Becoming more efficient

Annual Report 2019

Werhahn

At a glance

Selected key figures

in € million	2015	2016	2017	2018	2019
Net sales	3,162	3,322	3,383	3,537	3,606
Earnings before tax	200	162	163	105	116
Equity ratio	29 %	28 %	26 %	23 %	21 %
Equity ratio without financial services	69 %	71 %	72 %	70 %	67 %

Net sales by corporate divisions

in € million	2015	2016	2017	2018	2019
Building Materials	1,318	1,314	1,358	1,450	1,417
Consumer Goods	763	849	809	751	741
Financial Services	1,019	1,108	1,204	1,305	1,431
Others	63	68	28	48	37
Consolidation	– 1	– 17	– 16	– 17	– 20
	3,162	**3,322**	**3,383**	**3,537**	**3,606**

Employees by corporate divisions

	2015	2016	2017	2018	2019
Building Materials	4,375	4,385	4,456	4,548	4,530
Consumer Goods	3,976	4,329	4,414	4,371	4,465
Financial Services	792	847	923	977	1,044
Others	248	271	138	265	174
	9,391	**9,832**	**9,931**	**10,161**	**10,213**

"What do customers want? How do they decide? Where do they buy? What keeps them loyal? To be successful today, companies have to gear their products, services, strategies and processes consistently to the customer. This inevitably requires organizational changes to ensure continued value creation. And it means giving efficiency a new direction: Throughout the business units and departments of the Werhahn Group, we need to understand our customers more quickly and exactly and implement this knowledge more directly."

PAOLO DELL' ANTONIO, CHAIRMAN OF THE MANAGEMENT BOARD

"Becoming more efficient not only means being faster, but above all moving forward more intelligently. We have to put valuable resources such as manpower, creativity, time, and finances to the best possible use. In the process, we have to accept mistakes, learn from them, and become better as a result. As a group of companies, all of us at Werhahn – each in our own area and supported by digital tools – are working toward our common goal of remaining profitable in the long term, generating growth in excess of the competition to expand our market share, and – as a consequence – constantly repositioning the company in new and better ways."

ALEXANDER BOLDYREFF, MEMBER OF THE MANAGEMENT BOARD

CONTENTS

Corporate Structure

Building Materials

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.

The coronavirus pandemic is changing the way we live on an unprecedented scale. Many people's daily lives are being severely disrupted. Politicians and social security systems have to overcome tremendous challenges, and the global economy is facing repercussions of a magnitude that can hardly be fathomed at the present time. How is the Werhahn Group positioned during this difficult phase, how is it protecting itself and its employees and what steps is it taking in response to the crisis? The Werhahn KG Management Board answers the most important questions in this context.

The interview reflects the level of knowledge as of April 23, 2020.

PAOLO DELL' ANTONIO,
CHAIRMAN OF
THE MANAGEMENT BOARD

ALEXANDER BOLDYREFF,
MEMBER OF
THE MANAGEMENT BOARD

INTE

The federal government is putting together a billion-euro rescue package for the German economy. Many companies are afraid of suffering financial difficulties. Where do Werhahn's strengths lie in facing up to the crisis?

Paolo Dell' Antonio: With Building Materials, Consumer Goods and Financial Services as its three Corporate Divisions, the Werhahn Group is broadly positioned. Our risk diversification is proving particularly valuable in this extraordinary situation, since the respective business units have been affected by the crisis to varying degrees. In addition, Werhahn has a very good capital base and has always pursued prudent business practices. This is a further advantage as it enables us to respond appropriately to the challenges we are facing. However, the most important factor right now is that we, as a family business, can rely on the unconditional support of our shareholders.

The various corporate divisions mean that Werhahn has a decentralized structure. How does the Group organize its crisis management?

Paolo Dell' Antonio: We significantly optimized our crisis system last year, which is now paying off for us. In each business unit as well as at headquarters, there is a crisis management team with one crisis manager and representatives of various key functions, including Legal, Human Resources and IT as well as senior management. The crisis management teams engage in an intensive dialogue to exploit synergies and make any necessary adjustments. For example, the other business units were able to benefit from the early coronavirus experience of Zwilling Kitchenware in China.

Seldom before have companies been called upon to show responsibility toward their employees to such an extent. What measures has Werhahn taken to protect its employees?

Alexander Boldyreff: Our employees' health is our number one priority in this special situation. Working from home is currently the most important measure for their protection, and we have now implemented this across the Group wherever feasible – also to protect our customers. Beyond this, we have intensified our hygiene measures and awareness training within the Group. And we also follow the recommendations of the Robert Koch Institute, of course.

Apart from looking after the employees, it is also important to keep the company functioning properly. What are the most important measures implemented by the corporate divisions?
Alexander Boldyreff: One of the most important measures was to intensify our communication. For example, we now hold regular virtual meetings to increase transparency for our employees, teams and business units. An absolutely essential step was to digitalize key processes, which is something we pressed ahead with at full speed. To preserve jobs, some of our business units have introduced reduced working hours. Many operations – such as the logistics operation at ZWILLING in Solingen – are currently working in two shifts, so that fewer people are on site and those present can keep the necessary distance from each other. All in all, it is important that we are able to focus all our energies when the worst is over.

The coronavirus pandemic is forcing people, countries and communities of nations to work closely together. This also holds considerable potential. Are there any synergies at Werhahn that were not exploited before or are now being exploited better?
Paolo Dell' Antonio: The shared experience of the crisis has strengthened the sense of community and team spirit within the Group. We're moving closer together and acting faster and more effectively. We are better at exchanging information across the Group. For example, the financial service providers are sharing their experience in dealing with deferred payments or the requirements of the Federal Financial Supervisory Authority. At the Consumer Goods division, employees discuss issues such as operating permits in the USA or temporary layoffs. This leads to increased efficiency and greater trust, which ultimately has a positive effect on the Group's culture.

It's a well-known fact that every crisis also has its opportunities. Is Werhahn already seeing signs of positive side-effects that could continue after the corona crisis?
Alexander Boldyreff: Digital working has provided an enormous boost that benefits the entire Werhahn Group. Employees have accepted the digital tools that are now increasingly used. And the positive experience we have had with virtual meetings versus face-to-face meetings will help us become faster and simultaneously reduce the amount of travel. In my opinion, this will make an important contribution to sustainability. Ultimately, all the experience gained will be incorporated into the further development of our business models, allowing us to further increase our competitiveness.

Let us finish with a personal question: What are the most important lessons you have learned so far?
Alexander Boldyreff: With a motivated and enterprising team, you can accomplish almost anything. When you put your trust in your employees, they return that trust many times over. We have an incredible amount of talent within the Werhahn Group. That's a solid foundation for the time after the crisis.

Paolo Dell' Antonio: It's important to act prudently, be well prepared and network closely, especially when things are happening fast. Communication, information and transparency are the key factors in maintaining the trust of employees, shareholders and business partners and moving forward together. The high level of commitment and entrepreneurial drive of all employees shows their loyalty to Werhahn. These conditions mean we are well equipped to tackle the challenges that lie ahead.

Highlights 2019

Digital Campus

In June 2019, **Zwilling Kitchenware** opened its Digital Campus in a former warehouse on the Solingen factory premises. It will serve as a competence center for data-based customer knowledge. Covering an area of 600 square meters, the open and flexible floor space is used by the Digital Services department, with a total of 24 workstations distributed between two teams: The e-commerce team is responsible for setting up the system infrastructure for digital customer communication, while the second team handles customer dialogue by e-mail as well as social media activities and performance marketing. This is where Zwilling Kitchenware now analyzes the data-based knowledge about consumers and their habits that it collects through its online shops, bricks-and-mortar stores and social networks. In addition, the Digital Campus also tests new forms of project management and problem-solving – also and in particular when different departments work closely together.

Top ranking

In its annual bank monitor, the automotive trade magazine “Autohaus” asks car dealers of all brands how satisfied they are with their financing partners. Bank11 was the only independent automotive bank to record an increase in dealer satisfaction, moving up to third place in 2019. In some areas, **Bank11** is even a benchmark, particularly with regard to the speed of lending decisions and the drawdown period. Dealers also awarded top marks for the products and conditions in the used car segment.

An end and a new beginning

On March 31, 2019, an era came to an end: **Rathscheck Schiefer** ceased mining Moselschiefer® at the Katzenberg mine. It had become necessary to close the mine because the geological situation underground no longer allowed profitable extraction in terms of quantity and quality. This was a major setback, since Moselschiefer® is considered by many to be the gold of the Eifel region. As an Old German roofing material, it adorns the roofs of many historical buildings and is therefore used above all for the restoration of old monuments. In recognition of this cultural significance, Rathscheck has launched MONUMENTUM®, a new premium product that is extracted at the production facilities of its Spanish subsidiaries in Galicia. The quality of MONUMENTUM® is in no way inferior to that of Moselschiefer®, which means the material is ideally suited to continuing the tradition.

E-commerce presence launched

At the end of 2019, the **Zwilling Beauty Group** launched its own e-commerce presence in Europe for the ZWILLING Beauty and TWEEZERMAN brands. These products are now presented directly in their own online shop. The web pages provide a target-group-oriented consumer experience to intensify customer contact and further increase the level of brand awareness. This new e-commerce presence is an important component of the Zwilling Beauty Group's overall strategic concept to align itself with current market trends.

Following new paths

Rheinische Provinzial-Basalt- und Lavawerke GmbH & Co. oHG, a holding company of the **Aggregates** business unit, has developed and launched a natural, additive-free and highly stable building material for paths and open spaces: BALASTAN consists of nothing more than basalt rock and special sands. When water is added to the material during the paving process, the special shape of the grains gives it permanent strength and makes it highly resistant to ruts, potholes or erosion damage, for example. At the same time, BALASTAN is permeable to water and air, so that surfaces are not sealed and roots can continue to grow. Overall, the innovative material mix closes a gap in the market by enabling a completely new kind of pavement construction while being recyclable and also suitable for use in water protection areas.

Market entry

abcfinlab GmbH, which was founded by **abcfinance** in 2018, was ready to enter the market in 2019 with two digital product innovations that were developed in-house: The Lease Seven application enables sales partners to conclude a complete digital leasing agreement within ten minutes, including credit screening and a legally compliant signature. In the area of factoring, abcfinlab offers Cashfox, an easy-to-use tool that provides small companies in particular with the advantages of transferring open receivables. Both products have successfully passed the pilot phase and are now ready to be rolled out on the market.

Newcomer of the year

The car loan comparison portal **Yareto** immediately took fourth place in the ranking of the best financial service providers for the automotive trade, making it the newcomer of the year. Since 2005, the industry service "markt intern" has determined an annual list of top providers as viewed by specialist retailers. Car finance portals were included in the nationwide benchmark test for the first time in 2019 at the suggestion of car dealerships.

Major brand relaunch

Showing more feeling and highlighting the products' quality – that was the intention behind **Jaguar/Tondeo Professional Hairdressing Equipment's** decision to completely redesign the look of its premium scissors brand Tondeo. The new claim "Tondeo. You feel it" was the starting point, with the logo, product brochures, packaging design, internet presence, and trade fair stand all receiving an appropriate makeover. But the business unit was not content with a modern new look alone. It rounded off the relaunch of its Tondeo scissors with an innovative cutting technology. The brand's new design premiered in March 2019 at the international hairdressing trade fair "Top Hair" in Düsseldorf.

+€2.7 MILLION

IN ADDITIONAL EARNINGS CAN BE ACHIEVED IF THE ASPHALT GRANULATE RATIO IS INCREASED BY JUST ONE PERCENTAGE POINT THROUGHOUT THE AGGREGATES BUSINESS UNIT.

Identifying Efficiency Potential

No two of the Aggregates business unit's 77 quarries and 171 asphalt mixing plants in Germany are alike. Nonetheless, it is possible to initiate Group-wide improvement processes – as the EffEff project shows. What is needed for this is a team of in-house experts and a standardized approach. The project's name stands for effectiveness and efficiency at the asphalt mixing plants and quarries operated by Basalt AG.

A cool and windy October morning awaits the audit team as it reaches the asphalt mixing plant in Cologne-Porz. The six experts, consisting of machinery and asphalt technicians as well as the Head of Controlling at Basalt AG, have come to inspect the 40,000 square meter plant in the southeast of Cologne. But before heading out to the plant's grounds, they turn their attention to the facts and figures.

The reality behind the numbers

Plant manager Karsten Heinrich and the technical manager responsible for the region, Markus Schramm, are well prepared. A few days earlier, they gathered important plant-specific key figures together with the audit team. The project folder available to all participants contains both technical and business figures as well as aerial photographs and a flow chart detailing all the processes from production to storage and loading. On this basis, the experts systematically raise open questions in accordance with a predetermined pattern to obtain a coherent overall picture. "Each mixing plant has its own unique factors in terms of technical equipment, age, geographical location, customer structure, and market-specific requirements. So we can't lump all plants together. What we want is to grasp what lies behind the numbers," says auditor Norbert Lankes, Head of Controlling at Basalt AG. >>

Relying on internal expertise

The audit team has already applied this structured approach to several of the business unit's quarries – with positive experiences all round. By holding intensive discussions on equal terms with those responsible on site, the team is able to identify key performance indicators and derive concrete optimization potential and recommendations for action. The Aggregates business unit deliberately decided against using external consultants. "Our in-house experts know the business, market conditions, and challenges like no one else. In addition, the level of acceptance is higher if the advisors come from our own ranks and aren't commenting on site-specific issues as outsiders," says Norbert Lankes. Finally, the changing composition of the team ensures that a steady stream of new ideas and impulses flows into the audits.

Focus on asphalt granulate ratio

With a production volume of around 190,000 metric tons in 2019, the plant in Cologne-Porz is one of the larger mixing plants of the Aggregates business unit. Depending on customer requirements, it uses basalt, graywacke and diabase in varying amounts to produce asphalt mixes. This results in an exceptionally wide variety of mixes, coupled with numerous formula changes and corresponding reconfiguration times. The proximity to the Cologne/Bonn metropolitan area means that, in addition to easily plannable large-scale production, the plant also serves many customers who pick up mixes in small quantities of just one or two metric tons – often unannounced. These factors combined explain why the plant's energy consumption and handling costs are comparatively high.

One of the most important figures at asphalt mixing plants is the asphalt granulate ratio: The more recycled asphalt is fed into the production process as milled material or asphalt granulate, the less primary rock and bitumen is required and the more the plant saves on material costs. The team still sees untapped potential in the asphalt granulate rate presently achieved at the Cologne-Porz mixing plant, partly on account of the parallel drum arrangement. This potential will be analyzed and harnessed in the course of the project. In addition to the site-specific characteristics and potential for improvement, the audit team also identifies the site's strengths: For example, the excellent technical facilities and highly motivated employees enable the plant to serve small and large customers flexibly. As a result, it can implement even challenging construction measures such as the closely timed complete renewal of the runway at Cologne/Bonn Airport on schedule and in top quality.

From theory to practice

After an in-depth analysis of the data, a plant inspection is scheduled for the afternoon. The auditors follow the material flow – from the raw material warehouse and the processing plant for milled material to the feeders and conveyor belts for chippings and sand. They climb into the parallel drum, inspect the

mixing tower as well as the loading bay for the trucks and also have the technology at the control stand explained to them. This allows them to identify and discuss potential efficiency improvements directly on site.

Focus on the future

The live experience is followed by a feedback discussion during which all participants share their impressions and insights, draw conclusions and make recommendations. Plant manager Karsten Heinrich is impressed by the amount of knowledge and genuine interest in his site: “Instead of only looking at the past to identify causes, the focus is on the future – on opportunities, potential for improvement and solutions.” After an exhausting but productive day of auditing, the team of experts has to condense the jointly developed package of measures into a brief overview. This serves as a to-do list for the site, which will from now on document the implementation status of the measures as part of an annual monitoring process.

Upward learning curve

So far, 19 other mixing plants have been inspected along the lines of the Cologne-Porz plant. In parallel, the EffEff project is being carried out at the quarries according to the same principle. The learning curve is beginning to slope upward as the number of audits increases. Awareness of the far-reaching effects of key operational factors is growing across all sites. In addition to the individual plant visits, the EffEff project has also triggered a group-wide exchange of experiences. The best-of list – a compilation of ideas and solution approaches that are particularly successful and effective – has met with a very positive response. Ideally, these ideas and solutions can be transferred directly to other locations.

Just a few months after the audit, the first signs of progress can be seen at the Cologne-Porz mixing plant: Among other things, small order volumes are now being bundled more effectively and processed together. At the same time, improved granulate management has increased the asphalt granulate ratio by four percentage points. The site is now aiming for the 40 percent mark – an ambitious goal, but one that will be achievable in the foreseeable future with coaching from the auditors.

Internal expertise instead of business consulting: The unit’s own experts know the business and challenges inside out.

A project folder with key figures, aerial photographs, and a flow chart is the basis for the audit.

During the annual monitoring process, the locations report on the implementation status of the identified measures.

"The relocation of the primary crusher is not only important from a business point of view, but also helps protect the climate and enhance our eco-efficiency."

Bernd Sengstock,
Managing Director of Norddeutsche Naturstein GmbH

50% reduction in travel distances for heavy trucks due to the relocation of the primary crusher.

750t of rock are crushed by the cone crusher per hour.

Optimized Access to Raw Materials

In recent years, the Flechtingen hard-stone quarry in Saxony-Anhalt has adapted its entire operations to achieve greater energy and process efficiency. One of the measures consisted in moving the primary crusher closer to the raw material deposits.

Heavy trucks with a capacity of 60 metric tons transport large blocks of volcanic rock from the open pit floor to the first processing station, the primary crusher. From there, the crushed material is transported by conveyor belt to the downstream crushers and screening machines. To shorten the travel distances within the quarry and be able to expose the approved rhyolite deposits more efficiently, the primary crusher has now been relocated to the site's center of mass. The cone crusher, equipped with a high-tech control unit, is fully enclosed, with the 34-meter tall steel and concrete shell ensuring that noise and dust emissions are reduced to a minimum.

35,000 kg less carbon emissions are released per year thanks to diesel fuel savings.

222,600 kg of carbon dioxide could be saved per year if the reduced travel distances result in one less heavy truck being used.

The Sound of Stones

A leap forward at the Jettenbach quarry: For the first time ever, the company is using a digital geoscanner to analyze the grain size of the rock in the moving stream of material. The use of this data in the preparation process makes it possible to produce high-grade chippings of a quality that significantly exceeds the specified standard values.

Andesite was only recently voted rock of the year because of its commercial importance. Rich deposits of this valuable resource exist at the Jettenbach quarry near Kaiserslautern, where it is used to produce high-grade chippings of premium quality. With the help of fully automatic crushers and state-of-the-art screening machines, the pieces of rock are first crushed and then sorted into different grain size classes. Although the standard tolerates certain fluctuations in grain size within a class, such fluctuations nevertheless impair the quality of the high-grade chippings. To attain the most homogeneous products possible, the Jettenbach quarry is now using a geoscanner for the first time.

A leap in quality

At the heart of the scanner is a metal rod featuring sensor technology. It is installed on the conveyor belt that transports the previously crushed rock to the screening system. When the stones hit the metal rod, they generate vibrations and acoustic signals. Each stone has a specific sound and distinctive acoustic behavior that the geoscanner picks up. Every second, it records thousands of pieces of information and analyzes the composition and grain size distribution on the conveyor belt. The data is forwarded to the control unit of the screening system, which can thus flexibly adjust its operations to the material flow. Fluctuations within a grain size class can be minimized, and the quality of the high-grade chippings produced is well above the level normally found in the industry. The new technology drives the digitalization of quarry operations further forward and at the same time gives the Aggregates business unit a unique position in the highly competitive market environment.

The Jettenbach quarry produces high-grade chippings of premium quality with the help of innovative crushing, screening and measuring technology.

Newly Conceived Slate System

Slate has always had a firm place in upmarket commercial and residential construction. But now the Slate business unit is addressing entirely new target groups with a groundbreaking innovation: the Rathscheck Slate System. It is easier, faster, and cheaper to lay than conventional types of slate covering. Natural slate is thus moving into a price segment that is also interesting for building owners with smaller budgets.

The German slate market has its own laws: While the natural building material is widely used in many European countries – and has been for quite a while – its image of being expensive and difficult to lay remains very much alive in Germany. This is due to the traditional types of covering, where each stone is secured with nails or screws and the slater has to cut the stones into the right shape by hand so that they fit together properly. But since then there has been some movement in the market. Large, straight-lined stone formats for façades and roofs as well as standardized laying techniques have gained a foothold in modern architecture. Combining high quality standards and an efficient modular design, the Rathscheck Slate System is another leap forward.

A modular roof system

Attach the metal rails, snap in the connecting elements and hook in the slates: This new laying principle is completely different from the previous piece-by-piece laying method. Like with a tiled roof, supporting profiles are used as the substructure – except that they are not made of wood but of hot-dip galvanized metal. The prefabricated rectangular slates are simply attached to these profiles with fasteners and stainless steel clips – there is no need for drilling. This construction is not only wind- and weatherproof, it also safely drains off any rainwater.

Moreover, the modular system is delivered to the construction site pre-assembled, which means that the assembly work required is reduced by a total of 70 percent compared to conventional methods. An average detached or semi-detached house can thus be completely roofed in around two working days. A further advantage over traditional roofing techniques: Until now, roofs could only be covered with slate by specially trained roofers. But not all craftsmen have mastered this skill. The new modular construction method, on the other hand, does not require any special knowledge. This means that the number of roofers able to offer slate roofing is suddenly much higher, opening up a new market. ●

Architect Rafaele Arens from Olpe in the Sauerland region of Germany attaches great importance to environmentally friendly yet affordable construction. In the course of having asbestos removed from her own house, she used the new Rathscheck Slate System for the first time – in combination with natural wood fiber insulation. The previously heavily polluted problem roof was thus transformed into a natural roof in a matter of days.

Three questions for Andreas Harnacke

Andreas Harnacke from Schmallenberg in North Rhine-Westphalia is one of the roofing specialists who have mastered the classic methods of slate roofing. Though very attached to traditional craftsmanship, he is not one to stand still.

As an experienced slate roofer, what do you think of the new system?

Andreas Harnacke: The Rathscheck Slate System is one of the greatest innovations on the German roofing market in recent decades. We finally have a real alternative to roofing with tiles or concrete blocks that is also affordable. Building owners thus have a natural building material at their disposal that gives them a high-quality roof covering and is more durable than most other roofing materials.

Doesn't this threaten to undermine traditional construction methods?

Andreas Harnacke: Not at all. Classic types of covering still have their place and are carried out by specialized companies. However, the new modular construction method extends the range of applications for slate and gives it the chance to go from a niche product to a bestseller. Everyone benefits from this, including us slate layers.

Roofs are increasingly being used to generate electricity – the keyword being energy rooftop…

Andreas Harnacke: … a positive development. However, solar systems are usually a visual disturbance on the roof. The new Rathscheck Slate System offers a convincing solution here, too. The solar modules fit in perfectly with the slate stones, both in appearance and format, and can be integrated into the roof seamlessly and almost invisibly. No protruding elements disturb the overall aesthetics

3x

The Rathscheck Slate System allows roofs to be covered three times faster than with traditional laying techniques.

+40% INCREASE IN SALES COMPARED TO SINGLES' DAY 2018 – AN IMPRESSIVE RESULT FOR ONE DAY.

Double Eleven – a Pin-Point Landing

It's a day like no other: Chinese Singles' Day on November 11 has become the largest shopping event in the world – and one that offers high sales potential for brand-name manufacturers like Zwilling Kitchenware. The key to success, however, lies in implementing a digital strategy that is tailored precisely to the target groups and in planning with military precision.

Every year in November, consumers all over the world go on a shopping spree: While Black Friday and Cyber Monday were previously considered the days with the greatest consumer spending, Chinese Singles' Day on 11/11 – where the ones stand for the singles – now outstrips all other events by far. The day with the four ones – hence the name Double Eleven – was conceived in the early 1990s by students of Nanjing University.

In 2009, the Chinese online retailer Alibaba turned it into an American-style shopping extravaganza. With resounding success: On its tenth anniversary in 2019, the e-commerce platform turned over goods worth more than one billion euros in the first two minutes alone. The system handled an astonishing 544,000 orders per second during peak periods. At the end of the day, sales totaled almost 35 billion euros – more than twice as much as on Black Friday and Cyber Monday combined. >>

Favorable starting position with strong brands

The Zwilling Kitchenware Business Unit also took advantage of the appeal of Singles' Day. The company has been active in the Chinese market for 25 years with its own sales network and numerous shops, including a flagship store with a restaurant in the metropolis of Shanghai. In 2019, the manufacturer of premium knives and household items significantly expanded its e-commerce presence and prepared intensively for Singles' Day, also with the help of consultants and market intelligence tools. The challenge consisted of standing out from the crowd in the midst of a firework of marketing and discount campaigns and remaining visible to potential customers in the busy online marketplaces. After all, more than 180,000 brands competed for the attention of around 700 million consumers on the day. Among the key factors here are the ZWILLING products themselves, which enjoy high brand recognition in China and are traditionally regarded as a status symbol. High-quality brand products "made in Germany" also rank high on the popularity scale among younger online shoppers.

Status symbol and trend in China: the ZWILLING Now line of knives.

Effective digital strategy and resource planning

An attractive product range generates demand, but that demand will fizzle out without an effective digital strategy and intelligent resource planning. Whether it is search engine optimization, platform banner ads, coupons, or influencer marketing: Only through data-based customer knowledge can products find their potential target groups along the customer journey. At the same time, such knowledge reduces the risk of cost-intensive scatter loss. Previously, data management and logistics were handled by a single service provider, but now Zwilling Kitchenware has engaged special data analysts – also as an interface to Alibaba's digital ecosystem. And this ecosystem extends far beyond online retailing: Among other things, it includes cloud services, a video portal, the Chinese Twitter counterpart Weibo and, above all, the mobile payment service Alipay, which processes the majority of all purchases in China today. Another distinctive aspect is that, unlike Black Friday, Singles' Day not only focuses on discounts, but also on emotional brand presentations and premium offers. Zwilling Kitchenware has therefore geared its product range in the virtual flagship stores on Alibaba's B2C platform Tmall specifically to the high-income target groups of China's major cities. Besides colorful knives and drinks bottles from its trend line ZWILLING Now, the company focused on product innovations – especially on small electrical appliances that were launched just before November 11, such as rice cookers or its Hot Water Station.

Pretty in pink – the key to the target group

Xiao Zhan is a big pop star in China. As many as 23 million people in the country follow the actor and singer on the microblogging service Weibo, the Chinese equivalent of Twitter. The 29-year-old is one of the most popular influencers or key opinion leaders. These people are revered as style icons and have a much greater influence on the buying behavior of their followers than influencers might have in other countries. For Singles' Day, Zwilling Kitchenware was able to win over Xiao Zhan as a brand ambassador. In various videos, he presented the Hot Water Station developed especially for this day, which provides hot water for drinking. Water has a special place in Chinese culture, so water dispensers can be found in many public places and almost every household. But ZWILLING's Hot Water Station is anything but ordinary. The traditional object has been transformed into a modern high-tech device with a pink design especially for the current campaign. Pink is not only Xiao Zhan's favorite color, but also a trend color in China. So it was no surprise that sales figures for the ZWILLING Hot Water Station skyrocketed on Singles' Day.

544,000
orders per second were placed on Singles' Day.

The strategy paid off: Compared to Singles' Day 2018, the Zwilling Kitchenware business unit achieved a 40 percent increase in sales that day. However, just as important as the financial success are the experience gathered and the lessons learned: The business unit will use the acquired digital expertise far into the future to sustainably increase the visibility of the ZWILLING brands on all digital marketplaces.

Mark Bogdahn,
Performance Marketing & Social Media team leader

Many consumers buy ZWILLING products via e-commerce platforms or dealer portals. Only through registration do we have the chance to get to know the buyers and make contact with them – independently from external platforms.

Kolja Ferda,
E-Commerce and Web team leader

During our joint project, we soon realized that IT was the least of our worries: We use the best carrier we have for the registration – our product. And we use the device that consumers always have at hand – the smartphone. With a QR code and web app, we save users from time-consuming downloads and can feed the customer data directly into our CRM system.

Karsten Beck,
Global Head of Logistics Management

What was more difficult to deal with were the logistical issues. When should the registration cards be inserted in the packaging? Directly at the time of production or only when the products are shipped to the destination country? Should we provide the same information for all brands and countries or specific information for each one? Working together as a team, we compared all the alternatives and found a viable and cost-efficient solution.

Guido Weishaupt,
CEO of ZWILLING USA

We've had a very positive experience with product registration in the USA. Thanks to the close cooperation with headquarters in Solingen, we can now use this efficient tool worldwide. This will enable us to achieve a new level of customer loyalty and support.

Networkers

It is a special moment when customers unpack their ordered goods and hold them in their hands for the first time. With online product registration, a lasting customer relationship can develop from this moment. Having tested this concept successfully in the USA, the Zwilling Kitchenware business unit is now planning to roll it out globally – a complex task that calls for networked thinking and action.

Everything comes together at the Digital Campus on the Solingen factory premises, where ZWILLING experts for all kinds of e-commerce and online marketing are working on gaining a better understanding of customers and building personal relationships with them by means of data analyses. In the process, they are increasingly networking with other departments of the company.

From Product Management, Marketing, and Digital Services to Logistics and the Legal department: Almost the entire production and supply chain is involved in the worldwide introduction of product registration. ZWILLING already offers this service in the US market. The product packaging there includes a card with a QR code that allows buyers to register their products online with only minimal data input. In return, they receive an extended warranty and other benefits. Within one year, almost 50,000 customers registered with ZWILLING USA. While it is fairly easy to implement the system in a single market, a global rollout involving numerous countries with different languages and legal regulations is a complex process. The cross-departmental team went through the various solution options and checked their feasibility. Because IT, Product Development, Sales and Logistics could clarify all issues directly with each other, there was no need for time-consuming reconciliation cycles. In 2020, we will implement a solution that meets all requirements: During the production process, a standard leaflet with a single QR code and instructions in various languages will be enclosed with the packaging. When users scan this code, a progressive web app redirects them to the country-specific website, where they can register their product conveniently in their own language.

Fighting Counter-feiters with Artificial Intelligence

The global boom in online trade has a downside: Digital marketplaces are not only sales drivers but also a gateway for counterfeiters and brand pirates. To combat the growing danger efficiently, ZWILLING has revised its defense strategies and upgraded its technology.

They track down brand and product pirates for ZWILLING worldwide: Natalie McLachlan, Global Head of Legal/Compliance/IP, and Carsten Schaal, Head of Intellectual Property.

What requirements does online commerce place on IP protection?

Natalie McLachlan: Successful products are often imitated. That's true both in the analog and the digital world. But online commerce has led to an exponential increase in crime. Through e-commerce platforms, counterfeiters can set up an international distribution network in a matter of days and offer their counterfeit products around the globe with a single presence.

Carsten Schaal: In online marketplaces as well as on social networks and dealer websites, we are also seeing an increasing number of trademark and image rights infringements. Others are illegally exploiting ZWILLING's high profile and good brand image for their own advertising purposes. Online shop operators copy our brand logos and product images for their product pages without our permission.

What can be done to prevent this kind of fraud on the World Wide Web?

Natalie McLachlan: Digitalization has increased the risks, but it also makes it easier to prosecute the perpetrators. The intelligent detection technology used by service providers in this area relies on machine learning on the basis of algorithms, big data analysis techniques, and a multi-channel approach to identify cases of infringement among millions of product descriptions. Next-generation image data clustering is used to prioritize and identify similar infringements – including copyright violations and counterfeiting. With this modern technology, we constantly scan all digital channels, online marketplaces, and web shops for infringements of our main brands ZWILLING, STAUB, TWEEZERMAN and Jaguar and Tondeo.

Carsten Schaal: Over the past four years, we have tracked down a total of around 10,500 cases of trademark piracy, counterfeiting, and image rights violations in this way and have had the corresponding online offers deleted.

Natalie McLachlan: But even if the account is deleted, the product still remains on the market. It's therefore crucial to link online and offline activities – that is, to trace the origin of the counterfeit products and cut the real production and distribution channels. Only then can we protect the brand values we have built up over many years and thereby secure our customers' trust over the long term.

Follow the Sun

24/7

Central and yet close by: The newly installed ticketing system allows users to report IT problems in their native language with minimal data input. Simple issues are handled by local IT experts, while complex tasks are dealt with in accordance with the follow-the-sun principle. Tickets are flexibly forwarded to the IT office that is currently working in any given time zone. For example, if an IT problem occurs in Germany in the evening hours, the US team can solve it overnight. This speeds up the support process and increases responsiveness.

The introduction of a uniform ERP system throughout the company is an organizational and technological tour de force. But the effort is well worth it if it lifts teamwork, customer proximity and innovative strength to new levels.

Centralized or decentralized – no question for the Zwilling Beauty Group. The multinational manufacturer of beauty tools has gradually replaced its previous stand-alone solutions with a uniform, cloud-based IT infrastructure. In the future, all locations will be connected to each other via a shared global network. Whether in merchandise management, warehousing, sales, or accounting: The unified, transparent data basis improves workflows throughout the company and enables real-time data analysis. The cloud data center itself is located in Germany, ensuring that the high data protection standards applicable there are maintained worldwide. Once installed, additional applications can be integrated on the IT basis – such as ticketing or collaboration systems. In parallel with the introduction of the central ERP system, the local IT departments have restructured themselves into a global competence team that provides its pooled expertise around the clock. ●

Beauty tools in series

Whether tweezers, scissors or face brushes: The decisive factor is to bring the large number of product innovations onto the market quickly. For this purpose, a collaboration tool has been integrated into the IT infrastructure. Instead of exchanging product specifications by e-mail, product developers can access the shared platform across national borders and at the same time network closely with Marketing, Sales and Logistics.

A booster for the supply chain

Reliable article master data and product information are the prerequisite for a smooth supply chain and efficient e-commerce. Thanks to the cloud solution, master data management is now organized consistently across all companies. Internal electronic data exchange – all the way from orders to invoices – also takes place via the global platform, while the 65 EDI trading partners with their connected stores are still able to access regional interfaces.

The Zwilling Beauty Group covers a wide range of products with its ZWILLING, TWEEZERMAN and QVS brands. Seven companies with a total of 900 employees in Europe, China, India and the USA control the group's activities.

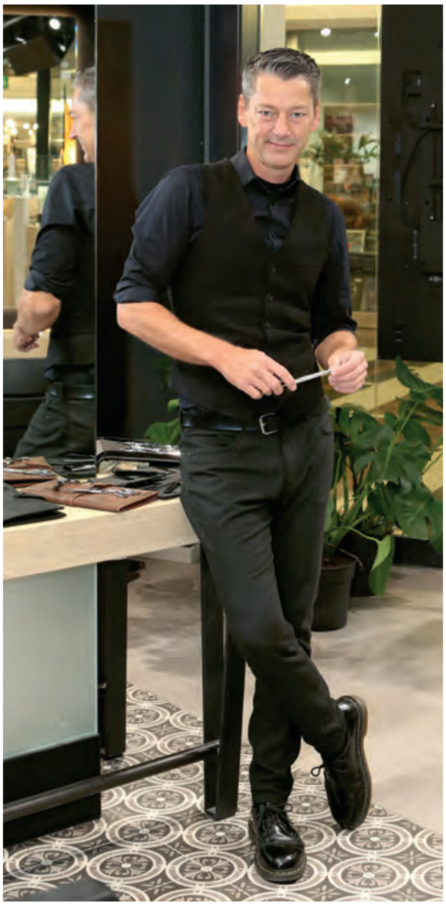
No Detours

At first glance, relying on traditional direct sales may seem out of date in view of today's flourishing online trade. However, when it comes to B2B commerce with premium hair scissors, this marketing channel has proven to be the most efficient way to reach the customer and even developed into a growth driver for the Jaguar/Tondeo Professional Hairdressing Equipment business unit.

30%

of Tondeo's worldwide sales is generated through direct sales in Germany.

Sima Torbali is a regular guest at hair-dressing salons. The area manager at Jaguar/Tondeo Hairdressing Equipment visits up to 120 hairdressers throughout North Rhine-Westphalia every month – and not just existing customers but also many new ones. The trained hairdresser always brings along sample cases with various models of Tondeo scissors and razors as well as electrical tools such as straightening irons, hairdryers and hair trimmers.



“Working with Tondeo has clear advantages for me. It’s a regionally based company that works to the highest standards. I had a look at the production on site and was impressed by the quality of the cut and the materials. What’s more, Tondeo always has its finger on the pulse of the times and regularly launches innovations that support me perfectly in my work.”

Marco Overath,

Managing Director of the Image Hair Group

Against the trend

While other companies are cutting back their sales force, Tondeo deliberately invested in direct sales in 2019 as part of its new brand identity. A total of 16 sales representatives across Germany now provide personal customer advice in the salons. The idea behind this move is that the emotionality and quality of Tondeo products can be presented much more convincingly during a personal conversation than through online sales or wholesaling.

Where quality matters

“No hairdresser orders a pair of high-quality Tondeo scissors for up to 1,300 euros from the catalog. You have to touch it, feel it and try it out,” Sima Torbali explains. Personal customer contact and a close relationship of trust are crucial, and she therefore visits her existing customers several times a year. One of them is Marco Overath, second-generation managing director of the Image Hair Group in a top location in Düsseldorf. The experienced master hairdresser has been using Tondeo scissors almost exclusively for a long time. “We move our scissors up to 500 times during each haircut. Attention to quality is therefore not a luxury, but a necessity.” And Marco Overath has passed this attitude on to his employees. Just recently, one of his trainees opted for a model from Sima Torbali’s sample case, and she can hardly wait to hold her own Tondeo scissors in her hands. The order was processed completely digitally using a new sales app that all Tondeo customer consultants have on their tablet. In addition, the app can be used to optimize route planning and create customer analyses in real time.

Number one sales driver

Tondeo also uses a direct customer feedback channel for important strategic questions. The wishes and requirements of salon owners are directly addressed and taken into account, whether in the development of innovative technologies or in the design of the current brand image. So it is no coincidence that the latest scissors technology CONBLADE and the campaign motto “You feel it” strike a chord with hairdressers. The figures also confirm this: Tondeo’s new CONBLADE models are developing more and more into bestsellers.Currently, 30 percent of the Tondeo brand’s worldwide sales are generated through German direct sales alone. In the future, the successful model will be extended to other markets. Initial test runs are already underway in Austria and France, accompanied by visits to the customers. ●

360-DEGREE

PERSPECTIVE MEANS LOOKING AT BUSINESS THROUGH THE EYES OF THE CUSTOMER.

Better than Googling

They see themselves as problem solvers and advisors in all matters of corporate financing. And it is precisely for this reason that abcfinance consultants are valued by their customers and regularly awarded top ratings. At the newly founded company abcfinance advise GmbH, sales staff can now contribute their strengths in an even more targeted manner.

As different as Miriam Hurtig's and Thomas Günter's backgrounds and fields of work are, the two sales experts have one thing in common: What counts for them are strong customer relationships based on familiarity, understanding and trust. Instead of interchangeable standard solutions, they focus on individual, tailor-made financing offers.

For the two long-standing abcfinance employees, it was only logical that the German sales activities were spun off from abcfinance in 2019 and transferred to abcfinance advise GmbH. The approximately 170 consultants support mainly medium-sized companies in all phases of their development from the location in Cologne-Ossendorf as well as from 15 regional offices all over Germany. Through a network of cooperation partners, they can also offer financing options that go beyond the current portfolio of leasing and factoring solutions. >>

Sales experts Miriam Hurtig and Thomas Günter support their customers in all questions of corporate financing.

Thomas Günter serves 250 factoring customers in central Germany.

Miriam Hurtig specializes in companies from the media industry.

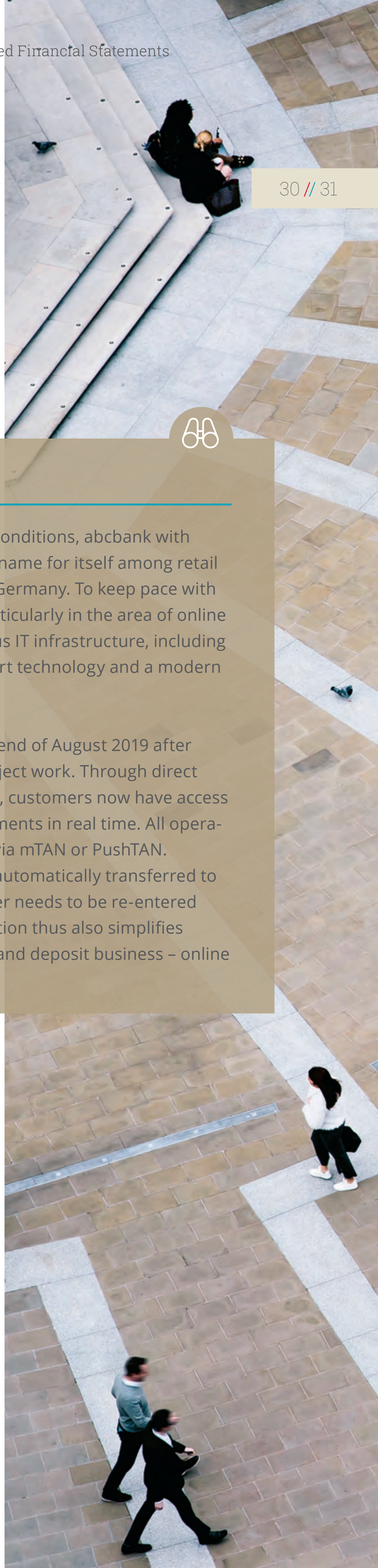
First the person, then the product

The principle that abcfinance advise follows is based on understanding customers and their specific needs, developing financing solutions that are tailored to their current situation and thus laying the foundation for investment and growth. But what exactly does that mean? How is this consulting approach applied to the respective customer relationship in practice? For Miriam Hurtig, who is based in Munich, this requires above all a thorough understanding of the industry. A graduate in law and an expert in leasing, she mainly focuses on companies in the media sector. Her customers include freelance cameramen and DJs as well as TV production companies and providers of multimedia, broadcasting and event technology.

Orders are typically placed at short notice in this industry, and there are rapid technological leaps with high investment requirements for hardware and software. “Media professionals, many of whom work on a freelance basis, are often given low credit ratings by their bank. But we recognize the potential that lies within the companies,” says Miriam Hurtig. Only recently, she advised an event technology provider that had reconstructed the legendary Woodstock stage for an exhibition in Karlsruhe. The entire stage technology was financed through a lease from abcfinance.

From self-initiative to strategy

Miriam Hurtig has always taken the time to fully understand her customers so that she can provide them with comprehensive advice – even outside of leasing. At abcfinance advise, this approach is



now officially the norm. Thanks to the growing pool of network partners, she can draw on a wider range of financing options to meet the current needs of her customers and even assist them with the entire application and transaction process for real estate loans.

“This form of cross-selling opens up completely new potential – both for us and our customers. At the same time, it makes us less interchangeable and frees us from price pressure in the market,” says Thomas Günter with conviction. His area of expertise is factoring. From his office in Pohlheim near Giessen, he supports around 250 companies throughout central Germany.

According to the trained industry and trade specialist, the repositioning has changed the customers’ perspective. “I’m no longer just perceived as a factoring expert, but as a consultant in all matters of financing.” That was also the case with the managing director of a metal processing company, who has been using abcfinance to handle his receivables management for five years and has had good experiences with the company. When he needed a loan for a warehouse, he did not turn to Google to search online, but contacted Thomas Günter directly. “Customers who have come to know us as a reliable partner also trust us in all other matters.”

Room for new ideas

The 360-degree view of the customer also opens up scope for innovative solutions. When the managing director of an investment company requested a factoring offer for an Austrian freight forwarder, Thomas Günter was initially at a loss because abcfinance does not have a factoring license for the country. But then he pulled out all the stops, took advantage of his contacts and finally managed to conclude a cooperation agreement with an Austrian factoring partner. This is how you create real customer loyalty that reaches far beyond the individual financing product. Whether at annual meetings or industry conferences: Success stories like these quickly make the rounds among customer consultants and ensure that the strategy of abcfinance advise not only exists on paper, but is increasingly put into practice.

Arriving in the future

With above-average returns and fair conditions, abcbank with headquarters in Cologne has made a name for itself among retail and business customers throughout Germany. To keep pace with direct banks and digital start-ups, particularly in the area of online banking, abcbank replaced its previous IT infrastructure, including the user interface, with state-of-the-art technology and a modern design last year.

The new system was launched at the end of August 2019 after months of intensive planning and project work. Through direct interfaces to the core banking system, customers now have access to all transactions and account movements in real time. All operations can be conveniently confirmed via mTAN or PushTAN.
The data that the customer enters is automatically transferred to the core banking system and no longer needs to be re-entered manually. The high degree of automation thus also simplifies internal processes related to savings and deposit business – online banking at the cutting edge.

A Car Loan in Five Steps

Bank11 is known for its direct links to the car trade. The business unit has also set a remarkable pace in terms of digitalization and now has the industry's fastest, fully digital application process for car loans.

At the heart of the technology is Victor 3.0, a web-based dealer portal that was developed in-house. More than 13,000 car dealers have now registered with the portal and can use it to process their entire sales financing business. The online tool can be operated intuitively and requires only a few input fields. This keeps the amount of data to be entered to a minimum. In recent years, Bank11 has continuously added new applications to the software. With web identification, qualified electronic signatures and an online account check to verify the applicants' creditworthiness, the entire credit application process is now fully electronic – from the initial request to approval and disbursement. Word of the company's innovative strength is spreading. ADAC, Europe's largest automobile club, found the fully digital processes so convincing that it entered into a cooperation with Bank11. This means that ADAC members, too, can use the fast track to Bank11's car loans. ●

1.

Online application

With the digital loan assistant Victor 3.0, car dealers have to fill out just a few input fields, which means that the time required for the application is reduced considerably.

Smart control via the app

Simple and digital: Floor checks of existing purchase loans used to be a time-consuming and bureaucratic process. Bank staff had to personally check all externally financed vehicles on site at the car dealership. With Bank11's new smartFloorcheck app, car dealers can now carry out the check themselves. The app thus saves time and offers greater flexibility.

- As soon as a floor check is scheduled, Bank11 informs the car dealers by e-mail.
- The dealers then activate the app and document the vehicles' existence and condition through photographs. Instead of scheduling fixed inspection dates, the dealers can flexibly integrate floor checks into their working day – and take a break at any time if they need to talk to a customer.
- The app automatically transmits all the data and information collected during the floor check to Bank11, including the chassis numbers and vehicle images.

Launched in early 2019, the service has been very well received by the market. Car dealers confirm that it significantly reduces the amount of bureaucracy and gives them more time for sales and customer service.

2.

Digital account check

Customers receive an e-mail invitation to have their account checked for incoming salary payments. They can enter their account data via the link sent to them. The system then performs an anonymous automatic check of the salary received. A lending decision is made in a matter of seconds.

3.

Proof of identity

WebID Solutions is a certified service that allows customers to identify themselves online via video authentication. The time-consuming Post-Ident procedure is no longer necessary.

4.

Qualified electronic signature

With a qualified electronic signature, customers can sign the contract from the comfort of their own home. This saves both time and paper. In turn, dealers can see immediately when the customer has provided the qualified electronic signature.

5.

Disbursement

Victor 3.0 automatically forwards the contract to Bank11 in digital form. The loan is disbursed on the same day.

In Sprint Mode

Agile project management has long been routine for Yareto's IT development team, but the sales center entered new territory with it in 2019. And the first tentative steps have already produced astonishing results. Thanks to transparent and clearly structured work processes, the employees were able to complete their tasks much more quickly and efficiently.

That much energy is contagious: The software developers at Yareto get together every morning for a stand-up meeting to prepare themselves for the next sprints. In this way, they are able to launch complete software packages for the company's loan comparison portal in just a couple of weeks. The sales center was inspired by this and has now started to organize its dealer support and customer acquisition with agile methods as well. Every two weeks, the 13 team members collectively plan new sales tasks in the form of user stories, distribute them among each other along with an appropriate time schedule and work through them in the course of two-week sprints. The user stories are displayed on a scrum board for everyone to see. Improved management of incoming dealer calls now gives employees the freedom they need to concentrate fully on their sales tasks. At the end of each sprint, a retrospective analysis takes place, with the team evaluating the results and learning from them for the future.

Small effort, big effect: Due to the close coordination within the team and the permanent visualization of project progress, the employees work much more stringently today and are at the same time more motivated than before. Field staff also benefit from the new way of working. For example, if they need sales support in a certain region, this is directly incorporated into a user story and implemented – at the latest during the next sprint.

13 team members plan and distribute new sales tasks every two weeks.

MARVIN

MAX

MICHELLE

TO DO

3 days

Marvin has taken over the user story on cold calling. **The goal** is to register 25 new car dealers in the sales region of Western Germany. Three days are allocated for this within the two-week sprint. As soon as **he has successfully completed** the user story, **it moves down to the "done" section on the scrum board**.

2 days

Michelle's current sprint is devoted to a user story that was submitted to the team by the marketing department. **To measure customer satisfaction**, she asks the classic recommendation question over the phone: "On a scale of 1 to 10, **how likely are you to recommend our company to others?**" The timeframe that the team collectively agreed upon is two days.

3 days

Max completed his user story on onboarding new customers **ahead of schedule** and still has three days left in the current two-week sprint. **He therefore takes over the user story on purchase financing.** This involves informing a selected number of car dealers specifically about the availability and benefits of this credit option.

DONE

/// 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

Clemens Maier
(from September 26, 2019)

Fritz Oidtmann

Dr. Johannes Velling

Heribert Werhahn

Dr. Michael Werhahn

Ruth Werhahn

Management Board

Paolo Dell' Antonio
(Chairman)

Alexander Boldyreff

Kathrin Dahnke
(until December 31, 2019)

Stephan Kühne
(from May 11, 2020)

Report of the Supervisory Board

Dear shareholders,

During the 2019 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 four times in 2019. 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 as well as 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 these if necessary, and made recommendations for resolutions of the Supervisory Board. The topics discussed last year in the Accounting Committee included the 2018 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 content and results of their committee meetings.

At the regular shareholders' meeting on May 11, 2019, 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 2019 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 23, 2020. Thus the Financial Statements of Wilh. Werhahn KG as of December 31, 2019 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.

In September 2019, the family members of the Supervisory Board appointed Ravensburger Group CEO Clemens Maier to the Supervisory Board. At her own request, Kathrin Dahnke stepped down from the company's Management Board with the Supervisory Board's approval as of December 31, 2019, in order to pursue new professional challenges. The Supervisory Board would like to thank Ms. Dahnke for her many years of dedicated and successful work and wish her all the best for the future. Lastly, the Supervisory Board appointed Stephan Kühne as Ms. Dahnke's successor on the Management Board of Wilh. Werhahn KG as of May 11, 2020.

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 23, 2020
The Supervisory Board

Anton Werhahn
Chairman of the Supervisory Board

Corporate Governance Report

In conformity with section 3.10 of the German Corporate Governance Code, the Management Board and the Supervisory Board report on the corporate governance of the Werhahn Group. The Management Board consisted of two non-family members until April 30, 2019 and of three non-family members in the period from May 1, 2019 to December 31, 2019. The Supervisory Board of Wilh. Werhahn KG consisted of ten family members and two non-family members until September 25, 2019, and of ten family members and three non-family members from September 26, 2019.

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.

Responsibly 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 anti-trust and anti-corruption training, which is conducted worldwide on-site by experienced attorneys or compliance officers. In addition, the compliance officers received training on their duties and the anti-corruption guidelines at the start of the year. At the same time, the Compliance Committee focused on further risk analysis 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 27 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 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 their 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, PricewaterhouseCoopers 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 ///

Preface

A new coronavirus (SARS-CoV-2) first appeared in China at the end of 2019. By the beginning of 2020, cases had been recorded all over the world. At the time of preparing this Consolidated Report , the virus was spreading at an unprecedented rate. Given that drugs to prevent or treat the associated infection are not yet available, the further spread of the virus is inevitable. Measures to slow down the virus's rate of transmission have placed restrictions on public life and, together with the consequences of the disease itself, have had a considerable negative impact on the global economy. Although these measures are beginning to take effect and restrictions are already being eased in some countries, there is no sound basis for predicting how the situation will develop.

The current IMF forecast of the consequences for Germany, Europe and the global economy are based on the assumption of a normalization of the economic situation starting from the third quarter, although the IMF has identified the duration of the pandemic as the major unknown quantity. The fundamental statements contained in this Consolidated Report regarding the future development of individual business units and the Group as a whole are based on forecasts made at a time when the coronavirus was still unheard of. It would be impossible for the Group to avoid the impact of this virus, given our global activities and diversification across a wide range of industries.

In light of the extreme uncertainty regarding the future development of the corona crisis, it is not possible to reliably estimate its economic implications for the Group. Demand for the Group's products and services could be depressed, as could availability of the required raw materials and finished products. The economic consequences could result in higher levels of bad debt and interest losses. Employees of the Group may be negatively affected by the corona crisis in that preventive measures or illness could lead to reduced availability. We intend to counter this development through measures to protect employees from infection and maintain business operations. The Group is also responding to the changing circumstances with various organizational measures to minimize the economic impact of the crisis, including the possibility of short-time working.

The good financial situation of the Group and the Group's regional and operational diversification are strong pillars to manage the corona crisis and its consequences.

Macroeconomic Development

The global economy again lost momentum in 2019 and recorded slower growth than predicted by forecasters at the start of the year. According to figures published by the International Monetary Fund (IMF), global gross domestic product (GDP) was just 2.9 % higher than in the previous year. This is the lowest growth recorded since the start of the global financial crisis in 2008. In 2018, the global economy grew by 3.6 %. The trade dispute between the USA and China, geopolitical tensions and concern surrounding the UK's potential disorderly exit from the European Union (EU) prompted widespread uncertainty. As a result, industrial output and global trade became increasingly lackluster as the year progressed. In contrast, healthy consumer spending proved to be a reliable pillar of the economy in many countries.

According to an analysis by the Kiel Institute for the World Economy (IfW), advanced economies in particular slowed almost in unison in the past year. At the same time, economic growth in many emerging markets stabilized. India proved to be an exception. The country's economy significantly lost pace starting in the summer following problems in the shadow banking sector, which plays a major role in financing substantial parts of the Indian economy.

German economy lacks impetus

The German economy recorded its tenth consecutive year of growth in 2019, albeit at a considerably slower pace. According to data from the Federal Statistical Office, price-adjusted gross domestic product increased by just 0.6 %, compared with 1.5 % growth in the previous year. Average GDP growth in the five previous years amounted to 2 %. The German economy was massively hampered by the weakness of industry (excluding construction) in 2019, which accounts for around a quarter of macroeconomic development in the country. Economic output in the sector dropped by 3.6 % in the year under review. This was attributable in particular to weak production output in the automotive industry. However, key industries with a strong focus on exports, such as mechanical engineering and the electrical and chemicals industry, also put in a weak performance. They suffered due to the high level of uncertainty caused by the USA's trade disputes and Brexit. In contrast, the German construction industry continued to prosper, thanks in particular to the significant investments in road construction. Private consumption was also an important growth driver. Consumer spending was bolstered by the notable rise in disposable income and record employment figures. According to the German Retail Association (HDE), retail sales increased by 3.2 % in 2019.

Despite the slower economic growth, the Federal Government generated a record budget surplus of € 13.5 billion in 2019, which represents the highest surplus since the German reunification 30 years ago. Low interest rates meant that the government's debt servicing costs were relatively low. In addition, it benefited from federal subsidies for public investment projects not being claimed due to scarcer planning resources and long approval waiting periods, as well as higher tax income.

Strong consumer demand in Europe

The European economy continued to grow in 2019, but lost momentum compared with the previous year. According to the Council of Experts in their assessment of the global economic situation, this was attributable to the weaker economic prospects, coupled with the political uncertainties in relation to global trade conflicts. Due to the dampened confidence regarding future economic developments, many companies postponed their investments. However, growth was bolstered by private and public consumption in particular. The improved labor market situation ensured that wages and salaries again climbed more strongly. At the same time, inflation rose only moderately, largely due to lower energy prices. Both of these developments led to many consumers having greater financial room to maneuver.

According to data from Statista, GDP for the 19 countries of the eurozone in 2019 was 1.1 % higher than the previous year. Italy was again at the bottom of the list, with growth of only 0.1 %. Disagreement in the government regarding the economic policy direction and the high government debt prevented better performance. The most robust growth in the eurozone was recorded by Ireland (5.6 %), followed by Lithuania (3.8 %) and Estonia (3.2 %). The 28 European Union Member States increased GDP by 1.4 % past year according to Statista. Domestic demand proved to be a strong economic factor in many of these countries. The upward trend was particularly steep in Eastern Europe in 2019. The Hungarian economy grew by 4.6 %, for example, while GDP in Poland and Romania was up 4.1 % on the previous year.

The uncertainty surrounding the outcome of the Brexit negotiations resulted in a turbulent year for the UK economy in 2019. The originally planned March exit from the EU boosted production and inventory build-up in the first quarter. Growth flattened as the year progressed. Not only did the performance of the manufacturing industries lose momentum, the service sector, which is particularly important for the UK economy, also weakened.

Setbacks for China and the USA

In view of the trade dispute with the USA and generally weaker business activity, in 2019 China's economy recorded its slowest growth for around 30 years. According to national statistics office data, growth amounted to 6.1 %. No other major economy was able to match this performance last year, but compared with a year earlier, when growth hit 6.6 %, the Chinese economy ultimately lost some of its momentum. During the trade conflict, a good two-thirds of US imports from China were temporarily subject to special tariffs. The statistics office also reports a deterioration in consumer sentiment during the year. According to the Council of Experts in their assessment of the overall economic situation, the lower growth rate is also attributable to the structural shift in the Chinese economy towards the service sector. In this area, the productivity gap compared with western countries is significantly larger than in the industrial sector.

Following very robust growth in the two previous years, the economic trend in the USA slowed in 2019. Gross domestic product increased by 2.3 % as against 2.9 % a year earlier. Despite favorable financing options, US companies were more restrained in their investments in 2019. Analysts attributed this to the limited planning certainty: Trade policy disputes, not only with China, as well as a global economic slowdown, cast doubt on the continuation of the upturn. The muted oil price development dampened the investment trend, since less money was spent on oil drilling (fracking). Germany Trade & Invest (GTAI), the economic development agency of the Federal Republic of Germany, notes that the impetus provided by the earlier tax reform also waned in 2019, particularly with regard to the short-term depreciation allowances for investments granted at the time. Export-oriented companies suffered as a result of currency developments. The strong US dollar impaired their competitiveness, especially as special tariffs pushed up the price of imported primary products. However, due to the high employment levels, increased wages and salaries, and low inflation, private consumption again made a major contribution to GDP growth.

Slower uptick in Russia and Japan

Economic growth in Russia slowed considerably last year. According to IMF data, gross domestic product rose by just 1.1 % compared with 2.3 % in 2018. Germany Trade & Invest (GTAI) attributes this in particular to the lack of private investment. The legal uncertainty and corruption in the country means many entrepreneurs are reticent, preferring to distribute their profits or build up reserves rather than investing in new products. In a survey conducted by the Federal Security Service, around 70 % of companies questioned did not feel that Russia was secure enough to do business with. Despite higher salaries, real purchasing power remained virtually unchanged in 2019, with more Russians again borrowing to cover their living costs. Due to concerns regarding the ability of many to repay the borrowed funds, the central bank tightened the rules on unsecured consumer lending in the fall. Retail sales in Russia rose by around 1.4 % in the past year. The less dynamic global economy and escalating trade disputes significantly dampened Russian exports. However, Russia's trading volume with China – its most important trade partner – increased slightly.

The long-standing weak upward trend in the Japanese economy became more sluggish in 2019. The country's gross domestic product rose by 0.6 %. Export-oriented companies were hampered by the international trade dispute, as well as the lack of impetus from the domestic economy. The economic boom triggered by preparations for the 2020 Summer Olympics dwindled away and public consumption and spending barely rose any further. Private consumption also lost pace as a result of the VAT hike from 8 % to 10 % and the only slight rise in salaries. At the end of the year, the Japanese government approved an economic stimulus package worth a total of € 220 billion. These funds are intended to both encourage consumption and be used to rebuild infrastructure damaged by various natural disasters.

Business Development and Results of Operations

Diversity is a defining feature of the Werhahn company. The Group's operations 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 2019, the Werhahn Group recorded consolidated net sales of € 3,606 million (previous year: € 3,537 million). The net sales growth of 2 % was just slightly below expectations. The Financial Services division again posted strong growth. However, net sales in the Consumer Goods and Building Materials divisions declined.

Both domestic and foreign net sales were slightly above the previous year. The share of foreign net sales in consolidated net sales remained unchanged to the previous year at 30 %. Foreign net sales totaled € 1,096 million (previous year: € 1,075 million). Net sales in euros were positively impacted by exchange rate movements. This was driven by the US dollar and Japanese yen.

Net sales by business unit

in € million	**2019**	2018	Change
Aggregates	1,351	1,383	– 32
Slate	67	67	–
Zwilling Kitchenware	645	658	– 13
Zwilling Beauty Group	85	84	1
Jaguar/Tondeo Professional Hairdressing Equipment	23	23	–
abcfinance	1,291	1,200	91
Bank11	140	105	35
Others	37	50	– 13
Consolidation	– 33	– 33	–
	3,606	**3,537**	**69**

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

Selected key figures

	2019	2018
Cost of materials ratio	53 %	53 %
Personnel expenses ratio	15 %	15 %
Investment rate	115 %	107 %
Tax rate	37 %	50 %
Earnings before tax (in € million)	116	105

The cost of materials for the Werhahn Group increased by 1 % to € 1,904 million (previous year: € 1,876 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 was largely attributable to growth in the Financial Services division with an unchanged cost of materials ratio[2]. The cost of materials ratio in the Building Materials division improved due to the lower cost of materials, while the cost of materials in the Consumer Goods division increased in both absolute and relative terms.

Personnel expenses of € 528 million were 1 % higher than in the previous year (€ 523 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.

Depreciation of tangible assets and amortization of intangible assets in the business year stood at € 154 million, which is just below the previous year's value of € 163 million. The increase in depreciation of leasing assets from € 507 million to € 558 million is due to the expansion of new leasing business.

In 2019, other operating income increased from € 58 million to € 67 million. This rise is primarily due to the higher income from the disposal of tangible assets.

[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 1 % to € 437 million (previous year: € 433 million). Compared with 2018, expenses for external services increased in particular. In line with the expansion in business volume, expenses for adjustments of accounts receivable from financial services again increased. Counteracting this were primarily lower exchange rate losses and a decrease in marketing expenses. The most significant individual items contributing to other operating expenses were maintenance costs (€ 84 million), external services (€ 84 million) and marketing (€ 52 million).

In the 2019 business year, investment income increased by € 5 million to € 22 million.

The operating result of the Werhahn Group in 2019 was significantly above the previous year, but fell short of expectations. Since the operating result was negatively impacted by one-off effects in the previous year, the Building Materials division was able to contribute to the improvement with a sharp rise in income. However, the earnings contributions made by the Consumer Goods and Financial Services divisions had an offsetting effect.

The Building Materials division saw a substantial increase in its gross margin in 2019 and improved its operating result despite lower net sales. In the previous year, the operating result of the Building Materials division was pushed down in particular by a site closure in the Slate business unit. In the Zwilling Kitchenware business unit, the operating result was mainly impacted by the weaker core business despite the offsetting exchange rate effects. The slight rise in net sales in the Zwilling Beauty Group was not enough to improve the operating result, which remained below the previous year's level. In the Jaguar/Tondeo Professional Hairdressing Equipment business unit, net sales remained unchanged compared to the previous year, but this business unit also saw a decline in operating result. The Financial Services division again made a clear contribution to the positive overall result, which fell short of the previous year's figure for growth-related reasons and due to the rise in risk costs.

The interest result including income from securities in fixed and current assets amounted to € – 13 million (previous year: € – 11 million).

Earnings before tax of € 116 million were considerably higher in the previous year (€ 105 million), but fell well short of expectations.

In the previous year, earnings before tax included high non-tax-deductible expenses as well as losses that could not be set off. This had an exceptional negative impact on the tax rate[4] in 2018, which thus declined considerably in 2019.

Overall, the Werhahn Group generated consolidated net profit of € 74 million in 2019, an increase of € 21 million on the previous year's figure.

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 segments under the leadership of Basalt-Actien-Gesellschaft (BAG): mineral raw materials, asphalt mixtures, building materials recycling/disposal and construction chemicals. In addition to Germany, Sweden and the Benelux countries, the business unit operates in the Central and Eastern European countries of Poland, Russia, Ukraine, Czech Republic and Hungary. Its customers mainly comprise road construction companies as well as civil engineering, hydraulic engineering and track construction companies, private and public property developers and rockwool producers.

In the mineral raw materials segment, hard stones are extracted in 91 Group-owned quarries, then processed and marketed regionally. In addition, a significant portion of the raw material is used for the production of asphalt mixtures in 177 plants owned by the Group. The building materials recycling/disposal segment involves processing, marketing and storing non-contaminated recyclable building rubble. The construction chemicals segment mainly produces and markets bituminous sealant materials for structural and roadway construction.

Road construction drives construction industry

The Aggregates business unit benefited from a predominantly healthy economic environment both domestically and abroad in 2019. However, the situation on many markets deteriorated from the second half of the year.

In Germany, the generally stable economic development and the sustained high investment in road construction buoyed the construction industry. According to figures from the Central Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie), the industry registered an 8.2 % increase in net sales last year; price-adjusted, growth was 3.1 %.

Public road construction, a key area for the business unit, performed less well. Nominal growth of 6.5 % was only achieved due to indexed price adjustments. Taking into account increase in prices, growth amounted to just 0.4 %. In public road construction, order intake saw nominal growth of 3.9 %, which taking into account increase in prices represents a real decline of 2.3 %. Demand for construction materials declined from mid-year despite higher budgets. One reason for this was the sustained lack of personnel resources at planning and licensing authorities, which meant orders were slow to come in. Delays were also caused by the transfer of the administration of Länder contracts back to the Federal Government, to the newly founded Autobahn GmbH. Added to this, municipalities delayed investments in new projects due to higher prices, and budgets were reallocated from road construction to construction works, disposal services and bridge construction. Consequently, the market volume in asphalt road construction fell short of expectations.

In foreign markets relevant to the business unit, the construction industry was also largely upbeat in 2019. In Poland, the largest foreign market, the record road construction expenditure forecast by the Ministry of Infrastructure was not reached due to sharp increases in costs and numerous delays. Re-tendering and construction project delays reduced construction volumes. The Russian construction industry recorded only slow growth in the past year. This was partly due to the fact that major infrastructure projects progressed much more slowly than planned. Construction work again grew in Ukraine in 2019, bolstered by high investments in national infrastructure. In the Czech Republic, the construction industry continued its upward trend. Companies benefited from numerous road renovation initiatives, among other things. EU grants for various infrastructure projects boosted road construction and civil engineering in Hungary. In Sweden, high prices resulted in only slight growth in the construction industry.

On the procurement markets, the prices for energy and spare and wear parts increased moderately overall in 2019. Electricity, diesel and bitumen costs were mitigated by foresighted hedging. In the first half of the year, temporary refinery outages led to supply problems and price rises for bitumen, the most important raw material in asphalt production. Starting from July, the supply situation improved. The cost of bitumen increased overall, but remained slightly below the expected level.

Higher revenues from raw materials and mixtures

In 2019, net sales in the Aggregates business unit declined by 2.3 % to € 1,351 million, and thus remained slightly below the expected level.

This was attributable to the lower sales of raw materials and mixtures. Higher revenues had an offsetting effect.

Domestic sales of raw materials fell well short of the previous year and projections. However, price increases were achieved. Sales abroad were just slightly below the high level of the previous year and slightly exceeded projections. Polish companies, in particular, failed to match the previous year's sales figures by a wide margin due to the cancellation of construction projects. In contrast, sales in most other countries exceeded the comparative figures. Russian companies bucked the market trend, generating significant growth and reaching a new sales record. The primarily export-oriented business in Ukraine generated significantly higher sales than in the previous year, despite the ongoing restrictions on hard stone exports to Russia. The Swedish companies were able to record a strong rise in sales despite the modest domestic growth, thanks to healthy exports. The Czech companies failed to match the previous year's high sales figures by a substantial margin, but exceeded expectations.

Due to the significantly dwindling domestic demand from the middle of the year, sales of mixtures fell well short of both the previous year and projected levels. However, net sales were positively impacted by higher revenues. This was achieved through active measures to improve sales prices, which were tailored to the respective demand situation in the different regional markets and ensured that higher procurement prices were consistently passed on.

Despite stiff competition, it was thus possible to improve margins and more than compensate for the lower sales volumes. The operating result continued to be bolstered by the good performance of the foreign companies, as well as several one-off effects, and clearly exceeded both the previous year and the projected level, absorbing the higher personnel and maintenance costs. The results in the construction chemicals segment improved slightly on the previous year, but remained short of expectations. With the exception of Poland and Ukraine, the foreign companies saw considerable earnings growth and (with the exception of the Ukrainian company) in some cases significantly exceeded expectations. Earnings were boosted by one-off positive effects, including the sale of businesses, resulting in a book profit.

Net sales development Building Materials division

in € million

– 2.3 %

As with the operating result, earnings before tax were substantially higher than projected and than the previous year.

Construction industry continues to bolster economy

Economic research institutions expect the construction industry to remain a mainstay of the economy in 2020. They forecast further growth in construction investment, albeit at a much slower rate. The Central Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie) and the Central Association of German Building Trades (Zentralverband des Deutschen Baugewerbes) forecast net sales growth of 5.5 % for the industry. Taking into account the expected price rise of 4.1 %, this amounts to potential real growth of 1.4 %. The impetus in 2020 will primarily come from residential construction, for which the industry associations anticipate nominal growth of 7 %. In contrast, growth of just 4 % is expected for public construction. Demand is still being buoyed by the urgent need to renovate and expand the road network and the high targets regarding the disbursement of infrastructure construction budgets. The Federal Government has also kept the 2020 highway budgets stable. Higher expenditures have been announced for the following years. Capacity bottlenecks at agencies involved in tendering and high spending on bridge building projects, among others, could impact the outlook for asphalt road construction, a key area for the Aggregates business unit, in the current year.

The environment remains largely favorable on foreign markets. Demand in Poland is expected to recover in 2020, following numerous order cancellations in the past year. The road infrastructure investment requirement remains high. In addition, time is running out to access the remaining EU funds. In Russia, the government intends to make significantly more money available for the development of the road infrastructure in the coming years as part of the national “Safe and high-quality roads” project. Ukraine’s construction industry will benefit from the new government’s target of renovating around 24,000 kilometers of the nation’s roads by 2024. Hungary also intends to invest significantly in road construction and, particularly, in the expansion of its highway network. However, the recently high rate of construction growth is likely to abate in 2020, since the available EU funding will soon be exhausted. Lower construction capacity and higher building materials and construction work costs will also have a dampening effect. In the Czech Republic, the construction industry is set to grow as a result of road renovation and railway construction work. Sweden’s national transport plan envisages investments of around € 70 billion by 2029. This will boost infrastructure construction, while other areas of the construction industry lose momentum in 2020.

Based on increasing revenues and slightly higher raw material sales, the Aggregates business unit expects to see a slight rise in sales in 2020. However, the operating result and earnings before tax are unlikely to match the previous year’s level due to the positive one-off effects in 2019.

The above estimates regarding the business unit’s economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

Slate

The Slate business unit extracts and processes high-quality slate in Spain 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 innovative façade construction specifically created for modern architecture.

The product range is complemented by ashlar, which can be used for interior applications as well as for gardening and landscaping. The business unit has an extensive sales network in Western and Central Europe and established its own distribution organization in North America in 2018.

Skills shortage puts brake on sales

Despite the positive residential construction environment, companies in the roofing industry in Germany again faced major challenges in 2019. Apartment blocks accounted for most of the construction work, with the result that the roof surface area per dwelling again diminished. In addition, the trend toward flat roofs continued. Demand for materials for pitched roofs, such as slate, therefore declined in new construction. The remodeling business also provided no impetus. This was partly attributable to the lack of skilled workers in the roofing trade. Despite these market conditions, the Slate business unit was able to maintain its position and sales stabilized.

The business unit's production was limited by an unexpected temporary outage at a Spanish quarry and sporadic geological disruptions at another extraction site. As a result, the required amounts of certain products were unavailable, leading to supply shortages. Domestically, the business unit thus recorded a slight loss of market share as well as a decline in sales. However, improved average income cushioned the impact of lower sales on net sales.

In France, the business unit's most important foreign market, new construction activity rose only slightly in 2019. Quality issues with flat roofs revived demand for pitched roofs. Due to its limited production output, the business unit benefited little from this trend and saw a slight decline in market share. In the Benelux countries, the Slate business unit recorded a clear rise in sales and grew its market share. Demand in the UK was high, with many dealers building up their inventories in preparation for Brexit. However, customer demand was focused on price, and especially on cheaper quality. As a result, average income was relatively low. In the USA, the business unit achieved an increase in net sales thanks to the new distributing company. Due to the shortage of materials, however, it was unable to meet its sales target.

At € 67 million, net sales in the Slate business unit were slightly below the previous year's level, and considerably short of expectations. This was largely due to the materials shortages. Nevertheless, net sales were stabilized by improved revenues in some foreign markets as well as from key products in Germany. Special promotions shored up sales and net sales, but pushed down average income on the German market. High one-off expenditures related to the collapse of an excavation chamber roof in a Spanish quarry detracted from the result. Following the positive resolution of a long-standing legal dispute regarding a registered design, the related provisions were released. Overall, the operating result was higher than the level of the previous year and expectations. However, adjusted for all one-off effects, the operating result and earnings before tax were well below both the prior-year level and expectations.

Order backlog to be quickly processed

The market environment for companies in the roofing industry will remain difficult in 2020. In Germany, housing completions are expected to grow more slowly than in the previous year. Flat-roof constructions will again dominate. No tangible revival of the renovation market is expected. Thanks to improved production conditions in Spain, the business unit will be able to quickly process its order backlog. It is expected that sales will increase and market share will be regained.

In France, the conditions are favorable for an upturn in business. The modernization market, which is a key field for slate, is expected to remain stable. Potential shortages in the basic supply of high-quality slate to the market offer the opportunity for further price adjustments. In the Netherlands, churches are increasingly being purchased for conversion into luxurious apartments. This presents new opportunities for the business unit in a niche market. Developments in the UK largely depend on the form Brexit takes and are hard to predict. If production at least matches the 2018 level, the business unit expects to see higher net sales.

It is anticipated that the operating result and earnings before tax will be on a par with the previous year. Adjusted for one-off effects, the operating result should be significantly improved.

The above estimates regarding the business unit's economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

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 market and other European countries, the most important markets are China, North America and Japan.

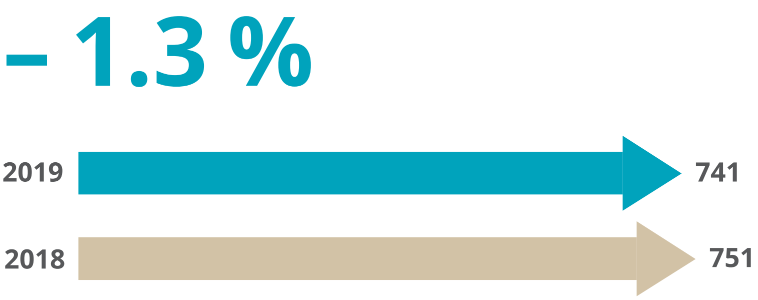
Structural shift in the retail sector

The global retail sector is undergoing a fundamental structural shift, which also has implications for Zwilling Kitchenware's business. Retail stores are having to rethink their location policy as footfall continuously declines. Meanwhile, online retailers are experiencing rapid growth in sales. According to German Retail Association (HDE) figures, internet retailers in Germany generated more than € 70 billion turnover for the first time last year. Special promotion days such as Black Friday and Cyber Monday are growing in significance for both traditional retailers and e-commerce. Many retailers offer discounts on some of their range on these days. In Germany, consumer purchases on Black Friday and Cyber Monday amounted to more than € 3 billion in 2019. This represents an increase of 22 % on the previous year. In the USA, online purchases on Black Friday alone amounted to just under $ 7.5 billion – one-fifth more than on the same day in 2018. The greatest share of this market was won by pure players – Internet retailers specializing in one product group with high unit sales. In the bricks-and-mortar business, too, traditional retail is increasingly having to fend off new competitors. Factory outlet centers (FOC) are attracting more and more customers. At the same time, the FOC network is becoming denser, with more than 180 centers in Europe and 15 in Germany. Further locations are under construction or planned.

In addition to the changes in the retail landscape, Zwilling Kitchenware is heavily reliant on the consumer climate in its sales markets. In China, the business unit's most important market, the economic environment deteriorated in 2019, particularly due to the trade conflict with the USA. Growth slowed, but

Net sales development Consumer Goods division

in € million



nonetheless reached a high level. At the same time, the structural shift in the retail sector accelerated. Retail stores, particularly department stores, again lost market share, while online retail continued its dynamic growth. In the USA, both the economy and private consumption lost some momentum in 2019, following a strong previous year. The eurozone showed a similar development, but the trend differed between the individual countries. Whereas GDP rose only slightly in Germany, many smaller countries recorded significantly higher growth rates. However, consumer demand in Germany was very high. The Federal Statistical Office registered nominal growth of 3.4 % in retail sales. In line with the recovery in overall economic growth in Japan last year, consumer spending also increased in the country.

Net sales and results fall short

At € 645 million, the Zwilling Kitchenware business unit's net sales fell just slightly short of the previous year's level, but were well below the projected figure. This was due in particular to a sharp decline in the special business from customer loyalty programs, which had remained stable in the previous year. The core business was just slightly down on the previous year's level overall, despite a marked decline in China. However, it failed to reach the projected level by a wide margin. Net sales were bolstered by exchange rate developments. This was offset by the reclassification of revenue-related advertising expenses in North America, which are now recognized as a revenue reduction and thus negatively impact net sales.

In China, Zwilling Kitchenware, again saw a steep drop in net sales last year. It also fell well short of projections in the core business. The company's own

ZWILLING stores and department stores, in particular, came under pressure. The B2B business was unable to match the previous year's good results. Online retail growth was also less strong than expected.

Adjusted for the reclassification of revenue-related advertising expenses, Zwilling Kitchenware recorded moderate growth in net sales in the USA, its second largest market. This growth was driven by online sales in addition to the company's own stores. Trade with B2B clients also performed well. However, net sales generated in department stores and the stores of other retail chains declined again. Overall, the business unit had set ambitious targets for the USA. The projected net sales figure was missed by a substantial amount, largely because the bricks-and-mortar business fell short of expectations.

Net sales in Germany reached the same level as in the previous year and were well below projections. Online retail growth was less pronounced than expected. Business in department stores was also below projections. However, the company's own stores registered growth. In Japan, higher net sales online and in the company's own stores were unable to make up for the declining catering and catalog business. Overall, net sales were slightly short of the previous year's level, but significantly below the projected figure.

The operating result failed to meet both the previous year's level and projections. This was mainly attributable to a decline in margins. The tougher competition on Internet platforms created significant price pressure. At the same time, a substantially higher proportion of net sales were generated through lower-margin seasonal promotions. The sharply fluctuating plant capacity utilization during the year and transformation process costs also detracted from the result. One-off effects, such as the recognition of provisions for restructuring measures, also had to be absorbed. Earnings before tax declined less significantly than the operating result in 2019. This was due in particular to compensation payments resulting from the positive resolution of two arbitration proceedings.

Transformation continues

Against the background of the digitalization of the entire business model, the business unit initiated a transformation process in the previous year, with the aim of maintaining a consistent customer focus. This has led to fundamental changes in distribution channels, communication with customer groups and the product portfolio.

The business unit expects net sales to be just slightly up on the previous year in 2020. However, adjusted for the anticipated negative exchange rate movements, the core business is expected to see marked growth. Zwilling Kitchenware foresees impetus from the promotion of its own retail business (online and physical stores), as well as from other online sales. In contrast, traditional bricks-and-mortar retail is likely to continue to decline.

The global launch of products in the electrics segment is expected to boost growth. This range includes small kitchen appliances and vacuum products. In addition, Zwilling Kitchenware plans to increase its product offering in the mid-range price segment by expanding the Ballarini "Global Value Brand."

The transformation process, which will be systematically driven forward in 2020, focuses on optimizing costs and margins, as well as continued digitalization. The measures implemented in the core business, coupled with better and more consistent plant utilization, are expected to be reflected in improved results. Special business will likely continue to decline. Overall, it is anticipated that the operating result and earnings before tax will be considerably higher than in 2019.

The above estimates regarding the business unit's economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

Zwilling Beauty Group

The Zwilling Beauty Group business unit produces and sells high-quality manicure and pedicure product lines as well as tweezers, eyelash curlers, cosmetic brushes, and other beauty tools under the ZWILLING and TWEEZERMAN brands. The offering is supplemented by the QVS Group, which sells beauty tools in the "value-for-money" range under the QVS and UBU brands, as well as trade and exclusive brands. The most important sales markets are North America, China, Germany and the UK.

Mixed consumer demand trend

Like the Zwilling Kitchenware business unit, the performance of Zwilling Beauty Group depends to a large degree on consumer sentiment in the respective markets. In the USA, consumer spending slightly declined. In Germany and

China, private consumption again proved to be a mainstay of the economy. Despite the economic slowdown resulting from Brexit, UK consumer spending remained at a high level in the past year.

At € 85 million, the Zwilling Beauty Group business unit's net sales were slightly up on the previous year thanks to positive exchange rate effects. In the USA, by far the largest market, the rapid structural transformation in the retail sector left its mark: Major customers in the specialist bricks-and-mortar retail sector continued to lose market share and thus reduced their inventories of Zwilling Beauty Group products. In Germany, higher net sales at ZWILLING stores and a drugstore chain led to an upturn in business. In the UK, too, net sales were up on the previous year. At the same time, close cooperation with exclusive and private-label customers resulted in significantly higher sales. However, the business unit's sales were below the projected level overall.

The business unit's operating result failed to meet both the previous year's level and projections in 2019. Alongside revenue-related effects, this was attributable to organizational costs, higher US tariffs on Chinese and Indian products, and restructuring expenses.

Earnings before tax, like the operating result, also fell short of both the previous year and the projected level.

By implementing more efficient cost structures, Zwilling Beauty Group intends to achieve a significant uptick in earnings year on year with virtually unchanged net sales in 2020. The aim is to substantially strengthen online activities and expand the private label business, particularly in the USA, Germany and China. The business unit foresees the greatest growth opportunities in China.

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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, as well as in North and South America.

Extensive restructuring behind schedule

At just under € 23 million, the business unit's net sales were almost on a par with the previous year. In Germany, the direct customer business performed very well thanks to the complete relaunch of the leading hairdressing brand Tondeo in April, as well as a series of product innovations based on the new CONBLADE technology. The Jaguar brand also harnessed new opportunities in the export regions India, USA and Saudi Arabia. In contrast, business with a number of major customers in Western Europe did not develop as planned, with negative exchange rate effects and the political situation in South America also impacting performance.

The operating result and earnings before tax were significantly below the previous year and projections. This was attributable to the costs related to restructuring in the areas of production and logistics. The planned transfer of part of production from China to Solingen proved more difficult than anticipated due to the lack of skilled workers on the local labor market, which not only hampered delivery capabilities, but also meant that the planned productivity gains were not achieved. The originally planned output is now being produced, albeit with delays.

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 the key Central European markets in 2020. Based on markedly improved delivery capacity and the expansion of direct sales in Germany, initial growth impetus is expected to emerge. With regard to production, major investments in infrastructure and equipment, as well as various process improvements will enhance productivity. In addition, measures to reduce fixed costs were already introduced in 2019. Net sales and earnings are therefore set to considerably improve in 2020, although long-term expectations will still not be met.

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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 tailored financial solutions to medium-sized companies and is one of the leading providers in Germany that operates independently of manufacturers and banks. In the leasing segment, abcfinance finances mobile assets, including used, low-value and intangible items such as software and licenses. In the factoring segment, abcfinance purchases receivables and thereby provides more financial options for its business partners. In the sales financing segment, abcfinance has developed custom financing solutions and ancillary services to support the sales activities of manufacturers and dealers. Its customers include more than 80,000 medium-sized companies in Germany, the Netherlands and Austria.

abcbank specializes in refinancing receivables from abcfinance's leasing and factoring business. The bank is refinanced by institutional investors and deposits made by private customers in the form of overnight money, fixed-term deposits and savings bonds. It also participates in the open-market operations of the European Central Bank (ECB) and securitizes selected receivables using a special purpose vehicle.

Leasing drives investment

Despite the further slowdown in economic growth and greater political uncertainty, many companies in Germany continued to make significant investments in machinery, vehicles, IT equipment and other assets in 2019. According to the Federal Statistical Office, aggregate capital equipment investments were 0.4 % higher than in the previous year. The leasing business put in a much stronger performance and proved to be a driver of the German economy. The Federal Association of German Leasing Companies (BDL) reported new business of € 74.4 billion for the industry, an increase of 7.5 %. Leasing accounted for € 65.3 billion of this amount, while hire-purchase business accounted for € 9.1 billion. The share of leasing in equipment investments increased to 24 %; of externally financed investments, 54 % were realized through leasing. The main growth driver last year was again vehicle leasing, which accounted for more than three-quarters of the leasing market. Due to catch-up effects related to the emissions measurement standard introduced in 2018 (WLTP), the increase of 9 % was significantly higher than a year earlier. However, declining order intake in the area of mechanical engineering led to a slight decline in what is the second-largest segment for the leasing business. In light of the advances in digitalization, many companies considerably increased their IT investment budgets. The leasing business benefited from this trend, with the segment recording growth of 13 %.

Medium-sized companies again increasingly used factoring as an alternative form of corporate finance in 2019. More companies again used the sale of receivables to expand their financial flexibility. The German Factoring Association's member companies saw net sales increase by just below 12 % to € 132.8 billion in the first half of 2019, particularly due to a large number of new customers in the health care sector.

Refinancing costs for financial service providers that specialize in leasing and factoring remained favorable in 2019 thanks to the low capital market and loan interest rates.

In 2019, abcfinance further expanded its market position both in leasing and factoring. The strong focus on customer service and the systematic expansion of distribution channels, particularly abroad, made it possible to increase market share. The strongest customer group was service providers, followed by companies in the manufacturing sector. In the leasing segment, abcfinance saw new business grow by 9.3 %. The factoring segment purchased 14.7 % more receivables than in the previous year. Overall, abcfinance increased net sales by 7.6 %, thus slightly exceeding projections.

The 2019 commercial result (EBITA) – as defined by the industry association BDL – was significantly down on the previous year, despite encouraging new business growth and more favorable refinancing opportunities, and fell well short of the projected level. Earnings before tax were also considerably lower than both the previous year and the projected amount. Alongside the significant pressure on margins, this was attributable to much higher risk provisions as well as higher personnel and administrative expenses.

Digitalization provides momentum

The ongoing uncertainties in the export business will likely again be a major factor for the manufacturing sector in 2020. Consequently, the ifo Institute forecasts a real increase of just 1.6 % in equipment investments. The industry association BDL is even more conservative, forecasting growth of less than

Net sales development in Financial Services division

in € million

+ 9.7 %

1 %. Leasing and factoring are an important form of corporate finance, particularly during difficult economic phases. They guarantee security and provide financial flexibility. The industry thus anticipates stable growth in 2020, even if investment activity wanes. This will be bolstered by new financing and service models in connection with digitalization. According to the BDL association, the lending industry will benefit from the transition to a more sustainable economy over the medium to long term.

abcfinance foresees good growth opportunities in both leasing and factoring in 2020 and hopes to significantly increase its new business in the two segments. Foreign markets are likely to be the main drivers in the leasing business. abcfinance also expects tailwinds from the Netherlands in the factoring segment.

Through digitalization and process optimization, with continuing new business growth in leasing and factoring, abcfinance expects to see a considerably higher commercial result and a sharp rise in earnings before tax, despite higher risk provisioning required due to the economic situation.

The above estimates regarding the business unit's economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

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 partner dealerships the opportunity to finance their fleet of new and used vehicles. To refinance its own operations, Bank11 offers savings bonds and overnight money to private and institutional investors.

Online sales accelerate growth

According to the German Federal Office for Motor Vehicle Transport (Kraftfahrt-Bundesamt), the German automobile market saw a 5 % rise in the number of new cars sold in Germany compared with the previous year; 3.6 million new vehicles were registered. The used vehicle business remained at a high level, with 7.2 million transfers of ownership again registered. Business for banks specializing in automobile financing continued to benefit from the large number of private new and used cars that were financed. The member institutes of the banking association thus recorded growth of 1.6 % in their new loan business in private automobile financing in the first three quarters of 2019.

In a competitive environment, Bank11 once again grew much faster in 2019 than the industry average. It benefited from the further expansion of online sales and increased new vehicle financing business to € 2.4 billion. The loan volume grew by 26.2 %. The number of trade partners rose from 11,500 to 13,100. The long-standing successful cooperation with automobile industry associations and automobile dealer associations proved to be a major support. Bank11 also benefited from its innovative strength and the fast and competent service provided to automobile dealers and customers. The cooperation with ADAC in the area of vehicle financing provided additional impetus, which was reflected for the first full year in 2019.

Bank11's operating result and earnings before tax improved significantly in the past year, despite various one-off charges. Both the interest surplus and the commission surplus increased substantially compared with 2018, 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 2019.

Improved earnings in sight

The environment for Bank11 is likely to deteriorate in 2020. The German Association of the Motor Trade (ZDK) expects 3.26 million new car registrations, significantly fewer than in 2019. The association bases this estimate on the rising consumer uncertainty caused by job cuts at automobile manufacturers and dealers. Registrations of transfer of ownership in 2020 are thus expected to again be slightly down on the previous 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 will include, in particular, increased digitalization and the continued customer-oriented optimization of processes. Bank11 intends to counter the negative effect of the sustained low interest rates through these measures. Overall, it again expects a significant improvement of both its operating result and earnings before tax in 2020.

The above estimates regarding the business unit's economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

New Digital Business Models

Yareto

Since its establishment in summer 2016, Yareto has become the market leading loan comparison portal for the German car trade. It enables automobile dealers to quickly select the right solution for their customers from a large number of financing options. The portal provides the best real-time offer available that day from partner banks.

In the past year, Yareto achieved strong growth in the volume of loans it brokered, which rose to € 240 million. The number of dealers registered on the platform also increased significantly to more than 13,000. Net sales rose sharply, but fell slightly short of the ambitious target. The targeted reduction in the cost of sales was also not fully achieved.

For 2020, Yareto plans a strong increase in the loans it brokers. With additional product portfolios, Yareto's net sales, operating result and earnings before tax should be well above the previous year's level. This is to be achieved, above all, through the quantitative and qualitative strengthening of the sales team, the acquisition of further dealers and the inclusion of more banks in the comparison portal.

The above estimates regarding the business unit's economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

abcfinlab

The Werhahn Group established abcfinlab in 2018, as a company to develop digital financial products in the field of leasing and factoring for business customers. In close cooperation with abcfinance, abcfinlab finalized two products ready for marketing. In the area of factoring, Cashfox is a solution that enables micro-businesses and self-employed people to sell their receivables via a digital platform. And in the area of leasing, abcfinlab has developed Lease Seven, an application that can be used by sales partners to digitally enter into a legally valid leasing agreement with a lessee that meets all regulatory requirements in the space of a few minutes. The conceptual development of the business model led to initial losses in 2019, which exceeded those of the previous year, but were below expectations.

As expected, abcfinlab did not yet generate any earnings in the past year. Initial losses are also expected in 2020 due to additional outlays for developing market-ready innovations.

The above estimates regarding the business unit’s economic performance are based on projections made at a time when the coronavirus and its extent were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is impossible to forecast the economic impact on the development of business.

Net Assets and Financial Position

The consolidated balance sheet total for 2019 increased by € 1,025 million from € 8,344 million to € 9,369 million. The individual balance sheet items changed as follows:

Assets

in € million	Dec. 31, 2019	Change
Fixed assets	2,897	116
thereof leasing assets from financial services	1,821	109
Accounts receivable from financial services	5,023	789
Inventories	428	13
Accounts receivable and other assets (including prepaid expenses)	331	– 38
Securities and liquid funds	686	142
Deferred tax assets	4	3
	9,369	1,025

Equity and liabilities

in € million	Dec. 31, 2019	Change
Equity	1,934	25
Difference in amounts from the capital consolidation	–	–
Provisions	381	15
Liabilities from financial services	6,645	921
Liabilities (including deferred income)	409	64
	9,369	1,025

in %	Dec. 31, 2019	Dec. 31, 2018
Equity ratio	21 %	23 %
Equity ratio without financial services	67 %	70 %
Ratio of equity to fixed assets	67 %	69 %
Short-term debt service ratio	84 %	85 %

As of the closing date, the fixed assets of the Werhahn Group increased from € 2,781 million in the previous year to € 2,897 million. They comprised tangible assets of € 856 million (previous year: € 837 million), intangible assets of € 129 million (previous year: € 146 million), financial assets of € 91 million (previous year: € 86 million) and leasing assets from financial services of € 1,821 million (previous year: € 1,712 million).

Overall, fixed assets without leasing assets increased by € 7 million in comparison with the previous year, with investments exceeding depreciation and net disposals during the year.

Intangible assets declined by € 17 million. This decrease was largely attributable to amortization and write-downs of € 42 million and asset disposals of € 8 million, which mainly relate to a subsequent purchase price adjustment, partly offset by investments of € 32 million.

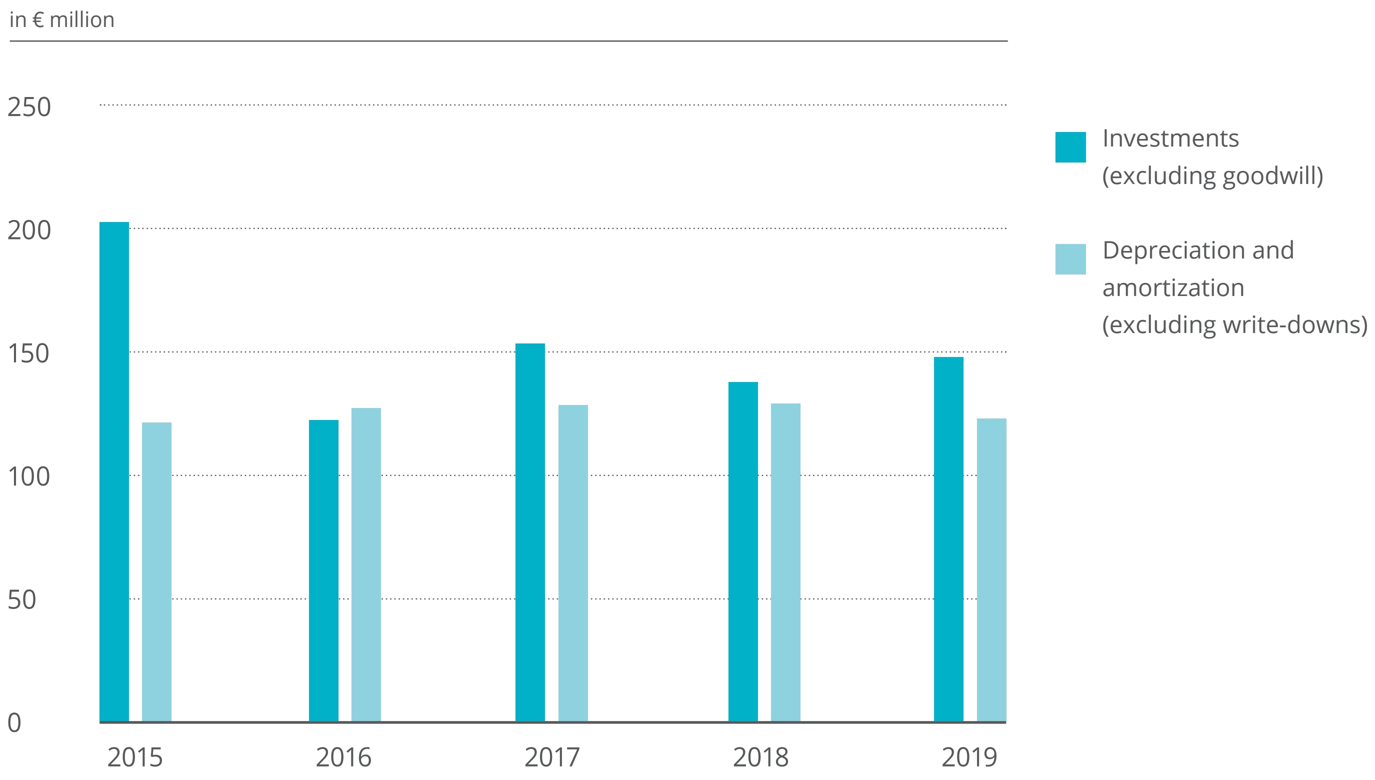
Amortization included € 26 million of scheduled amortization and unscheduled impairment of goodwill.

Financial assets increased by € 5 million. This was mainly due to investments in participations in the amount of € 15 million. The disposal of long-term securities in the amount of € 5 million and disposals of participating interests had an offsetting effect.

Tangible assets rose by € 19 million compared with the previous year. Business-year investments of € 130 million were largely compensated by depreciation charges of € 111 million and ordinary net disposals of € 6 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 2019, a total of € 147 million (prior year: € 138 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 € 558 million and net disposals of € 117 million, an additional € 784 million was invested.

Accounts receivable from financial services increased by € 789 million to € 5,023 million as a result of the growth of new business in the Financial Services division.

Inventories increased slightly by € 13 million, in comparison with the previous year, to € 428 million. The slight increase was mostly attributable to changes in the Consumer Goods and Building Materials divisions.

Accounts receivable and other assets (including prepaid expenses) totaled € 331 million (previous year: € 369 million). Trade accounts receivable went down by almost € 25 million to € 224 million. Trade accounts receivable declined significantly compared with the previous year particularly in the Zwilling Kitchenware and Aggregates business units. In the Aggregates business unit, the decrease is explained by the one-off effects included in 2018, which were not repeated to the same extent in 2019. For Zwilling Kitchenware, a change in the customer mix and a reduction in collection periods had a particularly significant impact abroad. In addition, accounts receivable had increased in 2018 due to special business, which was not included to the same extent in 2019. By the same token, other assets declined by € 16 million.

The Building Materials and Consumer Goods divisions realized a positive operating cash flow of € 190 million (previous year: € 165 million) before consolidation. The free cash flow after deducting investments for these corporate divisions totaled € 75 million (previous year: € 69 million).

Securities and liquid funds increased by € 142 million to € 686 million. Of this amount, € 540 million is tied to financial services institutions. This rise is due to a significantly higher amount of central bank assets and bank deposits, while the portfolio of marketable securities remained virtually unchanged.

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.

Net liquidity[5] was € 517 million as of December 31, 2019. In addition to this, sufficient credit lines were available with various banks to meet budgeted financing needs.

[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.

At the closing date, there was € 4 million in surplus assets from deferred taxes (previous year: € 1 million). The Werhahn Group continues to exercise its right not to recognize deferred tax assets from individual companies.

Equity for the Group rose from € 1,909 million to € 1,934 million, resulting in an equity ratio of 21 %. Without consolidation of the financial services companies, the equity ratio was 67 % (previous year: 70 %). Minority shareholder participation in equity as of the closing date was € 60 million (previous year: € 64 million). To a limited extent, this participation amount includes positive currency translation differences. The changes in equity are shown in the Statement of Changes in Equity.

Provisions increased by € 15 million in comparison with the previous year to € 381 million. These mainly included provisions for pension obligations amounting to € 117 million (previous year: € 114 million), provisions for recultivation obligations in the Building Materials division amounting to € 74 million (previous year: € 69 million), and other personnel provisions amounting to € 62 million (previous year: € 60 million). Other key provisions included those for rebates and discounts, for outstanding invoices as of the closing date, for future tax payments as well as for sureties and guarantees. The increase in pension provisions was primarily attributable to the impact of the lower statutory discount rate. Compared with the previous year, the provisions for future tax payments increased slightly due to payments made during the year and the additions made in 2019.

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 € 921 million to € 6,645 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 € 64 million to € 409 million. This increase was mainly attributable to much higher liabilities to banks related to Group financing. Lower income tax liabilities had an offsetting effect, but only partially compensated for the rise in liabilities to banks.

Personnel

In the reporting period, the average number of employees in the Werhahn Group went up by 52, to 10,213 employees.

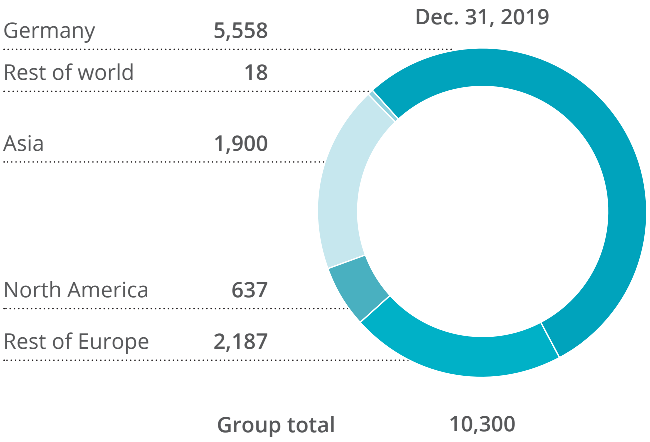
While the average number of employees declined in the Building Materials division, the headcount in both the Consumer Goods and Financial Services divisions increased. Since in the previous year employees were included in the “Others” area until December 2018 due to the sale of alessandro, the information for this area is only comparable to a limited extend.

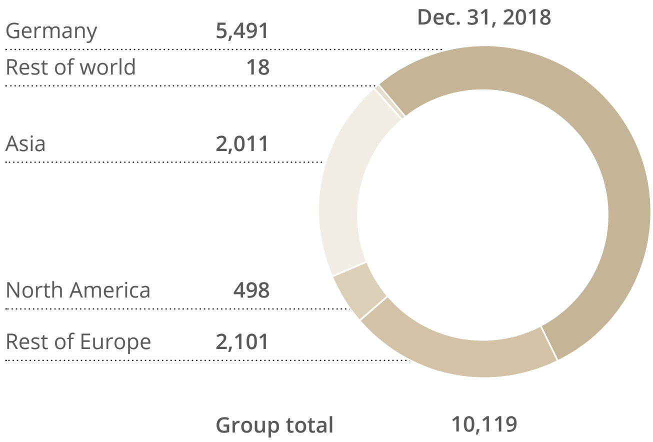
The development of the average number of employees, with the exception of the “Others” area, is also generally reflected in the change in the number of employees as of the closing date. As of December 31, 2019, the employee numbers in the Consumer Goods and Financial Services divisions was higher than the average number in the business year.

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

	Average 2019	Average 2018	**Dec. 31, 2019**	Dec. 31, 2018
Building Materials	4,530	4,548	4,505	4,549
Consumer Goods	4,465	4,371	4,543	4,413
Financial Services	1,044	977	1,068	995
Others	174	265	184	162
Group total	**10,213**	**10,161**	**10,300**	**10,119**
Salaried employees	5,061	4,919	5,189	4,928
Wage earners	4,890	5,006	4,837	4,935
Employees	**9,951**	**9,925**	**10,026**	**9,863**
Trainees	262	236	274	256

As of the closing date, around 5,558 or 54 % (previous year: 54 %) of all Werhahn Group employees were employed in Germany.





The commitment, expertise and loyalty of our employees form the basis for the long-term success of the Werhahn Group. Based on forward-looking personnel planning, the focus of personnel efforts is the continuous training and education of employees, the targeted identification and promotion of top performers, and recruiting and retaining talent.

Education and further training

The number of trainees in the Group was 274 at the end of the year, slightly above the previous year's figure of 256. The business unit with the most training activity was still Aggregates, although it recorded a slight decline in the number of trainees, while the number of trainees went up in three other business units.

The variety of qualifications required by the Werhahn Group is reflected in the 28 professions for which training is provided, including dual study programs. The professions in which training is provided changed only slightly compared to 2018. The standard training offering now includes dual study programs, both for business and technical and engineering jobs. Sponsorship is provided both for degree programs that are combined with initial professional training as well as degree programs associated with longer practical phases at companies.

In the business units, alongside initial training, significant efforts are being made to ensure employees' qualifications are kept up to date and to prepare them for new challenges. The focus is on product, subject area and technology-related training. The activities of the business units are flanked by 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, in addition to the high quality of content taught and the professionalism of the external trainers and instructors, as particular benefits of the program. The program is reviewed annually and updated in line with current requirements. The focus is on benefits to participants of the material learned for everyday use and the emphasis on future topics. Three new topics, including one in the area of agile methodology, were added to the portfolio last year.

To increase employee loyalty and our attractiveness as an employer, numerous new programs and offerings were again developed and implemented in the business units and at corporate headquarters in the reporting period. Concepts to maintain and promote employees' physical and mental wellbeing are a particular focal point. Several business units and Wilh. Werhahn KG provide the Employee Assistance Program (EAP) to their employees. On request, the EAP provides all employees, managers and their family members with free professional counseling from external experts, either by telephone, in person, or online. Counseling may be sought due to a professional or personal crisis, or other issues ranging from wellbeing to legal advice. Solutions are either reached directly with the counselor, or they may refer the person concerned to further appropriate assistance.

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 fixed and target-based remuneration. For the Group's financial service providers, 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 employees at all levels remains a high priority in the Werhahn Group. The quality of the management has proved to be a key factor in the company's success, particularly in light of the fast changing circumstances. Management development programs in the business units and varied, target-group-specific management seminars provided as part of the Werhahn Excellence Program make an important contribution to the continuing development of the management at all levels. The Group's top management from both the business units and corporate headquarters tackled a range of management issues at a series of workshops during last year's management conference.

The use of new communication channels, such as social media, was expanded in 2019 to recruit employees at all levels. Tried and tested methods to foster employee loyalty as early as possible were also continued. The central focus is on training and dual study, but tailored trainee programs, internship opportunities, support with Bachelor and Master theses, and scholarship programs have also proved to be effective tools. For the sixth time, personnel managers from the business units and corporate headquarters together presented the Werhahn Group as an attractive employer at a job fair specifically for candidates interested in family-owned businesses.

Attractive employer

To increase company loyalty and attractiveness as an employer, a number of new programs and offers were developed and implemented at the Werhahn Group in the reporting period, including 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.

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 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 Accounting Guideline is updated and approved by the Management Board each year 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. A new coronavirus (SARS-CoV-2) first appeared in China at the end of 2019. By the beginning of 2020, cases had been recorded all over the world. At the time of preparing this Consolidated Report , the virus was spreading at an unprecedented rate. Given that drugs to prevent or treat the associated infection are not yet available, the further spread of the virus is inevitable. In light of the extreme uncertainty regarding the future development of the corona crisis, it is not possible to reliably estimate its economic implications for the Group and these are therefore not presented in this risk report.

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 may be 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. Accordingly, in the Building Materials and Consumer Goods divisions there is the risk of 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, extensive further training schemes and, most importantly, general employee protection. 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. In addition, comprehensive measures to implement the EU General Data Protection Regulation are ongoing.

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

As explained in the description of individual risks, it is not possible to reliably estimate the economic implications of the corona crisis for the Group and these are therefore not presented in this risk report. Otherwise, the level of risk in the Werhahn Group remains low. The risks, weighted on the basis of their percentage probability of occurrence, equal 5.3 % of total Group equity, of which the weighted three largest individual risks account for 1.7 %. The largest individual risks relate to changes in the bitumen price, lower demand from public agencies as well as counterparty default risk in the Financial Services division. In comparison with the previous year, the risk situation, expressed as the total weighted probability of occurrence, has increased slightly.

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

Research and Development

Research and development (R&D) are drivers of technological progress and have high priority in the Werhahn Group. Research employees anticipate customer wishes, which employees in the development departments then transform into market-ready products. Development also continuously works to optimize production processes and promote digitalization.

The development of asphalt roads will in future be based on calculational dimensioning, which focuses on performance criteria. Consequently, for example, the surface thicknesses specified in government regulations, which are based on empirical tables, will become a thing of the past. The new standards require extensive testing to determine the performance characteristics of individual asphalt mixtures. To meet this challenge, in 2019 the Technologie-Centrum of Basalt AG (BAG) began operating a new hydraulic test system, which determines the elastic modulus and fatigue resistance of asphalt. BAG is thus able to carry out all of the tests and calculations required for calculational dimensioning. Asphalt mixtures can be tested and optimized in a targeted manner. This also applies to their durability. BAG is now in a position to make a focused contribution to the development of a new regulatory framework based on the knowledge obtained.

The Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur, BMVI), has awarded a joint research contract to Ruhr University Bochum and BAG. The objective is the development of criteria to determine the performance of asphalt when asphalt granulate is added. This will enable the field of application of recycled asphalt to be significantly increased, further improving the sustainability of asphalt construction.

The production of high-quality slate relies on the availability of economically and technically viable natural deposits of the required volume and quality. The state of the stone at the extraction sites not only determines the profitability of production, but also the formats and quality level that can be produced. New, high-quality excavation fields are rare. The Slate business unit thus analyzes and reviews extraction sites on a continuous basis. With the reform of the distribution of land for extraction concessions in Spain, so-called demasias (extensions) were awarded to current concessions and resulted in additional extraction sites for the Slate business unit in 2019. Geological exploration is currently underway.

The installation of two robotic lines in Spain represents a major development project for slate production. These make it possible to produce slate in the old German style without the need for significant manual processing. Following relevant preparations in the past year, the facilities went into operation at the start of 2020.

The Zwilling Kitchenware business unit is researching possibilities for digitalization in the modern kitchen and continuously developing new projects. In the past year, the range was expanded by the ZWILLING Enfinigy® series of durable electric kitchen appliances and now includes a high-performance stand mixer with blades developed and produced in Solingen. The series was launched in the USA in December 2019 and went on sale in Europe at the start of 2020.

The business unit also worked extensively on the development of an electronic vacuum system for food storage; the vacuum allows food to stay fresh up to five times longer. By means of a specially developed app, the system helps consumers organize their refrigerator and freezer compartments and suggests recipes for their vacuum-sealed food.

In the knives product segment, Zwilling Kitchenware has developed a high-quality, innovative knife sharpener, which has several patents pending.

Zwilling Beauty Group has implemented a new global product development process with an electronic approval workflow. This should make project implementation quicker and more efficient. To standardize how ideas are generated and evaluated, the business unit also developed a Group-wide ideation process. A number of new products were developed in the past year, including an electric facial hair trimmer and a razor with a handle produced by metal powder injection molding.

At the end of March this year, the Tondeo brand presented its innovative CONBLADE technology at the Top Hair trade fair. It combines an eye-catching convex blade with extreme hollow grinding, giving the scissors exceptional stability, longevity and sharpness.

The Jaguar brand unveiled its “Find your passion” Christmas scissors collection: The special optical effect of the two pairs of scissors is achieved through an innovative coating process using laser technology.

Last year, Bank11 expanded the industry solution developed in 2016 for point-of-sale loan applications to include additional features such as the introduction of new terms and conditions. Agile programming was used in the development process, with Bank11's application developers and market managers working closely together to meet customer requirements accurately and quickly.

The bank's online process, which was also agilely developed, works on the same technical basis and allows interested parties to apply for loans directly. The new application process originally designed for the cooperation with ADAC was further improved in 2019, which led to higher business volumes with a significantly lower dropout rate.

In the area of risk management, scorecards created with the help of machine learning were used for the first time, thereby enhancing their informative value.

abcfinlab worked closely with abcfinance on the development and implementation of digital business models in 2019. Two digital products were developed and ready to be brought to market. In the area of leasing, the Lease Seven application enables customers to conclude a fully digital leasing agreement, including credit screening and a legally compliant signature, in the space of a few minutes. The entire process to prevent money laundering is also fully digital for the first time and thus possible with no change of media. The lessee's identity document can be photographed within the application and saved in line with data protection regulations. abcfinlab also produced a digital factoring solution, which is marketed under the name Cashfox. This helps companies to maintain liquidity, allowing them to submit invoices online and receive the cash within 24 hours. At the same time, sales partners are able to digitally register their customers for the product at a joint appointment, in accordance with the German Anti Money Laundering Act.

Sustainability

Responsible and sustainable business is one of the fundamental principles of the Werhahn Group. To remain viable as a company overall, all business units take their economic, environmental, social and community responsibility very seriously. They continuously apply measures to improve environmental efficiency along the full length of the process chain. The aim is to conserve natural resources as far as possible and thus reduce our environmental impact.

As a manufacturer of construction materials, the Aggregates business unit is directly reliant on natural resources. The production of valuable natural stone always involves temporarily disrupting the environment and the landscape. Before the first stone is moved, the business unit therefore works with public authorities, industry associations and other institutions to develop plans for the excavation work and the subsequent recultivation and ecological restoration measures. Even during quarrying operations, quarries can be extremely lively habitats. Jagged outcrops, fissured slopes, piles of stone, ponds and puddles in dips, furrows and old vehicle tracks all provide suitable habitats for many rare plants and animals. Prior to the final quarrying operations, it is common for a mosaic of diverse ecological niches to become established in naturally formed biotopes, which create safe havens for rare or threatened species. This demonstrates that species can be effectively protected through close cooperation between environmental and industrial players.

To spare natural resources, the business unit has been successfully recycling building materials for many years. For example, more than 85 % of excavated asphalt can now be recycled. In addition, in many quarries and asphalt mixing plants, building debris can be treated to produce a material suitable for many new applications.

In the past year, the Aggregates business unit identified as yet unharnessed potential to save energy and optimize processes, as part of the expansion of its program to improve the effectiveness and efficiency (EffEff) at asphalt mixing plants. Based on the insights gained in an initial analysis in the previous year, the corresponding enhancements were made through several optimization measures in 2019. These enabled the business unit to again increase the site-related recycling rate for excavated asphalt and, at the same time, to produce less waste. This improved the efficiency of the asphalt mixing plants and reduced their environmental impact.

Internal competence teams also analyzed the process flow at quarries last year and prepared proposals for improvements. Knowledge gained in earlier years was passed on or aggregated and communicated as best practices at internal training events. Systematic monitoring was set up for all recommendations, particularly any measures involving investments. Across the company, optimization of deposit utilization, for example by primary crusher-screen processing, was a particular focus in 2019. At one site, spoil heaps were treated on a trial basis to extend the life of the quarry.

The Slate business unit increased investments in occupational health and safety at various processing sites in 2019. To avoid dust fall when trimming slate, new cutting machines were installed for edge finishing. For the ecological restoration of the spoil heaps constructed when extracting slate, the business unit again provided new soil for numerous sites in the past year. This nutrient-rich earth will enable sustainable plant growth and thus feed back into the ecosystem.

The Zwilling Kitchenware business unit has an integrated water and waste water management system in its production process to enable waste water produced in manufacturing to be reused. The goal is to recover a large part of the industrial and process water as a secondary raw material. At the headquarters in Solingen, Zwilling Kitchenware operates a vacuum distillation plant that treats the waste water from production. This process results in around 94 % distillate and 6 % concentrate. The concentrate is disposed of, but the distillate can be reused, for example, to fill the wet separator. The possibility of using the heat recovered from the waste water to heat makeup water is currently being examined. The energy management team also implemented measures to continuously improve responsible energy use in 2019.

In November last year, Demeyere conducted an energy scan analysis to determine further optimization measures for the coming years. In addition, it developed a sustainability strategy that evaluates the entire value chain from supplier to customer from an environmental perspective.

At the Staub site in Merville, environmental standards in the area of exhaust air were improved. Two newly installed filters now reduce metal particle emissions. The installation of a further filter is planned for 2020.

Ballarini installed a solar power system on the roof of two warehouses, which covers around 15 % of the total energy needs. In the factory, additional electricity and gas meters were installed on individual production lines and machines and are connected to software to optimize energy management.

In the past year, instead of single-use cardboard boxes, the Zwilling Beauty Group business unit used reusable plastic containers for all QVS brand sponges, brushes and sachets supplied in China. This led to a significant reduction in waste material. In the USA, Tweezerman launched an initiative to remove plastic bags from its packaging in 2019. With customers having expressed strong approval for this project in a survey, the change will be implemented in the course of this year. The aim is to eliminate all plastic from the packaging by 2021.

The Jaguar/Tondeo Professional Hairdressing Equipment business unit last year made investments that not only enhance productivity and occupational safety, but also sustainably improve its energy performance. A new, more energy efficient annealing furnace was installed and the power supply in production was completely overhauled.

Yareto's digital business model is based on smart processes and sustainable management. Yareto uses 100 % green energy. Because energy consumption increases proportionally with the booming customer and data volumes, Yareto decided to start saving resources with its portal, which runs in 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.

Sustainable use of natural resources is also becoming increasingly important for medium-sized companies. In view of this trend, abcfinance has established a "green-energy-solutions" competence team. This team develops financing concepts for photovoltaic systems for companies to produce their own electricity. Such systems enable companies to partly or even fully cover their energy needs.

Outlook and Opportunities Report

Macroeconomic forecast

In its original forecast for 2020 in January this year, when the potential impact of the corona crisis was not yet a factor considered, the IMF predicted slightly lower growth in global gross domestic product (GDP) of 3.3 % for 2020, with variations between regions. A slightly lower increase of 1.3 % was expected in the eurozone in 2020. The IMF also forecast lower growth of 2.0 % for the USA. For China, economic growth of 6.0 % was expected. Overall, growth in the emerging markets and developing economies was expected to be 4.4 %.

For the German market, the IMF expected GDP growth in 2020 of 1.1 % (previous year: 1.3 %). Therefore, despite the sustained consolidation pressure on public budgets, strong economic conditions were expected to continue to provide positive impulses. The actual figures were forecast to be somewhat lower than in past years, however.

In its forecast published at the beginning of April 2020, which takes into account the impact of the corona crisis for the first time, the IMF predicts that, assuming the economy begins to recover in the second half of 2020, global gross domestic product (GDP) will decline by 3.3 % in 2020. According to the IMF, western industrialized countries will see an economic slump of more than 6.0 %. While a decline of this magnitude is expected in the USA, the IMF forecasts that Germany and other European countries will see an even sharper drop of 7.0 %. Despite the impact of the corona pandemic, the IMF expects the Chinese economy to grow by 1.2 %. The IMF points out the significant uncertainty of the forecasts due to the fact that the duration of the pandemic remains unknown. If the pandemic persists and there is no turnaround in the second half of the year, the economic decline will be even more pronounced in 2020 and continue into 2021.

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. Growth opportunities will also emerge from our existing market presence, modernized plants and logistics 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 expansion of new application areas (façade systems) and in the reduction of modernization backlogs (renovation of old asbestos roofs). Further opportunities could arise from stronger demand for the MONUMENTUM® and InterSIN® brands and concentration on foreign markets.

In the Consumer Goods division, additional opportunities will emerge from the decline in global trade disputes and the cancellation of tariffs. Further opportunities may also arise from the accelerated expansion of some 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. Foreign activities and strategic cooperations offer additional growth potential. In addition, further business opportunities are opening up in this area due to the rapid advances in digitalization.

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. At the start of the year, Group performance was at about the same level as the previous year; the same applies at the level of the Consumer Goods and Financial Services divisions. However, the informative value of the first few months for the entire year is limited.

For the full year 2020, the Management Board initially expected a moderate rise in net sales, a substantial increase in earnings before tax and a moderate improvement in EBITA, adjusted for positive one-off effects from 2019.

The above estimates regarding the Group's economic performance are based on projections made at a time when the coronavirus and its spread were as yet unknown. Due to the extraordinary level of uncertainty over the future development of the corona crisis, it is currently impossible to reliably forecast the economic impact on the development of business. However, in light of how the crisis has progressed so far, it seems likely that the annual targets set will not be achieved.

/// Consolidated Financial Statements ///

Consolidated Balance Sheet

Assets

in € thousand	Note	Dec. 31, 2019	Dec. 31, 2018
Intangible assets		128,928	146,194
Tangible assets		856,443	837,247
Financial assets		90,636	85,875
Fixed assets without leasing assets from financial services		**1,076,007**	**1,069,316**
Leasing assets from financial services		1,820,802	1,711,849
Fixed assets	(1)	**2,896,809**	**2,781,165**
Accounts receivable from financial services	(2)	5,023,225	4,234,261
Inventories	(3)	427,768	414,366
Accounts receivable and other assets	(4)	323,615	361,680
Securities	(5)	10,488	10,451
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	(6)	675,811	533,101
Current assets		**6,460,907**	**5,553,859**
Prepaid expenses		7,826	7,114
Deferred tax assets	(7)	3,537	1,332
Surplus from offsetting		180	68
		9,369,259	**8,343,538**

Equity and liabilities

in € thousand	Note	Dec. 31, 2019	Dec. 31, 2018
Capital shares of Wilh. Werhahn KG		147,790	147,790
Capital reserve		68,273	68,273
Group profit carried forward		1,616,660	1,609,229
Difference in equity from currency conversion		– 11,301	– 13,725
Consolidated net profit		52,281	33,336
Non-controlling interests		60,260	63,832
Equity	(8)	**1,933,963**	**1,908,735**
Difference in amounts from the capital consolidation		445	170
Provisions	(9)	380,761	366,406
Liabilities from financial services	(10)	6,645,263	5,724,126
Liabilities	(11)	407,777	342,745
Outside capital		**7,433,801**	**6,433,277**
Deferred income		1,050	1,355
		9,369,259	**8,343,538**

Consolidated Income Statement

in € thousand	Note	2019	2018
Net sales	(12)	3,605,710	3,537,412
Inventory changes		8,879	1,048
Internally produced and capitalized assets		7,416	5,742
Total operating performance		**3,622,005**	**3,544,202**
Other operating income	(13)	66,848	58,029
Cost of materials	(14)	1,904,365	1,876,310
Personnel expenses	(15)	528,458	523,311
Depreciation of tangible assets and amortization of intangible assets		153,613	162,874
Amortization and write-downs of leasing assets from financial services		557,892	507,383
Other operating expenses	(16)	436,976	433,194
Investment income	(17)	22,362	17,200
Amortization and write-downs of financial assets and securities classified as current assets		941	298
Write-ups of financial assets		9	55
Interest result	(18)	– 12,836	– 10,668
Earnings before tax		**116,143**	**105,448**
Taxes on income and earnings	(19)	42,615	52,996
Earnings after tax/consolidated net profit		**73,528**	**52,452**
Profit attributable to non-controlling interests		21,247	19,116
Consolidated net profit		**52,281**	**33,336**

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, 2019	Changes in the scope of consolidation et. al.	Additions	Disposals	Reclassifi-cations	Balance as of Dec. 31, 2019
Concessions acquired against payment, commercial trademarks and similar rights and assets as well as licenses to such rights and assets	218,628	792	9,585	1,164	1,648	229,489
Goodwill	408,133	549	15,644	7,617	–	416,709
Prepayments	2,650	39	6,318	36	– 1,129	7,842
Intangible assets	**629,411**	**1,380**	**31,547**	**8,817**	**519**	**654,040**
Land, land rights and buildings including buildings on third-party land	964,792	4,368	15,923	12,569	6,351	978,865
Technical facilities and machinery	1,244,605	7,543	38,150	36,585	36,727	1,290,440
Other facilities, operating and business equipment	454,367	1,218	39,063	22,910	– 2,427	469,311
Prepayments and facilities under construction	57,731	217	36,744	50	– 41,170	53,472
Tangible assets	**2,721,495**	**13,346**	**129,880**	**72,114**	**– 519**	**2,792,088**
Interests in affiliated companies	72,801	– 1,987	185	308	898	71,589
Interests in associated at-equity companies	36,620	–	213[1]	1,158[1]	–	35,675
Interests in other associated companies and other participations	77,604	–	14,232	1,308	– 898	89,630
Loans to affiliated companies	1,111	–	–	245	–	866
Other loans	1,461	–	116	102	–	1,475
Long-term securities	5,132	–	–	5,132	–	–
Financial assets	**194,729**	**– 1,987**	**14,746**	**8,253**	**–**	**199,235**
Fixed assets without leasing assets from financial services	**3,545,635**	**12,739**	**176,173**	**89,184**	**–**	**3,645,363**
Leasing assets from financial services	**2,882,744**	**–**	**783,812**	**551,230**	**–**	**3,115,326**
Fixed assets	**6,428,379**	**12,739**	**959,985**	**640,414**	**–**	**6,760,689**

[1] Thereof from equity valuation			213	733		

Cumulated depreciation and amortization							Book value	
Balance as of Jan. 1, 2019	Changes in the scope of consolidation et. al.	Additions	Appreciations	Disposals	Reclassifi-cations	**Balance as of Dec. 31, 2019**	**Balance as of Dec. 31, 2019**	**Balance as of Dec. 31, 2018**
156,459	480	16,220	–	907	112	172,364	57,125	62,169
326,562	– 95	26,051	–	–	–	352,518	64,191	81,571
196	34	–	–	–	–	230	7,612	2,454
483,217	**419**	**42,271**	**–**	**907**	**112**	**525,112**	**128,928**	**146,194**
471,882	1,812	25,355	2,452	9,375	– 20	487,202	491,663	492,910
1,059,645	6,526	49,639	184	35,399	3,163	1,083,390	207,050	184,960
352,640	852	36,322	59	21,556	–3,246	364,953	104,358	101,727
81	2	26	–	–	– 9	100	53,372	57,650
1,884,248	**9,192**	**111,342**	**2,695**	**66,330**	**– 112**	**1,935,645**	**856,443**	**837,247**
67,639	– 919	–	–	175	785	67,330	4,259	5,162
15,740	–	72[1]	–	–	–	15,812	19,863	20,880
25,257	–	836	–	–	– 785	25,308	64,322	52,347
–	–	–	–	–	–	–	866	1,111
156	–	2	9	–	–	149	1,326	1,305
62	–	31	–	93	–	–	–	5,070
108,854	**– 919**	**941**	**9**	**268**	**–**	**108,599**	**90,636**	**85,875**
2,476,319	**8,692**	**154,554**	**2,704**	**67,505**	**–**	**2,569,356**	**1,076,007**	**1,069,316**
1,170,895	**–**	**557,892**	**–**	**434,263**	**–**	**1,294,524**	**1,820,802**	**1,711,849**
3,647,214	**8,692**	**712,446**	**2,704**	**501,768**	**–**	**3,863,880**	**2,896,809**	**2,781,165**

Consolidated Cash Flow Statement

	in € thousand	2019	2018
	Result for the reporting period (Consolidated net profit including non-controlling interests)	73,528	52,452
+/–	Depreciation, amortization and write-downs of fixed assets/reversals of write-downs of fixed assets (without leasing assets from financial services)	151,850	161,507
+/–	Increase/decrease in provisions	6,878	3,293
+/–	Other non-cash expenses/income	5,451	24,023
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	13,763	– 31,774
+/–	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	– 1,609	– 9,496
–/+	Gain/loss from disposal of fixed assets	– 9,700	– 2,482
+/–	Interest expenses/income	12,836	10,668
–	Other investment income	– 22,362	– 17,200
+/–	Expenses/income of exceptional size or incidence	–	10,127
+/–	Income tax expenses/income	42,615	52,996
–	Payments relating to expenses of exceptional size or incidence	–	– 121
–/+	Income taxes paid	– 56,915	– 40,348
+/–	Amortization and write-downs of leasing assets/reversals of write-downs of leasing assets	557,892	507,383
+	Proceeds from disposals of leasing assets	116,967	113,255
–	Payments to acquire leasing assets	– 783,811	– 777,855
–/+	Increase/decrease of securities in financial services companies (unless classified as financial assets)	– 3	– 10,060
–/+	Increase/decrease in accounts receivable from customers from financial services	– 781,513	– 648,071
–/+	Increase/decrease in accounts receivable from banks from financial services	– 5,631	– 40,100
+/–	Increase/decrease in liabilities to customers from financial services	768,242	268,385
+/–	Increase/decrease in liabilities to banks from financial services	– 104,219	156,824
+/–	Increase/decrease in other liabilities from financial services	255,071	390,390
	Cash flow from operating activities	**239,330**	**173,796**

	in € thousand	2019	2018
+	Proceeds from disposals of intangible fixed assets	7,970	184
–	Payments to acquire intangible fixed assets	– 16,442	– 15,470
+	Proceeds from disposals of tangible fixed assets	15,484	7,130
–	Payments to acquire tangible fixed assets	– 126 865	– 121,922
+	Proceeds from disposals of long-term financial assets	7,262	3,276
–	Payments to acquire long-term financial assets	– 15,249	– 14,406
+	Proceeds from disposals of entities included in the basis of consolidation	–	– 3,702
–	Payments to acquire entities included in the basis of consolidation	– 18,170	– 5,356
–	Payments relating to expenses of exceptional size or incidence	– 2,344	– 2,000
+	Interest received	2,626	1,933
+	Dividends received	22,292	14,850
	Cash flow from investment activities	**– 123,436**	**– 135,483**
+	Proceeds from capital contributions by minority shareholders	649	–
+/–	Proceeds from the issuance of bonds and from borrowings/cash repayments of bonds and borrowings	– 25,748	10,808
+	Proceeds from subsidies/grants	2,204	3,163
–	Interest paid	– 7,048	– 5,753
–	Dividends paid to shareholders of the parent entity	– 21,176	– 35,139
–	Dividends paid to minority shareholders	– 24,381	– 20,735
	Cash flow from financing activities	**– 75,500**	**– 47,656**
	Net change in cash funds	**40,394**	**– 9,343**
+/–	Effect on cash funds of exchange rate movements and remeasurements	857	– 299
+/–	Effect on cash funds of changes in the basis of consolidation	1	–
+	**Cash funds at beginning of period**	**504,208**	**513,850**
	Cash funds at end of period	**545,460**	**504,208**

Cash funds are composed of the following items:

in € thousand	2019	2018
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	675,811	533,101
Liabilities to banks payable on demand and other short-term loans that are part of the disposition of liquid funds	– 130,351	– 28,893
Cash funds at end of period	**545,460**	**504,208**

Statement of Changes in Equity

in € thousand	Parent company: Capital shares of Wilh. Werhahn KG	Capital reserve	Group profit carried forward	Difference in equity from currency conversion	Consolidated net profit
Balance as of Jan. 1, 2019	**147,790**	**68,273**	**1,609,229**	**– 13,725**	**33,336**
Capital increase	–	–	–	–	–
Distribution	–	–	– 25,932	–	–
Currency conversion	–	–	–	2,428	–
Transfers to/ withdrawals from reserves	–	–	33,336	–	– 33,336
Other changes	–	–	27	–	–
Changes in the basis of consolidation	–	–	–	– 4	–
Consolidated net profit	–	–	–	–	52,281
Balance as of Dec. 31, 2019	**147,790**	**68,273**	**1,616,660**	**– 11,301**	**52,281**

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	Total Group equity
43,469	**1,247**	**19,116**	**1,908,735**
649	–	–	649
– 24,295	–	–	– 50,227
–	302	–	2,730
19,116	–	– 19,116	–
– 1,673	198	–	– 1,448
–	–	–	– 4
–	–	21,247	73,528
37,266	**1,747**	**21,247**	**1,933,963**

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 130 to 139. The Consolidated Financial Statements as of December 31, 2019 incorporate all the companies shown under **1. Consolidated affiliated companies**. Along with the parent company, Wilh. Werhahn KG, the scope of consolidation comprises 94 companies in Germany (previous year: 100) and 48 companies abroad (previous year: 53). In the reporting period, two companies were incorporated for the first time. These companies were newly established. Of the 13 companies removed from the list in the reporting period, 10 were companies that were merged into consolidated subsidiaries, so that their assets remain inside the scope of consolidation. Three companies were deconsolidated due to their minor significance.

Pursuant to section 296, paragraph 2 of the HGB, 72 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 using the straight line method over the respective individual useful life. The amortization periods for the Group's material goodwill items are summarized and outlined in groups in the following table:

Useful life of goodwill

	Useful life	Explanation
Aggregates business unit	15 years	Long-term availability of locations in conjunction with long-term usability of fixed assets and long-established customer relationships in regionally limited markets
Slate business unit	5 years	Corresponds to the average duration of customer relationships
Zwilling Kitchenware business unit (Staub Group and Demeyere G.C.V.)	15 years	High degree of stability and long-term duration of the industry, brand stability and long product life cycles
Zwilling Kitchenware business unit (Ballarini Group)	7 years	Relatively high degree of stability and long-term duration of the industry, moderate duration of product life cycles
Zwilling Beauty Group business unit	5 years	Corresponds to the relatively short product life cycles
abcfinance business unit	5 years	Corresponds 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 amortized over 15 years. Goodwill from at-equity consolidation totaled € 328 thousand as of the closing date, with amortization of € 37 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 € 10,640 thousand or € – 2,121 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 the 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 conversion.

The most important exchange rates for the Werhahn Group are:

	Average rate		Closing rate	
€ 1 =	**2019**	2018	**2019**	2018
US dollar	**1.1197**	1.1813	**1.1234**	1.1450
Canadian dollar	**1.4858**	1.5302	**1.4598**	1.5605
Polish zloty	**4.2968**	4.2605	**4.2568**	4.3014
Chinese renminbi	**7.7322**	7.8061	**7.8205**	7.8751
Japanese yen	**122.0896**	130.3827	**121.9400**	125.8500

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]
- abcfinance advise GmbH, Cologne
- abcfinance Holding GmbH, Neuss
- abcfinlab GmbH, Cologne
- Bank11 Holding GmbH, Neuss
- Charlie Acquisition GmbH, Monheim am Rhein
- C.O.I.N. Lease + Rent Leasing und Miete GmbH, Cologne
- Delta Acquisition GmbH, Monheim am Rhein
- DeTeWe Finance GmbH, Cologne
- Golf Acquisition GmbH, Neuss
- Hako Finance GmbH, Cologne
- Schneidereit Finance GmbH, Cologne
- Sechste Werhahn Beteiligungen GmbH, Neuss
- Stuart VV GmbH, Monheim am Rhein
- Werhahn Beteiligungs- und Projektgesellschaft mbH, Neuss
- WW Achtzehnte Acquisition GmbH, Monheim am Rhein
- WW Dreizehnte Acquisition GmbH, Monheim am Rhein
- WW Vierzehnte Acquisition GmbH, Monheim am Rhein
- WW Sechzehnte Acquisition GmbH, Monheim am Rhein
- WW Siebte Acquisition GmbH, Monheim am Rhein
- WW Siebzehnte Acquisition GmbH, Monheim am Rhein
- WW Zehnte Acquisition GmbH, Monheim am Rhein
- 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] The company also exercises the options 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 amortization and write-downs. These assets were amortized using the straight line method pro rata temporis over a useful life of three to 10 years. The useful life for goodwill is five to 15 years.

Tangible assets are valued at purchase or manufacturing cost, in the case of depreciable items less scheduled depreciation based on the usual useful life of two 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 assets are depreciated using the straight line method over the usual useful life of the asset. The depreciation of leasing assets acquired before 2015 is based on the term of contract.

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

In **Inventories**, raw materials and supplies as well as merchandise are measured at their purchase or manufacturing cost. Finished and unfinished goods are measured at manufacturing cost. Manufacturing costs comprise individual material and production costs and the separate individual costs of production. Necessary material and production overheads as well as any decline in the value of fixed assets caused by the manufacture of the item are included. Inventory risks arising from time in storage and from diminished usability have been accounted for through appropriate mark-downs. 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 that may be utilized within the next five 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 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 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 2.7 % was used on December 31, 2019 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 108/109.

Goodwill is derived primarily from capital consolidation.

Fixed assets include leasing assets from financial services in the amount of € 1,820,802 thousand (previous year: € 1,711,849 thousand).

Depreciation and amortization includes write-downs totaling € 88,196 thousand (previous year: € 74,548 thousand). Of this, € 85,594 thousand is for leasing assets from financial services and € 2,015 thousand for goodwill.

2 Accounts receivable from financial services

in € thousand	Dec. 31, 2019	thereof due in more than 1 year	Dec. 31, 2018	thereof due in more than 1 year
Receivables from banks from financial services	457,896	–	452, 274	–
Purchased accounts receivable	1,532	60	3,029	846
Accounts receivable from banking business	3,379,701	2,321,596	2,678,632	1,816,754
Accounts receivable from factoring business	271,993	–	267,606	–
Hire-purchase receivables	876,131	539,260	796,486	495,659
Other accounts receivable from financial services	34,950	3,554	32,191	1,272
Deferrals	1,022	170	4,043	3,191
	5,023,225		**4,234,261**	

3 Inventories

in € thousand	Dec. 31, 2019	Dec. 31, 2018
Raw materials and supplies	83,152	88,864
Unfinished goods and services	66,870	62,101
Finished goods and merchandise	276,107	262,141
Prepayments	1,639	1,260
	427,768	**414,366**

4 Accounts receivable and other assets

in € thousand	Dec. 31, 2019	thereof due in more than 1 year	Dec. 31, 2018	thereof due in more than 1 year
Trade accounts receivable	223,704	886	248,204	943
Accounts receivable from affiliated companies	2,386	–	3,131	–
Accounts receivable from companies in which a participating interest is held	19,326	–	16,241	–
Other assets	78,199	6,598	94,104	5,000
	323,615		**361,680**	

Accounts receivable from affiliated companies in the amount of € 556 thousand and receivables from companies in which a participating interest is held in the amount of € 1,238 thousand result from supply and service transactions.

5 Securities

Securities total € 10,063 thousand and are mostly debt securities that are largely held 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 € 675,811 thousand, € 1,851 thousand is 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 € 540,357 thousand.

7 Deferred tax assets

After offsetting against deferred tax liabilities, there was a surplus of deferred tax assets of € 3,537 thousand in the Consolidated Financial Statements. Debt carryover from the subsidiaries amounting to €5,887 thousand was overcompensated by deferred tax assets from consolidation measures.

Without being offset, this resulted in deferred tax liabilities of € 12,097 thousand and deferred tax assets of € 15,634 thousand. In the business year, deferred tax assets have been increased by € 40 thousand and deferred tax liabilities reduced by € 2,165 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 € 95,115 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 € 21,866 thousand and € 619 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 € 10,114 thousand under German law and € 334 thousand under local law.

9 Provisions

in € thousand	Balance as of Jan. 1, 2019	Consumed	Released	Addition	Other changes	Balance as of Dec. 31, 2019
Pensions and similar obligations	113,967	7,754	1,261	5,741	6,087	116,780
Tax provisions	20,260	10,052	622	11,926	26	21,538
Other provisions						
Personnel expenses	60,018	49,462	1,704	52,694	456	62,002
Recultivation	68,893	872	2,990	6,860	2,083	73,974
Sureties and guarantees	10,156	1,949	863	3,271	27	10,642
Outstanding and missing invoices	21,868	17,446	2,128	26,355	24	28,673
Miscellaneous other provisions	71,244	46,954	11,576	54,362	76	67,152
	366,406	**134,489**	**21,144**	**161,209**	**8,779**	**380,761**

Assets to cover pensions and similar obligations with fair values totaling € 2,681 thousand and € 887 thousand were offset against pension provisions and provisions for personnel costs, respectively. The historical acquisition costs of the cover assets amount to € 2,844 thousand and € 1,066 thousand, respectively. Without offsetting, the pension provisions would have totaled € 119,461 thousand and the provisions for personnel costs € 62,889 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 € 10,359 thousand.

10 Liabilities from financial services

in € thousand	Dec. 31, 2019	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	891,831	185,242	706,589
Liabilities to banks from financial services	1,496,499	961,499	535,000
Liabilities to customers from financial services	4,217,851	2,603,845	1,614,006
Deferrals	39,082	12,541	26,541
	6,645,263		

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		

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 five years totaled € 679,969 thousand (previous year: € 393,569 thousand).

11 Liabilities

in € thousand	Dec. 31, 2019	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	156,538	145,294	11,244
Prepayments received	2,656	2,656	–
Trade accounts payable	116,238	116,193	45
Liabilities to affiliated companies	10,847	10,847	–
Liabilities to companies in which a participating interest is held	42,167	41,162	1,005
Other liabilities	79,331	76,808	2,523
(thereof from taxes)	(35,592)		
(thereof for social security payments)	(4,210)		
	407,777		

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		

As of the closing date, liabilities with a remaining term of more than five years totaled €1,820 thousand (previous year: € 3,442 thousand). For liabilities amounting to € 15,881 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 € 1,458 thousand and liabilities to companies in which a participating interest is held of € 4,833 thousand were 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. Sales from the banking and leasing business are also reported.

Starting from 2019, all revenue-related advertising expenses are deducted from net sales in the Consumer Goods division. Revenue-related advertising expenses totaling a gross amount of € 10,353 thousand were recognized in the previous year.

By corporate division

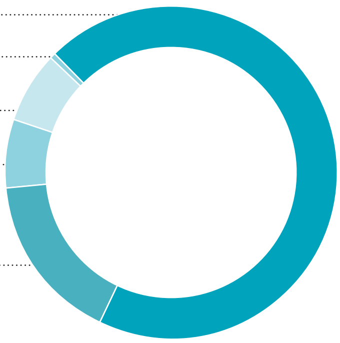
in € thousand	**2019**	2018
Building Materials	1,416,650	1,449,723
Consumer Goods	741,060	750,644
Financial Services	1,431,110	1,305,618
Others	36,873	48,486
Consolidation	– 19,983	– 17,059
	3,605,710	**3,537,412**

By region

in € thousand

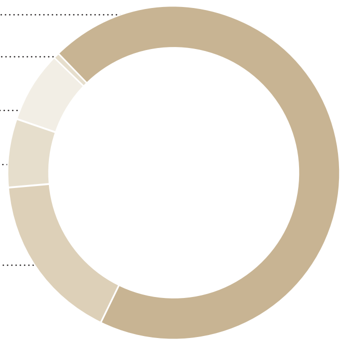
2019

Germany	**2,509,457**
Rest of world	**13,575**
Asia	**248,380**
North America	**242,956**
Rest of Europe	**591,342**
Group total	3,605,710



2018

Germany	**2,462,679**
Rest of world	**13,299**
Asia	**252,713**
North America	**233,655**
Rest of Europe	**575,066**
Group total	3,537,412



13 Other operating income

This item comprises mainly non-periodic income from the release of provisions (€ 19,260 thousand) and profits from the disposal of fixed assets (€ 11,672 thousand), write-ups of fixed and current assets (€ 2,703 thousand) as well as income from the reversals of allowances (€ 1,114 thousand).

Other operating income also includes currency exchange gains (€ 4,227 thousand; previous year: € 6,139 thousand).

14 Cost of materials

The cost of materials totaled € 1,904,365 thousand (previous year: € 1,876,310 thousand), thereof € 793,558 thousand (previous year: € 810,679 thousand) for raw materials and supplies and € 87,341 thousand (previous year: € 84,868 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.

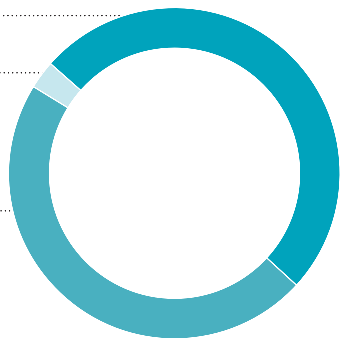
15 Personnel expenses

in € thousand	2019	2018
Wages and salaries	433,629	422,694
Social security contributions and staff welfare costs	89,054	86,775
Pension costs	5,775	13,842
	528,458	523,311

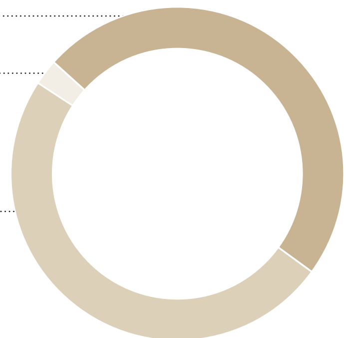
The average number of employees over the business year was as follows:

in € thousand

2019	
Salaried employees	5,061
Trainees	262
Wage earners	4,890
Group total	10,213



2018	
Salaried employees	4,919
Trainees	236
Wage earners	5,006
Group total	10,161



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 € 44.9 million (previous year: € 42.3 million). Remuneration and pension paid to former members of the Management Board and their surviving dependents totaled € 1.8 million (previous year: € 1.6 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, external services (€ 84,374 thousand), maintenance costs (€ 83,612 thousand), advertising (€ 52,348 thousand) and leasing and rental costs (€ 42,100 thousand). Additional expenses include allowances on accounts receivable (€ 29,805 thousand), insurance expenses (€ 13,274 thousand) and currency exchange losses (€ 4,663 thousand, previous year: € 7,813 thousand). Other taxes totaling € 8,172 thousand (previous year: € 7,452 thousand) are also reported in other operating expenses.

Non-periodic expenses totaled € 31,777 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 € 2,251 thousand. This includes fees for auditing services totaling € 2,011 thousand, € 3 thousand for tax consulting services, € 134 thousand for other assurance services and € 103 thousand for miscellaneous services.

17 Investment income

in € thousand	2019	2018
Income from profit and loss transfer agreements	–	231
Expenses from profit and loss transfer agreements	18	10
	– 18	**221**
Income from affiliated companies	1,631	1,162
Expenses from affiliated companies	315	245
	1,316	**917**
Income from associated at-equity companies	12,079	11,691
Expenses from associated at-equity companies	108	–
	11,971	**11,691**
Income from other associated companies and other participations	9,222	4,433
Expenses from other associated companies and other participations	129	62
	9,093	**4,371**
	22,362	**17,200**

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	2019	2018
Income from other securities and loans of financial assets	559	407
(thereof from affiliated companies)	(21)	(22)
Other interest and similar income	3,538	4,534
(thereof from affiliated companies)	(212)	(216)
Interest and similar expenses	16,933	15,609
(thereof from affiliated companies)	(38)	(59)
	– 12,836	**– 10,668**

The interest result includes expenses from the accumulation of provisions totaling € 9,415 thousand (previous year: € 9,471 thousand) and income from discounting provisions in the amount of € 1,360 thousand (previous year: € 2,960 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 € 2,468 thousand (previous year: € 3,478 thousand).

20 Income and expenses of exceptional size or incidence

There were no transactions of exceptional size or incidence during the business year with a material impact with regard to the amounts of the net assets, financial position and results of operations. The amount of € 2,344 thousand reported in cash flow from investment activities related to the settlement of such a transaction from the previous year.

List of Participations as of December 31, 2019

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-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.	Zabrušany, 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.	Zabrušany, 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
DEUTAG Ost Zweigniederlassung der Basalt-Actien-Gesellschaft	Berlin	100

Building Materials Aggregates	Registered office	Share in %
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
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	100
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	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	Registered office	Share in %
ZWILLING J. A. Henckels Aktiengesellschaft	Solingen	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"	Moscow, Russian Federation	100
Staub Fonderie SARL	Merville, France	100
ZWILLING BALLARINI ITALIA (formerly Ballarini Paolo & Figli S.p.A.)	Rivarolo Mantovano, Italy	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, Ontario, 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 Japan Ltd.	Seki-shi, Japan	100
ZWILLING J.A. HENCKELS Kitchenware (Shanghai) Ltd.	Minhang, Shanghai, China	70
ZWILLING J.A. HENCKELS LLC	Wilmington, USA	100
ZWILLING J.A. Henckels Retail GmbH	Solingen	100
ZWILLING J.A. HENCKELS Scandinavia A/S	Ballerup, Denmark	100
ZWILLING J.A. HENCKELS Shanghai Ltd.	Pudong, Shanghai, China	70
ZWILLING J.A. HENCKELS Taiwan Ltd.	Taipei, Taiwan	100

Consumer Goods Zwilling Kitchenware	Registered office	Share in %
ZWILLING Kitchen India Pvt. Ltd.	Chennai, India	80
ZWILLING STAUB FRANCE SAS	Paris, France	100
ZWILLING Trading GmbH (formerly Zwilling Minority GmbH)	Solingen	100

Consumer Goods Zwilling Beauty Group	Registered office	Share in %
ZWILLING Beauty Group GmbH	Solingen	100
Ital Beauty Nippers (India) Pvt. Ltd.	Puducherry, India	90
Personal Care International Ltd.	Hong Kong, China	100
QVS Global China	Dongguan, China	100
QVS Global UK Ltd.	Nottingham, United Kingdom	75
Tweezerman (India) Pvt. Ltd.	Puducherry, India	90
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 advise GmbH (formerly debcash Forderungsmanagement GmbH)	Cologne	100
abcfinance B.V.	Eindhoven, Netherlands	100
abcfinance GmbH	Vienna, Austria	100
C.O.I.N. Lease + Rent Leasing und Miete GmbH	Cologne	100
DeTeWe Finance GmbH	Cologne	100
ETL Leasing GmbH & Co. KG	Dortmund	51
ETL Leasing Verwaltungsgesellschaft mbH	Dortmund	51
Hako Finance GmbH	Cologne	100
milon financial services GmbH	Cologne	69
Schneidereit Finance GmbH	Cologne	100

Financial Services Bank11	Registered office	Share in %
Bank11 für Privatkunden und Handel GmbH	Neuss	100
Bank11 Holding GmbH	Neuss	100
RevoCar 2017 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2018 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2019 UG (haftungsbeschränkt)	Frankfurt am Main	0
RevoCar 2019-2 UG (haftungsbeschränkt)	Frankfurt am Main	0

Others	Registered office	Share in %
Wilh. Werhahn KG	Neuss	
abcfinance Holding GmbH (formerly WW Neunte Acquisition GmbH)	Neuss	100
abcfinlab GmbH	Cologne	100
Bankhaus Werhahn GmbH	Neuss	100
Charlie Acquisition GmbH	Monheim am Rhein	100
Delta Acquisition GmbH	Monheim am Rhein	100
Golf Acquisition GmbH	Neuss	100
Sechste Werhahn Beteiligungen GmbH (formerly BI Bakery Ingredients Holding GmbH)	Neuss	100
Stuart VV GmbH	Monheim am Rhein	100
Werhahn Beteiligungs- und Projektgesellschaft mbH	Neuss	100

Others	Registered office	Share in %
Werhahn Industrieholding SE	Neuss	100
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 Holding KG	Neuss	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	100
Asphalt-Mischwerk Bischofsheim Verwaltung GmbH	Bischofsheim	86
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 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
BW Baustoffkontor Wiesbaden Verwaltungs-GmbH	Wiesbaden	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
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
Fünfte Werhahn Projekte GmbH	Neuss	100
GfR-Gesellschaft für Rekultivierung mbH	Linz am Rhein	78
H + W Mischwerke Verwaltungs GmbH	Berlin	100
Hansa-Asphaltmischwerke Gesellschaft mit beschränkter Haftung	Dortmund	100
Hessentor Gesellschaft für Unternehmensbeteiligungen mbH	Neuss	100
Hilgers Beteiligungsgesellschaft mbH	Düsseldorf	100
Inn-Asphalt-Mischwerke GmbH.	Nußdorf am Inn	75

	Registered office	Share in %
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 i.L.	Neuss	100
N2 SRG GmbH (formerly DEUTAG Verwaltung GmbH)	Linz am Rhein	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	100
Südwest Asphalt Verwaltungs GmbH	Iffezheim	65
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
Vierte Werhahn Projekte GmbH	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 i.L.	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 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
Cuciniale GmbH	Lindau	25
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 in € thousand	Annual result in € thousand
AME Asphalt-Mischwerke Eifel GmbH & Co. KG	Sinzig	33	465[1]	201[1]
Asphalt-Mischwerke Eifel Verwaltungsgesellschaft mbH	Sinzig	33	41[1]	2[1]
DEBUS Naturstein GmbH & Co. KG	Untersiemau	49	1,924[1]	1,155[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	3,940[1]	496[1]
HWB Hartsteinwerke Burgk Verwaltungs-GmbH	Schleiz	27	70[1]	2[1]
INTERASPHALT Sp. z o.o.	Obornik, Poland	48	849[1]	52[1]
ThyssenKrupp MillServices & Systems GmbH	Duisburg	32	39,873	3,299

[1] Figures from previous years

For other 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	**2019**	2018
Cash flow from operating activities	239,330	173,796
Cash flow from investment activities	– 123,436	– 135,483
Free cash flow	**115,894**	**38,313**
Cash flow from financing activities	– 75,500	– 47,656
Net change in cash funds	**40,394**	**– 9,343**
Other changes in cash funds	858	– 299
Cash funds at beginning of period	504,208	513,850
Cash funds at end of period	**545,460**	**504,208**

Other Information

Transactions with related companies and persons

Transactions with related 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 related companies primarily involve the normal exchange of goods and services.

Subsequent events

The consequences of the corona crisis will have a negative effect on the economic success of the Werhahn Group in 2020. The Group's ability to continue as a going concern is in no doubt due to its good financial situation and the Group's regional and operational diversification.

Furthermore, no events occurred in the companies of the Werhahn Group after the closing date from which a material significance for the net assets, financial position and results of operations of the Werhahn Group is expected. With regard to the increased forecast uncertainty arising from the corona crisis, we refer the reader to the explanations in the Consolidated Report.

Transactions not included in the Consolidated Balance Sheet

in € thousand	**2019**	2018
Liabilities from the issue and transfer of bills	80	73
Liabilities from sureties, bills and check guarantees	3,669	4,013
(thereof to affiliated companies)	(418)	(418)
(thereof to associated companies)	(1,431)	(1,541)
Liabilities from warranties	219	865
Commitments from open purchase orders	127,664	146,899
(thereof to associated companies)	(263)	(200)
Cash value of non-current commitments from rent, tenancy and leasing agreements	105,278	102,864
(thereof to affiliated companies)	(526)	(236)
(thereof to associated companies)	(153)	(–)
Commitments from loan undertakings	256,673	199,060
(thereof to affiliated companies)	(100)	(–)
Other financial obligations	19,252	14,470
(thereof to affiliated companies)	(3,730)	(3,252)
(thereof to associated companies)	(189)	(196)

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, 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 of 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 arises from these highly probable forecast 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 three and 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	129,820	2,307	807	– 1,500
Highly probable forecast transactions	Currency risk	74,090	736	356	– 380
Pending transactions	Procurement price risks	4,467	592	281	– 311
Variable interest rate bonds	Interest rate risk	543,962	2,549	–	– 2,549

Neuss, April 23, 2020

Wilh. Werhahn KG

Paolo Dell' Antonio

Alexander Boldyreff

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 2019, 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 2019, 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 2019.

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 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 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 § [Article] 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 – excluding crossreferences 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 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 23, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Uwe Rittmann	ppa. Greta Berndmeyer
Wirtschaftsprüfer	Wirtschaftsprüferin
(German public auditor)	(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

Rathscheck Schiefer und Dach-Systeme
ZN der Wilh. Werhahn KG
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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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Fax: +49 (0)212 882-347
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Business activities/products
Knives, scissors, cookware, kitchen utensils, cutlery

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

Jaguar/Tondeo
Professional Hairdressing Equipment

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Fax: +49 (0)212 25207-77
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www.jaguar-solingen.com, www.tondeo.com

Business activities/products
Hair scissors, electrical hairdressing equipment

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