

Condensed Consolidated Interim Financial Statements 2022



Condensed consolidated financial statements

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Condensed consolidated statement of profit or loss and other comprehensive income

Condensed consolidated statement of profit or loss

For the six months ended (in € thousand)	Notes	June 2022	June 2021
Revenue	4	2,232,364	1,786,426
Cost of sales		(1,560,171)	(1,241,913)
Gross profit		672,193	544,512
Commercial expenses		(136,979)	(117,720)
Administrative expenses		(166,578)	(128,439)
R&D expenses		(14,028)	(13,151)
Other operating income / (expenses)	6	(10,657)	(8,629)
Operating profit exclusive adjusted items		343,952	276,574
Adjusted items:			
Restructuring costs		(104)	(786)
Other income / (expenses)	7	(9,668)	(1,515)
Operating profit		334,180	274,273
Finance income		3,938	3,682
Finance expenses	8	(16,834)	(12,223)
Profit before income taxes		321,284	265,732
Income tax expense	9	(98,833)	(90,695)
Profit for the period		222,451	175,037
of which attributable to Group equity holders		221,768	174,212
of which attributable to non-controlling interests		683	826
Earnings per share (in €):			
Earnings per share		2.34	1.84

Condensed consolidated statement of other comprehensive income

For the six months ended (in € thousand)	Notes	June 2022	June 2021
Profit for the period recognised in the income statement		222,451	175,037
<u>Items that will never be reclassified to profit and loss:</u>			
Remeasurements of defined benefit liability (asset) (net of taxes)	17	3	3,778
<u>Items that are or may be reclassified to profit and loss:</u>			
Foreign currency translation differences for foreign operations	15	136,848	82,140
Net profit/(loss) on hedge of net investment in foreign operations		(134)	(656)
Cost of hedging reserves - changes in FV		(56)	(166)
Effective portion of changes in fair value of cash flow hedges		8,126	4,369
Change in fair value of cash flow hedges transferred to profit or loss		(8,558)	(3,907)
Deferred taxes related to hedges		173	(83)
Other comprehensive income for the period, net of income tax		136,403	85,475
Total comprehensive income for the period		358,854	260,512
of which attributable to Group equity holders		357,907	259,435
of which attributable to non-controlling interests		946	1,077

Condensed consolidated statement of financial position

At the end of the period (in € thousand)	Notes	June 2022	Dec. 2021
Intangible assets and goodwill	10	853,380	721,284
Property, plant & equipment	11	1,047,714	940,235
Investment properties		3,282	3,343
Other assets		17,713	18,686
Derivative financial instruments with positive fair values	21	32,202	24,327
Deferred tax assets		12,778	12,377
Employee benefits	17	41,351	58,763
Non-current assets		2,008,420	1,779,015
Inventories	12	1,047,450	736,788
Current tax assets		17,594	8,511
Amounts receivable	13	669,847	383,597
Derivative financial instruments with positive fair values	21	3,420	191
Cash & cash equivalents	14	935,495	1,109,891
Assets held for sale		2,719	2,731
Current assets		2,676,525	2,241,709
TOTAL ASSETS		4,684,944	4,020,725
At the end of the period (in € thousand)	Notes	June 2022	Dec. 2021
Share capital		1,205,128	1,205,128
Retained earnings and reserves		950,078	672,172
Equity attributable to Group equity holders		2,155,206	1,877,300
Non-controlling interests		8,296	7,350
TOTAL EQUITY		2,163,502	1,884,649
Loans and borrowings	16	1,195,702	1,005,599
Lease liabilities	16	113,151	109,216
Employee benefits	17	61,540	76,009
Deferred tax liabilities		81,729	82,196
Provisions	18	23,964	21,634
Derivative financial instruments with negative fair values	21	847	3,400
Other amounts payable	20	3,136	2,768
Non-current liabilities		1,480,069	1,300,823
Loans and borrowings	16	151,642	100,402
Lease liabilities	16	25,253	22,857
Provisions	18	40,118	41,180
Derivative financial instruments with negative fair values	21	714	1,320
Current tax liabilities	19	77,622	102,007
Amounts payable	20	619,233	563,828
Dividends payable	15	80,000	-
Bank overdrafts	14	46,791	3,659
Current liabilities		1,041,373	835,253
TOTAL LIABILITIES		2,521,442	2,136,075
TOTAL EQUITY & LIABILITIES		4,684,944	4,020,725

The notes on pages 9 to 26 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

2021

(in € thousand)	Notes	Share capital	Hedging reserve	Translation reserve	Retained earnings	Total capital & reserves	Non-controlling interests	TOTAL EQUITY
As at 1 January 2021		1,205,128	(72)	(211,452)	392,202	1,385,806	8,938	1,394,744
Change in accounting policies - IFRS Cloud					(4,633)	(4,633)		(4,633)
Restated as at 1 January 2021		1,205,128	(72)	(211,452)	387,569	1,381,172	8,938	1,390,111
Profit for the period					174,212	174,212	826	175,038
Other comprehensive income:								
Foreign currency translation differences	15		18	81,885	(14)	81,889	251	82,140
Net gain on hedge of net investment (net of tax)	15			(656)		(656)	-	(656)
Cash flow hedges (net of tax)	21		213			213	-	213
Remeasurement IAS19 & other	17				3,778	3,778	-	3,778
Dividends to shareholders	15				(60,000)	(60,000)	-	(60,000)
Scope changes					(29)	(29)	-	(29)
As at 30 June 2021		1,205,128	159	(130,223)	505,516	1,580,579	10,016	1,590,595

2022

(in € thousand)	Notes	Share capital	Hedging reserve	Translation reserve	Retained earnings	Total capital & reserves	Non-controlling interests	TOTAL EQUITY
As at 1 January 2022		1,205,128	310	(58,858)	730,720	1,877,299	7,350	1,884,649
Profit for the period					221,768	221,768	683	222,451
Other comprehensive income:								
Foreign currency translation differences	15		44	136,427	114	136,584	263	136,848
Net gain on hedge of net investment (net of tax)	15			(134)		(134)	-	(134)
Cash flow hedges (net of tax)	21		(315)			(315)	-	(315)
Remeasurement IAS19 & other (net of tax)	17				3	3	-	3
Dividends to shareholders	15				(80,000)	(80,000)	-	(80,000)
As at 30 June 2022		1,205,128	39	77,435	872,604	2,155,206	8,296	2,163,502

The notes on pages 9 to 26 are an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

At the end of the period (in € thousand)	Notes	June 2022	June 2021
OPERATING ACTIVITIES			
Profit before income tax		321,284	265,732
Depreciation	11	63,911	59,103
Amortisation	10	9,806	9,212
Impairment losses on PP&E, intangible assets and assets held-for-sale	11, 10	144	306
Impairment losses on working capital and others		13,316	5,162
Increase / (decrease) in provisions in profit and loss	18	21,513	15,010
Financial instruments - fair value adjustment through profit or loss	21	(319)	132
Net interest (income) / expenses		7,900	6,293
Dividend income		-	(297)
Loss / (gain) on sale of property, plant and equipment	6	(241)	(59)
Loss / (gain) on sale of assets held-for-sale		-	(1,671)
Loss / (gain) on sale of businesses		-	51
Other - miscellaneous - mainly FX		(2,208)	11,072
Gross cash flows from operating activities		435,105	370,046
Decrease / (increase) in inventories		(248,698)	(95,885)
Decrease / (increase) in amounts receivable		(271,349)	(183,654)
Increase / (decrease) in amounts payable		33,807	88,682
Increase / (decrease) in provisions	18	(22,358)	(16,289)
Changes in working capital and provisions		(508,598)	(207,145)
Cash generated from operations		(73,493)	162,901
Income tax paid	9	(134,717)	(51,240)
Net cash flows from operating activities		(208,210)	111,662
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		304	1,395
Proceeds from sale of assets held-for-sale		-	3,664
Proceeds from sale of investments		-	108
Loans granted	16	(10,977)	(8)
Repayment of loans granted	16	600	101
Acquisition of businesses, net of cash acquired	5	(152,421)	-
Acquisition of property, plant and equipment	11	(89,353)	(43,910)
Acquisition of intangible assets	10	(18,124)	(7,553)
Acquisition of other investments		(33)	-
Dividends received		-	297
Interest received		3,824	1,489
Net cash flows used in investing activities		(266,180)	(44,418)

At the end of the period (in € thousand)	Notes	June 2022	June 2021
FINANCING ACTIVITIES			
Proceeds from obtaining borrowings	16	235,284	12,926
Repayment of borrowings	16	(10,061)	(75,108)
Repayment of leasing		(15,548)	(14,646)
Dividends paid		-	(126)
Interest paid		(5,427)	(5,537)
Cash flows from financing activities		204,249	(82,491)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(270,139)	(15,246)

Cash and cash equivalents

At the end of the period (in € thousand)	Notes	June 2022	June 2021
As at 1 January	14	1,106,232	611,237
Net (decrease) / increase in cash and cash equivalents		(270,139)	(15,246)
Cash and cash equivalents resulting from scope changes		892	-
Effect of exchange rate fluctuations on cash held		51,720	31,028
As at 30 June	14	888,704	627,019

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1. Corporate information

Aliaxis Holdings S.A. ("the Company") is a company domiciled in Belgium. The address of the Company's registered office is Avenue Arnaud Fraiteur, 15/23, 1050 Brussels. The condensed consolidated financial statements of the Company as at and for the period ended 30 June 2022 comprise the Company, its subsidiaries and interest in equity accounted investees (together referred to as the "Group" or "Aliaxis").

Aliaxis employed around 14,900 people, is present in more than 40 countries throughout the world, and is represented in the marketplace through more than 100 manufacturing and selling companies, many of which trade using their individual brand identities. The Group is primarily engaged in the manufacture and sale of plastic pipe systems and related building and sanitary products which are used in residential and commercial construction and renovation as well as in a wide range of industrial and public utility applications.

2. Basis of preparation

These interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

(a) Significant accounting policies

Except for the changes explained below, the accounting policies adopted are consistent with those of the Group's last annual consolidated financial statements.

As of 1 January 2022, Aliaxis adopted the following new and amended IFRS standards and interpretations and considered that it did not result in significant changes in the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current, issued on 23 January 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

On July 15, 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023 with early application permitted. The amendments have not yet been endorsed by the EU. These amendments are not expected to have a material impact on the Group's consolidated statements.

The IASB has published a new exposure draft on the topic on 19 November 2021.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021, include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information

rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have been endorsed by the EU. These amendments are not expected to have a material impact on the Group's consolidated statements.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on 12 February 2021, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have been endorsed by the EU. These amendments are not expected to have a material impact on the Group's consolidated statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 6 May 2021, clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have been endorsed by the EU. These amendments are not expected to have a material impact on the Group's consolidated statements.

(b) Use of estimates and judgments

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. Operating Segments

The Group has the following four strategic divisions, which are its reportable segments:

- Americas
- Pacific
- EMEA
- Asia

These divisions are managed separately because they require different marketing strategies. The Group's chief operating decision maker reviews the internal management reports of each division at least quarterly.

Other segments include minor business in China and South Africa. None of these segments met the quantitative thresholds for reportable segments in 2022 or 2021.

There are few intersegment relationships which are limited to some transfers of raw materials and shared distribution services. Information related to each reportable segment is set out below. Segment Adjusted EBITDA is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

(in € thousand)	Americas		Pacific		EMEA		Asia		Other segments		Not allocated to operating segments		TOTAL GROUP	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External revenues	1,091,261	796,975	270,877	224,074	526,062	528,328	321,833	215,818	22,331	21,231	-	-	2,232,364	1,786,426
Adjusted EBIT	264,117	175,227	16,813	8,419	48,333	67,778	29,420	27,938	41	1,560	(14,771)	(4,348)	343,952	276,574
Depreciation and amortisation	29,143	24,083	13,934	13,166	17,035	18,794	11,026	9,262	682	701	2,040	2,456	73,860	68,464
Adjusted EBITDA	293,260	199,310	30,747	21,586	65,368	86,572	40,445	37,200	722	2,261	(12,731)	(1,892)	417,811	345,037
Restructuring costs	(82)	148	-	-	16	(863)	-	-	(38)	(70)	-	-	(104)	(786)
Other income / (expenses)	-	(93)	-	(404)	(6,495)	1,332	-	-	-	-	(3,173)	(2,350)	(9,668)	(1,515)
Segment result (EBIT)	264,035	175,281	16,813	8,015	41,854	68,247	29,420	27,938	3	1,490	(17,944)	(6,699)	334,180	274,273
Segment assets*	2,071,906	1,820,609	446,795	415,522	765,238	768,907	501,029	426,814	22,516	22,456	877,461	566,417	4,684,944	4,020,725
Segment liabilities*	481,412	432,552	143,766	131,166	261,339	262,644	116,340	73,943	10,513	9,216	1,508,073	1,226,555	2,521,442	2,136,076
Capital expenditures	62,915	18,398	8,867	4,116	12,327	7,269	14,346	14,284	340	262	8,682	7,135	107,477	51,463
Capital employed	1,453,724	933,467	343,323	307,177	611,085	556,068	448,043	300,962	8,898	6,275	(41,920)	(93,661)	2,823,152	2,010,289
R&D expenses	2,295	1,980	886	821	4,735	5,131	1,008	632	-	1	5,104	4,585	14,028	13,151
Average number of employees (FTE)	5,818	5,319	1,287	1,265	4,517	4,379	2,469	2,226	599	649	191	159	14,881	14,440

* Comparative period is December 2021

Unallocated assets mainly relate to financial intercompany transactions, cash and cash equivalent, derivatives, intangible fixed assets and receivables

Unallocated liabilities mainly relate to financial debts, current and deferred tax liabilities and payables.

4. Revenue

In 2022, the Group reports a strong revenue growth across all regions which was mainly driven by the performance of the Americas.

(a) Revenue from external customers by activity

(in € thousand)	June 2022	June 2021
Building	952,516	821,403
Industry	333,899	315,727
Infrastructure	747,215	474,573
Agriculture	154,558	115,380
Other	44,176	59,342
Total revenue	2,232,364	1,786,426

(b) Revenue from external customers by geographical area

(in € thousand)	June 2022	June 2021
North America	886,094	622,411
India	312,728	209,215
Australia	188,231	154,825
France	154,197	153,241
United Kingdom	102,979	86,076
Germany	78,107	100,892
New Zealand	78,120	64,104
Peru	44,667	39,662
Spain	37,814	36,598
Chile	29,330	31,432
Italy	18,643	17,474
Rest of the world	301,453	270,495
Total revenue	2,232,364	1,786,426

5. Acquisitions and disposals of subsidiaries and non-controlling interests

In January 2022, the Group announced an agreement to acquire Harco a producer of fittings in the US.

Harco is a well-established brand in municipal, irrigation and agriculture end-markets. With this acquisition, the Group will continue to strengthen his presence in the US.

Harco generates around USD 75 million in annual sales.

The deal was completed in April 2022. As of April 30, 2022, the accounts of Harco are fully integrated in the consolidated financial statements of the Group.

The values of assets and liabilities recognised on acquisition are their estimated fair values.

Goodwill is attributable to the profitability and the growth potential of the acquired business.

The Group incurred acquisition related costs of € 1.9 million (See Note 7).

(in € thousand)	Notes	Harco		
		Pre-acquisition carrying amounts	Fair-value adjustments	Recognised values on acquisition
Intangible assets	10	-	47,383	47,383
Property, plant and equipment	11	9,196	23,149	32,345
Inventories	12	19,627	8,333	27,960
Amounts receivable		13,289	(169)	13,119
Lease debt		-	(3,045)	(3,045)
Amounts payable		(5,824)	-	(5,824)
Net identifiable assets and liabilities		36,288	75,650	111,938
Consideration paid, satisfied in cash				152,421
Goodwill on acquisition	10			40,483

6. Other operating income and expenses

Expenses included in other operating income and expenses mainly relate to amortisation intangibles related to merger and acquisition (mainly in Ashirvad and Vinidex).

7. Other income and expenses

In 2022, total other income and expense amounted to € 9.7 million mainly related to the liquidation of our activity in Russia for € 6.5 million and merger and acquisition costs.

In 2021, total other income and expense amounted to € 1.5 million and related mainly to merger and acquisition costs for an amount of € 2.4 million partly offset by the income on the sales of assets held for sales for € 1.5 million in the UK.

8. Finance expenses

The finance expenses are mainly composed of interest expenses on financial borrowings and on leases for a total amount of €11.2m.

9. Income taxes

Income taxes, consisting of current and deferred taxes per June 30, 2022, amounted to € 99 million, (2021 year-end: € 193 million) representing an effective income tax rate of 30,1% (2021 year-end: 32.5%). Income taxes per June 30,2022 show a slight increase compared with the same period in 2021 which correlates with the improved Group performance combined with geographical spread.

10. Intangible assets and goodwill

			June 2022	Dec. 2021
	Goodwill	Intangible assets (finite life)	Total Intangible assets and goodwill	Total Intangible assets and goodwill
(in € thousand)				
Cost				
As at 1 January	637,776	350,921	988,696	945,266
Change in accounting policies - IFRS cloud	-	-	-	(4,898)
Changes in the consolidation scope & Asset deals	40,483	47,383	87,866	(2,151)
- Acquisitions	40,483	47,383	87,866	-
- Deconsolidation	-	-	-	(2,151)
Acquisitions	-	18,124	18,124	12,737
Disposals & retirements	-	(57)	(57)	(3,375)
Transfers	-	(171)	(171)	(73)
Exchange difference	33,633	13,662	47,295	41,191
At the end of the period	711,892	429,861	1,141,753	988,696
Amortisation and impairment losses				
As at 1 January	(74,951)	(192,461)	(267,413)	(242,551)
Changes in the consolidation scope	-	-	-	2,137
- Deconsolidation	-	-	-	2,137
Charge for the period	-	(9,806)	(9,806)	(22,035)
- Amortisation	-	(9,806)	(9,806)	(17,122)
- Impairment (recognised) / reversed	-	-	-	(4,914)
Disposals & retirements	-	57	57	1,996
Transfers	-	0	0	136
Exchange difference	(6,028)	(5,185)	(11,213)	(7,096)
At the end of the period	(80,979)	(207,394)	(288,374)	(267,413)
Carrying amount at the end of the period	630,913	222,467	853,379	721,284
Carrying amount at the end of the previous period	562,824	158,459	721,284	702,715

The changes in the consolidation scope & Asset deals relate to the acquisition of Harco.

The carrying amounts of goodwill allocated to each CGU at 30 June is as follows:

(in € thousand)		June 2022	Dec. 2021
CGU	Country		
Aliaxis North America and subsidiaries	Canada and USA	359,226	293,892
FIP	Italy	61,887	61,887
Ashirvad	India	37,114	36,182
New Zealand and subsidiaries	New Zealand	36,935	37,216
Nicoll	France	32,701	32,701
Friatec Technical Plastics	Germany	31,712	31,712
Vinidex and Philmac	Australia	28,195	27,263
Marley Deutschland GmbH	Germany	19,402	19,402
Jimten	Spain	9,429	9,429
Nicoll Perú SA	Peru	8,725	7,665
Other (1)	Other	5,587	5,475
Goodwill		630,913	562,824

(1) Carrying amount of goodwill for various CGUs of which none is individually significant.

For the purpose of impairment testing, goodwill is allocated to the Group's operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

No goodwill impairment indicators nor changes in underlying assumptions compared to the annual financial statement have been identified during the 6-month period ended 30 June 2022.

11. Property, plant and equipment

	June 2022				Dec. 2021	
	Land & buildings	Plant, machinery & equipment	Other	Under construction & advance payments	Total	Total
(in € thousand)						
Cost or deemed cost						
As at 1 January	743,860	1,451,079	118,898	107,073	2,420,911	2,316,333
Changes in the consolidation scope & Asset deals	12,680	15,442	4,425	-	32,547	(106,401)
- Acquisitions	12,680	15,442	4,425	-	32,547	279
- Deconsolidation	-	-	-	-	-	(106,681)
Acquisitions	19,380	40,506	5,624	34,772	100,282	162,796
Disposals & retirements	(2,362)	(5,993)	(2,212)	(693)	(11,260)	(33,070)
Transfers	11,270	56,934	4,215	(73,154)	(734)	(740)
Exchange difference	27,295	46,153	3,260	3,733	80,441	81,993
At the end of the period	812,123	1,604,122	134,210	71,731	2,622,185	2,420,911
Depreciation and impairment losses						
As at 1 January	(275,634)	(1,113,822)	(90,832)	(388)	(1,480,676)	(1,434,114)
Changes in the consolidation scope	(159)	-	-	-	(159)	87,104
- Acquisitions	(159)	-	-	-	(159)	(262)
- Deconsolidation	-	-	-	-	-	87,366
Charge for the period	(17,944)	(39,824)	(6,207)	(21)	(63,996)	(120,166)
- Depreciation	(17,944)	(39,672)	(6,215)	(21)	(63,852)	(119,084)
- Impairment (recognised) / reversed	-	(151)	8	-	(144)	(1,083)
Disposals & retirements	2,351	5,768	2,152	1	10,272	30,639
Transfers	12	913	1	-	926	1,031
Exchange difference	(8,559)	(30,266)	(2,022)	8	(40,839)	(45,170)
At the end of the period	(299,933)	(1,177,229)	(96,908)	(400)	(1,574,471)	(1,480,676)
Carrying amount at the end of the period	512,189	426,892	37,302	71,330	1,047,714	940,235
Carrying amount at the end of the previous period	468,226	337,258	28,066	106,685	940,235	882,219
Of which:						
Right-of-use assets at the end of the period	109,856	10,900	13,894	-	134,650	125,678
Right-of-use assets at the end of the previous period	104,634	10,363	10,681	-	125,678	113,468

Management considers that residual values of depreciable property, plant and equipment are insignificant. The total acquisition of property, plant and equipment excluding leasing amounts to € 89.4 million.

The disposal and retirement flows include the reversals of the fully depreciated property, plant and equipment both at the level of the gross book values and of the impairment values.

12. Inventories

At the end of the period (in € thousand)	June 2022	Dec. 2021
Stock in transit	34,623	34,408
Raw materials, packaging materials and consumables	331,594	202,330
Components	43,970	34,988
Work in progress	25,020	19,897
Finished goods	532,592	390,876
Goods purchased for resale	79,651	54,289
Inventories, net of write-down	1,047,450	736,788

The Americas were the main contributors to the inventory increase mainly due to supply shortages at the end of last year. The change in consolidation scope related to the acquisition of Harco amounted to € 28 million.

13. Amounts receivable

The increase in the amounts receivable in June 2022 compared with December 2021 is mainly due to price inflation and the usual seasonal pattern.

14. Cash and cash equivalents

As the end of the period (in € thousand)	June 2022	Dec. 2021
Short term bank deposits	305,085	95,650
Bank balances	628,422	1,012,954
Cash	1,989	1,287
Cash & cash equivalents	935,495	1,109,891
Bank overdrafts	(46,791)	(3,659)
Cash & cash equivalents in the statement of cash flows	888,704	1,106,232

Short-term deposits are held with counterparties which have a robust credit rating, with maturities of 3 months or less, and remunerated at money market rates floored at 0%.

Most significant amounts are denominated in CAD, USD, INR and EUR.

15. Equity

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign entities of the Group as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation and the translation impacts resulting from net investment hedges. The positive change in the translation reserve during 2022 amounts to € 136.3 million, mainly due to the strengthening of some major trading currencies against the EUR at June end rate, such as the Canadian dollar (7%), the United States dollar (8%) and Indian Rupee (3%).

In 2021, the positive change in the translation reserve amounted to € 81.2 million, mainly due to the strengthening of some major trading currencies against the EUR at June end rate, such as the Canadian dollar (6%), Pound Sterling (5%) and the United States dollar (3%).

Dividends

In June 2022, a total amount of € 80.0 million was declared as dividends by Aliaxis (a gross dividend of € 0.8455 per share). The dividend has been accrued for in these condensed financial statements and has been paid early July 2022.

In June 2021, a total amount of € 60.0 million was declared as dividends by Aliaxis (a gross dividend of € 0.6341255757 per share). The dividend was accrued for as at June 30, 2021 and was paid early July 2021.

16. Loans and borrowings

At the end of the period (in € thousand)	June 2022	Dec. 2021
Non-current		
Unsecured bank loans, Schuldschein & other	299,547	121,573
US private placements	159,574	147,840
Bond	744,660	744,238
Deferred arrangement fees	(8,078)	(8,053)
Non-current loans and borrowings	1,195,702	1,005,599
Current		
Unsecured bank loans, Schuldschein & other	131,951	71,060
Deferred arrangement fees	(833)	(1,666)
Other (loans) and borrowings	20,523	31,008
Current loans and borrowings	151,642	100,402
Loans and borrowings	1,347,343	1,106,001

The breakdown of the changes of loans and borrowings into cash flows and non-cash changes can be detailed as follows:

At the end of the period (in € thousand)	Cash Flows			Non-cash changes			
	Dec. 2021	In	Out	Transfer	FX impact	Amortisation	June 2022
Non-current							
Unsecured bank loans, Schuldschein & other	121,573	172,647	(7,198)	(1)	12,525	-	299,547
US private placements	147,840	-	-	-	11,733	-	159,574
Bond	744,238	-	-	-	-	422	744,660
Deferred arrangement fees	(8,053)	-	-	-	1	(26)	(8,078)
Non-current financial debt	1,005,599	172,647	(7,198)	(1)	24,259	395	1,195,702
Current							
Unsecured bank loans, Schuldschein & other	71,060	62,637	(2,758)	1	1,011	-	131,951
Deferred arrangement fees	(1,666)	-	-	-	-	833	(833)
Other loans and borrowings	31,008	600	(11,084)	-	-	-	20,523
Current loans and borrowings	100,402	63,236	(13,842)	1	1,011	833	151,642
Loans and borrowings	1,106,001	235,883	(21,039)	(0)	25,271	1,228	1,347,343

At the end of the period (in € thousand)	Cash Flows			Non-cash changes			
	Dec. 2021	In	Out	Transfer	FX impact	Other *	June 2022
Non-current finance lease liabilities	109,216	-	(15,538)	(1,845)	5,013	16,304	113,151
Current finance lease liabilities	22,857	-	(10)	1,592	808	6	25,253
Finance lease liabilities	132,073	-	(15,548)	(252)	5,821	16,310	138,404

* Other includes lease additions, accretion of interest and scope-in

In July 2011, the Group tapped into the US Private Placement (USPP) market by issuing notes for a total amount of USD 260 million in 3 tranches, of which are still outstanding:

- USD 112 million at 5.09% maturing in 2023

In July 2015, the Group entered again the USPP market by issuing notes for approximately USD 55 million in 2 tranches:

- USD 35 million at 4.26% maturing in 2025
- EUR 18 million at 2.64% maturing in 2027

Subsequently, the Group contracted several cross-currency swaps to maintain a diversified source of funding in terms of maturities, currencies and interest rates, of which are still outstanding USD 147 million.

In July 2015 also, the Group entered the Schuldschein (SSD) market by issuing certificates for a total amount of EUR 120 million in 4 tranches, of which are still outstanding:

- EUR 40 million at 2.13% maturing in 2022
- EUR 27 million at floating rate maturing in 2022

On 22 October 2021, the Group refinanced its syndicated bank debt and its Club deal multi-currency bank facility, both initially maturing in 2022, by a 5-year (with two possible one-year extensions) committed multicurrency revolving credit facility of € 850 million between Aliaxis Finance/Aliaxis North America/Aliaxis Holding Australia/Glynwed USA Inc and a syndicate of banks.

Simultaneously, on November 4, 2021, the Group placed a 7-year € 750M bond with a coupon of 0.875% per annum (issue price of 99.213%).

On 30 June 2022, € 300 million of the syndicated facility was drawn (June 2021: € 220 million)

These USPP and SSD programs together with the Syndicated loan are unsecured, subject to covenants (including, inter alia, financial covenants based on interest cover and leverage ratios) and undertakings standard for this type of financing, and were not subject to any breach of covenants as of 30 June 2022.

Other facilities of Aliaxis Finance S.A. and other subsidiaries of the Group include several additional bilateral and multilateral credit facilities.

For the six months ended 30 June 2022, there are no material changes with respect to the liquidity risk analysis disclosed in the last annual financial statements.

The terms and conditions of significant loans and borrowings were as follows:

				June 2022		Dec. 2021	
As at end of (in € thousand)	Curr.	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured syndication bank facility							
	CAD	Cdor + 0.45%				6,948	6,948
	USD	Libor + 0.45%	2022	165,110	165,110		
	AUD	Interbank + 0.45%	2022	134,446	134,446	114,633	114,633
Other unsecured bank facility							
	CLP	10.70%	2023	2,616	2,616	-	-
	PEN	4.72% - 5.89%	2022-2023	9,435	9,435	1,458	1,458
	NZD	3.79%-3.81%	2022	4,490	4,490	3,011	3,011
	INR	5.27% - 5.55%	2022	49,079	49,079	-	
	EUR	Euribor + margins	2022	39	39	23	23
Schuldschein							
	EUR	Euribor + 1.40%	2022	27,000	27,000	27,000	27,000
	EUR	2.13%	2022	40,000	40,000	40,000	40,000
Bond							
	EUR	0.875%	2028	750,000	750,000	750,000	750,000
US private placements							
	USD	5.09%	2023	107,827	107,827	98,888	98,888
	USD	4.26%	2025	33,696	33,696	30,902	30,902
	EUR	2.64%	2027	18,051	18,051	18,051	18,051
Others (*)				5,555	5,555	15,088	15,088
Total loans and borrowings				1,347,343	1,347,343	1,106,001	1,106,001

(*) Other including loans, deferred arrangement fees and bond premium

17. Employee benefits

Aliaxis maintains benefit plans such as retirement and medical care plans, termination plans and other long-term benefit plans in several countries in which the Group operates. In addition, the Group also has a long-term incentive scheme.

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the company. Aliaxis maintains funded and unfunded pension plans.

During the first half year of 2022, the net defined benefit liability has increased by € 3 million from € 17 million to € 20 million. The decrease in liability caused by the increases in discount rates was more than offset by lower than expected returns in UK.

18. Provisions

(in € thousand)	June 2022			Dec. 2021	
	Product liability	Restructuring	Other	TOTAL	TOTAL
As at 1 January	11,842	3,968	47,004	62,814	51,266
Change in consolidation scope	-	-	-	-	(882)
Provisions created	1,330	345	19,603	21,278	36,650
Provisions used	(613)	(462)	(19,530)	(20,606)	(20,636)
Provisions reversed	(935)	-	(1,002)	(1,937)	(5,048)
Transfer and other movements	-	-	-	-	(584)
Exchange difference	632	333	1,567	2,532	2,049
At the end of the period	12,256	4,184	47,643	64,082	62,814
Non-current balance at the end of the period	2,556	-	21,408	23,964	21,634
Current balance at the end of the period	9,700	4,184	26,235	40,118	41,180

The product liability provision provides a warranty for the products that the company sells or for the services it delivers. The provision has been estimated based on historical product liability associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

Provisions included in restructuring mainly relate to programs that are planned and controlled by Management and that generate material changes either in the scope of the business or in the manner of conducting the business. The restructuring costs were expensed as incurred and included in other operating income and expenses and adjusted items.

Other provisions mainly include long term incentive schemes obligations.

19. Current tax liabilities

The decrease in current tax payables is mainly due to corporate tax paid during the first six months of the year.

20. Amounts payable

(a) Non-current other amounts payable

As at 31 December (in € thousand)	2022	2021
Other	3,136	2,768
Other amounts payable	3,136	2,768

(b) Current amounts payable

As at 31 December (in € thousand)	2022	2021
Trade payables	452,413	386,869
Payroll and social security payable	123,692	141,597
Taxes (other than income tax) payables	20,683	17,180
Interest payable	11,190	7,668
Other payables	11,254	10,515
Amounts payable	619,233	563,828

21. Financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	June 2022				Dec. 2021			
(in € thousand)	Carrying amount	Fair value			Carrying amount	Fair value		
		level 1	level 2	level 3		level 1	level 2	level 3
Cash and cash equivalent	935,495	-	935,495	-	1,109,891	-	1,109,891	-
Trade and other receivables	669,847	-	669,847	-	383,597	-	383,597	-
Unsecured bank facilities and others	(364,498)	-	(364,498)	-	(125,633)	-	(125,633)	-
Schuldschein certificates	(67,000)	-	(67,052)	-	(67,000)	-	(67,547)	-
US private placement	(159,574)	-	(159,365)	-	(147,840)	-	(156,570)	-
Bond	(750,000)		(541,305)		(750,000)		(739,043)	
Other loans and borrowings	(20,523)	-	(20,523)	-	(31,008)	-	(31,008)	-
Trade and other payables	(620,495)	-	(620,495)	-	(565,058)	-	(565,058)	-
Dividends payable	(80,000)	-	(80,000)	-		-	-	-
Bank overdraft	(46,791)	-	(46,791)	-	(3,659)	-	(3,659)	-
Forward exchange derivatives used for hedging - positive value	3,420	-	3,420	-	191	-	191	-
Forward exchange derivatives used for hedging - negative value	(714)	-	(714)	-	(1,320)	-	(1,320)	-
Interest rate swaps or options used for hedging	(614)	-	(614)	-	(1,379)	-	(1,379)	-
CCRS - outflows	-	-	-	-	(356)	-	(356)	-
CCRS - inflows	32,202	-	32,202	-	24,327	-	24,327	-
	(469,244)	-	(260,392)	-	(175,247)	-	(173,566)	-

All derivatives are carried at fair value and as per the valuation method being used to determine such fair value, the inputs are based on data observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). As such, the level in the hierarchy into which the fair value measurements are categorised, is level 2.

Non derivatives assets and liabilities are recognised at amortised cost.

The fair value is assessed using common discounted cash-flow method based on market conditions existing at the balance sheet date. Therefore, the fair value of the fixed interest-bearing liabilities is within level 2 of the fair value hierarchy.

22. Contractual commitments

The contractual commitments to acquire assets at 30 June 2022 amount to € 147.6 million and relate mainly to property, plant and equipment in the Americas and Asia (India).

23. Contingencies

As is common with many manufacturing and distribution businesses, the Aliaxis companies may, in the ordinary course of their activities, from time to time be involved in legal and administrative proceedings. In cases where the outcome of such proceedings remains unknown, a contingent liability and/or asset may exist.

Some legal actions were filed in the US and Canada against Group companies in North America referring to allegedly defective plumbing products. Some of these proceedings contemplated class actions in the US and Canada. In March 2011, the Group companies signed a settlement and release with the various plaintiffs representing all settlement class members in the US and Canada. To be enforceable, this settlement, which does not imply any admission of liability, had to be, and has in fact been, finally approved by the Courts in early January 2012. In accordance with the Settlement Agreement, the deadline to file a claim was in January 2020 and the claims administrator is preparing a draft plan of distribution, which when ultimately approved, will finalise the allocation.

Despite this settlement, the Group companies in North America are still exposed to residual claims from entities that would not be covered by the settlement in the US and Canada. It is anticipated, however, that this residual potential exposure to liability will be covered by the provisions for product liability in the accounts (see Note 18 - Provisions) and dealt with in the ordinary course.

In the first quarter of 2015, a Group company in Costa Rica received a provisional tax assessment from the tax authorities relating to the tax year 2009. The total claim including penalties and interest as per the tax notice amounted to €29 million in 2019. The same year, taking advantage of a temporary tax amnesty to limit the exposure, the company opted to pay an amount of € 14 million to the tax authorities in Costa Rica. The company continues to challenge the decision on the merits in the judicial courts with the objective to recover all amounts paid.

24. Related parties

Key management compensation

The total remuneration costs of the Board of Directors and Executive Committee (Exco) during the first half of 2022 amounted to € 12.1 million (2021: € 9.4 million). For members of the Board of Directors, this predominantly related to directors' fees while for members of Executive Committee this comprised fixed base salaries, variable remuneration, termination payments and pension service costs.

(in € thousand)	June 2022	June 2021
Salaries (fixed and variable)	11,779	9,208
Retirement benefits	281	189
Total	12,060	9,397

25. Subsequent events

On August 8, 2022, Aliaxis announced the acquisition of Aquarius Spectrum, an innovative provider of advanced acoustic water leak detection and pipe condition assessment solutions for water infrastructure. Aquarius Spectrum will be part of Aliaxis Next, Aliaxis' newly created division which develops adjacent businesses in the field of water management and preservation.

Auditor's report



Independent auditor's report on the review of the condensed consolidated interim financial information of Aliaxis Holdings SA as at 30 June 2022 and for the six-month period then ended

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aliaxis Holdings SA as at 30 June 2022, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2022 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Zaventem, 30 September 2022

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Independent Auditor
represented by

Filip De Bock
Bedrijfsrevisor / Réviseur d'Entreprises

Glossary

Revenue (Sales)

Amounts invoiced to customers for goods and services provided by the Group, less credits for returns, rebates and allowances and discounts for cash payments

EBITDA

EBIT before charging depreciation, amortisation and impairment

Adjusted EBITDA

Adjusted EBIT plus depreciation, amortisation and impairment (other than goodwill impairment)

Adjusted EBIT

Operating profit exclusive adjusted items

EBIT

Operating income

Net profit (group share)

Profit of the year attributable to equity holders of the Group

Capital expenditure

Expenditure on the acquisition of property plant and equipment, investment properties and intangible assets

Net financial debt

The aggregate of (I) non-current and current interest-bearing loans and borrowings and (II) bank overdrafts, less (III) cash and cash equivalents

Capital employed

The aggregate of (I) intangible assets, (II) property, plant & equipment, (III) investment properties, (IV) inventories and (V) amounts receivable, less the aggregate of (a) current provisions, and (b) current amounts payable

Non-cash working capital

The aggregate of (I) inventories and (II) amounts receivable, less the aggregate of (a) current provisions, and (b) current amounts payable

Effective Income tax rate (%)

Income taxes / profit before income taxes x 100