | **0** | **0** | **22** |
| **Trade receivables and similar assets** | **503** | **0** | **0** | **0** | **476** | **0** | **0** | **27** |
| Other financial instruments – measured at fair value through profit or loss | **90** | 90 | | | | | | |
| Commercial paper | **0** | | | | | | | |
| **Current financial assets** | **90** | **90** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Current assets** | **1** | **0** | **0** | **0** | **1** | **0** | **0** | **0** |
| **Cash and cash equivalents** | **53** | **0** | **0** | **0** | **53** | **0** | **0** | **0** |
| Receivables from investments | **0** | | | | 0 | | | |
| Derivative financial instruments | **2** | 2 | | | | | | |
| Value-added tax receivables and other tax assets | **54** | | | | | | | 54 |
| Prepaid expenses | **23** | | | | | | | 23 |
| Bonuses and discount claims against suppliers | **17** | | | | 17 | | | |
| Miscellaneous current assets | **40** | | | | 40 | | | |
| **Other current assets** | **137** | **2** | **0** | **0** | **58** | **0** | **0** | **77** |
| **Assets held for sale** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

The equity instruments measured at fair value through other comprehensive income include investments in non-listed companies which are held for strategic, rather than trading, purposes.

| 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** |
| **Current assets** | **0** | **0** | **0** | **0** | **0** | **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** |

## Reconciliation of financial instruments to IFRS 9 categories

**LIABILITIES**

| EUR million | **Carrying amounts as of Dec. 31, 2021** | 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 | **552** | | | 552 | | |
| Bonds, commercial paper and other securitized debt | **37** | | | 37 | | |
| Liabilities to shareholders | **47** | | | 47 | | |
| Lease liabilities | **211** | | | | 211 | |
| Other financial liabilities | **39** | | | 39 | | |
| **Non-current financial liabilities** | **886** | **0** | **0** | **675** | **211** | **0** |
| **Other non-current liabilities** | **508** | **262** | **230** | **3** | **10** | **2** |
| Liabilities due to banks | **333** | | | 333 | | |
| Bonds, commercial paper and other securitized debt | **98** | | | 98 | | |
| Liabilities to shareholders | **83** | | | 83 | | |
| Lease liabilities | **67** | | | | 67 | |
| Other financial liabilities | **10** | | | 10 | | |
| **Current financial liabilities** | **590** | **0** | **0** | **523** | **67** | **0** |
| **Trade payables and similar liabilities** | **284** | **0** | **0** | **217** | **0** | **67** |
| Liabilities for other taxes | **67** | | | | | 67 |
| Liabilities for payroll and social security | **25** | | | 17 | | 9 |
| Accrued expenses | **176** | | | 109 | | 66 |
| Derivative financial instruments | **3** | 2 | | | 1 | |
| Miscellaneous current liabilities | **34** | | 4 | 28 | | 1 |
| **Other current liabilities** | **305** | **2** | **4** | **154** | **1** | **143** |
| Liabilities held for sale | **0** | | | | | |

| 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 |

**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, 2021, 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, 2021** | 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 | **312** | 141 | 21 | 150 | |
| Equity instruments measured at fair value through profit or loss | **39** | 20 | | 19 | |
| Equity instruments measured at fair value through other comprehensive income | **26** | | | 26 | |
| Debt instruments measured at fair value through other comprehensive income | **20** | | 20 | | |
| Current financial assets | | | | | |
| Equity instruments measured at fair value through profit or loss | **90** | 90 | | | |
| Cash and cash equivalents | | | | | |
| Money market funds | **0** | | | | |
| Other current assets | | | | | |
| Derivative financial instruments | **2** | | 2 | | |
| **Non-recurring fair value measurement** | | | | | |
| Assets held for sale | **0** | | | | |
| | | | | | |
| **Liabilities** | | | | | |
| **Recurring fair value measurement** | | | | | |
| Other non-current liabilities | | | | | |
| Contingent consideration from business combinations | **230** | | | 230 | |
| Other liabilities from business combinations | **262** | | | 262 | |
| Other current liabilities | | | | | |
| Derivative financial instruments | **3** | | 3 | | |
| Contingent consideration from business combinations | **4** | | | 4 | |
| **Non-recurring fair value measurement** | | | | | |
| Liabilities held for sale | **0** | | | | |

In the previous and current fiscal year, other liabilities 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 table below shows the assets and liabilities measured at fair value in the statement of financial position as of December 31, 2020:

| 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 | | |
| Current financial assets | | | | | |
| Equity instruments measured at fair value through profit or loss | **0** | | | | |
| Cash and cash equivalents | | | | | |
| Money market funds | **109** | 109 | | | |
| Other current assets | | | | | |
| Derivative financial instruments | **2** | | 2 | | |
| **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 |

The figure for assets and liabilities measured at fair value under assets and liabilities held for sale related to the financial instruments of the ELG business unit, which had been disposed of in the current fiscal year and were measured at fair value, as well as the shares in METRO AG held for sale. The shares in METRO AG were reclassified to continuing operations during the fiscal year.

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 33. The reconciliation relates to venture capital funds mainly in the Holding Company and other companies as well as equity investments in non-listed corporations by the CWS and TAKKT business units as well as the Holding Company and other companies. 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 | 2021 | 2020 |
|---|---|---|
| **As of Jan. 1** | **79** | **51** |
| Foreign exchange rate adjustments | 3 | –1 |
| Additions | 69 | 25 |
| Fair value changes recognized in profit or loss | 39 | 8 |
| Fair value changes recognized in other comprehensive income | 27 | –2 |
| Disposals | 23 | 2 |
| **As of Dec. 31** | **194** | **79** |
| 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 19 million increase (decrease) in equity (previous year: EUR 8 million). During the current fiscal year, one investment which was measured at fair value through other comprehensive income, was sold. EUR 9 million of the fair value changes recognized in other comprehensive income related to this investment. This investment represented EUR 10 million in the disposals item.

The table below shows the fair values of the financial instruments as of December 31, 2021 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 | | | | |
| Loans | 2 | | 2 | |
| Current assets | | | | |
| Receivables from investments | 1 | | 1 | |
| | | | | |
| **Liabilities** | | | | |
| Financial liabilities | | | | |
| Liabilities due to banks | 885 | | 877 | |
| Bonds, commercial paper and other securitized debt | 135 | | 136 | |
| Liabilities to shareholders | 130 | | 132 | |
| Other financial liabilities | 48 | | 50 | |
| 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, 2020 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 | |
| Current assets | | | | |
| Receivables from investments | 0 | | | |
| | | | | |
| **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 | |

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, 2021 (net amounts)** | Financial liabilities not set off in the statement of financial position | Collateral received | **Net amounts as of Dec. 31, 2021** |
| Cash and cash equivalents | | | | | | |
| with netting agreement | 49 | 49 | **0** | | | **0** |
| without netting agreement | 53 | | **53** | | | **53** |
| | **102** | **49** | **53** | **0** | **0** | **53** |
| Derivative financial instruments | | | | | | |
| with netting agreement | 1 | | **1** | | | **1** |
| without netting agreement | 1 | | **1** | | | **1** |
| | **2** | **0** | **2** | **0** | **0** | **2** |

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, 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** |

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, 2021 (net amounts)** | Financial assets not set off in the statement of financial position | Pledged collateral | **Net amounts as of Dec. 31, 2021** |
| Derivative financial instruments | | | | | | |
| with netting agreement | 1 | | **1** | | | **1** |
| without netting agreement | 2 | | **2** | | | **2** |
| | **3** | **0** | **3** | **0** | **0** | **3** |

| | | | | 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** |
| Liabilities due to banks | | | | | | |
| with netting agreement | 0 | | **0** | | | **0** |
| without netting agreement | 453 | | **453** | | | **453** |
| | **453** | **0** | **453** | **0** | **0** | **453** |
| Derivative financial instruments | | | | | | |
| with netting agreement | 1 | | **1** | | | **1** |
| without netting agreement | 3 | | **3** | | | **3** |
| | **4** | **0** | **4** | **0** | **0** | **4** |

**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 | 2021 | 2020 |
|---|---|---|
| Debt- and equity instruments and derivatives measured at fair value through profit or loss | 69 | 10 |
| Debt instruments measured at amortized cost | –4 | –9 |
| Debt instruments measured at fair value through other comprehensive income | 1 | 0 |
| Financial liabilities at amortized cost | –26 | –30 |
| **Profit or loss from continuing operations** | **40** | **–29** |
| Income after taxes of disposal group | | –29 |
| **Group** | **40** | **–58** |

The net gains or losses from equity instruments, debt instruments and derivatives measured at fair value through profit or loss included in particular changes in the fair value of these instruments as well as dividends and distributions relating to them. In the current fiscal year, positive changes in fair values, particularly as they related to investments in growth funds, direct investments in start-ups and financial assets held as medium- and long-term investments, amounted to EUR 52 million in total (previous year: EUR 4 million).

The net gains/losses from debt instruments measured at amortized cost include a EUR 3 million improvement in net gains or losses resulting from currency valuation. 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. The year-on-year improvement was attributable primarily to a EUR 6 million improvement in net exchange differences.

Interest and similar expenses include EUR 26 million from financial liabilities not measured at fair value during the fiscal year (previous year: EUR 25 million). Interest and similar income include interest income from financial assets not measured at fair value through profit or loss amounting to EUR 3 million in the fiscal year (previous year: EUR 2 million).

In the previous year, earnings components relating to the ELG business unit, which was disposed of in the current year, were reported as income after taxes of disposal groups.

## 32 Contingent liabilities

Contingent liabilities amounted to a total of EUR 461 million (previous year: EUR 429 million). They contain other guarantees in the amount of EUR 454 million (previous year: EUR 422 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 Company and other companies and are related to disposals of companies. Certain provisions were also recognized in connection with these matters. These are recognized under the relevant item.

The year-on-year increase was attributable in particular to the assumption of a guarantee in the context of a business combination.

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

## 33 Business combinations and disposals of consolidated companies

13 business combinations were carried out in the fiscal year. These related to the acquisition of the new BauWatch and KMK kinderzimmer business units and acquisitions by the CWS and ROVEMA business units. In total, 10 companies or groups of companies were acquired and 3 asset deals were implemented. A 100 percent interest was acquired in each of the companies in the CWS and ROVEMA business units.

As of April 1, 2021, 100 percent of the BauWatch business unit had been acquired and included in Haniel's consolidated financial statements. The company, founded in 2010 as a spin-off from Visser Assen, has its registered offices in Apeldoorn, the Netherlands, and offers temporary outdoor security solutions and technology-driven services. This acquisition serves to drive forward the Group's transformation and to add a new element to the People investment field.

Moreover, on September 1, 2021, 60 percent of the KMK kinderzimmer business unit was acquired and included in Haniel's consolidated financial statements. The Hamburg-based company was formed in 2012 and operates a large number of childcare facilities. It is a dynamically growing early childhood education provider. Through its range of services, it helps to close the childcare gap in society and it is therefore allocated 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 | BauWatch | KMK kinderzimmer | Other acquisitions | |
| **Assets** | | | | |
| Property, plant and equipment | 37 | 71 | 9 | 117 |
| Intangible assets | 93 | 22 | 16 | 131 |
| Deferred taxes | | | 1 | 1 |
| Inventories | | | 5 | 5 |
| Trade receivables and similar assets | 8 | 11 | 7 | 26 |
| Cash and cash equivalents | 2 | 4 | 7 | 13 |
| Other assets | 2 | 2 | 2 | 6 |
| | **142** | **110** | **48** | **299** |
| **Liabilities** | | | | |
| Deferred taxes | 26 | 7 | 4 | 37 |
| Trade payables and similar liabilities | 3 | 4 | 4 | 11 |
| Income tax liabilities | 2 | | 1 | 3 |
| Other liabilities | 65 | 83 | 11 | 160 |
| | **96** | **95** | **20** | **210** |

The gross contractual amount of the acquired trade and other receivables is EUR 31 million. Taking into account the expectation that EUR 3 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 KMK kinderzimmer GmbH & Co. KG and its subsidiaries reported within the KMK kinderzimmer business unit amounted to EUR 6 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 | BauWatch | KMK kinderzimmer | Other acquisitions | **Total** |
|---|---|---|---|---|
| **Consideration paid** | **291** | **146** | **54** | **491** |
| Contingent consideration | | | 4 | 4 |
| Purchase price liabilities | | | 3 | 3 |
| Other non-cash consideration | –14 | | | –14 |
| Cash and cash equivalents acquired | 2 | 4 | 7 | 13 |
| **Consideration transferred** | **279** | **150** | **68** | **498** |
| | | | | |
| **Net assets acquired** | **46** | **9** | **28** | **83** |
| | | | | |
| **Goodwill** | **233** | **141** | **40** | **415** |

The reported goodwill essentially represents the future prospects accompanying the business combinations and the expertise of the workforce acquired. EUR 0 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 14 million and are included in other operating expenses.

The companies acquired contributed EUR 91 million to revenue and EUR 0 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 155 million to revenue and EUR 2 million to profit after taxes after adjusting for the transaction costs incurred.

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

| EUR million | Contingent receivables | Contingent liabilities |
|---|---|---|
| **As of Jan. 1** | **0** | **245** |
| Additions | | 4 |
| Disposals | | –38 |
| Foreign exchange rate adjustments | | |
| Interest effect | | 2 |
| Remeasurements | | 21 |
| Disposals: IFRS 5 | | |
| **As of Dec. 31** | **0** | **235** |

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 EUR 38 million in contingent consideration recognized in the previous year in connection with the acquisition of Emma was paid out on the basis of targets having been achieved in 2021. Furthermore, the revaluation resulted from additional contingent consideration stemming from the acquisition of the Emma business unit, which may yet fall due. The possible payments for the contingent consideration as of the reporting date range between EUR 108 million and EUR 435 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**

During the fiscal year, the ELG business unit, including a total of 36 individual companies, was deconsolidated. The total assets and liabilities disposed of through these disposals are comprised as follows:

| EUR million | **Carrying amounts ELG** |
|---|---|
| **Assets** | |
| Property, plant and equipment | 140 |
| Intangible assets | 15 |
| Inventories | 430 |
| Trade receivables | 220 |
| Cash and cash equivalents | 1 |
| Other assets | 33 |
| | **839** |
| **Liabilities** | |
| Financial liabilities | 502 |
| Pension provisions | 57 |
| Trade payables | 100 |
| Miscellaneous current liabilities | 85 |
| | **744** |

The consideration received amounted to EUR 30 million. Taking into account the EUR 1 million in cash and cash equivalents held by the business unit subject to disposal and the EUR 3 million in transaction costs already paid in cash, the cash amount for the disposal was EUR 26 million. As of the date of deconsolidation, the share of non-controlling interests in the net assets of the ELG business unit amounted to EUR 4 million. Taking into account the EUR 9 million in transaction costs expensed in the fiscal year and the EUR 19 million in other comprehensive income to be recycled through the income statement, the deconsolidation gain amounted to EUR 52 million and was reported as part of profit after taxes from discontinued operations.

In addition, CWS sold off the company Public Washrooms Service B.V. during the fiscal year. The consideration received amounted to EUR 2 million and the deconsolidation gain amounted to EUR 1 million; this was reported in other operating profit.

## 34 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. It is hence calculated as 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. This item also includes the 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 in current net assets changed by EUR 85 million in the fiscal year (previous year: EUR -307 million), trade receivables and similar assets changed by EUR 66 million (previous year: EUR -95 million) and trade payables and similar liabilities changed by EUR 83 million (previous year: EUR -30 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 5 million (previous year: EUR 2 million).

**Operating free cash flow as a cash management indicator**

The central cash management indicator for the Haniel Group and the individual business units is operating free cash flow (OFCF). Operating free cash flow is a cash earnings ratio that represents the Group's ability to generate funds through its operating activities. These funds are available to the Group to finance acquisitions, repay liabilities and pay dividends to shareholders.

Operating free cash flow is calculated based on cash flows from operating activities, as reported in the statement of cash flows. It is adjusted to reflect proceeds and payments relating to operations which are, however, reported in the statement of cash flows as cash flows from investing activities or cash flows from financing activities. Specifically, this includes proceeds and payments in relation to the sale or purchase of property, plant and equipment and intangible assets from cash flows from investing activities and payments to settle lease liabilities using cash flows from financing activities.

In the current fiscal year, operating free cash flow amounted to EUR 116 million, as compared to EUR 338 million in the previous year.

The cash flows which are attributed to discontinued operations are not contained in the statement of cash flows for the current year. These are cash flows from the ELG business unit, which was disposed of and which generated the following cash flows during the current fiscal year:

| EUR million | 2021 |
|---|---|
| Cash flow from operating activities | –155 |
| Cash flow from investing activities | –9 |
| Cash flow from financing activities | 164 |

In the previous year, in light of the business unit's reclassification as a discontinued operation at the end of the fiscal year, the cash flows from the ELG business unit were still contained in the statement of cash flows as follows:

| EUR million | 2020 |
|---|---|
| Cash flow from operating activities | 95 |
| Cash flow from investing activities | –18 |
| Cash flow from financing activities | –79 |

Furthermore, in the previous year, EUR 7 million in cash flows from operating activities resulting from the investment in METRO AG were attributable to discontinued operations.

If the cash flows relating to ELG for fiscal year 2021 were to be included in the statement of cash flows, the Haniel Group's cash flows would be as follows:

| EUR million | incl. ELG | excl. ELG |
|---|---|---|
| Cash flow from operating activities | 287 | 442 |
| Cash flow from investing activities | –744 | –735 |
| Cash flow from financing activities | 296 | 132 |

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, 2021 | **Cash flows** | Changes in the scope of consolidation | Foreign exchange rate adjustments | New leases | Other changes | **As of Dec. 31, 2021** |
| Liabilities due to banks | 453 | **389** | 43 | | | | **885** |
| Bonds, commercial paper and other securitized debt | 75 | **60** | | | | | **135** |
| Liabilities to shareholders | 139 | **–9** | | | | | **130** |
| Lease liabilities | 220 | **–73** | 73 | 4 | 53 | 1 | **278** |
| Other financial liabilities | 60 | **–8** | 1 | | | –5 | **48** |
| **Financial liabilities** | **947** | **357** | **119** | **4** | **53** | **–4** | **1,476** |

| | | | 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** |

## 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 21 million (previous year: EUR 25 million). The provision recognized in this respect amounted to EUR 50 million as of the reporting date (previous year: EUR 26 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 4 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 0 million and EUR 0 million, respectively (previous year: EUR 1 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 0 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 | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | 13 | 13 |
| Post-employment benefits | 2 | 3 |
| Termination benefits | 1 | 7 |
| Share-based payments | 11 | 16 |
| Other long-term benefits | | |
| | **27** | **39** |

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 17 million (previous year: EUR 22 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:
Doreen Nowotne | Chairwoman, Independent business consultant
Prof. Kay Windthorst | 2nd Deputy Chairman, University professor for public law, University of Bayreuth
Dr. Stephan Glander | CEO, iOLS Commercial Vehicles AG
Mathias Pahl | Head of Corporate Risk & Broking, Willis Towers Watson Versicherungsmakler GmbH
Patrick Schwarz-Schütte | Businessman
Maximilian Schwaiger | Vice President Region EMEA Industrial Fluid Solutions, Continental AG

Employee representatives:
Gerd Herzberg | 1st Deputy Chairman, Former trade union secretary (ver.di)
René Albersmeyer | Sales Consultant Key Accounts, Cleanplan South, CWS Hygiene Deutschland GmbH & Co. KG
Ralf Fritz | Maintenance man, Franz Haniel & Cie. GmbH
Lutz Leischner | Head of Inventory Management, Prokurist, CWS-boco Supply Chain Management GmbH
Dirk Patermann | Chairman of the General Works Council, CWS Hygiene 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 20,715 (previous year: 20,400) based on a headcount, and 18,796 (previous year: 18,646) on a full-time basis.

**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 1.1 million (previous year: EUR 0.8 million); that of the Advisory Board was EUR 0.3 million (previous year: EUR 0.2 million). The remuneration of former members of these bodies and of their survivors was EUR 2.0 million (previous year: EUR 1.9 million). Pension provisions amounting to EUR 30.8 million (previous year: EUR 29.6 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, 2021: 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 | 2021 | 2020 |
|---|---|---|
| Audit services | 1.9 | 1.6 |
| Other assurance services | | 0.1 |
| Tax advisory services | | |
| Other services | 0.2 | |
| | **2.1** | **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:

- BauWatch International GmbH, Düsseldorf
- CWS-boco Deutschland GmbH, Hamburg
- CWS Business Services GmbH, Duisburg

- CWS Complete Washroom Concepts GmbH, Duisburg
- CWS Fire Safety GmbH, Duisburg
- CWS Hygiene International GmbH, Dreieich
- CWS International GmbH, Duisburg
- CWS Safety International GmbH, Duisburg
- CWS Supply GmbH, Lauterbach
- CWS Workwear International GmbH, Dreieich
- Emma International GmbH, Düsseldorf
- Haniel Beteiligungs-GmbH, Duisburg
- Haniel Finance Deutschland GmbH, Duisburg
- Profi-con GmbH Contamination Control, Leipzig
- ROVEMA Asset GmbH, Fernwald
- ROVEMA GmbH, Fernwald
- ROVEMA International GmbH, Düsseldorf
- 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, Dreieich
- CWS Hygiene Deutschland GmbH & Co. KG, Dreieich
- CWS Workwear Deutschland GmbH & Co. KG, Dreieich

## 38 Events after the reporting date

With effect from January 31, 2022, the BekaertDeslee business unit acquired in full Les Tricots Maxime International Inc. and its affiliated companies (“Maxime”), with its registered office in Baie d’Urfé, Montréal, Canada. Maxime is a mattress textiles company that focuses on the Canadian and American market; its core segments are active in the production of knitted fabrics and mattress textiles. In fiscal year 2021, Maxime generated CAD 52 million in revenue.

The Ukraine conflict has led Haniel to suspend all business relationships with companies in Russia and Belarus. Neither of the two countries is relevant to Haniel’s supply chain. However, Haniel generates revenue from customers in Russia; this decision will therefore impact its future revenue and earnings performance. It is not possible at present to conclusively quantify this potential impact. Only the Optimar business unit generates significant revenue with customers in Russia. It is expected that there will be a detrimental effect on the carrying amounts of assets.

At the beginning of March, a put option, which was previously granted in the context of a business combination was exercised for the acquisition of further shares in a company.

## 39 Profit appropriation proposal of Franz Haniel & Cie. GmbH

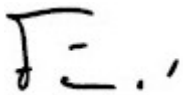
After deducting appropriate write-downs and recognizing adequate valuation allowances and provisions, the net income for the fiscal year reported in the annual financial statements of Franz Haniel & Cie. GmbH, prepared in accordance with the German Commercial Code, amounts to EUR 65 million as of December 31, 2021. With EUR 29 million in retained earnings brought forward, this results in retained profit of EUR 95 million.

The Management Board proposes to pay out a dividend of EUR 80 million from retained profit. Taking into account the treasury shares held, EUR 79 million will be distributed and EUR 15 million will be carried forward to new account.

The shareholders will therefore receive a dividend of 8 percent on the subscribed capital of EUR 1.0 billion. This represents an amount of EUR 4.00 per EUR 50 ordinary share.

Duisburg, March 9, 2022

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 December 31, 2021, 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 January 1 to December 31, 2021, 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 January 1 to December 31, 2021. In accordance with the German statutory requirements, we did not review the substance of the corporate governance declaration pursuant to § [Article] 289f Abs.[paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the number of women on the management team).

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 § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, 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. Our audit opinion on the group management report does not cover the substance of the aforementioned corporate governance declaration.

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. Other information includes the corporate governance declaration pursuant to § 289f Abs. 4 HGB (disclosures on the number of women on the management team) as an element of the group management report that was not substantively reviewed.

The other information furthermore comprises the remaining parts of the Annual Report – excluding additional 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 aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the disclosures contained in the group management report, the substance of which has been reviewed, 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, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

**Lutz Granderath**
German Public Auditor

**Heike Böhle**
German Public Auditor

# Glossary

**Business units** Various business activities in the Haniel portfolio.

**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 investment CECONOMY 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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

**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.

# Publication details

**Responsible for the content**
Franz Haniel & Cie. GmbH
Franz-Haniel-Platz 1
47119 Duisburg
Germany

Telephone +49 203 806 – 0
info@haniel.de
www.haniel.de/en

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

haniel.de/en