Sharpening our focus

Annual Report 2018

Werhahn

At a glance

Selected key figures

in € million	2014	2015	2016	2017	2018
Net sales	3,192	3,162	3,322	3,383	3,537
Earnings before tax	144	200	162	163	105
Equity ratio	33 %	29 %	28 %	26 %	23 %
Equity ratio without financial services	72 %	69 %	71 %	72 %	70 %

Net sales by corporate divisions

in € million	2014	2015	2016	2017	2018
Building Materials	1,410	1,318	1,314	1,358	1,450
Consumer Goods	651	763	849	809	751
Financial Services	883	1,019	1,108	1,204	1,305
Others	72	63	68	28	48
Baking Products	179	–	–	–	–
Consolidation	– 3	– 1	– 17	– 16	– 17
	3,192	**3,162**	**3,322**	**3,383**	**3,537**

Employees by corporate divisions

	2014	2015	2016	2017	2018
Building Materials	4,373	4,375	4,385	4,456	4,548
Consumer Goods	3,752	3,976	4,329	4,414	4,371
Financial Services	728	792	847	923	977
Others	255	248	271	138	265
Baking Products	347	–	–	–	–
	9,455	**9,391**	**9,832**	**9,931**	**10,161**

Werhahn is sharpening its focus so that the companies can develop the right innovations for the different markets. With their professional and technological expertise, our employees have the potential to do just that." **Kathrin Dahnke, CFO**

Recognizing today what will be in demand tomorrow and aligning yourself with that in a focused manner requires permanent change. This ability to transform has been Werhahn's hallmark right from the start and is part of the company's more than 175 years of success. We will remain agile and thus master the challenges of our time." **Paolo Dell' Antonio, Chairman**

As the digital transformation progresses, both society and the economy face new challenges that require at least a change of perspective – and often a completely new way of thinking. Wilh. Werhahn KG's companies are aligning themselves accordingly. They are sharpening their focus by examining and evaluating the sustainability of proven business models and success patterns. Customer behavior and expectations, the product portfolio, strategies and processes, cooperation, and communication are becoming even stronger focal points than before. This allows us to identify the changes and adjustments that we have to make in the near future.

The examples presented in this Annual Report show the concrete tasks arising for the individual business units of the Werhahn Group and how the diverse companies approached these tasks in practice in 2018.

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abcfinance

The abcfinance business unit specializes in customized financial services for small and medium-sized businesses (SME). 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 SME automobile dealers sales and purchase financing as well as insurance for their customers. The bank markets simple, attractive credit and investment products to private customers over the Internet.

Consumer Goods

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

Slate
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 for interiors as well as for gardens and landscapes.

Financial Services

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

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

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

Highlights 2018

Surpassing the state of the art

The Aggregates business unit is building a new processing facility at the Jettenbach quarry in an effort to surpass the state of the art. The goal: just-in-time production of high-grade chippings in premium quality for asphalt and concrete construction. The quality of high-grade chippings depends on minimizing fluctuations in grain size distribution and grain shape as much as possible. Defined threshold values indicate the extent to which deviations are tolerated. Through the intelligent use of innovative crushing, screening, and measuring technology, the quarry hopes to achieve values even below the permitted thresholds in Jettenbach.
A central task is performed by a new type of geoscanner that collects data online during the production process to determine fluctuations in grain size distribution. It then processes the data and forwards it to the control unit of the screening machine, which reacts accordingly. This constellation enables flexible adjustments such as these to be made for the first time. In addition, specially designed screen linings ensure that grains with an unsuitable shape are sorted out. The overall result is high-grade chippings with consistent product quality and deviations below the permitted tolerance values.

Lean, agile, customer-oriented

With abcfinlab, abcfinance has founded a self-sufficient unit. The aim is to establish the new online business as an enhancement of its personal customer service. The independent project company is to serve as an incubator for innovation, where new ideas are developed, tested and launched on the market in a quick and agile manner, free from established structures and regulatory constraints. abcfinance wants to attract new target groups, such as digital natives, and at the same time retain its existing digitally savvy customers.

Revenue doubled

The car loan comparison portal Yareto.de can look back on a successful year of continued dynamic growth. In its second full year in business, this retail trade portal processed car loans totaling just under €200 million, thus doubling its revenues compared with the previous year. Around 10,000 car dealers have so far decided to cooperate with Yareto.

Grand opening in Shanghai

Shopping, cooking, and culinary pleasures all under one roof – Zwilling Kitchenware has opened its first flagship store with an integrated restaurant and gourmet cooking school in Shanghai. This store concept is a consistent further development of the brand strategy in China, the business unit's largest market. Instead of only selling products, the focus is on offering customers a holistic shopping, cooking, and culinary experience. Around 200 guests attended the spectacular grand opening event.

Listing success in the UK

With TWEEZERMAN and QVS, the Zwilling Beauty Group business unit achieved another remarkable listing success in the UK. Sainsbury's, the second largest grocery retailer there, is expanding its beauty formats and adding the two brands to its range. QVS was previously represented in the UK at the British industry leader Tesco, the supermarket chain Asda, and Lloyds Pharmacy – and is now adding Sainsbury's to its attractive listing. For TWEEZERMAN, this presence represents an opportunity to further improve its position in the premium segment.

Making a better impression on customers

Rathscheck Schiefer is one of the first manufacturers in the roofing industry to rely on inbound marketing, combining various approaches such as content marketing, content creation, social media, and search engine optimization. The focus is on the building's owner, who is supported throughout the customer journey. The strategy has been well received. For example, the business unit was able to increase the number of hits on its website by around 60 % and generate contact data for around 1,600 potential customers.

Cooperation with ADAC

Bank11 has succeeded in bringing the German automobile club ADAC on board in order to make vehicle financing even more attractive. Thanks to the strategic cooperation between ADAC Finanzdienste GmbH and the Neusser Autobank, ADAC members now have considerably more services at their disposal.

New training center in India

Seven years ago, the ZWILLING Foundation established a training center for young people with disabilities in Pondicherry, southern India. Now larger premises have become necessary. Six kilometers from the current location, the foundation is building a new training facility that will also house a production area, administration wing, and business center as well as conference and meeting rooms. The new building has the potential to be expanded, offering space for more than 100 employees in the final stage. The investment of around € 144,000 was financed by donations from ZWILLING and the Werhahn Foundation.

With the BAG ON-SITE app, I see at a glance how many truckloads of asphalt mix are currently on the road and can adjust the pace of the asphalt finishers precisely to this. That means significantly less waiting time and fewer disruptions on the construction site.

Dierk Peters,

site manager at G-S Straßen- und Tiefbau GmbH, Dülmen, Germany

Seeing Through the Eyes of the Foreman

Data is the most important raw material in Industry 4.0, and communication interfaces are today's reloading points. In the construction industry, small and medium-sized companies in particular have difficulty finding their way around in this new world. This is where the Aggregates business unit comes in with its digital strategy. In an interview, Dr. Thorsten Wolf and Daniel Wingen explain how they take companies with them as they move toward digitalization and employ user-oriented solutions to fundamentally improve the core processes between mixing plants and construction sites.

Graduate engineer
Dr. Thorsten Wolf

Graduate economist
Daniel Wingen

They jointly lead the Digital Transformation project team at Basalt AG.

In most industries, the digital transformation is in full swing – how are things looking in the construction industry?

Thorsten Wolf: The entire industry is in motion, with digital initiatives and projects springing up everywhere, but overall everyone's lagging behind. Many things are still done in analog form on paper or by fax. One reason for this is that the German construction industry is very fragmented and heterogeneous. Besides some big players, there are many small and medium-sized companies. They are firmly anchored in their regional markets, but they often lack the necessary resources to initiate their own digital projects. We want to support this group of customers in particular in digitizing their processes so that we can subsequently optimize our own value creation process.

Daniel Wingen: It starts with the request for proposal and extends all the way to the paving of the mixture on site. The interplay between mixing plant and construction site is crucial. If the site comes to a standstill, the operation of the mixing plant comes to a standstill as well. At the same time, smooth operations on site also ensure greater efficiency in the mixing plant. >>

Foreman's app: A direct communication interface between mixing plant and construction site optimizes the construction process.

What did you do to digitize your core business together with your customers? Where are the biggest challenges?

Thorsten Wolf: Standardized interfaces are the basis for process optimization and networking between all parties involved in a construction project. Although many companies have their own software solutions, they can't exchange their orders, lists of services, or invoices electronically with suppliers. The QR code on the delivery note that Basalt AG implemented a few years ago is at most a bridge technology. The industry has some catching up to do here.

Daniel Wingen: We are pursuing a two-track approach: We will continue to campaign for industry-wide standards, but we won't wait until they have been agreed. We want to quickly achieve visible progress in the process chain. So we visited more than 60 customers on site and held detailed discussions with them. Many companies were surprised that we were interested in their concerns outside the daily business. The main problems for our customers are time-consuming orders by phone and the high manual effort involved in checking paper-based delivery notes and invoices. But the biggest time wasters are the confusing processes on the construction site, with some foremen spending a substantial part of their working time organizing material flows.

What solutions have you found and what potential benefits do they offer in detail?

Thorsten Wolf: We specifically addressed the weak points. After numerous coordination cycles with customers, two digital solutions are now available. For one thing there is the BAG ON-SITE app. We also call it foreman's app because it creates a direct communication interface between the mixing plant and the construction site for the very first time. The way it works is very simple: When a truck loaded with asphalt leaves the plant, an electronic delivery note record is generated and transmitted to the app. The foreman immediately receives a message via smartphone that the truck is on its way. In return, the app informs the mixing plant when the vehicle has been unloaded and is on its way back. This allows the mixing plant and foreman to better coordinate their activities and provide exactly the quantities required for a high paving quality and a smooth construction process without waiting times or disruptions.

Daniel Wingen: The second application – BAG COCKPIT – offers even more possibilities. It's a digital customer portal that allows users to place orders and carry out other business processes online. Customers can log in here and immediately receive an overview of all their construction sites along with the respective order volumes, the deliveries already made, and a forecast. With the help of a search function, they can display the delivery notes for a construction site within a certain time period, for example. That makes the processes in question much more transparent.

When can your customers expect the applications?

Daniel Wingen: The foreman's app was tested successfully at a pilot site in December 2018. And for the customer portal, our next steps will be to program the front-end and test the portal internally as well as externally with our customers. We no longer think in terms of ready-made solutions like we used to. Instead, we consider innovation as a reciprocal exchange and development process. The first rollout phase is due to start in the summer of 2019.

Thorsten Wolf: One thing we're definitely seeing already is that these digital solutions have the potential to fundamentally improve overall site management and make it more efficient. At the moment there's nothing comparable in the natural stone industry.

Problem Solver for Special Cases

The Aggregates business unit is the driving force behind the development of market-driven product innovations not only in road construction but also in water protection. The most recent example is DEUSEAL®, the only special asphalt currently approved by the German Institute for Building Technology (DIBt) for sealing agricultural storage areas against water-polluting substances.

Chemicals, heavy fuels, hazardous waste: More than 6,000 substances are classified as water pollutants today. According to the laws pertaining to water and waterways, plant operators must ensure that no substances of this kind leak from their storage facilities, tanks, or pipes and enter the groundwater. As early as 2004, DEUTAG developed mastic asphalt approved for construction purposes to seal surfaces on which chemicals are handled and stored. With the help of DEUGUSS, operators of tank farms, chemical companies, and airports can now reliably guarantee compliance with legal requirements.

Since mid-2017, strict requirements have also applied to agricultural land on which liquid manure, slurry, silage, or fermentation residues for biogas plants are stored. They are the result of the new nationwide ordinance on “Installations for Handling of Substances Hazardous to Waters”, which implements the requirements of the Federal Water Act. According to this ordinance, farmers must seal the relevant storage areas with building materials that have been tested and are suitable for the type of construction. Basalt AG recognized the need for action at an early stage and developed DEUSEAL®, another customized special asphalt for agricultural storage areas.

Its market launch was preceded by extensive tests carried out by a neutral testing institute on behalf of Basalt AG’s Cologne TechnologieCentrum. Over a period of around two years, various asphalt mixtures were stored in precisely prescribed test media, and their resistance to slurry, liquid manure, silage, and fermentation residues was continuously monitored. To achieve long-term durability, it was necessary to determine exactly the right combination of rock and bitumen type.

But the search for a suitable mixture was successful: In spring 2018, DEUSEAL® was the first asphalt product for agricultural applications to receive general building inspectorate approval from the German Institute for Building Technology.

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Complete package: environmentally friendly caulking, grouting, and sealing

Whenever storage areas with special requirements need an additional coating or joints have to be sealed reliably, at the Aggregates business unit the experts in construction chemistry working for Dortmunder Gussasphalt and Zwickau-based manufacturer Bornit are the first port of call. They offer bitumen-based caulking materials as well as sealing and protective coatings for almost all building construction and civil engineering applications. For agricultural storage areas subject to the new ordinance on water protection, production slurries and joint sealing systems have been developed under the BIGUMA brand. They have undergone a large number of inspections and been approved for this area of application by the building authorities. The same applies to Bornit’s silo coating under the Siloflex brand. These products can withstand extreme heat and cold conditions and are resistant to acids, salts, and alkalis. Another advantage: Since the building materials are produced on an environmentally friendly bitumen-water basis, they are free of solvents.

Providing the Basis for Sustainable Mobility

The European refinery landscape is in a state of upheaval. But thanks to a forward-looking strategy, the Aggregates business unit is well-prepared for the changes ahead.

Bitumen is essential for road construction. By systematically expanding its own storage capacities and optimizing logistics processes, the Aggregates business unit guarantees a secure supply of this raw material. At the same time, these measures help counteract acute bottlenecks, as an example from 2018 impressively demonstrates.

Emergency alarm in the Upper Bavarian town of Vohburg near Ingolstadt on the Danube: In the early hours of September 1, 2018, a severe explosion on the site of the Bayernoil refinery shook the town with its 7,000 inhabitants. There was a major fire, with several people injured and immense damage to property. The clean-up and repair work continues to this day, and it is impossible to say when the plant will resume full operation.

The economic consequences became painfully apparent soon after the accident. The refinery is of central importance for Bavaria, since it normally supplies the airports in Munich and Nuremberg with kerosene. It also meets a large part of the diesel and heating oil requirements in southern Germany. But the production downtime had a particularly dramatic effect on the construction industry. This is because the refinery operates the only plant in Bavaria that produces bitumen, which is indispensable for asphalt production – most recently around 400,000 tons per year. From one moment to the next, the raw material source ran dry in the middle of the peak season. And it wasn't possible to close this supply gap easily – not even with the help of plants in other federal states. The nearest refineries are hundreds of kilometers away in Karlsruhe and Leuna near Leipzig, and given the persistently high demand, they barely manage to keep up with production anyway.

For Bayerische Asphalt-Mischwerke GmbH & Co. KG, a holding company of Basalt AG, however, the accident has had only limited consequences. The decision to combine all bitumen activities under the umbrella of BITUMINA Handel is now proving to be particularly far-sighted. As the main control center, the company organizes the Group's entire procurement, logistics, and refinement activities for bitumen. It has made targeted investments in logistics and the development of tank storage capacities. Among other measures, it has rented two large tank farms and further expanded its own fleet of vehicles for transporting and distributing bitumen.

Prepared for emergencies

The measures proved effective: Immediately after the refinery accident, the emergency plan was launched to supply the business units' Bavarian asphalt mixing plants with the necessary bitumen. The rented tank farm in Frankfurt am Main was also involved. Its capacity of 5,000 tons of bitumen is sufficient to produce around 150,000 tons of asphalt.

But the next bottleneck began to emerge late in 2018. The Gelsenkirchen refinery ceased its bitumen production, which led to problems in bitumen supply particularly in the Ruhr area and neighboring regions. This is where BITUMINA Handel's second tank farm in Blexen/Nordenham near Bremerhaven came into play, with a storage capacity of 18,000 tons. The farm produces bitumen products in-house and is able to ship and distribute large quantities, making the business unit less dependent on the supply of raw materials by refinery companies.

Specialized and flexible

Transporting the bitumen to the mixing plants poses a particular logistical challenge. Bitumen must be transported at high temperatures of around 170 degrees, which only forwarders of dangerous goods are able to do. BITUMINA Spedition specializes in such transports. It maintains its own fleet of around 30 vehicles as well as a nationwide network of partner forwarders. The in-house materials planning department in Castrop-Rauxel controls and monitors daily deliveries and organizes the purchasing of freight capacity. In the event of unexpected supply bottlenecks, the dispatchers flexibly set up new logistics chains. This was also the case in Bavaria, where bitumen transports from Gdansk to southern Germany were organized overnight, for example.

Far-sighted measures

The major fire in Vohburg dramatically demonstrated the possible effects of production downtime on the building materials industry. But even without acute bottlenecks, the entire European refinery landscape is in a state of upheaval. Refineries are closing down as a result of excess capacity; others are reducing or discontinuing their bitumen production. However, with its forward-looking strategy, the expansion of its own tank farms and freight capacities, and its investment in in-house bitumen production, the Aggregates business unit is well prepared for the changes ahead. ●

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About bitumen

Bitumen consists mainly of carbon and hydrogen and is obtained from crude oil by distillation. In this process, light components such as kerosene and petrol are separated from the heavy components such as heating oil and bitumen. Bitumen is an indispensable raw material in asphalt production. As a binder, it ensures that the aggregates adhere permanently to the asphalt and are resistant to deformation in both heat and sub-zero temperatures.

A Fascinating Fifth Façade – Steep Roofs Rediscovered

While the steep roof was long considered stuffy in modern architecture, it is currently experiencing an impressive comeback. The diverse, at times futuristic design possibilities in combination with attractive natural building materials like slate reflect the current zeitgeist and have contributed to an image transformation. To raise awareness of the aesthetics and timelessness of steep roofs among architects and building owners alike, the Slate business unit, together with other leading manufacturers in the building materials industry, launched the Dachkult (roof cult) platform in 2018.

Flat roof or steep roof? This almost religious dispute, triggered mainly by the Bauhaus pioneers in the 1920s, has largely been overcome today. That is the key finding of a recent study by the Department of Architecture at Bochum University of Applied Sciences. In a nationwide survey, architects were asked about the cultural dimension of the steep roof. The vast majority of respondents rated the steep roof as timeless or even modern. For them, roof shape is no longer a formal ideological question. Instead, it depends on numerous factors such as the regional environment, urban planning requirements, function, and the desired spatial experience. All in all, the attitude of the young generation of architects testifies to a new openness or even fascination with the steep roof as well as a growing curiosity to explore architectural possibilities. The study was carried out on behalf of the Pro Steildach initiative, whose members include Rathscheck Schiefer.

New impetus through the Dachkult platform

Convincing even more building owners, planners, and architects of the design diversity of the pitched roof – that is the aim of the Dachkult platform, which was established by the Pro Steildach initiative in 2018. The Slate business unit has joined forces with currently 18 other leading manufacturers in the building materials industry in order to give the roofing market new impetus and tap further market potential. The design potential of the pitched roof is vividly illustrated using reference projects of different architects. The Slate business unit is also represented on the campaign website with some of its outstanding properties: The monolithic construction method, for instance, merges a slate façade with a slate roof to form a unified whole.

Positive feedback

The Dachkult platform has received consistently positive feedback from experts. Just 100 days after its founding, the accompanying Facebook presence already had 2,000 fans. The kick-off event for the Roof Top Talks series, which took place at the former main customs office in Hamburg's warehouse district, met with an enthusiastic response from architects. While the focus here is on expert discourse, the platform will also increasingly concentrate on convincing private building owners of the advantages of the steep roof.

Three questions for Professor Braun

As part of the nationwide university competition "Dachwelten", professors and students of architecture have been exploring possible designs for the pitched roof since 2007. Jürgen Braun, Professor of Building Construction and Design at Mainz University of Applied Sciences, explains the attraction for him of this type of roof.

What makes the pitched roof so special?

Prof. Jürgen Braun: This roof shape offers incredible design potential. The pitched roof makes it possible to create extraordinary rooms with their own atmosphere and quality that can only be achieved at the highest point of the house in a multi-story building.

Are there any other advantages of this roof shape?

Prof. Jürgen Braun: One point is, naturally, its enormous redensification potential, without requiring additional built-up land. This is becoming increasingly important, especially in urban areas. And finally, the pitched roof plays a major role as a collector – for energy, for water and also for light, especially zenith light with its high luminance.

How does the pitched roof score from a structural point of view?

Prof. Jürgen Braun: In hot, rainy, and windy conditions, pitched roofs have a natural protection factor. Since they are always constructed with two shells, the heat can be easily dissipated via the rear ventilation. Rainwater that strikes the roof drains off quickly due to its inclination. In addition, the roof offers less attack surface for wind forces than flat roofs. And there is also great potential for energy-efficient and environmentally friendly thermal insulation solutions.

A perfectly integrated roof and façade. At the entrance to Krostoszowice in southern Poland, you can admire an intriguing slate building that looks almost like a sculpture. This combination of residential house and garage made of slate from Rathscheck is a prime example of monolithic building – a modern architectural trend from which the business unit benefits by offering suitable products. Due to the uniform, uninterrupted slate surface on the pitched roof and the façade, the buildings look like two rocky cubes – puristic and massive yet at the same time artistic and elegant.

I'm not a professional chef, but I like to cook for friends and family in my spare time. That's why ZWILLING's Smart Cooking system is such a perfect help for me. The ZWILLING Culinary World app guides me reliably through all the recipes, so I can be sure that everything will turn out great. Now I even trust myself to fry steaks to perfection.

Vivienne Laureen Piehl,

amateur chef

At Home in the Smart Kitchen

Smart Cooking: The ZWILLING cooking system is easy to operate via smartphone or tablet.

In its business activities, Zwilling Kitchenware consistently focuses on the needs of consumers.

In a world where virtual assistants fulfill almost every wish upon request, social media determine new consumer habits and rating communities significantly influence purchasing decisions, off-the-shelf offers have become outdated. Never before has it been so important for companies to play a significant role in the lives of their customers and to forge personal relationships based on trust.

Everywhere in the world people gather in the kitchen to cook, eat and enjoy their time together. Zwilling Kitchenware shares this passion and has made it its mission to enrich these culinary meeting places with its brands. Although the joy of cooking is universal, individual preferences and habits are highly diverse. With the “Closer to the Consumer” strategy launched in 2015, the business unit shifted its focus to consumers and their wishes and requirements. The goal: to create harmonious and extraordinary brand experiences at all points of contact. But now Zwilling Kitchenware is going a step further and seeking direct exchanges and personal relationships with consumers. Digitalization opens up completely new possibilities here. With the help of data-based customer knowledge and intelligent analysis systems, the company is adapting its products and services even more strongly to individual, situation-specific needs. At the same time, Zwilling Kitchenware is expanding its product portfolio with a focus on the cooking experience while remaining true to its premium standard. With innovative technologies, smart applications, and now also small electrical kitchen appliances, the business unit is helping shape the kitchen of tomorrow. >>

Smart, electric, Enfinigy® – ZWILLING taps into future-oriented market segment

Breaking new ground while relying on its core competencies – that is the strategy behind the development of the new electric kitchen series ZWILLING Enfinigy®. For the first time, Zwilling Kitchenware is expanding its product range to include small electrical appliances for the stylish, modern open-plan kitchen-living room. The business unit is thus positioning itself in the steadily growing market for digitally assisted cooking.

The name Enfinigy® is derived from the term "infinite energy" and stands for the devices' efficiency and performance. Designed by ZWILLING product developers in Solingen, the new product line comprises blenders, toasters, kettles, and digital kitchen scales.

Knife-making expertise meets high technology: More than 280 years of experience in knife production have gone into these high-performance blenders. The piranha-serrated steel blades are made in Solingen, a city renowned for manufacturing high-quality knives. They are powered by a wear-free DC motor, which maintains a consistently high speed even when fully loaded, effortlessly crushing ice cubes or blending vegetables and nuts. The product range includes four different blenders, some with integrated scales. The specially developed ZWILLING Culinary World app turns the blender and scales into smart devices that can be controlled with a smartphone via Bluetooth. For example, if the user has selected a dish from the app's recipe collection, the smartphone transfers the relevant data to the devices. The scales then weigh the ingredients right down to the gram – quickly, easily and conveniently.

Cooking with a built-in guarantee of success

The business unit is entering a completely new dimension of digitally assisted cooking with its intelligent ZWILLING cooking system. It was developed by ZWILLING's own technology experts in cooperation with the specialized start-up Cuciniale, in which the business unit acquired a stake as a strategic investor in 2018, allowing it to participate directly in the growing smart cooking market.

The ZWILLING cooking system consists of an intelligent induction hotplate, a multipoint sensor with a charging cradle, and the ZWILLING app. It can be easily operated via a smartphone or tablet and controls the cooking process with virtually no manual intervention at all. Special pots and pans are not required. All the user has to do is calibrate the existing cookware with the help of the multipoint sensor. From then on, the hotplate recognizes the pots and pans automatically.

Induction cooking produces magnetic oscillations that heat the pot. The intelligent system uses these oscillations to determine the temperature in the pot and then regulates the temperature as required. The separate sensor is only needed to cook meat to the desired doneness. This ensures that all dishes are one hundred percent successful – whether rare steak or creamy, al dente risotto. The ZWILLING app, which is an operating manual and a digital cookbook all in one, makes it easier for beginners to get started with cooking. Amateur chefs can easily prepare dishes with a higher degree of difficulty. And even professional chefs find the intelligent kitchen aid useful because it keeps an eye on things during busy restaurant hours, relieves them of standard tasks such as warming up or simmering, and even lets them get away with the odd moment of inattention. ●

> More than 280 years of ZWILLING knife-making expertise meet high technology in our high-performance blenders.

Relationship Status: Closer Than Ever

Sebastian Hahn, Global Head of Marketing Communication, and Kolja Ferda, Team Leader E-Commerce & Web, explain how Zwilling Kitchenware uses data-based customer knowledge to create individual brand and shopping experiences.

These days, customer centricity is regarded as the growth driver par excellence. How does ZWILLING implement this concept?

Sebastian Hahn: The decisive factor is the philosophy behind it. True customer-centric thinking puts the consumer as an individual with his or her specific experiences, wishes, and needs at the center of all business activities – at all times and in all places. This is quite a challenge for ZWILLING with its century-long tradition and established focus on wholesale and retail. After all, we're talking about nothing less than initiating a personalized customer dialog. To do this, we're building a completely new digital ecosystem that brings together the previously separate sales and marketing functions.

Kolja Ferda and Sebastian Hahn are building a completely new digital ecosystem.

Kolja Ferda: Rather than impersonal mass mailshots and standard newsletters that only create superficial relationships, we are relying on a personalized address for a continuous customer dialog that binds the customer to the brands through relevant information even outside the purchase process. The technical basis for this is a continuously networked dialog, commerce, and customer loyalty platform that uses the collected data to identify the right address for each customer with relevant offers and content at the right time. Let me give you an example: If a customer complains about a discolored pot via e-mail or Facebook, the system registers the complaint and can simultaneously suggest solutions, such as offering a cleaning service. The correct response to negative experiences is an essential part of customer communication to keep the customer relationship going. Or imagine that a customer has bought a knife from the Pro collection and recommends it on social media. His contacts then receive social ads for this knife or other suitable offers from the knife series together with an attractive discount. In this way, we expand our data-based knowledge of our customers and their interests with every click and every interaction. We become familiar with their preferences, and at the same time we create a positive experience, ideally even an emotional connection.

What role do brick-and-mortar shops play in all of this?

Sebastian Hahn: Besides digital offers, we have shops that serve as a real extension of the customer dialog and offer a high-quality culinary experience. Here customers encounter real interpersonal interaction and brands that they can touch and try out. The crucial factor is that online and offline activities are synchronized and that the customer relationship is not suddenly interrupted – even if it's just a case of a STAUB Cocotte being pre-ordered in our online shop and then not being available for collection at our bricks-and-mortar shop as agreed. Only if we impress our customers in context at every point of contact and create uniform brand experiences across all channels can we achieve our goal: to become the leading supplier in the culinary world with our brands and products.

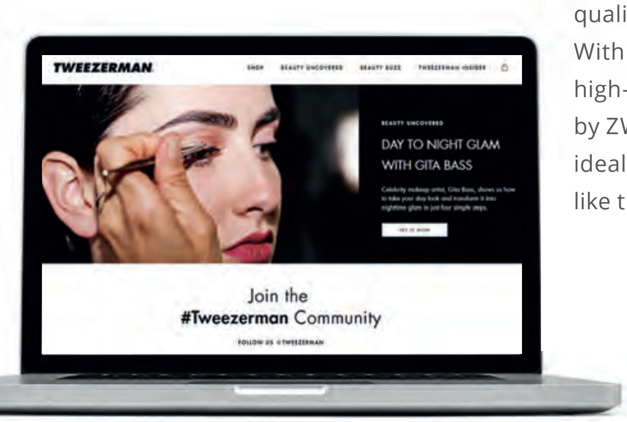
What are your experiences so far and what are the next steps?

Kolja Ferda: In the summer of 2018, we implemented our data-based customer loyalty and dialog system in the USA – which is a highly competitive market with high e-commerce potential. Canada, Brazil, and Turkey will follow. Our first experiences in the USA have exceeded our expectations. In the fourth quarter of 2018, we recorded significant growth of around 30 percent for almost all relevant key figures – especially for sales. We are therefore optimistic that we'll achieve similar effects with the upcoming rollouts in Germany and the rest of the world. The introduction of the infrastructure is only the first step in implementing a global strategy that places the needs of customers and prospects at the center of our communications in all markets in order to secure long-term added value.

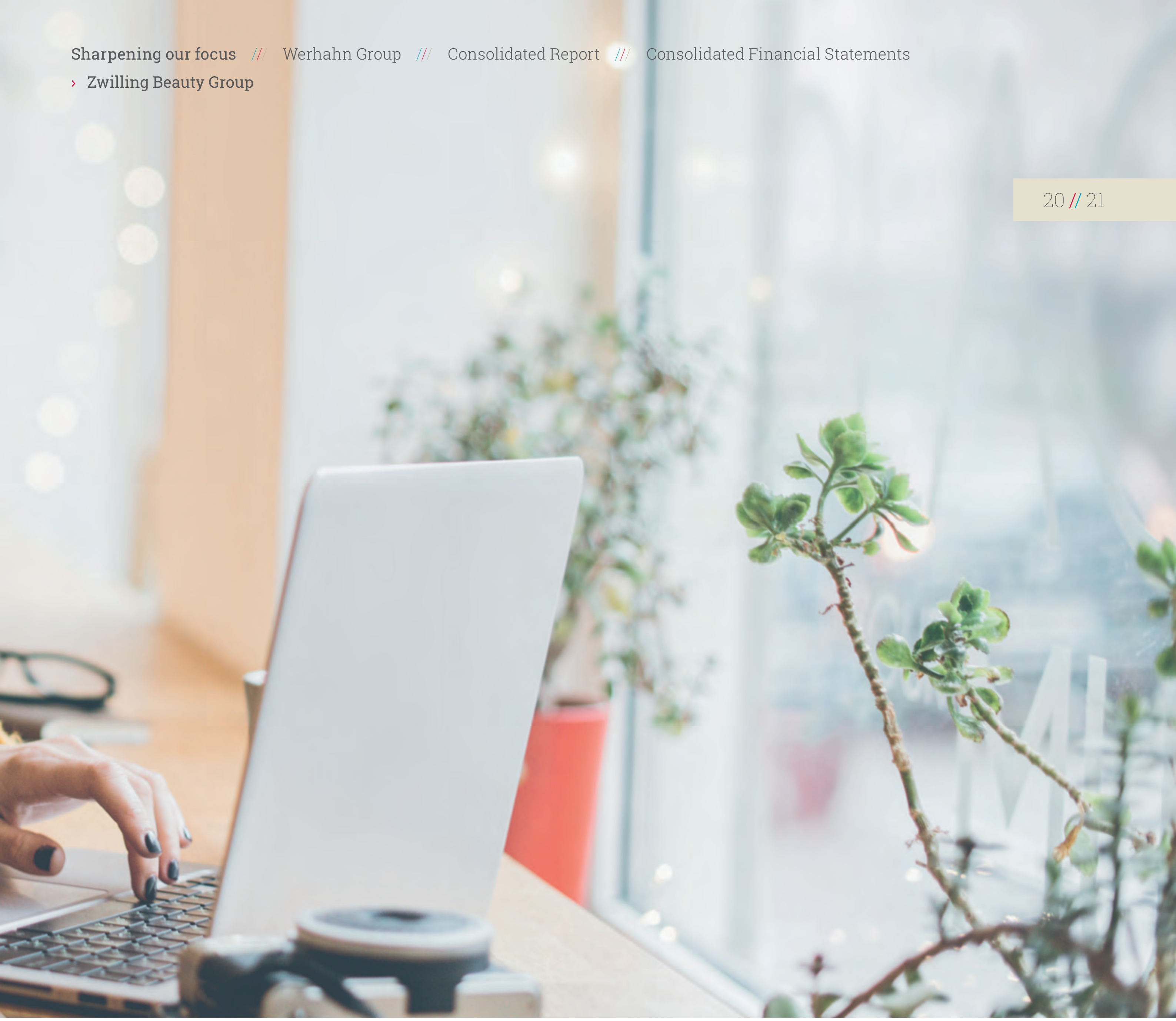
An Integral Part of the Urban Lifestyle

To implement its ambitious growth strategy in the highly competitive beauty market, the Zwilling Beauty Group is investing in the expansion of its e-commerce platforms. At the same time, the business unit is strengthening its presence on retail and online sales portals.

Getting ready for a date or the beauty routine after a work-out at the gym: Short videos illustrate the role that beauty tools play in people’s everyday lives. The US website of the Zwilling Beauty Group where the videos are shown is inspired by the urban, casual lifestyle of modern, quality-conscious women and men. With their straightforward design and high-quality materials, precision tools by ZWILLING and TWEEZERMAN are ideal for this environment. Visitors who like the manicure sets, tweezers, and skin care or eyebrow tools can reach the online shop with just one click of the mouse. Here, inspiration and sales blend into each other almost seamlessly.



In 2017, the Zwilling Beauty Group began operating as an independent business unit within the Consumer Goods corporate division. Since then, the business unit has been pushing ahead with its e-commerce activities and the digitalization of its sales structures. A global team is currently working closely with ZWILLING and TWEEZERMAN to develop an e-commerce presence for the two brands. Due to its competitive price positioning, QVS will continue to be marketed only via retail platforms in the future. The



presence is tailored to the lifestyle worlds and the needs of beauty consumers in the USA, Germany, Canada, Great Britain, and France. The platforms allow the Zwilling Beauty Group to present the product portfolio of the ZWILLING and TWEEZERMAN brands in an emotional light and to highlight its own profile as a beauty tool expert with a high level of acceptance among professional make-up artists.

With this goal in mind, well-known make-up artists and beauticians will also be involved as brand ambassadors. In addition, the dialog with consumers will be intensified via the company's own communication formats and social media channels.

High sales potential

As important as e-commerce channels are, external retail platforms such as Sephora, Ulta, and Douglas as well as pure online sales portals such as Amazon, Zalando, and Tmall in China have a greater reach and higher sales potential. A few years ago, a single product illustration with a brief description was sufficient for a presence on these portals, but today, high-quality videos or photos with meaningful product details and user information are absolutely necessary. The task of the newly formed content development team at the Zwilling Beauty Group is to produce both visual and content-related formats in close coordination with each other.

A dedicated photo studio for the regular photo shoots was set up at the location in Port Washington, which is near New York.

And the strategy is paying off: In November and December 2018, the Zwilling Beauty Group recorded a significant increase in sales in the USA – both in its own online shop and on the retail portals – thanks to various discount campaigns for Black Friday and a pre-Christmas marketing campaign under the motto "12 Days of Beauty".

With annual growth rates of 5.5 percent, skin care products are the fastest-growing segment in the beauty market. The Zwilling Beauty Group business unit picked up on that trend at an early stage and has continuously added innovative skin care tools to its product portfolio.

There is no beauty or lifestyle blog that hasn't reported on the 10-step skin care program of Korean women in recent months. There has been a genuine hype about Asian beauty and cleansing rituals, especially on social media. The market for skin care products is also spurred by growing demand from the male target group as well as from older consumers who value a well-groomed and youthful appearance.

The Zwilling Beauty Group business unit was quick to recognize this market potential, and has significantly expanded its portfolio of skin care tools in recent years. There are now eleven different products on the market under the TWEEZERMAN brand, and they account for a growing share of the company's sales. Some of the bestsellers are the Dermaplaner, a facial peeling device, the facial hair remover, and a tool for removing skin impurities. In the future, the ZWILLING and QVS brands will also position themselves in the market with skin care tools, among them electrical devices. In addition, they intend to expand their product portfolio for men. •

The latest trend: a radiant, pure complexion. The Zwilling Beauty Group is exploiting brand potential with innovative skin care tools.

Exploring Asian Beauty Rituals

For Men Only

In its intensive cooperation with the hairdressing trade, the Jaguar/Tondeo Professional Hairdressing Equipment business unit succeeds again and again in launching genuine innovations on the market. With the latest product innovation, a tool bar developed by barbers for barbers, the business unit is responding to the ongoing beard trend.

"I have worked with Tondeo tools for a long time. What I find particularly convincing is the approach of developing special products for barbers together with barbers. What's more, the scissors from the Barber Toolbox are the sharpest thing I've ever held in my hands. The concept is perfectly coherent and limited to the essentials with its noble, masculine look."
Pascal Jahn,
barber from Aachen

Marble washbasins, vintage leather armchairs, wood-paneled walls – the atmosphere of many barbershops alone suggests that you will find traditional craftsmanship here. Shops dedicated to the artistic skill of the classic barber are booming, especially in large cities. Their target group: men who appreciate high-quality beard and hair care and who are prepared to spend more money on it than at a conventional salon with predominantly female customers.

The new generation of barbers relies on traditional methods, but at the same time uses state-of-the-art equipment, according to numerous interviews with barbers conducted by the Jaguar/Tondeo Professional Hairdressing Equipment business unit. With this in mind, the Tondeo brand worked together with barbers to develop a completely new product line whose design and technology are specially tailored to professional requirements. In the process, Tondeo benefited from the blade expertise it has gained over the past nine decades. The barber's tool bar includes a pair of scissors with a new vanadium steel blade, a shaving and contouring knife, and a professional cutting machine.

The new product was first presented at trade fairs in Düsseldorf, Paris, and London. Its marketing is supported by a dedicated website and social media channels whose visual vocabulary reflects the high-quality, elegant appearance of the barbershops. ●

We want to offer soccer fans at the Philips Stadium unforgettable live experiences. That's why we had to update our sound system. After reviewing all the offers, we opted for a Bose system and lease financing from abcfinance. The decisive factor was that abcfinance responded very flexibly to our wishes. And project handling has also been exactly what we wanted. Meanwhile, the new sound system is running smoothly, and so is the financing.

Frans Janssen,

Commercial Director of PSV Eindhoven

Understanding Customers – Beyond Borders

Every market operates according to its own rules and laws. There is no one-size-fits-all recipe for getting started in foreign markets. However, with industry knowledge and a clear focus on medium-sized companies, the business unit abcfinance has managed to gain a foothold in the Netherlands and Austria in just a few years.

Eindhoven, about 70 kilometers from the German-Dutch border, is best known for its famous soccer club. Last year, PSV Eindhoven was able to secure the Dutch championship title for the 24th time. The leasing company abcfinance Netherlands is located not far from the club's arena. Founded in 1993 under the Transned Lease brand, this financial services provider was primarily active in the truck and van leasing business in its early years. In 2011, abcfinance acquired the company, which had been hit by the global financial crisis, and entered the Dutch market for the first time.

Since then, abcfinance has experienced a continuous upward trend in the Netherlands, more than tripling its volume of new business within five years. As one of the few independent providers on the leasing market, which is largely dominated by banks, abcfinance Netherlands orients its financing solutions to small and medium-sized companies (SME), just as it does in Germany. At the same time, the company has continuously expanded its product range and developed from a niche supplier for vehicle leasing to an all-rounder.

Today, it finances the entire range of mobile assets – from agricultural construction machinery to fitness equipment all the way to IT systems. abcfinance's 36 employees in Eindhoven know the peculiarities of Dutch leasing law and, in addition to financing know-how, also have detailed knowledge of the industry and an in-depth understanding of customers. A significant portion of the company's business is realized in cooperation with independent brokers and through partnerships with manufacturers in the area of sales financing. In any case, the company's objective is to adapt the leasing or hire-purchase model to the desired investment project.

As in Germany, abcfinance Netherlands offers factoring for mid-sized customers from its Utrecht location. The Dutch factoring market has proved to be highly dynamic in recent years in particular: From 2015 to 2017, sales there rose by almost 70 percent, and abcfinance was able to increase its factoring volume from € 281 million in 2016 to € 660 million in 2018. This shows that the successful model of offering a combination of leasing and factoring is demonstrating its strengths very impressively in the Netherlands, too. »

Also successful abroad: As in Germany, the abcfinance business unit targets its financing solutions in Austria and the Netherlands at medium-sized companies.

abcfinance Connect app: This leasing calculator for smartphones and tablet computers determines the right financing already during the sales talk.

Good timing is everything: abcfinance in Austria

While abcfinance benefited from the know-how and customer base of an existing business when it entered the Dutch market, it began its operations in Austria as a genuine start-up in July 2014. The timing is convenient: Austrian companies are just beginning to reduce many years of investment backlogs for vehicles and machinery. High investments in equipment are accompanied by an increase in private consumption.

From Vienna, abcfinance systematically expanded its sales activities and is now represented by regional sales staff in all nine federal states. Because the legal framework for leasing is almost identical in Germany and Austria, abcfinance was able to transfer its product portfolio almost one-to-one from Cologne, and the company's consistent focus on mid-sized companies and their concerns and requirements paid off once again. Today abcfinance Austria is one of the fastest-growing leasing companies in the country, surpassing the €100 million mark for new business for the first time last year.

A particular focus is on sales partnerships for sales financing. Whether the complete restaurant equipment for a hotel or a high-tech CT scanner for a clinic: With the help of abcfinance, manufacturers of capital goods can offer their customers financing along with services such as training or maintenance. Legal questions, contract types, and billing models are agreed individually for each new partnership. The now 25 leasing experts at abcfinance Austria are working together to ensure that cooperation partners can seamlessly integrate financing into their sales process. The Connect app, which was developed specifically for sales financing, is being used more and more frequently in the process. While talking to customers, specialized dealers can use their smartphones or tablets to go through various financing options and send inquiries straight to abcfinance by e-mail. The goal is to fully automate the entire application and contract procedure in the future, including electronic signatures.

Joint Growth in New Markets

Well-functioning partnerships are characterized by the fact that all the parties can contribute their core competencies and everyone wins. According to Markus Kanters, Head of Direct Leasing and Factoring at abcfinance, this also applies to the cooperation between abcfinance and AXA Germany as well as to the company's participation in the start-up Canei.Digital.

How did the idea for a sales cooperation between abcfinance and AXA come about?

Markus Kanters: As far as abcfinance is concerned, we are always open to partnerships that give us access to new markets and customer segments. AXA, too, is interested in developing innovative business fields beyond traditional insurance, especially in the B2B sector. That's how we first got talking. And as we talked, we quickly came across the subject of factoring, since the sale of accounts receivable offers enormous advantages, especially for commercial customers.

What steps were necessary to get the project going?

Markus Kanters: The pilot phase got underway in mid-2018. Initially, this involved training selected AXA agencies and introducing them to the factoring business. Together we then visited potential customers. By now, the first rollout phase has begun – with a significantly expanded circle of AXA agencies offering factoring solutions via abcfinance.

And what do you think of the results so far?

Markus Kanters: When you consider that factoring is a consulting-intensive service, the successes so far are remarkable. We were able to conclude a number of deals as early as the pilot phase – and more than 100,000 AXA customers mean that the potential is huge. In 2019, we also want to work together in the area of leasing. AXA benefits from this as well: With our attractive factoring and leasing offers, the company can win the loyalty of important customer segments on a long-term basis.

You were also instrumental in getting abcfinance involved in the start-up Canei.Digital. How did that come about?

Markus Kanters: This start-up company from Herdecke in North Rhine-Westphalia impressed us because it developed an app that enables small and medium-sized companies to plan their finances virtually automatically. It's astonishing how easy it is. All you have to do is upload the total balance lists, and the software generates various analyses, such as a 5-year plan, at the touch of a button. With the help of the digital management consultant, even smaller companies can quickly gain an overview of where they are losing cash and where they can leverage potential.

Open to New Perspectives

Serving car dealers in every way: This guiding principle has enabled Bank11 to become an established player in the fiercely contested motor vehicle financing market in just a few years. Its dealer network now comprises more than 13,000 customers throughout Germany. To further enhance its company profile amid such growth, this business unit relies on new work concepts and the support of software robots.

Maple leaves are the defining visual element on the new corridors, ceilings, and doors. And the new wing that recently became Bank11's dealer and sales center is also called the Maple Wing. Soon there will be a Birch Wing and a Bamboo Wing as well. These descriptive names are replacing the previously customary abstract room names – and that is by no means the only thing that is changing at Bank11.

With an increasing customer and order volume, the number of employees has also been growing in recent years – from initially fewer than 10 to around 250 today. For the necessary workstations, the company rents additional rooms and even entire floors, with the most recent rental in 2018 adding more than 500 square meters. Bank11 is using the expansion to simultaneously introduce a new space and work concept. At its current rate of growth, Bank11 plans to keep moving forward with all its employees and further

500

additional square meters for further growth at Bank11

develop the special qualities for which it is so highly regarded in the industry. To quickly identify and analyze customer wishes and develop innovative products and services on that basis, you need transparent structures, a dynamic workflow, and scope for ideas and creativity. So instead of one- or two-person offices, there is an open office structure that creates space for cross-team communication and project work. This is coupled with a non-territorial concept that no longer envisages permanently assigned workstations. If employees are working remotely, whether from home or on the road, the free desks can be used flexibly by other employees. All office workstations are equipped with docking stations for notebooks and personalizable telephones. A frequent problem with open room structures is the increased level of noise. In the Maple Wing, however, sound-absorbing partition walls and acoustic elements on the walls and under the ceiling ensure that noise levels are kept to a minimum. For longer conversations, creative exchanges, and the development of new ideas, a variety of meeting and recreation areas are available.

Robots perform routine tasks

Creativity and personal initiative are skills that are not expected from the new software robots at Bank11. Instead, the applications are designed to automate simple business processes that follow a fixed set of rules and a consistent pattern. Last year, Bank11 launched a pilot project on robot-controlled process automation to explore the potential and efficiency of the technology. Among other things, a recurring process at the customer center was supposed to be delegated to a software robot: Many customers replace their existing credit financing when they buy a new vehicle. Bank11 receives around 300 such requests every day. Calculating the replacement fee is not a demanding activity, but it ties up considerable capacity. A software application was programmed specifically for this routine task and intensively tested for several months. At a dedicated computer workstation, you could see a mouse pointer moving from one input field to the next as if by magic, completing the online form in its entirety. During the pilot project, each process was double-checked by a human colleague. After four months, it was clear that the robot had successfully completed the trial period, and there are now two more robots in use for special business processes. As a result, Bank11 employees are relieved of monotonous, time-consuming routine tasks and can now focus even more intensively on advising customers.

i

Fit on the job

The modern working environment at Bank11 also comprises courses on healthy eating, fruit baskets, a weekly food truck, and a variety of joint sports activities.

Lateral Thinkers Wanted

Founded in 2016 as the first B2B comparison portal for vehicle financing, Yareto has thoroughly shaken up the car trade. The success of this completely digitized business model is based on the combination of excellent IT and market know-how. But how does the start-up from Neuss manage to find the best software developers and sales specialists, turn them into a team and motivate them in the long term? Sven Hölker, Managing Director of Yareto, Sarah Fischer, Head of Marketing, and Sabrina Stahl, Human Resources officer, discuss these issues.

Sabrina Stahl

I've only been with the company since September 2018. My decision to work for Yareto is mainly due to the consistently positive experience I have had. It started with the job advertisement, which conveyed a great deal of closeness and openness, continued with the interview and the professional recruitment procedure, and still applies.

14:06 ☑

Sarah Fischer

That's exactly it: When we make promises on recruiting portals, our website, or social media, we have to live up to them in our day-to-day business. That makes us very popular with many applicants. On the one hand, we are a start-up with many opportunities to get involved; on the other hand, we are part of the long-established Werhahn Group, and that provides security.

14:08 ☑

Sven Hölker

At the same time, we have to be able to make our vision clear, i.e., the story behind our business model. We are revolutionizing the car trade with our tools, helping car dealers increase their sales and at the same time deriving our own added value. That's the goal that drives our salespeople as well as our data scientists.

14:37 ☑

Sven Hölker

There's no standing still. A lot of things here are in motion and constantly reforming in new ways. That also applies to the management team at Yareto. The five of us recently moved from sitting separately in different departments to sitting together in one office. This enables us to provide each other with inspiration and guidance and creates the right environment for further innovations.

16:03 ☑

Sarah Fischer

And we are doing a great deal to ensure short decision-making paths, flat hierarchies, and creative freedom, even in the face of ongoing growth. For example, we work together across departments. That improves our team spirit and contributes to the transfer of knowledge. And "Ya-Time" is when all Yareto employees come together once a month to discuss their experiences.

15:12 ☑

Sabrina Stahl

What impresses me in particular is the Scrum method and the agile project work, which is not only used in the area of software development, but likewise in sales, so that customer wishes can be implemented quickly.

15:03 ☑

/// 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 which our mid-sized family-owned business has always practiced and maintained.

Wilh. Werhahn KG is decentralized in 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 goal 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 and Management Board

Supervisory Board

Anton Werhahn
(Chairman)

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

Lambert Goder

Paul Josten

Wilhelm Josten

Dr. Wolfgang Klein

Prof. Dr. Alexander Kolb

Fritz Oidtmann

Dr. Johannes Velling

Heribert Werhahn

Dr. Michael Werhahn

Ruth Werhahn

Management Board

Paolo Dell' Antonio
(Chairman)

Kathrin Dahnke

Report of the Supervisory Board

Dear shareholders,

During the 2018 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 six times in 2018. 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 business units, the status of acquisitions and projects, comparison of business development with the strategy of the Werhahn Group, issues concerning compliance, IT security, data protection, digitalization, 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 regular 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 committees prepared the topics for discussion, reviewed pending decisions in advance and decided upon if necessary, and made recommendations for resolutions of the Supervisory Board. The topics discussed last year in the Accounting Committee included the 2017 Financial Statements and Consolidated Financial Statements as well as reports on legal, compliance, data protection and internal audit activities in the Werhahn Group. The Personnel Committee discussed matters relating to the Management Board. Committee chairpersons informed the members of the Supervisory Board of the contents and results of their committee meetings.

At the regular shareholders' meeting on May 5, 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was reappointed as auditor for the Annual Financial Statements and Consolidated Financial Statements. Following a corresponding resolution, the appointment was made by the Supervisory Board, after having confirmed the auditor's independence.

The Consolidated Financial Statements including the Consolidated Report as well as the Financial Statements of Wilh. Werhahn KG for the business year 2018 were prepared by the Management Board and audited by the auditors, who issued an unqualified auditor's opinion pursuant to section 322 of the German Commercial Code (HGB). Following a preliminary audit by the Accounting Committee, the Supervisory Board approved both sets of financial statements in its meeting on April 12, 2019. Thus the Financial Statements of Wilh. Werhahn KG as of December 31, 2018, 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.

Dr. Dr. Peter Bettermann left the Supervisory Board at the end of his term of office on May 5, 2018, also leaving his post as Chairman. Prof. Dr. Klaus Trützschler also left the Supervisory Board on May 5, 2018, thereby also leaving his post as long-standing Chairman of the Accounting Committee. The Supervisory Board thanks Dr. Dr. Peter Bettermann and Prof. Dr. Klaus Trützschler for their long years of service, marked by dedication, new ideas, and successful cooperation. The Supervisory Board wishes both Dr. Dr. Peter Bettermann and Prof. Dr. Klaus Trützschler all the best for the future.

On May 5, 2018, family members of the Supervisory Board appointed Anton Werhahn as the 13th member of the Supervisory Board, and then appointed him as the new Chairman and, accordingly, the new Chairman of the Personnel Committee. Gabriela-Maria Baum-D'Ambra was appointed as Vice Chairwoman of the Supervisory Board.

Gabriela-Maria Baum-D'Ambra, Lambert Goder and Prof. Dr. Alexander Kolb were reappointed to the Personnel Committee during the same meeting. With effect as of November 11, 2018, Fritz Oidtmann was appointed by the Supervisory Board to the Personnel Committee to replace Mr. Goder, who left his position on this committee at his request. The Supervisory Board thanks Mr. Goder for his long and successful tenure in the committee. To replace Prof. Dr. Trützschler, Dr. Wolfgang Klein was elected as a new member of the Accounting Committee and was appointed as its Chairman. Dr. Michael Werhahn was appointed as Vice Chairman of the Accounting Committee.

Paolo Dell' Antonio was appointed by the Supervisory Board as the new Chairman of the Management Board, an office in which he has been active since May 5, 2018. Effective as of May 1, 2019, the Supervisory Board also appointed Alexander Boldyreff as an additional member of the Management Board of Wilh. Werhahn KG. The Supervisory Board wishes Mr. Dell' Antonio and Mr. Boldyreff all the best for their new tasks, also in the name of the shareholders.

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

Neuss, April 12, 2019
The Supervisory Board

Anton Werhahn
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. Prior to the shareholders' meeting, the Management Board consisted of one family member and two non-family members; since then, the Management Board consists of two non-family members. The Supervisory Board of Wilh. Werhahn KG consisted of nine family members and three non-family members up to the shareholders' meeting; it now consists of ten family members and two 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 Group levels is an essential element of strategic thinking and action. The statutes of Wilh. Werhahn KG comply to a great extent with the recommendations of the Governance Code for Family Businesses.

Responsible dealing with risks

As we see it, one aspect of corporate governance is the comprehensive systematic management of risks within the framework of corporate management. We are guided by the Three Lines of Defense model.

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 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 to the going-concern status are reported immediately – regardless of regular reporting – to the supervisory bodies in the business units as well as to Wilh. Werhahn KG.

The second line of defense is exercised by Controlling and by Compliance, among others, and establishes the framework for the risk management and the compliance management systems, for example by setting guidelines and operating procedures. At the same time, these functions monitor the risk situation from a Group perspective. We strive to closely integrate the functions in order to ensure the highest possible degree of efficacy in avoiding and managing risks. Our risk management system is described in detail in the Consolidated Report.

To create a picture of the overall risk situation of the Group, we evaluate the specific local and general risks as well as the Group effects on the basis of reports from the 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 business units, and on an ad-hoc basis regarding special developments. The boards discuss in detail the causes of the current risk situation and measures to be taken.

Beyond its advisory role concerning the annual financial statements and the consolidated financial statements, the Accounting Committee of the Supervisory Board dedicates a meeting to the risk management system and risk evaluation, taking into account knowledge from the areas of internal audit, compliance, and data protection by creating written reports and conducting personal interviews with individuals in charge.

The central Internal Audit department functions as the third internal line of defense, conducting independent tests to monitor the appropriateness and efficacy of the processes and risk management systems 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 audit opinion. The model is continuously updated and is adapted to changing circumstances on an ongoing basis.

Cooperation between the Boards

The Management Board and the Supervisory Board work together closely 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 concerning all matters of strategy, business development relevant to 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.

The company's statutes require approval by the Supervisory Board for numerous major business transactions, regardless of whether the transaction pertains to Wilh. Werhahn KG itself or to a Group company.

Avoiding conflicts of interest

The Management Board and the Supervisory Board are obligated to act in the company's interest. In their decisions and in connection with their activities, members of the Management Board and the Supervisory Board may neither pursue personal interests nor personally exploit 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 also binding for the board itself.

Compliance

The Werhahn Group has a Code of Conduct that is applicable worldwide to all Group companies and to all employees, and governs their conduct in relation to third parties, among other things. The Code of Conduct is supplemented by a general guideline, a specific guideline on anti-trust law, and electronic training tools for the overall Code of Conduct and for anti-trust law in particular. The Code of Conduct and both guidelines are available in 15 languages.

At Wilh. Werhahn KG as well as in all business units, compliance officers have been appointed who, jointly with the head of the Internal Audit department, form the Compliance Committee. The member of the Management Board responsible for Compliance also participates in the Compliance Committee meetings held several times during the year. The compliance officers in the business units report to the central compliance officer of Wilh. Werhahn KG, among others, who in turn reports to the Management Board. The rights and duties of the compliance officers are outlined 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 should comply with these rules of the necessity of doing so. To this end, an extensive training program was created. One focus of our compliance activities is training sessions in anti-trust law, which are conducted worldwide on-site 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 made by the chairperson of each business unit were incorporated into the Code of Conduct training tool.

A compliance audit conducted in 2016 by a renowned and experienced German law firm that was coordinated by the Chairman of the Supervisory Board 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.

There are now a total of 28 compliance officers in the business units who assist the central compliance officer in developing the compliance system and who implement the measures in their area of responsibility. Local compliance officers and the central compliance officer are available to answer any questions employees may have regarding compliance.

The Management Board prepared a guideline in the reporting year to unify company policies regarding giving and receiving gifts, invitations, donations, and sponsoring. This guideline is currently being introduced in training sessions.

The Helpline that was set up in 2014 was moved to a new platform in 2018. Employees can still call the Helpline from anywhere in the world in the local language without charge. In addition, it is also possible to initiate an anonymous dialogue with the whistle-blower using an anonymous mailbox.

Furthermore, there are numerous additional compliance activities, particularly in the companies regulated by the German Financial Supervisory Authority (BaFin).

Accounting and audit

For the reporting year, it was agreed once again that the auditor, Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, will inform the Chairman of the Supervisory Board and the Chairman of the Accounting Committee immediately of any material findings or incidents discovered during the audit of the financial statements and the consolidated financial statements.

/// Consolidated Report ///

Macroeconomic Development

The global economy lost some momentum in the course of the past year. According to figures published by the International Monetary Fund (IMF), global gross domestic product (GDP) grew by 3.5 %, compared to 3.8 % in the previous year. In many large economies the upward trend slowed at the beginning of the third quarter at the latest. The Kiel Institute for the World Economy (IfW) provided as a reason for this development the downturn in China's economic situation, on the one hand. On the other hand, the tightening of monetary policy in the USA has unleashed a shift in international capital movements, which has in turn slowed economic growth in emerging economies.

In contrast to the previous year, when the pace of growth of the global economy was practically the same everywhere, in 2018 the trends between the various countries exhibited significant differences. The economy in China grew more than in almost every other country, yet the rate of growth was the slowest it has been in 28 years. In the USA, strong fiscal policies increased the rate of expansion. In contrast, the economy in the euro area and Japan lost momentum noticeably. The reasons for the slowdown in the euro area were weaker foreign trade and a strong drop in automobile production, which was caused among other reasons by the introduction of new emissions standards. In the emerging economies, production increases were slowed down by less favorable financial conditions. However, also in these countries the impact of the economic slowdown varied. Growth slowed only slightly in many Asian countries and in Russia; however, Argentina and Turkey slipped into a recession. The economy in the UK continued to lose momentum during the past year due to its impending departure from the EU.

German economy progresses, but only by small steps

Even in an insecure export market, the German economy grew for the ninth year in a row in 2018, however the pace was slower. According to data from the Federal Statistical Office, the price-adjusted GDP was 1.4 % higher than the previous year. The domestic economy in particular drove this growth. In view of positive employment and income trends, household consumer expenditures grew by 1 %. Real disposable income also grew by 1 %. The retail sector recorded price-adjusted revenue growth of 1.2 %, according to the Federal Statistics Office. In addition, many companies continued to step up investment activity. The German Federal Government registered a 4.5 % increase in investments in equipment – especially in machines, devices and vehicles. Investment in construction went up by 3 %, especially in civil engineering projects, which saw significantly more investment than in the previous year. Economic growth in Germany was slowed especially by the weaker global economy and the decline in automobile production. In addition, the protracted drought which caused low river levels on the Rhine and other waterways led to supply bottlenecks in many sectors.

The robust economy also meant more revenue for public coffers. The Federal Government, municipalities, and social security institutions collected € 58.0 billion more than they spent. This was the highest budget surplus since Reunification.

Headwinds in the eurozone

The upswing in the eurozone continued in 2018, yet at a slower pace. According to the Council of Experts in their assessment of the global economic situation, one reason for this was that conditions for the export business had worsened. Due to the possibility of an escalation of the trade conflict with the USA, companies had postponed investments. In addition, the strengthening of the euro impeded exports. The Kiel Institute for the World Economy determined that the deterioration in economic prospects for emerging economies had also dampened expectations. The decline in automobile production accelerated the economic downturn.

According to Eurostat figures, GDP for the 19 countries of the eurozone in 2018 was 1.8 % higher than the previous year. Italy was at the bottom of the list, with growth of only 1 %. According to an analysis of the KfW Bank, this was due to the insecure situation regarding the economic policy supported by the new government. The 28 countries of the European Union posted economic growth of 1.9 %. Domestic demand proved to be a particularly strong economic factor in these countries. Low unemployment rates and real wage growth provided good conditions for increased private consumption.

Under the pressure of the impending exit from the EU, economic growth in the UK was only moderate. However, due to strong export growth, especially in the second half of the year, GDP actually grew by 1.3 %, according to OECD estimates. An element of uncertainty regarding future economic relationships dampened investment activity of companies and contributed to further depreciation of the British pound. According to the German Council of Economic Experts this contributed to significantly higher inflation, which in turn led to a drop in real household income. As a result, private consumption developed rather weakly, despite strong employment figures.

China and the USA experience significant growth

In 2018, China's economy posted slightly weaker growth than in 2017. The national statistics office recorded growth that was still at 6.6 %. For one thing, the government reduced investments in order to contain its high public debt. In addition, the trade conflict with the USA made companies and consumers wary. The USA imposed punitive tariffs on products from China with a value of USD 250 billion, corresponding to around half of the total US imports from China. China reacted with counter-tariffs on goods totaling USD 130 billion in value.

In the middle of the year, the Chinese government shifted its focus back to growth and announced various measures to boost the economy. This included tax breaks and investments in infrastructure as well as measures for making corporate financing easier.

In the USA, the economic upswing continued despite the trade conflict with China and the EU. The US economy posted 2.75 % growth in 2018, one of the highest growth rates among western industrialized countries. Fiscal expansion policies were largely the driving force. Since the beginning of the year, greatly increased public funding contributed to positive economic growth. Private households took advantage of tax breaks, greater employment, and wage increases when increasing consumer expenditures. Due to tax breaks, investment also showed initial growth, but lost momentum during the year. The income lost to the government due to the tax reform increased the budget deficit significantly, despite the strong economy, and increased debt yet even more. The Federal Reserve responded to the strong economic recovery and the increase in the inflation rate during the course of the year with several interest rate increases.

Weaker consumption in Russia and Japan

The Russian economy was unexpectedly strong in the past year. According to data from the Russian Ministry for Economic Development and Trade, GDP was 2.3 % higher than in 2017. Even in the course of the fourth quarter, most experts had expected much lower growth rates. The Ministry attributed the upward trend to strong growth in the construction sector, which grew 5.3 % over the previous year. The increase in oil production also provided growth impetus. However, the agricultural sector posted a significant decline in production. Despite lower unemployment, demand from private households was weak. For the fifth year in a row, consumers in Russia had less disposable income than in the previous year. According to Rosstat, the official statistics office, real income sank in 2018 by 0.2 %.

Japan's economy slowed. According to government figures, GDP grew in 2018 by only 0.7 % over the previous year. In addition to the weaker global economy, Japan was affected by weaker domestic demand. According to Germany Trade and Invest (GTAI), this was attributable to a great degree to natural disasters. Prolonged rainfall and earthquakes in 2018 led to disruptions in production and lower consumer expenditures. Tourism was much weaker than in previous years. Additionally, the lack of skilled workers put a damper on growth. Many companies wishing to expand capacity were forced to curtail their plans because they could not find skilled workers. The unemployment rate dropped to the lowest level in 25 years.

Business Development and Results of Operations

Diversity is a defining feature of the Werhahn company. Business activities are grouped into three corporate divisions – Building Materials, Consumer Goods, and Financial Services – with seven business units.

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

In 2018, the Werhahn Group recorded consolidated net sales of € 3,537 million (previous year: € 3,383 million). The net sales growth of 5 % was just slightly below expectations. The Financial Services and Building Materials divisions posted strong growth. Consumer Goods on the other hand, showed a significant drop in net sales.

Both domestic and foreign net sales were slightly above the previous year. The share of foreign net sales in consolidated sales dropped slightly, from 31 % to 30 %. Nominal foreign net sales totaled € 1,075 million (previous year: € 1,037 million). Net sales in euros were negatively impacted by fluctuations in exchange rates. The driver of this development were the US dollar, Chinese renminbi, and the Russian ruble.

Net sales by business unit

in € million	2018	2017	Change
Aggregates	1,383	1,290	93
Slate	67	68	– 1
Zwilling Kitchenware	658	699	– 40
Zwilling Beauty Group	84	109	– 25
Jaguar/Tondeo Professional Hairdressing Equipment	23	25	– 2
abcfinance	1,200	1,115	85
Bank11	105	89	17
Others	50	28	22
Consolidation	– 35	– 40	5
	3,537	**3,383**	**154**

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

Selected key figures

	2018	2017
Cost of materials ratio	53 %	53 %
Personnel expenses ratio	15 %	15 %
Investment rate	107 %	119 %
Tax rate	50 %	31 %
Earnings before tax (in € million)	105	163

The cost of materials for the Werhahn Group increased by 5 % to € 1,876 million (previous year: € 1,784 million). This figure includes expenditures in the Building Materials and Consumer Goods divisions. Furthermore, cost of materials for the Financial Services division includes refinancing costs, residual book values of sold leasing assets, acquisition costs for hire-purchase objects, and commissions from the banking and leasing segment. The absolute increase in cost was primarily the result of the growth in the Financial Services division and higher acquisition costs in the Building Materials division. The cost of materials ratio[2] went up slightly in the Building Materials and Consumer Goods divisions, whereas it improved slightly in the Financial Services division.

Personnel expenses of € 522 million were 6 % higher than in the previous year (€ 491 million). In addition to the usual wage increases, this was due primarily to a larger number of employees in the divisions. The personnel expenses ratio[3] rose only in the Consumer Goods division. In the Building Materials and Financial Services divisions, the development of personnel expenses corresponded with the increase in sales.

The depreciation and amortization of intangible and tangible assets in the business year stood at € 163 million, which is just below the previous year's value of € 168 million. The increase in depreciation of leasing assets from € 460 million to € 507 million is due to the expansion of new leasing business.

In 2018, other operating income decreased from € 71 million to € 58 million. In the previous year, this included income from the sales of the Diamant Group. In addition, income from the disposal of tangible assets declined.

[2] The cost of materials ratio is calculated by dividing the cost of materials by net sales.
[3] The personnel expenses ratio is calculated by dividing personnel expenses by net sales.

Other operating expenses increased by 5 % to € 433 million (previous year: € 412 million). Compared to 2017, expenses for maintenance and repair and for recultivation obligations increased in particular. In the course of expanding business volume, the expenses for adjustments of accounts receivable from financial services increased. Counteracting this were primarily lower exchange rate losses, lower other taxes, and a decrease in marketing expenses. The most significant individual items contributing to other operating expenses were maintenance costs (€ 83 million), external services (€ 74 million), and marketing (€ 67 million).

High dividend payouts of a holding company made in the previous year reduced investment income by € 12 million to € 17 million.

The operating result of the Werhahn Group in 2018 was significantly below both the previous year and expectations. Whereas the operating result in the previous year was positively affected by one-off special effects, such as income from the sale of the Diamant Group and dividends from a holding company, the expenses from closure of the Moselschiefer deposits in Mayen and the sale of the alessandro Group had a negative impact on the 2018 operating result.

The operating result of the Building Materials division was accordingly slightly down compared with the previous year, especially due to the expenses related to the planned shutdown of Moselschiefer excavation in the Mayen mine. However, the operating result of the Aggregates business unit remained at the previous year's level. The Consumer Goods division saw a significant decline in its operating result. Along with exchange rate effects, the decline in core business was the main factor in the Zwilling Kitchenware business unit. Lower net sales in the Zwilling Beauty Group and Jaguar/Tondeo Professional Hairdressing Equipment business units put pressure on the operating result. However, the Financial Services division developed in a positive direction. Additional growth in this division caused a noticeably higher operating result.

The interest result including income from securities in fixed and current assets amounted to € – 11 million (previous year: € – 9 million).

Earnings before tax of € 105 million were considerably lower than earnings of the previous year (€ 163 million) and also clearly below expectations.

Earnings before tax in 2018 included high non-tax-deductible expenses as well as losses that could not be set off. The previous year benefited from significant tax-free income. Accordingly, the tax rate[4] rose in 2018.

As a result, the overall net profit of the Werhahn Group decreased significantly by € 60 million to € 52 million.

The Management Board would like to thank all employees for their strong commitment and for their contributions to the success of the Werhahn Group in a year marked by increased changes.

[4] The tax rate is calculated by dividing the tax expense by earnings before tax.

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 extracts and processes mineral raw materials for the construction industry. The Slate business unit produces and markets premium-quality slate for roofs and façades.

Aggregates

The Aggregates business unit includes four business segments under the leadership of Basalt-Actien-Gesellschaft: mineral raw materials, asphalt mixtures, building materials recycling/disposal, and construction chemicals. In addition to Germany, Sweden, and Benelux, the business unit operates in the Central and Eastern European countries of Poland, Russia, Ukraine, Czech Republic, and Hungary. Its customers are mainly construction companies with an emphasis on road construction.

In the mineral raw materials segment mostly hard stones are extracted in 96 Group-owned quarries, then processed, and marketed regionally. In addition, a portion of the raw material is used for the production of asphalt mixtures in 186 mixing plants owned by the Group. The Aggregates business unit is one of the largest producers of mineral raw materials and asphalt in Germany. The building materials recycling/disposal segment involves processing, marketing, and storing non-contaminated recyclable building materials. The construction chemicals segment mainly produces and markets bituminous sealant materials for structural and roadway construction.

The construction industry continues its positive trend

The German construction industry continued to grow in 2018. The residential and commercial construction businesses posted strong growth. Public construction benefited especially from significantly increased investment in road construction. According to figures from the Central Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie e. V.), the industry registered a 10.8 % increase in net sales in 2018; adjusted for price, growth was still 5.1 %. Public construction experienced nominal growth of 9.5 %. In public road construction, the area with the greatest impact on the Aggregates business unit, net sales were nominally even 12.2 % higher than in the previous year. Price increases also contributed significantly to the nominal growth figures. Measured on the basis of working hours, the volume in road construction increased by 4.7 %. Two factors in particular impeded an even better result: the continued thin personnel staffing of the public agencies and contracting construction companies involved in tendering, and shortfalls in the supply of bitumen, the most important component of asphalt production. The overall market saw sales increases of raw materials of 1.6 %, whereas the production volume of asphalt mixtures dropped overall by 8 %.

In foreign markets relevant to the Aggregates business unit, the construction industry was also largely upbeat during the past year. In Poland, the most important foreign market, higher EU expenditures contributed to a further increase in public investment in infrastructure projects. Road construction in particular was boosted, after years of stagnation. The Russian construction industry experienced robust growth in 2018. Also in Ukraine, the construction industry benefited from considerably higher investments in the crumbling infrastructure. The upswing in the Czech construction industry was mainly powered by building construction. Construction of apartments, offices, and industrial warehouses contributed to a high workload. In Hungary, many of the civil engineering projects with partial EU funding provided much of the impetus. The government invested much more funding in modernization and expanding the road network than in the previous year. After a long, strong upswing in previous years, the Swedish construction industry grew only slightly in 2018.

On the procurement markets the prices for energy and crude-oil based materials rose significantly in some areas. In particular, bitumen used in asphalt production was again more expensive. In 2018, after bitumen production in the Gelsenkirchen refinery was shut down and the Vohburg refinery was closed due to an accident, there were acute shortages in this raw material as of September 2018. Technical problems in other refineries and transport bottlenecks posed additional hurdles to timely supply of bitumen to asphalt mixing plants. Prices for transporting bitumen also rose significantly due to transport problems. A prompt and appropriate response made it possible to keep the impact of these bottlenecks to a minimum for our business unit.

Raw materials in high demand abroad

In 2018, net sales in the Aggregates business unit rose stronger than forecast compared with the previous year, by 7.2 % to € 1,383 million. This positive trend was strengthened in particular by the increased foreign demand for raw materials as well as considerably higher income for both raw materials and mixtures.

Raw material sales in Germany were slightly above the previous year, in line with the general market trend, and thereby fell within planned sales figures. Higher domestic sales were due to the positive economic situation and strong demand, both for building construction and civil engineering. Polish companies benefited from the good economic situation and their sales were markedly up over the previous year. Russian operations in the business unit achieved almost the same sales as in 2017. Business operations in Ukraine, strongly dependent on exports, continue to be affected by the restrictions on exports of hard stone to Russia. Due to increased exports to Poland, sales were

Net sales development Building Materials division

in € million

+ 6.8 %

substantially increased. The companies in the Czech Republic and Hungary posted strong sales growth. Growth in Hungary was due in particular to large investments in road construction. The Czech Republic also benefited from capacity expansions carried out in the previous year. The Swedish company sold less raw materials, which was due especially to cancellation of a large contract. Overall, the share in raw material sales abroad rose from 28.0 % to 30.0 %.

In a markedly weaker market for mixtures, the business unit's sales were slightly below both figures for the previous year and the budgeted figures. This market developed significantly stronger than the overall market, however. An increase in average revenues from mixtures had a positive impact on sales. This was made possible by taking active measures for improving sales prices, which ensured that higher procurement prices could be passed on.

The operating result reached the previous year's figure that had benefited from various one-off effects. Adjusted for these one-off effects from the previous year, the operating result improved noticeably. The reason for this was, in particular, higher raw materials sales domestically and abroad, as well as the improved margins in raw materials and mixtures. However, smaller mixture amounts, pressure from price increases, especially for bitumen, and increased maintenance and personnel costs caused divergences from the budget. This was the reason that the expected gain in the operating result was not reached.

Earnings before tax were slightly above the previous year and expectations.

Public investment plans remain strong

The construction industry is expected to remain on a strong growth trajectory in 2019, even if the German economy is likely to lose momentum. One strong driver of growth in the construction industry will continue to be the public sector. After many years of holding back on investments, an increase in construction activity at the federal, Länder and municipal level is expected. For example, the Federal Government recognized the urgent need to modernize and expand the transport infrastructure network, and has increased short- and medium-term budgets for highways. In addition to maintaining and replacing roads, bridge work plays an increasingly important role. Many projects do not come to fruition because of personnel shortages in the construction and planning departments. The planning, tendering, and awarding of projects often do not progress at the necessary rate. It is expected that in 2019 the financing available to such projects will not be used completely because of a lack of projects ready for construction.

The prospects for 2019 are also positive for foreign markets. In Poland the volume of civil engineering projects will continue to increase because more and more EU-financed projects are moving from the planning to the construction phase. According to the Infrastructure Ministry, expenditures on road construction will increase markedly this year and reach a new record. Russia has announced that it will expand its budgets for road construction substantially in the short and medium term. Expansion of road infrastructure, which has up until now been slow, should be accelerated in the next few years. The Russian state intends to invest billions in several hundred projects in the coming years. By 2024, approximately € 160 billion are planned for investment in expansion and modernization of roads and rails. In Ukraine, a fund was set up in 2018 to provide more financing for road construction projects that have been neglected for a long time. However, the outlook for the construction business is dampened by the export restrictions still in effect for exports to Russia and by the risk of a new upsurge in the conflict with this neighbor. In 2019 increased investment will also take place in the Czech Republic and Hungary for construction of new roads and expanding the freeway and highway networks. Capacities of many construction companies are already at full capacity, particularly in the Czech Republic. In Sweden the construction industry has profited especially from expansion of the energy grid as well as road and rail networks.

The positive construction business situation will have a positive impact in 2019, chiefly on sales of mixtures. Sales of raw materials will be slightly down, due mainly to regional shortages in some quarries. Overall sales will grow slightly. The operating result and earnings before tax should also improve slightly compared to the previous year.

Slate

The Slate business unit extracts, processes and markets high-quality slate, and develops products for designing aesthetic living spaces. The product line encompasses a wide assortment of types of cladding for roofs and walls as well as system solutions for modern façade construction. The product range is complemented by ashlar, which can be used for interior applications as well as for gardening and landscaping. With its product range, the business unit is one of the leading suppliers of slate in Europe. The most important sales markets other than Germany are France, Benelux, and Great Britain. This business unit established an independent distributing company in the USA in 2018 in order to expand its presence in the North American market.

Closure of Moselschiefer production

Due to the unfavorable geological situation that has existed for years, it was no longer economical to operate the Moselschiefer mines. Accordingly, after extensive assessment, the decision was made to close mining operations in the Mayen mine as of March 31, 2019. This was a difficult, but unavoidable decision. This business unit plans to expand its Altdeutsche Deckung product segment with rock from Spain that exhibits equally high quality.

The companies in the roofing industry once again faced a challenging market environment in 2018. In Germany, spending in the housing construction industry again went up, yet the trend went more to multiple-family dwellings. The roof surface area per dwelling unit accordingly diminished further. Especially in new construction, flat roofs are preferred over pitched roofs, which had a negative impact on the business unit's sales. The remodeling business also provided no impetus because homeowners invested yet again less in energy-efficient refurbishing of their roofs and sidings. Many projects were not carried out because there were not enough workers for refurbishing jobs and the demanding roofing work with slate. Accordingly, the slate market slumped last year by 2 % to 3 %, according to estimates. In this challenging market, the slate business unit was able to slightly expand its market share.

In France, the most important foreign market due to the large amount of slate roofs, business was difficult in 2018. New construction posted losses. Rising construction costs and a strict insulation code also encouraged homeowners to turn to cheaper roofing material. However, the business unit was able to expand its market position slightly. In Belgium and Luxembourg the trend toward flat roofs continued in new construction. In the refurbishing segment slate demand remained stable. In contrast, business in the UK was booming. Many distributors filled up their warehouses as a reaction to Brexit. However, customer demand was focused on price, and especially on cheaper quality.

With € 67 million in net sales, the business unit missed the previous year's level only by a small margin, yet fell considerably short of ambitious expectations. The cause was primarily lower sales in Germany and abroad. The difficult market situation in Germany also contributed to lower average income. Outside of Germany, the higher share of premium slate sales had a positive effect on average income. Foreign business accounted for 47 % of total net sales. High one-off expenses related to the shutdown of Moselschiefer production had a negative impact on the result in 2018. Adjusted for this one-off effect, the operating result was slightly below the adjusted operating result for the previous year, and was substantially below the plan. Earnings before tax were also below expectations, but the adjusted figure was above the previous year.

Initiatives focus on the advantages of pitched roofs

The market for conventional slate roofs and façades will remain difficult in 2019, both in Germany and abroad. A continued positive trend in residential construction business will not change the situation much in the major sales markets. The market for pitched roofs in Germany is forecast to remain at the currently low level. The Slate business unit has launched several initiatives to convince architects and homebuilders in coming years of the constructional advantages of a pitched roof. The lack of skilled workers in the roofing trade will continue to dampen the refurbishing business in Germany.

In France and the Benelux countries, the business unit plans to expand its activities in façade construction and to intensify its consultation efforts with architects. With the impending Brexit it is difficult to estimate how sales will develop in the UK. The business unit sees business opportunities in the Netherlands. Here owners are required to replace any roofing materials containing asbestos. In the USA a new distributing company is expected to provide growth impetus. The Slate business unit aims to achieve slight growth in net sales and sales volumes in this challenging market and competitive situation. After the shutdown of the Moselschiefer mine in Mayen, the operating result and earnings before tax are expected to exceed the 2018 levels.

Consumer Goods

The Consumer Goods division comprises the three business units Zwilling Kitchenware, Zwilling Beauty Group and Jaguar/Tondeo Professional Hairdressing Equipment. These business units produce high-quality brand products for kitchen use and personal care and their products are present in all the important markets around the globe.

Zwilling Kitchenware

The Zwilling Kitchenware business unit provides premium products for the modern kitchen. The products marketed under the brands ZWILLING, STAUB, Ballarini, Demeyere, and Miyabi include in particular knives, cookware, cutlery, scissors, and kitchen utensils. Apart from the German domestic market, the most important markets are China, North America, Japan, and the rest of Europe.

Change in consumer behavior

Consumer sentiment was varied in the markets in which Zwilling Kitchenware is active. The most important market, China, saw significant GDP growth, yet at a somewhat slower pace. The shift in consumption in China continued to gather momentum. Traditional sales channels, such as television or department stores, have become considerably less popular. The online market is growing quickly and is very dynamic. In the USA, the second most important market for Zwilling Kitchenware, both the economy and private consumer expenditures developed better than forecast for the previous year. In Germany and the eurozone growth lagged. GDP and private consumer expenditures grew more slowly than in the previous year. In Japan consumer expenditures grew only slightly.

Digitalization is massively changing consumer behavior all across the globe. Platforms are taking over market share from stationary retailing and television sales channels, and are opening the market to value brands, some previously unfamiliar, to the disadvantage of premium brands. As a result, the market for consumer goods in the kitchen market is posting only slow value growth. Even in stationary retailing, the marketing channels are shifting due to changes in consumer preferences. Department stores and specialty stores in the inner cities are losing ground, whereas shopping concepts such as factory outlet centers are gaining in popularity as exciting destinations.

Unsatisfactory net sales and result

Net sales for the Zwilling Kitchenware business unit were € 658 million, which was significantly below the previous year and also below expectations. A major factor was the drop in the core business, especially in China. Furthermore, in comparison to the previous year, the unfavorable exchange rate had a negative impact. Special business from customer loyalty programs showed moderate growth and was clearly above expectations.

In the USA, the business unit achieved a significant increase in net sales. The drivers of this growth were in particular the company's own ZWILLING stores and online sales on platforms. On the other hand, business from department stores and retail chains declined.

In China Zwilling Kitchenware posted a noticeable drop in net sales. This was due to insecurity on the part of consumers as a result of the trade conflict and to structural changes in distribution channels. Net sales through television sales channels and department stores dropped sharply. The company's own online business and ZWILLING stores posted growth, which however could not compensate for lower net sales in the other sales channels. During the business year, the new flagship store in Shanghai which includes a cooking school and "The Twins" restaurant contributed positively to net sales.

In Germany, business with domestic customers gained momentum. Stronger online sales and higher net sales from company shops and from furniture stores provided especially important boosts. However, the reluctance of Chinese tourists to spend in ZWILLING stores was very noticeable in Germany and other European markets.

In Japan business grew moderately overall, thanks to growth in the company's own stores and to a strong increase both in the online and catalog business.

The operating result and earnings before tax fell short of both the plan and the previous year. The drop from the previous year was especially a result of exchange rate effects and core business in China. Additional pressure on the result also came from investments in digitalization, in continued expansion of online business, and developments in the area of the Smart Kitchen. Zwilling Kitchenware used these projects to invest in the changing

Net sales development Consumer Goods division

in € million

– 7.2 %

needs and consumer behavior of its customers, and in the continued expansion of digital competency.

Net sales and result set to increase

The business division expects a marked increase in net sales for 2019. The driver will be the core business. Growth in net sales in the current fiscal year should be generated by the continued expansion of ZWILLING stores and online business activities. Additional impulses are expected from product innovations, such as the ZWILLING Enfinigy® product range for small electric appliances.

In order to remain successful in the quickly changing and very dynamic domestic and foreign markets, Zwilling Kitchenware will continue to invest in innovation, online marketing, customer relationship management, and IT projects. These expenditures will be noticeable in the 2019 result. The operating result and earnings before tax are expected to increase slightly again in 2019, however less strongly than net sales.

Zwilling Beauty Group

The Zwilling Beauty Group business unit offers premium products for beauty from head to toe. Under the ZWILLING and TWEEZERMAN brands, the business unit produces and sells manicure and pedicure product lines as well as tweezers, eyelash curlers, cosmetic brushes, and other beauty tools. Under the brand name QVS, the business unit offers a wide portfolio of beauty tools in the “value-for-money” product range. The most important markets for beauty tools are North America, China, Germany, and Great Britain.

Since January 1, 2018, the business unit has comprised exclusively sales of beauty tools. The previous year’s figures were adjusted accordingly to remain comparable.

Challenges in many markets

As with the Zwilling Kitchenware business unit, the Zwilling Beauty Group is very dependent on consumer sentiment. Consumer expenditures and behavior were better in the USA than expected, as described previously. In Germany and in China, too, consumers increased their spending, even though with less dynamism. In the UK consumer insecurity due to Brexit had a negative impact on spending.

Net sales of beauty tools were € 84 million, slightly below the previous year’s level and markedly below expectations. The Zwilling Beauty Group suffered losses in net sales in the USA and was not able to meet expectations. In addition to the unfavorable exchange rate for the US dollar, this was in particular due to lower net sales in specialty stores. In the Chinese market sales from the previous year were not exceeded. Accordingly, hopes for a significant increase in net sales were not achieved. In particular, projects for online commerce could not be implemented as quickly as planned. In the home market in Germany, net sales dropped only slightly compared with 2017. Here, a drop in deliveries in connection with implementation of a new ERP system reduced net sales. In the UK, net sales were up markedly compared to the previous year, but the ambitious target was not reached because a project planned by a key customer was not carried out.

The drop in net sales and the negative currency effects were also felt in the operating result, which was below projections and substantially below the previous year. Earnings before tax were significantly below planned figures, yet were considerably above the previous year.

The business unit is aiming for markedly higher net sales in 2019, and significantly improved results figures. In particular, the enhanced strategy after the separation of the Zwilling Kitchenware organization and more targeted market cultivation should begin to pay off. Growth drivers are expected especially in the US and German markets. The Zwilling Beauty Group also aims to grow in China. The focus is on expanding online commerce and private label business.

Jaguar/Tondeo Professional Hairdressing Equipment

The Jaguar/Tondeo Professional Hairdressing Equipment business unit uses specialty distributors to provide hairdressers with professional tools, such as scissors, razors, and electric hair clippers. These products are marketed worldwide under the brands Jaguar and Tondeo. In addition to Germany, the most important markets are in Central Europe, Russia, and North and South America.

Restructuring fully underway

The market for hairdressing products is marked by growing competition, especially a growing number of private labels and cheap products from the Far East. In this situation, the Jaguar/Tondeo Professional Hairdressing Equipment business unit was faced with lower net sales. Despite the restructuring measures that have already begun, net sales of € 23 million were markedly below both the previous year and expectations. In Germany and Western Europe, some wholesale businesses did not develop as expected. The continued weak demand for the Tondeo premium brand and negative currency effects in South America put a damper on the business. In India and Vietnam, however, new importers revived business and a new importer was found for the USA for 2019. The Jaguar/Tondeo Professional Hairdressing Equipment business unit also claimed exclusive marketing rights in 2018 for one of the leading US manufacturers of electric hair clippers.

The operating result and earnings before tax were significantly below the previous year and projections. The reasons were, in addition to a drop in net sales, the costs related to restructuring in the areas of production and logistics.

Amid the continued drop in skilled personnel in the hairdressing trade, the business unit expects only slight growth in the market for hairdressing equipment in 2019. Prices will probably go down again slightly. 2019 will be a challenging year. The business unit hopes for positive impetus from substantial investment and extensive process optimization in production and logistics, as well as from expansion of direct sales in Germany. In addition, a completely new marketing realignment of the Tondeo premium brand with innovative new products should provide for new growth impetus. Net sales, operating result and earnings before tax should go up slightly, even if the long-term expectations will not yet be fulfilled.

Financial Services

The Financial Services division comprises the abcfinance business unit and abcbank as a leasing and factoring provider, as well as Bank11, a business unit specialized in vehicle financing.

abcfinance

abcfinance provides leasing and factoring products tailor-made to customer and sector needs, and is one of leading providers among German companies that operate independently of manufacturers and banks. In the leasing business, abcfinance provides financing in particular for vehicles, machines, and IT technologies. In the factoring business, abcfinance purchases receivables and thereby provides more financial options for its business partners. Its customers include around 76,000 medium-sized companies in Germany, the Netherlands, and Austria.

abcbank, which belongs to abcfinance, offers private, commercial, and institutional investors overnight money, fixed-term deposits and savings bonds for refinancing business operations. It also participates in the open-market operations of the European Central Bank (ECB) and securitizes receivables using a special purpose vehicle.

Strong dynamic in new business

In comparison to the previous year, the continued positive, yet slackening economy led many companies in Germany to increase their investment budgets for machines, vehicles, IT equipment, and other assets in 2018. According to the Federal Statistical Office, aggregate capital equipment investments were 4.5 % higher in real terms than in the previous year. The leasing business showed a similar trend. The Federal Association of German Leasing Companies (BDL) reported new business of € 69.7 billion for the industry, an increase of 4.5 %. Leasing accounted for € 60.6 billion (+ 3.6 %) thereof, and hire-purchase business accounted for € 9.1 billion (+ 11 %). Growth was again driven by vehicle leasing, constituting 76 % of the market with passenger and utility vehicles. However, at 3 %, the growth in new business was lower than in the previous year, due to the new emission measurement standards (WLTP) and the diesel issue. Machine leasing increased significantly by 9 % and IT leasing also recorded growth of 2 % after declining figures in previous years.

Medium-sized companies continue to use factoring in the low-interest-rate phase as an alternative form of corporate finance. The number of companies using the sale of receivables to expand their financial flexibility increased significantly again in 2018. According to information from the German Factoring Association, factoring providers increased their sales in the first half of 2018 by nearly 5 % to € 118.8 billion.

Refinancing costs for providers that specialize in leasing and factoring remained favorable compared to the previous year, due to the low capital market and loan interest rates.

The abcfinance business unit also profited in 2018 from market developments. The clear focus on customer service, a targeted expansion of distribution, and strategic investments ensure that additional market share could be gained in Germany and abroad. The strongest customer group was service providers, followed by companies in the manufacturing sector. In the leasing segment, abcfinance registered growth of 6.1 % in new business. The factoring segment purchased 5.5 % more receivables than in the previous year. Overall, abcfinance increased net sales by 7.7 %, thus meeting its expectations.

The commercial result – as defined by the industry association BDL – clearly exceeded the previous year and the projected amount due to the new business, low risk, and successful use of refinancing mixes of bank loans, customer deposits and securitization. Unlike the commercial result, the new business and successful use of refinancing mixes does not have a direct effect on earnings before tax but rather has a delayed impact. In combination with higher personnel and material costs, especially for the IT infrastructure and higher depreciation for leasing items, the earnings before tax was below the previous year and projections.

Investment expenses increase moderately

Expectations of BDL for new business in the first half of 2019 are subdued. According to estimates of BDL and the ifo Institute, companies in Germany will invest 2.9 % more in real terms in machines, vehicles, IT equipment, and other economic goods this year than in the previous year. Demand for automobiles could be spurred by an increase in the need to replace old models, because the age of passenger cars in leasing fleets has gone up for years, and at the beginning of 2018 was 9.4 years on average. Accordingly, an expansion of equipment investments, even though weaker than in the previous year, is very likely in 2019. The abcfinance business unit still expects good growth prospects for 2019 and hopes to significantly increase its new business both in leasing and in factoring. The extraordinarily good commercial result in 2018 will not be completely reached in 2019, due to an expected increase in risk, a moderate increase in costs and an expected rise in financing costs. Earnings before tax should however profit from lower depreciation on leasing items and exceed the previous year’s figures.

Bank11

Bank11 für Privatkunden und Handel GmbH specializes in sales and purchase financing. It offers simple and cost-effective financing for medium-sized automobile dealers and insurance for its customers. Through purchase financing, Bank11 additionally offers its partner dealerships the opportunity to increase their fleet of new and used vehicles. Savings bonds and overnight money are offered to private and institutional investors to refinance their business.

Strong growth despite intense competition

The German automobile market did not grow in the past year, due to the drop in sales after the new WLTP consumption and emissions measurement standards were introduced in the second half of 2018. According to the German Federal Office for Motor Vehicle Transport (Kraftfahrt-Bundesamt), 3.44 million new vehicles were registered. This represents a drop of 0.2 %. The used vehicle business fell by 1.5 % to 7.19 million vehicles, but remained at a high level. Business for banks specializing in automobile financing continued to benefit from the large number of private new and used vehicles that were financed. In the first three quarters of 2018, the member institutes of the banking association increased their new loan business in automobile financing by 5.1 %. The loan portfolio at the end of September 2018 was 7.4 % higher than at the same time in the previous year.

In a competitive environment, Bank11 once again grew much faster in 2018 than the industry average. It increased new business in automobile financing to € 1.9 billion. The loan volume grew by 19.2 %. The number of trade partners rose from around 9,600 to more than 11,500. Bank11 benefited from its innovative strength and competent service provided to automobile dealers and customers. Services provided also include quick and flexible processing of loan applications by a specially trained team. At the same time,

Net sales development in Financial Services division

in € million

Bank11 also has worked together successfully with automobile industry associations and automobile dealer associations. A strategic agreement concluded in May 2018 with ADAC in the area of vehicle financing provided an additional impetus. Bank11 is now a partner with ADAC Autokredit and offers more than 20 million members of this automobile club additional high-quality financing options.

The Bank11 operating result and earnings before tax improved significantly compared to the previous year, despite various one-off charges. Both the interest surplus and the commission surplus increased significantly compared to the previous year, due to increased volumes. The earnings targets were met, even though new business, which was significantly higher than projections, was associated with higher commission expenses and was not yet offset by corresponding income in 2018.

Result is expected to increase again

Bank11 anticipates only minor changes in its business environment in 2019. The effects of the diesel issue are expected to have only a minor impact on the business. The German Association of the Motor Trade (ZDK) expects 3.43 million new car registrations, similar to 2018. Registrations of transfer of ownership are expected to reach the same level as last year.

Bank11 hopes to continue to grow its new business and its loan portfolio and to gain new market share. The drivers of this development should include, in particular, increased digitalization and the continued customer-oriented optimization of processes to counter negative effects of persistently low interest rate levels. The business unit therefore again expects a significant improvement both of the operating result and earnings before tax in 2019.

New Digital Business Models

Yareto

Yareto, established in the summer of 2016, is a portal for comparing vehicle financing offers in the market and is set up for the German car market. The comparison portal Yareto.de enables car dealers to offer their customers a wide variety of financing alternatives. The portal provides the car dealer the best real-time offer available that day from partner banks.

In 2018, Yareto achieved a significant increase in the volume of loans it brokered, to € 188 million. The same applies for the number of dealers registered on the platform, which reached more than 9,000. Accordingly, sales nearly doubled in comparison to the previous year. However, the ambitious goals set for 2018 could not be fully reached. This was especially due to the fact that the number of banks that were connected to the platform was not as high as was hoped.

For 2019, Yareto plans a strong increase of the loans it brokers. As a result, net sales, the operating result, and earnings before tax should be well above the last year's levels. This should be achieved in particular by acquiring additional dealers and including new banks within the comparison portal Yareto.de.

abcfinlab

The Werhahn Group established abcfinlab in 2018. Working closely with its customers, abcfinlab develops and tests user-oriented digital products and business models in the areas of leasing and factoring, and brings them to market. abcfinance wants to attract new customer groups, such as digital natives, and at the same time retain its existing digitally savvy customers.

Accordingly, and as expected, abcfinlab has not achieved any income yet. Initial losses are also expected in 2019 due to additional outlays for developing market-ready innovations.

Net Assets and Financial Position

The consolidated balance sheet total for 2018 increased by € 909 million from € 7,435 million to € 8,344 million. The individual balance sheet items changed as follows:

Assets

in € million	Dec. 31, 2018	Change
Fixed assets	2,781	141
thereof leasing assets from financial services	1,712	157
Accounts receivable from financial services	4,234	728
Inventories	415	4
Accounts receivable and other assets (including accrued income)	369	16
Securities and liquid funds	544	19
Deferred tax assets	1	1
	8,344	909

Equity and liabilities

in € million	Dec. 31, 2018	Change
Equity capital	1,909	7
Difference in amounts from the capital consolidation	–	– 1
Provisions	366	23
Liabilities from financial services	5,724	854
Liabilities (including deferred income)	345	28
Deferred tax liabilities	–	– 2
	8,344	909

in %	Dec. 31, 2018	Dec. 31, 2017
Equity ratio	23	26
Equity ratio without financial services	70	72
Ratio of equity to fixed assets	69	72
Short-term debt service ratio	85	86

As of the closing date, the fixed assets of the Werhahn Group increased from € 2,640 million in the previous year to € 2,781 million. They comprised tangible assets of € 837 million (previous year: € 839 million), intangible assets of € 146 million (previous year: € 172 million), financial assets of € 86 million (previous year: € 75 million), and leasing assets from financial services of € 1,712 million (previous year: € 1,555 million).

Fixed assets without leasing assets decreased by € 16 million in comparison with the previous year. This was primarily attributed to current amortization of intangible assets.

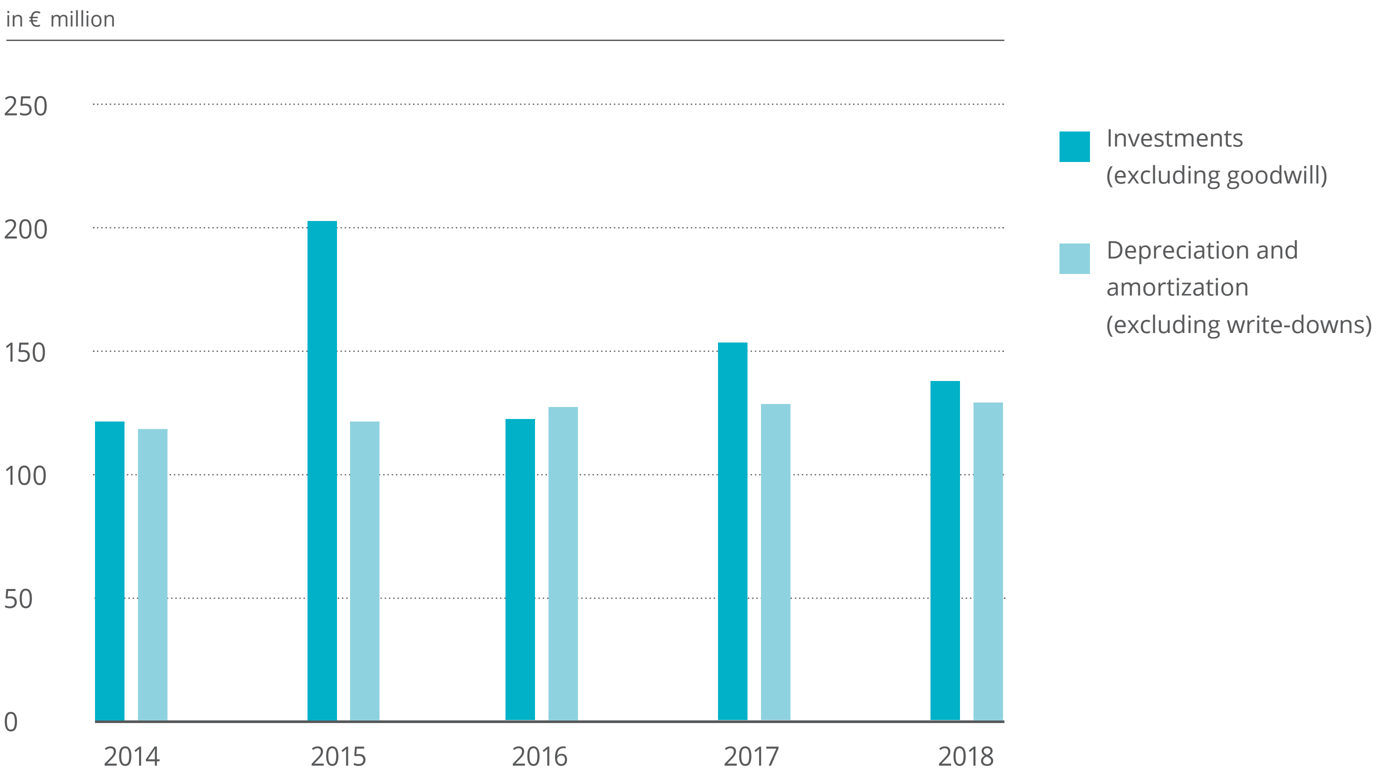
Intangible assets declined by € 26 million. Amortization of € 48 million was offset by investments of € 17 million. Amortization included € 30 million of scheduled amortization and € 2 million of extraordinary impairment of goodwill.

Financial assets increased by € 11 million. This was mainly due to investments in participations.

Tangible assets remained largely unchanged over the previous year. Business-year investments of € 122 million were largely compensated by depreciation charges of € 115 million and ordinary net disposals of € 5 million.

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

Investments, depreciation, and amortization



In 2018, a total € 138 million (prior year: € 153 million) was invested in tangible assets, intangible assets (excluding goodwill), and net investments from acquisitions. Investments exceeded depreciation. The major portion of investments was made in the Aggregates business unit – an investment-heavy business – and amounted to about the same amount as in the previous year. The Consumer Goods division also recorded investments at nearly the same level as the previous year. Investments in the Financial Services division however were significantly higher than in the previous year.

The new expansion of leasing business in this division led to an increase in leasing assets from financial services. In the reporting year, with depreciation of € 507 million and net disposals of € 113 million, an additional € 778 million were invested.

Accounts receivable from financial services increased by € 728 million to € 4,234 million as a result of the growth of new business in the Financial Services division.

Inventories increased slightly by € 4 million, in comparison with the previous year, to € 415 million. The slight increase was mostly attributable to the Consumer Goods division. Inventories in the Building Materials division however dropped slightly.

Accounts receivable and other assets (including prepayments and accrued income) totaled € 369 million (previous year: € 353 million). Trade accounts receivable went up by almost € 28 million to € 248 million. Trade accounts receivable clearly exceeded the previous year's figure, both in the Building Materials and the Consumer Goods divisions. This was counteracted in particular by the drop in other assets by € 10 million. In the previous year, this figure included higher receivables from financial authorities.

Due to the provisions of DRS 21 controlling the presentation of financing in the Financial Services division, the Cash Flow Statement of the Werhahn Group has only limited informative value.

The corporate divisions Building Materials and Consumer Goods realized a positive operating cash flow of € 165 million (previous year: € 198 million) before consolidation. The free cash flow after deducting investments for these corporate divisions totaled € 69 million (previous year: € 95 million).

Securities and liquid funds increased by € 19 million to € 544 million. Of this amount, € 438 million is tied to financial services institutions. The increase was primarily due to a significantly higher amount of central bank assets as well as a larger portfolio of marketable securities on the closing date. However, bank deposits dropped significantly in comparison to December 31, 2017, as a result of reporting-date factors.

Net liquidity[5] was € 453 million as of December 31, 2018. In addition to this, sufficient credit lines were available with various banks to meet budgeted financing needs.

At the closing date there was € 1 million in surplus assets from deferred taxes. In the previous year, deferred tax liabilities were recorded in the amount of € 2 million. The Werhahn Group exercises its right not to recognize deferred tax assets from individual companies.

[5] Net liquidity comprises the balance sheet items "Cash on hand, cash deposited with the German Federal Bank, bank deposits, and checks" less any existing access restrictions in this balance sheet item and less any liabilities to banks.

Equity capital for the Group rose from € 1,902 million to € 1,909 million, resulting in an equity ratio of 23 %. Without consolidation of the financial services companies, the equity ratio was 70 % (previous year: 72 %). Minority shareholder participation in equity capital as of the closing date was € 64 million (previous year: € 66 million). To a small extent, this participation amount includes positive currency conversion differences. The changes in equity capital are shown in the Statement of Changes in Equity.

Provisions increased by € 23 million in comparison with the previous year to € 366 million. These mainly included provisions for pension obligations amounting to € 114 million (previous year: € 103 million), provisions for recultivation obligations in the Building Materials division amounting to € 69 million (previous year: € 66 million), and other personnel provisions amounting to € 60 million (previous year: € 61 million). Other key provisions included those for rebates and discounts, for outstanding invoices as of the closing date, for future tax payments, and for sureties and guarantees. The increase in pension provisions was attributable not only to the impact of a lower statutory discount rate but also to adjustments in pension commitments. Furthermore, provisions for future tax payments were substantially higher than in the previous year. In addition, expenses for shutting down the Moselschiefer mine in Mayen led to an increase in provisions as of December 31, 2018.

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. Liabilities from financial services increased by € 854 million to € 5,724 million as a result of the growth of new business in the Financial Services division.

The liabilities (including deferred income) of the Werhahn Group increased slightly during the reporting period by € 28 million to € 345 million. This increase was mainly attributable to higher liabilities to banks related to Group financing and to higher income tax liabilities. Significantly lower liabilities to shareholders could only partially offset this effect.

Personnel

In the reporting period, the average number of employees in the Werhahn Group went up by 230, to 10,161 employees.

Adjusted for the reclassification of the alessandro companies from the Consumer Goods division to the "Others" area on January 1, 2018, all Corporate Divisions posted an increase in the average number of employees. The higher average number of employees in all corporate divisions is the result of organic growth.

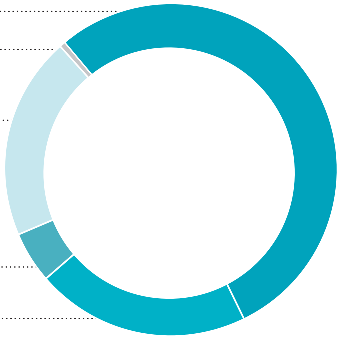
The development of average employee numbers is also reflected by the change in the number of employees on the accounting closing date. The relatively low increase in employee numbers at the closing date is attributable to the sale of alessandro in December 2018.

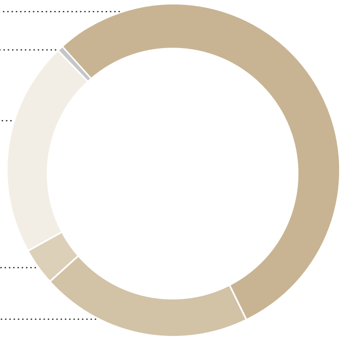
The number of employees is distributed over the individual corporate divisions as follows:

	Average 2018	Average 2017	**Dec. 31, 2018**	Dec. 31, 2017
Building Materials	4,548	4,456	4,549	4,482
Consumer Goods	4,371	4,414	4,413	4,428
Financial Services	977	923	995	946
Others	265	138	162	143
Group total	**10,161**	**9,931**	10,119	**9,999**
Salaried employees	4,919	4,701	4,928	4,785
Wage earners	5,006	4,998	4,935	4,961
Employees	**9,925**	**9,699**	**9,863**	**9,746**
Trainees	236	232	256	253

As of the closing date, around 5,491 or 54 % (previous year: 55 %) of all Werhahn Group employees were employed in Germany.

	Dec. 31, 2018	Dec. 31, 2017
Germany	5,491	5,482
Rest of the world	18	22
Asia	2,011	2,074
North America	498	387
Rest of Europe	2,101	2,034
Group total	10,119	9,999





Our employees contribute to the long-term success of the Werhahn Group with their motivation, competence, and expertise. In addition to continual further training of our employees, we also plan for personnel needs in the future. The focus of personnel efforts is on training and continuing education, specific promotion of top performers, and their commitment to the Group as well as recruiting talent.

Education and further training

The number of trainees in the Group was 256 at the end of the year, slightly above the previous year's figure of 253. The business unit with the most training activity is still Aggregates, with stable numbers of trainees, whereas the number of trainees went down in the other business units.

The wide range of qualifications required by the Werhahn Group is reflected in the 30 professions represented there, including dual study programs. This number changed only slightly compared to the previous year. The vocational training professions are always in flux, also at the Werhahn Group. The dual study programs have become a standard component, both for business and technical and engineering jobs. Sponsoring is provided both for degree programs that are in conjunction with initial professional training as well as degree programs associated with longer practical phases at companies.

In addition to the initial training, the business units use further training as an important instrument to meet current and future needs. The focus is on product, subject area, and technological qualification measures. The activities of the business units are flanked with the Werhahn Excellence Program, which provides seminars in areas such as leadership, communication, and work techniques for all managers and employees in the Group. Participants describe learning together with colleagues from other business units under the tutelage of external instructors as a very useful aspect, in addition to the high quality of content taught. This program is assessed on an annual basis and is regularly updated. The focus is on benefits to participants of the material learned for everyday use and the emphasis on future topics. Another seminar in the area of digitalization was added to the portfolio last year, in addition to other topics.

Remuneration

The Group companies that are in collective wage sectors are subject to industry-specific collective wage agreements. Skilled professionals and managers are remunerated independently of these agreements based on performance. This includes both a fixed portion of remuneration as well as a portion that is based on the achievement of annual goals.

In the banks of the Group, the Remuneration Ordinance for Institutions (InstitutsVergV) is another requirement that must be applied to remuneration of both managers and employees.

Talent management

The recruitment, development, and retention of young talent at all levels remains a high priority in all business units of the Werhahn Group. Activities directed to this end begin early, before high-potential employees enter the job market. Vocational training and dual study programs, internship opportunities as well as support of Bachelor and Master theses have proven to be effective ways of discovering and retaining talent.

In addition, new ideas were put into action in 2018 to attract new employees at all levels: by using professional recruiting management systems, mobile job offers for selected professional groups, and using video interviews to make hiring decisions. For the fifth time now, personnel managers from the business units and corporate headquarters presented the Werhahn Group as an attractive employer at a job fair specifically for family-owned businesses.

Attractive employer

To increase company loyalty and the attractiveness as an employer, a number of new programs and offers were developed and implemented at the Werhahn Group in the reporting period: concepts that encourage team spirit and activities that promote health.

Particular focus is put on the reconciliation of family and work life. This is achieved with flexible work hours, part-time employment, and the company day care center for children in Solingen. Parents working in the Werhahn Group may take parental leave.

The Werhahn Group provides the “Employee Assistance Program” (EAP) to its employees. The EAP provides all employees and their family members with free professional counsel-ing from external experts.

The fact that employees find the Werhahn Group attractive is also demonstrated by its positive rating in the Employer Branding evaluation published by Focus Money magazine.

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 are created for dealing with these risks wherever this is feasible. 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.

The major features of the internal control and risk management system as regards the Group accounting process are described in the following:

The task of the internal control system in view of the Group accounting process is to ensure that the annual financial statements are properly prepared by implementing applicable principles, procedures, and controls.

The basis for the Group accounting process is the Werhahn Group Accounting Guideline. It includes detailed rules on ensuring uniform accounting in the Werhahn Group, on completing the Reporting Packages, and regarding consolidation. The latest version of the Accounting Guideline is approved each year by the Management Board and is binding on all consolidated affiliated companies in the Werhahn Group.

In addition to existing rules on accounting, the task of entering accounting information is kept separate from verification and approval when the annual financial statements are prepared by organizational means, for example by limiting access rights.

The Group accounting process comprises the following steps:

Accounting for the consolidated affiliated companies included in the Consolidated Financial Statements is done by the companies locally, in compliance with the rules of the Accounting Guideline. The individual annual reports are entered in the corporate consolidation system. At the business unit level, the individual annual reports submitted by the subsidiaries are assessed for correctness and then the sub-consolidated accounts of the business unit are prepared. After the sub-consolidated accounts are verified and the Wilh. Werhahn KG corporate accounting department has finalized all of the steps of consolidation, the Consolidated Financial Statements of Wilh. Werhahn KG are prepared. The Consolidated Report is prepared on the basis of information submitted by the business units and the respective corporate departments of Wilh. Werhahn KG. The Consolidated Financial Statements and the Consolidated Report are prepared by the Management Board.

Risks in the Werhahn Group

The Werhahn Group 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, such as tariffs imposed by the USA and China. A further risk is that planned investments in such countries might not be able to be carried out due to economic instability or financial crises. 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 the cost of refinancing. 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 reducing bitumen consumption through the increased use of recycled asphalt. In the Consumer Goods division, there is in particular a procurement-related risk of a strong rise in material prices as well as the risk of default of suppliers, which could potentially lead to production shutdowns. This is counteracted by a range of 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 lines of credit. Risks are limited through a constant review of the refinancing and by identifying new refinancing sources.

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. 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 Building Materials and Consumer Goods divisions there is also the risk of increased customer insolvency, which is counteracted with ongoing receivables management, collateralization, and in some cases with 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 are guaranteed, if necessary.

Financial risks in the form of currency, interest rate, and raw material price risks are integral aspects of international business. Basic rules and how to deal with financial risks are set out in the Financial Risk Management Guideline that is reviewed annually. The goal is to limit risks to a minimum that will not endanger the Group's economic existence, value, and creditworthiness, even under very negative conditions. Currency risks are reduced by comprehensively hedging contracts and planned cash flows in a set time period. Any limits set for non-hedged currency positions are constantly monitored and managed with external hedging instruments, yet only conservative financial instruments are used. Interest risks can take the form of cash flow and net present value risks. Because neither of these two types of risk can be excluded or completely hedged, each individual transaction leads to a decision which risk should be taken and, if possible, compensated by transferring it to third parties. The limits set as part of the finance strategy are continually monitored and managed with external hedging instruments.

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, the Werhahn Group offers employees the Employee Assistance Program (EAP). This is 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 by enforcing organizational rules. The internal control systems specific to the business units are systematically checked and developed.

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 business units are also continually standardized and upgraded. Special attention is paid to compliance with data protection provisions. To this end, the Group-wide project on ensuring data security was initiated. In addition, comprehensive measures have been taken to implement the EU General Data Protection Regulation that entered into force in 2018.

The **compliance systems** of the Werhahn Group are continually updated. Compliance officers are named in the business units of the Group. These officers meet regularly with the responsible member of the Management Board, central compliance officers, and the Audit department. 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 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. Tax returns are prepared with great care. Nevertheless, there is a risk of back tax liability as a result of financial audits.

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

Risk assessment and outlook

The level of risk in the Werhahn Group remains low. The risks, weighted on the basis of their percentage probability of occurrence, equal 4.3 % of total Group equity overall, of which the three largest individual risks account for 1.5 %. In comparison with the previous year, the risk situation, expressed as the total weighted probability of occurrence, has decreased 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 drivers of technological progress and are a high priority of the Werhahn Group. Whereas research anticipates customer wishes that employees in the development departments then consequently turn into products ready for marketing, development also continually improves production and manufacturing processes and pushes digitalization activities.

As part of its digitalization agenda, the Aggregates business unit has developed a free service app for planners, transport companies, and construction firms. This app contains a calculator for determining asphalt amounts. The user enters the desired mixture type and surface thickness and the app calculates within seconds the specific amount of asphalt needed. Customers can submit a non-binding request directly to the sales department. Furthermore, regular customers can get detailed information on the delivery and amount by scanning the QR code, and download the technical guidelines.

In addition, the business unit has improved the asphalt recipes in the past year. In particular, performance-oriented testing procedures were used in the cutting-edge technology center in Cologne-Porz. Extensive inspections of the only three-chamber low-temperature testing unit in Germany make it possible to optimize the long-term performance of asphalt mixtures by simulating extreme climatic conditions.

The Slate business unit, too, has a digital calculation tool: the slate calculator. It provides workmen with an online solution that quickly and easily calculates the amount of slate they require for a project. In just a few steps, a database provides roofers with all the important data they need for creating roofs or façades with slate. The tool automatically calculates the amount of material needed, and users can then use this to request a quote from a specialty shop near the construction project.

The Zwilling Kitchenware business unit is researching possibilities for digitalization in the modern kitchen. For example, the business unit has invested in an innovative start-up that develops apps for digital cooking. In collaboration with the start-up, a new digitally-assisted cooking system has been produced that is AI-driven and leads to a perfect cooking experience. The unit is also driving the creation of a completely connected platform for dialog, e-commerce and customers. This should make it possible to personalize customer contact, putting the customer squarely in the center of business.

In addition, Zwilling Kitchenware has also spent the past year expanding its ZWILLING Enfinigy® series. The first globally marketed product series for this business unit includes various high-powered blenders, toasters, kettles, and kitchen scales. The high-quality special blades for all blenders were developed in the Solingen factory and are also manufactured there.

As part of its growth strategy in China, the Zwilling Beauty Group business unit is pushing ahead with its online presence in China. The main event was the opening of a Zwilling Beauty flagship store on the Tmall platform, one of the leading online retailers in China. Tmall works like a shopping mall, allowing the user to take a virtual shopping tour. Stores rent space for their business and can design their online shops largely according to their own taste. The launch of another brand shop on Tmall is planned.

Within its new organizational structure, Zwilling Beauty Group has developed a very lean process for innovations. This is coordinated both with the internal organization and the market demand in the beauty segment. The goal is to implement development processes more efficiently with an eye to quality, cost, and time. In the past year, new products were developed, especially for the ZWILLING TWINOX brand, including an eyebrow set and tools for removing impurities in the complexion.

The Jaguar/Tondeo Professional Hairdressing Equipment business unit developed a number of innovative products in 2018. Under the Tondeo brand, a focused product portfolio for barbers was introduced, including a 7-inch scissor model that prevents hair from pushing forward and at the same time allows for creative cutting techniques. In the area of electric tools, a very lightweight yet high-performance hair dryer was developed. Under the Jaguar brand, the unit produced a limited edition of scissors with 22-carat gold and decorative elements.

abcfinance has developed an online leasing calculator. This allows potential customers to quickly get an overview of the market and to compare offers. With only a few clicks, financing for virtually any leasing object is calculated and the monthly lease payment for the planned new investment is displayed. If the potential customer then sends an inquiry, abcfinance will respond within 24 hours and will send a personalized offer. This leasing calculator has made abcfinance one of the market innovators in the industry.

Bank11 has created a pilot project for using software robots in three business processes to assist employees. The software robots are configured such that they can independently carry out various tasks. In particular, business processes that follow set rules and have the same pattern can be completely automated. The goal is to make customer management more efficient and to better manage growth at Bank11.

Sustainability

Responsible and sustainable business is one of the fundamental principles of the Werhahn Group. To remain viable as a company overall, each business unit takes its economic, environmental, social, and community responsibility very seriously.

The quarries and asphalt operations of the Aggregates business unit cover an important part of the energy-intensive value-added chain in road construction. An energy management system according to ISO 50001 was introduced in 2012. Energy consumption was analyzed locally at various sites by independent experts and, accordingly, savings were achieved with optimized material flows, processes, and user conduct. In March 2018 a re-certification was conducted. This external audit reviewed once more the entire processing chain at 330 sites of the business unit – starting with manufacturing aggregates, asphalt and chemical construction products, to recycling construction rubble and excavated asphalt, to logistics and transport services. The experts once again confirmed that the energy management system is of a high quality.

The Zwilling Kitchenware business unit is especially mindful of its water consumption. Waste water caused by the manufacturing process is managed with a water and waste water management system that is integrated into the manufacturing process. The goal is to recover a large part of the industrial and process water as a secondary raw material and to reuse it. At the Solingen headquarters, for example, the grinding sponges that are created during water treatment are processed into pellets and briquets for industrial use.

Ballarini and STAUB also emphasize ecological efficiency at their sites in Italy and France. Both factories have modernized and expanded their waste water treatment with filter facilities that are state of the art. In addition, the capacity of the tanks has been doubled as a result of this modernization. The longer settling phase that resulted is beneficial for settling the sludge. In combination with fine filtering, the water reaches a level of quality that will satisfy future environmental standards.

In selecting its suppliers, the Zwilling Kitchenware business unit does not rely solely on economic criteria. Ecological and social issues also play a role, such as observing employee rights and complying with environmental protection requirements. In order to also indicate to trade partners and consumers that the company is interested in value-based supply management, the business unit is a member of the Business Social Compliance Initiative (BSCI). To ensure social standards are complied with, especially in risk countries, the initiative has developed an internationally recognized standard. The goal is the voluntary commitment of all suppliers to comply with the BSCI Code of Conduct. Regular social audits conducted by independent, accredited testing institutes assess whether the commitment is being upheld, especially whether employee rights are honored and working conditions are continually improved.

Responsible handling of natural resources also plays a large role for the Zwilling Beauty Group business unit. In 2018 all suppliers of cards, inlays, and small packaging for the QVS brand in China moved from single-use cartons to reusable plastic packaging. This led to significant savings in waste material. In the USA, TWEEZERMAN was rated a climate-friendly business after it installed an energy-efficient heating and cooling system provided by the US utilities company Public Service Electric and Gas Company (PSEG) and is one of the most energy-efficient companies on Long Island.

The abcfinance business unit places high priority on customer satisfaction. abcfinance regularly reviews the quality of customer relationships and the degree of customer satisfaction. This is done with automatic random sampling that takes place after customer appointments. After being contacted, the customer receives a request by email to rate the quality of the consultation using a standardized questionnaire. The results of the surveys are continually evaluated. Another important building block of value-based customer relations is complaint handling. Incoming complaints are systematically collected centrally then evaluated and entered into reports for management, who then decides on what action to take. The results of these analyses create the basis for improving products and services in the business unit and in shaping the marketing efforts.

Bank11 invests in training and continued education and health management in the workplace. The fast pace of development can only be managed with motivated, well-trained employees and a solid personnel base. The ratio of trainees of almost 10 % is above the average for the industry. Young professionals, experienced employees, and managers have access to various options for professional training and personal development, both in company-based and external courses. In addition, many sports activities are available, for example training for the corporate run in Neuss.

Yareto’s digital business model is based on lean processes, smart products and sustainable management. Yareto uses 100 % green energy. Because energy consumption goes up proportionally with the booming customer and data volumes, Yareto decided to start saving resources with its portal, which runs on the cloud. The cloud can carry out the same tasks as the company’s own IT department with comparably less energy by managing server loads more efficiently. In addition, data processing can be adjusted to dynamic growth and react flexibly to new technological challenges.

Outlook and Opportunities Report

Macroeconomic forecast

The IMF expects the global economy to maintain the current 3.5 % GDP growth rate in 2019. At the same time, development will be uneven regionally. A slight increase to 1.6 % is expected in the eurozone in 2019. The IMF forecasts growth of 2.5 % for the USA and 6.2 % economic growth for China. Overall, growth in the emerging markets and developing economies is expected to be 4.5 %.

For the German market, the IMF expects GDP growth in 2019 of 1.3 % (previous year: 1.5 %). Therefore, despite the sustained consolidation pressure on public budgets, strong economic conditions will continue to provide positive impulses. The actual figures will be significantly lower than in past years, however.

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 beyond their annual planning.

The condition of the German road network, as well as the increasing traffic volumes, will likely require further investment in the transport infrastructure, offering future opportunities for the **Aggregates** business unit. The budget for federal highways is increasing, and growing GDP could open up more financial headroom in the Länder and municipalities. In the Eastern European countries, opportunities could arise as a result of additional EU development funds. Growth opportunities will also emerge from the expansion of product programs and by taking advantage of business opportunities resulting from the increased digitalization of business processes in road construction.

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

In the **Consumer Goods** division, additional opportunities will become available due to the growing internationalization of business and the forced expansion of distribution channels both online and offline through company-owned stores. Other opportunities will arise through production innovations and, in some cases, large-scale project business. Opportunities also exist due to the better than expected development of relevant currency exchange rates.

In the **Financial Services** division, the sales market for the services offered is still considered attractive. In addition, there will be opportunities for further internal and acquisition-related growth. 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 evolving in this area due to the rapid advances in digitalization.

Outlook for 2019

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. The start of the year was at about the same level as the previous year. The Consumer Goods division, however, started the business year with very modest growth, while Financial Services slightly exceeded the previous year's level. Still, the informative value of the first two months for the entire year is limited.

For 2019, the Management Board expects a slight increase in net sales, and, from the current perspective, an operating result adjusted for special effects that, like earnings before tax, should substantially exceed the level of 2018.

/// Consolidated Financial Statements ///

Consolidated Balance Sheet

Assets

in € thousand	Note	**Dec. 31, 2018**	Dec. 31, 2017
Intangible assets		146,194	171,988
Tangible assets		837,247	838,738
Financial assets		85,875	74,583
Fixed assets without leasing assets from financial services		**1,069,316**	**1,085,309**
Leasing assets from financial services		1,711,849	1,554,633
Fixed assets	**(1)**	**2,781,165**	**2,639,942**
Accounts receivable from financial services	(2)	4,234,261	3,505,840
Inventories	(3)	414,366	410,771
Accounts receivable and other assets	(4)	361,680	346,889
Securities	(5)	10,451	391
Cash on hand, cash deposited with the German Federal Bank, bank deposits, and checks	(6)	533,101	524,115
Current assets		**5,553,859**	**4,788,006**
Deferred income		7,114	6,802
Deferred tax assets	(7)	1,332	–
Surplus from offsetting		68	15
		8,343,538	**7,434,765**

Equity and liabilities

in € thousand	Note	**Dec. 31, 2018**	Dec. 31, 2017
Capital shares of Wilh. Werhahn KG		147,790	147,790
Capital reserve		68,273	68,273
Group profit carried forward		1,609,229	1,550,134
Difference in equity from currency conversion		– 13,725	– 17,499
Consolidated net profit		33,336	87,084
Non-controlling interests		63,832	66,040
Equity	**(8)**	**1,908,735**	**1,901,822**
Difference in amounts from the capital consolidation		170	641
Provisions	(9)	366,406	343,454
Liabilities from financial services	(10)	5,724,126	4,870,060
Liabilities	(11)	342,745	315,668
Outside capital		**6,433,277**	**5,529,182**
Deferred income		1,355	1,435
Deferred tax liabilities		–	1,685
		8,343,538	**7,434,765**

Consolidated Income Statement

in € thousand	Note	2018	2017
Net sales	(12)	3,537,412	3,383,295
Inventory changes		1,048	1,912
Internally produced and capitalized assets		5,742	4,868
Total operating performance		**3,544,202**	**3,390,075**
Other operating income	(13)	58,029	71,245
Cost of materials	(14)	1,876,310	1,784,341
Personnel expenses	(15)	523,311	491,296
Depreciation and amortization of intangible and tangible assets		162,874	167,928
Depreciation of leasing assets from financial services		507,383	459,701
Other operating expenses	(16)	433,194	411,981
Investment income	(17)	17,200	29,199
Depreciation of financial assets and securities classified as current assets		298	3,113
Write-ups of financial assets		55	106
Interest result	(18)	– 10,668	– 8,849
Earnings before tax		**105,448**	**163,416**
Taxes on income and earnings	(19)	52,996	51,068
Earnings after tax/consolidated net profit		**52,452**	**112,348**
Profit attributable to non-controlling interests		19,116	25,264
Consolidated net profit		**33,336**	**87,084**

Statement of Changes in Fixed Assets

(Annex to the Notes to the Consolidated Financial Statements)

in € thousand	Purchase and manufacturing costs Balance as of Jan. 1, 2018	Changes in the scope of consolidation et. al.	Additions	Disposals	Reclassifi-cations	Balance as of Dec. 31, 2018
Concessions acquired against payment, commercial trademarks and similar rights and assets, as well as licenses to such rights and assets	200,766	– 5,436	12,068	5,390	16,620	218,628
Goodwill	421,608	602	1,407	15,484	–	408,133
Prepayments	14,285	75	3,532	46	– 15,196	2,650
Intangible assets	**636,659**	**– 4,759**	**17,007**	**20,920**	**1,424**	**629,411**
Land, land rights and buildings including buildings on third-party land	955,140	– 1,830	12,579	6,155	5,058	964,792
Technical facilities and machinery	1,233,640	– 4,685	27,423	39,925	28,152	1,244,605
Other facilities, operating and business equipment	442,281	– 2,664	38,880	28,406	4,276	454,367
Prepayments and facilities under construction	54,943	– 215	43,046	1,133	– 38,910	57,731
Tangible assets	**2,686,004**	**– 9,394**	**121,928**	**75,619**	**– 1,424**	**2,721,495**
Interests in affiliated companies	73,755	– 79	25	900	–	72,801
Interests in associated at-equity companies	35,932	665	880[1]	857[1]	–	36,620
Interests in other associated companies and other participations	65,817	– 357	14,031	1,887	–	77,604
Loans to affiliated companies	1,111	–	–	–	–	1,111
Loans to companies in which participations are held	18	–	–	18	–	–
Other loans	1,502	–	30	71	–	1,461
Long-term securities	5,113	–	19	–	–	5,132
Financial assets	**183,248**	**229**	**14,985**	**3,733**	**–**	**194,729**
Fixed assets without leasing assets from financial services	**3,505,911**	**– 13,924**	**153,920**	**100,272**	**–**	**3,545,635**
Leasing assets from financial services	**2,588,554**	**–**	**777,855**	**483,665**	**–**	**2,882,744**
Fixed assets	**6,094,465**	**– 13,924**	**931,775**	**583,937**	**–**	**6,428,379**
[1] Thereof from equity valuation			790	431		

Cumulated depreciation and amortization							Book value	
Balance as of Jan. 1, 2018	Changes in the scope of consolidation et. al.	Additions	Appreciations	Disposals	Reclassifi-cations	**Balance as of Dec. 31, 2018**	**Balance as of Dec. 31, 2018**	**Balance as of Dec. 31, 2017**
150,645	– 5,536	15,575	–	5,120	895	156,459	62,169	50,121
312,950	– 2,987	32,083	–	15,484	–	326,562	81,571	108,658
1,076	10	–	–	–	– 890	196	2,454	13,209
464,671	**– 8,513**	**47,658**	**–**	**20,604**	**5**	**483,217**	**146,194**	**171,988**
452,721	– 1,167	25,657	179	5,153	3	471,882	492,910	502,419
1,048,811	– 3,277	53,061	–	38,950	–	1,059,645	184,960	184,829
345,249	– 2,488	36,498	–	26,611	– 8	352,640	101,727	97,032
485	1	–	–	405	–	81	57,650	54,458
1,847,266	**– 6,931**	**115,216**	**179**	**71,119**	**– 5**	**1,884,248**	**837,247**	**838,738**
67,692	– 53	–	–	–	–	67,639	5,162	6,063
15,645	–	95[1]	–	–	–	15,740	20,880	20,288
25,087	–	170	–	–	–	25,257	52, 347	40,729
–	–	–	–	–	–	–	1,111	1,111
–	–	–	–	–	–	–	–	18
211	–	–	55	–	–	156	1,305	1,291
30	–	32	–	–	–	62	5,070	5,083
108,665	**– 53**	**297**	**55**	**–**	**–**	**108,854**	**85,875**	**74,583**
2,420,602	**– 15,497**	**163,171**	**234**	**91,723**	**–**	**2,476,319**	**1,069,316**	**1,085,309**
1,033,921	**–**	**507,383**	**–**	**370,410**	**–**	**1,170,895**	**1,711,849**	**1,554,633**
3,454,523	**– 15,497**	**670,554**	**234**	**462,133**	**–**	**3,647,214**	**2,781,165**	**2,639,942**

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Consolidated Cash Flow Statement

	in € thousand	2018	2017
	Consolidated net profit including non-controlling interests	52,452	112,348
+/–	Depreciation, amortization and write-downs of fixed assets/reversals of write-downs of fixed assets (without leasing assets from financial services)	161,507	166,940
+/–	Increase/decrease in provisions	3,293	– 9,609
+/–	Other non-cash expenses/income	24,023	– 10,448
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	– 31,774	– 8,128
+/–	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	– 9,496	10,705
–/+	Gain/loss from disposal of fixed assets	– 2,482	– 9,129
+/–	Interest expenses/income	10,668	8,849
–	Other investment income	– 17,200	– 16,785
+/–	Expenses/income of exceptional size or incidence	10,127	– 26,009
+/–	Income tax expenses/income	52,996	51,068
–	Payments relating to income of exceptional size or incidence	– 121	–
–/+	Income taxes paid	– 40,348	– 65,042
+/–	Depreciation, amortization and write-downs of leasing assets/reversals of write-downs of leasing assets	507,383	459,701
+	Proceeds from disposals of leasing assets	113,255	102,860
–	Payments to acquire leasing assets	– 777,855	– 702,023
–/+	Increase/decrease of securities in financial services companies (unless classified as financial assets)	– 10,060	– 16,794
–/+	Increase/decrease in accounts receivable from customers from financial services	– 648,071	– 593,443
–/+	Increase/decrease in accounts receivables from credit institutions from financial services	– 40,100	– 12,763
+/–	Increase/decrease in liabilities to customers from financial services	268,385	347,530
+/–	Increase/decrease in liabilities to banks from financial services	156,824	281,541
+/–	Increase/decrease in other liabilities from financial services	390,390	46,432
	Cash flow from operating activities	**173,796**	**117,801**

	in € thousand	2018	2017
+	Proceeds from disposals of intangible fixed assets	184	676
–	Payments to acquire intangible fixed assets	– 15,470	– 15,596
+	Proceeds from disposals of tangible fixed assets	7,130	18,623
–	Payments to acquire tangible fixed assets	– 121,922	– 139,896
+	Proceeds from disposals of long-term financial assets	3,276	116,217
–	Payments to acquire long-term financial assets	– 14,406	– 9,126
+	Proceeds from disposals of entities included in the basis of consolidation	– 3,702	–
–	Payments to acquire entities included in the basis of consolidation	– 5,356	–
+	Cash receipts relating to income of exceptional size or incidence	–	45,548
–	Payments relating to income of exceptional size or incidence	– 2,000	–
+	Interest received	1,933	2,659
+	Dividends received	14,850	15,803
	Cash flow from investment activities	**– 135,483**	**34,908**
+	Proceeds from capital contributions by minority shareholders	–	403
+/–	Proceeds from the issuance of bonds and from borrowings/cash repayments of bonds and borrowings	10,808	– 8,137
+	Proceeds from subsidies/grants	3,163	1,980
–	Interest paid	– 5,753	– 3,333
–	Dividends paid to shareholders of the parent entity	– 35,139	– 33,349
–	Dividends paid to minority shareholders	– 20,735	– 26,484
	Cash flow from financing activities	**– 47,656**	**– 68,920**
	Net change in cash funds	**– 9,343**	**83,789**
+/–	Effect on cash funds of exchange rate movements and remeasurements	– 299	– 5,022
+/–	Effect on cash funds of changes in the basis of consolidation	–	– 525
+	**Cash funds at beginning of period**	**513,850**	**435,608**
	Cash funds at end of period	**504,208**	**513,850**

Cash funds are composed of the following items:

in € thousand	2018	2017
Cash on hand, cash deposited with the German Federal Bank, bank deposits, and checks	533,101	524,115
Liabilities to banks payable on demand and other short-term loans that are part of the disposition of liquid funds	– 28,893	– 10,265
Cash funds at end of period	**504,208**	**513,850**

Statement of Changes in Equity

in € thousand	Parent company Capital shares of Wilh. Werhahn KG	Capital reserve of Wilh. Werhahn KG	Group profit carried forward	Difference in equity from currency conversion	Consolidated net profit
Balance as of Jan. 1, 2018	**147,790**	**68,273**	**1,550,134**	**– 17,499**	**87,084**
Capital increase	–	–	–	–	–
Distribution	–	–	– 28,280	–	–
Currency conversion	–	–	–	3,766	–
Transfers to/ withdrawals from reserves	–	–	87,084	–	– 87,084
Other changes	–	–	– 16	20	–
Changes in the basis of consolidation	–	–	307	– 12	–
Consolidated net profit	–	–	–	–	33,336
Balance as of Dec. 31, 2018	**147,790**	**68,273**	**1,609,229**	**– 13,725**	**33,336**

Non-controlling interests			
Equity attributable to non-controlling interests	Difference in equity from currency conversion attributable to non-controlling interests	Profit attributable to non-controlling interests	Group total equity
39,135	**1,641**	**25,264**	**1,901,822**
5,167	–	–	5,167
– 26,061	–	–	– 54,341
–	– 395	–	3,371
25,264	–	– 25,264	–
– 33	1	–	– 28
– 3	–	–	292
–	–	19,116	52,452
43,469	**1,247**	**19,116**	**1,908,735**

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 seqq. of the German Public Disclosure Act (PublG) – excluding the exemption options in section 13, paragraph 3, sentences 1 and 2 of the PublG – in conjunction with sections 294 et seqq. of the German Commercial Code (HGB) and have been published in the Federal Gazette.

According to section 297, paragraph 1 of the HGB, 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.

Scope of consolidation

All participations are listed on pages 120 to 130. The Consolidated Financial Statements as of December 31, 2018, 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: 113) and 53 companies abroad (previous year: 55). In the reporting period, five companies were incorporated for the first time. Three companies were newly established, one previously affiliated but non-consolidated company was added to the scope of consolidation because it surpassed the size criteria for full consolidation, and one company was acquired. Of the 20 companies removed from the list in the reporting period, 15 were companies that were merged into consolidated subsidiaries, so that their assets remain inside the scope of consolidation. Four companies were sold and one company was deconsolidated due to its secondary importance.

Pursuant to section 296, paragraph 2 of the HGB, 73 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. There are additional associated companies that have not been incorporated at-equity in the Financial Statements because they are overall 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.

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 they were established, or, if they were previously not consolidated due to their minor significance, the date on which they were consolidated because they surpassed the size criteria for consolidation. The capital of the companies 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 using the straight line method. 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

If, after acquiring control, other interests in consolidated affiliated companies are acquired or sold without a change in status, these transactions are consolidated using the purchase method.

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 is recognized under interests in associated at-equity companies and scheduled amortized over 15 years. Goodwill from at-equity consolidation totaled € 365 thousand as of the closing date, with amortization of € 45 thousand. 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 € 9,914 thousand or € – 2,404 thousand.

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 are eliminated as part of consolidation. 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 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, under total Group equity in the difference in equity from currency translation.

The most important exchange rates for the Werhahn Group are:

	Average rate		Closing rate	
€ 1 =	**2018**	2017	**2018**	2017
US dollar	**1.1813**	1.1293	**1.1450**	1.1993
Canadian dollar	**1.5302**	1.4644	**1.5605**	1.5039
Polish zloty	**4.2605**	4.2564	**4.3014**	4.1770
Chinese renminbi	**7.8061**	7.6278	**7.8751**	7.8044
Japanese yen	**130.3827**	126.6551	**125.8500**	135.0100

Exemption from compulsory disclosure

Pursuant to section 264b of the HGB, the following limited partnership is exempt from the obligations set out in section 264a, paragraph 1 of the HGB due to its 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 HGB in conjunction with section 264, paragraph 4 of the HGB:

- abcfinance GmbH, Cologne[6]
- abcfinlab GmbH, Cologne
- Bank11 Holding GmbH, Neuss
- BI Bakery Ingredients Holding GmbH, Neuss
- Charlie Acquisition GmbH, Monheim am Rhein
- C.O.I.N. Lease + Rent Leasing und Miete GmbH, Cologne
- debcash Forderungsmanagement GmbH, Cologne
- Delta Acquisition GmbH, Monheim am Rhein
- DeTeWe Finance GmbH, Cologne
- Dresdner Factoring AG, Cologne
- Golf Acquisition GmbH, Neuss
- Hako Finance GmbH, Cologne
- Schneidereit Finance GmbH, Cologne
- Stuart VV GmbH, Monheim am Rhein
- WW Siebte Acquisition GmbH, Monheim am Rhein
- Werhahn Beteiligungs- und Projektgesellschaft mbH, Neuss
- Yareto GmbH, Neuss
- Zweite Werhahn Projekte 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 diverging accounting principles have been adjusted. Only in insignificant cases has an adjustment not been made. In principle, the option to capitalize is not exercised.

[6] This company also exercises the option of exemption from consolidation under section 291, paragraph 2 of the HGB.

Intangible assets, including goodwill from capital consolidation, are valued at purchase cost less scheduled amortization and write-downs. These assets were amortized 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 of 2 to 50 years. 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. Write-downs are 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, using the book value method. **Loans** are measured at face value or lower net present value. **Long-term securities** are measured at purchase cost. Write-downs are carried out wherever the asset must be measured at a lower value.

Leasing assets from financial services are reflected at acquisition costs less scheduled depreciation and write-downs. 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.

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. This is done in accordance with the principle of loss-free valuation.

Accounts receivable and **other assets** are shown at their respective face values. Allowances have been made for potential risks through specific amortization amounts 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 current value.

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 exercised. Subsequently, if a net asset position remains from the annual 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 which 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 under section 306 of the HGB are summarized with those from the individual financial statements under section 274 of the HGB.

The company-specific tax rates expected to be valid at the time when timing differences will be reserved are applicable. They range from 9 % to 34 %.

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, discounted at the market interest rate determined by the German Federal Bank for the respective term. The option to maintain higher provisions will be exercised if the amount to be reversed would have to be returned to provisions 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 % to 3.5 %, as well as assumptions concerning future employee fluctuations. Where permitted, the entry age normal method based on the 2018 G tables (previous year: 2005 G tables) created by Prof. Dr. Heubeck is used. 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. An interest rate of 3.2 % was used on December 31, 2018, for the valuation of pension provisions. Any assets to which no other creditors have access and which are to be used solely for the fulfillment of pensions or other similar non-current 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 **liabilities from financial services** item 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 mean spot 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 December 31.

Notes to the Consolidated 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 96/97.

Goodwill is derived primarily from capital consolidation.

Fixed assets include leasing assets from financial services in the amount of € 1,711,849 thousand (previous year: € 1,554,633 thousand).

Depreciation and amortization includes write-downs totaling € 74,548 thousand (previous year: € 46,247 thousand). Of this, € 70,468 thousand are for leasing assets from financial services and € 1,876 thousand for goodwill.

2 Accounts receivable from financial services

in € thousand	**Dec. 31, 2018**	**thereof due in more than 1 year**	Dec. 31, 2017	thereof due in more than 1 year
Receivables from banks from financial services	452, 274	–	389,187	–
Purchased accounts receivable	3,029	846	5,081	3,085
Accounts receivable from banking business	2,678,632	1,816,754	2,139,471	1,444,905
Accounts receivable from factoring business	267,606	–	226,069	–
Hire-purchase receivables	796,486	495,659	709,981	467,496
Other accounts receivable from financial services	32,191	1,272	27,443	4,582
Deferrals	4,043	3,191	8,608	7,756
	4,234,261		**3,505,840**	

3 Inventories

in € thousand	Dec. 31, 2018	Dec. 31, 2017
Raw materials and supplies	88,864	92,661
Unfinished goods and services	62,101	60,378
Finished goods and merchandise	262,141	256,410
Prepayments	1,260	1,322
	414,366	**410,771**

4 Accounts receivable and other assets

in € thousand	Dec. 31, 2018	thereof due in more than 1 year	Dec. 31, 2017	thereof due in more than 1 year
Trade accounts receivable	248,204	943	220,569	38
Accounts receivable from affiliated companies	3,131	–	3,056	–
Accounts receivable from companies in which a participating interest is held	16,241	–	19,609	5,525
Other assets	94,104	5,000	103,655	6,461
	361,680		**346,889**	

Accounts receivables from affiliated companies in the amount of € 748 thousand and receivables from companies in which a participating interest is held in the amount of € 1,500 thousand result from supply and service transactions.

5 Securities

Securities total € 10,060 thousand, mostly debt securities, held to a large part by a financial services institution. Shares are not 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 € 533,101 thousand, € 1,134 thousand are subject to restriction of disposal.

This item includes cash on hand, cash deposited with the German Federal Bank and bank deposits from the Financial Services division and Bankhaus Werhahn GmbH in the amount of € 437,958 thousand.

7 Deferred tax assets

After offsetting against deferred tax liabilities, there was a surplus of deferred tax assets of € 1,332 thousand in the Consolidated Financial Statements. Debt carryover from the subsidiaries amounting to € 8,322 thousand was overcompensated by deferred tax assets from consolidation measures.

Without being offset, this resulted in deferred tax liabilities of € 14,262 thousand and deferred tax assets of € 15,594 thousand. In the business year, deferred tax assets have been increased by € 1,164 thousand and deferred tax liabilities reduced by € 1,853 thousand.

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. This includes only a minimum amount of deferred taxes on loss. 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 € 71,732 thousand in the Group.

8 Equity

Equity in the Consolidated Financial Statements includes the reported net equity of Wilh. Werhahn KG, the Group profit carried forward, the net profit of the Group, as well as non-controlling interests in the equity 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 € 20,522 thousand and € 1,406 thousand, respectively.

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

On the closing date, there were restrictions on distribution amounting to € 12,135 thousand under German law and € 342 thousand under local law.

9 Provisions

in € thousand	Balance as of Jan. 1, 2018	Consumed	Released	Addition	Other changes	Balance as of Dec. 31, 2018
Pensions and similar obligations	103,210	7,251	781	12,863	5,926	113,967
Tax provisions	12,214	8,369	2,222	18,920	– 283	20,260
Other provisions						
Personnel expenses	61,207	49,906	1,689	50,499	– 93	60,018
Recultivation	65,778	1,227	5,622	9,915	49	68,893
Sureties and guarantees	11,279	2,184	1,371	2,442	– 10	10,156
Outstanding and missing invoices	22,605	16,513	2,451	18,267	– 40	21,868
Miscellaneous other provisions	67,161	44,356	5,673	55,300	– 1,188	71,244
	343,454	**129,806**	**19,809**	**168,206**	**4,361**	**366,406**

Assets to cover pensions and similar obligations with fair values totaling € 2,563 thousand and € 400 thousand were offset against pension provisions and provisions for personnel costs, respectively. The historical acquisition costs of the cover assets are € 2,324 thousand and € 461 thousand, respectively. Without offsetting, the pension provisions would have totaled € 116,530 thousand and the provisions for personnel costs € 60,418 thousand.

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 € 12,418 thousand.

The option to retain existing provisions under Article 67, paragraph 1 of the Introductory Act to the German Commercial Code (EGHGB) was exercised. The excess cover as of the closing date was € 103 thousand.

10 Liabilities from financial services

in € thousand	Dec. 31, 2018	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	642,558	122,812	519,746
Liabilities to banks from financial services	1,598,787	857,049	741,738
Liabilities to customers from financial services	3,449,497	2,319,397	1,130,100
Deferrals	33,284	11,489	21,795
	5,724,126		

in € thousand	Dec. 31, 2017	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	252,198	80,152	172,046
Liabilities to banks from financial services	1,430,576	782,325	648,251
Liabilities to customers from financial services	3,154,416	1,989,245	1,165,171
Deferrals	32,870	13,133	19,737
	4,870,060		

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 not yet due.

As of the closing date, liabilities from financial services with a remaining term of more than 5 years totaled € 393,569 thousand (previous year: € 72,660 thousand).

11 Liabilities

in € thousand	Dec. 31, 2018	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	78,506	62,055	16,451
Prepayments received	1,798	1,798	–
Trade accounts payable	116,481	116,441	40
Liabilities to affiliated companies	12,471	12,471	–
Liabilities to companies in which a participating interest is held	39,235	38,230	1,005
Other liabilities	94,254	89,042	5,212
(thereof from taxes)	(43,176)		
(thereof for social security payments)	(3,766)		
	342,745		

in € thousand	Dec. 31, 2017	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	45,418	22,255	23,163
Prepayments received	1,798	1,724	74
Trade accounts payable	110,552	110,501	51
Liabilities to affiliated companies	18,847	18,847	–
Liabilities to companies in which a participating interest is held	39,439	38,434	1,005
Other liabilities	99,614	95,909	3,705
(thereof from taxes)	(38,237)		
(thereof for social security payments)	(3,760)		
	315,668		

As of the closing date, liabilities with a remaining term of more than 5 years totaled € 3,442 thousand (previous year: € 5,266 thousand). For liabilities amounting to € 18,414 thousand, security has been provided in the form of mortgages, title transfers by way of security, and other rights.

Liabilities to affiliated companies in the amount of € 1,416 thousand and liabilities to companies in which a participating interest is held of € 5,364 thousand caused by supply and service transactions.

Notes to the Consolidated Income Statement

The 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 revenues from renting or leasing and the provision of services. Service revenues from the banking and leasing business are also reported.

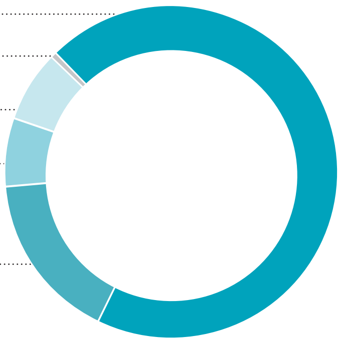
By corporate divisions

in € thousand	2018	2017
Building Materials	1,449,723	1,358,185
Consumer Goods	750,644	809,140
Financial Services	1,305,618	1,203,660
Others	48,486	28,277
Consolidation	– 17,059	– 15,967
	3,537,412	**3,383,295**

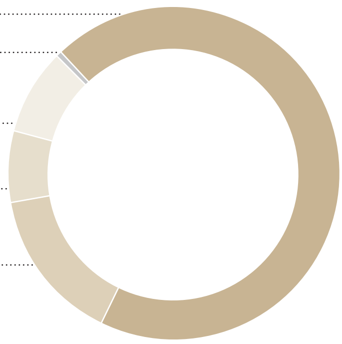
By regions

in € thousand

2018	
Germany	2,462,679
Rest of the world	13,299
Asia	252,713
North America	233,655
Rest of Europe	575,066
Total	3,537,412



2017	
Germany	2,346,588
Rest of the world	13,571
Asia	284,133
North America	232,768
Rest of Europe	506,235
Total	3,383,295



13 Other operating income

This item comprises mainly non periodic income from the release of provisions (€ 16,806 thousand) and profits from the disposal of fixed assets (€ 3,959 thousand), as well as income from the reversals of allowances (€ 1,143 thousand).

Other operating income also includes currency exchange gains (€ 6,139 thousand; previous year: € 6,240 thousand).

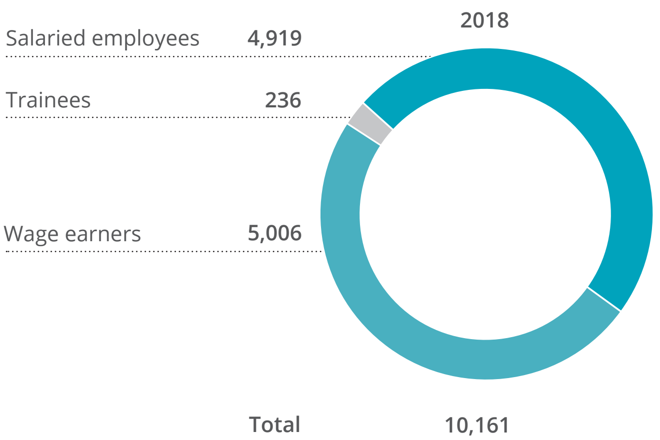
14 Cost of materials

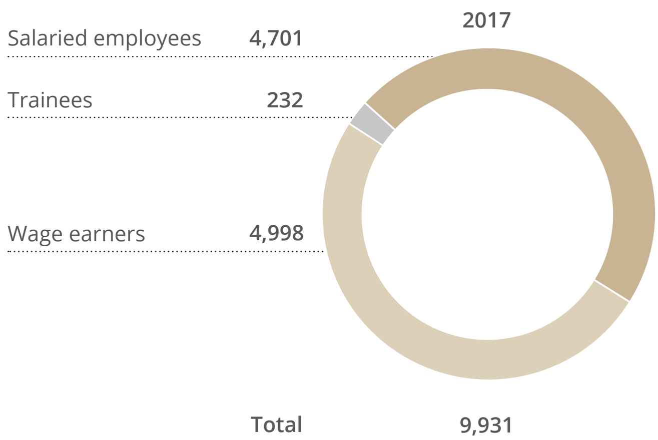
The cost of materials totaled € 1,876,310 thousand (previous year: € 1,784,341 thousand), thereof € 810,679 thousand (previous year: € 788,286 thousand) for raw materials and supplies and € 84,868 thousand (previous year: € 83,028 thousand) for purchased services. The cost of materials item also particularly includes refinancing costs from the banking and leasing business, acquisition costs for hire-purchase objects, expenditures for outgoing freight, disposed residual book values of sold leasing assets, energy costs, as well as commissions from the banking and leasing business.

15 Personnel expenses

in € thousand	2018	2017
Wages and salaries	422,694	402,402
Social security contributions and staff welfare costs	86,775	84,946
Pension costs	13,842	3,948
	523,311	**491,296**

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





Remuneration paid to the Supervisory Board in the reporting period totaled € 0.9 million (previous year: € 0.9 million). Provisions for pensions for former members of the Management Board or their surviving dependents amounted to € 42.3 million (previous year: € 27.3 million). Remuneration and pension paid to former members of the Management Board and their surviving dependents totaled € 1.6 million (previous year: € 1.3 million).

Disclosure of total Management Board remuneration is waived in accordance with section 314, paragraph 3 in conjunction with section 286, paragraph 4 of the HGB.

16 Other operating expenses

Other operating expenses include, among other things, maintenance costs (€ 83,097 thousand), external services (€ 74,415 thousand), advertising (€ 66,645 thousand), and leasing and rental costs (€ 40,789 thousand). Additional expenses include allowances on accounts receivable (€ 26,497 thousand), insurance expenses (€ 13,201 thousand), and currency exchange losses (€ 7,813 thousand, previous year: € 11,054 thousand). Other taxes totaling € 7,452 thousand (previous year: € 10,135 thousand) are also reported in other operating expenses.

Non periodic expenses totaled € 27,974 thousand (write-downs on accounts receivable and losses from the disposal of fixed assets).

Domestic fees to the auditors of the Consolidated Financial Statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, in the reporting period totaled € 2,693 thousand. This includes fees for auditing services totaling € 2,038 thousand, € 243 thousand for tax consulting services, € 215 thousand for other assurance services, and € 197 thousand for miscellaneous services.

17 Investment income

in € thousand	**2018**	2017
Income from profit-transfer agreements	231	253
Expenses from profit-transfer agreements	10	16
	221	**237**
Income from affiliated companies	1,162	957
Expenses from affiliated companies	245	216
	917	**741**
Income from associated at-equity companies	11,691	11,101
Expenses from associated at-equity companies	–	240
	11,691	**10,861**
Income from other associated companies and other participations	4,433	17,544
Expenses from other associated companies and other participations	62	184
	4,371	**17,360**
	17,200	**29,199**

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.

18 Interest result

in € thousand	**2018**	2017
Income from other securities and loans of financial assets	407	453
(thereof from affiliated companies)	(22)	(22)
Other interest and similar income	4,534	2,333
(thereof from affiliated companies)	(216)	(326)
Interest and similar expenses	15,609	11,635
(thereof from affiliated companies)	(59)	(88)
	– 10,668	**– 8,849**

The interest result includes expenses from the accumulation of provisions totaling € 9,471 thousand (previous year: € 7,695 thousand) and income from discounting provisions in the amount of € 2,960 thousand (previous year: € 588 thousand). Interest income (€ 23 thousand) from covered assets was offset against expenses from accumulated interest.

19 Taxes on income and earnings

Taxes on income and earnings comprise mainly domestic and foreign corporation tax, as well as domestic trade tax. The item also includes deferred tax income of € 3,478 thousand (previous year: deferred tax expense of € 369 thousand).

20 Income and expenses of exceptional size or incidence

In the business year, expenses of exceptional size and incidence were incurred in the amount of € 10,127 thousand. These expenses were caused by the planned closure of the Moselschiefer deposits in Mayen.

List of Participations as of December 31, 2018

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	Cappeln	100
AMW Asphalt-Mischwerke Würzburg GmbH & Co. KG	Würzburg	87
AO KP-Gabbro	Petrazavodsk, Russian Federation	100
Asphalt Mischwerk Oyle GmbH & Co. Straßenbaumaterial KG	Oyle	76
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	80
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
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

Building Materials

Aggregates	Registered office	Share in %
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
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
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"	Podporozhskiy rajon, Russian Federation	100
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	Vierlinden	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

Building Materials

Slate

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
North American Slate LLC	Dover, USA	100
Werhahn International Schiefer GmbH	Mayen	100
Werhahn International Schiefer GmbH Sucursal en España	El Barco, Spain	100

Consumer Goods

Zwilling Kitchenware

Zwilling Kitchenware	Registered office	Share in %
ZWILLING J. A. Henckels Aktiengesellschaft	Solingen	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.	Roermond, Netherlands	100
JV ZWILLING-RM GmbH	Solingen	70
OOO ”ZWILLING J.A. HENCKELS Rus“	Moskau, Russian Federation	100
Staub Fonderie SARL	Merville, France	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
ZWILLING J.A. HENCKELS (UK) Limited	Hitchin, United Kingdom	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 Deutschland GmbH	Solingen	100
ZWILLING J.A. HENCKELS Iberia S.A.	Cornellá de Llobregat, Spain	100
ZWILLING J.A. HENCKELS Italia S.r.l.	Milan, 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

Consumer Goods
Zwilling Kitchenware

	Registered office	Share in %
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

Consumer Goods
Zwilling Beauty Group

	Registered office	Share in %
ZWILLING Beauty Group GmbH	Solingen	100
Ital Beauty Nippers (India) Pvt. Ltd.	Puducherry, India	80
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, United Kingdom	75
Tweezerman (India) Pvt. Ltd.	Puducherry, India	80
Tweezerman International, LLC	Wilmington, USA	100
Tweezerman Minority LLC	Wilmington, USA	100
Zwilling Beauty Trading (Shenzhen) Ltd.	Shenzhen, China	100

Consumer Goods
Jaguar/Tondeo Professional Hairdressing Equipment

	Registered office	Share in %
United Salon Technologies GmbH	Solingen	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.	Eindhoven, Netherlands	70
abcfinance GmbH	Vienna, Austria	100
C.O.I.N. Lease + Rent Leasing und Miete GmbH	Cologne	100
debcash Forderungsmanagement GmbH	Cologne	100
DeTeWe Finance GmbH	Cologne	100
Dresdner Factoring AG	Cologne	100
ETL Leasing GmbH & Co. KG	Dortmund	51
ETL Leasing Verwaltungsgesellschaft mbH	Dortmund	51
G.R. Factoring GmbH	Langenfeld	100
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
Bank11 Holding GmbH	Neuss	100
RevoCar 2016 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2017 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2018 UG (haftungsbeschränkt)	Frankfurt am Main	0

Others	Registered office	Share in %
Wilh. Werhahn KG	Neuss	
abcfinlab GmbH	Cologne	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
Golf Acquisition GmbH	Neuss	100
Stuart VV GmbH	Monheim am Rhein	100
Werhahn Beteiligungs- und Projektgesellschaft mbH	Neuss	100
Werhahn Industrieholding SE	Neuss	100

Others	Registered office	Share in %
Wilh. Werhahn KG Zweigniederlassung Haus & Grund	Neuss	100
WW Achtzehnte Acquisition GmbH	Monheim am Rhein	100
WW Dreizehnte Acquisition GmbH	Monheim am Rhein	100
WW Elfte Acquisition GmbH	Monheim am Rhein	100
WW Fünfzehnte Acquisition GmbH	Monheim am Rhein	100
WW Holding KG	Neuss	100
WW Neunte Acquisition GmbH	Monheim am Rhein	100
WW Sechzehnte Acquisition GmbH	Monheim am Rhein	100
WW Siebte Acquisition GmbH	Monheim am Rhein	100
WW Siebzehnte Acquisition GmbH	Monheim am Rhein	100
WW Vierzehnte Acquisition GmbH	Monheim am Rhein	100
WW Zehnte Acquisition GmbH	Monheim am Rhein	100
Yareto GmbH	Neuss	100
Zweite Werhahn Projekte GmbH	Neuss	100

2. Associated at-equity companies

	Registered office	Share in %
AEL-Abfallentsorgungsanlage Lösenbach GmbH	Lüdenscheid	49
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-Dhron	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
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 %
AML Asphaltmischwerk Langenthal GmbH & Co. KG	Langenthal	70
AML Asphaltmischwerk Langenthal Verwaltungs-GmbH	Langenthal	70
AMW Asphalt-Mischwerke Würzburg Verwaltungs-GmbH	Würzburg	87
Asphalt – Mischwerke Rhein-Pfalz Beteiligungs-GmbH	Albersweiler	52
Asphalt Mischwerk Oyle GmbH	Oyle	76
Asphalt-Mischwerk Bischofsheim Verwaltung GmbH	Bischofsheim	86
Asphaltmischwerk Wildbergerhütte GmbH	Wildbergerhütte, Reichshof	100
Asphalt-Mischwerke Münsterland Verwaltungs-GmbH	Ladbergen	100
AWE Asphaltmischwerk Walschleben Verwaltung GmbH	Walschleben	80
B V G Baustoff-Vertriebs- u. Verwaltungsgesellschaft mbH	Kirn	100
Ballarini North America Inc.	Horsham, USA	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	Linz am Rhein	100
Bitumina Spedition Verwaltungs GmbH	Linz am Rhein	100
BRP-Baustoffaufbereitungs- und Recycling-Gesellschaft in Pforzheim mbH	Pforzheim	100
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
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
Dritte Werhahn Projekte GmbH	Neuss	100
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

	Registered office	Share in %
Inn-Asphalt-Mischwerke GmbH.	Nußdorf am Inn	75
Jaguar Japan Inc.	Seki-shi, Japan	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"	St. Petersburg, 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 ABC finance	Eindhoven, Netherlands	0
Südhessische Asphalt-Mischwerke Gesellschaft mit beschränkter Haftung	Hanau	76
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	Falkenstein/Harz	100
Verwaltungsgesellschaft Wilh. Werhahn mit beschränkter Haftung	Neuss	100
VV Eins Verwaltungs-GmbH i.L.	Neuss	100
WAW Asphalt GmbH	Linz am Rhein	100
Werhahn Bakery Products Holding GmbH i. L.	Neuss	100
Werhahn Flour Mills GmbH	Neuss	100
WMW GmbH	Linz am Rhein	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	Zürich, 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 Verwaltungsgesellschaft mbH	Enspel	50
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-Dhron	50
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
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	Hessisch Oldendorf-Langenfeld	49
Schuhmacher & Heuser GmbH	Katzenelnbogen	50
STA Asphaltmischwerk Strahlungen GmbH	Strahlungen	25
Steinbruch Breidenbach Verfüllungsgesellschaft mbH	Breidenbach	50
Steinbruch Spittergrund GmbH	Erfurt	50
Südharz-Asphalt GmbH & Co. KG i.L.	Bad Harzburg	38
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 € thousand	Annual result for the year € thousand
AME Asphalt-Mischwerke Eifel GmbH & Co. KG	Sinzig	33	465[1]	201[1]
Asphalt-Mischwerke Eifel Verwaltungsgesellschaft mbH	Sinzig	33	39[1]	2[1]
Cuciniale GmbH	Lindau	25	1,391	– 754
DEBUS Naturstein GmbH & Co. KG	Untersiemau	49	1,924[1]	599[1]
Debus Naturstein Verwaltungs-GmbH	Untersiemau	49	29[1]	3[1]
Escombrera Sobredo S.L.	Carballeda de Valdeorras, Spain	22	107[1]	29[1]
Hartsteinwerke Burgk GmbH & Co. OHG	Schleiz	27	3,851[1]	407[1]
HWB Hartsteinwerke Burgk Verwaltungs-GmbH	Schleiz	27	68[1]	2[1]
INTERASPHALT Sp. z o.o.	Obornik, Poland	48	766[1]	8[1]
ThyssenKrupp MillServices & Systems GmbH	Duisburg	32	39,868	3,293

[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 note 6 of the Notes to the Consolidated Financial Statements.

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

in € thousand	2018	2017
Cash flow from operating activities	173,796	117,801
Cash flow from investment activities	– 135,483	34,908
Free cash flow	**38,313**	**152,709**
Cash flow from financing activities	– 47,656	– 68,920
Net change in cash funds	**– 9,343**	**83,789**
Other changes in cash funds	– 299	– 5,547
Cash funds at beginning of period	513,850	435,608
Cash funds at end of period	**504,208**	**513,850**

Other Information

Transactions with affiliated companies and persons
Transactions with affiliated companies and persons are generally conducted under 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
After the closing date, no events occurred in the companies of the Werhahn Group from which a material significance for the net assets, financial position, and results of operations of the Werhahn Group is expected.

Transactions not included in the Consolidated Balance Sheet

in € thousand	**2018**	2017
Liabilities from the issue and transfer of bills	73	135
Liabilities from sureties, bills and check guarantees	4,013	4,160
(thereof to affiliated companies)	(418)	(418)
(thereof to associated companies)	(1,541)	(1,651)
Liabilities from warranties	865	908
Commitments from open purchase orders	146,899	146,858
(thereof to associated companies)	(200)	(567)
Cash value of non-current commitments from rent, tenancy and leasing agreements	102,864	108,929
(thereof to affiliated companies)	(236)	(686)
Commitments from loan undertakings	199,060	173,789
Other financial obligations	14,470	18,928
(thereof to affiliated companies)	(3,252)	(2,946)
(thereof to associated companies)	(196)	(165)

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 under sureties. Moreover, due to the positive economic situation in which the companies find themselves, no claims are expected.

Derivative financial instruments
Valuation units have been created in the Werhahn Group pursuant to section 254 of the HGB. In accordance with the net hedging presentation method, changes in value of underlying transactions and hedging instruments are not capitalized. The effectiveness of the valuation units is assessed using the critical terms match method and this assessment is made as a forecast at every closing date. Derivative financial instruments are valued using the mark-to-market method.

Foreign currency loans in the local currency are extended to foreign subsidiaries for refinancing. The currency risk from the Group's point of view that arises from payments on principal and interest payment is hedged with forward exchange contracts. Forward exchange contracts are used to hedge currency risk inherent in already existing contractual procurement transactions in foreign currencies. This involves micro hedges with a residual maturity of up to one year.

The regular procurement of goods in the course of regular business that takes place in a foreign currency is planned with a certain buffer prior to the actual transaction. The net currency position that is most like from these transactions is also hedged against currency risk using portfolio hedges.

Raw materials needed for the production process for sales transactions already contracted for are procured using forward supply contracts. If the supply contracts contain variable prices, commodity swaps are used to avoid price risks from these transactions. This mainly involves portfolio hedges with a residual maturity of up to three years.

As part of a securitization transaction, a special purpose vehicle issued variable interest rate bonds for refinancing a fixed rate loan portfolio. To reduce the interest rate risk, an amortizing interest rate swap was arranged as a micro hedge with a residual maturity of four years.

Both micro hedges and portfolio hedges provide 100 % hedging of underlying transactions.

The following underlying transactions are included in the valuation units:

Type of underlying transaction	Type of hedged risk	Hedged amount of underlying transaction in € thousand (book value, expected value)	Hedged risk in € thousand	Positive fair value in € thousand	Negative fair value in € thousand
Intragroup refinancing	Currency risk	132,498	5,287	124	– 5,163
Highly probable forecast transactions	Currency risk	45,130	804	471	– 333
Pending transactions	Procurement price risks	14,876	2,660	88	– 2,572
Variable interest rate bonds	Interest rate risk	270,826	963	–	– 963

Neuss, April 12, 2019

Wilh. Werhahn KG

Kathrin Dahnke

Paolo Dell' Antonio

Independent Auditor’s Report

To Wilh. Werhahn KG, Neuss

Audit Opinions

We have audited the consolidated financial statements of Wilh. Werhahn KG, Neuss, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Wilh. Werhahn KG for the financial year from 1 January to 31 December 2018.

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

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law to be applied according to § [Article] 13 PublG [Publizitätsgesetz: Public Disclosure Act] and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and

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

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

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 14 PublG in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information.

The other information comprises the annual report, which we obtained prior to the date of our auditor's report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law to be applied according to § 13 PublG, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 14 PublG and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

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

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

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

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

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

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

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

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

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

Düsseldorf, April 12, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Uwe Rittmann Wirtschaftsprüfer (German public auditor)	ppa. Sebastian Lelgemann Wirtschaftsprüfer (German public auditor)

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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

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

Zwilling Kitchenware

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Business activities/products
Knives, scissors, cookware, kitchen utensils, cutlery

Zwilling Beauty Group

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Business activities/products
Manicure, pedicure, tweezers and other beauty tools

Jaguar/Tondeo
Professional Hairdressing Equipment

United Salon Technologies GmbH
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Business activities/products
Hair scissors, electrical hairdressing equipment

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Business activities/products
Lease finance for mobile goods, rental agreements and leases, factoring

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For the sake of readability, the masculine form is primarily used in the texts of the report and includes the feminine form.

Rounding

Slight variations can occur when using amounts and percentages rounded in accordance with commercial conventions.

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