

## search result

CD Wälzholz GmbH & Co. KG	Accounting /	Consolidated financial statements for the business	07/28/2020
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**CD Wälzholz GmbH & Co. KG**

Hagen

**Consolidated financial statements for the business year from 07/01/2018 to 06/30/2019****Group management report for the financial year from July 01, 2018 to June 30, 2019****I. Company basics****1. Business model of the company**

Waelzholz produces special materials from cold-rolled strip steel for complex applications and has been in the tradition of pioneering innovations since it was founded in 1829.

Long-term, partnership-based relationships with business partners are the basis for the sustainable growth of the independent, medium-sized family company that supplies customers from the automotive and automotive supply industries, the energy sector and from the area of specialized technical applications in the industrial goods sector.

With 2,400 employees, Waelzholz is active worldwide and produces high-quality cold-rolled steel strips and profiles at locations in Europe, North and South America and Asia. With a consistent internationalization strategy, the Waelzholz Group differentiates itself from the competition and provides its customers with high-quality products and tailor-made services exactly where they are needed.

Waelzholz operates in the premium segment. A technologically leading plant park as well as sophisticated, networked and reproducible processes enable and secure the high quality level of the steel strip products at all locations. As a technology leader, the company supplies steel materials that exactly meet customer requirements, within the tightest tolerances and with repeatable accuracy for every delivery lot.

The Waelzholz locations work with digitized workflows and globally networked information and organization platforms. In addition, they are increasingly digitally linked to the customer's planning systems. For Waelzholz, the continuous expansion of information technology, in addition to material and process technology, is one of the key competencies for successful global corporate development.

It is Waelzholz's aim to offer customers significant added value. This applies not only to innovative steel strip solutions, but also to precisely tailored supply chain models. Waelzholz has made logistics agreements with many customers, individually adapted to the respective needs. These different supply chain models, in which the suppliers are also included, make it possible to react flexibly and with short delivery times to changes in demand. A clever interlocking means that the net working capital is reduced not only for the customer, but also in the entire value chain.

**2. Research and Development**

In 2019, Waelzholz was awarded the "TOP 100" seal of approval for the fifth time as one of the most innovative medium-sized companies in Germany.

Waelzholz customers develop sustainable products in the key industries of today and tomorrow. Innovative material solutions are the basis for this. For Waelzholz, actively accompanying customers into the future means supporting partners from all stages of the value chain with its materials expertise right from the development phase. Always with the aim of ensuring customers the greatest possible degree of freedom for their product development and the efficiency of their processes.

As in previous years, up to 10% of the annual gross profit was used to further develop materials and production processes tailored to the special requirements of customers, such as future-oriented automotive drive concepts, among other things, the transfer of the leading quality level to the supply chain in which enables new growth markets.

The quality of Waelzholz products is the result of many years of continuous development. As a technology leader, Waelzholz promotes its own development work for the further development of products and processes, well above the scope customary in the industry. Research and development projects are carried out independently or jointly with customers, suppliers, and also with the involvement of universities and research institutions. Long-term development work is carried out within the framework of projects or orders with several renowned technical colleges and universities.

The high degree of specialization of the product portfolio, the clear focus on product and process innovations and a consistently implemented internationalization strategy differentiate Waelzholz from the competition and are key success factors for the company.

**II. Economic report****1. Macroeconomic, sector-specific framework conditions**

In the autumn report of October 2, 2019, the economic research institutes report that the global economy is continuing to cool down. In particular, trade barriers and a reduced propensity to invest due to global uncertainties are having a negative impact on the global economic environment. World trade is particularly affected by the global economic framework. Protectionist measures such as the trade conflict between the US and China have a significant impact on global trade flows. In addition, the debates about climate targets and driving bans for cars with internal combustion engines are dampening demand in the automotive sector. With regard to intra-European trade, the imminent Brexit is also making itself felt.

As a result of these developments, global growth is expected to slow from 3.6% in 2018 to 3.3% in 2019, before rising to 3.6% in 2020, according to the International Monetary Fund (IMF).

In the euro area, real GDP growth slowed in the second quarter of 2019 due to weak trade. After growth of 0.4% in the first quarter, GDP rose by 0.2% in the second quarter compared to the previous quarter. Domestic demand continued to make a positive contribution to growth. Economic indicators point to slow growth in the second half of 2019.

The steel industry in Germany went into reverse gear in 2018. The market supply of rolled steel fell by an annual average of 4%. In August 2019, crude steel production in Germany did not fall for the first time in 8 months compared to the previous year. This shows the first signs of stabilization, albeit at a very low level. In the course of the first 8 months, production fell by 4% compared to the same period in the previous year.

Germany is one of the most important automobile manufacturing countries in the world. Numerous well-known car brands and suppliers to the automotive industry are based in Germany.

Waelzholz generates a large part of its sales with customers from the automotive sector. According to the Verband der Automobilindustrie e. V. (VDA) to 83,632,010 units and thus 1.2% less than in the previous year. The domestic production of German manufacturers in 2018 amounted to 5,120,409 units, which means a minus of 9.3% compared to 2017. In September 2019, 244,600 new passenger cars were registered in Germany. This is 22 percent more than in the same month last year, which, however, had an exceptionally low level due to the switch to the WLTP test procedure. In the course of the year to date, a good 2.7 million new cars have been registered (+2%) - a higher figure was last achieved in 2009.

The European Automobile Manufacturers Association (ACEA) states that with 22,777,000 units produced in 2018, Europe accounted for 23.2% of global automobile production. According to ACEA, China has overtaken Europe again this year: With 28,399,000 units produced in 2018 and a world market share of 28.9%. For comparison: In 2003 Europe had a share of 33% and China 8% of the automobiles produced worldwide. This supports the Waelzholz strategy of having a fully integrated cold rolling mill in China since the beginning of 2014.

The balance sheet for the first half of 2019 is largely negative on the international automotive markets. In the large sales regions of China, USA and Europe (EU28 & EFTA) fewer vehicles were sold than in the first half of 2018. Russia and India also recorded declines, the Japanese market was almost at the previous year's level. Only Brazil was able to report double-digit growth. In Europe (EU28 & EFTA), 8.4 million new cars were registered in the first half of the year, 3% less than in the same period of the previous year. Of the five largest markets in Europe, only Germany (+1%) increased its new registration volume. In France (-2%), the United Kingdom (-3%), In contrast, sales fell in Italy (-4%) and Spain (-6%). In June the European market fell by 8%. It should be noted that there were an average of two working days less available than in the same month of the previous year. In the USA, the volume of the light vehicle market (passenger cars and light trucks) has declined by 2% to 8.4 million new vehicles in the year to date. While the light truck segment, which accounts for more than two thirds of the total market, rose by 1%, the passenger car segment recorded a decline of 9%. 1.5 million light vehicles were sold in June (-2%). that on average there were two fewer working days available than in the same month of the previous year. In the USA, the volume of the light vehicle market (passenger cars and light trucks) has declined by 2% to 8.4 million new vehicles in the year to date. While the light truck segment, which accounts for more than two thirds of the total market, rose by 1%, the passenger car segment recorded a decline of 9%. 1.5 million light vehicles were sold in June (-2%). that on average there were two fewer working days available than in the same month of the previous year. In the USA, the volume of the light vehicle market (passenger cars and light trucks) has declined by 2% to 8.4 million new vehicles in the year to date. While the light truck segment, which accounts for more than two thirds of the total market, rose by 1%, the passenger car segment recorded a decline of 9%. 1.5 million light vehicles were sold in June (-2%). the passenger car segment recorded a decline of 9%. 1.5 million light vehicles were sold in June (-2%). the passenger car segment recorded a decline of 9%. 1.5 million light vehicles were sold in June (-2%).

The market situation in the cold rolling industry is characterized by economic and seasonal fluctuations. In addition to the close interlinking with the automotive industry on the customer side and price sensitivity through raw material markets on the supplier side, the business of the Waelzholz Group is influenced by economic and financial conditions. Associated with this is increasing competitive pressure. Waelzholz meets this development with innovative products, high process quality and reliability in long-term partnership with its customers and suppliers.

## 2. Course of business

Waelzholz closes the 2018/2019 financial year with a positive result, which, however, is below the planned result. Missing the planned result results exclusively from a sales deviation. The decline in the global economy is reflected in the sales figures of the Waelzholz Group: There was a decline in sales in the 2018/2019 financial year. The main reasons for this negative development are the effects of global uncertainties, among other things triggered by the trade policy of the USA, protectionism and the uncertain outcome of Brexit.

### 3rd location

Waelzholz has a stable capital structure.

The net financial liabilities (liabilities to banks as well as promissory note loans and bill liabilities less securities, cash on hand and bank balances) increased compared to the previous year. The Waelzholz Group has significantly higher credit lines than are used on average.

Despite the tense overall economic situation, Waelzholz invested in the modernization and expansion of production facilities in Germany and abroad. The expansion and modification of existing systems enabled the further optimization of product quality and the more efficient design of production processes.

Trade payables have decreased.

As in previous years, there is a surplus of equity plus long-term borrowed capital in relation to the long-term fixed assets.

Thus, the principle of equal deadlines is fully taken into account. Short-term receivables and bank balances exceed short-term liabilities.

The liquidity situation is good; no bottlenecks are expected in the future either.

## 4. Overall statement

The asset, financial and earnings position of the Waelzholz Group is stable. The financial management is geared towards making the liquidity necessary for the operative business available at the lowest possible cost at all times.

## III. Forecast report

The World Trade Organization (WTO) expects the international movement of goods to be significantly weaker in 2019. Contrary to previous forecasts (+2.6%), the world's trading volume will only increase by 1.2%. In doing so, the organization cut its forecast by more than half. The WTO justifies the correction with tariff conflicts that unsettled the global economy. In addition to the trade dispute between the USA and China with US tariffs on almost all imports from China, taxes on EU products in the billions have also been implemented.

Also for 2020 the plus of 2.7% will be lower than the last estimate of 3.0%. A disorderly exit from the EU by Great Britain could have significant effects, but these would be largely limited to Europe.

For the US economy, the IMF (International Monetary Fund) expects economic growth of 2.4% in 2019 and 2.1% in 2020. The euro area will grow by 1.2% in 2019 and by 1.4% in 2020. According to the IMF, China will continue to be one of the fastest growing economic regions with expected growth of 6.1% in 2019, but this is expected to decrease to 5.8% in 2020. For Brazil, the IMF expects only 0.9% growth in 2019, but 2.0% in 2020.

According to the economic research institutes, the economy in Germany has continued to cool in the current year. The industry is in a recession, which has mainly external causes. In particular, the trade conflicts emanating from the USA have led to a decline in world trade. The uncertainties and risks are dampening investment activity and industrial production. However, the institutes do not see an overall economic crisis in Germany. Although they have revised their growth forecast downwards from the spring, they still expect an increase in gross domestic product (GDP), albeit a weak one, in the forecast period up to 2021. For the coming year, the institutes are assuming weak economic dynamism, the GDP forecast has been lowered significantly from +1.8% to +1.1%. Around 0.4 percentage points are due to the greater number of working days in the coming year compared to 2019. The institutes expect growth of 1.4 percent for 2021.

Despite the current difficult macroeconomic framework, it is Waelzholz's goal, as a technologically leading company, to further expand its international activities. In order to achieve this goal, extensive investment measures and rationalization projects have been and are being carried out. In addition to the capacity expansion, the investment

measures serve to further strengthen the efficiency of the production facilities, improve the overall productivity of the systems and continuously improve product and service quality. The investment activities are adjusted according to the economic development.

#### **IV. Risk and Opportunity Report**

As a medium-sized, technologically leading and internationally oriented steel processing company, Waelzholz is exposed to a multitude of opportunities, but also to various types of risks.

Following a sustainable and long-term oriented corporate policy, Waelzholz identifies these at an early stage in order to use opportunities responsibly and with foresight and to reduce and avoid risks with foresight.

##### **1. Risk report**

###### **Industry-specific risks**

As an international group of companies, Waelzholz is influenced by different developments in the raw material and sales markets as well as by economic fluctuations in individual regions. The automotive industry, the most important and largest sales market, is also a cyclical sector that can trigger greater fluctuations in demand for Waelzholz products.

The automotive industry is in a process of transformation. In addition, a reorientation can be observed in the automotive sector. Alternative drive technologies, especially electrified concepts, are required and are developing rapidly. These innovations create challenges for the German supplier and automotive industry to keep pace with international developments. This offers great opportunities. New business models will be established, for which Waelzholz is specifically preparing.

Since the crisis financial year 2008/2009, Waelzholz has developed tools to identify economic risks at an early stage and to maintain a high degree of flexibility, especially in the cost sector. This means that changes in the market level can be responded to by means of suitable cost and capacity adjustment measures. In addition, the company has a suitable working capital management system.

###### **Income-oriented risks**

Waelzholz is exposed to price fluctuations on both the procurement and the sales side.

In the 2018/2019 financial year, prices on both the purchasing and the sales side rose compared to the previous year. Waelzholz endeavors to control price changes through negotiations on the customer and supplier side in such a way that these have a positive effect on the company's results. As an energy-intensive company, Waelzholz is subject to the risks of price and cost developments on the energy markets. Political decisions also give rise to uncertainties with regard to price and cost developments. Waelzholz counters these risks with measures to increase the energy efficiency / transparency of its corporate processes.

Waelzholz competes with nationally and internationally operating companies in the cold rolling industry. As the industry continues to consolidate, the number of competitors will continue to decrease. Waelzholz pursues an active consolidation strategy and assumes that it will be able to further expand its international market share in the medium term.

###### **Financial risks**

Due to the good liquidity and equity situation of the Waelzholz Group, no liquidity risks are discernible.

Potential currency risks that could affect the company's net assets, financial position and results of operations are limited by means of hedging transactions.

The liquidity situation is good. No bottlenecks are to be expected.

##### **2. Opportunity report**

The consistent global orientation of Waelzholz with an international share of around 55% of total sales and the focus on premium products and services offer the group important opportunities for the future.

Internationalization, application-oriented innovation, a high degree of specialization and sustainable partnerships with customers and suppliers are essential success factors for Waelzholz and differentiate the company from the competition.

Positive effects are achieved in particular through product innovations, but also through measures in the area of cost and capacity adjustments.

The Waelzholz Group has a solvent customer base. Bad debt losses are very rare. We have worked with the company's key customers for many years, many of which have been contractually agreed.

The system integration of the Halden site (formerly Friedr. Gustav Theis Kaltwalzwerke GmbH) was completed in 2018 for all management systems (quality, environment, energy). The Halden location was certified for the first time in accordance with the new standard editions ISO 9001: 2015 and IATF 16949: 2016. The QM system for the service centers in Iserlohn and Lüdenscheid as well as in Thiers (France), Gliwice (Poland) and Senago (Italy) was rebuilt and certified according to ISO 9001: 2015.

##### **3. Overall statement**

Despite Waelzholz's solid and forward-looking position, risks from global economic influences cannot be ruled out. Political changes that have an impact on sales markets cannot be predicted. The developments in the field of e-mobility and autonomous driving will lead to major upheavals in the automotive industry. Waelzholz is preparing for this upheaval with innovative products, optimized processes and manufacturing methods.

Due to its financial stability, Waelzholz is well equipped to meet future challenges. There are currently no identifiable risks that could jeopardize the continued existence of the company.

#### **V. Risk reporting on the use of financial instruments**

In addition to receivables, the financial instruments in the Waelzholz Group also include bank and promissory note loans as well as supplier liabilities, currency contracts, leasing within the usual framework and pension funds.

The financial requirements are mainly covered from the cash flow generated and from existing credit lines.

Liabilities were and will be paid within the agreed payment deadlines using discounts.

In the short-term area, the company finances itself through the use of credit lines in addition to corresponding payment terms with the suppliers.

The aim of financial and risk management is to protect the company's assets and success against financial risks of all kinds.

Waelzholz pursues a conservative risk policy when managing its financial positions. Waelzholz uses suitable hedging transactions to cushion potential currency risks that could affect the company's asset, financial and earnings position.

Credit assessments in new customer business and ongoing reports from our existing customers lead to a significantly reduced risk of bad debts. If default and credit risks are discernible for financial assets, appropriate value adjustments are made.

In addition, Waelzholz avails itself of the option of trade credit insurance in order to exclude financial damage for the company as far as possible.

Hagen, November 15, 2019

CD Wälzholz GmbH & Co. KG

**Consolidated balance sheet as of June 30, 2019****assets**

	06/30/2019	06/30/2018
	EUR	EUR
A. Fixed assets		
I. Intangible Assets	335.297	120,884
II. Tangible assets	181.237.194	165.226.991
III. Financial assets	37.239.781	32,391,000
	218.812.272	197,738,875
B. Current Assets		
I. Inventories	184.763.400	204.422.080
II. Receivables and other assets	123.191.512	136.122.671
III. Securities	65,250	215.434
IV. Cash in hand, Bundesbank and Postbank balances, bank balances	29,388,729	28,713,087
	337,408,891	369,473.272
C. Prepaid expenses	3,449,645	3,220,794
D. Deferred Taxes	8,346,660	6,623,968
	568.017.468	577.056.909

**liabilities**

	06/30/2019	June 20, 2018
	EUR	EUR
A. Equity	221.215.012	219.329.355
B. Difference from capital consolidation	5,532,469	11,064,936
C. Provisions	147,529,639	153,638,316
D. Liabilities	193.740.348	193.024.302
	568.017.468	577.056.909

**Annex to the consolidated balance sheet as of June 30, 2019 in accordance with Section 5 Paragraph 5 Clause 3 PubIG in conjunction with Section 13 Paragraph 3 PubIG**

	2018/2019	2017/2018
	EUR	EUR
Sales within the meaning of Section 277 (1) of the German Commercial Code (HGB)	841.343.307	903.106.020
Income from investments	4,695,856	1,159,986
Wages, salaries, social security contributions and expenses for pensions and support	159,438,758	159.862.030

The valuation and depreciation methods as well as the number of employees are given in the notes to the consolidated financial statements.

**Notes to the consolidated financial statements as of June 30, 2019****A. General information**

CD Wälzholz GmbH & Co. KG, Hagen, is based in Hagen. It is entered in the commercial register of the Hagen District Court under HRA 1920.

CD Wälzholz GmbH & Co. KG, Hagen, is preparing consolidated financial statements as of June 30, 2019 in accordance with the provisions of the German Commercial Code (HGB).

**B. Scope of Consolidation**

The consolidation group of CD Wälzholz GmbH & Co. KG, Hagen, includes the following companies:

**I. Shareholdings in accordance with Section 313, Paragraph 2, No. 1 of the German Commercial Code (HGB)**

1. CD Wälzholz GmbH, Hagen,
  2. Waelzholz Service Center GmbH, Hagen,
  3. CD Wälzholz Verwaltungs-GmbH, Hagen,
  4. CD Wälzholz Beteiligungs GmbH, Hagen,
  5. CD Wälzholz-Kern-Liebers GmbH, Schramberg,
  6. CD Wälzholz Oberkochen GmbH, Oberkochen,
- The operative business has been taken over by CD Wälzholz GmbH & Co. KG, Hagen, since 2010/2011.
7. Waelzholz International GmbH, Götzis, Austria,
  8. Waelzholz North America LLC, Cleveland, Ohio, USA,
  9. Waelzholz France SAS, Thiers, France,
  10. Wälzholz New Material Co. Ltd., Taicang, PR China,
  11. Taicang Wälzholz-Kern-Liebers New Material Co. Ltd., Taicang, PR China, (100% subsidiary of CD Wälzholz-Kern-Liebers GmbH, Schramberg, and
  12. Friedr. Gustav Theis Kaltwalzwerke GmbH, Hagen,
  13. Kuhbier + Knörr Verwaltungsgesellschaft mbH, Lüdenscheid,
  14. Kuhbier + Knörr GmbH & Co. KG, Lüdenscheid,
  15. Waelzholz Italia Srl, Senago, Italy,
  16. Waelzholz Polska Sp. Z oo, Gliwice, Poland,

The affiliated company Waelzholz México SRL de CV, Mexico City, Mexico, was founded in the 2018/2019 financial year and had not yet commenced business operations by the balance sheet date. Due to the subordinate importance of this company for conveying a true and fair view of the Group's asset, financial and earnings position, it was not included in the consolidated financial statements as of June 30, 2019 (Section 296 (2) HGB).

CD Wälzholz GmbH & Co. KG, Hagen, is the parent company for the subsidiaries listed in the list of shareholdings under items 1 to 16, whereby these were included in the consolidated financial statements in accordance with the principles of full consolidation.

### C. Consolidation Principles

The consolidated financial statements of CD Wälzholz GmbH & Co. KG, Hagen, were prepared on June 30, 2019, the reporting date of the parent company.

As of August 01, 2017, the scope of consolidation was expanded through the acquisition of Friedr. Gustav Theis Kaltwalzwerke GmbH, Hagen, and its subsidiaries. The capital consolidation is carried out on the basis of the valuations at the time of acquisition. The purchase price was EUR 15,408 thousand. The resulting negative difference as of June 30, 2019 was EUR 5,532 thousand. In accordance with DRS 23.143, the negative difference is reversed over three years; the reversal with an effect on income amounts to EUR 5,532 thousand in the reporting year.

In the context of debt consolidation within the meaning of Section 303 (1) HGB, loans, other receivables and liabilities between the companies included in the consolidated financial statements have been omitted.

Sales and other income from deliveries and services as well as income from investments and from profit transfer agreements as well as interest income between the companies included in the consolidated financial statements have been offset against the corresponding expenses in accordance with Section 305 (1) HGB.

Deferred tax assets in the amount of EUR 7,649 thousand result from the individual financial statements of the parent company and its subsidiaries. In addition, due to consolidation measures, deferred tax assets of EUR 698 thousand have been set up at group level, which are offset against deferred tax liabilities.

In accordance with Section 304 (1) of the German Commercial Code (HGB), an elimination of interim results has been carried out for inventories with significant interim results that are wholly or partially based on deliveries and services from companies included in the consolidated financial statements. The relief provision of Section 304 (2) HGB has been used for insignificant amounts.

The assets and liabilities of a balance sheet of a fully consolidated company denominated in a foreign currency are to be converted into euros at the mean spot exchange rate on the balance sheet date, with the exception of equity, which is to be converted into euros at the historical rate. The items in the income statement are to be converted into euros at the average rate for the period. A resulting conversion difference is to be shown within the group equity after the reserves under the item "Equity difference from currency conversion" (§ 308a HGB).

For the conversion of the financial statements of the associated company Brasmetal denominated in a foreign currency, CDW KG applies the principles of Section 308a of the German Commercial Code (HGB) in accordance with DRS 25.42. CDW KG exercises the option under DRS 25.90 for the updating of the equity value of the investment in Brasmetal in such a way that the equity value is converted using the respective closing rate.

### D. Accounting and valuation principles

Intangible assets are valued at acquisition cost less scheduled straight-line depreciation.

Property, plant and equipment are valued at acquisition or production costs that must be capitalized, less scheduled depreciation. Additions to immovable and movable assets have all been depreciated using the straight-line method.

The financial assets are shown at acquisition cost taking into account the lower of cost or market principle.

Inventories are valued at the group acquisition or production cost or the lower market value. Inventory risks resulting from long storage periods or from reduced usability have been taken into account by means of impairments.

Receivables, other assets and cash and cash equivalents are generally stated at their nominal value. Recognizable risks are taken into account through appropriate value adjustments. The balances at the syndicate banks were netted against the corresponding liabilities to these banks due to the same maturities.

CDW KG uses derivative financial instruments (currency forwards) to hedge against currency fluctuations. As of the balance sheet date, there were delivery obligations of USD 3.0 million. The futures transactions are used to secure US dollar receivables (portfolio hedging). The conversion at the mean spot exchange rate leads to hidden charges of EUR -43 thousand for the US dollar receivables. According to the information provided by the participating credit institution, the market price represents the indicative price at which the institution would have terminated and concluded or repurchased the futures transactions on the valuation date June 30, 2019 (EUR -22 thousand). Since the parameters relevant to the valuation of the underlying transactions and selected hedging transactions (currency risks, The hedging transactions can be assumed to be highly effective. The prerequisites for the formation of valuation units between derivative financial instruments and US dollar receivables in accordance with Section 254 of the German Commercial Code (HGB) are therefore fundamentally in place, but were not applicable as of the balance sheet date.

Assets and debts denominated in foreign currencies are generally converted using the exchange rate valid at the time they arise. If no valuation units are to be formed between foreign currency liabilities, foreign currency receivables or balances and exchange rate hedging transactions, foreign currency liabilities and receivables with a remaining term of up to one year and foreign currency balances are valued at the mean spot rate on the balance sheet date.

Expenditures before the balance sheet date are recognized as prepaid expenses on the assets side, provided that they represent expenses for a certain time after this day.

The valuation of provisions for pensions was based on the projected unit credit valuation method. The valuation under commercial law was based on the following parameters:

- Interest rate of 2.94% (previous year: 3.46%) for an average period of 10 years
- Expected salary increases are taken into account at 2.00% or 0.00%, depending on the pension model
- Expected pension increases are taken into account at 2.00% or 1.00%, depending on the pension model
- Life table according to Prof. Dr. Klaus Heubeck "Mortality Tables 2018 G".

The tax provisions and other provisions take into account all uncertain obligations to an appropriate extent. They are in the amount of the reasonable commercial

Assessment of the necessary settlement amount. Provisions with a term of more than one year are discounted in accordance with the provisions of the German Commercial Code (HGB).

The liabilities are generally stated at the settlement amount. Short-term foreign currency debts are valued at the mean spot exchange rate on the reporting date.

The associated company Waelzholz Brasmetal Laminação Ltda., Diadema, Sao Paulo, Brazil, uses valuation methods that differ from the consolidated financial statements; an adjustment to the uniform group valuation has not been made in accordance with Section 312 (5) of the German Commercial Code (HGB). In accordance with Section 312 (6) of the German Commercial Code (HGB) with DRS 26.25, the consolidation was based on the company's most recent annual financial statements.

### E. Information on the consolidated balance sheet and the consolidated income statement

#### 1. Fixed assets

The development of the individual items of fixed assets in the financial year can be found in the consolidated fixed asset movement schedule.

#### 2. Other provisions

The other provisions essentially contain expenses for outstanding incoming invoices, personnel expenses, expenses for neglected maintenance, expenses for warranty obligations and for customer bonuses.

The securities, which serve exclusively to fulfill the partial retirement obligations and are not accessible to all other creditors, have been offset against the provision for partial retirement obligations in accordance with Section 246, Paragraph 2, Clause 2 of the German Commercial Code (HGB).

The fair value of the assets is the market value as of June 30, 2019.

#### F. Other information

The deferred taxes relate to temporary differences, which essentially result from the different valuation of pension, anniversary and partial retirement provisions according to commercial and tax law.

The group has the following other financial obligations from rental, lease and lease agreements:

year	KEUR
2019/2020	2,977
2020/2021 to 2023/2024	4,057
	7,034

As of the balance sheet date, there are contingent liabilities from guarantees in the amount of EUR 10 thousand (previous year: EUR 10 thousand). The risk of a claim under the guarantee is assessed as low.

The average number of employees in the fully consolidated group companies in the financial years was:

2018/2019	2017/2018
2.143	2,068

The parent company CD Wälzholz GmbH & Co. KG, Hagen, as well as the subsidiaries listed below, which were included in the consolidated financial statements of CD Wälzholz GmbH & Co. KG, Hagen, take the exemption from § 264b No. 1b HGB and 264 Para. 3 HGB with regard to the disclosure of the respective annual financial statements:

CD Wälzholz GmbH, Hagen,

Waelzholz Service Center GmbH, Hagen,

CD Wälzholz Oberkochen GmbH, Oberkochen.

CD Wälzholz Verwaltungs-GmbH, Hagen, has sole power of representation as of June 30, 2019.

Managing directors authorized to represent the general partner CD Wälzholz Verwaltungs GmbH, Hagen, in the 2018/2019 financial year were:

Dr.-Ing. Hans-Toni Junius, Dipl.-Wirtsch.-Ing., Schwerte, Chairman of the Management Board,

Dr.-Ing. Heino Buddenberg, Dipl.-Ing., Hagen, and

Dr. rer. pole. Matthias Gierse, Dipl.-Volksw., Essen.

In accordance with Section 314, Paragraph 3, Clause 2 in conjunction with Section 286, Paragraph 4 of the German Commercial Code (HGB), the remuneration of the managing directors and the remuneration paid to former members of the management body and their surviving dependents is waived; as well as the information on the pension provisions formed for this group of people.

There were no events of particular importance after the end of the financial year.

The annual result of the parent company is used in accordance with company law regulations.

#### Hagen, November 15, 2019

The consolidated financial statements as of June 30, 2019 were approved on December 4, 2019.

### Independent auditor's report

#### To CD Wälzholz GmbH & Co. KG, Hagen

#### Examination Opinions

We have the consolidated financial statements of CD Wälzholz GmbH & Co. KG, Hagen, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of June 30, 2019, the consolidated income statement, the consolidated equity statement and the consolidated cash flow statement for the financial year from July 1, 2018 to June 30, 2019 as well as the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of CD Wälzholz GmbH & Co. KG, Hagen, for the financial year from July 1, 2018 to June 30, 2019.

According to our assessment based on the knowledge gained during the audit

- the attached consolidated financial statements comply in all material respects with the German commercial law regulations as well as the supplementary provisions of the articles of association and give a true and fair view of the net assets and financial position of the group as of June 30, 2019 as well as its earnings position for the Fiscal year from July 1, 2018 to June 30, 2019 and
- the attached group management report gives an overall accurate picture of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322, Paragraph 3, Clause 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

#### Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the generally accepted German auditing principles established by the Institute of Auditors (IDW). Our responsibility under these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group companies in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements.

#### Responsibility of the legal representatives for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the in compliance with German generally accepted accounting principles Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be

necessary in accordance with German generally accepted accounting principles in order to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misstatements.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for going concern based on the accounting principle, provided that there are no actual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides an accurate picture of the group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and the opportunities and risks of future development correctly represents. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations, and for sufficient suitable evidence for the statements in the group - To be able to provide a management report.

#### **Auditor's responsibility for the audit of the consolidated financial statements and the group management report**

Our aim is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free from material - intended or unintentional - misstatements and whether the group management report as a whole gives an accurate picture of the group's position and, in all material matters, with the Consolidated financial statements as well as with the knowledge gained during the audit, complies with the German legal requirements and correctly presents the opportunities and risks of future development, as well as issuing an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Sufficient security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation.

Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and the group management report.

During the examination, we exercise our dutiful discretion and maintain a critical attitude. Furthermore

- We identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and in the group management report, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of producing an audit opinion. The effectiveness of these systems.
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and the related information.
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the ability of the group to continue business operations can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and in the group management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the group can no longer continue its business activities.
- we assess the overall presentation, structure and content of the consolidated financial statements, including the information, as well as whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the asset, financial and earnings position of the group.
- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions.
- we assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the group's position.
- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of sufficient, suitable audit evidence, we particularly review the significant assumptions on which the future-oriented information is based on the legal representatives and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Hagen, November 15, 2019

**WWP Weckerle Wilms Partner GmbH**  
**Wirtschaftsprüfungsgesellschaft**  
**Steuerberatungsgesellschaft**  
*signed Bißmeier, auditor*  
*signed Dr. Clemens, auditor*

#### **Development of the consolidated fixed asset movement schedule as of June 30, 2019**

	Acquisition or manufacturing costs						06/30/2019
	07/01/2018	Currency conversion differences	Accesses	Rebooking	Departures		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible Assets	22,454,698	-3,955	296,638	0	0	0	22,747,381
II. Tangible assets	525.286.115	-424,687	38.996.557	0	2,125,738	0	561.732.247
III. Financial assets	32,391,000	0	4,848,781	0	0	0	37.239.781
total	580.131.813	-428,642	44.141.976	0	2,125,738	0	621.719.409

