diversified
focused
versatile

ANNUAL REPORT 2016

Werhahn KG

Consolidated Financial Statements 2016

SELECTED KEY FIGURES

in € million	2012	2013	2014	2015	**2016**
Net sales	3 028	3 167	3 192	3 162	**3 322**
Earnings before tax	62	54	144	200	**162**
Equity ratio	41 %	34 %	33 %	29 %	**28 %**
Equity ratio without financial services	71 %	70 %	72 %	69 %	**71 %**

NET SALES BY CORPORATE DIVISIONS

in € million	2012	2013	2014	2015	**2016**
Building Materials	1 374	1 384	1 410	1 318	**1 314**
Consumer Goods	545	537	651	763	**849**
Financial Services	642	784	883	1 019	**1 108**
Others	12	12	72	63	**68**
Baking Products	461	452	179	–	**–**
Consolidation	*–6*	*–2*	*–3*	*–1*	***–17***
	3 028	3 167	3 192	3 162	**3 322**

EMPLOYEES BY CORPORATE DIVISIONS

	2012	2013	2014	2015	**2016**
Building Materials	4 325	4 318	4 373	4 375	**4 385**
Consumer Goods	3 492	3 727	3 752	3 976	**4 329**
Financial Services	500	668	728	792	**847**
Others	90	97	255	248	**271**
Baking Products	922	728	347	–	**–**
	9 329	9 538	9 455	9 391	**9 832**

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Corporate Structure

Diversity is a defining feature of the Werhahn Group. Its activities are brought together in three corporate divisions – Building Materials, Consumer Goods and Financial Services – with seven business units.

The Aggregates business unit under the leadership of Basalt-Actien-Gesellschaft comprises the segments mineral raw materials, asphalt mixtures, building materials recycling/disposal, and construction chemicals.

The Slate business unit offers a wide assortment of types of cladding for roofs and walls, develops solution systems for innovative façade configurations, and supplies building stone both for interiors as well as for garden and landscape.

The high-quality products in the Zwilling Kitchenware business unit include knives, cookware, scissors, and kitchen utensils.

Under the brands ZWILLING and Tweezerman, the Zwilling Beauty Group produces and markets tweezers, manicure and pedicure tools.

The Jaguar/Tondeo Professional Hairdressing Equipment business unit sells professional hairdressing products.

abcfinance	The abcfinance business unit specializes in customized financial services for medium-sized businesses. With its leasing and factoring segments, it is one of the leading providers among companies operating independently of manufacturers and banks.
Bank11	Bank11 für Privatkunden und Handel GmbH offers medium-sized automobile dealers sales financing and insurance for their customers. Bank11direkt GmbH markets simple, attractive credit and investment products to private customers over the Internet.

Special Events 2016

Anniversary: 175 years of Werhahn

Wilh. Werhahn KG celebrated its 175th anniversary on May 6, 2016, with a festive ceremony and over 800 guests. The family business founded by Wilhelm Werhahn in Neuss has enjoyed sustained and successful growth throughout its history – from its roots as a wood trading company to an internationally well-positioned group of companies with wide-ranging activities. While we are proud of what we have achieved, the focus in this anniversary year is on Werhahn's future and its continued development. Seizing opportunities, offsetting risks, relying on the diversity of business operations, being flexible, proactive, dependable and fair – Werhahn will tackle upcoming and future challenges with this style of management, which has proven successful for 175 years. We have our sights firmly set on enhancing the company's ongoing purpose, value and existence and passing it on to the next generation.

A collaborative project for precision and elegance

ZWILLING | SLATE Construction of the ZWILLING headquarters in Pleasantville, New York, was implemented as a collaborative project between the Werhahn business units Zwilling and Slate. ZWILLING USA decided to work with its affiliate from the Eifel region because the slate from Rathscheck stands for quality, durability and modernity in equal measure. Therefore, this building material was particularly well-suited for realizing the design concept. The new building complex had to express the precision and elegance of a leading international supplier of premium household goods, while also conveying transparency and openness for communication and teamwork.

More international clout

ZWILLING BEAUTY GROUP A greater impact on global markets and more dynamic growth through strong brands – that was the objective in reorganizing the Zwilling Beauty Group. By the end of 2016, the process of restructuring had been completed, resulting in the most comprehensive and far-reaching change in the organizational structure of the business unit to date. More holding tasks, a global IT project, setting up a separate logistics department, moving to a new location and expanding the operational team in Germany were just a few of the tasks to be managed. In the long term, establishing and maintaining its own brand communication and taking over complete customer responsibility are of central importance.

Agile methods for the digital transformation

ABCFINANCE In July 2016, the Cologne-based financial services provider founded the Digital Office in order to exploit growth potential through digital transformation. The company's innovation incubator works exclusively with agile methods such as Scrum and Lean Start Up. That allows market-ready developments to be released in a short time and experiences to be quickly applied to new digital projects. With these quick-win projects, abcfinance is setting a trend on the market and holding its own in the digital competition with "FinTechs" and other financial service providers.

A new kind of service for hairdressers

JAGUAR/TONDEO PROFESSIONAL HAIRDRESSING EQUIPMENT In June 2016, the business unit introduced THE CARECUT thermocut system. This product innovation helps invigorate hair and seals the hair ends, thus preventing the formation of split ends and maintaining color brilliance. THE CARECUT is an interesting offering particularly for customers with long hair who rarely visit a salon. The benefits for hairdressers are obvious: with this new service, they can generate additional revenue, strengthen customer loyalty and set themselves apart from the competition. For the launch of THE CARECUT, the business unit first created an accompanying end-customer campaign in order to generate demand from this target group as well.

New technology center concentrates asphalt expertise

AGGREGATES The business unit completed its new technology center for asphalt and bitumen in Cologne-Porz in late 2016. In doing so, it will bring together the expertise of the central division Technology and Asphalt, the company Bitumina Handel and the central laboratory, which was previously located in Berlin. The aim of this concentration of know-how is to sustainably make quality assurance even more efficient and to further accelerate the development of innovative bitumen and asphalt products. The central laboratory, which is equipped with state-of-the-art technology, will also make it possible to carry out performance-oriented quality testing in the future. For the first time, this innovative procedure will also be able to test the performance characteristics of asphalt. These types of tests will play an increasingly crucial role, for instance in public-private partnership projects.

A new kind of online platform

BANK11 More streamlined, simple to use, clear overview – with version 3.0 of the Victor loan assistant, Bank11 has made the work of automobile dealers even easier. Only around half of the data is now required for loan decisions; the user interface is intuitive, and there is an intelligent search function. In addition, Victor 3.0 works on all end devices, so dealers can start entering customers' information while giving their sales talk in the car lot. As with previous versions, this new generation of the online platform was also developed according to Bank11's specifications.

Werhahn founds start-up

HOLDING Wilh. Werhahn KG revolutionizes the market for car loans with its latest activity, Yareto. The comparison portal was specifically created for dealers and provides them with a selection of auto loan offers, which are updated daily, all from a single source – including loan application and processing. Yareto is the first (and currently only) portal of this kind on the market for automobile dealerships. It uses the same methods as a start-up company and is managed accordingly. Simply. More. Transparency. Yareto officially entered the market with this slogan on July 1, 2016. Since then it has received car loan requests amounting to more than 100 million euros.

Yareto

Kick-off of a nationwide ad campaign for building owners

SLATE According to industry figures and estimates by the Slate business unit, over 700 million square meters of roof surface in Germany is still clad with hazardous asbestos cement and will likely have to be re-tiled in the coming years. The Slate business unit hopes to tap into this market potential with a large-scale, long-term ad campaign for private homeowners. The campaign began in November 2016, with marketing activities making use of print,online and audiovisual media. In addition to a one-time bonus of up to 500 euros, which the business unit pays to building owners who choose to renovate, the so-called "Slate wish loan" creates an added incentive. It was developed in cooperation with Volksbank RheinAhrEifel e. G.

Werhahn Group

Corporate Principles

- Decentralized corporate management
- Responsible and flexible business
- Securing customer benefits

Over the course of more than 175 years, Werhahn has developed into a corporate group with diverse activities in Germany and abroad. A close relationship with our markets and customers, reliability, and social responsibility are the values that our mid-sized family-owned business has always practiced and maintained.

Wilh. Werhahn KG has a decentralized structure. The Group's companies, which are legally independent for the most part, are organized into three corporate divisions and seven business units. Their flat management structure, with short and non-bureaucratic decision-making channels, provides room for maneuver. That enables the market requirements to be fulfilled rapidly and flexibly – for the benefit of our customers. For each individual employee, this means a high level of motivation as well as individual responsibility.

Central corporate management functions are performed directly by Wilh. Werhahn KG. These functions include long-term strategic alignment as well as financing the individual companies and reviewing their performance. With the aim of continuously safeguarding and further developing the Group, the aim is to achieve an economic and structural balancing of risks in the interest of risk distribution.

Wilh. Werhahn KG is a company for entrepreneurs – a family-owned business that places great value on a relationship of mutual trust with its customers, business partners and employees. The resulting corporate culture is the vital foundation on which our success is based.

Supervisory Board

Dr. Dr. Peter Bettermann
(Chairman)

Gabriela-Maria Baum-D’Ambra
(Vice Chairwoman)

Lambert Goder

Paul Josten

Wilhelm Josten

Dr. Wolfgang Klein

Prof. Dr. Alexander Kolb

Bernhard Simon

Prof. Dr. Klaus Trützschler

Dr. Johannes Velling

Heribert Werhahn

Dr. Michael Werhahn

Ruth Werhahn

Management Board

Anton Werhahn
(Chairman)

Kathrin Dahnke

Report of the Supervisory Board

DEAR SHAREHOLDERS,

During the 2016 business year, the Supervisory Board performed the duties required of it by law and by the company's statutes, and supervised and advised the Management Board on the management of the company.

During this period, the Management Board provided the Supervisory Board with regular written and verbal reports on the situation and development of the entire Group and its corporate divisions, including reports on key business events.

The Supervisory Board met five times in 2016. In addition to the regular discussions about the Group's business situation and development, the topics covered at the Supervisory Board meetings included the status, situation and position of the individual corporate divisions, planned acquisitions, issues concerning compliance, internal audits and risk management, the adoption of the operative business plan, and matters relating to the Management Board. At its meetings, the Supervisory Board also made decisions on transactions requiring approval under the company's statutes.

Outside of these meetings, the Chairman of the Supervisory Board maintained close contact with the members of the Management Board. In numerous conversations with them and the auditor, he gained a comprehensive overview of the economic, financial, and legal situation. The Vice Chairwoman of the Supervisory Board was also involved in the preparations for Supervisory Board meetings. The Supervisory Board was supported in its work by an Accounting Committee and a Personnel Committee. The relevant issues were considered in these committees; pending decisions were reviewed in advance and decided upon if necessary, and recommendations were made for resolutions of the Supervisory Board. Subjects dealt with over the past year included the 2015 Financial Statements and Consolidated Financial Statements, issues concerning the future organization of the Financial Statements and Consolidated Financial Statements, reports on legal, compliance, data protection and internal audit activities in the Werhahn Group as well as matters relating to the Management Board. Committee chairmen informed the members of the Supervisory Board of the contents and results of their committee meetings.

At the regular shareholders' meeting on Saturday, May 7, 2016, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was re-elected as auditor for the Financial and Consolidated Financial Statements. The appointment was made by the Chairman of the Supervisory Board, who satisfied himself of the auditor's independence in advance.

The Consolidated Financial Statements including the Group Management Report as well as the Financial Statements of Wilh. Werhahn KG for the 2016 business year, having been prepared by the Management Board, were audited by the auditor and received an unqualified auditor's certificate pursuant to section 322 of the German Commercial Code (HGB). Following a preliminary inspection by the Accounting Committee, the Supervisory Board approved both sets of financial statements in its meeting on April 5, 2017. Thus the Financial Statements of Wilh. Werhahn KG as of December 31, 2016 were adopted. The auditor was present at the discussions of the Financial Statements and the Consolidated Financial Statements as well as at all meetings of the Accounting Committee, and answered supplementary questions.

The Supervisory Board would like to express its thanks to the Management Board and to all the employees for their good and successful work during the past year.

Neuss, April 5, 2017

THE SUPERVISORY BOARD

Dr. Dr. Peter Bettermann
Chairman of the Supervisory Board

Corporate Governance Report

In conformity with No. 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board report on the corporate governance of the Werhahn Group. The Management Board consists of one family member and one non-family member; the Supervisory Board of Wilh. Werhahn KG consists of nine family members and four non-family members.

Responsibly dealing with risks is an integral part of corporate governance in the Werhahn Group. Therefore the Management Board and Supervisory Board of Wilh. Werhahn KG place great value on the principle, that good corporate governance at all levels of the Group is an essential element of strategic thinking and action. The recommendations of the Governance Code for Family Businesses already largely correspond to the provisions of the statutes of Wilh. Werhahn KG.

RESPONSIBLE DEALING WITH RISKS

One aspect of corporate governance is the comprehensive systematic management of risks within the framework of corporate management. That includes committing to the model of the three lines of defense.

The first line of defense is situated where risks can arise, in other words in the respective companies of the Werhahn Group. Therefore the risks in the various divisions/business units are identified, the resulting risk potentials are analyzed and evaluated with quantitative measurement variables, and risk reduction measures are considered. These measures also include controls that the respective management implements in the business processes. This approach serves the early recognition of risks. Any risks that might jeopardize continued existence are reported immediately, outside of the regular meetings, to the supervisory bodies in the divisions/business units as well as to Wilh. Werhahn KG.

The second line of defense, which is exercised by the controlling and compliance functions, among others, establishes the framework for configuring the risk management system and the compliance management system, for example through guidelines and operating procedures. At the same time, these functions monitor the risk landscape that arises from the overarching Group perspective. The goal is to closely integrate the functions in order to ensure the highest possible degree of efficacy in avoiding and managing risks.

The Werhahn Group's risk management system comprises the following three elements: the company-specific risk management manual, a risk inventory as part of corporate planning along with a risk assessment based on the maximum damage amount and probability of occurrence and indication of possible countermeasures, and, lastly, the reporting structure of the Group in the form of regular risk reports (three times a year including risk inventory) at the level of the Group and of the individual companies.

In order to present the overall risk situation of the Group, the individual local and central risks as well as the Group effects are evaluated on the basis of the reports from the divisions/business units. The Management Board and the Supervisory Board are informed annually about the resulting current overall risk situation of the Group and the individual corporate divisions, and on an ad-hoc basis about special developments. The boards discuss in detail the causes of the current risk situation and the measures taken as a result. Beyond its advisory role concerning the annual financial statements and the consolidated financial statements, the Accounting Committee of the Supervisory Board spends one meeting dealing in depth with the risk management system and risk evaluation, taking into account knowledge from the areas of internal audit, compliance, and data protection through written reports and personal interviews with the department heads and the central data protection officer.

As the third internal level, the central Internal Audit department conducts independent tests to monitor the appropriateness and efficacy of the processes and systems for risk management in the broadest sense that are implemented in the first two lines of defense. The Internal Audit department reports directly to the Chairman of the Management Board.

This model is rounded out by the external monitoring of the auditor, who incorporates the results of the Internal Audit department's tests into his opinion. This model is continuously further developed and is adapted to changing general conditions on an ongoing basis.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board and the Supervisory Board work closely together in the interest of the company. The Management Board coordinates the strategic alignment of the company with the Supervisory Board and informs it regularly, promptly, and comprehensively on all matters of strategy, business development relevant for the company, the risk situation, risk management, and compliance. Any deviations in the development of business from the Group's established plans and goals are explained and justified.

For a large number of material transactions, the company's statutes stipulate reservation for approval by the Supervisory Board. This is the case regardless of whether the transaction pertains to Wilh. Werhahn KG itself or to a Group company.

AVOIDANCE OF CONFLICTS OF INTEREST

The Management Board and the Supervisory Board are bound to act in the company's interest. The members of the Management Board and of the Supervisory Board, in their decisions and in connection with their activities, may neither pursue their personal interests nor use for themselves business opportunities to which the company is entitled. The Management Board has expressly recognized the entire Code of Conduct that applies to the Werhahn Group as binding for itself.

COMPLIANCE

The Werhahn Group has a Code of Conduct that is applicable worldwide in all Group companies and for all employees, which, among other things, governs their conduct in relation to third parties. The Code of Conduct is supplemented by a Guideline and is further complemented by training tools on the Code of Conduct as a whole and on anti-trust law in particular. The Code of Conduct and the Guideline are available in 15 languages.

In Wilh. Werhahn KG as well as in all business units, compliance officers were appointed who, jointly with the head of the Internal Audit department, form the Compliance Committee. The Chairman of the Management Board also participates in the regular Compliance Committee meetings. The compliance officers in the business units report to the central compliance officer of Wilh. Werhahn KG, who in turn reports to the Management Board. The rights and duties of the compliance officers are established in a Compliance Concept. The central compliance officer will contact the chairman of the Supervisory Board directly if he suspects that the Management Board has not conducted itself compliantly.

Listing the compliance rules is an essential component of the compliance system. But it is just as important to convince the people who are supposed to comply with these rules of the necessity of doing so. Therefore an extensive training program was developed. One focus of our compliance activities is on training sessions in anti-trust law, which have been conducted worldwide as on-site training programs by experienced attorneys with the support of the compliance officers. At the same time, the Compliance Committee focused on further risk analyses and measures, among other things in the area of anti-corruption. Knowledge arising from the discussions and training sessions was also used to investigate business processes for preventive purposes.

Because an awareness of compliance also crucially depends on how this issue is communicated by top-level management, updated video messages from the Management Board and individualized statements by the chairmen of each business unit were incorporated into the Code of Conduct training tool.

To ensure that the installed compliance system is suitable, properly implemented and actually effective for the business requirements of the Werhahn Group, a compliance audit was ordered from a renowned and experienced German law firm in 2015, in coordination with the Chairman of the Supervisory Board. The audit was completed in 2016 and concluded that in terms of content and concept, the compliance management system currently in place provides sufficient certainty in preventing or substantially impeding infringements of anti-trust and corruption rules and in recognizing emerging infringements. The Werhahn Group was also certified for its outstanding compliance culture.

A total of 25 compliance officers in the divisions/business units support the central compliance officer in developing the compliance system, and they implement the measures in their area of responsibility. In the event of questions concerning compliance topics, each employee can contact the respective local compliance officer or the central compliance officer. A joint meeting of all compliance officers of the Werhahn Group took place for the first time in 2016. The topics discussed at the meeting addressed the central issues of the compliance system, but also its continued development as well as stronger support for local compliance officers.

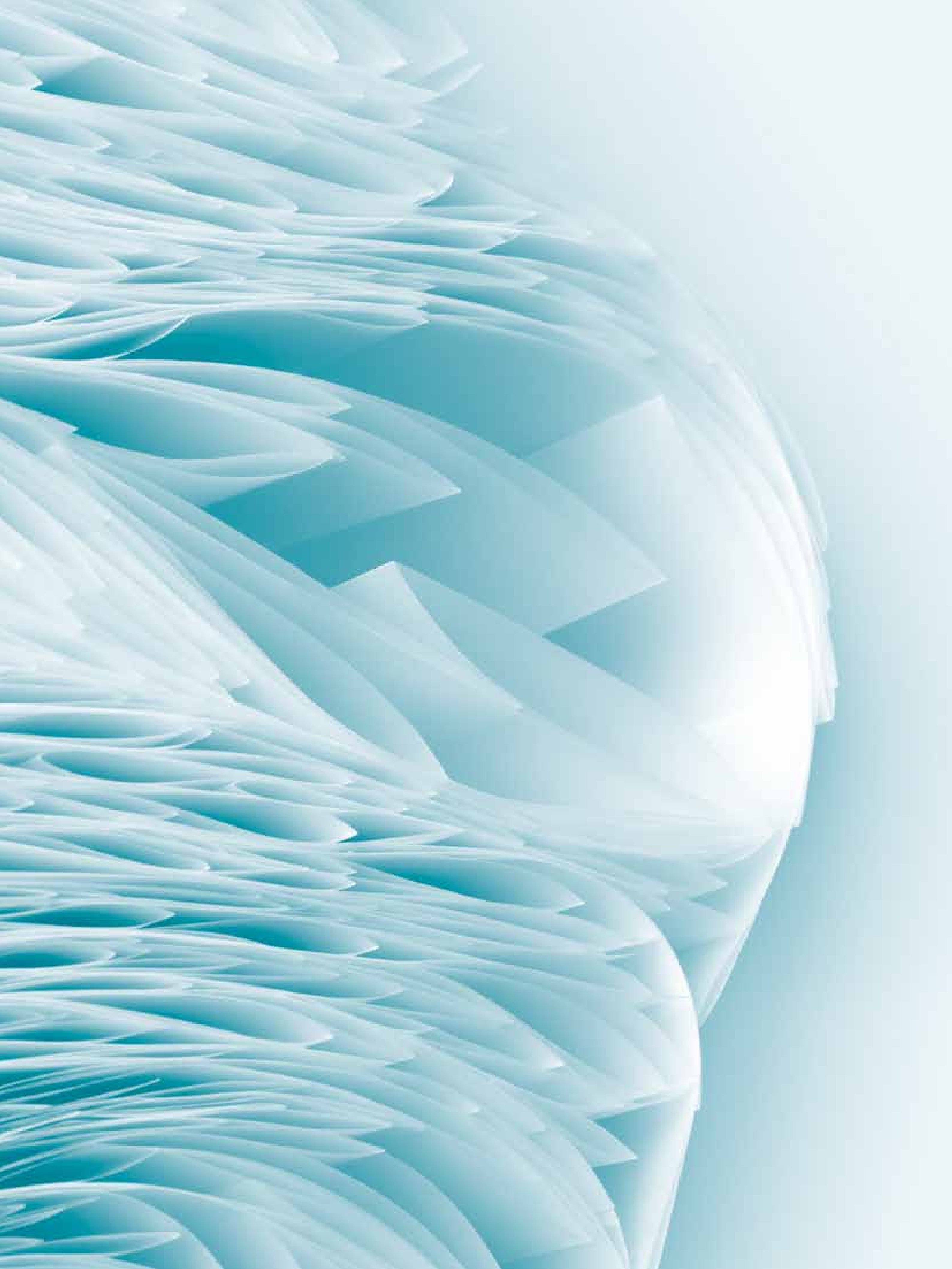
In addition, a helpline has been set up which the employees can contact. If desired, the call can be anonymous. The helpline is available free of charge worldwide in the caller's respective national language.

In addition, there are many other compliance-related activities, particularly in companies regulated by the German Federal Financial Supervisory Authority (BaFin).

ACCOUNTING AND AUDIT

Once again for the reporting year, it was agreed with the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, that the Chairman of the Supervisory Board and the Chairman of the Accounting Committee will be informed without delay concerning any material findings made and incidents discovered in the audit of the financial statements and the consolidated financial statements.

The head of the Internal Audit department, the head of the Legal department/compliance officers, and the data protection officer give annual reports on the focuses of their activity in an Accounting Committee meeting.



diversified
focused
versatile

Sustainable success for 175 years: Werhahn's development into an internationally active group of companies while retaining its medium-sized status comes from the courage and ability to adapt over several generations, as well as its focus on the values and core competencies of the family business. These two principles – versatility and focus – are complemented by a third attribute at Werhahn: diversification. The 2016 annual report is devoted to this third attribute.

Werhahn was founded 175 years ago as a wood trading company. Not long after, the company also became involved in trading basalt and in the milling business. Additional activities were added during the course of the company's history – some are still in operation today, while others were abandoned. But one thing has remained constant throughout the years: Werhahn has never been active in just one business operation; instead, it has always been involved in several different industries.

Today, the Werhahn Group comprises three corporate divisions (Building Materials, Consumer Goods and Financial Services) with seven business units (Aggregates, Slate, Zwilling Kitchenware, Zwilling Beauty Group, Jaguar/Tondeo Professional Hairdressing Equipment, abcfinance and Bank11). Its products and services are used by both private and commercial customers in a variety of regions throughout the world. Overall, the company's success shows that maintaining a diversified structure has proven to be a successful strategy.

Diversification at Werhahn means expanding the range of services to include new products and new markets, with the goal of exploiting growth potentials, creating competitive advantages and distributing risks. To achieve this, the business units of the Werhahn Group pursue very different strategies.

Consumers today expect authentic brand experiences in every channel throughout the information and purchasing process. In addition to traditional trade partners, the Consumer Goods division is increasingly using its own sales channels and unconventional communication paths in order to create emotional product worlds and to come into direct contact with customers.

Leaving familiar ground and entering new markets is always a risk. However, those who meet the market requirements with first-class products, technologies or services can create real added value for themselves and their customers.

A sustainable model for success in the global market

To achieve lasting success in the global market, companies must be flexible, proactive and bold. What can give the customer a new or added benefit? What are the emerging trends? Acquisition or development – how can the product range be systematically expanded? Are the marketing channels still reaching their target? Or do they need new, creative ideas to engage customers? Are there any opportunities for penetrating into entirely new markets? All of Werhahn's business units must continually address these questions and find solutions for them.

Mobility is the daily business of the Aggregates business unit – the requirements of tomorrow's transportation infrastructure are its perspective for the future. Intelligent, safe and energy efficient – the roads of the future will be based on versatile transportation technology. If everything goes according to plan with the German Federal Ministry of Transport and Digital Infrastructure, the roads of the future will assume many more functions than just enabling the transport of goods and people from point A to point B. The high-tech roadway of tomorrow will be able to continuously monitor itself, give detailed information about weather and road surface conditions, communicate with self-driving vehicles and even supply cars with electricity during the trip. To make this possible, an arsenal of sensors would be embedded in the road.

It is not yet clear when this future scenario will become a universal reality. But at this point it is clear that the function of roads is changing – with serious consequences for the asphalt and gravel industry. Until now, roads have consisted of a multi-layer structure. The even, skid-resistant surface of the uppermost asphalt overlay ensures road safety. The middle binder layer transfers the shear forces and vibrations from the road surface to

Asphalt composites for the road of the future are already being developed today.

the lower base layer. With its coarse-grained gravel mixture, this layer ensures an even load distribution. However, the road of the future will no longer be just a mode of transport; it will also be a data carrier. Various sensors for recording and transmitting traffic and weather data would then be able to communicate with driver assistance systems and send important information, for example information about the current traffic volume, traffic jams and accidents along the route as well as information about road surface conditions. As a result, traffic flows can be better managed and hazardous situations can be minimized or completely avoided. Soon, roads could even provide cordless refueling of electric vehicles. The induction coils required to transmit electricity would also have to be integrated into the road surface.

The development of energy self-sufficient microsensors is still in its infancy, however. It is also unclear how layers equipped with high-tech materials will be dependably integrated into the road structure in the future. To achieve this, the sensors must become more robust, but asphalt will also have to be processed at much lower temperatures than is common nowadays. These are the challenges that the Aggregates business unit is facing today, and the reason the company became involved with the “Roads of the 21st Century” research program, which was initiated by the Federal Ministry of Transport and Digital Infrastructure in 2012. One focus of the research work is developing new asphalt types. Compared with previous formulas, these are longer lasting, produce fewer emissions and are 100 percent recyclable. The business unit achieved promising results with various additive composites, which were able to lower the processing temperature from approximately 190 degrees Celsius to 120 degrees Celsius. They were also able to lower energy consumption and reduce the emission of greenhouse gases and contaminants in the mixing plants and at the construction sites.

No more ruts, cracks or potholes in the asphalt? A road surface that can maintain and repair itself? The Institute of Chemistry of New Materials at the University of Osnabrück has achieved partial success on the way to weather-resistant roads. By adding nanoparticles, researchers there were able to considerably improve the adhesive properties and deformation resistance of the binding agent bitumen. The expertise of the Aggregates business unit was also required here. In order to implement the bitumen modified in laboratory tests at a large technical scale, several tons of the new road surface type were produced in the Cologne-Porz asphalt mixing plant. Before this “nano-asphalt” can go into industrial use, however, further testing and performance studies are necessary. An unused site at the Cologne-East autobahn interchange is just one of the locations set up for this. Here, on an area covering approximately 200 000 square meters, the Federal Highway Research Institute (BASt) constructed a “demonstration, study and reference area” in spring 2016. Building materials are tested under real-life conditions on various test tracks, and surface properties such as traction, noise emission and roll resistance are measured. As the main supplier for the different asphalt composites, the Aggregates business unit is also making a practical contribution to the road of the future.

In the future, roads will no longer be just transport routes; they will also be data carriers. To accomplish this, the asphalt will have to be processed at considerably lower temperatures than is common today.

IN 2016, THE BUSINESS UNIT OPENED ITS NEW TECHNOLOGY CENTER NOT FAR FROM THIS TESTING SITE. In the future, all activities surrounding the development of asphalt and bitumen will be combined at the Cologne-Porz location. The central laboratory, which will also be located here, will work on new, stronger performance-oriented asphalt testing procedures that not only analyze the quality and composition of the formulas but also allow preliminary statements to be made about the concrete performance characteristics of the road surface. In addition, the Cologne-Porz location will work closely with mixing plants to promote optimized coordination between asphalt production, logistics and the construction site. The intelligent construction site of the future should guarantee a smooth, efficient construction process without disruptions or waiting periods. In the future, all processes – from the asphalt mixing plant to transport to the installation site – could be

linked, monitored and managed via an electronic information platform. Planning data, machine control data and the current construction process would be compared and continuously adjusted. However, making this vision a reality requires common interfaces and communication standards. Once again, the Aggregates business unit is the driving force here. For instance, it initiated the development and establishment of the first uniform industry standard for delivery notes. Previously, nearly every mixing plant used its own form. The QR code that is now printed on the delivery note can be read by each construction company along the delivery chain – a considerable advantage over individual stand-alone solutions. And it marks an important step in ensuring that mixtures always arrive in the right place and at the right time.

ZWILLING Beauty. Perfectly Yours. The slogan of the current advertising campaign demonstrates the company's commitment to the long-established ZWILLING brand and also emphasizes its own brand profile in the Beauty segment. Along with the new brand identity, the Zwilling Beauty Group business unit moved ahead with its reorganization in 2016. This was an important step forward for the Beauty segment to further expand its position in one of the hardest-fought markets. The best product in each price category – with its core brands TWEEZERMAN, ZWILLING, QVS and the young on-trend brand Urban Beauty United, the business unit is well positioned to fulfill its value promise. The key to promising product innovations lies in combining lifestyle, high-tech and craftsmanship – whether in the premium, mid-range or entry-level price segment.

For TWEEZERMAN, innovations are the key drivers of growth. Starting out as the top brand for handmade tweezers in the professional segment, TWEEZERMAN has continually expanded its range of products with in-demand beauty tools, adding eyelash curlers and makeup brushes. As part of a large market study in 2016 that involved 1 000 consumers, numerous new product ideas were tested to determine their relevance. The study revealed that TWEEZERMAN's latest innovations, special facial hair removal tools and skin cleansing brushes, are right on target. In addition, travel beauty tools in miniature format continued to be in high demand. The new LED-illuminated tweezers, which enable even greater precision for eyebrow shaping, hold particular appeal for the steadily growing target group of "best agers." Computers, handbags, jewelry, shoes – at the moment, the color rose-gold is everywhere. TWEEZERMAN is also catering to this trend, with a fitting range of high-quality beauty tools.

The starting point for the development: a top brand for professional tweezers.

Zwilling Kitchenware wins with Ballarini's technological expertise.

ZWILLING BEAUTY, THE PREMIUM BRAND OF THE BUSINESS UNIT WITH A FOCUS ON MANICURE AND PEDICURE TOOLS, HAS SEIZED ON A DEVELOPMENT THAT IS INCREASINGLY BECOMING A GLOBAL TREND. For fans of the vegan lifestyle, we created a manicure set with a cork case. This expansion of the product portfolio is particularly popular in the airline travel retail business. In the Beauty segment, manicures are playing an increasingly larger role in the male target group, as well-groomed hands are becoming a greater priority in both private and business environments. Sold under the brand name TWINOX, ZWILLING Beauty offers a manicure series specifically tailored for men, which is presented in a masculine design with a matte black coating. New products that TWEEZERMAN and ZWILLING Beauty successfully introduced onto the market in the premium segment are being picked up by QVS and Urban Beauty United and adapted for the middle and lower price segments. The business unit's ability to respond quickly to trends and turn them into marketable products has also made it a sought-after partner for commercial enterprises. The Zwilling Beauty Group is increasing its focus on computer-controlled technologies, even in the highly competitive private-label market. 3D printers can create prototypes quickly and affordably, thus significantly reducing development cycles.

Aluminum pans – a permanent feature in almost every kitchen as universal cookware for gently frying meat, fish or omelets – are one of the best-selling products in the household goods segment. Roughly 90 percent of all pans sold come with a non-stick coating. As diverse as the Zwilling Kitchenware business unit's product range has been to date, aluminum pans were not included. That changed in late 2015 with the acquisition of Ballarini, one of the leading manufacturers of aluminum non-stick cookware. As a result, Zwilling Kitchenware was able to close the product line gap in the steadily growing aluminum pan segment.

Ballarini, like ZWILLING, is a family-owned company with a rich history. In 1889, Paolo Ballarini began manufacturing kitchen items made of enameled tin plate in the northern Italian district of Rivarolo Mantovano. The company was firmly established in Italy when the third generation started producing non-stick cookware in 1967. Today, Ballarini is regarded as a technology leader, with vast technical expertise in metal processing and non-stick coatings. It currently produces up to 40 000 pots and pans, primarily for the Italian and German markets.

Ballarini's non-stick aluminum cookware complements the ZWILLING product range in a growing market.

ZWILLING KITCHENWARE PROFITS FROM BALLARINI'S EXPERTISE, WHICH COMPLEMENTS ITS OWN PRODUCT COMPETENCE. Aluminum cookware is an alternative to stainless steel. The coating is crucial for the product's quality and lifespan. Scratchproof, heat-resistant, easy-care and, above all, perfect frying results – Ballarini fulfills these requirements using various technologies. In addition to the traditional non-stick coating, which is based on synthetic materials, pans can be made with a ceramic non-stick layer, which is especially scratch-resistant. A true Ballarini specialty is the so-called granitium coating, a process that involves reinforcing the surface with mineral particles. These aluminum pans are characterized by a very robust surface with first-class non-stick properties and high abrasion resistance. The mineral particles also produce a distinctive granite look.

The development of the ZWILLING Marquina Plus product series, in which the granitium technology was transferred to ZWILLING pans, demonstrates how Zwilling Kitchenware uses Ballarini's experience and expertise in the aluminum segment. Another aluminum cookware series – this time with ceramic coating – is currently in development. The worldwide distribution network of the Zwilling Kitchenware business unit guarantees global marketing of the new product range and thus optimal exploitation of the growth market's potential.

Having the money in your hands only 48 hours after issuing an invoice, regardless of the terms of payment? For small business owners and handicraft enterprises, that may seem like a pipe dream. While large companies have long profited from factoring solutions and higher liquidity, this financing alternative has hardly been implemented in any mid-size German companies. According to data from the German Factoring Association, as of the end of 2015 only around 21 000 mid-size companies used a professional accounts receivable management service. With a total of approximately 3.6 million small and medium-sized companies (KMUs) in Germany, this is a very small proportion. The reasons for this are usually ignorance, lack of acceptance or simply the absence of suitable offers. Deutsche Verrechnungsstelle (DV) aims to put this right and systematically open up a new market segment. The joint initiative of the abcfinance business unit and Deutsche Vermögensberatung has developed a service package specifically tailored to the needs of small business owners and handicraft enterprises. It gives businesses the opportunity to put their entire billing and accounts receivable management on professional footing.

IT STARTS WITH ORDER PLACEMENT, AND NEW CUSTOMER CREDIT CHECKS OFFER CONSIDERABLE ADDED VALUE. Once the order has been processed, the invoice is uploaded to Deutsche Verrechnungsstelle's online portal. DV handles printing and forwarding as well as any required delinquency procedures. Businesses benefit from quicker payment receipts and fewer payment defaults. At the same time, this reduces the administrative burden, giving business owners more time for their core business activities.

With DV Factoring, developed by abcfinance, small businesses with annual sales of up to 2.5 million euros can benefit from a professional accounts receivable management solution – without any major bureaucratic hurdles. All current accounts receivable are paid out to the business within 48 hours – regardless of whether the end customer has settled the invoice or not. In addition, DV's online portal gives businesses an overview of their finances and invoices. They can also intervene here at any time and control the invoice management themselves. The results are impressive: In fall 2016, Deutsche Verrechnungsstelle

The big picture: with its industry expertise and tailored financing solutions, abcfinance scores big among mid-sized companies.

registered more than 6 000 inquiries from KMUs within a twelve-month period. So far, these have resulted in 422 factoring contracts with an expected annual sales volume of more than 170 million euros.

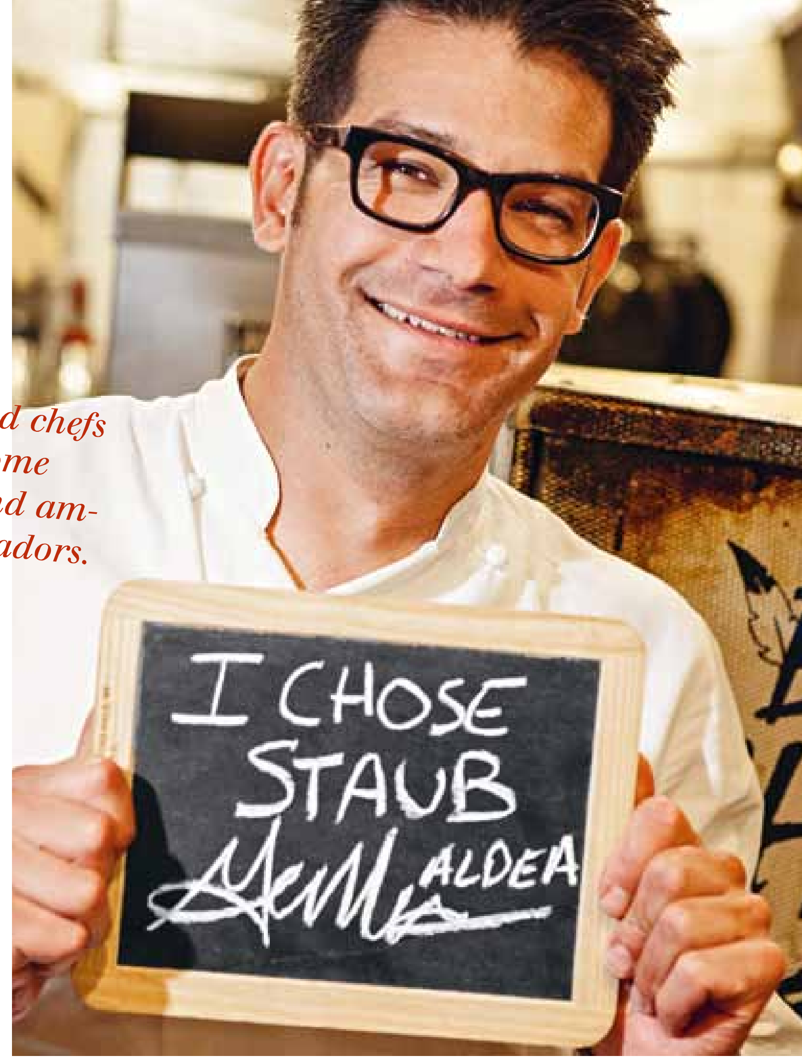
Teltec AG is a clear example of how abcfinance succeeds in impressing companies with customer commitment and innovative strength. Teltec has experienced almost constant growth for nearly a quarter-century, which is impressive given the nature of a market that is constantly changing. The company was founded in Wiesbaden in 1993 as a provider of technical services and maintenance for local TV broadcasters. Today, it is one of the leading systems suppliers for professional media and transmission technology. From high-tech camcorders and monitors to equipment for picture and sound editing as well as complete broadcasting studios, Teltec's online shop offers more than 11 000 products from over 350 manufacturers. Its customers, which include camera operators as well as production companies and broadcasting organizations, appreciate the wide range of product options at favorable purchasing conditions. However, the business model encountered considerable resistance, especially during the start-up phase. At that time, a small number of manufacturers with a global market share of 80 to 90 percent dictated all of the prices, standards and delivery times. Dealers were forced to sign exclusive contracts with one of these brands. Teltec broke away from this firmly established way of doing business and deliberately positioned itself as independent from the manufacturers. There was an outcry throughout the industry when the first flyer was released with its product offerings and clearly stated prices. Until that point, this type of price-related advertisement had been frowned upon. But the strategy paid off. Teltec had anticipated that a fundamental shift from a seller's to a buyer's market would take place alongside the deregulation and fragmentation of the media industry. This transition would bring with it more competition, a larger variety of product offerings and greater price transparency. While many of the dealers who had relied exclusively on regional sales of a single manufacturer's brand disappeared from the market, Teltec set a course for market dominance in Germany and Europe. Today, the group of companies includes a network of nine partner subsidiaries. This enables a nationwide presence beyond its online sales – also an important factor when high-priced investment products are often involved. In Teltec's showrooms, customers receive comprehensive consultation on site and can test products from different manufacturers.

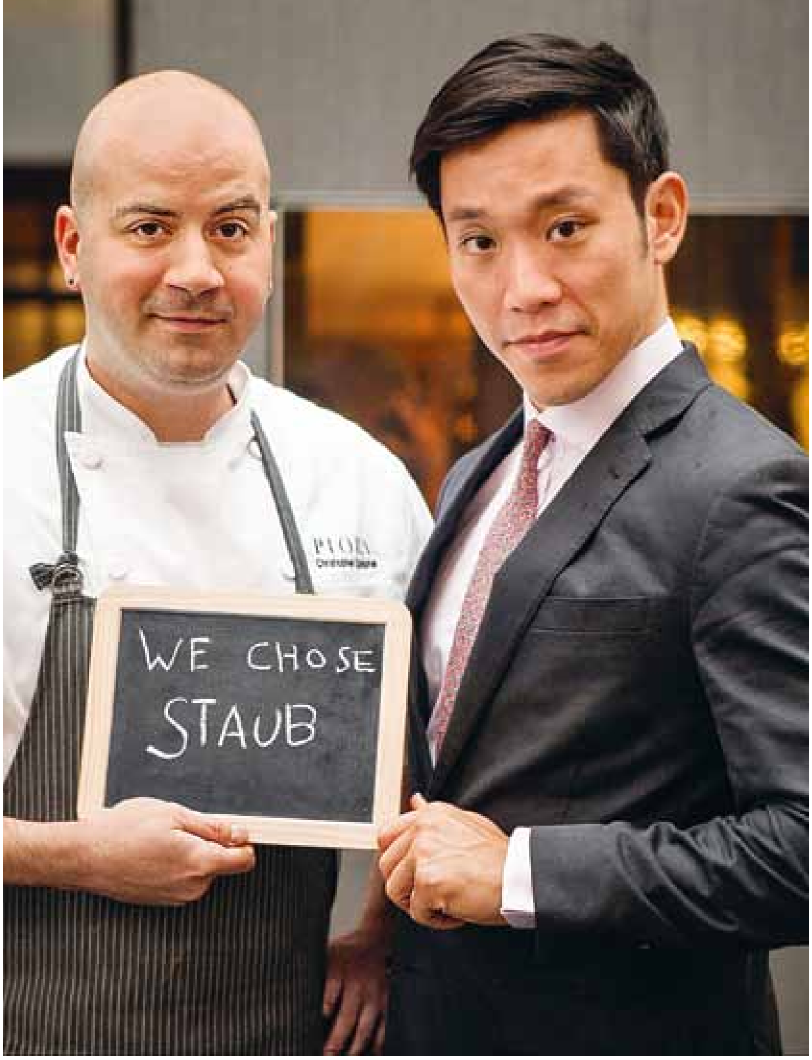
IN THE LATE 1990'S, TELTEC WAS ALSO ONE OF THE FIRST SUPPLIERS TO OFFER LEASE FINANCING AS AN ALTERNATIVE TO PRODUCT PURCHASING AND SUPPLIER CREDIT, WHICH WAS COMMON IN THE INDUSTRY. In doing so, the company again set new standards, allowing manageable monthly installments with lease-purchasing instead of high one-time purchase amounts, which reduce liquidity and burden the equity ratio. When searching for a long-term financing partner for the lease-to-buy option, Teltec only considered providers with comprehensive industry expertise. They quickly decided on abcfinance – an established name in the media sector, with decades of leasing and industry experience. The industry is characterized by orders which are frequently placed on a short-term basis, expensive productions involving numerous suppliers and service providers, and ongoing investments in hardware and software updates. With abcfinance Media Solutions, the mid-market funder created a special solution. The abc standby general agreement is particularly attractive. The guaranteed financial commitment expands a company's financial freedom and enables spontaneous investment decisions without further consultation.

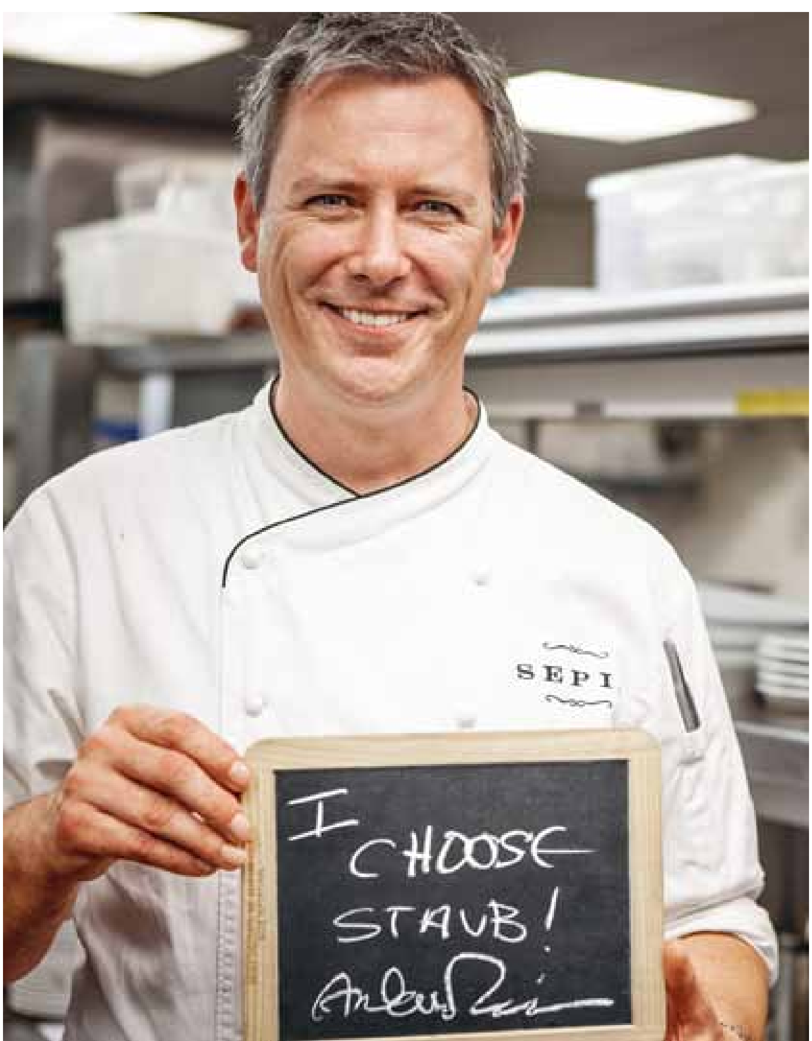
The package, which includes product diversity, customer service and customized financing solutions, has been well received in the market. With a rising number of customers and increasing accounting expenses, the question was eventually raised whether a professional accounts receivable service was needed. While Teltec had some misgivings to begin with, abcfinance was quickly able to convince the company of the advantages of factoring. This was primarily due to the fact that the Cologne-based funder presented the company with a tailored concept instead of an "off-the-shelf" proposal. For instance, in order to meet the requirements of the media market's special client base, Teltec is able to help manage payment reminders on a case-by-case basis. To both parties' advantage, the individual customer contact only further strengthened the company's reputation. At the same time, the factoring volume rose – from an initial 200 000 euros in 2008 to 20 million euros in 2016.

Speaking the same language, understanding the market mechanisms and, depending on the customer's demands, developing specific financing solutions – these are the factors that distinguish the partnership between Teltec and abcfinance to this day. Now the long-time partners have added a new foundation for their cooperation. Sales financing will receive an additional boost thanks to the start of a strategic alliance between the partners. In the future, the cooperation will enable not only traditional leasing options, but also leasing solutions in conjunction with complete service packages. With managed services agreements, too, the partnership is staying abreast of the shifts in the market from a pure film and television industry toward a moving-image industry. An increasing number of requests for digitized, comprehensive service packages from a single source are coming from formerly media-indifferent industries such as the automobile industry, the health sector and the security sector. Instead of purchasing complex recording and playback technology, companies are now leasing equipment and the corresponding operating personnel, including technical support. A classic win-win situation is looming on the horizon: with this form of cooperation, Teltec and abcfinance can exploit the growth potential and implement projects that would be impossible for them to do alone.

Head chefs become brand ambassadors.







Experience the brand with all of your senses

The digitization of everyday life and people's changing media use behavior have opened up a multitude of opportunities to bring customers and brands in contact with one another. Regardless of whether marketing channels are found in the physical or the virtual world, it is crucial to reach people where they network, exchange ideas, find friends and buy goods and services. The Zwilling Kitchenware business unit starts here, and develops various new relationships with the help of creative brand communication.

He is treated like a rock star and is considered a pioneer of Californian cuisine. Jonathan Waxman, born in Berkeley in 1950, is one of the most influential chefs in America and was just recently named the best head chef in New York City. The restaurants that operate under his direction are centers of attraction for the fashionable metropolitan crowd as well as for tourists keen on new experiences. Whether you go to Waxman's in San Francisco (opened in 2016), JAMS in Manhattan or Adele's in Nashville – they all use pots, pans, ceramic bowls, knives and cutlery from the ZWILLING product range in their kitchens and service areas. Waxman is now one of approximately 40 professional chefs in the USA alone whom the Zwilling Kitchenware business unit was able to attract as a cooperation partner. The group includes 20 head chefs who are particularly fond of STAUB products, including Georges Mendes, head chef at Aldea in New York City, which was awarded a Michelin star. Out of his own conviction, he uses the cookware from France and also prominently features it on the dining tables. Internationally, around 200 restaurants and hotel operators are already among the brand ambassadors for ZWILLING. The idea behind it: A restaurant experience creates emotional and long-lasting points of contact, especially with the STAUB and ZWILLING brands, and can be a source of diverse inspirations and motivation for cooking at home. These incentives can be acted on and strengthened in the real world and the digital world.

Out of conviction: Influential chefs like Jonathan Waxman bring the ZWILLING world closer to an audience of millions across all media.

PROFESSIONAL CHEFS LIKE JONATHAN WAXMAN AND GEORGES MENDES ARE IMPORTANT ADVOCATES FOR ZWILLING, NOT ONLY IN THEIR IMMEDIATE SURROUNDINGS BUT ALSO FAR BEYOND IT. As popular TV chefs and book authors, they give millions of people insight into their philosophy by imparting ideas, trends and suggestions. They run their own websites or blogs, and their online presence on Facebook, Instagram and Twitter has a strong influence on their fans. But it's not just professional chefs who facilitate virtual encounters with the ZWILLING brand. Numerous accomplished amateur chefs who publish influential food blogs also share their recipe ideas and cooking experiences on the Internet and thus are persuasive brand ambassadors too. In the United States, Zwilling Kitchenware is currently working with around 100 bloggers, with an average of 42 million visitors per month. Hundreds of blogs around the world regularly report on the quality and versatile applications of ZWILLING products. And the possibilities are far from being exhausted – by 2020, the goal is to have international partnerships with around 1 000 bloggers who will introduce their fan bases to the world of ZWILLING.

Every point of contact with the ZWILLING brand leaves a trail – whether on social media channels, during a restaurant visit, in the course of online search queries or in retail stores. From the first spark of interest, further brand contacts and professional consultation to the purchase and subsequent service, a harmonious brand experience awaits consumers wherever they encounter ZWILLING today. At the beginning of the journey, systematic search engine optimization combined with high-quality content ensures a prominent ranking and findability on the Internet. This effect is enhanced by links placed on the pages of numerous food blogs. When consumers visit the online shop, the entire ZWILLING world opens up for them, with product information, recipe ideas and recommendations for use. ZWILLING's online shop was voted one of the best brand shops of 2016 for its appealing design and high usability. At the same time, the branch stores are increasingly being linked to multi-channel shops through online sales. After experiencing the premium quality of a ZWILLING kitchen knife or a STAUB cocotte during a visit to a concept store and receiving comprehensive information about functionality and materials from trained personnel, customers can simply have the product delivered to their home free of charge.

Understanding people's unique interests and needs and offering individual solutions also means providing support after the purchase. As a member of the customer club, consumers benefit from special offers and personal invitations to cooking events. In addition, customized initials and logos can now be engraved on knives and cutlery. This is made possible by a new type of laser technology, which is both corrosion-resistant and dishwasher-safe and applies information from a digital order directly onto ZWILLING products.

The end consumer has become a key factor in the marketing strategy.

Few things are more individual and personal than a haircut – a perfectly sharpened, free-moving and long-lasting pair of scissors is standard equipment for every hairdresser. To date, though, the distribution of hairdressing scissors has been a purely business-to-business transaction. With the launch of the latest generation of the thermocut system in spring 2016, the circumstances have changed considerably. For the first time, the Jaguar/Tondeo Professional Hairdressing Equipment business unit has incorporated the end consumer as an important factor for product marketing. This is proven not least by the surprising commercial success of the previous model on the Russian market. The importer there increased the focus on end consumer marketing and triggered a sustained demand for electrically heated scissors in hairdressing salons. Subsequently, a representative customer survey carried out for the German market confirmed the relevance of targeting end consumers directly and also revealed product-related improvement potential.

THE NEW, COMPLETELY REDESIGNED GENERATION OF SCISSORS COMBINES THE ADVANTAGES OF BOTH ELECTRICALLY HEATED SCISSORS AND TRADITIONAL HAIRDRESSING SCISSORS. Instead of plastic, THE CARECUT's surface is made of metal. Its design is considerably slimmer than the previous model, while the bright red power cord is lighter and more flexible. The business unit holds the international patent for the technology and the tool itself. For hairdressers, the operation and quality are comparable to the tool they used previously – it can be used for any cutting technique. THE CARECUT is not just another product innovation, however; it is more of a hairdressing service with high added value. When hair is cut with the electric scissors, hair ends are warmed and the cut surfaces are sealed by the keratin contained in the hair. As a result, strands no longer become frayed, the hair becomes stronger overall and split ends are permanently eliminated. At reasonable investment costs and with a rapid return on investment, hairdressers can significantly boost their level of service, attract new customers and increase sales. A report by a publicly appointed sworn expert even goes a step further. According to the expert's predictions, the technology will revolutionize haircutting and will become established in the market in the long term, especially for long hairstyles. (Source: Ingo Wertenbruch: Product appraisal for function and its effect on human hair).

As part of a multi-phase roll-out, the market launch started in spring 2016, initially in Germany, Austria, Switzerland, France and the Benelux countries. A systematic B2B approach at trade fairs, in the trade press and in the hairdressing industry, combined with a large-scale end consumer campaign, proved to be exceptionally attractive. In particular, blogger and press events in the image salons at mod's hair in Düsseldorf and Paris in July 2016 generated a lot of attention in the public media and social networks. Its global presence, stylistic salon ambiance and high quality of service make mod's hair a first-class marketing partner for THE CARECUT. However, the experience and customer focus of smaller salons in Munich and Hamburg also contributed to the success of the launch campaign. The results from 2016 are impressive: Within six months, media coverage in the press, radio and TV, including online media, reached more than 100 million people. Setting up a dedicated website and a Facebook page for THE CARECUT, where exchanges between the manufacturer, salons and customers take place, also paid off. Thanks to growing customer demand, the number of registered salons rose to 400 by the end of 2016. A survey conducted by the business unit reveals that 97 percent of the participating hair salons are satisfied with the scissors and rated the reaction of their customers as positive.

Reaching beyond your own limits

Developing new markets with an attractive range of products or services requires not only vision, but above all precise market insight and customer contact. These are competencies that the business units of the Werhahn Group demonstrate time and time again. If the market is ripe for it, reviving expertise acquired in the past using a contemporary business model can also be advantageous.

Natural stone panels adorn the parapet wall of the redesigned Drachenfels Plateau in Königswinter. The 1 000 square meters foyer of an international consumer goods manufacturer will soon be receiving floor panels made of natural stone from Scandinavia. A shipping company uses a similar material for the interior of one of its cruise ships. In all three cases, the Slate business unit is the supplier. With an impressive assortment of ashlar, one of the most renowned suppliers of roof and façade slate is now advancing into new market segments in gardening and landscaping as well as interior design. The idea for the product palette did not originate on the drawing board, however; it was developed as a result of close collaborations with building owners and architects who wanted additional formats and application fields for slate beyond traditional façade and roofing slate.

Around the turn of the century, the business unit started to focus on developing linear cladding types for modern architecture as an alternative to traditional roofing. As a result, ever larger slate slabs were used; in symmetrical cladding, they were eventually installed entirely without any lengthwise or sideways overlaps. This changed the traditional definition of the slate façade. The geometric shapes and clean lines of matte shimmering slate surfaces convey a restrained elegance and obey the aesthetic principles of modern architecture. Although the slate was initially only available in sizes up to 60 x 60 centimeters, today even dimensions greater than a square meter no longer pose a problem. The slabs are mounted to substructures with hidden anchors – a mounting method developed by the Slate business unit. Compared to common natural stone façades with stones three to four

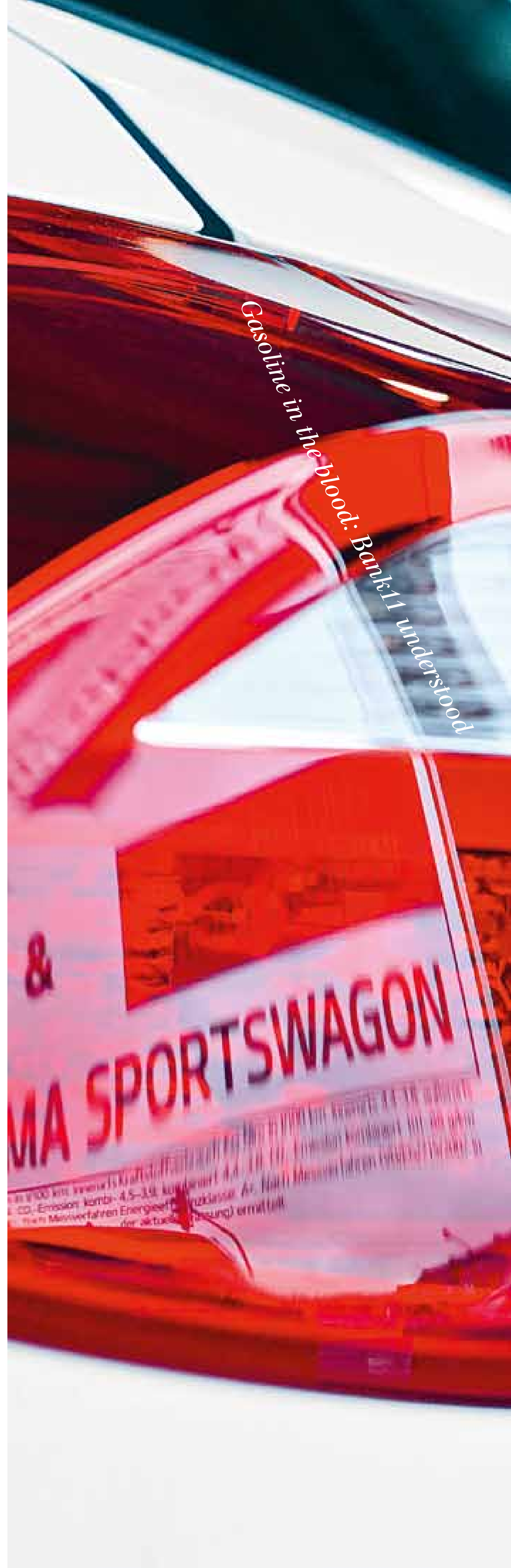
Breaking new ground: the Slate business unit adds ashlar for walls and flooring to the product range.

centimeters thick, slate slabs are at most half as thick and are distinguished by their low weight. That allows for lighter and more affordable aluminum structures instead of costly, much less effective stainless steel anchoring.

THERE ARE NOW MANY PROPERTIES THAT DEMONSTRATE THE MODERNITY, VALUE AND BROAD APPLICATION SPECTRUM OF THIS BUILDING MATERIAL. These include not only residential buildings but also numerous public buildings and company headquarters. One successful example is Theater Basel, which has a façade of mid-sized slate slabs mounted on wide stainless steel brackets that adorn the building like a festive, glimmering gown. The new ZWILLING headquarters in Pleasantville, USA, whose façade is covered with large slate slabs, radiates the modernity of a leading international consumer goods manufacturer while also conveying transparency and openness. Rathscheck's new headquarters in Mayen also convincingly demonstrate the aesthetic effect of ashlar slate in modern architecture. Without any projecting components, the unique monolithic cube-shaped building appears to be cast from a single mold. Based on these and other highly-regarded building projects, the Slate business unit ventured into completely new territory and increasingly added ashlar for walls and floors to its product range. With these natural, uneven wall and floor tiles, the business unit is reviving a style trend in the building industry. Natural stone with a lively, unspoiled surface is very popular. In addition, more and more architects and interior designers prefer a consistently linear design and are also using outdoor materials to decorate interiors.

Different rules apply in the new segment. That's why a dedicated ashlar sales team takes care of specific customer groups and oversees the marketing of the product range.

The old distribution patterns no longer apply in the new segment. Instead of roofing contractors, the company now deals with stonemasons, tile setters, façade builders and ashlar specialists. The customer focus is no longer only on structural architects; it now includes interior architects/designers, garden and landscape planners and natural stone traders. As a result, our dedicated sales team is in charge of marketing the product range and systematically setting up sales channels. In production, the business unit collaborates with partner companies who process and prepare the ashlar according to individual requirements. The material that accumulates during the process of cutting the valuable Moselschiefer is also mar-



keted via the new sales channel. Irregular shapes, known as polygonal slate slabs, are in high demand as garden stepping stones, and broken Moselschiefer can also be used as decorative landscaping gravel, making it a great alternative to bark mulch, both visually and functionally. And the business unit goes another step further: beyond the building material slate, the product spectrum was expanded to include additional split stones such as quartzite and phyllite from Scandinavia as well as other types of natural stone. No mass-produced products – just high-quality, exclusive natural stone, which is marketed under the brand name RocaNEX and completely fulfills the premium standards of the business unit. The ashlar product range was presented to a broad audience of industry experts at the GaLaBau 2016 in Nuremberg, the leading European trade fair for the gardening and landscaping industry. The business unit impressed the numerous gardeners, landscapers, specialist retailers and landscape architects in attendance with ashlar's wide range of applications.

From newcomer of the year in 2011 to a successful player in the car market: when Bank11 was launched six years ago, it was the only manufacturer-independent automotive bank funded by a mid-sized German company. The Werhahn Group was not breaking entirely new ground when it founded the bank, however, as it built on the business model established by Autokreditbank AKB, which was liquidated in 2002. Almost ten years later, the circumstances were again favorable for a start-up in the automobile financing market. Of the approximately three million registered vehicles in Germany, about half were financed by loans. With a clear focus on the automotive trade and on simple, affordable financing options, Bank11 set a quick pace from the start. Within five years, the number of affiliated dealers jumped from a few hundred in the first quarter of 2011 to more than 8 000 in 2016.

The recipe for success: Bank11 meshes personal consultation and automated processes in line with the market requirements. On-site dealer support takes place online via "Victor," which processes loan applications quickly and efficiently. In 2016, a team of sales specialists, IT professionals and risk experts completely redesigned the platform and improved its usability. The new version, Victor 3.0, provides intuitive operation and gets by with just a few input fields. Efficient project management ensures that the program is continually optimized and new functions are added. Automobile dealers give top grades for this level of customer orientation. In a direct comparison of other manufacturer-independent institutes and industry banks by the "markt intern" industry service, Bank11 has seen steady improvement in its overall rating year after year. The ranking is determined annually through a survey of automobile dealers. Starting at a respectable 4th place as a newcomer in 2011, the company came in second place among 28 banks in 2016.

IN 2016, BANK11 PUSHED FOR SALES SUPPORT FOR ELECTRIC AUTOS. ALONG WITH THE BUYER'S PREMIUM INTRODUCED BY THE GERMAN GOVERNMENT IN MAY, BANK11 GAVE ITS PARTNERS ATTRACTIVE SPECIAL CONDITIONS. For sales of electric autos up to a purchase price of 50 000 euros, automobile dealers were able to offer their customers financing at an effective annual interest rate of 0.99 percent. Thus the business unit did its part to boost electric mobility and stimulate sales of electric vehicles. As a trendsetter with a strong focus on growth, Bank11 is also an in-demand cooperation partner in the automobile industry. Through its strategic cooperation with WM SE – a wholesale dealer of auto parts, tires and workshop equipment that is active throughout Europe – the business unit was able to significantly increase sales of its accessories and repairs financing package, EvoRepair. And with TECHNO-Einkauf GmbH, Bank11 was also able to attract Germany's largest brand-dedicated car dealership cooperation as a partner.

Start-ups that help get new business ideas accepted are no longer found solely in Silicon Valley. The first, and so far only, online auto loan comparison portal for the automotive trade has been in operation in Neuss (Rhineland) since mid-2016. Under the name Yareto, the Werhahn Group's latest activity provides a larger selection in a market that has been rather isolated for a long time. Until now, automobile dealers could at best choose between offers from their manufacturer's bank and an additional automotive bank. But Yareto now provides them with access to a multitude of banks with attractive financing options. These include financial institutions that were previously not yet established in the automotive trade as car loan lenders, which stimulates competition and creates more transparency.

In contrast to other comparison portals for hotel bookings, insurance quotes or real estate loans, Yareto focuses exclusively on the automotive trade. Once dealers have registered on the company's website, they can log in on any device, submit a request or obtain information about the status of applications that have already been submitted. Dealers can see all of the available banks in a clearly arranged display, with the corresponding conditions updated daily. They can submit online loan applications for their customers at the desired banks, with very little data entry required. The respective bank's loan decision is made automatically and only takes a few minutes. If the financial institution rejects the application, dealers can forward the loan request directly to the next bank of their choice without entering any additional data. After approval, the automobile dealership sends the required documents directly to Yareto. The documents are reviewed and forwarded to the lending bank, which then promptly transfers the loan amount to the dealer.

WHEN DEVELOPING ITS SOFTWARE, YARETO DEVOTED PARTICULAR ATTENTION TO CREATING AN INTUITIVE, SIMPLE AND CONVENIENT USER INTERFACE. All of the applications are designed for smartphone use according to the "mobile first" principle and adapt automatically to end devices such as laptops or PCs. The portal has a live chat function as well as an express button, which allows the dealer to forward a rejected application to another bank with just two clicks. The software was developed entirely in-house by a team of young IT experts. In flexible, independent project work, a new, optimized software version is uploaded on a monthly basis that continuously factors in current customer requirements and needs.

During the pilot phase, the company's development exceeded all expectations. In the first eight months alone, Yareto received auto loan requests totaling more than 100 million euros. More than 3 400 automobile dealers have registered to use the portal. Thanks to the company's innovative strength and dynamic development, there is a good chance that potential imitators can be held at bay, making this another example of successful diversification within the Werhahn Group.

The start-up Yareto works according to the "mobile first" principle.

Consolidated Report

Macroeconomic Development

The global economy grew again in 2016. According to calculations by the Institute for the World Economy (IfW), growth was only slightly weaker than in the previous year, with an increase in gross domestic product (GDP) of just under 3.1 %. The developments on the international financial markets at the beginning of 2016 and the unexpected result of the referendum in Great Britain in the summer did not have a noticeable effect on the global economy's pace of growth.

While economic growth in industrialized countries remained moderate, the economies of many emerging countries continued to see stronger growth. After a weak start to the year, the GDP gradually increased over the course of the year, particularly in China, thanks to a stimulatory economic policy. As a result of stabilizing raw material prices, the situation in Russia has improved so much that, according to estimates by the German Council of Economic Experts, an end to the recession is in sight. After a weak first six months, economic growth in the United States initially accelerated considerably in the summer but then lost momentum towards the end of the year. Japan also profited from a loose monetary and fiscal policy and registered a higher GDP than in the previous year. The economy in Great Britain remained robust after the shocking vote to leave the EU (Brexit). In the eurozone, economic performance picked up in nearly all of the member countries – particularly in countries facing serious economic difficulties, such as Portugal and Greece, which achieved above-average growth rates in the second half of the year.

In 2016, the financial market was again characterized by the expansive monetary policy of the European Central Bank (ECB) and a further improvement of the already favorable financing conditions. Compared with the previous year, banks' lending volume to private households and companies increased.

CONSUMPTION PROVIDED IMPULSES IN GERMANY

The German economy performed much better in 2016 than many experts expected, registering its strongest growth in five years. After adjusting for price changes, the GDP was 1.9 % higher than in 2015, according to information from the Federal Statistical Office. Compared with the rest of Europe, the German economy's growth was slightly above average. Consumer spending was again an important driver of this upswing. Against the background of a good employment situation, private households increased spending by 2 %. The federal government, states and municipalities even spent 4.2 % more, among other things for the housing and care of hundreds of thousands of refugees. Low interest rates and the good sales outlook encouraged companies to once again invest more in machines and vehicles. According to the Central Association of the German Construction Industry, sales in the construction industry registered a 6.3 % revenue increase in 2016. Foreign trade also provided positive impulses. According to the ifo Institute, Germany registered the world's largest export surplus last year.

The good economic situation also filled up the public coffers. According to figures from the Federal Statistical Office, the federal government, states, municipalities and social security funds ended the year with a surplus of just under € 24 billion. The situation on the labor market further improved in the past year.

RECOVERY IN THE EUROZONE

According to the Eurostat Statistical Office, the GDP of the 19 eurozone countries was 1.7 % higher in 2016 than in the previous year, and all of the countries in the single currency area saw gains in economic production. Despite its decision to leave the EU, the economy in Great Britain developed slightly better than the EU average. The recently weak economy in France picked up slightly in 2016. However, it continued to suffer from high unemployment and rising sovereign debt.

According to estimates by the German Council of Economic Experts, the ECB's loose monetary policy, in particular, contributed to the economic recovery in the eurozone in 2016. The experts have doubts, therefore, that the economic recovery will be self-sustaining. As a consequence of improved employment, the income situation of many households developed positively, which in turn benefited private consumption. According to observations by the German Council of Economic Experts, many countries were unable to reduce debt in 2016. Nearly all of the countries ceased their efforts to consolidate public budgets.

CHINESE ECONOMY IN A STATE OF UPHEAVAL

The economy in China lost momentum again in 2016. According to information from the Kiel Institute for the World Economy (IfW), China registered an increase in GDP in 2016 from 6.7 % in comparison to 6.9 % in prior year. This was its lowest GDP growth rate since 1990. In the past two decades, average GDP growth rates had amounted to just under 10 %. Compared with other industrialized countries, however, the Chinese economy's pace of growth is still outstanding. According to observations by the Institute for the World Economy, over the course of the previous year, the Chinese economy benefited heavily from stimulus measures by the government in Beijing. Thus it supported the state of change that the Chinese economy now finds itself in: moving away from heavy industry and cheap products to services and high-quality goods. By contrast, the growth of non-governmental fixed asset investments has almost come to a standstill in 2016, according to the Institute for the World Economy. Foreign trade hardly contributed to the increase in GDP, which was due in part to the high exchange rate of the renminbi. In the list of countries with the highest export surplus, China lost its top spot to Germany. On the other hand, private consumption contributed more to economic growth, as the Chinese government had hoped. According to official figures, retail sales increased at a double-digit rate, although private incomes are no longer rising rapidly. Growth in the retail sector was driven primarily by the increasing demand for cars, telecommunication products, foodstuffs, clothing and other everyday consumer goods.

AMERICAN ECONOMY LOST MOMENTUM

After weak growth in the first six months of the year and positive development in the third quarter, the US economy surprisingly lost momentum by the end of 2016. According to statistics from the US Department of Commerce, the country registered 1.6 % growth for the year as a whole, its lowest growth rate in five years. This was due primarily to weak foreign trade. The significant appreciation of the US dollar slowed export demand and also caused many companies to review their investment plans. The principal driver of the economy for most of the year, though was private consumption. Due to the good situation on the employment market, many households had greater financial leeway. According to the observations of the Institute for the World Economy, the improved asset situation of many consumers also had a positive effect on consumer demand, as did higher property and stock prices.

RECOVERY IN RUSSIA AND JAPAN

The Russian economy developed much more positively in 2016 than many experts had expected. Therefore, the International Monetary Fund (IMF) and the World Bank had to adjust their estimates upwards multiple times in the course of the year. According to official figures, the GDP shrank overall, but only by 0.6 % after registering negative growth of 3.7 % in 2015. In the meantime, the Russian economy registered positive growth in the fourth quarter of 2016. The IMF attributed the improved situation primarily to measures introduced by the government, such as a more flexible exchange rate policy, capital support for banks and fiscal policy stimuli. The stabilization of raw material prices had a considerable impact. However, Russian companies again invested less than in the previous year. In 2016, the inflation rate reached 5.4 %, the lowest level in 25 years. Nevertheless, private consumption did not act as a growth driver. According to Germany Trade Invest (GTAI), average wages in Russia in the past year were at the same level as 2009.

The Japanese economy picked up speed again in 2016. According to the German Council of Economic Experts, the primary reason for this was the considerable increase in private consumer spending. For the first time since the sales tax increase in 2014, consumers spent more money. The strongly improved employment situation was one of the main reasons for this. The monetary and fiscal policy also generated new impulses. For example, the sales tax increase, which had already been rescheduled from 2015 to 2017, was postponed until 2019. Unlike previous years, foreign trade was not a driver of growth in 2016. This was due to weaker demand from China as well as the substantial appreciation of the Japanese yen.

Business Development and Results of Operations

Wilh. Werhahn KG is a diversified corporate group with activities in Germany and abroad. The activities in the three corporate divisions – Building Materials, Consumer Goods and Financial Services – are brought together in seven business units.

Key control parameters for the corporate divisions are net sales, EBITA (operating result as earnings before interest, tax and non-operating amortization[1]) and EBT (earnings before tax).

In 2016, the Werhahn Group recorded consolidated net sales of € 3 322 million (previous year: € 3 162 million). The 5 % increase in net sales met expectations and is based on the significant growth of the corporate divisions Financial Services and Consumer Goods. The Building Materials corporate division, however, registered a slight drop in sales due to falling procurement and sales prices. Both domestic and foreign net sales increased. Nominal foreign net sales totaled € 1 054 million (previous year: € 961 million). The share of foreign net sales in consolidated net sales grew slightly from 30 % to 32 %. Net sales in euro were negatively impacted by fluctuations in exchange rates, where the weaker Chinese renminbi also had an impact. The stronger Japanese yen was only partly able to compensate for this.

The cost of materials of the Werhahn Group increased by 5 % to € 1 738 million (previous year: € 1 659 million). This item contains expenses from the Building Materials and the Consumer Goods divisions as well as expenses from the Financial Services division. Among these are refinancing costs and commissions from the banking and leasing business as well as acquisition costs for lease-purchase assets and residual book values for leasing assets that were sold. The absolute increase mainly resulted from the growth of the Financial Services division and the first-time inclusion of Ballarini, which was acquired in December 2015, for a full calendar year. The material cost ratio in the Building Materials division was slightly below the level of the previous year; however, in the Consumer Goods and Financial Services divisions it was moderately higher.

Personnel expenses of € 473 million were 3 % higher than in the previous year (€ 458 million). In addition to the usual wage increases, this was due primarily to the first-time inclusion of Ballarini for an entire calendar year. A marginal increase of the personnel expenses ratio only occurred in the Building Materials division. In the Consumer Goods and Financial Services divisions, it declined slightly.

The depreciation and amortization of intangible and tangible assets in the business year stood at € 167 million, which is markedly higher than the previous year's value of € 158 million. This is predominantly attributable to the scheduled depreciation of goodwill and the disclosure of Ballarini's hidden reserves as a result of the initial consolidation. The increase in depreciation of leasing assets from € 397 million to € 416 million is due to the expansion of new leasing business.

In 2016, other operating income was € 57 million compared to € 109 million in 2015. The considerable drop is primarily due to significantly lower earnings as a result of the disposal of assets from fixed assets and the reclassification to net sales of items reported under other operating income in the previous year, which was effected in accordance with the German Accounting Directive Implementation Act (BilRUG).

[1] Non-operating amortization includes depreciation on goodwill and hidden reserves disclosed during the revaluation of acquisitions, as well as differences between linear and digressive depreciation.

Other operating expenses increased only slightly by 1 % to € 422 million (previous year: € 417 million). Higher maintenance, leasing, rental and tenant expenditures were nearly completely compensated for by lower exchange rate losses. The most significant individual items contributing to other operating expenses were maintenance costs (€ 80 million), external services (€ 70 million) and marketing (€ 68 million).

As expected, the investment income of € 13 million is considerably lower than in the previous year (€ 33 million). High dividends from another participating interest were included in 2015.

The operating result of the Werhahn Group slightly exceeded expectations. However, as forecasted, the high level of the previous year could not be matched. The operating result of the Building Materials division declined compared with the previous year. Non-recurring special effects were included in 2015. In addition, margin losses for domestic bituminous mixtures had an impact on the operating result. The Consumer Goods and Financial Services divisions were able to increase their operating result in comparison with the previous year. The main driver of the Consumer Goods division was the Zwilling Kitchenware business unit, which benefited in particular from special business with customer loyalty programs. The Zwilling Beauty business unit achieved the high level of the previous year, while the Jaguar/Tondeo Professional Hairdressing Equipment business unit registered a decline in earnings due to a strategic realignment. In the Financial Services division, renewed expansion and a continued low risk ratio led to an improvement of the operating result.

In July 2016, after six months in development, the comparison portal Yareto.de was launched. Automobile dealers can use the comparison portal to compare up-to-date installment conditions and service offerings from well-known banks and present their customers with the best possible quote. The financing volume handled by the comparison portal developed as expected in 2016.

The interest result, including income from securities held as fixed and current assets, improved by € 5 million to € –12 million. The primary cause of this was the lower interest expense as a result of discounting provisions and eliminating interest effects from tax audits completed in the previous year.

As a result of the above-mentioned elimination of special effects in 2015, earnings before tax of € 162 million were significantly lower than the previous year (€ 200 million) and did not completely meet expectations.

The tax rate increased as expected in 2016 due to corporate reorganizations and lower earnings from deferred taxes as a result of the elimination of special effects in 2015.

Overall, the net profit of the Werhahn Group decreased by € 42 million to € 106 million.

The Management Board would like to thank all of the employees for their committed and successful work over the past year.

Building Materials

The Building Materials division includes the Aggregates and Slate business units, which are active in Germany and in other European countries. The Aggregates business unit bundles the hard stone and asphalt mixture operations. The Slate business unit produces premium quality slate for roofs and façades.

AGGREGATES

The Aggregates business unit is managed by Basalt-Actien-Gesellschaft and comprises four segments: mineral raw materials, asphalt mixtures, building materials recycling/disposal, and construction chemicals. It operates at locations in Germany, Poland, Russia, Ukraine, the Czech Republic, Hungary and Sweden. Its customers are mainly structural and civil engineering companies with an emphasis on road construction.

Mineral raw materials are mostly hard stone, which is mined in around 100 Group-owned quarries, processed and marketed regionally. A portion of the raw material is also used for asphalt mixtures, which are produced in nearly 190 mixing plants owned by the business unit. That makes the business unit one of the largest producers of mineral raw materials and asphalt in Germany. In addition, the companies in the business unit recycle and sell construction waste. Landfills owned by the Group as well as third-party landfills are available for disposal of uncontaminated construction waste. The construction chemicals segment chiefly produces and markets bituminous sealant materials for structural and roadway construction.

Crude-oil-based input materials considerably more expensive

The construction industry in Germany benefited from the good overall economic situation in 2016. According to figures from the Central Association of the German Construction Industry, the industry registered a 6.3 % net sales increase last year. Public construction experienced growth of 6.4 %. In the area of public road construction, which is crucial for the Aggregates business unit, net sales were 5.6 % higher than in 2015.

Not all of the foreign markets where the business unit is represented performed as well in the construction industry as Germany did in 2016. In the key market of Poland, large EU-financed infrastructure projects remained on hold. After the change of government, public contracts were awarded only reluctantly, and additional EU funding slowed as a consequence. Thanks to the new Jawor Mecinka basalt plant, which began production with a modern processing facility in August, Polish companies generated a considerably higher sales volume in 2016 than in the previous year.

In Hungary, civil engineering declined as anticipated, due to the decreased inflow of EU funding. Accordingly, the Hungarian operations of the business unit registered a significant drop in sales, which this was weaker than projected. In Russia, further decreases in public revenue led to comprehensive cutbacks, also in highway construction. The target market of Moscow was the only exception. Nevertheless, the Russian operations of the business unit substantially increased their sales. The heavily export-oriented operation in Ukraine also experienced restrictions on exports of hard stone to Russia in 2016. Tapping into the domestic market, however, led to a considerable increase in sales. The Czech operations of the business unit suffered from the scarcely growing construction industry, registering a noticeably lower sales volume. The operation in Sweden benefited from an increase in construction investments in the country and higher exports.

In the procurement markets, the construction industry benefited from lower prices for crude-oil-based input materials at the beginning of 2016. Over the course of the year, however, prices increased considerably – particularly the price of bitumen, the most important input material for asphalt production. This had a negative impact on the development of profit margins.

Increased sales of raw materials and mixtures

Compared with the previous year, net sales of the Aggregates business unit decreased by 1 % in 2016 to € 1 243 million, thus just missing the projected level. This was due in particular to the unsatisfactory revenue situation for asphalt mixtures. Increased sales of raw materials and mixtures in Germany, on the other hand, had a positive effect on net sales. Adjusted for the Hungarian gravel company that was sold, foreign sales of raw materials were higher in 2015 and nearly achieved the expected level.

The share of foreign net sales amounted to 9.2 %. At the same time, the decline of the average exchange rate, particularly that of the Russian ruble, the Ukrainian hryvnia and the weaker Polish zloty, negatively impacted net sales.

As expected, both the operating result and earnings before tax were lower compared with the previous year, which benefited from special effects. However, these figures exceeded the projected level. In addition, margin losses for domestic bituminous mixtures had an impact on the operating result in 2016. The development of earnings abroad was inconsistent but positive overall. While the companies in Russia and Sweden increased their results, the operations in Poland in particular remained below the level of the previous year.

German economy supports business prospects

In Germany, there is still a considerable backlog demand for the renovation and expansion of the transport infrastructure network. The federal budgets for 2017 and 2018 both include higher budget appropriations for the construction of highways. Despite the increased budget appropriations, however, lower tender volumes can occur in 2017 due to the limited capacities of the state authorities issuing invitations to tender. In 2017, municipalities are expected to invest at a similar pace to the previous year. The Central Association of the German Construction Industry anticipates noticeable impulses in public construction in 2017 and projects a revenue increase of 5.0 % in this area.

The outlook in foreign markets is variable. In Poland, EU-financed roadway projects that have long been planned should lead to a revitalization in the next few years. However, continued export restrictions to Russia and stronger price pressure will dampen the outlook of the Ukrainian operation.

The companies in the Czech Republic could benefit from a slightly reinvigorated construction sector. Solid demand is expected in Sweden. Declining public revenues in Russia are expected to lead to further cutbacks in civil engineering and infrastructure construction. Despite this, the business unit is aiming for positive development there.

Overall, the business unit expects a moderate increase in net sales in 2017. Impulses will be generated primarily by volume growth abroad and cost-induced increases in net sales. The operating result and earnings before tax should be slightly above the level of the previous year.

SLATE

The Slate business unit extracts, processes and markets high-quality slate for roofs and façades. System solutions developed specifically for modern architecture enable innovative façade designs. The product range is complemented by ashlar, which can be used for interior applications as well as for gardening and landscaping. The Rathscheck company extracts high-quality “Moselschiefer” slate from the German Katzenberg quarry. The Spanish subsidiaries produce slate above and below ground under the “InterSIN” brand. With this product range, the business unit is one of the leading suppliers of slate in Europe. The most important foreign markets are France, Benelux and Great Britain.

Net sales development
Building Materials division

in € million

–0.3 %

Sales increased in a difficult environment

Despite the positive conditions in the residential construction sector, 2016 was once again a difficult year for the roofing industry in Germany. According to industry estimates, the roofing market shrank by 2 %. This had several causes. Apart from the fact that more multi-family homes were constructed in 2016, which considerably reduced the roof area per housing unit constructed, the renovation sector also declined. Home owners invested less in energy-oriented upgrades to their properties. This primarily impacted the renovation of pitched roofs on single- and two-family houses, an important market for the Slate business unit. According to industry figures, the slate market registered a volume decrease of between 4 and 6 %. Continuing overcapacities were accompanied by a further drop in prices.

Western European markets, which are crucial for the Rathscheck Group, experienced variable development in 2016. Residential construction in Great Britain and Benelux grew slightly, and so far there have been no consequences as a result of Brexit. France, however, again experienced poor business development as the residential construction industry stagnated there. Against this background, the competitive environment has intensified once again. In the important procurement market of Spain, overall production levels remained static. The consolidation process there also continued in 2016.

With markedly increased sales in 2016, the Rathscheck Group solidified its market position in Germany. The business unit even managed to make moderate gains in market share in all of its major foreign markets. While net sales, at € 71 million, were slightly higher than in the previous year, this fell noticeably short of the forecasted amount due, among other things, to the unsatisfactory revenue situation. Foreign business accounted for just under 44 % of total net sales.

As a result of a positive special effect, the operating result significantly exceeded the previous year's level, but failed to meet expectations. This was due in part to non-recurring effects such as fire damage at the Katzenberg quarry, which led to a temporary interruption of extraction work. In addition, productivity at the Katzenberg quarry is still not satisfactory given the challenging geological situation there. Measures to improve the situation continued as planned. As a result of the positive special effect, earnings before tax were considerably higher than in the previous year, but fell substantially short of the projected amount.

Increased marketing and sales activities

In Germany, the Rathscheck Group will again be confronted with a difficult market environment in 2017. Slate sales are expected to continue to stagnate, for two main reasons: an upturn in the renovation sector is unlikely, and building owners are increasingly opting for flat roofs instead of pitched roofs. Consequently, competitive pressure will continue.

The business unit will restart various sales and marketing measures in order to further strengthen its position in the long term. It will also intensify its activities in the area of historic preservation. As a result, a moderate increase in sales is expected.

Among major foreign markets, predominantly sales volume in France are expected to rise slightly in 2017. In both Great Britain and Benelux, however, sales are expected to stagnate.

Overall, the Slate business unit anticipates a moderate increase in sales for 2017. Adjusted for the special effect in 2016, the operating result and earnings before tax should improve slightly.

Consumer Goods

The Consumer Goods division is represented in all of the world's major markets, with high-quality brand name items for the kitchen and body care segments. The division consists of three business units: Zwilling Kitchenware, Zwilling Beauty Group and Jaguar/Tondeo Professional Hairdressing Equipment.

Zwilling Kitchenware offers premium products for modern eat-in kitchens. This includes the product segments knives, cookware, cutlery, scissors and kitchen utensils, which are sold under the ZWILLING, Staub, Ballarini, Demeyere and Miyabi brands. Apart from the German domestic market, the most important markets for the business unit are China, North America, Japan and the rest of Europe.

The Zwilling Beauty Group produces and markets tweezers and manicure/pedicure tools under the brand names Tweezerman and ZWILLING. Its primary sales markets are North America, China, Germany and the rest of Europe. The product range is complemented by products from the QVS Group, which sells beauty accessories in the "value-for-money" segment under the brand names QVS and UBU, as well as other retail and exclusive brands. The allesandro brand provides a comprehensive selection in the hand, nail and foot cosmetics product segment. Customers include professional nail studios as well as perfumery retailers in Germany and other European countries.

The Jaguar/Tondeo Professional Hairdressing Equipment business unit provides hairdressers with professional equipment such as scissors, hairdryers, electrical hair clippers, brushes and combs. Both the Jaguar and Tondeo brands are sold worldwide. The major markets are Germany, the rest of Europe, North America and China.

The strong economy bolstered consumer confidence

The global consumer climate is crucial for the business development of the corporate division. Development of key markets for the Consumer Goods division varied considerably in 2016. In Germany, a sound economy and a stable situation on the labor market translated into increased mood for consumption. According to figures from the German Retail Association (HDE), German retailers registered a 2.5 % increase in revenue in 2016. Private consumer spending in China was a stronger contributing factor to economic growth. In the USA, private consumer spending experienced considerable gains, boosted by solid economic growth and increased employment. The 19 countries of the eurozone did not develop homogeneously. Overall, there was positive development, particularly in consumer demand from private households. Consumer spending continued to decline in Russia, while in Japan it exceeded the previous year's level by 0.4 %, according to figures from the Institute for the World Economy. Due to political unrest and terror attacks, tourist numbers in many countries declined. This led to lower revenues in the tourism sector, particularly in Europe.

The Consumer Goods division increased its net sales again in the 2016 business year; this time by 11 % to € 849 million, which surpassed expectations. Apart from the acquisition of Ballarini at the end of 2015, this was due to good development in the core business as well as additional special revenues with customer loyalty programs. Adjusted for Ballarini, which was included for an entire year for the first time in 2016, and negative currency effects, the increase in net sales amounted to 7 %. The expansion of the business volume led to a slight increase of the operating result and earnings before tax. This was mainly driven by special business. Earnings in the core business were negatively affected primarily by restructuring measures in the Jaguar/Tondeo Professional Hairdressing Equipment business unit. Earnings before tax were slightly above expectations. Due to scheduled goodwill amortizations as a result of the acquisition of Ballarini at the end of 2015, earnings before tax were below the previous year's level.

Zwilling Kitchenware exceeded projections and improved over the previous year

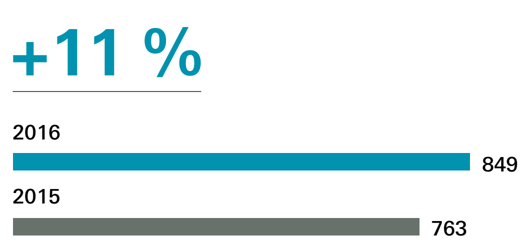
Zwilling Kitchenware reported positive development again in 2016. The business unit increased its net sales by 15 % to € 693 million and therefore slightly exceeded the forecast amount. This exceeded the previous year's value, even taking into consideration the fact that Ballarini influenced revenues for an entire year for the first time in 2016. The increase resulted from growth in the core business as well as the positive development of special business deals, particularly in China. In contrast, currency effects, in particular, had a negative impact.

China was again the most important market for Zwilling Kitchenware in 2016. However, the business unit only registered moderate growth there, as expected. While special business deals and Internet sales increased sharply, sales through TV home-shopping networks declined. The retail business stabilized, with declining sales figures in department stores offset by sales in company-owned stores and factory outlet centers. In the United States, Zwilling Kitchenware expanded its product range for large customers, acquired numerous new customers and benefited from the opening of three new factory outlet centers. Sales of Staub cookware, in particular, as well as knives from ZWILLING and Miyabi led to significant sales growth. In Japan, the business unit reported a strong increase in revenue despite the relatively weak consumer climate. Significant growth of special business deals and a continued positive trend in the core business, especially in company-owned stores, were the main drivers here. In Germany, Zwilling Kitchenware benefited from the acquisition of Ballarini. However, the business unit achieved a slight increase in net sales in the domestic market compared with 2015, even without this effect. Weaker sales in the tourism sector and in retail business in company-owned stores and factory outlet centers were offset by higher net sales in furniture stores and online retail. In the rest of Europe, Zwilling Kitchenware reported growth in nearly all markets, particularly in Scandinavia and Spain.

The operating result and earnings before tax significantly exceeded the projected amount and the previous year's level. This was due, in particular, to impulses generated by special business with cus-

Net sales development Consumer Goods Division

in € million



tomer loyalty programs. The core business grew as well, especially in the United States and Germany, where significant earnings growth was achieved. In Turkey, however, earnings fell short of the projected amount and the previous year's level.

Zwilling Beauty Group on target

After a strong performance last year, net sales in 2016 remained at the previous year's level in the Zwilling Beauty Group business unit at € 130 million, thus coming in just under the projected amount. Growth was generated with the product lines of the QVS Group, primarily in the private label segment in Germany and the United States. Thanks to solid demand from the United States, Canada and Europe, Tweezerman brand products also registered a moderate increase in net sales. In contrast, there was a noticeable decline in net sales of the ZWILLING brand. This was caused by lower sales figures in the tourism sector and in company-owned stores in Germany, as well as in the Chinese and Russian markets. The specialized retail sector in Germany saw an increase in net sales. A decline in demand in the studio and export business led to a drop in net sales of products from the alessandro Group.

In 2016, the Zwilling Beauty Group acquired the remaining shares in the QVS companies in China, Hong Kong and Australia, and the remaining shares in alessandro International GmbH.

The operating result surpassed the projected amount and was slightly higher than the previous year's level. Due to goodwill amortizations as a result of the additional share purchases, the business unit's earnings before tax fell short of the projected amount and the previous year's level.

Jaguar/Tondeo Professional Hairdressing Equipment sustains a loss

The Jaguar/Tondeo Professional Hairdressing Equipment business unit was faced with a difficult market situation again in 2016. With € 26 million in net sales, the business unit did not reach the previous year's level and thus fell well short of expectations. The markets did not develop as hoped, particularly in Germany, France and Belgium. In order to ensure long-term competitiveness, the business unit initiated a strategic realignment in 2016. The measures associated with the realignment had a negative impact on the operating result and earnings before tax. Both figures were considerably below the projected amounts and the previous year's level.

Sights set on growth

The Consumer Goods division anticipates positive economic growth in the relevant markets. However, there are a number of uncertainty factors to consider. For example, an increasing threat of terrorism could adversely affect the tourism business, which is important for the division. Also, it is impossible to foresee what impact the upcoming elections in several European countries and Great Britain's pending departure from the European Union will have. In addition, it remains unclear what implications the change of government in the United States will have for future economic and free trade policy.

The organizational changes in the business unit, which were implemented on January 1, 2017, will have an impact on the distribution of net sales and to a lesser extent on the distribution of earnings between the business units Zwilling Kitchenware and Zwilling Beauty Group. This will not negatively affect the net sales for the Consumer Goods division and will have a minor impact on the operating result. However, a non-recurring comparison of planned figures with the previous years for the affected business units is not sensible.

Zwilling Kitchenware plans to generate impulses from the core business. In the United States, strong sales of cookware are expected, particularly Staub brand cookware. A stronger social media presence of the core brands should provide a boost for online retail. In Germany, Zwilling Kitchenware expects positive outcomes as a result of promoting the online and department/furniture store sales channels. New factory outlet centers and flagship stores should improve business in China. Steady growth is also expected in Japan, Europe and the overseas markets. Special business deals are not expected to be as high as the previous year's level.

In the Zwilling Beauty Group, the brand QVS in China and private label brands in the United States, Germany and other European countries should experience growth. Tweezerman expects moderate growth in the United States. The business unit would like to increase its sales under the brand name ZWILLING, particularly in China. Growth, primarily in Germany, should help alessandro generate higher revenues overall.

The Jaguar/Tondeo Professional Hairdressing Equipment business unit anticipates in the still-difficult market environment that introducing product innovations and new sales partners in China will have a positive effect on business development. Growth is also promised by a more intensive collaboration with Tweezerman in the USA. The operating result and earnings before tax should benefit from the agreed realignment, and the business unit plans to achieve profitability.

Overall, the Consumer Goods division anticipates lateral development in net sales, with a slight decline in results. This should match the considerable rise in the level of earnings over the last few years. With a stable core business, a drop in net sales for special business will have an effect on the operating result and earnings before tax.

Financial Services

The Financial Services division includes two business units: abcfinance, with its segments leasing, factoring and abcbank, and automotive lender Bank11.

abcfinance

abcfinance specializes in tailored financial services for medium-sized customers, and has successfully operated on the market for 40 years. Together with its segments, it is one of leading providers among German companies that operate independently of manufacturers and banks. In the area of leasing, abcfinance primarily finances vehicles, machinery and IT technologies; in the factoring area, abcfinance purchases receivables. Its customers include approximately 69 000 medium-sized companies in Germany, the Netherlands and Austria.

abcbank, which belongs to the abcfinance business unit, offers private, commercial, and institutional investors overnight money, fixed-term deposits and savings bonds for refinancing business operations. In addition, abcbank participates in open market operations of the European Central Bank (ECB) and securitizes receivables (Asset Backed Securities – ABS bonds). In the second half of 2016, it once again placed an ABS bond on the market.

Strong new business in leasing and factoring

Sustained growth in 2016 led to continued investment confidence in many sectors of the German economy. According to information from the Federal Statistics Office, companies' investment volume for new machines, vehicles and equipment was 1.7 % higher than the previous year. The Federal Association of German Leasing Companies (BDL) reported new business of € 64 billion for the industry in 2016. Leasing accounted for € 57 billion (+8 %) of this, and hire-purchase business accounted for € 7 billion (+9 %). The drivers of growth here were the leasing of passenger and utility vehicles, which constituted 75 % of the leasing market, and the leasing of production machines. In contrast, the leasing of office machines, computers, servers and IT equipment declined further in 2016.

As in the leasing industry, factoring providers benefited last year from the fact, that medium-sized businesses are searching for alternatives to traditional bank credits for their finance planning, even in this low-interest phase. More and more frequently, they are increasing their financial leeway by selling receivables. According to the German Factoring Association, in the first half of 2016, factoring providers increased net sales by 4 % to € 105 billion. Refinancing costs of providers that specialize in leasing and factoring remained favorable due to the low capital market and credit interest rates.

In this environment, abcfinance was able to further improve its competitive position. This was possible due to extensive customer service and a consistent expansion of sales, particularly abroad. As a result, the leasing segment registered an increase of 9 % in new business and the factoring segment increased its purchase volume by 15 %. The abcfinance business unit increased net sales by 8 % to € 1 029 million and thus significantly exceeded projections. The commercial result – as defined by the BDL – and earnings before tax exceeded the projected amount and the previous year's level. This was due to the successfully implemented strategic measures, such as the expansion of leasing activities abroad. The good risk situation and the favorable refinancing environment also contributed to the positive development.

Medium-sized customers value leasing and factoring

abcfinance expects the stable economic environment to continue in 2017. A slight increase of 1.2 % in real terms is forecasted for capital equipment investments. In addition, abcfinance will benefit from the recently increased sales activities, both domestically and abroad, in 2017. The business unit expects a moderate increase in new business, in both the leasing and factoring segments. The commercial result is expected to fall just below the good level of the previous year, as abcfinance anticipates slightly increasing risk provisions for 2017.

BANK11

Bank11 für Privatkunden und Handel GmbH specializes in sales and purchase financing. Founded in 2011, the institute supports automobile dealers in Germany with financing and insurance offerings. The main focus is on products that support motor vehicle sales. Through purchase financing, Bank11 additionally offers partner dealerships the opportunity to increase their range of new and used vehicles. The credit and investment products that were sold by Bank11direkt GmbH (a subsidiary of Bank11) until September 2016 are now partly offered by Bank11.

In order to refinance the business unit, savings bonds and overnight money are offered to private and institutional investors. In addition, Bank11 once again structured ECB-eligible ABS bonds in 2016, which serve as security for participating in open market operations.

Net sales development
Financial Services division

in € million

+8.7 %

Strong growth in new business

The German automobile market developed dynamically again last year. The German Federal Office for Motor Vehicle Transport recorded approximately 3.35 million new vehicle registrations for 2016, which represents an increase of 4.5 % over the previous year. A large proportion of the privately-used new vehicles was financed, which in turn stimulated the business of automotive lenders. In the first three quarters of 2016, the member institutes of the banking association increased their new credit business in automobile financing by 6.4 %. The credit portfolio at the end of September 2016 was 11.3 % higher than at the same time in 2015.

Despite increased competition, Bank11 registered growth again in 2016 that was significantly above the industry average. It increased new business in automobile financing by 24 % to € 1.2 billion. The credit volume grew by 30 %. The number of trade partners rose from 6 800 to more than 8 000. At the same time, Bank11 also benefited from successful collaboration with automobile industry associations and automobile dealer associations. Its exclusive partnership with Tesla, the American electric car manufacturer, was successfully continued. Use of the newly developed front-end system, which was introduced over the course of the year and was met with great approval by auto dealers, had a positive impact on sales at automobile dealerships.

The operating result and earnings before tax increased considerably in comparison with the previous year but fell noticeably short of the projections, due to margin pressure and commission expenses associated with the high volume of new business.

Results to further improve in 2017

The environment in the automobile market is expected to remain favorable. According to expert assessments, assuming further stable economic development, title transfers will again reach the high level of the previous year; new car registrations, on the other hand, are expected to sink slightly to 3.2 million. In this environment, Bank11 hopes to further increase its new business and its credit portfolio in 2017. Continued customer-oriented process optimization will have a positive effect on business development.

Further growth will more than compensate for the negative effects from the strong competition and persistently low interest rates. Therefore, the business unit expects the operating result and earnings before tax to improve considerably in 2017.

Net Assets and Financial Position

The consolidated balance sheet total for 2016 increased by € 602 million from € 6 142 million to € 6 744 million. The individual balance sheet items changed as follows:

ASSETS

in € million	Dec. 31, 2016	Change
Fixed assets	**2 541**	113
thereof leasing assets from financial services	***1 415***	*152*
Accounts receivable from financial services	**2 900**	436
Inventories	**418**	–11
Accounts receivable and other assets (including prepayments and accrued income)	**340**	22
Securities and liquid funds[1]	**545**	42
	6 744	602

EQUITY AND LIABILITIES

in € million	Dec. 31, 2016	Change
Equity capital	**1 871**	61
Difference in amounts from the capital consolidation	**1**	1
Provisions	**352**	*–32*
Liabilities from financial services	**4 195**	608
Liabilities (including deferred income)	**324**	–33
Deferred tax liabilities	**1**	–3
	6 744	602

	Dec. 31, 2016	Dec. 31, 2015
Equity ratio	**28 %**	29 %
Equity ratio without financial services	**71 %**	69 %
Ratio of equity to fixed assets	**74 %**	75 %
Short-term debt service ratio	**94 %**	89 %

[1] Liquid funds comprise cash on hand, cash deposited with the German Federal Bank, bank deposits and checks.

As of the closing date, the fixed assets of the Werhahn Group increased from € 2 428 million in the previous year to € 2 541 million. They comprised tangible assets of € 841 million (previous year € 843 million), intangible assets of € 207 million (previous year € 245 million), financial assets of € 78 million (previous year € 78 million) and leasing assets from financial services of € 1 415 million (previous year € 1 263 million).

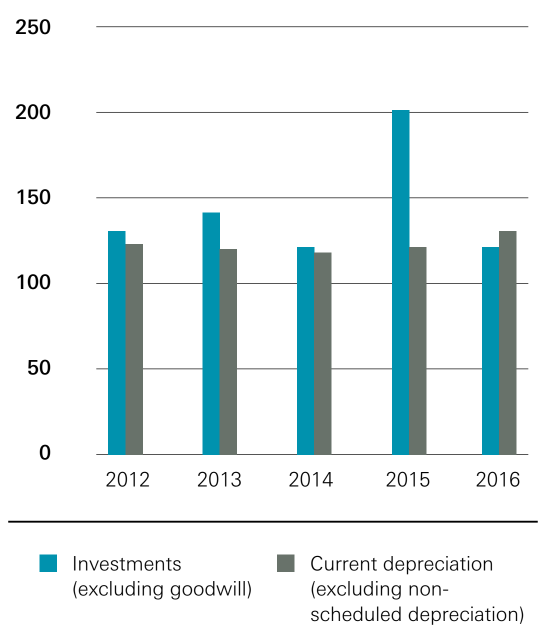
Fixed assets without leasing assets decreased by € 39 million in comparison with the previous year. This decline can be chiefly attributed to the higher depreciation of intangible assets resulting from the acquisition of Ballarini. Overall, intangible assets were reduced by € 38 million. Depreciation of € 52 million was offset by investments of € 15 million. Financial assets remained nearly unchanged in the business year.

Tangible assets declined slightly by € 1 million. Business-year investments of € 114 million were offset against depreciation charges of nearly the same amount. After a high level of investment activity in the previous year, the capital-intensive division Building Materials invested at approximately the same level as in 2014. Investments by the Consumer Goods division, on the other hand, increased slightly. Most of the additions in the reporting period were attributable to replacement investments.

Investments in tangible assets, intangible assets (excluding goodwill), and net investments from acquisitions are presented below along with the depreciation for the respective years:

Investments and current depreciation

in € million



In 2016, total investments were made in tangible assets, intangible assets (excluding goodwill), and net investments from acquisitions in the total amount of € 123 million (prior year: € 202 million). Investments of € 5 million were slightly below depreciation. This is primarily due to the fact that in the Building Materials division, the required regulatory approvals were not given for all investments scheduled in the business year.

The expansion of leasing business in the Financial Services division led to an increase in leasing assets from financial services. In the reporting year, with depreciation of € 416 million and net disposals of € 109 million, investments in this area were € 677 million.

Accounts receivable from financial services increased by € 436 million to € 2 900 million as a result of the further expansion of new business in the Financial Services division.

Inventories decreased by € 11 million in comparison with the previous year to € 418 million. This is attributable in particular to group-wide inventory management and portfolio streamlining.

Accounts receivable and other assets (including prepayments, accrued income) totaled € 340 million (previous year: € 318 million). Compared with December 31, 2015, trade receivables increased by € 23 million to € 224 million. The increase was largely due to the expansion of business volume in the Consumer Goods division. In the Building Materials division, accounts receivable due to balance-sheet-date effects, were also slightly higher than in the previous year.

Cash flow from operating activities amounted to € 267 million and was significantly lower than the previous year's level of € 371 million. The Building Materials and Consumer Goods divisions realized a positive operating cash flow of € 208 million (previous year: € 265 million) before consolidation. In compliance with DRS 21, the financing of the business activity of the Financial Services division is reflected in operating cash flow. However, this means that the operating cash flow has limited informative value for the Werhahn Group. The expansion of business resulted in a negative operating cash flow for financial service providers.

Cash flow from investment activities (€ –105 million; previous year: € –184 million) was dominated by investments in tangible assets, which were lower than in the previous year. The negative cash flow from financing activities of € –104 million (previous year: € –60 million) resulted primarily from the payment of dividends to majority and minority shareholders.

Due to the high operating cash flow for the business year, securities and liquid funds increased by € 42 million to € 545 million.

Net liquidity was € 390 million as of December 31, 2016. Over and beyond this, sufficient credit lines were available with various banks to meet the financing needs according to plan.

Equity capital for the Group rose from € 1 810 million to € 1 871 million, resulting in an equity ratio of 28 %. Without consolidation of the financial services businesses (FDL), the equity ratio was 71 % ("equity ratio without financial services"; previous year: 69 %). Minority shareholder participation in equity capital as of the closing date was € 72 million (previous year: € 63 million). To a small extent, this participation amount includes positive currency conversion differences. For further details of changes to equity, refer to the Statement of Changes in Equity.

Provisions declined by € 32 million in comparison with the previous year to € 352 million. These mainly include provisions for pension obligations amounting to € 103 million (previous year: € 111 million), provisions for recultivation obligations in the Building Materials division amounting to € 63 million (previous year: € 60 million), other personnel provisions amounting to € 58 million (previous year: € 66 million), and provisions for future tax payments amounting to € 17 million (previous year € 32 million). The decline in provisions for pension obligations is based predominantly on the increase of the discount rate as part of a statutory change in 2016 and a change in the scope of consolidation. The decline in other personnel provisions can be attributed to the lower provisions for employee bonuses. The reduction of provisions for future tax payments is mainly the result of higher tax prepayments during the reporting year. Other key provisions included those for outstanding invoices as of the closing date, for rebates and discounts and for sureties and guarantees. The provisions presented in the Balance Sheet cover all identifiable risks and all uncertain liabilities to a sufficient extent.

The liabilities from the financial services business reflect refinancing of the Financial Services division as well as the liabilities of Bankhaus Werhahn GmbH resulting from its banking business. The increase in obligations from financial services by € 608 million to € 4 195 million resulted from the further expansion of new business in the Financial Services division.

The liabilities (including deferred income) of the Werhahn Group declined considerably during the reporting period by € 33 million to € 324 million. A major part of the reductions is attributable to the lower liabilities to the shareholders. There was also a reduction in trade accounts payable in the Building Materials division and a reduction in liabilities to credit institutes. The rise in liabilities to affiliated, non-consolidated companies and other liabilities had an opposite effect.

Deferred tax liabilities of € 1 million were below the previous year's value (€ 4 million) on the closing date. The negative effect, in particular came from the release of deferred tax liabilities on hidden reserves. The Werhahn Group exercises its right not to recognize deferred tax assets from individual financial statements.

Personnel

In the reporting period, the Werhahn Group had an average of 9 832 employees (previous year: 9 391). Thus, the number of employees and trainees rose by a total of 441 over the previous year. Adjusting for the first-time inclusion of Ballarini employees for an entire calendar year results in an increase of 184 employees.

Due to the good business development, the Consumer Goods and Financial Services divisions in particular increased their workforce in comparison with the previous year. In 2016, the Building Materials division had a similar number of employees to that in 2015. The increase of employees in "Other" is primarily due to the launch of operations for Yareto in July 2016.

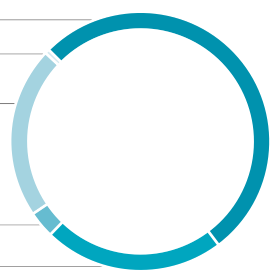
The development of average employee numbers is also reflected by the change in the number of employees on the accounting closing date, converted into full-time equivalents.

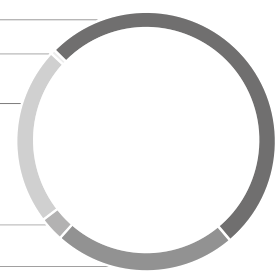
The number of employees is distributed over the individual corporate divisions as follows:

	Average 2016	Average 2015	Full-time equivalents Dec. 31, 2016	Full-time equivalents Dec. 31, 2015
Building Materials	4 385	4 375	4 190	4 140
Consumer Goods	4 329	3 976	4 245	4 198
Financial Services	847	792	835	789
Others	271	248	283	244
Group total	**9 832**	**9 391**	**9 553**	**9 371**
Thereof salaried employees	4 550	4 281	4 449	4 235
Wage earners	5 057	4 917	4 875	4 938
Employees	**9 607**	**9 198**	**9 324**	**9 173**
Trainees	225	193	229	198

As of the closing date, around 5 010 or 52 % (previous year: 51 %) of all Werhahn Group employees, converted to full-time equivalents, were employed in Germany.

	Dec. 31, 2016		Dec. 31, 2015
Germany	5 010	Germany	4 825
Rest of world	25	Rest of world	27
Asia	2 049	Asia	2 086
North America	334	North America	299
Rest of Europe	2 135	Rest of Europe	2 134
Group total	**9 553**		9 371





EDUCATION AND FURTHER TRAINING

The number of trainees at the end of the reporting period was 229, a considerable increase over the previous year (198). With 24 more trainees (period), the Aggregates business unit recorded the largest increase.

Participants were also trained in new professional fields, as the number of training professions, including dual study programs, climbed to 26. Dual study programs comprise degree programs that are completed in conjunction with initial professional training as well as degree programs associated with longer practical phases at companies.

The product-, subject- and technology-related qualification measures are developed and implemented in the business units as required. Increasingly, these measures are becoming better structured and are communicated more concisely, for instance in the Zwilling Academy for sales employees.

Cross-functional topics such as management, communication and work methods are bundled into courses designed for all groups in the Werhahn Excellence Program. Directed by external experts, employees and managers from the different business units learn together based on carefully developed training concepts. In addition to the quality of the course concepts, participants emphasize that it is particularly valuable to come into contact with colleagues from other business units and to work together on course topics that affect everyone equally. The program is subject to an annual audit, which is based on feedback from instructors and participants as well as a discussion with the human resource managers of the business units. The latest findings from research and practice are another important source of constant innovation.

Wilh. Werhahn KG and several business units have implemented the "Employee Assistance Programme" (EAP) as an additional consulting service. Here, professional consultants provide support to managers, employees and their family members for work-related and private matters, and are available over the phone, in person or online. They either develop solutions themselves or provide support services for placement in further assistance systems. Despite the declining rate of use, the human resource managers decided to continue implementing the system.

REMUNERATION

The business units are subject to industry-specific collective wage agreements. Skilled professionals and managers are remunerated independently of these agreements based on performance. In addition to fixed salary components, other salary components are associated with the achievement of annual goals. In the credit institutes of the group, the Ordinance of the Supervisory Requirements for Remuneration Systems of Institutions (Institutsvergütungsverordnung (InstitutsVergV)) is another requirement that must be applied for the remunerations of both managers and employees.

EXECUTIVE STAFF DEVELOPMENT

The activities conducted for recruiting, developing and retaining young talent at all levels were continued in all business units of the Werhahn Group. The following proven methods were applied early in the development in order to discover and retain talent: vocational training and dual study programs, internship opportunities as well as support of bachelor and master theses. Contacts and partnerships with selected universities, with which the business units maintain relationships as required, are complemented by modern forms of networking with interesting target groups, e.g. young professionals. This is how the Werhahn Group presented itself – for the third time now – as an attractive employer at a job fair specifically for family-owned businesses. Wilh. Werhahn is a sponsor of the German Scholarship (Deutschlandstipendium).

Risk Report

With its diversified structure covering various industries and regions, the Werhahn Group is exposed to many different business risks. Dealing with these risks is an essential part of corporate management. The period under consideration corresponds to the forecast period.

RISK MANAGEMENT

The risk management system consists of the following three elements: the company-specific risk management manual, a risk inventory, and the risk reporting system at the level of the Group and the individual companies. An annual risk inventory is conducted in all of the business units as part of corporate planning. The individual risks identified are described by the business units and evaluated based on their maximum potential damage and the percentage probability of their occurrence. At the same time, appropriate measures for dealing with these risks are defined as far as possible. The development of individual risks is continuously monitored by the business units and reported in scheduled meetings (three times a year) of the various executive bodies of the business units as well as the Management Board of Wilh. Werhahn KG. Significant new risks are also communicated to the responsible executive bodies as part of the reporting process or in ad-hoc reports outside of scheduled meetings. In addition to risk management, internal and external audits are conducted.

Business performance as well as opportunities and risks from current operations are discussed at meetings of the Management and Supervisory Boards.

In the case of the Group's financial services companies, which are subject to supervision by the German Federal Financial Supervisory Authority (BaFin), the Minimum Requirements for Risk Management (MaRisk) are implemented and continuously monitored.

RISKS IN THE WERHAHN GROUP

Werhahn divides risks into the following categories: external, performance-related, financial, and internal risks.

External risks exist in the form of political or legal circumstances as well as natural events and economic developments. In particular, this includes the possible restriction of business activity in some countries. A further risk is that planned investments in such countries might not be able to be carried out due to economic instability or financial crisis. Existing country risks, if significant, are covered by Hermes guarantees.

Performance-related risks primarily affect the procurement, production and sales activities of the Werhahn Group.

In **procurement**, the greatest risks are posed by possible increases in the cost of inputs such as energy, fuel and bitumen, as well as refinancing funds. Bitumen, in particular, is an extremely important raw material for the Aggregates business unit and its production of asphalt mixtures for road construction. It calls for additional risk-reducing measures such as fixed-price quotas for bitumen and reduced bitumen consumption through the increased use of recycled asphalt. In the Consumer Goods division, there is a procurement-related risk of a strong rise in material prices as well as a default risk for suppliers, which could potentially lead to production shutdowns. This is counteracted by establishing alternative procurement sources. Refinancing in the Financial Services division also falls under procurement. The main risks in this area include a worsening of refinancing conditions or withdrawal of credit lines. Risks are limited through further diversification of refinancing, e.g. through ABS bonds.

Production risks are addressed with preventive maintenance and quality assurance measures as well as with proactive investment planning. This approach ensures that production capacities are reliably available and that damage from production stoppages can be avoided. Environmental protection interests and sustainability are also of high importance.

The **Sales** area faces a number of risks, which are primarily caused by weak economic development. In some cases, this can cause demand in individual industries or markets to fluctuate. Weak demand carries the additional risk that heavy competitive and price pressure will develop. Thus the Building Materials division faces the risk of shrinking demand for road construction products as a result of an investment restraint in public budgets caused by the economic and financial crisis. Demand may also fall in the Consumer Goods division due to cyclical developments, and is subject to fluctuations. In the Financial Services division, there is a risk that clients will no longer meet their financial obligations in the event of an economic downturn. Accordingly, special focus is placed on risk development and risk monitoring in the leasing and factoring business as well as in vehicle sales financing.

In the industrial area there is also the risk of increased customer insolvency, which is counteracted through consistent receivables management, collateralization and in some cases through appropriate credit default insurance.

Inventory risks can arise, for example, from a change in customer demand or from lengthy storage time, which may result in diminished usability of inventories. In this respect, inventories are continuously monitored and devaluations are made or greater price reductions in sales are guaranteed, if necessary.

Financial risks in the form of currency and interest rate risks are integral aspects of international business. Relevant risk positions are determined using standardized processes and are regularly evaluated using different risk instruments. Any measures deemed necessary are introduced immediately. In particular, currency risks caused by the international alignment of the individual corporate divisions are specifically limited, where economically sensible, using selected derivative financial instruments. In most cases, forward exchange contracts are used. Related hedging decisions are made in accordance with the Group's currency policy. The main currency risks result from cash flows in US dollars, Canadian dollars, Chinese renminbi (yuan), Japanese yen, Russian rubles, and Ukrainian hryvnia.

Internal risks include personnel and organizational risks as well as IT, legal, and compliance risks.

Personnel risks are minimized through a number of personnel policy tools such as performance-related remuneration, training for young professionals and extensive further training schemes. In addition, there is the "Employee Assistance Program" (EAP) in the Werhahn Group, an independent advisory service available to Werhahn employees for help with professional, personal, family, and financial matters.

Organizational risks are accounted for by clearly allocating responsibilities and organizational rules. The systematic review and further development of the business-unit-specific internal control systems is being further implemented.

Numerous technical and organizational measures have been instituted across the Group and reviewed by external audits to protect the **IT systems** against unauthorized access and data loss, thereby ensuring smooth handling of the Group's business processes. The IT structures in the individual corporate divisions are also being further standardized and upgraded. Special attention is paid to compliance with data protection provisions.

The **compliance systems** of the Werhahn Group are continually updated. Compliance officers have been appointed in the Group's business units. They meet regularly with the responsible Management Board, central compliance officers and auditors. In addition, a helpline has been set up that employees can access at any time and, if necessary, anonymously.

Within the scope of the Group's business activities, there are circumstances in which risks arise as a result of **legal disputes and legal proceedings**. These include, for instance, risks related to patent law, product liability, tax law, contract law, and competition law. These risks are preemptively mitigated as much as possible through comprehensive legal advice and internal policies. Furthermore, corresponding insurance policies have been taken out for various legal risks. In the case of pending proceedings not fully covered by insurance, the appropriate financial precautions are taken. Group tax returns are prepared centrally with great care. Nevertheless, there is a risk that back taxes will be owed as a result of financial audits.

No risks of future development or other significant risks have been identified.

RISK ASSESSMENT AND PROSPECTS

The three greatest individual risks, weighted on the basis of their percentage probability of occurrence, equal about 1 % of the Group equity. In comparison with the previous year, the risk situation, expressed as the total weighted probability of occurrence, has increased slightly.

No risks that could endanger the continued existence of the Werhahn Group are currently identifiable.

Research and Development

Research and development (R & D) are a high priority in the divisions of the Werhahn Group. Research anticipates customer requests, which employees in the development departments consistently turn into market-ready products. In addition, all of the divisions continuously work to improve their production processes.

In 2016, the Aggregates business unit continued with and further developed the research and development projects that were started in previous years. These projects focused on the reuse of recycled asphalt, the use of alternative bitumen sources and the modification of bitumen in order to optimize products and improve costs.

Together with systems manufacturers, the business unit also tested methods for improving emissions from asphalt mixing plants. This was achieved through the increased use of parallel drums in the counter-current process. Thanks to higher asphalt granulate temperatures, this technology facilitates a better reuse rate for asphalt, while lowering emissions and improving energy efficiency at the same time.

The business unit increased its R & D activities in the construction chemicals segment in order to generate advantages for its product processers. The use of innovative products is intended to enable simplified and accelerated processing in both roadway construction and structural engineering. Special bituminous jointing bands, among other things, were developed and patented for this purpose. Their shape ensures reliable processing in all application areas for asphalt road construction.

In response to customer demand for equipment technology that mechanically processes pore-filling compounds (bituminous pore sealers) for roads, bike paths and airfields, an application device was developed and successfully tested by the building chemicals segment. This makes the work process more effective and reduces packaging waste thanks to material deliveries in bulk packages. The equipment technology is so flexible that it can be mounted onto different carrier vehicles.

To improve energy efficiency in line with the energy management system (DIN EN 50001), the business unit initiated two research contracts: One, a study at Clausthal Technical University to quantify the savings potential of IE4 motors compared with IE3 and IE2 motors under real-life conditions in quarries and at mixing plants. The other, an analysis at Freiberg Technical University in preparation for an evaluation of the savings potential of air-sprung sifting machines compared with classic suspension systems such as steel coil springs, solid rubber springs or Rosta elements.

In 2016, the Consumer Goods division developed numerous new products that meet customers' high design and quality requirements. In addition, R & D activities included developments for prompt implementation and strategic preliminary research. A series of activities also deals with optimizing production processes.

In 2016, in the knives product segment, the Zwilling Kitchenware business unit developed another new series of household knives, which consists of eleven types. Thus the business unit can once again offer household knives, produced in Solingen using modern manufacturing processes, with the "Made in Germany" quality label. New knife series were specially developed for the markets in China and Japan.

The cookware segment updated the design and materials for several series. The development of a new fastening technology for wooden handles led to the successful launch of cast iron pans in a new, contemporary design. Development activities in the aluminum cookware segment were boosted in connection with the acquisition of Ballarini. In the course of the integration, a total of 32 new series with more than 200 items were developed for different Zwilling markets. Among other things, Ballarini succeeded in developing and launching a non-stick coating that is significantly more durable than conventional coatings. Using Ballarini's expertise, Demeyere developed the first aluminum pan series under its own brand. In addition, Demeyere developed various stainless steel cookware series with improved technology.

In the area of research, the cookware segment focused on studies to improve the efficiency of induction-compatible materials as well as studies on soil technologies and non-stick coatings.

In 2016, the Zwilling Beauty Group business unit developed new products for various markets. Based on the anti-bacterial coating for ceramic surfaces developed in the previous year, Zwilling Beauty Group is working to develop a completely new product palette in the area of callus removal. Establishing a special metal material to manufacture products using powder-metallurgy injection molding is another research focus. The new material should considerably improve cutting performance and will further emphasize the special quality and durability of the products. Use of the new material is planned for 2017, with the launch of a new nail clipper series for men.

Various innovation projects were initiated for the Tweezerman brand in 2016. One particular innovation was the development of the "lighted tweezer" – a tweezer with LED illumination. The first deliveries of this product in the United States took place in December 2016. allessandro International has long-term development partnerships with its own subsidiary and with contract suppliers. The aim is to become the innovation leader in the three key categories where the company is active: nail enhancements, colors and care.

The Jaguar/Tondeo Professional Hairdressing Equipment business unit developed various new products in the previous year. A straightening iron with intuitive touchscreen operation was successfully launched on the market in November 2016. Another innovation was a teflon-coated straight razor, which is expected to go on sale in the first half of 2017.

Environment and Sustainability

Responsible and sustainable business is one of the fundamental principles of the Werhahn Group. The Building Materials and Consumer Goods divisions take on this challenge with many products and processes that conserve natural resources.

In the spring of 2016, the companies of the Aggregates business unit successfully passed the matrix certification process for the quality management standard DIN EN 9001 and the energy management standard DIN EN 50001 as part of the DEKRA Ü1 audit. Preparations to transfer the quality management system to the revised standard have begun, for re-certification in spring 2018. All of the “safe-with-system” audits carried out by the German Social Accident Insurance Institution for the Raw Materials and Chemical Industry (BG RCI) in 2016 were also successfully completed.

At the suggestion of its customer Deutsche Bahn, the business unit started the project in order to obtain a Corporate Social Responsibility (CSR) certification from the certification company EcoVadis.

As in previous years, provisions were set up for re-cultivation and renaturing requirements. As of closing date, these provisions amounted to € 62 million (previous year: € 60 million).

The Consumer Goods division is implementing ongoing measures to improve eco-efficiency along the entire process chain, and it uses natural resources as sparingly as possible. Progress was made in 2016, for example, in treating production plant waste water produced by ZWILLING J.A. Henckels AG. A vacuum distillation system ensures that 94 % of the waste water can be reused as a distillate. The remaining 6 % is a liquid concentrate that must be disposed of. The energy management system of ZWILLING J. A. Henckels AG, certified according to DIN EN 50001 in 2014, was successfully reviewed in 2016 during an external supervisory audit. The energy management team has implemented further measures to continuously improve the responsible use of energy resources. For example, the fluorescent lamps in the production area have been replaced by LED lamps.

Demeyere in Belgium succeeded in reducing the use of chemicals in wash and Silvinox systems by 10 %. The plant’s cooling water system was modified with energy-saving components and now saves 2.5 MWh per year. In 2016, Ballarini removed asbestos from the roofs of its buildings and installed better insulated windows in order to reduce energy consumption. Ballarini also tested a new eco-cooling system for its hydraulic presses, which should reduce water consumption. It is planned to go into use in 2017. Ballarini has also introduced various measures to decrease waste water pollution. A new water filter system, among other things, is to be installed in 2017. Tweezerman installed new LED lighting technology in its production facilities and in the warehouse in 2016, which improves illumination in the halls and reduces costs.

Hedging and Valuation Units

The Werhahn Group uses hedging instruments such as physical contracts and derivative financial instruments to hedge against currency and purchase price risks. All transactions were made on the basis of internal guidelines and are limited to the hedging of operational business. The guidelines generally require that goods purchases and dividends, as well as principal and interest payments in foreign currencies, be hedged. Appropriate safety margins are taken into account.

Hedge accounting is used by the Werhahn Group as a way to counteract price fluctuations in commodities in the procurement market. As of closing date, no high valuation units exist.

The Group also concludes forward exchange contracts to hedge foreign currency risks resulting from planned and pending sales and purchase transactions or refinancing within the Group. The risk hedged as of the closing date was € 4 million. The largest proportion, with a nominal volume of € 57 million, is allotted to assets. In addition, a nominal volume of planned transactions is hedged in the amount of € 22 million, and of pending transactions in the amount of € 2 million. Most of the forward exchange contracts have remaining maturities of up to one year.

Underlying transactions and hedges are expected to eventually offset one another, as they are exposed to the same type of risk and meet the same main parameters. The highly probable forecast transactions primarily include the routine procurement of goods for the operating business. Safety margins are taken into account. The effectiveness of the hedging relationships is prospectively determined on each closing date by comparing the relevant valuation parameters. Provided that there are no changes to these parameters, almost complete effectiveness is assumed. Any resulting inefficiencies are recognized in accordance with the imparity principle.

Both micro and portfolio hedges are used. Opposing changes in the value of the underlying transactions and hedges are not reported in the Consolidated Income Statement (net hedge presentation method).

Derivative financial instruments are valued using the mark-to-market method. The following derivative financial instruments were used in the Werhahn Group:

in € million	Nominal volume Dec. 31, 2016	Market value Dec. 31, 2016
Forward exchange contracts	81	–3

As of the closing date, forward exchange contracts with a nominal volume of € 4 million and a positive fair value of less than € 1 million were included that were not recorded on the Balance Sheet as pending transactions.

Prospects and Opportunities Report

MACROECONOMIC PROSPECTS

Macroeconomic forecasts, such as the IMF forecast from January 2017, predict GDP growth of 3.4 % for the global economy in 2017, compared to 3.1 % in 2016. At the same time, development will be uneven regionally. A slight decline to 1.6 % is expected in the eurozone in 2017. The IMF forecasts growth of 2.3 % for the United States and 6.5 % economic growth for China. Overall, growth in the emerging markets and developing economies is expected to be 4.5 %.

In this environment, the German market – where the IMF predicts a growth of the GDP of 1.5 % in 2017 – will also continue to face some uncertainties due to the sustained consolidation pressure on public budgets, despite the forecasted growth.

OPPORTUNITIES FOR FUTURE GROWTH

Within the Werhahn Group, the individual business units have a number of opportunities to improve the development of their business situation compared with the annual planning.

The possibility that the condition of the German roads network, as well as the increasing traffic volumes, will require further investment in the transport infrastructure offers future opportunities for the **Aggregates** business unit. The budget for federal highways is increasing, and a growing GDP could open up more financial headroom in countries and municipalities. These funds should be available by 2017/2018. The introduction of car tolls could further increase the financial scope of public budgets. In other European countries, opportunities could arise as a result of additional EU development funds. Growth opportunities will also open up due to the expansion of product programs.

In the **Slate** business unit, opportunities exist primarily in the forced expansion of new areas of application (façade systems) and in the reduction of modernization backlogs (asbestos).

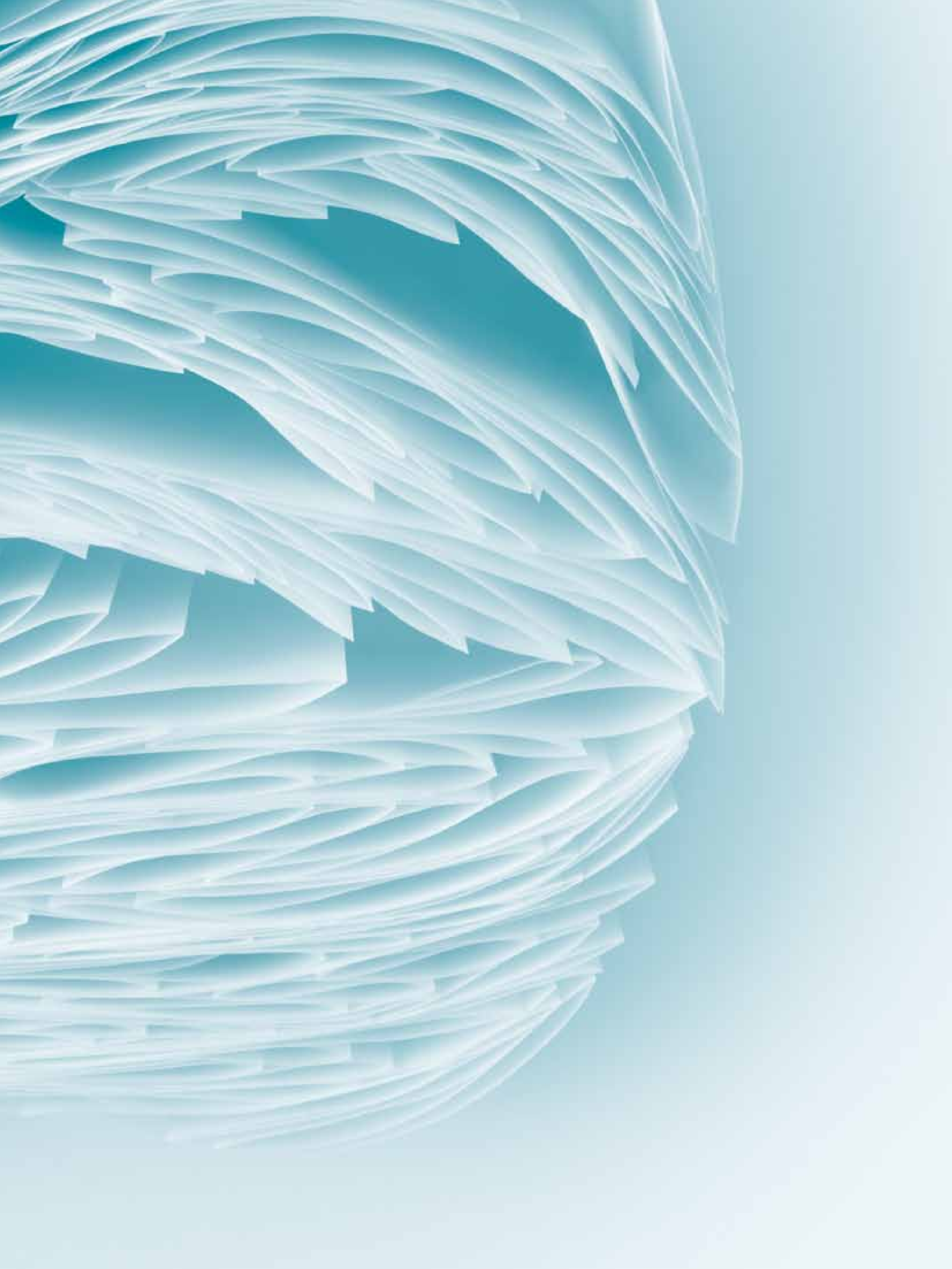
The **Consumer Goods** division will experience additional business opportunities as well as an increase in the profile of its brands due to additional global, large-scale project business, the further accelerated expansion of its own distribution channels and the promotion of e-commerce sales activities. Opportunities also exist due to the expected better development of relevant currency exchange rates.

In the **Financial Services** division, there will be opportunities for further internal and acquisition-related growth, which may lead to positive economies of scale. Due to an insolvency rate that continues to be favorable, the need for risk provisioning could stabilize at a low level. In addition, business opportunities are rapidly evolving in this area due to the rapid advances in digitization.

PROSPECTS FOR 2017

Traditionally, business development within the Werhahn Group is strongly influenced in the first part of the year by events in the building materials sector, which is heavily seasonal and weather-dependent. Due to weather conditions, the start of the year is slightly below the previous year's level here. The same applies to the operating result in the Consumer Goods division, while Financial Services are on the same level as the previous year. Still, the informative value of the first two months for the entire year is limited.

For 2017 the Management Board expects from today’s point of view a slight increase in net sales and an operating result adjusted for special effects, approximately at the level of 2016. This already includes expenses for the further development of the Group's digital activities. This development should also be reflected in earnings before tax.



Consolidated Financial Statements

Consolidated Balance Sheet

ASSETS

in k €	Notes	Dec. 31, 2016	Dec. 31, 2015
Intangible assets		206 890	244 635
Tangible assets		841 438	842 633
Financial assets		77 774	77 822
Fixed assets without leasing assets from financial services		**1 126 102**	**1 165 090**
Leasing assets from financial services		1 415 171	1 262 636
Fixed assets	**(1)**	**2 541 273**	**2 427 726**
Accounts receivable from financial services	(2)	2 899 645	2 464 429
Inventories	(3)	417 922	428 723
Accounts receivable and other assets	(4)	330 673	308 249
Securities	(5)	89 108	108 361
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	(6)	456 406	394 600
Current assets		**4 193 754**	**3 704 362**
Prepayments and accrued income		8 940	9 811
Surplus from offsetting		31	48
		6 743 998	**6 141 947**

EQUITY AND LIABILITIES

in k €	Notes	Dec. 31, 2016	Dec. 31, 2015
Fixed capital and capital reserves of Wilh. Werhahn KG		216 063	216 063
Group reserves		1 582 793	1 530 263
Non-controlling interests		72 426	63 203
Equity capital	**(7)**	**1 871 282**	**1 809 529**
Difference in amounts from the capital consolidation		1 159	–
Provisions	(8)	351 758	384 318
Liabilities from financial services	(9)	4 194 558	3 586 891
Liabilities	(10)	320 332	354 144
Outside capital		**4 866 648**	**4 325 353**
Deferred income		3 622	2 929
Deferred tax liabilities	(11)	1 287	4 136
		6 743 998	**6 141 947**

Consolidated Income Statement

in k €	Notes	2016	2015
Net sales	(12)	3 321 629	3 161 515
Inventory changes		–7 226	–925
Internally produced and capitalized assets		7 382	5 467
Total operating performance		**3 321 785**	**3 166 057**
Other operating income	(13)	56 647	109 445
Cost of materials	(14)	1 738 187	1 659 085
Personnel expenses	(15)	472 593	458 328
Depreciation of intangible and tangible assets	(16)	166 535	157 878
Depreciation of leasing assets from financial services		415 705	396 859
Other operating expenses	(17)	421 674	417 444
Investment income	(18)	12 956	32 659
Depreciation of financial assets and securities classified as current assets		2 492	2 282
Write-ups of financial assets		6	171
Interest result	(19)	–12 319	–16 894
Earnings before tax		**161 889**	**199 562**
Taxes on income and earnings	(20)	56 131	52 209
Earnings after taxes/net profit		**105 758**	**147 353**

Statement of Changes in Fixed Assets

	PURCHASE AND MANUFACTURING COSTS					
in k €	**Balance as of Jan. 1, 2016**	Changes in scope of consolidation et al.	Additions	Disposals	Reclassifications	**Balance as of Dec. 31, 2016**
Concessions acquired against payment, commercial trademarks and similar rights and assets, as well as licenses to such rights and assets	**193 620**	1 209	6 345	2 170	2 907	**201 911**
Goodwill	**431 715**	–79	6 169	8 393	–	**429 412**
Prepayments	**5 059**	–15	2 804	163	–2 501	**5 184**
Intangible assets	**630 394**	**1 115**	**15 318**	**10 726**	**406**	**636 507**
Land, land rights and buildings including buildings on third-party land	**929 562**	409	14 812	6 084	9 148	**947 847**
Technical facilities and machinery	**1 244 268**	–60	30 164	43 263	14 193	**1 245 302**
Other facilities, operating and business equipment	**433 345**	110	38 612	31 305	1 675	**442 437**
Prepayments and facilities under construction	**43 456**	242	30 694	424	–25 422	**48 546**
Tangible assets	**2 650 631**	**701**	**114 282**	**81 076**	**–406**	**2 684 132**
Interests in affiliated companies	**15 149**	58 989	31	169	–16	**73 984**
Interests in associated at-equity companies	**43 721**	–665	1 059[1]	636[1]	–5 699	**37 780**
Interests in other associated companies and other participations	**67 190**	–2	3 206	5 919	5 715	**70 190**
Loans to affiliated companies	**2 486**	–	–	105	–	**2 381**
Loans to companies in which participations are held	**18**	–	–	–	–	**18**
Other loans	**1 304**	–	110	6	–	**1 408**
Financial assets	**129 868**	**58 322**	**4 406**	**6 835**	**–**	**185 761**
Fixed assets without leasing assets from financial services	**3 410 893**	**60 138**	**134 006**	**98 637**	**–**	**3 506 400**
Leasing assets from financial services	**2 151 538**	**–**	**676 741**	**472 839**	**–**	**2 355 440**
Fixed assets	**5 562 431**	**60 138**	**810 747**	**571 476**	**–**	**5 861 840**

[1] Thereof from equity valuation			1 059	636		

CUMULATED DEPRECIATION							BOOK VALUE	
Balance as of Jan. 1, 2016	Changes in scope of consolidation et al.	Additions	Appre-ciations	Disposals	Reclassi-fications	**Balance as of Dec. 31, 2016**	**Balance as of Dec. 31, 2016**	**Balance as of Dec. 31, 2015**
125 112	919	15 759	110	1 615	22	**140 087**	**61 824**	68 508
259 501	–31	36 560	–	7 606	–	**288 424**	**140 988**	172 214
1 146	–18	–	–	–	–22	**1 106**	**4 078**	3 913
385 759	**870**	**52 319**	**110**	**9 221**	**–**	**429 617**	**206 890**	**244 635**
421 424	–769	25 422	3 198	3 782	–	**439 097**	**508 750**	508 138
1 044 730	–191	55 145	–	41 846	–195	**1 057 643**	**187 659**	199 538
341 391	53	33 300	–	29 463	195	**345 476**	**96 961**	91 954
453	–2	27	–	–	–	**478**	**48 068**	43 003
1 807 998	**–909**	**113 894**	**3 198**	**75 091**	**–**	**1 842 694**	**841 438**	**842 633**
9 332	56 693	2 076	–	22	1	**68 080**	**5 904**	5 817
22 051	–405	129[1]	–	–	–4 101	**17 674**	**20 106**	21 670
19 170	–1	–	–	2 523	4 100	**20 746**	**49 444**	48 020
1 270	–	–	–	–	–	**1 270**	**1 111**	1 216
–	–	–	–	–	–	–	**18**	18
223	–	–	6	–	–	**217**	**1 191**	1 081
52 046	**56 287**	**2 205**	**6**	**2 545**	**–**	**107 987**	**77 774**	**77 822**
2 245 803	**56 248**	**168 418**	**3 314**	**86 857**	**–**	**2 380 298**	**1 126 102**	**1 165 090**
888 902	**–**	**415 705**	**–**	**364 338**	**–**	**940 269**	**1 415 171**	**1 262 636**
3 134 705	**56 248**	**584 123**	**3 314**	**451 195**	**–**	**3 320 567**	**2 541 273**	**2 427 726**

Consolidated Cash Flow Statement

	in k €	2016	2015
	Profit for the period (consolidated net income/net loss for the financial year including minority interests)	105 758	147 353
+/–	Depreciation, amortization and write-downs of fixed assets/reversals of write-downs of fixed assets (without leasing assets from financial services)	165 103	158 751
+/–	Increase/decrease in provisions	–18 408	3 825
+/–	Other non-cash expenses/income	–4 752	3 333
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	3 479	44 057
+/–	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	101	–11 799
–/+	Gain/loss from disposal of fixed assets	–651	–21 463
+/–	Interest expenses/income	12 319	16 894
–	Other investment income	–12 956	–32 660
+/–	Income tax expenses/income	56 131	52 209
–/+	Income taxes paid	–78 485	–53 785
+/–	Depreciation, amortization and write-downs of leasing assets/reversals of write-downs of leasing assets	415 705	396 859
+	Proceeds from disposals of leasing assets	108 501	130 058
–	Payments to acquire leasing assets	–676 741	–675 004
–/+	Increase/decrease of securities in financial services companies (unless classified as financial assets)	19 272	–3 028
–/+	Increase/decrease in accounts receivable from customers from financial services	–474 018	–438 740
–/+	Increase/decrease in accounts receivables from credit institutions from financial services	38 802	–71 812
+/–	Increase/decrease in liabilities to customers from financial services	263 457	533 363
+/–	Increase/decrease in liabilities to banks from financial services	235 928	107 422
+/–	Increase/decrease in other liabilities from financial services	108 281	85 335
+	Dividends received from financial services companies	–	302
	Cash flows from operating activities	**266 826**	**371 470**

	in k €	**2016**	2015
+	Proceeds from disposal of intangible fixed assets	1 510	2 095
–	Payments to acquire intangible fixed assets	–11 652	–11 197
+	Proceeds from disposal of tangible fixed assets	6 974	26 207
–	Payments to acquire tangible fixed assets	–114 282	–137 213
+	Proceeds from disposal of long-term financial assets	2 213	14 939
–	Payments to acquire long-term financial assets	–2 532	–12 560
+	Proceeds from disposals of entities included in the basis of consolidation	3 180	–
–	Payments to acquire entities included in the basis of consolidation	–4 775	–100 555
+	Interest received	2 368	4 298
+	Dividends received	12 411	29 925
	Cash flows from investment activities	**–104 585**	**–184 061**
+	Proceeds from capital contributions by minority shareholders	5 169	1 939
–	Cash payments to minority shareholders from the redemption of shares	–	–11 655
+/–	Proceeds from the issuance of bonds and from borrowings/cash repayments of bonds and borrowings	–12 023	2 463
+	Proceeds from subsidies/grants	1 401	1 153
–	Interest paid	–6 439	–8 374
–	Dividends paid to shareholders of the parent entity	–71 703	–21 129
–	Dividends paid to minority shareholders	–20 830	–24 777
	Cash flows from financing activities	**–104 425**	**–60 380**
	Net change in cash funds	57 816	127 029
+/–	Effect on cash funds of exchange rate movements and remeasurements	–70	2 406
+/–	Effect on cash funds of changes in the basis of consolidation	–779	13
+	**Cash funds at beginning of period**	**378 641**	**249 193**
	Cash funds at end of period	**435 608**	**378 641**

Cash funds are composed of the following items:

in k €	**2016**	2015
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	456 406	394 600
Liabilities to credit institutions payable on demand and other short-term loans that are part of the disposition of liquid funds	–20 798	–15 959
Cash funds at end of period	**435 608**	**378 641**

Statement of Changes in Equity

in k €	PARENT COMPANY					NON-CONTROLLING INTERESTS		
	Capital shares of Wilh. Werhahn KG	Capital reserve of Wilh. Werhahn KG	Equity earned by the Group	Foreign currency conversion	Other neutral transactions	Equity attributable to non-controlling interests	Foreign currency conversion	Group total equity
Balance as of January 1, 2015	**147 790**	**96 794**	**1 450 370**	**–16 152**	**5 227**	**57 575**	**3 180**	**1 744 784**
Distribution to shareholders	–	–	–64 886	–	–	–28 757	–	**–93 643**
Issue of shares	–	–	–	–	–	1 669	–	**1 669**
Changes in scope of consolidation	–	–	–	–	967	–	–	**967**
Withdrawals	–	–28 521	–88 706	–	–	–	–	**–117 227**
Other changes	–	–	117 227	–	–	–	–	**117 227**
– Net profit for the Group in 2015	–	–	*114 389*	–	–	*32 964*	–	***147 353***
– Other Group result	–	–	*935*	*11 968*	*–1 076*	*–5 217*	*1 789*	***8 399***
Group total result	–	–	115 324	11 968	–1 076	27 747	1 789	**155 752**
Balance as of December 31, 2015	**147 790**	**68 273**	**1 529 329**	**–4 184**	**5 118**	**58 234**	**4 969**	**1 809 529**
Distribution to shareholders	–	–	–28 101	–	–	–22 123	–	**–50 224**
Issue of shares	–	–	–	–	–	5 169	–	**5 169**
Changes in scope of consolidation	–	–	–63	233	57	675	–	**902**
Other changes	–	–	–	–	–2 031	–	–	**–2 031**
– Net profit for the Group in 2016	–	–	*78 400*	–	–	*27 358*	–	***105 758***
– Other Group result	–	–	*–300*	*4 286*	*49*	*–702*	*–1 154*	***2 179***
Group total result	–	–	78 100	4 286	49	26 656	–1 154	**107 937**
Balance as of December 31, 2016	**147 790**	**68 273**	**1 579 265**	**335**	**3 193**	**68 611**	**3 815**	**1 871 282**

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

The Consolidated Financial Statements of Wilh. Werhahn KG, based in Neuss and entered in the register of companies at the Neuss District Court under the number HRA 4096, were prepared in accordance with the rules set out in sections 13 et seq. of the German Public Disclosure Act (PublG) – excluding the facilitations in section 13, paragraph 3, clauses 1 and 2 of the PublG – in conjunction with sections 294 et seq. of the German Commercial Code (HGB) and have been published in the Federale Gazette.

Changes to the German Commercial Code (HGB) as a result of the German Accounting Directive Implementation Act (BilRUG) were implemented for the first time during the year under review.

According to HGB section 297 paragraph 1, the Consolidated Financial Statements comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Notes to the Consolidated Financial Statements, the Cash Flow Statement and the Statement of Changes in Equity.

German Accounting Standards (DRS) have been applied where legally required, and are based on the interpretation of general legal principles.

The Consolidated Financial Statements were prepared in thousands of euros. To provide a better overview, various items on the Balance Sheet and in the Income Statement have been summarized and explained in the Notes. As in previous years, the Balance Sheet has also been expanded to include separate items for the financial services business. In the reporting period, other taxes are allocated to other operating expenses for the first time in order to improve clarity. The figures for the previous year were adapted accordingly.

SCOPE OF CONSOLIDATION

All participations are listed on pages 108 to 120. The Consolidated Financial Statements as of December 31, 2016 incorporate all the companies shown under 1. **Consolidated Affiliated Companies**. Along with the parent company, Wilh. Werhahn KG, the scope of consolidation comprises 100 companies in Germany (previous year: 116) and 60 companies abroad (previous year: 60). In the year under review, 4 companies were incorporated for the first time. One previously affiliated but non-consolidated company was added to the scope of consolidation because it surpassed the size criteria for full consolidation, and 3 new companies were established. Of the 20 companies removed from the list in the year under review, 16 were companies that were merged into consolidated subsidiaries, so that their assets remain inside the scope of consolidation. Due to their minor significance, 3 companies were deconsolidated and one company was sold.

Pursuant to HGB section 296, paragraph 2, 84 affiliated companies were not consolidated, as their impact on the net assets, financial position and results of operations of the Group was also of minor significance overall. In addition, no equity valuation was conducted for these companies due to their minor importance. The combined net sales of these companies account for less than 4 % of net Group sales, and their combined assets equal less than 2 % of the consolidated balance sheet total. There are no peculiarities to the Group’s legal and commercial relationships with these companies.

All 15 companies listed under 2. **Associated At-Equity Companies** were consolidated using the equity method. Because they are in total of minor significance with regard to net sales and balance sheet totals and in regard to their influence on the net assets, financial position, and results of operations, other associated companies have not been incorporated at-equity in the Financial Statements.

PRINCIPLES OF CONSOLIDATION

The **consolidated affiliated companies** are included in the Consolidated Financial Statements as of the date on which control was acquired, the date of their founding or, if they were previously not consolidated due to their minor significance, the date on which they surpassed the size criteria for consolidation. The companies' capital was consolidated using the purchase method, by offsetting the purchase costs against the Group's share in their revalued equity. Any remaining difference on the asset side after the disclosure of hidden reserves is shown as goodwill. Goodwill is amortized over its individual useful life. The amortization periods for the Group's material goodwill items are summarized and outlined in groups in the following table:

USEFUL LIFE OF GOODWILL

	Useful life	Explanation
Aggregates business unit	15 years	Long-term availability of locations in conjunction with long-term usability of fixed assets and long-established customer relationships in regionally limited markets
Slate business unit	5 years	Corresponds to the average duration of customer relationships
Zwilling Kitchenware business unit (Staub Group and Demeyere G.C.V.)	15 years	High degree of stability and long-term duration of the industry, brand stability and long product life cycles
Zwilling Kitchenware business unit (Ballarini Group)	7 years	Relatively high degree of stability and long-term duration of the industry, moderate duration of product life cycles
Zwilling Beauty Group business unit (Tweezerman)	15 years	High degree of stability and long-term duration of the industry, brand stability and long product life cycles
Zwilling Beauty Group business unit (remaining companies)	5 years	Corresponding to the relatively short product life cycles
Jaguar/Tondeo Professional Hairdressing Equipment business unit	15 years	Planned long-term Group affiliation
abcfinance business unit	5 years	Corresponding to the average duration of lease agreements and customer relationships

Associated companies are valued at equity using the book-value method. The difference resulting from at-equity consolidation is calculated at the time the company became an associated company or at the time of the initial consolidation if the company was not previously consolidated due to its minor significance. Any goodwill arising from initial at-equity valuation was recognized under interests in associated at-equity companies and depreciated according to schedule over 15 years. Goodwill from at-equity consolidation totaled k € 497 as of the closing date, with depreciation of k € 84. Prior to at-equity consolidation, there was a difference between the book values of the participation and the proportional equity of the associated at-equity companies of k € 12 546 or k € –1 417.

The Financial Statements of fully consolidated subsidiaries in Germany and abroad were uniformly prepared in accordance with the accounting and valuation methods stipulated in the Werhahn accounting guidelines.

Accounts receivable and liabilities, net sales, expenses, income and interim results between consolidated companies have been eliminated. In the case of companies consolidated at equity, interim results in fixed and current assets have also been eliminated.

CURRENCY CONVERSION

The reporting currency for the Werhahn Group is the euro. Balance sheet items for financial statements of consolidated subsidiaries prepared in foreign currencies are valued at the mean euro spot exchange rate on closing date. The exception to this is equity, which is reported at the historical rate. Items on the Consolidated Income Statement are converted into euros at the average rate for the year.

Differences due to currency conversion are reported, without effect on profit or loss, in the currency conversion balancing item under Group total equity.

The most important exchange rates for the Werhahn Group are:

	AVERAGE RATE		CLOSING RATE	
in €	**2016**	2015	**2016**	2015
US dollar	**1.1068**	1.1100	**1.0541**	1.0887
Canadian dollar	**1.4665**	1.4178	**1.4188**	1.5116
Polish zloty	**4.3631**	4.1824	**4.4103**	4.2639
Chinese renminbi yuan	**7.3519**	6.9761	**7.3252**	7.0728
Japanese yen	**120.3126**	134.3209	**123.4000**	131.0700

EXEMPTION FROM COMPULSORY DISCLOSURE

Pursuant to section 264b of the German Commercial Code (HGB), the following limited partnerships are exempt from the obligations set out in HGB section 264a, paragraph 1 due to their inclusion in the present Consolidated Financial Statements:

- ETL Leasing GmbH & Co. KG, Dortmund

For the following subsidiaries, use has been made of the exemption pursuant to section 264, paragraph 3 of the German Commercial Code (HGB) in conjunction with section 264, paragraph 4 of the HGB:

- abcfinance GmbH, Cologne
- Alpha Beteiligungen GmbH, Monheim am Rhein
- Charlie Acquisition GmbH, Monheim am Rhein
- debcash Forderungsmanagement GmbH, Cologne
- DeTeWe Finance GmbH, Cologne
- Dresdner Factoring AG, Cologne
- Hako Finance GmbH, Cologne
- Schneidereit Finance GmbH, Cologne
- WW Sechste Acquisition GmbH, Monheim am Rhein
- WW Siebte Acquisition GmbH, Monheim am Rhein
- Werhahn Beteiligungs- und Projektgesellschaft mbH, Neuss
- Yareto GmbH, Neuss

ACCOUNTING AND VALUATION PRINCIPLES

The accounting and valuation principles of Wilh. Werhahn KG also apply to the Consolidated Financial Statements. Financial statements for consolidated subsidiaries whose accounts are prepared using different accounting principles have been adjusted. Only in insignificant cases has an adjustment not been made. In principle, the option to capitalize is not exercised.

Intangible assets, including goodwill from capital consolidation, are valued at purchase cost less scheduled and non-scheduled depreciation. Depreciation was conducted using the straight line method pro rata temporis over a useful life of 3 to 10 years. The useful life for goodwill is 5 to 15 years.

Tangible assets are valued at purchase or manufacturing cost, in the case of depreciable items less scheduled depreciation based on the ordinary useful life. As far as the Consolidated Financial Statements permit, depreciation of assets acquired before January 1, 2010, is based on the maximum amounts under tax law. Assets acquired after this date are depreciated using the straight line method pro rata temporis. Non-scheduled depreciation is carried out wherever the asset must be measured at a lower value. Interest on borrowed capital is not reflected in manufacturing costs.

Interests in **non-consolidated affiliated companies, other associated companies**, and **other participations** are measured at purchase cost or lower carried-over book values. Important interests in **associated companies** are included at-equity in the Consolidated Financial Statements according to the book value method. **Loans** are measured at face value or lower book value. **Long-term securities** are measured at purchase cost. Non-scheduled depreciation is carried out wherever the asset must be measured at a lower value.

Leasing assets from financial services are reflected at acquisition costs less scheduled and non-scheduled depreciation. Leasing objects are depreciated using the straight line method over the usual useful life of the object. The depreciation of leasing objects acquired before 2015 is based on the term of contract.

Accounts receivable from financial services are measured at their face value. Individual risk and general credit risk have been accounted for through appropriate mark-downs.

In **inventories**, raw materials and supplies as well as merchandise are measured at their purchase or manufacturing cost. Finished and unfinished goods are measured at manufacturing cost. Manufacturing costs comprise individual material and production costs and the separate individual costs of production. Necessary material and production overheads as well as any decline in the value of fixed assets caused by the manufacture of the item are included. Inventory risks arising from time in storage and from diminished usability have been accounted for through appropriate mark-downs. Account is taken of loss-free valuation.

Accounts receivable and **other assets** are shown at their respective face values. Allowances have been made for potential risks through individual depreciation and general bad debt provisions. Long-term receivables in foreign currencies have been converted at the rate on the date of entry or at the less favorable rate on the closing date. Short-term receivables in foreign currencies are primarily converted at the mean spot rate on the closing date.

Marketable securities are measured at purchase cost or lower daily value.

Derivative financial instruments, such as forward transactions and swaps, are used for hedging purposes in order to reduce currency and price risks incurred in operating business or from the resulting financing requirements.

Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks are shown at face value. Holdings in foreign currencies are primarily converted at the mean spot rate on the closing date.

Deferred taxes are recognized for temporary differences between the commercial and tax value of assets, liabilities and prepaid and deferred items. Deferred taxes on tax losses and interest amounts, which may be utilized within the next 5 years, are also recognized. The option to offset deferred tax assets and deferred tax liabilities was excercised. Subsequently, if a net asset position remains from the individual financial statements, this is not recognized in the Consolidated Financial Statements. Insofar as there is a debt carryover, and further tax losses and interest amounts exist that can be offset and carried forward without limit, further deferred taxes up to the amount of the excess of deferred tax liabilities are then recognized.

No deferred tax liabilities are recognized on goodwill resulting only from capital consolidation. Deferred taxes are also not recognized on differences resulting from the taxable measured value of a consolidated affiliated or associated at-equity company and the commercial value of the net assets recognized in the Consolidated Financial Statements. Deferred taxes according to section 306 of the German Commercial Code (HGB) are summarized with those from the individual financial statements according to HGB section 274.

The company-specific tax rates, expected to be valid at the time when timing differences are reversed, apply. They range from 9 % to 37 %.

Provisions are measured at the settlement amount required in accordance with sound business practices and, where they have a remaining maturity of more than one year, are discounted at the market interest rate determined by the German Federal Bank for the respective term. The option to form higher provisions will be exercised if the amount to be released must be transferred again by December 31, 2024, at the latest.

The settlement amount of **pension provisions** is calculated based on expected future salary and pension increases of 0.0 % to 3.5 %, as well as assumptions concerning future employee fluctuations. Where permitted, the entry age normal method based on the 2005 G tables created by Prof. Dr. Heubeck is used. The rules for discounting provisions for pension obligations were reformed as part of the Mortgage Credit Directive. Pension provisions are discounted using the average market interest rate of the last ten years, determined by the German Federal Bank over a fixed remaining term of 15 years. In contrast, the average market interest rate of the last seven years was used in the previous year. An interest rate of 4.0 % was used as of December 31, 2016, for the valuation of pension provisions. Any assets to which all other creditors do not have access and which are to be used solely for the fulfillment of pensions or other similar obligations (cover assets) were offset against provisions. The fair value of the covered assets is determined by means of external valuation reports or listed market prices. The pension provisions item also includes obligations on the part of US subsidiaries to provide medical insurance to their employees following retirement.

The separate item **liabilities from financial services** shows the liabilities of the financial service companies at their respective settlement amounts. It also includes deferrals from the financial service business.

Liabilities are shown at their settlement value. Long-term liabilities in foreign currencies have been converted at their entry date rate or at the less favorable rate on the closing date. However, short-term liabilities are generally valued at the rate on the closing date.

CLOSING DATE FOR COMPANIES INCORPORATED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Fully consolidated subsidiaries incorporated in the Consolidated Financial Statements generally close their accounts on December 31. The exceptions are the companies Tweezerman (India) Pvt. Ltd., Ital Beauty Nippers (India) Pvt. Ltd. and ZWILLING Kitchen India Pvt. Ltd., which close their accounts on March 31. These companies are incorporated in the Consolidated Financial Statements of the Werhahn Group with interim financial statements.

The closing date for the associated at-equity companies is generally December 31.

Notes to the Balance Sheet

(1) FIXED ASSETS

The breakdown of and changes in intangible and tangible assets, financial assets, and leasing assets from financial services are shown on pages 84/85.

Goodwill is derived primarily from capital consolidation.

Fixed assets include leasing assets from financial services in the amount of k € 1 415 171 (previous year: k € 1 262 636).

Depreciation includes non-scheduled depreciation totaling k € 24 861 (previous year: k € 14 728). Of this, k € 21 535 relates to leasing assets from financial services.

(2) ACCOUNTS RECEIVABLE FROM FINANCIAL SERVICES

in k €	Dec. 31, 2016	thereof due in more than 1 year	Dec. 31, 2015	thereof due in more than 1 year
Receivables from banks from financial services	**376 434**	**30 662**	415 236	26 055
Purchased accounts receivable	**8 596**	**6 331**	6 809	106
Accounts receivable from banking business	**1 673 025**	**1 113 312**	1 326 650	867 313
Accounts receivable from factoring business	**205 591**	**–**	166 197	4 763
Hire-purchase receivables	**598 834**	**363 865**	511 746	303 500
Other accounts receivable from financial services	**20 899**	**6 428**	37 791	66
Deferrals	**16 266**	**15 072**	–	–
	2 899 645		**2 464 429**	

(3) INVENTORIES

in k €	**Dec. 31, 2016**	Dec. 31, 2015
Raw materials and supplies	**97 494**	96 128
Unfinished goods and services	**57 766**	59 307
Finished goods and merchandise	**260 594**	271 610
Prepayments	**2 068**	1 678
	417 922	428 723

(4) ACCOUNTS RECEIVABLE AND OTHER ASSETS

in k €	**Dec. 31, 2016**	**thereof due in more than 1 year**	Dec. 31, 2015	thereof due in more than 1 year
Trade accounts receivable	**224 192**	**53**	201 441	60
Accounts receivable from affiliated companies	**3 683**	**–**	2 971	–
Accounts receivable from companies in which a participating interest is held	**18 908**	**4 071**	22 009	6 375
Other assets	**83 890**	**8 529**	81 828	17 511
	330 673		308 249	

Accounts receivable from affiliated companies and receivables from companies in which a participating interest is held result from supply and delivery transactions in the amount of k € 544 and k € 2 412, respectively.

(5) SECURITIES

Securities totaling k € 88 609 are mostly bonds, which are essentially held by Bankhaus Werhahn GmbH and Bank11 für Privatkunden und Handel GmbH. No stocks are held.

(6) CASH ON HAND, CASH DEPOSITED WITH THE GERMAN FEDERAL BANK, BANK DEPOSITS AND CHECKS

Of the cash on hand, cash deposited with the German Federal Bank, bank deposits and checks in the amount of k € 456 406, k € 1 418 are subject to restriction of disposal.

This item includes cash on hand, cash deposited with the German Federal Bank, bank deposits and checks from the Financial Services division and Bankhaus Werhahn GmbH in the amount of k € 240 267.

(7) EQUITY CAPITAL

Equity capital in the Consolidated Financial Statements includes the reported net equity of Wilh. Werhahn KG and the Group reserves, as well as non-controlling interests in the equity capital of the subsidiaries incorporated in the Consolidated Financial Statements. These amounts relate primarily to outside shareholders in the Building Materials and Consumer Goods divisions. Participations in profit and loss by non-controlling interests totaled k € 27 647 and k € 289, respectively. Dividend distributions to non-controlling shareholders and to shareholders in Wilh. Werhahn KG scheduled as of the closing date are recognized in other liabilities.

The development of the Group total equity is shown in the Statement of Changes in Equity.

On the closing date, there were restrictions on distribution amounting to k € 8 790 under German law and k € 4 575 under local law.

Due to an agreement under corporate law, the net profit for the year has been allocated to reserves.

(8) PROVISIONS

in k €	**Balance as of Jan. 1, 2016**	Consumed	Released	Addition	Other changes	**Balance as of Dec. 31, 2016**
Pensions and similar obligations	**111 217**	8 046	1 036	1 428	–661	**102 902**
Tax provisions	**32 440**	26 361	1 124	13 867	–1 460	**17 362**
Other provisions						
Personnel expenses	**66 241**	54 765	1 673	47 977	376	**58 156**
Recultivation	**60 077**	1 281	2 604	3 311	3 076	**62 579**
Sureties and guarantees	**14 834**	2 146	2 824	3 767	42	**13 673**
Outstanding and missing invoices	**16 651**	14 476	1 159	19 063	–35	**20 044**
Miscellaneous other provisions	**82 858**	54 544	10 833	59 604	–43	**77 042**
	384 318	**161 619**	**21 253**	**149 017**	**1 295**	**351 758**

Assets to cover pensions and similar obligations with current market values totaling k € 2 376 and k € 299 were offset against pension provisions and provisions for personnel costs, respectively. The historical acquisition costs of the cover assets are k € 2 047 and k € 273, respectively. Without offsetting, the pension provisions would have totaled k € 105 278, and the provisions for personnel costs k € 58 455.

As of the closing date, the difference between the valuation of pension provisions with the 10-year average interest rate and the 7-year average interest rate amounts to k € 9 018.

The Group will exercise the option to form higher provisions if the value to be released must be restored by December 31, 2024, at the latest. The excess cover as of the closing date was k € 991.

(9) LIABILITIES FROM FINANCIAL SERVICES

in k €	Dec. 31, 2016	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	**207 709**	**91 912**	**115 797**
Liabilities to banks from financial services	**1 149 035**	**296 746**	**852 289**
Liabilities to customers from financial services	**2 806 887**	**1 976 055**	**830 832**
Deferrals	**30 927**	**11 382**	**19 545**
	4 194 558		
	Dec. 31, 2015		
Bonds from financial services	104 467	55 731	48 736
Liabilities to banks from financial services	913 107	352 355	560 752
Liabilities to customers from financial services	2 543 429	1 869 723	673 706
Deferrals	25 888	9 846	16 042
	3 586 891		

Liabilities from financial services relate to the refinancing of the companies in the Financial Services division. Deferrals consist predominantly of prepaid and deferred items for income from leasing business that is not yet payable.

As of the closing date, liabilities from financial services with a remaining term of more than 5 years totaled k € 34 727 (previous year: k € 41 572).

(10) LIABILITIES

in k €	Dec. 31, 2016	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	**64 655**	**36 670**	**27 985**
Payments received on account	**363**	**266**	**97**
Trade accounts payable	**107 318**	**107 127**	**191**
Liabilities to affiliated companies	**19 033**	**19 033**	**–**
Liabilities to companies in which a participating interest is held	**31 440**	**30 035**	**1 405**
Other liabilities	**97 523**	**95 112**	**2 411**
(thereof from taxes)	***(34 872)***		
(thereof for social security payments)	***(4 220)***		
	320 332		
	Dec. 31, 2015		
Liabilities to banks	70 738	30 627	40 111
Payments received on account	897	794	103
Trade accounts payable	121 622	121 038	584
Liabilities to affiliated companies	4 896	4 896	–
Liabilities to companies in which a participating interest is held	23 406	22 238	1 168
Other liabilities	132 585	120 283	12 302
(thereof from taxes)	*(22 295)*		
(thereof for social security payments)	*(4 361)*		
	354 144		

As of the closing date, liabilities with a remaining term of more than 5 years totaled k € 8 074 (previous year: k € 12 234). For liabilities amounting to k € 39 617, security has been provided in the form of mortgages, title transfers by way of security and other rights.

Liabilities to affiliated companies and liabilities to companies in which a participating interest is held include amounts of k € 1 580 and k € 5 319, respectively, which relate to supply and delivery transactions.

(11) DEFERRED TAX LIABILITIES

After offsetting against deferred tax assets, there was a surplus of deferred tax liabilities of k € 1 287 in the Consolidated Financial Statements. Debt carryover from the subsidiaries amounting to k € 6 361 exceeded deferred tax assets from consolidation measures.

Without being offset, this resulted in deferred tax liabilities of k € 18 548 and deferred tax assets of k € 17 261. Deferred tax liabilities have been reduced by k € 4 532 and deferred tax assets by k € 1 683 in the business year.

Deferred tax liabilities resulted mainly from tangible assets and intangible assets, while deferred tax assets relate primarily to inventories and accounts receivable from financial services. Deferred taxes on loss carryforwards are insignificant. The net asset positions of individual financial statements are not recognized. Taking into account the net asset positions would have resulted in deferred tax assets of k € 56 410 in the Group.

Notes to the Consolidated Income Statement

The Consolidated Income Statement was drawn up using the total expenditure format.

(12) NET SALES

Net sales include revenues from product sales, less discounts and price reductions, as well as net sales from renting or leasing and the provision of services. Service revenues from the banking and leasing segment are also reported.

The composition of net sales has been redefined in the wake of BilRUG. If this new definition had been applied to the previous year, net sales for 2015 would have increased by k € 13 917 to k € 3 175 432.

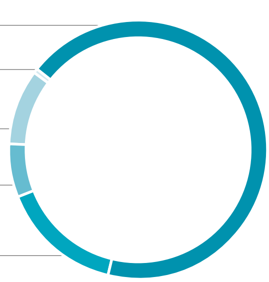
In the 2016 business year, other sales of k € 13 666 were included in net sales.

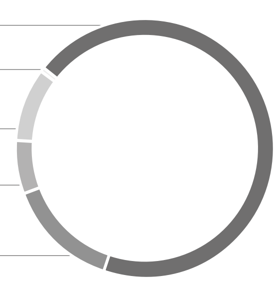
BY CORPORATE DIVISIONS

in k €	2016	2015
Building Materials	**1 313 611**	1 317 918
Consumer Goods	**848 779**	763 432
Financial Services	**1 108 068**	1 019 318
Others	**67 677**	63 224
Consolidation	***–16 506***	*–2 377*
	3 321 629	3 161 515

BY REGIONS

in k €	2016	2015
Germany	**2 267 214**	**2 200 467**
Rest of world	**13 666**	**13 142**
Asia	**310 758**	**291 565**
North America	**227 734**	**208 891**
Rest of Europe	**502 257**	**447 450**
Total	3 321 629	3 161 515





(13) OTHER OPERATING INCOME

This item comprises mainly nonperiodic income from the release of provisions (k € 19 094), appreciation of fixed and current assets (k € 3 330) as well as profits from the disposal of fixed assets (k € 3 318) and valuation allowances (k € 2 588).

Other operating income also includes currency exchange gains (k € 7 554; previous year: k € 13 390).

Due to the new definition of net sales of BilRUG, other operating income from the previous year is partly reported under net sales in 2016.

(14) COST OF MATERIALS

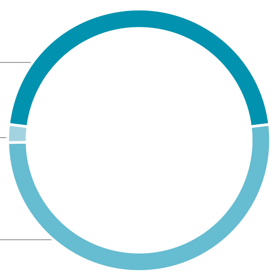
Cost of materials totaled k € 1 738 187 (previous year: k € 1 659 085), thereof k € 795 870 (previous year: k € 808 350) for raw materials and supplies and k € 77 053 (previous year: k € 66 780) for purchased services. The cost of materials item also particularly includes acquisition costs for hire-purchase objects, expenditures for outgoing freight, disposed residual book values of sold leasing assets, energy costs as well as refinancing costs and commissions from the banking and leasing segment.

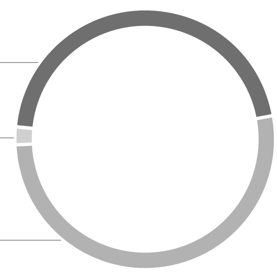
(15) PERSONNEL EXPENSES

in k €	2016	2015
Wages and salaries	**390 825**	377 340
Social security contributions and staff welfare costs	**81 313**	75 792
Pension costs	**455**	5 196
	472 593	458 328

The average number of employees over the business year was as follows:

	2016	2015
Salaried employees	4 550	4 281
Trainees	225	193
Wage earners	5 057	4 917
Group total	**9 832**	9 391





Remuneration paid to the Supervisory Board in the year under review totaled € 0.9 million (previous year: € 0.5 million). Provisions for pensions for former members of the Management Board or their surviving dependents amounted to € 26.3 million (previous year: € 21.5 million). Remuneration and pension paid to former members of the Management Board and their surviving dependents totaled € 1.3 million (previous year: € 1.5 million).

Disclosure of total Management Board remuneration is waived in accordance with § 314(3) in conjunction with § 286(4) HGB.

(16) DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS

Depreciation of intangible and tangible assets includes depreciation of goodwill totaling k € 36 560. In addition, depreciation of current assets in the amount of k € 322 is also recognized here.

(17) OTHER OPERATING EXPENSES

Other operating expenses include, among other things, maintenance costs (k € 80 049), external services (k € 69 661), advertising (k € 67 542) and leasing and rental costs (k € 35 861). Allowances for accounts receivable (k € 24 244), insurance expenses (k € 12 866) and currency exchange losses (k € 7 452, previous year: k € 11 479) are also included. Other taxes totaling k € 10 269 (previous year: k € 9 144) are also reported in other operating expenses.

Nonperiodic expenses totaled k € 26 911 (allowances for accounts receivable and for losses from the disposal of fixed assets).

Domestic fees to the auditors of the Consolidated Financial Statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, in the year under review totaled k € 3 400. This includes fees for auditing services totaling k € 3 062, k € 232 for tax consulting services, k € 52 for other confirmation services and k € 54 for miscellaneous services.

(18) INVESTMENT INCOME

in k €	2016	2015
Income from profit-transfer agreements	247	251
Expenses from profit-transfer agreements	–	–
	247	251
Income from affiliated companies	1 670	1 215
Expenses from affiliated companies	164	5
	1 506	1 210
Income from associated at-equity companies	10 131	11 735
Expenses from associated at-equity companies	309	1 929
	9 822	9 806
Income from other associated companies and other participations	1 510	21 813
Expenses from other associated companies and other participations	129	421
	1 381	21 392
	12 956	32 659

The result from associated at-equity companies generally represents the Group’s share in the profit or loss of these companies for the year. This item also takes account of the elimination of interim results.

(19) INTEREST RESULT

in k €	2016	2015
Income from other securities and loans of financial assets	**424**	454
(thereof from affiliated companies)	***(23)***	*(26)*
Other interest and similar income	**2 802**	4 701
(thereof from affiliated companies)	***(191)***	*(117)*
Interest and similar expenses	**15 545**	22 049
(thereof from affiliated companies)	***(154)***	*(69)*
	–12 319	–16 894

The interest result includes expenses from the accumulation of provisions totaling k € 7 857 (previous year: k € 10 885) and income from discounting provisions in the amount of k € 568 (previous year: k € 873). Interest income (k € 26) from covered assets was offset against expenses from accumulated interest.

(20) TAXES ON INCOME AND EARNINGS

Taxes on income and earnings comprise mainly domestic and foreign corporation tax, as well as domestic trade tax for the consolidated subsidiaries. Also contained in this item is deferred tax income in the amount of k € 2 809 (previous year: k € 8 984).

(21) INCOME AND EXPENSES OF EXCEPTIONAL MAGNITUDE OR SIGNIFICANCE

No income or expenses of exceptional magnitude or significance were reported in the business year.

List of Participations as of December 31, 2016

1. CONSOLIDATED AFFILIATED COMPANIES

Building Materials Aggregates	Registered office	Share in %
Basalt-Actien-Gesellschaft	Linz am Rhein	100
AK Asphaltmischwerke Kaiserslautern GmbH	Ramstein-Miesenbach	75
Allgemeine Baustoff-Handels-Contor GmbH	Erfurt	100
AMB Asphalt-Mischwerk Bischofsheim GmbH & Co. KG	Bischofsheim	80
AME Asphalt-Mischwerk Eging GmbH	Eging am See	82
AML-Asphaltmischwerke GmbH Leipzig	Taucha	80
AMM Asphalt-Mischwerke Münsterland GmbH & Co.KG	Ladbergen	100
AMW Asphalt-Mischwerke Würzburg GmbH & Co. KG	Würzburg	87
AMWE-Asphaltmischwerke GmbH & Co. Kommanditgesellschaft in Schwerin i. L.	Consrade	51
Asphalt Mischwerk Oyle GmbH & Co. Straßenbaumaterial KG	Oyle	76
Asphalt-Mischwerk Demmin GmbH & Co. Kommanditgesellschaft	Berlin	100
Asphalt-Mischwerke Osnabrück GmbH & Co.KG.	Osnabrück	53
Asphalt-Mischwerke Rhein-Pfalz GmbH & Co. KG	Albersweiler	52
Atlas Industriebeteiligungsgesellschaft mbH	Linz am Rhein	83
AWE Asphaltmischwerk GmbH	Cappeln-Nutteln	77
AWE Asphaltmischwerk Walschleben GmbH & Co. KG	Walschleben	65
BASALT CZ s.r.o.	Zábrušany, Czech Republic	100
Basalt Eastern Europe GmbH	Linz am Rhein	100
Basalt International GmbH	Linz am Rhein	100
Basalt Minerals GmbH	Linz am Rhein	100
Basalt s.r.o.	Zábrušany, Czech Republic	97
BASALTKER Építőanyag Kereskedelmi Kft.	Uzsa, Hungary	100
Basalt-Középkő Kőbányák Kft.	Uzsa, Hungary	75
Basalt-Union Gesellschaft mit beschränkter Haftung	Linz am Rhein	76
Basaltwerk Pechbrunn, Gesellschaft mit beschränkter Haftung	Pechbrunn	76
Bayerische Asphaltmischwerke GmbH & Co. Kommanditgesellschaft für Straßenbaustoffe	Hofolding	52
Bergisch-Westerwälder Hartsteinwerke, Zweigniederlassung der Basalt-Actien-Gesellschaft	Linz am Rhein	100
Bitumina Handel GmbH & Co. KG	Linz am Rhein	100
Bitumina Spedition GmbH & Co. KG	Linz am Rhein	100

Building Materials **Aggregates**	**Registered office**	Share in %
BMH - Basalt - und Mischwerk Herschbach GmbH & Co. Kommanditgesellschaft	Herschbach	51
BORNIT-Werk Aschenborn GmbH	Zwickau	62
BVG Baustoff-Vertriebs-Gesellschaft mbH & Co. KG	Kirn	100
BWH Basaltwerk Mittelherwigsdorf GmbH & Co. KG	Mittelherwigsdorf	51
DEUMA Mischwerke GmbH & Co. KG	Taucha	70
DEUTAG Nord Zweigniederlassung der Basalt-Actien-Gesellschaft	Hannover	100
DEUTAG Ost Zweigniederlassung der Basalt-Actien-Gesellschaft	Berlin	100
DEUTAG West Zweigniederlassung der Basalt-Actien-Gesellschaft	Duisburg	100
Diabaswerk Hirzenhain GmbH & Co. KG	Linz am Rhein	55
Diabaswerk Nesselgrund GmbH & Co. KG	Floh-Seligenthal	80
Dortmunder Gußasphalt GmbH & Co. KG	Dortmund	70
Ems-Jade-Mischwerke GmbH KG. für Straßenbaustoffe	Cappeln	81
GAB Gesellschaft zur Aufbereitung von Baustoffen mbH	Berlin	100
GBH-Gesellschaft für Baustoff-Aufbereitung und Handel mit beschränkter Haftung	Brunnthal	100
GbR Asphaltmischwerk Karlsruhe	Karlsruhe	75
Global 76 Sp. z o.o.	Krakow, Poland	100
H+W Mischwerke GmbH & Co. KG	Berlin	100
Hansa-Asphaltmischwerke GmbH & Co. Kommanditgesellschaft für Straßenbaustoffe	Dortmund	100
Hartsteinwerke Bayern-Mitteldeutschland Zweigniederlassung der Basalt-Actien-Gesellschaft	Erfurt	100
Hollweg, Kümpers & Comp., Zweigniederlassung der Basalt-Actien-Gesellschaft	Rheine	100
HWR Hartsteinwerk Rattenberg GmbH	Brunnthal	100
Isoliererzeugnisse Großröhrsdorf GmbH	Großröhrsdorf	100
KAM Köhlbrand-Asphaltmischwerke Betriebsgesellschaft mbH & Co. KG	Hamburg	100
Kopalnie Surowców Skalnych w Bartnicy Sp. z o.o.	Świerki, Poland	100
Mischwerke Lautzenbrücken GmbH & Co. KG	Lautzenbrücken	100
Norddeutsche Naturstein GmbH	Flechtingen	100
ODRA-ASFALT Sp. z o.o.	Szczecin, Poland	67
OOO "Basalt"	St. Petersburg, Russian Federation	100
OOO "Karjer Sheleiki"	Podporozhie, Russian Federation	100

Building Materials **Aggregates**	**Registered office**	Share in %
Porphyrwerke Weinheim-Schriesheim Aktiengesellschaft	Weinheim	100
Sauerländer Asphaltmischwerke GmbH. & Co., Kommanditgesellschaft	Brilon	73
Schweden Splitt AB	Karlshamn, Sweden	100
Śląskie Kruszywa Naturalne Sp. z o.o.	Krapkowice, Poland	100
Südhessische Asphalt-Mischwerke GmbH & Co. KG für Straßenbaustoffe	Hanau	76
Südwestdeutsche Hartsteinwerke Zweigniederlassung der Basalt-Actien-Gesellschaft	Kirn	100
SWA Südwest Asphalt GmbH & Co. KG	Iffezheim	65
T E W E Bauchemiegesellschaft mbH	Diedersdorf	100
TOV Vyrivskyj Karjer	Granitne, Ukraine	100
V D Mischwerk und Recycling GmbH.	Offenburg	100
Werhahn & Nauen SE & Co. OHG	Neuss	100
Westdeutsche Grauwacke-Union Gesellschaft mit beschränkter Haftung	Linz am Rhein	100
Wm. Hilgers GmbH & Co. KG	Düsseldorf	100
ZAO KP-Gabbro	Kondopoga, Russian Federation	100

Building Materials **Slate**	**Registered office**	Share in %
Rathscheck Schiefer und Dach-Systeme Zweigniederlassung der Wilh. Werhahn KG in Neuss	Mayen	100
Canteras Fernandez S.L. Elaboracion S.COM	El Barco, Spain	100
Canteras Fernandez S.L. Explotación S.Com.	El Barco, Spain	100
Canteras Fernandez S.L. Extracción S.COM	El Barco, Spain	100
Castrelos Elaboración S.L.S.COM.	El Barco, Spain	100
I.B. Rathscheck Söhne KG Moselschiefer-Bergwerke	Mayen	100
Werhahn International Schiefer GmbH	Mayen	100
Werhahn International Schiefer GmbH Sucursal en España	El Barco, Spain	100

Consumer Goods	Registered office	Share in %
ZWILLING J. A. Henckels Aktiengesellschaft	Solingen	100
alessandro France EURL	Torcy, France	100
alessandro International GmbH	Langenfeld	100
alessandro Schweiz AG	Frauenfeld, Switzerland	100
Ballarini Deutschland GmbH	Montabaur	100
Ballarini Paolo & Figli S.p.A.	Rivarolo Mantovano, Italy	100
Compagnie de la Fecht et du Goût SAS	Merville, France	100
Demeyere G.C.V.	Herentals, Belgium	100
Demeyere Zwilling Nederland B.V.	Bergen op Zoom, Netherlands	100
Ital Beauty Nippers (India) Pvt. Ltd.	Puducherry, India	80
JV ZWILLING-RM GmbH	Solingen	70
OOO “ZWILLING J.A. HENCKELS Rus“	Moscow, Russian Federation	100
Personal Care International Ltd.	Hong Kong, China	100
QVS Global Americas, Inc.	Sarasota, USA	100
QVS Global China	Dongguan, China	100
QVS Global COE Pty. Ltd.	South Melbourne, Australia	100
QVS Global HK Ltd.	Hong Kong, China	100
QVS Global UK Ltd.	Nottingham, UK	51
Staub Fonderie SARL	Merville, France	100
Staub Participations SAS	Merville, France	100
Tweezerman (India) Pvt. Ltd.	Puducherry, India	80
Tweezerman International, LLC	Wilmington, USA	100
Tweezerman Minority LLC	Wilmington, USA	100
United Salon Technologies GmbH	Solingen	100
ZWILLING Beauty Group GmbH	Solingen	100
ZWILLING Belgien GmbH	Solingen	100
Zwilling Demeyere Belgium BVBA	Herentals, Belgium	100
ZWILLING International GmbH	Solingen	100
ZWILLING J A Henckels MUTFAK VE GÜZELLİK ÜRÜNLERİ LİMİTED ŞİRKETİ	Istanbul, Turkey	100

Consumer Goods	Registered office	Share in %
ZWILLING J.A. HENCKELS (UK) Limited	Hitchin, UK	100
ZWILLING J.A. HENCKELS Brasil Produtos de Cozinha e Beleza Ltda.	São Paulo, Brazil	100
ZWILLING J.A. HENCKELS Canada Ltd.	Markham, Canada	100
ZWILLING J.A. HENCKELS Iberia S.A.	Cornellá de Llobregat, Spain	100
ZWILLING J.A. HENCKELS Italia S.r.l.	Buccinasco, Italy	100
ZWILLING J.A. HENCKELS Japan Ltd.	Seki-shi, Japan	100
ZWILLING J.A. HENCKELS Kitchenware (Shanghai) Ltd.	Shanghai, China	70
ZWILLING J.A. HENCKELS LLC	Wilmington, USA	100
ZWILLING J.A. Henckels Retail GmbH	Solingen	100
ZWILLING J.A. HENCKELS Scandinavia A/S	Ballerup, Denmark	100
ZWILLING J.A. HENCKELS Shanghai Ltd.	Shanghai, China	70
ZWILLING J.A. HENCKELS Taiwan Ltd.	Taipei, Taiwan	100
ZWILLING Kitchen India Pvt. Ltd.	Chennai, India	80
Zwilling Minority GmbH	Solingen	100
ZWILLING STAUB FRANCE SAS	Paris, France	100

Financial Services **abcfinance**	Registered office	Share in %
abcfinance GmbH	Cologne	100
abc Holding GmbH	Neuss	100
abc SME Lease Germany SA	Luxembourg, Luxembourg	0
abcbank GmbH	Cologne	100
abcfinance B.V.	Eindhoven, Netherlands	100
abcfinance CF B.V.	Utrecht, Netherlands	70
abcfinance GmbH	Vienna, Austria	100
C.O.I.N. Lease + Rent Leasing und Miete GmbH	Cologne	51
debcash Forderungsmanagement GmbH	Cologne	100

Financial Services **abcfinance**	**Registered office**	Share in %
DeTeWe Finance GmbH	Cologne	100
Dresdner Factoring AG	Cologne	100
ETL Leasing GmbH & Co. KG	Dortmund	51
ETL Leasing Verwaltungsgesellschaft mbH	Dortmund	51
Hako Finance GmbH	Cologne	100
milon financial services GmbH	Cologne	69
Schneidereit Finance GmbH	Cologne	100

Financial Services **Bank11**	**Registered office**	Share in %
Bank11 für Privatkunden und Handel GmbH	Neuss	100
Bank11direkt GmbH	Neuss	100
RevoCar 2014 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2015 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2016 UG (haftungsbeschränkt)	Frankfurt am Main	0

Others	**Registered office**	Share in %
Wilh. Werhahn KG	Neuss	
"Bakerys Taste" Backzutaten Vertriebsgesellschaft m.b.H.	Wels, Austria	100
Alpha Beteiligungen GmbH	Monheim am Rhein	100
Bankhaus Werhahn GmbH	Neuss	100
BI Bakery Ingredients Holding GmbH	Neuss	100
Charlie Acquisition GmbH	Monheim am Rhein	100
Delta Acquisition GmbH	Monheim am Rhein	100
DIAMANT CZ spol. s.r.o.	Prague, Czech Republic	100
Diamant Nahrungsmittel GmbH	Wels, Austria	100
DIAMANT POLSKA Sp. z o.o.	Cracow, Poland	100

Others	Registered office	Share in %
Golf Acquisition GmbH	Neuss	100
Stuart VV GmbH	Monheim am Rhein	100
Tondeo Holding GmbH	Neuss	100
Werhahn Beteiligungs- und Projektgesellschaft mbH	Neuss	100
Werhahn Industrieholding SE	Neuss	100
Wilh. Werhahn KG Zweigniederlassung Haus & Grund	Neuss	100
WW Achte Acquisition GmbH	Monheim am Rhein	100
WW Dritte Acquisition GmbH	Monheim am Rhein	100
WW Elfte Acquisition GmbH	Monheim am Rhein	100
WW Holding KG	Neuss	100
WW Neunte Acquisition GmbH	Monheim am Rhein	100
WW Sechste Acquisition GmbH	Monheim am Rhein	100
WW Siebte Acquisition GmbH	Monheim am Rhein	100
WW Zehnte Acquisition GmbH	Monheim am Rhein	100
Yareto GmbH	Neuss	100

The exemption provision of section 313 paragraph 3 sentence 1 of the German Commercial Code (HGB) is claimed for one company.

2. ASSOCIATED AT-EQUITY COMPANIES

	Registered office	Share in %
amb Asphalt- und Bitumen-Mischwerke GmbH	Augsburg	50
AMH Asphaltmischwerk Hauneck GmbH & Co. KG	Hauneck	50
AMK Asphalt-Mischwerk Kirchheimbolanden GmbH & Co. KG	Kirchheimbolanden	50
AMK Asphalt-Mischwerke Kraichgau GmbH	Gemmingen	45
AMM Asphalt-Mischwerke-Mosel GmbH & Co.KG	Neumagen	50
Arcos Hermanos S.A.	Albacete, Spain	49
DAM Deutzer Asphaltmischwerke GmbH & Co. KG	Cologne	60
DWA Donau-Wald Asphaltmischwerke GmbH & Co. KG	Plattling	50
H&B Grondstoffen C.V.	Capelle aan den Ijssel, Netherlands	48
Natursteinwerke im Nordschwarzwald NSN GmbH & Co.KG	Mühlacker-Enzberg	50
NHB Nahe-Hunsrück Baustoffe GmbH & Co. KG.	Kirn	50
Rheinische Provinzial-Basalt- und Lavawerke GmbH & Co. oHG	Sinzig	50
Steinbruch Spittergrund GmbH	Erfurt	50
Trapobet Transportbeton GmbH Kaiserslautern Kommanditgesellschaft	Kaiserslautern	50
VAMA Vereinigte-Asphalt-Mischwerke Aachen GmbH & Co. Kommanditgesellschaft	Alsdorf	45

3. NON-CONSOLIDATED AFFILIATED COMPANIES

	Registered office	Share in %
alessandro Cosmetics Nederland B.V.	Amersfoort, Netherlands	100
alessandro Kosmetik HandelsgmbH	Vienna, Austria	100
AML Asphaltmischwerk Langenthal GmbH & Co. KG	Langenthal	70
AML Asphaltmischwerk Langenthal Verwaltungs-GmbH	Langenthal	70
AMW Asphalt-Mischwerke Würzburg Verwaltungs-GmbH	Würzburg	87
AMWE - Asphaltmischwerke GmbH i.L.	Consrade	51
Asphalt - Mischwerke Rhein-Pfalz Beteiligungs-GmbH	Albersweiler	52
Asphalt Mischwerk Oyle GmbH	Oyle	76
Asphalt-Mischwerk Bischofsheim Verwaltung GmbH	Bischofsheim	86
Asphalt-Mischwerk Demmin GmbH	Plate	100
Asphaltmischwerk Wildbergerhütte GmbH	Reichshof	100
Asphalt-Mischwerke Mecklenburg GmbH	Consrade	50
Asphalt-Mischwerke Münsterland Verwaltungs-GmbH	Ladbergen	100
AWE Asphaltmischwerk Walschleben Verwaltung GmbH	Walschleben	65
B V G Baustoff-Vertriebs- u. Verwaltungsgesellschaft mbH	Kirn	100
Ballarini North America Inc.	Horsham, USA	100
Basalt Bulgaria EOOD	Sofia, Bulgaria	100
Basalt NV	Schiedam, Netherlands	100
Basalt Ukraine TOV	Kiev, Ukraine	100
Basalt- und Mischwerk Herschbach GmbH	Herschbach	51
Bayerische Asphaltmischwerke Gesellschaft mit beschränkter Haftung	Hofolding	52
Beteiligungsgesellschaft Asphalt-Mischwerke Osnabrück mit beschränkter Haftung	Osnabrück	53
Bitumina Handel Verwaltungs GmbH	Cologne	100
Bitumina Spedition Verwaltungs GmbH	Linz am Rhein	100
BRP-Baustoffaufbereitungs- und Recycling-Gesellschaft in Pforzheim mbH	Pforzheim	54
BWH Basaltwerk Mittelherwigsdorf Verwaltungs-GmbH	Mittelherwigsdorf	51
Canteras Fernandez S.L.	El Barco, Spain	100
Canteras Fernandez S.L. Geologia S.COM	El Barco, Spain	75
Castrelos Elaboración S.L.	El Barco, Spain	100
DEUMA Beteiligungs-GmbH	Taucha	70

	Registered office	Share in %
DEUPA - Asphalt-Mischwerke Gesellschaft für Baustoffe mbH	Berlin	100
DEUTAG Verwaltung GmbH	Linz am Rhein	100
Diabaswerk Hirzenhain Verwaltungs-GmbH	Linz am Rhein	55
Diabaswerk Nesselgrund Verwaltungs-GmbH	Floh-Seligenthal	80
Dortmunder Gussasphalt Gesellschaft mit beschränkter Haftung	Dortmund	70
Ems-Jade-Mischwerke GmbH	Cappeln	81
Fünfte Werhahn Beteiligungen GmbH	Neuss	100
GfR-Gesellschaft für Rekultivierung mbH	Linz am Rhein	78
H + W Mischwerke Verwaltungs GmbH	Berlin	100
Hansa-Asphaltmischwerke Gesellschaft mit beschränkter Haftung	Dortmund	100
Hessentor Gesellschaft für Unternehmensbeteiligungen mbH	Neuss	100
Hilgers Beteiligungsgesellschaft mbH	Düsseldorf	100
Inn-Asphalt-Mischwerke GmbH.	Nussdorf am Inn	75
Jaguar Japan Inc.	Seki-shi, Japan	100
KAM Köhlbrand-Asphaltmischwerke Beteiligungsgesellschaft mbH	Hamburg	100
LAJTA-KAVICS Bányászati Kft.	Darnózseli, Hungary	100
Marsdorfer Asphaltwerke Gesellschaft mit beschränkter Haftung i. L.	Linz am Rhein	57
MAW-Marsdorfer Asphaltwerke Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft i. L.	Linz am Rhein	57
Mischwerke Lautzenbrücken Verwaltungsgesellschaft mbH	Lautzenbrücken	100
Mischwerke Mühlhausen GmbH	Mühlhausen	76
Mühle Cottbus GmbH	Neuss	100
Norddeutsche Naturstein Rail GmbH	Flechtingen	100
Obertor Immobilien GmbH	Neuss	100
OOO “Basalt Management“	Moscow, Russian Federation	100
Rathscheck Schiefer und Dach-Systeme Verwaltungs GmbH	Mayen	100
Rheintor Immobilienholding GmbH	Neuss	100
Sauerländer Asphaltmischwerke GmbH	Brilon	72
Secato Style GmbH	Solingen	100
Senftenberger Kohlenwerke GmbH	Neuss	100
Stephan Beratungs-GmbH	Linz am Rhein	70
Stichting Derdengelden abcfinance	Utrecht, Netherlands	0
Südhessische Asphalt-Mischwerke Gesellschaft mit beschränkter Haftung	Hanau	76

	Registered office	Share in %
Südwest Asphalt Verwaltungs GmbH	Iffezheim	65
TEBI Asphalt-Baustoffe GmbH & Co. Kommanditgesellschaft	Höxter-Bosseborn	100
TEBI Asphalt-Baustoffe Verwaltungsgesellschaft mit beschränkter Haftung	Höxter-Bosseborn	100
Thaler Baustoff-Betriebe Gesellschaft mit beschränkter Haftung	Ermsleben	100
TUST Tief- und Straßenbaustoffe Verwaltungsgesellschaft mbH	Flechtingen	100
Verwaltungsgesellschaft Wilh. Werhahn mit beschränkter Haftung	Neuss	100
Verwaltungsgesellschaft Württembergische Asphaltmischwerke Gesellschaft mit beschränkter Haftung i.L.	Berlin	100
VV Eins Verwaltungs-GmbH i.L.	Neuss	100
WAW Asphalt GmbH	Cologne	100
Werhahn Bakery Products China GmbH	Neuss	100
Werhahn Bakery Products Holding GmbH	Neuss	100
Werhahn Flour Mills GmbH	Neuss	100
WMW Weser-Mischwerke Beteiligungs GmbH	Bremen	100
Zwilling Beauty Trading (Shenzhen) Ltd.	Shenzhen, China	100
ZWILLING Cooking Studio LLC	Wilmington, USA	100
ZWILLING Cooking Studio Minority LLC	Wilmington, USA	100
ZWILLING J.A. HENCKELS (Vietnam) Ltd.	Ho Chi Minh City, Vietnam	100
ZWILLING J.A. Henckels Austria GmbH	Parndorf, Austria	100
ZWILLING J.A. Henckels Ireland Ltd.	Dublin, Ireland	100
ZWILLING J.A. Henckels Portugal, Lda.	Alcochete, Portugal	100
ZWILLING J.A. HENCKELS Sales Europe GmbH	Solingen	100
ZWILLING J.A. Henckels Schweiz AG	Zurich, Switzerland	100

4. OTHER ASSOCIATED COMPANIES

	Registered office	Share in %
"RKS" Kies- und Splittwerke Eckelsheim GmbH & Co. KG	Eckelsheim	50
"RKS" Kies- und Splittwerke GmbH	Eckelsheim	50
Adrian Basalt GmbH & Co. KG	Enspel	50
Adrian Basalt Verwaltungs GmbH	Enspel	50
AEL-Abfallentsorgungsanlage Lösenbach GmbH	Lüdenscheid	49
AMH Asphaltmischwerk Hauneck Verwaltungs GmbH	Hauneck	50
AMH Asphaltmischwerk Hellweg Gesellschaft mit beschränkter Haftung i.L.	Erwitte	50
AMK Asphalt-Mischwerk Kirchheimbolanden Verwaltungs-GmbH	Kirchheimbolanden	50
AMM Asphalt-Mischwerke-Mosel Verwaltungs-GmbH	Neumagen	50
Arge zur Aufbereitung von Bauschutt und Baureststoffen Greifswald	Greifswald	50
ASDA Asphalt-Schotter-Fabrikation GmbH i. L.	Datteln	45
BW Baustoffkontor Wiesbaden GmbH & Co. KG	Wiesbaden	50
BW Baustoffkontor Wiesbaden Verwaltungs-GmbH	Wiesbaden	50
DAM Deutzer Asphaltmischwerke Verwaltungs-GmbH	Cologne	60
DWA Donau-Wald Asphaltmischwerke Verwaltungs- GmbH	Plattling	50
H&B Grondstoffen B.V.	Capelle aan den Ijssel, Netherlands	50
Herbert Willersinn Steinbruch- Verwaltungs GmbH	Heßheim	50
Herkenrath Beteiligungsgesellschaft mbH	Solingen	24
Hugo Herkenrath GmbH & Co. KG	Solingen	24
J. u. G. Giro Nachf. Willersinn GmbH & Co KG Steinbruchbetrieb	Bolanden	50
Natursteinwerke im Nordschwarzwald NSN Verwaltungsgesellschaft mit beschränkter Haftung	Mühlacker	50
NHB Nahe-Hunsrück Baustoffe und Verwaltungsgesellschaft mbH	Kirn	50
Nürnberger Leasing Vertriebs GmbH	Schwaig near Munich	45
Plattform Dach.de Gesellschaft des bürgerlichen Rechts	Hamburg	20
Rheinische Provinzial-Basalt- und Lavawerke Verwaltungs-GmbH	Sinzig	50
SC Diabas Bata s.r.l.	Timisoara, Romania	50
Schillathöhle GmbH	Oldendorf-Langenfeld	49
Schuhmacher & Heuser GmbH	Katzenelnbogen	50
STA Asphaltmischwerk Strahlungen GmbH	Salz	25
Steinbruch Breidenbach Verfüllungsgesellschaft mbH	Breidenbach	50
Südharz-Asphalt GmbH & Co. KG i.L.	Herzberg am Harz	38

	Registered office	Share in %
Südharz-Asphalt Verwaltungsgesellschaft mbH i.L.	Herzberg am Harz	38
VAMA Vereinigte-Asphalt-Mischwerke Aachen, Verwaltungsgesellschaft mit beschränkter Haftung	Alsdorf	45
Verwaltungsgesellschaft mit beschränkter Haftung TRAPOBET Transportbeton Kaiserslautern	Kaiserslautern	50

5. OTHER PARTICIPATIONS

	Registered office	Share in %	Equity in k €	Result for the year in k €
AME Asphalt-Mischwerke Eifel GmbH & Co. KG	Sinzig	33	465[1]	–206[1]
Asphalt-Mischwerke Eifel Verwaltungsgesellschaft mbH	Sinzig	33	47[1]	3[1]
DEBUS Naturstein GmbH & Co. KG	Untersiemau	49	1 924[1]	901[1]
Debus Naturstein Verwaltungs-GmbH	Untersiemau	49	29[1]	3[1]
Escombrera Sobredo S.L.	Carballeda de Valdeorras, Spain	22	135[1]	0[1]
FREIBURGER ERDAUSHUB- UND BAUSCHUTT-AUFBEREITUNGS-GESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG (FEBA)	Freiburg	25	3 109[1]	519[1]
Hartsteinwerke Burgk GmbH & Co. OHG	Schleiz	27	3 262[1]	98[1]
HWB Hartsteinwerke Burgk Verwaltungs-GmbH	Schleiz	27	63[1]	2[1]
INTERASPHALT Sp. z o.o.	Obornik, Poland	48	1 101[1]	90[1]
ThyssenKrupp MillServices & Systems GmbH	Duisburg	32	41 424[1]	4 849[1]

[1] Figures from previous years

For additional companies, the exemption provision of section 313 paragraph 3 sentence 1 of the German Commercial Code (HGB) is claimed.

Notes to the Cash Flow Statement

The Cash Flow Statement is prepared in accordance with DRS 21 and shows how funds held by the Werhahn Group have changed during the reporting year through the inflow and outflow of cash. The minimum classification scheme was expanded to include items for the financial services business.

For information on the access restrictions within cash funds, please see no. 6 of the Notes to the Consolidated Financial Statements.

A brief presentation of the Cash Flow Statement is given below:

in k €	**2016**	2015
Cash flows from operating activities	**266 826**	371 470
Cash flows from investment activities	**–104 585**	–184 061
Free cash flow	**162 241**	**187 409**
Cash flows from financing activities	**–104 425**	–60 380
Net change in cash funds	**57 816**	**127 029**
Other changes in cash funds	**–849**	2 419
Cash funds at beginning of period	**378 641**	249 193
Cash funds at end of the period	**435 608**	**378 641**

Other Information

TRANSACTIONS WITH AFFILIATED COMPANIES AND PERSONS

Transactions with affiliated companies and persons are generally conducted at customary market conditions. Employees and shareholders are entitled to standard discounts on specific Werhahn products in some business units. Transactions with affiliated companies primarily involve the normal exchange of goods and services.

SUBSEQUENT EVENTS

In February 2017, the companies of the Diamant Group were sold. A significant accounting profit will result from the sale in the 2017 business year, since the selling price exceeds the net assets of the Diamant Group.

No other events have occurred that are expected to have a significant impact on net assets, financial position and results of operations.

TRANSACTIONS NOT INCLUDED IN THE CONSOLIDATED BALANCE SHEET

in k €	**2016**	2015
Liabilities from the issue and transfer of bills	**103**	140
Liabilities from sureties, bills and check guarantees	**10 434**	9 619
(thereof to affiliated companies)	***(418)***	*(508)*
(thereof to associated companies)	***(2 069)***	*(2 283)*
Liabilities from warranties	**143**	213
Commitments from open purchase orders	**119 904**	116 371
(thereof to associated companies)	***(373)***	*(–)*
Cash value of non-current commitments from rent, tenancy and leasing agreements	**103 743**	94 537
(thereof to affiliated companies)	***(648)***	*(205)*
(thereof to associated companies)	***(120)***	*(75)*
Commitments from loan undertakings	**134 210**	38 756
Other financial obligations	**21 153**	9 851
(thereof to affiliated companies)	***(2 322)***	*(1 059)*
(thereof to associated companies)	***(151)***	*(135)*

There are no off-balance-sheet transactions beyond the contingent liabilities and other financial commitments that are necessary for the assessment of the Group's financial position. Sufficient provisions have been established for all identifiable risks from claims against securities. Moreover, due to the positive economic situation in which the companies find themselves, no claims are expected.

Neuss, April 5, 2017

Wilh. Werhahn KG

Kathrin Dahnke

Anton Werhahn

Auditor's Report

"We have audited the consolidated financial statements prepared by the Wilh. Werhahn KG, Neuss, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law and supplementary provisions of the shareholder agreement is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with (German) principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the legal requirements and supplementary provisions of the shareholder agreement and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with (German) principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Düsseldorf, April 5, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Uwe Rittmann
Wirtschaftsprüfer
(German Public Auditor)

ppa. Sebastian Lelgemann
Wirtschaftsprüfer
(German Public Auditor)

Addresses

AGGREGATES

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Tel.: +49 (0)2644 563-0
Fax: +49 (0)2644 563-165
E-mail: info@basalt.de
www.basalt.de

Business activities/products
Production and sale of aggregates consisting of natural products and bituminous mixtures, logistics services, receipt and recycling of recyclable building rubble, inert excavated earth for landfills

SLATE

Rathscheck Schiefer und Dach-Systeme
ZN der Wilh. Werhahn KG
St.-Barbara-Straße 3,
DE-56727 Mayen-Katzenberg
Tel.: +49 (0)2651 955-0
Fax: +49 (0)2651 955-100
E-mail: info@rathscheck.de
www.rathscheck.de

Business activities/products
Slate for roofs, façades and interiors, rafter insulation systems, roofing tools and roofing equipment

CONSUMER GOODS

ZWILLING J.A. Henckels AG
Grünewalder Straße 14–22, DE-42657 Solingen
Tel.: +49 (0)212 882-0
Fax: +49 (0)212 882-347
E-mail: info@zwilling.com
www.zwilling.com

Business activities/products
Zwilling Kitchenware: Knives, scissors, cookware, kitchen tools, cutlery
Zwilling Beauty Group: Manicure, pedicure, hand and foot cosmetics, tweezers
Jaguar/Tondeo Professional Hairdressing Equipment: Hair scissors,
electrical hairdressing equipment

abcfinance

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Kamekestraße 2–8, DE-50672 Cologne
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Business activities/products
Lease finance for mobile goods, rental agreements and leases, factoring

BANK11

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Hammer Landstraße 91, DE-41460 Neuss
Tel.: +49 (0)2131 6098-0
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www.bank11.de

Business activities/products
Sales and purchase financing for mid-size vehicle trade in Germany

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