Taking opportunities

Annual Report 2020

Werhahn

At a glance

Selected key figures

in € million	2016	2017	2018	**2019**	**2020**
Net sales	3,322	3,383	3,537	3,606	3,726
Earnings before tax	162	163	105	116	138
Equity ratio	28 %	26 %	23 %	21 %	19 %
Equity ratio without financial services	71 %	72 %	70 %	67 %	67 %

Net sales by corporate divisions

in € million	2016	2017	2018	**2019**	**2020**
Building Materials	1,314	1,358	1,450	1,417	1,388
Consumer Goods	849	809	751	741	842
Financial Services	1,108	1,204	1,305	1,431	1,480
Others	68	28	48	37	39
Consolidation	– 17	– 16	– 17	– 20	– 23
	3,322	**3,383**	**3,537**	**3,606**	**3,726**

Employees by corporate divisions

	2016	2017	2018	**2019**	**2020**
Building Materials	4,385	4,456	4,548	4,530	4,502
Consumer Goods	4,329	4,414	4,371	4,465	4,374
Financial Services	847	923	977	1,044	1,069
Others	271	138	265	174	185
	9,832	**9,931**	**10,161**	**10,213**	**10,130**

Taking opportunities

Rarely before has there been a year with such serious challenges as 2020. No area of life was left untouched by the coronavirus pandemic. The Werhahn Group focused first and foremost on the health of its employees, then on the financial stability of its companies, and third on the sustainability of its business. Overall, Werhahn's business units weathered this year of crisis quite well. The fact that we spread our risks through diversification, combined with a solid capital base and the support of our family shareholders, has once again proven to be an advantage, as it has so often in the almost 180 years of our existence.

However, the pandemic has not just been a touchstone for Werhahn's resilience; it has also provided much positive impetus for the future. For example, the changes in the markets and in consumer behavior will persist. This will give Werhahn's companies the chance to leverage the Group's strength in order to take opportunities and change parameters that can be influenced – driven by the ongoing digitalization of work processes and business models.

CONTENTS

CORPORATE STRUCTURE

Financial Services

abcfinance

The abcfinance business unit specializes in customized financial services for small and medium-sized businesses (SMEs). 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 financing and insurance for their customers. Bank11direkt GmbH markets simple, attractive credit and investment products to private customers over the internet.

Building Materials

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

Slate
The Slate business unit offers a wide assortment 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.

Consumer Goods

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 and pedicure tools.

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

QUESTIONS

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MANAGEMENT BOARD MEMBERS

The pandemic has put the global economy to the test. How has the Werhahn Group managed to navigate safely through the crisis so far?

Paolo Dell' Antonio: The diversity of the Group, its economic resilience, and the support of the family shareholders are assets that have a stabilizing effect, particularly in these times of crisis. In addition, our crisis management team passed the coronavirus stress test with flying colors, ensuring that protective measures were implemented quickly throughout the Group and that all lines of communication and coordination operated smoothly.

But the greatest effect, in my opinion, comes from the team spirit at Werhahn. There was an almost palpable sense of motivation among the employees in all business units and central functions to tackle and master the challenges we faced. Added to this commitment was their willingness to adapt quickly and flexibly to the profound changes that the coronavirus brought to their daily work. From one day to the next, they needed a completely different set of skills and behaviors. Reconsidering established practices and aligning our actions accordingly is one of the core objectives of the cultural change that we initiated at Werhahn some time ago. The pandemic has accelerated this process at lightning speed and propelled the Group further forward, so that we are well positioned for the future even if conditions remain difficult.

From traditional business management to working remotely. How have you experienced this switch at Werhahn?

Alexander Boldyreff: To put it briefly, it worked faster and better than we had previously imagined. The coronavirus has been like a magnifying glass, showing us where we still have weaknesses and shortcomings. This allowed us to work on them systematically and improve more and more. Digital processes have become the standard throughout the Werhahn Group within a short period of time. We see all the things that are now possible – mobile working, contactless team and customer meetings, electronic data exchange, virtual staff meetings, and sales webinars – and are becoming more agile and collaborative as we move away from compartmentalized thinking and working. And that also affects our understanding of leadership. Today, we consider leadership to be more about enabling agile working and creating an open feedback and error culture. An environment like this allows us to be highly innovative and launch digital services and smart products that precisely address our customers' needs. These kinds of change processes are not always easy – all the more reason to appreciate the commitment that everyone in the Werhahn Group has demonstrated throughout this transformation.

How has the coronavirus crisis affected the business performance of the individual corporate divisions?

Stephan Kühne: Fiscal year 2020 was like a roller coaster ride – fortunately with a positive outcome for Werhahn. The year started off well, but by March at the latest, we were clearly feeling the effects of the crisis. The Consumer Goods division, with its international focus, was hit hardest by the coronavirus restrictions and experienced double-digit sales losses in March and April. In the Financial Services division, our leasing and factoring business in particular suffered as a result of the decline in investment propensity and high risk provisioning. The pandemic had comparatively little impact on the Building Materials division, which was able to follow on almost seamlessly from its strong performance in the previous year.

In the midst of every crisis lies great opportunity – this quote proved to be true for us. Thanks to intensified sales and marketing activities, further systematic investments in digitalization, and stringent cost management, the tide turned and our sales began to rise steadily again from May onwards. By the end of the year, contrary to all expectations, they significantly exceeded the previous year's figure. The Zwilling Kitchenware business unit became the clear growth driver, generating record sales despite a difficult start to the year. This success can be attributed to the expansion of its online business and the coronavirus-induced boom in the household goods sector. It's safe to say that the coronavirus will remain a risk factor for the foreseeable future. But in light of our diversified portfolio and solid growth momentum, we're nevertheless optimistic about the future.

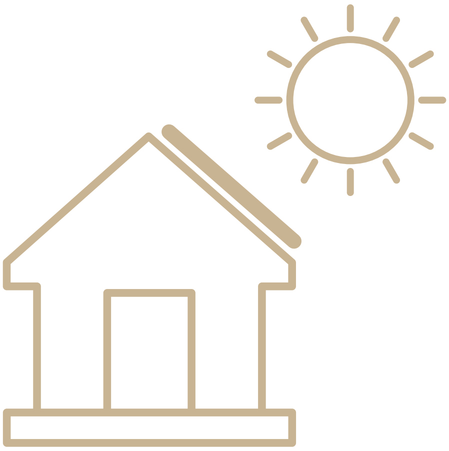
Highlights of 2020

GREATER EFFICIENCY

A new generation of powerful locomotives has brought greater efficiency to the shunting and loading processes at the **Aggregates** business unit's major quarries in eastern Germany. The innovative design combines components from used donor locomotives with new, standardized industrial components. This has multiple benefits: high performance coupled with reduced energy consumption, lower exhaust emissions and noise levels, improved working conditions, and – last but not least – a 50% reduction in procurement costs.

SECURED FOR DECADES

The **Aggregates** business unit successfully completed three approval processes, thereby securing the raw materials base for the Zeilberg and Kälberberg locations in Germany and the Liba location in the Czech Republic for the next 50, 25 and 30 years respectively.



GREEN ENERGY

abcfinance launched an industry solution called green-energy-solutions. Having already concluded leasing contracts for photovoltaic systems in the past, the business unit has now pooled and expanded its experience in this area in order to offer SME customers financing for resource-efficient energy solutions.

START OF PRODUCTION

Cafersa, a Spanish subsidiary of the **Slate** business unit, started up production of MONUMENTUM®, a premium brand for an Old German roofing material that is mainly used for the restoration of historical monuments. Two state-of-the-art robotic lines capable of producing the full range of required formats were set up by the end of February. The lines have been running in regular production since the fall.

CLOSER TO THE GOAL

Yareto has complemented its residual value leasing product with mileage leasing. Both products enable car dealers to compare offers from several leasing companies for their commercial customers. The expanded product range brings Yareto closer to its goal of offering car dealership partners all major financing products with just one login.

AWARD-WINNING

In the TOP SERVICE Germany contest, **abcfinance** defended its leadership position and once again took first place in the categories of service quality and customer centricity. In addition, the abc leasing portal again received the seal of approval as one of Germany's best online portals. The Best Brands Award presented by the two leading automotive trade publications saw **Bank11** leave its strong competitors behind and win the title of Best Independent Automotive Bank. In addition, the business unit took second place in the AUTOHAUS bank monitor, which ranks the best independent automotive banks in Germany.

NEW BUSINESS SEGMENT

With ZWILLING FRESH & SAVE, **Zwilling Kitchenware** launched a smart storage and vacuuming system that keeps food fresh up to five times longer and reminds consumers via an app which food items should be used up soon. With FRESH & SAVE, Zwilling Kitchenware has entered a completely new business segment. This important product innovation is both a key transformation project and a test for the further advancement of Zwilling Kitchenware's digital transformation.

BEAUTY ANNIVERSARY

At the **Zwilling Beauty Group**, TWEEZERMAN celebrated 40 years of commitment to beauty. What started out as a niche brand has become a global trendsetter that is appreciated by models, celebrities, makeup artists, and consumers. The anniversary event in New York was a brilliant kick-off for a global marketing campaign.

KICK-OFF IN CHINA

The **Zwilling Beauty Group** turned its attention to the Chinese beauty tools market with its TWEEZERMAN brand. To kick things off, the company made its first appearance at the Shenzhen Fashion Show – one of the few trade fairs in the world to be held at all in a year marked by the coronavirus. And the Group made the most of the opportunity. In particular, the live stream events with key opinion leaders drew the public to its booth.

STRONGER COOPERATION

As part of the cultural change at Werhahn, the **holding** company completed its process of developing a mission statement. The statement describes the company's understanding of its role and its set of values, which form the basis for the new quality of cooperation within the Werhahn Group.

A FIRST

As part of the framework of their new electric initiative, the two business units **abcfinance** and **Bank11** cooperated with each other for the first time. Under the slogan “Three simple steps to liquidity,” they now offer car dealers the opportunity to pre-finance the incentive bonus for electric vehicles by means of factoring.

INCREASE IN PRODUCTION

In the second half of 2020, the **Slate** business unit recorded a 20% increase in production output at its Spanish extraction sites compared to 2019. This largely compensated for the 26-day production downtime caused by the lockdown in March and April. Besides organizational improvements and process optimization, the increase is also attributable to improving geological conditions.

TOP SALES

The pandemic has boosted the global trend to cook at home. **Zwilling Kitchenware** actively exploited this momentum on all channels and implemented a wide range of international marketing measures that were geared precisely to consumers’ needs. The effect was resounding: Zwilling Kitchenware achieved record sales of €744 million.

RENOWNED PARTNER

The car comparison portal **Yareto** recorded a strategic, image-enhancing success by gaining the savings bank Stadtsparkasse Chemnitz as a financing partner. Car dealers registered with Yareto therefore now have another option to offer their customers.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"The past year was extraordinary in every respect – and not just because of the coronavirus. In March – that is, in the middle of the first lockdown – I began to gradually take over the management of the central laboratory. The team was also reorganized at the same time. Right from the start, I sensed a great willingness to learn from and with each other, which enabled us to grow together as a team and quickly achieve a high standard of performance. And that's essential because our range of tasks is constantly expanding and will continue to change in the future as we move away from conventional analysis of asphalt mixtures to performance-oriented testing. This involves the use of innovative testing methods to determine how the asphalt will behave in response to the expected long-term traffic volumes and growing climate requirements. We can thus predict how many years the asphalt will remain usable. We've taken a big step toward the future here, but what will our work look like 20 years from now? That's another question we've been thinking about as part of our strategy process. Letting our ideas run free, without being distracted by day-to-day business, was an exciting experience."

Dr. Elena Rudi

Head of the central laboratory
of Basalt AG in Cologne-Porz

400 IDEAS
THAT WILL CHANGE THE WORLD OF CONSTRUCTION

What if everyone involved in a road construction project met in a virtual environment to coordinate every step of the planning and implementation process together? In a Group-wide strategy process, the location and department managers of Basalt AG thought through this and other scenarios for the future. The goal is to establish digitalization throughout the Group and thus maintain the leading position in an industry that is currently experiencing the greatest upheaval in decades.

Construction will also be digital in the future: Before the first excavator rolls onto the construction site, a complete 3D model of the new road will be created. New data will be added to the virtual simulation on an ongoing basis – project plans, construction material specifications, running costs, order and delivery quantities. All parties involved will have access to the information via a digital platform. Building information modeling, or BIM for short, enables construction projects to be completed faster and more efficiently, making cost and schedule overruns a thing of the past.

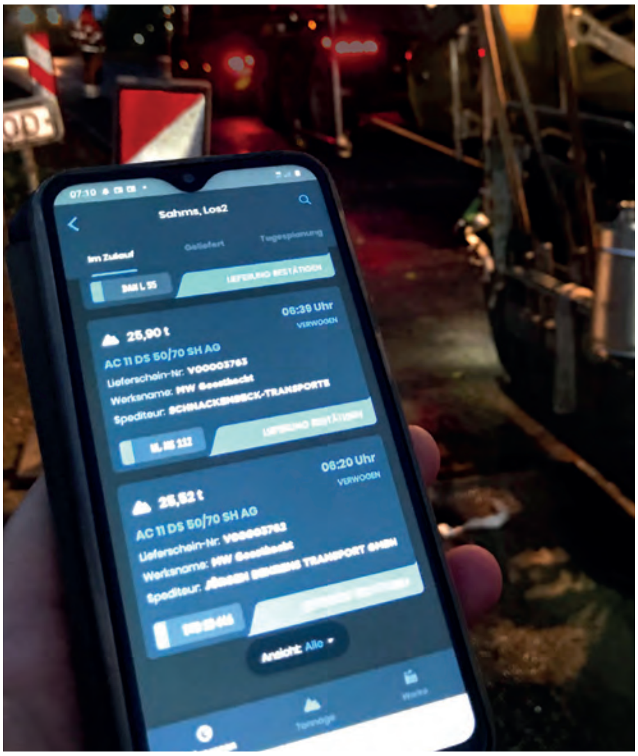
From idea pool to roadmap

Digital construction requires a paradigm shift – away from isolated and toward coordinated, networked value chains. What requirements does Construction 4.0 place on quarries and mixing plants, which stand at the beginning of the process chain as suppliers of building materials? And how can they take their customers along on a digital journey?

A Group-wide strategy process that was launched in the spring of 2020 provided answers to these questions. Over a period of 100 days, the Aggregates business unit organized 20 workshops across Germany, with managers contributing their market knowledge and process experience. Together, they developed more than 400 ideas that were condensed little by little into a vision of the future in the areas of digitalization, sustainability, and demographic change. Based on this, they drew up a roadmap with concrete work programs and milestones up to 2030.

Better visibility on the highway

The requirements of the many small and medium-sized regional construction companies formed the starting point for the digital strategy. Their biggest cost drivers include complex supply chains, poorly organized material streams, and slowdowns in the flow of work all the way to standstills on the construction site. These are the issues addressed by the Highway project, which is designed to ensure transparent coordination channels between the mixing plant and property developer. At its heart is the digital customer portal BAG Cockpit, where all business processes from order planning to invoicing are displayed. Using the mobile Onsite app, the foreman on the construction site can simultaneously track all material deliveries in real time. The project has already passed the field test and is now being successively rolled out on the market, with further functional updates to follow.



Material streams at a glance: The BAG Onsite app has already passed the practical test.

Speaking one language

Standardized interfaces and exchange formats are crucial for networking and coordination across the process chain. Many construction companies have their own software solutions, but they are generally not compatible with one another. As a first step, the Aggregates business unit therefore introduced an industry-wide delivery note with a QR code. This has now been followed by an electronic delivery note that enables automated and paperless ordering, scheduling, and delivery processes. For example, as soon as a truck loaded with asphalt leaves the mixing plant, the electronic delivery note appears in the digital customer portal. All further steps are also documented electronically.

Buying building materials online

From this point, it is not a big leap to an online trading platform for construction materials. With its comprehensive range of mineral raw materials, special building materials, and asphalt mixtures, the Aggregates business unit is well placed to enter the world of e-commerce. This is not yet a reality, but the growing interest of customers in B2B building materials commerce shows the potential of this business model.

The future is agile

Thinking outside the box requires new mindsets and working practices. To move more quickly from idea to practical implementation, the locations are trying out various agile methods and training their employees for this purpose. At the same time, the aim is to create a network that enables internal interaction across all locations, since faster and more flexible workflows are crucial to expanding the range of digital products and services. The digital team of the Aggregates business unit sees itself as a conductor rather than a software provider and expects every employee to be part of the digitalization process at some point in the near future. •

In the construction industry, marketing takes place primarily in the B2B sector. Private building owners are often sidelined – even though they have a growing interest in information. Rathscheck Schiefer has recognized the potential and is stepping up its investments in dialogue channels with end customers. This strategy is having a noticeable effect: The company's advertising contacts have risen to a total of 47.8 million, with the target group of private building owners represented most strongly.

47.8 MILLION ADVERTISING CONTACTS

REDISCOVERING SLATE

Traditional, exclusive, expensive – this image of slate has long been outdated, but is still present in many people's minds. To allow slate to be rediscovered as a versatile and affordable natural product, the Slate business unit launched a broad-based marketing campaign in both digital and analog media.

STRONG BRAND STORY

The focus is primarily on private building owners, who play a key role in deciding which materials are used, but the campaign also addresses roofers and architects in their role as multipliers. What they all have in common is the desire to realize their own ideas and move away from the uniform look of many roofs and façades. And the brand story ties in with this. It is intended to convey that slate offers individual, stylish solutions as opposed to conformity.

CONCISE SLATE KNOWLEDGE ON THE WEBSITE

The reorientation of the marketing strategy is particularly evident in the company's completely revised internet presence. The new website is the central information hub for communication with private building owners. Here they can find interesting facts about roof and façade renovation as well as contemporary types of slate covering. The option of downloading e-books and checklists generates numerous contacts, which can be referred to slate-roofing partners if required. In this way, Rathscheck Schiefer ideally accompanies the entire customer journey from the provision of information and advice to the implementation of the construction project.

STRONG PRESENCE ON SOCIAL MEDIA CHANNELS

Higher visibility, greater reach: Targeted social media campaigns draw users' attention to new types of slate covering and systems and motivate them to visit the new website. One example of coronavirus communication was the special campaign on Facebook and Instagram that addressed the insecurities of many private building owners. The message: Slate is still available for delivery and construction projects will not be affected by the standstill.

Integrated slate and solar systems are also being promoted on social networks. They appeal primarily to building owners who are interested in solutions that are uncomplicated, aesthetic, and sustainable at the same time. All in all, the social media campaigns on Instagram, Facebook, Pinterest, and YouTube reach more than 19 million users.

INTELLIGENT MARKETING MIX

Marketing on digital channels is complemented by editorial articles as well as PR and advertising campaigns in traditional print media. By appearing in trade magazines and daily newspapers, the company also reaches out to members of the target group who are less digitally inclined, thus achieving a reach of 27.8 million contacts.

In conclusion, the decision to target end customers, which is a rather unusual approach in the industry, has helped establish slate as a modern façade and roofing material in the consciousness of a broader public.


ZWILLING

“When we saw the lockdown looming, we expected the worst. The last thing people need now are premium knives and pots, we feared. But just the opposite turned out to be true. People spent most of their time at home, so cooking became a central part of their lives during the lockdown. They wanted to make life as comfortable as possible, and this obviously included re-equipping the kitchen with high-end kitchenware. So we directed our full attention to responding to their needs: In the space of just a few weeks, we not only built up an internal content production team, but also expanded our online store with new content in preparation for the upcoming digital onslaught. We also have a more cross-functional approach to marketing now, and we've set up an agile project team for the market launch of ZWILLING FRESH & SAVE. When you make that many changes in such a short space of time, it naturally leaves some people feeling insecure and overwhelmed. The most important thing in a situation like this is to address their fears and reservations openly and bring the employees on board for the journey ahead. At the end of the day, everyone pulled together and both the employees and ZWILLING have grown in the face of the challenges.”

Julia Bien

Head of Marketing Germany/Austria at
ZWILLING J.A. Henckels GmbH, Solingen

744 MILLION EUROS IN SALES

The coronavirus pandemic has led to a real boom in home cooking and online retailing. With product innovations and an expanded digital presence, Zwilling Kitchenware was well positioned to take advantage of this exceptionally high demand, generating record sales of €744 million.

During the crisis, more and more people switched to shopping online, making e-commerce the number one sales channel worldwide. The Zwilling Kitchenware business unit had set about adding virtual touchpoints to its shopping experience years ago. Today, its marketing and sales processes are fully digital, and the online and offline channels are closely interlinked. This meant that consumers were also able to access the entire ZWILLING brand portfolio during the lockdown – on online marketplaces as well as in the ZWILLING webshops. Through data-based marketing, each individual consumer takes center stage and is addressed personally.

Steady stream of content

Useful images and product information, authentic blog posts, and Instagram stories are important for the virtual shopping experience, but also to ensure that customers can find the products they are looking for online. To ramp up content production as fast as possible, a provisional content lab prepared photos, videos, and texts. It quickly supplied thousands of pieces of content for the

In-house content production at high speed.

ZWILLING webshop so that the entire range of products could be showcased in an attractive way. Content production is still running at full speed today and is now firmly established on the Solingen Digital Campus.

Launch of the year: ZWILLING FRESH & SAVE

As consumers were forced to retreat into the private sphere, their demand for comfort and smart technologies that make everyday life simpler, more efficient, and more sustainable increased. Zwilling Kitchenware had the perfect response to this consumer demand with its product innovation ZWILLING FRESH & SAVE. The vacuuming and storage system is digitally networked and keeps food fresh for longer. For the first time, the product launch was organized by an agile, cross-departmental project team. Employees working in product management, communications, graphic design, and online marketing joined forces to launch the product on the market, largely on their own responsibility. And the concept worked out: ZWILLING FRESH & SAVE became one of the business unit’s most successful product launches.

Recipe for success in the USA: “All ZWILLING”

The pandemic also brought public life in the USA to a temporary standstill. In this situation, Zwilling Kitchenware stepped up its cooperation with retail chains and specialist retailers. Via the “All ZWILLING” multichannel model, retailers were able to present the entire ZWILLING range in their online stores without having to stock or pre-finance the products. The companies are linked

Infomercials in China: Superstars with millions of followers ensure brisk sales.

up to ZWILLING's logistics by means of a digital interface. When a customer orders an item from a retail partner's online store, the order is forwarded directly to ZWILLING and shipped to the customer from the company's own warehouse. The consumer remains the retailer's customer and also receives the delivery in the name and for the account of the retailer. A real success model: ZWILLING sales in the USA have climbed by 50%.

Immediate help for local retailers

During the lockdown, small U.S. retailers without their own webshop were often at a loss. Zwilling Kitchenware therefore launched the "Shop local" initiative to ease their way into online sales. Local retailers were given access to the ZWILLING webshop, enabling them to offer ZWLLING products and thus generate sales, despite the fact that their stores were closed. This gave hundreds of small retailers the opportunity to mitigate the losses from their brick-and-mortar business.

China: livestreams on the rise

In China, the crisis gave the already strong online retail sector another strong boost. Through its virtual flagship stores on the online marketplaces of Alibaba and JD.com, the business unit regularly reaches hundreds of thousands of users. Product lines developed specifically for the Chinese market, such as rice cookers and hot water stations, are proving very popular there.

Livestreams are becoming more and more important as an alternative to real shopping trips. Young Chinese consumers, in particular, are big fans of the countless infomercial apps. Zwilling Kitchenware was able to win over the influencers Viya and Austin Li for live promotions. Both of them are superstars in China, boasting millions of followers and often selling thousands of items per minute during their live shows.

Growth drivers of the future

Product innovations and digital business models proved to be strong growth drivers for Zwilling Kitchenware during the year of the coronavirus. The business unit hopes to carry this momentum into the future, even when consumers start to invest less in their homes and kitchens and more in travel and entertainment again. ●

65 DAYS OF SOLIDARITY DURING THE LOCKDOWN

B2B commerce in premium hair scissors thrives on direct sales and close customer contact. But what do you do when all the hair salons are closed? Just slam on the brakes and shut down sales? That was not an option for the Jaguar/Tondeo Professional Hairdressing Equipment business unit. And so its employees came up with a number of ideas to stand by the hairdressers during their enforced break, which lasted a total of 65 days.

IMMEDIATE ACTION NEEDED

Immediately after the lockdown in mid-March, the Solingen-based scissors manufacturer launched an information campaign on social networks. On Facebook and Instagram, the sales experts became important contacts during the crisis, answering all kinds of questions and giving tips on the safe disinfection of scissors and blades or on online marketing. The business unit also accommodated salon operators financially. Where possible, payment terms were extended or installments deferred – an immediate action for which the business unit has received a great deal of recognition and appreciation in the industry.

FREE GRINDING SERVICE

In cooperation with the Wuppertal/Solingen hairdressers' guild, the business unit offered a free grinding and maintenance service during salon closures. The work was carried out with the same high-precision equipment at the Solingen production plant that is used to manufacture new products.

INSPIRATION THROUGH E-LEARNING

Many salon operators used the involuntary time off to gain inspiration and enhance their skills. In this situation, the newly developed e-learning service from Solingen was just what they needed. The multimedia training videos give hairdressers the opportunity to learn new cutting techniques or expand their knowledge of the manufacture, ergonomics, and steel quality of professional hairdressing scissors. Whether on a PC, smartphone or tablet – the online training program can be easily accessed from any device.

ONLINE SALES ON THE RISE

Right after the outbreak of the pandemic, the business unit broadened its online sales activities. It expanded the product range both in its own webshop and on the relevant B2B commerce platforms and managed to boost sales through targeted e-mail marketing. Around 30,000 hairdressers received regular newsletters with offers from the Tondeo and Jaguar ranges. This partially compensated for the decline in revenue from direct sales.

HYGIENE KIT FOR THE RESTART

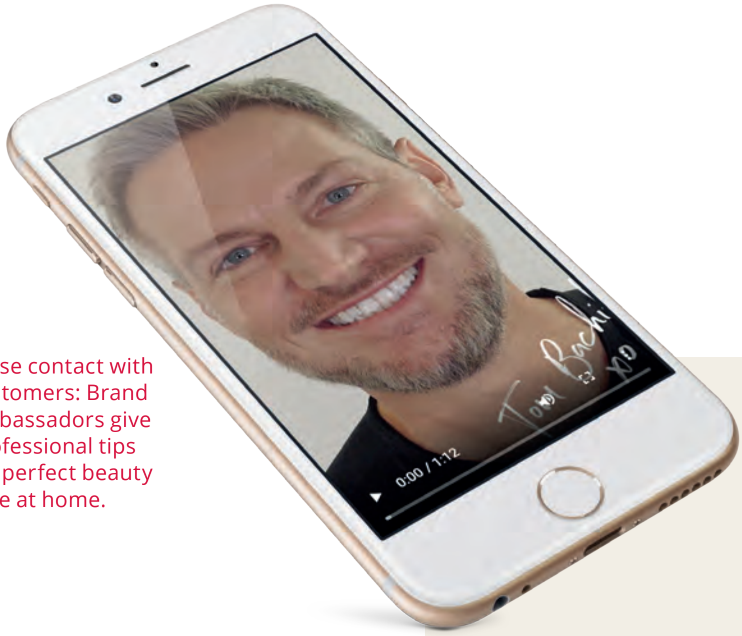
To help salons comply with the strict infection control regulations, the business unit developed a comprehensive hygiene and disinfection concept. The guide, available as a brochure, was supplemented by disinfectants, hand cream, and face masks. The direct sales team was thus well equipped for the restart.

117%

INCREASE IN HAIR SCISSOR SALES

For most women in the United States, a trip to the nail and beauty salon is as much a part of their everyday life as a visit to the hairdresser. But during the lockdown, professional treatments were canceled for weeks at a time, so beauty routines had to be carried out at home. The result is a surge in demand for grooming tools.

TWEEZERMAN reacted quickly to the change in customer needs. The provider of premium beauty tools, headquartered on Long Island in New York State, directed all of its marketing activities toward products that support beauty care at home. As a result, sales of grooming tools such as scissors, nail files, and pedicure products have shot up, with TWEEZERMAN recording sales growth of 117% for hair scissors alone. There is also a boom in beauty tools that accentuate the eyes when the rest of the face is covered by a mask. Artificial eyelash applicators in particular are recording high growth rates.



Close contact with customers: Brand ambassadors give professional tips for perfect beauty care at home.

WELCOME TO THE DIGITAL BEAUTY SALON

New reality – new content

Digital channels are the most important link to the outside world during the lockdown. TWEEZERMAN updated the product information, images, and videos both in its own webshop and on online marketplaces so that they address the challenging circumstances of life at the moment. Holding together, looking out for each other, taking time for oneself: The brand image picks up on consumers' basic needs for safety, empathy, and closeness.

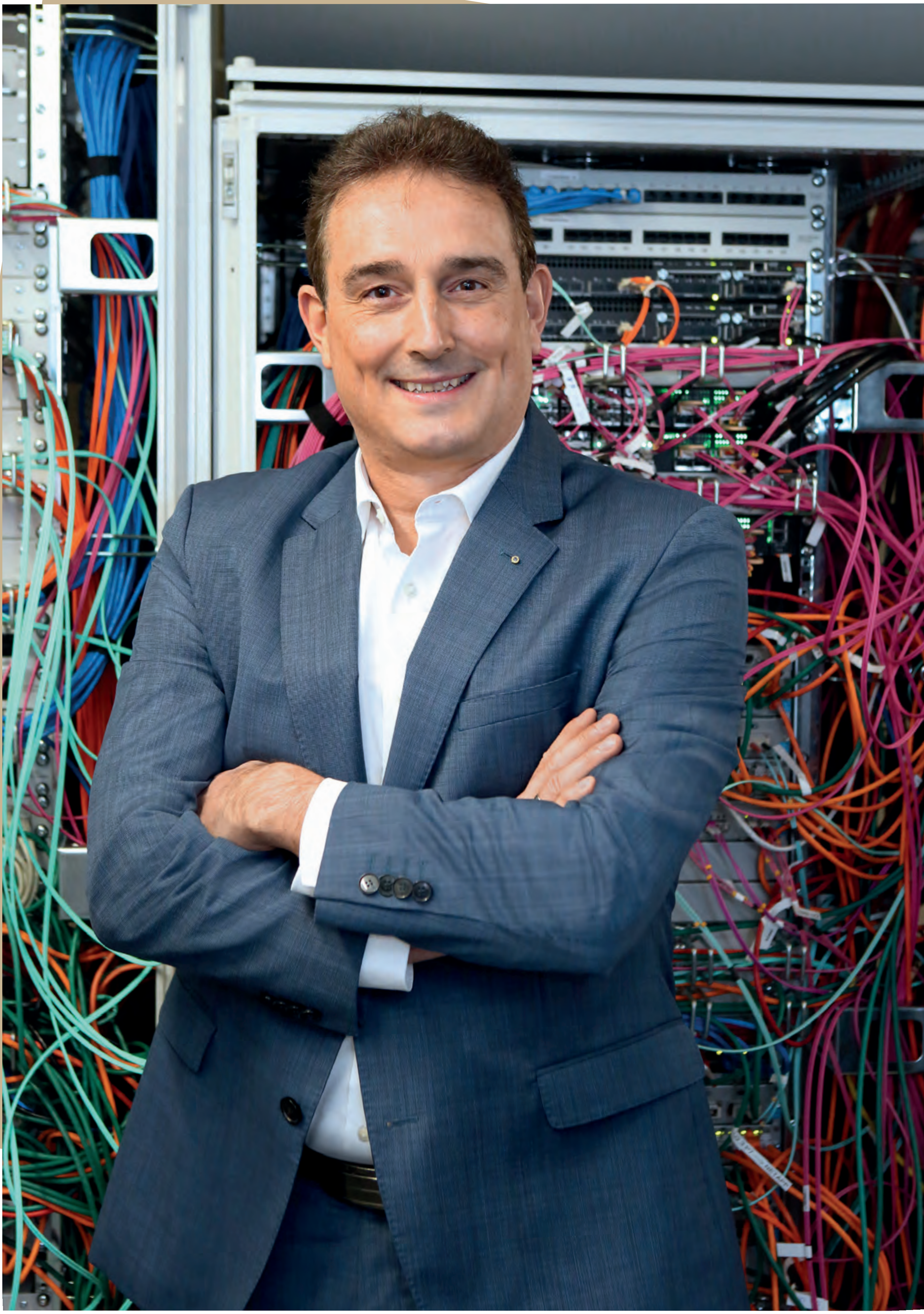
From TWEEZERMAN with love

The strong emotional appeal continues in its communication campaigns and marketing e-mails. New dynamic advertising banners, which were displayed on various social media channels during the Christmas season, further boosted sales of grooming tools. For example, a campaign with the title "Give the gift of beauty this Christmas" met with a great response, reflecting consumers' seasonal desire for self-care and wellness.

Countering the stress of the pandemic together

Social proximity despite physical distance: TWEEZERMAN sought close contact with its target groups in every phase of the pandemic. The marketing team contacted customers personally by e-mail. From their offices at home, employees reported on their preferred grooming rituals and favorite beauty tools. And they also related how they manage to stay positive and optimistic. ●

Whether manicure, pedicure, or skin care: Advice from beauty experts is highly sought-after right now. TWEEZERMAN brand ambassadors like makeup artist Mary Phillips or nail artist Tom Bachik reveal valuable insider tips in their tutorials. They provide insights into their care and beauty routines and demonstrate step by step how you can achieve the perfect style at home. The digital beauty salon is not only free of charge, but also open around the clock.



"When the crisis began, the IT staff in all our departments – whether working with data centers, ERP and banking systems, or the IT organization – found themselves under immense pressure. Projects that we had planned to implement in the coming years were suddenly brought forward and completed almost simultaneously in a matter of weeks. We also experienced an enormous boom in mobile working, for example. The number of remote accesses to our network increased tenfold within a short period of time. We had to upgrade our entire security infrastructure to ensure that notebooks could be used securely at home, while at the same time complying with regulatory requirements. In parallel, other projects were underway to digitalize customer touchpoints and transform our rather static ERP system into a flexible, service-oriented architecture. I think we were all surprised at how quickly and pragmatically abcfinance adapted to the new challenges."

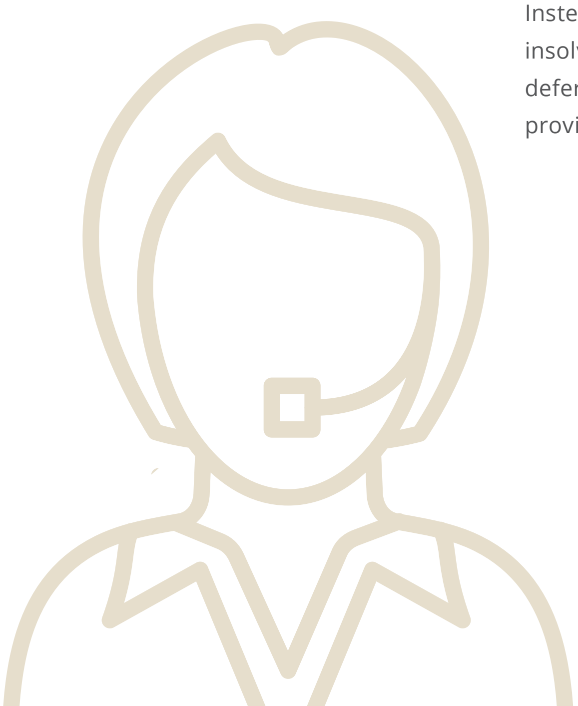
Oliver Reindl

Head of IT Management and Organization at abcfinance in Cologne

5,330 HOURS

Understanding customers, lending them a helping hand, and finding solutions together: Even during the lockdown, the abcfinance business unit did what it does best. And it even extended its range of consulting services. Employees spent a total of 5,330 working hours providing ad hoc consulting to their customers.

Uncertainty is poison when it comes to planning for the future. The German economy's propensity to invest dropped noticeably immediately after the outbreak of the pandemic, and that also put a damper on the business prospects of mid-market funding provider abcfinance. What's more, there was a threat of write-downs due to payment defaults. In this situation, abcfinance made a far-reaching decision: Instead of waiting for a possible wave of insolvencies or reacting defensively to deferral requests, the financial services provider went on a consulting drive.



Ready for digital sales

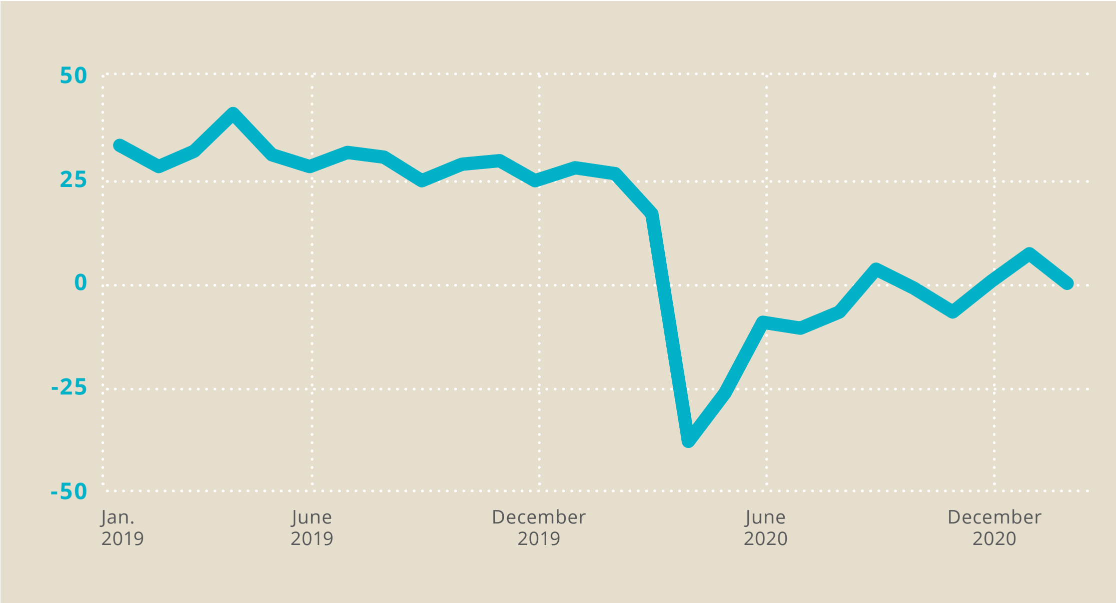
First, the daily work routine had to be reorganized. This is because, as of mid-March, more than 90% of the staff were already working from home – in a business that relies on customer proximity and trust. All of them had to be equipped with the appropriate hardware and software so that they could log on to the company network securely and be there for their customers again quickly. The fact that the entire loan application process and back-office infrastructure had already been digitalized proved invaluable at that point. And mail deliveries were also handled automatically via an online connection to the mail distribution center.

All-round service in an exceptional situation

From their mobile offices, the approximately 200 sales employees actively sought out conversations with their customers. They listened to the concerns and needs of the companies, determined what specific action was

Slump in spring 2020: abcfinance stood by its customers during the crisis with a range of consulting services tailored to their needs.

ifo Business Climate Index for the leasing sector



Source: BDL (Federal Association of German Leasing Companies), ifo Institute, as of: February 23, 2021; business climate seasonally adjusted

required, and drew up customized action plans. This also included an offer to quickly and unbureaucratically defer leasing and factoring installments and to bridge liquidity shortages. In many cases, the sales staff worked closely with the companies' tax advisors to find the best possible solution together.

Support with coronavirus aid

What public support programs exist specifically for small and medium-sized enterprises? Where can they apply for the coronavirus aid packages? Under the heading "What you can do now!", abcfinance bundled all relevant information on a microsite set up specifically for this purpose. Here, customers were also able to download a free calculation tool to create a reliable liquidity calculation, as required by many government agencies. And once again, the company's sales staff were available to help customers complete and submit the often complex applications.

Prospects for new business

abcfinance has a broad customer base – an advantage in times of crisis. While the catering and hotel industries, as well as the event and fitness sectors, temporarily put all investments on hold, other sectors such as logistics, professional cleaning, and IT showed a sharp rise in demand for investment. Meanwhile, some companies quickly changed their business model, for example to profitable mask production. As a result, abcfinance's leasing and factoring business also picked up again.

Service promise fulfilled

The business unit's offensive strategy proved successful. The gloomy outlook forecast in the spring largely failed to materialize. Many companies did not make use of the offer to defer payments, or did so only for a short time, because government subsidies were granted in the meantime. But they certainly appreciated the fact that their financial services provider did not desert them alone in their time of need. In the midst of the crisis, abcfinance thus underscored its promise to be a long-term and trustworthy partner for SMEs. This is something that will be remembered and will continue to make the rounds in the future.

11 SUCCESSES

The coronavirus crisis slammed the brakes on the car trade last year, with the number of new registrations dropping by 20% to the lowest level since 1990. But even in this challenging environment, Bank11 continued on its winning course, as 11 examples from the company's day-to-day business show.

1.

Sales target exceeded

With more than €2.6 billion in new sales and purchase financing business, Bank11 exceeded the sales targets it had set itself. Sales financing alone increased by 17% year-on-year – despite closed car dealerships in March, April, and December 2020.

2.

Customer acquisition at a high level

Anything car dealers need: Bank11 remained true to this guiding principle even during the lockdown. Customer proximity and all-round service were its top priority – whether online, over the phone, or during on-site visits to customers in full compliance with all protective measures. This enabled the independent automotive bank to further expand its dealer network, adding just under 1,600 new customers to reach a total of almost 15,000 dealership partners.

3.

Pole position with smive

No long contract commitments, high flexibility: Car subscriptions are the latest trend. The concept is that users rent a vehicle of their choice for a set monthly price that covers all fixed costs. In June 2020, Bank11 was the first brand-independent automotive bank in Germany to enter the car subscription market. Via the smive marketing platform, car dealers can benefit from the strong growth in demand without having to make any investment of their own. Around 200 dealers already use the service, offering more than 750 vehicles on a subscription basis on smive.de.

4.

Award-winning performance

Good service pays off – and word gets around: The Best Brands Award presented by the AUTOHAUS and asp trade magazines named Bank11 the best independent automotive bank of the year. And Bank11 also ranks highly in the AUTOHAUS bank monitor, coming second in the category of independent automotive banks. Moreover, the company received top ratings in the Finance Award for its fixed-term deposits and its consistently convincing service.

5.

Digital purchase financing with Vincent

Bank11 once again demonstrated its innovative strength: The business unit developed a new digital tool known as Vincent, which provides time-saving, automated purchase financing processes and eliminates the need for paper and postal deliveries. Thanks to the fully automated processes, dealers now have even faster access to their credit facilities.

6.

Partnership with added value

As a trendsetter with a clear customer focus, Bank11 is a sought-after cooperation partner. The most recent example is its collaboration with the joint venture between Aiways and Euronics. The Chinese startup company and the consumer electronics retailer are marketing a new type of electric vehicle in Germany. Further cooperation agreements were signed with Verband des Kfz-Gewerbes NRW (North Rhine-Westphalia's motor trade association) and Mitteldeutsches Kraftfahrzeuggewerbe (Central German motor trade association). This means the bank is now working with three major motor trade guilds representing more than 12,000 member companies.

7.

Electric campaign launched

Electric mobility is set to gain momentum in Germany thanks to substantial subsidies. Bank11 has launched a tailor-made offering in cooperation with abcfinance to coincide with this. By means of factoring, car dealers can quickly and easily pre-finance the government subsidy until it is paid out. Since this secures liquidity and increases sales opportunities for the automotive trade, the digital factoring service is in high demand.

8.

Sound refinancing basis

Bank11 was quick to establish a source of refinancing via the European Central Bank by securitizing loan receivables in the form of ABS bonds. RevoCar 2020 – the largest securitization transaction to date with a volume of €800 million – is now being structured and deposited with the ECB in due time, enabling Bank11 to continue to refinance itself at favorable terms.

9.

Team spirit despite social distancing

On average, two-thirds of the bank's employees have been working from home during the lockdown. Special online events are being organized to keep up the team spirit even at a distance. For example, a different department introduces itself every week under the heading "A cappuccino with..." And during its "Meet & Greet" events, the management regularly reports on the latest developments. This kind of transparency is very much appreciated, as the employees' reactions show.

10.

Strong growth

Bank11 is not only growing in terms of customers and sales; the team is also expanding. Whereas many companies have imposed hiring freezes, Bank11 welcomed a net 32 new employees last year. Their task is to ensure efficient workflows and develop new, market-oriented solutions.

11.

Smooth system changeover

In parallel to the ongoing day-to-day business and the pandemic with its severe disruptions, Bank11 carried out a complete migration of its core banking system. A project team spent more than a year preparing the changeover with military precision in cooperation with the divisions and external service providers. The switch from the Bank21 system to Agree21 was completed smoothly in the summer of 2020.

300 OPPORTUNITIES

Initially planned as a temporary replacement for canceled customer visits, webinars have proven to be a hit for Yareto. Since they started in summer 2020, more than 300 car dealers have been taking part in the live seminars.

It is the combination of personal customer advice and a digital business model that makes Germany's first comparison portal for the automotive trade so attractive. But the lockdown also means that direct contact with car dealers is out of the question for the time being. To compensate, at least in part, for the lack of face-to-face consulting at car dealerships, the Yareto sales team got creative and developed an informative webinar format entirely on its own initiative.

Invitation to a virtual journey

If you want to reach customers, you have to deliver value. This is especially true on the internet, where there is a vast array of offerings. Yareto's sales staff have therefore set the bar high. Their aim is to turn virtual meetings into a real experience. Under the title "Financing Made Easy", they take their customers on a virtual journey through the Yareto world. In the process, car dealers get to know the car loan comparison portal in detail and learn how they can obtain many attractive loan offers through a single login.

Yareto will continue to use webinars as a supporting tool for sales and marketing in the future.

Customer feedback via chat function

The chat function allows participants to join the live webinar at any time to post comments or ask questions. This creates an intensive interaction with the moderators, but also between the dealers themselves. The final feedback form provides information on how the participants liked the webinars and where there is still room for improvement. The results show that the vast majority of car dealers are grateful for the opportunity to stay in touch and receive valuable tips on innovative vehicle financing.

High reach, low effort

The response to the webinars exceeds all of the Yareto sales team's expectations. Each time, more than 70 dealers have taken part in the hour-long virtual events, and some have even attended more than once. It would take several weeks to reach the same number of customers through personal visits to their sites. Initially implemented on a small budget and using only in-house resources, the online seminars will soon be further professionalized in terms of technology and didactics thanks to the help of external service providers. There are also plans for a virtual dealer forum centered on dialog and the exchange of opinions.

Strong customer growth

Even though digital formats cannot replace personal contact and trusting one-on-one discussions entirely, webinars have definitely proven their worth as a supporting sales and marketing tool for Yareto. That is also reflected in the development of the customer base: Despite the coronavirus restrictions, the number of registered car dealers increased by more than 1,500 to around 14,300 by the end of 2020.

/// Werhahn Group ///

Corporate Principles

- Decentralized corporate management
- Independent and flexible business
- Ensuring 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. This enables 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)

Peter Gerckens
(from September 19, 2020)

Lambert Goder

Wilhelm Josten

Dr. Wolfgang Klein

Julius Kolb
(from September 19, 2020)

Clemens Maier

Dr. Katharina Müller-Bardenhewer
(from September 19, 2020)

Fritz Oidtmann

Wilhelm Straaten
(from September 19, 2020)

Ruth Werhahn

Management Board

Paolo Dell' Antonio
(Chairman)

Alexander Boldyreff

Stephan Kühne
(from May 11, 2020)

Report of the Supervisory Board

Dear Shareholders,

Dominated by the coronavirus pandemic, the past year posed major challenges for the Werhahn Group's Management Board, managers and employees. The Management Board and Supervisory Board met on numerous occasions in the first half of the year to discuss the current position of the business units and the Group as a whole. Thanks to Werhahn's diversified positioning and the commitment of all involved, business performance was stable – despite some restrictions. The Supervisory Board would like to express its gratitude to the Management Board, managers and all employees of the Werhahn Group for their dedication and successful work during the past year.

During the 2020 business year, the Supervisory Board performed the duties required of it by law and by the articles of association, 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 significant business events.

The Supervisory Board held four regular meetings and five further meetings in person and by video conference in 2020. 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, issues concerning risk management, the adoption of the operational business plan for 2021 as well as matters relating to the Management Board. At its meetings, the Supervisory Board also made decisions on transactions requiring approval under the articles of association. At the additional meetings, the Werhahn Group's situation in respect of the coronavirus pandemic, M&A projects, the 2030 strategy developed by the Management Board, and other issues concerning the company and its shareholders were discussed in depth.

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 on the Accounting Committee included the 2019 Financial Statements and Consolidated Financial Statements as well as reports on legal, compliance, IT, data protection and internal audit activities in the Werhahn Group. The Personnel Committee discussed matters relating to the Management Board in particular. Committee chairpersons informed the members of the Supervisory Board of the content and outcomes of their committee meetings.

At the regular shareholders' meeting on September 19, 2020, 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 Management Report as well as the Financial Statements of Wilh. Werhahn KG for the 2020 business year 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 15, 2021. The Financial Statements of Wilh. Werhahn KG as of December 31, 2020 were thus adopted. The auditor was present at the discussions of the Financial Statements and the Consolidated Financial Statements as well as at all meetings of the Accounting Committee and answered supplementary questions.

The family members of the Supervisory Board of Wilh. Werhahn KG were re-elected as scheduled at the shareholders' meeting on September 19, 2020. To replace the departing Paul Josten, Dr. Alexander Kolb, Dr. Johannes Velling, Heribert Werhahn and Dr. Michael Werhahn, Dr. Katharina Müller-Bardenhewer, Peter Gerckens, Julius Kolb and Wilhelm Straaten were appointed to the Supervisory Board. The Supervisory Board would like to thank its former members for their long-standing, dedicated, inspiring and successful work on the Supervisory Board. At the inaugural meeting, the appointments of Anton Werhahn as Chairman and Gabriela-Maria Baum-D'Ambra as Vice Chairwoman of the Supervisory Board were confirmed. Gabriela-Maria Baum-D'Ambra, Fritz Oidtmann and Wilhelm Straaten were elected to the Personnel Committee alongside the Chairman of the Supervisory Board, whose appointment was automatic. The members of the newly appointed Accounting Committee are Dr. Katharina Müller-Bardenhewer, Dr. Wolfgang Klein and Herr Wilhelm Straaten.

Neuss, April 15, 2021
The Supervisory Board

Anton Werhahn
Chairman of the Supervisory Board

Corporate Governance Report

In conformity with principle 22 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 in the period from January 1 to May 10, 2020 and of three non-family members as of May 11, 2020. From September 2019, the Supervisory Board of Wilh. Werhahn KG had ten family members and three non-family members. Since the shareholders' meeting in September 2020, it has had nine family members and three non-family members.

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

Responsibly dealing with risks

At the Werhahn Group, good corporate governance involves comprehensive and systematic risk management within the framework of corporate management, and comprises three lines of defense.

The first line of defense is situated where risks can arise, in other words in the respective companies of the Werhahn Group. The risks in the various business units are identified, the resulting risk potential is analyzed and evaluated using quantitative measurement variables, and risk mitigation measures are considered. These measures include controls that the respective management implements in the business processes. This approach helps ensure risks are identified at an early stage. Any risks to the going-concern status are reported immediately – outside of regular reporting – to the supervisory bodies in the business units as well as to Wilh. Werhahn KG and its supervisory bodies.

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. The risk management system is described in detail in the Consolidated Management Report.

To create a picture of the Group's overall risk situation, the specific local and general risks as well as the Group effects are evaluated based on the reports prepared by 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 the individuals responsible.

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 by 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 closely together in the interest of the company. The Management Board coordinates the strategic alignment of the company with the Supervisory Board and informs it regularly, promptly and comprehensively 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 articles of association 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 binding on 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, which was updated in 2020, is supplemented by a general guideline and a specific guideline on antitrust law, among other things, as well as electronic training tools for the overall Code of Conduct and other issues relevant to compliance. 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 central compliance officer will contact the Chairman of the Supervisory Board directly if he suspects that the Management Board has not conducted itself compliantly.

The 27 compliance officers in the business units assist the central compliance officer in developing the compliance system and 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.

In addition, a whistle-blower system has been established, which employees all over the world can access anonymously and free of charge in their local language to report compliance issues. It is also possible to enter into an anonymous dialogue with the whistle-blower via this system.

Listing the compliance rules is an essential component of the compliance management system. But it is just as important to convince the people who should comply with these rules of the necessity of adhering to legal and internal requirements. The Group has a comprehensive training program for this purpose. One focus of our compliance activities is antitrust law and anti-corruption training, which is conducted worldwide on site by experienced attorneys or compliance officers as well as through e-learning. Chaired by the central compliance officer of Wilh. Werhahn KG, the Compliance Committee addresses all matters relating to compliance within the Werhahn Group, analyzes risk and takes steps to ensure improved compliance. Knowledge arising from the discussions and training sessions is 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 are incorporated into the Code of Conduct training tool.

An international compliance audit conducted in 2016 by a renowned and experienced German law firm and 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 with regard to preventing or substantially impeding infringements of antitrust and corruption rules and in recognizing emerging infringements. The Werhahn Group was also certified for its strong compliance culture. A comprehensive follow-up audit is planned to review the effectiveness of the compliance system within the Group.

Furthermore, there are numerous additional compliance activities, particularly in the companies regulated by the German Federal 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 Management Report ///

Preface

The global coronavirus pandemic created unprecedented challenges for both the company and the economy last year. To bring down the at times exponential rise in new infections, many countries introduced measures in spring 2020 to prevent social contact, which restricted public life and massively impacted parts of the economy. Companies in almost all industries were forced to scale back or even entirely cease their activities.

During the second quarter, virus transmission rates slowed as a result of the lockdown. Many countries then began to ease restrictions. The economy bounced back much more quickly than experts had initially thought possible. However, an unexpectedly severe second wave of infections in the fall brought the recovery to a standstill and a further lockdown was imposed.

At the end of 2020, the development of vaccines brought hope that the health risks associated with COVID-19 could be brought under control and restrictions gradually lifted in the course of 2021. According to the International Monetary Fund (IMF) outlook for 2021, this will require that the population be vaccinated at a rapid rate and that there be no setbacks due to mutations of the virus.

The coronavirus pandemic also tested the resilience of the Werhahn Group, its customers and partners in 2020. The global lockdown disrupted supply chains, blocked distribution channels, increased risks and in many cases forced us to adapt how we work together. The effects varied depending on business area and region. At some locations, there were production stoppages and short-time working, particularly due to the closure of bricks-and-mortar stores and supply chain difficulties.

The Group mastered the associated challenges and remained a reliable partner to its customers and suppliers even during the crisis. Protecting and safeguarding the health of our employees was our main priority at all times. Through the use of mobile workplace solutions, a high-performance IT structure, high digital security standards and extensive hygiene measures, the Werhahn Group continued to operate and deliver the customary quality levels to its business partners, even in this challenging environment.

To mitigate the negative financial impact, various ad-hoc measures were implemented in the business units.

The social distancing rules imposed during the coronavirus pandemic, particularly the closure of restaurants and stores, led people to spend more time at home and look after their own needs. Accordingly, they invested more in household goods and certain beauty items than in previous years. This benefited the Consumer Goods division in particular.

Amid all of the difficulties, the Group used the time of the coronavirus pandemic to set a positive course for the future. The Group's digital transformation pushed ahead – both with regard to working practices within the Werhahn Group and to interactions with suppliers and customers. In particular, companies in the Consumer Goods division considerably expanded their online activities last year and thus benefited from changed customer behavior, especially in the USA and China.

The Group's strong financial position and broad regional and operational diversification formed a strong foundation for tackling the challenges wrought by the pandemic.

At the beginning of 2021, there is optimism that a large proportion of the reduction in global wealth reduction caused by the coronavirus pandemic in the previous year can be recovered over time. However, the IMF estimates that the rate of economic recovery will probably vary. While China and the EU could record relatively strong respective growth rates of 8.1 % and 4.2 % this year, Germany (up 3.5 %) and the USA (up 5.1 %) are expected to improve more slowly. The recovery process in many emerging markets could even stall in 2021, according to the IMF, since their access to vaccines and financial resources is reduced compared with most industrialized countries. All economic researchers point out that forecasts have never before been clouded in as much uncertainty as they were at the beginning of 2021.

Accordingly, the impact of the coronavirus pandemic on the economic performance of the Werhahn Group this year cannot be reliably estimated. Demand for products and services could be depressed, as could availability of the required raw materials and finished products. The crisis could result in higher levels of bad debt and interest losses. The Group has implemented various preventive measures to protect employees from infection and maintain business operations. In addition, a range of organizational concepts have been developed to minimize the economic impact of the pandemic, including the possibility of short-time working.

The Werhahn Group's unchanged good financial situation and broad-based positioning are a strong foundation for its survival even in prolonged adverse circumstances.

Macroeconomic Development

The global economy fell into an unprecedented recession in 2020 due to the coronavirus pandemic. Following temporary lockdown measures in the spring, there was initially a strong recovery in the second half of the year, but this was dampened by high infection rates in late fall. According to figures published by the International Monetary Fund (IMF), global gross domestic product (GDP) was 3.5 % lower than in the previous year. A slump of this magnitude was not even experienced in the 2007/08 financial crisis. In 2019, the global economy grew by 2.9 %.

The outbreak of the coronavirus and the necessary lockdown measures led to significant restrictions on economic activity in all regions of the world in the second quarter. Overall, in the period from April to June 2020, adjusted for price and seasonal effects global economic output shrank by 7.8 % in US dollar terms compared with the prior-year quarter. This sharp decline was in large part attributable to the negative developments in major economic regions such as the eurozone, the USA, Japan, India, Brazil and Russia.

In addition to the impact on industry, the stabilizing effect of private consumption – which has for many years supported the economy – was absent. Store closures, travel restrictions and concerns over an uncertain future led many people to reduce their spending and save more. Since individual countries were affected by the spread of the coronavirus pandemic at different times and to differing extents, there were various phases to the recovery process.

German economic decline less steep than feared

The German economy suffered a significantly less severe slump in the crisis-hit year than the leading economic research institutes had predicted in the first weeks of the pandemic. The Federal Statistical Office calculated that gross domestic product declined by 5 %. In spring 2020, there were fears that there would be a drop of 10 % or more. According to the German Council of Economic Experts, the fact that the decrease was less sharp is attributable in large part to the measures implemented by the federal government: short-time working and temporary financial assistance prevented a spike in company insolvencies and a slump in the labor market. After plunging 9.9 % in the second quarter, gross domestic product climbed by 8.5 % between June and September.

Exporting companies were the main driving force behind this turnaround, bolstered by increased demand from China. Thanks to still flourishing residential construction and stable investment in road construction, the construction industry also proved a strong pillar for the economy. In contrast, the impetus from private consumption was weak. During the lockdown, sales in the travel industry and the hotel and restaurant business collapsed. According to the German Retail Association (HDE), retail sales rose by 4 % in real terms. However, this growth was primarily due to healthy sales of food, home furnishings and household appliances, with other sectors – particularly textiles – recording double-digit declines. Due to the decline in tax receipts and social security contributions, on the one hand, and the billions in financial aid made available, on the other, the total budget deficit according to calculations by the Federal Statistical Office amounted to 140 billion euros. This was the first shortfall following eight years of surplus and the second-largest funding deficit since reunification. The deficit was only larger in 1995 when the debts of the Treuhandanstalt (the trust agency responsible for the privatization program in the former East Germany) were included in the budget. According to KfW Bank, at slightly over 70 % of gross domestic product, German public debt last year was far lower than at its peak after the financial crisis (2010: 82 %) and below that of other major industrialized nations.

European countries experience mixed effects of crisis

The European economy fell into a deep recession in 2020. The decline was more rapid than during the financial crisis and affected industry as well as the service sector. Following the sharp drop during the lockdown in the second quarter, there was a strong recovery in the summer months, which was then interrupted by rising numbers of infections in the fall. According to the European Commission, the 19 eurozone countries recorded a 7.8 % decline in economic output. The GDP of the 27 EU member states was 7.4 % lower than in the previous year. However, the rate of decline varied widely. Alongside differing rates of infection, the main factors were the significance of the economic sectors most severely impacted by the crisis – such as hospitality – in the respective national economies and their degree of integration in global value chains.

Spain and Italy, which were hit particularly hard by the pandemic, also experienced the sharpest economic declines. Both countries were already weakened going into the coronavirus crisis. Spain (GDP decline: 12.4 %) was still dealing with the consequences of the euro crisis. Italy (down 9.9 %) was plagued by structural problems and poor growth prospects. According to figures from Statista, France also registered an above-average decline (down 9.4 %). On average, the economic downturn in Eastern Europe was less pronounced than in western countries. Poland, for example, saw a decline of just 3.6 %. The declines in the Czech Republic (down 6.5 %) and Hungary (down 6.1 %) were also below the European average. In 2020, the European Central Bank (ECB) repeatedly propped up the eurozone economy with financial relief packages to ensure that the credit flow to companies and households did not dry up during the virus crisis. In December, the central bank increased its Pandemic Emergency Purchase Program (PEPP) by a further € 500 billion to € 1.85 trillion.

In addition to the coronavirus pandemic, the UK economy suffered last year due to the uncertainty regarding the outcome of the Brexit negotiations and shrank by 10.3 %, according to the European Commission. According to the German Council of Economic Experts this slump is also attributable to the fact that the UK government was relatively late to implement measures to reduce the spread of COVID-19, which then had to remain in place for longer into the summer to bring down the infection rate.

China rises further, USA declines

Despite the negative impact of the coronavirus pandemic, China again recorded economic growth in 2020. According to national statistics office data, the 2.3 % rise was significantly lower than the previous year's growth of a good 6 %. Nevertheless, the People's Republic was in a far better economic position at the end of the year than all other major economic powers. As the origin and first epicenter of the pandemic, China was relatively quick to bring the infection rate under control. The country was already reporting lower case numbers in the second quarter, accompanied by a strong economic recovery. No other major national economy managed to resume growth during this period. The recovery process in all other countries only began later as lockdown measures were eased. Following a moderate rise in the third quarter, the Chinese economy grew by a substantial 6.5 % in the last three months of the year. Strong exports were the main driver of this trend. The country manufactured goods that were in high demand during the pandemic, including personal protective equipment and electronics for setting up home offices. An economic stimulus program implemented by the Chinese government ensured that domestic demand also recovered rapidly in the second half of the year. The upturn in China helped other exporting companies to offset the downturns in other markets.

The US economy slumped more significantly than at any time since the Second World War. According to government figures, GDP was 3.5 % lower than in the previous year. Up until the coronavirus pandemic escalated in March 2020, the US economy was booming. It then dropped by 9 % in the second quarter. The subsequent race to catch up came to a standstill in the final quarter with growth at just 1 %. To support the economy, the US Congress introduced a relief package of up to € 3 trillion in the first half of the year. The Federal Reserve's very loose monetary policy further stimulated consumer spending, which is reflected in the sharp increase in mortgage lending for the construction of owner-occupied homes.

The economic trend was influenced by a significant rise in unemployment from 3.5 % at the beginning of the year to 6.7 % in December. According to the German Council of Economic Experts this is also attributable to economic policy: The USA relied on high unemployment benefits to mitigate the impact of the pandemic on employees and shore up consumer spending, while European economies turned instead to short-time working.

Hopes of an end to the trade dispute between China and the USA, which had been simmering since 2018, failed to materialize. Although the two states signed a deal at the beginning of 2020, under which China committed to additional US imports, further customs barriers were implemented in the course of the year: The Chinese government reacted to the USA's punitive tariffs on imports from China with equivalent tariffs for US products. Consequently, the trade in goods was again significantly impacted. During the pandemic, the USA implemented numerous customs exemptions, including for healthcare products, as well as electronic items and other products.

Additional burden on Russia and Japan

The Russian economy suffered a major slump in 2020. According to the Central Bank of the Russian Federation, GDP was 4.5 % lower than in the previous year. In addition to the negative impact of the coronavirus pandemic, the drop in the oil price also hurt the economy. According to the original budget, more than one-third of government revenue was expected to come from oil and gas income. This calculation was based on an oil price of $ 57.70 per barrel. In reality, the price collapsed to $ 8.48, the lowest level since 1998. According to German Trade & Invest (GTAI), the low oil price, coupled with reduced demand, led Russia to miss out on around $ 165 billion from the oil and gas business in 2020. Along with the oil price and as a result of EU and US sanctions, the ruble also declined, which increased the cost of imports. While revenues declined during the coronavirus crisis, expenses increased. To support those affected by the pandemic and the economy, the government approved three relief packages and initiated a national action plan, which is to be rolled out in three stages by the end of 2021. To finance these measures, the government amended the budget and postponed investments. The population's financial situation deteriorated further in the past year. According to data from the Russian think tank Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF), adjusted for inflation, real disposable income was 5 % lower than in 2019.

Unlike most other industrialized nations, Japan was already in recession before the outbreak of the coronavirus pandemic. The country's economy had begun to shrink significantly following the VAT hike in October 2019. COVID-19 exacerbated this trend with the result that gross domestic product in 2020 was 5.3 % lower than in the previous year. Although the sharp drop in the second quarter was followed by a strong recovery in the following three months, this was nowhere near enough to make up for the earlier declines, particularly in industrial output and private consumption. The situation worsened again with the second wave of the pandemic in the fall. The Japanese economy suffered its biggest drop in the tourist business – a sector that has made a steadily increasing contribution to GDP in recent years.

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 2020, the Werhahn Group recorded consolidated net sales of € 3,726 million (previous year: € 3,606 million). At 3 %, net sales growth was just slightly short of expectations despite the negative impact of the coronavirus pandemic.

The Consumer Goods and Financial Services divisions recorded significant growth, while net sales in the Building Materials division were slightly down on the previous year.

Both domestic and foreign net sales were slightly above the previous year. The share of foreign net sales in consolidated net sales was up slightly on the previous year to 32 %. Foreign net sales totaled € 1,194 million (previous year: € 1,096 million). Net sales in euros were negatively impacted by exchange rate movements. This trend was driven in particular by the US dollar, Russian ruble, and Chinese renminbi.

Net sales by business unit

in € million	**2020**	2019	Change
Aggregates	1,318	1,351	– 33
Slate	71	67	4
Zwilling Kitchenware	744	645	99
Zwilling Beauty Group	82	85	– 3
Jaguar/Tondeo Professional Hairdressing Equipment	22	23	– 1
abcfinance	1,319	1,291	28
Bank11	161	140	21
Others	39	37	2
Consolidation	– 30	– 33	3
	3,726	**3,606**	**120**

[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 declining-balance depreciation.

Selected key figures

	2020	2019
Cost of materials ratio	51 %	53 %
Personnel expenses ratio	14 %	15 %
Investment rate[2]	107 %	115 %
Tax rate	42 %	37 %
Earnings before tax (in € million)	138	116

The cost of materials for the Werhahn Group was virtually unchanged at € 1,899 million (previous year: € 1,904 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 cost of materials ratio[3] in the Building Materials division improved thanks to lower procurement prices. The Consumer Goods division also achieved a lower cost of materials ratio, largely due to the significant sales growth. In the Financial Services division, higher expenditures from residual book values of sold leading assets led to a slight rise in the cost of materials ratio.

At € 531 million, personnel expenses remained at the prior-year level (€ 528 million), with slightly lower average employee numbers. The personnel expenses ratio[4] improved slightly overall. This improvement was primarily attributable to the Consumer Goods division.

Depreciation of tangible assets and amortization of intangible assets in the business year stood at € 152 million, which is just below the previous year's figure of € 154 million. Write-downs on leasing assets increased slightly from € 558 million to € 565 million.

[2] The investment rate is determined by dividing investments in tangible assets, intangible assets (excluding goodwill), and net investment related to acquisitions by depreciation and amortization.
[3] The cost of materials ratio is calculated by dividing the cost of materials by net sales.
[4] The personnel expenses ratio is calculated by dividing personnel expenses by net sales.

In 2020, other operating income decreased from € 67 million to € 55 million. This decline was primarily due to lower income from the release of provisions, write-ups of fixed assets, and income from insurance settlements. Higher foreign exchange gains had an offsetting effect.

Other operating expenses increased by 14 % to € 497 million (previous year: € 437 million). Compared with the previous year, there was a notable increase of write-downs on accounts receivable from financial services, write-downs on receivables and other assets, and expenses related to the recognition of provisions for losses from pending transactions. IT and maintenance costs also rose sharply, while travel expenses declined significantly. The most significant individual items contributing to other operating expenses were maintenance costs (€ 90 million), external services (€ 88 million) and marketing (€ 52 million).

In the business year, investment income increased by € 10 million to € 32 million. This primarily relates to distributions from other participations and higher income from associated companies.

The Werhahn Group’s 2020 operating result significantly exceeded expectations and the prior-year figure despite the negative impact of the pandemic. All corporate divisions contributed to this positive trend, with the Consumer Goods division achieving the biggest year-on-year earnings growth.

The operating result in the Building Materials division was up on the previous year despite lower net sales. This was largely attributable to the improved gross margin. The Consumer Goods division recorded a significant year-on-year rise in its operating result. Higher net sales and the cost savings achieved resulted in better results of operations. The Financial Services division posted a slight rise in its operating result. Significantly higher costs related to risk provisioning were more than offset by a considerable increase in net interest income in particular.

The interest result including income from securities in fixed and current assets amounted to € – 14 million (previous year: € – 13 million).

Earnings before tax of € 138 million were considerably higher than in the previous year (€ 116 million) and also significantly exceeded expectations.

The tax rate[5] was up slightly in 2020 compared with the previous year, since one-off costs due to higher non-tax deductible expenses as well as losses that could not be set off were recognized in the business year.

Overall, the Werhahn Group generated net income of € 80 million in 2020, an increase of € 6 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 exceptional challenges.

[5] 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, façades, interiors and landscaping.

Aggregates

The Aggregates business unit comprises four segments under the leadership of Basalt-Actien-Gesellschaft (BAG): mineral raw materials, asphalt mixtures, construction chemicals, and building materials recycling/disposal. In addition to Germany, Sweden and the Benelux countries, the business unit operates in the Central and Eastern European countries of Poland, Russia, Ukraine, the Czech Republic and Hungary. Customers primarily include road construction, 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 89 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 174 plants owned by the Group. The construction chemicals segment mainly produces and markets bituminous sealant materials for structural and roadway construction. The building materials recycling/disposal segment involves processing, marketing and storing non-contaminated recyclable building rubble.

German road construction loses impetus

The economic situation of countries in which the business unit operates was massively impacted by the coronavirus pandemic last year. Despite the unfavorable environment, the construction industry reported a relatively stable performance almost across the board.

According to figures from the Central Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie) and the Central Association of German Building Industry (Zentralverband des Deutschen Baugewerbes), the industry registered nominal net sales growth of 6.6 % in 2020; price-adjusted, growth was 4.1 %. Residential construction and public construction were the main contributors, posting nominal sales growth of 11.4 % and 5.7 %, respectively. In contrast, public road construction, a key area for the business

Net sales development Building Materials division

in € million

– 2.0 %

unit, performed less well. In this area, nominal growth was 0.5 % down on the previous year. Taking into account price increases, the decline amounted to 2.6 %. On a nominal basis, order intake in the area of public road construction remained close to the prior-year level (– 0.1 %). However, in real terms the decline was 2.5 %. Public road construction was thus the underachiever of the public construction segment. Regardless of substantial budgets, demand for construction materials and order intake in public road construction declined further. One reason for this was the ongoing staff shortages at planning and licensing authorities, which meant orders were slow to come in. In addition, the German Länder and municipalities deferred or even completely canceled calls for tender in expectation of declining tax receipts due to the coronavirus pandemic. Delays were also caused in relation to the transfer of the administration of Länder contracts to the Federal Government's Autobahn GmbH. Consequently, the market volume in asphalt road construction also fell short of expectations.

In most of the Aggregates business unit's foreign markets, the impact of the coronavirus pandemic last year was far more severe for the construction industry than it was in Germany. In Poland, the largest foreign market, numerous construction projects were postponed. However, the authorities intend to stick to their infrastructure plans over the long term. Policymakers view infrastructure investment as a way out of the crisis and plan to make more funding available. Road construction also remained a high priority in Russia in 2020. The government implemented further measures to accelerate their completion and made € 10.5 billion available for a national road construction project.

This is based on the expectation that infrastructure development will provide impetus for the economy as a whole. The construction industry in Ukraine benefited from a government funding program with a focus on road construction initiated at the beginning of 2020. Policymakers recognized that there is a considerable need for infrastructure improvement. Consequently, it established a supplementary budget, giving the ministry responsible for infrastructure additional financial headroom for road construction projects. In the Czech Republic, the government increased transport infrastructure funding despite the deep economic recession in the country. The expiring EU support for infrastructure projects also provided momentum, since the funds had to be drawn. In contrast, the end of the EU-financed measures was detrimental to the construction industry in Hungary. Nevertheless, the government remains committed to the development of the road network, particularly projects that are co-financed by the EU. In Sweden, construction industry growth was restrained, largely due to the pandemic.

On the procurement markets, there was no uniform trend in the prices for energy and spare and wear parts in 2020. Energy costs rose sharply. At the same time, the price of spare and wear parts increased only moderately. Due to the decline in crude oil prices as a result of the coronavirus pandemic, the cost of the fossil fuels diesel and fuel oil also decreased. The low crude oil prices also had a positive impact on the bitumen price in particular, which is the most important raw material in asphalt production. The price fell sharply and remained below the expected level. A forward-looking hedging policy also benefited procurement.

Strong earnings performance in the business year

Net sales in the Aggregates business unit declined slightly by 2.4 % to € 1,318 million in 2020. This was partly attributable to lower sales of mixtures. In addition, significantly lower bitumen prices amid intense competition led to discounting.

Raw materials sales exceeded the previous year both in Germany and abroad. The companies in Russia and Ukraine again posted record sales. However, the Polish, Czech, Hungarian and Swedish companies all fell short of the – in some cases high – previous year's sales. Due to the lack of calls for tender and strong competition, sales of mixtures failed to reach the prior-year level.

Despite the lower net sales, the Aggregate business unit's operating result again surpassed the already good result of the previous year. This is primarily attributable to higher margins resulting from lower bitumen prices, which more than compensated for the decline in mixtures sales. The good operating result made up for the lack of the previous year's positive one-off effects and the one-off expenses in the 2020 business year. Despite the more difficult general conditions, the results of the construction chemicals business also improved compared with the previous year. Among the foreign companies, Russia and Ukraine saw considerable earnings growth. In contrast, the operating results of the companies in Poland, Sweden and Hungary fell short of the, in some cases very good, previous year.

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

Troubled outlook for the construction industry

Unlike in the preceding years, the construction industry is unlikely to significantly buoy Germany's economy in 2021. The Central Association of the German Construction Industry and the Central Association of German Building Industry expect net sales to remain at the prior-year level. Taking into account price increases, this would mean a decline in real terms of 2 %. The associations' forecasts factor in the influence of the coronavirus pandemic, which they expect to negatively impact commercial construction in particular, as well as public construction. While residential construction is forecast to grow by 3 % in nominal terms in 2021, the associations predict a 1.5 % nominal decline in net sales for public construction. Lower tax receipts could lead to the Federal Government, Länder and municipalities postponing or canceling planned projects. It is encouraging that the Federal Government is to increase its highway budgets by 2.9 % in 2021. However, the still lackluster calls for tender situation due to the pandemic, among other factors, and difficulties in the transfer of the administration of Länder contracts to the Federal Government's Autobahn GmbH could further hamper the prospects for asphalt road construction.

The environment in the foreign markets generally remains favorable in 2021, but the unpredictable impact of the pandemic means that there is greater uncertainty. In Poland, the requirement for road infrastructure investment remains high. To manage the effects of the coronavirus pandemic, the government has approved additional funding for infrastructure projects. In Russia, the government is continuing to invest significantly more money in road renovation and construction in 2021 as part of its “Safe and high-quality roads” project. A national action plan on the implementation of major infrastructure projects also promises to be beneficial for the construction industry. Road construction in Ukraine is benefiting from the road renovation funding program. The International Monetary Fund (IMF) and the EU are also contributing. Forecasters anticipate a return to growth for the Hungarian economy in 2021. Investments in road and railway development are continuing, particularly in projects that are co-financed by the EU or other external sources. In the Czech Republic, the construction industry will benefit this year from the EU funding for infrastructure projects allocated in 2020. In addition, the government’s draft budget also provides for further funding for the modernization of railways, roads and for route safety. In contrast, Sweden does not plan any specific funding for infrastructure measures.

Due to declining sales volumes, the Aggregates business unit expects 2021 net sales to be slightly down on 2020. Continued price pressure and significantly higher input costs will likely lead to the operating result and earnings before tax falling well short of the very good prior-year level.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

Slate

The Slate business unit extracts and processes high-quality slate in Spain and develops products for aesthetic living spaces. The product line encompasses a wide variety of cladding types for roofs and façades, as well as system solutions specifically created for modern architecture. The 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 all major slate markets, particularly in Western and Central Europe, and is represented in North America with its own distribution organization.

Healthy renovation market opens up opportunities

Residential construction was again a mainstay of the construction industry in Germany last year. According to the figures from the Central Association of the German Construction Industry and the Central Association of German Building

Industry, this segment registered nominal net sales growth of 4 % in 2020. This was primarily attributable to the renovation business. In contrast, new construction and demand for flat roofs, in particular, was less dynamic due to the coronavirus pandemic. As a result of this trend, roofing companies accepted more orders for the renovation of pitched roofs. Consequently, there was higher demand for pitched roof materials such as slate. This positively impacted prices. Developments were limited by the continued skills shortage. Most roofing companies were also working to capacity in 2020, which led to a considerable order backlog. In this environment, the Slate business unit maintained its position in Germany and saw a significant increase in sales.

The construction industry in some foreign markets was more heavily impacted by the coronavirus pandemic than it was in Germany. Restrictions and construction site shutdowns meant that work was temporarily stopped in many locations. In addition, there were occasional goods shortages. This also reduced demand for slate. Overall, the business unit's foreign sales in 2020 were slightly down on the previous year.

Due to the coronavirus pandemic, production was halted for several weeks in 2020. However, this was (mostly) offset over the course of the year.

The Slate business unit's net sales were up significantly on the previous year to € 71 million. This increase was primarily attributable to margin and volume growth in Germany. The earnings trend was severely disrupted by the lockdown, which brought production to a standstill for several weeks. Overall, the business unit's operating result was slightly higher than in the previous year, while its earnings before tax were slightly lower. Adjusted for one-off effects, the operating result was significantly up on the previous year.

Limited scope for price increases in Germany

Residential construction in Germany is likely to remain a growth market in 2021. However, new construction is declining slightly. This will create capacity for renovation and thus open up opportunities for the Slate business unit, which focuses on this segment. The outlook is marred by the uncertain consequences of the coronavirus pandemic, which could lead many property owners to defer projects. Overall, slate sales in 2021 are unlikely to fully match the previous year's level. The scope for price increases is limited, since slate faces major competition from alternative materials for roofs and façades, such as metal, fiber cement and composites. Among the foreign markets, sales prospects are particularly favorable in France and the USA.

On this basis, the Slate business unit expects its 2021 net sales to be slightly lower than in the previous year. However, the operating result and earnings before tax are likely to rise considerably thanks to improved production output and margins.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

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.

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, kitchen utensils, vacuum systems and small electrical kitchen appliances. Apart from the German market and other European countries, the most important markets are China, North America and Japan.

Staying at home gains significance

The business performance of Zwilling Kitchenware is primarily determined by the general state of the economy and, especially, consumers' willingness to spend. In the past year, the coronavirus pandemic slammed on the economic brakes all over the world and massively altered consumer spending and purchasing habits. Store closures, canceled events, travel warnings and concerns regarding an uncertain future led to many people tightening or redistributing their budgets.

The trend toward home working also increased the significance of staying at home and thus contributed to consumers investing more in their kitchens, homes and gardens. To make the corresponding purchases, they shopped online more than ever. Zwilling Kitchenware benefited greatly from both of these trends last year.

In 2015, the business unit began to systematically expand its e-commerce business and last year again significantly strengthened its online activities. This marked further successful progress in its digital transformation. As a result, it was possible to more than offset the disruption caused to bricks-and-mortar business by the lockdown. However, performance across the individual sales markets was mixed. The lockdown temporarily sharply reduced the business unit's output, especially in the first and second quarters of 2020. In Germany, France and Italy in particular, the temporary production closure and short-time working caused disruption. At the beginning of the second half of the year, production returned to pre-pandemic levels.

Net sales development Consumer Goods division

in € million

+ 13.6 %

Net sales and earnings up sharply on the year

The Zwilling Kitchenware business unit's net sales were significantly up on the previous year, at € 744 million. Both the much larger core business and the special business with customer loyalty programs registered considerable growth after a weaker previous year. Overall, net sales were negatively impacted by exchange rate movements.

The distributing company in the USA avoided the generally negative economic trend in the country thanks to rapid growth in its online business, which made it Zwilling Kitchenware's biggest sales market. Net sales through its own online channels and the earnings of pure online players both rose sharply. Dropshipping provided a further boost. In this new multichannel model, retailers and retail chains can offer the entire ZWILLING range – over and above the retail range – through their own webshops, use digital content and are connected to ZWILLING's logistics via an online interface. The customer is still the retailer's customer, but is supplied directly from ZWILLING's warehouse in the name and on behalf of the retailer. The self-service retail business, primarily consisting of cash and carry stores, supermarkets and DIY stores, also recorded strong growth in the USA. In contrast, business in the high-quality specialist bricks-and-mortar retail sector declined. Net sales in Canada significantly exceeded the previous year due to the growth in online business and self-service retail.

In China, net sales were sharply up on the previous year. Growth in this region was also largely attributable to brisk online trade, which became the number one sales channel. Zwilling Kitchenware was well prepared for this trend and established its own brand stores on the dominant online marketplaces. Among other things, the product ranges were stylishly displayed and the target group of young, affluent Chinese people was reached thanks to the inspirational and vibrant presentation. This made it possible to offset a decline in net sales in ZWILLING stores and other B2B channels, including high-quality premium retail and promotional gifts. In Japan, Zwilling Kitchenware registered significant growth, particularly thanks to strong online business.

In Germany, Zwilling Kitchenware's net sales declined steeply compared with the previous year due to the coronavirus pandemic. Performance across the different sales channels was mixed. Bricks-and-mortar stores, including the company's own stores, suffered a particularly sharp decline. Stores were closed during lockdown and customer footfall was weak throughout the year. In addition, net sales attributable to tourists were absent, since most people traveled far less in 2020. The considerably improved online business was not sufficient to compensate for the drop in bricks-and-mortar trade.

In contrast, net sales in other European countries increased. Growth was achieved in the United Kingdom, Scandinavia and the Benelux countries in particular, while Italy and Spain recorded declines amid particularly stringent lockdown restrictions. Significant net sales growth was also registered in Russia and Turkey, particularly the company's own retail and premium retail sales.

The 2020 operating result significantly exceeded the previous year's figure. This was primarily attributable to the increased gross profit resulting from the higher net sales. The gross margin[6] was stable overall. One-off charges, such as higher risk provisioning due to write-downs of receivables as a result of the pandemic and restructuring costs, were not fully offset by savings generated through short-time working or reduced rental costs during lockdown periods, for example. Earnings before tax were also considerably higher than in the previous year. However, this figure grew somewhat slower than the operating result, particularly due to goodwill impairment.

Growing online share of business

At the beginning of the 2021 business year, high coronavirus infection rates and the ongoing lockdown restrictions initially further weighed on consumer sentiment. However, subject to successful and rapid immunization, private consumption could become a key pillar of the economy in Germany and other

[6] The gross margin is calculated by dividing gross profit (net sales, inventory changes and internally produced and capitalized assets less cost of materials) by net sales.

countries during the course of the year. German citizens' increased saving rate during the pandemic, in particular, is a reason for optimism. Some of these savings could also flow into consumer spending in 2021. According to consumer research institute GfK, German citizens' total disposable income in 2021 amounts to € 1,966 billion, up 2 % on the previous year. This also takes into account the fact that the solidarity surcharge was abolished for the majority of the German population at the beginning of the year. However, in January 2021, the period of reduced VAT also came to an end. Once bricks-and-mortar stores can open again and travel restrictions are lifted, various sectors could experience pent-up demand following the extended lockdown. The extent to which retail stores will be able to win back the market share recently lost to online retail remains to be seen.

The Zwilling Kitchenware business unit expects net sales in 2021 to be well below the previous year's high level. While the core business is expected to decline slightly, the special business with customer loyalty programs is also unlikely to be able to match the exceptional figure achieved in 2020. Thanks to the rollout of the new ZWILLING online store and other activities to bolster e-commerce, the share of sales generated online will likely remain high. Impetus will come in particular from an expanded product range, with small electrical kitchen appliances and improved distribution of the FRESH & SAVE vacuum series launched in 2020. The development of the Ballarini brand will also strengthen net sales.

However, the operating result and earnings before tax are likely to fall well short of the very good prior-year figures.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

Zwilling Beauty Group

Under the brands ZWILLING and TWEEZERMAN, the Zwilling Beauty Group business unit produces and markets high-quality tweezers, manicure sets and pedicure tools. The offering is supplemented by the QVS Group, which sells beauty tools under the QVS brand, as well as trade and exclusive brands. Apart from the USA and Germany, the most important sales markets are the United Kingdom and China.

Lockdown accelerates online shopping 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. As a result of the coronavirus pandemic, many consumers cut back their spending in 2020 and postponed planned purchases. In Germany, the Federal Bank calculated that the savings rate of private households temporarily rose to more than 20 %. Mandatory store closures and travel restrictions changed the significance of individual distribution channels. Alongside online stores, the winners at times included selected bricks-and-mortar outlets, such as drugstores in the USA, which were not required to close during lockdown.

The Zwilling Beauty Group business unit fared well amid a significantly weaker market for beauty tools. The business unit's net sales were slightly down on the previous year, at € 82 million. In the USA, which is by far the most important market, several major bricks-and-mortar retail chains – as well as online sellers – posted higher sales figures for Zwilling Beauty Group products in 2020. In the preceding years, they had consistently lost market significance due to the structural change in the retail sector. However, they were among the beneficiaries during the pandemic, as their shops remained open. In contrast, hairdressers and beauty salons were required to temporarily close. The closure of nail salons had a positive impact on the Zwilling Beauty Group's sales figures. Many US households did not have manicure and pedicure equipment and so invested in their own tools for the first time.

Due to the lack of tourists and changes in the department store landscape, the business unit reported significantly lower net sales in Germany. While net sales in the United Kingdom remained at the prior-year level, the trend in China was negatively impacted by the weak trade with exclusive and private-label customers.

The operating result and earnings before tax of the Zwilling Beauty Group business unit were considerably up on the 2020 figures. Declines related to net sales were more than offset by targeted short-term cost savings during the coronavirus pandemic.

High pent-up demand in consumer spending

At the beginning of 2021, economic researchers predicted a continued significant consumer spending bottleneck for Germany and other countries. During the lockdown, many consumers postponed purchases, which they could make up for this year following the hoped-for end of the pandemic. As stores reopen, bricks-and-mortar retail will regain importance. How the balance of power between online and offline retail will even out once consumers again have the choice remains to be seen. If vaccinations are successful and infection rates decline significantly, travel will again increase sharply. A high level of pent-up demand is also to be expected here.

These developments are likely to substantially influence the Zwilling Beauty Group's performance in 2021. The business unit expects markedly lower earnings compared with the previous year with virtually unchanged net sales. This is largely attributable to the planned activities to continue developing the brand and the one-off cost savings in 2020 due to the coronavirus pandemic.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

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. Apart from the German market and other Central European countries, the most important markets are Russia and North and South America.

Hairdressing business remains stable despite lockdowns

At just under € 22 million, the business unit's net sales were only slightly down on the previous year. This was primarily due to the coronavirus pandemic, which led to the temporary closure of hair salons in 2020. However, the insolvency of a leading German salon chain did not have a notable impact on the business of Jaguar/Tondeo. The chain intends to file for protective shield proceedings to restructure the company and kept its salons open for the time being. In Germany, the business unit's online activities performed so well in the past year that they compensated for the losses caused by lockdown. In contrast, the direct sales initiatives newly launched by Jaguar/Tondeo in Central Europe due to the coronavirus pandemic will only begin to take effect in the coming years. Due to the difficult environment, the business with overseas customers declined.

The operating result and earnings before tax deteriorated slightly compared with the previous year. This was attributable to the higher material consumption resulting from a less favorable material mix, as well as higher production volumes, particularly of lower-cost products. Results were also negatively impacted by personnel restructuring measures, which will in future have a positive effect.

Hair salons also had to remain closed at the beginning of 2021 due to higher infection rates in the population. As they reopen, the business of Jaguar/Tondeo will also pick up again. Improved consumer sentiment and the anticipated pent-up demand will also contribute. Additional positive effects will be provided by the measures implemented, so the business unit expects a clear improvement in net sales and efficiency in 2021. This will also positively impact the operating result and earnings before tax.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

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 specializing in vehicle financing.

abcfinance

abcfinance is one of the leading providers of tailored financial solutions to medium-sized companies 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 supports the sales activities of manufacturers and dealers with custom financing solutions. Its customers include more than 80,000 mainly medium-sized companies in Germany, the Netherlands and Austria.

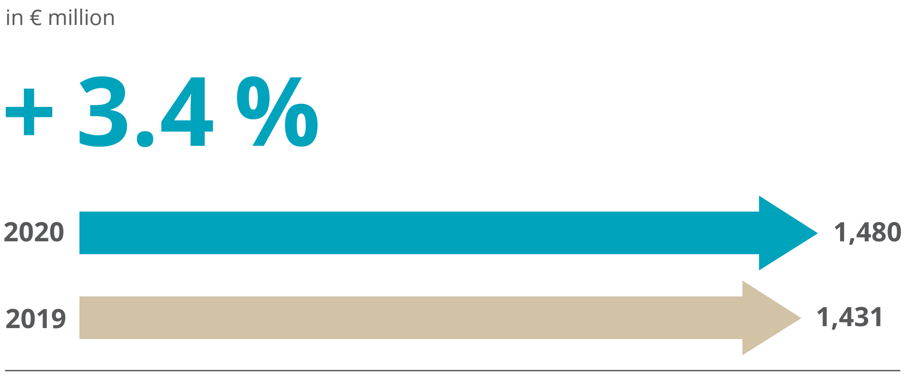
abcbank refinances receivables from abcfinance's leasing and factoring business. It offers institutional, commercial and private customers overnight money, fixed-term deposits and savings bonds. It also participates in the open-market operations of the European Central Bank (ECB) and securitizes selected receivables using a special purpose vehicle.

Leasing hit by reduced investment appetite

As a result of the coronavirus pandemic, many companies in Germany scaled back their investments in machinery, vehicles, IT equipment and other assets last year, in some cases significantly. KfW Bank reported a decline in corporate investment to 12 % of GDP – a similarly low level to during the financial crisis. According to a study conducted by KfW Research, new investments by medium-sized companies declined by around € 40 billion. This development is reflected in the performance of the leasing business. In its 2020 trend report, the Federal Association of German Leasing Companies (BDL) estimates that purchase values in the equipment leasing segment (including hire purchase) declined by 10 % compared with the previous year.

The picture varies widely between the different asset groups: In the vehicle leasing segment, which accounts for roughly three-quarters of the leasing market, the very strong fourth quarter significantly mitigated the decline experienced in the preceding quarters. According to preliminary figures, the overall decline will be just 3.2 %. In commercial vehicles, in contrast, new busi-

Net sales development in Financial Services division



ness was down 12.4 % on the previous year. The sharpest drop in new leasing business was seen in the production machinery segment, which fell by 18.3 %. The IT equipment business, which had been a stable growth driver thanks to the ongoing digital transformation, also declined by 14.7 %. However, the inclusion of leasing in government funding programs and the recognition of lease installments as eligible costs in the context of government financial interim aid had an offsetting effect.

As in the financial crisis, factoring also played a part in stabilizing the economy during the pandemic. Many companies took the opportunity to obtain short-term liquidity through the sale of receivables. The German Factoring Association's member companies saw net sales increase by 1.6 % to € 134.9 billion, despite the steep economic slump in the first half of 2020. The government guarantee for trade credit insurers approved in April 2020 was crucial to the stable development of the factoring business. The majority of factoring contracts are covered by trade credit insurance, which protect suppliers in the event that a purchaser is unable to pay. If credit insurance had collapsed during the coronavirus pandemic, this would have directly impacted purchasing volumes in the factoring business.

Refinancing costs for financial service providers that specialize in leasing and factoring remained favorable in 2020 due to the low capital market and loan interest rates.

Despite the sharp decline in new business, abcfinance secured its market position in leasing and factoring in 2020. Nevertheless, abcfinance saw new business in the leasing segment decline by 13.2 %. The factoring segment purchased 2.7 % less in receivables than in the previous year. The strongest customer group was again service providers, followed by companies in the manufacturing sector.

The abcfinance business unit recorded a slight increase in net sales. However, both the commercial result (EBITA) – as defined by the industry association BDL – and earnings before tax in 2020 were substantially down on the corresponding prior-year figures. This was attributable to increased risk provisioning and lower new business volumes in particular. The high pressure on margins, despite favorable refinancing options, also had a negative impact.

Positive new business prospects

Economic experts consider it possible that many companies will realize the bulk of their deferred investments in machinery, vehicles and IT equipment in 2021. According to industry association BDL, equipment investments could rise by more than 10 %. This should open up new opportunities for the leasing sector, since leasing – like factoring – is an important corporate finance tool particularly during times of economic difficulty. Both financing options guarantee security and provide financial flexibility. Alongside investments in vehicles and machinery, the BDL believes that in future climate protection and sustainability will increasingly be a priority for companies. There is likely to be more demand for electric vehicles and lower-emission or more energy-efficient equipment and machinery. Furthermore, the association considers that digitalization will ensure that IT investment budgets remain high. This offers leasing companies opportunities to make a mark with tailored service and financing models. How lessees in industries especially heavily impacted by the lockdown – such as hotels, restaurants and fitness studios – will recover remains to be seen.

The factoring business's performance in 2021 will depend on how long the government guarantee for trade credit insurers continues, among other things. In December, this protection, which was originally in place until the end of 2020, was extended to June 30, 2021.

Despite the palpable decline in companies' investment appetite due to the coronavirus crisis, the abcfinance business unit aims to achieve year-on-year growth in new business in 2021. It plans to win over new customer groups with new products and digital solutions.

In light of the ongoing coronavirus pandemic and the related increase in risk costs, the abcfinance business unit expects its commercial result (EBITA) to be significantly lower in 2021. Earnings before tax are expected to be on a par with the previous year.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

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. As a partner of the ADAC automobile club, it also offers members attractive financing options. To refinance its own operations, Bank11 offers savings bonds and overnight money to private and institutional investors, and conducts securitization transactions.

Distribution bolstered by cooperation

The German automobile market slumped sharply last year as a result of the coronavirus pandemic. The car trade was unable to make up for the huge dip in the first half of the year, despite the reduced VAT rates in the second half. The Federal Motor Transport Authority (Kraftfahrt-Bundesamt) recorded a 19.1 % decline in new registrations to 2.9 million cars. The trade in used cars was also weaker. At 7.02 million, transfers of ownership were down 2.4 % on 2019.

Business for banks specializing in automobile financing again benefited from the large number of private new and used cars that were financed in 2020. According to a study conducted by the banking association, the proportion of financing amounted to 46 % and 27 % for new vehicles and used vehicles, respectively. In the first three quarters of 2020, the member institutes of the banking association thus recorded a decline of 3.6 % in their new loan business in private automobile financing.

In a competitive and increasingly digital environment, Bank11 once again grew much faster than the industry average in 2020. It benefited from the further expansion of online sales and increased new vehicle financing business to € 2.6 billion. The loan volume grew by 20 %. The number of trade partners rose to 14,700. 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 vehicle financing provided additional impetus.

Bank11's operating result and earnings before tax improved considerably in the past year. While the clear rise in interest income compared with 2019 positively impacted results of operations, the higher commission expenses reduced results due to the strong new business volumes.

Advanced digitalization and market share growth

Bank11's environment is likely to improve only slightly in 2021. According to a German Association of the Motor Trade (ZDK) forecast, this year will see around 3.0 to 3.1 million new vehicles on the road. The association expects private new vehicle registrations to contribute to this trend, since the environmental bonus to promote the purchase of electric vehicles still applies and personal vehicles are gaining new significance as a protected space during the pandemic. However, the ongoing uncertainty regarding workplaces and increased remote working is likely to reduce demand.

Although the pandemic makes it extremely hard to foresee economic developments, Bank11 intends to grow both its new business and its loan portfolio and to further expand its market share. It aims to achieve these goals through further digitalization and the continued customer-oriented optimization of processes. It also plans to counter the negative effect of the sustained low interest rates through these measures. However, it is also likely to face higher risk costs in 2021 as a result of the pandemic. Bank11 nonetheless expects to achieve a slight improvement in its operating result. Earnings before tax are expected to remain at the prior-year level.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

Innovative Digital Business Models

Yareto

Since its establishment in 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 shows the best real-time offer available that day from partner banks.

The impact of the coronavirus pandemic considerably slowed down car sales in Germany last year. Lockdowns, production bottlenecks and subsided purchasing behavior led to an 8 % drop in the automobile market. Contrary to this trend, Yareto further strengthened its market position, substantially increasing the volume of loans brokered to around € 300 million. One in three car dealers is now registered on the platform.

For 2021, Yareto plans to further significantly increase the loans it brokers. It will again focus on achieving a clear improvement in both its operating result and earnings before tax. This is to be achieved through the quantitative and qualitative strengthening of the sales team, the acquisition of further car dealers and the inclusion of additional banks.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

abcfinlab

abcfinlab, which was founded in 2018, develops digital financial products in the field of leasing and factoring for business customers. Last year, the company successfully launched two products developed in close cooperation with abcfinance. In the factoring segment, Cashfox is a solution that enables micro-businesses and self-employed people to sell their receivables via a digital platform. Immediately following its launch, numerous cooperation partners signed up to Cashfox. Demand continuously increased in the course of the year. The factoring solution is to be further developed in 2021 and is expected to be significantly scaled up.

abcfinlab also 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. There is no need for personal contact with the customer. During the pandemic, this fact proved to be a particularly important selling point. Lease Seven has experienced brisk demand. The application is to be further expanded and optimized this year, with additional features to fully digitalize after-sales service.

abcfinlab plans to significantly increase its net sales in 2021 by considerably expanding its new business volumes for leasing and factoring. The operating result is expected to match the prior-year level, while earnings before tax are likely to improve slightly compared with 2020.

The above assessment of the expected performance of the business unit was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

Net Assets and Financial Position

The consolidated balance sheet total increased by € 781 million in 2020 from € 9,369 million to € 10,150 million. The individual balance sheet items changed as follows:

Assets

in € million	Dec. 31, 2020	Change
Fixed assets	2,783	– 114
thereof leasing assets from financial services	1,734	– 87
Accounts receivable from financial services	5,729	706
Inventories	395	– 33
Accounts receivable and other assets (including prepaid expenses)	354	23
Securities and liquid funds	889	203
Deferred tax assets	0	– 4
	10,150	781

Equity and liabilities

in € million	Dec. 31, 2020	Change
Equity	1,937	3
Provisions	437	56
Liabilities from financial services	7,432	787
Liabilities (including deferred income)	344	– 65
	10,150	781

in %	Dec. 31, 2020	Dec. 31, 2019
Equity ratio	19 %	21 %
Equity ratio excluding financial services	67 %	67 %
Ratio of equity to fixed assets	70 %	67 %
Short-term debt service ratio	80 %	84 %

The fixed assets of the Werhahn Group decreased from € 2,897 million in the previous year to € 2,783 million as of the closing date. They comprised tangible assets of € 851 million (previous year: € 856 million), intangible assets of € 106 million (previous year: € 129 million), financial assets of € 92 million (previous year: € 91 million) and leasing assets from financial services of € 1,734 million (previous year: € 1,821 million).

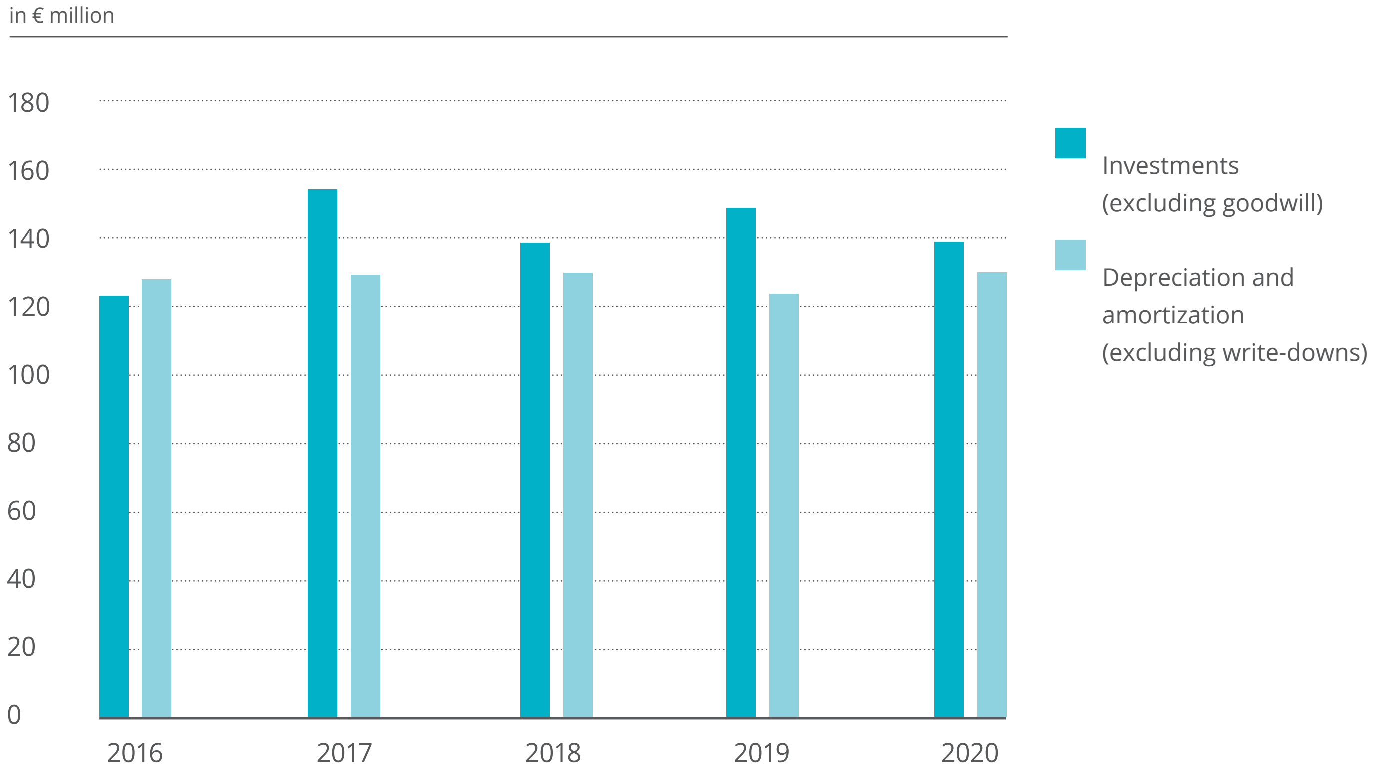
Overall, fixed assets excluding leasing assets declined by € 27 million compared with the previous year. Depreciation and net disposals exceeded investments during the year.

The € 23 million decline in intangible assets was attributable in particular to the amortization of € 40 million during the business year, of which € 24 million related to goodwill amortization. The amortization was partly offset by investments of € 19 million.

With regard to financial assets, investments in participations of € 7 million were partially offset by net disposals of € 3 million as well as depreciation and amortization of € 2 million.

Tangible assets declined by € 6 million compared with the previous year. Business-year investments of € 120 million were largely offset by depreciation charges of € 113 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:



In 2020, a total of € 138 million (prior year: € 147 million) was invested in tangible assets, intangible assets (excluding goodwill) and net investments from acquisitions. Investments exceeded depreciation and amortization. The major portion of investments was made in the Aggregates business unit, an investment-heavy business. Investments in the Aggregates business unit and the Consumer Goods division were slightly down on the previous year. Investments in the Financial Services division, however, were more or less on a par with the previous year.

In the Financial Services division, leasing assets from financial services declined by € 87 million. In the reporting year, with depreciation and amortization of € 565 million and net disposals of € 140 million, an additional € 618 million was invested.

Accounts receivable from financial services increased by € 706 million to € 5,729 million as a result of the growth in new business in the Financial Services division.

Inventories amounted to € 395 million as of December 31, 2020 (previous year: € 428 million). This marked decline is largely attributable to the Consumer Goods division.

Accounts receivable and other assets (including prepaid expenses) totaled € 354 million (previous year: € 331 million).

Trade accounts receivable increased by a moderate € 13 million to € 237 million. Trade accounts receivable in the Aggregates business unit were well below the prior-year level. In contrast, trade accounts receivable in the Zwilling Kitchenware business unit rose sharply. Accounts receivable from companies in which a participating interest is held increased by € 6 million compared with the previous year. This rise related in particular to the Aggregates business unit. Other assets increased by € 4 million to € 82 million.

At € 444 million, cash flow from operating activities was significantly up on the previous year (€ 239 million). This rise was partly attributable to the Financial Services division. However, the Building Materials and Consumer Goods divisions also significantly improved operating cash flow. The Building Materials and Consumer Goods divisions realized a positive operating cash flow of € 254 million (previous year: € 190 million) before consolidation. The free cash flow after deducting investments for these corporate divisions totaled € 146 million (previous year: € 75 million).

Securities and liquid funds increased by € 203 million to € 889 million. Of this amount, € 747 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 governing the presentation of financing in the Financial Services division, the cash flow statement of the Werhahn Group has only limited informative value.

As of December 31, 2020, net liquidity[7] amounted to € 800 million, an increase of € 283 million compared with the previous year. In addition to this, sufficient credit lines were available with various banks to meet budgeted financing needs.

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

The Group's equity totaled € 1,937 million (previous year: € 1,934 million). This represents an equity ratio of 19 %. Without consolidation of the financial services companies, the equity ratio was 67 % (previous year: 67 %). Non-controlling interest in equity as of the closing date was € 60 million. To a limited extent, this amount includes positive currency translation differences. The changes in equity are shown in the Statement of Changes in Equity.

Provisions increased by € 56 million in comparison with the previous year to € 437 million. These mainly included provisions for pension obligations amounting to € 119 million (previous year: € 117 million), provisions for recultivation obligations in the Building Materials division amounting to € 80 million (previous year: € 74 million), other personnel provisions amounting to € 71 million (previous year: € 62 million), and provisions for losses from pending transactions amounting to €28 million (previous year: € 2 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 liabilities from the financial services business reflect refinancing of the Financial Services division as well as the liabilities of Bankhaus Werhahn GmbH resulting from its banking business. The € 787 million increase in liabilities from financial services to € 7,432 million was primarily attributable to the growth in new business in the Financial Services division.

[7] Net liquidity comprises the balance sheet item "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.

The liabilities (including deferred income) of the Werhahn Group amounted to € 344 million, down from the previous year's figure of € 409 million. Liabilities to banks declined by a substantial € 79 million to € 77 million. In addition, trade accounts payable declined by a moderate € 9 million to € 107 million.

Personnel

In the reporting period, the average number of employees in the Werhahn Group declined by 83 to 10,130.

The average number of employees in the Building Materials and Consumer Goods divisions declined, while the headcount in the Financial Services division increased.

The development of the average number of employees, with the exception of the Building Materials division, is also generally reflected in the change in the number of employees as of the closing date.

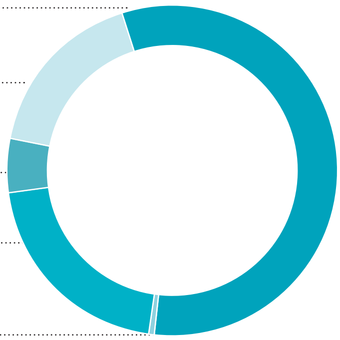
The number of employees is distributed across the individual corporate divisions as follows:

	Average 2020	Average 2019	**Dec. 31, 2020**	Dec. 31, 2019
Building Materials	4,502	4,530	4,546	4,505
Consumer Goods	4,374	4,465	4,375	4,543
Financial Services	1,069	1,044	1,088	1,068
Others	185	174	192	184
Group total	**10,130**	**10,213**	**10,201**	**10,300**
Salaried employees	5,063	5,061	5,072	5,189
Industrial employees	4,825	4,890	4,892	4,837
Employees	**9,888**	**9,951**	**9,964**	**10,026**
Trainees	242	262	237	274

As of the closing date, around 5,545 or 54 % (previous year: 54 %) of all Werhahn Group employees were employed in Germany.

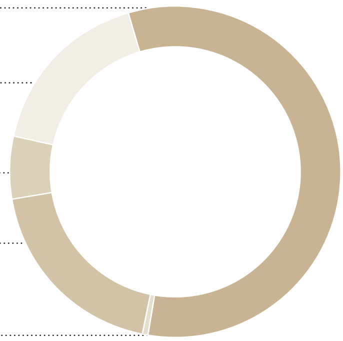
Dec. 31, 2020

Germany	5,545
Asia	1,812
North America	574
Rest of Europe	2,253
Rest of world	17
Group total	10,201



Dec. 31, 2019

Germany	5,558
Asia	1,900
North America	637
Rest of Europe	2,187
Rest of world	18
Group total	10,300



To ensure its long-term success, the Werhahn Group builds on its employees' expertise, dedication and sense of identification with the company. The cornerstones of its forward-looking personnel planning are the continuous training and education of employees, the targeted identification and promotion of top performers, and recruiting and retaining talent. The Werhahn Group remained true to these principles during the coronavirus pandemic. In addition, employee health and, especially, preventing infections gained particular significance last year. In light of this, each workplace developed its own solutions tailored to their specific conditions. Among other steps, these included the use or rapid establishment of remote working, coronavirus testing and special hygiene measures such as screens, air purifiers and CO_2 measuring devices. Real-time and transparent communication helped ensure that employees of Werhahn Group companies felt safe at all times.

Education and further training

At the end of the year, the Werhahn Group had 237 trainees. This figure is significantly lower than at the end of 2019, when 274 young people were receiving training. The Aggregates business unit again had the largest number of trainees, although many fewer training positions were filled recently due to the pandemic. In the other business units, the number of trainees in 2020 remained broadly the same as in the previous year. Training was provided in 28 professions, including through dual study programs. This reflects the diversity of the qualifications required by the Werhahn Group. The professions in which training is provided have changed only slightly recently. The standard offering now includes dual study programs, both for business and technical and engineering jobs. With dual study programs, initial professional training can either take place alongside academic study, or they can be arranged so that longer practical phases are spent with the companies once the student's studies are complete.

It is essential that skills remain up to date. The Werhahn Group therefore provides ongoing training to its employees following their initial training, ensuring they are well prepared for the latest demands. The focus is on product, subject area and technology-related training, which was adapted to be delivered online as far as possible last year. These measures are complemented by the long-standing Werhahn Excellence Program, which takes the form of seminars on subjects such as leadership, communication and work techniques. The program is targeted at all Group managers and employees. The teaching concept behind these seminars includes enabling personal interaction and the exchange of experiences between the participants themselves, as well as between the participants and external experts and trainers. Consequently, they are generally held as in-person events. To safeguard participants' health, this format was significantly restricted last year. Digital seminars were also rapidly developed and held to impart skills in virtual communication and leadership.

Remuneration

The Werhahn Group companies that are in collective wage sectors are subject to the relevant 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 components. In the banks belonging to the Werhahn Group, the German Remuneration Regulation for Institutions (InstitutsVergV) forms the basis for the remuneration of employees and managers. Due to the temporary closure of bricks-and-mortar stores and supply chain difficulties, several business units had to declare temporary short-term working for some business areas. In such cases, the models selected frequently involved the companies voluntarily topping up the employees' short-time allowance. In the first half of 2020, the Management Board, managers and employees at head office and Bankhaus Werhahn voluntarily waived part of their monthly salary for three months in solidarity with the business units subject to short-time working. Furthermore, a number of business unit managers also reduced their salaries on their own initiative while their business units were subject to short-time working.

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 amid a rapidly evolving environment. In the past year, management development programs in the business units and an offering for managers adapted to the current challenges as part of the Werhahn Excellence Program made a major contribution to the continuing development of the management at all levels.

Attractive employer

Personal contact was only possible to a very limited extent last year. As a result, the Werhahn Group relied on new communication channels such as social media to recruit employees at all levels. Active use was made of both target group-specific channels like Instagram, as well as job-related platforms such as Xing, Linkedin and kununu. Proven concepts based on attracting employees as early as possible – in the form of training, dual study programs, internships and supporting Bachelor and Master theses, for example – were continued.

During the coronavirus pandemic, employee health was the top priority for the Werhahn Group. This considerate approach substantially strengthened employee loyalty and enhanced the Werhahn Group's attractiveness as an employer. Further newly developed services, including digitally supported staff catering concepts and the opportunity to lease e-bikes, contributed to these trends. The Employee Assistance Program (EAP), which has been in place in some business units for several years, was another service offered by the company that helped overcome the difficulties of the pandemic. It 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 put the person concerned in contact with further appropriate assistance.

The accelerated implementation of flexible working hours and remote working concepts helped achieve a balance between work and home life in all corporate divisions last year.

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 with regard to 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 Management 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. The risks related to the coronavirus pandemic are described in a separate section of this risk report.

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 some countries might not be able to be carried out due to economic instability or financial crises. Existing country risks, if significant, are covered by Hermes guarantees.

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

In **procurement**, the greatest risks are posed by possible increases in the cost of inputs such as energy, fuel and bitumen, as well as the cost of refinancing. Bitumen, in particular, is an extremely important raw material for the Aggregates business unit and its production of asphalt mixtures for road construction. It calls for additional risk-reducing measures such as fixed-price quotas for bitumen and reducing bitumen consumption through the increased use of recycled asphalt. In the Consumer Goods division, there is, in particular, a procurement-related risk of a strong rise in material prices as well as the risk of default on the part 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 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 restraint in public investment. 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 on 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 using 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 ruled out or completely hedged, each individual transaction leads to a decision on which risk should be taken and, if possible, offset by transferring them to third parties. The limits set as part of the finance strategy are continually monitored and managed using 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 appointed in the Group's business units. 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, guarantees and 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, appropriate 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.

Risks associated with the coronavirus pandemic: The measures implemented to protect the population from infection severely restrict public life and result in the unexpected closure of our suppliers' and customers' sites, factories and offices, as well as our own operations, together with potential disruption to supply chains. If measures to control the virus are implemented at short notice or last for an unpredictable period, this could in certain circumstances considerably reduce our capacity to produce or supply the products and services offered by the business units. The major uncertainties of the COVID-19 crisis include its unpredictable duration, which could be influenced by further waves of infection or mutations of the virus, as well as the economic cost of the lockdown measures. These uncertainties are, above all, expressed in the form of postponed or canceled contracts or investments by our customers, as well as increased default risks. Other potential negative consequences include an unbridled increase in public and private debt, which would not only hamper recovery after the crisis, but could also damage industry-specific demand from the public sector in particular. Furthermore, serious disruption to the financial system and rising customer and supplier insolvencies are more likely.

Another important aspect is the issue of the intensity and speed at which the coronavirus and its mutations could continue to spread and jeopardize the health and availability of the Werhahn Group's employees. Werhahn established crisis teams throughout the Group to carefully monitor the varying impact of COVID-19 and implement countermeasures, with a focus on ensuring the health and safety of our employees and the continuity of business operations. The measures are coordinated at Group level, with the relevant managers in the individual businesses and countries responsible for implementing measures appropriate to the specific circumstances. Examples of important measures to mitigate the consequences described above include the use of remote working, employee-focused health measures and the use of short-time working options.

No risks relating to future development or other significant risks have been identified.

Risk assessment and outlook

The level of risk in the Werhahn Group remains low. The risks, weighted on the basis of their percentage probability of occurrence, equal 5.4 % of total Group equity, of which the weighted three largest individual risks account for 1.4 %. The largest individual risks relate to reduced demand from public budgets, counterparty risk in the Financial Services division, and a hypothetical sharp rise in the risk ratio due to a slump in the overall economy. 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.

Basalt-Actien-Gesellschaft (BAG) accelerated the digital transformation of its business processes last year. Two solutions were successfully tested: the BAG Cockpit customer portal and the BAG ON SITE app for real-time communication between mixing plant and construction site. Market rollout will be the next step. The aim is to reproduce a significant proportion of net sales in the digital customer portal and to be communicating with customers using the ON SITE app by the end of 2023.

In 2020, employees at the BAG-TechnologieCentrum primarily focused on the question of how the useful life of new asphalt concepts can be more accurately predicted. To this end, they conducted research into material-specific correlations. The findings enabled the Aggregates business unit to offer tailored asphalt solutions in functional calls for tender and for industrial construction projects with the heaviest loads. Corresponding bitumen concepts were developed with BITUMINA Handel. These guarantee that the asphalt retains the required stability even with the heaviest loads and in extreme weather conditions. In addition, the TechnologieCentrum developed bitumen formulations that make it possible to ensure the long-term availability of bitumen for mastic asphalt construction. These were tested at several of the Group's asphalt mixing plants in 2020 and are now being further optimized. In this way, the critical dependency on one supplier for this specific asphalt construction method can be reduced.

At the beginning of the 2020 business year, special bitumen grades for the business unit's chemical sealing products were unavailable. This was due to the collapse of an international supplier. Due to extensive laboratory work, the companies concerned succeeded in producing sealing materials with bitumen properties from other bitumen sources. Formulations and processing methods were refined in extensive trials to ensure the high quality and complex quality requirements of the end products were met.

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. The reform of the distribution of land for extraction concessions in Spain resulted in additional extraction sites for the Slate business unit in 2019, which were geologically explored last year. The exploration of the expanded La Fraguiña extraction site yielded positive results. Exploration of the Valdemiguel concession is to take place in 2021. The redistribution of extraction concessions in this way is a one-off event. The long-term availability of raw materials is also ensured through the acquisition of appropriate external resources.

At the start of 2020, two robotic lines for the production of slate in the old German style went into operation in Spain. Unlike many modern types of cladding, which work with standard formats, the ‘old German’ style cladding is characterized by the varied depth and breadth of the stone. At the Spanish subsidiary, this is now ensured by state-of-the-art robots constructed by a specialist German firm. They are programmed to be able to produce the full range of formats, as stipulated by the Central Association of the German Roofing Trade (Zentralverband des Deutschen Dachdeckerhandwerks).

The Zwilling Kitchenware business unit is researching possibilities for digitalization in the modern kitchen and continuously developing new projects. One major success last year was the market launch of an electronic vacuum food storage system (ZWILLING FRESH & SAVE), which keeps food fresh for up to five times longer than normal refrigeration. By means of the specially developed app, the system helps consumers organize their refrigerator and freezer compartments and suggests recipes for their vacuum-sealed food. FRESH & SAVE could help reduce food waste. In Germany alone, households throw away more than six million metric tons of food each year. This is harmful to the climate, the environment and the economy. Consumers are increasingly aware of the consequences of food waste and seeking solutions to help them approach their purchases more considerately. One such solution is FRESH & SAVE. Alongside a rechargeable vacuum pump, the range includes various glass and plastic containers, reusable vacuum bags and a wine sealer.

In the knives product segment, the business unit conducted a project to reduce manufacturing complexity at the Solingen plant. The aim is to reduce the number of individual models by up to 50 %. The Chinese factory developed a new knife block with an integrated ultraviolet light. This technology makes it possible to rapidly sterilize knife blades in the block. In the cookware product segment, the Zwilling Kitchenware business unit worked on developing a new series that combines numerous functional features, which is due to be launched in spring 2021.

As part of our planning of global business resources (Enterprise Resource Planning (ERP)) last year focused on the harmonization of production planning and management using manufacturing execution system (MES) software. Machinery utilization and setting-up times are optimized by digitally recording machine data, which is then transmitted to the ERP system interface. Following successful test runs at the Solingen plant, migration took place at the turn of the year 2020/21. It is planned to roll out ERP and MES at other production sites.

The Zwilling Beauty Group developed numerous new products, particularly nail care products, last year. In addition, a portable vanity mirror with different lighting options and 10x magnification was launched.

In the Jaguar/Tondeo Professional Hairdressing Equipment business unit, the automation and digitalization of manufacturing processes was a major focus in 2020. In raw materials supply, it switched to a cold forging process for components of basic models. This enables savings of up to 50 % and can reduce production time by up to one-third. For premium scissors, a different strategy will be followed in future, moving away from forging in favor of full 3D milling. Instead of molding the blanks in the usual way, they are milled directly from a piece of steel using computer-based technology. The experts at the Soligen plant do not intervene until final assembly when the scissors are fine-tuned and sharpened. This reduces the lead time from several months to a few weeks. Following a successful test run, both processes began being used in series production in 2020 and will replace the previous process as soon as possible.

Bank11, as the first independent automotive bank, began to develop its own vehicle subscription service last year. This mobility solution allows customers to use a vehicle for an agreed period for a fixed monthly rate. The subscription covers all fixed costs. According to experts, it is possible that up to 20 % of all newly registered cars could in future be financed through subscription models. Bank11 involved dealers in the product development process from the outset in order to tailor the service to their needs. Using the smive marketing platform, dealers can directly offer subscriptions without incurring programming or installation costs. Bank11 not only provides the software, but also takes care of the digital booking process and payment processing. As soon as the pilot was launched, around 100 partner dealers in six German test regions registered to use the service. In the next phase, Bank11 plans to develop additional product features and services with dealers.

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 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 endangered 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. In asphalt production, more than one-third of the material used in the business unit is recycled from excavated asphalt. In accordance with the relevant quality standards and customer wishes, this proportion will further increase in future. To this end, employees of Basalt-Actien-Gesellschaft (BAG) regularly test products to rejuvenate aged asphalt binders at the company's TechnolgieCentrum. They contribute their findings to the discussions of technical committees, which are developing a framework for the use of these "rejuvenators". This creates a formal basis for further increasing the recycling rate for excavated asphalt.

To reduce the CO_2 emissions, vapor and aerosols from asphalt manufacturing and processing, BAG's central laboratory and the laboratory of a subsidiary tested foam bitumen technology on a laboratory scale in 2020. Through this testing, further findings have and will be gathered that will make subsequent full-scale implementation possible. Lower CO_2 emissions and reduced vapor and aerosols from asphalt not only benefit the environment, but also improve working conditions at construction sites. As Germany's leading asphalt producer, BAG is therefore implementing new technologies across the board to improve occupational safety and, at the same time, ensure the high quality of asphalt construction.

Slate is a natural, durable and ecologically valuable construction product. Its production and processing releases less CO_2 than many artificial roofing and cladding materials whose manufacture requires high energy consumption. To optimally utilize the resources extracted, the Slate business unit last year also investigated the extent to which sub-products can be used. For the ecological restoration of the spoil heaps constructed when extracting slate, new soil was again provided for numerous sites in agreement with the relevant authorities. This supports plant growth and rapidly feeds back into the ecosystem.

Sustainability has been an important part of the Zwilling Kitchenware business unit's strategy for many years. This is reflected, for example, in its increased efforts to reduce waste water, use energy as sparingly as possible and install solar power systems in 2020. In light of the more stringent legal requirements on climate protection and the rapidly changing values within the company, the business unit further stepped up its sustainability activities. To this end, a project was launched last year to develop a comprehensive sustainability strategy and define measures, targets and performance indicators for all relevant areas. This project is being supported by an external consultancy. The initial findings are expected to be available in the form of a sustainability report in the first half of 2021. As part of the project, the Zwilling Kitchenware business unit's sites were asked to provide environmental data based on the main Global Reporting Initiative (GRI) standards. It became clear that there are wide discrepancies in the depth of the information on the individual points. The business unit is therefore working to standardize the structures used to record data on consumption (electricity, gas, water, diesel) as well as on the materials used and the waste volumes disposed of. Data on social factors and human rights are documented in audits of Zwilling Kitchenware's suppliers. In the fall of 2020, Zwilling Kitchenware identified four major areas for action for the sustainability project, which are now being addressed in further detail: energy efficiency and the environment, sustainable products and packaging, supply chains, and employees and social responsibility.

The Zwilling Beauty Group business unit pushed ahead with its sustainability strategy for QVS packaging in China last year. Instead of single-use boxes, suppliers used reusable plastic containers. These containers remain their property and are returned to them when new materials are delivered. This significantly reduced paper wastage at QVS in 2020. In the USA, Tweezerman completed the first phase of a project to remove plastic bags from its packaging. Its previous plastic waste was reduced by half. The aim is to eliminate all plastic from the packaging this year.

The Jaguar/Tondeo business unit significantly reduced its energy consumption by moving over to a cold forging process for its forging blanks. This technique means the blanks have smoother surfaces and more precise contours, creating less grinding dust during processing. This conserves resources and reduces waste.

abcfinance focused on the expansion of its “green-energy-solutions” activities. An expert team creates tailored financing adapted to the seasonal earning capacity of photovoltaic systems. Using these systems, companies can partially or even fully cover their electricity requirements themselves. By providing this form of financing, abcfinance contributes to climate protection. The aim is to soon cover other environmentally friendly energy technologies, such as solar thermal systems and electromobility, alongside photovoltaic systems.

Among other things, Bank11 is contributing to the switch to new forms of mobility by offering special financing terms for electric vehicles and e-scooters. In addition, the first independent vehicle subscription service and marketing platform for dealers, smive, was launched in the business year. This initiative offers our customers a flexible and demand-led solution for personal mobility.

Outlook and Opportunities Report

Macroeconomic forecast

In its global economic forecast in January this year, the IMF predicted considerable global gross domestic product (GDP) growth of 5.5 % for 2021, following the decline of 3.5 % estimated in 2020. The trend is mixed across the different regions. Growth of 4.2 % is forecast for the eurozone in 2021, while the USA is expected to grow by 5.1 % and the Chinese economy by 8.1 %. Overall, it is predicted that GDP in the emerging markets and developing economies will recover by 6.3 %.

For the German market, the IMF forecasts GDP growth of 3.5 % in 2021 (previous year: (estimated) – 5.4 %). Despite the ongoing uncertainty caused by the pandemic and the increasing burden on government budgets, economic developments are expected to provide fresh impetus. However, the scale of the recovery is expected to be somewhat smaller than in other major economies.

In its forecast, the IMF expects the first half of the year to remain somewhat weak, with the anticipated recovery then largely taking place in the second half of 2021 when the positive effects of the global vaccination campaign are expected to be felt. The IMF also stresses the considerable uncertainty surrounding projected developments, which it points out are dependent on three key themes. These are: firstly, the question of the duration and severity of the existing restrictions; secondly, whether vaccinations will revive economic activity, and, thirdly, how interest rates and commodity prices develop.

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, modern 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 capturing additional customer segments in Germany 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, large-scale project business, and winning new key accounts. Opportunities also exist due to the better-than-expected development of relevant currency exchange rates. Ultimately, the perpetuation of the widespread trend of staying at home, or "cocooning", could open up additional business opportunities.

In the Financial Services division, the sales market for the services offered is still considered attractive. In addition, there will be opportunities for further organic and acquisition-related growth. The expansion of 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.

Outlook 2021

Traditionally, business performance within the Werhahn Group is strongly influenced in the first part of the year by events in the building materials sector, which is highly seasonal- and weather-dependent. Due to weather conditions, performance at the beginning of the year was somewhat down on the previous year. The Financial Services division's result matched the prior-year level, while the Consumer Goods division had a good start to the year, registering a year-on-year increase. However, the first few months have limited informative value for the entire year.

For the full year 2021, the Management Board expects a slight decline in net sales, with EBITDA and earnings before tax still clearly in positive territory. However, it is anticipated that both figures will be slightly weaker than the very good level achieved in the reporting period. This assessment is primarily based on the expectation that the positive performance of the Zwilling Kitchenware business unit could prove to be partly attributable to a “special economy” created by the coronavirus crisis. In addition, the probability has significantly increased that the negative consequences of the pandemic – primarily in the form of lower public spending, rising crude oil prices and increased insolvencies following the end of political support measures – could have an adverse effect on the Building Materials and Financial Services divisions in the coming year.

The above assessment of the expected performance of the Werhahn Group was made subject to high levels of planning uncertainty due to the coronavirus pandemic.

/// Consolidated Financial Statements ///

Consolidated Balance Sheet

Assets

in € thousand	Note	Dec. 31, 2020	Dec. 31, 2019
Intangible assets		106,329	128,928
Tangible assets		850,687	856,443
Financial assets		92,196	90,636
Fixed assets excluding leasing assets from financial services		**1,049,212**	**1,076,007**
Leasing assets from financial services		1,733,654	1,820,802
Fixed assets	**(1)**	**2,782,866**	**2,896,809**
Accounts receivable from financial services	(2)	5,728,990	5,023,225
Inventories	(3)	394,705	427,768
Accounts receivable and other assets	(4)	346,663	323,615
Securities	(5)	10,466	10,488
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	(6)	878,469	675,811
Current assets		**7,359,293**	**6,460,907**
Prepaid expenses		7,554	7,826
Deferred tax assets	(7)	183	3,537
Surplus from offsetting		113	180
		10,150,009	**9,369,259**

Equity and liabilities

in € thousand	Note	Dec. 31, 2020	Dec. 31, 2019
Capital shares of Wilh. Werhahn KG		147,790	147,790
Capital reserve		68,273	68,273
Group profit carried forward		1,637,578	1,616,660
Difference in equity from currency conversion		– 34,689	– 11,301
Consolidated net profit		57,683	52,281
Non-controlling interests		60,139	60,260
Equity	**(8)**	**1,936,774**	**1,933,963**
Difference in amounts from capital consolidation		364	445
Provisions	(9)	436,919	380,761
Liabilities from financial services	(10)	7,431,771	6,645,263
Liabilities	(11)	343,045	407,777
Outside capital		**8,211,735**	**7,433,801**
Deferred income		1,136	1,050
		10,150,009	**9,369,259**

Consolidated Income Statement

in € thousand	Note	2020	2019
Net sales	(12)	3,726,088	3,605,710
Inventory changes		– 25,945	8,879
Internally produced and capitalized assets		9,942	7,416
Total operating performance		**3,710,085**	**3,622,005**
Other operating income	(13)	55,124	66,848
Cost of materials	(14)	1,898,512	1,904,365
Personnel expenses	(15)	530,798	528,458
Amortization of intangible assets and depreciation of tangible assets		152,213	153,613
Amortization and write-downs of leasing assets from financial services		564,909	557,892
Other operating expenses	(16)	497,088	436,976
Investment income	(17)	32,323	22,362
Amortization and write-downs of financial assets and securities classified as current assets		2,487	941
Write-ups of financial assets		9	9
Interest result	(18)	– 13,914	– 12,836
Earnings before tax		**137,620**	**116,143**
Taxes on income and earnings	(19)	57,584	42,615
Earnings after tax/net income		**80,036**	**73,528**
Profit attributable to non-controlling interests		22,353	21,247
Net profit		**57,683**	**52,281**

Statement of Changes in Fixed Assets

(Annex to the Notes to the Consolidated Financial Statements)

	Purchase and manufacturing costs					
in € thousand	**Balance as of Jan. 1, 2020**	Currency translation differences et. al.	Additions	Disposals	Reclassifi-cations	**Balance as of Dec. 31, 2020**
Internally generated commercial trademarks and similar rights and assets	–	–	4,630	–	–	4,630
Concessions acquired against payment, commercial trademarks and similar rights and assets as well as licenses to such rights and assets	229,489	– 4,213	5,346	4,226	5,557	231,953
Goodwill	416,709	– 1,563	1,148	217,622	–	198,672
Prepayments	7,842	– 58	8,331	182	– 5,544	10,389
Intangible assets	**654,040**	**– 5,834**	**19,455**	**222,030**	**13**	**445,644**
Land, land rights and buildings including buildings on third-party land	978,865	– 9,350	9,131	3,639	11,166	986,173
Technical facilities and machinery	1,290,440	– 13,132	30,501	29,127	24,572	1,303,254
Other facilities, operating and business equipment	469,311	– 3,106	35,447	29,643	– 3,962	468,047
Prepayments and facilities under construction	53,472	– 819	44,817	265	– 31,789	65,416
Tangible assets	**2,792,088**	**– 26,407**	**119,896**	**62,674**	**– 13**	**2,822,890**
Interests in affiliated companies	71,589	–	–	21	–	71,568
Interests in associated at-equity companies	35,675	–	1,827[1]	425[1]	– 100	36,977
Interests in other associated companies and other participations	89,630	–	4,922	5,633	100	89,019
Loans to affiliated companies	866	–	–	245	–	621
Other loans	1,475	–	7	110	–	1,372
Financial assets	**199,235**	**–**	**6,756**	**6,434**	**–**	**199,557**
Fixed assets excluding leasing assets from financial services	**3,645,363**	**– 32,241**	**146,107**	**291,138**	**–**	**3,468,091**
Leasing assets from financial services	**3,115,326**	**–**	**618,258**	**604,256**	**–**	**3,129,328**
Fixed assets	**6,760,689**	**– 32,241**	**764,365**	**895,394**	**–**	**6,597,419**
[1] Thereof from equity valuation			1,827	–		

Cumulated depreciation and amortization							Book value	
Balance as of Jan. 1, 2020	Currency translation differences et. al.	Additions	Write-ups	Disposals	Reclassifi-cations	**Balance as of Dec. 31, 2020**	**Balance as of Dec. 31, 2020**	**Balance as of Dec. 31, 2019**
–	–	172	–	–	–	172	4,458	
172,364	– 3,492	15,728	–	3,668	– 2	180,930	51,023	57,125
352,518	– 791	23,500	–	217,266	–	157,961	40,711	64,191
230	– 28	230	–	180	–	252	10,137	7,612
525,112	**– 4,311**	**39,630**	**–**	**221,114**	**– 2**	**339,315**	**106,329**	**128,928**
487,202	– 3,633	25,591	3	3,156	–	506,001	480,172	491,663
1,083,390	– 10,079	50,638	–	28,336	4,867	1,100,480	202,774	207,050
364,953	– 2,222	36,267	–	28,591	– 4,865	365,542	102,505	104,358
100	– 7	87	–	–	–	180	65,236	53,372
1,935,645	**– 15,941**	**112,583**	**3**	**60,083**	**2**	**1,972,203**	**850,687**	**856,443**
67,330	–	–	–	–	–	67,330	4,238	4,259
15,812	–	51[1]	–	–	–	15,863	21,114	19,863
25,308	–	2,423	–	3,703	–	24,028	64,991	64,322
–	–	–	–	–	–	–	621	866
149	–	–	9	–	–	140	1,232	1,326
108,599	**–**	**2,474**	**9**	**3,703**	**–**	**107,361**	**92,196**	**90,636**
2,569,356	**– 20,252**	**154,687**	**12**	**284,900**	**–**	**2,418,879**	**1,049,212**	**1,076,007**
1,294,524	**–**	**564,909**	**–**	**463,759**	**–**	**1,395,674**	**1,733,654**	**1,820,802**
3,863,880	**– 20,252**	**719,596**	**12**	**748,659**	**–**	**3,814,553**	**2,782,866**	**2,896,809**

Consolidated Cash Flow Statement

	in € thousand	2020	2019
	Result for the reporting period (Consolidated net profit including non-controlling interests)	80,036	73,528
+/–	Depreciation, amortization and write-downs of fixed assets/reversals of write-downs of fixed assets (excluding leasing assets from financial services)	154,676	151,850
+/–	Increase/decrease in provisions	21,553	6,878
+/–	Other non-cash expenses/income	– 11,356	5,451
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	21,879	13,763
+/–	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	1,826	– 1,609
–/+	Gain/loss from disposal of fixed assets	– 9,618	– 9,700
+/–	Interest expenses/income	13,914	12,836
–	Other investment income	– 32,323	– 22,362
+/–	Expenses/income of exceptional size or incidence	33,514	–
+/–	Income tax expenses/income	57,583	42,615
–/+	Income taxes paid	– 57,722	– 56,915
+/–	Amortization and write-downs of leasing assets/reversals of write-downs of leasing assets	564,909	557,892
+	Proceeds from disposals of leasing assets	140,497	116,967
–	Payments to acquire leasing assets	– 618,258	– 783,811
–/+	Increase/decrease in securities in financial services companies (unless classified as financial assets)	22	– 3
–/+	Increase/decrease in accounts receivable from customers from financial services	– 713,976	– 781,513
–/+	Increase/decrease in accounts receivable from banks from financial services	10,039	– 5,631
+/–	Increase/decrease in liabilities to customers from financial services	85,684	768,242
+/–	Increase/decrease in liabilities to banks from financial services	1,044,772	– 104,219
+/–	Increase/decrease in other liabilities from financial services	– 343,698	255,071
	Cash flow from operating activities	**443,953**	**239,330**

	in € thousand	2020	2019
+	Proceeds from disposals of intangible fixed assets	938	7,970
–	Payments to acquire intangible fixed assets	– 19,347	– 16,442
+	Proceeds from disposals of tangible fixed assets	11,540	15,484
–	Payments to acquire tangible fixed assets	– 120,018	– 126,865
+	Proceeds from disposals of long-term financial assets	2,915	7,262
–	Payments to acquire long-term financial assets	– 4,980	– 15,249
–	Payments to acquire entities included in the basis of consolidation	– 340	– 18,170
–	Payments relating to expenses of exceptional size or incidence	– 2,908	– 2,344
+	Interest received	1,651	2,626
+	Dividends received	31,068	22,292
	Cash flow from investing activities	**– 99,481**	**– 123,436**
+	Proceeds from capital contributions by minority shareholders	–	649
+/–	Proceeds from the issuance of bonds and from borrowings/cash repayments of bonds and borrowings	– 3,424	– 25,748
+	Proceeds from subsidies/grants	2,784	2,204
–	Interest paid	– 6,055	– 7,048
–	Dividends paid to shareholders of the parent entity	– 31,714	– 21,176
–	Dividends paid to minority shareholders	– 22,511	– 24,381
	Cash flow from financing activities	**– 60,920**	**– 75,500**
	Net change in cash funds	**283,552**	**40,394**
+/–	Effect on cash funds of exchange rate movements and remeasurements	– 5,065	857
+/–	Effect on cash funds of changes in the basis of consolidation	–	1
+	**Cash funds at beginning of period**	**545,460**	**504,208**
	Cash funds at end of period	**823,947**	**545,460**

Cash funds are composed of the following items:

in € thousand	2020	2019
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	878,469	675,811
Liabilities to banks payable on demand and other short-term loans that are part of the disposition of liquid funds	– 54,522	– 130,351
Cash funds at end of period	**823,947**	**545,460**

Statement of Changes in Equity

	Parent company				
in € thousand	Capital shares of Wilh. Werhahn KG	Capital reserve	Group profit carried forward	Difference in equity from currency conversion	Net profit
Balance as of Jan. 1, 2020	**147,790**	**68,273**	**1,616,660**	**– 11,301**	**52,281**
Capital increase	–	–	–	–	–
Distribution	–	–	– 30,923	–	–
Currency conversion	–	–	–	– 23,389	–
Transfers to/ withdrawals from reserves	–	–	52,281	–	– 52,281
Other changes	–	–	– 440	1	–
Changes in the basis of consolidation	–	–	–	–	–
Net income	–	–	–	–	57,683
Balance as of Dec. 31, 2020	**147,790**	**68,273**	**1,637,578**	**– 34,689**	**57,683**

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
37,266	**1,747**	**21,247**	**1,933,963**
–	–	–	–
– 21,673	–	–	– 52,596
–	– 937	–	– 24,326
21,247	–	– 21,247	–
133	–	–	– 306
3	–	–	3
–	–	22,353	80,036
36,976	**810**	**22,353**	**1,936,774**

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 134 to 143. The Consolidated Financial Statements as of December 31, 2020 incorporate all the companies shown under **1. Consolidated affiliated companies**. Along with the parent company, Wilh. Werhahn KG, the scope of consolidation comprises 91 companies in Germany (previous year: 94) and 47 companies abroad (previous year: 48). In the reporting period, one company was incorporated for the first time. This company was newly established. The five companies removed from the list in the reporting period were all merged into consolidated subsidiaries, meaning that their assets remain within the scope of consolidation.

Pursuant to section 296, paragraph 2 of the HGB, 67 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 about the Group’s legal and commercial relationships with these companies.

All 14 companies listed under **2. Associated at-equity companies** were consolidated using the equity method. There are additional associated companies that have not been included at equity in the financial statements because they are, overall, of minor significance with regard to net sales and balance sheet totals and with regard to their impact 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
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 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 € 283 thousand as of the closing date, with amortization of € 51 thousand. Prior to at-equity consolidation, there was a difference between the book values of the participations and the proportional equity of the associated at-equity companies of € 9,563 thousand or € – 2,809 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 intercompany profits and losses between consolidated companies are eliminated on consolidation. In the case of companies consolidated at equity, intercompany profits and losses 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 affecting 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 € =	**2020**	2019	**2020**	2019
US dollar	**1.1411**	1.1197	**1.2271**	1.1234
Canadian dollar	**1.5290**	1.4858	**1.5633**	1.4598
Polish zloty	**4.4434**	4.2968	**4.5597**	4.2568
Chinese renminbi	**7.8689**	7.7322	**8.0225**	7.8205
Japanese yen	**121.7591**	122.0896	**126.4900**	121.9400

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[8]
- abcfinance advise GmbH, Cologne
- abcfinance Holding GmbH, Neuss[8]
- 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 Vierzehnte 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. The option to capitalize is predominantly not exercised.

[8] The company also exercises the consolidation exemption options provided by 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 ten years.

Internally generated intangible fixed assets are capitalized for the first time in accordance with the option provided under section 248, paragraph 2 of the HGB. These include internally generated software, which is recognized in the balance sheet due to its significantly increased importance with regard to reflecting a true and fair view of the net assets, financial positions and results of operations. The manufacturing costs for internally generated intangible fixed assets include an appropriate proportion of the necessary overheads alongside any decline in the value of the fixed assets, and material and production costs. Borrowing costs are not taken into account. Development costs are included in the manufacturing costs when the recognition criteria are met. These assets were amortized using the straight-line method pro rata temporis over a useful life of three to ten 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. Significant 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. 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. In addition, appropriate 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 recognized 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 limitation, 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 combined 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 2.31 % was used for the valuation of pension provisions as of December 31, 2020. 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 services companies at their respective settlement amounts. It also includes deferrals from the financial services 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 using interim financial statements.

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

Notes to the Balance Sheet

1 Fixed assets

The breakdown of and changes in intangible and tangible assets, financial assets, and leasing assets from financial services are shown on pages 112/113.

Of the total research and development costs of € 11,952 thousand, internally generated intangible assets of € 4,630 thousand were capitalized in the reporting year.

Goodwill is derived primarily from capital consolidation.

Fixed assets include leasing assets from financial services in the amount of € 1,733,654 thousand (previous year: € 1,820,802 thousand).

Depreciation and amortization includes write-downs totaling € 86,371 thousand (previous year: € 88,196 thousand). Of this amount, € 82,889 thousand was attributable to leasing assets from financial services.

2 Accounts receivable from financial services

in € thousand	Dec. 31, 2020	thereof due in more than 1 year	Dec. 31, 2019	thereof due in more than 1 year
Receivables from banks from financial services	449,684	–	457,896	–
Purchased accounts receivable	79	–	1,532	60
Accounts receivable from banking business	4,053,000	3,064,406	3,379,701	2,321,596
Accounts receivable from factoring business	267,352	–	271,993	–
Hire-purchase receivables	885,061	566,461	876,131	539,260
Other accounts receivable from financial services	73,633	114	34,950	3,554
Deferrals	181	–	1,022	170
	5,728,990		**5,023,225**	

3 Inventories

in € thousand	Dec. 31, 2020	Dec. 31, 2019
Raw materials and supplies	81,513	83,152
Unfinished goods and services	72,773	66,870
Finished goods and merchandise	238,867	276,107
Prepayments	1,552	1,639
	394,705	**427,768**

4 Accounts receivable and other assets

in € thousand	Dec. 31, 2020	thereof due in more than 1 year	Dec. 31, 2019	thereof due in more than 1 year
Trade accounts receivable	236,727	352	223,704	886
Accounts receivable from affiliated companies	3,072	–	2,386	–
Accounts receivable from companies in which a participating interest is held	24,823	–	19,326	–
Other assets	82,041	6,658	78,199	6,598
	346,663		323,615	

Accounts receivable from affiliated companies in the amount of € 548 thousand and receivables from companies in which a participating interest is held in the amount of € 1,999 thousand result from supply and service transactions.

5 Securities

Securities total € 10,041 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 € 878,469 thousand, € 992 thousand is subject to restrictions on use.

This item includes cash on hand and cash deposited with the German Federal Bank by the Financial Services division and Bankhaus Werhahn GmbH of € 746,835 thousand.

7 Deferred tax assets

After offsetting against deferred tax liabilities, there was a surplus of deferred tax assets of € 183 thousand in the Consolidated Financial Statements. Debt carryover from the subsidiaries amounting to € 6,271 thousand was more than offset by deferred tax assets from consolidation measures.

Without being offset, this resulted in deferred tax liabilities of € 12,778 thousand and deferred tax assets of € 12,961 thousand. In the business year, deferred tax assets were reduced by € 2,673 thousand and deferred tax liabilities increased by € 681 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 carryovers. 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 € 101,611 thousand in the Group.

The capitalization of internally generated intangible assets resulted in deferred tax liabilities of € 1,167 thousand.

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. Profit and loss attributable to non-controlling interests totaled € 23,250 thousand and € 897 thousand, respectively.

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

As of the closing date, there were restrictions on distribution amounting to € 16,496 thousand under German law and € 263 thousand under local law.

9 Provisions

in € thousand	Balance as of Jan. 1, 2020	Used	Released	Addition	Other changes	Balance as of Dec. 31, 2020
Pensions and similar obligations	116,780	7,642	2,733	7,742	4,948	119,095
Tax provisions	21,538	12,906	668	13,893	– 331	21,526
Other provisions						
Personnel expenses	62,002	49,144	2,183	61,040	– 276	71,439
Recultivation	73,974	1,741	1,610	5,933	3,035	79,591
Loss from pending transactions	1,686	618	80	27,016	7	28,011
Sureties and guarantees	10,642	2,047	1,124	5,847	– 143	13,175
Outstanding and missing invoices	28,673	20,385	3,627	21,076	– 2,774	22,963
Miscellaneous other provisions	65,466	46,681	4,629	65,652	1,311	81,119
	380,761	**141,164**	**16,654**	**208,199**	**5,777**	**436,919**

Assets to cover pensions and similar obligations with fair values totaling € 2,814 thousand and € 751 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 € 857 thousand, respectively. Without offsetting, the pension provisions would have totaled € 121,909 thousand and the provisions for personnel costs € 72,190 thousand.

As of the closing date, the difference between the valuation of pension provisions using the 10-year average interest rate and the 7-year average interest rate amounts to € 10,057 thousand.

10 Liabilities from financial services

in € thousand	Dec. 31, 2020	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	546,037	154,040	391,997
Liabilities to banks from financial services	2,540,990	1,103,990	1,437,000
Liabilities to customers from financial services	4,303,566	2,836,600	1,466,966
Deferrals	41,178	13,979	27,199
	7,431,771		

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		

Liabilities from financial services relate to the refinancing of the companies in the Financial Services division. Deferrals consist predominantly of 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 € 471,233 thousand (previous year: € 679,969 thousand).

11 Liabilities

in € thousand	Dec. 31, 2020	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	77,353	64,805	12,548
Prepayments received	2,894	2,894	–
Trade accounts payable	106,799	106,778	21
Liabilities to affiliated companies	10,405	10,405	–
Liabilities to companies in which a participating interest is held	57,607	56,602	1,005
Other liabilities	87,987	85,412	2,575
(thereof from taxes)	(43,282)		
(thereof for social security payments)	(4,141)		
	343,045		

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		

As of the closing date, liabilities with a remaining term of more than five years totaled € 4,922 thousand (previous year: € 1,820 thousand). For liabilities amounting to € 17,841 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 € 1,431 thousand and € 6,880 thousand of the liabilities to companies in which a participating interest is held are due to supply and service transactions.

Notes to the Income Statement

The income statement was drawn up using the total cost method.

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.

By corporate division

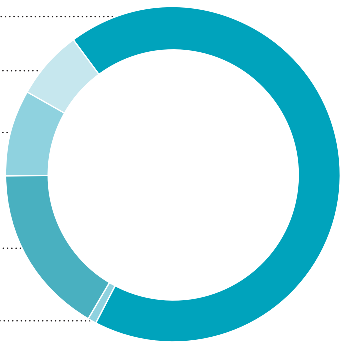
in € thousand	2020	2019
Building Materials	1,387,618	1,416,650
Consumer Goods	841,917	741,060
Financial Services	1,479,845	1,431,110
Others	39,005	36,873
Consolidation	– 22,297	– 19,983
	3,726,088	**3,605,710**

By region

in € thousand

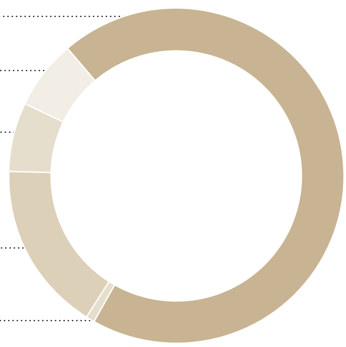
2020

Germany	2,532,284
Asia	249,353
North America	320,805
Rest of Europe	612,519
Rest of world	11,127
Group total	3,726,088



2019

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



13 Other operating income

This item comprises mainly non-periodic income from the release of provisions (€ 13,253 thousand), gains on the disposal of fixed assets (€ 11,063 thousand), and income from reversals of allowances (€ 1,274 thousand).

Other operating income also includes currency exchange gains (€ 5,965 thousand; previous year: € 4,227 thousand).

14 Cost of materials

Cost of materials totaled € 1,898,512 thousand (previous year: € 1,904,365 thousand), thereof € 771,622 thousand (previous year: € 793,558 thousand) for raw materials and supplies and € 85,203 thousand (previous year: € 87,341 thousand) for purchased services. In addition, the cost of materials item 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.

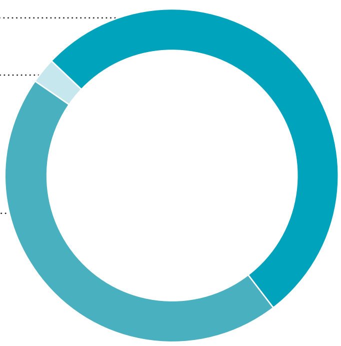
15 Personnel expenses

in € thousand	**2020**	2019
Wages and salaries	435,388	433,629
Social security contributions and staff welfare costs	88,634	89,054
Pension costs	6,776	5,775
	530,798	**528,458**

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

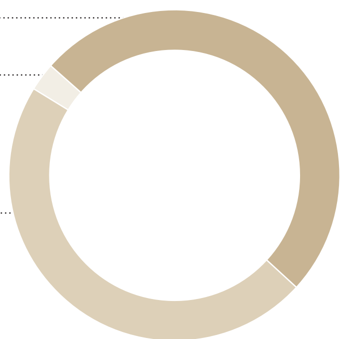
2020

Salaried employees	5,063
Trainees	242
Industrial employees	4,825
Group total	**10,130**



2019

Salaried employees	5,061
Trainees	262
Industrial employees	4,890
Group total	**10,213**



Remuneration paid to the Supervisory Board in the reporting period totaled € 0.7 million (previous year: € 0.9 million). Provisions for pensions for former members of the Management Board or their surviving dependents amounted to € 48.8 million (previous year: € 44.9 million). Remuneration and pensions paid to former members of the Management Board and their surviving dependents totaled € 1.8 million (previous year: € 1.8 million).

In accordance with section 314, paragraph 3 in conjunction with section 286, paragraph 4 of the HGB, total Management Board remuneration is not disclosed.

16 Other operating expenses

Other operating expenses include, among other things, maintenance costs (€ 90,311 thousand), external services (€ 88,477 thousand), advertising (€ 51,532 thousand) and allowances on accounts receivable (€ 50,892 thousand). Additional expenses include leasing and rental costs (€ 43,333 thousand), insurance expenses (€ 12,488 thousand) and currency exchange losses (€ 8,104 thousand; previous year: € 4,663 thousand). Other taxes totaling € 6,525 thousand (previous year: € 8,172 thousand) are also reported in other operating expenses.

Non-periodic expenses totaled € 60,850 thousand (write-downs on accounts receivable and other assets, and losses on the disposal of fixed assets).

Domestic fees to the auditors of the Consolidated Financial Statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, totaled € 2,140 thousand in the reporting period. This includes fees for auditing services totaling € 1,975 thousand, € 110 thousand for other assurance services and € 55 thousand for miscellaneous services.

17 Investment income

in € thousand	2020	2019
Expenses from profit and loss transfer agreements	**16**	**18**
Income from affiliated companies	1,536	1,631
Expenses from affiliated companies	298	315
	1,238	**1,316**
Income from associated at-equity companies	15,669	12,079
Expenses from associated at-equity companies	–	108
	15,669	**11,971**
Income from other associated companies and other participations	15,573	9,222
Expenses from other associated companies and other participations	141	129
	15,432	**9,093**
	32,323	**22,362**

The result from associated at-equity companies generally represents the Group's share of 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	2020	2019
Income from other securities and loans of financial assets	677	559
(thereof from affiliated companies)	(17)	(21)
Other interest and similar income	1,774	3,538
(thereof from affiliated companies)	(223)	(212)
Interest and similar expenses	16,365	16,933
(thereof from affiliated companies)	(33)	(38)
	– 13,914	**– 12,836**

The interest result includes expenses from the accumulation of provisions totaling € 9,624 thousand (previous year: € 9,415 thousand) and income from discounting provisions in the amount of € 392 thousand (previous year: € 1,360 thousand). Interest income (€ 26 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 expenses of € 3,270 thousand (previous year: deferred tax income of € 2,468 thousand).

20 Income and expenses of exceptional size or incidence

In the business year, expenses of exceptional size and incidence amounting to € 25,636 thousand were incurred as a result of restructuring measures agreed during the year. This led to other operating expenses and provisions for losses from pending transactions.

In addition, other assets of € 7,878 thousand were written down to establish a provision for an individual risk.

Cash flow from investing activities also includes payments of € 2,908 thousand made to settle an exceptional issue from 2018.

List of Shareholdings as of December 31, 2020

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
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
Demeyere CommV	Herentals, Belgium	100
Demeyere Zwilling Nederland B.V.	Roermond, Netherlands	100
JV ZWILLING-RM GmbH	Solingen	90
OOO "ZWILLING J.A. HENCKELS Rus"	Moscow, Russian Federation	100
Staub Fonderie SARL	Merville, France	100
ZWILLING BALLARINI ITALIA S.R.L.	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 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	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	Cologne	100
abcfinance B.V.	Eindhoven, Netherlands	100
abcfinance GmbH	Vienna, Austria	100
abcfinance Holding GmbH	Neuss	100
C.O.I.N. Lease + Rent Leasing und Miete GmbH	Cologne	100
DeTeWe Finance GmbH	Cologne	100
ETL Finance GmbH & Co. KG	Dortmund	55
ETL Finance Verwaltungsgesellschaft mbH	Dortmund	56
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
RevoCar 2020 UG (haftungsbeschränkt)	Frankfurt am Main	0

Others	Registered office	Share in %
Wilh. Werhahn KG	Neuss	
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	Neuss	100
Stuart VV GmbH	Monheim am Rhein	100

Others	Registered office	Share in %
Werhahn Beteiligungs- und Projektgesellschaft mbH	Neuss	100
Werhahn Industrieholding SE	Neuss	100
Wilh. Werhahn KG Zweigniederlassung Haus & Grund	Neuss	100
WW Achtzehnte Acquisition GmbH	Monheim am Rhein	100
WW Holding KG	Neuss	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
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 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
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
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
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

	Registered office	Share in %
Mischwerke Lautzenbrücken Verwaltungsgesellschaft mbH	Lautzenbrücken	100
Mischwerke Mühlhausen GmbH	Mühlhausen	76
Mühle Cottbus GmbH i.L.	Neuss	100
N 2 SRG 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
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	Zurich, Switzerland	100

4. Other associated companies

	Registered office	Share in %
”RKS“ Kies- und Splittwerke Eckelsheim GmbH & Co. KG	Eckelsheim	50
”RKS“ Kies- und Splittwerke GmbH	Eckelsheim	50
Adrian Basalt GmbH & Co. KG	Enspel	50
Adrian Basalt 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	27
DAM Deutzer Asphaltmischwerke Verwaltungs-GmbH	Cologne	60
DWA Donau-Wald Asphaltmischwerke GmbH & Co. KG	Plattling	50
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
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	– 288
Asphalt-Mischwerke Eifel Verwaltungsgesellschaft mbH	Sinzig	33	44	2
DEBUS Naturstein GmbH & Co. KG	Untersiemau	49	1,924[1]	858[1]
Debus Naturstein Verwaltungs-GmbH	Untersiemau	49	29[1]	2,121[1]
Escombrera Sobredo S.L.	Carballeda de Valdeorras, Spain	22	107[1]	29[1]
Hartsteinwerke Burgk GmbH & Co. OHG	Schleiz	27	4,198[1]	506[1]
HWB Hartsteinwerke Burgk Verwaltungs-GmbH	Schleiz	27	73[1]	3[1]
INTERASPHALT Sp. z o.o.	Obornik, Poland	48	883[1]	34[1]
ThyssenKrupp MillServices & Systems GmbH	Duisburg	32	34,785	– 1,789

[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	**2020**	2019
Cash flow from operating activities	443,953	239,330
Cash flow from investing activities	– 99,481	– 123,436
Free cash flow	**344,472**	**115,894**
Cash flow from financing activities	– 60,920	– 75,500
Net change in cash funds	**283,552**	**40,394**
Other changes in cash funds	– 5,065	858
Cash funds at beginning of period	545,460	504,208
Cash funds at end of period	**823,947**	**545,460**

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

In March 2021, the shares of FiberLean Technologies Ltd., Cornwall/United Kingdom, were acquired; at the same time, the process began for the planned acquisition of four associated production sites in the USA, India and France. As the world's leading manufacturer of an innovative, patented microfibrillated cellulose composite material, FiberLean Technologies allows its customers – particularly those in the paper and packaging industry – to make significant cost savings and quality improvements.

The consequences of the coronavirus pandemic could also have a negative effect on the economic success of the Werhahn Group in 2021. 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. With regard to the increased forecast uncertainty arising from the coronavirus pandemic, we refer the reader to the explanations in the Consolidated Report.

Transactions not included in the Consolidated Balance Sheet

in € thousand	**2020**	2019
Liabilities from the issue and transfer of bills	33	80
Liabilities from sureties, bills and check guarantees	2,396	3,669
(thereof to affiliated companies)	(418)	(418)
(thereof to associated companies)	(1,321)	(1,431)
Liabilities from warranties	107	219
Commitments from open purchase orders	141,082	127,664
(thereof to associated companies)	(406)	(263)
Cash value of non-current commitments from rent, tenancy and leasing agreements	101,093	105,278
(thereof to affiliated companies)	(195)	(526)
(thereof to associated companies)	(153)	(153)
Commitments from loan undertakings	327,181	256,673
(thereof to affiliated companies)	(1,174)	(100)
Other financial obligations	17,634	19,252
(thereof to affiliated companies)	(4,206)	(3,730)
(thereof to associated companies)	(347)	(189)

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 the value of underlying transactions and hedging instruments are not recognized. 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 is hedged using forward exchange contracts.

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 one year.

As part of a securitization transaction, a special purpose vehicle issued variable-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 two and three 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	105,873	3,606	2,607	– 999
Highly probable forecast transactions	Currency risk	59,307	1,518	888	– 630
Pending transactions	Procurement price risks	13,360	1,213	1,141	– 72
Variable-rate bonds	Interest rate risk	368,696	1,730	–	– 1,730

Neuss, April 15, 2021

Wilh. Werhahn KG

sgd.

Paolo Dell' Antonio   Alexander Boldyreff   Stephan Kühne

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 2020, 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 2020, 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 2020.

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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law to be applied 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 controls.

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with 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 15, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Uwe Rittmann Wirtschaftsprüfer (German public auditor)	ppa. Christa Mommsen Wirtschaftsprüferin (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

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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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www.zwilling.com

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

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