WÜRTH FINANCE GROUP / WÜRTH FINANCE INTERNATIONAL B.V.

FINANCIAL STATEMENTS 2017

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WÜRTH FINANCE GROUP

FINANCIAL STATEMENTS 2017

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER BEFORE APPROPRIATION OF PROFITS

ASSETS

in TEUR	Notes	2017	2016
Non-current assets			
Intangible assets			
Software	3	996	891
Property, plant and equipment			
Operating equipment and furnishings	3	509	357
Financial assets			
Loans to associated companies	4, 16	944,422	973,135
Other financial assets	5, 16	44,500	54,500
Deferred tax assets	15	2,259	2,496
Total non-current assets		**992,686**	**1,031,379**
Current assets			
Receivables from associated companies	16	973,117	737,409
Loans to family trusts	16	14,000	18,000
Positive fair values of derivative instruments	19b	8,102	4,649
Other receivables	6	2,658	2,835
Income tax receivables		2,860	4,299
Accrued income and prepaid expenses		5,092	5,507
Securities held for trading	7, 19a	96,939	74,742
Cash and cash equivalents		439,428	577,859
Total current assets		**1,542,196**	**1,425,300**
Total assets		**2,534,882**	**2,456,679**

EQUITY AND LIABILITIES

	Notes	2017	2016
Shareholders' equity			
Capital subscribed and paid in		16,000	16,000
Additional paid-in capital		5,000	0
Retained earnings		264,103	259,697
Foreign exchange difference		115	-7
Net profit for the year		28,082	26,378
Total shareholders' equity		**313,300**	**302,068**
Non-current liabilities			
Bonds issued	8	995,944	1,494,248
Liabilities for pension plans	14	4,230	4,518
Payables to banks		0	4,650
Deferred tax liabilities	15	18	0
Total non-current liabilities		**1,000,192**	**1,503,416**
Current liabilities			
Bonds issued	8	499,726	0
Payables to associated companies	16	671,628	601,295
Payables to banks		5,848	8,720
Provisions for taxes	15	7,538	2,396
Negative fair values of derivative instruments	19b	4,199	6,774
Other liabilities	9, 16	12,769	12,184
Accrued expenses and deferred income	16	19,682	19,826
Total current liabilities		**1,221,390**	**651,195**
Total equity and liabilities		**2,534,882**	**2,456,679**

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

in TEUR	Notes	2017	2016
Operating income			
Interest income	10	59,303	72,932
Interest expenses	10	-54,887	-68,411
Net interest income		**4,416**	**4,521**
Income from factoring activities		14,755	12,899
Income from commission and service fee activities	11	32,983	29,880
Income from trading activities and financial instruments	12	9,553	8,837
Other ordinary income	13	3,959	4,858
Total operating income		**65,666**	**60,995**
Operating expenses			
Personnel costs	14	-16,545	-17,032
Other administrative expenses		-11,876	-11,679
Depreciation and amortisation		-435	-462
Other ordinary expenses		-64	-10
Total operating expenses		**-28,920**	**-29,183**
Profit before taxes		**36,746**	**31,812**
Corporate taxes	15	-8,028	-4,836
Deferred taxes	15	-636	-598
Net profit for the year		**28,082**	**26,378**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

in TEUR, net of tax	2017	2016
Profit for the year	**28,082**	**26,378**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign exchange difference	122	91
Net (loss)/gain on cash flow hedges	-1,513	0
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
IAS 19 obligation	-409	249
Other	0	187
Other comprehensive income for the year (OCI)	**-1,800**	**527**
Total comprehensive income for the year	**26,282**	**26,905**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

in TEUR	2017	2016
Net profit for the year	**28,082**	**26,378**
Depreciation and amortisation	435	462
Adjustment to provision for taxes	5,142	-53
Decrease (increase) in deferred tax assets	237	-353
Increase (decrease) in deferred tax liabilities	18	-1
Other expenses and revenues without cash flows	27,933	-6,812
(Increase) decrease in operating assets		
Receivables from associated companies	-231,708	-91,773
Positive fair values of derivative instruments	-3,453	6,975
Income tax receivables	1,439	281
Other receivables and accrued income and prepaid expenses	592	-978
Increase (decrease) in operating liabilities		
Payables to associated companies	70,333	168,371
Negative fair values of derivative instruments	-2,575	6,680
Other liabilities and accrued expenses and deferred income	441	1,876
Net cash flows from operating activities	**-103,084**	**111,053**
Purchase of property, plant and equipment and intangible assets	-704	-521
Disposal of property, plant and equipment and intangible assets	35	16
Purchase of securities	-47,695	-24,460
Disposal of securities	21,214	21,396
Redemption of long-term loans to associated companies	360,600	275,501
Lending of long-term loans to associated companies	-356,255	-227,667
Sales of other financial assets	10,000	10,000
Net cash flows from investing activities	**-12,805**	**54,265**
Dividends paid	-20,050	-20,505
Contribution	5,000	0
Net cash flows from financing activities	**-15,050**	**-20,505**
Foreign exchange difference	30	-33
Net increase (decrease) in cash and cash equivalents	**-130,909**	**144,780**
Net cash and cash equivalents at the beginning of the year	**564,489**	**419,709**
Net cash and cash equivalents at the end of the year	**433,580**	**564,489**
Net increase (decrease) in cash and cash equivalents	**-130,909**	**144,780**
Taxes paid	**1,779**	**5,394**
Interest received*	**69,465**	**83,820**
Interest paid	**-51,848**	**-73,025**

The funds for this cash flow statement are represented by cash and cash equivalents (net).
*2016 numbers are restated in line with 2017 overview.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

in TEUR	Capital	Additional paid-in capital	Retained earnings	Currency adjustment	Total
At 1 January 2016	16,000	0	280,050	-98	295,952
Net profit for the year	0	0	26,378	0	26,378
Other comprehensive income	0	0	436	91	527
Total comprehensive income for the year	**0**	**0**	**26,814**	**91**	**26,905**
Dividends paid	0	0	-20,789	0	-20,789
At 31 December 2016	**16,000**	**0**	**286,075**	**-7**	**302,068**
At 1 January 2017	16,000	0	286,075	-7	302,068
Net profit for the year	0	0	28,082	0	28,082
Capital contribution	0	5,000	0	0	5,000
Other comprehensive income	0	0	-1,922	122	-1,800
Total comprehensive income for the year	**0**	**5,000**	**26,160**	**122**	**31,282**
Dividends paid	0	0	-20,050	0	-20,050
At 31 December 2017	**16,000**	**5,000**	**292,185**	**115**	**313,300**

Würth Finance International B.V. has authorised share capital of EUR 80,000,000 consisting of 160,000 share certificates with a nominal value of EUR 500. Of this authorised share capital, 32,000 share certificates have been subscribed and fully paid in, corresponding to EUR 16,000,000.

In 2017, a dividend of TEUR 20,050 (EUR 627 per share) was paid for financial year 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER

1. Business Activity

Würth Finance International B.V. (in these consolidated financial statements together with its subsidiaries referred to as Würth Finance Group) was incorporated in 1987 and is domiciled in Amsterdam, the Netherlands. The address of the company is Het Sterrenbeeld 35, P. O. Box 344, NL-5201 AH 's-Hertogenbosch. The company has a branch in Rorschach, Switzerland, and also has several subsidiaries in Switzerland.

The companies belonging to the Würth Finance Group (subsequently referred to as "the Group") are part of the internationally active Würth Group. All share certificates pertaining to Würth Finance International B.V., Amsterdam, are held by Reinhold Würth Holding GmbH, Künzelsau, Germany, which is ultimately owned by family trusts.

The core activities of the Group include providing financing to and carrying out a wide range of financial activities with companies, both at home and abroad, belonging to the entire Würth Group, as well as providing consulting and other services in the spheres of pension funds and insurance to both private persons and small and medium-sized enterprises.

The Annual Report of the Group was approved by the Management on 18 April 2018 and can be obtained from Würth Finance International B.V., Amsterdam, or downloaded from its website (www.wuerthfinance.net).

Fully Consolidated Companies

The consolidated financial statements include the financial statements of Würth Finance International B.V., Amsterdam, and its subsidiaries, which are represented as a single business entity known as the Würth Finance Group. Subsidiaries that are controlled directly or indirectly by the Group have been consolidated. Control is achieved when the Würth Finance Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is assumed if the Würth Finance Group holds more than 50% of the voting rights of the investee. Newly acquired subsidiaries are consolidated from the date on which such control was transferred, and deconsolidated from the date on which control ended.

The scope of consolidation of the Group at 31 December 2017 is composed as follows:

Company	Core activities	Share capital		Quota
Würth Finance International B.V., Amsterdam	Treasury activities for the Würth Group	TEUR	16,000	100%
Würth Invest AG, Chur	Asset management	TCHF	23,000	100%
Würth Financial Services AG, Rorschach	Financial and pension plan consulting / insurance brokerage for corporate and private clients	TCHF	1,500	100%

Method of Consolidation

The consolidated financial statements comprise the financial statements of Würth Finance International B.V., Amsterdam, and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-Group balances and transactions as well as income and expenses resulting from intra-Group transactions are fully eliminated.

2. Accounting Principles

General
The Company prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union. The main accounting principles are described in this section in order to show how their application influences the stated results and information for the Company.

The consolidated financial statements are presented in EUR thousands unless otherwise stated.

New and Amended Standards and Interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not adopted any other standard, interpretation or amendment early that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

- Amendments to IAS 7 disclosure initiative. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

- Annual improvements to IFRS's 2014-2016 Cycle. The amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

Changes in Accounting Policies and Disclosures
The Group has applied hedge accounting under IAS 39 for the first time in the current year.

Standards Issued but not Yet Effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Würth Finance Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated as FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

The Würth Finance Group is currently assessing the impact of the requirements of IFRS 9 on its financial statements.

IFRS 15 Revenue Recognition
The new standard, including the clarifications published in 2016, introduces the core principle to recognise revenue to depict the transfer of services to customers in amounts that reflect the consideration (that is, payment) to which the Group expects to be entitled in exchange for those services. The standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point of time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised:

- identify the contract(s) with a customer (step 1);
- identify the performance obligations in the contract (step 2);
- determine the transaction price (step 3);
- allocate the transaction price to the performance obligations in the contract (step 4);
- recognise revenue when (or as) the Group satisfies a performance obligation (step 5).

The new standard also provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. In addition, enhanced disclosures about revenue are required.

The new standard will be effective 1 January 2018 with earlier application permitted. However, the Group does not intend to early apply IFRS 15. The impact of the new standard on the Group's financial statements is not expected to be material.

IFRS 16 Leases
The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.

The new standard will be effective 1 January 2019 with earlier application permitted. However, the Group does not intend to early apply IFRS 16. The impact of the new standard on the Group's financial statements has not yet been assessed.

Assumptions and Estimates
The IFRS include guidelines that require the Group to make assumptions and estimates when preparing its consolidated financial statements. These estimates and assumptions are continuously reviewed and are based on past experience and other factors, including expectations regarding likely future developments. The most important assumptions and estimates relate to the actuarial calculations for pensions and other post-employment benefits as well as to the provisions.

Recognition of Business Transactions
Purchases and sales of financial assets and liabilities are recognised on the transaction day. Transactions are thus recognised in the balance sheet on the trading date and not on the subsequent settlement date. All concluded transactions are recorded and evaluated. Any unrealised gains or losses resulting from valuing transactions at market value are recognised in the income statement.

Accrual of Earnings and Expenses
Interest income and interest expenses are accrued as earned and recognised as income or expenses respectively. Dividends are recognised as from the date when payment is received. Premiums and discounts arising from the issuance of bonds are amortised over their residual term using the effective interest rate method. Factoring fees are charged when the receivable is assigned to the Group. Collection and delcredere charges are levied when the supplier's invoice is paid. Income from services is in principle recorded when the service is rendered. Brokerage, consulting fees and other such income are recognised on a pro rata basis throughout the time the service is rendered. Revenue from new brokerage mandates is recognised with effect from the signature date on the basis of past experience.

Foreign Exchange Translation
The consolidated financial statements are presented in EUR, which is the Group's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate applicable on the date of the transaction. Exchange differences arising from such transactions, as well as income resulting from converting monetary assets and monetary liabilities denominated in foreign currencies at the rate of exchange applicable at the balance sheet date, are recognised in the income statement.

Conversion rates at 31 December	2017	2016
US dollar (USD)	1.199	1.055
Swiss franc (CHF)	1.170	1.075
British pound (GBP)	0.887	0.859
Canadian dollar (CAD)	1.504	1.422
Chinese renminbi (CNH)	7.816	7.357
Norwegian krone (NOK)	9.840	9.088
Danish krone (DKK)	7.445	7.435
Swiss franc (CHF) – average exchange rate	1.112	1.090

Within the framework of the consolidation, all assets and liabilities of the subsidiaries – with the exception of shareholders' equity – are translated into the presentation currency of the Group at the rate of exchange applicable at the balance sheet date. The individual positions on their income statements are translated into the Group's presentation currency at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity (foreign exchange difference). Only when a subsidiary is disposed of are translation differences recognised in the income statement as part of the sale revenue for that particular foreign operation.

Goodwill and fair value adjustments arising from the acquisition of foreign companies are treated as assets and liabilities of these foreign companies and are translated at the rate of exchange applicable at the balance sheet date.

Financial Instruments
Financial instruments are deemed to be all assets and liabilities, as well as off-balance-sheet positions, and are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Cash and Cash Equivalents
Cash and cash equivalents comprise sight and time deposits at European banks. Cash and cash equivalents have a maximum maturity of three months and are valued at amortised cost.

Securities
Within the scope of its management and performance measurement activities relating to a documented risk management and investment strategy, the Würth Group applies the fair value option according to IAS 39 for its securities: unrealised and realised profit and loss are reported in the income statement un-

der "Income from trading activities and financial instruments" (fair value through profit or loss). The fair value of securities that are actively traded in organised financial markets is determined by reference to quoted market prices. For securities where there is no active market, fair value is determined using valuation techniques such as price quotations from securities brokers or on the basis of price models. The valuations are by their very nature dependent on the assumptions on which they are based.

Loans and Receivables
All loans and receivables are initially recognised at their actual cost, which corresponds to the fair value at the time of the loan being granted. After initial recognition, loans and receivables are subsequently measured at amortised cost less value adjustments using the effective interest rate method.

Derivative Instruments
Derivative instruments are recognised at fair value and reported in the balance sheet under "Positive fair values of derivative instruments "or" Negative fair values of derivative instruments". The fair value is calculated by reference to quoted market values or recognised valuation models (discounted cash flow method or the Black-Scholes option pricing model).

In addition to its ISDA agreements Würth Finance International B.V. signed Credit Support Annex (CSA) agreements which lead to a frequent cash settlement of positive and negative fair values with its counterparties once a defined threshold is reached. The fair values recognised in the balance sheet reflect the net fair value of the instruments after the cash settlement.

The Group did not use the accounting principles relating to hedge accounting in accordance with IAS 39 in 2016. As a result, realised and unrealised gains and losses are recognised as income. As per 2017 the Group adopted IAS 39 Hedge Accounting.

Derivative Financial Instruments and Hedge Accounting
The Würth Finance Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are recognised directly in profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss. For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Würth Finance Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting, as well as the risk management objective and strategy for undertaking the hedge. The documentation includes identifying the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Fair Value Hedges
The change in the fair value of a hedging instrument is recognised in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, any adjustment to the carrying amount is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation can begin as soon as an adjustment has to be made and at the latest when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss.

Cash Flow Hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Würth Finance Group uses forward currency contracts to hedge its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in profit or loss.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or if the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Bonds Issued
Bonds represent non-current liabilities. As soon as the remaining term is less than 12 months, the respective bond is reported as a current liability. Bonds are stated at amortised cost using the effective interest rate method. The amortisation of bond-issuing costs (discount) is recognised in the income statement over the duration of the term using the effective interest method.

Property, Plant and Equipment
Property, plant and equipment comprise office furniture, interior installations, vehicles, EDP systems and works of art. These assets are capitalised if their acquisition or production cost can be reliably determined, if they will bring future economic benefit, and if the anticipated usage extends beyond the reporting period.

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets:

Office furniture and equipment	2–5 years
Interior installations	5 years
Vehicles	3–4 years
ICT hardware	2–3 years

No depreciation is calculated on works of art.

The depreciation periods and amortisation methods are reviewed at least at each financial year-end.

Intangible Assets
Intangible assets fundamentally comprise software. Intangible assets are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year-end.

Intangible assets are carried at cost less any accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets:

EDP software	2 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense is recognised in the income statement in the expense category "Depreciation and amortisation".

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

As a lessee, the Group has entered into a number of operating lease agreements, which mainly concern the rental of office premises, furniture and office equipment. The relevant expense is reported on an accrual basis as operating expenses.

Impairment of Assets
The value of property, plant and equipment, financial assets and other fixed assets (including goodwill and intangible assets) is reviewed for impairment at least once a year or if significant events or changes in circumstances suggest that their book value is too high. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less the cost to sell and its value in use.

Provisions
Provisions are recognised in the balance sheet when the Group has a present obligation to a third party as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Taxes and Deferred Taxes
Current income taxes are calculated based on the applicable tax laws in the Netherlands and Switzerland, and are recognised as an expense in the period in which the income is earned. They are stated as income tax receivables and provisions for taxes in the balance sheet.

Tax effects arising from temporary differences between the carrying value of assets and liabilities reported in the balance sheet and their corresponding tax values are recognised separately as deferred tax assets and deferred tax liabilities respectively.

Deferred income tax assets arising from temporary differences and from loss carry-forwards eligible for offset are recognised only if it seems likely that in future sufficient taxable profits will be available against which those loss carry-forwards can be offset.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled.

Pensions and Other Post-Employment Benefits
The Group operates a number of pension plans for its employees. These are treated as defined benefit plans in accordance with IAS 19. Actuarial gains and losses must be booked directly under other comprehensive income. The impact of the effect is shown in the "Consolidated Statement of Comprehensive Income".

For separately funded defined benefit plans, the degree of coverage of the fair value of the benefit obligations compared with the plan's assets, valued at market prices, is reported in the balance sheet as a liability or an asset, taking into consideration claims that still have to be offset and unrecorded actuarial gains or losses ("the projected unit credit method").

Transactions with Associated Companies
The Group is responsible for concentrating and optimising the worldwide cash flows within the Würth Group, managing the financial risks and handling the Würth Group financing. In this connection, by its very nature the Group carries out a very wide variety of transactions with associated companies, that is, with companies belonging to the Würth Group. Only a relatively small proportion of transactions are carried out with third parties outside the Würth Group.

Transactions performed within the Group are eliminated for the purpose of these consolidated financial statements. All intra-Group transactions are consolidated within the framework of the consolidated financial statements of the Würth Group.

Segments
The Group generates income through a wide range of activities, which are divided into the following segments: *Group Financing, Trading, Services, Portfolio Management, Pension Plans & Insurance* and *Central Services*. This structure forms the basis for the primary segment reporting. Segment reporting by geographic area is not considered meaningful as the services are only provided from the Netherlands and Switzerland.

The *Group Financing* segment borrows funds from the money and capital markets and places them at the disposal of the Würth Group companies in the form of loans and credits. The *Trading* segment purchases and sells currency and interest rate instruments as well as securities for the purpose of generating financial income and capital gains. The activities relating to payment for goods purchased by Würth Group companies, together with the delcredere and collection services for suppliers of goods, are summarised under *Services*. Some of the Group's excess funds are allocated to a securities portfolio which is managed through Würth Invest AG. The results of these asset management activities are disclosed in the segment *Portfolio Management. The Pension Plans & Insurance* segment comprises the services provided by Würth Financial Services AG.

Direct revenue and expense are allocated to the appropriate segment. Transfers between the business units are reported at fair value, which corresponds to the amounts that would be charged to third parties for similar services. Revenue and expense arising from activities that are not directly attributable to the segments are booked to *Central Services*.

3. Intangible Assets / Property, Plant and Equipment

Intangible assets / property, plant and equipment comprise the following items:

At 31 December 2017

in TEUR	Acquisition cost 2016	Additions (disposals) incl. asset retirement 2017	Acquisition cost 2017	Accum. depreciation 2016	Asset retirement 2017	Depreciation for the year 2017	Accum. depreciation 2017	Net book value 2017
Intangible assets								
Software	2,122	337	2,459	-1,211	-37	-215	-1,463	996
Total intangible assets	**2,122**	**337**	**2,459**	**-1,211**	**-37**	**-215**	**-1,463**	**996**
Property, plant and equipment								
Vehicles	742	-109	633	-479	286	-164	-357	276
Art objects	34	0	34	0	0	0	0	34
Office equipment / installations	3,457	-1,004	2,453	-3,426	1,228	-56	-2,254	199
Total property, plant and equipment	**4,233**	**-1,113**	**3,120**	**-3,905**	**1,514**	**-220**	**-2,611**	**509**
Total	**6,355**	**-776**	**5,579**	**-5,116**	**1,477**	**-435**	**-4,074**	**1,505**

At 31 December 2016

in TEUR	Acquisition cost 2015	Additions (disposals) incl. asset retirement 2016	Acquisition cost 2016	Accum. depreciation 2015	Asset retirement 2016	Depreciation for the year 2016	Accum. depreciation 2016	Net book value 2016
Intangible assets								
Software	1,777	345	2,122	-963	-20	-248	-1,231	891
Total intangible assets	**1,777**	**345**	**2,122**	**-963**	**-20**	**-248**	**-1,231**	**891**
Property, plant and equipment								
Vehicles	738	4	742	-462	188	-176	-450	292
Art objects	34	0	34	0	0	0	0	34
Office equipment / installations	3,454	3	3,457	-3,388	0	-38	-3,426	31
Total property, plant and equipment	**4,226**	**7**	**4,233**	**-3,850**	**188**	**-214**	**-3,876**	**357**
Total	**6,003**	**352**	**6,355**	**-4,813**	**168**	**-462**	**-5,107**	**1,248**

4. Long-Term Loans to Associated Companies

in TEUR	2017	2016
Balance at 1 January	973,135	1,014,673
New loans granted, increase in existing loans, repayments	299,714	164,863
Currency and other adjustments	-24,368	6,296
Term reclassification	-304,059	-212,697
Balance at 31 December	**944,422**	**973,135**

Long-term loans to associated companies, granted in foreign currencies, are translated into EUR at the year-end conversion rates. The average interest rates for the major currencies at 31 December are:

	2017	2016
EUR	2.01%	2.53%
CHF	1.11%	1.28%
USD	3.66%	3.19%
DKK	1.34%	1.01%

5. Other Financial Assets

In its function to provide funds to other Würth Group companies to operate their business, the Group established a funding relationship with Internationales Bankhaus Bodensee AG (IBB). The following table shows the exposure for the year ended on 31 December:

in TEUR	2017	2016
Silent participation	25,000	35,000
Capital relinquishment	19,500	19,500
Balance at 31 December	**44,500**	**54,500**

These funds are not guaranteed.

6. Other Receivables

in TEUR	2017	2016
Receivables from third parties	2,589	2,660
Other receivables	69	175
Total other receivables	**2,658**	**2,835**

7. Securities

in TEUR	Market value 2017	Acquisition cost 2017	Market value 2016	Acquisition cost 2016
Equities	4,841	4,549	3,484	2,965
Bonds	68,250	67,904	53,166	52,145
Commodities	2,009	2,109	677	701
Investment funds	21,839	17,976	17,415	13,888
Total	**96,939**	**92,538**	**74,742**	**69,699**

Securities are recognised at market values.

8. Bonds Issued

In 2017, no new bonds were issued.

Overview of Bonds Issued at 31 December 2017

Maturity	Notional amount (in TEUR)	Premium / discount (in TEUR)	Own bonds (in TEUR)	Total at 31.12. (in TEUR)	Coupon
Short-term					
25.05.2018	500,000	-274	0	499,726	3.750%
Total book value short-term bond liabilities				**499,726**	
Long-term					
21.05.2020	500,000	-720	0	499,280	1.750%
19.05.2022	500,000	-1,840	-1,496	496,664	1.000%
Total book value long-term bond liabilities				**995,944**	
Total book value bonds issued				**1,495,670**	

Maturity	Notional (excluding own bonds) (in TEUR)	Market value (in TEUR)	Coupon
25.05.2018	500,000	507,680	3.750%
21.05.2020	500,000	522,325	1.750%
19.05.2022	498,500	515,235	1.000%
Total market value at 31 December		**1,545,240**	

Overview of Bonds Issued at 31 December 2016

Maturity	Notional amount (in TEUR)	Premium / discount (in TEUR)	Own bonds (in TEUR)	Total at 31.12. (in TEUR)	Coupon
Long-term					
25.05.2018	500,000	–955	0	499,045	3.750%
21.05.2020	500,000	–1,019	0	498,981	1.750%
19.05.2022	500,000	–2,261	–1,517	496,222	1.000%
Total book value long-term bond liabilities				**1,494,248**	
Total book value bonds issued				**1,494,248**	

Maturity	Notional (excluding own bonds) (in TEUR)	Market value (in TEUR)	Coupon
25.05.2018	500,000	525,300	3.750%
21.05.2020	500,000	529,500	1.750%
19.05.2022	498,500	515,299	1.000%
Total market value at 31 December		**1,570,099**	

The market values shown in the tables are calculated as the sum of all discounted cash flows based on the swap curves (source: Bloomberg).

The issued bonds are irrevocably and unconditionally guaranteed by joint and several guarantees. The EUR 500 million bond maturing on 25 May 2018, the bond of EUR 500 million maturing on 21 May 2020 as well as the bond of EUR 500 million maturing on 19 May 2022 are guaranteed by Adolf Würth GmbH & Co. KG, Künzelsau.

The effective interest rates do not significantly differ from the nominal interest rates.

9. Other Liabilities

in TEUR	2017	2016
Payables for deliveries and services:	3,762	4,726
Of which to third parties	333	1,520
Of which to associated parties	3,429	3,206
Compensation-related liabilities	3,701	3,889
Other liabilities	5,306	3,569
Total other liabilities	**12,769**	**12,184**

Other liabilities primarily comprise accruals for services received but not invoiced during the financial year.

10. Interest Income and Expenses

in TEUR	2017	2016
Interest income		
Interest income from financing activities (Würth Group)	33,722	35,769
Interest income from financing leasing activities (Würth Group)	3,839	4,220
Interest income from liquid assets	6,579	4,952
Interest income from current accounts (Würth Group)	6,443	4,565
Interest income from bank accounts, time deposits and money market funds (non-Group)	136	387
Interest income from financial instruments (non-Group)	15,163	27,991
Valuation income from interest rate and cross-currency swaps (realised)	0	13,013
Interest income from interest rate and cross-currency swaps	13,870	13,437
Other interest income from financial instruments	1,293	1,541
Total interest income	**59,303**	**72,932**

in TEUR	2017	2016
Interest expenses		
Interest expenses for current accounts and time deposits (Würth Group)	770	591
Interest expenses for bonds issued (non-Group)	36,378	36,884
Interest expenses from financial instruments (non-Group)	17,200	30,514
Valuation expenses from interest rate and cross-currency swaps (realised)	0	12,489
Valuation income from interest rate and cross-currency swaps (unrealised)	1,381	1,269
Interest expenses from interest rate and cross-currency swaps	11,738	13,637
Other interest expenses from financial instruments	4,081	3,119
Other interest expenses (non-Group)	539	422
Total interest expenses	**54,887**	**68,411**

11. Income from Commission and Service Fee Activities

in TEUR	2017	2016
Acquisition commissions, brokerage fees	10,411	9,814
Discount income	46	51
Collection and delcredere agreements	22,526	20,015
Total income from commission and service fee activities	**32,983**	**29,880**

12. Income from Trading Activities and Financial Instruments

in TEUR	2017	2016
Income from securities transactions	1,489	401
Income from foreign exchange transactions	8,064	8,436
Total income from trading activities and financial instruments	**9,553**	**8,837**

13. Other Ordinary Income

Other ordinary income comprises TEUR 3,959 (2016: TEUR 4,858) of income out of the funding relationship with IBB as well as fees charged to other Würth Group companies for services rendered.

14. Personnel Costs

At 31 December 2017, the Group had 116 members of staff (2016: 118). Personnel costs were as follows

in TEUR	2017	2016
Wages and salaries	14,224	13,947
Pension costs	467	942
Social security costs	1,193	1,328
Other employee costs	661	815
Total personnel costs	**16,545**	**17,032**

The Group has no direct or indirect share or option-based remuneration in favour of employees.

In Switzerland the individual Group companies participate in a semi-autonomous pension scheme in which several Swiss Würth entities participate. In this plan actuarial risks (longevity, disability and death) are vested in an insurance company. The investment risks remain with the pension scheme, which is responsible for the asset management. The pension scheme is an addition to the statutory social security insurance.

The employees pay a savings contribution amounting to 1.5%–10% of their insured annual salary. The employees' contribution amount is age-related. In addition, the employees have the option of paying voluntary contributions.

In another scheme for authorised representatives and managing directors, the annual employee contributions amount to 50% of the total sum.

The pension plan in the Netherlands consists of a defined contribution plan. The salary over which pension is built up is maximised at TEUR 90 (2016: TEUR 89). The premium is partly paid by the employer.

Due to the factual risks carried by the companies and in particular the legislative basis in the Netherlands and Switzerland, these plans are deemed to be defined benefit plans. All liabilities and assets are actuarially revalued every year by independent experts.

The following figures provide an overview of the financial situation regarding these defined benefit plans as at 31 December:

in TEUR	2017	2016
Pension costs		
Current service costs	846	830
Past service costs	–492	0
Net interest expense / (income)	28	36
Exchange difference	85	76
Pension costs recognised in income statement	**467**	**942**
Revaluation of defined benefit plan		
Actuarial (gains) / losses due to changes in assumptions	2,240	–448
Actuarial (gains) / losses due to changes based on experience	–149	305
Return on plan assets (less interest income)	–1,437	–106
Revaluation recognised in OCI	**654**	**–249**
Liabilities for pension plan		
Benefit obligation at 31 December	28,275	25,780
Fair value of plan assets at 31 December	–24,045	–21,262
Net liabilities at 31 December	**4,230**	**4,518**
Changes in the benefit obligations		
Benefit obligation at 1 January	25,780	22,353
Interest expense	186	194
Current service costs	846	830
Contribution by plan participants	799	783
Actuarial (gains) / losses due to changes in assumptions	2,240	–448
Actuarial (gains) / losses due to changes based on experience	–149	305
Past service costs	–492	0
Benefits paid	1,395	1,561
Exchange differences	–2,330	202
Benefit obligation at 31 December	**28,275**	**25,780**
Changes in the plan assets		
Fair value of plan assets at 1 January	21,262	17,536
Interest income	158	158
Return on plan assets (less interest income)	1,460	129
Contributions by plan participants	799	783
Contributions by employer	926	925
Benefits paid	1,395	1,561
Exchange differences	–1,955	170
Fair value of plan assets at 31 December	**24,045**	**21,262**
Assumptions		
Discount rate	0.60%	0.70%
Expected return on plan assets	0.60%	0.70%
Future salary increases up to age 54 P/A	0.50%	0.50%
from age 55 P/A	0%	0%
Future pension increases	0%	0%
Probability of termination of service	BVG 2015 / Generation Table	

Sensitivity of benefit obligation

Defined changes in assumptions	Scenario	Defined benefit obligation in TEUR	Gross service cost in TEUR
Assumption at 31.12.2017		28,275	770
Discount rate	+0.25%	24,883	699
Discount rate	-0.25%	27,102	-845
Expected salary increase	+0.50%	26,353	770
Expected salary increase	-0.50%	25,575	-770

Breakdown of fair value of plan assets by asset category:

	2017	2016
Equities	29.7%	28.6%
Bonds	40.3%	44.4%
Real estate	23.7%	24.0%
Other	6.3%	3.0%
Total	**100.0%**	**100.0%**

The plan assets of the pension funds consist either of credit balances with an insurance company or a semi-autonomous pension scheme.

For financial year 2018, the Group anticipates contributions to defined benefit pension plans amounting to approximately TEUR 1,040.

in TEUR	2017	2016
Compensation of key management personnel of the Group		
Short-term employee benefits	3,043	3,069
Total compensation paid to key management personnel	**3,043**	**3,069**

In 2017 and 2016, no other forms of compensation (post-employment benefits or other long-term benefits, termination benefits, share-based payments) were paid to key management staff.

In financial year 2017, fees of TEUR 240 were paid to members of the Board of Directors (2016: TEUR 240).

The Management comprises the members of the Board of Management of all the Group companies (2017: 7 persons; 2016: 7 persons).

Remuneration for the members of the management of the various Group companies totalled TEUR 3,043 in the year 2017 (2016: TEUR 3,069).

15. Corporate Taxes

The Group is subject to corporate taxes in the Netherlands and in Switzerland. All taxes that were due or are payable in the future relating to the financial years up to and including 2017 are accrued as at 31 December 2017.

The relevant tax rate for the Netherlands is 25% (2016: 25%). Due to separate taxation of the head office in the Netherlands, the branch office in Switzerland and the subsidiaries in accordance with the valid guidelines in the corresponding countries, there is a difference between the effective tax rate and the relevant tax rate for the Netherlands.

The tax rates in Switzerland are 8.5% (2016: 8.5%) on a federal level and maximum 16.6% (2016: 17.8%) on a cantonal level applicable for the Group. In Switzerland the branch office of Würth Finance International B.V. has established tax rulings. As a consequence there is a difference between the taxable profit and the net profit for the year as shown in the income statement and allocated to the branch office. The subsidiaries do not have a special tax status. In Switzerland taxes are treated as a taxable expense.

For tax purposes the operating income and expenses are split based on their origin. The bonds issued by Würth Finance International B.V. are kept in the books in the Netherlands. Therefore also the valuation effects of certain derivative instruments used to mitigate financial risks are allocated accordingly. This leads to a high volatility of the taxable result in the Netherlands. No hedge accounting is applied for tax purposes.

The reconciliation of income taxes is composed as follows:

in TEUR	2017	2016
Income before taxes	**36,746**	**31,812**
Tax expense using the assumed average tax rate (25%)	9,187	7,953
Effects on tax-free income / effect on non-taxable expenses	-762	-2,834
Difference between actual and assumed tax rates	-686	-659
Withholding tax paid	1,165	1,662
Recognition deferred taxes	255	-353
Tax effects related to prior periods	-495	-285
Other effects	0	-50
Net effective tax expenses	**8,664**	**5,434**

The difference from the current tax rate is due to differences between taxation in the Netherlands and Switzerland.

in TEUR	2017	2016
Deferred tax assets from loss carry-forwards	35	140
Deferred tax assets from foreign withholding tax credit	2,224	2,356
Net deferred tax assets	**2,259**	**2,496**
Deferred tax liabilities on intangible assets	18	0
Deferred tax liabilities	**18**	**0**
Net deferred tax assets / liabilities	**2,241**	**2,496**

The Group has tax losses relating to the years 2012–2014 that are available for a maximum period of seven years for offset against future taxable profits. These tax losses can only be recognised in the country and subsidiaries in which the losses occurred. They may not be used to offset taxable profits elsewhere in the Group.

Based on the applicable tax law in the Netherlands Würth Finance International B.V. has a deferred tax asset related to foreign withholding tax. This asset can be offset against future taxable profits taking into account restrictions which mean that only a part of this nominal is accrued for.

Included in the balance sheet is a net amount of TEUR 2,860 classified as a tax asset (2016: TEUR 4,299) which reflects the current tax asset.

16. Transactions with Related Parties

As the operative treasury unit of the Würth Group, the Group is responsible for concentrating and optimising the worldwide flow of payments, managing the financial risks and handling the financing of the Würth Group companies. In addition to all the companies belonging to the Würth Group, the "related parties" also include the members of the Board of Directors and Management of the Group, as well as their families and companies closely associated with them.

in TEUR	2017	2016
Receivables from associated parties		
Long-term loans to associated companies	944,422	973,135
Other financial assets	44,500	54,500
Loans to family trusts	14,000	18,000
Receivables from associated companies	973,117	737,409
Total receivables from associated parties	**1,976,039**	**1,783,044**
Payables to associated parties		
Payables to associated companies	671,628	601,295
Other payables to associated parties	3,429	3,206
Total payables to associated parties	**675,057**	**604,501**

The following tables show the five most significant individual positions with related parties as well as their share of the total amounts:

in TEUR	2017	Share		
Receivables from associated parties				
Wurth Group of North America Inc.	226,223	11.4%		
Würth Industrie Service GmbH & Co. KG	90,874	4.6%		
Würth S.r.l.	81,303	4.1%		
Würth Leasing AG	80,231	4.1%		
Würth Leasing GmbH & Co. KG	67,697	3.4%		
			2016	Share
Adolf Würth GmbH & Co. KG			150,361	8.4%
Wurth Group of North America Inc.			138,471	7.8%
Würth S.r.l.			95,414	5.4%
Würth Leasing AG			95,118	5.3%
Würth Industrie Service GmbH & Co. KG			71,493	4.0%

in TEUR	2017	Share		
Payables to associated parties				
Würth International AG	159,437	23.6%		
Würth Reinsurance Company, S.A.	46,337	6.9%		
Würth Oy	30,374	4.5%		
Würth Norge AS	30,181	4.5%		
Adolf Würth GmbH & Co. KG	16,277	2.4%		
			2016	Share
Würth Reinsurance Company, S.A.			46,157	7.6%
Würth France SA			44,213	7.3%
Würth Norge AS			38,975	6.4%
Würth Oy			27,185	4.5%
Wuerth International Trading (Shanghai) Co., Ltd.			16,575	2.7%

Transactions with related parties conform to the usual market terms and conditions. Regarding interest income and expenses we refer to the disclosures in note 10.

Loans to family trusts of the Würth Group shareholders encompass the following loans:

in TEUR	2017	Maturity	Interest rate
Markus Würth Family Trust	10,000	29.03.2018	0.80%
Markus Würth Family Trust	4,000	29.03.2018	0.80%

in TEUR	2016	Maturity	Interest rate
Markus Würth Family Trust	8,000	30.06.2017	0.80%
Markus Würth Family Trust	10,000	30.06.2017	0.80%

These loans are unsecured.

17. Commitments and Contingencies

Würth Finance International B.V. has issued guarantees, letters of comfort and letters of credit. They represent commitments and contingencies in favour of third parties for associated company liabilities. The contingent liabilities include contractual commitments in connection with loans received by Würth Group of North America Inc. (private placement).

The lending commitments, which have been unconditionally and irrevocably guaranteed, but not yet utilised, are disclosed at the nominal value.

in TEUR	2017	2016
Guarantees, letters of comfort, letters of credit	264,952	286,279
Total contingent liabilities	**264,952**	**286,279**

in TEUR	2017	2016
Not yet utilised, irrevocably guaranteed lending commitments	13,434	14,776
Total irrevocable lending commitments	**13,434**	**14,776**

18. Operating Lease Commitments

in TEUR	2017	2016
Due within one year	1,570	1,702
Due after one year but not more than five years	773	1,603

Expenses for operating leases in the amount of TEUR 1,837 are included in operating expenses for the 2017 financial year (2016: TEUR 1,803).

19. Financial Instruments and Risk Management

a) Financial Risk Management

Financial risks are inherent in the Group's business activities but are carefully measured, controlled and monitored by means of a systematic risk management process. To provide secure auditing and transparent information, a strict segregation is made between the functions of bodies that take risks and those that monitor risks. The financial risks are measured and monitored without restriction by the Group's risk controlling bodies. The control of financial risks is effected on the basis of internal directives defined in writing or with reference to strategic guidelines for action. Amendments to the internal directives are made by a defined process and must be approved by the Group's supervisory bodies.

In order to mitigate the financial risks and optimise income on the financial resources, the Group enters into derivative financial instrument transactions. The Group expects that any reduction in value of one such instrument will generally be compensated by a corresponding increase in the value of the underlying hedged transaction.

The financial risks are limited by determining the authorised instruments and by adhering to a limit system on a daily basis. Corresponding reporting by the bodies which control the risk for the attention of management is effected daily. The management of market risks (foreign currency, interest rate, security price), credit risks and liquidity risks is described below.

Foreign Currency Risk

Due to its operating activities the Group enters into foreign currency transactions for companies of the Würth Group worldwide and is therefore exposed to exchange rate fluctuations. The Group deems foreign currency risks to mean the loss risk on the reported assets and revenues arising from the change in the relationship between exchange rates of the exposure currency and the balance sheet currency EUR.

For the control of foreign currency risks, individual limits are set for each currency or for each geographical region. To control the currency risks, spot transactions, forward transactions, currency swaps, cross-currency swaps and currency options are used. The positions are valued and monitored on a daily basis.

Sensitivity Analysis for Material Foreign Currency Positions at 31 December

The following table discloses the sensitivity of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) triggered by a reasonably possible change in the exchange rate, with all other variables held constant. The table reflects the most important currencies for loans and deposits in terms of volumes for the Würth Finance Group.

	2017		2016	
Currency	Market scenario	Impact on profit (in TEUR)	Market scenario	Impact on profit (in TEUR)
CHF	10% - 10%	902 - 902	10% - 10%	1,090 -1,090
USD	10% - 10%	1,006 - 1,006	10% - 10%	215 -215
GBP	10% - 10%	92 -92	10% - 10%	84 -84
CAD	10% - 10%	5 -5	10% - 10%	118 -118
CNY	10% - 10%	13 -13	10% - 10%	1 -1
DKK	10% - 10%	64 -64	10% - 10%	35 -35
NOK	10% - 10%	210 -210	10% - 10%	158 -158

Balance Sheet by Currency at 31 December 2017

ASSETS

in TEUR	Total	Amounts in TEUR countervalue EUR	USD	CHF	DKK	Other
Non-current assets						
Intangible assets						
Software	996	806	0	190	0	0
Property, plant and equipment						
Operating equipment and furnishings	509	76	0	433	0	0
Financial assets						
Loans to associated companies	944,422	657,212	168,629	64,334	21,055	33,192
Other financial assets	44,500	44,500	0	0	0	0
Deferred tax assets	2,259	2,224	0	35	0	0
Total non-current assets	**992,686**	**704,818**	**168,629**	**64,992**	**21,055**	**33,192**
Current assets						
Receivables from associated companies	973,117	656,609	81,408	15,930	35,400	183,770
Loans to family trusts	14,000	14,000	0	0	0	0
Positive fair values of derivative instruments	8,102	8,102	0	0	0	0
Other receivables	2,658	1,069	0	1,589	0	0
Income tax receivables	2,860	2,860	0	0	0	0
Accrued income and prepaid expenses	5,092	4,617	0	396	8	71
Securities held for trading	96,939	80,742	7,208	3,504	0	5,485
Cash and cash equivalents	439,428	140,132	469	199,209	58,412	41,206
Total current assets	**1,542,196**	**908,131**	**89,085**	**220,628**	**93,820**	**230,532**
Total assets	**2,534,882**	**1,612,949**	**257,714**	**285,620**	**114,875**	**263,724**

EQUITY AND LIABILITIES

in TEUR	Total	EUR	USD	CHF	DKK	Other
Shareholders' equity						
Capital subscribed and paid in	16,000	16,000	0	0	0	0
Additional paid-in capital	5,000	5,000	0	0	0	0
Retained earnings	264,103	264,103	0	0	0	0
Foreign exchange difference	115	115	0	0	0	0
Net profit for the year	28,082	28,082	0	0	0	0
Total shareholders' equity	**313,300**	**313,300**	**0**	**0**	**0**	**0**
Non-current liabilities						
Bonds issued	995,944	995,944	0	0	0	0
Liabilities for pension plans	4,230	-111	0	4,341	0	0
Deferred tax liabilities	18	0	0	18	0	0
Total non-current liabilities	**1,000,192**	**995,833**	**0**	**4,359**	**0**	**0**
Current liabilities						
Bonds issued	499,726	499,726	0	0	0	0
Payables to associated companies	671,628	543,009	29,316	13,567	4,119	81,617
Payables to banks	5,848	74	0	4,273	0	1,501
Provisions for taxes	7,538	7,237	0	301	0	0
Negative fair values of derivative instruments	4,199	3,954	12	79	0	154
Other liabilities	12,769	6,947	1,020	3,962	0	840
Accrued expenses and deferred income	19,682	19,664	4	14	0	0
Total current liabilities	**1,221,390**	**1,080,611**	**30,352**	**22,196**	**4,119**	**84,112**
Total equity and liabilities	**2,534,882**	**2,389,744**	**30,352**	**26,555**	**4,119**	**84,112**
Balance sheet position	0	**–776,795**	**227,362**	**259,065**	**110,756**	**179,612**

Balance Sheet by Currency at 31 December 2016

ASSETS

		Amounts in TEUR countervalue				
in TEUR	Total	EUR	USD	CHF	DKK	Other
Non-current assets						
Intangible assets						
Software	891	699	0	192	0	0
Property, plant and equipment						
Operating equipment and furnishings	357	-44	0	401	0	0
Financial assets						
Loans to associated companies	973,135	687,419	155,059	75,314	7,853	47,490
Other financial assets	54,500	54,500	0	0	0	0
Deferred tax assets	2,496	2,356	0	140	0	0
Total non-current assets	**1,031,379**	**744,930**	**155,059**	**76,047**	**7,853**	**47,490**
Current assets						
Receivables from associated companies	737,409	489,621	20,481	23,577	41,083	162,647
Loans to family trusts	18,000	18,000	0	0	0	0
Positive fair values of derivative instruments	4,649	4,649	0	0	0	0
Other receivables	2,835	1,147	0	1,688	0	0
Income tax receivables	4,299	4,299	0	0	0	0
Accrued income and prepaid expenses	5,507	5,139	-601	199	6	764
Securities held for trading	74,742	64,089	6,689	2,360	0	1,604
Cash and cash equivalents	577,859	293,030	879	251,945	11,059	20,946
Total current assets	**1,425,300**	**879,974**	**27,448**	**279,769**	**52,148**	**185,961**
Total assets	**2,456,679**	**1,624,904**	**182,507**	**355,816**	**60,001**	**233,451**

EQUITY AND LIABILITIES

Shareholders' equity						
Capital subscribed and paid in	16,000	16,000	0	0	0	0
Retained earnings	259,697	259,697	0	0	0	0
Foreign exchange difference	-7	-7	0	0	0	0
Net profit for the year	26,378	26,378	0	0	0	0
Total shareholders' equity	**302,068**	**302,068**	**0**	**0**	**0**	**0**
Non-current liabilities						
Bonds issued	1,494,248	1,494,248	0	0	0	0
Liabilities for pension plans	4,518	-107	0	4,625	0	0
Payables to banks	4,650	0	0	4,650	0	0
Total non-current liabilities	**1,503,416**	**1,494,141**	**0**	**9,275**	**0**	**0**
Current liabilities						
Payables to associated companies	601,295	400,870	27,699	68,216	11,568	92,942
Payables to banks	8,720	418	0	0	0	8,302
Provisions for taxes	2,396	1,974	0	422	0	0
Negative fair values of derivative instruments	6,774	6,106	270	8	0	390
Other liabilities	12,184	5,285	1,590	4,321	0	988
Accrued expenses and deferred income	19,826	19,826	0	0	0	0
Total current liabilities	**651,195**	**434,479**	**29,559**	**72,967**	**11,568**	**102,622**
Total equity and liabilities	**2,456,679**	**2,230,688**	**29,559**	**82,242**	**11,568**	**102,622**
Balance sheet position		**-605,784**	**152,948**	**273,574**	**48,433**	**130,829**

Interest Rate Risk

The Group finances Würth Group companies all over the world and is consequently exposed to interest rate risks. The Group deems interest rate risk to mean the negative impact on the financial position and the earnings situation arising from changes in the interest rates in all currencies. Loans to Würth Group companies are partially refinanced by fixed-interest bonds with similar interest and maturity structures. The maximum willingness to take risks in the interest rate sector is defined by a sensitivity in relation to the equity capital. In the event of adverse changes in the interest rates on the individual currencies by 100 basis points, the maximum loss potential is related to equity. The Group keeps the impact of interest rate changes on the equity capital base or on the asset and income situation relatively low and is guided in the medium term by an equity sensitivity of 4%. Furthermore, the Group enters into derivative financial instruments to optimise its interest rate exposure.

Sensitivity Analysis of Equity as at 31 December

The following table discloses the sensitivity of the Group's equity to a parallel shift of the interest rates, with all other variables held constant. The sensitivity has only an immaterial impact in relation to the Group's equity. The table reflects the most important currencies for loans and deposits in terms of volumes for the Würth Finance Group. Compared to the previous year volumes in currencies other than the EUR and CHF have increased. However, interest rate risks have been kept minimal.

Sensitivity of Equity 2017

in TEUR	Duration											
Currency	Change in basis points		≤ 6 months		6 months to 1 year		1–5 years		> 5 years		**Total**	
EUR	100	–100	48	–51	–2,058	2,123	16,118	–17,072	4,563	–4,984	18,671	–19,984
USD	100	–100	36	–37	–49	51	–402	421	166	–175	–249	260
CHF	100	–100	213	–217	–21	22	–404	419	–74	80	–286	304
DKK	100	–100	31	–32	–33	34	–157	164	–70	74	–229	240
CNH	100	–100	11	–12	2	–2	0	0	0	0	13	–14
NOK	100	–100	82	–84	–55	57	–359	373	0	0	–332	346
CAD	100	–100	26	–27	–40	42	–73	76	0	0	–87	91
GBP	100	–100	–1	1	–5	4	–152	161	0	0	–158	166
Others	100	–100	15	–17	–18	19	–29	31	0	0	–32	33

Sensitivity of Equity 2016

in TEUR	Duration											
Currency	Change in basis points		≤ 6 months		6 months to 1 year		1–5 years		> 5 years		**Total**	
EUR	100	–100	–1,567	1,602	–2,003	2,069	7,790	–8,132	18,207	–19,464	22,427	–23,925
USD	100	–100	92	–94	–38	39	–1,342	1,409	913	–965	–375	389
CHF	100	–100	358	–365	130	–134	–821	850	–14	15	–347	366
DKK	100	–100	11	–12	6	–6	9	–10	–227	240	–201	212
CNH	100	–100	1	–1	0	0	0	0	0	0	1	–1
NOK	100	–100	77	–79	–23	23	–9	10	0	0	45	–46
CAD	100	–100	11	–12	2	–2	–138	145	0	0	–125	131
GBP	100	–100	2	–2	–29	30	–25	27	0	0	–52	55
Others	100	–100	32	–33	–43	44	–23	25	0	0	–34	36

Balance Sheet by Maturity at 31 December 2017

ASSETS

in TEUR	Total	Sight	Maturity < 1 year	1–5 years	> 5 years
Non-current assets					
Intangible assets					
Software	996	996	0	0	0
Property, plant and equipment					
Operating equipment and furnishings	509	509	0	0	0
Financial assets					
Loans to associated companies	944,422	0	0	768,360	176,062
Other financial assets	44,500	0	0	0	44,500
Deferred tax assets	2,259	2,259	0	0	0
Total non-current assets	**992,686**	**3,764**	**0**	**768,360**	**220,562**
Current assets					
Receivables from associated companies	973,117	973,117	0	0	0
Loans to family trusts	14,000	0	14,000	0	0
Positive fair values of derivative instruments	8,102	8,102	0	0	0
Other receivables	2,658	2,658	0	0	0
Income tax receivables	2,860	2,860	0	0	0
Accrued income and prepaid expenses	5,092	5,092	0	0	0
Securities held for trading	96,939	96,939	0	0	0
Cash and cash equivalents	439,428	439,428	0	0	0
Total current assets	**1,542,196**	**1,528,196**	**14,000**	**0**	**0**
Total assets	**2,534,882**	**1,531,960**	**14,000**	**768,360**	**220,562**

EQUITY AND LIABILITIES

Shareholders' equity					
Capital subscribed and paid in	16,000	16,000	0	0	0
Additional paid-in capital	5,000	5,000	0	0	0
Retained earnings	264,103	264,103	0	0	0
Foreign exchange difference	115	115	0	0	0
Net profit for the year	28,082	28,082	0	0	0
Total shareholders' equity	**313,300**	**313,300**	**0**	**0**	**0**
Non-current liabilities					
Bonds issued	995,944	0	0	995,944	0
Liabilities for pension plans	4,230	0	4,230	0	0
Deferred tax liabilities	18	18	0	0	0
Total non-current liabilities	**1,000,192**	**18**	**4,230**	**995,944**	**0**
Current liabilities					
Bonds issued	499,726	0	499,726	0	0
Payables to associated companies	671,628	626,801	44,827	0	0
Payables to banks	5,848	5,848	0	0	0
Provisions for taxes	7,538	7,538	0	0	0
Negative fair values of derivative instruments	4,199	4,199	0	0	0
Other liabilities	12,769	8,909	3,860	0	0
Accrued expenses and deferred income	19,682	19,682	0	0	0
Total current liabilities	**1,221,390**	**672,977**	**548,413**	**0**	**0**
Total equity and liabilities	**2,534,882**	**986,295**	**552,643**	**995,944**	**0**
Balance sheet position	**0**	**545,665**	**–538,643**	**–227,584**	**220,562**

Balance Sheet by Maturity at 31 December 2016

ASSETS

in TEUR	Total	Sight	Maturity < 1 year	1–5 years	> 5 years
Non-current assets					
Intangible assets					
Software	891	891	0	0	0
Property, plant and equipment					
Operating equipment and furnishings	357	357	0	0	0
Financial assets					
Loans to associated companies	973,135	0	0	782,908	190,227
Other financial assets	54,500	0	0	0	54,500
Deferred tax assets	2,496	2,496	0	0	0
Total non-current assets	**1,031,379**	**3,744**	**0**	**782,908**	**244,727**
Current assets					
Receivables from associated companies	737,409	737,409	0	0	0
Loans to family trusts	18,000	0	18,000	0	0
Positive fair values of derivative instruments	4,649	4,649	0	0	0
Other receivables	2,835	2,835	0	0	0
Income tax receivables	4,299	4,299	0	0	0
Accrued income and prepaid expenses	5,507	5,507	0	0	0
Securities held for trading	74,742	74,742	0	0	0
Cash and cash equivalents	577,859	577,859	0	0	0
Total current assets	**1,425,300**	**1,407,300**	**18,000**	**0**	**0**
Total assets	**2,456,679**	**1,411,044**	**18,000**	**782,908**	**244,727**

EQUITY AND LIABILITIES

Shareholders' equity					
Capital subscribed and paid in	16,000	16,000	0	0	0
Retained earnings	259,697	259,697	0	0	0
Foreign exchange difference	–7	–7	0	0	0
Net profit for the year	26,378	26,378	0	0	0
Total shareholders' equity	**302,068**	**302,068**	**0**	**0**	**0**
Non-current liabilities					
Bonds issued	1,494,248	0	0	998,026	496,222
Liabilities for pension plans	4,518	0	4,518	0	0
Payables to banks	4,650	0	0	4,650	0
Total non-current liabilities	**1,503,416**	**0**	**4,518**	**1,002,676**	**496,222**
Current liabilities					
Payables to associated companies	601,295	548,147	53,148	0	0
Payables to banks	8,720	8,720	0	0	0
Provisions for taxes	2,396	2,396	0	0	0
Negative fair values of derivative instruments	6,774	6,774	0	0	0
Other liabilities	12,184	7,458	4,726	0	0
Accrued expenses and deferred income	19,826	19,826	0	0	0
Total current liabilities	**651,195**	**593,321**	**57,874**	**0**	**0**
Total equity and liabilities	**2,456,679**	**895,389**	**62,392**	**1,002,676**	**496,222**
Balance sheet position		**515,655**	**–44,392**	**–219,768**	**–251,495**

Balance Sheet by Interest Rate Exposure at 31 December 2017

ASSETS

in TEUR	Total	Fixed interest rate	Variable interest rate	Non-interest bearing
Non-current assets				
Intangible assets				
Software	996	0	0	996
Property, plant and equipment				
Operating equipment and furnishings	509	0	0	509
Financial assets				
Loans to associated companies	944,422	944,422	0	0
Other financial assets	44,500	0	0	44,500
Deferred tax assets	2,259	0	0	2,259
Total non-current assets	**992,686**	**944,422**	**0**	**48,264**
Current assets				
Receivables from associated companies	973,117	581,976	256,002	135,139
Loans to family trusts	14,000	14,000	0	0
Positive fair values of derivative instruments	8,102	0	0	8,102
Other receivables	2,658	0	2,658	0
Income tax receivables	2,860	0	0	2,860
Accrued income and prepaid expenses	5,092	0	0	5,092
Securities held for trading	96,939	57,937	11,097	27,905
Cash and cash equivalents	439,428	0	439,428	0
Total current assets	**1,542,196**	**653,913**	**709,185**	**179,098**
Total assets	**2,534,882**	**1,598,335**	**709,185**	**227,362**

EQUITY AND LIABILITIES

in TEUR	Total	Fixed interest rate	Variable interest rate	Non-interest bearing
Shareholders' equity				
Capital subscribed and paid in	16,000	0	0	16,000
Additional paid-in capital	5,000	0	0	5,000
Retained earnings	264,103	0	0	264,103
Foreign exchange difference	115	0	0	115
Net profit for the year	28,082	0	0	28,082
Total shareholders' equity	**313,300**	**0**	**0**	**313,300**
Non-current liabilities				
Bonds issued	995,944	995,944	0	0
Liabilities for pension plans	4,230	0	4,230	0
Deferred tax liabilities	18	0	0	18
Total non-current liabilities	**1,000,192**	**995,944**	**4,230**	**18**
Current liabilities				
Bonds issued	499,726	499,726	0	0
Payables to associated companies	671,628	44,826	626,802	0
Payables to banks	5,848	0	5,848	0
Provisions for taxes	7,538	0	0	7,538
Negative fair values of derivative instruments	4,199	0	0	4,199
Other liabilities	12,769	0	0	12,769
Accrued expenses and deferred income	19,682	0	0	19,682
Total current liabilities	**1,221,390**	**544,552**	**632,650**	**44,188**
Total equity and liabilities	**2,534,882**	**1,540,496**	**636,880**	**357,506**
Balance sheet position		**57,839**	**72,305**	**–130,144**

Balance Sheet by Interest Rate Exposure at 31 December 2016

ASSETS

in TEUR	Total	Fixed interest rate	Variable interest rate	Non-interest bearing
Non-current assets				
Intangible assets				
Software	891	0	0	891
Property, plant and equipment				
Operating equipment and furnishings	357	0	0	357
Financial assets				
Loans to associated companies	973,135	973,135	0	0
Other financial assets	54,500	0	0	54,500
Deferred tax assets	2,496	0	0	2,496
Total non-current assets	**1,031,379**	**973,135**	**0**	**58,244**
Current assets				
Receivables from associated companies	737,409	453,612	171,859	111,938
Loans to family trusts	18,000	18,000	0	0
Positive fair values of derivative instruments	4,649	0	0	4,649
Other receivables	2,835	0	2,835	0
Income tax receivables	4,299	0	0	4,299
Accrued income and prepaid expenses	5,507	0	0	5,507
Securities held for trading	74,742	42,070	12,667	20,005
Cash and cash equivalents	577,859	0	577,859	0
Total current assets	**1,425,300**	**513,682**	**765,220**	**146,398**
Total assets	**2,456,679**	**1,486,817**	**765,220**	**204,642**

EQUITY AND LIABILITIES

Shareholders' equity				
Capital subscribed and paid in	16,000	0	0	16,000
Retained earnings	259,697	0	0	259,697
Foreign exchange difference	-7	0	0	-7
Net profit for the year	26,378	0	0	26,378
Total shareholders' equity	**302,068**	**0**	**0**	**302,068**
Non-current liabilities				
Bonds issued	1,494,248	1,494,248	0	0
Liabilities for pension plans	4,518	0	4,518	0
Payables to banks	4,650	4,650	0	0
Total non-current liabilities	**1,503,416**	**1,498,898**	**4,518**	**0**
Current liabilities				
Payables to associated companies	601,295	53,148	548,147	0
Payables to banks	8,720	0	8,720	0
Provisions for taxes	2,396	0	0	2,396
Negative fair values of derivative instruments	6,774	0	0	6,774
Other liabilities	12,184	0	0	12,184
Accrued expenses and deferred income	19,826	0	0	19,826
Total current liabilities	**651,195**	**53,148**	**556,867**	**41,180**
Total equity and liabilities	**2,456,679**	**1,552,046**	**561,385**	**343,248**
Balance sheet position		**–65,229**	**203,835**	**–138,606**

Security Price Risk

Due to its investment activities, the Group is exposed to security price risks. The Group deems security price risks to mean the exposure to loss resulting from changes in the prices of listed securities.

Basically, a minimum rating of BBB– (Standard & Poor's) is required when selecting bonds. The trend of the rating is monitored on a daily basis. In the event of the bond being downgraded, it is immediately disposed of. However, the Group has a limit of 5% of the total portfolio which can be invested in sub-investment-grade bonds. Furthermore, the Group uses derivative instruments to hedge security price risks.

The composition of the portfolio is monitored on a daily basis. The allocation is shown in the table below:

Asset Allocation as at 31 December 2017

in TEUR	Market value	Share
Equity / Equity funds	17,362	17.9%
Investment grade bonds / Bond funds	70,780	73.0%
Sub-investment-grade bonds	3,873	4.0%
Hedge funds	2,915	3.0%
Commodities	2,009	2.1%
Total	**96,939**	**100%**

Asset Allocation as at 31 December 2016

in TEUR	Market value	Share
Equity / Equity funds	13,313	17.8%
Investment grade bonds / Bond funds	58,167	77.9%
Sub-investment-grade bonds	1,662	2.2%
Hedge funds	923	1.2%
Commodities	677	0.9%
Total	**74,742**	**100%**

Credit Risk

In order to minimise credit risks, transactions are only conducted with first-class external counterparties. Banks are required to have a minimum rating of "BBB" (in terms of Standard & Poor's nomenclature). For each rating level, binding counterparty limits are defined. Their absolute value is subject to regular critical reviews by the supervisory bodies and is adjusted if necessary. Würth Group counterparties are monitored by Würth Finance International B.V., together with the appropriate member of the Würth Group's Central Managing Board, and granted a credit limit. ISDA agreements are concluded with external counterparties with whom the Group carries out transactions within the framework of financial risk management.

The corresponding credit rating of the internal and external counterparties and the limitation on aggregated individual party risks are constantly monitored.

The counterparty risks relating to delcredere business were transferred in full to insurance companies.

The maximum credit risk corresponds to the value of all the financial assets, contingent liabilities and unused irrevocable credit commitments stated in the annual accounts. Any credit risks relating to loans to individual Würth Group companies with negative equity as at 31 December are covered by letters of comfort from the superordinate parent company.

in TEUR	Gross credit risks 2017	Gross credit risks 2016
Credit risks as at 31 December		
Total Würth Group long-term	**944,422**	**973,135**
Total Würth Group short-term	**973,117**	**737,409**
Cash and cash equivalents	439,428	577,859
Other financial assets	44,500	54,500
Loans to family trusts	14,000	18,000
Positive fair values of derivative instruments	8,102	4,649
Other receivables	2,658	2,835
Contingent liabilities	264,952	286,279
Irrevocable lending commitments	13,434	14,776
Total gross credit risk	**2,704,613**	**2,669,442**

There is only a difference between the gross and net credit risk for derivative transactions which can be netted based on the ISDA agreements. In principle, cash and cash equivalents are invested at banks with a minimal rating of "BBB". Within the credit risk category no overdue or impaired positions are included. Therefore no value adjustments were accounted for or are required.

Liquidity Risk

The Würth Group needs sufficient liquidity to fulfil its financial obligations. In compliance with the superordinate Würth Group policy, Würth Group companies are required to transfer their excess liquidity to Würth Finance International B.V. and, with the latter's support, to make it available to other Würth Group companies to bridge any potential shortages in liquidity.

The objective of liquidity management is to ensure that the Würth Group is able to meet its payment obligations. The liquidity situation is monitored by the Cash Management department of Würth Finance International B.V.

The high international creditworthiness of the Würth Group (Standard & Poor's has awarded a Senior Unsecured "A" rating to Adolf Würth GmbH & Co. KG) allows the Group to raise liquid funds in the international capital markets on favourable conditions. Würth Finance International B.V. has established a committed credit line of EUR 400 million. The syndicate providing the funds consists of 14 banks. The credit line is granted until 15 July 2022 and is guaranteed by Adolf Würth GmbH & Co. KG, Künzelsau. Additionally the Group has arranged credit lines with various banks to cover any potential liquidity requirements.

b) Derivative Financial Instruments

Positions at 31 December 2017

in TEUR	Contract value or notional value	Positive fair value	Negative fair value
Foreign currency instruments			
Forward currency contracts	1,034,832	14,902	–430
Options	3,250	0	0
Total foreign exchange instruments	**1,038,082**	**14,902**	**–430**
Interest rate instruments			
Interest rate swaps	578,492	4,234	–3,670
Cross-currency swaps	192,375	15,591	–99
Financial futures	41,076	21	0
Total interest rate instruments	**811,943**	**19,846**	**–3,769**
Reduction due to CSA	0	–26,646	0
Total derivative financial instruments	**1,850,025**	**8,102**	**–4,199**

Positions at 31 December 2016

in TEUR	Contract value or notional value	Positive fair value	Negative fair value
Foreign currency instruments			
Forward currency contracts	963,795	3,329	–6,085
Total foreign exchange instruments	**963,795**	**3,329**	**–6,085**
Interest rate instruments			
Interest rate swaps	362,137	6,209	–1,355
Cross-currency swaps	162,914	1,486	–8,541
Financial futures	27,154	23	0
Total interest rate instruments	**552,205**	**7,718**	**–9,896**
Reduction due to CSA	0	–6,398	9,207
Total derivative financial instruments	**1,516,000**	**4,649**	**–6,774**

The total derivative financial instruments are presented gross per counterparty.

ISDA master agreements with a CSA are concluded with those counterparties with whom transactions are carried out within the framework of financial risk management. For this reason, the positive and negative fair values of the derivative financial instruments are recorded in the financial statements (balance sheet, income statement) in net terms, considering also the cash settlement based on the CSAs.

The foreign currency instruments are mainly used to hedge the currency positions in USD, CHF and DKK recorded in the balance sheet. The net positions of the fair values are as follows: EUR 12.5 million (2016: EUR –3.0 million) have a maturity date of less than 12 months and EUR 2.0 million (2016: EUR 0.2 million) mature in 1–5 years.

The interest rate instruments are mainly used to hedge currency and interest rate risks on non-congruent asset and liability positions in EUR, USD and CHF. The maximum maturity is eight years.

Offsetting Financial Instruments

in TEUR	Financial assets 2017 Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position
Derivative financial instruments	34,748	–26,646	8,102
Total	**34,748**	**–26,646**	**8,102**

in TEUR	Financial assets 2016 Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position
Derivative financial instruments	11,047	–6,398	4,649
Total	**11,047**	**–6,398**	**4,649**

in TEUR	Financial liabilities 2017 Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position
Derivative financial instruments	–4,199	0	–4,199
Total	**–4,199**	**0**	**–4,199**

in TEUR	Financial liabilities 2016 Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position
Derivative financial instruments	–15,981	9,207	–6,774
Total	**–15,981**	**9,207**	**–6,774**

Offsetting rights that do not meet some or all of the criteria for offsetting in the statement of financial position are not disclosed since the effects are considered to be immaterial.

c) Fair Value of Financial Instruments at 31 December

ASSETS

	Carrying amount		Fair value	
in TEUR	2017	2016	2017	2016
Non-current assets				
Financial assets				
Loans to associated companies	944,422	973,135	995,371	1,033,932
Other financial assets	44,500	54,500	46,180	56,283
Total non-current assets	**988,922**	**1,027,635**	**1,041,551**	**1,090,215**
Current assets				
Receivables from associated companies	973,117	737,409	980,015	742,335
Loans to family trusts	14,000	18,000	14,039	18,092
Positive fair values of derivative instruments	8,102	4,649	8,102	4,649
Securities held for trading	96,939	74,742	96,939	74,742
Cash and cash equivalents	439,428	577,859	439,864	578,301
Total current assets	**1,531,586**	**1,412,659**	**1,538,959**	**1,418,119**

EQUITY AND LIABILITIES

Non-current liabilities				
Bonds issued	995,944	1,494,248	1,047,576	1,570,099
Payables to banks		4,650		4,751
Total non-current liabilities	**995,944**	**1,498,898**	**1,047,576**	**1,574,850**
Current liabilities				
Bonds issued	499,726	0	518,981	0
Payables to associated companies	671,628	601,295	671,840	601,434
Payables to banks	5,848	8,720	5,856	8,720
Negative fair values of derivative instruments	4,199	6,774	4,199	6,774
Total current liabilities	**1,181,401**	**616,789**	**1,200,876**	**616,928**

A majority of the financial instruments were generated by the Group itself and are valued at amortised cost. The "fair value through profit & loss" category as laid down in IAS 39 is solely applied to securities and derivative financial instruments. On the other hand, the categories "held to maturity" and "available for sale" are not applied by the Group.

The fair value of long-term receivables and liabilities is calculated using the DCF method.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets and Liabilities Measured at Fair Value at 31 December 2017

ASSETS

in TEUR	Level 1	Level 2	Level 3	Total fair value
Derivative financial instruments				
Interest rate swaps	0	4,234	0	4,234
Cross-currency swaps	0	15,591	0	15,591
Financial futures	0	21	0	21
Forward currency contracts	0	14,902	0	14,902
Reduction due to CSA	0	–26,646	0	–26,646
Total derivative financial instruments	**0**	**8,102**	**0**	**8,102**
Financial instruments held for trading				
Securities	96,939	0	0	96,939
Total financial instruments held for trading	**96,939**	**0**	**0**	**96,939**
Financial instruments at amortised cost				
Receivables from associated companies	0	1,975,386	0	1,975,386
Loans to family trusts	0	14,039	0	14,039
Cash and cash equivalents	439,864	0	0	439,864
Other financial assets	0	46,180	0	46,180
Total financial instruments at amortised cost	**439,864**	**2,035,605**	**0**	**2,475,469**

LIABILITIES

in TEUR	Level 1	Level 2	Level 3	Total fair value
Derivative financial instruments				
Interest rate swaps	0	3,670	0	3,670
Cross-currency swaps	0	99	0	99
Reduction due to CSA	0	430	0	430
Total derivative financial instruments	**0**	**4,199**	**0**	**4,199**
Other liabilities at amortised cost				
Bonds issued	0	1,545,240	0	1,545,240
Payables to associated companies	0	671,840	0	671,840
Payables to banks	5,856	0	0	5,856
Total other liabilities at amortised cost	**5,856**	**2,217,080**	**0**	**2,222,936**

Assets and Liabilities Measured at Fair Value at 31 December 2016

ASSETS

in TEUR	Level 1	Level 2	Level 3	Total fair value
Derivative financial instruments				
Interest rate swaps	0	6,209	0	6,209
Cross-currency swaps	0	1,486	0	1,486
Financial futures	0	23	0	23
Forward currency contracts	0	3,329	0	3,329
Reduction due to CSA	0	–6,398	0	–6,398
Total derivative financial instruments	**0**	**4,649**	**0**	**4,649**
Financial instruments held for trading				
Securities	74,742	0	0	74,742
Total financial instruments held for trading	**74,742**	**0**	**0**	**74,742**
Financial instruments at amortised cost				
Receivables from associated companies	0	1,776,267	0	1,776,267
Loans to family trusts	0	18,092	0	18,092
Cash and cash equivalents	578,301	0	0	578,301
Other financial assets	0	56,283	0	56,283
Total financial instruments at amortised cost	**578,301**	**1,850,642**	**0**	**2,428,943**

LIABILITIES

	Level 1	Level 2	Level 3	Total fair value
Derivative financial instruments				
Interest rate swaps	0	1,355	0	1,355
Cross-currency swaps	0	8,541	0	8,541
Forward currency contracts	0	6,085	0	6,085
Reduction due to CSA	0	–9,207	0	–9,207
Total derivative financial instruments	**0**	**6,774**	**0**	**6,774**
Other liabilities at amortised cost				
Bonds issued	0	1,570,099	0	1,570,099
Payables to associated companies	0	601,434	0	601,434
Payables to banks (long-term)	4,751	0	0	4,751
Payables to banks	8,720	0	0	8,720
Total other liabilities at amortised cost	**13,471**	**2,171,533**	**0**	**2,185,004**

For all financial instruments categorised within levels 2 and 3, a description of the valuation techniques and the inputs used in the valuation (e.g. interest rates, volatilities, market price of the underlying, price in a similar transaction, etc.) is prepared. If there is a change in valuation technique, the reason for it has to be disclosed.

The fair value of securities that are actively traded on organised financial markets is determined by reference to quoted market prices. For securities where there is no active market, fair value is determined using valuation techniques such as price quotations from securities brokers or the Black-Scholes pricing model. These valuations are by their nature dependent on the assumptions on which they are based.

During the reporting period ending 31 December 2017, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

Capital Management

The primary objective of the Group's capital management is to ensure a strong credit rating towards external parties. The Group manages its capital structure and makes adjustments to it based on the equity ratio and the return on equity.

d) Hedging Activities and Derivatives at 31 December

Cash Flow Hedges

Cross-currency swaps are used to protect against exposure to variability in future cash flows and principal cash flows on non-trading foreign currency positions due to changes in interest risk and/or foreign currency risk. Some cross-currency swaps are designated as hedging instruments in cash flow hedges and are measured at fair value through OCI. The Würth Finance Group also enters into other cross-currency swaps with the intention of reducing the changes in interest risk and/or foreign currency risk. These other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

	31.12.2017		31.12.2016	
in TEUR	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts designated as hedging instruments				
Fair value	480	0	0	0

The terms of the cross-currency swap contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss. The amounts retained in OCI at 31 December are expected to mature and affect the statement of profit or loss in the coming years. Reclassifications of gains or losses to profit or loss during the year included in OCI are shown in the condensed consolidated statement of comprehensive income. As per 31 December all cross-currency swap contracts with the intention of reducing interest risk and/or the foreign currency risk of expected transactions are not designated in hedge relationships and are measured at fair value through profit or loss.

Fair Value Hedges

As per 2017 no fair value hedges are accounted for.

20. Segment Information

The Group provides segment reporting by business line. Segment reporting by geographic areas is not considered meaningful as the Group only provides services from the Netherlands and Switzerland.

Balance Sheet by Segment at 31 December 2017

in TEUR	Group Financing	Trading	Portfolio Manage-ment	Services	Pension Plans / Insurance	Central Services	Elimination	Total
Balance sheet								
Segment assets	2,424,768	7,873	131,540	0	2,368	67,700	-99,367	2,534,882
Segment liabilities	2,230,381	4,199	93,152	0	2,368	304,149	-99,367	2,534,882
Number of employees	10	3	0	24	57	22	0	116
Additional segment information								
Investments	0	0	0	48	119	537	0	704

Balance Sheet by Segment at 31 December 2016

in TEUR	Group Financing	Trading	Portfolio Manage-ment	Services	Pension Plans / Insurance	Central Services	Elimination	Total
Balance sheet								
Segment assets	2,465,338	11,024	109,200	0	2,729	76,050	-207,662	2,456,679
Segment liabilities	2,275,978	15,975	77,126	0	2,729	292,533	-207,662	2,456,679
Number of employees	9	3	0	27	57	22	0	118
Additional segment information								
Investments	0	0	0	0	173	348	0	521

Income Statement by Segment at 31 December 2017

in TEUR	Group Financing	Trading	Portfolio Manage-ment	Services	Pension Plans / Insurance	Central Services	Elimination	Total
Income Würth Finance Group								
Interest income	412	0	15	0	0	0	–427	0
Interest expenses	–15	0	–405	0	–7	0	427	0
Net interest income	**397**	**0**	**–390**	**0**	**–7**	**0**	**0**	**0**
Income from commission and service fee activities	0	0	0	315	0	0	–315	0
Income from trading activities and financial instruments	0	122	–3	0	0	0	–119	0
Segment income Würth Finance Group	**397**	**122**	**–393**	**315**	**–7**	**0**	**–434**	**0**
Income third parties								
Interest income	58,346	0	957	0	0	0	0	59,303
Interest expense	–54,380	0	–500	0	–7	0	0	–54,887
Net interest income	**3,966**	**0**	**457**	**0**	**–7**	**0**	**0**	**4,416**
Income from factoring activities	14,755	0	0	0	0	0	0	14,755
Income from commission and service fee activities	0	0	0	22,709	10,274	0	0	32,983
Income from trading activities and financial instruments	0	8,570	1,129	0	–146	0	0	9,553
Other ordinary income	3,939	0	0	0	20	0	0	3,959
Total segment income third parties	**22,660**	**8,570**	**1,586**	**22,709**	**10,141**	**0**	**0**	**65,666**
Total segment income	**23,057**	**8,692**	**1,193**	**23,024**	**10,134**	**0**	**–434**	**65,666**
Expenses								
Personnel cost	–1,325	–576	0	–2,355	–7,746	–4,543	0	–16,545
Other administrative expenses	0	0	–439	0	–1,627	–10,125	315	–11,876
Depreciation and amortisation	0	0	0	0	–78	–357	0	–435
Other ordinary expenses	0	0	0	0	0	–64	0	–64
Segment expenses	**–1,325**	**–576**	**–439**	**–2,355**	**–9,451**	**–15,089**	**315**	**–28,920**
Segment result	**21,732**	**8,116**	**754**	**20,669**	**683**	**–15,089**	**–119**	**36,746**
Taxes	0	0	–234	0	–116	–8,314	0	–8,664
Net profit for the year, continued operations	0	0	0	0	0	0	0	28,082
Net profit for the year								**28,082**

Income Statement by Segment at 31 December 2016

in TEUR	Group Financing	Trading	Portfolio Manage-ment	Services	Pension Plans / Insurance	Central Services	Elimination	Total
Income Würth Finance Group								
Interest income	335	0	15	0	0	0	–350	0
Interest expenses	–15	0	–317	0	–18	0	350	0
Net interest income	**320**	**0**	**–302**	**0**	**–18**	**0**	**0**	**0**
Income from commission and service fee activities	0	0	0	390	0	0	–390	0
Income from trading activities and financial instruments	0	91	45	0	0	0	–136	0
Segment income Würth Finance Group	**320**	**91**	**–257**	**390**	**–18**	**0**	**–526**	**0**
Income third parties								
Interest income	71,784	0	1,148	0	0	0	0	72,932
Interest expense	–67,751	0	–642	0	–18	0	0	–68,411
Net interest income	**4,033**	**0**	**506**	**0**	**–18**	**0**	**0**	**4,521**
Income from factoring activities	12,899	0	0	0	0	0	0	12,899
Income from commission and service fee activities	0	0	0	20,199	9,681	0	0	29,880
Income from trading activities and financial instruments	0	7,617	1,107	0	113	0	0	8,837
Other ordinary income	4,810	0	0	0	48	0	0	4,858
Total segment income third parties	**21,742**	**7,617**	**1,613**	**20,199**	**9,824**	**0**	**0**	**60,995**
Total segment income	**22,062**	**7,708**	**1,356**	**20,589**	**9,806**	**0**	**–526**	**60,995**
Expenses								
Personnel cost	–1,335	–808	0	–2,672	–7,673	–4,544	0	–17,032
Other administrative expenses	0	0	–22	0	–1,693	–10,354	390	–11,679
Depreciation and amortisation	0	0	0	0	–84	–378	0	–462
Other ordinary expenses	0	0	0	0	0	–10	0	–10
Segment expenses	**–1,335**	**–808**	**–22**	**–2,672**	**–9,450**	**–15,286**	**390**	**–29,183**
Segment result	**20,727**	**6,900**	**1,334**	**17,917**	**356**	**–15,286**	**–136**	**31,812**
Taxes	0	0	–274	0	–74	–5,086	0	–5,434
Net profit for the year, continued operations								26,378
Net profit for the year								**26,378**

WÜRTH FINANCE INTERNATIONAL B.V.

FINANCIAL STATEMENTS 2017

COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER

before appropriation of profit

ASSETS

in TEUR	Notes	2017	2016
Non-current assets			
Intangible assets			
Software	1	995	887
Property, plant and equipment			
Operating equipment and furnishings	1	294	175
Financial assets			
Loans to associated companies		944,422	973,135
Participations in Group companies	2	28,347	26,966
Other financial assets		44,500	54,500
Deferred tax assets	3	2,170	2,311
Total non-current assets		**1,020,728**	**1,057,974**
Current assets			
Receivables from associated companies		1,054,720	926,966
Loans to family trusts		14,000	18,000
Positive fair values of derivative instruments		7,873	4,627
Other receivables	4	1,494	1,573
Income tax receivables	3	2,860	4,299
Accrued income and prepaid expenses		4,203	4,794
Cash		427,984	437,479
Total current assets		**1,513,134**	**1,397,738**
Total assets		**2,533,862**	**2,455,712**

EQUITY AND LIABILITIES

Shareholders' equity			
Capital subscribed and paid in		16,000	16,000
Additional paid-in capital		5,000	0
Retained earnings		264,218	259,690
Net profit for the year	7	28,082	26,378
Total shareholders' equity		**313,300**	**302,068**
Non-current liabilities			
Bonds issued	5	997,440	1,495,765
Liabilities for pension plans		2,964	3,073
Payables to banks		0	4,650
Total non-current liabilities		**1,000,404**	**1,503,488**
Current liabilities			
Bonds issued	5	499,726	0
Payables to associated companies		672,196	602,227
Payables to banks		5,848	8,720
Provisions for taxes	3	7,349	2,086
Negative fair values of derivative instruments		4,199	6,768
Other liabilities	6	11,148	10,520
Accrued expenses and deferred income		19,692	19,835
Total current liabilities		**1,220,158**	**650,156**
Total equity and liabilities		**2,533,862**	**2,455,712**

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

in TEUR	2017	2016
Operating income		
Interest income	58,761	71,882
Interest expenses	-54,807	-68,164
Net interest income	**3,954**	**3,718**
Income from factoring activities	14,755	12,899
Income from commission and service fee activities	23,024	20,589
Income from trading activities and financial instruments	8,689	7,708
Other ordinary income	3,938	4,810
Total operating income	**54,360**	**49,724**
Operating expenses		
Personnel costs	-8,799	-9,360
Other administrative expenses	-10,189	-9,874
Depreciation and amortisation	-357	-378
Total operating expenses	**-19,345**	**-19,612**
Profit before taxes	**35,015**	**30,112**
Corporate taxes	-7,684	-3,897
Deferred taxes	-630	-1,188
Net profit after tax	**26,701**	**25,027**
Share in result from participations in group companies	1,381	1,351
Net profit for the year	**28,082**	**26,378**

ACCOUNTING POLICIES USED IN PREPARING THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER

Basis of Preparation
The company financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. In accordance with the provisions of Section 362-8 of Book 2 of the Dutch Civil Code the accounting policies used are the same as those used in the notes to the consolidated financial statements, prepared under IFRS as adopted by the European Union, unless stated otherwise below. The financial statements were prepared on 18 April 2018. In case the notes in the company financial statements are similar to the notes in the consolidated financial statements we refer to the notes in the consolidated financial statements.

Participations in Group Companies
Investments in subsidiaries are valued using the net asset value method, determined by applying the IFRS accounting policies as described in the consolidated financial statements. Under this method, subsidiaries are carried at the company's share in their net asset value plus its share in the results of the subsidiaries and its share of changes recognised directly in the equity of the subsidiaries as from the acquisition date, determined in accordance with the IFRS accounting policies disclosed in the consolidated financial statements, less its share in the dividend distributions from the subsidiaries. The company's share in the results of the subsidiaries is recognised in the profit and loss account. If and to the extent that the distribution of profits is subject to restrictions, these are included in a legal reserve.

If the value of the subsidiary under the net asset value method has become nil, this method is no longer applied, with the subsidiary being valued at nil as long as the net asset value remains negative. In connection with this, any long-term interests that, in substance, form part of the investor's net investment in the subsidiary are included. A provision is formed if and to the extent that the company stands surety for all or part of the debts of the subsidiary or if it has a constructive obligation to enable the subsidiary to repay its debts.

A subsequent share of the profit of the subsidiary is recognised only if and to the extent that the accumulated share of the previously unrecognised loss has been made good.

Information on the use of financial instruments and on related risks for the Group is provided in the notes to the consolidated financial statements.

The company financial statements are presented in EUR thousands unless otherwise stated.

Changes in Accounting Policies
For details of changes in accounting policies, please refer to the consolidated financial statements.

Equity Interests

Parent Company
Würth Finance International B.V., Amsterdam, is the parent company of the companies as listed below and includes the financial data of these companies in its consolidated financial statements, copies of which are available at cost from the head office of Würth Finance International B.V., Amsterdam.

Fully Consolidated Companies
- Würth Financial Services AG, Rorschach, Switzerland: wholly owned subsidiary (2016: 100%)

- Würth Invest AG, Chur, Switzerland: wholly owned subsidiary (2016: 100%)

The percentages stated represent the equity interests held.

NOTES TO THE COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER

1. Intangible Assets, Property, Plant and Equipment

Intangible assets, property, plant and equipment are composed as follows:

At 31 December 2017

in TEUR	Acquisition cost 2016	Additions (disposals) incl. asset retirement 2017	Acquisition cost 2017	Accum. depreciation 2016	Asset retirement 2017	Depreciation for the year 2017	Accum. depreciation 2017	Net book value 2017
Intangible assets								
Software	1,710	271	1,981	-823	48	-211	-986	995
Total intangible assets	**1,710**	**271**	**1,981**	**–823**	**48**	**–211**	**–986**	**995**
Property, plant and equipment								
Vehicles	431	-42	389	-307	148	-103	-262	127
Art objects	33	0	33	0	0	0	0	33
Office equipment/ installations	2,015	-1,482	533	-1,997	1,641	-43	-399	134
Total property, plant and equipment	**2,479**	**–1,524**	**955**	**–2,304**	**1,789**	**–146**	**–661**	**294**
Total	**4,189**	**–1,253**	**2,936**	**–3,127**	**1,837**	**–357**	**–1,647**	**1,289**

At 31 December 2016

in TEUR	Acquisition cost 2015	Additions (disposals) incl. asset retirement 2016	Acquisition cost 2016	Accum. depreciation 2015	Asset retirement 2016	Depreciation for the year 2016	Accum. depreciation 2016	Net book value 2016
Intangible assets								
Software	1,365	345	1,710	-590	0	-233	-823	887
Total intangible assets	**1,365**	**345**	**1,710**	**–590**	**0**	**–233**	**–823**	**887**
Property, plant and equipment								
Vehicles	470	-39	431	-220	34	-121	-307	124
Art objects	33	0	33	0	0	0	0	33
Office equipment/ installations	2,012	3	2,015	-1,973	0	-24	-1,997	18
Total property, plant and equipment	**2,515**	**–36**	**2,479**	**–2,193**	**34**	**–145**	**–2,304**	**175**
Total	**3,880**	**309**	**4,189**	**–2,783**	**34**	**–378**	**–3,127**	**1,062**

2. Participations in Group Companies

in TEUR	
Net book value at 1 January 2016	**25,615**
Share in profit/(loss) of participating interests	1,351
Net book value at 31 December 2016	**26,966**
Net book value at 1 January 2017	**26,966**
Share in profit/(loss) of participating interests	1,381
Net book value at 31 December 2017	**28,347**

3. Corporate Taxes

in TEUR	2017	2016
Deferred tax assets from foreign witholding tax credit	2,170	2,311
Total	**2,170**	**2,311**

Included in the balance sheet is a net amount of TEUR 2,860 classified as a tax asset (2016: TEUR 4,299) which reflects the current tax asset.

For other details see the consolidated statement note 15 Corporate Taxes.

4. Other Receivables

in TEUR	2017	2016
Receivables from third parties	455	604
Other receivables	1,039	969
Total other receivables	**1,494**	**1,573**

5. Bonds Issued

The total market value at 31 December 2017 amounted to TEUR 1,545,240 (2016: TEUR 1,570,099). As per 2017, the notional value of the bond maturing on 19 May 2022 (coupon 1.000%) was TEUR 500,000 (2016: TEUR 500,000) with a market value of TEUR 516,785 (2016: TEUR 516,850).

For other details see the consolidated statement note 8 Bonds Issued.

6. Other Liabilities

in TEUR	2017	2016
Payables for deliveries and services:	4,152	4,798
Of which to third parties	723	1,632
Of which to associated parties	3,429	3,166
Compensation-related liabilities	3,953	2,149
Other current liabilities	3,043	3,573
Total other receivables	**11,148**	**10,520**

Other accrued expenses and deferred income primarily comprise accruals for services received but not invoiced during the financial year.

7. Equity

Statement of changes in equity:

in TEUR	Capital	Additional paid-in capital	Retained earnings	Total
At 1 January 2016	16,000	0	280,050	295,952
Net profit for the year	0	0	26,378	26,378
Other comprehensive income	0	0	436	527
Total comprehensive income for the year	**0**	**0**	**26,814**	**26,905**
Dividends paid	0	0	-20,789	-20,789
At 31 December 2016	**16,000**	**0**	**286,075**	**302,068**
At 1 January 2017	16,000	0	286,075	302,068
Net profit for the year	0	0	28,082	28,082
Capital contribution	0	5,000	0	5,000
Other comprehensive income	0	0	-1,922	-1,800
Total comprehensive income for the year	**0**	**5,000**	**26,160**	**31,282**
Dividends paid	0	0	-20,050	-20,050
At 31 December 2017	**16,000**	**5,000**	**292,185**	**313,300**

The Board of Directors proposes to allocate the net income of EUR 28,082,166 to retained earnings.
For other details see the consolidated statement of changes in equity.

ARRANGEMENTS AND COMMITMENTS NOT SHOWN IN THE BALANCE

FOR THE YEAR ENDED 31 DECEMBER

Personnel Costs

The average number of staff (in FTEs) employed by the company in 2017 was 61 (2016: 62)

Compensation for the members of Management amounted to TEUR 1,560 (2016: TEUR 1,597).

In 2017 and 2016, no other forms of compensation (post-employment benefits or other long-term benefits, termination benefits, share-based payments) were paid to key management staff.

In financial year 2017, fees of TEUR 240 were paid to members of the Board of Directors (2016: TEUR 240).

Audit Fees

The costs of the Group for the external auditor, the audit organisation and the entire network to which the audit organisation belongs charged to the financial year are set out below.

in TEUR	2017	2016
Ernst & Young		
Audit of the financial statements	204	226
Other audit engagements	114	23
Total	**318**	**249**

OTHER INFORMATION
FOR THE YEAR ENDED 31 DECEMBER

Articles of Association Provisions Governing Profit Appropriation
The company's Articles of Association provide for the net profit for the year to be fundamentally put at the disposal of the shareholders.

Other Branches
The company has the following branch:

Würth Finance International B.V.
Rorschach Branch
Churerstrasse 10
9400 Rorschach
Switzerland

Amsterdam and Rorschach, 18 April 2018

B. van Odijk	R. Fust
Managing Director	Managing Director

INDEPENDENT AUDITOR'S REPORT
TO: THE SHAREHOLDERS AND THE AUFSICHTSRAT OF WÜRTH FINANCE INTERNATIONAL B.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion
We have audited the financial statements 2017 of Würth Finance International B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Würth Finance International B.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Würth Finance International B.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- The consolidated balance sheet as at 31 December 2017
- he following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, cash flows and changes in equity
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:
- The company balance sheet as at 31 December 2017
- The company income statement for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Würth Finance International B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 7.5 million (2016: EUR 1.5 million)
Benchmark applied	0.5% of total bonds issued
Explanation	The main activity of Würth Finance International B.V. is to operate as a financing company of the Würth Group, raising funds from third party lenders through bonds issuance, loans and other facilities and in turn lending the funds raised to companies belonging to the Würth Group. Considering these financing activities, we consider the total amount of bonds issued to be the most relevant benchmark for the stakeholders of the company. In the 2016 auditor's report we applied 5% of pre-tax income as benchmark for the materiality. Considering the main activity of Würth Finance International B.V. as described above we applied 0.5% of the total bonds issued as basis for 2017.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Aufsichtsrat that misstatements in excess of EUR 372 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
Würth Finance International B.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Würth Finance International B.V.

Our group audit focused on all group entities. We have performed full audit procedures on the following group companies:
- Würth Finance International B.V.
- Würth Financial Services AG
- Würth Invest AG

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Aufsichtsrat. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the 2016 auditor's report, 'transactions with related parties' and 'Income from commission and services fee activities' were identified as key audit matters. We consider the risk of transactions with related parties and the income from commission and services fee activities lower compared to prior year, as such, we have no longer included these items as a key audit matter.

Risk	Our audit response	Our audit response
Credit risk of the Würth Group companies in note 16		
We consider the valuation of the long-term loans (EUR 973.1 million) and receivables (EUR 737.4 million) to associated companies, as disclosed in note 16 of the financial statements as a key audit matter. This is due to the significant number of transactions with the associated Würth Group companies and due to the size of the long-term loans and receivables in relation to the total assets of the company. Long-term loans and receivables are initially recognized at fair value and subsequently measured at amortized cost less value adjustments using the effective interest rate method. The management did not identify any impairment triggers regarding the long-term loans and receivables to associated companies.	An increased credit risk is defined for those companies which have a negative equity as per the balance sheet date and for those companies who owe an amount higher than EUR 100,000 to Würth Finance International B.V. To address the credit risk of the Würth Group companies we obtained comfort letters from the group parent(s) for 24 companies with increased credit risk. We also assessed the credibility of the group parent(s) that issued the comfort letters.	We consider that the management did appropriately address the credit risk and we assessed the disclosure (note 16) to the financial statements as being appropriate. We did not identify any impairment triggers regarding the long-term loans and receivables to associated companies.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The report of the management and the Report on Risks and Opportunities;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.
- Oher information, comprising Key Events in 2017; The Würth Finance Group at a Glance; Key Figures of the Würth Finance Group; Report of the board of directors, Inhouse Banking, External Financial Services, Legal Structure; Executive Bodies; Information for Investors and Excerpt from the financial statements 2017.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the Aufsichtsrat as auditor of Würth Finance International B.V., as of the audit for the year 2002 and have operated as statutory auditor ever since that year.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided
Our services are only related to the audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management and the Aufsichtsrat for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Aufsichtsrat is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Aufsichtsrat regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Aufsichtsrat with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Aufsichtsrat, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 18 April 2018

Ernst & Young Accountants LLP
Signed by P.A.E. Dirks