Würth Finance Group / Würth Finance International B.V.

FINANCIAL STATEMENTS 2018

CONTENTS

Würth Finance Group

FINANCIAL STATEMENTS 2018

Consolidated Income Statement
for the Year Ended at 31 December

in TEUR	Notes	2018	2017
Operating income			
Interest income from financial instruments measured at amortised cost	10	48,163	44,140
Interest income from financial instruments measured at fair value through profit or loss	10	16,092	15,163
Interest expenses	10	-54,525	-54,887
Net interest income		**9,730**	**4,416**
Income from factoring activities		16,018	14,755
Income from commission and service fee activities	11	35,272	32,983
Income from trading activities and financial instruments	12	7,320	9,553
Other ordinary income from related parties	13	3,292	3,959
Credit loss (expenses) / recovery	19a	-3,698	0
Total operating income		**67,934**	**65,666**
Operating expenses			
Personnel expenses	14	-16,744	-16,545
Other administrative expenses		-11,798	-11,876
Depreciation and amortisation		-794	-435
Other ordinary expenses		-82	-64
Total operating expenses		**–29,418**	**–28,920**
Profit before taxes		**38,516**	**36,746**
Income tax expense	15	-8,341	-8,028
Deferred taxes	15	-228	-636
Net profit for the year		**29,947**	**28,082**

Consolidated Statement of Other Comprehensive Income
for the Year Ended at 31 December

in TEUR, net of tax	2018	2017
Profit for the year	**29,947**	**28,082**
Total items that will be reclassified to the income statement		
Foreign currency translation	-164	122
Net (loss) / gain on cash flow hedges	261	-1,513
Total items that will not be reclassified to the income statement		
Gains / (losses) on defined plans	-884	-409
Other comprehensive income for the year (OCI)	**-787**	**–1,800**
Total comprehensive income for the year	**29,160**	**26,282**

Consolidated Balance Sheet
at 31 December before Appropriation of Profits

in TEUR	Notes	2018	2017
ASSETS			
Non-current assets			
Intangible assets			
Software	3	547	996
Property, plant and equipment			
Operating equipment and furnishings	3	458	509
Financial assets			
Loans to related companies	4, 16	1,055,899	944,422
Other financial assets to related parties	5, 16	35,834	44,500
Deferred tax assets	15	2,826	2,259
Total non-current assets		**1,095,564**	**992,686**
Current assets			
Receivables from related companies	16	1,052,931	973,117
Loans to family trusts	16	9,969	14,000
Positive fair values of derivative instruments	19b	3,827	8,102
Other receivables	6	3,273	2,658
Income tax receivables	15	2,243	2,860
Accrued income and prepaid expenses		7,246	5,092
Securities held for trading	7, 19a	80,815	96,939
Cash and cash equivalents		262,119	439,428
Total current assets		**1,422,423**	**1,542,196**
Total assets		**2,517,987**	**2,534,882**

EQUITY AND LIABILITIES			
Shareholders' equity			
Capital subscribed and paid in		16,000	16,000
Additional paid-in capital		5,000	5,000
Retained earnings		271,080	265,616
Other comprehensive income		-1,252	-1,513
Foreign currency translation		-49	115
Net profit for the year		29,947	28,082
Total shareholders' equity		**320,726**	**313,300**
Non-current liabilities			
Bonds issued	8	1,494,723	995,944
Liabilities for pension plans	14	5,268	4,230
Payables to banks		4,436	0
Deferred tax liabilities	15	369	18
Total non-current liabilities		**1,504,796**	**1,000,192**
Current liabilities			
Bonds issued	8	0	499,726
Payables to related companies	16	646,387	671,628
Payables to banks		7,689	5,848
Income tax payables	15	8,925	7,538
Negative fair values of derivative instruments	19b	5,990	4,199
Other liabilities	9, 16	11,962	12,769
Accrued expenses and deferred income		11,512	19,682
Total current liabilities		**692,465**	**1,221,390**
Total equity and liabilities		**2,517,987**	**2,534,882**

Consolidated Statement of Changes in Equity
for the Year Ended at 31 December

in TEUR	Capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Currency adjustment	Total
At 1 January 2017	16,000	0	286,075	0	–7	302,068
Net profit for the year	0	0	28,082	0	0	28,082
Other comprehensive income	0	0	0	0	122	122
IAS 19	0	0	–409	0	0	–409
Cash flow hedge accounting	0	0	0	–1,513	0	–1,513
Total comprehensive income for the year	**0**	**0**	**27,673**	**–1,513**	**122**	**26,282**
Capital contribution	0	5,000	0	0	0	5,000
Dividends paid	0	0	–20,050	0	0	–20,050
At 31 December 2017	**16,000**	**5,000**	**293,698**	**–1,513**	**115**	**313,300**
Impact of adoption of IFRS 9 expected credit losses	0	0	–772	0	0	–772
Impact of adoption of IFRS 9 classification and measurement	0	0	1,338	0	0	1,338
At 1 January 2018	16,000	5,000	294,264	–1,513	115	313,866
Net profit for the year	0	0	29,947	0	0	29,947
Other comprehensive income	0	0	0	0	–164	–164
IAS 19	0	0	–884	0	0	–884
Cash flow hedge accounting	0	0	0	261	0	261
Total comprehensive income for the year	**0**	**0**	**29,063**	**261**	**–164**	**29,160**
Dividends paid	0	0	–22,300	0	0	–22,300
At 31 December 2018	**16,000**	**5,000**	**301,027**	**–1,252**	**–49**	**320,726**

Würth Finance International B.V. has authorised share capital of EUR 80 million 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 million.

In 2018, a dividend of TEUR 22,300 (EUR 697 per share) was paid for financial year 2017.

Consolidated Cash Flow Statement
for the Year Ended at 31 December

in TEUR	2018	2017*
Net profit for the year	**29,947**	**28,082**
Depreciation and amortisation	794	435
Adjustment to provision for taxes	1,387	5,142
Decrease (increase) in deferred tax assets	-566	237
Increase (decrease) in deferred tax liabilities	351	18
Other expenses and revenues without cash flows	12,230	-1,424
Foreign exchange gains and losses (long-term loans)	-8,573	24,368
Foreign exchange gains and losses (short-term loans)	2,065	7,424
(Increase) decrease in operating assets		
Redemption of long-term loans to related companies	58,258	56,541
Lending of long-term loans to related companies	-418,505	-356,255
Receivables from related companies	177,322	64,927
Positive fair values of derivative instruments	4,275	-3,453
Income tax receivables	617	1,439
Other receivables and accrued income and prepaid expenses	-2,770	592
Increase (decrease) in operating liabilities		
Payables to related companies	-25,242	70,333
Negative fair values of derivative instruments	1,791	-2,575
Other liabilities and accrued expenses and deferred income	-8,977	441
Net cash flows from operating activities	**-175,596**	**-103,728**
Purchase of property, plant and equipment, and intangible assets	-289	-704
Disposal of property, plant and equipment, and intangible assets	11	35
Purchase of securities	-52,136	-47,851
Disposal of securities	61,995	26,359
Sales of other financial assets	10,000	10,000
Net cash flows from investing activities*	**19,581**	**-12,161**
Issue of bonds	494,647	0
Repayment of bonds issued	-500,000	0
Dividends paid	-22,300	-20,050
Contribution	0	5,000
Net cash flows from financing activities	**-27,653**	**-15,050**
Foreign currency translation	80	30
Net increase (decrease) in cash and cash equivalents	**-183,588**	**-130,909**
Net cash and cash equivalents at the beginning of the year	**433,580**	**564,489**
Net cash and cash equivalents at the end of the year	**249,991**	**433,580**
Net increase (decrease) in cash and cash equivalents	**-183,588**	**-130,909**
Taxes paid	**6,985**	**1,779**
Interest received	**75,620**	**69,465**
Interest paid	**-51,957**	**-51,848**

The funds for this cash flow statement are represented by cash and cash equivalents (net).
*2017 numbers are restated to align with presentation change in 2018. For further details see section 2. Accounting principles.

Notes to the Consolidated Financial Statements
for the Year Ended at 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 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 area 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 2019 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 2018 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 compromised 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as 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 Group.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated.

New and amended standards and interpretations

In these financial statements, the Group has applied IFRS 9 and IFRS 15, effective for annual periods beginning on or after 1 January 2018 for the first time.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not adopted any standards, interpretations or amendments early that have been issued but are not yet effective.

The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 revenue from contracts with customers
IFRS 15 supersedes IAS 11 construction contracts, IAS 18 revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental cost of obtaining a contract and the cost directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The effect of adopting IFRS 15 is immaterial. IFRS 15 excludes certain contracts, the Group should exclude contracts related to leasing (IAS 17) and financial instruments and other contractual rights (IFRS 9, 10, 11 as well as IAS 27 and 28). From its nature (inhouse bank) and identified contracts Würth Finance International B.V. is not materially affected by IFRS 15.

IFRS 9 financial instruments
IFRS 9 financial instruments replaces IAS 39 financial instruments: recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has elected to discontinue applying hedge accounting in accordance with IAS 39.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any effect on the carrying amounts of financial assets and liabilities at the date of transition to IFRS 9 was recognised as an adjustment to opening retained earnings.

Changes in accounting policies and disclosures

Changes to classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the company's business model for managing the assets, and whether the instruments' contractual cash flows represent "solely payments of principal and interest" (SPPI) on the principal amount outstanding. The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospective to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets as a result of the IFRS 9 adoption:

- Receivables and other non-current financial assets (e.g. loan to loan to related companies) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Other financial assets include a debt instrument as well as an unlisted equity instrument which have been measured at amortised cost (debt instrument) and at cost (unlisted equity instrument) under IAS 39. Under IFRS 9, the debt instrument no longer qualifies for its previous measurement category and is now required to be measured at fair value through profit and loss. The reclassification resulted in a positive impact on retained earnings of EUR 1.3 million net of tax.

In summary, upon the adoption of IFRS 9 the Group had a required reclassification of the IBB debt instrument from amortised cost (EUR 19.5 million) to fair value through profit or loss (EUR 20.8 million).

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.
The new impairment model applied to long-term loan commitments to and short-term receivables from related and external companies that are not measured at fair value through profit or loss. The methodology the Group applied to calculate an individual probability-weighted unbiased ECL in line with IFRS 9 is mainly based on a combination of the following principal factors: exposure at default (EAD), probability of default (PD) and loss given default (LGD). LGD amounted to 60% and PD is based on the Global Corporate Average Cumulative Defaults Rates (Bloomberg).

Upon the adoption of IFRS 9, the Group recognised additional impairment on the Group's long-term loan commitments and short-term receivables to related and external companies, which resulted in a decrease in retained earnings of EUR 0.8 million as at 1 January 2018.

Hedge accounting

The Group applied hedge accounting under IFRS 9 prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

Changes to cash flow statement

To better align the cash flow statement with the entity's operations, the Group has decided to present all Group financing activities within the operating activities of the cash flow statement, irrespective of the maturity of the financing provided.
In addition, the reclassifications from the long-term loans included in the net variation of the balance sheet items "receivables from related companies" and "loans to family trust" in the published cash flow statement for 2017 have been retrospectively adjusted due to their non-cash nature. These non-cash transactions and a more meaningful presentation of the impacts from foreign exchange have been applied retrospectively in accordance with the requirements of IAS 8.

All alignments made are listed in the table below:

Impacted line items within cash flow statement	2017 published	Adjustment	2017 adjusted
Other expenses and revenues without cash flows	27,933	–29,357	–1,424
Receivables from related companies	–231,708	296,635	64,927
Foreign exchange gains and losses (long-term loans)	0	24,368	24,368
Foreign exchange gains and losses (short-term loans)	0	7,424	7,424
Redemption of long-term loans to related companies	0	56,541	56,541
Lending of long-term loans to related companies	0	–356,255	–356,255
Net cash flows from operating activities	**–103,084**	**–644**	**–103,728**
Purchase of securities	–47,695	–156	–47,851
Disposal of securities	21,214	5,145	26,359
Redemption of long-term loans to related companies	360,600	–360,600	0
Lending of long-term loans to related companies	–356,255	356,255	0
Net cash flows from investing activities	**–12,805**	**644**	**–12,161**

These alignments had no impact on the Group's net decrease in cash and cash equivalents.

Furthermore, the Group decided to align the naming of related parties and associated companies in the cash flow statement.

Segment information

For better readability, the income statement by segment was adjusted in its tabular structure. The first five columns represent the Group's Inhouse Banking division whereas the pension plan column reflects the External Financial Services Division.

Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9 other items of the primary financial statements such as deferred taxes and retained earnings were adjusted as necessary.

IFRIC Interpretation 22 foreign currency transactions and advance considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Standards issued but not yet effective

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 on 1 January 2019 with earlier application permitted. However, the Group does not intend to apply IFRS 16 early. The currently ascertainable impact from the first-time application of IFRS 16 amounted to a balance sheet extension of EUR 3.4 million.

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
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 they have been formally declared and approved. Premiums and discounts arising from the issuance of bonds are amortised over their residual term using the effective interest rate (EIR) 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 Group's consolidated financial statements are presented in euros, which is the Group's presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date the transaction first qualifies for recognition. 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	2018	2017
US dollar (USD)	1.145	1.199
Swiss franc (CHF)	1.127	1.170
British pound (GBP)	0.898	0.887
Canadian dollar (CAD)	1.559	1.504
Chinese renminbi (CNH)	7.872	7.816
Norwegian krone (NOK)	9.947	9.840
Danish krone (DKK)	7.467	7.445
Swiss franc (CHF) – average exchange rate	1.155	1.112

On consolidation, all assets and liabilities of the subsidiaries – with the exception of shareholders' equity – are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss foreign currency translation.

Financial instruments
A financial instruments is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and measurement of financial instruments
Financial instruments are recognised when the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognised when the related contractual obligations are extinguished, discharged / cancelled or expired.
Financial instruments are recognised and derecognised using settlement date accounting.

On initial recognition, financial instruments are measured at fair value. Fair value on initial recognition includes transaction cost directly attributable to the acquisition or issue of financial instruments, except for financial instruments carried at fair value through profit or loss, for which transaction cost are recognised in net income in the period when they are incurred.

Financial instruments are measured in subsequent periods either at fair value or at amortised cost using the effective interest rate method, depending on the financial instrument classification.
The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its carrying amount. When calculating the effective interest rate, the Group estimates future cash flows, considering all contractual terms of the financial instrument.

Major types of financial instruments and their classification

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents 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 Group measures securities as financial instruments at 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
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 and less allowance for expected credit losses.
The allowance for credit losses is maintained at a level considered adequate to absorb the credit losses existing in the portfolio at the financial reporting date. Allowances for credit losses are established at both the individual and collective levels.

Derivative financial instruments
Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial instruments. The Group acquires derivative financial instruments to manage exposures to interest, currency and other market risks.

Derivative financial instruments are classified as held-for-trading financial assets / financial liabilities, unless they are included in hedge accounting as hedging instruments.

The fair value of swaps is determined using pricing models that take into account current market and contractual prices of the underlying instrument, as well as time value or the yield curve of the underlying position. The fair value of foreign exchange forwards is calculated by discounting the notional amount using the yield curves of the respective currencies. Inputs to both these calculations are market-observable data sourced from leading inter-dealer brokers, together with industry-standard valuation models for estimating fair value.

Derivative financial instruments are recognised at fair value at each balance sheet date 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.

The fair values recognised in the balance sheet reflect the net fair value of the instruments after the cash settlement.

Derivative financial instruments and hedge accounting
The Group designates certain derivatives held for risk management purposes as cash flow hedges or fair value hedges.

- 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 either attributable 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.

The Group documents all hedging relationships and its risk management objectives, along with its strategy for carrying out the hedge transactions.
The Group assesses whether the derivatives used in hedging transactions are highly effective in offsetting changes in the cash flow or the fair value of hedged items, both at inception and over the life of the hedge.

If these hedging instruments expire, are sold or no longer meet the criteria for hedge accounting, the amounts previously recognised in OCI are reclassified to the income statement as net gains or losses on other financial instruments during the periods when the variability in the cash flows or fair values of the hedged item affects net income. However, if a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement under net gains or losses on other financial instruments.

Bonds issued
Issued bonds are initially recognised at the fair value of the consideration received, net of directly attributable transaction cost. They are subsequently reported in the balance sheet at amortised cost using the effective interest method. The amortisation of bond-issuing cost (discount) is recognised in the income statement over the duration of the term using the effective interest method.
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.

Property, plant and equipment
Property, plant and equipment comprise office furniture and equipment, interior installations, vehicles, ICT hardware 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, net of accumulated depreciation and accumulated impairment losses, if any. 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 acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. 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.

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".

The amortisation period and amortisation method are reviewed at least at each financial year-end.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

As a lessee, the Group has entered into a small number of operating lease agreements, which mainly concern the rental of office premises, furniture and office equipment. Rental income arising is accounted for on a straight-line basis over the lease terms and is reported on an accrual basis as operating expenses. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Impairment of assets
The value of property, plant and equipment and other fixed 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 taxable income in the fiscal year and in accordance with 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 income tax payables 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 are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. The impact of the effect is shown in the "consolidated statement of other 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 related 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:
- Inhouse Banking with Group Financing, Trading, Portfolio Management, Central Settlement and Central Services,
- External Financial Services with Pension Plans / Insurance.

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 2018

in TEUR	Acquisition cost 2017	Additions (disposals) incl. asset retirement 2018	Acquisition cost 2018	Accum. depreciation 2017	Asset retirement 2018	Depreciation for the year 2018	Accum. depreciation 2018	Net book value 2018
Intangible assets								
Software	2,459	109	2,568	-1,463	-18	-540	-2,021	547
Total intangible assets	**2,459**	**109**	**2,568**	**-1,463**	**-18**	**-540**	**-2,021**	**547**
Property, plant and equipment								
Vehicles	633	35	668	-357	128	-146	-375	293
Art objects	34	0	34	0	0	0	0	34
Office equipment / installations	2,453	112	2,565	-2,254	-71	-108	-2,433	132
Total property, plant and equipment	**3,120**	**147**	**3,267**	**-2,611**	**57**	**-254**	**-2,809**	**458**
Total	**5,579**	**256**	**5,835**	**-4,074**	**39**	**-794**	**-4,830**	**1,005**

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**

4. Long-term loans to related parties

in TEUR	2018	2017
Balance at 1 January	944,422	973,135
New loans granted, increase in existing loans, repayments	360,247	299,714
Currency and other adjustments	5,252	-24,368
Term reclassification	-254,022	-304,059
Balance at 31 December	**1,055,899**	**944,422**

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

	2018	2017
EUR	1.88%	2.01%
CHF	0.98%	1.11%
USD	3.95%	3.66%
DKK	1.08%	1.34%

5. Other financial assets to related parties

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	2018	2017
Silent participation	15,000	25,000
Capital relinquishment	20,834	19,500
Balance at 31 December	**35,834**	**44,500**

These funds are not guaranteed.

6. Other receivables

in TEUR	2018	2017
Receivables from third parties	3,095	2,589
Other receivables	178	69
Total other receivables	**3,273**	**2,658**

7. Securities

in TEUR	Market value 2018	Acquisition cost 2018	Market value 2017	Acquisition cost 2017
Equities / funds	7,831	7,121	17,363	4,549
Bonds	67,589	66,914	70,779	67,904
Sub-investment-grade bonds	2,397	2,390	3,873	3,849
Hedge funds	955	1,000	2,915	3,024
Commodities	2,043	2,079	2,009	2,109
Total	**80,815**	**79,504**	**96,939**	**92,538**

Securities are recognised at market values.

8. Bonds issued

On 25 May 2018, the company repaid a EUR 500 million bond with an annual 3.75% coupon. The company issued a EUR 500 million bond under its EUR 3 billion EMTN programme. The bond was issued on 25 May 2018 and has a term of seven years and an annual coupon of 1.0%.

Overview of bonds issued at 31 December 2018

Maturity	Notional amount (in TEUR)	Premium / discount (in TEUR)	Own bonds (in TEUR)	Total at 31.12. (in TEUR)	Coupon
Long-term					
21.05.2020	500,000	-420	0	499,580	1.750%
19.05.2022	500,000	-1,420	-1,496	497,084	1.000%
25.05.2025	500,000	1,051	-2,992	498,059	1.000%
Total book value long-term bond liabilities				**1,494,723**	
Total book value bonds issued				**1,494,723**	

Maturity	Notional (excluding own bonds) (in TEUR)	Market value (in TEUR)	Coupon
21.05.2020	500,000	518,500	1.750%
19.05.2022	498,504	515,129	1.000%
25.05.2025	497,008	509,003	1.000%
Total market value at 31 December		**1,542,632**	

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**	

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 of Adolf Würth GmbH & Co. KG, Künzelsau.

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

9. Other liabilities

in TEUR	2018	2017
Payables for deliveries and services:	4,168	3,762
of which to third parties	393	333
of which to related parties	3,775	3,429
Compensation-related liabilities	3,367	3,701
Other liabilities	4,427	5,306
Total other liabilities	**11,962**	**12,769**

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

10. Interest income and expenses

At 31 December 2018

in TEUR	2018	Parent companies	Associated companies	Third parties
Interest income				
Interest income from financing activities at amortised cost	35,252	2,812	32,406	34
Interest income from financing leasing activities at amortised cost	3,104	0	3,104	0
Interest income from liquid assets at amortised cost	9,807	8	9,246	553
Interest income from current accounts	9,254	8	9,246	0
Interest income from bank accounts, time deposits and money market funds	553	0	0	553
Interest income from financial instruments at fair value through profit and loss	16,092	0	2,874	13,218
Interest income from interest rate and cross-currency swaps	14,590	0	2,427	12,163
Other interest income from financial instruments	1,502	0	447	1,055
Total interest income	**64,255**	**2,820**	**47,630**	**13,805**
Interest expenses				
Interest expenses for current accounts and time deposits	1,012	0	998	14
Interest expenses for bonds issued	28,084	1,875	0	26,209
Interest expenses from financial instruments	24,855	218	5,046	19,591
Valuation gains (losses) from interest rate and cross-currency swaps (unrealised)	4,006	0	-317	4,323
Interest expenses from interest rate and cross-currency swaps	11,603	0	2,216	9,387
Other interest expenses from financial instruments	9,246	218	3,147	5,881
Other interest expenses (third parties)	574	0	0	574
Total interest expenses	**54,525**	**2,093**	**6,044**	**46,388**

At 31 December 2017

in TEUR	2018	Parent companies	Associated companies	Third parties
Interest income				
Interest income from financing activities at amortised cost	33,722	4,788	28,934	0
Interest income from financing leasing activities at amortised cost	3,839	0	3,839	0
Interest income from liquid assets at amortised cost	6,579	0	6,443	136
Interest income from current accounts	6,443	0	6,443	0
Interest income from bank accounts, time deposits and money market funds	136	0	0	136
Interest income from financial instruments at fair value through profit and loss	15,163	0	2,442	12,721
Interest income from interest rate and cross-currency swaps	13,870	0	2,169	11,701
Other interest income from financial instruments	1,293	0	273	1,021
Total interest income	**59,303**	**4,788**	**41,658**	**12,857**
Interest expenses				
Interest expenses for current accounts and time deposits	770	0	705	65
Interest expenses for bonds issued	36,378	1,875	0	34,503
Interest expenses from financial instruments	17,200	3	3,523	13,674
Valuation losses from interest rate and cross-currency swaps (unrealised)	1,381	0	0	1,381
Interest expenses from interest rate and cross-currency swaps	11,738	0	2,001	9,737
Other interest expenses from financial instruments	4,081	3	1,522	2,555
Other interest expenses (third parties)	539	0	0	539
Total interest expenses	**54,887**	**1,878**	**4,228**	**48,781**

11. Income from commission and service fee activities

in TEUR	2018	2017
Acquisition commissions, brokerage fees	10,030	10,411
Discount income	45	46
Collection and delcredere agreements	25,197	22,526
Total income from commission and service fee activities	**35,272**	**32,983**

12. Income from trading activities and financial instruments

in TEUR	2018	2017
Income from securities transactions	–3,213	1,489
Income from foreign exchange transactions	10,533	8,064
Total income from trading activities and financial instruments	**7,320**	**9,553**

13. Other ordinary income from related parties

Other ordinary income comprised TEUR 3,292 (2017: TEUR 3,959) of income out of the funding relationship with IBB as well as fees charged to other Würth Group companies for services rendered.

14. Personnel expenses

At 31 December 2018, the Group had 125 members of staff (2017: 116). Personnel expenses were as follows

in TEUR	2018	2017
Wages and salaries	14,033	14,224
Pension cost	841	467
Social security cost	1,128	1,193
Other employee cost	742	661
Total personnel expenses	**16,744**	**16,545**

Pension Plan

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

The pension plan in the Netherlands consisted of a defined contribution plan. The salary over which pension was built up was maximised at TEUR 91 (2017: TEUR 90). The premium was partly paid by the employer.

In Switzerland, the individual Group companies participated in a semi-autonomous pension scheme in which several Swiss Würth entities participated. In this plan actuarial risks (longevity, disability and death) are vested in an insurance company.

The investment risks remained with the pension scheme, which was responsible for the asset management. The pension scheme was an addition to the statutory social security insurance.

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

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

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

in TEUR	2018	2017
Pension cost		
Current service cost	965	846
Past service cost	0	–492
Net interest expense / (income)	23	28
Exchange difference	–147	85
Pension cost recognised in income statement	**841**	**467**
Revaluation of defined benefit plan		
Actuarial (gains) / losses due to changes in assumptions	–588	2,240
Actuarial (gains) / losses due to changes based on experience	945	–149
Return on plan assets (less interest income)	421	–1,460
Exchange difference	106	–222
Revaluation recognised in OCI	**884**	**409**
Liabilities for pension plan		
Benefit obligation at 31 December	30,647	28,275
Fair value of plan assets at 31 December	–25,379	–24,045
Net liabilities at 31 December	**5,268**	**4,230**
Changes in the benefit obligations		
Benefit obligation at 1 January	28,275	25,780
Interest expense	171	186
Current service cost	965	846
Contribution by plan participants	763	799
Actuarial (gains) / losses due to changes in assumptions	–588	2,240
Actuarial (gains) / losses due to changes based on experience	945	–149
Past service cost	0	–492
Benefits paid	–999	1,395
Exchange differences	1,115	–2,330
Benefit obligation at 31 December	**30,647**	**28,275**
Changes in the plan assets		
Fair value of plan assets at 1 January	24,045	21,262
Interest income	148	158
Return on plan assets (less interest income)	–421	1,460
Contributions by plan participants	763	799
Contributions by employer	893	926
Benefits paid	–999	1,395
Exchange differences	949	–1,955
Fair value of plan assets at 31 December	**25,378**	**24,045**
Assumptions		
Discount rate	0.80%	0.60%
Expected return on plan assets	0.80%	0.60%
Future salary increases up to age 54 P / A	0.50%	0.50%
Future salary increases 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 31.12.2018		30,647	1,802
Discount rate	+0.25%	30,615	1,729
Discount rate	–0.25%	33,009	1,881
Expected salary increase	+0.50%	32,196	1,802
Expected salary increase	–0.50%	31,366	1,802

Breakdown of fair value of plan assets by asset category:

	2018	2017
Equities	28.8%	29.7%
Bonds	40.6%	40.3%
Real estate	26.3%	23.7%
Other	4.3%	6.3%
Total	**100.0%**	**100.0%**

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

For financial year 2019, the Group anticipated contributions to defined benefit pension plans amounting to approximately TEUR 1,846.

in TEUR	2018	2017
Short-term employee benefits	2,121	2,433
Total compensation paid to key management personnel	**2,121**	**2,433**

Compensation of key management personnel of the Group
In 2018 and 2017, no other forms of compensation were paid to key management staff.

In 2018, fees of TEUR 218 were paid to members of the Board of Directors (2017: TEUR 240).

The key management comprised the managing directors of the Group companies (2018: 5 persons; 2017: 5 persons).

Remuneration for the managing directors of the Group companies totalled TEUR 2,121 in the year 2018 (2017: TEUR 2,433).

15. Income tax

The Group is subject to income tax 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 2018 are accrued as at 31 December 2018.

The relevant tax rate for the Netherlands was 25% (2017: 25%). Due to separate taxation of the head office in the Netherlands, the branch office in Switzerland and the subsidiaries in accordance with valid legislation in the corresponding countries, there was a difference between the effective tax rate and the relevant tax rate for the Netherlands.

The relevant tax rates in Switzerland were 8.5% (2017: 8.5%) on a federal level and a maximum of 16.6% (2017: 16.6%) on a cantonal level.

For tax purposes the operating income and expenses were split based on their origin. The bonds issued by Würth Finance International B.V. were kept in the books in the Netherlands. Therefore, also the valuation effects of certain derivative instruments used to mitigate financial risks were allocated accordingly.

The reconciliation of income taxes is composed as follows:

in TEUR	2018	2017
Income before taxes	**38,516**	**36,746**
Tax expense using the assumed average tax rate (25%)	9,629	9,187
Effects on tax-free income / effect on non-taxable expenses	-1,034	-762
Difference between actual and assumed tax rates	-631	-686
Withholding tax paid	864	1,165
(De)recognition deferred taxes	-216	255
Tax effects related to prior periods	-43	-495
Net effective tax expenses	**8,569**	**8,664**

The Group had tax losses relating to the year 2018 that were 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.

in TEUR	2018	2017
Deferred tax assets from loss carry-forwards	525	35
Current deferred tax assets	2,301	2,224
Net deferred tax assets	**2,826**	**2,259**
Deferred tax liabilities on intangible assets	34	18
Deferred tax liabilities on IBB capital relinquishment	335	0
Deferred tax liabilities	**369**	**18**
Net deferred tax assets	**2,457**	**2,241**

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 included the members of the Board of Directors and Management of the Group, as well as their families and companies closely associated with them.

At 31 December 2018

in TEUR	2018	Parent companies	Associated companies
Receivables from related parties			
Long-term loans to related companies	1,055,899	24,423	1,031,476
Other financial assets	35,834	0	35,834
Loans to family trusts	9,969	9,969	0
Receivables from related companies	1,052,931	67,846	985,085
Current accounts	347,915	31,497	316,418
Short-term loans	580,402	29,961	550,441
Factoring	124,614	6,389	118,225
Total receivables from related parties	**2,154,633**	**102,238**	**2,052,395**
Payables to related parties			
Payables to related companies	646,387	0	646,387
Current accounts	611,156	0	611,156
Fixed-term deposit	35,231	0	35,231
Other payables to related parties	3,775	0	3,775
Total payables to related parties	**650,162**	**0**	**650,162**

At 31 December 2017

in TEUR	2017	Parent companies	Associated companies
Receivables from related parties			
Long-term loans to related companies	944,422	60,500	883,922
Other financial assets	44,500	0	44,500
Loans to family trusts	14,000	14,000	0
Receivables from related companies	973,117	85,462	887,655
Current accounts	256,002	0	256,002
Short-term loans	581,976	80,000	501,975
Factoring	135,140	5,462	129,678
Total receivables from related parties	**1,976,039**	**159,962**	**1,816,077**
Payables to related parties			
Payables to related companies	671,629	129,739	541,890
Current accounts	626,802	129,739	497,063
Fixed-term deposit	44,827	0	44,827
Other payables to related parties	3,429	0	3,429
Total payables to related parties	**675,058**	**129,739**	**545,319**

17. Commitments and contingencies

Würth Finance International B.V. had 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 included contractual commitments in connection with loans received by Würth Group of North America Inc. (private placement). The lending commitments, which had been guaranteed, but not yet utilised, are disclosed at the nominal value.

in TEUR	2018	2017
Guarantees, letters of comfort, letters of credit	327,581	264,952
Total contingent liabilities	**327,581**	**264,952**

in TEUR	2018	2017
Not yet utilised lending commitments	71,694	13,434
Total lending commitments	**71,694**	**13,434**

18. Operating lease commitments

in TEUR	2018	2017
Due within one year	1,689	1,570
Due after one year but not more than five years	4,660	773

Expenses for operating leases in the amount of TEUR 1,555 are included in operating expenses for the 2018 financial year (2017: TEUR 1,837).

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 was made between the functions of bodies that take risks and those that monitor risks. The financial risks were measured and monitored without restriction by the Group's risk controlling bodies. The control of financial risks was effected on the basis of internal directives defined in writing or with reference to strategic guidelines for action. Amendments to the internal directives were 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 entered into derivative financial instrument transactions. The Group expected 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 were 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, was 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 was 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, the euro.

For the control of foreign currency risks, individual limits were 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 were used. The positions were 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.

	2018		2017	
Currency	Market scenario	Impact on profit (in TEUR)	Market scenario	Impact on profit (in TEUR)
CHF	10% - 10%	780 -780	10% - 10%	902 -902
USD	10% - 10%	508 -508	10% - 10%	1,006 -1,006
GBP	10% - 10%	56 -56	10% - 10%	92 -92
CAD	10% - 10%	44 -44	10% - 10%	5 -5
CNY	10% - 10%	72 -72	10% - 10%	13 -13
DKK	10% - 10%	43 -43	10% - 10%	64 -64
NOK	10% - 10%	344 -344	10% - 10%	210 -210

Balance sheet by currency at 31 December 2018

ASSETS

		Amounts in TEUR countervalue				
in TEUR	Total	EUR	USD	CHF	DKK	Other
Non-current assets						
Intangible assets						
Software	547	303	0	244	0	0
Property, plant and equipment						
Operating equipment and furnishings	458	70	0	388	0	0
Financial assets						
Loans to related companies	1,055,899	739,853	160,513	89,918	7,317	58,298
Other financial assets	35,834	35,834	0	0	0	0
Deferred tax assets	2,826	2,301	0	525	0	0
Total non-current assets	**1,095,564**	**778,361**	**160,513**	**91,075**	**7,317**	**58,298**
Current assets						
Receivables from related companies	1,052,931	727,964	79,523	18,119	46,514	180,811
Loans to family trusts	9,969	9,969	0	0	0	0
Positive fair values of derivative instruments	3,827	0	3,492	314	0	21
Other receivables	3,273	2,103	0	1,170	0	0
Income tax receivables	2,243	2,150	0	93	0	0
Accrued income and prepaid expenses	7,246	5,719	31	750	6	740
Securities held for trading	80,815	63,494	4,214	9,372	0	3,735
Cash and cash equivalents	262,119	74,354	188	182,999	942	3,636
Total current assets	**1,422,423**	**885,753**	**87,448**	**212,817**	**47,462**	**188,943**
Total assets	**2,517,987**	**1,664,114**	**247,961**	**303,892**	**54,779**	**247,241**

EQUITY AND LIABILITIES

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	271,080	271,080	0	0	0	0
Other comprehensive income	-1,252	-1,252	0	0	0	0
Foreign currency translation	-49	-49	0	0	0	0
Net profit for the year	29,947	29,947	0	0	0	0
Total shareholders' equity	**320,726**	**320,726**	**0**	**0**	**0**	**0**
Non-current liabilities						
Bonds issued	1,494,723	1,494,723	0	0	0	0
Liabilities for pension plans	5,268	-13	0	5,281	0	0
Payables to banks	4,436	0	0	4,436	0	0
Deferred tax liabilities	369	335	0	34	0	0
Total non-current liabilities	**1,504,796**	**1,495,045**	**0**	**9,751**	**0**	**0**
Current liabilities						
Bonds issued	0	0	0	0	0	0
Payables to related companies	646,387	508,759	27,713	15,365	2,438	92,112
Payables to banks	7,689	1,900	0	10	0	5,779
Income tax payables	8,925	8,776	0	149	0	0
Negative fair values of derivative instruments	5,990	5,473	0	78	0	439
Other liabilities	11,962	5,977	1,074	3,876	0	1,035
Accrued expenses and deferred income	11,512	11,500	2	10	0	0
Total current liabilities	**692,465**	**542,385**	**28,789**	**19,488**	**2,438**	**99,365**
Total equity and liabilities	**2,517,987**	**2,358,156**	**28,789**	**29,239**	**2,438**	**99,365**
Balance sheet position	**0**	**694,042**	**-219,172**	**-274,653**	**-52,341**	**-147,876**

Balance sheet by currency at 31 December 2017

ASSETS

in TEUR	Total	EUR	USD	CHF	DKK	Other
		Amounts in TEUR countervalue				
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 related 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 related 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

	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 currency translation	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 related 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
Income tax payables	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**

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 were 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 maximum 5%. 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 had 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 euro and Swiss franc have increased. However, interest rate risks have been kept minimal.

Sensitivity of equity 2018

in TEUR	Duration											
Currency	Change in basis points		≤ 6 months		6 months to 1 year		1–5 years		> 5 years		**Total**	
EUR	100	–100	–1,226	1,254	–2,632	2,716	8,206	–8,577	12,686	–13,970	17,034	–18,575
USD	100	–100	94	–98	–75	78	–375	388	–2	2	–358	369
CHF	100	–100	202	–206	37	–38	–1,080	1,131	–27	36	–868	923
DKK	100	–100	21	–21	–4	5	–106	111	0	0	–90	94
CNH	100	–100	11	–12	152	–159	0	0	0	0	164	–170
NOK	100	–100	52	–53	9	–9	–218	225	0	0	–158	163
CAD	100	–100	21	–21	–56	58	26	–26	0	0	–10	10
GBP	100	–100	1	–1	–10	10	–89	94	0	0	–98	103
Others	100	–100	10	–11	–86	89	–313	330	0	0	–389	408

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

Balance sheet by maturity at 31 December 2018

ASSETS

in TEUR	Total	Sight	Maturity < 1 year	1–5 years	> 5 years
Non-current assets					
Intangible assets					
Software	547	547	0	0	0
Property, plant and equipment					
Operating equipment and furnishings	458	458	0	0	0
Financial assets					
Loans to related companies	1,055,899	0	0	811,461	244,438
Other financial assets	35,834	0	0	0	35,834
Deferred tax assets	2,826	2,826	0	0	0
Total non-current assets	**1,095,564**	**3,831**	**0**	**811,461**	**280,272**
Current assets					
Receivables from related companies	1,052,931	472,531	580,400	0	0
Loans to family trusts	9,969	0	9,969	0	0
Positive fair values of derivative instruments	3,827	3,827	0	0	0
Other receivables	3,273	3,273	0	0	0
Income tax receivables	2,243	2,243	0	0	0
Accrued income and prepaid expenses	7,246	7,246	0	0	0
Securities held for trading	80,815	80,815	0	0	0
Cash and cash equivalents	262,119	262,119	0	0	0
Total current assets	**1,422,423**	**832,054**	**590,369**	**0**	**0**
Total assets	**2,517,987**	**835,885**	**590,369**	**811,461**	**280,272**

EQUITY AND LIABILITIES

in TEUR	Total	Sight	< 1 year	1–5 years	> 5 years
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	271,080	271,080	0	0	0
Other comprehensive income	-1,252	-1,252	0	0	0
Foreign currency translation	-49	-49	0	0	0
Net profit for the year	29,947	29,947	0	0	0
Total shareholders' equity	**320,726**	**320,726**	**0**	**0**	**0**
Non-current liabilities					
Bonds issued	1,494,723	0	0	996,664	498,059
Liabilities for pension plans	5,268	0	5,268	0	0
Payables to banks	4,436	0	4,436	0	0
Deferred tax liabilities	369	369	0	0	0
Total non-current liabilities	**1,504,796**	**369**	**9,704**	**996,664**	**498,059**
Current liabilities					
Bonds issued	0	0	0	0	0
Payables to related companies	646,387	611,156	35,231	0	0
Payables to banks	7,689	7,689	0	0	0
Income tax payables	8,925	8,925	0	0	0
Negative fair values of derivative instruments	5,990	5,990	0	0	0
Other liabilities	11,962	8,595	3,367	0	0
Accrued expenses and deferred income	11,512	11,512	0	0	0
Total current liabilities	**692,465**	**653,867**	**38,598**	**0**	**0**
Total equity and liabilities	**2,517,987**	**974,962**	**48,302**	**996,664**	**498,059**
Balance sheet position	**0**	**–139,077**	**542,067**	**–185,203**	**–217,787**

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 related 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 related companies	973,117	391,141	581,976	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**	**946,220**	**599,976**	**0**	**0**
Total assets	**2,534,882**	**949,984**	**599,976**	**768,360**	**220,562**

EQUITY AND LIABILITIES

	Total	Sight	< 1 year	1–5 years	> 5 years
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 currency translation	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	0	995,944
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**	**0**	**995,944**
Current liabilities					
Bonds issued	499,726	0	499,726	0	0
Payables to related companies	671,628	626,801	44,827	0	0
Payables to banks	5,848	5,848	0	0	0
Income tax payables	7,538	7,538	0	0	0
Negative fair values of derivative instruments	4,199	4,199	0	0	0
Other liabilities	12,769	9,067	3,702	0	0
Accrued expenses and deferred income	19,682	19,682	0	0	0
Total current liabilities	**1,221,390**	**673,136**	**548,255**	**0**	**0**
Total equity and liabilities	**2,534,882**	**986,454**	**552,484**	**0**	**995,944**
Balance sheet position	**0**	**36,469**	**–43,491**	**768,360**	**–775,382**

Balance sheet by interest rate exposure at 31 December 2018

ASSETS

in TEUR	Total	Fixed interest rate	Variable interest rate	Non-interest bearing
Non-current assets				
Intangible assets				
Software	547	0	0	547
Property, plant and equipment				
Operating equipment and furnishings	458	0	0	458
Financial assets				
Loans to related companies	1,055,899	1,055,899	0	0
Other financial assets	35,834	0	0	35,834
Deferred tax assets	2,826	0	0	2,826
Total non-current assets	**1,095,564**	**1,055,899**	**0**	**39,665**
Current assets				
Receivables from related companies	1,052,931	580,400	347,915	124,616
Loans to family trusts	9,969	9,969	0	0
Positive fair values of derivative instruments	3,827	0	0	3,827
Other receivables	3,273	0	3,273	0
Income tax receivables	2,243	0	0	2,243
Accrued income and prepaid expenses	7,246	0	0	7,246
Securities held for trading	80,815	51,197	12,992	16,626
Cash and cash equivalents	262,119	0	262,119	0
Total current assets	**1,422,423**	**641,566**	**626,299**	**154,558**
Total assets	**2,517,987**	**1,697,465**	**626,299**	**194,223**

EQUITY AND LIABILITIES

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	271,080	0	0	271,080
Other comprehensive income	-1,252	0	0	-1,252
Foreign currency translation	-49	0	0	-49
Net profit for the year	29,947	0	0	29,947
Total shareholders' equity	**320,726**	**0**	**0**	**320,726**
Non-current liabilities				
Bonds issued	1,494,723	1,494,723	0	0
Liabilities for pension plans	5,268	0	5,268	0
Payables to banks	4,436	0	4,436	0
Deferred tax liabilities	369	0	0	369
Total non-current liabilities	**1,504,796**	**1,494,723**	**9,704**	**369**
Current liabilities				
Bonds issued	0	0	0	0
Payables to related companies	646,387	35,231	611,156	0
Payables to banks	7,689	0	7,689	0
Income tax payables	8,925	0	0	8,925
Negative fair values of derivative instruments	5,990	0	0	5,990
Other liabilities	11,962	0	0	11,962
Accrued expenses and deferred income	11,512	0	0	11,512
Total current liabilities	**692,465**	**35,231**	**618,845**	**38,389**
Total equity and liabilities	**2,517,987**	**1,529,954**	**628,549**	**359,484**
Balance sheet position	**0**	**167,511**	**–2,250**	**–165,261**

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 related 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 related 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

	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 currency translation	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 related companies	671,628	44,826	626,802	0
Payables to banks	5,848	0	5,848	0
Income tax payables	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	**0**	**57,839**	**72,305**	**–130,144**

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 2018

in TEUR	Market value	Share
Equity / equity funds	7,831	9.7%
Investment-grade bonds / bond funds	67,589	83.6%
Sub-investment-grade bonds	2,397	3.0%
Hedge funds	955	1.2%
Commodities	2,043	2.5%
Total	**80,815**	**100%**

Asset allocation as at 31 December 2017

in TEUR	Market value	Share
Equity / equity funds	17,362	17.9%
Investment-grade bonds / bond funds	70,779	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%**

Credit risk

In order to minimise credit risks, transactions are only conducted with first-class external counterparties. 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 carrying amount at default 2018	Gross carrying amount at default 2017
Credit risks as at 31 December		
Total Würth Group long-term	**1,059,220**	**944,422**
Total Würth Group short-term	**1,054,048**	**973,117**
Cash and cash equivalents	262,117	439,428
Other financial assets	35,834	44,500
Loans to family trusts	10,000	14,000
Positive fair values of derivative instruments	3,827	8,102
Other receivables	3,273	2,658
Contingent liabilities	327,581	264,952
Lending commitments	71,694	13,434
Total credit risk exposure	**2,827,594**	**2,704,613**

There is only a difference between the gross and net credit risk exposure 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".

Possible credit risk losses are reported in the financial statements using the approach for determining impairments based on forward-looking expected credit losses (ECLs) introduced in IFRS 9. The new impairment approach applied to long-term loan commitments and short-term receivables from related and external companies that are not measured at fair value through profit or loss. The methodology the Group applied to calculate an individual probability-weighted unbiased ECL is by using loss given default (LGD) amounting to 60% and probability of default (PD) based on the Global Corporate Average Cumulative Defaults Rates (Bloomberg).

The PD at year-end amounted to 0.5225% (2017: 0.0985%) which caused the credit impairment loss of EUR 3,698 over 2018, of which EUR 3,616 reflected the impact of the changed PD.

in TEUR	Expected credit loss 2018	Expected credit loss 01.01.2018
Loans to related companies	3,321	566
Short-term receivables from related companies	1,117	198
Loans to family trusts	31	8
Contingent liabilities	0	0
Lending commitments	0	0
Total expected credit loss	**4,469**	**772**

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. had established a committed credit line of EUR 400 million.
The syndicate providing the funds consisted of 14 banks. The credit line was granted until 15 July 2023 and is guaranteed by Adolf Würth GmbH & Co. KG, Künzelsau. Additionally the Group had arranged credit lines with various banks to cover any potential liquidity requirements.

b) Derivative financial instruments

Positions at 31 December 2018

in TEUR	Contract value or notional value	Positive fair value	Negative fair value
Foreign currency instruments			
Forward currency contracts	988,272	2,571	–8,513
Options	3,250	0	0
Total foreign currency instruments	**991,522**	**2,571**	**–8,513**
Interest rate instruments			
Interest rate swaps	455,172	3,772	–2,704
Cross-currency swaps	165,676	6,381	–11
Financial futures	51,737	0	0
Total interest rate instruments	**672,585**	**10,153**	**–2,715**
Reduction due to CSA	0	–8,897	5,238
Total derivative financial instruments	**1,664,107**	**3,827**	**–5,990**

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 currency 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**

The total derivative financial instruments were 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 were mainly used to hedge the currency positions in USD and CHF recorded in the balance sheet. The net positions of the fair values were as follows: EUR 3.1 million (2017: EUR 12.5 million) had a maturity date of less than 12 months and EUR 2.9 million (2017: EUR 2.0 million) mature in 1–5 years.

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

Offsetting financial instruments

in TEUR	Gross carrying amounts (before offsetting)	Financial assets 2018 Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position
Derivative financial instruments	12,725	–8,897	3,827
Total	**12,725**	**–8,897**	**3,827**

in TEUR	Gross carrying amounts (before offsetting)	Financial assets 2017 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	Gross carrying amounts (before offsetting)	Financial liabilities 2018 Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position
Derivative financial instruments	–11,228	5,238	–5,990
Total	**–11,228**	**5,238**	**–5,990**

in TEUR	Gross carrying amounts (before offsetting)	Financial liabilities 2017 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**

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 immaterial.

c) Fair value of financial instruments at 31 December

ASSETS

in TEUR	Carrying amount 2018	Carrying amount 2017	Fair value 2018	Fair value 2017
Non-current assets				
Financial assets				
Loans to related companies	1,055,899	944,422	1,122,043	995,371
Other financial assets	35,834	44,500	35,834	46,180
Total non-current assets	**1,091,733**	**988,922**	**1,157,877**	**1,041,551**
Current assets				
Receivables from related companies	1,052,931	973,117	1,057,833	980,015
Loans to family trusts	9,969	14,000	9,996	14,039
Positive fair values of derivative instruments	3,827	8,102	3,827	8,102
Securities held for trading	80,815	96,939	80,815	96,939
Cash and cash equivalents	262,119	439,428	262,615	439,864
Total current assets	**1,409,661**	**1,531,586**	**1,415,086**	**1,538,959**

EQUITY AND LIABILITIES

in TEUR	Carrying amount 2018	Carrying amount 2017	Fair value 2018	Fair value 2017
Non-current liabilities				
Bonds issued	1,494,723	995,944	1,556,292	1,047,576
Payables to banks	4,436	0	4,606	0
Total non-current liabilities	**1,499,159**	**995,944**	**1,560,898**	**1,047,576**
Current liabilities				
Bonds issued	0	499,726	0	518,981
Payables to related companies	646,387	671,628	646,647	671,840
Payables to banks	7,689	5,848	7,689	5,856
Negative fair values of derivative instruments	5,990	4,199	5,990	4,199
Total current liabilities	**660,066**	**1,181,401**	**660,325**	**1,200,876**

Upon initial recognition, the Group recognised derivative financial instruments at fair value and non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market at their amortised cost using the effective interest method.

Financial instruments classified as available for sale or held to maturity do not exist in the Group's portfolio at the time of reporting.

In order to calculate the fair value of non-derivative financial instruments that are not actively traded and quoted, the valuation technique of a discounted cash flow model is used (fair value hierarchy level 2). The discounted cash flow valuation technique calculates fair values by using estimated expected or contractual future cash flows and then discounts these cash flows with a discount rate that reflects the credit spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. The discount factors within the calculation are generated using industry standard yield curve modelling techniques.

Assets and liabilities measured at fair value at 31 December 2018

ASSETS

in TEUR	Level 1	Level 2	Level 3	Total fair value
Derivative financial instruments				
Interest rate swaps	0	3,772	0	3,772
Cross-currency swaps	0	6,381	0	6,381
Financial futures	0	0	0	0
Forward currency contracts	0	2,571	0	2,571
Reduction due to CSA	0	–8,897	0	–8,897
Financial instruments held for trading				
Securities	80,815	0	0	80,815
Financial instruments at amortised cost				
Receivables from related companies	0	2,179,876	0	2,179,876
Loans to family trusts	0	9,996	0	9,996
Cash and cash equivalents	262,613	0	0	262,613
Financial instruments not held for trading at fair value				
Other financial assets	0	35,834	0	35,834

LIABILITIES

Derivative financial instruments				
Interest rate swaps	0	2,704	0	2,704
Cross-currency swaps	0	11	0	11
Foreign currency contracts	0	8,513	0	8,513
Reduction due to CSA	0	–5,238	0	–5,238
Other liabilities at amortised cost				
Bonds issued	0	1,556,292	0	1,556,292
Payables to associated companies	0	646,647	0	646,647
Payables to banks	7,689	0	0	7,689

Fair value is the price at the reporting date that would be received for an asset sale or paid to transfer a liability in an orderly transaction between market participants in the market. All financial instruments measured at fair value are categorised into one of the three fair value hierarchy levels. The levels of the fair value hierarchy as defined below are an indication of the availability of market prices or price valuation inputs.

Level 1 financial instruments are those financial instruments whose fair value is based on quoted prices in active markets. This category comprises securities issued by public sector entities and corporates, cash and cash equivalents and payables to banks.

Level 2 financial instruments are those whose fair values must be derived using valuation techniques for which all significant inputs are based on observable market data. The fair value is calculated using a discounted cash flow analysis in which expected future cash flows are discounted. The fair value of financial instruments that are actively traded on organised financial markets is determined by reference to quoted market prices. For financial instruments 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. This category comprises all derivative financial instruments, receivables from related companies, loans to family trusts, bonds issued and payables to related companies.

For all financial instruments categorised within level 2, 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.) are transparently documented. If there is a change in valuation technique, the reason for it has to be disclosed.

Level 3 financial instruments are those whose fair value is based on a valuation method that uses at least one significant input parameter that cannot be observed directly or indirectly in the market. At the balance sheet date, the Group had no assets and liabilities measured at fair value level 3.

During the reporting period ending 31 December 2018, 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.

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
Financial instruments held for trading				
Securities	96,939	0	0	96,939
Financial instruments at amortised cost				
Receivables from related 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

LIABILITIES

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
Other liabilities at amortised cost				
Bonds issued	0	1,545,240	0	1,545,240
Payables to related companies	0	671,840	0	671,840
Payables to banks	5,856	0	0	5,856

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) Hedge accounting

Cash flow hedges
The Group designates cash flow hedges as part of its strategy to mitigate its interest rate and foreign currency revaluation fluctuations within its established limits and to reduce the cash flow fluctuations arising from foreign exchange and interest rate risk for an instrument or a group of instruments.

The Group mainly uses interest rate swaps to hedge its cash flows associated with its highly probable forecasted transactions.

The below table sets out the results of the Group's hedging strategy, in particular the notional and carrying amount of the derivatives the Group uses as hedging instruments:

in TEUR	Transaction currency	Notional amount	Carrying amount 2018 Assets	Carrying amount 2018 Liabilities	Carrying amount 2017 Assets	Carrying amount 2017 Liabilities
Micro cash flow hedges						
Hedges to related parties	CHF	9,000	259	0	635	0
Hedges to related parties	CHF	12,000	0	84	0	582
Hedges to related parties	USD	20,000	765	0	0	1,443
Forecasted – new bond issued 2018	EUR	250,000	0	0	0	1,901
Forecasted – new bond issued 2018[1]	EUR		0	457	0	0
Forecasted – new bond issued 2020	EUR	100,000	0	1,245	0	0

The following table shows the maturity and interest rate risk profile of the Group's hedging instruments used in its cash flow hedges. As the Group applied only micro hedges with one-to-one hedging ratios, the table below effectively shows the cash flow hedges.

Carrying amount in TEUR	Less than 1 year	1 to 5 years	Over 5 years
As at 31 December 2018			
Hedges to related parties CHF 9,000	0	259	0
Hedges to related parties CHF 12,000	0	84	0
Hedges to related parties USD 20,000	0	0	765
Forecasted – new bond issued 2020	0	0	1,245

The hedged forecasted cash flows are expected to occur in May 2020 when the next Würth bond matures. After the issuance of the bonds and the subsequent recognition of interest expense results in the forecasted transaction affecting profit and loss, therefore the associated gains or losses recognised in other comprehensive income are reclassified into profit and loss.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in OCI within equity in the cash flow hedge reserve, while any ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement. The terms of the current cross-currency swap contracts match the terms of the expected highly probable forecasted transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting under IFRS 9, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement.

[1] This micro cash flow hedge is related to the newly issued bond in May 2018. The loss resulting from the termination of the hedging instruments will be designated in the income statement form OCI (cash flow hedge reserve) starting May 2019 over the actual swap term.

Fair value hedges

The Group designates fair value hedges as part of an overall interest rate risk management strategy that enables the Group to keep interest rate sensitivities within its defined limits and to reduce fair value fluctuations of fixed-rate financial assets as if they were floating rate instruments linked to the attributable benchmark rates.

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of the fixed-rate Würth bond maturing in 2025.

The table below sets out the result of the Group's hedging strategy, in particular the notional and carrying amount of the derivatives the Group uses as hedging instruments:

			Carrying amount 2018		Carrying amount 2017	
in TEUR	Transaction currency	Notional amount	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges						
Würth bond 2025	EUR	150,000	3,379	0	0	0
Hedges to related parties	EUR	55,000	0	635	0	0

The following table shows the maturity and interest rate risk profile of the Group's hedging instruments used in its fair value hedges. As the Group applied only micro hedges with one-to-one hedging ratios, the table below effectively shows the outcome of the fair value hedges:

Carrying amount in TEUR	Less than 1 year	1 to 5 years	Over 5 years
As at 31 December 2018			
Würth bond 2025	0	0	3,379
Hedges to related parties	0	0	635

For derivatives that are designated and qualified as fair value hedges, the carrying value of the underlying hedged items is adjusted to fair value for the risk being hedged. Changes in the fair value of these derivatives are recorded in the same line item of the consolidated income statement as the change in fair value of the risk being hedged for the hedged assets or liabilities to the extent the hedge is effective. The change in fair value representing hedge ineffectiveness is recorded separately in trading revenues.

The Group assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method.

In accordance with its hedging strategy, the Group matches the principal of the hedging instruments to the principal of the hedged items. The Group uses fixed rate payer interest rate swaps to hedge its fixed-rate debt instruments and loans and fixed rate receiver interest rate swaps to hedge its fixed-rate liabilities.

As of the end of 2018, hedge ineffectiveness resulting from credit valuation adjustment / debit valuation adjustment is marginal.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

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.

Income statement by segment at 31 December 2018

	Inhouse Banking					External Financial Services		
in TEUR	Group Financing	Trading	Portfolio Manage-ment	Central settlement	Central Services	Pension Plans	Elimination	Total
Income								
Interest income	63,387	0	899	0	0	0	-31	64,255
Interest expenses	-54,366	0	-190	0	0	0	31	-54,525
Net interest income	**9,021**	**0**	**709**	**0**	**0**	**0**	**0**	**9,730**
Credit impairment loss	-3,698	0	0	0	0	0	0	-3,698
Income from factoring activities	16,018	0	0	0	0	0	0	16,018
Income from commission and service fee activities	0	0	0	25,515	0	9,857	-100	35,272
Income from trading activities and financial instruments	0	10,291	-3,075	0	0	7	97	7,320
Other ordinary income	3,288	0	0	0	0	4	0	3,292
Total segment income	**24,629**	**10,291**	**-2,366**	**25,515**	**0**	**9,868**	**-3**	**67,934**
Expenses								
Personnel expenses	-1,224	-509	0	-2,702	-4,445	-7,863	0	-16,744
Other administrative expenses	0	0	-1	0	-10,475	-1,422	100	-11,798
Depreciation and amortisation	0	0	0	0	-695	-100	0	-794
Other ordinary expenses	0	0	0	0	-82	0	0	-82
Segment expenses	**-1,224**	**-509**	**-1**	**-2,702**	**-15,697**	**-9,385**	**100**	**-29,418**
Segment result	**23,404**	**9,782**	**-2,366**	**22,813**	**-15,697**	**483**	**97**	**38,516**
Income tax expense	0	0	0	0	-8,292	-49	0	-8,341
Deferred taxes	0	0	0	0	-178	-50	0	-228
Taxes	0	0	0	0	-8,470	-99	0	-8,569
Net profit for the year	**23,404**	**9,782**	**-2,366**	**22,813**	**-24,167**	**384**	**97**	**29,947**

Income statement by segment at 31 December 2017

in TEUR	Inhouse Banking					External Financial Services		
	Group Financing	Trading	Portfolio Manage-ment	Central settlement	Central Services	Pension Plans	Elimination	Total
Income								
Interest income	57,312	0	1,037	0	0	0	-427	57,922
Interest expenses	-53,765	0	-162	0	0	-6	427	-53,506
Net interest income	**3,547**	**0**	**875**	**0**	**0**	**-6**	**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	23,025	0	10,274	-316	32,983
Income from trading activities and financial instruments	0	8,789	1,029	0	0	-146	-119	9,553
Other ordinary income	3,938	0	0	0	0	21	0	3,959
Total segment income	**22,240**	**8,789**	**1,904**	**23,025**	**0**	**10,143**	**-435**	**65,666**
Expenses								
Personnel expenses	-1,325	-576	0	-2,355	-4,543	-7,746	0	-16,545
Other administrative expenses	0	0	-24	0	-10,539	-1,629	316	-11,876
Depreciation and amortisation	0	0	0	0	-357	-78	0	-435
Other ordinary expenses	0	0	0	0	-64	0	0	-64
Segment expenses	**-1,325**	**-576**	**-24**	**-2,355**	**-15,503**	**-9,453**	**316**	**-28,920**
Segment result	**20,915**	**8,213**	**1,880**	**20,670**	**-15,503**	**690**	**-119**	**36,746**
Income tax expense	0	0	0	0	-7,917	-5	0	-7,922
Deferred taxes	0	0	0	0	-630	-112	0	-742
Taxes	0	0	0	0	-8,548	-116	0	-8,664
Net profit for the year	**20,915**	**8,213**	**1,880**	**20,670**	**-24,051**	**574**	**-119**	**28,082**

2017 numbers are restated to align with a presentation change in 2018. For further details see section Inhouse Banking.

Balance sheet by segment at 31 December 2018

in TEUR	Inhouse Banking: Group Financing	Inhouse Banking: Trading	Inhouse Banking: Portfolio Management	Inhouse Banking: Central settlement	Inhouse Banking: Central Services	External Financial Services: Pension Plans	Elimination	Total
Balance sheet								
Segment assets	2,455,307	3,827	84,549	0	67,119	2,894	–95,709	2,517,987
Segment liabilities	2,200,878	5,986	75,412	0	328,526	2,894	–95,709	2,517,987
Number of employees	10	3	0	30	23	59	0	125
Additional segment information								
Capital expenditures	55	0	0	44	95	94	0	288

Balance sheet by segment at 31 December 2017

in TEUR	Inhouse Banking: Group Financing	Inhouse Banking: Trading	Inhouse Banking: Portfolio Management	Inhouse Banking: Central settlement	Inhouse Banking: Central Services	External Financial Services: Pension Plans	Elimination	Total
Balance sheet								
Segment assets	2,424,768	7,873	131,540	0	67,700	2,368	–99,367	2,534,882
Segment liabilities	2,230,381	4,199	93,152	0	304,149	2,368	–99,367	2,534,882
Number of employees	10	3	0	24	22	57	0	116
Additional segment information								
Capital expenditures	0	0	0	48	537	119	0	704

Würth Finance International B.V.

FINANCIAL STATEMENTS 2018

Company Income Statement
for the Year Ended at 31 December

in TEUR	Notes	2018	2017
Net income		**51,819**	**46,468**
Other operating income		3,288	3,938
Total operating income		**55,107**	**50,406**
Wages and salaries		-8,262	-8,151
Social security charges		-618	-648
Amortisation and depreciation of intangible and tangible fixed assets		-695	-357
Other operating expenses		-10,363	-10,189
Total operating expenses		**-19,938**	**-19,345**
		35,169	**31,061**
Financial income	24	63,383	57,302
Impairments of assets		-3,698	0
Financial expenses	24	-54,366	-53,348
Profit before taxes		**40,488**	**35,015**
Income taxes	25	-9,000	-8,314
Share in result from participating interests	22	-1,541	1,381
Net profit		**29,947**	**28,082**

Company Balance Sheet
for the Year Ended at 31 December

Before appropriation of profit

ASSETS

in TEUR	Notes	2018	2017
Non-current assets			
Intangible assets			
Software	21	493	995
Property, plant and equipment			
Operating equipment and furnishings	21	291	294
Financial assets			
Loans to related companies	23	1,055,899	944,422
Participations in Group companies	22	25,328	27,612
Other financial assets	23	35,834	44,500
Deferred tax assets	25	2,252	2,170
Total non-current assets		**1,120,097**	**1,019,993**
Current assets			
Receivables from related companies	23	1,130,549	1,054,720
Loans to family trusts	23	9,969	14,000
Positive fair values of derivative instruments		3,827	7,873
Other receivables	26	2,159	1,494
Income tax receivables	25	2,150	2,860
Accrued income and prepaid expenses		6,224	4,203
Cash and cash equivalents		243,997	427,984
Total current assets		**1,398,875**	**1,513,134**
Total assets		**2,518,972**	**2,533,127**

EQUITY AND LIABILITIES

Shareholders' equity			
Capital subscribed and paid in		16,000	16,000
Additional paid-in capital		5,000	5,000
Retained earnings		269,779	264,218
Net profit for the year	29	29,947	28,082
Total shareholders' equity		**320,726**	**313,300**
Provisions			
Liabilities for pension plans		2,613	2,229
Deferred tax liability	25	335	0
Total provisions		**2,948**	**2,229**
Non-current liabilities			
Bonds issued	27	1,499,211	997,440
Payables to banks		4,437	0
Total non-current liabilities		**1,503,648**	**997,440**
Current liabilities			
Bonds issued	27	0	499,726
Payables to related companies	23	647,274	672,195
Payables to banks		7,689	5,848
Income tax payables	25	8,889	7,349
Negative fair values of derivative instruments		5,986	4,199
Other liabilities	28	10,273	11,148
Accrued expenses and deferred income		11,539	19,693
Total current liabilities		**691,650**	**1,220,158**
Total equity and liabilities		**2,518,972**	**2,533,127**

Accounting Policies used in Preparing the Company Financial Statements
for the Year Ended at 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 2019. Where the notes in the company financial statements were similar to the notes in the consolidated financial statements we refer to the notes in the consolidated financial statements.

Participations in related 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 was provided in the notes to the consolidated financial statements.

The company financial statements were 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.

The company made use of the option to eliminate intercompany expected credit losses against the book value of loans and receivables to Group companies, instead of elimination against the investments in Group companies.

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 (2017: 100%)

- Würth Invest AG, Chur, Switzerland: wholly owned subsidiary (2017: 100%)

The percentages stated represent the equity interests held.

21. Intangible assets, property, plant and equipment

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

At 31 December 2018

in TEUR	Acquisition cost 2017	Additions (disposals) incl. asset retirement 2018	Acquisition cost 2018	Accum. depreciation 2017	Asset retirement 2018	Depreciation for the year 2018	Accum. depreciation 2018	Net book value 2018
Intangible assets								
Software	1,981	31	2,012	-986	0	-533	-1,519	493
Total intangible assets	**1,981**	**31**	**2,012**	**-986**	**0**	**-533**	**-1,519**	**493**
Property, plant and equipment								
Vehicles	389	26	415	-262	129	-81	-214	201
Art objects	34	0	34	0	0	0	0	34
Office equipment / installations	533	3	536	-400	0	-80	-480	56
Total property, plant and equipment	**956**	**29**	**985**	**-662**	**129**	**-161**	**-694**	**291**
Total	**2,937**	**60**	**2,997**	**-1,648**	**129**	**-694**	**-2,213**	**784**

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**

22. Participations in Group companies

in TEUR	
Net book value at 1 January 2017	**26,231**
Share in profit/(loss) of participating interests	1,381
Net book value at 31 December 2017	**27,612**
Net book value at 1 January 2018	**27,612**
OCI	-743
Share in profit/(loss) of participating interests	-1,541
Net book value at 31 December 2018	**25,328**

23. Transactions with related parties

At 31 December 2018

in TEUR	2018	Parent company	Subsidiaries	Associated companies
Receivables from related parties				
Long-term loans to related companies	1,055,899	24,423	0	1,031,476
Other financial assets	35,834	0	0	35,834
Loans to family trusts	9,969	9,969	0	0
Receivables from related companies	1,130,549	67,847	77,529	985,173
Current accounts	347,253	31,497	-3	315,759
Short-term loans	658,548	29,961	77,532	551,055
Factoring	124,748	6,389	0	118,359
Total receivables from related parties	**2,232,251**	**102,239**	**77,529**	**2,052,483**
Payables to related parties				
Payables to related companies	647,274	0	902	646,372
Current accounts	612,043	0	902	611,141
Fixed-term deposit	35,231	0	0	35,231
Other payables to related parties	3,775	0	0	3,775
Total payables to related parties	**651,049**	**0**	**902**	**650,147**

At 31 December 2017

in TEUR	2017	Parent company	Subsidiaries	Associated companies
Receivables from related parties				
Long-term loans to related companies	944,422	60,500	0	883,922
Other financial assets	44,500	0	0	44,500
Loans to family trusts	14,000	14,000	0	0
Receivables from related companies	1,054,720	85,461	81,611	887,648
Current accounts	256,308	0	0	256,308
Short-term loans	663,272	80,000	81,611	501,661
Factoring	135,140	5,461	0	129,678
Total receivables from related parties	**2,057,642**	**159,961**	**81,611**	**1,816,069**
Payables to related parties				
Payables to related companies	672,195	129,739	598	541,858
Current accounts	627,369	129,739	598	497,032
Fixed-term deposit	44,827	0	0	44,827
Other payables to related parties	3,429	0	0	3,429
Total payables to related parties	**675,624**	**129,739**	**598**	**545,288**

24. Interest income and expenses

At 31 December 2018

in TEUR	2018	Parent company	Subsidiaries	Associated companies	Third parties
Interest income					
Interest income from financing activities at amortised cost	35,252	2,812	0	32,406	34
Interest income from financing leasing activities at amortised cost	3,104	0	0	3,104	0
Interest income from liquid assets at amortised cost	9,800	8	0	9,243	549
Interest income from current accounts	9,251	8	0	9,243	0
Interest income from bank accounts, time deposits and money market funds	549	0	0	0	549
Interest income from financial instruments at fair value through profit and loss	15,227	0	0	2,874	12,353
Interest income from interest rate and cross-currency swaps	14,780	0	0	2,427	12,353
Other interest income from financial instruments	447	0	0	447	0
Total interest income	**63,383**	**2,820**	**0**	**47,627**	**12,936**
Interest expenses					
Interest expenses for current accounts and time deposits	1,014	0	2	998	14
Interest expenses for bonds issued	28,117	1,875	0	0	26,242
Interest expenses from financial instruments	24,854	218	0	5,046	19,589
Valuation gains (losses) from interest rate and cross-currency swaps (unrealised)	4,006	0	0	-317	4,323
Interest expenses from interest rate and cross-currency swaps	11,608	0	0	2,216	9,392
Other interest expenses from financial instruments	9,240	218	0	3,147	5,874
Other interest expenses (third parties)	382	0	0	0	382
Total interest expenses	**54,366**	**2,093**	**2**	**6,044**	**46,227**

At 31 December 2017

in TEUR	2017	Parent company	Subsidiaries	Associated companies	Third parties
Interest income					
Interest income from financing activities at amortised cost	33,728	4,788	7	28,933	0
Interest income from financing leasing activities at amortised cost	3,839	0	0	3,839	0
Interest income from liquid assets at amortised cost	6,973	0	405	6,444	124
Interest income from current accounts	6,849	0	405	6,444	0
Interest income from bank accounts, time deposits and money market funds	124	0	0	0	124
Interest income from financial instruments at fair value through profit and loss	12,762	0	0	2,443	10,320
Interest income from interest rate and cross-currency swaps	12,489	0	0	2,169	10,320
Other interest income from financial instruments	273	0	0	273	0
Total interest income	**57,302**	**4,788**	**412**	**41,658**	**10,444**
Interest expenses					
Interest expenses for current accounts and time deposits	770	0	0	705	65
Interest expenses for bonds issued	36,395	1,875	15	0	34,505
Interest expenses from financial instruments	15,739	3	0	3,523	12,213
Interest expenses from interest rate and cross-currency swaps	11,738	0	0	2,001	9,737
Other interest expenses from financial instruments	4,001	3	0	1,522	2,476
Other interest expenses (third parties)	444	0	0	0	444
Total interest expenses	**53,348**	**1,878**	**15**	**4,228**	**47,225**

25. Income tax expense

in TEUR	2018	2017
Current deferred tax assets	2,252	2,170
Net deferred tax assets	2,252	2,170
Deferred tax liabilities on IBB capital relinquishment	335	0
Deferred tax liabilities	335	0
Net deferred tax assets	**1,917**	**2,170**

For other details see the consolidated statement note 15 Income tax expense.

26. Other receivables

in TEUR	2018	2017
Receivables from third parties	1,993	455
Other receivables	166	1,039
Total other receivables	**2,159**	**1,494**

27. Bonds issued

On 25 May 2018, the company repaid a EUR 500 million bond with an annual 3.75% coupon. The company issued a EUR 500 million bond under its EUR 3 billion EMTN programme. The bond was issued on 25 May 2018 and has a term of seven years and an annual coupon of 1.0%.

Overview of bonds issued at 31 December 2018

Maturity	Notional amount (in TEUR)	Premium / discount (in TEUR)	Own bonds (in TEUR)	Total at 31.12. (in TEUR)	Coupon
Long-term					
21.05.2020	500,000	-420	0	499,580	1.750%
19.05.2022	500,000	-1,420	0	498,580	1.000%
25.05.2025	500,000	1,051	0	501,051	1.000%
Total book value long-term bond liabilities				**1,499,211**	
Total book value bonds issued				**1,499,211**	

Maturity	Notional (in TEUR)	Market value (in TEUR)	Coupon
21.05.2020	500,000	518,500	1.750%
19.05.2022	500,000	516,625	1.000%
25.05.2025	500,000	511,995	1.000%
Total market value at 31 December		**1,547,120**	

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	0	498,160	1.000%
Total book value long-term bond liabilities				**997,440**	
Total book value bonds issued				**1,497,166**	

Maturity	Notional (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	500,000	516,785	1.000%
Total market value at 31 December		**1,546,790**	

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

The issued bonds were irrevocably and unconditionally guaranteed by joint and several guarantees of Adolf Würth GmbH & Co. KG, Künzelsau.

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

28. Other liabilities

in TEUR	2018	2017
Payables for deliveries and services:	4,167	4,152
of which to third parties	391	723
of which to related parties	3,775	3,429
Compensation-related liabilities	2,334	3,953
Other current liabilities	3,772	3,043
Total other receivables	**10,273**	**11,148**

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

29. Equity

in TEUR	Capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Currency adjustment	Total
At 1 January 2017	16,000	0	286,075	0	-7	302,068
Net profit for the year	0	0	28,082	0	0	28,082
Other comprehensive income	0	0	0	0	122	122
IAS 19	0	0	-409	0	0	-409
Cash flow hedge accounting	0	0	0	-1,513	0	-1,513
Total comprehensive income for the year	**0**	**0**	**27,673**	**-1,513**	**122**	**26,282**
Capital contribution	0	5,000	0	0	0	5,000
Dividends paid	0	0	-20,050	0	0	-20,050
At 31 December 2017	**16,000**	**5,000**	**293,698**	**-1,513**	**115**	**313,300**
Impact of adoption of IFRS 9 expected credit losses	0	0	-772	0	0	-772
Impact of adoption of IFRS 9 classification and measurement	0	0	1,338	0	0	1,338
At 1 January 2018	16,000	5,000	294,264	-1,513	115	313,866
Net profit for the year	0	0	29,947	0	0	29,947
Other comprehensive income	0	0	0	0	-164	-164
IAS 19	0	0	-884	0	0	-884
Cash flow hedge accounting	0	0	0	261	0	261
Total comprehensive income for the year	**0**	**0**	**29,063**	**261**	**-164**	**29,160**
Dividends paid	0	0	-22,300	0	0	-22,300
At 31 December 2018	**16,000**	**5,000**	**301,027**	**-1,252**	**-49**	**320,726**

The Board of Directors proposed to allocate the net income of TEUR 29,947 to retained earnings.
For other details see the consolidated statement of changes in equity.

Arrangements and Commitments not Shown in the Financial Statements
for the Year Ended at 31 December

Personnel expenses
The average number of staff (in FTEs) employed by the company in 2018 was 64 (2017: 61).

The key management comprised the managing directors of the company.

Remuneration for the managing directors of the company totalled TEUR 904 in the year 2018 (2017: TEUR 1,051).

In 2018 and 2017, no other forms of compensation (post-employment benefits or other long-term benefits, termination benefits, share-based payments) were paid to key management.

In financial year 2018, fees of TEUR 218 were paid to members of the Board of Directors (2017: TEUR 240).

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

in TEUR	2018	2017
Ernst & Young		
Audit of the financial statements	152	204
Other audit engagements	117	114
Total	**269**	**318**

Other Information
for the Year Ended at 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 2019

B. van Odijk	R. Fust
Managing Director	Managing Director

Independent auditor's report

To: the shareholders and the Board of Directors of
Würth Finance International B.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Würth Finance International B.V. (hereafter: "Würth Finance International B.V. or the "Company"), 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 2018, and of its result and its cash flows for 2018 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 2018, and of its result for 2018 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 2018
- The following statements for 2018: the consolidated income statement, the consolidated statements of other comprehensive income, changes in equity and cash flows
- 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 2018
- The company income statement for 2018
- 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 (2017: EUR 7.5 million)
Benchmark applied	0.5% of total amount of 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, and based on our professional judgment, the total amount of bonds issued is the most appropriate benchmark for the stakeholders of the Company.

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

We agreed with the Board of Directors that misstatements in excess of EUR 375 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.

We have performed full scope audit procedures at Würth Finance International B.V. For the remaining components, Würth Financial Services AG and Würth Invest AG, we performed, amongst other, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within these components. By performing these procedures, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

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 Board of Directors. 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.

Risk	Our audit approach	Key observations
Estimation uncertainty with respect to valuation of long-term loans to related companies and receivables from related companies		
Würth Finance International B.V. adopted IFRS 9 Financial Instruments (hereafter: IFRS 9) as at 1 January 2018 and has applied the principles of IFRS 9 retrospectively from 1 January 2018 onwards. The total net impact on equity as at 1 January 2018 amounts to EUR 0.8 million lower carrying value. At 31 December 2018 the long-term loans to related companies amount to EUR 1.056 million and receivables from related companies amount to EUR 1.053 million, net of impairment losses of EUR 3.7 million. Impairment losses represent the Company's best estimate of expected credit losses (ECL) on these loans and receivables at balance sheet date. The ECL calculation is probability-weighted using a combination of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The PD is based on default rates from Bloomberg and the LGD is based on the Global Corporate Average of 60%. As the long-term loans to related companies and receivables from related companies are material to the Company's balance sheet and given the related estimation uncertainty on impairment losses, we consider this a key audit matter. The accounting principles and IFRS 9 transitional disclosure on impairment calculation and transactions with related parties, including the impairment losses, are disclosed in note 2 Accounting principles and note 16 Transactions with related parties.	As Würth Finance International B.V. adopted IFRS 9 Financial Instruments as at 1 January 2018, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and assessing the adjustments and disclosures made on the transition. For the year-end impairment losses we have assessed the appropriateness of the PD and LGD benchmark used, with the support of our internal specialists. Furthermore, we have assessed the recoverability of long-term loans to and/or receivables from related parties, especially for those companies with a negative equity above a certain treshold as per the balance sheet date. We have obtained comfort letters from group parent companies that guarantee the outstanding amounts in the situation the related party defaults. We assessed the credibility of those group parent companies that issued the comfort letters. Finally, we assessed whether the disclosures are in compliance with EU-IFRS requirements.	Based on our procedures performed we consider the impairment losses on long-term loans to related companies and receivables from related companies to be reasonable. The IFRS 9 transitional disclosure and the disclosures on related party transactions, including the impairment losses, are considered appropriate and meet the requirements under EU-IFRS.

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
- Other information, comprising Key Events in 2018; 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 2018.

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 substantially 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 as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the Board of Directors 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 financial 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 Board of Directors 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 Board of Directors 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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 Board of Directors 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 Board of Directors 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 Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Amsterdam, 18 April 2019

Ernst & Young Accountants LLP
Signed by K. Tang