WÜRTH GROUP

Würth Finance Group

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

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INTERIM MANAGEMENT REPORT AS AT 30 JUNE 2019

The core activities of the Würth Finance Group (Würth Finance International B.V., Würth Invest AG and Würth Financial Services AG) comprise financing and executing all kinds of financial transactions with domestic and foreign companies throughout the Würth Group, as well as providing advisory and other services to private clients and SMEs in relation to pension funds and insurance.

In presenting and discussing Würth Finance Group's financial position, operating results and net profit, management uses certain alternative performance measures not defined by IFRS. These Alternative Performance Measures (APM) should not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative Performance Measures do not have standardised meaning under IFRS, and therefore may not be comparable to similar measures presented by other companies.

To afford a better overview of the development of the Inhouse Banking activities and their added value for the Würth Group, APM adjustments are made that impact the operating income and the net profit of the Inhouse Banking division, which can be specified as follows:

Operating income adjustments Inhouse Banking in TEUR	YTD 2018	YTD 2019
Hedge accounting effect management accounting	–2,033	–2,188
Impact of adoption of IFRS 9	–961	683
Total operating income (adjusted)	39,091	47,711
Profit before taxes (adjusted)	24,241	31,342

- Hedge accounting effect management accounting refers to the effect of the market valuation of interest rate derivatives to hedge the interest rate risk where historically no hedge accounting was applied. As of the implementation of IFRS 9 Hedge Accounting, new hedge relations will be presented as such.
- Impact of adoption of IFRS 9 refers only to related party losses and therefore does not apply for the Würth Group.

	YTD 2019				YTD 2018			
		Adjustments				Adjustments		
	Inhouse Banking	Hedge accounting effect management accounting	Impact of adoption of IFRS 9	Segment Inhouse Banking	Inhouse Banking	Hedge accounting effect management accounting	Impact of adoption of IFRS 9	Segment Inhouse Banking
Income distribution								
Group financing	18,692	–2,246	1,336	17,782	15,811	–2,124	–298	13,389
Credit loss (expenses)/recovery	0	0	1,336	1,336	0	0	–298	–298
Income from factoring activities	8,351	0	0	8,351	8,066	0	0	8,066
Interest income	8,351	–2,246	0	6,105	5,105	–2,124	0	2,981
Other ordinary income	1,990	0	0	1,990	2,640	0	0	2,640
Other	637	0	0	637	637	0	0	637
Income from participations	1,353	0	0	1,353	2,003	0	0	2,003
Central settlement	12,864	0	0	12,864	11,630	0	0	11,630
Income from trading acitivities and financial instruments	7,810	58	–653	7,215	3,504	91	–663	2,932
Securities investments	3,002	0	0	3,002	–1,373	0	0	–1,373
Trading	4,808	58	0	4,866	4,877	91	0	4,968
Impact of adoption of IFRS 9 classification and measurement	0	0	–653	–653	0	0	–663	–663
Total income	**39,366**	**–2,188**	**683**	**37,861**	**30,945**	**–2,033**	**–961**	**27,951**
Total expenses	**–11,483**	**0**	**0**	**–11,483**	**–9,918**	**0**	**0**	**–9,918**
Profit Inhouse Banking	**27,883**	**–2,188**	**683**	**26,378**	**21,027**	**–2,033**	**–961**	**18,033**
	Inhouse Banking	External financial services	Eliminations	Total	Inhouse Banking	External financial services	Eliminations	Total
Segment profit before taxes (adjusted)	26,378	3,396	63	29,837	18,032	3,161	54	21,247

1. Business activity

In the first six months of 2019, the Würth Group reported sales of EUR 7.2 billion. This corresponds to an increase of 5.2%. This had a positive impact on the performance of the Würth Finance Group. The adjusted operating income rose substantially by EUR 8.6 million compared with the previous year to EUR 47.7 million.

The Inhouse Banking division in particular achieved a significant improvement in income in its core business. In addition to the growth of the Würth Group, the very positive environment on the global financial markets for all asset classes supported the financial results of the Würth Finance Group. The business unit External Financial Services recorded substantial year-on-year sales growth of 5.4%.

Operating expenses increased by around EUR 1.5 million to EUR 16.4 million, which is in line with plan. As at the end of June 2019, the company employed 124 full-time equivalents, an increase of 4 full-time equivalents compared to June 2018.

The adjusted profit before taxes rose to EUR 31.3 million (previous year: EUR 24.2 million). The management is satisfied with these developments.

1.1 Inhouse Banking (Würth Finance International B.V./Würth Invest AG)

During the period under review, the company generated adjusted revenue totalling EUR 39.4 million, up by EUR 8.5 million on the previous year. The main contributing factors to the strong increase were higher funding needs by the Würth Group companies and booming financial markets, supporting revenue from Group financing and securities investments.

in millions of EUR	Revenue YTD 2019	Change against 1H18
Group financing	16.7	+3.5
Central settlement	12.9	+1.3
Income from IBB participation	2.0	-0.6
Trading income	4.8	-0.1
Securities investments	3.0	+4.4

1.1.1 Group financing

As at 30 June 2019, the total assets of the Würth Finance Group amounted to EUR 2,598 million (EUR 2,518 million as at 31 December 2018). The increase is attributable primarily to an increase of net lendings to related parties from EUR 1,469 million to EUR 1,533 million, funded by short-term commercial papers.

Both higher volumes in net lendings and factoring (3.5% compared to 2018) contributed to an improvement of revenue from Group financing, but by far the most important impact came from the replacement of the maturing EUR 500 million bond with an annual coupon of 3.75% in May 2018 by a new benchmark bond with a coupon of 1.0%.

To protect a highly probable long-term financing transaction against rising interest rates Würth Finance International B.V. entered into forward-start interest rate swaps with a notional value of EUR 200 million. As at 30 June 2019 the market value of the transactions amounted to EUR –8.3 million, and was recognised in OCI in accordance with IFRS 9 hedge accounting principles.

Thanks to the increase in financial fundings within the core business of the Würth Group due to growth, the net interest result and income from factoring are on the increase at Würth Finance International B.V. All in all, the income from Group financing rose by 27% year-on-year to a total of EUR 16.7 million.

1.1.2 Central settlement

The income from the central settlement and delcredere business reached EUR 12.9 million in the first half of 2019, an increase of around 10.6% compared to the same period in 2018. This positive development is attributable to the rise in purchasing volume of the Würth Group.

1.1.3 Income from IBB participation

The revenue from the silent participation in IBB, totalling EUR 1.4 million for the 2018 financial year, was recognised at the time the resolution on the profit distribution was passed at the annual shareholders' meeting in the spring of 2019. Further revenue amounting to EUR 0.6 million was generated from the capital relinquishment agreement with IBB.

1.1.4 Trading with financial instruments

The risks associated with trading with financial instruments were kept at a relatively low level and managed with discipline. Nevertheless, trading revenue of EUR 4.8 million was generated (almost unchanged compared to the previous year).

1.1.5 Securities investments

Global markets recovered substantially in the past months, building the basis for the strong performance of Würth Invest's securities portfolio. Despite the unchanged conservative investment strategy, the booming markets facilitated an income of EUR 3.0 million and an annualised return of 3.7%. The size of the securities portfolio dropped from EUR 89 million to EUR 72 million between 31 December 2018 and 30 June 2019 as bond positions with negative return to maturity levels were reduced during the reporting period.

1.2 External financial services (Würth Financial Services AG)
Due to the sucessful acquisition of new customers and the expansion of the pension fund administration business, Würth Financial Services AG recorded a 5.4% revenue increase to CHF 10.0 million in the first half of 2019.

This result confirms that the strategy built on a strong sales force, an efficient and competent team of product specialists and the acquisition of small brokerage entities is promising.

2. Report on risks and opportunities

At the Würth Finance Group, entering into, managing and controlling risk are central elements of business. The goal is not to eliminate all risks, but rather to achieve a balanced relationship between risk and return. Potential risks that might have a negative effect on assets, the financial position and the earnings situation are seen in the following risk categories.

2.1 Business model
The Würth Finance Group generates around 40% of its revenue through internal counterparties. As a result, there is a direct correlation between its operating result and the course of business of the Würth Group as a whole. At the same time, the company is in competition with external financial services companies. However, because it is part of the Würth Group, the Würth Finance Group enjoys a unique position compared to its rivals, an advantage it has successfully utilised for many years to increase market share.

2.2 Financial risks and opportunities
The financial risks of the Würth Group are largely measured, monitored and controlled by the Würth Finance Group. The business activities of the Würth Finance Group expose it to developments in the financial markets. Fluctuations in exchange rates and interest rates affect revenue, as do share price fluctuations and changes in commodity prices, albeit to a lesser extent. Furthermore, credit risks exist in connection with financial assets and contingent liabilities. The Würth Finance Group measures, controls and monitors financial risks by means of a systematic risk management process. Secure auditing and transparency of information are ensured by strictly segregating the functions of the risk-taking and risk-monitoring bodies. In order to control financial risk and optimise income, the Würth Finance Group uses various means, including derivative financial instruments, which are valued and monitored on a daily basis.

Credit risk
The maximum credit risk corresponds to the value of all the financial assets and unused irrevocable credit commitments stated in the annual accounts. In order to minimise credit risks, transactions are conducted only with first-class external counterparties. For each rating level, binding counterparty limits are defined. Their absolute value is subjected to regular critical reviews by the supervisory bodies and adjusted if necessary. ISDA agreements, including a Credit Support Annex that provides for regular offsetting of cash values, are concluded with those external counterparties with whom the Würth Finance Group carries out transactions within the framework of financial risk management. The counterparty risks relating to delcredere business are transferred in full to insurance companies.

Würth intra-group counterparty risks 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. Any credit risks relating to loans to individual Würth Group companies with negative equity as at 31 December 2018 are covered by letters of comfort from the superordinate parent company.

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

Interest rate risk
The Würth Finance Group deems interest rate risk to mean negative impact on the assets and earnings situation arising from changes in the interest rates for all currencies. A significant proportion of the loans to Würth Group companies are refinanced by fixed-interest bonds with partially similar interest and maturity structures. The maximum acceptance to take interest rate risks 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 viewed in relation to equity. The Würth Finance Group limits the impact of interest rate changes on the equity capital base or on the asset and earnings situation. The Group aims to achieve an equity sensitivity of below 5% over the medium term. Furthermore, the Group makes use of interest derivatives to manage its exposure.

Liquidity risk
The objective of liquidity management is to ensure that the Würth Group is able to meet its payment obligations at all times. The liquidity situation of the Würth Finance Group is monitored by the Treasury Operations department. It collaborates closely with the Central Managing Board of the Würth Group to ensure that the funds needed over the next 12 to 24 months are sourced by the expected cash flow and liquidity reserves.

The high international creditworthiness of the Würth Group (Standard & Poor's has awarded its non-current liabilities an "A" rating) allows the Würth Finance Group to raise liquid funds in the international capital markets on favourable conditions. In order to cover any liquidity needs that may arise even in extraordinary circumstances, the Würth Finance

Group also has several credit facilities granted by various banks.

Further information about the risks arising from financial instruments and their management can be found in the notes to the separate financial report on the website (www.wuerthfinance.net under Investor Relations). The expected effects on the results and / or the financial position and the sensitivity analysis can be found in note 19 to the financial statements.

The financial strength of the Würth Finance Group is founded on equity of EUR 309 million, a net profit of EUR 23.3 million and assets of EUR 2,598 million (as at 30 June 2019).

2.3 Technological risks and opportunities
As the Würth Group's "payment factory", the Würth Finance Group handles large payment volumes, which rely on high-performance IT systems and networks. Consequently, the IT systems and IT security are constantly being enhanced and are monitored via an information security management system. The Würth Finance Group also has a business disaster recovery system: if the information and communications technology (ICT) network were to fail, all Inhouse Banking operations for the Würth Group could resume within just a few hours at another site. The ICT infrastructure is highly scalable, enabling additional business volumes to be dealt with cost-effectively and with a high level of processing quality.

2.4 Operational risks and opportunities
The Würth Finance Group defines operational risk as a risk of loss due to inadequate or failed internal processes, persons or systems, or as a result of external events. The Würth Finance Group's internal control system (ICS) is used to assess, document and optimise potential events based on the probability and frequency of their occurrence as well as their impact. A commitment to continuously improve the quality, efficiency and safety of core processes – a self-evident aspect of the corporate culture – strengthens the effectiveness of the Würth Finance Group on a sustained basis.

2.5 Regulatory risks and opportunities
Meeting regulatory requirements is challenging for financial and insurance service providers. Among other things, this entails rules on dealing with employees, clients and business partners, with data and with authorities. It goes without saying that the Würth Finance Group endeavours to observe and adhere to all rules and regulations applying to its business. It has the necessary critical mass and the organisational setup to ensure effective and efficient compliance management and to meet the increasing regulatory requirements in the financial and insurance brokerage business.

2.6 Overall assessment
The existing risks are systematically monitored and mitigated by measures which ensure the continuation of the company's activities, and the existing opportunities will enable further profitable growth.

3. Outlook

Trade and geopolitical frictions as major drivers of the economy lead to a downgrading of the growth outlook for Europe, the USA and China. Also in the financial markets, performance prospects for all asset classes have become unattractive at current levels; the risk of volatile price corrections is material. Therefore the management of the Würth Finance Group is expecting revenue growth to lose momentum in the second half of the business year.

The consolidation process in the Swiss brokerage business might offer Würth Financial Services AG the opportunity to acquire small brokerage entities.

The development of personnel resources and the operating expenses are forecasted to stay in line with the plan of the Würth Finance Group.

Based on these assumptions and the strong performance seen in the first six months, the management of the Würth Finance Group expects adjusted profit before tax for the full business year 2019 to remain substantially above last year's result.

Basic principles of our risk management system

- The Management bears the responsibility for all risks incurred as a result of the company's business activities and seeks to achieve a healthy balance between risk and return.
- An independent control process forms an integral part of the corporate structure.
- Employees are familiar with and alert to the principal risks specific to their area of activity.
- A central element of risk control is the comprehensive, transparent and objective disclosure of risks to the Group and company management owners, supervisory authorities and other stakeholders.
- Revenue is protected on the basis of risk tolerance – i.e. the maximum risk that the Würth Finance Group can bear given its financial and earning power.
- Ultimately, the Würth Finance Group's reputation depends on effective risk management and control.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

Interim Condensed Consolidated Income Statement
as at 30 June 2019

in TEUR	Notes	YTD 2019	YTD 2018
Operating income			
Interest income from financial instruments measured at amortised cost		24,769	23,795
Interest income from financial instruments measured at fair value through profit or loss		5,535	9,491
Interest expenses		-24,007	-30,240
Net interest income		**6,297**	**3,046**
Income from factoring activities		8,351	8,066
Income from commission and service fee activities		21,040	19,744
Income from trading activities and financial instruments		7,190	2,897
Other ordinary income from related parties	5	1,992	2,642
Credit loss (expenses) / recovery		1,336	-298
Total operating income		**46,206**	**36,097**
Operating expenses			
Personnel expenses		-9,431	-8,576
Other administrative expenses		-5,855	-5,834
Depreciation and amortisation		-1,018	-401
Other ordinary expenses		-65	-39
Total operating expenses		**-16,369**	**-14,850**
Profit before taxes		**29,837**	**21,247**
Income tax expense		-5,294	-3,810
Deferred taxes		-1,255	-302
Net profit for the year		**23,288**	**17,135**

Interim Condensed Consolidated Statement of Other Comprehensive Income
as at 30 June 2019

in TEUR, net of tax	YTD 2019	YTD 2018
Profit for the year	**23,288**	**17,135**
Total items that will be reclassified to the income statement		
Foreign exchange difference	54	-127
Net (loss) / gain on cash flow hedges	-8,522	1,937
Total items that will not be reclassified to the income statement		
Gains / (losses) on defined plans	-1,253	371
Other comprehensive income for the year (OCI)	**-9,721**	**2,181**
Total comprehensive income for the year	**13,567**	**19,316**

Interim Condensed Consolidated Balance Sheet
as at 30 June 2019

in TEUR	Notes	30.06.2019	31.12.2018
ASSETS			
Non-current assets			
Intangible assets			
Software		343	547
Right of use land and buildings		4,507	0
Property, plant and equipment			
Operating equipment and furnishings		426	458
Financial assets			
Loans to related companies	6	1,100,584	1,055,899
Other financial assets to related parties	6	35,181	35,834
Deferred tax assets		2,667	2,826
Total non-current assets		**1,143,708**	**1,095,564**
Current assets			
Receivables from related companies	6	1,080,605	1,052,931
Loans to family trusts	6	9,978	9,969
Positive fair values of derivative instruments		6,340	3,827
Other receivables		3,971	3,273
Income tax receivables		5,192	2,243
Accrued income and prepaid expenses		4,443	7,246
Securities held for trading		70,478	80,815
Cash and cash equivalents		273,080	262,119
Total current assets		**1,454,087**	**1,422,423**
Total assets		**2,597,795**	**2,517,987**

EQUITY AND LIABILITIES	Notes	30.06.2019	31.12.2018
Shareholders' equity			
Capital subscribed and paid in		16,000	16,000
Additional paid-in capital		5,000	5,000
Retained earnings		274,775	271,080
Other comprehensive income		-9,775	-1,252
Foreign currency translation		5	-49
Net profit for the year		23,288	29,947
Total shareholders' equity		**309,293**	**320,726**
Non-current liabilities			
Bonds issued	4	1,004,687	1,494,723
Liabilities for pension plans		6,581	5,268
Lease liabilities		4,009	0
Payables to banks		4,506	4,436
Deferred tax liabilities		365	369
Total non-current liabilities		**1,020,148**	**1,504,796**
Current liabilities			
Bonds issued	4	499,729	0
Commercial Paper		80,000	0
Payables to related companies	6	654,443	646,387
Lease liabilities		498	0
Payables to banks		2,748	7,689
Income tax payables		9,412	8,925
Negative fair values of derivative instruments		5,411	5,990
Other liabilities	6,7	14,029	11,962
Accrued expenses and deferred income		2,084	11,512
Total current liabilities		**1,268,354**	**692,465**
Total equity and liabilities		**2,597,795**	**2,517,987**

Interim Condensed Consolidated Statement of Changes in Equity
as at 30 June 2019

The table below shows the changes in equity in 2018 and in the first half of 2019.

in TEUR	Capital	Additional paid-in capital	Retained earnings	Cash flow hedge accounting	Currency adjustment	Total
At 1 January 2018	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
Net profit for the year (01.01.2018–30.06.2018)	0	0	17,135	0	0	17,135
Other comprehensive income	0	0	0	0	-127	-127
IAS 19	0	0	371	0	0	371
Cash flow hedge accounting	0	0	0	1,937	0	1,937
Total comprehensive income for the year	**0**	**0**	**17,506**	**1,937**	**-127**	**19,316**
Dividends paid	0	0	-22,300	0	0	-22,300
At 30 June 2018	**16,000**	**5,000**	**289,470**	**424**	**-12**	**310,882**
At 1 July 2018	16,000	5,000	289,470	424	-12	310,882
Net profit for the year (01.07.2018–31.12.2018)	0	0	12,812	0	0	12,812
Other comprehensive income	0	0	0	0	-37	-37
IAS 19	0	0	-1,255	0	0	-1,255
Cash flow hedge accounting	0	0	0	-1,676	0	-1,676
Total comprehensive income for the year	**0**	**0**	**11,557**	**-1,676**	**-37**	**9,844**
At 31 December 2018	**16,000**	**5,000**	**301,027**	**-1,252**	**-49**	**320,726**
At 1 January 2019	16,000	5,000	301,027	-1,252	-49	320,726
Net profit for the year (01.01.2019–30.06.2019)	0	0	23,288	0	0	23,288
Other comprehensive income	0	0	0	0	54	54
IAS 19	0	0	-1,253	0	0	-1,253
Cash flow hedge accounting	0	0	0	-8,522	0	-8,522
Total comprehensive income for the year	**0**	**0**	**22,035**	**-8,522**	**54**	**13,567**
Dividends paid	0	0	-25,000	0	0	-25,000
At 30 June 2019	**16,000**	**5,000**	**298,062**	**-9,775**	**5**	**309,293**

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 2019 a dividend of TEUR 25,000 (EUR 781 per share) was paid for the 2018 financial year.

Interim Condensed Consolidated Cash Flow Statement
as at 30 June 2019

in TEUR	YTD 2019	YTD 2018
Net profit for the year	**23,288**	**17,135**
Depreciation and amortisation	402	401
Adjustment to provision for taxes	487	3,316
Decrease (increase) in deferred tax assets	159	-168
Increase (decrease) in deferred tax liabilities	-3	-2
Other expenses and revenues without cash flows	-6,584	3,717
Foreign exchange gains and losses (long-term loans)	-2,720	-5,750
Foreign exchange gains and losses (short-term loans)	1,866	36
(Increase) decrease in operating assets		
Redemption of long-term loans to related companies	30,255	25,661
Lending of long-term loans to related companies	-209,213	-177,074
Receivables from related companies	107,893	42,390
Positive fair values of derivative instruments	-2,513	5,532
Income tax receivables	-2,949	-776
Other receivables and accrued income and prepaid expenses	2,107	181
Increase (decrease) in operating liabilities		
Payables to related companies	8,056	-72,420
Negative fair values of derivative instruments	-578	1,785
Other liabilities and accrued expenses and deferred income	-7,362	-9,697
Net cash flows from operating activities	**-57,409**	**-165,733**
Purchase of property, plant and equipment, and intangible assets	-165	-77
Purchase of securities	-23,381	-41,089
Disposal of securities	41,738	35,698
Sales of other financial assets	0	-677
Net cash flows from investing activities	**18,192**	**-6,145**
Issue of bonds	0	497,625
Repayment of bonds issued	0	-500,000
Commercial Paper	80,000	0
Dividends paid	-25,000	-22,300
Net cash flows from financing activities	**55,000**	**-24,675**
Foreign currency translation	52	-127
Net increase (decrease) in cash and cash equivalents	**15,835**	**-196,680**
Net cash and cash equivalents at the beginning of the year	**249,991**	**433,580**
Net cash and cash equivalents at the end of the year	**265,826**	**236,900**
Net increase (decrease) in cash and cash equivalents	**15,835**	**-196,680**
Increase (decrease) in taxes paid	**-8,878**	**-1,714**
Interest received*	**36,068**	**38,148**
Interest paid	**-27,234**	**-40,030**

The funds for this cash flow statement are represented by cash and cash equivalents (net).
*2018 numbers are restated in line with 2019 overview.

Notes to the Interim Condensed Consolidated Financial Statements
as at 30 June 2019

1. Business activity

1.1 Business activities

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, Netherlands. The address of the company is Het Sterrenbeeld 35, P. O. Box 344, NL-5201 AH 's-Hertogenbosch. The company has a branch in Rorschach, Switzerland, and also has several subsidiaries in Switzerland.

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

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

1.2 Consolidated companies

The interim condensed 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. Subsidiaries are consolidated from the date on which they were acquired by the Group and are deconsolidated from the date of disposal.

1.3 Method of consolidation

The interim condensed consolidated financial statements comprise the financial statements of Würth Finance International B.V., Amsterdam, and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period 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

2.1 General

The unaudited interim condensed consolidated financial statements for the Würth Finance Group as at 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Group's audited annual report for 2018 was approved by the Management on 18 April 2019 and can be obtained from the head office of Würth Finance International B.V. These interim financial statements as at 30 June 2019 were approved by the Management of Würth Finance International B.V. on 30 August 2019 and are also available at the head office of Würth Finance International B.V. All reports are also published online on the Würth Finance International B.V. website: www.wuerthfinance.net.

The unaudited interim condensed consolidated financial statements do not include all the statutory information and disclosures contained in the annual financial statements and should therefore be read in conjunction with the 2018 audited consolidated financial statements of the Würth Finance Group.

The accounting principles applied to prepare the interim report are consistent with the principles used to produce the audited annual financial statements for 2018.

2.2 New and amended standards and interpretations

Within these interim condensed consolidated financial statements, the Group has applied IFRS 16 Leases.

Several other amendments and interpretations apply for the first time in 2019, 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.

2.3 IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient of allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and for lease contracts for which the underlying asset is of low value ('low-value assets').

a) The effect of adopting IFRS 16
The Group has lease contracts for various items of office and other equipment. Before the adoption of IFRS 16, the Group (as lessee) classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Leases previously classified as finance leases
The Group did not have any finance leases.

Leases previously accounted for as operating leases
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) Summary of the new accounting policy
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

c) Amounts recognised in the balance sheet and income statement

	Lease liabilities
As at 1 January 2019	5,118
Interest	4
Payments	–615
As at 30 June 2019	**4,507**

2.4 Foreign exchange translation

The Group's unaudited interim condensed 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	30.06.2019	31.12.2018	30.06.2018
US Dollar (USD)	1.137	1.145	1.167
Swiss Franc (CHF)	1.110	1.127	1.159
British Pound (GBP)	0.896	0.898	0.884
Canadian Dollar (CAD)	1.489	1.559	1.535
Chinese Renminbi (CNH)	7.818	7.872	7.738
Norwegian Krone (NOK)	9.690	9.947	9.516
Danish Krone (DKK)	7.463	7.467	7.451
Swiss Franc (CHF) – average exchange rate	1.130	1.155	1.170

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.

3. Segment reporting

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 30 June 2019

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
Income								
Interest income	29,915	0	328	0	0	0	61	30,304
Interest expenses	-23,810	0	-136	0	0	-0	-61	-24,007
Net interest income	**6,105**	**0**	**192**	**0**	**0**	**-0**	**0**	**6,297**
Income from factoring activities	8,351	0	0	0	0	0	0	8,351
Income from commission and service fee activities	0	0	0	12,864	0	8,785	-609	21,040
Income from trading activities and financial instruments	0	4,213	2,810	0	0	104	63	7,190
Other ordinary income	1,990	0	0	0	0	2	–	1,992
Credit loss (expenses) / recovery	1,336	0	0	0	0	0	0	1,336
Total segment income	**17,782**	**4,213**	**3,002**	**12,864**	**0**	**8,891**	**-546**	**46,206**
Expenses								
Personnel expenses	-703	-236	0	0	-3,866	-4,626	0	-9,431
Other administrative expenses	0	0	0	0	-5,898	-566	609	-5,855
Depreciation and amortisation	0	0	0	0	-715	-303	0	-1,018
Other ordinary expenses	0	0	0	0	-65	0	0	-65
Segment expenses	**-703**	**-236**	**0**	**0**	**-10,544**	**-5,495**	**609**	**-16,369**
Segment result	**17,079**	**3,977**	**3,002**	**12,864**	**-10,544**	**3,396**	**63**	**29,837**
Income tax expense	0	0	0	0	-5,254	-40	0	-5,294
Deferred taxes	0	0	0	0	-1,259	4	0	-1,255
Net profit for the year	**17,079**	**3,977**	**3,002**	**12,864**	**-17,057**	**3,360**	**63**	**23,288**

Income statement by segment at 30 June 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
Income								
Interest income	33,076	0	448	0	0	0	–238	33,286
Interest expenses	–30,095	0	–383	0	0	–0	238	–30,240
Net interest income	**2,981**	**0**	**65**	**0**	**0**	**–0**	**0**	**3,046**
Income from factoring activities	8,066	0	0	0	0	0	0	8,066
Income from commission and service fee activities	0	0	0	11,630	0	8,164	–50	19,744
Income from trading activities and financial instruments	0	4,305	–1,438	0	0	–24	54	2,897
Other ordinary income	2,640	0	0	0	0	2	0	2,642
Credit loss (expenses) / recovery	–298	0	0	0	0	0	0	–298
Total segment income	**13,389**	**4,305**	**–1,373**	**11,630**	**0**	**8,142**	**4**	**36,097**
Expenses								
Personnel expenses	–595	–244	0	0	–3,444	–4,293	0	–8,576
Other administrative expenses	0	0	0	0	–5,241	–643	50	–5,834
Depreciation and amortisation	0	0	0	0	–355	–46	0	–401
Other ordinary expenses	0	0	0	0	–39	0	0	–39
Segment expenses	**–595**	**–244**	**0**	**0**	**–9,079**	**–4,982**	**50**	**–14,850**
Segment result	**12,794**	**4,061**	**–1,373**	**11,630**	**–9,079**	**3,160**	**54**	**21,247**
Income tax expense	0	0	0	0	–3,779	–31	0	–3,810
Deferred taxes	0	0	0	0	–636	–34	368	–302
Net profit for the year	**12,794**	**4,061**	**–1,373**	**11,630**	**–13,494**	**3,095**	**422**	**17,135**

Balance sheet by segment at 30 June 2019

in TEUR	Inhouse Banking: Group Financing	Trading	Portfolio Manage-ment	Central Settlement	Central Services	External Financial Services: Pension Plans	Elimination	Total
Balance sheet								
Segment assets	2,557,233	6,371	72,408	0	68,977	7,475	-114,669	2,597,795
Segment liabilities	2,313,275	5,327	63,323	0	323,064	7,475	-114,669	2,597,795
Number of employees	10	3	0	29	23	59		124
Additional segment information								
Capital expenditures	**0**	**0**	**0**	**0**	**103**	**62**	**0**	**165**

Balance sheet by segment at 31 December 2018

in TEUR	Inhouse Banking: Group Financing	Trading	Portfolio Manage-ment	Central Settlement	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		125
Additional segment information								
Capital expenditures	**55**	**0**	**0**	**44**	**95**	**94**	**0**	**288**

4. Bonds

The company has not issued any bonds.

5. Other ordinary income from related parties

Other ordinary income for the first half of 2019 comprises TEUR 1,992 in income arising from the funding relationship with IBB as well as fees charged to other Würth Group companies for services rendered (1H18: TEUR 2,642).

6. 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 30 June 2019

in TEUR	2019	Parent companies	Associated companies
Receivables from related parties			
Loans to related companies	1,100,584	1,996	1,098,588
Other financial assets to related parties	35,181	0	35,181
Loans to family trusts	9,978	9,978	0
Receivables from related companies	1,080,605	15,995	1,064,610
Current accounts	293,141	0	293,141
Short-term loans	608,177	11,241	596,936
Factoring	179,287	4,754	174,533
Total receivables from related parties	**2,226,348**	**27,969**	**2,198,379**
Payables to related parties			
Payables to related parties	654,443	12,137	642,306
Current accounts	628,273	12,137	616,136
Fixed-term deposits	26,170	0	26,170
Other payables to related parties	3,992	0	3,992
Total payables to related parties	**658,435**	**12,137**	**646,299**

At 31 December 2018

in TEUR	2018	Parent companies	Associated companies
Receivables from related parties			
Loans to related companies	1,055,899	24,423	1,031,476
Other financial assets to related parties	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 parties	646,387	0	646,387
Current accounts	611,156	0	611,156
Fixed-term deposits	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**

7. Other liabilities

in TEUR	30.06.2019	31.12.2018
Payables for deliveries and services	8,131	4,168
of which to third parties	4,139	393
of which to related parties	3,992	3,775
Compensation-related liabilities	2,577	3,367
Other liabilities	3,321	4,427
Total other liabilities	**14,029**	**11,962**

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

8. Commitments and contingencies

The Group has issued guarantees, letters of comfort and letters of credit. These 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 nominal value.

in TEUR	30.06.2019	31.12.2018
Guarantees, letters of comfort, letters of credit	332,493	327,581
Total contingent liabilities	**332,493**	**327,581**

in TEUR	30.06.2019	31.12.2018
Unutilised lending commitments	40,766	71,694
Total lending commitments	**40,766**	**71,694**

9. Significant transactions after the reporting date

At the time of publication, no transactions have been identified which would have a material impact on the unaudited interim condensed consolidated financial statements of the Würth Finance Group.

Responsibility Statement

In accordance with the EU Transparency Directive and the Dutch Financial Supervision Act (Wet op het Financieel Toezicht), the Management of the Würth Finance Group hereby confirms that, to the best of its knowledge, the interim condensed financial statements as at 30 June 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and that the Interim Management Report accurately presents the Group's development and performance during the period from 1 January to 30 June 2019 and the financial situation of the Group at the balance sheet date, as well as the risks and opportunities associated with its business.

's-Hertogenbosch and Rorschach, 30 August 2019

Roman Fust
Managing Director
Würth Finance International B. V.

Björn van Odijk
Managing Director
Würth Finance International B. V.