WÜRTH GROUP

growing*

Würth Group
Annual Report 2018

WÜRTH GROUP

*

Growth means
life and vitality.

R. Würth

grow**ing**

doesn't just stand for growth. By placing emphasis on the ending "ing", we also focus on the "doing" aspect itself: It's not about growth for the sake of growth, but about the joy of acting. It's about "becoming" and "creating" as an entrepreneur who performs research out of curiosity and approaches new markets with creativity. An entrepreneur who dares to try something new: for the benefit of other people, employees and customers. And finally, in the interest of a healthy company that is strong and growing—now and in the future.

WÜRTH GROUP

CONTENTS

THE WÜRTH GROUP AT A GLANCE

WÜRTH GROUP

		2014	2015	2016	2017	**2018**
Sales	in millions of EUR	10,126	11,047	11,836	12,722	**13,620**
Employees	no. of	66,044	68,978	71,391	74,159	**77,080**
Pre-tax operating result *	in millions of EUR	515	525	615	780	**870**
Return on sales	in %	5.1	4.8	5.2	6.1	**6.4**
EBIT	in millions of EUR	554	572	643	768	**903**
EBITDA	in millions of EUR	831	903	988	1,195	**1,278**
Net income for the year	in millions of EUR	378	434	462	531	**687**
Cash flow from operating activities	in millions of EUR	612	630	904	584	**751**
Investments	in millions of EUR	356	521	480	494	**635**
Equity	in millions of EUR	3,683	4,083	4,470	4,779	**5,172**
Balance sheet total	in millions of EUR	8,142	9,210	9,711	10,267	**10,974**
Rating by Standard & Poor's		A/stable	A/stable	A/stable	A/stable	**A/stable**

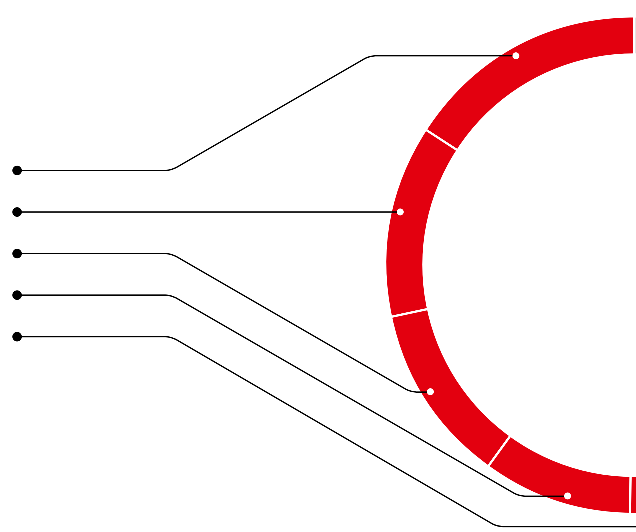
The consolidated financial statements of the Würth Group are prepared in accordance with the International Financial Reporting Standards (IFRS).

* Earnings before taxes, before amortization of goodwill and financial assets, before the collection of negative differences recognized in profit or loss, before the adjustment of purchase price liabilities from acquisitions through profit or loss, and before changes recognized in profit or loss of non-controlling interests disclosed as liabilities

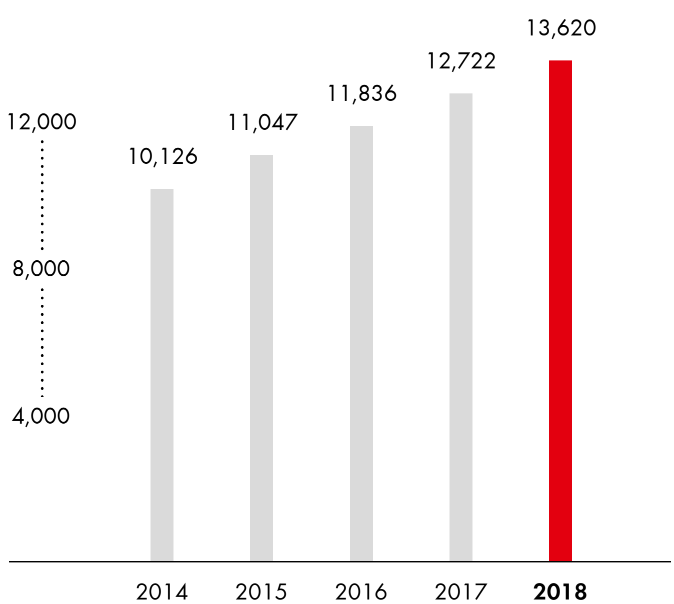
OPERATIONAL UNITS

SHARE OF SALES Divisions of the Würth Line

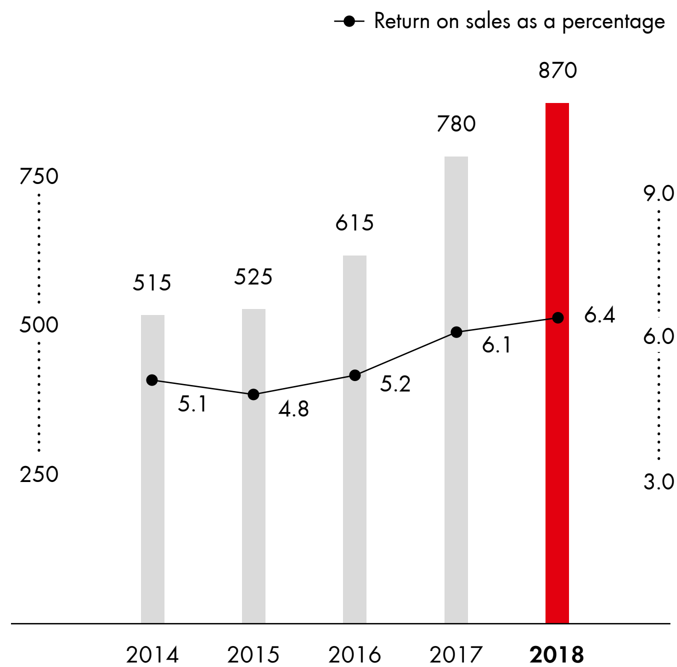
	2018 in %	**2018 in millions of EUR**	2017 in millions of EUR	Change in %
Metal	15.8	**2,155**	1,984	+8.6
Auto	12.4	**1,687**	1,631	+3.4
Industry	11.7	**1,588**	1,461	+8.7
Wood	9.6	**1,311**	1,256	+4.4
Construction	6.6	**905**	819	+10.5
Total	56.1	**7,646**	7,151	+6.9



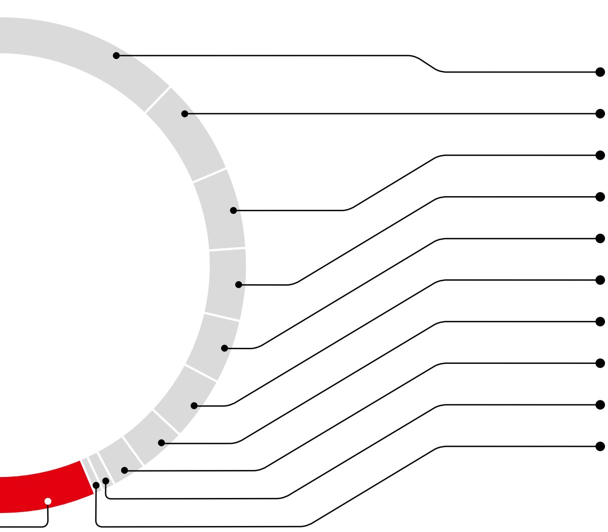
SALES Würth Group in millions of EUR



OPERATING RESULT Würth Group in millions of EUR



SHARE OF SALES Business units of the Allied Companies



	2018 in %	**2018 in millions of EUR**	2017 in millions of EUR	Change in %
Electrical Wholesale	12.2	**1,666**	1,475	+12.9
Electronics	6.6	**891**	806	+10.5
Production	5.3	**716**	691	+3.6
RECA Group	4.8	**652**	603	+8.1
Trade	4.2	**574**	568	+1.1
Chemicals	3.9	**536**	549	-2.4
Tools	3.3	**447**	417	+7.2
Screws and Standard Parts	2.0	**274**	244	+12.3
Financial Services	0.8	**113**	111	+1.8
Other	0.8	**105**	107	-1.9
Total	43.9	**5,974**	5,571	+7.2

leading

«MANY RIGHT DECISIONS LEAD TO SUSTAINED GROWTH.»

Heading for the future with strong leadership and a shared vision

GROWTH NEEDS A COMMON THREAD

Künzelsau 1945, Adolf Würth founded a wholesale screw business. In 1954, his son Reinhold took over the business and grew it continuously. He transformed it into a multinational corporation that continues to grow in 2019. One thing has remained the same over all these years and decades: the family. The foundation. Würth in Künzelsau: That has always been the common thread for the company—and will remain so in the future.

GROWTH AT WÜRTH

Granted: Viewed from the outside, the Würth of 2018 no longer has much in common with the Würth of 1945 or even that of 1954. Starting with just the buildings: In the beginning, the Schlossmühle (castle mill) in Künzelsau was enough, but today the company occupies an area of 465,000 square meters at its headquarters. And it has locations all over the world: Sweden, Spain, South Korea—in a total of around 80 countries. Next, the number of employees: from two to 77,000, an increase by 3,850,000 percent. Today, the Group includes over 400 companies. They either support the core business, the sale of assembly and fastening materials, or operate in related business fields as Allied Companies: from electrical wholesale to financial services. And so it is no wonder that the financial results have risen continuously; 2018 was another record year, and this trend is set to continue.

A QUESTION OF ATTITUDE

How do you manage to constantly drive this trend forward? For decades? Without losing sight of things? Always staying true to the company's heritage? Without losing the way amid too many interests, succumbing to ambition, or getting mired in discussions about the right path forward? The answer is the guiding theme that runs through the company's history—and it is rather an aspiration that has everyone pulling together. The secret to success is a degree of continuity that is primarily achieved as a result of the company's organization as a family business with strong leadership and a shared vision for the future. Of course, not everyone always agrees, not even everyone bearing the Würth name. Of course there are discussions, there have to be. But the interests, established and put into practice for decades by Reinhold Würth, have always been clear: It's about working together. It's not about quick profits, it's about the long term. To grow over the long run. It's about growth with responsibility. It's about growth outside of the business as well, on other levels, in a cultural setting, in sports and social affairs: for the region, for society and for the people.

1969

Change has always been part of
our company...

«TIMES CHANGE.
IT'S THE SAME WITH WÜRTH. WHAT HAS ALWAYS REMAINED CONSTANT IS THE CORPORATE CULTURE AND THE DESIRE TO GROW;
THESE REPRESENT WÜRTH'S COMMON THREAD.»

2018

...and it has driven us to surpass ourselves.

THE NEXT GENERATIONS

And this is how the story should continue: That is Reinhold Würth's heart's desire. As early as the 1980s—the company had long since entered the global market and he was just over fifty—he had formally and legally made all the arrangements. However, at that time, he still did not know whether and how his family would join the business. Accordingly, he contributed the company's assets to family trusts so that his life's work could be preserved over the long term—for the security of the company, the family and the employees.

Well, time has shown: The family has joined the company and today more family members are part of the company than ever before. Reinhold Würth still visits the company's offices nearly every day. His daughter Bettina decided to join the company early on and has been Chairwoman of the Advisory Board of the Würth Group since 2006. And in the meantime, the fourth Würth generation has also taken on more responsibility: Benjamin Würth as a member of the Supervisory Board of the Würth Group's Family Trusts and Sebastian Würth as a member of the Advisory Board of the Würth Group since 1 January 2019. Maria Würth has been a member of the Art Advisory Board for some time. The Würth family will also be active in the future—in business, but also in the other areas that are so important to Reinhold Würth.

COMMITMENT TO HOHENLOHE

The company is signaling a strong commitment to its home location in the form of the new transshipment depot directly next to the A6 highway in the Gewerbepark Hohenlohe industrial park with an investment volume of some EUR 73 million. From here, Würth bundles orders so that customers in Germany and throughout Europe receive only a single shipment. Another step towards more sustainability: less packaging, less filling material, fewer trips. This means that logistics optimization starts with the ordering process—and that's true even from the customer's point of view. For example, the customer can decide whether they want to receive items with longer delivery times in separate shipments. Satisfying customer wishes in this manner boosts Würth's service philosophy considerably.

Which in turn fits right in: Würth is a company with both a long tradition and distinctive attitude. Combined with continuity. With a strong family. With a common thread.

«EVERYTHING HAS ITS TIME.»

INTERVIEW WITH PROF. DR. H. C. MULT. REINHOLD WÜRTH,
CHAIRMAN OF THE SUPERVISORY BOARD OF THE
WÜRTH GROUP'S FAMILY TRUSTS

OF COW TAILS, RICE GRAINS AND KNOWLEDGE GIANTS

When you ask Reinhold Würth about growth, you get a wealth of answers. Growth means life and vitality, he says. Growth is part of everyday life, it's an expression of a living company. And of course, growth remains his goal for the future. But, how did he accomplish all of that? How did he guide the story of growth across years and even decades?

« If you think back to the time when you took over the business from your father, what would you have told someone who was predicting that you would achieve such growth?

You're just not normal! That's what I would have said. When my father died in 1954, we only had two employees, and as a breadwinner I had to make sure that my family, which consisted of my mother, my little brother and me, could survive. I never thought that the company would one day have 77,000 employees and annual sales of EUR 13 billion.

« But, you made it nevertheless. Can you tell us your secret?

I was always curious and wanted to know: What's behind the mountain; what's around the next corner? And it was fun too. For me, the company is more of a hobby, something that makes me happy, my purpose in life—and so the company has just grown to the size it is today.

« But just having fun isn't enough, is it?

You know, the world is full of people who are giants when it comes to knowledge, but it's also full of people who are dwarfs when it comes to accomplishing anything. In fact, everyone knows how to accomplish things. They could even have all of the knowledge from the largest libraries in the world in their heads, but if they sit in front of the TV with a beer in their hand, nothing ever changes.

What I have found out is: These kinds of developments, like the ones we have achieved, only work if you actually roll up your sleeves, continuously develop the company and keep asking the question: Could that work too? Is it possible to achieve this goal as well? That's my firm belief.

«AFTER ALL, WE ARE ALREADY DOING A CONSIDERABLE AMOUNT OF RESEARCH AND DEVELOPMENT TODAY.»

« And will this be continued forever?

Ultimately, there's a limit to everything. I'm aware that if we were to continue to grow at this rate, i.e. by ten percent a year, the whole world would belong to us in a few decades' time, because the absolute figures would become larger and larger. It's like this fable: A subject of the Emperor of China had a wish and said that he would like to have a chessboard with twice the number of rice grains on each square as on the previous square. The Emperor said: No problem, you shall have it. But if you do the math, with 64 squares, China's entire supply of rice would not have been enough to fulfill this wish. So that's life in general, it stops growing at some point.

« But that day is still far away, right?

Everything has its time: the time of becoming, the time of being and the time of passing away. What I would like to leave behind is a long life cycle. There are companies that are 1,000 years old like the Weihenstephan Brewery. My objective is to always keep the company youthful, in a state of becoming—to prevent us from drifting into a state of being where accountants and auditors reign supreme, where there is no more forward progress, where things are only administered and managed. It's important to me to prevent the company from drifting into the routine of boredom.

« Boredom is certainly not on the horizon for you: You are currently planning a large new innovation center. Can you tell us more?

After all, we are already doing a considerable amount of research and development today, which sets us apart from our competitors. At the innovation center, we will collaborate with three universities, each of which will have their own facilities on site. We'll have short pathways to transfer know-how gained from these universities into practice. I believe that these efforts will lead to tremendous progress for us and differentiate us from our competitors.

« You're thinking far into the future, you're a businessman through and through and at the same time, you're socially and culturally involved. Why?

There are several things at play here. The fine arts are the other side of life. Whenever I spent a day with a sculptor or painter in his studio in recent years, these days were like real vacations for me, a counterpoint to my professional work.

Another reason, of course, was that I wanted to build an art collection. We have 18,000 works of art in our corporate collection today. These pictures are on exhibit in Hohenlohe in three museums, which is a benefit for the employees and the people here in the region. The third component is the social arena, which is primarily my dear wife's domain. She runs the Hotel-Restaurant Anne-Sophie in Künzelsau together with people with disabilities. This enriches the lives of the people involved enormously, giving them the chance to enter the workforce. That makes me happy.

« You have a wide variety of interests, reading, traveling. Have you also grown personally throughout your life?

Well, of course, as I said before, I'm a curious person. I try to keep up with current affairs, be it politics, science or fiction. As time goes by, a certain amount of know-how accumulates—and my family is amazed at everything the old man knows when they ask me something. But grow my whole life? No, actually I'm growing into the ground like a cow's tail; I'm getting smaller and smaller at 83 years old!

innovat**ing**

«MAKING ROOM FOR THE SOLUTIONS OF TOMORROW TODAY.»

Würth is building an innovation center at its Künzelsau site

GROWTH NEEDS GOOD IDEAS

3D printing. Climate chamber. Seismology. Logistics research. What does that have to do with Würth? These things all represent our future. And the future is being built to the east of our logistics complex: our new innovation center, which will set another milestone in the company's history.

There has never been a lack of good ideas in our company: Reinhold Würth always thinks one step ahead anyway. Our developers are constantly improving our products and are researching the tools of tomorrow, with our customers telling us what they would like to have every day. So the fact that we are implementing ideas is nothing new. But now we are taking a big step forward in Künzelsau: with our own research center, where innovation will be the driving force.

COLLABORATION WITH UNIVERSITIES

In a space of some 15,000 square meters, state-of-the-art laboratories and workshops will be built, in which around 250 people are expected to work in the future: developers from Adolf Würth GmbH & Co. KG, and our subsidiaries as well as external researchers. A close collaboration with three universities has already been firmly agreed—our own expertise and innovative strength will be bolstered by external knowledge and ideas.

We are planning the equipment and design in close consultation with the future users: ultra-modern 3D printers will advance the additive manufacturing processes, we can carry out our own approval tests in a climate chamber and a certified anchor laboratory and we will place a strong focus on topics such as fasteners in earthquake-prone regions and the reinforcement of buildings and other structures.

INNOVATION FOUNDED ON TRADITION

However, even with all of our innovations, we remain true to our roots: Together, we will continue to develop new generations of screws, new tools and new fastening materials. Only we will be faster than before, rolling out new products onto the market earlier, implementing more ideas—both from our customers and our own. We have now laid the foundation for these goals—in the truest sense of the word.

The polygonal and expressive form in the architecture of the building underlines its importance as an innovation center.

«GROWTH IN THE MEADOW»

"Growing" refers both to "growth" and to "growing" in the present tense: now, at this moment. In fact, growth is everywhere at Würth and is now intended to take on an entirely new quality: through the innovation center currently being planned and built by Adolf Würth GmbH & Co. KG, the parent company of the Würth Group, in Künzelsau. An interview about faster innovation cycles and new generations of screws, 3D printers and potential for the future.

NORBERT HECKMANN
Chairman of the Management
Adolf Würth GmbH & Co. KG

THOMAS KLENK
Managing Director, Head of Product Management, Purchasing and Exports
Adolf Würth GmbH & Co. KG

« You have big plans for 2019: You want to take a big step forward with your innovation center. However: Do you even need something like that?

THOMAS KLENK

For us, it's important to make it clear that we are no longer just a screw dealer from Hohenlohe, but that there is much, much more to this company. When we have customer groups here taking tours through the company, who are able to experience how Würth works up close, we constantly hear: We never would have expected what we saw, what innovative power there is within the company.

NORBERT HECKMANN

Würth has always been and will continue to be a highly innovative company, and that is what we project. Our goal is to continue to evolve from a dealer to a manufacturer. Our objective for the future is to generate more than fifty percent of our sales from products that we have manufactured ourselves within the Würth Group. Of course, this also includes implementing ideas that our sales representatives and branch office employees receive from our customers and developing the best products from them.

THOMAS KLENK

And that's exactly what the innovation center will offer because of its laboratories and workshops, with a climate chamber and ultra-modern 3D printers. It will give us many new opportunities—opportunities we didn't have before. And it's being built right next to our corporate headquarters on a greenfield site. We want to strengthen our internal research, implement even more ideas and develop even more of our own products. With that goal in mind, we plan to collaborate even more closely with our affiliated manufacturers within the Group and intensify cooperation with universities.

« Are there any specific projects that are to be developed there?

NORBERT HECKMANN

There is more than enough to do, we're not lacking in ideas and plans. Let's take traffic as an example: In Germany, hundreds of bridges and tunnels need to be refurbished because they are crumbling. Our fastening products, which we have continued to refine through decades of research, can help to retrofit these structures and extend their service life by many years—for example, by using concrete screws without anchors that are then screwed deep into the structure. The innovation center will provide us with even better research opportunities in this field, and we want to do our part to protect the country from breakdowns in mobility.

THOMAS KLENK

At the same time, we also want to drive our core issues forward. For example, we're working on new, intelligent stocking systems for the skilled trades. Our ORSY® system rack—which is already able to recognize demand and reorder products—has enabled us to greatly simplify work for many of our customers. A system that was previously reserved for the industry—we are now able to offer it to all the trades. Our goal is to launch many more innovations of this kind.

» Specifically, who will be working in the innovation center?

THOMAS KLENK
On the one hand, of course, our own developers, but we also have many Group-owned manufacturers here with whom we want to cooperate even more closely and jointly develop products. And what's really special about this: We'll be collaborating with three universities, the Karlsruhe Institute of Technology KIT, the University of Innsbruck and the University of Stuttgart. These universities will send students and doctoral candidates here to our campus. They will collaborate with our employees, and employees from our subsidiaries, while preparing their theses on their research topics.

NORBERT HECKMANN
In addition, we hope that the innovation center will help to attract even more students to Reinhold-Würth-Hochschule in Künzelsau. It's a satellite campus of the Heilbronn University of Applied Sciences, offering eleven bachelor's and master's programs for 1,500 students, which could of course also benefit from the innovation center.

» Does this mean that the innovation center is also a kind of investment against the shortage of skilled workers that is becoming apparent everywhere?

NORBERT HECKMANN
Absolutely. This facility will have appeal far beyond the company. Much more than has been the case to-date, developers and researchers will have a much greater view of Würth as an innovative company and will come to our region because we can offer them even more modern jobs and development opportunities. And many of them will stay here, we're sure of that.

In addition, the innovation center is also intended to be an expression for the region of our aspirations for the future and a beacon for our company. We're going to take an active role in shaping the future! This way, the new center will benefit everyone.

» And that will lead to further growth?

THOMAS KLENK
Without question. The main objective of the innovation center is to shorten innovation cycles. It is also very important for us to bring new products to market more quickly by working much more intensively on research and development than ever before. We know exactly: When we introduce a new generation of our ASSY® wood screws, sales jump by fifteen to twenty percent and then continue to trend upward from that level. Accordingly, it is of course enormously important for us not to wait ten years from one innovative leap to the next, but to shorten the whole cycle to perhaps four or five years.

NORBERT HECKMANN
The growth gene is practically a part of Würth's DNA. This applies not only to every area of the company, but also to the innovation center of course. In other words: Yes, the innovation center is certainly intended to promote further growth. And it will.

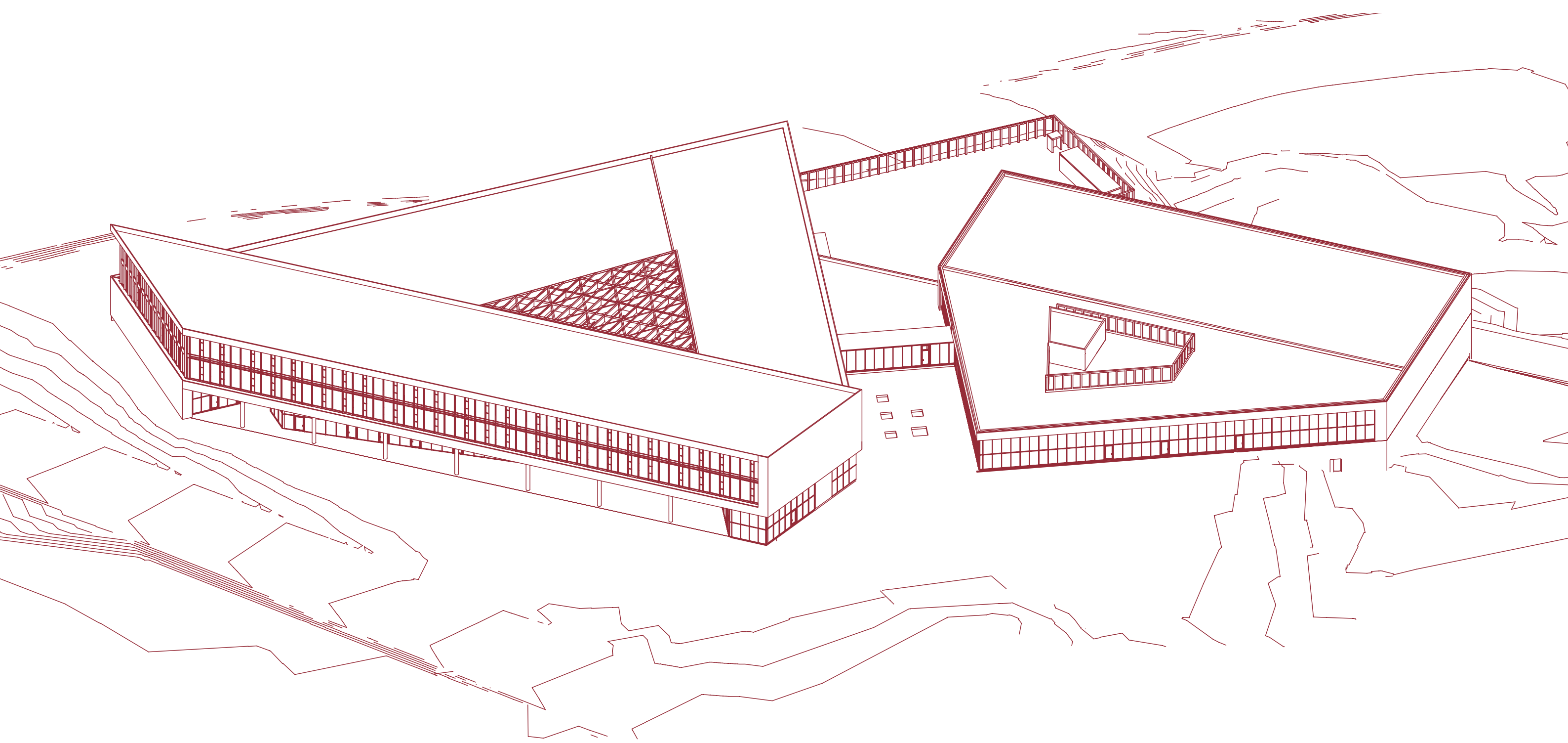
» You have chosen "growing" as your central theme and you speak of a "growth gene". However, if you look at Würth's constantly rising figures, you have to ask yourself: Given the size Würth has already reached, is there really that much more potential?

THOMAS KLENK

We've only recently taken a look at this topic: If we assume that there are USD 300 to 600 billion to be had in our market segment, then we are still a small, very small player today, even though we are one of the larger players in the industry. There's huge potential there that we can still unlock. In other words: We're not worried about the future, we just have to do everything right.

NORBERT HECKMANN

The good thing is that we have market shares of two, five, seven, ten percent at most, regardless of which segment we look at. This means: We also have additional growth potential of between 90 and 98 percent. So we don't need to think too much about opportunities, about potential. It's just a question of having the right attitude in your head and heart, then it's about moving forward.



loving

«WE WANT TO INSPIRE
WHAT INSPIRES US:
TRADESPEOPLE.»

Würth supports EuroSkills 2018

GROWTH NEEDS PASSION

What would our country be without its tradespeople? Without the people who build our houses and our streets, who lay our power lines, who tile our bathrooms, who repair our machines and cars? What would we do without the passion of those who plaster, paint, who are experts in paint and materials, cables, metal and wood?

At Würth, we know how important the trades are for all of us—after all, we work with tradespeople every day. This shows us first-hand how innovative skilled trades have become: Today, the timber construction industry works with drones, spare parts come from the 3D printer and tools are managed digitally. Innovations? They have already become commonplace in the trades.

COMMITTED TO SKILLED TRADES

But we also know how difficult it is for the entire industry to find specialists and young talent. This is why we are passionately committed to the trades, even beyond our day-to-day work. Last year, we signed a cooperation agreement with WorldSkills Germany e.V., whose umbrella organization, WorldSkills, organizes the world and European championships of the trades. Würth was actively involved for the first time in September 2018, when hundreds of young tradespeople from 28 countries competed against each other at the European Championship in Budapest: We equipped the German national team and individual competitions with tools and products, organized the closing ceremony for the German team, and Würth Hungary was an event sponsor.

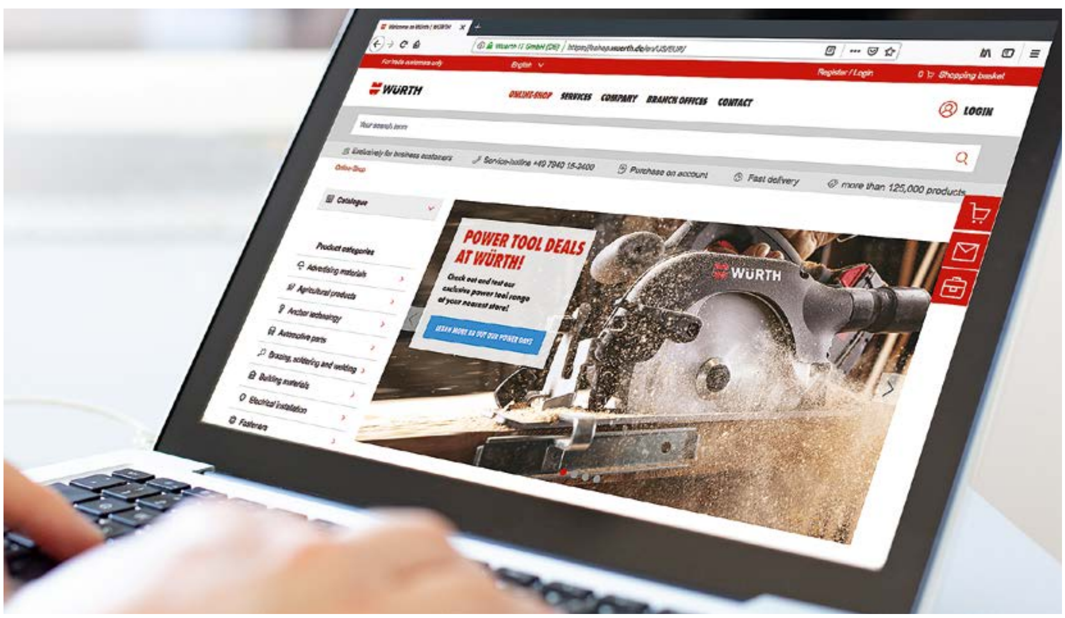
« A trade in hand finds gold in every land: This old adage may be truer today than ever before.»

Passion and perfection: a stonemason at the European championship of the trades

SUPPORT AS A MATTER OF CONVICTION

To experience the next generation of skilled tradespeople in this extraordinary setting was a special experience for us. We became even more aware of how highly qualified and motivated they are—and that it is worth supporting them to the best of our ability. A trade in hand finds gold in every land: This old adage may be truer today than ever before. That's why we will continue our commitment: to accompany the next generation on their way to an exciting, challenging and digital future. And, of course, the skilled trades as a whole—through our products, through our service, through our passion for their work.

sharing



«SHARING OUR INFORMATION
WHERE OUR CUSTOMERS
ARE LOOKING FOR IT.»

caring

GROWTH NEEDS PROXIMITY

Sometimes you just need screws at three in the morning. Or sometimes new work gloves at five in the morning. Or a pipe clamp late at night. Whenever, for whatever the reason: When we say that we are always there for our customers, we mean just that.

This is why we opened our first Würth24 branch office in Vöhringen directly next to the A7 highway in 2018: 500 square meters of sales space, 4,500 products, open from Sunday at midnight through Saturday at midnight. Customers have access outside regular opening hours via the Würth App. The most innovative technology electronically tracks products and orders. And because not every tradesperson is always close to Vöhringen, we are planning to expand this service: We plan on opening additional 24-hour branch offices in 2019.

Shop around the clock: the first Würth24 branch office in Vöhringen directly next to the A7 highway. Digitalization makes it possible to link e-commerce with brick and mortar sales.

ALWAYS ON CALL

Service 24/7: We take that literally—in Vöhringen as well as in our online shop, where we are available 24 hours a day, seven days a week. We offer more than 125,000 products there; fast delivery is guaranteed. And we also do everything else to make our customers' work easier every day: with e-procurement, which electronically records the entire ordering process right up to delivery. Or with our ORSY® system rack, which automatically recognizes inventory levels and reorders products—and these are just two examples of many.

ON SITE AND WITH THE CUSTOMER

We take our aim of being close to our customers just as literally. Customer proximity is almost in our genes, since our success story began with a strong sales force. In the 1950s, Reinhold Würth personally drove from one customer to the next, a service that the tradespeople really appreciated even then. And this approach is anything but old-fashioned to this day: Day after day, thousands of our sales reps all over the world are on their way to tradespeople. We also have a local presence with more than 480 branch offices in Germany and over 1,900 around the world.

«That's the kind of proximity we're striving for. The importance we place on being close to our customers—that has always been and will always be a part of Würth.»

having fun

«TEST YOUR OWN LIMITS WITH A SENSE OF JOY AND ADVENTURE, AND PUSH BEYOND THEM.»

In sports, in business, in life

GROWTH NEEDS ENTHUSIASM

When a company invests in art, when it builds a concert hall and has its own philharmonic orchestra, when it hires disabled people in a hotel and invites all employees to celebrate its successes—does that still have anything to do with growth? Doesn't this mean spending a lot of money on areas that don't show a return? In short: At Würth, are we doing far too much that has nothing to do with tradespeople, screws, business?

COMMITMENT TO SOCIETY

We are certain: No, we aren't. If you ask Reinhold Würth whether his family's social and cultural commitments have contributed to growth, he always says that it obviously didn't hurt in the least. But in the end, that was never his concern: He wanted to get involved, so he did. He is enthusiastic about art and music, he wants to give something back to his employees and society, and that's what counts.

A WIN FOR EVERYONE

After all, this benefits everyone: the employees in Künzelsau, to whom he says thank you with joint celebrations—and who, on their way to the office, pass directly by top-class art and people in the region who get to see artists at Carmen Würth Forum who otherwise only perform in big cities. The local economy, which benefits from conventions and congresses there as well. Sports that can ultimately achieve great things with financial support—to name but a few. Of course, the Würth company, whose name is associated with these places and events, also benefits at the end of the day.

In turn, all of these things contribute to the enthusiasm and motivation of many of those who work for the company. After all, each and every one of them is part of society, lives in the region, hears what people say. And perhaps they are happy when an exhibition, a concert, a donation has been well received. It's something that comes from Würth—with full conviction, even if it has nothing to do with business.

«Thank you is the most important thing to say when interacting with others—a fundamental principle of our corporate culture. And we live by this principle—inside and outside of the company.»

working

«WE WORK SO THAT OUR CUSTOMERS ARE BETTER ABLE TO GROW.»

Committed to the skilled trades

GROWTH NEEDS HARD WORKERS

Imagine if Reinhold Würth had said at the beginning: It's easy to sell screws, that's what I'll do, but only here in the region, perhaps from a small shop. A customer or two will happen by in any case. What would have happened?

He probably would have been successful as a small businessman. He would have made a living. But Reinhold Würth wanted more. He went to the customers, offered his products tirelessly, constantly drove the business forward. He has always "put forth his best effort," as he himself puts it, and demanded the same from everyone else. Gladly with a smile, but above all with passion and great dedication. He has constantly expanded his radius, both regionally and in terms of services. We all know the story.

ALWAYS ONE STEP FURTHER

In principle, this is still the case today, there is no standing still at Würth. Rolling up your sleeves plus courage, curiosity and innovation equals growth: Maybe success can be boiled down to this formula. Of course, developing the next generation of screws and new tools can be stressful sometimes. But we do it, every time. Of course, it's a lot of work to found new companies and integrate them into the corporate group. But we have done it again and again, and this process has driven us forward. Of course you don't have to offer more services all the time, but we know: If we want to keep growing, that's the right way to go.

ALWAYS READY TO ROLL UP OUR SLEEVES

That's why we look for ways to bring even more value to our customers every day. For example, we organize seminars for tradespeople, from anchor technology and joint sealing to construction contract law. And we've set up a 24-hour shop, with plans to open even more. We are constantly developing new products that simplify or completely change the work of tradespeople—our current projects include battery chargers that fit all our equipment and a unique concrete bolting system that significantly increases the service life of bridges and other concrete structures. With our new innovation center, we will be able to advance even further.

In short: It goes without saying that we will continue to roll up our sleeves and work. For our customers, for even more service—and of course for more growth.

Developed based on ideas from tradespeople, manufactured by Würth. Insight into the technology of the new cordless drill driver ABS 18 COMPACT

Art /// Education /// Culture
Support /// Awards
Sponsorship /// Foundations
Exhibitions /// Concerts
Architecture /// Events

growing commitment

Diversity fascinates. It produces wonderful things, celebrates differences, trusts the unknown, makes the world big and wonderfully colorful.

Diversity can be discovered in many places: It can be heard through music, presents its face in the arts, speaks in the words of every language, and can be found in every single person. And, in doing so, it creates understanding for the fact that peace and freedom only exist in global coexistence without boundaries.

That is why we are committed to making this world, our world, colorful. This helps all of us grow together.

With its cultural program, Carmen Würth Forum has created highlights in the region's cultural landscape that have proven to be very popular.

At the summer concert performed by the orchestra Würth Philharmoniker as part of the Würth Open Air, world star Rolando Villazón gave a guest performance at Carmen Würth Forum.

EXPERIENCING ART AND CULTURE

Art and culture are inextricably linked to Würth as a company. The company's strong presence and wide range of activities in the context of the Würth Collection, which features more than 18,000 works of art, reflect, and result from, a corporate culture that Würth truly lives and breathes. Carmen Würth Forum and Würth Philharmoniker enrich this special entrepreneurial commitment.

CARMEN WÜRTH FORUM

In record time, Carmen Würth Forum, designed by David Chipperfield Architects and inaugurated in 2017, has matured into a meeting place with appeal far beyond the region. The power of art and culture in everyday business life as well as the economic success of the company manifest themselves here as a beacon that can be seen far and wide. The chamber music hall in the Forum, Reinhold Würth Hall, seats an audience of 580. The Great Hall can accommodate up to 2,500 visitors and the open-air grounds around 10,000. Be it conferences, readings, award ceremonies or concerts for connoisseurs and beginners—the top-class events were well attended all year round. The ambitious hall has also proved itself as a venue for technically and logistically complex challenges: On 16 October 2018, amateur radio enthusiasts from the German Amateur Radio Club (DARC) were able to establish a live radio link to the International Space Station ISS from Carmen Würth Forum. Alexander Gerst, the space station commander born in Künzelsau, called out to the 1,000 students who had been invited to Carmen Würth Forum on this occasion: "I hear you loud and clear."

UNESCO peace concert to commemorate the centenary of the end of World War I

WÜRTH PHILHARMONIKER

Reinhold Würth took the initiative to found an orchestra: The lover of classical music wanted to share his passion and give something back to his home region, to which he feels a strong connection. Würth Philharmoniker make music an integral part of the company's cultural activities. Their repertoire ranges from classical to modern and includes select chamber music concerts as well as contemporary music from Astor Piazzolla to Philip Glass and specially commissioned new compositions. The orchestra will perform as Carmen Würth Forum's "orchestra in residence" and will enrich the cultural offerings not only at Würth but also throughout the entire cultural region of Hohenlohe. The response to the orchestra has been extremely positive. All of the concerts for the first season featuring star soloists such as Anna Netrebko and Rolando Villazón were sold out. The crowning finale of the first season was a tour of the United Kingdom and Ireland by Würth Philharmoniker. In October 2018, the orchestra started its second season in front of yet another full house.

Award-winning journalist and presenter Dunja Hayali was the finale of the series "Miteinander Achtsam Leben – Wie kann das gelingen?" ("Living together with mindfulness—how can we do that?"). She spoke about freedom of the press in times of social media.

WÜRTH OPEN AIR

More than 18,000 visitors enjoyed the celebrations at the three-day Würth Open Air event on the grounds of Carmen Würth Forum in Künzelsau. Würth Philharmoniker, conducted by Elisabeth Fuchs, kicked off the event. Star tenor Rolando Villazón transported the audience to Italy and Brazil with his sublime singing skills. József Lendvay beguiled the classical audience with Paganini's Violin Concerto No. 1 on the Stradivarius owned by the Reinhold Würth Music Foundation.

On the second day, talented songwriter Tom Gregory opened the concert and made the audience break out in song. Next up was German pop: The audience danced enthusiastically to the music of pop singer Johannes Oerding and the electro-pop duo Glasperlenspiel. Baden-born singer Max Giesinger inspired the crowd with his title "80 Millionen". The ambiance at the festival changed once Berlin-based singer, producer and composer Fritz Kalkbrenner took to the stage: As the main act of the evening, he transformed the festival area into an open-air disco with a breathtaking light show.

The 19th Würth Open Air was rounded off by Finnish rock band Sunrise Avenue, which thrilled 10,000 visitors with a balanced mixture of rock, pop and ballads. Opening acts Dr. Feelgood, Matt Beilis and Niila also provided for a great atmosphere.

Samu Haber with Sunrise Avenue at the 2018 Würth Open Air

CULTURAL CENTER "KULTURHAUS WÜRTH" WITH THE LIBRARY "FRAU HOLLE"

The cultural center "Kulturhaus Würth" with the library "Frau Holle" has enriched cultural life in Künzelsau since 2017. The establishment was created on the initiative of Carmen Würth. The reference library contains over 7,000 works from her private collection—from narrative literature and specialized texts to guidebooks and rare works. A new addition is the option of holding civil and non-confessional marriage ceremonies in the "Frau Holle" library.

Under the motto "Achtsam Leben – Wie kann das gelingen?" ("Living together with mindfulness—how can we do that?"), there were over 60 events including lectures, readings, children's programs, seminars, and courses in 2018. Guest authors included Ranga Yogeshwar, Axel Hacke, Christian Ritter, Stefanie Ritzmann, chief inspector Karlheinz Gaertner, Hatice Akyün, and Dunja Hayali. "Kulturhaus Würth" was very well received right from the start, attracting over 9,000 visitors last year. Special emphasis is placed on activities for children and adolescents. One highlight was the participatory theater for children aged four and up, specially designed for the "Frau Holle" library. Conceived and performed by the ensemble of the children's and youth theater "Radelrutsch" from Heilbronn, it will be performed again in 2019.

"Apples and Pears and Other Vegetables—Fruit Paintings
by Korbinian Aigner in Dialog with the Würth Collection"
at Museum Würth in Künzelsau

MUSEUM WÜRTH, KÜNZELSAU

"Apples and Pears and Other Vegetables—Fruit Paintings by Korbinian Aigner in Dialog with the Würth Collection" is dedicated to the legacy of the remarkable Bavarian pastor and pomologist. He cultivated new varieties of fruit and documented hundreds of magically drawn apple and pear portraits on cardboard. As an avowed opponent of the National Socialists, he was imprisoned and continued his cultivation work in the Dachau concentration camp, countering the racial madness of the Nazi regime with the beauty of diversity. The show was created in cooperation with the TUM archive of the Technical University of Munich—the owner of the Aigner estate.

JOHANNITERKIRCHE, SCHWÄBISCH HALL

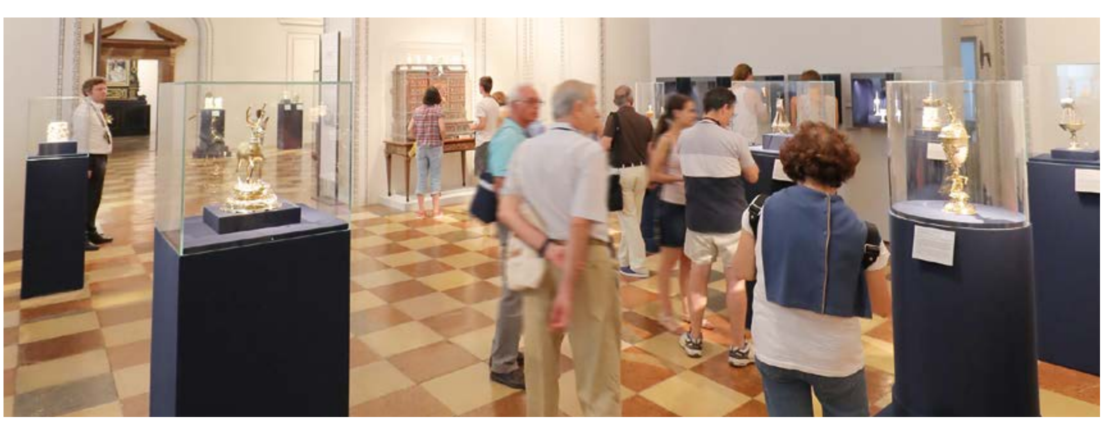
The event year at Johanniterkirche included special guided tours and extensive analyses of paintings. Johanniterkirche hosts the outstanding collection of Old Masters in the Würth Collection, which, in addition to works by Cranach, Riemenschneider, etc. also contains the "Madonna of Jacob Meyer zum Hasen" by Hans Holbein the Younger, one of the most famous and beautiful paintings of the 16th century. On the occasion of the 10th anniversary of the museum church from the 12th century, the Munich Boys' Choir performed festive Advent music in the evocatively illuminated churchyard on 16 December.

KUNSTHALLE WÜRTH, SCHWÄBISCH HALL

“Hidden Treasures from Vienna” fascinated almost 100,000 visitors with pieces from the art collections of the Academy of Fine Arts Vienna through April 2018. Eloquent art connoisseurs such as art professor Ben Willikens and art consultant Countess Marie-Catherine Douglas were also honored to present their exhibition favorites at the event “Rendezvous with Art”. “As Far as the Eye Can See”, an opulent selection of exciting acquisitions of international art in the Würth Collection since 1960, has been on display since April. The often enormous formats of international stars such as Brian O’Doherty, Elger Esser, Peter Halley, Alex Katz, Anselm Kiefer, Martin Kippenberger, Robert Longo, Yan Pei-Ming, Sigmar Polke or Marc Quinn are partly abstract, partly realistic and not infrequently challenging, yet they question our familiar way of interacting with the world time and again. The accompanying program to the exhibition also scored points, at the joint reading by Max Urlacher and Charles Brauer in March 2018, for example, or in July, when Peter Lohmeyer’s reading from F. C. Delius’ “Der Sommer, in dem ich Weltmeister wurde” (“The Summer in which I Became World Champion”) gave comfort to all those who were troubled by the early elimination of the German national soccer team from the World Cup in Russia.

WÜRTH COLLECTION ON TOUR

“There is no way around the Würth Collection in Salzburg,” reported the Salzburg Kronenzeitung newspaper on 18 May 2018. In the cathedral city, citizens and travelers not only encounter sculptures from the Würth Collection in the garden near Arenberg Palace, but also on the inner-city Walk of Modern Art. From May 2018, the Cathedral Museum also became a hotspot for art lovers: For the exhibition “Art to wonder at. Treasures from the Würth Collection”, Reinhold Würth exhibited precious works of art in the cathedral quarter of his adopted home of Salzburg, the exquisite beauty of which quickened the hearts of the large number of international visitors. Chambers of art and curiosities, for which such exquisite objects, rarely larger than the size of a hand charmer, were produced, arose during the 16th and 17th centuries at and for the princely courts of Europe, and were intended to reflect the exploding knowledge of the world. The passions of the collectors living at the time could be kindled both by the precise mechanism of an iron lock as well as by breathtaking, minutely detailed objects made of ivory. Almost everything that seemed essential at the time belonged in an art chamber: Nautilus goblets, painted tankards and tins, ivory reliefs, rare natural objects, wondrous items, automatons, and much more besides. The creative interplay between connoisseurship, in which no subtlety remained undiscovered, and the highest artistic standards engendered such fascination that the exhibition was extended.



In 2018, the Würth Collection went on tour as part of the exhibition “Art to wonder at. Treasures from the Würth Collection” at DomQuartier Salzburg.

View into the restored
Cappella Palatina in Palermo

CORPORATE ART AWARD

On 28 November 2018, the "sustainable cultural commitment of the Würth Group" was honored with the Corporate Art Award® 2018 "Art Patrons of the XXI. Century". The event took place at the European Parliament in Brussels during the celebration of the European Year of Cultural Heritage 2018. The prize honors institutions, companies and private investors who actively contribute to the promotion of art and society. C. Sylvia Weber, Executive Vice President of the Würth Group for Art and Culture, emphasized in her acceptance speech: "Art and the great variety of activities related to this subject are part of the great corporate culture at Würth."

HONORARY CITIZENSHIP OF THE CITY OF PALERMO

Professor Reinhold Würth was awarded honorary citizenship of the city of Palermo. At a ceremony on 12 September 2018, Mayor Leoluca Orlando awarded the city's highest tribute at Teatro Santa Cecilia not far from Cappella Palatina, the reason for the honorary citizenship: a 12th century building in which Arab, Byzantine and Norman influences blend into a unique work of art. Reinhold Würth had worked tirelessly for its restoration and repair. He had already been awarded an honorary doctorate by Università degli Studi di Palermo in 2007.

A commitment to the future:
Würth promotes and supports the next generation of skilled trades.
Ceremonial opening of EuroSkills 2018 in Budapest

SHARING COMMITMENT

When a company is awake, committed and supportive in its social environment, many receive encouragement and recognition for their outstanding skills and achievements from such a company, be it in the cultural, sporting or social field. Würth has been repeatedly honored for its commitment as well. This means that shared commitment is often double the joy.

WÜRTH FOUNDATION

The Würth Foundation was founded by Reinhold and Carmen Würth in 1987. The Würth Foundation focuses on promoting projects in the Hohenlohe region, the home of the Group. It is a foundation with legal capacity under civil law that pursues charitable purposes.

The Würth Foundation promotes projects in the fields of arts and culture, research and science as well as training and education. Social projects related to the integration of refugees and migrants whose refugee status has not yet been determined also receive support. The Hohenlohe Integration Center was established together with the Hohenlohe district for this purpose. The Würth Foundation is also the supporting organization of the Competence Center for Economic Education and the educational institutions Freie Schule Anne-Sophie in Künzelsau and Berlin. Moreover, it serves as the trustee administrating the funds of the Foundation for the Promotion of Reinhold-Würth-Hochschule of Heilbronn University of Applied Sciences in Künzelsau.

EUROSKILLS 2018

At the end of September 2018, around 530 participants from 28 countries competed for a place on the podium at the European championship of the trades in Budapest. Würth products were also used in the competition to win the medals. In addition to the entire German national team, Adolf Würth GmbH & Co. KG also equipped individual competitors with Würth products. Würth Hungary was the official event sponsor. As a member of WorldSkills Germany e. V., Würth also hosted this year's German Evening in Budapest, at which the participants were able to celebrate lavishly with their friends, families and partners after the exhausting days of competing at EuroSkills. Würth supports the next generation of tradespeople with these efforts.

SPECIAL OLYMPICS GERMANY

The partnership with Special Olympics Germany (SOD) initiated by Carmen Würth has been an integral part of Würth's social commitment for 10 years. Over 800 employees have been involved in the summer and winter games of this extraordinary sports organization for people with mental and multiple disabilities. This commitment has become so popular that Würth helpers are now selected by lot. Seventy volunteers from Würth were present to provide support at the 2018 national summer games in Kiel. During the table tennis competitions, 325 SOD athletes required assistance and the volunteers also acted as referees at the tables. This involvement was appreciated by the athletes, helpers and all participants. 2018 was a particularly important year for Special Olympics Germany: The decision was made to hold the 2023 World Games of Special Olympics in Berlin!

Bettina Würth receives the 2018 B.A.U.M. Environmental Award from Mathias Samson, State Secretary in the Hessian Ministry of Economics, Energy, Transport and Housing (third from left) and members of the B.A.U.M. Executive Board.

UNICEF

During the worldwide ride-along campaign RW WORK-OUT Week, Würth customers had the opportunity to purchase a limited edition magazine screwdriver. For every screwdriver sold, the Würth Group donated one euro to UNICEF. Some EUR 120,000 were collected as a result of worldwide sales efforts. During RW WORKOUT Week, in-house staff accompany their co-workers in the sales force on their daily customer visits in order to promote cooperation and the exchange with each other. The donation benefits a social project in the Philippines supported by UNICEF. The Molave Youth Home in Quezon City looks after children and adolescents who have run into trouble with the law, helping to reintegrate them into society and giving them a fresh start.

B.A.U.M. ENVIRONMENTAL AWARD

In September 2018, Bettina Würth received the B.A.U.M. Environmental Award in the Large Enterprises category. The Federal German Working Group for Environmentally Conscious Management is the largest corporate network for sustainable management in Europe and pursues the goal of increasing the awareness of companies, municipalities and organizations for the concerns of preventive environmental protection and the vision of sustainable economic development. Part of the jury statement noted that, "as a member of the Group management and as Chairwoman of the Advisory Board, Bettina Würth has advanced the issue of sustainability within the Würth Group. As a wholesaler for trade, construction and industry, the family-owned company also sets standards for the industry with Cradle to Cradle® certification, especially when it comes to resources." Adolf Würth GmbH & Co. KG released the first status report on sustainability at the award ceremony entitled "Develop. Share. Grow.".

B.A.U.M. Environmental Award 2018
in the Large Enterprises category

CLUSTER MUSEUM ERNSBACH

The founding of Arnold Umformtechnik in 1898 was the impetus for industrialization in Hohenlohe and the basis for the further development of this cluster of the screw and fastening industry that now comprises well over 20 companies in the region. Professor Reinhold Würth recently initiated an exciting project that documents the knowledge of this history, the development of technologies and the social contributions made by these companies. A museum and meeting place is now being created in Arnold's first company building, a historic brick mill in Ernsbach. The most striking feature of this project is its sponsorship: On 3 September 2018, 15 companies founded a non-profit association that

Donation from worldwide sales campaign: Michael Frank (left), Head of International Direct Selling, and Bettina Würth hand over the donation check to Dr. Jasper Bröker, Head of Corporate Partnerships at UNICEF.

would jointly design and operate the museum across all company and competition boundaries. The Association for the Promotion of the Cluster also receives support from the City of Forchtenberg and the Hohenlohe district.

WÜRTH PRIZE FOR LITERATURE

In October 2018, Carola Gruber and Yael Inokai were awarded the 29th Würth Prize for Literature by the Würth Foundation. The prize is endowed with a total of EUR 7,500 and has been awarded in cooperation with the University of Tübingen since 1996. Author Håkan Nesser presented the topic of the call for submissions during his Tübingen Poetry Professorship at the University of Tübingen in 2017. It was: "A yellow shoe." The Würth Prize for Literature is a prize created for the next generation of authors. The prize is awarded to works of prose of around 10,000 characters that convincingly use language in a novel way. The texts are presented to the jury anonymously. 83 texts were submitted. Carola Gruber from Munich received the first prize of EUR 5,000 for her text "Schon gut" ("Enough Already"). "Even though the story is told in an emphatically factual way, almost recorded, we are on unsafe ground, because the ground seems to give way again and again and the story almost vibrates," noted Thomas Scheuffelen, member of the jury, in his laudation. The second prize of EUR 2,500 went to Yael Inokai from Berlin for her short story "Der Ausländer" ("The Foreigner").

The award-winning texts, along with selected works from the remaining submissions, were included in an anthology published by the German publishing house Swiridoff-Verlag.

Reinhold Würth among the award winners:
The orchestra STEGREIF.orchester from Berlin
receives the 2018 Würth Prize
of Jeunesses Musicales Deutschland.

WÜRTH PRIZE OF JEUNESSES MUSICALES DEUTSCHLAND

In September 2018, the Würth Foundation awarded the orchestra STEGREIF.orchester the Würth Prize of Jeunesses Musicales Deutschland (JMD), endowed with EUR 15,000. “The musicians of STEGREIF.orchester see a sacrilege more in the fact that music—that has been around for a long time and has become so self-evident to us—is consumed casually and without understanding rather than being dissected curiously and questioned anew with regard to its individually inspiring aspects. This process is revealed to the audience in order to take them on this journey of discovery. Familiar performance conventions are replaced by a staging that clarifies the musical discoveries, making this sonorous reflection appear as a new, conclusive concept of a dynamic artistic product,” according to the JMD Presidium.

The award was presented by Professor Reinhold Würth and JMD President Johannes Freyer at Carmen Würth Forum in Künzelsau. The prize has been awarded since 1991.

WÜRTH PRIZE FOR EUROPEAN LITERATURE

Christoph Ransmayr, born in Wels, Upper Austria, in 1954, was awarded the Würth Prize for European Literature, endowed with EUR 25,000, by the Würth Foundation in May 2018. The prize, which honors literary efforts to promote Europe’s cultural diversity, has been awarded bi-annually since 1998. Over the last thirty years, the world traveler from Upper Austria has explored the earth to its remotest and wildest regions and made hiking his favorite form of writing. “For Ransmayr, the curiosity of the traveler, his willingness not merely to judge the world, but to experience it and to immerse himself in it, are among the prerequisites for narration. He has spatialized the narrative. Ransmayr maps his personal world atlas in his novels and essays. He always tells stories beyond our time and horizon of expectations. He invents possible worlds outside of common accessibility, enlivens past worlds and transforms history into powerful myths,” says jury member Sigrid Löffler.

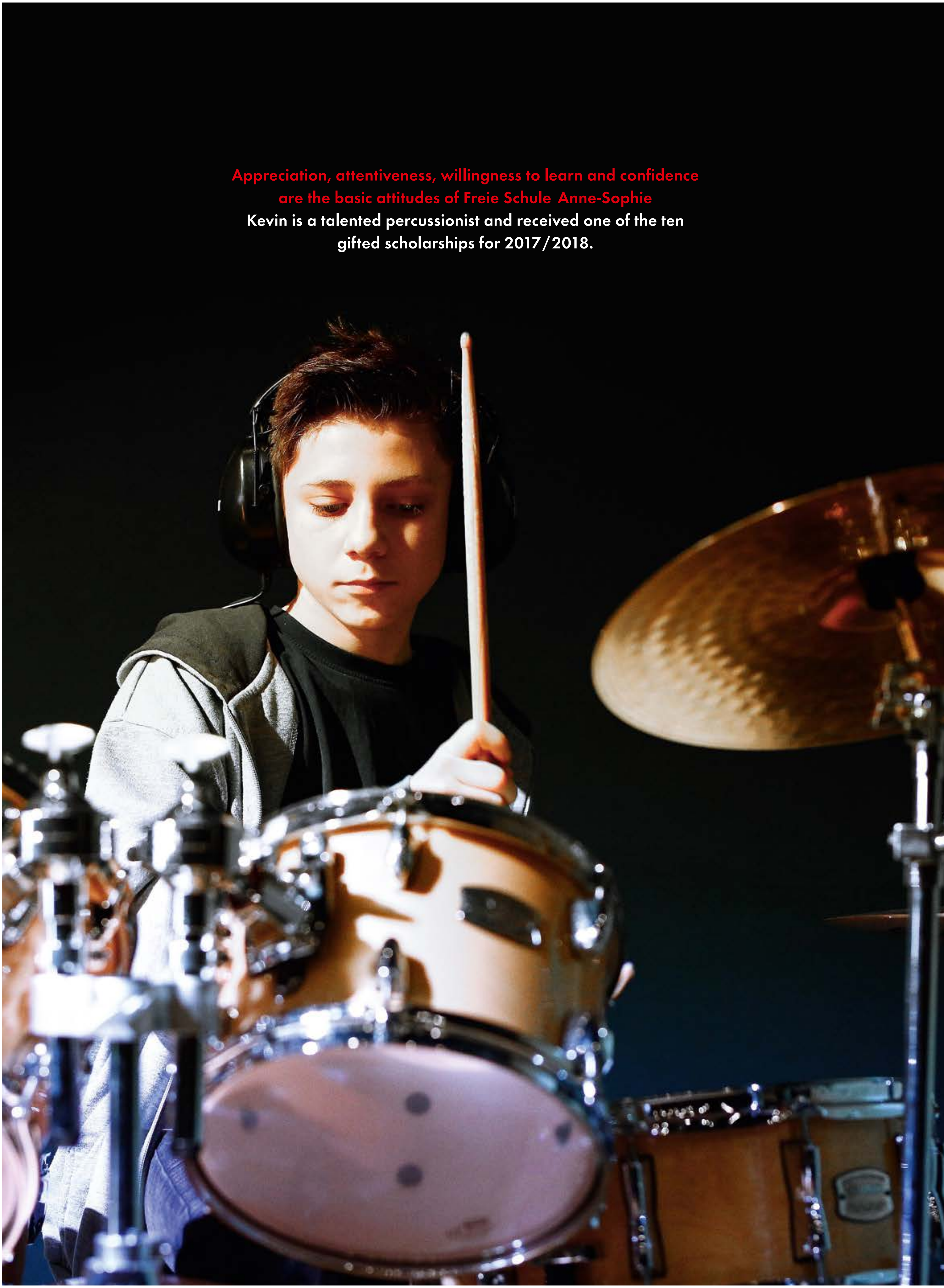
In spring 2018, the kitchen of Hotel-Restaurant Anne-Sophie was renovated and equipped with the latest technology: More space and comfort as well as shorter distances to the new cold storage make working easier for all employees.

HOTEL-RESTAURANT ANNE-SOPHIE

"Everyone can do something," is how Carmen Würth summarizes her commitment to helping people with disabilities in a very modest manner. Carmen Würth devotes her time to bringing people with and without disabilities together in order to foster understanding and acceptance. One good example of her determination is Hotel-Restaurant Anne-Sophie in Künzelsau. Learning from one another, being there for each other—this describes working life for the employees at the hotel that she called into being. In the kitchen, in service, in housekeeping: Everyone pitches in, with or without disabilities. Carmen Würth's aim is to use Hotel-Restaurant Anne-Sophie to show guests that this concept can be a recipe for success. The hotel currently employs a workforce of 90, around one quarter of whom have disabilities.

REPRESENTATIVE OFFICES

Würth attaches great importance to critical exchange. Würth Haus Berlin and Würth Office Brussels have established themselves as key dialog forums for German and international politics, especially when discussing matters of international trade. In light of increasing trade conflicts in our ever more closely knit world, communication between businesses and the international institutions and governments is becoming a central challenge. Würth strictly advocates free and rule-based world trade. Listening and understanding, but also articulating and commenting—this is how Würth believes debate should take place with business and industry, at discussion rounds, conferences and receptions. Both representative offices also offer a platform for cultural events in order to convey our understanding of commitment in a hands-on manner. Our aim is to be open so that others can be open with us.



Appreciation, attentiveness, willingness to learn and confidence are the basic attitudes of Freie Schule Anne-Sophie
Kevin is a talented percussionist and received one of the ten gifted scholarships for 2017/2018.

SHAPING EDUCATION

Human beings take center stage. Würth turns this belief into direct action. This is why the Würth Group has a large number of facilities that contribute to the personal and professional development of its workforce and their families, but which are also aimed at our customers and other interested individuals outside the Würth world.

FREIE SCHULE ANNE-SOPHIE KÜNZELSAU AND BERLIN

"Every child should leave Freie Schule Anne-Sophie as a winner." This was Bettina Würth's motivation when she founded the full-day school in 2006, featuring its own educational concept of target- and performance-oriented learning in a stimulating environment. Focus is placed on encouraging autonomous learning and the development of social skills. The aim is to ensure that the learning partners leave the school as autonomous, independent individuals. Small learning groups, individual learning support, the use of digital media and a stimulating environment combine achievement with the idea of learning as a fun activity.

The school is a state-approved private school and offers all types of schooling, from elementary school to (technical) secondary school and high school. The sister school in Berlin was opened in 2011. Freie Schule Anne-Sophie in Berlin is also a state-approved full-day school (elementary school and secondary school) with a focus on bilingual education in German and English.

In October 2018, Freie Schule Anne-Sophie Künzelsau received the "Global Ethic School" award from "Stiftung Weltethos" (Global Ethic Foundation) in Tübingen for its commitment to value-based education and the promotion of interreligious and intercultural dialog.

In October 2018, Freie Schule Anne-Sophie Künzelsau received the "Global Ethic School" award from "Stiftung Weltethos" (Global Ethic Foundation) for its willingness to include the idea of a Global Ethic in its curriculum, to act in accordance with the values of the Global Ethic, and to communicate these values to its students. Bettina Würth accepted the prize.

Start of construction for the expansion
of Reinhold-Würth-Hochschule in Künzelsau

UNIVERSITY PROMOTION

The Foundation for the Promotion of Reinhold-Würth-Hochschule of Heilbronn University of Applied Sciences in Künzelsau has been active since 2005. The Künzelsau campus is one of four campuses belonging to Heilbronn University, boasting just over 1,500 students. The university offers eleven hands-on courses of study leading to bachelor's and master's degrees in business and technology subjects. The foundation's work helps to strengthen the university itself, as well as research and education in the region. The foundation ensures that the laboratories and university facilities have the best possible resources and that all students can enjoy first-rate international encounters. Reinhold-Würth-Hochschule celebrated its 30th anniversary in the fall.

NEW CONSTRUCTION AT REINHOLD-WÜRTH-HOCHSCHULE OF HEILBRONN UNIVERSITY OF APPLIED SCIENCES

The ground-breaking ceremony for the extension of Reinhold-Würth-Hochschule of Heilbronn University of Applied Sciences was held on the Künzelsau campus at the beginning of June 2018. The additional buildings include a lecture hall building as well as an institute building for university-related activities. The area available for the project is approximately 6,000 square meters. The tenant of the institute building is the association Innovationsregion Hohenlohe e.V., which leases the ensemble to three different leasing partners. The association represents many Hohenlohe companies, offering them the opportunity to carry out research and development in the institute building.

The Würth Foundation is committed to this further expansion of Reinhold-Würth-Hochschule with a total investment of almost EUR 17 million. Subsidiary Würth Elektronik is also supporting the project and is moving its research and development department into the new building; it will also house an in-house institute and the regional digital hub. Completion is scheduled for winter semester 2019/20.

COMPETENCE CENTER FOR ECONOMIC EDUCATION

Professor Reinhold Würth is committed to promoting financial literacy among young people. The entrepreneur set up the Competence Center for Economic Education in 2005 under the umbrella of the Würth Foundation. The Competence Center for Economic Education aims to improve knowledge of economic processes and entrepreneurial spirit among students and teachers alike and to pique the participants' interest in economic issues. The Competence Center for Economic Education cooperates closely with the Ministry of Education and Cultural Affairs, Youth and Sports of Baden-Württemberg to help schools raise these issues in class. The main activities of the Competence Center for Economic Education include the Würth Education Prize, a prize awarded to schools in Baden-Württemberg for outstanding projects in the field of economics, a company placement program and the secondary technical school prize, a prize awarded at the state level for outstanding achievements, the model project "trades workshop" and a Management Symposium that addresses interesting topical issues for representatives from the worlds of school and business. Individual subsidiaries are also taking advantage of the potential of such cooperation between schools and industry. Reisser Schraubentechnik has been collaborating with Georg Fahrbach Comprehensive School in Ingelfingen since 2018. With the help of the company, the school is better able to provide its students with practical insights into the world of work and the real demands of working life. Companies have the opportunity to get young people excited about certain training occupations and to position themselves as attractive employers.

"Economic Competencies of Young People in Baden-Württemberg"—this is the title of the study published in 2018 on the economic knowledge of Baden-Württemberg schoolchildren. The study, conducted under the direction of Prof. Dr. Günther Seeber from the University of Koblenz-Landau and supported by MTO Psychologische Forschung und Beratung GmbH Tübingen, was sponsored by the Würth Foundation. In 2016, a total of 2,333 students in grades 9 and 10 at technical secondary schools and secondary schools as well as in grade 11 of high school were interviewed for the study in order to assess the economic competence of young people and their attitudes towards economic issues and to link them to one another. The competence measured by the 2016 study can be considered the prelude to a series of further studies to accompany the introduction of the subject of economy, vocational and higher education orientation. The long-term study will be completed in 2021.

Prof. Dr. Günther Seeber making a presentation as one of the authors of the study "Economic Competence of Young People in Baden-Württemberg".

Harald Schmidt as a guest in the series of talks “Treffpunkt Forum” (Meetings at the Forum) at Carmen Würth Forum, Künzelsau

“TREFFPUNKT FORUM” (MEETINGS AT THE FORUM)

As part of the “Treffpunkt Forum” series of talks, late-night legend Harald Schmidt was a guest at Carmen Würth Forum in November 2018. The sharp-tongued, quick-witted, hilarious and, in the true sense of the word, outstanding comedian answered questions posed by presenter Bernadette Schoog. The 61-year-old had a lot to share. He looked back on his childhood in Nürtingen and talked about how he had almost driven his parents to despair. He analyzed the fast pace of the market: Some technologies are already outdated the moment they are installed. “The only things that last are screws,”—one of many entertaining remarks that evening.

“Treffpunkt Forum” is a series of talks organized by Akademie Würth for employees of the company, as well as for interested members of the public. Prominent guests from business, politics and society discuss current topics. Wolfgang Niedecken, Guido Knopp and Harald Schmidt were guests in 2018.

LIFELONG LEARNING

Continuous education is a key component of corporate culture at Würth. In addition to commercial, logistics and technical apprenticeships, Würth also offers bachelor’s degree courses in these areas in collaboration with Baden-Württemberg Cooperative State University. Adolf Würth GmbH & Co. KG set up Akademie Würth back in 1991. It allows employees to put together their own continuous education program. Akademie Würth Business School offers Würth Group employees and interested external parties continuous education programs for working professionals. These include a Bachelor of Arts in cooperation with Distance Learning University Hamburg. Interested individuals have the opportunity to continue their academic career with a Master of Business Administration. The English-language MBA degree, which lasts only 13.5 months, is offered in cooperation with AACSB-accredited University of Louisville, Kentucky, USA. Since 2018, Akademie Würth Business School, together with SRH Fernhochschule – The Mobile University, has been offering a part-time Bachelor of Science in Industrial Engineering and Technical Sales as well as a Master of Science in Digital Management & Transformation.

Opening of the Würth Panofit Parcours in Waldenburg: Athletes from the German Ski Association and an employee of Sport- und Physioschule Waldenburg (School of Sports and Physiotherapy) demonstrate the individual practice stations to visitors.

WÜRTH PANOFIT PARCOURS

In September 2018, Adolf Würth GmbH & Co. KG, the City of Waldenburg, Sport- und Physioschule Waldenburg (School of Sports and Physiotherapy), and Panoramahotel Waldenburg jointly inaugurated the Würth Panofit Parcours—a next-generation "fitness trail" with a variety of fitness equipment and selected exercises. Along the 3.5 km long circuit, there are a total of 13 stations where athletes can train their strength, endurance or coordination. The Würth Panofit Parcours was designed by and with Sport- und Physioschule Waldenburg (School of Sports and Physiotherapy). It can be used around the clock, 365 days a year, free of charge. The Würth Panofit Parcours was tested at the opening ceremony by prominent athletes from the German Ski Association: Eric Frenzel, Fritz Dopfer, Stephan Leyhe, Svenja Würth and Martin Schmitt demonstrated the different exercises. The modern open-air center has been adapted to changes in exercise practices of the general public. The unique panoramic view of the Hohenloher plains completes the sporting experience.

SPORTS SPONSORSHIP

Würth is a reliable and committed partner: not only for its customers, but also for the sports community. The reason is because team spirit, the willingness to perform and giving one's all are essential characteristics of sports, values which also define the corporate culture of the Würth Group. That is why we are involved in a variety of sports: Würth has supported the German Ski Association since 2002 as one of three main sponsors. Now for the first time, it is the primary sponsor for a single athlete: Since 2018, Würth has been the official sponsor of ski jumper Svenja Würth, who happens to have the same name as the Group. The Würth Group is also active as a sponsor in motor sports. In addition to supporting Team PENSKE and their driver Brad Keselowski in the American Monster Energy NASCAR Cup Series, Würth is the official supplier of the Asia-Pacific Rally Championship. This very successful partnership was continued in 2018. The name of the competition was changed at that time to FIA Asia-Pacific Rally Championship powered by Würth. In addition, there is the commitment to soccer on a regional, national and international level.

REPORT OF THE ADVISORY BOARD

Ladies and gentlemen,
Dear readers,

Growth is a mutual relationship. It does not just happen by itself. It grows from the shared responsibility that people assume in their commitment to collectively defined goals. Each and every one of our 77,000 employees worldwide accepts this consensus on a daily basis in order to continue advancing the development of our products and services by contributing their special skills and knowledge. We can count on that. And for this we are grateful.

We understand growth as synergy. Not in the interest of any one individual, but in the interest of partnership with our customers and as part of the mutual responsibility between business and society, in order to keep the soil fertile for everyone's prosperity. This creates solid relationships, which in turn generate confidence in healthy growth on the basis of reliability and predictability—even extending into future generations. This is how we shape the future and what makes growth fun.

During the 2018 fiscal year, the Würth Group generated sales of EUR 13.6 billion and an operating result of EUR 870 million. We would like to continue to grow in this direction—with our employees, with our customers, with you.

Work of the Advisory Board

The Advisory Board of the Würth Group held four extensive meetings in 2018. These meetings were all based on the reports from the Central Managing Board members covering the business situation, projections, and opportunity and risk management. All transactions subject to approval pursuant to the company statutes were submitted to the Advisory Board for approval in good time and considered at length; in urgent cases, resolutions were passed by circular.

In 2018, the work of the Advisory Board was characterized to a considerable degree by the strategic developments within the Würth Group and by the provision of advice to the Central Managing Board on these strategic matters. One of the four meetings was a separate strategy meeting for the Advisory Board together with the Central Managing Board of the Würth Group. The Advisory Board also addressed issues related to digitalization in detail.

The Advisory Board has set up three committees: a Personnel, Audit and Investment Committee. The Investment Committee met four times in 2018, while the other committees met three times each. These meetings serve to increase the efficiency of the Advisory Board, carrying out preparatory work on complex issues. The committee chairs each report regularly and in depth to the Advisory Board as a whole about the work of the committees.

On 9 April 2019, the Advisory Board's Audit Committee took an extensive look at the 2018 consolidated financial statements, including the Group management report, as well as the audit report prepared by Ernst & Young, in which an unqualified opinion was issued. The Audit Committee examined these documents and approved them. The Audit Committee's work in 2018 also focused on the compliance and risk management systems and the impact of legal developments on future audits of the annual financial statements.

Bettina Würth,
Chairwoman of the Advisory Board of the Würth Group

The Advisory Board's Investment Committee assessed the investment projects that are subject to approval and classified them according to urgency and significance. In addition, the Committee dealt in greater depth with investment controlling, in particular with a review of major investments made and selected acquisitions. The Würth Group will remain true to its investment culture as a prerequisite for the company's growth. The Advisory Board approved the investment and financial plan of the Würth Group for the 2019 fiscal year at its meeting on 14 December 2018 based on the proposal submitted by the Investment Committee.

The Advisory Board's Personnel Committee dealt with all personnel measures falling within the Advisory Board's area of responsibility at its meetings. The Committee focused on HR development and succession planning for managers, as well as on the structure of the company's incentive and remuneration systems. The Personnel Committee has the power to pass resolutions regarding employment contracts and management remuneration.

The Advisory Board of the Würth Group would like to thank the Central Managing Board and the Supervisory Board of the Würth Group's Family Trusts for the good working relationship, especially Prof. Dr. h. c. mult. Reinhold Würth, Chairman of the Supervisory Board of the Würth Group's Family Trusts. The Würth Group enjoyed a successful 2018 fiscal year. For this reason, we would particularly like to thank all employees for their strong commitment and drive, as well as all our customers and business partners for their loyalty to the Würth Group.

Sincerely,

B. Würth

Bettina Würth,
Chairwoman of the Advisory Board of the Würth Group

REPORT OF THE CENTRAL MANAGING BOARD

Ladies and gentlemen,

The year 2018 was also a successful fiscal year for the Würth Group: Sales grew by 7.1 percent to EUR 13.6 billion—and even by 8.6 percent when adjusted for exchange rate effects. Operating results increased by 11.5 percent to EUR 870 million.

The challenge of the 2018 fiscal year lay in the short word "also": Becoming successful is one thing. Remaining successful on the other hand requires a balancing act. To keep the balance between what has been achieved, what has been tried and tested and the courage to go purposefully into the future with innovative ideas. The added value from both sources of impetus can be seen in -ing as an expression of lively growth: We are grow-ing. This balance of tradition and progress unleashes the dynamism with which our more than 77,000 employees worldwide continue to develop our products and services. Always aware that the trust of the 3.6 million Würth customers is based on the expectation and the rendering of outstanding service and on a successful partnership. We want to maintain this balance.

Growth trends in Germany, the Group's largest sales market, have now continued for the tenth year in succession since the 2009 financial crisis. We are in the longest upswing phase since the Second World War. The various institutes have now revised their forecasts for economic growth slightly downwards at the beginning of 2019: The German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) forecasts that the German economy will grow by 1.5 percent in 2019, just below the 2018 level. The global economy is also losing some of its momentum: According to the OECD, global economic output will grow by 3.5 percent in the coming years, slightly behind previous years. This slows economic growth as well. But at the same time, it shows that solid and healthy growth is possible despite volatile foreign trade peripheries. The construction boom continued in 2018, and the order books in the craft trades were full. This trend was also reflected at Würth, which clearly shows: Würth is a strong partner at the side of its customers. The Construction division, for example, increased its sales by 10.5 percent in 2018 and was thus the most successful division within the Würth Line. The largest division, the Metal division, surpassed the EUR 2 billion revenue threshold in 2018 with growth of 8.6 percent. What particularly pleases us is the double-digit growth in the regions of Southern and Eastern Europe—above average compared to Group sales. Double-digit growth is a target that has a firm place in our strategy. In Italy, which was severely hit by the crisis just a few years ago, the figure is over 15 percent!

Nevertheless, the pace will be more moderate in 2019. In its annual economic report, the Federal Government in Germany only expects growth of 1.0 percent for 2019. This shows the uncertainty in our assessment of developments ahead, such as concerns about a no-deal Brexit. Deal or no deal is no longer just a game. Britain will set the precedent for the exit of other EU countries that prefer protectionism to the community spirit of half a billion people. The world stage is repositioning itself. The world order is positioning itself against national solo attempts. Chancellor Angela Merkel's passionate plea for multilateralism at the Security Conference in Munich received a standing ovation and is synonymous with the fact that peace and freedom cannot be walled in. We have anchored our economic interests in this context. Growth-oriented action and innovative strength are future-oriented and therefore only make sense if we also have a future.

The fact that success in a globally networked world does not work if you go it alone becomes apparent when Germany's largest car manufacturers cooperate so that they can withstand the race for autonomous driving in competition with the USA and China. Thus, opportunities from digitalization and artificial intelligence become a challenge at the same time. Dealing with this, and

Robert Friedmann
Chairman of the
Central Managing Board
of the Würth Group

using synergies to create value, is a task that we are also positioning ourselves to face: Transporting concepts and ideas into a globally active group of 400 companies in 80 countries, each operating in its own individual environment, requires tact, market knowledge and, last but not least, an understanding of culture. In this context, we benefit from our decentralized structure, which creates the necessary freedom while at the same time committing ourselves to a common goal.

Times of change are also always times for trust. Reliability, predictability and consistency in our business relationships have regained their well-earned position and draw their strength from uncertainty in the global environment. Our customers view us, on the one hand, through the consistently high quality of our products and services, and as problem solvers for questions outside of the box, on the other. That is our core competency. We listen, appreciate requirements and fulfill them.

The groundbreaking ceremony for the new innovation center was held at the parent company's site in Künzelsau in March 2019. A place where the employees from Adolf Würth GmbH & Co KG who are involved in research and development can meet students from three universities as well as the developers of our subsidiaries from the Allied Companies—an agglomeration of knowledge and experience. This is an example of how tradition and innovation create opportunities.

With this in mind, the Central Managing Board of the Würth Group thanks each and every employee, the Councils of Confidence and Works Councils, the members of the Customer Advisory Boards, the Supervisory Board of the Würth Group's Family Trusts, the Advisory Board, the Würth family, and especially Prof. Dr. h. c. mult. Reinhold Würth and Bettina Würth for a working relationship based on trust.

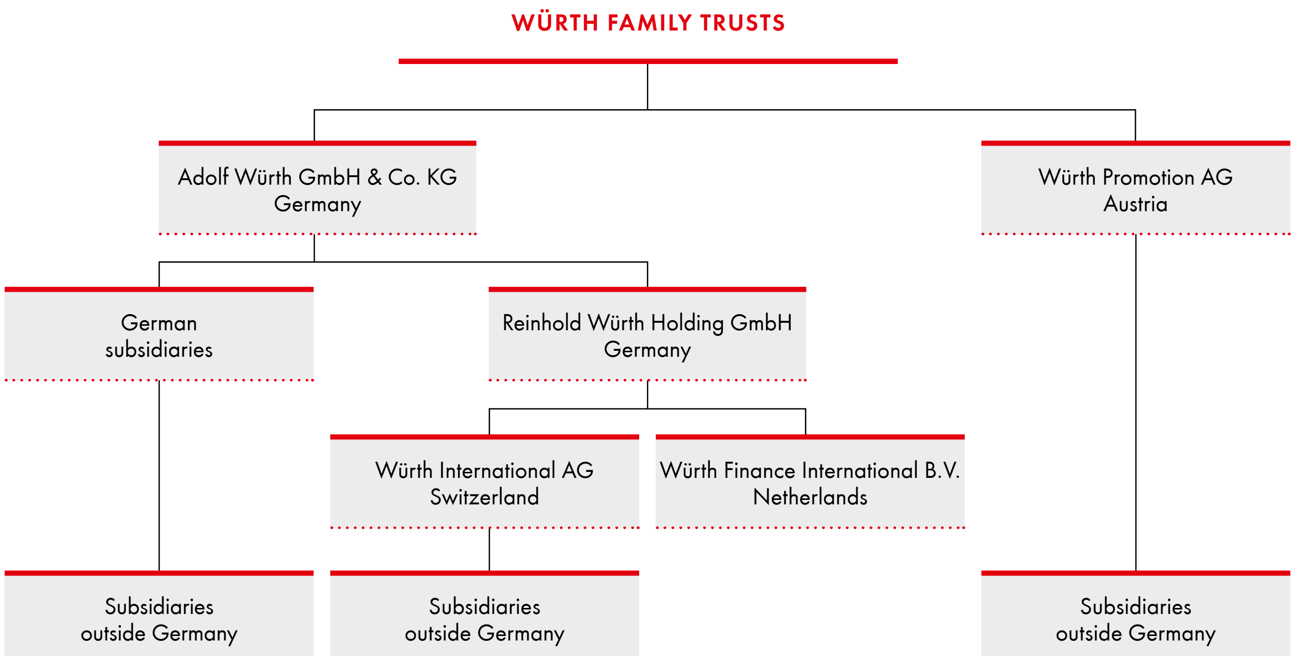
On behalf of the Central Managing Board of the Würth Group

R. Friedmann

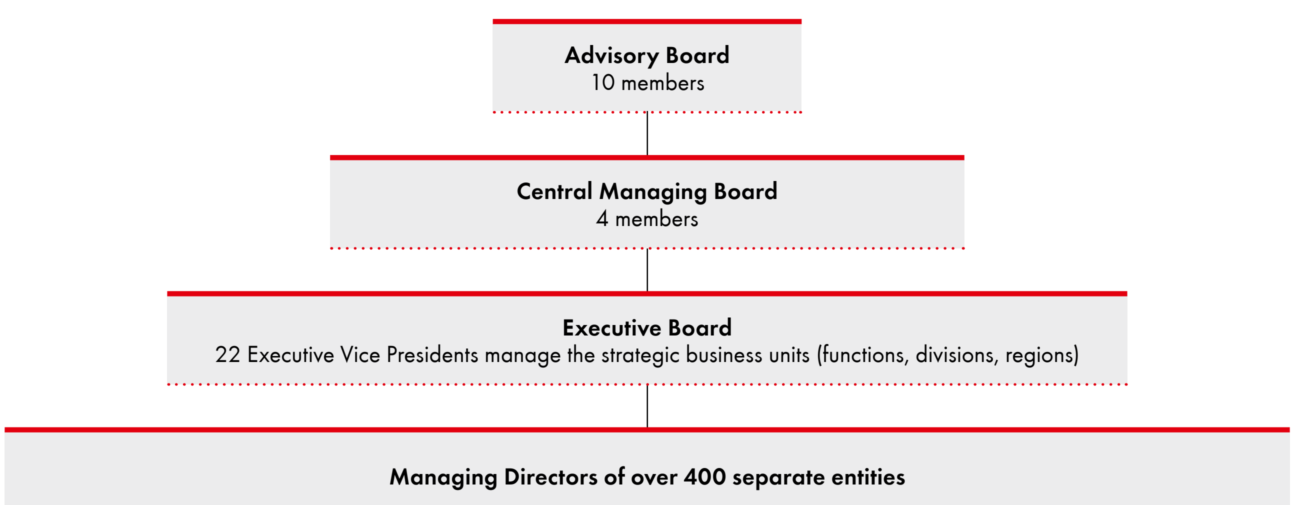
Robert Friedmann
Chairman of the Central Managing Board of the Würth Group

WÜRTH GROUP: LEGAL STRUCTURE

Simplified chart



ORGANIZATIONAL STRUCTURE



ADVISORY BOARD

The Advisory Board is the chief supervisory and controlling body of the Würth Group.
It advises on strategy and approves corporate planning as well as the use of funds. It appoints the members of the Central Managing Board, the Executive Vice Presidents as well as the managing directors of the companies that generate the most sales.

(As of: 1 January 2019)

Bettina Würth,
Chairwoman of the
Advisory Board
of the Würth Group

Dr. Frank Heinricht
Deputy Chairman of
the Advisory Board
of the Würth Group
Chairman of the
Management Board of
Schott AG, Mainz

Peter Edelmann
Managing Partner of
Edelmann & Company, Ulm

Dr. Ralph Heck
Director Emeritus of
McKinsey & Company,
Düsseldorf

Wolfgang Kirsch
Former Chief Executive Officer
of DZ BANK AG, Frankfurt / Main

Jürg Michel
Former Member of the
Central Managing Board
of the Würth Group

Ina Schlie
Senior Vice President Digital
Government – Head of
Government Relations MEE
SAP SE, Walldorf

Hans-Otto Schrader
Chairman of the Supervisory Board
of Otto AG für Beteiligungen,
Hamburg

Dr. Martin H. Sorg
Certified Public Accountant
and Partner of the Law Firm
Binz & Partner, Stuttgart

Sebastian Würth
International Division Manager,
Würth Group

Honorary Chairman of the Advisory Board

Prof. Dr. h. c. mult. Reinhold Würth
Chairman of the
Supervisory Board of the
Würth Group's Family Trusts

Honorary members of the Advisory Board

Rolf Bauer
Former Member of the
Central Managing Board
of the Würth Group

Dr. Bernd Thiemann
Former Chairman of the
Management Board of Deutsche
Genossenschaftsbank AG,
Frankfurt / Main

CENTRAL MANAGING BOARD

The Central Managing Board is the highest decision-making body of the Würth Group. It has four members and is comparable to the management board of a group holding company. Its most important duties include corporate strategy planning, the selection of executives, as well as the management of strategic business units and functions.

Bernd Herrmann (left), Peter Zürn, Joachim Kaltmaier and Robert Friedmann (right)

Robert Friedmann
Chairman of the Central Managing Board of the Würth Group

Peter Zürn
Deputy Chairman of the Central Managing Board of the Würth Group

Bernd Herrmann
Member of the Central Managing Board of the Würth Group

Joachim Kaltmaier
Member of the Central Managing Board of the Würth Group

CUSTOMER ADVISORY BOARD

The Customer Advisory Board of Adolf Würth GmbH & Co. KG brings together Würth customers from the worlds of trade and industry. The members report on developments in their sectors and support Würth in aligning its activities with customer requirements. The board's meetings, which are held twice a year, also look at new products and innovative services.

Joachim Wohlfeil
Chairman of the Customer Advisory Board
Managing Director of Ernst Wohlfeil GmbH, Sanitärtechnik, Karlsruhe
President of the Karlsruhe Chamber of Trade (Handwerkskammer)

Dierk Mutschler
Executive Board Member and Partner
Drees & Sommer SE, Stuttgart

Dr. Thomas Peukert
Managing Director of Stahl CraneSystems GmbH, Künzelsau

Roland Schuler
Member of the Board of Management of BayWa AG, Munich

Burkhard Weller
Managing Partner of Wellergruppe GmbH & Co. KG, Berlin

Frank Westermann
Managing Director of Karl Westermann GmbH & Co. KG, Denkendorf
Chairman of the Technology Committee of Landesfachverband Schreinerhandwerk Baden-Württemberg

Rudolf F. Wohlfarth
Former Member of the Management of Emil Frey Group and Former Chairman of the Management Board in Germany, Stuttgart

Honorary Chairman of the Customer Advisory Board

Gerhard Irmscher

GROUP MANAGEMENT REPORT OF THE WÜRTH GROUP

The company

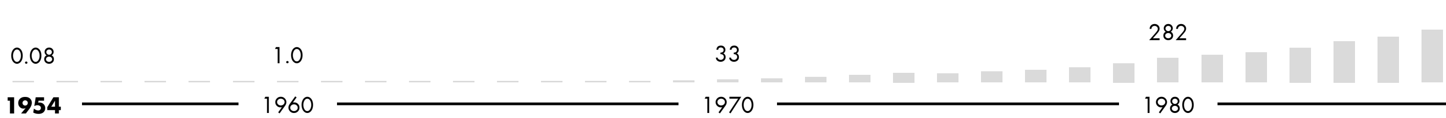
The Würth Group is the global market leader in the sale of fastening and assembly materials. That is its core business. To this day, it is the area in which the more than 140 Würth Line companies operate.

“If you sell screws, then you also ought to know a bit about how they are produced,” said Reinhold Würth, and established the screw factory SWG Schraubenwerk Gaisbach GmbH at the beginning of the 1960s. This allowed him to lay the foundation for the Group’s second important pillar: the Allied Companies. They operate in related areas as sales or manufacturing companies, and also include companies operating in the financial services industry, as well as hotels and catering establishments. In 2018, the Allied Companies generated more than 43 percent of the consolidated sales.

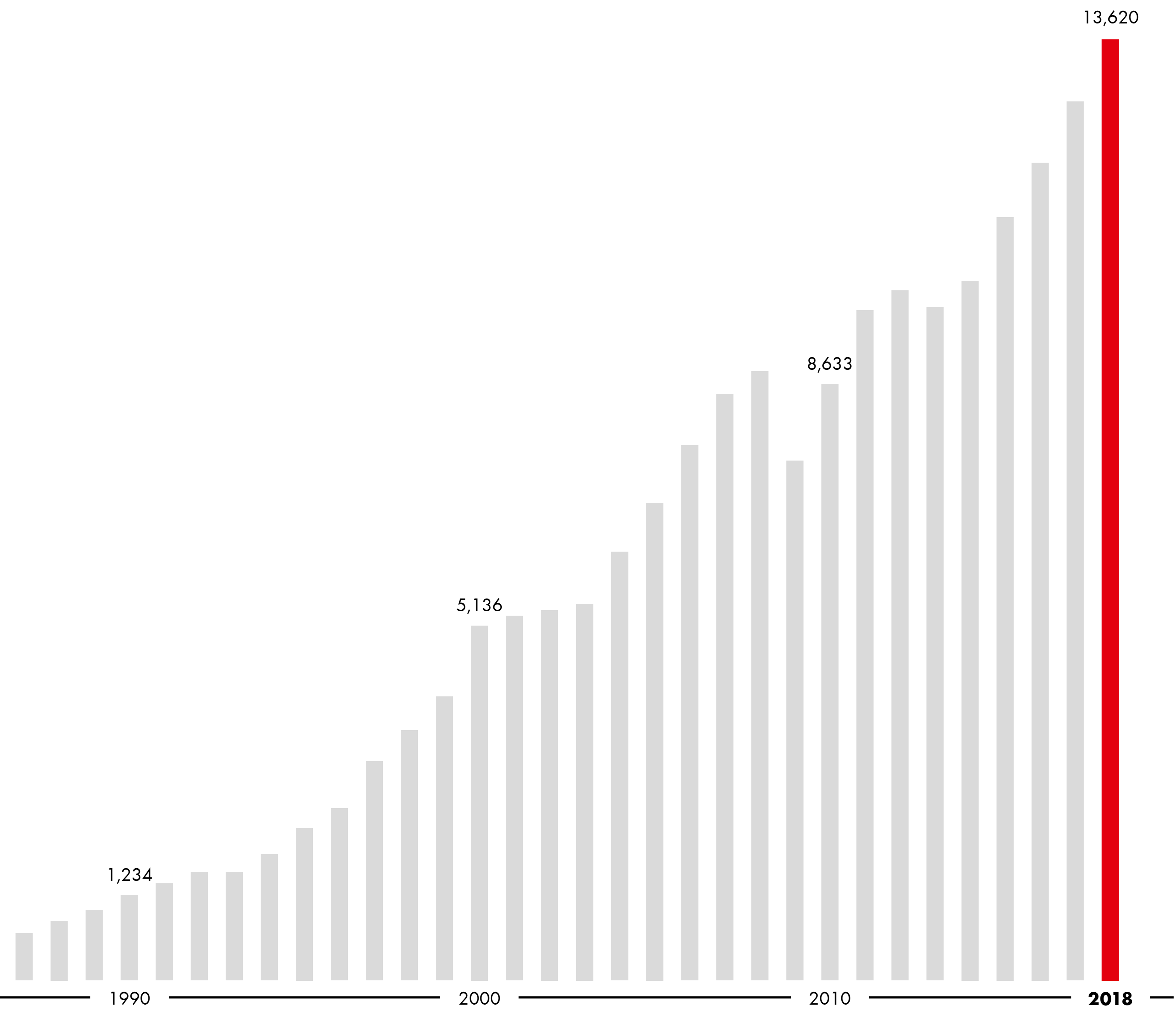
The Würth Group employs a global workforce of 77,080 employees—with 33,218 working on the sales force—it consists of more than 400 companies in over 80 countries, maintains over 1,900 branch offices and generated sales of EUR 13.6 billion in 2018.

Würth is also using digitalization for completely new possibilities: Adolf Würth GmbH & Co. KG, the parent company of the Group, opened the first Würth24 branch office in 2018. Würth24 stands for shopping around the clock from Monday to Saturday, even outside normal opening hours. Access is granted via the Würth App, which represents the most innovative technology available, handling order entry and merchandise tracking electronically. Digitalization links e-commerce with brick-and-mortar retail, thus creating even more freedom and security for our customers to cover their immediate needs. Würth’s operations now extend far beyond pure direct sales. Würth is digital, Würth is online, offering state-of-the-art services, logistics solutions and ordering options. In doing so, we always have precisely one goal in mind: to make things simple for our customers.

In the early 1960s, Reinhold Würth bought the work of art entitled “Cloud Reflection in the Marsh” by Emil Nolde, laying the cornerstone for the Würth Collection, which now comprises more than 18,000 pieces. The orchestra Würth Philharmoniker has made music an integral part of the company’s cultural activities since 2017. These two milestones in our commitment to art and culture symbolize an attitude that characterizes the entire Group: openness, gratitude, respect, curiosity, responsibility, but also humility towards our fellow human beings and society. And towards our customers.



SALES DEVELOPMENT Würth Group in millions of EUR



↗ 20.7%

COMPOUND ANNUAL GROWTH RATE

Economic environment

Expansion in the global economy lost momentum in 2018. After a lively start, the economy showed little dynamic growth towards the end of the year. Overall, global economic growth in 2018 was 3.7 percent, stagnating year-on-year (2017: +3.7 percent). The reasons for the weak phase can be traced back to burgeoning protectionism, the fear of a no-deal Brexit, unresolved problems in emerging markets, a strong rise in oil prices, and the ongoing trade dispute between China and the USA. China, the most important driving force of the global economy, lost strength in 2018. The US economy, on the other hand, benefited from Trump's tax reform, among other factors, and grew more strongly than it had for a long time. Nevertheless, the US economy can look back on a tense year in 2018, as even massive tax cuts were unable to reduce the trade deficit.

- **Support for the economy primarily through continued consumption and construction boom**
- **Decline in export momentum in Germany to +2.4 percent (2017: +4.6 percent)**
- **Introduction of new exhaust and consumption standards weakens automotive industry**

After two consecutive boom years, growth momentum in **Germany**, the largest single market of the Würth Group, slowed down in 2018. GDP grew by only 1.4 percent last year, after 2.2 percent in each of the previous two years. Nevertheless, 2018 was the ninth consecutive year of growth since 2010. The **construction industry** in particular, which is so important for the Würth Group, recorded its highest incoming orders for more than two decades in 2018. Their sales increased by more than 6.0 percent year-on-year to just under EUR 121 billion.

The **craft trades** sector, with the construction industry being the most important sales market for the Würth Group, also recorded rising sales and strong investments in 2018. In total, the sales volume in the skilled trades sector rose by 5.0 percent (2017: +3.6 percent) However, both sectors suffered last year as well from the continuing shortage of skilled workers. In the craft trades sector alone, 250,000 jobs remained unfilled. At 1.4 percent, production in the **metal and electrical industry**, another key sector for the Würth Group, grew significantly less than expected (2017: +3.6 percent). One reason for this is the decline in demand from abroad, but also the cutback in production in the automotive industry as a result of the economic crisis. Overall, the German **automotive industry** produced fewer cars in the country in 2018 than in the previous year: A total of 5.1 million vehicles were built in Germany, a reduction of 9.0 percent (2017: 5.6 million).

Production in Germany's **mechanical engineering** sector increased significantly in 2018, namely by 2.0 percent compared to one year earlier (2017: + 3.1 percent). The two final months in particular have lost momentum, which once again reflects the general geopolitical situation.

The **eurozone** economy grew more slowly in 2018 than in 2017. GDP for the 19 countries comprising the Monetary Union rose by only 1.8 percent, 0.6 percentage points slower than in the previous year (2017: +2.4 percent). The uncertainties in world trade and the European problem cases Italy and Great Britain have thus left their mark. The economy in **Spain** was also down year-on-year in 2018 at 2.5 percent growth (2017: +3.1 percent). After an interim high in 2017 (+1.6 percent), the **Italian** economy slowed in 2018 and closed with a growth rate of only 0.8 percent. In the last two quarters, the country even slipped into a technical recession, after which the Italian statistical office iStat corrected growth downwards. **France** was also unable to match the strong growth of 2017 (+ 2.3 percent) in 2018, with GDP growing by only 1.5 percent.

Great Britain remained barely in positive territory. Gross domestic product grew by 1.4 percent, the weakest increase in six years.

The economic situation in the **USA** continued to develop positively. GDP rose by 2.9 percent in 2018 (2017: + 2.3 percent). At 3.9 percent, the unemployment rate was also significantly below the previous year's level (2017: + 4.4 percent).

In **China**, on the other hand, the economy is growing more slowly than it has in almost three decades. Growth amounted to 6.6 percent (2017: +6.8 percent). **India** remained the world's economic engine in 2018. At 7.3 percent, the economy grew even faster than the Chinese economy and grew by 0.6 percentage points year-on-year (2017: +6.7 percent).

According to initial forecasts, total GDP for **Latin America** rose by 1.2 percent in 2018 (2017: + 1.3 percent). Overall, the situation was difficult for emerging markets, but GDP growth in the region weakened only slightly due to higher commodity prices and reforms in Brazil and Mexico.

The economic situation in **Russia** has improved once more. Despite continued Western sanctions, GDP grew by 2.3 percent in 2018 for the second consecutive year. Construction in particular proved to be a growth driver and led improvement over the figures for the previous year (2017: +1.6 percent).

Business trends

- **Sales grow by 7.1 percent to EUR 13.6 billion**
- **Record operating result of EUR 870 million**
- **E-business share confirms successful multi-channel sales model**

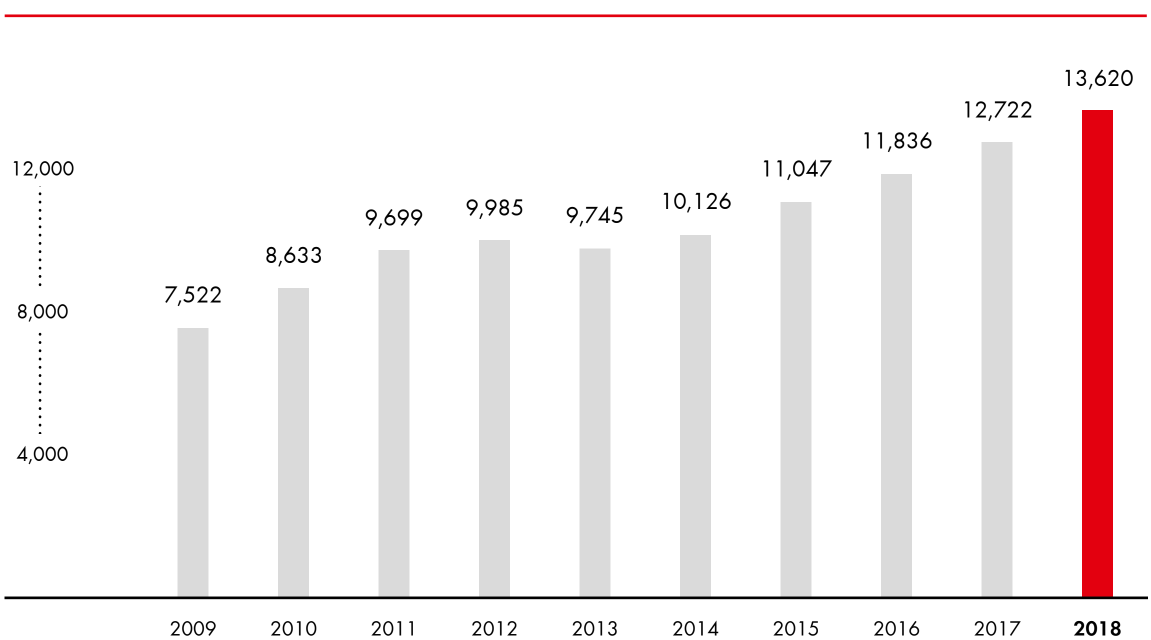
The Würth Group achieved a new record for sales at EUR 13.6 billion, representing an increase of 7.1 percent. After adjustments to reflect exchange rate effects, the rate of growth came out at 8.6 percent. The two sales records in June and October, each with over EUR 1.2 billion, are proof of positive trends in sales volume. The individual regions were consistently successful in 2018. Southern Europe and Eastern Europe in particular enjoyed convincing growth rates of over 10 percent. The Electronics and Electrical Wholesale business units posted above-average sales growth in their business segments. In the Würth Line, the Metal division was the first division to generate sales in excess of EUR 2 billion in a single year, thereby increasing its share of the Würth Group's total sales to more than 15 percent. Growth is thus broadly based overall. The course taken in e-business is having an impact and confirms the successful multi-channel sales model: Sales grew by 24.6 percent in 2018. In 2018, company acquisitions made only a minor contribution to sales growth, contributing 0.7 percentage points.

The Würth Group was able to increase its operating result to EUR 870 million (2017: EUR 780 million), an increase disproportionate to sales. It is the highest result in the company's history and shows that the Würth Group, with its products and services, is an important partner for customers in trade and industry. The yield for 2018 was 6.4 percent, representing a further improvement on the previous year (2017: 6.1 percent). There are many reasons explaining the encouraging increase in earnings: In addition to increased productivity, favored by very positive economic conditions, successful company reorganization measures and the targeted expansion of multi-channel distribution also played their part in the improved earnings.

In order to implement its planned strategies, the Würth Group is making sustainable investments in its various business areas and markets. Capital expenditure amounted to EUR 635 million in 2018.

The number of employees rose by 2,921, from 74,159 to 77,080 in 2018. As in the past, the majority of the employees are still based in Germany. In 2018, the figure was 23,772, which corresponds to an increase of 5.1 percent. Würth is a sales company at its core. Including sales-related areas, more than 47,000 employees have direct contact with customers, with 33,218 of them working as sales representatives. Thus, the Würth Group remains the biggest employer of salaried sales specialists.

SALES Würth Group in millions of EUR



Sales by region

- Germany, most important single market, grows by 7.0 percent
- Strongest growth in Southern Europe
- Italy benefits from company acquisition

SALES Würth Group

in millions of EUR	**2018**	2017	%
Würth Line Germany	2,147	1,963	+9.4
Allied Companies Germany	3,628	3,434	+5.6
Würth Group Germany	5,775	5,397	+7.0
Würth Group International	7,845	7,325	+7.1
Würth Group total	**13,620**	**12,722**	**+7.1**

With a growth rate of 12.9 percent in 2018, Southern Europe was the region with the strongest growth within the Würth Group, showing above-average sales growth over the last four years, which was also bolstered by acquisitions. Eastern Europe also achieved double-digit growth of 11.0 percent, although the very high growth level of the past two years could no longer be sustained.

Germany is the most important individual market for the Würth Group, accounting for 42.4 percent of sales. In 2018, this market reported satisfactory sales growth of 7.0 percent, bringing sales to EUR 5.8 billion (2017: EUR 5.4 billion). Companies outside Germany grew slightly faster by 7.1 percent. Even if the growth dynamics are not at the same level everywhere, all regions of the Würth Group presented themselves as robust and were able to increase their sales.

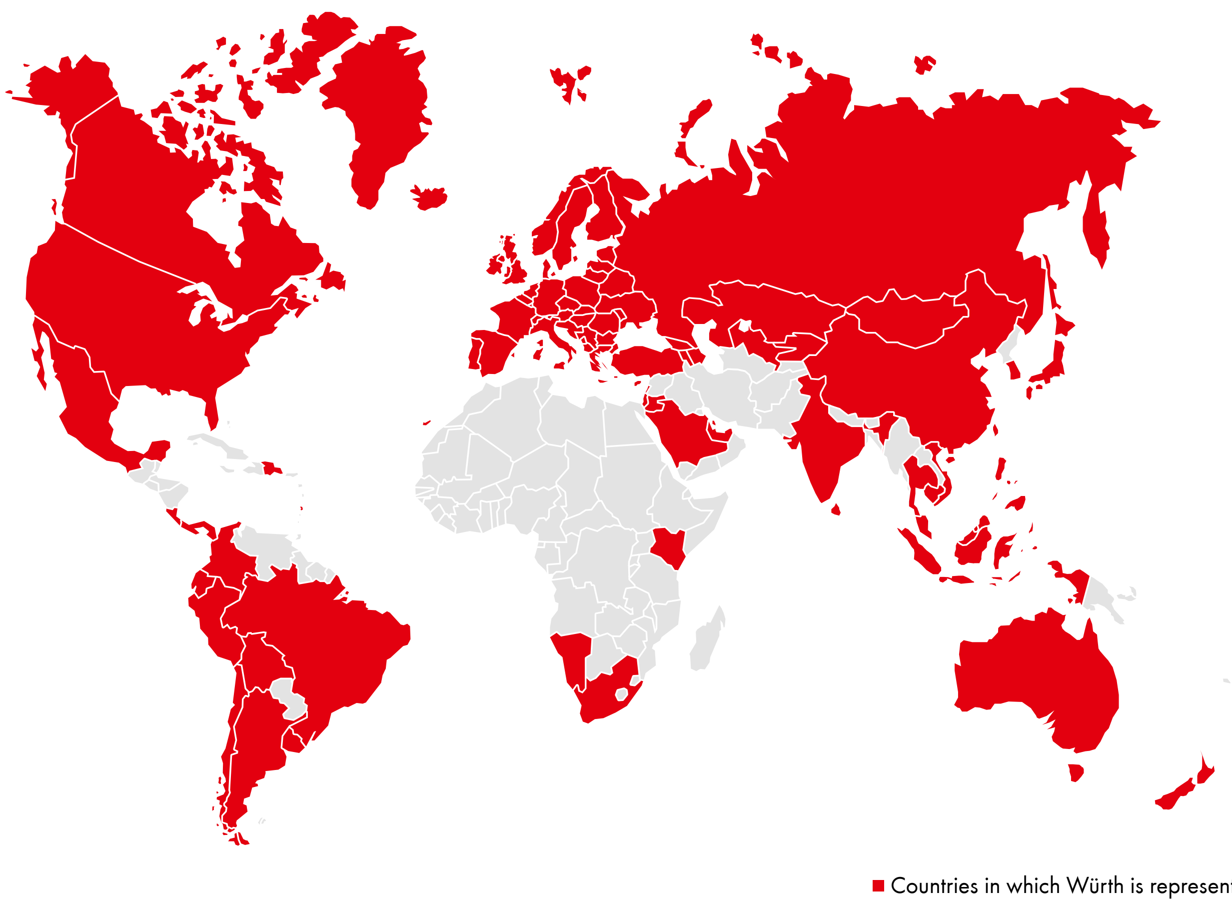
One of the Würth Group's strengths is decentralization. Thanks to geographical diversification, our more than 400 companies in over 80 countries allow us to participate in regional growth markets and thus, at least in part, compensate for stagnation or sales declines in individual countries. Depending on the maturity of the individual markets, the strategic approaches to market penetration vary from region to region. In fledgling markets, the focus is on expanding the sales force. The established entities concentrate on refining their sales divisions and expanding their sales channels, such as branch offices and e-business, through a regional approach, customer-specific segments and a policy of seeking out potential.

In Künzelsau, **Germany**, the cornerstone of the Würth Group was laid in 1945 with the founding of Adolf Würth GmbH & Co. KG as a screw wholesaler. This one-man operation has developed into the Group's largest single company. A sales volume of EUR 1.7 billion was generated in 2018 by its 7,160 employees. This corresponds to an increase of 9.0 percent and is thus above the Group average. In addition to the sales force and the in-house sales, the more than 480 branch offices, in which our customers can cover their immediate needs, are a guarantee for the positive development of the company. The Group's flagship is thus also closer to its customers than any of its competitors. Adolf Würth GmbH & Co. KG is pushing e-business in addition to enlarging its branch office network and the further expanding direct sales. Professionalism internally and externally is one of the reasons for the company's high profitability. With an increase in profit to over EUR 160 million, it leads the internal ranking and thus sets standards within the Würth Group. This earning power is also a prerequisite for investments in forward-looking distribution, logistics and product solutions. Examples include the construction of a new transshipment warehouse directly on the A6 motorway and an innovation center that will be built on the Künzelsau campus.

In addition to Adolf Würth GmbH & Co. KG, the Group also has other extremely successful companies operating in Germany: Würth Elektronik eiSos, Würth Industrie Service, Reca Norm, Arnold Umformtechnik, and Fega & Schmitt Elektrogroßhandel are exemplary at the forefront in this regard. For years, these companies have shown a high degree of dynamism and professionalism. Out of a total of more than 33,000 sales representatives, 6,356 are employed in Germany. Overall, Germany generated an operating result of EUR 436 million (2017: EUR 421 million) and is thus the most profitable region.

Western Europe is the Group's second-largest sales region with a sales volume of EUR 1,961 million, well behind Germany. Western Europe formed the geographical starting point for the internationalization of the Würth Group. Internationalization is one of the central success factors of the Würth Group. The Western European region grew by more than five percent for the second year in succession after only 1.4 percent growth in 2016. The restructuring of our Swiss direct selling company, which has been operating on the market for more than five decades, is still underway. France is the largest contributor to sales in this region, with a share of over 35 percent and growth slightly below the region's average. Great Britain also belongs to the Western Europe region.

THE WÜRTH GROUP AROUND THE WORLD



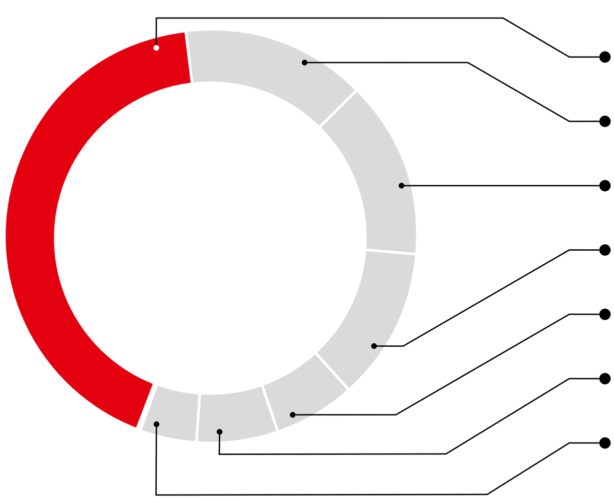
The consequences of Brexit for our activities are not yet fully foreseeable. In 2018, the growth of the British companies was below average, both in euro and in local currency. By contrast, the companies in Austria closed 2018 with above-average results. Growth of 7.4 percent marks a record level within Western Europe.

With a share of 14.1 percent of the Würth Group's total sales, **the Americas** represent the third largest region. These companies grew by 4.9 percent to EUR 1,917 million. At 11.3 percent, the rather restrained growth in euro terms is much more dynamic in local currency terms. In contrast to previous years, growth was achieved purely organically from within. Company acquisitions played no role in 2018. The largest single market in the region is the USA. The overall economic situation there has been somewhat dampened by the trade dispute with China, but the unemployment rate is at an all-time low in a 10-year comparison, which has boosted consumption—the traditional pillar of the US economy. This, together with the tax reform passed by the US Congress at the end of 2017, created favorable conditions for our US companies, which posted above-average growth of 12.0 percent in local currency terms.

South America also posted convincing results with above-average sales growth of 10.1 percent in local currency. This growth was significantly influenced by the largest company in the region, Würth Brazil. For the first time since 2011, Würth Brazil again achieved double-digit sales growth in local currency.

In **Southern Europe**, the very dynamic growth of the last three years continued: an increase of 12.9 percent to EUR 1,617 million for 2018. Particularly noteworthy are the developments in Spain with an increase in sales of 11.2 percent and Italy with 15.7 percent, both of which were positively influenced to a significant degree by Würth Line companies. It has always been part of the Group's growth strategy to add targeted acquisitions to successful business areas where it makes sense to do so. Last year, the regional focus for acquisitions was on Italy. Würth Elektrogroßhandel (W.EG) expanded in Italy by acquiring a majority shareholding in M.E.B. Srl, one of the leading electrical wholesalers in Italy with headquarters in Schio, Veneto. M.E.B. Srl was founded in 1992 and achieved a sales volume of EUR 108 million in 2018. The company employs 282 people in 22 branch offices. The product range primarily includes lighting, building automation, low-voltage distribution and switching technology, renewable energies, cables, and industrial automation technology. The product range is supplemented by a wide range of consulting solutions and a broad service portfolio. A total of 11,454 colleagues are employed in the Southern European region, over 60 percent of whom work as sales representatives.

SALES Regions of the Würth Group

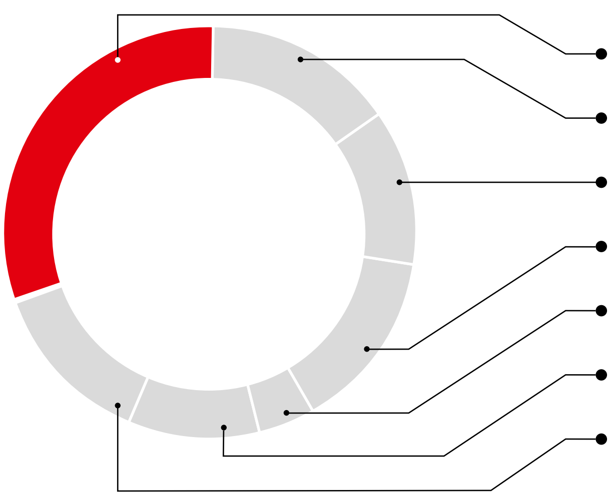


	2018 in %	**2018** in millions of EUR	2017 in millions of EUR	Change in %
Germany	42.4	5,775	5,397	+7.0
Western Europe	14.4	1,961	1,857	+5.6
The Americas	14.1	1,917	1,827	+4.9
Southern Europe	11.9	1,617	1,432	+12.9
Eastern Europe	6.4	870	784	+11.0
Scandinavia	6.2	845	818	+3.3
Asia, Africa, Oceania	4.6	635	607	+4.6
Total		**13,620**	**12,722**	**+7.1**

The **Scandinavian** region is home to one of the model companies in the Würth Group, Würth Finland. With more than four decades of operations behind it, the company is still impressive with its excellent market penetration and high profitability. The branch office concept is the decisive success factor here. Würth Finland now has more than 180 branch offices. The entity spearheaded the spread of this successful sales concept within the Würth Line in recent years. All in all, the Scandinavian region closed the 2018 fiscal year with moderate sales growth of 3.3 percent.

The momentum for growth within the **Eastern European** region was not quite able to match the very high level of 2017. However, with an 11.0 percent increase in sales, Eastern Europe is number two in the growth ranking. It is pleasing to note that the growth in sales was achieved by our own efforts. Growth in Poland, the country with the highest sales in Eastern Europe, was below average, as the integration of the acquisition in Würth's electrical wholesale business has not yet been successfully completed.

The share of sales attributable to the remaining regions of **Asia, Africa and Oceania** has been stable at a level of just under five percent for years now. Although these regions are very large in terms of area, the companies in Asia, Africa and Oceania only play a minor role for the Würth Group at present.



EMPLOYEES Regions of the Würth Group

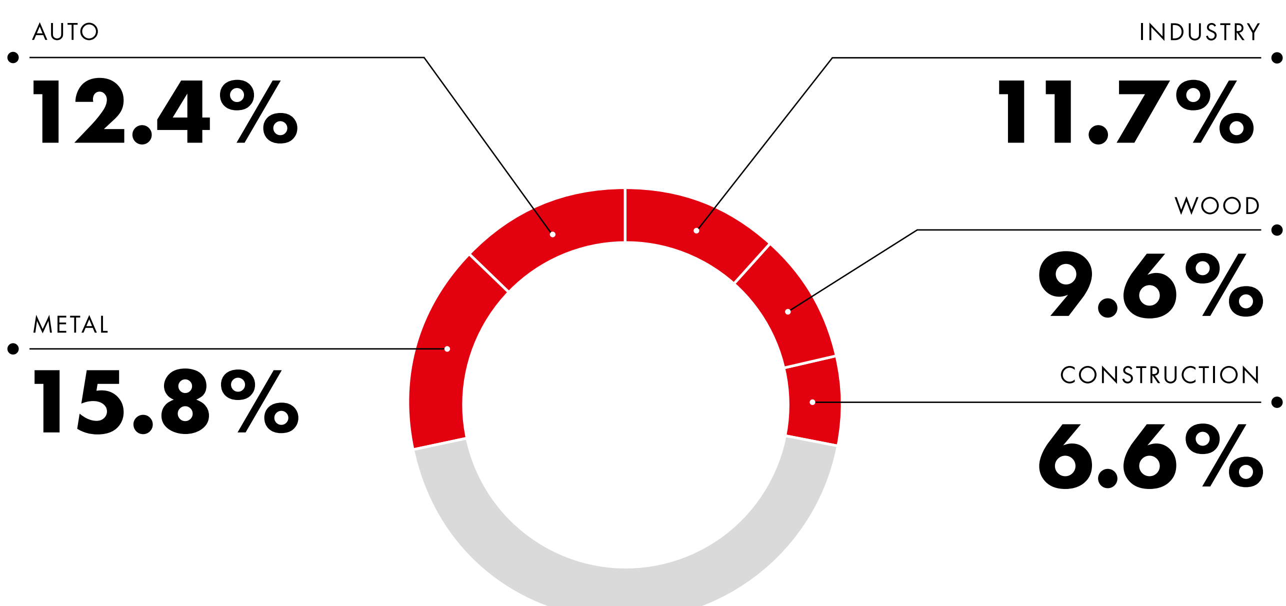
	2018 in %	**2018**	2017	Change in %
Germany	30.8	23,772	22,620	+5.1
Western Europe	14.6	11,246	11,088	+1.4
The Americas	12.0	9,187	8,973	+2.4
Southern Europe	14.9	11,454	10,552	+8.5
Eastern Europe	10.1	7,818	7,487	+4.4
Scandinavia	4.4	3,416	3,312	+3.1
Asia, Africa, Oceania	13.2	10,187	10,127	+0.6
Total		**77,080**	**74,159**	**+3.9**

THE OPERATIONAL UNITS OF THE WÜRTH GROUP

The divisions of the Würth Line

Würth Line operations focus on assembly and fastening materials, supplying customers in both trade and industry. Within the Würth Line, the operating business units are split into Metal, Auto, Industry, Wood and Construction divisions.

SHARE OF SALES OF THE DIVISIONS in relation to the Würth Group's total sales



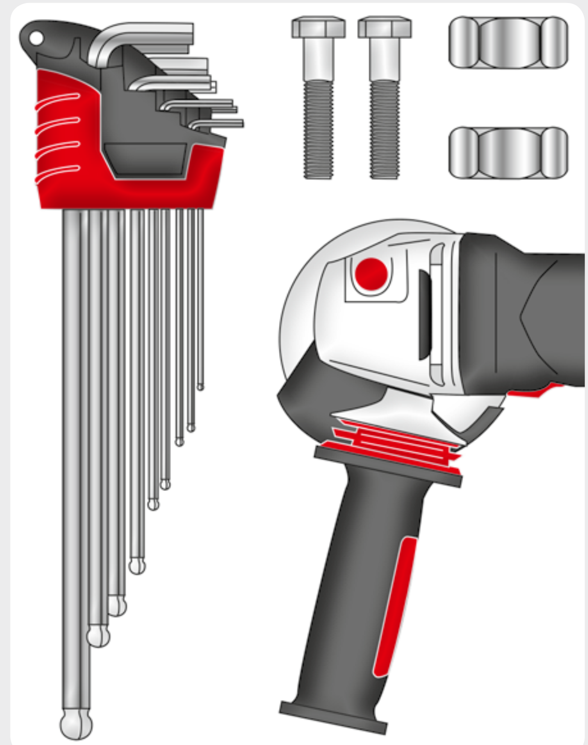
Metal division

The Metal division offers its customers innovative solutions to support them in their daily work today and in the future. Our core competency, direct sales, coupled with brick-and-mortar shops and online trading, allows us to offer our customers top-quality advice and a wide range of options for purchasing our products.

Metal subdivision
Customers from the metal working and processing industry are served in this subdivision. The main customers comprise metal and steel producers, locksmiths as well as machine and vehicle manufacturers.

Installations subdivision
This subdivision concentrates on electricians, gas, heating and water installation firms, and air-conditioning and ventilation system engineers.

Maintenance subdivision
This subdivision addresses customers with in-house repair shops, such as industrial enterprises, hotels, shopping centers, airports and hospitals.

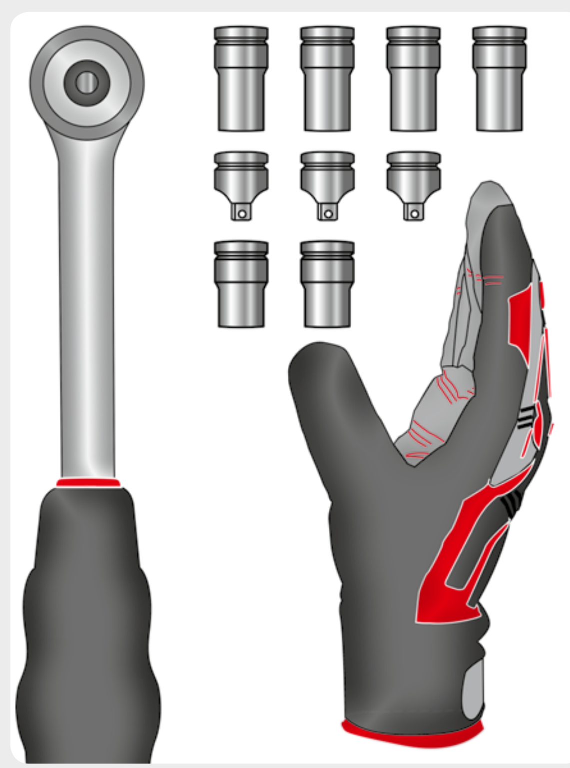


Auto division

Proximity to customers is a key success factor for the Auto division. In order to ensure that we can collaborate efficiently with our customers in the future, too, while taking their individual needs into account, we are constantly investing in initial and continued training for our sales team. At the same time, we are helping our customers to meet the rising demands of the automotive market, and are expanding our offering to include strategically important specialist areas, such as the auto special tools segment.

Car subdivision
The customers in the car subdivision include vehicle manufacturers, brand-specific and independent car dealers, vehicle fleets, customers with large vehicle fleets, and specialist businesses such as bodywork specialists, vehicle restorers and tire changing businesses. The customer portfolio also includes other service providers, such as car glaziers.

Cargo / Commercial Vehicles subdivision
The customers of the Cargo / Commercial Vehicles subdivision are authorized dealers and independent workshops, freight forwarders and transportation companies, public-sector utilities and waste disposal companies, as well as companies from the agricultural sector.

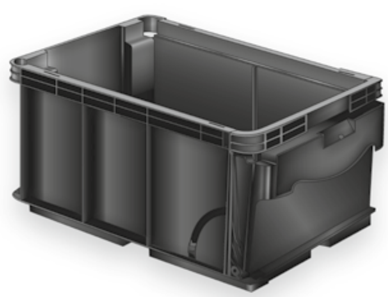


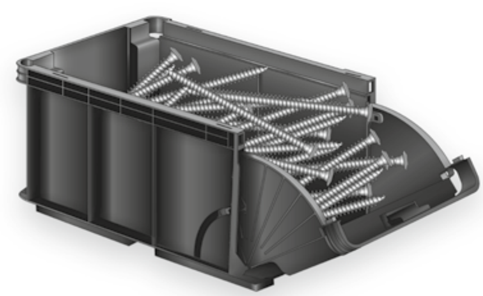
Industry division

The entities of the Industry division are specialized companies with a complete range of assembly and connecting materials for industrial production, as well as maintenance and repair. In addition to the comprehensive standard range offered by these companies, the division's strength lies in customized logistics concepts for supply and service, along with the provision of technical consulting.

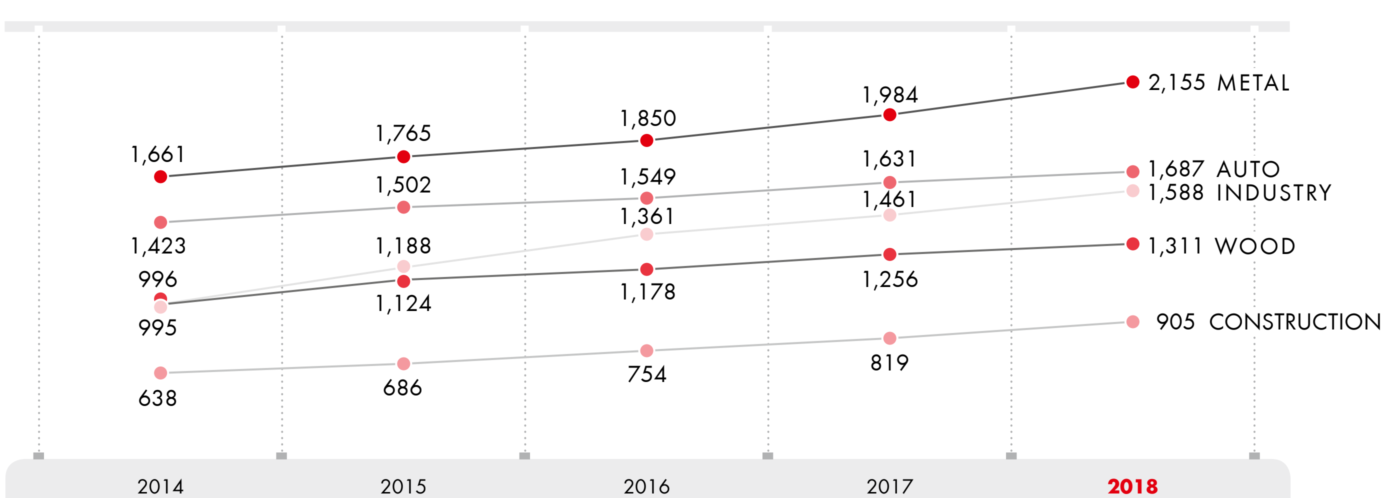
The innovative further development of procurement and logistics systems within the Industry division is emphasizing the role of systems and full automation in stocking and replenishing Würth products for manufacturing customers. One key focus remains the maximum security of C-part supplies directly at the place of consumption, in the warehouse and at the workstation. All solutions are made available as part of a holistic approach to the supply of production and operating resources.

The strategic focus remains on personal on-site customer service thanks to a global network and, as a result, the same high standards for quality, products and processes across the globe.





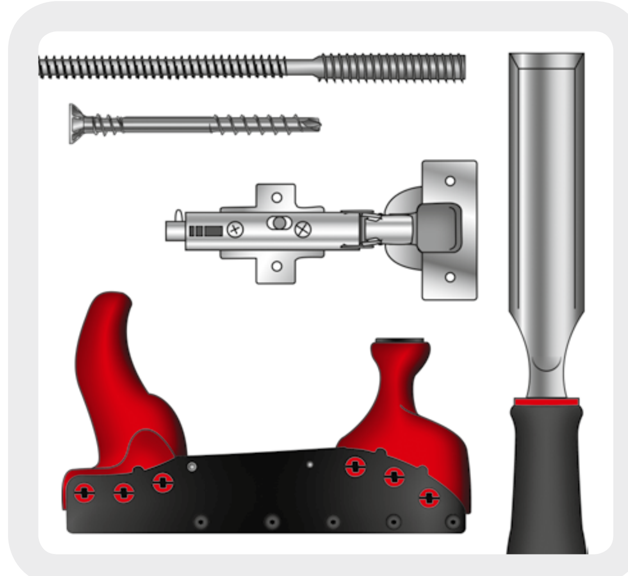
SALES BY DIVISION in millions of EUR



Wood division

The Wood division serves customers throughout the woodworking and wood processing trades. Through our core competencies in the interior construction, window construction and window assembly sectors, we offer first-class individual and demand-oriented services.

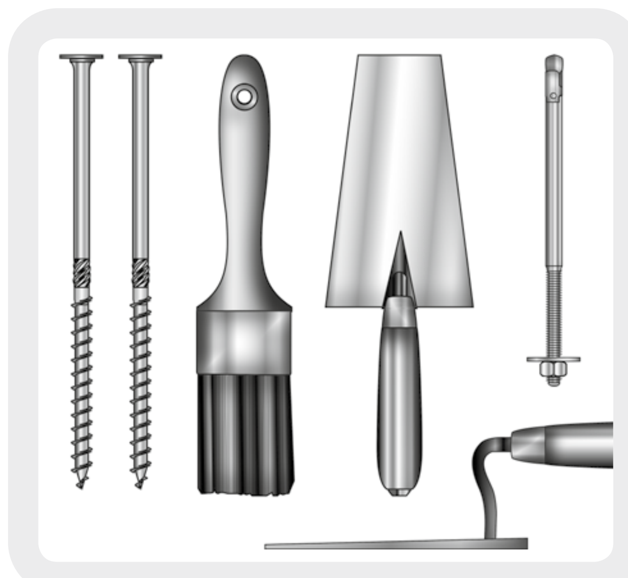
The product spectrum covers furniture and building fittings, the entire range of fastening materials and sealing technology, as well as hand tools, power tools, abrasives and chemical-technical products. With a view toward Trades 4.0, focus will be placed on online ordering services in the interior design market segment, such as the furniture configurator Wüdesto. In conjunction with the branch office, telephone and e-business customer contact points, the sales representatives offer a portfolio of services that is tailored to meet our customers' individual requirements.



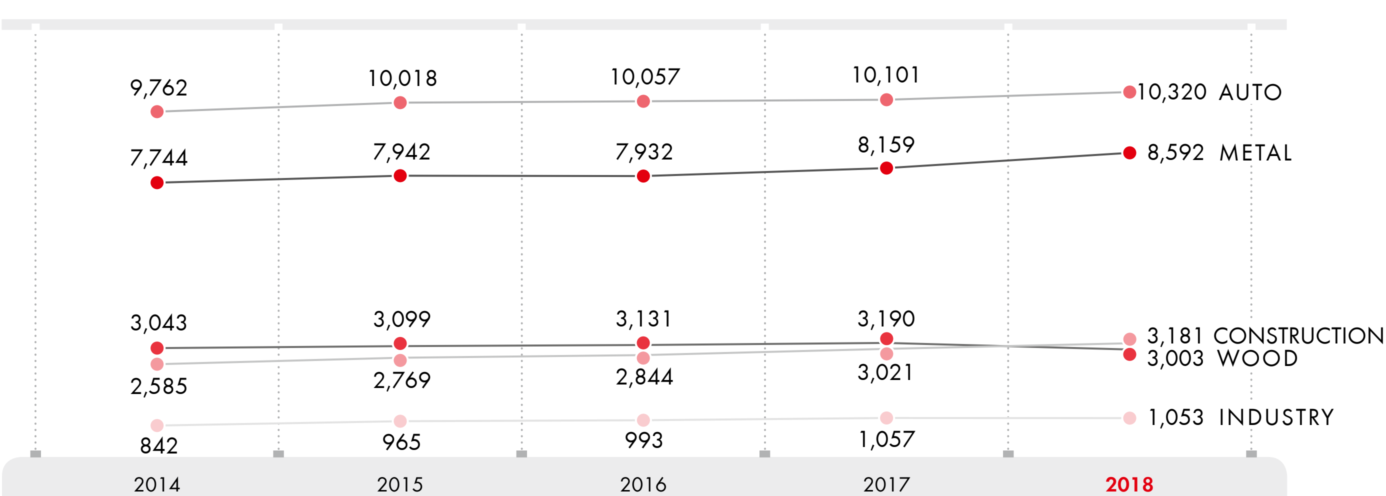
Construction division

The aim of the Construction division is to offer regional, national and international companies in the construction industry the best possible uniform products and services at the highest possible level worldwide. The synergy between sales staff, e-commerce and branch offices is an elementary success factor in order to be able to react flexibly to customer requirements.

The Construction division encompasses all sales units whose task is to support customers in the main and ancillary construction trades. Marketing activities focus on construction companies, roof and wood construction customers, finishing and facade specialists, and direct supplies to construction sites. Customized service and logistics solutions are also provided, such as equipped material stores directly at the construction site.



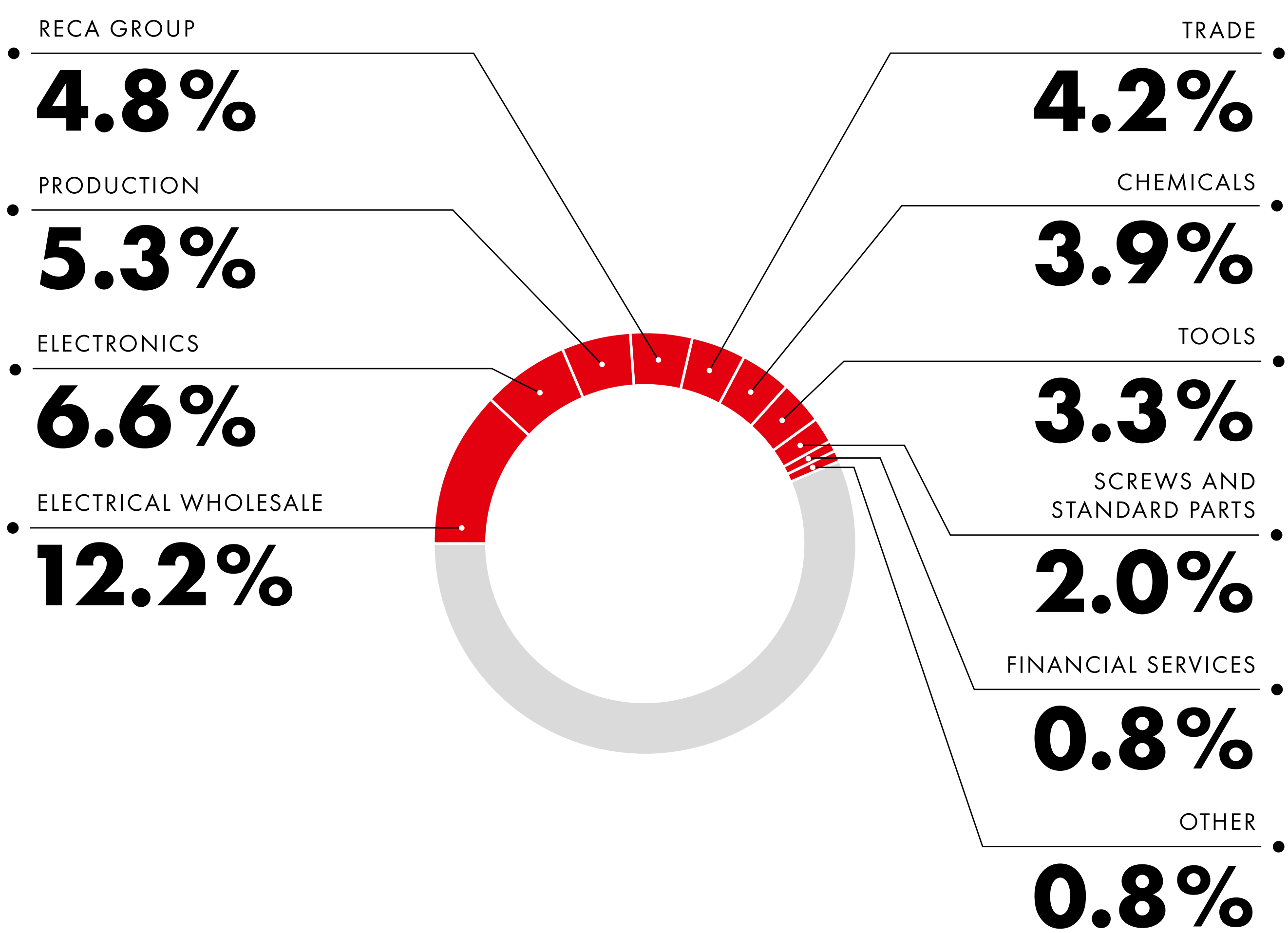
SALES REPRESENTATIVES BY DIVISION



The business units of the Allied Companies

The Allied Companies operate either in business areas related to the Group's core business or in diversified business areas, rounding off the Würth Group's portfolio. They are divided into nine strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related areas.

SHARE OF SALES OF THE BUSINESS UNITS OF THE ALLIED COMPANIES in relation to the Würth Group's total sales

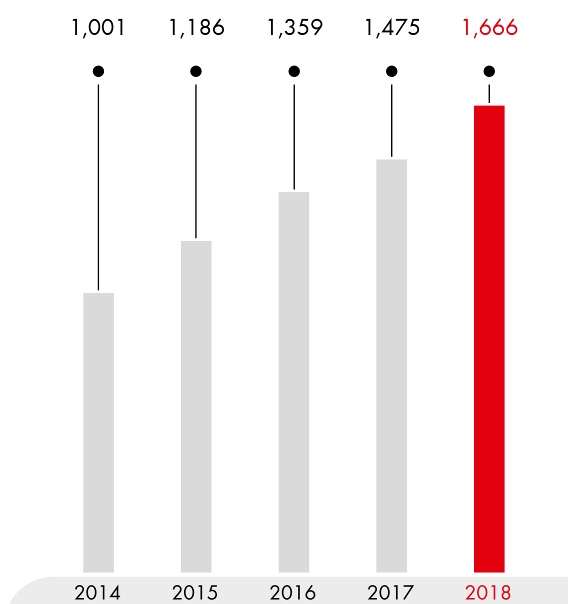


Electrical Wholesale

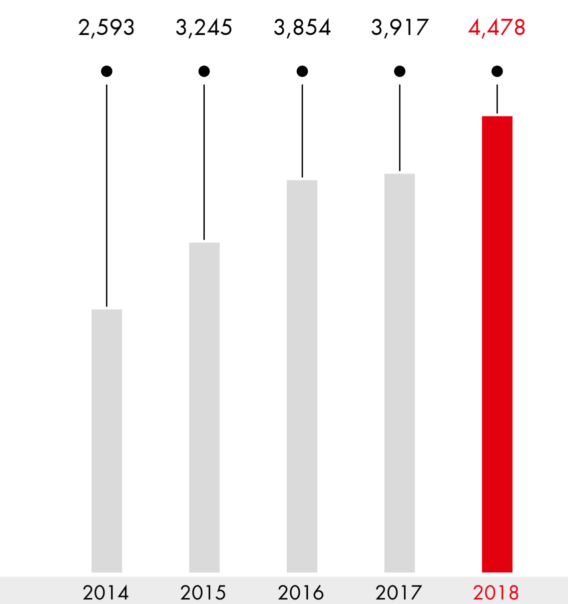
The business activities of these companies include products and systems covering the areas of electrical installation, industrial automation, cables and wires, tools, data and network technology, lighting and illumination, household appliances and multimedia products, as well as electrical domestic heating technology and regenerative power generation. The commercial activity is supplemented by comprehensive consulting and services and is directed at professional customers from trade and industry.

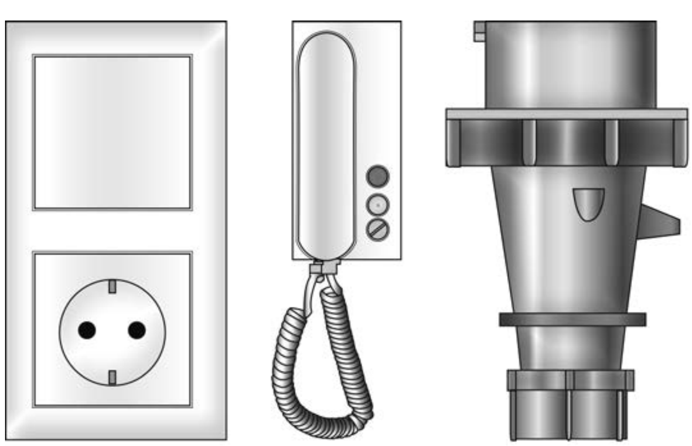
- New sales record with growth well above the market average
- Progressive internationalization and increasing importance of European markets
- Above-average growth in e-commerce business in relation to total sales
- Commissioning of new warehouse at Fega & Schmitt in Heilsbronn at end of 2018
- Enhanced performance due to acquisition of lighting specialist Gaudre based in Vilnius, Lithuania
- Growth in Italy through strong expansion of our existing company MEF and acquisition of a majority stake in the company M.E.B. based in Schio, Veneto

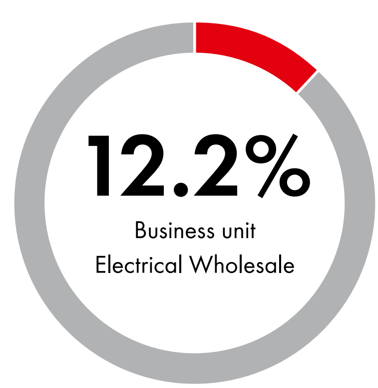
SALES in milions of EUR



EMPLOYEES







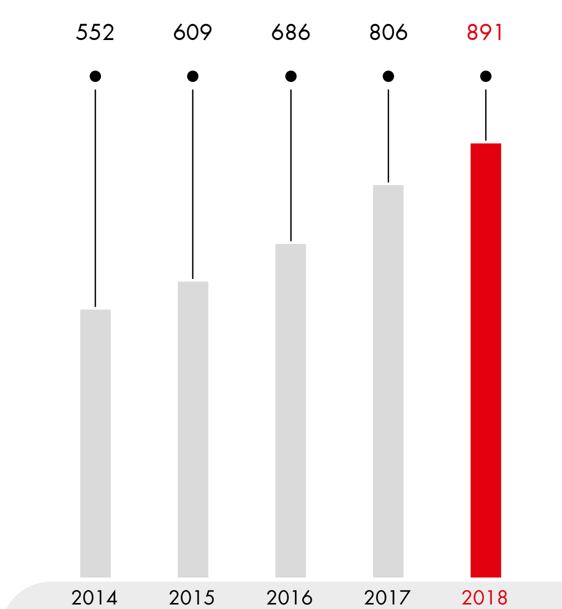
SHARE OF TOTAL SALES

Electronics

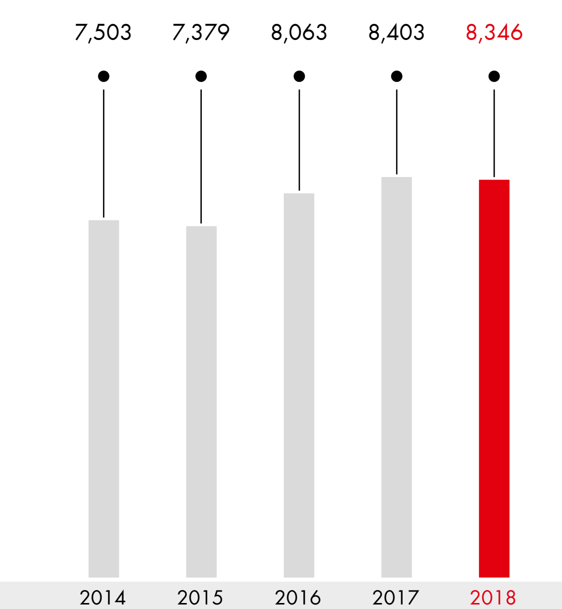
The Electronics business unit produces and sells electronic components such as printed circuit boards, electronic and electro-mechanical elements, and full system components.

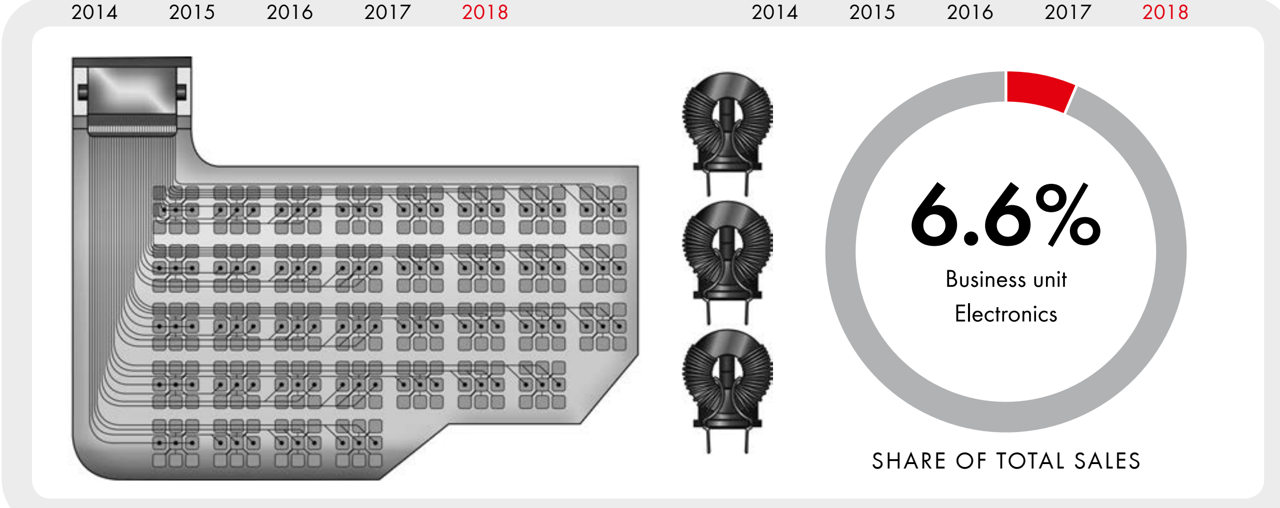
- Würth Elektronik eiSos Group reaches the milestone of EUR 600 million sales for the first time in 2018
- Logistics expansion at the Waldenburg site: Capacities doubled in warehousing, order picking and dispatch; investment of roughly EUR 25 million underscores high service standard
- Würth Elektronik CBT: Niedernhall plant returns to target capacity after the fire
- 3D printed circuit boards, Asia production and system-oriented project business as growth drivers in 2018
- Market launch of stretchable, flexible printed circuit board TWINflex-Stretch
- Würth Elektronik ICS: massive expansion of standardized platform solutions, e.g. REDline Power Box, with high profitability and high sales performance

SALES in millions of EUR



EMPLOYEES



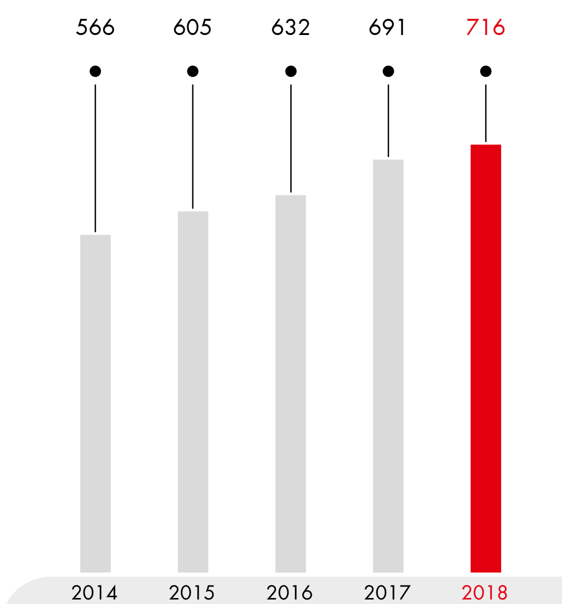


Production

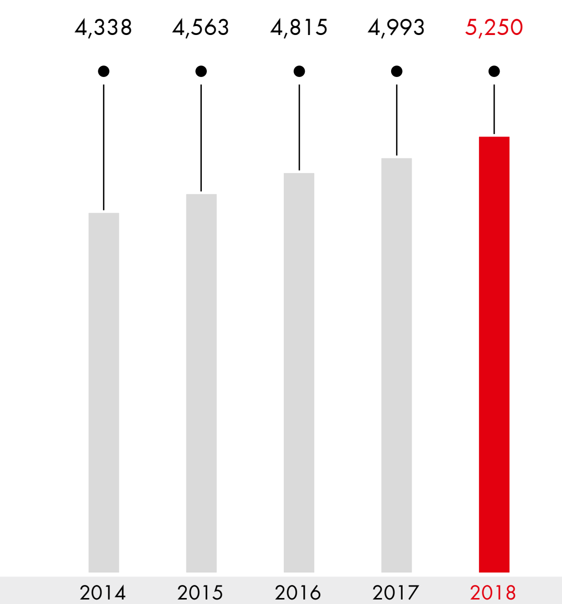
The product range in this business unit includes the production of cold-formed parts, forming and punching tools, a variety of fasteners and fastening systems, furniture fittings, plastic assortment and storage boxes, as well as factory and vehicle equipment. The business unit supplies a range of customers, including customers from the construction sector, automotive industry, manufacturers of kitchens and household appliances, and wholesalers.

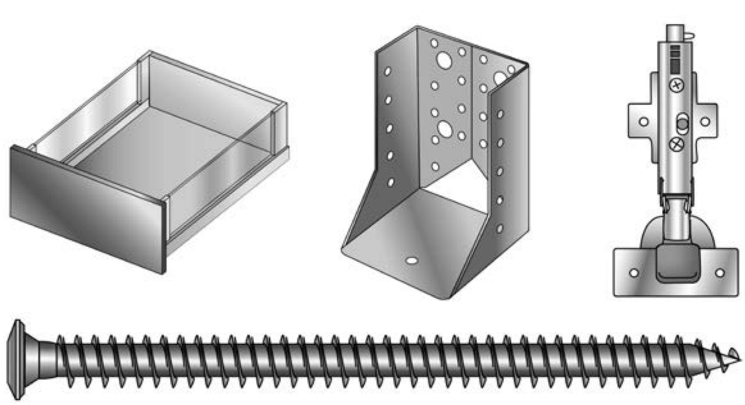
- Renewed growth in sales, employees and operating result
- Strong utilization of existing production capacities
- Start of numerous construction projects to create additional production capacities
- Construction of a new high-bay warehouse for the Grass Group commences at the Hohenems site
- Development and implementation of an innovative flap system for wall units
- New drawer runner system for the US market

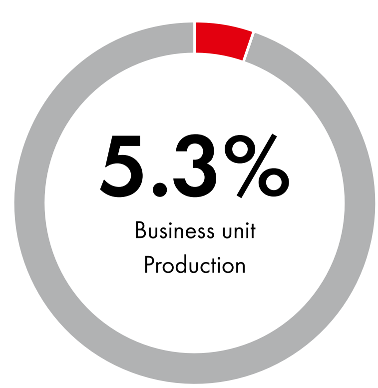
SALES in millions of EUR



EMPLOYEES







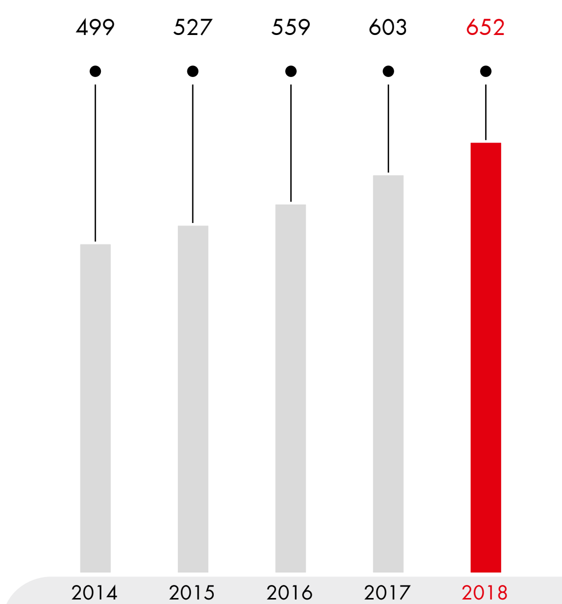
SHARE OF TOTAL SALES

RECA Group

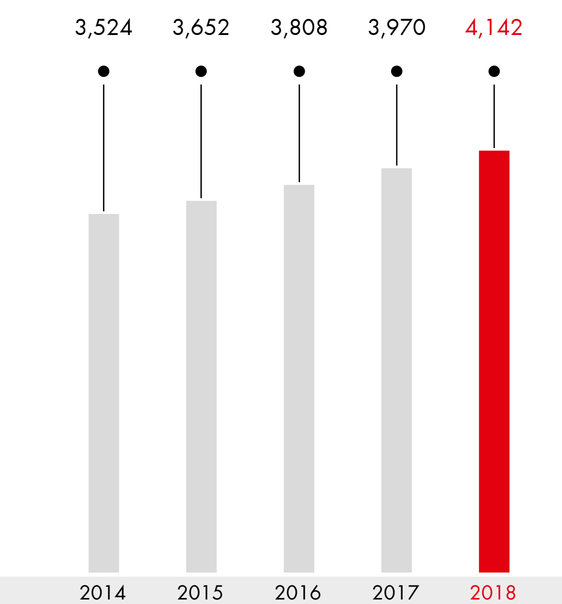
The RECA Group companies supply tools and assembly and fastening materials directly to industrial, metal and car business customers, as well as to customers in the cargo sector. Specialists in workwear, advertising materials and vehicle equipment complement the product portfolio.

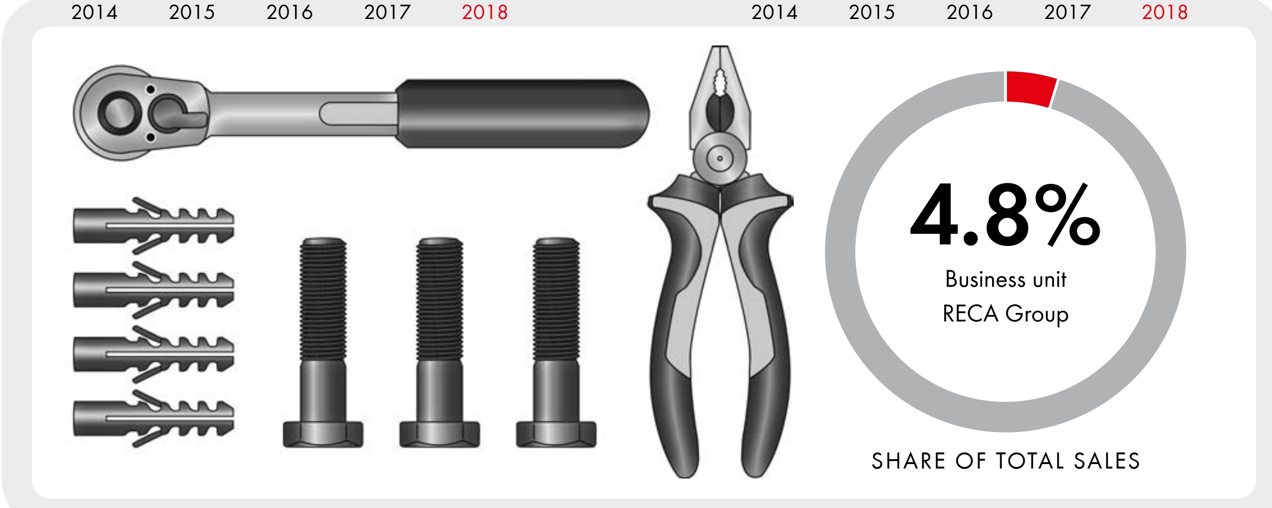
- Market development in Europe and China through 28 companies in 20 countries
- Growth by broadening the customer base in all divisions
- Exploiting customer potential by expanding and adapting the product range to customer requirements in the respective industries
- Focus on services that help customers reduce procurement costs for small parts, such as KANBAN and RFID-supported storage systems, the SECO® shelf management system (service concept) for trade customers, shelf and vending solutions for the direct retrieval of goods and automated re-ordering for customers
- Continued good prospects for the future thanks to the combination of digital sales systems with customer support by the traditional sales force
- Tapping markets by implementing a trading partner concept in countries in which the RECA Group has not been active to date

SALES in millions of EUR



EMPLOYEES



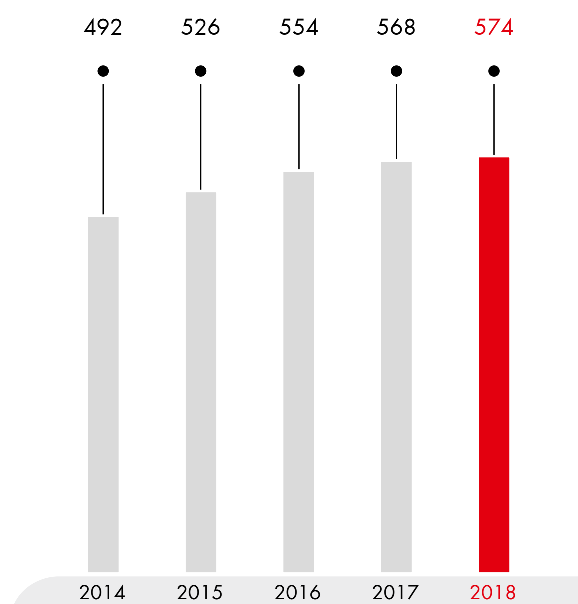


Trade

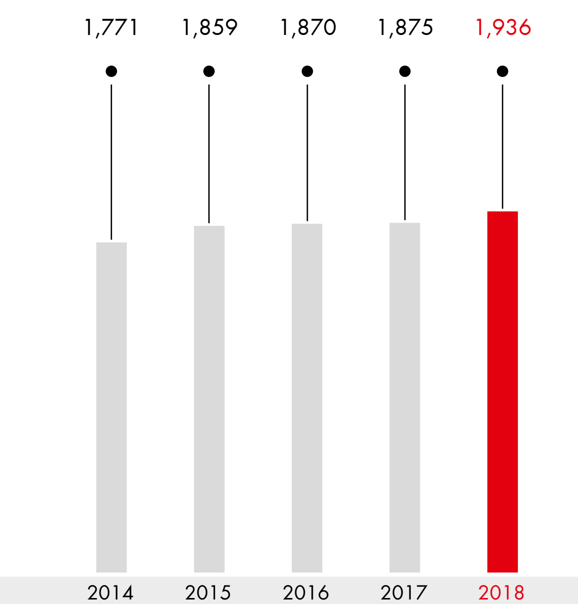
Companies in this business unit sell installation, sanitary, fastening and assembly materials, garden products, electrical and hand tools. The range also includes furniture fittings for specialist stores and retailers as well as products for DIY stores and discount stores.

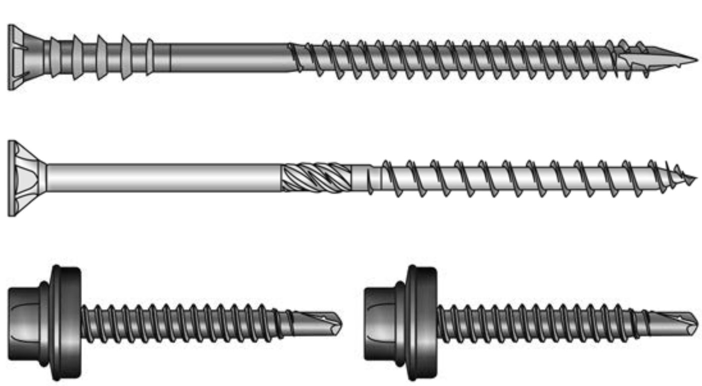
- Strong focus on manufacturer brands and customers' own brands
- Sophisticated shelf and packaging systems
- Comprehensive customer service and reliable logistics
- Special solutions tailored to customer needs and requirements
- Compliance with the highest environmental and safety standards
- Further expansion of e-commerce and digitalization, differentiation from competition through multi-channel solutions
- Investments in IT infrastructure and future technologies such as electronic shelf labels, mobile coupons, etc
- Own social media channels with videos and information on new articles as well as tips on product applications
- Customer segmentation for optimum and targeted customer support and contact
- Extensive product testing and quality assurance

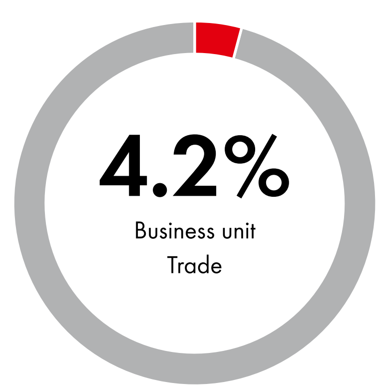
SALES in millions of EUR



EMPLOYEES







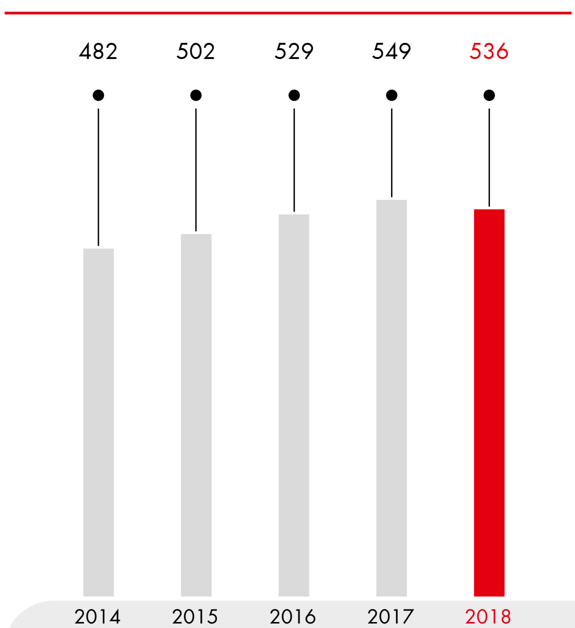
SHARE OF TOTAL SALES

Chemicals

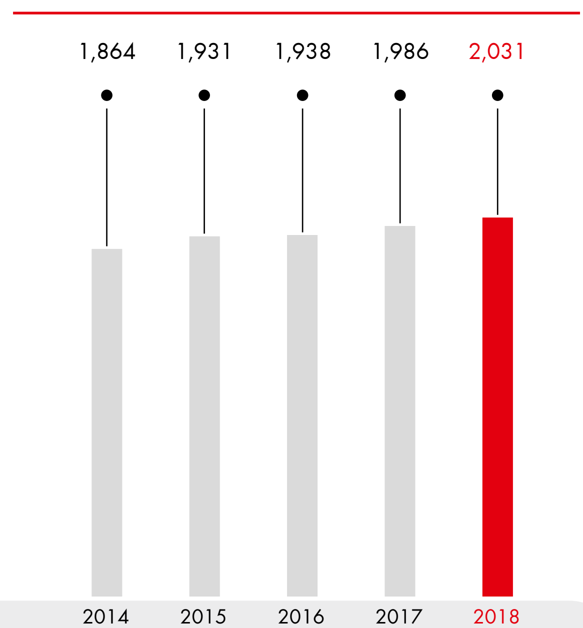
The companies in the Chemicals unit are responsible for the development, manufacturing and distribution of chemical products for the automotive, industrial and cosmetics industries. They distribute both their own brands and private label products and are renowned as real innovation specialists and experts in their niche areas.

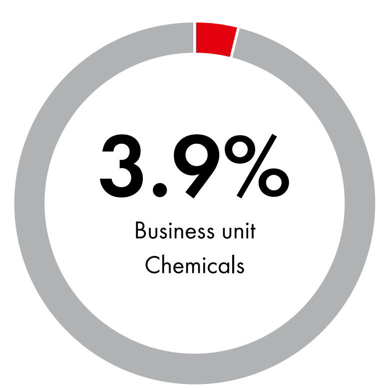
- Good growth levels in technical products (adhesives and sealants, corrosion and underbody protection, sound insulation)
- New version and expansion of the micro flex® product line (fuel system for dissolving deposits in engines)
- Further restructuring of the cosmetics segment
- Regional presence expanded
- Advancement of Chemical Group's international presence by developing and establishing distributors
- Research and development as an integral part of the business unit: Offering innovative solutions such as innovative formulas and application developments
- Strong focus remains on production: Investments, particularly in the areas of occupational health and safety, the environment and automation, to increase efficiency

SALES in millions of EUR



EMPLOYEES





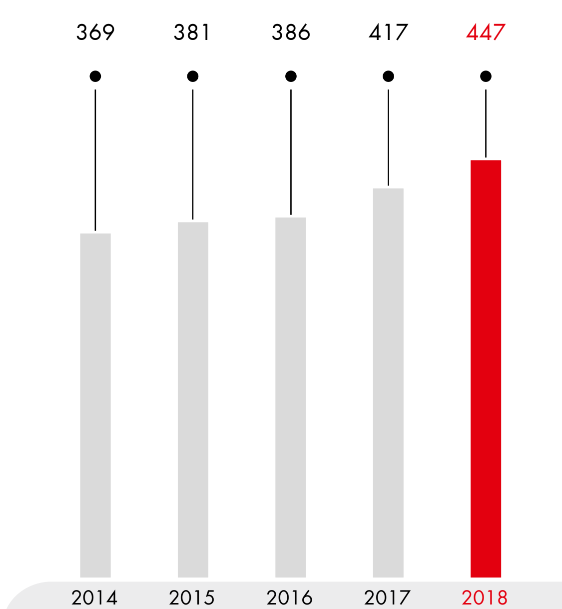
SHARE OF TOTAL SALES

Tools

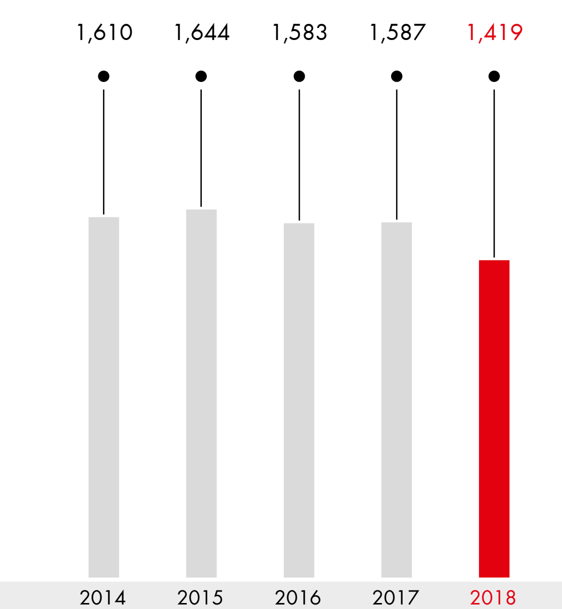
The tools companies supply customers in the automotive manufacturing and automotive supplier industry and metal manufacturing companies, particularly in the mechanical and plant engineering sector. They sell products from the areas of metal cutting, clamping technology, testing and measurement equipment, hand tools, operating equipment, grinding, industrial safety, and power tools.

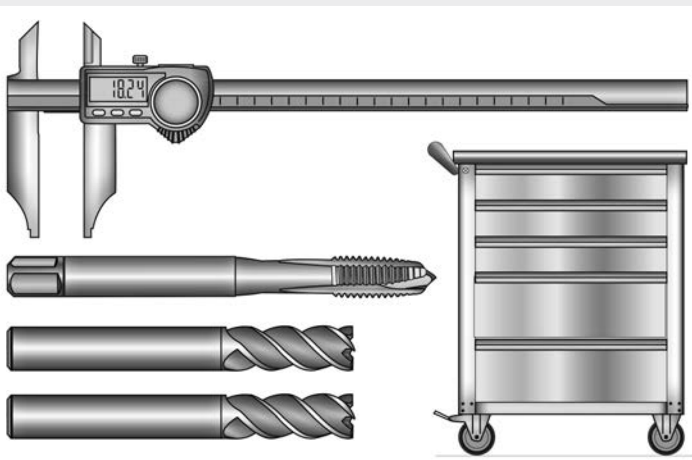
- The Association of German Machinery and Plant Manufacturers expects real production growth in the mechanical engineering sector to reach two percent in 2019, the same level as last year
- Strengthening of the metal cutting, measuring and testing and workshops equipment units by hiring additional product and application specialists
- Implementation of an international online shop in 14 languages
- Further expansion of the ATORN® proprietary brand product range and the important machining product range
- Above-average growth of e-business transactions compared to total sales
- Sale of Monks & Crane, Great Britain, with an annual sales volume of EUR 47.3 million in 2017
- Growth of business unit by 11.3 percent (adjusted for divestment)

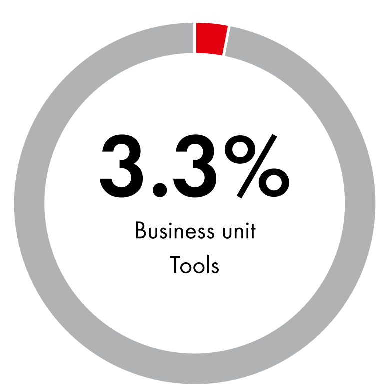
SALES in millions of EUR



EMPLOYEES







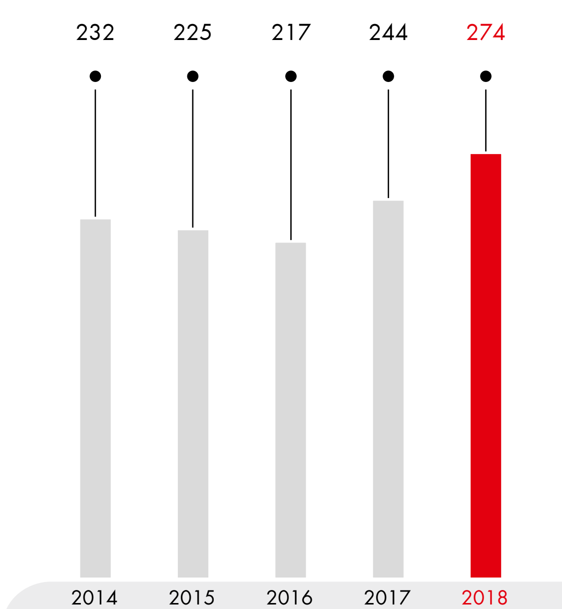
SHARE OF TOTAL SALES

Screws and Standard Parts

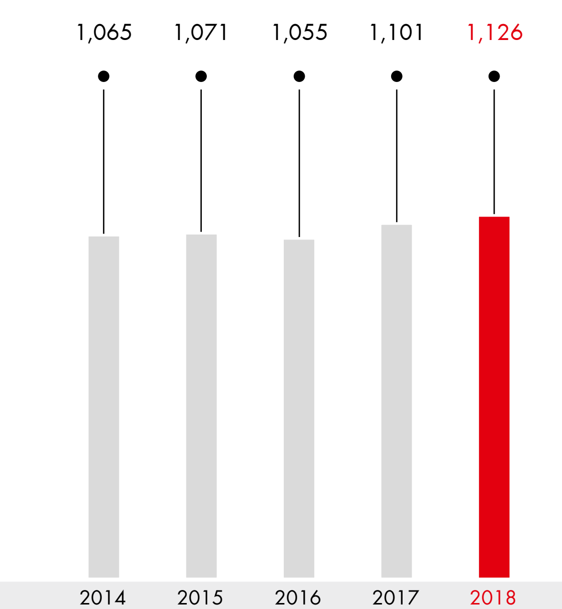
The stainless steel companies are product specialists with supply concepts for industry and trade. The main focus of business activities is the trade in stainless steel fasteners, especially DIN and standard parts.

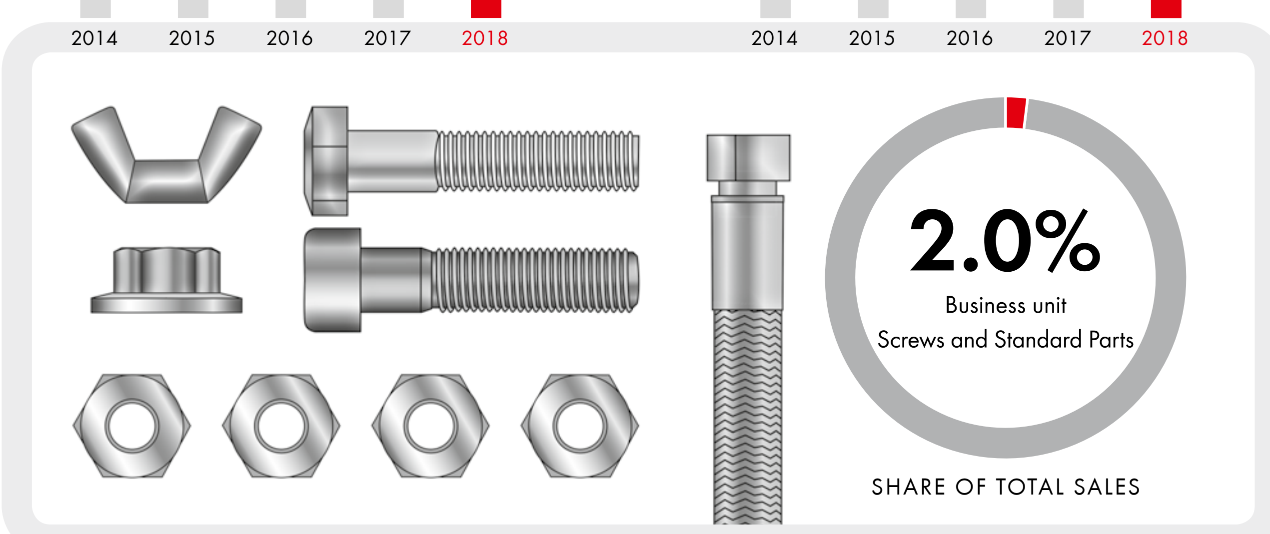
- Sales in 2018 focused primarily on the distribution of DIN and standard stainless steel parts
- Increased productivity among sales representatives, in-house staff and in logistics
- Shortage of nickel stocks due to Chinese environmental policy and the so-called Tesla effect: currently 40,000 metric tons of nickel consumed annually for electric car batteries, expected 275,000 metric tons in 2025—12 percent of expected demand
- Application of QR codes to master cartons and pallets to increase warehouse productivity
- Introduction of duplex articles (rust- and acid-resistant steels)
- Mobile hydraulic service brand Sprinter: over 200 vehicles in daily use as mobile workshops throughout Europe
- Opening of three new service bases in Germany and further locations in Belgium and northern Italy
- DNV GL certification obtained for customers in the maritime industry to develop service competence in the ports of Antwerp and Hamburg

SALES in millions of EUR



EMPLOYEES



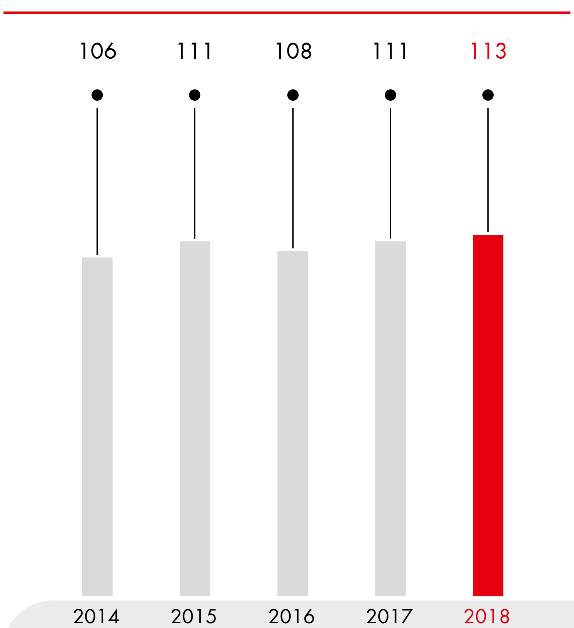


Financial Services

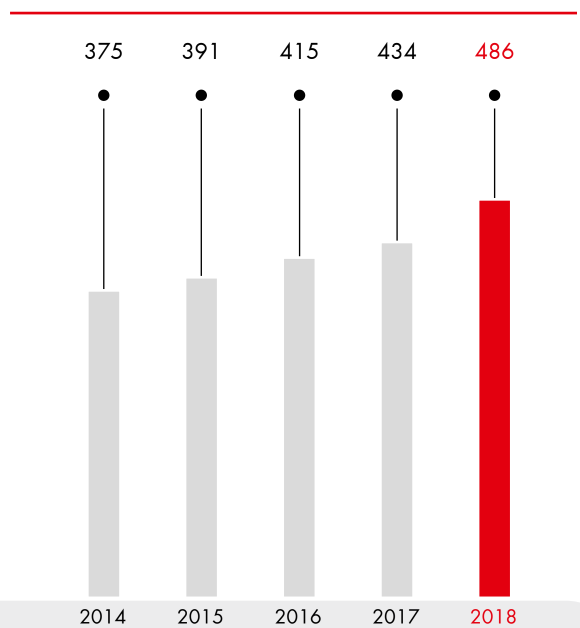
Financing, leasing, retirement plans, property and personal insurance as well as asset management are among the services offered by the financial services companies within the Würth Group. Customers also include external companies and private individuals in addition to companies within the Würth Group. Sales orientation, customer proximity and individually tailored products are the division's strengths.

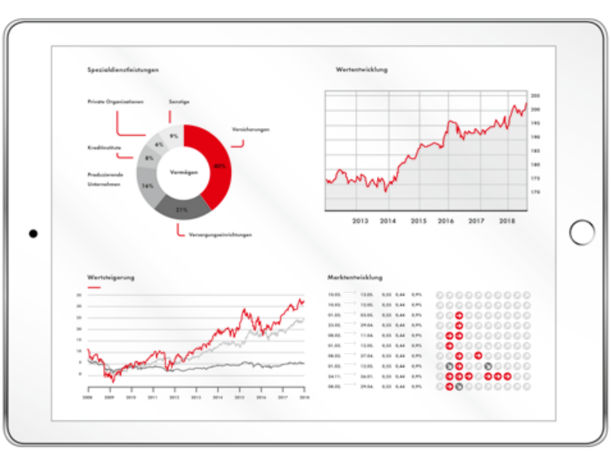
- Continued robust growth for leasing companies in Germany, Switzerland, Austria and Denmark
- Subsidiary of Würth Leasing Deutschland founded with specialty in commercial vehicle leasing
- IBB's share price continues to increase earnings
- Further expansion of the "niche bank" strategy
- Waldenburger Versicherung AG: Significant reduction in the burden of major losses resulted in another noticeable improvement in results through concentration on policyholders in the SME sector (small and medium-sized enterprises) and in private households
- Growth strategy 2019 for Würth Financial Services: further integration of micro-broker insurance companies
- Digitalization launch: Conversion to a more modern administration platform starting 1 January 2019
- Fundamental change in advising private banking clients due to the new "MIFID II" regulations

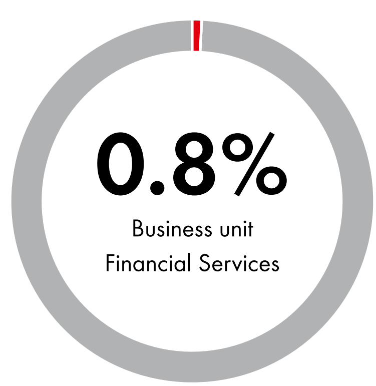
SALES in milions of EUR



EMPLOYEES







SHARE OF TOTAL SALES

Net assets, financial position and results of earnings

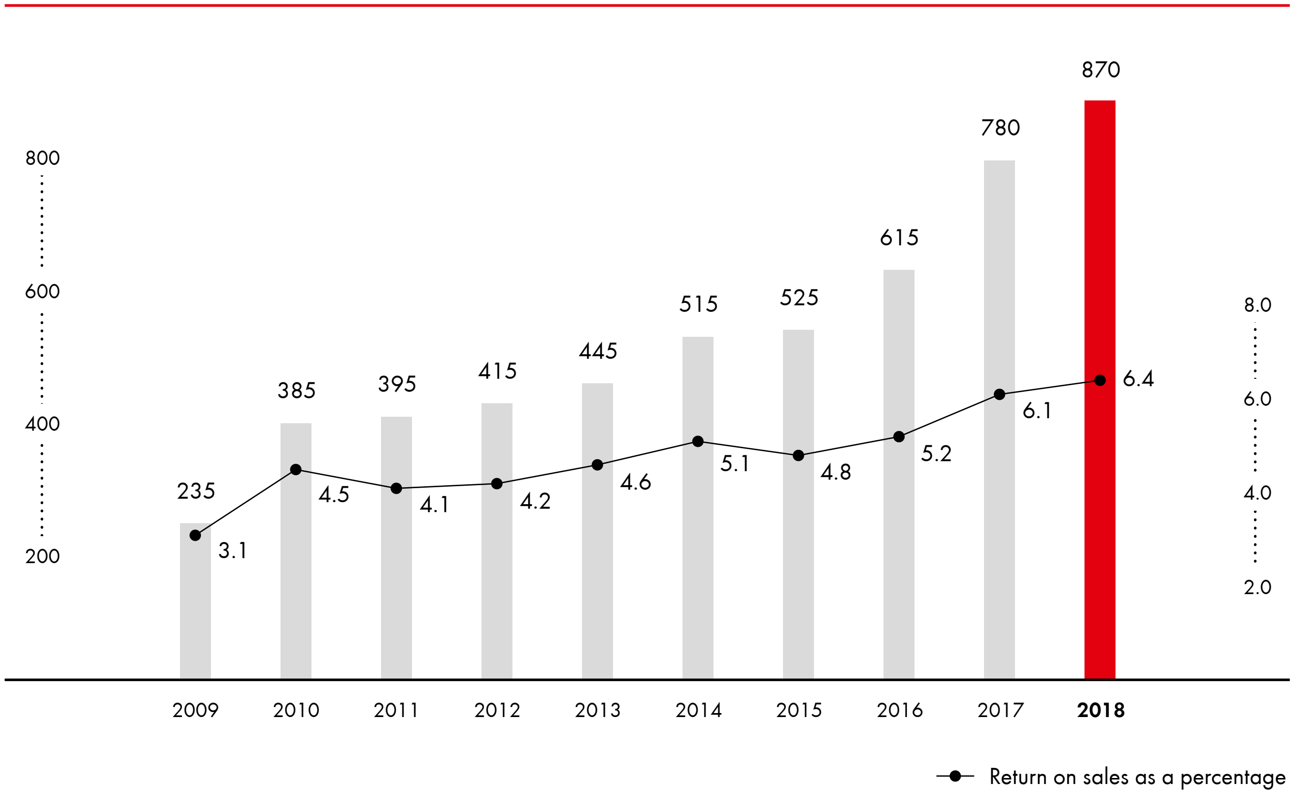
- **Operating result at record levels**
- **Equity exceeds EUR 5 billion for the first time**
- **Significant increase in cash flow**

At EUR 870 million, the Würth Group once more achieved a record operating result. Compared to the previous year, that amounts to a rise of 11.5 percent. As a result, the return increased to 6.4 percent (2017: 6.1 percent). We have calculated the operating result as earnings before taxes, before amortization of goodwill and financial assets, before the collection of negative differences recognized in profit or loss, before the adjustment of purchase price liabilities from acquisitions through profit or loss, and before changes recognized in profit or loss from non-controlling interests disclosed as liabilities.

After an above-average increase of 19.9 percent in the 2017 operating result in Germany, the 2018 result was EUR 436 million (2017: EUR 421 million), which corresponds to an increase of 3.6 percent. The only moderate increase in earnings was due in part to the restructuring of companies in the Chemicals unit. The German companies accounted for 50.1 percent of the Group's total earnings, with a return on sales of 7.5 percent (2017: 7.8 percent). With a new record of over EUR 160 million, Adolf Würth GmbH & Co KG made by far the largest contribution to earnings. Other top performers within Germany included: Würth Elektronik eiSos, Würth Industrie Service, Arnold Umformtechnik and Reca Norm.

The companies outside of Germany boosted their operating result by 20.9 percent to EUR 434 million (2017: EUR 359 million). As a result, the earnings growth of these companies was significantly more dynamic than that of the domestic group. This momentum is due, first of all, to improved earnings at established direct selling and distribution companies such as Würth Italy. On the other hand, the restructuring of the direct selling business towards multichannel sales in China and Switzerland was successfully continued. By contrast, the situation in Great Britain is difficult due to the uncertainties surrounding Brexit. At present, however, we do not see any significant effects of Brexit on the net assets, financial position and results of earnings for

PRE-TAX OPERATING RESULT Würth Group in millions of EUR



the Würth Group. The need for restructuring at individual industrial companies in the US and Scandinavia also prevented even stronger earnings growth.

At 49.9 percent, the cost of materials ratio was slightly above the previous year's level (2017: 49.1 percent). Increased raw material prices prevented the cost of materials ratio from remaining constant. At EUR 96 million, other operating income was down significantly on the previous year (2017: EUR 132 million). The decline resulted from a special effect in 2017, in which other operating income increased by EUR 31.9 million due to the revaluation of earn-out liabilities in the US industrial companies.

At the end of December 2018, the Würth Group had a total of 77,080 employees. The increase in the workforce by 2,921 compared with December 2017 was one of the reasons behind the sales growth that the company achieved, as face-to-face contact is the strength of our direct selling approach. The sales force works hand in hand with our highly effective in-house staff, who provide the necessary support for the specific sales strategy. The sales team was increased by 923 employees in 2018. The increase in in-house staff amounted to 4.8 percent. Adjusted for acquisitions, the increase was 4.2 percent. At 26.8 percent, the ratio of personnel expenses to sales improved compared with the previous year (2017: 27.3 percent). One major reason was the increase in productivity.

At EUR 375 million, amortization and depreciation was down considerably on the prior year in 2018 (2017: EUR 426 million). In 2017, depreciation increased due to the increase in impairment losses on goodwill at the US industrial companies. This fact ceased to apply in 2018 and is therefore a major reason for the decrease in depreciation in 2018. Amortization and depreciation, resulting from the investments made on the one hand, and from the acquisitions realized on the other hand, rose compared with the previous year's level.

Other operating expenses showed a below-average increase in relation to sales growth in the year-on-year comparison. The ratio was down on the previous year at 14.7 percent (2017: 15.2 percent). In the areas of maintenance and repair as well as freight and delivery costs, the corresponding expenses increased at a disproportionately low rate and thus contributed to an improvement in the ratio. The rental and lease segment developed in line with sales growth.

Net financing expenses decreased. This development was mainly due to exchange rate gains resulting from currency translation.

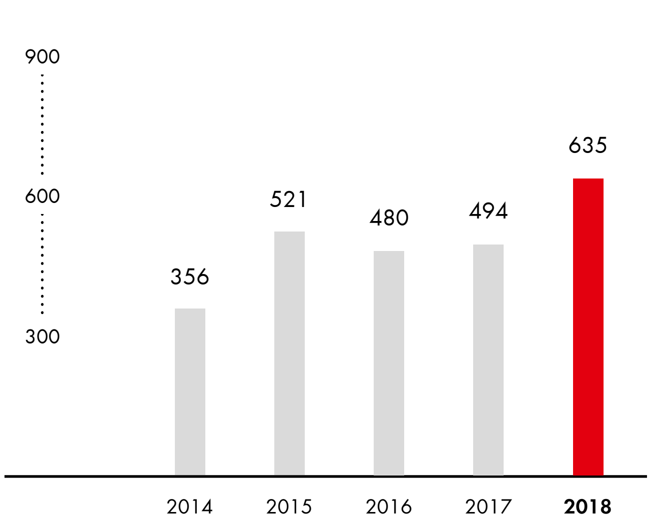
The tax rate decreased in the 2018 fiscal year to 20.5 percent (2017: 24.8 percent). A major reason for this development is the decrease in non-deductible amortization of goodwill, primarily in connection with the increased impairment losses in the US industrial companies in 2017. In addition, a tax refund in the USA in 2018 had a tax-reducing effect. For a detailed analysis, please refer to the consolidated financial statements: G. "Notes on the consolidated income statement", [9] "Income taxes"

In the last fiscal year, the Würth Group reported sales of EUR 13.6 billion and an operating result of EUR 870 million, allowing it to set two new records and achieve its objectives. Net income for the year rose to EUR 687 million. Against the backdrop of the global economic developments, the Central Managing Board believes that these results are highly satisfactory. The main KPIs, such as sales and operating result, have significantly improved. Our gross profit, i.e. sales minus the cost of goods sold, along with our staff turnover, stock turnover and revenue productivity, also improved or are at an acceptable level.

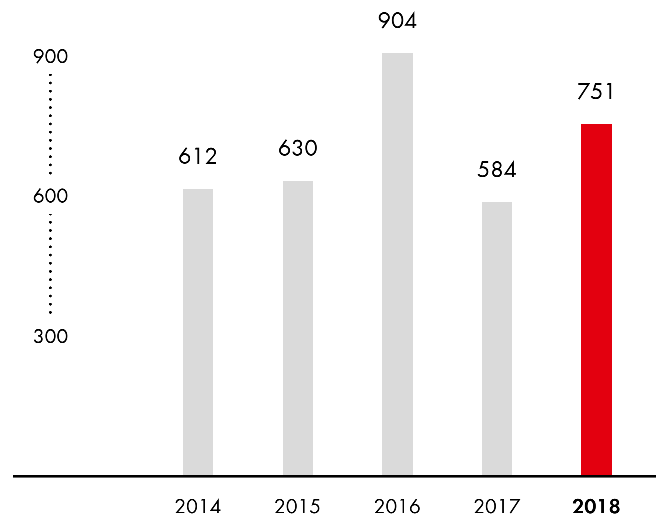
Capital expenditures and cash flow
Growth is inextricably linked to the self-image of the Würth Group. Growth by tapping into new markets and growth in existing markets require optimal underlying conditions. One of the ways in which the Würth Group achieves such conditions is through sustainable investment. Over the past ten years, the Group has invested around EUR 4.3 billion. It has always been the Würth Group's strategy to invest in sales-related and productive areas. Of the investments made over the past fiscal year totaling EUR 635 million (2017: EUR 494 million), a focus was placed on the expansion of IT infrastructure and warehouse capacities for our distribution companies, as well as on production buildings and technical equipment and machinery for our manufacturing companies.

Kellner & Kunz AG from Wels, Austria, is an expert in screws, tools, and DIN and standard parts. During the period from 2018 to 2020, the company will be investing around EUR 45 million in a further expansion stage in the logistics area. The enlarged warehouse in Wels not only supplies all customers from trade and industry in Austria, Eastern and Southeastern Europe, but also makes it possible for all deliveries to industrial customers of the RECA Group division in Europe to be made from the central warehouse in Wels. The switch to a "goods-to-man" system and parallel order picking will speed up order processing, which will be reflected in even greater customer satisfaction.

INVESTMENTS
Würth Group in millions of EUR



CASH FLOW FROM OPERATING ACTIVITIES
Würth Group in millions of EUR



Expansion became necessary only two years after the opening of the ultra-modern logistics center due to the rapid growth of the Würth Elektronik eiSos Group. With the construction of 4,000 m² logistics floor space and a fully automatic shuttle warehouse on 1,300 m² floor space, the existing warehouse, picking and logistics areas at the Waldenburg location will be doubled once again. The new shuttle warehouse alone comprises 36,000 m³ of converted space. With the new building, Würth Elektronik eiSos underscores its high service standards, which ensure the fast delivery of samples and large quantities of electronic and electromechanical components to customers all over the world. The investment volume comprises an additional EUR 25 million.

In addition to the companies comprising the Allied Companies, Würth Line companies also invested heavily in the expansion of their sales activities—above all Adolf Würth GmbH & Co. KG should be mentioned in this context. In June 2018, the groundbreaking ceremony for the largest logistics investment to date in the Würth Group took place with an investment volume of around EUR 73 million. The new transshipment warehouse for Adolf Würth GmbH & Co KG is pursuing an optimized logistics strategy that avoids delivery splits and bundles items per order so that the customer receives exactly one parcel or shipment. On an area of 50,000 square meters, 62 docking stations for loading and unloading trucks are being built. In addition to a total of 12,800 pallet spaces, new capacities will also be created for large-volume and bulky items. In the final phase, around 300 employees will work in two shifts in the new logistics complex. Completion is planned for summer 2020.

Würth Industrie Service invested EUR 43 million in Bad Mergentheim in 2018 in order to continue offering customers maximum security of supply and the highest product, service and system quality. Among other things, work began on the expansion of the OSR shuttle warehouse and the high-bay warehouse to include an additional 39,000 storage spaces. Further investments in buildings, technologies such as open shuttles as driverless transport systems, picking and palletizing robots, and storage capacities are planned, so that an increase to more than 1,000,000 storage spaces can be expected by 2020.

In total, EUR 362 million, or 57.0 percent of the investment volume, was attributable to Germany, reflecting the continued paramount significance of the home market for the Würth Group.

Thanks to our efficient investment controlling processes using sophisticated recording and analysis tools, the Central Managing Board is always in a position to react quickly to changes in the overall environment. This is another reason why we once again met our objective of financing investments in intangible assets and in property, plant and equipment from our cash flow from operating activities in full in 2018. This amount was EUR 751 million (2017: EUR 584 million) and thus 28.6 percent higher than the previous year. The reasons for the increase were primarily the lower build-up of inventories to secure the ability of the Würth Group to deliver as well as the lower increase in trade receivables compared to 2017. The increase in liabilities from financial services is also reflected positively in cash flow. The financing of the investments of EUR 635 million in 2018 required 84.6 percent of the operating cash flow (2017: 84.6 percent). The purchase of the remaining shares in Liqui Moly GmbH and the sale of the shares in Paravan GmbH also had an impact on the cash flow statement.

Purchasing

The purchasing managers' index for the eurozone fell steadily from its high of 60.6 points in December 2017 to 51.4 points in December 2018. Although this is still above the growth mark of 50 points, the economic situation in the eurozone is weakening. As a result, the prospects for economic development in the eurozone are no longer as euphoric as they were recently, although they are still positive.

The purchasing managers' indices in the USA and China were very volatile in 2018 and fell significantly towards the end of the year. While the index for the USA nevertheless still reached 54.1 points in December 2018, the index for China actually fell below the 50 point mark in the second half of the year to a value of 49.4 points in December 2018.

In the first three quarters of 2018, procurement markets were characterized by generally high raw material prices, while some product areas were also characterized by supply bottlenecks and raw material shortages (e.g. for silicones and refrigerants).

Full utilization of the suppliers in some cases and the resulting long delivery times increased the pressure on the purchase prices. As a result, the Würth Group's purchasing was confronted with drastic price demands in several areas in some cases and was forced to make price concessions in some instances in order to maintain its ability to supply the products. In the fourth quarter of 2018, positive indications regarding the situation on the procurement markets intensified. For example, trends in delivery times have recently been more favorable for us, and in recent negotiations with suppliers, we have been able to achieve positive initial results with regard to price development. We therefore expect purchase prices to remain stable across the entire product range in 2019. Nevertheless, there may well be price increases in individual sub-segments (e.g. for silicones). However, these can be offset by purchase price reductions in other product areas.

There is currently no reliable information on the outcome of the trade war between the USA and China and the effects of this trade dispute are not yet foreseeable. At the same time, the USA is negotiating a new free trade agreement with Japan. The first trade talks between the two countries were held in December 2018. The effects of such an agreement on the world economy cannot yet be predicted.

Plans call for bundling purchasing volumes for the companies within the Würth Line as part of a current project. Productivity in the area of purchasing and product management will continue to increase through the harmonization of the worldwide Würth article base and the worldwide standardization of product quality levels.

A so-called Cost Improvement Team is to be set up in 2019 to further optimize the purchasing processes within the Würth Line.

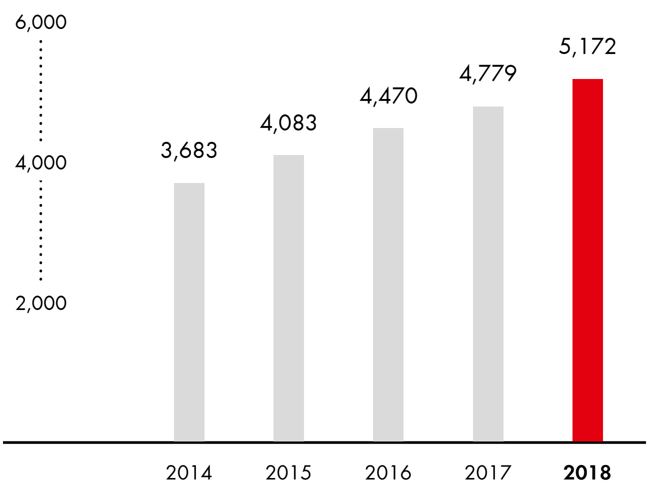
The aim of the project is to strengthen product price transparency within the Würth Line procurement function by pursuing value-analytical and cost-to-design approaches and thus to offer purchasers additional support in negotiations with suppliers.

Inventories and receivables

As a global company, the Würth Group's inventories and receivables are key balance sheet items, which the company's management is continually seeking to manage and optimize. Both balance sheet items allow for short-term controlling and optimization of liquidity and tied-up capital in the Group. This involves striking the right balance between making sure that our customers are satisfied on the one hand—by offering the best delivery service and adequate payment periods—and optimizing the business-related key figures on the other hand.

Sales growth of 7.1 percent in the 2018 fiscal year was accompanied by an increase in inventories and receivables. The increase in inventories was 12.8 percent to EUR 2,205 million (2017: EUR 1,956 million). This disproportionately high increase compared to sales is only attributable to acquisitions to a small extent (EUR 23.2 million). Most of this was due to stock purchases due to the tight price and supply situation on

EQUITY
Würth Group in millions of EUR



the procurement market, especially in the first three quarters of 2018. As a result, the stock turnover calculated on the basis of 12 months fell from 5.1 times at the end of 2017 to 4.8 times at the end of 2018. The positive signals on the procurement markets during the fourth quarter of 2018 no longer led to a trend reversal for this indicator. In this overall very volatile market environment, establishing a good level of inventories affords the company a certain degree of security. We aim not only to satisfy our customers but also to inspire them. This involves achieving a service degree that is close to the 100 percent mark. To achieve this, we were prepared to stock individual products in 2018, even where this runs contrary to all our business optimization efforts, in order to be able to deliver the goods to the customer one day after the order is placed at the latest. In 2018, we achieved this in 97 out of 100 cases.

Trade receivables rose by 9.7 percent to EUR 1,885 million (2017: EUR 1,719 million). For years, sophisticated controlling systems, which enable rapid responses in the event of any indications of negative developments, and an optimum interplay between sales and accounts receivable management have enabled the Würth Group to achieve a low level of receivables in relation to sales. The corresponding key figure, collection days (based on a 12-month calculation), at 53.6 days could not, however, quite keep up with the level achieved in 2017 (53.1 days). We are nevertheless satisfied with this result, considering that the Würth Group has operations in more than 80 countries worldwide each with very different payment practices. It is pleasing to note that this figure has been able to remain at a demandingly low level of 42 days in Germany for years. Traditionally, collection days in Germany are lower than at the companies outside of Germany.

We will continue to optimize accounts receivable by means of effective cooperation between sales and accounts receivable management, as well as by refining our analyses. We take a critical view of payment practices in Eastern Europe, Southern Europe, China, the Middle East and India, which are hampering growth.

The percentage of bad debts and the expenses from additions to value adjustments related to revenues fell slightly to 0.3 percent (2017: 0.5 percent).

Financing

The equity of the Würth Group climbed by 8.2 percent to EUR 5,172 million. This corresponds to an increase of EUR 393 million.

This translated into another improvement in the equity ratio, which is quite high for a trading company and came to 47.1 percent at the end of the year (2017: 46.5 percent). For years, good levels of equity capitalization have been the basis for consistently high levels of financial stability and the solid financing of our group of companies, strengthening the customers' and suppliers' trust in the Würth Group. This is due to the typical family business approach of reinvesting a large portion of profits in the company. The high level of equity financing allows the company to be relatively independent of external capital providers.

Total assets rose by EUR 707 million to EUR 10,974 million (2017: EUR 10,267 million). This increase of 6.9 percent was largely due to the increase in property, plant and equipment and trade receivables, as well as inventories. Net debt increased from EUR 955 million in 2017 to EUR 1,207 million as a result. Financial service activities also contributed to the growth in total assets. Refinancing in the banking sector was mainly achieved through financial intermediaries and refinancing programs launched by the European Central Bank, while refinancing in the leasing segment was achieved mainly through the ABCP (Asset Backed Commercial Paper) program created especially for this purpose, as well as through non-recourse financing.

The Würth Group has undergone an annual rating process for more than 20 years now. The leading rating agency Standard & Poor's once again confirmed the Würth Group's "A/outlook stable" rating in 2018. This rating reflects the confidence that business and the financial KPIs will continue to develop successfully. The opportunities and potential of the Würth Group are viewed in a positive light. Our long history of good ratings not only documents the positive credit rating; at the same time, it is proof of the continuous and successful development of our corporate group and the stability of our business model.

The Würth Group took advantage of low interest rates in the capital markets to acquire long-term funds and very successfully issued a EUR 500 million eurobond on the market on 15 May 2018 through its financial company Würth Finance International B.V. The bond has a term of seven years and an interest coupon of 1.00 percent p. a. The issue strengthens the long-term financing and liquidity base of the Würth Group as the basis for future Group growth. The average maturity period of outstanding financial liabilities of the Würth Group extended itself considerably as a result. With the redemption of the EUR 500 million bond, which bears interest at 3.75 percent and matured on 25 May 2018, the average interest rate for the Würth Group's interest-bearing debt was significantly reduced. At the end of the 2018 fiscal year, the Würth Group thus had three bonds issued on the capital market and one US private placement. All covenants in this context have been observed. In 2020, 2022 and 2025, bonds worth EUR 500 million each will reach maturity, while the private placement of USD 200 million is set to reach maturity in 2021. Maturities are therefore well distributed. For further details of the maturity profile and interest structure, please refer to the consolidated financial statements: H. "Notes on the consolidated statement of financial position", [25] "Financial liabilities".

As of 31 December 2018, the Würth Group had liquid funds of EUR 493 million (2017: EUR 671 million). In addition, the Group has a fixed credit line of EUR 400 million, which remains undrawn to date, provided by a syndicate of banks until July 2023. Liquidity reserves are therefore sufficient. The Würth Group has a "Euro Medium Term Notes" program in place as a basis for long-term financing. This program offers a high degree of flexibility in the issuance of bonds.

Research and development

In addition to successful sales and outstanding logistics, new products and innovations as a service to our customers are crucial when it comes to securing the competitive standing of the Würth Group.

During the 2018 fiscal year, for example, Adolf Würth GmbH & Co. KG generated roughly one fifth of its sales with products that are no more than three years old. Given the breadth and size of the product range offered by Würth to its customers, this is a very high figure. The innovation rate is also high throughout the Group: At present, the Group has 555 active patents, 7 utility models, 644 registered designs, and 6,949 active brands.

Developments within the Würth Line

Adolf Würth GmbH & Co. KG:
Würth24—meeting demand around the clock
Covering the immediate needs of the trade and industry, and thus satisfying customers, is at the forefront of Adolf Würth GmbH & Co. KG's branch office strategy. With a network of more than 480 pick-up shops, Würth is closer to its customers than any competitor. The Würth24 shop concept expands this strategy: Shopping around the clock, six days a week, even outside normal opening hours. Access is via the Würth App, to which every registered Würth customer has access. Highly-innovative technology electronically records merchandise and orders. Customers appreciate the intuitive operation, a high degree of user-friendliness and the functionality of the concept. However, the importance of personal expert advice does not take second place: During regular opening hours, each shop is staffed by experienced and expert personnel. Würth24 takes advantage of digitalization to link e-commerce with brick-and-mortar business. Würth customers thus have even more freedom and certainty to cover their immediate needs—wherever they are in the assembly process. The first Würth24 shop opened in Vöhringen directly next to the A7 in April 2018. Further rollouts are planned for 2019, such as in Berlin or Stuttgart.

Mobile with a plan—the new Würth workshop trolley
One building block must fit another—this was the guiding principle behind the development of the new Würth workshop trolley. The solution was a uniform system grid size that Würth customers have been using since September 2018 to equip their workshop trolleys with Würth foam inserts throughout. This is because both the new workshop trolley and the ORSY® system cases with the small part assortments can be freely combined according to the user's requirements via the robust system boxes and the tool and machine assortments available in this grid. The new design and the rounded side panels increase the attractiveness of the workshop trolley. The buyer can individually determine the color of the trolley and thus make it their "personal" tool trolley. Non-abrasive rubber wheels, high-quality drawer runners and a wide range of accessories increase the ease of use.

Made by Würth, Made by You—even closer to the user with new battery-powered Power Tools
In November 2018, the starting shot was fired for the new battery line in the Würth Power Tool segment: It brings together engineering at the highest level with the requirements of our customers. It all started with the new ABS 18 COMPACT cordless screwdriver. The ergonomic handle shape as well as the balanced housing offer every user ideal grip and make working easier. The powerful yet compact brushless motor provides the user with plenty of reserves of power to ensure rapid work progress even in intensive applications. When tuning the gearbox, motor and electronics, care was taken to ensure that a protective mechanism would automatically engage when the tool was used beyond its power range. This overload protection prevents the screwdriver from "smoking". High-quality components are also used for the tool holder, such as the all-metal drill chuck with carbide-tipped "Made in Germany" clamping jaws. The 23-step torque adjustment option guarantees users precise and effective work with optimum torque.

The heart of this new battery system is the M-CUBE® battery, which stands for maximum performance and service life thanks to its intelligent battery management with single cell monitoring. The integrated cell frame offers the cells a firm fit and ideal heat dissipation so that the battery is additionally protected against overheating and vibrations. The outer rubber coating of the battery provides further protection against damage from falls. In addition, this rubber component provides a safe and non-slip stand and minimizes the risk of surface damage on the workpieces to be machined.

SHARK® PRO—Würth develops new plastic anchor
The SHARK® PRO has provided a plastic anchor to the Würth product range since June 2018. It can be expanded or knotted in almost all building materials. Be it concrete, masonry made of solid or perforated building materials, cellular concrete or slab materials—thanks to its new nylon mixture, the SHARK® PRO is the optimum fastening solution. In combination with the proven ASSY®-D screw, the SHARK® PRO achieves up to 19 percent higher load values in concrete with a diameter of ten millimeters and replaces the ZEBRA SHARK W-ZX®. This level of performance has been proven in an ETA assessment. Following the ETA assessment (ETA-12/0042), the SHARK® PRO is one of the few approved plastic anchors for redundant systems. A versatile fastening system is now available to processors in combination with the special anchor screw. The SHARK® PRO is suitable for both centric tensile loads and transverse loads. It can be used in pre-assembly or through-assembly (SHARK® PRO 12) for fastening multiple non-load-bearing systems in concrete. The SHARK® PRO spreads out in four directions in solid materials, such as solid bricks, solid lime sand bricks or concrete. This permits higher loads than with conventional anchors, which only spread out in two directions. Fastening roof battens, ceiling substructures and suspended ceilings is just as much a part of the application as the assembly of wooden battens, metal rails, perforated tapes, wardrobes, and wall shelves. Of course, it can also be used in paneling or perforated building materials. In these applications, it reliably forms a stable knot when the screw is installed.

Back-of-hand scanner saves time
Back-of-hand scanners were tested for the first time in the logistics department at Adolf Würth GmbH & Co. KG, and were very well received by the employees. Due to this successful test run, a scanner including a station is now in permanent use in the manual palletizing area. Additional scanners are planned at various workstations during 2019. The advantages of the back-of-hand scanners include time savings during the scanning process, free hands for gripping and working, as well as the simple configuration of the glove with the PC. According to employees, the biggest advantage is that they always have the scanner with them and do not have to search for it—this avoids unnecessary paths and actions.

Big Data: easier product re-coding and better shopping experiences
Business processes at the Würth Group generate a large amount of data on a daily basis. Würth now wants to use this data even more effectively to the benefit of its customers and has formed a new team of specialists. A tangible example is bid preparation. As part of this process, it is often necessary to offer equivalent products from the Würth product range for competitive products. Whereas this was previously associated with a lot of manual work, which extended the response time for customers accordingly, the latest technologies and processes from the Big Data area are now being used to automate this process and thus significantly accelerate it. In addition, the team deals with methods to improve our customers' shopping experience by making it easier for them to find products from the Würth product range that are interesting and relevant to them more quickly.

Würth Industrie: LockBox—the intelligent lock
The LockBox offers companies a simple and flexible solution to secure their shelf and warehouse management. The basis for the small battery-powered box with integrated PC and touch display is RFID technology. The LockBox is suitable for up to 1,000 users. It can operate and automatically unlock a maximum of 48 wireless locks for various ORSY® System shelf doors and tool cabinets within a range of up to 60 meters. With the aid of the innovative control system, customers have fast and secure access to their individual product range—around the clock. In addition, the system can be integrated into the customer's own process landscape completely autonomously and without additional effort.

New WIS Portal launches
Würth Industrie Service GmbH & Co. KG has developed a new platform to make C-part management even more efficient for industrial customers. The WIS portal (Würth Industrie Service) is characterized by a user-friendly interface and combines all functions related to the Kanban system with full transparency for all processes. Thanks to its multilingual interface, the solution can be used in production locations across borders. As the central platform for all processes, functions, articles and services, the WIS portal not only replaces the previous CPS®ONLINE solution, but above all offers users a future-oriented solution to use all the advantages of both the conventional and the RFID Kanban system and to use data intelligently. Customers can view all logistics processes within the Kanban system at any time via the WIS portal. Decisive information such as the filling status of containers, upcoming filling dates or the exact location of certain C-parts within production can be easily retrieved. Order processes such as third-party deliveries are also clearly displayed. A comprehensive track-and-trace function, which automatically feeds relevant container information into the portal, ensures complete traceability.

Developments within the Allied Companies

The Allied Companies of the Würth Group also invested in the development of products and services to offer their customers the best possible solutions during 2018.

Grass: new furniture designs with Kinvaro T-Slim flap fitting
Grass heralds a new era in flap systems with the Kinvaro T-Slim flap fitting. The new Kinvaro T-Slim rotary flap can be milled directly into the cabinet sides, opening up completely new possibilities in furniture design: It disappears almost completely into the cabinet and can be adapted to the cabinet color by means of colored caps. Especially in combination with glass doors and aluminum frames, the Kinvaro T-Slim impresses with its aesthetics. Its main use will be in kitchens and living rooms. Thanks to its design and small footprint, it can also be used perfectly in narrow bathroom cabinets, especially due to the Kinvaro T-Slim's extremely slim construction in conventional applications without milling.

SWG: future study "Find IT"—the networked future at the Point of Sale (POS)
In 2018, SWG Schraubenwerk Gaisbach GmbH created the "Find IT" future study. It shows what is required by customers and experts from a practical standpoint: Fast product identification with linking of online applications in stationary retail at the point-of-sale shelf system and illuminated presentations with modern LED technologies allow for completely new shopping experiences. Product search via voice control on the shelf or search using your own smartphone with the help of a web app with subsequent acoustic and visual guidance to the right product is in demand. Themed worlds instead of product worlds or presentations are better suited to consumer projects.

TUNAP Technics: optimum lubricants thanks to new test bench technology
TUNAP develops, produces and sells chemical products in the areas of special lubricants, cleaning products, chemical-technical problem solvers as well as aerosols for the automotive aftermarket and industry. Exhaust emissions and exhaust after-treatment are increasingly becoming the Achilles' heel of the automobile. Together with its customers, TUNAP develops solutions to deposits in the combustion chamber and on the injectors. In engine tests, a significant reduction in nitrogen oxide emissions was demonstrated through the use of TUNAP products.

In order to take account of the changing situation in mobility, a chain test bench was designed and built, on which optimized lubricants for the future are developed in cooperation with professional bike teams and manufacturers of bikes and e-bikes. It was possible to develop a series of wheel lubricants optimized for the respective user profiles through the test bench trials.

In the field of grease development, too, the focus was on the further development of test bench technology. The high-temperature performance of the greases developed by TUNAP can be further tested and improved using the newly-installed FAG FE9 rolling bearing test bench. The initial results are a series of boric acid-free calcium sulfonate complex fats, which can also be used in food contact applications. In the area of household products, development focused on optimizing established products in terms of toxicology (no critical components, free of fragrances and allergens) and performance.

Kisling Group: new, low-odor structural adhesive ergo. 1675
The Kisling Group is a manufacturer of high-quality adhesives and sealants for nearly all industries. The product range of the ergo. brand includes high-strength structural adhesives based on methacrylate and epoxy, anaerobic adhesives, instant adhesives and RTV silicones for a wide range of applications. Using adhesives and sealants is not without inherent health risks, which is why their use requires special precautions in terms of occupational safety. National legislation in all countries obliges employers to implement occupational health and safety measures. In the area of sustainability, Kisling started on the path toward health-friendly products 20 years ago with the development of non-labeled adhesives and sealants. With its comprehensive range, Kisling is today the leading manufacturer of adhesives with a "clean" safety data sheet. These products do not carry any hazard symbols. One of these developments is the new, low-odor structural adhesive ergo. 1675. With ergo. 1675, Kisling has launched an all-rounder in the field of plastic and composite bonding onto the market. This stable 2-component methacrylate structural adhesive offers new possibilities in terms of construction and material pairing by virtue of its particularly strong adhesion to composites, metals and various plastics. Special attention was paid to occupational safety during development: ergo. 1675 is virtually odorless and flame-retardant without any loss in strength or durability.

Arnold Umformtechnik: development of the double ball
In cooperation with Bayerische Motoren Werke AG (BMW), the specialist for fastening technology in automotive engineering has developed the so-called double ball. This development will go into series production in the first quarter of 2019 with the new BMW 3 Series and is part of a completely new body construction concept. The double ball and the collar openings in the sheet metal allow entire body parts to be clipped together in advance and then welded together. This improves accuracy and saves jigs.

Reisser drilling screw for reinforced concrete anchor rails: precision without pre-drilling
For the fastening of roof and wall elements, anchor rails, e.g. HTU rails, are usually embedded in the concrete substructure on which they are later mounted. Both components must be pre-drilled for the assembly of the roof and wall elements. In this context, the very small space available for the screw in the substructure represents a particular challenge. The new RP-C3 screw for anchor rails solves this problem by shortening the drilling and grooving area: The screw first drills through the component and then screws itself precisely into the anchor rail in a single operation. This saves 50 percent more time because pre-drilling is no longer necessary. The screw has a European Technical Approval (ETA).

Würth Elektronik CBT: flexible printed circuit board TWINflex-Stretch
Making a wired circuit board flexible and stretchable was previously inconceivable. Würth Elektronik CBT and Fraunhofer Institute for Reliability and Microintegration in Berlin (IZM) have developed the TWINflex-Stretch, an elastic electronic circuit board that is ready for series production. They were awarded a gold IHK Research Transfer Prize in July 2018. The prize honors particularly accomplished and successful collaborative projects between industry and science. Initial areas of application include, for example, medical technology for newborns and premature babies: Heart and lung functions can be measured gently and carefully, incorporated into a measuring belt that rests on the baby's body. Further potential applications are possible in the areas of smart and soft robotics, automation technology, sensor technology, and automobiles.

Circuit board technology: new process in printed circuit board production
The s.mask® technology, which was driven by Fela and Würth Elektronik CBT, pursues a new approach to the application of a digital, functional 3D surface and is intended to replace the conventional solder resist mask in PCB production. The design of the 3D surface provides space for individual customer wishes and special requirements to be met—for example, the entire surface of the customer logo can be applied as a hologram, similar to a user-defined watermark on paper. In addition to advantages in terms of precision and functionality, improvements have been achieved in the protection of the printed circuit board: on the one hand through the gentle application of the functional surface, and on the other by reducing the quantity and type of chemicals used. The technology was presented for the first time at the electronics world's leading trade fair electronica in Munich in November 2018.

Würth Elektronik eiSos: high-temperature core material for molded storage inductors
A new core material was developed as part of a joint research project between Würth Elektronik eiSos and various partners along the value chain that is now used in the storage choke for the current WE-MAPI series storage inductors. It extends the application range of this series from 125 °C to 150 °C. Long-term stability has also been significantly improved with regard to aging phenomena, making modern electronics more reliable and durable. Within the context of e-mobility and sharing economy, this point is gaining in importance because electric vehicles have to sustain longer running times than previous combustion engines.

Würth Elektronik ICS: smart power and control systems
The boom in hybrid and electric vehicles is increasing demand for high-voltage components and system solutions for power distribution. Würth Elektronik ICS has many years of experience in the field of power distribution in mobile machines and commercial vehicles and has now also developed solutions for electric vehicles that can distribute and protect high currents and voltages up to 800 V. This enables Würth Elektronik ICS to respond to individual customer requirements with specific solutions and to offer cost-effective and quickly available standard solutions.

Risk and opportunities report

As a globally active company, the Würth Group is constantly exposed to risks, but also makes systematic use of opportunities that present themselves. Opportunities and risks can arise both as a result of our own actions or failure to act, and as a result of external factors. The risk and opportunities policy of the Würth Group is aimed at meeting the company's medium-term financial objectives and at ensuring the sustainable, long-term growth of the Group. In order to ensure this, the Würth Group has a system that identifies entrepreneurial opportunities and risks, assesses them using a standardized system, weighs them against each other, and communicates them. Our conscious and systematic approach to addressing opportunities and risks is inextricably linked to our entrepreneurial activities.

How the risk management system works

The Würth Group has a three-tier risk management system (RMS), comprising the cyclical monitoring system of the Auditing Department, the Group Controlling Department and the early warning system. The Central Managing Board of the Würth Group holds overall responsibility for the Group-wide risk management process and defines the principles of our risk policy and strategy. Responsibility for the installation of a functioning and efficient RMS in the Group companies is the task of the management of each entity within the Group. They are supported by the risk manager, who reports directly to the Central Managing Board of the Würth Group and coordinates the risk management process at the Group level. The risk manager remains in close contact with the risk controller of the Advisory Board, who reports directly to the Chairwoman of the Advisory Board.

How the internal control system for financial reporting works

The aim of the internal control system for financial reporting is to ensure that all business transactions are completely recorded and correctly evaluated with regard to the financial reporting requirements.

The Würth Information System is an integral component of the internal control and risk management system of the Würth Group. With the help of this reporting system, all key performance indicators required to steer the Würth Group are presented in a timely manner and are available for further evaluation by the Central Managing Board and Executive Vice Presidents, based on standardized monthly reporting.

System-based control mechanisms such as validation and cross-checks optimize the quality of the information as a basis for decision-making. A Group-wide online record of the financial statements of the Group entities is not only efficient, it also avoids carry-over errors, safeguards the uniform provision of information and includes numerous plausibility checks, without which the information cannot be forwarded. This platform also ensures that financial reporting changes are implemented in a uniform manner across the Group. Data is protected from changes by using check digits and a system of IT access rights. Standard software is used for consolidation. Changes in the system settings are logged centrally. The monthly and annual financial statements of Group companies are subject to regular automated assessment mechanisms, as are the consolidated financial statements. Moreover, Würth's Policy and Procedure (PAP) Manual contains internal procedural instructions.

RISK DEVELOPMENT Würth Group 1 January 2018 – 31 December 2018

Economic environment	Productivity	IT structures	Human resources	Compliance	Business model
↗	→	↗	→	→	→

↗ slight increase → unchanged ↘ slight decrease

Internal publications and training include detailed rules on financial reporting. Compliance with these rules is regularly reviewed by the Auditing Department. External specialists are consulted to clarify the implications of legal and tax issues on accounting. External actuaries calculate pension obligations and similar obligations. Central and local training courses for those in charge of finance departments also ensure that all employees involved in the financial reporting process are up to date on the latest legislation and information of relevance to them.

The opportunity and risk management process is updated within the Würth Group on an ongoing basis and adapted to changes in the Group or in its economic and legal environment. In the 2018 fiscal year, the establishment of the IT-based risk reporting system was continued at further Group companies and the Executive Vice Presidents and heads of the Group's administrative departments were actively involved in the risk management process.

Risks

The Central Managing Board identifies, analyzes and assesses the Group's opportunities and risks at a dedicated annual workshop. This workshop determines focus risks that could pose a threat to the net assets, financial position and results of operations of individual entities or the Würth Group as a whole in the short, medium or long term. Furthermore, with the support of the Risk Manager, all major Group entities carried out a risk inventory and recorded and assessed focus risks and other risks in the reporting system. The processes already in place were continued in 2018, undergoing further improvements and adjustments in line with changing internal and external requirements.

Major risks that can be insured on an economically reasonable scale are covered by Group insurance programs for all Group entities whenever possible. In 2018, we were able to continue the integration of the separate credit insurance policies taken out by the individual Würth entities into master policies with various credit insurers. This allowed us to expand and standardize our insurance coverage and achieve cost advantages at the same time. In addition, receivables from customers are monitored by an extensive receivable management system, also at the Group level. Individual financial service providers are associated with a heightened risk of default. We counter this risk through a strict credit verification procedure and appropriate insurance for our investments. Collection days are still at a very good low level. This highlights that our risk in this area is relatively low and that the existing processes and systems are effective. We believe that other risks in Germany lie in the applicable insolvency challenge rights, which grant insolvency administrators extensive opportunities for reimbursement if we have supported our customers with generous payment terms in the past. This risk has not been reduced to any considerable degree even after the reform of the insolvency challenge rights. We have, however, been able to take out an insurance policy to cover such reimbursement claims to protect all German companies against unforeseeable risks in this area. Overall insurance coverage is managed centrally.

The Central Managing Board has identified potential risks that could have a negative impact on the net assets, financial position and results of operations of the company in the following risk areas, sorted by descending relevance:

Economic environment
Through our global purchasing and sales activities, we have a high natural diversification of risk and a decreased dependency on negative economic developments in individual countries, with more than 80 percent of our sales being generated in Europe. This means that we are affected to a particular degree by economic fluctuations in the eurozone. Our companies in Southern Europe, for example in Italy and Spain, are exposed to an increased risk, although this situation continued to improve in the course of last year. We believe that other risks lie in political developments in Eastern European markets and in Turkey, as well as in the increasing trade barriers between China, the USA and Europe. We believe that the immigration to Europe not only poses economic and social challenges, but also still presents opportunities for the labor market and on the demand side for our customers and, as a result, for the Würth Group. We believe that the rise of right-wing populism and isolated plans to reverse globalization trends within individual countries give cause for concern, although we have not identified any immediate threat to our business objectives for 2019 as yet.

Most of the financial risks of the Würth Group are measured, monitored and controlled centrally by Würth Finance International B.V. With liquid assets of EUR 493 million and a committed, unused credit line of EUR 400 million running until July 2023, the Würth Group has sufficient liquidity reserves to meet its payment obligations at all times. Thanks to its "A rating" from Standard & Poor's, the Würth Group has excellent access to the public and private capital markets to procure further financial resources. Any risks arising from derivative financial instruments are accounted for. At the time this management report was prepared, there was no indication of any specific counterparty risks, which are automatically monitored on a daily basis. A CSA (Credit Support Annex) is in place with the main counterparties to derivatives, thus further reducing counterparty risk. Cluster risks are avoided by internal deposit limits for individual banks. For a description of derivatives and associated risks, please refer to the notes on the consolidated financial statements under I. "Other notes", [4] "Financial instruments".

Productivity

Every year, the Würth Group invests an amount running into the mid triple-digit million range to secure its planned sales growth and further expand its market shares in individual regions / market areas. As a result, any deviations from the planned route require a timely response, with targeted measures to counteract such developments. These measures include management using key productivity figures, the in-depth analysis of loss-making companies, a detailed, multi-stage investment controlling process, scenario calculations and a firm focus on achieving the targeted operating results. As a general rule, we take care to ensure that sales and gross profit grow faster than personnel expenses—in line with one of the Würth Group's fundamental principles: "Growth without profit is fatal."

IT structures

Due to the decentralized organizational structure of the Würth Group, with a large number of companies and different business models and requirements, IT structures are a particular challenge. The Würth Group rises to these challenges with a clear strategy for the global standardization and harmonization of its IT structures.

IT standardization

The central management of the IT companies with what is now a standardized product portfolio allows us to reflect the international multiplication strategy in our IT systems, too. Further standardization is achieved in line with a roll-out plan that sets out the launch dates at the individual companies, with numerous roll-out teams working on the introduction of the components in question in parallel to ensure a broad multiplication platform for the individual applications, processes and functions.

The roll-outs will make existing processes more uniform, more efficient, more transparent and faster. This will allow the individual companies to respond to the rising demand for individual ordering and delivery services among our customers. Efficiency gains can still be achieved, as the standardization of the IT structures through central development will result in economies of scale.

The Würth Group's IT service has proven its ability to perform in line with the very highest standards. The uniform system platforms will allow further developments to be made available to all companies working on the platform in question within a very short period of time.

IT security

The security of the IT systems is reviewed by means of IT checks at the Group entities in accordance with a plan coordinated with the Central Managing Board. We analyze and monitor the potential threat that cyber risks pose on a regular basis. We combat the resulting risks by taking organizational and technical measures and also by transferring risks that can be insured to external risk carriers, such as insurers. All measures relating to data security and IT risks are taken in cooperation with our Data Security Officer, who is responsible for the entire Group. In addition, Würth has now introduced an IT Compliance Code of Conduct and appointed an IT Compliance Officer. The network of IT security officers in the companies is used to take measures to ward off security risks quickly at the level of the Group companies and establish those measures with regard to the continuous improvement of IT security. The centralization of the IT systems also allows far-reaching and multi-level security procedures to be implemented, both at the physical level, for example in the data centers, and at the logistical level, for example in the various system and program components.

Human resources
Staff turnover, particularly among our sales force employees, remains a focal point. This is documented and analyzed across all hierarchy levels for every entity within the Würth Group. Regular employee surveys conducted by independent institutions and the monthly monitoring of staff turnover are key tools that allow us to identify unfavorable developments, analyze their impact on staff recruitment processes, customer loyalty and training programs, and combat these effects using targeted measures. The overall staff turnover rate of the Würth Group remains at a very encouraging low level at well below the 20-percent mark. The lack of specialist employees to work as members of the in-house staff or the sales force is another challenge for HR management. For many companies, it is becoming increasingly difficult to find university graduates and skilled trainees. This prompted us to further expand the activities of Würth Business Academy for the in-house staff and the sales force when it comes to training management employees and new management talent. Up-and-coming management talents partake in development courses to prepare them for various levels of management within the Würth Group via the MC Würth, High Potential and Top Potential training programs. These programs give employees targeted training that is tailored to suit their own individual ambitions and skills in order to prepare them for further management duties within the Group. In addition to management seminars, international specialist seminars on issues such as product management, procurement, logistics and finance are organized and coordinated by Würth Business Academy in order to support the specialist functions with relevant further training.

In order to ensure that the process involved in providing all central functions of the Würth Group with up-and-coming management talent is structured and targeted, two processes are gradually being introduced with binding effect at larger companies: The Management Assessment Process (MAP) is the qualitative the tool used for the objective and standardized evaluation of executives. The talent management system is used to identify whether there is a sufficient number of qualified successors for functions that are relevant to the success of the Würth Group companies and, if not, by when these successors need to be available. All up-and-coming management talent is included in this system as well, in order to ensure a structured and transparent development process.

Compliance risks
National and international transactions involving goods, services, payments, capital, technology, software and other types of intellectual property are subject to numerous regulations and limitations that also have to be observed by the companies in the Würth Group. There is no question that we aim to comply with all regulations and administrative requirements for our business, both nationally and internationally. This applies when dealing with our customers and suppliers, employees, competitors, other business partners, and public authorities. Due to increasing legal complexity, we have in-house experts and consult renowned external consultants on a case-by-case basis. Particularly in emerging markets such as Brazil and China, complex, inconsistent and constantly changing legal principles pose a challenge and also create risks that are difficult to assess and will persist in the long term due to the possibility of retroactive effects.

Value-oriented corporate culture
Mutual trust, predictability, honesty and straightforwardness both internally and externally are fundamental principles that are deeply ingrained in Würth's corporate culture. Our commitment to these values can be found as far back as the corporate philosophy penned by Reinhold Würth back in the 1970s. This does not just entail adhering to all applicable laws and in-house regulations, but also means ensuring that employees maintain the proper mindset, which forms a key component of the sustainable corporate success of the Würth Group. Extensive internal guidelines known as the "PAP" (Policy and Procedure Manual) operationalize these fundamental principles in the form of descriptions of the structure and process organization, as well as setting out specific rules and codes of conduct.

Compliance organization
With regard to the mounting requirements that compliance organizations have to meet at both the national and international level, the Central Managing Board made the decision in 2015, with the consent of the Advisory Board and the Supervisory Board of the Würth Group's Family Trusts, to combine and restructure the existing compliance components to form a Group-wide compliance management system and considerably strengthen the compliance organization. In addition to the role of Chief Compliance Officer and Group Compliance Officer, compliance officers were appointed at the level of the units, and additional compliance officers were appointed within the largest individual companies in the Würth Group during the

2016 fiscal year. The responsibilities and structures for product, tax and IT compliance that are already in place across the Group will remain in force, but will also report to the Chief Compliance Officer of the Würth Group in the future. A newly created Compliance Board will provide advice on compliance incidents as and when required and will make recommendations regarding any measures that need to be taken. The Compliance Board will also be responsible for the further development of the compliance organization and will report to the Central Managing Board and the Advisory Board of the Würth Group in all compliance matters.

Compliance regulations revised and supplemented
In addition to these structural changes, the internal guidelines on matters relating to compliance were also revised and supplemented. The fundamental features of the corporate philosophy were summarized once again in the Code of Compliance and supplemented with regard to compliance with international standards. In order to anchor the new compliance organization within the Group in the long term, Group-wide training sessions on the new compliance organization and on compliance issues have been conducted since the 2016 fiscal year. Training sessions will initially focus on "Dealing with gifts and invitations", "Antitrust law and price fixing", "Company secrets", "Data protection," "European General Data Protection Regulation" and "Export control".

Group-wide reporting system
The existing hotline that can be used to report suspicions of compliance breaches is being replaced by a Group-wide reporting system. This means that not only employees but also customers, suppliers and other individuals will be able to report any suspected compliance breaches directly to the Würth Group's Compliance Office. The use of a technical system made available by an external service provider means that reports can be submitted completely anonymously.

Prerequisite for sustainable corporate success
The restructuring of the compliance organization was motivated by the firm conviction of the Central Managing Board, the Würth family, the Supervisory Board of the Würth Group's Family Trusts and the Advisory Board that a living and breathing compliance culture will play a key role in ensuring the further sustainable success of the Würth Group. At the same time, the management teams of the Group companies can proactively live up to their responsibility with regard to the mounting national and international demands that compliance organizations have to meet.

Business model
The business model of direct selling still offers considerable opportunities for the Würth Group in that it places us very close to the market and ensures customer loyalty. Nevertheless, customer ordering behavior has changed considerably in recent years. The Internet offers a whole host of opportunities for working directly with suppliers. The relative ease with which businesses can establish Internet-based business models is resulting in growing competitive pressure. Our business model has to adapt to reflect this development. We want direct sales to continue to play a key role but also want issues such as logistics and a broad product range to enjoy market opportunities. Nowadays, sales representatives are more than just salespeople. They are managers of various different customer contact points: the sales force, branch offices and the Internet. We refer to this as a multi-channel sales model in which e-business serves as a practical complement to the traditional sales methods in a manner that is tailored to suit our customers' procurement organization. The above-average increase in e-business sales in 2018 shows that we are on the right track with the developments and services that we are offering with our customers' needs in mind, and that our strategy of multi-channel sales is bearing fruit.

Opportunities

The opportunities set out below could have a positive impact on our net assets, financial position and operating result. The opportunities are also listed in decreasing order of relevance.

Decentralized structure
Würth's decentralized structure is a great advantage for the Group, especially in light of the fact that the individual countries in which we operate display such variation in their economic development. We believe that this structure presents an opportunity for future growth. It allows for a quick local response to circumstances and changes in any given market environment, meaning that we can implement efficient measures. We will continue to push the development of the Würth Group while maintaining our decentralized structure. The term "decentralized", within this context, not only refers to regional aspects, but also covers our large number of different business models. However, the fact that we pursue the principle of decentralization does not mean that we cannot standardize processes where it makes sense to do so in order to make more efficient use of our resources.

Market penetration

Our global share of the market is estimated at just five percent due to a low share of the market in most countries, with a few exceptions. What would appear to be a disadvantage actually signals major growth potential that we can tap into by further expanding our customer base and intensifying our customer relationships, for example, by continually enhancing intelligent distribution systems that offer real benefits to our customers.

Customer relations

Our more than 3.6 million customers form the basis for our business success. As a result, expanding and maintaining our customer relations are key components of our day-to-day work. We will continue to focus on very intensive customer management at all Group companies. Around 300,000 customer contacts a day and a large number of long-standing relationships between our customers and our 33,000 sales representatives help us to exploit the existing customer potential to the greatest extent possible. Grouping our customers based on their individual needs is a key control mechanism for strategic management. Our motto is: "To each customer their own Würth." The correlation between additional customers and sales growth, together with the service level, are important indicators of business success for us. Customer insolvencies are a manageable risk for the Würth Group. Thanks to our very extensive core range of 125,000 products, the comparatively low average order values and the broad customer base, we are well placed to keep the risks low.

Quality

It is the declared aim of the Würth Group to meet, or where possible exceed, the highest quality standards. For this reason, the guiding principle "Würth is quality—everywhere, every time" was anchored in the Würth Group's quality management back in 2010 and consistently developed further in the years that followed. The brand promise made by this principle applies to all of our markets, and its implementation opens up important additional market opportunities. This is true both of customers in the professional trades and those in industry. For us, ensuring reliable compliance with standards, in addition to fulfilling product requirements and approval criteria, is a fundamental quality management task to enable us to be a dependable partner for our customers. This is important, but we do not consider it enough in and of itself: We strive to surpass customer expectations wherever possible with our services and inspire our customers in the process.

In the 2018 fiscal year, the Würth Group's central quality team continued its activities. The Group-wide Würth Quality Risk Company Assessments (QRCA) identify strengths and potential for improvement and arrive at future measures based on these findings. A total of 355 QRCAs had been conducted by the end of 2018. The management of the respective company directly implements the findings in specific process enhancements. The measures prioritize customer interfaces (contract review, sales support), complaint management, warehouse batch management, quality assurance, and supplier management, with additional employees being hired in this area, too.

Key components of the Würth quality promise include, first of all, the validation of new products by the quality department, e.g., at Adolf Würth GmbH & Co. KG and Würth International AG, and, secondly, measures to safeguard the quality of delivery by conducting supplier training and systematic checks along the supply chain. The Würth Group now has over 24 active "Supplier Quality Engineers" (SQEs) as well as over 20 test laboratories / goods checkpoints spread across Europe, the US and Asia with a total of over 120 employees. By the end of the reporting period, five test laboratories had been awarded ISO 17025 accreditation. Further investments were made in the expansion of the global SAP-supported system for advance quality planning and the verification of tests and in the further integration of Group laboratories and suppliers.

The training initiative in quality management was also continued. The target group is employees from quality assurance. A further 299 employees were trained in quality management, assurance and auditing in 2018. In addition, an international quality and purchasing conference was held in June 2018 with 220 participants from Germany and abroad focusing on the digital supply chain.

Overall assessment

The risks for the Würth Group are limited by the established and functioning risk management system. Existing risks are consistently monitored and assigned measures to ensure that they do not jeopardize the Würth Group's continued prosperity. We are currently not aware of any such risks. The existing opportunities will enable us to continue growing profitably in 2019 and the years to come.

Employees

- **Number of employees rises to 77,080**
- **Career opportunities for skilled and young talent**

Workforce development

The number of employees in the Würth Group rose by 3.9 percent to 77,080 as of 31 December 2018 (2017: 74,159). In Germany, the Würth Group had 23,772 employees on its payroll (2017: 22,620), while Würth companies abroad reported 53,308 employees (2017: 51,539). There were 33,218 employees working as permanent sales representatives worldwide in the 2018 fiscal year (2017: 32,295). A total of 330 employees joined us in connection with acquisitions.

HR strategy

In the meantime, the shortage of specialists and managers is having an impact in many countries and qualified employees are increasingly becoming a limiting factor for growth. It is therefore important to retain employees at the company and to offer a positive working environment with interesting development opportunities. The Würth Group, with its diverse business models and international orientation, has many possibilities in this respect. Various activities were launched to present these prospects in a transparent manner. A binding and structured process was launched for the large companies to identify potential risks when filling key positions, but also to identify where new career prospects are opening up. Another approach is an international job platform, on which mobile specialists and managers can find open positions in the Würth Group. Employees can search for specific regions and functions and benefit from the many opportunities. In addition, members of the High and Top Potential programs are informed about interesting job offers within the Würth Group once a month, and candidates are systematically developed as versatile junior staff for the Group through the international trainee program.

The new location for training and HR development activities in North America has also brought us closer to our target groups and the internationalization of our operations is being pushed forward. The programs have been adapted to decentralized requirements. The establishment of further locations is planned for the medium term.

Digitalization will lead to major changes and associated challenges with regard to human resources. The objective is to map HR management in a central system in 2019 so that standard processes can be improved and made more secure across the Group, allowing trends to be better identified and refining control by means of benchmarks. In addition, the Würth Group Learning Campus was established as a platform for e-learning open to all employees within the Würth Group.

Under the leadership of Würth Business Academy, international cooperation within the Group is being strengthened by a Group-wide HR network. This group discusses, develops and establishes HR-related topics such as standards and best practices, developments in the field of recruitment, requirements for a modern employee survey, digital media as a source of information and learning, or the introduction of global mobility policies.

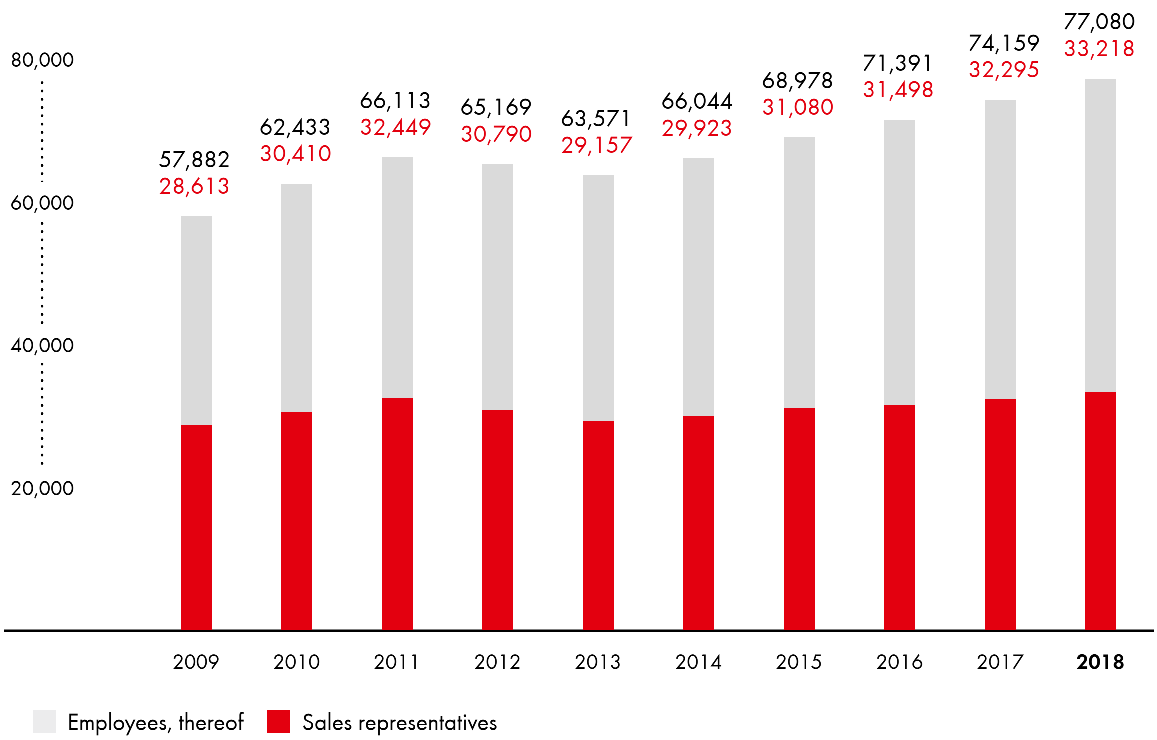
Employee training

There are various phases in each employee's working life: There are times at which personal issues such as self-worth or self-confidence play a key role and there are also times in which focus is placed on career advancement—be it in an employee's career as a manager or in the various specialist departments. The programs set up by Würth aim to offer everyone training that suits their individual skills and professional objectives.

As a family business, Würth is committed to long-term corporate development. This also applies when it comes to promoting the talents of the future. In Germany, where there is a long tradition of **dual training** concepts, Würth has been committed to providing people with extensive initial training for more than 60 years now. At the end of 2018, the Würth Group in Germany employed 1,297 trainees for more than 50 occupations. Young professionals can also study for bachelor's degrees at the Baden-Württemberg Cooperative State University: Around one third of Würth's trainees make use of this opportunity. Commercial and technical occupations and catering traineeships form training focal points within the German companies. The social commitment in the support of refugees regarding access to the labor market is evident from the cooperation with the Steinbeis School of International Business and Entrepreneurship (SIBE).

The skills, competences and qualifications of all employees, together with their motivation and enthusiasm, form a decisive basis for a successful future. For this reason, personal development and further professional qualification are of particular relevance in order to meet the demands of the market. **Akademie Würth** offers a holistic further training concept for employees of the Würth Group as well as for customers and interested parties outside the Würth Group. The training program includes seminar

EMPLOYEES
Würth Group as of 31 December



topics in the fields of language and (inter-)cultural understanding, working methods and specialist knowledge, leadership and personality, as well as health and safety. This is supplemented by technical training courses focusing on fire safety, metalworking, fasteners, sealants and adhesives, motor vehicles and occupational safety. With these seminar topics, Akademie Würth offers a practice-oriented range of further training courses specifically for the skilled trades, thus supporting Würth customers as a service provider, innovation driver and learning companion. Consulting services for management systems, process optimization and organizational system development round off the concept. Demand for specific qualifications is jointly analyzed and appropriate measures for the targeted further training of employees are designed. In addition to seminars, this also includes accompanying consultations, personal coaching sessions and mediation services.

Degree programs for working professionals at **Akademie Würth Business School**, which are open both to employees of the Group and to interested individuals from outside the Group, allow people to study for academic degrees. The Bachelor of Business Administration in cooperation with the Distance Learning University Hamburg is a seven-semester program leading to a Bachelor of Arts (B.A.) degree. The

EMPLOYEE HEADCOUNT
Würth Group as of 31 December

	2018	2017	%
Würth Line Germany	8,858	8,408	+5.4
Allied Companies Germany	14,914	14,212	+4.9
Würth Group Germany	23,772	22,620	+5.1
Würth Group International	53,308	51,539	+3.4
Würth Group total	**77,080**	**74,159**	**+3.9**
Thereof:			
Sales representatives	33,218	32,295	+2.9
In-house staff	43,862	41,864	+4.8

bachelor's program in Industrial Engineering and Technical Sales in cooperation with SRH Distance Learning University takes six semesters, finishing with a Bachelor of Science (B. Sc.). In collaboration with the University of Louisville in Kentucky (USA), Würth is also offering the internationally recognized master's degree in Global Business. This one-year program, which is conducted in English, awards graduates a Master of Business Administration (MBA). The master's program in Digital Management & Transformation confers a Master of Science (M. Sc.) in four semesters; likewise in cooperation with SRH Distance Learning University.

The Würth Group recruits most of its managers from within the company. At the Group-wide level, we offer various training programs via the **Würth Business Academy** to ensure holistic management training processes and the systematic development of up-and-coming talents:

- The MC Würth program prepares employees for middle management positions. In 2018, 479 up-and-coming management staff took part.
- The High Potential program supports managers on their way to upper management positions. In 2018, 166 specialists and executives participated.
- The Top Potential program prepares select managers for positions in the highest echelons of corporate management over a period of two to three years. In 2018, 46 executives underwent development measures as part of this program.

In order to establish forward-looking training and development and to secure the next generation of managers within the Group, Akademie Würth has set up the **"Career Workshop"** (Karrierewerk) for the German companies—a basic qualification seminar for all further career programs. The Career Workshop is aimed at the lower management level and is designed to provide employees with guidance and training so that they can identify the next steps to take in their development journey. The program is split into management and specialist responsibilities, also offering advanced modules for employees who already have experience in their areas of responsibility and want to deepen their expertise. As well as providing networking opportunities for employees from various companies, the Career Workshop plays a key role in promoting the management philosophy and, as a result, the corporate culture of the Würth Group.

Health management

Since 1994, the in-house health management program "Fit mit Würth" launched by Adolf Würth GmbH & Co KG has been committed to the health and performance of its employees, offering a wide range of measures to promote a healthy lifestyle. The program covers the areas of exercise, nutrition, safety, social affairs, prevention and well-being. Around 2,000 employees, relatives and pensioners of the Würth Group take part in the special programs and courses every year. Every two years, "Fit mit Würth" takes part in an audit to obtain the Corporate Health Award. The criteria for the top performance seal were met again in 2018: According to the jury, "Fit mit Würth has established an outstanding corporate health management system that is among the best in Germany." Employees benefit from comprehensive offers tailored precisely to their needs and are consistently supported in their performance and motivation.

An annual event with health officers within the Würth Group is used to discuss ideas and measures for health promotion and to achieve common goals. Since November 2017, for example, employees at Würth Elektronik eiSos GmbH & Co. KG in Waldenburg have been able to use WillGym®, a new full-body training device.

The new "Würth PanoFit Parcours" is a trendy outdoor fitness center for everyone: fitness trail 3.0 or relaunch of a classic. What was initiated in Germany in the 70s by the DOSB (German Olympic Sports Confederation) is once again possible in Waldenburg Forest based on current scientific training aspects. A concept that adapts to changes in the exercise preferences of the general public. You can use the "Würth PanoFit Parcours"—Hohenlohe's most beautiful high-altitude lap—365 days a year free of charge!

Employee survey
Employee satisfaction has always been a top priority for the Würth Group. Only satisfied employees can be good employees. They secure the company's competitive standing and, as a result, help to secure jobs. The Würth Group has been conducting a standardized employee survey on a regular basis since 2005. This results in structured information allowing comparisons to be drawn and used to improve employee well-being and processes in general. The Group-wide survey provides a benchmark both for and between individual companies in the Würth Group. The survey is carried out together with the Mannheim-based WO Institute (Institute for Economic and Organizational Psychology). To date, 233 companies within the Würth Group take part in the survey. The companies are free to decide how often they conduct the survey—it is generally conducted every two years.

Thanks to our employees
Growth is an ongoing process. A plant needs light, water and good soil to grow, but also cold, resting phases to gather and bundle strength for new growth. An image that can easily be transferred to a company and its employees. Company growth is fed by many things: the right product for an existing market, the right ideas for new requirements, a trustworthy brand with which customer can identify. Quality, service, price: these are common criteria. However, corporate growth is primarily fed by employees who think ahead, implementing and embodying all these things. Every day anew.

Competition for these people seems great: digital revolution, artificial intelligence. Developments that all have their opportunities and potential to secure a place in our everyday lives. But, even the artificial world uses nature as a model. A natural flower is the model for the artificial world—not vice versa; a living woman Alexandra for the artificial being Alexa.

As in the plant ecosystem, healthy corporate growth also thrives on partnership—with customers, co-workers, supervisors and company management. It thrives on the respectful and sustainable treatment of our environment and value-based interaction with society. This requires intuition and tactfulness, creativity, enthusiasm and passion. Healthy growth requires people who listen, help, support, recognize questions and offer solutions. What is needed are employees who, based on their natural self-concept, orient themselves towards the customer, the company and mutual success.

The Central Managing Board of the Würth Group would like to thank all employees as well as the employee representatives at the Würth companies for their great commitment to promoting the Würth Group's healthy growth.

Corporate governance report

Corporate governance provides rules and standards for good and responsible management and for monitoring companies.

Rules, codes of conduct and standards for management and monitoring functions within the Würth Group are shaped by the corporate philosophy and culture.

The corporate philosophy shaped and defined by Prof. Dr. h. c. mult. Reinhold Würth determines the credo and self-image of the Würth Group. Together with corporate ethics, the corporate culture deals with the values and standards that should underlie entrepreneurial actions and decisions, as well as the behavior of people working together. Würth's corporate culture is shaped by concepts such as dynamism, a focus on performance, openness, honesty, reliability, and responsibility.

Corporate governance in the Würth Group is ensured by the following rules and systems:

- A written corporate constitution laying down all the rules of interaction between the company, the Advisory Board and the owners, the Würth Family Trusts
- A dual management system, i.e. division of authority for operating management and supervisory bodies, with the Central Managing Board and Advisory Board comparable to the management board and supervisory board, respectively, of a stock corporation
- Group Auditing Department
- Auditing of significant separate financial statements and the consolidated financial statements by independent auditors
- Establishment of risk management and risk controlling systems
- Refined controlling methods to create transparency in operating units
- Rating of the Würth Group by an international rating agency

In addition to these regulations and measures, the Central Managing Board of the Würth Group follows the current development of the German Corporate Governance Code (GCGC) and the German Code for Family Businesses. It adheres to these codes wherever the regulations are applicable to the Würth Group. Below are some further examples of corporate governance measures in addition to those described above:

- Efficiency assessment conducted in the Advisory Board of the Würth Group pursuant to No. 5.6 GCGC
- Establishment of committees within the Advisory Board of the Würth Group, e.g., the Audit Committee, pursuant to No. 5.3.2 GCGC
- Clear division of responsibilities between the bodies of the Würth Group by way of a binding approval catalog for management measures
- Performance-related payment of top management with variable and fixed salary components pursuant to No. 4.2.3 GCGC; appropriateness of total remuneration is borne in mind

A further component of corporate governance is compliance on the part of the employees. With more than 77,000 employees, the Würth Group needs clear rules to determine its conduct and to define the framework for entrepreneurial decisions. This is particularly relevant in light of the fact that the Würth Group's activities span more than 80 countries.

We therefore need to set out binding standards and rules of conduct without infringing on the laws and values prevailing in the various countries and cultures. Based on the Würth corporate philosophy and the Würth corporate culture as described above, the Central Managing Board developed a Code of Compliance, which was approved by the Advisory Board. It serves as a guide for managers and employees on what sort of conduct and action is expected of them within the company and vis-à-vis the company environment.

Outlook

Overall economic environment
Global GDP is expected to weaken further in 2019. Accordingly, global economic output will grow by only 3.5 percent in 2019. This is 0.2 percentage points less than in 2018 (+3.7 percent). Experts see this pessimistic assessment founded on continuing trade and customs conflicts, weak growth rates in many countries, especially in the second half of 2018, as well as the effects of an imminent no-deal Brexit. Global growth would thus have peaked last year for the time being.

Results for **Germany**, the largest sales market of the Würth Group, are likely to be similarly pessimistic: For 2019, the IMF only expects gross domestic product to grow by 1.3 percent (2018: + 1.4 percent). Experts for the EU Commission forecast an even gloomier future with 1.1 percent, while the Federal Government predicts only 1.0 percent growth. The OECD's latest forecasts paint an even gloomier picture of only 0.7 percent. The discussion about diesel driving bans, production difficulties in the automotive industry, lower external demand, but also weaker private consumption, are blamed for these trends. According to experts, this would be compounded by the uncertainty surrounding Britain's withdrawal from the EU and the budget imbalance in Italy, which would ultimately endanger the entire economy in Europe. Moreover, the fact that a weakening economy will reduce tax revenues in Germany must not be underestimated. The construction industry, on the other hand, is considered to be the growth driver and is also considered to be a pillar of the economy in 2019 and one of the most important sales guarantors for the Würth Group.

The sales focus of the Würth Group lies in the **eurozone**. As early as 2018, GDP growth in the 19 countries forming the Monetary Union was significantly slower (2018: + 1.8 percent). For 2019, experts are forecasting a further slowdown of 0.5 percentage points to only 1.3 percent growth. The **Spanish** economy continues to lose momentum, which is why growth of only 2.2 percent is forecast for 2019 (2018: +2.5 percent). Early elections in April 2019 could slow economic growth again and plunge the country into recession. Europe's fourth-largest economy, **Italy**, is also in recession. As a result, experts have again revised the growth forecast for 2019 significantly downwards to an increase of only 0.2 percent (2018: +0.8 percent). The picture looks a little better in **France**. In France, the economy held its ground at the beginning of the year despite the "yellow vest protests". The French government currently expects economic growth to increase by 0.2 percentage points to 1.7 percent in 2019 (2018: + 1.5 percent).

Forecasts for the **UK** remain weak. Growth of only 1.2 percent is expected in 2019 (2018: + 1.4 percent). The British economy would thus be heading for the lowest GDP gain since the financial crisis ten years ago.

The **US economy** grew by 2.9 percent last year, primarily as a result of President Donald Trump's tax reform. For 2019, however, a slowdown of 0.4 percentage points, to a total of 2.5 percent, is expected.

The emerging markets of China and India, which are very important to the Würth Group, will remain global growth drivers. However, **China's** growth stalled in 2018: At 6.6 percent, China reported its lowest growth for almost three decades. For 2019, experts expect economic growth to weaken further to a gain of 6.2 percent. One of the reasons for this is the ongoing trade conflict with the USA. Consumption and investments were already declining toward the end of 2018.

After a mixed fiscal year in 2018, **India** is looking to the future with renewed optimism. Exports in particular are expected to grow strongly in 2019. Accordingly, gross domestic product is expected to increase by 7.6 percent. This means that India will remain the fastest growing economy and could replace the UK as the fifth-largest economy.

Experts from the Federal Ministry of Finance predict that **Latin America's** GDP will rise again in 2019. Forecasts call for growth of 2.2 percent. Since there will be no major elections in the individual countries in 2019, political stability can be expected for the most part. However, falling commodity prices could become a risk. Unrest in Venezuela, the country with the largest oil reserves, could also cloud the positive outlook.

For **Russia**, lower GDP growth of only 1.2 to 1.7 percent is expected in 2019 (2018: +2.3 percent). One reason for this is the deterioration in the medium-term outlook for oil prices. Growth is expected to remain weak in the coming years as there are no signs that market economy reforms will be implemented.

Development of the Würth Group

- **Increase in sales and operating result**
- **Expansion of e-business activities**
- **New transshipment depot for sustainable growth**

With sales of EUR 13.6 billion and an operating result of EUR 870 million, the Würth Group set new records for both key figures again in 2018. The increase in sales comes to 7.1 percent, while the operating result grew by 11.5 percent. This is proof that our customers value the quality of our products and the wide range of services we offer, and that Würth as a supplier is firmly anchored in their business processes. We also increased the accessibility factor, which is important for our customers, with the first Würth24 shop in 2018: Here, customers can shop around the clock 6 days a week—even outside regular opening hours—and are thus even more flexible and independent in covering their immediate needs. Access is via the Würth App using a QR code. Highly-innovative technology electronically records merchandise and orders. In this way, we are making opportunities offered by digitalization available to our customers via advanced innovations in products and services and bringing traditional models into the future. Whether via the online shop, our extensive network of branch offices or sales representatives: Würth's customers know that Würth is available everywhere, and that Würth delivers. Because our trade customers' working radius has changed as well. Today, the professional craftsman is often in action beyond their home region. Reliable service and quality products available locally also represent deciding factors for craftspeople when satisfying their own customers.

The corporate culture deeply rooted in the Group's tradition and the understanding of values in partnership with our customers, along with the cooperation of our employees, form the basis of all our actions. This was underscored by the fact that Focus-Business once again named us a "TOP national employer 2019". Predictability, reliability, respect and esteem in dealing with one another are no less important at Würth, even in the age of Industry 4.0, and form the core of all relationships. This responsibility is also reflected in our involvement in society, to which we feel committed as a prospering business. Currently, this is reflected most visibly in the expansion of Carmen Würth Forum. The culture and convention center will be supplemented by a flexible conference area and a museum, thus offering all the prerequisites for successful top-notch conventions and conference events. Carmen Würth Forum is already firmly established in the region: Around 100 events with over 72,000 visitors were held in 2018. The investment amount for the expansion amounts to around EUR 39 million. The opening is planned for April 2020.

E-business activities

The expansion of e-business activities continues to be a strategic focus for the Würth Group. The international implementation of central online shop, app and e-procurement systems provides the foundation for the rapid multiplication of digital sales and service initiatives. More than 50 companies now use a central online shop, which was once again awarded a top prize for best B2B shop in the first quarter of 2019. In addition, numerous companies are offering individual solutions tailored to the respective customer target group.

Different digital strategies were developed based on this system landscape for the variety of business units across the Würth Group. These include differentiated recruiting and budget plans, close cooperation with digital marketing agencies, long-term partnerships with start-ups and established software manufacturers as well as customer seminars or e-business days for different customer target groups.

Within the Würth Line, the topic of e-procurement is gaining in importance in order to offer customers integrated digital solutions. Specialists have been deployed in numerous countries who are analyzing the ordering and warehouse management processes for defined target customers in order to reduce the process costs of our customers in C-part management by means of e-procurement implementations.

In selected regions such as China and parts of South and East Asia, cooperation with marketplaces and platforms is also being promoted in order to better implement the multi-channel strategy.

Big Data is one approach that complements these activities in a focused manner. In addition to a specialized unit in Berlin, data scientists are being set up in various companies in order to develop specific sales activities, new service modules and approaches for process optimization based on the purchasing and information behavior of our customers.

Expansion of logistics

Adolf Würth GmbH & Co KG is building a new transshipment depot close to the company's headquarters next to the A6 highway, which combines various shipping points and external warehouses. The groundbreaking ceremony took place in

June 2018. The objective of the logistics strategy is to avoid delivery splits and to bundle the items per order so that the customer receives exactly one package or consignment, thus reducing the number of packages and amount of filling material. A separate main transshipment base (HUB)—collection point and hub—creates the prerequisites for pooling together flows of goods for redistribution within Germany and throughout Europe. Around 20 percent of all orders for the new warehouse go directly to other European countries.

Thanks to the building concept, the warehouse is multifunctional, with a floor area of around 50,000 m² and 62 docking stations for loading and unloading trucks. The total investment amounts to some EUR 73 million. Completion is planned for summer 2020.

Overall statement on the future development of the Würth Group

Profitable growth is the driver of all activities within the Würth Group and thus a strategic goal in itself. A specific package of measures is in place for each business area to achieve this goal. These measures have one thing in common across all divisions: the expansion of our sales team in order to be closer to our customers and to identify and meet their needs even better and faster. In the Würth Line, the largest business division with 56 percent of sales, we are focusing on the further expansion of our multi-channel approach, consisting of sales representatives, pick-up shops and e-business. This multi-channel approach is being used more and more abroad, where our market shares are even lower.

The Würth Group expects to achieve sales growth in the mid single-digit range and corresponding growth in its operating result in the 2019 fiscal year. We expect proportionate development in gross profit to remain constant. We predict a slightly positive development in collection days, stock turnover and staff turnover. All of these statements are subject to the proviso that innovation, employment and global economic growth continue to show positive development.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

in millions of EUR		2018	Share in %	2017	Share in %	Change in %
Sales	[1]	13,620.4	100.0	12,721.9	100.0	7.1
Changes in inventories		22.3	0.2	18.6	0.1	19.9
Own work capitalized		14.6	0.1	8.8	0.1	65.9
Cost of materials	[2]	6,800.1	49.9	6,252.1	49.1	8.8
Cost of financial services	[3]	25.3	0.2	27.9	0.2	– 9.3
		6,831.9	**50.2**	**6,469.3**	**50.9**	**5.6**
Other operating income	[4]	96.4	0.7	132.1	1.0	– 27.0
Personnel expenses	[5]	3,644.9	26.8	3,468.4	27.3	5.1
Amortization and depreciation		375.1	2.8	426.2	3.4	– 12.0
Other operating expenses	[6]	2,005.3	14.7	1,938.4	15.2	3.5
Finance revenue	[7]	52.1	0.4	33.8	0.3	54.1
Finance costs	[7]	91.3	0.6	96.0	0.7	– 4.9
Earnings before taxes	[8]	**863.8**	**6.4**	**706.2**	**5.6**	**22.3**
Income taxes	[9]	177.3	1.3	175.1	1.4	1.3
Net income for the year		**686.5**	**5.1**	**531.1**	**4.2**	**29.3**
Attributable to:						
Owners of parent companies in the Group		679.5	5.0	506.2	4.0	34.2
Non-controlling interests		7.0	0.1	24.9	0.2	– 71.9
		686.5	**5.1**	**531.1**	**4.2**	**29.3**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in millions of EUR	2018	Share in %	2017	Share in %	Change in %
Net income for the year	**686.5**	**100.0**	**531.1**	**100.0**	**29.3**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (+) / loss (-) on cash flow hedges	0.2	0.0	– 1.9	– 0.3	<– 100
Exchange differences on translation of foreign operations	– 3.5	– 0.5	– 91.2	– 17.2	– 96.2
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**– 3.3**	**– 0.5**	**– 93.1**	**– 17.5**	**– 96.5**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Remeasurement gain / loss on defined benefit plans	5.5	0.8	– 7.9	– 1.5	<– 100
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**5.5**	**0.8**	**– 7.9**	**– 1.5**	**<– 100**
Other comprehensive income, net of tax	**2.2**	**0.3**	**– 101.0**	**– 19.0**	**<– 100**
Total comprehensive income, net of tax	**688.7**	**100.3**	**430.1**	**81.0**	**60.1**
Attributable to:					
Owners of parent companies in the Group	682.2	99.4	405.8	76.4	68.1
Non-controlling interests	6.5	0.9	24.3	4.6	– 73.3
	688.7	**100.3**	**430.1**	**81.0**	**60.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets in millions of EUR		2018	Share in %	2017	Share in %	Change in %
Non-current assets						
Intangible assets including goodwill	[10]	459.4	4.2	480.1	4.7	– 4.3
Property, plant and equipment	[11]	3,317.7	30.2	3,052.4	29.7	8.7
Financial assets	[12]	79.0	0.7	62.6	0.6	26.2
Receivables from financial services	[13]	910.7	8.3	861.1	8.4	5.8
Other financial assets	[18]	3.6	0.0	7.1	0.1	– 49.3
Other assets	[19]	29.9	0.3	33.7	0.3	– 11.3
Deferred tax assets	[14]	151.4	1.4	140.2	1.4	8.0
		4,951.7	**45.1**	**4,637.2**	**45.2**	**6.8**
Current assets						
Inventories	[15]	2,205.4	20.1	1,955.6	19.1	12.8
Trade receivables	[16]	1,884.9	17.2	1,719.0	16.7	9.7
Receivables from financial services	[13]	946.5	8.6	745.2	7.3	27.0
Income tax assets	[17]	38.3	0.3	35.3	0.3	8.5
Other financial assets	[18]	149.2	1.4	162.0	1.6	– 7.9
Other assets	[19]	179.6	1.6	173.9	1.7	3.3
Securities	[20]	126.1	1.2	151.7	1.5	– 16.9
Cash and cash equivalents	[21]	492.5	4.5	670.9	6.5	– 26.6
		6,022.5	**54.9**	**5,613.6**	**54.7**	**7.3**
Assets classified as held for sale	[22]	0.0	0.0	16.5	0.1	– 100.0
		6,022.5	**54.9**	**5,630.1**	**54.8**	**7.0**
		10,974.2	**100.0**	**10,267.3**	**100.0**	**6.9**

Equity and liabilities in millions of EUR		2018	Share in %	2017	Share in %	Change in %
Equity						
Equity attributable to parent companies in the Group	[23]					
Share capital		408.4	3.7	408.4	4.0	0.0
Reserves		2,047.3	18.7	1,935.3	18.8	5.8
Retained earnings		2,659.5	24.2	2,324.3	22.6	14.4
		5,115.2	46.6	4,668.0	45.4	9.6
Non-controlling interests		56.9	0.5	110.6	1.1	– 48.6
		5,172.1	**47.1**	**4,778.6**	**46.5**	**8.2**
Non-current liabilities						
Liabilities from financial services	[24]	582.1	5.3	424.8	4.1	37.0
Financial liabilities	[25]	1,704.6	15.5	1,171.8	11.4	45.5
Post-employment benefit obligations	[26]	284.0	2.6	277.8	2.7	2.2
Provisions	[27]	99.4	0.9	96.0	0.9	3.5
Other financial liabilities	[28]	31.5	0.3	37.7	0.5	– 16.4
Other liabilities	[29]	2.4	0.0	2.4	0.0	0.0
Deferred tax liabilities	[14]	137.5	1.3	126.6	1.2	8.6
		2,841.5	**25.9**	**2,137.1**	**20.8**	**33.0**
Current liabilities						
Trade payables		776.7	7.1	741.7	7.2	4.7
Liabilities from financial services	[24]	987.9	9.0	925.7	9.0	6.7
Financial liabilities	[25]	120.8	1.1	605.6	5.9	– 80.1
Income tax liabilities		64.6	0.6	58.5	0.6	10.4
Provisions	[27]	183.4	1.7	182.5	1.8	0.5
Other financial liabilities	[28]	402.3	3.6	392.7	3.8	2.4
Other liabilities	[29]	424.9	3.9	437.9	4.3	– 3.0
		2,960.6	**27.0**	**3,344.6**	**32.6**	**– 11.5**
Liabilities in a group of assets classified as held for sale	[22]	0.0	0.0	7.0	0.1	– 100.0
		2,960.6	**27.0**	**3,351.6**	**32.7**	**– 11.7**
		10,974.2	**100.0**	**10,267.3**	**100.0**	**6.9**

CONSOLIDATED STATEMENT OF CASH FLOWS*

Cash flows from operating activities in millions of EUR	2018	2017
Earnings before taxes	**863.8**	**706.2**
Income taxes paid	– 169.3	– 151.7
Finance costs (excluding loss on derivative instruments at fair value through profit or loss)	70.9	96.0
Finance income (excluding gain on derivative instruments at fair value through profit or loss)	– 52.1	– 22.5
Interest received from operating activities	10.6	9.5
Interest paid from operating activities	– 16.2	– 13.8
Changes in post-employment benefit obligations	5.2	3.2
Amortization and depreciation of intangible assets and property, plant and equipment	373.7	425.7
Losses on disposal of non-current assets	10.3	4.5
Gains on disposal of non-current assets	– 11.8	– 5.7
Gains / losses on derivative instruments reported at fair value through profit or loss	20.4	– 11.3
Other non-cash income and expenses	35.0	8.1
Gross cash flows	**1,140.5**	**1,048.2**
Changes in inventories	– 223.4	– 293.4
Changes in trade receivables	– 134.9	– 207.8
Changes in receivables from financial services	– 271.7	– 272.6
Changes in trade payables	21.7	111.9
Changes in liabilities from financial services	217.6	158.4
Changes in short-term securities	22.1	– 12.9
Changes in other net working capital	– 21.0	52.2
Cash flows from operating activities	**750.9**	**584.0**
Investments in intangible assets	– 39.5	– 35.9
Investments in property, plant and equipment	– 601.5	– 451.0
Investments in financial instruments	– 25.9	– 29.4
Investments in newly acquired subsidiaries less cash**	– 71.0	– 52.2
Cash inflow from the disposal of subsidiaries less cash	41.3	1.8
Cash received from disposals of assets	30.2	28.1
Cash flows from investing activities	**– 666.4**	**– 538.6**

Cash flows in millions of EUR	**2018**	**2017**
Distributions	– 308.5	– 274.2
Changes in receivables from / liabilities to Family Trusts and the Würth family including interest income	42.3	– 35.5
Capital contribution	135.4	173.5
Increase in financial liabilities	528.7	11.5
Decrease in financial liabilities	– 524.9	– 44.5
Interest paid / received from financing activities	– 35.3	– 39.2
Increase in majority shareholdings	– 101.5	– 22.4
Cash flows from financing activities	**– 263.8**	**– 230.8**
Changes due to consolidation	0.9	– 17.6
Changes in cash and cash equivalents	**– 178.4**	**– 203.0**

Composition of cash and cash equivalents in millions of EUR	**2018**	**2017**	Change in millions of EUR
Short-term investments	0.0	0.5	– 0.5
Other cash equivalents	4.7	5.0	– 0.3
Cash on hand	2.1	2.3	– 0.2
Cash at banks	485.7	663.1	– 177.4
Cash and cash equivalents	**492.5**	**670.9**	**– 178.4**

* Reference to "J. Notes on the consolidated statement of cash flows"
** Reference to "C. Consolidated group"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to parent companies in the Group								
in millions of EUR	Share capital	Differences from currency translation	Adjustment for post-employ-ment benefit obligations	Cash flow hedge reserve	Other capital and revenue reserves	Retained earnings	Total	Non-controlling interests	Total equity
1 January 2017	**408.4**	**– 27.1**	**– 81.2**	**0.0**	**1,968.3**	**2,093.9**	**4,362.3**	**107.2**	**4,469.5**
Net income for the year	0.0	0.0	0.0	0.0	0.0	506.2	506.2	24.9	531.1
Other comprehensive income	0.0	– 90.6	– 7.9	– 1.9	0.0	0.0	– 100.4	– 0.6	– 101.0
Total comprehensive income	0.0	– 90.6	– 7.9	– 1.9	0.0	506.2	405.8	24.3	430.1
Issue / reduction of share capital	0.0	0.0	0.0	0.0	173.2	0.0	173.2	0.3	173.5
Transfer to / drawings from reserves	0.0	0.0	0.0	0.0	12.4	– 12.4	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	0.0	0.0	– 263.8	– 263.8	– 10.4	– 274.2
Increase in majority shareholdings	0.0	0.5	0.0	0.0	– 10.2	0.0	– 9.7	– 12.7	– 22.4
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.7
Other changes recognized in equity	0.0	– 0.4	0.0	0.0	0.2	0.4	0.2	0.2	0.4
31 December 2017	**408.4**	**– 117.6**	**– 89.1**	**– 1.9**	**2,143.9**	**2,324.3**	**4,668.0**	**110.6**	**4,778.6**
Effect of first-time adoption of new accounting standards	0.0	0.0	0.0	0.0	6.6	0.0	6.6	– 0.9	5.7
1 January 2018 (adjusted)	**408.4**	**– 117.6**	**– 89.1**	**– 1.9**	**2,150.5**	**2,324.3**	**4,674.6**	**109.7**	**4,784.3**
Net income for the year	0.0	0.0	0.0	0.0	0.0	679.5	679.5	7.0	686.5
Other comprehensive income	0.0	– 3.0	5.5	0.2	0.0	0.0	2.7	– 0.5	2.2
Total comprehensive income	0.0	– 3.0	5.5	0.2	0.0	679.5	682.2	6.5	688.7
Issue / reduction of share capital	0.0	0.0	0.0	0.0	133.0	0.0	133.0	2.4	135.4
Transfer to / drawings from reserves	0.0	0.0	0.0	0.0	49.0	– 49.0	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	0.0	0.0	– 295.8	– 295.8	– 12.7	– 308.5
Increase in majority shareholdings	0.0	0.0	0.0	0.0	– 78.9	0.0	– 78.9	– 31.7	– 110.6
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	– 13.0	– 13.0
Other changes recognized in equity	0.0	– 0.5	0.0	0.0	0.1	0.5	0.1	– 4.3	– 4.2
31 December 2018	**408.4**	**– 121.1**	**– 83.6**	**– 1.7**	**2,253.7**	**2,659.5**	**5,115.2**	**56.9**	**5,172.1**

CONSOLIDATED VALUE ADDED STATEMENT*

Origin of the value added in millions of EUR	**2018**	**2017**	Change in %
Sales	13,620.4	12,721.9	7.1
Changes in inventories and own work capitalized for capital expenditure	36.9	27.4	34.7
Other operating income	96.4	132.1	– 27.0
Finance revenue	52.1	33.8	54.1
	13,805.8	**12,915.2**	**6.9**
Less advance payments			
Cost of materials and cost of financial services	6,825.4	6,280.0	8.7
Other operating expenses	2,005.3	1,938.4	3.5
Amortization and depreciation	375.1	426.2	– 12.0
	9,205.8	**8,644.6**	**6.5**
Value added	**4,600.0**	**4,270.6**	**7.7**

Purpose in millions of EUR	**2018**	**2017**	Change in %
Employees (personnel expenses)	3,644.9	3,468.4	5.1
Public sector (tax expenses)	177.3	175.1	1.3
Company	513.4	430.4	19.3
Equity holders**	173.1	100.7	71.9
Lenders	91.3	96.0	– 4.9
Value added	**4,600.0**	**4,270.6**	**7.7**

* Not part of the consolidated financial statements in accordance with IFRS
** Distributions net of contribution to capital

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

A. General information

The headquarters of the Würth Group are located in 74653 Künzelsau, Germany.

The core business of the Würth Group involves trade in fastening and assembly materials worldwide. The companies that make up the Würth Group's active sales operations are divided into two operational units: Würth Line and Allied Companies.

Würth Line operations focus on fastening and assembly materials, supplying customers in the trades, the construction sector, and industry. The sales portfolio of the Würth Line comprises products sold under its own brand name and by its own sales organization. Its main business activities include the sale of screws, screw accessories, DIN and standard parts, chemical-technical products, furniture and iron fittings, dowels, insulation, hand tools, power tools, cutting and pneumatic tools, service and care products, connecting and fastening materials, stocking and picking systems as well as the direct shipment of workwear.

The Allied Companies, which either operate in business areas associated with the core business or in diversified business areas, round off the Würth Group's portfolio. They are divided into nine strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related areas. The Diversification unit within the Allied Companies comprises service companies, such as hotels, restaurants and logistics operators.

B. Adoption of International Financial Reporting Standards

Statement of compliance
The consolidated financial statements of the Würth Group were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code), and full IFRS. The consolidated financial statements consist of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and notes on the consolidated financial statements. The Group management report was prepared in accordance with Sec. 315 HGB.

Basis of preparation
All IFRS standards whose adoption is mandatory as of 31 December 2018 have been applied. This also includes the International Accounting Standards (IAS) as well as the interpretations issued by the IFRS Interpretations Committee (formerly: IFRIC) and the Standing Interpretations Committee (SIC).

The financial statements have been prepared on the basis of historical costs, with the exception of financial assets and financial liabilities measured at fair value through profit or loss. The carrying amounts of the assets and liabilities recognized in the consolidated statement of financial position, which represent underlying transactions in connection with fair value hedges and are otherwise stated at amortized cost, are adjusted to reflect the changes in the fair value that can be attributed to the hedged risks in effective hedge relationships.

The consolidated financial statements were prepared in euro. All figures are reported in millions of euro (EUR) unless otherwise indicated.

The items in the consolidated statement of financial position have been classified into current and non-current assets and liabilities in accordance with IFRS. Items not due within a year are disclosed as non-current assets or non-current liabilities. In addition, deferred tax assets are disclosed as non-current assets or liabilities.

The consolidated income statement was prepared using the nature of expense method.

The consolidated financial statements were approved by the Central Managing Board of the Würth Group on 14 March 2019 for submission to the audit committee of the Würth Group's Advisory Board.

Use of estimates and judgments

The preparation of the consolidated financial statements pursuant to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and other financial obligations as of the reporting date, and the reported amounts of income and expenses during the reporting period. The assumptions and estimates are based primarily on Group-wide regulations governing useful lives, accounting policies for capitalized development costs and provisions, the probability of future tax relief being realized from deferred tax assets, and on the assumptions regarding the future earnings power of cash-generating units. Actual amounts in future periods may differ from the estimates. Changes are recognized in income as better information becomes available.

The main assumptions concerning the future and other key sources of estimation uncertainty as of the reporting date that entail a risk of causing a material adjustment to the carrying amounts of assets and liabilities in the following fiscal year are discussed below.

a) Impairment of goodwill

The Würth Group tests goodwill for impairment at least once a year. This involves an estimate of the net selling price of the cash-generating units to which the goodwill is attributed. The cash-generating units are determined on the basis of the lowest level used to monitor goodwill for internal purposes by management when making decisions on business combinations. In the Würth Group, this is the legal entity. As of 31 December 2018, the carrying amount of goodwill totaled EUR 155.4 million (2017: EUR 159.8 million). Further details are presented in the notes on the consolidated statement of financial position under [10] "Intangible assets including goodwill" and Section H. Notes on the consolidated statement of financial position.

b) Impairment of intangible assets and property, plant and equipment

The Würth Group tests intangible assets and property, plant and equipment for impairment if events or changes in circumstances suggest that it may not be possible to recover the carrying amount of an asset. The intrinsic value is calculated by comparing the carrying amount of the individual assets with their recoverable amount. The recoverable amount is either the value in use or the fair value, whichever is higher, less the cost of sale. The value in use is the amount calculated by discounting the estimated future cash flows. If an asset does not generate any cash inflows that are largely independent of the cash inflows generated by other asset groups, the impairment test is not carried out at the level of an individual asset, but at the level of the cash-generating unit. Further details are presented in the notes on the consolidated statement of financial position under [10] "Intangible assets including goodwill," [11] "Property, plant and equipment" and Section H. Notes on the consolidated statement of financial position.

c) Unused tax losses and temporary differences
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Unused tax losses and temporary differences are considered recoverable only if they are likely to be used within the next five years. Deferred tax assets recognized on unused tax losses amount to EUR 16.3 million as of 31 December 2018 (2017: EUR 19.7 million).

d) Post-employment benefit obligations
The cost of defined benefit plans and other post-employment medical benefits and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include determining the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. When determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currencies with at least an AA rating or above, and the extrapolated maturity corresponding to the expected duration of the defined benefit obligation. Moreover, the quality of the underlying bonds is assessed. Those having excessive credit spreads are excluded from the analysis of bonds from which the discount rate is derived, on the basis that they do not represent high-quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. The net carrying amounts of the post-employment benefit obligations amount to EUR 284.0 million as of 31 December 2018 (2017: EUR 277.8 million). Further details are presented under [26] "Post-employment benefit obligations" in Section H. Notes on the consolidated statement of financial position. All parameters are reviewed annually.

e) Fair value measurement of financial instruments
If the fair values of recognized financial assets and financial liabilities cannot be measured using quoted prices in active markets, they are determined using valuation techniques, including the discounted cash flow method. The input factors used in the model are based on observable market data as far as possible. If such data is not available, the determination of fair values is largely based on discretionary decisions by management. The discretionary decisions relate to input factors such as liquidity risk, default risk and volatility. Changes in the assumptions made for these factors may affect the fair values of the financial instruments. For additional information, refer to [30] "Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9 for fiscal year 2018 or IAS 39 for fiscal year 2017" in Section H. Notes on the consolidated statement of financial position.

f) Development costs
Development costs are capitalized in accordance with the accounting policies set out in Section F. Initial recognition of development costs is based on an assessment by management that the development is both technically and economically feasible. Generally, this is the case if a product development project has reached a certain milestone within an existing project management model. When determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. As of 31 December 2018, the carrying amount of capitalized development costs was EUR 9.3 million (2017: EUR 12.4 million).

g) Allowance for expected credit losses on trade receivables and receivables from financial services
The Würth Group uses an allowance matrix in order to calculate expected credit losses on trade receivables and receivables from financial services. The allowance rates are determined on the basis of days past due for various customers (grouped according to criteria such as geographical region and credit rating and credit insurance coverage).
The allowance table is initially based on the historical default rates within the Würth Group. The Würth Group then calibrates the table in order to adjust its historical loan defaults to future-related information. If, for example, it is assumed that forecast economic conditions (such as gross domestic product) will deteriorate in the course of the coming year, which could lead to an increase in loan defaults, then the historical default rates are adjusted. Historical default rates are updated and changes in future-oriented estimates are analyzed at each reporting date.
The assessment of the relationship between historical default rates, forecast economic conditions and expected loan defaults represents a material estimate. The amount of expected loan defaults depends on changes in circumstances and the forecast economic environment. Historical loan defaults within the Würth Group and the forecast of the general economic conditions may not be representative of the actual defaults of customers in the future. Information on expected credit losses on trade receivables of the Würth Group is provided in [16] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.
For receivables from financial services that are valued at amortized cost, the first step is to calculate the impairment at the 12-month expected loss. Impairment is calculated at lifetime expected loss for receivables from financial services that change to the intensive approach.

h) Purchase price liabilities from business combinations and/or acquired operations
Some business combinations involve conditional purchase price components, or the seller is granted put options for non-controlling interests. The resulting purchase price liabilities are subject to estimates in the form of the objectives that can be achieved in the future and with respect to the present value assumptions for the future purchase prices. They are measured at fair value on each reporting date.

i) Purchase price receivables for sold subsidiaries
Company disposals are sometimes associated with conditional purchase price components. The resulting purchase price receivables are subject to estimates regarding the present value assumptions for the future purchase price payments.

Effects of new accounting standards
The accounting policies adopted are consistent with those of the prior fiscal year, except that the Group has adopted the new / revised IFRS and IFRIC interpretations set out below, which are mandatory for fiscal years beginning on or after 1 January 2018. The changes in accounting policies and in the disclosures in the notes are due primarily to the adoption of:

- **IFRS 9 "Financial Instruments"**
- **IFRS 15 "Revenue from Contracts with Customers"**
- **Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"**

The adoption of these standards is described below:

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for fiscal years beginning on or after 1 January 2018. The new standard combines all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Würth Group applied IFRS 9 prospectively from the date of first-time application on 1 January 2018. It has not adjusted comparative information, which continues to be reported in accordance with IAS 39. Deviations resulting from the first-time application of IFRS 9 were recognized directly in revenue reserves.

The effects of the first-time application of IFRS 9 as of 1 January 2018 are as follows:

in millions of EUR **Assets**	**1 January 2018**
Trade receivables	22.0
Receivables from financial services	– 16.9
Deferred tax assets	5.0
Total assets	**10.1**
Equity and liabilities	
Deferred tax liabilities	– 4.4
Total liabilities	**– 4.4**
Total adjustments to equity	**5.7**

a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification is based on two criteria: the Würth Group business model for controlling the assets and the question of whether the contractual cash flows of the instruments exclusively represent repayments of principal and interest on the outstanding capital amount.
The Würth Group business model was assessed on 1 January 2018, the date of first-time application. The assessment of whether contractual cash flows from debt instruments represent only principal and interest payments was based on the facts and circumstances existing at the time the assets were initially recognized.

The changes in the classification of the Würth Group's financial assets are explained below:
- Equity investments in unlisted companies that were classified as available-for-sale financial assets as of 31 December 2017 are classified and measured as equity instruments at fair value through profit or loss as of 1 January 2018. The Würth Group has irrevocably decided to classify its unlisted equity instruments in this category at the time of first-time application, as it intends to hold these investments for the foreseeable future but does not exercise the FVOCI option for valuation purposes.
- As of 1 January 2018, listed debt instruments that were classified as held-to-maturity financial investments as of 31 December 2017 are classified and measured as debt instruments valued at amortized cost, as the Würth Group expects to hold the assets in order to collect the contractual cash flows.
- Receivables from banking business, trade receivables, other financial assets and cash and cash equivalents classified as loans and receivables as of 31 December 2017 are held to collect contractual cash flows and result in cash flows that exclusively represent interest and principal payments. They are classified and measured as debt instruments measured at amortized cost as of 1 January 2018.
- As of 1 January 2018, listed debt instruments that were classified as available-for-sale financial assets in equity as of 31 December 2017 with no effect on income are classified and measured at amortized cost, as the Würth Group expects to hold the assets in order to collect the contractual cash flows.

There were no changes in the classification and valuation of the financial liabilities for the Würth Group.

In summary, the Würth Group made the following reclassifications as of 1 January 2018 as a result of the first-time application of IFRS 9:

in millions of EUR **Assets**	Measurement category in accordance with IAS 39*	Measurement category in accordance with IFRS 9**	Book value according to IAS 39	Adjustment to impairment requirements under IFRS 9	Book value according to IFRS 9
Financial assets					
Equity instrument	AfS	FVTPL	13.7	0.0	13.7
Debt instrument	HtM	AC	48.9	0.0	48.9
Receivables from the banking business	LaR	AC	1,173.3	– 15.7	1,157.6
Trade receivables	LaR	AC	1,719.0	22.0	1,741.0
Other financial assets					
Debt instrument	LaR	AC	161.4	0.0	161.4
Derivative	FAHfT	FVTPL	7.7	0.0	7.7
Securities					
Debt instrument	AfS	AC	51.7	0.0	51.7
Equity instrument	FVtpl	FVTPL	25.2	0.0	25.2
Debt instrument	FVtpl	FVTPL	74.8	0.0	74.8
Cash and cash equivalents					
Equity instrument	FVtpl	FVTPL	0.5	0.0	0.5
Debt instrument	LaR	AC	670.4	0.0	670.4
Equity and liabilities					
Liabilities from the banking business	FLAC	AC	1,152.8	0.0	1,152.8
Trade payables	FLAC	AC	741.7	0.0	741.7
Financial liabilities	FLAC / n. a.	AC / FVTPL	1,777.4	0.0	1,777.4
Other financial liabilities					
Liabilities to related parties	FLAC	AC	13.0	0.0	13.0
Derivative liabilities	FLHfT	FVTPL	8.6	0.0	8.6
Liabilities from business combinations	FVtpl	FVTPL	35.1	0.0	35.1
Sundry financial liabilities	FLAC	AC	373.7	0.0	373.7

* Measurement category according to IAS 39	
Available-for-sale financial assets	AfS
Held-to-maturity investments	HtM
Loans and receivables	LaR
Financial assets held for trading	FAHfT
Financial assets at fair value through profit or loss	FVtpl
Financial liabilities held for trading	FLHfT
Financial liabilities at amortized cost	FLAC
** Measurement category in accordance with IFRS 9	
Financial assets and liabilities at fair value through profit or loss	FVTPL
Financial assets and liabilities at amortized cost	AC

b) Impairment
The first-time application of IFRS 9 has fundamentally changed the accounting treatment of impairment losses on financial assets of the Würth Group: The model of losses incurred practiced in accordance with IAS 39 has been replaced by a forward-looking model of expected credit losses. According to IFRS 9, the Würth Group must record an impairment for expected credit losses for all debt instruments that are not measured at fair value through profit or loss.
When IFRS 9 was applied for the first time, the Würth Group recorded a reduced impairment of EUR 22.0 million on its trade receivables and an additional impairment of EUR 16.9 million on receivables from financial services. Taking into account deferred tax assets and non-controlling interests, this resulted in an increase of EUR 6.6 million in revenue reserves as of 1 January 2018.

The reconciliation of impairment losses in accordance with IAS 39 to the opening values determined in accordance with IFRS 9 is presented below:

in millions of EUR	Impairment pursuant to IAS 39 31 December 2017	Remeasurement	Expected credit loss according to IFRS 9 1 January 2018
Debt instruments classified and measured at amortized cost	167.3	– 5.1	162.2

c) Hedge accounting
The Würth Group applies hedge accounting in accordance with IFRS 9 prospectively. At the time of first-time application, all existing hedging relationships of the Würth Group fulfilled the requirements for recognition as ongoing hedging relationships.

d) Other adjustments
In addition to the adjustments described above, other items such as deferred tax assets and non-controlling interests were adjusted accordingly when IFRS 9 was applied as of 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers" introduced a new five-step revenue recognition model to be applied to all contracts with customers. The core principle is that an entity will recognize revenue at the time of the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles in IFRS 15 provide a structured approach for the measurement and reporting of revenue. The standard's scope of application covers all types of sectors and companies and thus replaces all existing provisions relating to revenue recognition (IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue—Barter Transactions Involving Advertising Services").

The Würth Group applied the new standard with effect from 1 January 2018 using the modified retrospective approach.

a) Sale of goods
In cases involving contracts with customers in which it is generally assumed that the sale of goods is the only performance obligation, the adoption of IFRS 15 does not have any impact on revenue or the consolidated income statement. Revenue is recognized when control over the assets passes to the customer. This is generally the case at the time the goods are delivered. Customer-specific contract manufacturing in the Production and Electronics units is one exception to this rule. In individual cases, revenue was realized over a specific period of time in line with the progress of production. Due to the fact that production in these areas is largely "just-in-time" production, however, the Würth Group did not experience any significant deviations compared with the realization of revenue upon delivery to the customer, which has applied to date.

b) Variable consideration
If contractual consideration contains a variable component, the Würth Group determines the amount of the consideration to which it is entitled in exchange for the transfer of the goods to the customer. The variable consideration is estimated at the inception of the contract and may only be included in the transaction price if it is highly probable that there will be no significant reversal of the recognized cumulative revenue.

- Right of return
  Certain contracts give a customer the right to return the products within a specified period. The Würth Group uses the expected value method to estimate the products that are not returned, since this method is the most reliable way of estimating the variable consideration to which the Würth Group is entitled. In addition, the provisions of IFRS 15 with respect to the limitation of the estimation of variable consideration are applied to determine the amount of variable consideration that may be included in the transaction price. For expected product returns, the Würth Group recognizes a contract liability instead of proceeds. In addition, an asset from return rights is recognized for the right to receive products from a customer. For the Würth Group, however, this amendment by IFRS 15 did not have any significant impact on the consolidated statement of financial position, as no significant rights of return were granted.
- Volume discount
  According to IFRS 15, retroactive volume discounts are recognized as variable consideration. In the Würth Group, however, this change due to IFRS 15 did not have any significant effects, as no significant subsequent volume-based discounts were granted.

c) Warranty obligations
In accordance with IFRS 15, extended warranties are treated in the same way as service-type warranties, meaning that they are to be recognized as a separate performance obligation to which part of the transaction price must be allocated. The Würth Group generally provides warranties for general repairs, but does not grant any extended warranties in its contracts with customers, with a few minor exceptions. For the Würth Group, this change therefore did not have any significant impact on the consolidated financial statements.

d) Provision of services
Services are sold either individually or in bundles together with the sale of goods to customers. As the services are performed over a certain period and the customer benefits from the service, service contracts / contracts comprising both services and the supply of goods must be recognized over the period in question. However, this does not result in any material change to the consolidated financial statements of the Würth Group, since the customer's claim for consideration is equivalent to the value of the service already rendered by the Würth Group.

e) Payments received from customers
In general, the Würth Group only receives short-term advances from its customers. In accordance with IFRS 15, the Würth Group needs to consider whether the contract includes a significant financing arrangement. The Würth Group has decided to apply the simplified procedure provided for in IFRS 15, i.e. it opts not to adjust the amount of the consideration promised to reflect the impact of a significant financing arrangement contained in the contracts if it is to be expected, at the beginning of the contract, that the time span between the transfer of promised goods or a promised service to the customer and the payment for the goods or this service will amount to a maximum of one year. Accordingly, the Würth Group continues not to record any financing components for short-term advance payments.

f) Presentation and disclosure requirements
The presentation and disclosure requirements under IFRS 15 are more detailed than under the prior IFRS. The disclosure requirements represent a change and increase the scope of the disclosures required in the consolidated financial statements.

The first-time application of IFRS 15 does not have any significant effects on the assets, liabilities or the consolidated income statement of the Würth Group.

Application of IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", the amendments counteract the concerns with regard to the different dates of entry into force of IFRS 9 and IFRS 17 if IFRS 9 is applied before IFRS 17 "Insurance Contracts", which will supersede IFRS 4. It gives entities that issue insurance contracts two options: the option to temporarily defer the application of IFRS 9 and an overlay approach. The deferral approach is to apply to reporting periods beginning on or after 1 January 2018. Entities can apply the overlay approach retroactively to qualifying financial assets as soon as they apply IFRS 9 for the first time. For the insurance business, which is allocated to the Diversification unit, the Group only has to provide comparative information regarding the application of the overlay approach if comparative information is provided in connection with the application of IFRS 9. These changes are not relevant for the Würth Group.

Published standards endorsed by the EU in the comitology procedure that are not yet effective

Standards issued but not yet effective by the date of issuance of the consolidated financial statements of the Würth Group are listed below. This listing of standards and interpretations issued includes those that the Würth Group reasonably expects to have an effect on disclosures in the notes, net assets, financial position, and results of operations when applied at a future date. The Würth Group intends to adopt those standards as soon as they become mandatory.

The amendments to **IFRS 9 "Prepayment Features with Negative Compensation"** were published in October 2017. They address the classification provisions set out in IFRS 9 for financial asset features with negative compensation in the event of premature repayment. It is clarified that such assets meet the cash flow criterion. The amendments are mandatory for fiscal years beginning on or after 1 January 2019. Earlier adoption is permitted. The amendments are to be applied retroactively. The transitional provisions provide a certain degree of transitional relief. The Würth Group intends to adopt this amendment on the prescribed date of entry into force. Due to the narrow scope of application, this amendment is not expected to have any impact on the consolidated financial statements of the Würth Group.

IFRS 16 "Leases" was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure requirements regarding leases and requires lessees to recognize all leases using a single model, similar to the accounting for finance leases in accordance with IAS 17. The new standard contains two exceptions to the obligation to recognize lessees in the balance sheet: leasing agreements for low-value assets (e.g., PCs) and short-term leasing agreements (e.g. leasing agreements with a maximum term of twelve months). At the inception of the lease, the lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset for the right granted to use the leased asset during the term of the lease (i.e., right-of-use assets). Lessees must record separately the interest expenses for the lease liability and the depreciation expense for the right to use the leased asset. In addition, lessees must revalue the lease liability if certain events occur (e.g., a change in the lease term or a change in future lease payments due to a change in the index or interest rate used to determine the lease payments). The amount of the revaluation of the lease liability will generally be recognized by the lessee as an adjustment to the right to use the leased asset.
For lessors, IFRS 16 will essentially not result in any changes in accounting compared with the current version of IAS 17. They will continue to classify all leases in accordance with the classification principles of IAS 17 and distinguish between two types of leases, namely operating leases and finance leases.

IFRS 16 is effective for fiscal years beginning on or after 1 January 2019 and requires lessees and lessors to provide more detailed disclosures than IAS 17.

Transition to IFRS 16
The Würth Group does not intend to apply IFRS 16 retrospectively to all reporting periods presented earlier. The Würth Group will apply the exemptions provided in this standard for leasing relationships to leasing contracts whose term ends within twelve months from the date of first application and to leasing contracts for low-value assets. The Würth Group has leased certain office equipment (e.g., PCs, printers and photocopiers) which is classified as low-value.
During the 2018 fiscal year, the Würth Group carried out a detailed assessment of the effects of IFRS 16.

in millions of EUR **Assets**	**1 January 2019**
Property, plant and equipment (right-of-use assets)	699.1
Equity and liabilities	
Lease liabilities	699.1
Net effect on shareholders' equity	**0.0**

Due to the first-time application of IFRS 16, the net income for the year of the Würth Group will not change significantly; however, other operating expenses will decrease, whereas depreciation and amortization and finance costs will increase. This is due to the change in accounting for expenses from leases, which are classified as operating leases in accordance with IAS 17.

IFRS 17 "Insurance Contracts" was published in May 2017 and contains a comprehensive new accounting standard setting out principles for recognition, measurement, presentation, and disclosure requirements with regard to insurance contracts. When it comes into force, IFRS 17 will replace IFRS 4 "Insurance Contracts", which was published in 2005. IFRS 17 is to be applied, irrespective of the type of issuing entity, to all types of insurance contracts (i.e. life insurance, property insurance, direct insurance and reinsurance) and to certain guarantees and financial instruments with discretionary participation features. Individual exemptions apply in terms of the scope of application. The overall objective of IFRS 17 is to create a more useful and more uniform accounting model for insurers. Unlike the provisions of IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the General (building block) Model, supplemented by:
- a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and
- a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 is to apply to fiscal years beginning on or after 1 January 2021. Comparative figures must be provided. The Würth Group does not intend to adopt IFRS 17 earlier. The Würth Group is currently assessing the effect on the consolidated financial statements.

The amendments to **IAS 19 "Plan Amendment, Curtailment or Settlement"** affect accounting when a change, curtailment or settlement of a plan occurs during a reporting period. They specify that after a plan adjustment, curtailment or settlement has been made during a fiscal year, companies are required to determine:
- The current service cost for the part of the reporting period remaining after the plan adjustment, curtailment or settlement, using the actuarial assumptions used to remeasure the net liability (net assets) of defined benefit plans. The net liability (or net assets) represents the benefits granted under the plan and the plan assets after the event occurs.
- The net interest expense for the portion of the reporting period remaining after the plan adjustment, curtailment or settlement using the net liability (net assets) from defined benefit plans equal to the benefits granted under the plan and the plan assets after the event occurs and the discount rate applied in remeasuring that net liability (net assets).

The amendments also clarify that a company first determines past service cost or a settlement gain or loss without considering the effects of the asset ceiling. This amount is recognized in the consolidated income statement. A company then determines the effects of the limit after the change, curtailment or settlement of the plan. Any change in this effect, other than the amounts included in net interest income, is recognized in total comprehensive income.
The amendments apply to plan amendments, curtailments or settlements made on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These changes only apply to future plan changes, reductions or compensations within the Würth Group.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" is to be applied when there is uncertainty over income tax treatments. It does not apply to taxes or levies that do not fall within the scope of IAS 12, and does not contain any provisions on interest and late payment fines in conjunction with uncertain tax treatments. The interpretation addresses the following topics in particular:
- Decision as to whether an entity should consider uncertain tax treatments independently
- Assumptions made by an entity regarding the examination of tax treatments by the tax authorities
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates
- Effect of changes to facts and circumstances

An entity is required to decide whether each uncertain tax treatment should be considered independently or together with one or several other uncertain tax treatments. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The interpretation will enter into force for reporting periods beginning on or after 1 January 2019. The Würth Group will apply IFRIC 23 as of the time of entry into force. As the Würth Group operates in an international environment with complex fiscal frameworks, the application of the interpretation could impact the consolidated financial statements and the necessary disclosures. In addition, the Würth Group will have to establish processes and procedures for the timely provision of information required for the application of the interpretation.

Improvements to IFRS 2015–2017
The improvements to IFRS 2015–2017 constitute an omnibus of amendments that was published in December 2017 and includes changes to various IFRS standards that are to apply to fiscal years beginning on or after 1 January 2019. The improvements to the IFRS contain the following amendments:
IFRS 3: Clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
IFRS 11: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not have to remeasure previously held interests in that business.
IAS 12: Clarification that the income tax consequences of dividends are more closely related to the original events that generated distributable profits. This means that entities have to recognize income tax consequences of dividend payments relating to the underlying transaction either in profit or loss, in other comprehensive income or in equity.
IAS 23: Clarification that an entity has to include outstanding debt taken out specifically to acquire an asset in the calculation of the weighted average of all borrowing costs as of the time at which, by and large, all of the activities necessary to prepare this asset for its intended use or sale are complete. The Würth Group intends to adopt these improvements as of the prescribed effective date. The current accounting methods are consistent with the clarifications. As a result, the Würth Group does not expect any impact on the consolidated financial statements.

Published standards not yet endorsed by the EU in the comitology procedure

The IASB has published the following standards and interpretations whose adoption was not yet mandatory in the 2018 fiscal year. These standards and interpretations have not yet been recognized by the EU and will be applied by the Würth Group as soon as they come into force. This listing of standards and interpretations issued includes only those that the Würth Group reasonably expects to have an effect on disclosures in the notes, net assets, financial position, and results of operations.

The International Accounting Standards Board (IASB) published the **revised Conceptual Framework** for Financial Reporting on 29 March 2018. On the one hand, the framework serves the IASB in the development of accounting standards. On the other hand, it supports companies in clarifying accounting issues that are not directly regulated in IFRS. Ultimately, it should also help all other interested parties to better understand IFRS. The framework concept consists of a new superordinate section "Status and purpose of the Conceptual Framework" as well as eight completely contained sections. According to the press release, the Board is applying the framework concept immediately, while companies are expected to apply it from 2020.

In October 2018, the International Accounting Standards Board issued **amendments to the definition of a business in IFRS 3 "Business Combinations"**. The amendments are intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset. The IASB expects that the amendments to IFRS 3 and the corresponding amendments to US GAAP made in 2017 will lead to a more uniform application of the definition of a business operation under IFRS and US GAAP.

On 31 October 2018, the IASB published **amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies"**. The amendments to accounting-related estimates and errors are intended to make it easier for the preparer of the IFRS financial statements to assess materiality without substantially changing the existing rules. In addition, the amendments ensure that the definition of materiality in the IFRS rules is uniform. The amended definition of 'material' is that information is material when it can reasonably be expected that its omission, misstatement or concealment will affect those decisions made by primary users of financial statements for general purposes on the basis of those financial statements that provide financial information about a particular entity. The amendments are effective for fiscal periods beginning on or after 1 January 2020.

C. Consolidated group

The consolidated financial statements of the Würth Group include parent companies at the same organizational level as well as all domestic and foreign entities in which the parent companies at the same organizational level hold a majority of the voting rights, either directly or indirectly, and thus have the possibility to exercise control over said entities. The parent companies—and hence the entire Würth Group—are subject to common control by the Central Managing Board. The consolidated group is therefore based on the Würth Group's uniform ownership, organizational and management structure, as only this presentation represents an accurate view of the Würth Group. Determining the consolidated group in accordance with IAS 27 / IFRS 10 would not portray a true and fair value of the net assets, financial position and results of operations because transactions between the subgroups thereby created would not be presented fairly. In this case, the subgroups would provide an incomplete and misleading presentation of the economic and financial conditions of the Würth Group regarding practically every item of the consolidated financial statements.

Subsidiaries are fully consolidated as of their date of acquisition, being the date on which the Würth Group obtains control, and continue to be consolidated until the date on which such control by the parent ceases.

The cost of subsidiaries and business operations acquired comprises the consideration transferred plus any non-controlling interests.

The major changes to the consolidated group in comparison to the prior year on account of acquisitions are as follows:

As of 31 July 2018, the Würth Group acquired 79 % of the shares and voting rights in M.E.B. Srl, Schio, Italy including its subsidiaries Blumel Srl, Merano, Italy and CSI Srl, Schio, Italy. The MEB Group is active in the electrical wholesale trade. It is intended to further strengthen the already existing electrical wholesale business in Italy and represents a regional complement in the north-east of Italy.

A preliminary purchase price allocation was made as of the reporting date, as not all information was available yet:

in millions of EUR	Fair value at acquisition date	Previous carrying amount
Assets		
Customer base	19.8	0.0
Other property, plant and equipment	1.4	1.4
Inventories	19.9	19.9
Trade receivables	44.4	44.4
Other assets	6.3	6.3
Cash and cash equivalents	2.3	2.3
	94.1	**74.3**
Liabilities		
Financial liabilities	15.5	15.5
Trade payables	20.1	20.1
Post-employment benefit obligations	1.3	1.3
Amounts due to and from employees	1.8	1.8
Deferred tax liabilities	5.5	5.5
Other liabilities	3.0	3.0
	47.2	**47.2**
Total identifiable net assets	**46.9**	**27.1**
Non-controlling interests	15.7	
Goodwill arising from the business combination	27.0	
Consideration transferred	**58.2**	
Transaction costs	0.6	
Net cash outflow	**56.5**	

In addition, the Würth Group grants shareholders of non-controlling interests put options to sell the remaining shares. For the put options, a corresponding financial liability was recognized by reclassifying the non-controlling interests after initial consolidation. The liability corresponds to the present value of the repayment amount. If the put options are not exercised during the exercise period, the Würth Group has the right to acquire the remaining shares as of August 2023.

The goodwill largely includes synergy effects relating to sales and procurement. The intangible assets acquired were valued using income-based approaches.

Since the acquisition date, the company has contributed EUR 46.6 million to sales. The net income for the year came in at EUR 3.1 million. If the company had been acquired at the beginning of the year, then the sales for 2018 would have amounted to EUR 108.3 million and the net income for the year to EUR 5.8 million.

The following acquisitions were also made
On 30 July 2018, the Würth Group acquired 100% of the shares and voting rights in Co.Ime S.r.l., Formigine, Italy. The company is active in the electrical wholesale business and subsequently merged with MEF S.r.l., Florence, Italy.

On 25 January 2018, the Würth Group acquired 100 % of the shares and voting rights in Gaudre UAB, Vilnius, Lithuania. The company is active in the electrical wholesale business. The acquisition is intended to expand the business with lighting products and systems in the Baltic states.

in millions of EUR **Assets**	Gaudre UAB	Co.Ime S.r.l.	Other	Total
Franchises, industrial rights, licenses and similar rights	0.0	0.0	1.1	1.1
Customer relationships and similar assets	1.7	3.2	0.0	4.9
Other non-current assets	0.2	0.5	0.0	0.7
Inventories	0.4	2.9	0.0	3.3
Receivables and other assets	0.5	7.1	0.0	7.6
Cash and cash equivalents	0.4	0.0	0.0	0.4
	3.2	**13.7**	**1.1**	**18.0**
Equity and liabilities				
Deferred tax liabilities	0.3	0.0	0.3	0.6
Non-current liabilities	0.0	0.5	0.0	0.5
Current liabilities	0.5	5.9	0.0	6.4
	0.8	**6.4**	**0.3**	**7.5**
Basic purchase price	2.0	6.8	0.8	9.6
Conditional purchase price payment	0.4	0.5	0.0	0.9
Consideration transferred	**2.4**	**7.3**	**0.8**	**10.5**
Pro rata sales	3.4	5.0	0.0	8.4
Share of profit/loss	0.0	- 0.1	- 0.1	- 0.2
Pro forma sales in 2018	3.7	13.8	0.0	17.5
Pro forma profit/loss in 2018	- 0.2	- 0.3	- 0.2	- 0.7

The carrying amount of the receivables and other assets corresponds to the fair value. Expenses amounting to EUR 27.9 million (2017: EUR 118.6 million), resulting from the amortization, depreciation and impairment of assets identified in the course of purchase price allocation, were recognized in connection with business combinations from prior years.

In October 2018, the purchase price allocations for Dakota Premium Hardwoods LLC, Waco, USA, and Weinstock Bros. Corp., New York, USA, were concluded.

At Dakota Premium Hardwoods LLC, Waco, USA, goodwill increased by EUR 0.5 million due to the derecognition of other assets in the amount of EUR 1.0 million and a reduction in the assumed purchase price payment in the amount of EUR 0.5 million. As a result of these adjustments, the total goodwill at the beginning of the 2018 fiscal year from the company acquisition amounted to EUR 7.9 million.

At Weinstock Bros. Corp., New York, USA, the assumed contingent purchase price payment was finally determined. In accordance with the contractual agreements, it was determined that the claim to the contingent purchase price payment no longer exists and that the liability must therefore be derecognized in full. This adjustment reduced goodwill by EUR 2.2 million to EUR 2.8 million at the end of 2018.

Acquisition of additional shares in fiscal year 2018
On 20 December 2017, Adolf Würth GmbH & Co. KG, Künzelsau, Germany, acquired a minority interest of 33.3 % in LIQUI MOLY GmbH, Ulm, Germany. The approval of the antitrust authorities was granted in 2018 and, as a result, a consideration of EUR 101.3 million was paid to the holder of the non-controlling interest and a variable purchase price liability of EUR 9.1 million was recognized. Non-controlling interests decreased by EUR 31.5 million. The difference of EUR 78.9 million arising from this acquisition was recognized in revenue reserves.

In the 2018 fiscal year, the Würth Group sold the following companies
On 2 August 2018, the Würth Group sold its stake of 51 % in PARAVAN GmbH, Pfronstetten-Aichelau, Germany. The sale resulted in a cash inflow of EUR 39.0 million. The sale did not result in any material effects on income.

On 3 September 2018, the Würth Group sold 100 % of its shares in Monks & Crane Industrial Group Limited, Wednesbury, Great Britain. The sale resulted in a cash inflow of EUR 6.8 million. A further EUR 2.0 million was recognized as a variable purchase price receivable. The sale resulted in a loss of EUR 5.5 million.

D. Consolidation principles

The consolidated financial statements are based on the financial statements of the parent companies and subsidiaries included in the Group as of 31 December 2018, which have been prepared according to uniform standards.

Acquisition accounting is performed using the acquisition method in accordance with IFRS 3 (revised). Accordingly, the consideration transferred to the seller plus any non-controlling interests and the fair value of the previously held equity interests in the acquiree are offset against the fair value of the acquired assets and liabilities as of the acquisition date. Any remaining differences on the assets side are capitalized as goodwill. Any remaining debit differences are posted to profit or loss. Any contingent consideration is recognized at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IFRS 9 in the consolidated income statement. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity. Business combinations achieved in stages where the Group already has control or disposals of shares without a loss of control are recognized directly in equity from the 2010 fiscal year onwards.

In the case of business combinations achieved in stages that give rise to control over an entity, or in the case of disposals of shares that result in a loss of control, the previously held or remaining equity interests are remeasured at fair value through profit or loss. Transactions under common control are recognized using the pooling-of-interest method. Under this method, any gains or losses on disposal lacking commercial substance are offset directly in equity in the reserves. The same accounting policies are used to determine the Group’s share in equity of all companies accounted for using the equity method. Receivables and liabilities between the consolidated entities are netted. Intercompany profits in inventories and non-current assets are eliminated in the consolidated income statement. Intercompany sales and other intercompany income are netted against the corresponding expense. Deferred tax is recognized for consolidation transactions that are recognized in profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the equity holders of the parent companies in the Group. Non-controlling interests are presented separately in the consolidated income statement and the consolidated statement of financial position. In the consolidated statement of financial position, non-controlling interests are disclosed in equity, separately from the equity attributable to the parent companies in the Group.

E. Foreign currency translation

In the separate financial statements of the entities, non-monetary and monetary items denominated in foreign currency are recognized at the rate prevailing when they were first recorded. Monetary items are translated at the exchange rate as of the reporting date. Any exchange rate gains generated and losses incurred as of the reporting date from the measurement of monetary assets and monetary liabilities denominated in foreign currency are recognized through profit or loss in finance revenue and finance costs, respectively.

The functional currency method is used to translate the financial statements of foreign entities. In the consolidated financial statements, except for equity, the items in the statement of financial position of all foreign entities are translated into euro at closing rates, as the majority of Group entities included in the consolidated financial statements conduct their business independently in their local currency, which is the functional currency. Differences compared to the translation from the previous year are offset against reserves directly in equity (other comprehensive income). Goodwill is translated at the closing rate as an asset of foreign entities.

Income and expense items are translated using average rates. Differences compared to the closing rate are also recognized directly in equity.

The financial statements of the major subsidiaries in countries outside the European Monetary Union were translated into euro using the following exchange rates:

	Average exchange rates for the fiscal year		Closing rates on the reporting date	
	2018	**2017**	**2018**	**2017**
1 US dollar	0.84703	0.88801	0.87344	0.83382
1 pound sterling	1.13086	1.14120	1.11807	1.12689
1 Canadian dollar	0.65420	0.68207	0.64086	0.66481
1 Australian dollar	0.63277	0.67882	0.61656	0.65155
1 Brazilian real	0.23241	0.27830	0.22503	0.25164
1 Chinese yuan renminbi	0.12825	0.13105	0.12698	0.12813
1 Danish krone	0.13417	0.13443	0.13392	0.13432
1 Norwegian krone	0.10417	0.10736	0.10051	0.10163
1 Polish zloty	0.23455	0.23526	0.23249	0.23939
1 Russian rouble	0.01347	0.01516	0.01254	0.01441
1 Swedish krone	0.09749	0.10374	0.09752	0.10159
1 Swiss franc	0.86611	0.90070	0.88739	0.85463
1 Czech koruna	0.03899	0.03802	0.03888	0.03913
1 Hungarian forint	0.00314	0.00323	0.00312	0.00322

F. Accounting policies

The Würth Group uses transaction date accounting. The financial statements of all consolidated companies have been prepared in line with uniform accounting policies for the Group (IFRS).

Goodwill arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

In accordance with IFRS 3.19, non-controlling interests are measured either based on the proportionate share of identifiable net assets of the acquiree (partial goodwill) or at fair value (full goodwill). This decision can be made on a transaction-by-transaction basis for each business combination and is not an accounting policy choice that determines the accounting treatment for all business combinations to be carried out by the Würth Group.

Recognized goodwill is tested for impairment on an annual basis and when there is any indication that it may be impaired. The impairment test for goodwill is carried out at the level of the cash-generating unit. The cash-generating unit is defined as the legal entity, with the exception of Diffutherm and Dinol.

The impairment loss is determined by calculating the recoverable amount of the cash-generating unit to which goodwill relates. If the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recorded.

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its acquisition-date fair value. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be legitimate. If this is not the case, the assessment is prospectively changed from an indefinite to a finite useful life.

Intangible assets with finite lives are amortized over their useful life using the straight-line method and tested for impairment whenever there is any indication that the intangible asset may be impaired. The useful life and the amortization method for an intangible asset with a finite useful life are reviewed at the latest at the end of each fiscal year. The necessary changes in the amortization method and the useful life are treated as changes to estimates. Amortization of intangible assets with a finite useful life is reported in the consolidated income statement under amortization and depreciation. Capitalized customer relationships, software, franchises and other licenses are amortized over a useful life of three to fifteen years.

Intangible assets with an indefinite useful life and intangible assets that are not ready for use are tested for impairment at least once a year. Such intangibles are not amortized.

Internally generated intangible assets are recognized in the amount of the directly attributable development costs incurred if all the requirements of IAS 38.57 are met. Borrowing costs are capitalized. Capitalization ceases when the asset is finished and released. Pursuant to IAS 38.57, development costs may only be capitalized if an entity can demonstrate that all of the following six prerequisites have been satisfied:

1. The technical feasibility of completing the asset so that it will be available for use or sale
2. The intention to complete the intangible asset and use or sell it
3. The ability to use or to sell the intangible asset
4. The verification that the intangible asset will generate probable future economic benefits
5. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
6. The ability to measure reliably the expenditure attributable to the intangible asset during its development

The Würth Group estimated the customary useful life of the recognized internally generated intangible assets to be three to seven years.

Costs of research and general development are immediately recorded as an expense in accordance with IAS 38.54.

Property, plant and equipment are stated at amortized cost. Repair costs are expensed immediately. Costs of conversion contain directly allocable costs (such as direct materials and labor) and fixed and variable production overheads (such as materials and production overheads) including appropriate depreciation of the production plant based on ordinary capacity utilization. Borrowing costs are capitalized, provided the requirements for a qualifying asset are met. Except for land and land rights, property, plant and equipment are generally depreciated using the straight-line method, unless a different depreciation method better reflects the pattern of consumption.

Depreciation is computed according to the following uniform group useful lives:

Buildings	25 – 40 years
Furniture and fixtures	3 – 10 years
Technical equipment and machines	5 – 15 years

An item of property, plant and equipment leased under a finance lease is recognized at fair value or the lower present value of the minimum lease payments and depreciated over the expected useful life or the contractual term, whichever is shorter. Payment obligations resulting from the lease payments are recorded as a liability at their present value.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

An item of property, plant and equipment or an intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

An impairment test is performed at the end of the fiscal year for all intangible assets and property, plant and equipment if events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount or if an annual impairment test is required. If the recoverable amount of the asset falls short of the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs necessary to make the sale. Value in use is the present value of estimated future cash flows expected to arise from the continued use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit.

Impairment losses recognized for an asset in profit or loss in prior years are reversed when there is any indication that the impairment no longer exists or has decreased. Any reversal is posted to profit or loss. A reinstatement or reversal of the impairment loss recorded on an asset cannot, however, exceed the amortized cost that would have been recognized without the impairment. Impairment losses recognized on goodwill are not reversed.

Upon **initial recognition and measurement, financial assets** are classified as either measured at amortized cost or at fair value through profit or loss. The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model of the Würth Group for controlling its financial assets. The Würth Group measures a financial asset at fair value plus transaction costs through profit or loss. Trade receivables that do not contain a significant financing component or for which the Würth Group has used the practical aid approach are valued at the transaction price determined in accordance with IFRS 15. In this context, reference is made to revenues from contracts with customers in section F. Accounting policies. In order for a financial asset to be classified and measured at amortized cost, cash flows may consist solely of principal and interest payments (SPPI) on the outstanding principal amount. This assessment is called the SPPI test and is carried out at the level of the individual financial instrument. The business model of the Würth Group for managing its financial assets reflects how the Würth Group manages its financial assets in order to collect cash flows. Depending on the business model, cash flows arise from the receipt of contractual cash flows, the sale of financial assets or both.

For subsequent measurement, financial assets are classified into the following categories:
- Financial assets measured at amortized cost (debt instruments) = AC
- Financial assets reported at fair value through profit or loss = FVTPL

The category of **financial assets measured at amortized cost (debt instruments)** is of the greatest significance for the consolidated financial statements of the Würth Group. The Würth Group values financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- The contractual terms of the financial asset result in cash flows at specified points in time that represent only principal and interest payments on the outstanding principal amount.

Financial assets measured at amortized cost are measured in subsequent periods using the effective interest method and are tested for impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified or impaired. The financial assets of the Würth Group measured at amortized cost include trade receivables, receivables from banking business and other financial assets and securities reported under debt instruments.

The category of **financial assets measured at fair value through profit or loss** includes financial assets held for trading that are designated as at fair value through profit or loss upon initial recognition, or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the near future. Derivatives are also classified as held for trading with the exception of derivatives designated as hedging instruments and effective as such. Financial assets with cash flows that do not exclusively represent principal and interest payments are classified as at fair value through profit or loss irrespective of the business model and measured accordingly.

Notwithstanding the above criteria for classifying debt instruments into the categories “measured at amortized cost”, debt instruments may be classified as at fair value through profit or loss on initial recognition if this eliminates or significantly reduces an accounting mismatch.
Financial assets at fair value through profit or loss are recognized in the consolidated balance sheet at fair value, with changes in fair value being recognized in the consolidated income statement on a net basis. This category comprises derivative financial instruments, listed debt instruments as well as listed and unlisted equity instruments for which the Würth Group has not irrevocably decided to classify them as at fair value through equity in other comprehensive income. Dividends from listed equity instruments are also recognized as other income in the consolidated income statement if there is a legal claim to payment.

Financial assets (or part of a financial asset or part of a group of similar financial assets) are mainly derecognized (i.e., removed from the consolidated balance sheet of the Würth Group) if one of the following conditions is fulfilled:
- The contractual rights to receive cash flows from the financial asset have expired.
- The Würth Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation to immediately pay the cash flow to a third party within the framework of a so-called transfer agreement and has either (a) essentially transferred all opportunities and risks associated with ownership of the financial asset or (b) essentially neither transferred nor retained all opportunities and risks associated with ownership of the financial asset, but has transferred the power of disposal over the asset.

When the Würth Group transfers its contractual rights to receive cash flows from an asset or enters into a transit agreement, it assesses whether and to what extent the opportunities and risks associated with ownership remain with it. If it neither transfers nor retains substantially all the risks and rewards of ownership of the asset nor transfers control of the asset, it continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Würth Group also recognizes an associated liability. The transferred asset and the associated liability are valued in such a way that the rights and obligations retained by the Würth Group are taken into account. If the form of the sustained commitment guarantees the transferred asset, the extent of the sustained commitment corresponds to the lower of the original carrying amount of the asset and the maximum amount of the consideration received that the Würth Group might have to repay.

Additional information concerning the **impairment of financial assets** is provided in the following notes:
- “Use of estimates and judgments” in Section B. Application of International Financial Reporting Standards
- [13] “Receivables from financial services” in Section H. Notes on the consolidated statement of financial position, and
- [16] “Trade receivables” in Section H. Notes on the consolidated statement of financial position.

The Würth Group records an allowance for expected credit losses (ECL) for all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the cash flows to be paid in accordance with the contract and the sum of the cash flows that the Würth Group expects to receive, discounted at an approximate value of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit collateral that is an integral part of the terms of the contract. Expected credit losses are recognized in two steps. For financial instruments whose default risk has not increased significantly since initial recognition, a provision is recognized in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). For financial instruments whose default risk has significantly increased since their initial recognition, the Würth Group has to record a risk provision in the amount of the credit losses expected over the remaining term, irrespective of when the default event occurs (total term ECL).

For trade receivables, the Würth Group uses a simplified method for calculating expected credit losses. It therefore does not track changes in credit risk, but instead recognizes a provision for losses on loans and advances at each reporting date on the basis of the full term of the ECL. The Würth Group has prepared an impairment matrix based on its previous experience with credit losses and adjusted for future-related factors specific to the borrowers and the economic environment.

Financial liabilities are classified as loans, liabilities or derivatives designated and effective as hedging instruments upon **initial recognition and measurement** as financial liabilities at fair value through profit or loss. All financial liabilities are initially measured at fair value, in the case of financial liabilities and liabilities less directly attributable transaction costs. The financial liabilities of the Würth Group comprise trade payables and other liabilities, bonds and liabilities to banks including overdrafts and derivative financial instruments.

The **subsequent measurement of financial liabilities** accordingly depends on their classification:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative financial instruments concluded by the Würth Group and liabilities from company acquisitions. Realized gains and losses are recognized through profit or loss. Financial liabilities are classified as at fair value through profit or loss at the time of initial recognition if the criteria in IFRS 9 are met.

Financial liabilities
After initial recognition, interest-bearing bonds, liabilities to banks and liabilities under leases are measured at amortized cost using the effective interest method. Amortized cost is calculated taking into account any premium or discount on acquisition and any fees or costs that are an integral part of the effective interest rate. Amortization using the effective interest method is included in the consolidated income statement as part of financial expenses. In addition, financial liabilities include liabilities to other companies that are measured at fair value through profit or loss. These are minority interests reported as liabilities or a liability to minority shareholders from a put option for the acquisition of further minority interests. Further information can be found under [25] “Financial liabilities” in Section H. Notes on the consolidated statement of financial position.

Financial liabilities are derecognized when the underlying obligation has been discharged, canceled or expired. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

Financial assets and financial liabilities are offset when there is a present legal right to set off the recognized amounts against each other and it is intended to settle on a net basis or to settle the associated liability simultaneously with the realization of the asset. In this case, the net amount is shown in the consolidated statement of financial position.

The Würth Group uses **derivative financial instruments** such as forward exchange contracts and interest rate swaps to hedge against exchange rate and interest rate risks. These derivative financial instruments are recognized at fair value through profit or loss at the inception of the contract and remeasured to fair value in subsequent periods. Derivative financial instruments are recognized as financial assets if their fair value is positive and as financial liabilities if it is negative.

Derivative financial instruments used as hedges are classified as follows for accounting purposes:
- As fair value hedges if they hedge the risk of fluctuations in the fair value of a recognized asset or liability, or a firm commitment not recognized in the balance sheet.
- As cash flow hedges if they hedge the risk of fluctuations in cash flows that can be allocated to the risk associated with a recognized asset, a recognized liability or a highly probable future transaction, or the foreign currency risk associated with an unrecognized firm commitment.

At the start of the hedge, both the hedging relationship and the risk management objectives and strategies of the Würth Group are formally defined and documented with regard to the hedge. Documentation from the period before 1 January 2018 stipulates the hedging instrument, the underlying transaction or the hedged transaction as well as the nature of the hedged risk and a description of how the Würth Group determines the effectiveness of the changes in the fair value of the hedging instrument in offsetting the risks from changes in the fair value or the cash flows of the hedged underlying transaction that can be attributed to the hedged risk. Such hedge relationships are deemed to be highly effective in terms of achieving compensation for the risks of changes in fair value or cash flows. They are assessed on an ongoing basis to determine whether they were actually highly effective throughout the reporting period for which the hedge was designated. Since 1 January 2018, documentation has included the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and the manner in which the Würth Group will assess whether the hedging relationship meets the requirements for hedge effectiveness (including its analysis of the causes of hedge ineffectiveness and the manner in which the hedging ratio is determined). A hedging relationship meets the requirements for hedge accounting only if all of the following criteria are met:
- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of the default risk has no dominant influence on the changes in value resulting from this economic relationship.
- The hedging ratio of the hedging relationship corresponds to that resulting from the volume of the underlying transaction actually hedged by the Würth Group and the volume of the hedging instrument actually used by the Würth Group to hedge this volume of the hedged underlying transaction. Hedging transactions that meet the all of the criteria for hedge accounting are recognized as follows:

Fair value hedge

The change in the fair value of the hedging instrument is recognized as a financial expense in the consolidated income statement. The change in the fair value of the underlying transaction that can be attributed to the hedged risk is recognized as part of the carrying amount of the hedged underlying transaction and is also recognized in the financial result in the consolidated income statement. For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying amount is amortized through profit or loss over the remaining term to maturity of the hedge using the effective interest rate method. Effective interest rate amortization can begin as soon as an adjustment exists, but no later than when the underlying transaction ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the underlying transaction is derecognized, then the fair value that has not yet been amortized is recognized in the consolidated income statement with immediate effect.

When an unrecognized firm commitment is designated as the underlying transaction, the subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated income statement. Additional information can be found under [4] "Financial instruments" in Section I. Other notes.

Cash flow hedge
The effective part of the profit or loss resulting from a hedging instrument is posted to other comprehensive income in the reserve for cash flow hedges, while the ineffective part is recognized in the income statement with immediate effect. The reserve for cash flow hedges is adjusted to the lower of the following amounts:
- the cumulative gain or loss on the hedging instrument from inception of the hedge; or
- the cumulative change in the fair value of the hedged item.

The Würth Group designates cash flow hedges as part of its strategy to reduce its interest rate and foreign currency revaluation fluctuations within defined limits and to reduce the cash flow fluctuations resulting from the exchange rate and interest rate risks of an instrument or a group of instruments.

The amounts accumulated in other comprehensive income are recognized depending on the nature of the hedged item. If the hedged transaction subsequently results in the recognition of a non-financial item, the cumulative amount recognized in equity is transferred from the separate component of equity to the initial cost or other carrying amount of the hedged asset or liability. This does not represent a reclassification amount and is therefore not recognized in other comprehensive income in the reporting period. This also applies in cases where the hedged forecast transaction for a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied. For all other cash flow hedges, the cumulative amount recognized in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the same period or periods in which the hedged cash flows affect profit or loss.

If hedge accounting for cash flow hedges is discontinued, the cumulative amount recognized in other comprehensive income remains in equity if it is still expected that the hedged future cash flows will occur. Otherwise, the amount is immediately reclassified to the consolidated income statement as a reclassification adjustment. After the termination of recognition, any amount remaining in accumulated other comprehensive income when the hedged cash flows occur shall be accounted for in accordance with the nature of the underlying transaction as described above. Additional information can be found under [4] "Financial instruments" in Section I. Other notes.

Receivables and liabilities from financial services include the receivables and liabilities arising from the financial services business. Bank receivables and loans, as well as receivables or loans due from customers, are financial investments with fixed or determinable payments and fixed maturity that are not quoted in an active market. After initial recognition, receivables and liabilities from financial services are carried at amortized cost using the effective interest method less any credit risks. As a lessor, the Würth Group recognizes finance lease assets as receivables in the consolidated statement of financial position equal to the unsold net investment in the lease. Financial income is recognized to reflect a constant periodic rate of return on the lessor's net investment outstanding. Initial direct costs are immediately expensed. Income on unsold contracts is recognized over the term of the lease. Leases that do not essentially transfer all of the risks and rewards associated with ownership from the Würth Group to the lessee are classified as operating leases. Initial direct costs incurred during the negotiation and conclusion of an operating lease are added to the carrying amount of the leased asset and recorded as an expense during the term of the lease in the same way as leasing income. Conditional rental payments are recognized as income during the period in which they are generated. The Würth Group sells assets from finance leases to receivables purchasing companies as part of "Asset Backed Commercial Papers (ABCP)" transactions. Notwithstanding the legal transfer, these must continue to be recognized by the Würth Group where Group entities retain significant risks and rewards on a contractual basis. Receivables from financial services are tested for impairment in accordance with IFRS 9.

Actual **income taxes** are calculated based on the taxable income in the fiscal year and in accordance with national tax legislation. Additional tax payments / refunds that are expected or have actually been made for previous years are also included.

Deferred taxes result from temporary differences between the IFRS carrying amounts and the tax accounts of the individual entities (except for differences from goodwill arising upon acquisition of shares) and from consolidation entries. Deferred tax assets also include tax credits that result from the expected utilization of existing loss carryforwards in subsequent years. Deferred tax assets for recognition and measurement differences, and for unused tax losses, are only taken into account if they are expected to be realized. Deferred taxes are measured on the basis of the respective local income tax rates. Deferred tax assets and deferred tax liabilities are offset if a Group entity has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity. Deferred tax assets relating to items recognized directly in equity are also posted directly to other comprehensive income. Other deferred taxes are posted to the consolidated income statement.

Inventories are stated at cost of purchase or cost of conversion. Costs of conversion contain directly allocable costs (such as direct materials and labor) and fixed and variable production overheads (such as materials and manufacturing overheads) including appropriate depreciation of the production plant based on ordinary capacity utilization and, in the case of qualifying assets, borrowing costs.

The carrying amounts are calculated using the weighted average cost method.

Risks inherent in inventories from reduced saleability are accounted for by recognizing appropriate write-downs to the lower of cost or net realizable value.

Payments on account received from customers are recorded as liabilities.

Cash and cash equivalents include cash, demand deposits and short-term investments (e.g., money market funds). Cash and cash equivalents are tested for impairment in accordance with IFRS 9.

Assets classified as held for sale and liabilities in a group of assets classified as held for sale are measured at the lower of the carrying amount or the fair value less cost to sell. Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Non-controlling interests include non-controlling interests in share capital, in reserves and in retained earnings, unless they qualify as liabilities as defined by IAS 32. In this case, they are reported under financial liabilities. In this case, changes in fair value are recognized in financial results.

Post-employment benefit obligations for defined benefit plans are calculated using the projected unit credit method. Future obligations are measured using actuarial methods. Taking account of dynamic components, the future benefit obligations are spread over the entire period of service. Actuarial calculations and estimates must be obtained for all benefit plans. Actuarial gains and losses for the defined benefit plan are recognized in full in other comprehensive income in the period in which they occur. Such actuarial gains and losses are also immediately recognized in revenue reserves and are not reclassified to profit or loss in subsequent periods.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high-quality fixed-rate corporate bonds) and the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are protected against access by creditors of the Würth Group and cannot be paid directly to the Würth Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either as required by law or on a voluntary basis. No further payment obligations arise for the company from the payment of contributions. The amounts are recognized in profit or loss in full.

Provisions are created for all legal or constructive obligations to third parties as of the reporting date that relate to past events, will probably lead to an outflow of resources in the future, and whose amount can be reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of the money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. In the discounting process, the increase in the provision reflecting the passage of time is recognized as finance costs. Reversals of provisions are posted against the expense items for which the provisions were set up.

Financial guarantee contracts issued by the Würth Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. These financial guarantee contracts are treated as insurance contracts as defined by IFRS 4, i.e. the financial guarantee contracts are presented as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized.

The core business of the Würth Group is the distribution of fastening and assembly materials. In addition, there are trading and production companies in related business fields. **Revenue from contracts with customers** is recognized when control of the goods or services is transferred to the customer. They are recorded in the amount of the consideration that the Würth Group is expected to receive in exchange for these goods or services. In principle, the Würth Group has come to the conclusion that it acts as principal in its sales transactions, since it usually has control over the goods or services before they are transferred to the customer. The significant judgments, estimates and assumptions in connection with revenues from contracts with customers are explained in Section B. Adoption of International Financial Reporting Standards.

Revenue from the sale of goods is recognized when control of the asset is transferred to the customer. This is generally the case at the time the goods are delivered. Customer-specific contract manufacturing in the Production and Electronics units is one exception to this rule. In individual cases, revenue was realized over a specific period of time in line with the progress of production. Due to the fact that production in these areas is largely "just-in-time" production, however, the Würth Group did not experience any significant deviations compared with the realization of revenue upon delivery to the customer, which has applied to date. The usual payment period is 30 to 90 days from delivery. The Würth Group is examining whether the contract contains other commitments that represent separate performance obligations to which part of the transaction price must be allocated (e.g. warranties, loyalty point programs). When determining the transaction price for the sale of goods, the Würth Group takes into account the effects of variable consideration, the existence of significant financing components, non-cash consideration and any consideration payable to a customer.

Variable consideration

If contractual consideration contains a variable component, the Würth Group determines the amount of the consideration to which it is entitled in exchange for the transfer of the goods to the customer. The variable consideration is estimated at the inception of the contract and may only be included in the transaction price if it is highly probable that there will be no significant reversal of the recognized cumulative revenue or if the uncertainty surrounding the variable consideration no longer exists. Some contracts for the sale of goods grant customers a right of return or volume discounts. These return rights and volume discounts result in variable consideration.

- Right of return
  Certain contracts give a customer the right to return the products within a specified period. The Würth Group uses the expected value method to estimate the products that are not returned, since this method is the most reliable way of estimating the variable consideration to which the Würth Group is entitled. In addition, the provisions of IFRS 15 with respect to the limitation of the estimation of variable consideration are applied to determine the amount of variable consideration that may be included in the transaction price. For expected product returns, the Würth Group recognizes a contract liability instead of proceeds. In addition, an asset from return rights is recognized for the right to receive products from a customer.
- Volume discounts
  The Würth Group retrospectively grants certain customers volume discounts as soon as the quantity of products purchased during the period exceeds a contractually agreed minimum purchase quantity. Discounts are offset against the amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Würth Group applies the most probable amount method for contracts with a single minimum purchase quantity and the expected value method for contracts with several minimum purchase quantities. The choice of the method by which the amount of the variable consideration can most reliably be determined therefore depends primarily on the number of minimum purchase quantities contained in the contract. Subsequently, the Würth Group applies the rules for limiting the estimate of variable consideration and recognizes a contract liability for the expected future discounts.

Costs to obtain the contract

The Würth Group pays its employees sales commissions for contracts resulting in the sale of goods and services. The Würth Group has decided to apply the principle of practical assistance for the costs of initiating a contract. Accordingly, it can immediately recognize sales commission in personnel expenses, as the amortization period for the asset that the Würth Group would otherwise have recognized is not more than one year.

Non-cash consideration

The Würth Group usually offers legally prescribed guarantees for the remedying of defects that existed at the time of sale. In accordance with IAS 37, provisions are formed for these so-called assurance-type warranties. Details of the accounting policy for warranty provisions are given in [27] “Provisions”in Section H. Notes on the consolidated statement of financial position.

In addition, the Würth Group generates **revenue from financial services**. The financial services companies are active in the areas of financing, leasing, retirement plans, property and personal insurance as well as asset management. Revenue from financial services is recognized when it is realized or realizable and earned. Interest from interest-bearing assets and liabilities is recognized proportionately over the term of the assets or liabilities concerned using the effective interest method and taking into account any deferred charges and fees as well as premiums or discounts. Commission is recognized when there is sufficient evidence that an agreement exists, the performance has been rendered, the fee or commission has been fixed, and collectability is sufficiently certain.

Trade receivables
A receivable is the unconditional claim of the Würth Group for consideration (i.e.. the due date occurs automatically due to the passage of time). The accounting policies for financial assets are explained in more detail in Section F. Accounting policies.

Lease payments under an operating lease are recognized as an expense in the consolidated income statement on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the benefit for the Würth Group as lessee. A lease is classified as an operating lease if the lease does not transfer substantially all risks and rewards incidental to ownership to the Würth Group.

Finance leases with the Würth Group as lessee, which essentially transfer all the risks and rewards incidental to ownership of the leased asset to the Würth Group, are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability during the term of the lease. Finance costs are recognized in the income statement. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Würth Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement on the date of inception and an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional provisions of IFRIC 4.

Government grants are not recognized until there is reasonable assurance that the company will comply with the conditions attached to the grant and that the company will in fact receive it. Government grants are recognized in profit or loss as scheduled in line with the related expenses that are subsidized by the grants. If grants are issued for the purchase of property, plant or equipment, the grants are treated as a reduction of the cost of those assets.

Contingent liabilities are potential or present obligations arising from past events that are not likely to result in an outflow of resources and are thus not recorded in the statement of financial position. The amounts stated correspond to the potential liability as of the reporting date.

Subsequent events that provide additional information about the situation before the reporting date are reflected in the consolidated statement of financial position. Subsequent events that do not result in any adjustments are reported in the notes where material.

G. Notes on the consolidated income statement

[1] Sales

in millions of EUR	2018	2017
Revenue from contracts with customers	13,515.6	12,617.4
Revenue from financial services	104.8	104.5
Total	**13,620.4**	**12,721.9**

Revenues from contracts with customers relate to revenues from the sale of goods and services. These revenues include services amounting to EUR 83.1 million (2017: EUR 84.9 million).

Revenue from financial services primarily contains interest income of EUR 40.0 million (2017: EUR 34.9 million), interest-like income of EUR 6.4 million (2017: EUR 11.9 million) and commission income of EUR 11.2 million (2017: EUR 11.1 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. It also includes income from the leasing and insurance business.

The following table shows the breakdown of sales revenues for the 2018 fiscal year by region and business segment.

in millions of EUR	Germany	Western Europe	The Americas	Southern Europe	Eastern Europe	Scandi-navia	Asia, Africa, Oceania	Total
Würth Line	2,146.8	1,209.6	1,705.8	1,028.8	405.6	701.5	448.3	**7,646.4**
Allied Companies								
Electrical Wholesale	1,129.9	0.0	0.0	234.4	300.9	0.0	0.5	**1,665.7**
Electronics	474.0	102.6	97.5	59.8	26.1	26.5	104.6	**891.1**
Production	346.8	181.3	78.2	17.3	3.8	53.7	34.6	**715.7**
RECA Group	227.8	236.8	0.0	115.7	69.0	0.0	2.9	**652.2**
Trade	438.4	44.3	0.0	42.2	10.9	30.9	7.6	**574.3**
Chemicals	403.8	54.9	31.8	31.2	3.0	1.8	9.3	**535.8**
Tools	321.5	70.1	4.0	0.7	37.9	0.0	13.0	**447.2**
Screws and Standard Parts	131.7	12.3	0.0	75.2	12.3	29.5	13.1	**274.1**
Financial Services	88.4	22.6	0.0	0.0	0.0	1.5	0.0	**112.5**
Other	66.1	26.8	0.0	11.7	0.1	0.0	0.7	**105.4**
Total	**5,775.2**	**1,961.3**	**1,917.3**	**1,617.0**	**869.6**	**845.4**	**634.6**	**13,620.4**

Of the revenues from the sale of goods and services, EUR 537.5 million were generated in 2018 on a periodic basis. All other revenues were recognized at a specific point in time.

[2] Cost of materials

in millions of EUR	2018	2017
Cost of materials and supplies and of purchased merchandise	6,628.6	6,023.8
Cost of purchased services	171.5	228.3
Total	**6,800.1**	**6,252.1**

[3] Cost of financial services

The cost of financial services primarily contains interest expenses of EUR 4.3 million (2017: EUR 5.6 million) and commission of EUR 6.7 million (2017: EUR 5.9 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. This item also contains EUR 1.1 million (2017: EUR 0.8 million) from the external business of the companies specializing in leases and EUR 13.2 million (2017: EUR 15.4 million) from the insurance business.

[4] Other operating income

Other operating income principally includes income from the sale of other goods and services as well as income from the disposal of assets.

[5] Personnel expenses and number of employees

Personnel expenses

in millions of EUR	**2018**	**2017**
Wages and salaries	2,978.4	2,838.8
Social security	395.8	370.4
Pension and other benefit costs	270.7	259.2
Total	**3,644.9**	**3,468.4**

Number of employees as of the reporting date

	2018	**2017**
Würth Line Germany	8,858	8,408
Allied Companies Germany	14,914	14,212
Würth Group Germany	23,772	22,620
Würth Group International	53,308	51,539
Würth Group total	**77,080**	**74,159**
Thereof		
Sales staff	33,218	32,295
In-house staff	43,862	41,864

The average headcount of the Würth Group totaled 76,133 in the reporting period (2017: 73,182).

[6] Other operating expenses

Other operating expenses mainly include selling, administration and operating expenses, bad debts and other taxes.

Other operating expenses also include impairment of receivables from the banking business of EUR 2.4 million. In the previous year, expenses of EUR 5.2 million resulted from the addition to valuation allowances on receivables from the banking business.

[7] Finance revenue / finance costs

in millions of EUR	2018	2017
Other interest and similar income	52.1	33.8
Interest and similar expenses	86.4	91.8
Net interest cost from pension plans	4.9	4.2
Total financial result	**39.2**	**62.2**
Thereof from financial instruments under the IAS 39 measurement categories:		
Financial assets held for trading (FAHfT)	–	23.7
Financial assets at fair value through profit or loss (FAFVtpl)	–	1.0
Loans and receivables (LaR)	–	9.1
Financial liabilities held for trading (FLHfT)	–	– 13.7
Financial liabilities at amortized cost (FLAC)	–	– 78.1
Thereof from financial instruments under the IFRS 9 measurement categories:		
Financial assets at fair value through profit or loss (FVTPL)	– 16.1	–
Financial liabilities at amortized cost (AC)	– 18.2	–

Expenses from the translation of foreign currency items amounted to EUR 27.5 million in 2018. In the previous year, the translation of foreign currency items resulted in expenses of EUR 20.9 million.

The net gains or losses from financial assets / liabilities held for trading include the net gains or losses from changes in fair value as well as interest income and expenses from these financial instruments. The net gains or losses from loans and receivables chiefly include the effects of impairments and reversals of impairment losses.

[8] Earnings before taxes—reconciliation with the operating result of the Würth Group*

in millions of EUR	2018	2017
Earnings before taxes	**863.8**	**706.2**
Impairment losses for goodwill and brands	10.6	102.0
Measurement of the interests as defined by IAS 32	– 2.7	4.3
Elimination and charging to the income statement of negative difference from initial consolidation	0.0	– 2.5
Adjustment of purchase price liability from acquisition through profit or loss	– 3.0	– 31.9
Other	1.7	2.0
Operating result	**870.4**	**780.1**

*Not part of the consolidated financial statements in accordance with IFRS

[9] Income taxes

in millions of EUR	2018	2017
Income taxes	175.6	166.9
Deferred tax income		
Deferred tax income from unused tax losses	33.8	60.8
Other deferred tax income	47.4	63.3
Deferred tax expense		
Deferred tax expense from unused tax losses	37.1	66.6
Other deferred tax expenses	45.8	65.7
Total	**177.3**	**175.1**

Income taxes include corporate income tax (including solidarity surcharge) and trade tax of German entities and comparable income taxes of foreign entities.

A reconciliation between the theoretical and the current tax rate for the Würth Group is shown below:

in millions of EUR	2018	2017
Earnings before taxes	863.8	706.2
Theoretical tax rate as a %	18.2	18.1
Theoretical tax expense	**157.2**	**127.8**
Changes in theoretical tax expense due to:		
Unrecognized tax losses from the current fiscal year	13.0	15.4
Recognition of unused tax losses from prior periods	– 2.0	– 8.4
Use of unused tax losses written down in prior years	– 5.5	– 6.5
Write-down on recognized unused tax losses from prior years	1.9	2.8
Write-down +/write-up – on temporary differences	0.2	– 3.6
Different tax rates	0.6	7.0
Tax reductions due to tax-free items	– 3.9	– 17.5
Tax increases due to non-deductible expenses	8.7	6.7
Income tax expense that cannot be derived from earnings before taxes	5.6	0.5
Non-tax-deductible amortization of goodwill and other intangible assets	2.1	38.9
Taxes relating to other periods	– 7.4	4.6
Other	6.8	7.4
Income taxes	**177.3**	**175.1**
Effective tax rate as a %	**20.5**	**24.8**

The theoretical tax rate is based on the weighted average tax rate of all consolidated entities.

Changes in income taxes resulted mainly from tax losses in the current fiscal year which cannot be utilized with sufficient certainty in future fiscal years. Deferred tax assets were not recognized in such cases. In addition, there was a contrary effect resulting from changes in the assessment of the usability of tax losses brought forward.

H. Notes on the consolidated statement of financial position

[10] Intangible assets including goodwill

in millions of EUR	Franchises, industrial rights, licenses and similar rights	Internally generated intangible assets	Customer relationships and similar assets	Goodwill	Payments on account	Total
Cost						
1 January 2018	410.7	80.7	332.9	473.0	13.5	1,310.8
Exchange differences	1.3	– 0.1	5.1	9.7	0.0	16.0
Additions due to changes in the consolidated group	1.1	0.0	24.7	25.3	0.0	51.1
Additions	31.1	3.1	0.0	0.0	6.2	40.4
Disposals due to changes in the consolidated group	33.7	0.0	0.0	22.9	0.1	56.7
Disposals	5.9	4.2	0.8	0.0	0.4	11.3
Reclassifications	7.1	0.1	0.0	0.0	– 2.4	4.8
31 December 2018	**411.7**	**79.6**	**361.9**	**485.1**	**16.8**	**1,355.1**
Accumulated depreciation and impairment						
1 January 2018	273.6	68.3	175.6	313.2	0.0	830.7
Exchange differences	0.4	0.0	0.9	5.9	0.0	7.2
Amortization and depreciation	35.7	6.2	18.3	0.0	0.0	60.2
Impairment losses	0.0	0.0	0.0	10.6	0.0	10.6
Disposals due to changes in the consolidated group	3.8	0.0	0.0	0.0	0.0	3.8
Disposals	4.8	4.2	0.8	0.0	0.0	9.8
Reclassifications	0.6	0.0	0.0	0.0	0.0	0.6
31 December 2018	**301.7**	**70.3**	**194.0**	**329.7**	**0.0**	**895.7**
Net carrying amount						
31 December 2018	**110.0**	**9.3**	**167.9**	**155.4**	**16.8**	**459.4**

in millions of EUR	Franchises, industrial rights, licenses and similar rights	Internally generated intangible assets	Customer relationships and similar assets	Goodwill	Payments on account	Total
Cost						
1 January 2017	396.0	87.7	299.9	495.9	9.2	1,288.7
Exchange differences	– 8.9	– 1.0	– 11.7	– 31.4	0.0	– 53.0
Changes in the consolidated group	0.4	0.0	42.9	8.5	0.0	51.8
Additions	26.9	1.5	1.8	0.0	5.7	35.9
Disposals	8.2	7.5	0.0	0.0	0.1	15.8
Reclassifications	4.5	0.0	0.0	0.0	– 1.3	3.2
31 December 2017	**410.7**	**80.7**	**332.9**	**473.0**	**13.5**	**1,310.8**
Accumulated depreciation and impairment						
1 January 2017	251.5	71.2	163.2	219.1	0.0	705.0
Exchange differences	– 4.5	– 0.7	– 2.2	– 7.9	0.0	– 15.3
Amortization and depreciation	34.0	5.3	14.6	0.0	0.0	53.9
Impairment losses	0.0	0.0	0.0	102.0	0.0	102.0
Disposals	7.8	7.5	0.0	0.0	0.0	15.3
Reclassifications	0.4	0.0	0.0	0.0	0.0	0.4
31 December 2017	**273.6**	**68.3**	**175.6**	**313.2**	**0.0**	**830.7**
Net carrying amount						
31 December 2017	**137.1**	**12.4**	**157.3**	**159.8**	**13.5**	**480.1**

Research and development costs (including amortization of capitalized development costs) recognized as expenses totaled EUR 8.6 million (2017: EUR 7.7 million).

Goodwill contains amounts from asset deals as well as from share deals.

Goodwill is tested for impairment annually. The test is based on estimated future cash flows derived from the business plan.

Of the impairment losses in the 2018 fiscal year, goodwill accounted for EUR 10.6 million (2017: EUR 102.0 million). These were largely required at companies whose previous plans for the reporting year were adjusted to reflect changes in expectations regarding future demand development. Goodwill was regularly tested for impairment in accordance with IAS 36 in the 2018 fiscal year. These impairment tests were based on net selling price and conducted at the level of the smallest cash-generating unit.

Impairment losses were recognized in the consolidated income statement under amortization and depreciation.

The table below provides a summary of the tested goodwill and the assumptions underlying the impairment tests:

2018 in millions of EUR	Northern Safety Company, Inc.	M.E.B. Srl	Tunap	HSR / Indunorm	Wurth Hot	Chemofast Anchoring GmbH	Dakota Premium Hardwoods LLC	Lichtzentrale Thurner GmbH	Wurth Des Moines Bolt Inc.	Other	Total
Goodwill before impairment test	44.0	27.0	9.2	9.1	8.7	8.7	7.9	6.8	5.8	35.0	162.2
Exchange difference	2.1	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.3	0.6	3.8
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.6	10.6
Goodwill	**46.1**	**27.0**	**9.2**	**9.1**	**9.1**	**8.7**	**8.3**	**6.8**	**6.1**	**25.0**	**155.4**
Average sales growth in the planning period (in %)	8.6	5.0	8.4	6.6	6.9	7.8	10.7	6.4	9.6	0.6–17.6	
EBIT margin in the planning period (in %)	2.5–6.1	7.3–7.6	5.3–8.4	5.9–6.4	4.9–7.3	6.4–7.1	3.9–4.2	2.9–3.4	8.4–10.4	0.9–22.4	
Length of the planning period	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Sales growth p. a. after the end of the planning period (in %)	1.5	1.0	1.0	1.0	1.0	1.0	1.5	1.0	1.0	1.0–1.5	
EBIT margin after the end of the planning period (in %)	7.2	7.4	8.4	6.0	8.3	7.6	5.3	3.4	13.1	2.5–22.4	
Discount rate	11.8	12.5	7.7	9.9	11.3	7.3	11.2	9.3	11.2	7.7–11.5	
Additional impairment losses											
assuming a 10 % lower cash flow	13.0	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0	1.7	
assuming a 1 % higher discount rate	17.1	0.0	0.0	0.0	0.0	0.0	5.6	0.0	0.0	2.4	

2017 in millions of EUR	Northern Safety Company, Inc.	PARAVAN GmbH	Tunap	HSR / Indunorm	Chemofast Anchoring GmbH	Wurth Hot	Dakota Premium Hardwoods LLC	Lichtzentrale Thurner GmbH	Wurth Des Moines Bolt Inc.	Other	Total
Goodwill before impairment test	165.9	22.9	9.2	9.1	8.7	9.9	7.4	6.8	6.6	38.8	285.3
Exchange difference	– 19.9	0.0	0.0	0.0	0.0	– 1.2	0.0	0.0	– 0.8	– 1.6	– 23.5
Impairment losses	102.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	102.0
Goodwill	44.0	22.9	9.2	9.1	8.7	8.7	7.4	6.8	5.8	37.2	159.8
Average sales growth in the planning period (in %)	7.1	28.7	12.0	6.5	6.2	12.2	8.7	5.4	9.4	2.9–17.8	
EBIT margin in the planning period (in %)	1.0–4.9	7.8–18.2	5.9–8.9	5.7–6.0	6.6–7.7	3.8–4.6	4.0–5.0	2.8–3.0	9.1–10.9	2.0–23.2	
Length of the planning period	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Sales growth p. a. after the end of the planning period (in %)	1.0	1.0	1.0	1.0	1.0	2.0	1.0	1.0	1.0	1.0	
EBIT margin after the end of the planning period (in %)	7.2	22.9	8.9	5.7	8.9	5.5	5.0	3.0	14.1	2.9–23.2	
Discount rate	12.6	11.7	7.2	9.9	7.3	12.6	13.9	12.3	13.3	7.3–13.9	
Additional impairment losses											
assuming a 10 % lower cash flow	10.6	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	4.5	
assuming a 1 % higher discount rate	12.8	0.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0	7.2	

The assumptions underlying the calculation of the net selling price are most sensitive to estimation uncertainties regarding sales growth, EBIT margins and the discount rates used.

The assumptions concerning sales growth and EBIT margins used for the impairment tests in the planning period are based on internal records of past experience and assumptions by management used in the business plans valid as of the reporting date.

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessments of any risks specific to the cash-generating units for which future estimates of cash flows have not been adjusted.

With regard to the assessment of value in use of the cash-generating units, management believes that—with the exception of those cash-generating units where impairment losses were recognized—no reasonably possible change in any of the above key assumptions made to determine the net selling price would cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

[11] Property, plant and equipment

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
1 January 2018	2,606.5	1,044.4	1,919.6	185.7	5,756.2
Exchange differences	– 0.8	1.8	2.3	– 0.2	3.1
Additions due to changes in the consolidated group	0.3	0.0	1.4	0.0	1.7
Additions	84.3	64.6	232.4	213.5	594.8
Disposals due to changes in the consolidated group	2.4	0.6	4.8	0.3	8.1
Disposals	14.9	19.2	99.7	2.2	136.0
Reclassifications	71.9	37.6	13.8	– 124.4	– 1.1
31 December 2018	**2,744.9**	**1,128.6**	**2,065.0**	**272.1**	**6,210.6**
Accumulated depreciation and impairment					
1 January 2018	992.8	653.4	1,057.5	0.1	2,703.8
Exchange differences	0.7	1.7	1.6	0.0	4.0
Amortization and depreciation	75.1	80.3	145.0	0.0	300.4
Impairment losses	0.0	3.0	0.6	0.0	3.6
Disposals due to changes in the consolidated group	0.3	0.2	2.2	0.0	2.7
Disposals	6.4	15.4	89.5	1.6	112.9
Reclassifications	– 0.6	– 0.3	– 1.0	0.0	– 1.9
Reversal of impairment losses	0.9	0.0	0.5	0.0	1.4
31 December 2018	**1,060.4**	**722.5**	**1,111.5**	**– 1.5**	**2,892.9**
Net carrying amount					
31 December 2018	**1,684.5**	**406.1**	**953.5**	**273.6**	**3,317.7**

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
1 January 2017	2,512.6	995.8	1,840.4	166.3	5,515.1
Exchange differences	– 32.8	– 14.1	– 29.2	– 1.0	– 77.1
Changes in the consolidated group	0.2	0.5	3.5	0.1	4.3
Additions	76.2	74.8	171.2	136.1	458.3
Disposals	15.1	43.3	86.5	0.7	145.6
Reclassifications	65.4	30.7	20.2	– 115.1	1.2
31 December 2017	**2,606.5**	**1,044.4**	**1,919.6**	**185.7**	**5,756.2**
Accumulated depreciation and impairment					
1 January 2017	944.7	631.7	1,029.1	0.1	2,605.6
Exchange differences	– 10.2	– 9.9	– 20.4	0.0	– 40.5
Amortization and depreciation	72.1	66.7	130.8	0.0	269.6
Impairment losses	0.0	0.0	0.7	0.0	0.7
Disposals	9.9	40.0	81.7	0.0	131.6
Reclassifications	– 3.9	4.9	– 0.6	0.0	0.4
Reversal of impairment losses	0.0	0.0	0.4	0.0	0.4
31 December 2017	**992.8**	**653.4**	**1,057.5**	**0.1**	**2,703.8**
Net carrying amount					
31 December 2017	**1,613.7**	**391.0**	**862.1**	**185.6**	**3,052.4**

There are restrictions on the rights of disposal of property, plant and equipment and assets assigned as collateral, which can be broken down as follows:

in millions of EUR	**2018**	**2017**
Land charges	4.1	4.1
Collateral assignment	12.2	11.9
Total	**16.3**	**16.0**

There are payment obligations for investment in fixed assets of EUR 44.4 million (2017: EUR 18.7 million).

Advance payments and assets under construction include assets under construction of EUR 154.2 million (2017: EUR 145.5 million) relating to technical equipment and machinery as well as buildings.

Of the impairment losses in the 2018 fiscal year, technical equipment and machines accounted for EUR 3.0 million (2017: EUR 0.0 million) and other plant, operating and office equipment EUR 0.6 million (2017: EUR 0.7 million). These were largely required at companies whose previous plans for the reporting year were adjusted to reflect changes in expectations regarding future demand development.

[12] Financial assets

The investments reported under financial assets are allocated to the category “at fair value through profit or loss” (FVTPL) in accordance with IFRS 9. There were no fair value adjustments in the 2018 fiscal year. The fair values of EUR 11.5 million (2017: EUR 13.7 million) not observable on the market relate to investments in unlisted corporations and partnerships that are held permanently.

Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, issued securities with a book value of EUR 56.3 million (2017: EUR 36.0 million) as security for the granting of a credit line for refinancing at Deutsche Bundesbank, Frankfurt am Main, Germany. The maximum credit risk is the amount carried in the consolidated statement of financial position.

[13] Receivables from financial services

in millions of EUR	2018	Thereof due within one year	2017	Thereof due within one year
Receivables from the leasing business	561.5	235.4	431.3	164.2
Receivables from the insurance business	1.9	1.9	1.6	1.6
Receivables from the banking business				
Receivables from customers	1,171.3	586.8	1,080.7	486.7
Receivables from banks	117.1	117.1	90.5	90.5
Other asset items	5.3	5.3	2.2	2.2
Total	**1,857.1**	**946.5**	**1,606.3**	**745.2**

Receivables from financial services include receivables from related parties of EUR 20.2 million (2017: EUR 14.2 million).

The Würth Group regularly sells receivables from financial services arising from the external leasing business in the form of ABCP transactions. As of 31 December 2018, EUR 174.3 million (2017: EUR 110.3 million) of sold receivables were not derecognized from the consolidated statement of financial position because all the risks and rewards incidental to ownership were essentially retained by the Würth Group. The corresponding liability is disclosed under [24] “Liabilities from financial services” in Section H. Notes on the consolidated statement of financial position.

During the first step, the impairment loss is calculated at the 12-month expected loss. Impairment is calculated at lifetime expected loss for receivables from financial services that change to the intensive approach.

The following table provides information on the extent of the credit risk included in receivables from financial services.

in millions of EUR	2018	2017
Receivables from financial services that are neither past due nor impaired	1,829.7	1,580.0
Receivables not impaired but past due by		
less than 120 days	12.6	12.7
between 120 and 179 days	0.0	0.1
between 180 and 359 days	0.2	1.0
more than 360 days	1.3	0.2
Total receivables not impaired	**1,843.8**	**1,594.0**
Impaired receivables from financial services (gross)	45.3	32.0
Impairment loss recognized on receivables from financial services	32.0	19.7
Net carrying amount	**1,857.1**	**1,606.3**

Movements in the provision for impairment of receivables from financial services based on this were as follows:

in millions of EUR	2018	2017
Provision for impairment as of 1 January	**19.7**	**24.3**
Effect of first-time adoption of new accounting standards	16.9	0.0
Amounts recognized as income (–) or expense (+) in the reporting period	– 1.7	4.7
Derecognition of receivables	– 3.0	– 9.0
Payments received and recoveries of amounts previously written off	0.0	– 0.1
Currency translation effects	0.1	– 0.2
Provision for impairment as of 31 December	**32.0**	**19.7**

The income or expense from impairment losses and the derecognition of receivables from financial services are disclosed under other operating expenses.

[14] Deferred tax assets

Deferred tax assets and liabilities can be allocated as follows:

in millions of EUR	Deferred tax assets 2018	Deferred tax liabilities 2018	Deferred tax assets 2017	Deferred tax liabilities 2017	Change 2018	Change 2017
Non-current assets	86.5	74.5	81.5	76.6	7.1	19.5
Inventories	56.0	41.3	49.2	37.0	2.5	– 5.1
Receivables	28.6	20.7	17.3	14.5	5.1	– 11.4
Other assets	10.2	43.0	7.7	34.2	– 6.3	3.5
Provisions	68.0	29.1	69.0	24.6	– 5.5	– 5.4
Liabilities	10.5	2.5	11.3	4.8	1.5	– 0.6
Other liabilities	4.9	56.0	4.5	54.9	– 0.7	– 3.0
	264.7	**267.1**	**240.5**	**246.6**	**3.7**	**– 2.5**
Unused tax losses	16.3		19.7		– 3.4	– 5.6
Offset	– 129.6	– 129.6	– 120.0	– 120.0		
Total	**151.4**	**137.5**	**140.2**	**126.6**	**0.3**	**– 8.1**

The development of timing differences is fully reflected in income taxes. The currency translation differences of EUR – 10.2 million (2017: EUR – 2.8 million), which were recognized directly in equity, as well as the additions to deferred tax assets of EUR 6.1 million (2017: EUR 4.5 million) in connection with new acquisitions and deferred tax assets of EUR 2.1 million (2017: EUR 1.7 million) on items recognized directly in other comprehensive income are exceptions to this rule.

Deferred tax assets total EUR 17.5 million (2017: EUR 12.1 million) for companies with historical losses.

During the 2018 fiscal year, deferred tax assets of EUR 2.0 million (2017: EUR 8.4 million) were subsequently formed on unused tax losses in the amount of EUR 9.7 million (2017: EUR 60.0 million), since the management has classified future use within the Würth Group as probable.

In total, deferred tax assets of EUR 75.4 million (2017: EUR 111.8 million) were recognized on unused tax losses.

No deferred tax assets were recognized in the consolidated statement of financial position for unused tax losses of EUR 542.0 million (2017: EUR 524.2 million), as realization is not sufficiently certain.

These unused tax losses are classified by expiration period as follows:

in millions of EUR	2018	2017
Expiration of unused tax losses		
Non-forfeitable	295.8	292.9
Expiration within the next five to ten years	86.2	67.9
Expiration within the next one to five years	139.9	133.1
Expiration within the next year	20.1	30.3
Total unused tax losses net of deferred tax assets recognized	**542.0**	**524.2**

The unused tax losses include unused tax losses amounting to EUR 1.5 million (2017: EUR 1.5 million), that originated prior to creation of the consolidated tax group and that cannot be used until the existing profit and loss transfer agreements have been terminated.

No deferred tax assets were recognized for accumulated results of foreign subsidiaries amounting to EUR 663.4 million (2017: EUR 581.4 million). If deferred tax assets had been recognized for these timing differences, they would have had to be calculated exclusively using the withholding tax rate applicable in each case, possibly including the German tax rate of five percent on distributed dividends. The calculation of these unrecognized deferred tax liabilities would have been unreasonably time consuming.

Future distributions to the owners do not have any other income tax implications for the Würth Group.

[15] Inventories

in millions of EUR	2018	2017
Materials and supplies	109.4	112.4
Work in process and finished goods	210.7	190.3
Merchandise	1,872.8	1,638.3
Payments on account	12.5	14.6
Total	**2,205.4**	**1,955.6**

The write-down recorded on inventories, which was recognized under cost of materials in the consolidated income statement, amounts to EUR 13.6 million (2017: EUR 3.8 million).

[16] Trade receivables

This item exclusively comprises receivables from third parties.

in millions of EUR	2018	2017
Trade receivables that are neither past due nor impaired	791.4	832.2
Receivables not impaired but past due by		
less than 120 days	395.8	277.2
between 120 and 179 days	4.7	2.5
between 180 and 359 days	0.3	0.7
more than 360 days	0.1	0.1
Total receivables not impaired	**1,192.3**	**1,112.7**
Impaired trade receivables (gross)	825.0	753.9
Provision for impairment of trade receivables	132.4	147.6
Net carrying amount	**1,884.9**	**1,719.0**

Information on the credit risk position of the Würth Group's trade receivables is presented below:

2018 in millions of EUR	Expected default rate in %	Gross book value	Expected losses over remaining term
< 120 days (level 2)	1.5	1,795.5	26.9
120 to 359 days (level 2)	8.1	121.5	9.8
> 359 days (level 3)	51.6	100.3	51.8
Total		**2,017.3**	**88.5**

Where possible and feasible, we take out credit insurance.

Movements in the provision for impairment of trade receivables were as follows:

in millions of EUR	**2018**	**2017**
Provision for impairment as of 1 January	**147.6**	**156.7**
Effect of first-time adoption of new accounting standards	– 22.0	0.0
Changes in the consolidated group	4.5	1.3
Amounts recognized as expense in the reporting period	28.7	31.4
Derecognition of receivables	– 24.7	– 34.5
Payments received and recoveries of amounts previously written off	– 1.4	– 2.9
Currency translation effects	– 0.3	– 4.4
Provision for impairment as of 31 December	**132.4**	**147.6**

The following table presents the expenses from the derecognition of trade receivables and income from recoveries of amounts previously written off:

in millions of EUR	**2018**	**2017**
Expenses from the derecognition of receivables	27.5	38.2
Income from recoveries of amounts previously written off	2.0	2.7

The income or expense from impairment losses and the derecognition of receivables from financial services is disclosed under other operating expenses.

[17] Income tax assets

This item records income tax assets from tax authorities.

[18] Other financial assets

in millions of EUR	2018	Thereof due within one year	2017	Thereof due within one year
Receivables from related parties	7.1	3.5	40.7	33.6
Derivative financial assets	5.1	5.1	7.7	7.7
Sundry financial assets	140.6	140.6	120.7	120.7
Total	**152.8**	**149.2**	**169.1**	**162.0**

Sundry financial assets mainly include supplier discounts and bonuses.

All other past due financial assets are directly written off against the underlying other financial assets.

The receivables from related parties include the purchase price receivable from the sale of the Freie Schule Anne-Sophie to the Würth Foundation, Künzelsau, Germany in the amount of EUR 7.1 million (2017: EUR 10.6 million). The receivable is subject to customary market interest rates.

[19] Other assets

in millions of EUR	2018	Thereof due within one year	2017	Thereof due within one year
Sundry assets	140.8	110.9	146.4	112.7
Prepaid expenses	68.7	68.7	61.2	61.2
Total	**209.5**	**179.6**	**207.6**	**173.9**

Sundry assets mainly include VAT receivables. Prepaid expenses mainly relate to prepaid insurance premiums and prepaid lease and rent payments.

Impairment losses were recognized on all other assets that were past due.

[20] Securities

Securities comprise listed equity and bond exposures (equity instruments) that are actively traded and measured at fair value through profit or loss in accordance with IFRS 9. Changes in value are determined by reference to comparable market values (level 1). In addition, securities include actively traded bonds (debt instruments) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, which are valued at amortized cost and pledged in the amount of EUR 41.2 million (2017: EUR 51.0 million) as collateral for the grant of a credit line for refinancing at Deutsche Bundesbank, Frankfurt am Main, Germany. The maximum credit risk corresponds to the fair value.

[21] Cash and cash equivalents

Balances denominated in foreign currency are measured at the closing rate. The composition and development of cash and cash equivalents are presented in the consolidated statement of cash flows. The money market funds were valued at the current money market rate. Due to the very short maturities and the creditworthiness of the contractual partners of the Würth Group, no impairment based on expected credit losses was created.

[22] Assets classified as held for sale and liabilities in a group of assets classified as held for sale

Assets in millions of EUR	2018	2017
Non-current assets		
Property, plant and equipment	0.0	2.6
Deferred tax assets	0.0	0.0
Current assets		
Inventories	0.0	7.4
Trade receivables	0.0	4.8
Other financial assets	0.0	0.8
Other assets	0.0	0.8
Cash and cash equivalents	0.0	0.1
Assets classified as held for sale	**0.0**	**16.5**

Liabilities in millions of EUR	2018	2017
Non-current liabilities		
Post-employment benefit obligations	0.0	0.5
Provisions	0.0	0.0
Current liabilities		
Trade payables	0.0	5.0
Provisions	0.0	0.0
Other financial liabilities	0.0	1.5
Other liabilities	0.0	0.0
Liabilities in a group of assets classified as held for sale	**0.0**	**7.0**
Net assets directly related to the disposal group	**0.0**	**9.5**

The consolidated statement of financial position of the Würth Group, as of 31 December 2017, includes assets classified as held for sale and liabilities of a disposal group classified as held for sale, as the Würth Group was planning to sell a defined regional part of the Tools unit on the balance sheet date. The transaction was completed in the 2018 fiscal year. The sale resulted in a loss of EUR 5.5 million.

[23] Equity

Share capital comprises the share capital of the following parent companies within the Group:

Parent companies within the Group	Registered office	Share capital in millions of EUR	Shareholders
Adolf Würth GmbH & Co. KG	Germany	300.8	Würth Family Trusts
Würth Finanz-Beteiligungs-GmbH	Germany	67.0	Würth Family Trusts
Waldenburger Beteiligungen GmbH & Co. KG	Germany	20.0	Würth Family Trusts
Würth Elektrogroßhandel GmbH & Co. KG	Germany	19.6	Würth Family Trusts
Würth Promotion AG	Austria	0.07	Würth Private Trust
Würth Beteiligungen GmbH	Germany	0.03	Würth Family Trusts
Other (including 35 general partner companies)	Germany	0.93	Adolf Würth Trust
Total		**408.4**	

The limited partners' capital in the partnerships corresponds to the share capital.

Other reserves include the profits earned in prior years and not yet distributed as well as capital contributions at the parent companies in the Group and consolidated subsidiaries. Differences from foreign currency translation, the remeasurement of defined benefit plans and the differences resulting from the first-time application of IFRS 9 are also disclosed here.

The individual equity components and their development in 2018 and 2017 are shown in the consolidated statement of changes in equity.

Non-controlling interests mainly relate to shares held by third parties in subsidiaries as well as direct shareholdings of members of the Würth family.

The reserves for cash flow hedges relate to the effective part of the loss from a hedging instrument to hedge the risk of fluctuations in the cash flow from future financing.

Distributions of EUR 175 million are planned for 2019.

[24] Liabilities from financial services

2018 in millions of EUR	Total	Due in < 1 year	Due in 1–5 years	Due in > 5 years
Liabilities from the leasing business	292.5	59.8	230.0	2.7
Liabilities from the insurance business	0.8	0.8	0.0	0.0
Liabilities from the banking business	1,276.7	927.3	280.6	68.8
Total	**1,570.0**	**987.9**	**510.6**	**71.5**

2017 in millions of EUR	Total	Due in < 1 year	Due in 1–5 years	Due in > 5 years
Liabilities from the leasing business	195.5	41.1	153.5	0.9
Liabilities from the insurance business	2.3	2.3	0.0	0.0
Liabilities from the banking business	1,152.7	882.3	204.7	65.7
Total	**1,350.5**	**925.7**	**358.2**	**66.6**

Liabilities from financial services include liabilities from related parties of EUR 3.9 million (2017: EUR 2.5 million).

Liabilities from the leasing business include liabilities from an ABCP transaction of EUR 174.3 million (2017: EUR 110.3 million). The nominal amount of this ABCP transaction comes to EUR 183.7 million (2017: EUR 116.3 million). Any risk items relating to it are hedged by interest swaps of the same amount and term as soon as they become apparent. As of the end of the reporting period, the contrasting changes in value and cash flows from hedged transactions and hedging instruments had balanced each other out.

The table below shows the contractually agreed remaining terms to maturity:

		Cash flow		
in millions of EUR	Carrying amounts **31 December 2018**	< 1 year	1–5 years	> 5 years
Liabilities from the leasing business	292.5	63.0	233.1	3.0
Liabilities from the insurance business	0.8	0.8	0.0	0.0
Liabilities from the banking business	1,276.7	930.9	285.8	72.3

[25] Financial liabilities

in millions of EUR	**2018**	Thereof due within one year	**2017**	Thereof due within one year
Bonds	1,669.3	0.0	1,662.4	499.7
Liabilities to banks	91.6	79.2	65.2	59.6
Liabilities to non-controlling interests	60.5	40.5	44.9	44.9
Liabilities from leases	4.0	1.1	4.9	1.4
Total	**1,825.4**	**120.8**	**1,777.4**	**605.6**

There are financial liabilities of EUR 502.2 million (2017: EUR 1.2 million) due in more than five years.

The maturities and terms of the bonds repayable and their fair values are as follows:

Type	Amount	Interest	Effective interest	Maturity	Treasury stock in millions of EUR	Carrying amount in millions of EUR	Fair value in millions of EUR
Bond	EUR 500 million	1.75 %	1.76 %	21.5.2020	0.0	499.5	518.5
US private placement	USD 200 million	4.48 %	4.53 %	22.9.2021	0.0	174.7	185.7
Bond	EUR 500 million	1.00 %	1.04 %	19.5.2022	1.5	497.1	515.1
Bond	EUR 500 million	1.00 %	1.08 %	25.5.2025	3.0	498.0	509.0
31 December 2018					**4.5**	**1,669.3**	**1,728.3**

Type	Amount	Interest	Effective interest	Maturity	Treasury stock in millions of EUR	Carrying amount in millions of EUR	Fair value in millions of EUR
Bond	EUR 500 million	3.75 %	3.86 %	25.5.2018	0.0	499.7	507.7
Bond	EUR 500 million	1.75 %	1.76 %	21.5.2020	0.0	497.7	522.3
US private placement	USD 200 million	4.48 %	4.53 %	29.9.2021	0.0	166.8	182.7
Bond	EUR 500 million	1.00 %	1.04 %	19.5.2022	1.5	498.2	515.2
31 December 2017					**1.5**	**1,662.4**	**1,727.9**

The bonds with an original issue value of EUR 1,673.8 million (2017: EUR 1,663.9 million) were offset against treasury shares treated as repurchases in the amount of EUR 4.5 million (2017: EUR 1.5 million).

The capital borrowed though the US private placement of USD 200 million is contingent on certain covenants being met. The Würth Group is required to meet certain debt service ratios, such as the ratio of net financial debt to EBITDA and senior liabilities to equity. They also include restrictions on the disposal of assets.

The maturities and conditions of liabilities due to banks are as follows:

Currency	Interest terms	Remaining fixed interest period	Interest rate	< 1 year	1–5 years	Carrying amount
EUR	floating / fixed	< 1 year	0.01 %–10.00 %	66.8	3.8	70.6
EUR	floating / fixed	1–5 years	0.01 %–6.45 %	0.0	8.4	8.4
USD	floating / fixed	< 1 year	0.01 %–6.47 %	0.3	0.0	0.3
Other	floating / fixed	< 1 year	1.00 %–12.00 %	12.1	0.0	12.1
Other	floating / fixed	1–5 years	10.50 %–10.50 %	0.0	0.2	0.2
31 December 2018				**79.2**	**12.4**	**91.6**

Currency	Interest terms	Remaining fixed interest period	Interest rate	< 1 year	1–5 years	> 5 years	Carrying amount
EUR	floating / fixed	< 1 year	0.01 %–10.00 %	47.2	4.2	0.1	51.5
USD	floating / fixed	< 1 year	0.01 %–6.47 %	0.3	0.0	0.0	0.3
Other	floating / fixed	< 1 year	1.00 %–12.00 %	12.1	0.5	0.0	12.6
EUR	fixed	1–5 years	2.00 %–5.00 %	0.0	0.8	0.0	0.8
31 December 2017				**59.6**	**5.5**	**0.1**	**65.2**

The carrying amounts of liabilities to banks reported in the consolidated statement of financial position approximate fair value. Non-current liabilities from leases are subject to customary market interest rates.

The table below shows the contractually agreed remaining terms to maturity:

		Cash flow		
in millions of EUR	Carrying amounts **31 December 2018**	< 1 year	1–5 years	> 5 years
Financial liabilities				
Bonds, liabilities to banks	1,760.9	105.7	1,242.6	507.0
Liabilities from leases	4.0	1.5	3.6	0.2
Trade payables	776.7	776.7	0.0	0.0
Derivative financial liabilities				
Inflows from currency derivatives	0.0	415.4	79.6	0.0
Outflows from currency derivatives	8.0	423.0	84.2	0.0
Outflows from interest rate derivatives	5.3	3.3	7.4	– 0.6

Change in liabilities from financing activities:

in millions of EUR	1 January 2018	Additions due to changes in the consolidated group	Cash flows	Exchange rate changes	Change in fair value	New leases	Other	31 December 2018
Short-term bonds	499.7	0.0	– 500.0	0.0	0.3	0.0	0.0	0.0
Current liabilities to banks	59.6	17.0	2.2	– 0.3	0.0	0.0	0.7	79.2
Current liabilities from leases	1.4	0.0	– 1.3	0.0	0.0	0.1	0.9	1.1
Long-term bonds	1,162.7	0.0	494.4	7.9	4.3	0.0	0.0	1,669.3
Non-current liabilities to banks	5.6	0.0	7.7	– 0.2	0.0	0.0	– 0.7	12.4
Non-current liabilities from leases	3.5	0.0	0.0	0.0	0.0	0.3	– 0.9	2.9
Receivables from / liabilities to family trusts and the Würth family	– 49.8	0.0	42.3	0.0	0.0	0.0	0.0	– 7.5
Total liabilities from financing activities	**1,682.7**	**17.0**	**45.3**	**7.4**	**4.6**	**0.4**	**0.0**	**1,757.4**

in millions of EUR	1 January 2017	Additions due to changes in the consolidated group	Cash flows	Exchange rate changes	Change in fair value	New leases	Other	31 December 2017
Short-term bonds	0.0	0.0	0.0	0.0	0.7	0.0	499.0	499.7
Current liabilities to banks	60.6	8.2	– 29.5	– 1.0	0.0	0.0	21.3	59.6
Current liabilities from leases	4.6	0.0	– 4.2	– 0.3	0.0	0.2	1.1	1.4
Long-term bonds	1,683.8	0.0	0.0	– 22.8	0.7	0.0	– 499.0	1,162.7
Non-current liabilities to banks	27.1	0.0	0.7	0.0	0.0	0.0	– 22.2	5.6
Non-current liabilities from leases	4.7	0.1	0.0	– 0.1	0.0	0.2	– 1.4	3.5
Receivables from / liabilities to family trusts and the Würth family	– 14.3	0.0	– 35.5	0.0	0.0	0.0	0.0	– 49.8
Total liabilities from financing activities	**1,766.5**	**8.3**	**– 68.5**	**– 24.2**	**1.4**	**0.4**	**– 1.2**	**1,682.7**

[26] Post-employment benefit obligations

A pension plan is in place for employees of the Würth Group for the period after they retire. The benefits vary according to local legal, tax and economic conditions. The obligations include vested future pension benefits as well as current pensions paid. The company pension scheme includes defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either on a voluntary basis or based on legal provisions. The contributions are recognized as a personnel expense when they fall due. No further payment obligations arise for the Würth Group from the payment of contributions. Current contributions (excluding contributions to the statutory pension insurance) totaled EUR 17.8 million (2017: EUR 16.5 million). Payments of EUR 198.3 million were made to the statutory pension insurance in the fiscal year (2017: EUR 190.3 million).

The largest defined benefit plans are in Germany, Austria, Italy, and Switzerland. The defined benefit plans in Germany, Austria and Italy constitute direct obligations, whereas the Swiss plans are indirect benefit obligations. The amount of the entitlements depends on the length of service, frequently on the salary development and, for indirect benefit obligations, also on the employee contributions paid in.

The Würth Group's benefit obligations in Germany guarantee the beneficiaries a life-long monthly old-age pension, provided that a vesting period of ten years of service can be demonstrated. The amount of the benefit is usually determined by arranged fixed amounts. Employees receive such voluntary pensions in addition to the statutory pension once they reach the statutory retirement age. Employees are also offered another defined benefit plan in the form of a deferred compensation arrangement under which gross cash compensation is converted into a company pension plan based on individual contracts. This voluntary conversion of monthly compensation is generally limited to the higher of either 10 % of one twelfth of the yearly income in the year before commencement of the conversion or 4 % of the respective maximum monthly contribution to the German pension system (western German states). In total, obligations in Germany amount to EUR 161.6 million (2017: EUR 162.4 million).

In Austria, a severance payment is guaranteed by law, subject to the provisions of the BMVG ("Betriebliche Mitarbeiterversorgungsgesetz": Austrian Act Governing Company Pensions). This is paid out when the employment relationship ends. For employment relationships that began before the end of 2002, the employee has a right to such payment from the employer. The amount depends on the length of service and salary development. If the employment relationship is terminated by the employee, the right to a severance payment from the employer is forfeited. For employment relationships started as of the beginning of 2003, the employer pays 1.53 % of the gross monthly salary into a selected company pension scheme, which then pays out any severance payment entitlement when the employment ends. The entitlement is now retained even if the employee terminates the employment relationship. For employment relationships that began before the end of 2002, total obligations were recognized in the amount of EUR 28.3 million in Austria (2017: EUR 29.0 million).

In Italy, employees are entitled by law to a severance payment when the employment relationship ends (trattamento di fine rapporto, TFR). The amount of the TFR is determined by the number of years of service and is capped at one month's salary per year of service. Since 2007, the legislature provides for a capital option, i.e. the employees can choose whether provision should continue to be made for their future entitlements in the company or be paid into a pension fund instead. Obligations of EUR 27.5 million were recognized in the statement of financial position of the Würth Group in Italy (2017: EUR 27.1 million).

In the Würth Group in Switzerland, retirement benefits are handled via external insurance companies. They are subject to regulatory supervision and are governed by the BVG ("Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge": Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans). The top management body of these insurance companies, the trust board, is composed of an equal number of employee and employer representatives. The various benefits are set forth in regulations, with minimum benefits stipulated by the BVG. The contributions to the insurance company are settled by employers and employees. In the event of a deficit, measures can be agreed, such as adjusting the benefit obligation by changing conversion rates or increasing current contributions. In the case of almost all Swiss entities in the Würth Group in Switzerland, the insurance company is a separate pension trust. The benefits comprise not only old-age pensions, but also disability and surviving dependents' pension benefits. The trust's statutes define the pension scope and benefit amounts, minimum payment obligations and the investment strategy. All insurance-related risks are borne by the trust. The trust board reviews the investment strategy annually by means of an ALM (asset liability management) analysis as part of its responsibility for the investment of the assets. In total, obligations in Switzerland amounted to EUR 221.8 million (2017: EUR 206.4 million). Plan assets came to EUR 181.9 million (2017: EUR 173.8 million). The associated net liability amounts to EUR 39.9 million (2017: EUR 32.6 million).

The post-employment benefit obligations were determined based on the following assumptions:

	Discount rate		Future salary increases		Pension increase rate	
in %	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Germany	2.00	1.75	3.00	3.00	1.75	1.75
Austria	1.75–2.00	1.50–1.75	2.00–3.00	2.00–3.00	–	–
Italy	1.55	1.30	3.00	3.00	1.50	1.50
Switzerland	0.80	0.60	0.50	0.50	–	–
Other countries	1.66–2.80	0.50–2.50	2.50	2.00–2.25	1.00	1.00

The 2018 G mortality tables from Dr. Klaus Heubeck are applied in Germany.

The benefit obligations are derived as follows:

in millions of EUR	**2018**	**2017**	**2016**	**2015**	**2014**
Present value of funded benefit obligations	273.2	257.7	246.5	270.5	293.5
Fair value of plan assets	– 207.6	– 199.7	– 188.2	– 204.7	– 242.3
Adjustments to plan assets in accordance with IAS 19.64 b	0.0	0.0	0.0	0.0	3.3
Net carrying amount on funded benefit obligations	**65.6**	**58.0**	**58.3**	**65.8**	**54.5**
Present value of unfunded benefit obligations	**218.4**	**219.8**	**208.9**	**182.9**	**190.3**
Net benefit liability recognized in the statement of financial position	**284.0**	**277.8**	**267.2**	**248.7**	**244.8**
Empirical adjustments					
Present value of the obligations	6.6	10.0	– 10.4	– 1.9	0.7

The average term to maturity of the post-employment benefit obligations is 18 years.

The net benefit expense from defined benefit plans breaks down as follows:

in millions of EUR	2018	2017
Service cost		
Current service cost	18.0	17.4
Past service cost	0.3	0.0
Expense / income from plan settlements	0.0	– 1.0
Net interest cost	4.9	4.2
Total expense recognized in the consolidated income statement	**23.2**	**20.6**

The service cost is recognized under personnel expenses, while the net interest cost is recorded in the financial result.

The remeasurement of defined benefit plans breaks down as follows:

in millions of EUR	2018	2017
Actuarial gains (–) and losses (+) recognized		
on changes in actuarial assumptions	– 13.3	4.3
on empirical adjustments	6.6	10.0
on changes in demographic assumptions	2.1	3.2
Expense / income from plan assets (less interest income)	2.2	– 9.6
Remeasurement of defined benefit plans	**– 2.4**	**7.9**

The changes in the present value of the defined benefit obligations are as follows:

in millions of EUR	2018	2017
Defined benefit obligation at the start of the year	477.5	455.4
Changes in the consolidated group	1.3	0.0
Increase due to deferred compensation	0.4	0.4
Service cost	18.3	16.4
Interest cost	6.1	6.0
Employee contributions	6.4	5.9
Benefits paid	– 22.8	– 10.0
Actuarial gains (–) and losses (+) recognized	– 4.6	17.5
Transfer of benefits	4.7	– 1.5
Exchange difference on foreign plans	4.3	– 12.6
Defined benefit obligation at the end of the year	**491.6**	**477.5**

Future adjustments in the development of pensions are taken into account on the basis of statutory regulations (e.g., in Germany Sec. 16 BetrAVG).

The fair value of the plan assets has developed as follows:

in millions of EUR	2018	2017
Fair value of plan assets at the beginning of the year	199.7	188.2
Interest income	1.2	1.8
Expense / income from plan assets (less interest income)	– 2.2	9.6
Employer contributions	9.8	9.2
Employee contributions	6.4	5.9
Benefits paid	– 11.7	– 3.6
Transfer of assets	0.2	– 1.5
Exchange difference on foreign plans	4.2	– 9.9
Fair value of plan assets at the end of the year	**207.6**	**199.7**

The actual return came in at – 0.46 % (2017: 6.07 %). The amount of employer contributions to external funds is expected to be similar in the following year.

Breakdown of fair value of plan assets by asset category:

in millions of EUR	2018	2017	2016	2015	2014
Fixed-income investment funds	64.9	55.8	63.0	67.9	116.4
Share-based investment funds	51.5	47.0	45.4	43.2	45.7
Real estate investment funds	46.7	37.5	38.0	35.8	30.4
Other funds	10.4	11.7	10.5	2.5	20.8
Fixed-interest securities	16.2	21.0	16.8	25.2	15.1
Shares	1.9	5.7	2.0	13.2	1.7
Real estate	2.6	5.6	2.7	3.5	2.4
Other	13.4	15.4	9.8	13.4	9.8
Total	**207.6**	**199.7**	**188.2**	**204.7**	**242.3**

As a rule, quoted prices are available on an active market for the equity and debt instruments. The ratings for funds and fixed-interest securities are usually not below A. The item "Other" primarily relates to cash and cash equivalents invested at banks with an A rating or higher.

With regard to sensitivities, the key actuarial assumptions determined for the Würth Group in Germany are the discount rate, the pension trend and life expectancy. For the Würth Group in Switzerland, the discount rate, the rate of future salary increases and life expectancy have been determined.

At the Würth Group in Germany, a 0.25 % increase / decrease in the discount rate would lead to a decrease / increase in the DBO (Defined Benefit Obligation) of – 4.7 % / + 5.1 % . A 0.25 % increase / decrease in the pension trend would lead to an increase / decrease in the DBO of + 2.1 % / – 2.0 %. An increase in life expectancy of one year would increase the DBO by 3.4 %.

At the Würth Group in Switzerland, a 0.25 % increase / decrease in the discount rate would lead to a decrease / increase in the DBO of – 3.3 % / + 3.5 %. A 0.5 % increase / decrease in the rate of future salary increases would lead to an increase / decrease in the DBO of + 1.2 % / – 1.2 %. An increase in life expectancy of one year would increase the DBO by 1.6 %.

[27] Provisions

in millions of EUR	**1 January 2018**	Exchange difference	Additions due to changes in the consolidated group	Utilization	Reversal	Addition	Unwinding of the discount and changes in the discount rate	**31 December 2018**
Credit notes	78.7	0.0	0.0	50.2	4.7	56.6	0.0	80.4
Long-service bonuses	78.6	– 0.1	0.0	0.4	1.2	0.1	4.1	81.1
Warranty obligations	21.1	0.0	0.0	1.6	2.3	2.8	0.2	20.2
Litigation and lawyers' fees	35.8	0.3	0.0	3.5	2.3	3.0	0.4	33.7
Phased retirement scheme	9.3	0.0	0.0	0.0	1.5	2.0	0.5	10.3
Product liability	3.3	0.0	0.0	0.4	0.2	1.1	0.0	3.8
Sundry	51.7	0.0	0.8	9.8	7.0	17.5	0.1	53.3
Total	**278.5**	**0.2**	**0.8**	**65.9**	**19.2**	**83.1**	**5.3**	**282.8**
Thereof: current	182.5							183.4
non-current	96.0							99.4

in millions of EUR	**1 January 2017**	Exchange difference	Additions due to changes in the consolidated group	Utilization	Reversal	Addition	Unwinding of the discount and changes in the discount rate	**31 December 2017**
Credit notes	75.2	– 0.6	0.0	54.6	5.5	64.2	0.0	78.7
Long-service bonuses	82.1	– 0.3	0.0	1.1	6.5	0.1	4.3	78.6
Warranty obligations	22.7	– 0.2	0.0	4.0	2.5	5.0	0.1	21.1
Litigation and lawyers' fees	33.5	– 1.3	0.0	3.3	1.4	8.1	0.2	35.8
Phased retirement scheme	8.9	0.0	0.0	0.3	1.8	2.0	0.5	9.3
Product liability	2.8	– 0.1	0.0	0.4	0.2	1.2	0.0	3.3
Sundry	47.0	– 0.3	0.1	7.5	9.8	22.1	0.1	51.7
Total	**272.2**	**– 2.8**	**0.1**	**71.2**	**27.7**	**102.7**	**5.2**	**278.5**
Thereof: current	176.7							182.5
non-current	95.5							96.0

The provision for credit notes is primarily attributable to obligations relating to discounts, bonuses, etc. granted that are allocable to the period after the reporting date, but caused by sales prior to the reporting date. The provision for long-service bonuses contains bonuses awarded to employees who have been with the company for many years. The provision for warranty obligations accounts for risks from legal or constructive obligations from trade with fastening and assembly materials involving trade customers, the building industry and industrial customers, as well as from the manufacture of screws and fittings. Other provisions relate to numerous identifiable specific risks and uncertain liabilities which were accounted for at the amount at which they are likely to be incurred.

The cash outflow for provisions for long-service bonuses and the German phased retirement scheme ("Altersteilzeit") is mainly of a medium (two to four years) to long-term (five to 50 years) nature. In most cases, other provisions are expected to lead to a cash outflow in the next fiscal year.

[28] Other financial liabilities

in millions of EUR	2018	Thereof due within one year	2017	Thereof due within one year
Liabilities to related parties	26.2	19.4	13.0	11.9
Derivative liabilities	8.0	8.0	8.6	8.6
Liabilities from business combinations	25.8	1.7	35.1	5.7
Sundry financial liabilities	373.8	373.2	373.7	366.5
Total	**433.8**	**402.3**	**430.4**	**392.7**

Sundry financial liabilities essentially include liabilities to employees, outstanding purchase invoices and customers with credit balances.

[29] Other liabilities

in millions of EUR	2018	Thereof due within one year	2017	Thereof due within one year
Deferred income	18.9	18.9	13.9	13.9
Other liabilities	408.4	406.0	426.4	424.0
Total	**427.3**	**424.9**	**440.3**	**437.9**

Liabilities relating to social security amount to EUR 68.9 million (2017: EUR 68.9 million). Sundry liabilities also include EUR 112.5 million (2017: EUR 113.5 million) arising from other taxes.

[30] Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9 for fiscal year 2018 and IAS 39 for fiscal year 2017:

in millions of EUR **Assets**	Measurement category under IFRS 9	Carrying amount **31 Dec. 2018**	Fair value **31 Dec. 2018**
Financial assets	FVTPL / AC	79.0	79.0
Receivables from banking business	AC	1,293.7	1,293.7
Trade receivables	AC	1,884.9	1,884.9
Other financial assets			
Receivables from related parties	AC	7.1	7.1
Derivative financial assets	FVTPL	5.1	5.1
Sundry financial assets	AC	140.6	140.6
Securities	FVTPL / AC	126.1	126.1
Cash and cash equivalents	AC	492.5	492.5
Equity and liabilities			
Liabilities from banking business	AC	1,276.7	1,276.7
Trade payables	AC	776.7	776.7
Financial liabilities	FVTPL / AC	1,825.4	1,884.4
Other financial liabilities			
Liabilities to related parties	AC	26.2	26.2
Derivative liabilities	FVTPL	8.0	8.0
Liabilities from business combinations	FVTPL	25.8	25.8
Sundry financial liabilities	AC	373.8	373.8
Thereof combined by measurement category in accordance with IFRS 9:			
1. Financial assets measured at amortized cost	(AC)	3,927.5	3,927.5
2. Financial liabilities measured at amortized cost	(AC)	4,238.3	4,297.3
3. Financial assets at fair value through profit or loss	(FVTPL)	101.5	101.5
4. Financial liabilities at fair value through profit or loss	(FVTPL)	74.3	74.3

		Amount recognized in the statement of financial position					
in millions of EUR **Assets**	Measurement category under IAS 39	Carrying amount **31 Dec. 2017**	Amortized cost	Fair value (recognized directly in equity)	Fair value (recognized in profit or loss)	IAS 17	Fair value **31 Dec. 2017**
Financial assets	AfS / HtM	62.6	62.6				48.9
Receivables from financial services	LaR / n.a.	1,606.3	1,175.0			431.3	1,606.3
Trade receivables	LaR	1,719.0	1,719.0				1,719.0
Other financial assets							
Receivables from related parties	LaR	40.7	40.7				40.7
Derivative financial assets	FAHfT / LaR	7.7	– 26.6		34.3		7.7
Sundry financial assets	LaR	120.7	120.7				120.7
Securities	AfS / FAHfT / FAFVtpl	151.7		51.7	100.0		151.7
Cash and cash equivalents	FAFVtpl / LaR	670.9	670.4		0.5		670.9
Equity and liabilities							
Liabilities from financial services	FLAC	1,350.5	1,350.5				1,350.5
Trade payables	FLAC	741.7	741.7				741.7
Financial liabilities	FLAC / n.a.	1,777.4	1,772.5			4.9	1,842.9
Other financial liabilities							
Liabilities to related parties	FLAC	13.0	13.0				13.0
Derivative liabilities	FLHfT	8.6			8.6		8.6
Liabilities from business combinations	FLAC	35.1	35.1				35.1
Sundry financial liabilities	FLAC	373.7	373.7				373.7
Thereof combined by measurement category in accordance with IAS 39:							
1 Held-to-maturity investments	(HtM)	48.9	48.9				48.9
2 Financial assets held for trading	(FAHfT)	34.3			34.3		34.3
3 Financial assets (designated as) at fair value through profit or loss	(FAFVtpl)	100.5			100.5		100.5
4 Available-for-sale financial assets	(AfS)	65.4	13.7	51.7			51.7
5 Loans and receivables	(LaR)	3,699.2	3,699.2				3,699.2
6 Receivables from the leasing business	(n.a.)	431.3				431.3	431.3
7 Financial liabilities held for trading	(FLHfT)	8.6			8.6		8.6
8 Financial liabilities at amortized cost	(FLAC)	4,286.5	4,286.5				4,352.0
9 Lease obligations	(n.a.)	4.9				4.9	4.9

The following tables show the measurement of the fair value of the Würth Group's assets and liabilities by hierarchical level.

Assets and liabilities at fair value:

in millions of EUR	**Total 31 Dec. 2018**	Listed price on active markets (level 1)	Material observable input parameter (level 2)	Material observable input parameter (level 3)
Financial assets	11.5	0.0	11.5	0.0
Derivative assets				
Currency instruments	1.6	0.0	1.6	0.0
Interest instruments	12.4	0.0	12.4	0.0
Securities	84.9	84.9	0.0	0.0
Financial assets at fair value	**110.4**	**84.9**	**25.5**	**0.0**
Liabilities to non-controlling interests	60.5	0.0	0.0	60.5
Derivative liabilities				
Currency instruments	8.0	0.0	8.0	0.0
Interest instruments	5.3	0.0	5.3	0.0
Liabilities from business combinations	25.8	0.0	0.0	25.8
Financial liabilities at fair value	**99.6**	**0.0**	**13.3**	**86.3**

in millions of EUR	**Total 31 Dec. 2017**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Derivative assets			
Currency instruments	10.5	0.0	10.5
Interest instruments	23.8	0.0	23.8
Securities	151.7	51.7	100.0
Cash and cash equivalents	0.5	0.5	0.0
Financial assets at fair value	**186.5**	**52.2**	**134.3**
Derivative liabilities			
Currency instruments	0.7	0.0	0.7
Interest instruments	7.9	0.0	7.9
Financial liabilities at fair value	**8.6**	**0.0**	**8.6**

Notes on the fair values of those financial assets and liabilities that were not stated at fair value in the consolidated statement of financial position:

in millions of EUR	Total 31 Dec. 2018	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	67.5	0.0	67.5
Receivables from the banking business	1,293.7	0.0	1,293.7
Trade receivables	1,884.9	0.0	1,884.9
Receivables from related parties	7.1	0.0	7.1
Sundry financial assets	140.6	0.0	140.6
Securities	41.2	0.0	41.2
Cash and cash equivalents	492.5	492.5	0.0
Financial assets not stated at fair value	**3,927.5**	**492.5**	**3,435.0**
Liabilities from the banking business	1,276.6	0.0	1,276.6
Trade payables	776.7	0.0	776.7
Financial liabilities (excluding liabilities to other companies)	1,823.9	0.0	1,823.9
Liabilities to related parties	20.6	0.0	20.6
Sundry financial liabilities	379.2	0.0	379.2
Financial liabilities not stated at fair value	**4,277.0**	**0.0**	**4,277.0**

in millions of EUR	Total 31 Dec. 2017	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	48.9	0.0	48.9
Receivables from financial services	1,606.3	0.0	1,606.3
Trade receivables	1,719.0	0.0	1,719.0
Receivables from related parties	40.7	0.0	40.7
Sundry financial assets	120.7	0.0	120.7
Cash and cash equivalents	670.4	670.4	0.0
Financial assets not stated at fair value	**4,206.0**	**670.4**	**3,535.6**
Liabilities from financial services	1,350.5	0.0	1,350.5
Trade payables	741.7	0.0	741.7
Financial liabilities	1,842.9	0.0	1,842.9
Liabilities to related parties	13.0	0.0	13.0
Liabilities from business combinations	35.1	0.0	35.1
Sundry financial liabilities	373.7	0.0	373.7
Financial liabilities not stated at fair value	**4,356.9**	**0.0**	**4,356.9**

Additional information on the determination of fair value can be found under [4] "Financial instruments" in Section I. Other notes.

I. Other notes

[1] Commitments and contingencies

in millions of EUR	2018	2017
Guarantees, warranties and collateral for third-party liabilities	30.6	35.5

Guarantees, warranties and collateral are due immediately upon request.

[2] Other financial obligations

in millions of EUR	2018	2017
Obligations from operating leases		
due within 12 months	271.2	263.9
due in 13 to 60 months	525.9	480.5
due in more than 60 months	127.2	71.5
	924.3	**815.9**
Purchase obligations		
due within 12 months	539.9	534.0
due in 13 to 60 months	0.1	0.3
	540.0	**534.3**
Sundry financial obligations		
due within 12 months	23.5	133.0
due in 13 to 60 months	146.2	163.9
due in more than 60 months	0.5	1.5
	170.2	**298.4**
Total	**1,634.5**	**1,648.6**

The operating leases mainly relate to rented buildings and leased vehicles. The interest rates stipulated in the lease agreements are customary market rates. There are no purchase options upon expiry of the lease either for the rented buildings or the leased vehicles.

The sundry financial obligations contain irrevocable lending commitments of Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, in the amount of EUR 146.7 million (2017: EUR 181.1 million).

The table below shows the payments from operating leases recognized in profit or loss:

in millions of EUR	2018	2017
Real estate	167.6	153.9
Machines, equipment, furniture and fixtures	16.2	16.1
Vehicle fleet	125.7	125.5
Other	4.7	3.4
Total	**314.2**	**298.9**

[3] Contingent liabilities

As an international group with various areas of business, the Würth Group is exposed to many legal risks. This is especially true of risks for warranties, tax law and other legal disputes. However, according to the assessment by the Central Managing Board, no decisions are expected that would have a significant influence on the net assets of the Würth Group. Tax field audits at group entities have not been completed yet and the related audit findings have not been reported yet.

[4] Financial instruments

Financial risk management

Through its financial activities, the Würth Group is subject to various risks that are assessed, managed and monitored by a systematic risk management system.

Details of the Group's management of market risks (exchange rates, interest rates and securities risks), credit risks and liquidity exposures are presented below.

Exchange rate risks

The Würth Group is exposed to currency risks from financing and operating activities. By exchange rate risks, the Würth Group means the exposure of the assets and income disclosed resulting from exchange rate fluctuations between the transaction currency and the functional currency in each case.

As far as operations are concerned, the individual Group entities mainly carry out their activities in their own functional currency. The currency risk for the Würth Group from current operating activities is therefore classified as low. Exchange rate risks are countered by forward exchange contracts and currency options. Derivative financial instruments are used to hedge future sales and purchased goods against exchange rate risks. These are not, however, designated as hedges and are measured at fair value through profit or loss.

Regarding the presentation of market risks, IFRS 7 requires sensitivity analyses showing how profit or loss and equity would be affected by hypothetical changes in the relevant risk variables.

If the euro had depreciated (appreciated) against the US dollar, the Swiss franc and the pound sterling by 10 % as of 31 December 2018, the hypothetical effect on profit or loss would have been as follows:

in millions of EUR	Hypothetical effect on profit or loss **2018**		Hypothetical effect on profit or loss **2017**	
Currency	Depreciation	Appreciation	Depreciation	Appreciation
US dollar	0.5	– 0.5	0.8	– 0.8
Swiss franc	17.8	– 17.8	19.5	– 19.5
Pound sterling	– 0.1	0.1	– 0.1	0.1

There were no changes affecting other comprehensive income.

Interest rate risks

By interest rate risk, the Würth Group refers to the negative effects on the net assets and results of operations resulting from changes in interest rates. One of the methods used to counter this risk is to ensure that a large portion of external financing is in fixed-interest rate bonds. In addition, derivatives are used for risk management purposes (e.g., interest rate swaps).

The interest rate risk is mainly limited to the liabilities to banks with floating interest rates listed under [25] "Financial liabilities" and the items presented under [13] "Receivables from financial services" and under [24] "Liabilities from financial services" in Section H. Notes on the consolidated statement of financial position.

Under IFRS 7, interest rate risks are presented using sensitivity analyses. These present the effects of changes in market interest rates on interest payments, interest income and expenses, other components of profit or loss and, if applicable, on equity.

If the market interest level had been 100 base points higher (lower) as of 31 December 2018, profit or loss would have been EUR 4.5 million lower (higher) (2017: EUR 6.4 million). The hypothetical effect on profit or loss is mainly attributable to overdraft facilities as well as receivables and liabilities from financial services. Equity would change accordingly.

Changes affecting other comprehensive income amounted to EUR 0.2 million (2017: EUR – 1.9 million).

Securities risks
The Würth Group is exposed to securities risks because of its investments. Specifically, there is a risk of financial loss due to changes in prices of (publicly traded) securities. One way of countering this risk is through diversification of the investment portfolio. When selecting bonds, a minimum rating of BBB (Standard & Poor's) is generally required. The rating development is monitored on a daily basis. If the bonds are downgraded by the rating agency, they are sold immediately. In addition, derivatives are used for risk management purposes to hedge security price risks.

Credit risks
Credit risks are countered by limiting business relationships to first-class banks with a minimum rating of BBB (Standard & Poor's). Default risks from receivables are minimized by continuously monitoring the creditworthiness of the counterparty and by limiting the aggregated individual risks from the counterparty. Standardized master agreements from the International Swaps and Derivatives Association (ISDA master agreements), including the Credit Support Annex (CSA), are in place with those external counterparties of the Würth Group with whom it enters into transactions as part of its financial risk management.

The maximum credit risk is the carrying amount of the financial assets recognized in the statement of financial position. The credit risk from operating activities is accounted for by recognizing a portfolio-based specific allowance on trade receivables.

Additional information about credit risks may be found under [13] "Receivables from financial services" and [16] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

Liquidity risks
The Würth Group needs liquidity to meet its financial obligations. Group entities are obliged by the Group's guidelines to deposit any excess cash not needed to meet current obligations with Würth Finance International B.V., 's-Hertogenbosch, Netherlands, or Adolf Würth GmbH & Co. KG, Künzelsau, Germany, to make it available to the Würth Group. The high international credit rating received by the Würth Group (Standard & Poor's issued an A rating on the Würth Group's non-current liabilities) means that the Group can obtain favorable terms for procuring funds on international capital markets. In order to be in a position to meet its payment obligations at any time, even in extraordinary circumstances, the Würth Group also maintains lines of credit with various banks to cover potential liquidity bottlenecks.

Default risk

Default risk from receivables from customers is controlled on the basis of the Würth Group's guidelines, procedures and controls for customer default management. The individual credit lines for customers are determined according to the credit rating. Outstanding receivables from customers are monitored regularly.
The impairment requirement is analyzed at each reporting date using the impairment matrix to determine the expected credit losses. The impairment rates are determined on the basis of the past-due period in days with customers grouped together with similar default patterns. The calculation includes the probability-weighted result taking into account the interest effect and appropriate and reliable information about past results, current circumstances and expected future economic conditions available at the reporting date. The maximum default risk on the reporting date corresponds to the carrying amount of each class of financial asset reported. The impairment matrix for receivables from customers may be found under [16] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

Capital management

The primary objective of the Würth Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio. The Würth Group manages its capital structure taking into account changes in the economic environment. In addition, the financial service providers within the Würth Group comply with the applicable regulatory capital requirements. No changes were made to the objectives, policies and processes as of 31 December 2018 and 31 December 2017.
The equity ratio, calculated as equity in accordance with IFRS divided by total assets, is 47.1 % (2017: 46.5 %). This means that the equity ratio is higher than the industry average and ensures the Würth Group an investment grade A rating at present. Regarding a US private placement, the Würth Group is also required to comply with a certain ratio of senior liabilities to equity.

Fair value of financial instruments

The fair value of the financial instruments reported under financial assets, which form part of the portfolio of financial instruments measured at fair value through profit or loss or part of financial instruments measured at amortized cost, is estimated by comparison with their listed market price on the reporting date.

The fair value of securities classified as financial instruments at fair value through profit or loss is determined in accordance with the valuation methods described in [20] "Securities" in Section H. Notes on the consolidated statement of financial position. The adjustment of the fair value of financial assets at fair value through profit or loss resulted in the recognition of EUR 3.5 million in profit or loss in the fiscal year and EUR 1.6 million in full in profit or loss in 2017.

The fair value of forward exchange contracts is measured using the closing rates on the forward exchange markets. Interest rate swaps are measured at fair value on the basis of the present value of estimated future cash flows. The fair value of options is measured using option-pricing models. The Würth Group has a policy of obtaining confirmation of the fair value of all the above instruments from the banks that arranged the respective contracts for the Würth Group.

The financial instruments not measured at fair value within the Würth Group primarily comprise certain cash equivalents, trade receivables, other current assets, other non-current assets, trade payables, and other liabilities, overdraft facilities, non-current loans and held-to-maturity investments.

The carrying amount of cash equivalents and overdraft facilities approximates fair value due to the high liquidity of the financial instruments.

The historical cost carrying amount of receivables and payables subject to normal trade credit terms also approximates fair value.

The fair value of non-current liabilities is based on the market price for these liabilities or similar financial instruments or on the current interest rates for borrowing at similar terms and conditions. The amounts reported in the consolidated balance sheet are very close to their fair value or are separately stated under [30] "Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9 for fiscal year 2018 and IAS 39 for fiscal year 2017" in Section H. Notes on the consolidated statement of financial position.

Derivative financial instruments and hedge accounting
As of the reporting date, the fair value of derivative financial instruments was as follows:

in millions of EUR	Contract value or nominal value		Positive replacement value		Negative replacement value	
Type	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Currency instruments						
Foreign exchange forward contracts	834.6	896.6	1.6	10.4	8.0	0.7
Currency options (OTC)	1.6	1.6	0.0	0.1	0.0	0.0
Total currency instruments	**836.2**	**898.2**	**1.6**	**10.5**	**8.0**	**0.7**
Interest instruments						
Interest rate swaps	622.0	821.4	5.3	7.7	4.5	7.2
Cross-currency swaps	171.6	198.1	7.1	16.1	0.8	0.7
Interest rate futures	51.7	41.1	0.0	0.0	0.0	0.0
Total interest instruments	**845.3**	**1,060.6**	**12.4**	**23.8**	**5.3**	**7.9**
Reduction due to CSA			**8.9**	**26.6**	**5.2**	**0.0**
Net replacement value			– 3.0	– 0.9		

As part of financial risk management, a credit support annex (CSA) was entered into. For this reason, the positive and negative replacement values of the interest instruments were all presented as a net value in the statement of financial position, i.e. after taking into account the cash settlement under the CSA.

Derivative financial instruments not designated as hedging instruments show the change in the fair value of the foreign exchange forward contracts that are not designated as hedging instruments in hedges, but are nevertheless designed to reduce the currency / interest rate risk of the Würth Group.

Cash flow hedges
The Würth Group designates cash flow hedges as part of its strategy to reduce its interest rate and foreign currency revaluation fluctuations within defined limits and to reduce the cash flow fluctuations resulting from the exchange rate and interest rate risks of an instrument or a group of instruments. Interest rate swaps are mainly used to hedge cash flows for highly probable forecasted transactions.

The following table shows the results of the hedging strategy:

in millions of EUR **Micro cash flow hedges**		Nominal amount	Assets **2018**	Liabilities **2018**	Assets **2017**	Liabilities **2017**
Planned new bond 2018	EUR	250.0	0.0	0.0	0.0	1.9
Planned new bond 2018	EUR	0.0	0.0	0.5	0.0	0.0
Planned new bond 2020	EUR	100.0	0.0	1.2	0.0	0.0

The micro cash flow hedge in connection with the new issue of a Würth bond in 2018 was terminated in 2018. The loss in other comprehensive income from premature termination will be recognized in profit and loss over the actual swap term from May 2018 onward.

The following table shows the carrying amount and maturity profile of the hedging instruments used to hedge cash flows:

in millions of EUR **31 December 2018**	< 1 year	1–5 years	> 5 years
Forecasted new bond 2020	0.0	0.0	1.2

Fair value hedges

Fair value hedges within the Würth Group essentially consist of interest rate swaps that are used to hedge against changes in the market value of the fixed-interest Würth bond maturing in 2025.

The following table shows the results of the hedging strategy, in particular the nominal value and book value of derivatives used by the Würth Group as hedging instruments:

in millions of EUR **Micro fair value hedges**	Nominal amount	Assets **2018**	Liabilities **2018**	Assets **2017**	Liabilities **2017**
Bond 2025	150.0	3.4	0.0	0.0	0.0

The following table shows the maturity and interest rate risk profile of the hedging instruments used in fair value hedges. Since the Würth Group only uses micro hedges with a ratio of 1:1 hedges, the following table effectively shows the result of the fair value hedges:

in millions of EUR **31 December 2018**	< 1 year	1–5 years	> 5 years
Bond 2025	0.0	0.0	3.4

In accordance with its hedging strategy, the Würth Group adapts the principle of hedging instruments to the principle of hedged items.

If the hedging instrument expires or is sold, terminated or exercised, or if the hedging transaction no longer meets the criteria for hedge accounting, or if the Würth Group decides to voluntarily terminate the hedging relationship, the hedging relationship is terminated prospectively. If the relationship does not meet the criteria for hedge effectiveness, the Würth Group discontinues hedge accounting from the last day on which compliance with the hedge effectiveness was demonstrated. If the hedging relationship for an item carried at amortized cost is terminated, the cumulative fair value hedge adjustment to the carrying amount of the hedged item is amortized over the remaining term of the original hedging instrument. When the hedged item is derecognized, the unamortized fair value adjustment is immediately recognized in the consolidated income statement.

[5] Leases

Lessee

The net carrying amount of assets leased under finance leases breaks down as follows:

in millions of EUR	2018	2017
Real estate	3.9	4.1
Machines, equipment, furniture and fixtures	1.6	1.6
Vehicle fleet	0.5	0.8
Other	0.8	1.0
Total	**6.8**	**7.5**

The vast majority of finance leases relate to real estate. These agreements are generally designed to include a purchase option and a renewal option. Furthermore, some contain price escalation clauses based on the Euribor. There are no significant restrictions imposed by lease agreements.

Minimum lease installments over the remaining terms of the finance lease agreements and their present value are as follows:

in millions of EUR	2018	2017
due within 12 months	1.5	1.8
due in 13 to 60 months	3.6	3.7
due in more than 60 months	0.2	1.3
Minimum lease payments from finance leases		
less expected future interest payments	5.3	6.8
due within 12 months	0.4	0.4
due in 13 to 60 months	0.8	1.3
due in more than 60 months	0.1	0.2
Present value of minimum lease payments	**4.0**	**4.9**
Thereof		
due within 12 months	1.1	1.4
due in 13 to 60 months	2.8	2.4
due in more than 60 months	0.1	1.1

Lessor

The consolidated group also contains several entities that specialize in leases. These entities also have finance and operating lease agreements with external third parties. They comprise leasing contracts primarily for machines, equipment, furniture and fixtures, and vehicles.

Reconciliation of the total gross investment with the present value of finance leases—lessor:

	31 December		Due within 12 months		Due in 13 to 60 months		Due in more than 60 months	
in millions of EUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Total lease installments (gross total investments in the lease)	988.9	914.0						
Lease installments already received	252.7	337.8						
Lease installments (future minimum lease payments)	736.2	576.2	218.1	174.5	485.8	371.0	32.3	30.7
Thereof: lease payments already sold	390.8	324.2	114.0	93.3	257.7	207.6	19.1	23.3
Unearned finance income	62.2	53.1	23.6	18.4	37.0	32.9	1.6	1.8
Present value of the outstanding minimum lease payments	**283.2**	**198.9**	**80.5**	**62.8**	**191.1**	**130.5**	**11.6**	**5.6**

The finance leases are mainly hire-purchase arrangements or full payout lease agreements with a maximum term of over 90 % of the leased assets' estimated useful life. The contracts can only be terminated for due cause for which the counterparty is responsible.

During the fiscal year, provisions amounting to EUR 0.7 million (2017: EUR 1.7 million) were established for uncollectible outstanding minimum leasing payments.

Cash flow from operating leases—lessor:

in millions of EUR	**2018**	**2017**
Due within 12 months	3.2	4.1
Due in 13 to 60 months	10.4	10.7
Due in more than 60 months	0.4	3.8
Total	**14.0**	**18.6**

[6] Related parties

Basically, "related parties" are members of the Würth family and entities controlled by them, as well as key management personnel (members of the Würth Group's Central Managing Board and the Executive Board), members of the Advisory Board of the Würth Group, the Management Board of the Würth Group's Family Trusts, the Supervisory Board of the Würth Group's Family Trusts, and close family members of the aforementioned groups of persons. "Related parties" also include the family trusts. Related party transactions were all conducted at arm's length.

Payments of EUR 295.8 million (2017: EUR 263.8 million) were made to members of the Würth family and the family trusts for distributions and usufructuary rights. Of the payments made, an amount of EUR 133.0 million (2017: 173.5 million) was later recontributed.

The transactions and interest income and expenses listed below were effected between the Würth Group and the Würth family, members of the Central Managing Board, the Executive Board and the Advisory Board, as well as the Management Board and the Supervisory Board of the Würth Group's Family Trusts.

in millions of EUR	2018	2017
Purchased services	3.0	2.8
Services rendered	0.7	0.2
Interest cost	0.6	0.5
Interest income	0.0	0.1
Lease / rental expense	4.9	6.0
Lease / rental income	0.6	0.3
Remuneration of the Management Board and Supervisory Board of the Würth Group's Family Trusts, the Advisory Board, members of the Würth family	8.3	7.6

The following receivables and liabilities arose from these transactions:

in millions of EUR	2018	2017
Receivables from financial services	20.2	14.2
Loan receivables	7.1	10.6
Liabilities from financial services	3.9	2.5
Loan liabilities	14.6	9.6

In addition, close family members of key management personnel received wage and salary payments of EUR 0.0 million (2017: EUR 0.1 million). In addition, there are liabilities from financial services from this group of persons amounting to EUR 0.0 million (2017: EUR 0.1 million).

The interest income and expenses listed below were transacted between the Würth Group and the Family Trusts:

in millions of EUR	2018	2017
Lease / rental expense	1.0	1.0
Interest cost	4.0	3.4
Interest income	0.4	0.1

The following receivables and liabilities result from these business relationships:

in millions of EUR	2018	2017
Loan receivables	0.0	30.1
Loan liabilities	6.1	0.0

Receivables and liabilities from financial services from all related companies and persons bear interest at market rates. All other purchased services are also rendered at market terms and conditions.

[7] Compensation of key management personnel

in millions of EUR	2018	2017
Short-term employee benefits	23.0	25.7
Post-employment benefits	0.2	0.1
Benefits due to the end of the employment relationship	1.4	0.3
Total	**24.6**	**26.1**

Individual members of the Central Managing Board and the Executive Board have a right to pension benefits with a total present value of EUR 17.1 million (2017: EUR 16.1 million). Former members and their surviving dependents are also entitled to benefit payments. The present value of the resulting benefit obligations totals EUR 18.0 million (2017: EUR 26.7 million).

[8] Government grants

The Würth Group received government grants of EUR 1.0 million in the form of investment subsidies for infrastructure projects (2017: EUR 1.5 million). Of this amount, EUR 0.0 million (2017: EUR 0.5 million) was deducted from the carrying amounts of the related assets and EUR 1.0 million (2017: EUR 1.0 million) was immediately recognized in profit or loss.

[9] Auditor's fees

The following table shows, on aggregate, the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, in the 2018 fiscal year.

in millions of EUR	2018	2017
Audit	1.9	2.0
Assurance services	0.1	0.1
Other fees	0.2	0.1
Total	**2.2**	**2.2**

[10] Exemption from the duty of partnerships and stock corporations to prepare, audit and disclose financial statements

The following German group entities organized as partnerships made use of the exemption clause according to Sec. 264b HGB for the 2018 fiscal year:

Entity	Registered office
Abraham Diederichs GmbH & Co. oHG	Wuppertal
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg
Adolf Würth GmbH & Co. KG	Künzelsau
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg
Baier & Michels GmbH & Co. KG	Ober-Ramstadt
Conpac GmbH & Co. KG	Celle
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar
Glessdox GmbH & Co. KG	Untermünkheim
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr
Marbet Marion & Bettina Würth GmbH & Co. KG	Künzelsau
Meguin GmbH & Co. KG Mineraloelwerke	Saarlouis
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen
Schössmetall GmbH & Co. KG	Freilassing
Siller & Laar Schrauben- Werkzeug- und Beschläge-Handel GmbH & Co. KG	Augsburg
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten
SYNFIBER AS & Co. beschränkt haftende KG	Worms
Teudeloff GmbH & Co. KG	Waldenburg
TOGE Dübel GmbH & Co. KG	Nuremberg
TUNAP Deutschland Vertriebs- GmbH & Co. Betriebs-KG	Wolfratshausen
TUNAP GmbH & Co. KG	Wolfratshausen
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn
Waldenburger Beteiligungen GmbH & Co. KG	Künzelsau
Werkzeugtechnik Niederstetten GmbH & Co.KG	Niederstetten
WLC Würth-Logistik GmbH & Co. KG	Künzelsau
Würth - Elektronik GmbH & Co KG	Niedernhall
Würth Elektrogroßhandel GmbH & Co. KG	Künzelsau
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg
Würth Elektronik ICS GmbH & Co. KG	Niedernhall
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim
Würth IT International GmbH & Co. KG	Bad Mergentheim
Würth Leasing GmbH & Co. KG	Albershausen
Würth Modyf GmbH & Co. KG	Künzelsau
Würth TeleServices GmbH & Co. KG	Künzelsau
Würth Versicherungsdienst GmbH & Co. KG	Künzelsau

The following German group entities organized as corporations made use of the exemption clause according to Sec. 264 (3) HGB for the 2018 fiscal year:

Entity	Registered office
AHD Auto-Hifi & -Design GmbH	Künzelsau
BB-Stanz- und Umformtechnik GmbH	Berga
Conmetall Meister GmbH	Celle
Deko-Light Elektronik-Vertriebs GmbH	Karlsbad
Dinol GmbH	Lügde
Dringenberg GmbH Betriebseinrichtungen	Obersulm
E 3 Energie Effizienz Experten GmbH	Künzelsau
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall
Grass GmbH	Reinheim
HAHN+KOLB Werkzeuge GmbH	Ludwigsburg
Hetalco GmbH	Alpirsbach
HSR GmbH Hochdruck Schlauch + Rohr Verbindungen	Neukirchen-Vluyn
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn
KERONA GmbH	Öhringen
Lichtzentrale Lichtgroßhandel GmbH	Ansbach
Liqui - Moly Gesellschaft mit beschränkter Haftung	Ulm
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal
"METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH	Wuppertal
Normfest GmbH	Velbert
Panorama Hotel- und Service GmbH	Waldenburg
Pronto-Werkzeuge GmbH	Wuppertal
Reca Norm GmbH	Kupferzell
Reinhold Würth Holding GmbH	Künzelsau
REISSER Schraubentechnik GmbH	Ingelfingen
Schmitt Elektrogroßhandel GmbH	Fulda
SCREXS GmbH	Waldenburg
Sonderschrauben Hamburg GmbH Eiben & Co.	Künzelsau
SVH Handels-GmbH	Dortmund
SWG Schraubenwerk Gaisbach GmbH	Waldenburg
WASI GmbH	Wuppertal
WOW ! Würth Online World GmbH	Künzelsau
WSS Würth Shared Services GmbH	Künzelsau
WUCATO Marketplace GmbH	Stuttgart
Würth Elektronik iBE GmbH	Thyrnau
Würth IT GmbH	Bad Mergentheim
Würth Logistic Center Europe GmbH	Künzelsau
Würth Logistics Deutschland GmbH	Bremen
Würth Truck Lease GmbH	Dreieich

J. Notes on the consolidated statement of cash flows

In accordance with IAS 7, the consolidated statement of cash flows shows how the Würth Group's cash has changed over the fiscal year as a result of cash received and paid. It is classified by cash flows from operating, investing or financing activities.

The cash flow from operating activities is derived indirectly from the earnings before taxes. Specifically, the figure for earnings before taxes is adjusted for income taxes paid, finance costs and finance revenue, interest income and expenses from operating activities, changes in post-employment benefit obligations, non-cash amortization, depreciation, impairment and reversals of impairment, as well as losses and gains on the disposal of non-current assets, and other non-cash expenses and income.

The effects of acquisitions and other changes in the consolidated group have been eliminated. When purchased subsidiaries are included for the first time, only the actual cash flows are shown in the consolidated statement of cash flows. Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand and bank balances as well as highly liquid short-term investments and other cash equivalents.

The effects of acquisitions and other changes in the consolidated group on the consolidated statement of cash flows have been considered separately. Please refer to "C. Consolidated group".

K. List of shareholdings

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Albania		
Würth Albania Ltd.	Tirana	100
Argentina		
Wumet Argentina S.A.	Canuelas	100
Würth Argentina S.A.	Canuelas	100
Armenia		
Würth LLC	Yerevan	100
Australia		
Würth Australia Pty Ltd	Dandenong South	100
Austria		
Würth Handelsgesellschaft m.b.H.	Böheimkirchen	100
Azerbaijan		
Wurth Azerbaijan LLC	Baku	100
Belarus		
FLLC "WurthBel"	Minsk	100
Belgium		
Würth België N.V.	Turnhout	100
Bosnia and Herzegovina		
WURTH BH d.o.o.	Sarajevo	100
Brazil		
Wurth do Brasil Peças de Fixação Ltda.	Cotia	100
Bulgaria		
Würth Bulgarien EOOD	Sofia	100
Cambodia		
Wuerth (Cambodia) Ltd.	Phnom Penh	100
Canada		
McFadden's Hardwood & Hardware Inc.	Oakville	100
Würth Canada Ltd., Ltée	Guelph	100
Chile		
Würth Chile Ltda.	Santiago de Chile	100
China		
Wuerth Master Power Tools Limited	Hong Kong	100
Wuerth (China) Co., Ltd.	Shanghai	100
Wuerth (Shenyang) Hardware & Tools Co., Ltd.	Shenyang	100
Wuerth (Tianjin) International Trade Co., Ltd.	Tianjin	100

Entity	Registered office	Würth Group share in %
China		
Wuerth (Zhejiang) Trade Co., Ltd	Haiyan	100
Würth Taiwan Co. Ltd.	Miaoli	100
Würth (Chongqing) Hardware & Tools Co., Ltd.	Chongqing	100
Würth (Guangzhou) International Trading Co., Ltd.	Guangzhou	100
Wurth Hong Kong Co., Ltd.	Hong Kong	100
Colombia		
Würth Colombia SA	Bogotá	100
Costa Rica		
Würth Costa Rica, S.A.	La Uruca, San José	100
Croatia		
Würth-Hrvatska d.o.o.	Zagreb	100
Czech Republic		
Würth, spol. s r.o.	Nepřevázka	100
Würth MASTERSERVICE CZ, spol. s r.o.	Prague	100
Denmark		
Würth Danmark A/S	Kolding	100
Dominican Republic		
Würth Dominicana S.A.	Santo Domingo	100
Ecuador		
WURTH ECUADOR S.A.	Quito	100
Estonia		
Aktsiaselts Würth	Tallinn	100
Finland		
Würth Oy	Riihimäki	100
France		
Würth France SAS	Erstein	95
Würth Modyf France S.A.R.L.	Erstein	100
Georgia		
Würth Georgia Ltd.	Tbilisi	100
Germany		
Würth Modyf GmbH & Co. KG	Künzelsau	100
Greece		
Wurth Hellas S.A.	Kryoneri, Attica	100
Hungary		
Würth Szereléstechnika KFT	Budaörs	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Iceland		
Würth á Íslandi ehf.	Reykjavik	100
India		
Wuerth India Pvt. Ltd.	Mumbai	100
Indonesia		
Wuerth Indonesia P.T.	Jakarta	99
Iran		
Würth Teheran Ltd.	Tehran	100
Ireland		
Würth (Ireland) Limited	Limerick	100
Israel		
Würth Israel Ltd.	Caesarea	100
Italy		
Modyf S.r.l.	Tramin	100
Pandora Technology Srl	Neumarkt	100
Würth S.r.l.	Neumarkt	100
Japan		
Würth Japan Co., Ltd.	Yokohama	100
Jordan		
Wurth - Jordan Co. Ltd.	Amman	100
Kazakhstan		
Wuerth Kazakhstan Ltd.	Almaty	100
Kenya		
Wuerth Kenya Ltd.	Nairobi	100
Kosovo		
Würth-Kosova Sh.p.k.	Gračanica	100
Kyrgyzstan		
Würth Foreign Swiss Company Ltd.	Bishkek	100
Latvia		
SIA Wurth	Riga	100
Lebanon		
Wurth Lebanon SAL	Beirut	100
Lithuania		
Wurth Lietuva UAB	Ukmerge	100
Macedonia		
Wurth Makedonija DOOEL	Čučer-Sandevo	100
Malaysia		
Wuerth (Malaysia) Sdn. Bhd.	Kuala Lumpur	100

Entity	Registered office	Würth Group share in %
Malta		
Würth Limited	Zebbug	99
Martinique		
Würth Caraïbes SARL	Ducos	100
Mexico		
Würth México S.A. de C.V.	Morelos	100
Moldova		
Wurth S.R.L.	Chisinau	100
Mongolia		
Wuerth Mongolia LLC	Ulaanbaatar	100
Montenegro		
Wurth d.o.o. Podgorica	Podgorica	100
Namibia		
Wurth Namibia (Pty) Ltd	Windhoek	100
Netherlands		
Würth Nederland B.V.	's-Hertogenbosch	100
New Zealand		
Wurth New Zealand Ltd.	Auckland	100
Norway		
Würth Norge AS	Hagan	100
Panama		
Würth Centroamérica S.A.	Panama City	100
Peru		
Würth Perú S.A.C.	Lima	100
Philippines		
Wuerth Philippines, Inc.	Laguna	100
Poland		
Würth Polska Sp. z o.o.	Warsaw	100
Portugal		
Würth (Portugal) Técnica de Montagem Lda.	Sintra	100
Würth Modyf Lda.	Sintra	100
Romania		
Würth Romania S.R.L	Otopeni	100
Russia		
"Würth Eurasien" Aktiengesellschaft	Yekaterinburg	100
Wuerth North-West JSC	St. Petersburg	100
"Würth-Rus" Aktiengesellschaft	Moscow	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Saudi Arabia		
Wurth Saudi Arabia LLC	Riyadh	75
Serbia		
Wurth d.o.o.	Belgrade	100
Slovakia		
Hommel Hercules France, s.r.o.	Bratislava	100
Würth spol. s r.o.	Bratislava	100
Slovenia		
Würth d.o.o.	Trzin	100
South Africa		
Wuerth South Africa (Pty.) Ltd.	Gauteng	100
Spain		
WÜRTH CANARIAS, S.L.	Las Palmas	100
Würth España, S.A	Palau-solità i Plegamans	100
Würth Modyf S.A.	Palau-solità i Plegamans	100
Sri Lanka		
Wurth Lanka (Private) Limited	Pannipitiya	100
Sweden		
Würth Svenska AB	Örebro	100
Switzerland		
Würth AG	Arlesheim	100
Thailand		
Wuerth (Thailand) Company, Limited	Bangkok	100

Entity	Registered office	Würth Group share in %
Turkey		
Würth Sanayi Ürünleri Tic. Ltd. Sti.	Mimarsinan	100
Ukraine		
Würth Ukraine Ltd.	Kiev	100
United Arab Emirates		
Würth Gulf FZE	Dubai	100
Wurth Gulf (L.L.C.)	Dubai	49
United Kingdom		
Wurth (Northern Ireland) Ltd.	Belfast	100
Würth U.K. Ltd.	Erith	100
Uruguay		
Wurth del Uruguay S.A.	Barros Blancos	100
USA		
Dakota Premium Hardwoods LLC	Waco, Texas	100
Oliver H. Van Horn Co., LLC	New Orleans, Louisiana	100
Wurth Action Bolt & Tool Co.	Lake Worth, Florida	100
Wurth Baer Supply Co.	Vernon Hills, Illinois	100
Wurth Louis and Company	Brea, California	100
Wurth USA Inc.	Ramsey, New Jersey	100
Wurth Wood Group Inc.	Charlotte, North Carolina	100
Vietnam		
Wurth Vietnam Company Limited	Ho Chi Minh City	100

WÜRTH LINE INDUSTRY

Entity	Registered office	Würth Group share in %
Australia		
Thomas Warburton Pty. Ltd.	Dandenong South	100
Belgium		
Würth Industry Belgium N.V.	Grâce-Hollogne	100
Würth Industry Belux S.A.	Grâce-Hollogne	100
Brazil		
Würth SW Industry Pecas de Fixacão Ltda.	São Bernardo do Campo	100
Canada		
Wurth Industry of Canada Ltd.	Brantford	100
China		
Arvid Nilsson Logistics & Trade (Shanghai) Co., Ltd.	Shanghai	100
WASI Tianjin Fastener Co., Ltd.	Tianjin	100
Wuerth Baier & Michels (Shanghai) Automotive Fastener Co., Ltd.	Shanghai	100
Denmark		
Würth Industri Danmark A/S	Kolding	100
France		
Würth Industrie France S.A.S.	Erstein	100
Germany		
Baier & Michels GmbH & Co. KG	Ober-Ramstadt	100
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim	100
India		
Wuerth Industrial Services India Pvt. Ltd.	Pune	100
Italy		
Baier & Michels S.r.l.	Padua	100
Malaysia		
Wuerth Industrial Services Malaysia Sdn. Bhd.	Kuala Lumpur	100
Mexico		
Wuerth Baier & Michels México S.A.de C.V.	Querétaro	100
Würth Industry de Mexico S de RL de CV	Reynosa	100
Würth McAllen Maquila Services S de RL de CV	Reynosa	100

Entity	Registered office	Würth Group share in %
New Zealand		
EDL Fasteners Ltd.	East Tamaki	100
Norway		
Würth Industri Norge A/S	Dokka	100
Romania		
S.C. Wurth Industrie S.r.l.	Otopeni	100
South Africa		
Action Bolt (Pty.) Ltd.	Durban	100
South Korea		
Wuerth Korea Co., Ltd.	Gyeonggi-Do	100
Spain		
Wuerth Baier & Michels España, S.A.	Sant Quirze del Vallès	100
Würth Industria España, S.A.	Sant Quirze del Vallès	100
Sweden		
Würth Industri Sverige AB	Askim	100
Turkey		
Würth Baier & Michels Otomotiv Ltd. Sti.	Bursa	100
Würth Industrie Service Endüstriyel Hizmetler Pazarlama Limited Sirketi	Silivri	100
USA		
Baier & Michels USA Inc.	Greenville, South Carolina	100
Marine Fasteners Inc.	Sanford, Florida	100
Northern Safety Company, Inc.	Frankfort, New York	100
Weinstock Bros., Inc.	Valley Stream, New York	100
Würth Adams Nut & Bolt Company	Brooklyn Park, Minnesota	100
Wurth Des Moines Bolt Inc.	Des Moines, Iowa	100
Wurth House of Threads Inc.	Wilmington, Delaware	100
Wurth RevCar Fasteners, Inc.	Roanoke, Virginia	100
Wurth Snider Bolt and Screw, Inc.	Louisville, Kentucky	100
Wurth Timberline Fasteners Inc.	Commerce City, Colorado	100
Wurth/Service Supply Inc.	Greenwood, Indiana	100

ELECTRICAL WHOLESALE

Entity	Registered office	Würth Group share in %
China		
Deko-Light [HK] Limited	Hong Kong	100
Czech Republic		
Elfetex spol. s r.o.	Plzeň	100
Estonia		
W.EG Eesti OÜ	Tallinn	100
Germany		
Deko-Light Elektronik-Vertriebs GmbH	Karlsbad	100
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach	100
Lichtzentrale Lichtgroßhandel GmbH	Ansbach	100
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn	100
Walter Kluxen GmbH	Hamburg	100
Italy		
Blumel Srl	Merano	100

Entity	Registered office	Würth Group share in %
Italy		
CSI Srl	Schio	100
MEF S.r.l.	Florence	65
M.E.B. Srl	Schio	79
Latvia		
SIA Baltjas Elektro Sabiedriba	Riga	100
Lithuania		
Gaudre UAB	Vilnius	100
UAB ELEKTROBALT	Vilnius	100
Poland		
Elektroskandia Polska Sp. z o. o.	Poznań	100
Fega Poland Sp. z o.o.	Wrocław	100
W.EG Polska Sp. z o. o.	Wrocław	100
Slovakia		
HAGARD: HAL, spol. s r.o.	Nitra	100

TRADE

Entity	Registered office	Würth Group share in %
Belgium		
CONMETALL N.V.	Sint-Katelijne-Waver	100
Duvimex Belgium BvbA	Edegem	100
China		
DIY Products Asia Ltd.	Hong Kong	100
Meister Tools Trading (Shanghai) Co., Ltd.	Shanghai	100
Czech Republic		
CONMETALL spol. s r.o.	Opava	100
France		
Meister France S.A.S.	Strasbourg	100
SWG France SARL	Forbach	100
Germany		
Conmetall Meister GmbH	Celle	100
Conpac GmbH & Co. KG	Celle	100
Glessdox GmbH & Co. KG	Untermünkheim	100

Entity	Registered office	Würth Group share in %
Germany		
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein	100
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr	100
KERONA GmbH	Öhringen	100
Schössmetall GmbH & Co. KG	Freilassing	100
Teudeloff GmbH & Co. KG	Waldenburg	100
Hungary		
REISSER Csavar Kft	Szár	100
Van Roij Fasteners Hungaria Kft.	Dunaharaszti	100
Italy		
Masidef S.r.l.	Caronno Pertusella	100
Unifix SWG S.r.l.	Terlano	100
Netherlands		
Van Roij Fasteners Europe B.V.	Deurne	100

TRADE

Entity	Registered office	Würth Group share in %
Norway		
Arvid Nilsson Norge AS	Oslo	100
Synfiber AS	Hagan	100
Poland		
REISSER - POL Sp. z o.o.	Poznań	100
Romania		
REISSER TEHNIC S.R.L. Filiala Romania	Cluj Napoca	100
Russia		
IVT Ural, O.O.O.	Bolshoj Istok	100
Spain		
Reisser Tornillería SLU	Barcelona	100
RUC Holding Conmetall S.A.	Barcelona	100
SWG Schraubenwerk Gaisbach Espana, S.L.U.	Barcelona	100
Sweden		
Arvid Nilsson Sverige AB	Kungälv	100
Switzerland		
Reinhold Handels AG	Chur	100

PRODUCTION

Entity	Registered office	Würth Group share in %
Australia		
Grass Australia/New Zealand Pty Ltd.	Coburg	100
Austria		
Grass GmbH	Höchst	100
Schmid Schrauben Hainfeld GmbH	Hainfeld	100
Canada		
Grass Canada Inc.	Toronto	100
China		
Arnold Fasteners (Shenyang) Co., Ltd.	Shenyang	100
Grass (Shanghai) International Trading Co., Ltd.	Shanghai	100
Czech Republic		
GRASS CZECH s.r.o.	Cesky Krumlov	100
Denmark		
Dokka Fasteners A/S	Brande	100
France		
Arnold Technique France SA	Salaise-sur-Sanne	100
Germany		
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg	100
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg	100
BB-Stanz- und Umformtechnik GmbH	Berga	100
Chemofast Anchoring GmbH	Willich-Münchheide	100
Dringenberg GmbH Betriebseinrichtungen	Obersulm	100
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt	100
Grass GmbH	Reinheim	100
Grass Vertriebs GmbH Deutschland	Ofterdingen	100
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach	100
REISSER Schraubentechnik GmbH (1)	Ingelfingen	100
SWG Schraubenwerk Gaisbach GmbH (1)	Waldenburg	100
TOGE Dübel GmbH & Co. KG	Nuremberg	100
Werkzeugtechnik Niederstetten GmbH & Co.KG	Niederstetten	100
Hungary		
Felo Szerszámgyár Kft.	Eger	100
Italy		
Grass Italia SRL	Pordenone	100
Norway		
Dokka Fasteners AS	Dokka	100
Poland		
Dringenberg Polska Sp. z o.o.	Zagan	100

On (1): These entities also operate in the Trade segment.

PRODUCTION

Entity	Registered office	Würth Group share in %
South Africa		
Grass ZA (Pty.) Ltd.	Montague Gardens	100
Spain		
Grass Iberia, S.A.	Iurreta	100
Sweden		
Grass Nordiska AB	Jönköping	100
Switzerland		
KMT Kunststoff- und Metallteile AG	Hinwil	100
Turkey		
Grass TR Mobilya Aksesuarlari Ticaret Limited Sirketi	Istanbul	100

Entity	Registered office	Würth Group share in %
United Kingdom		
Grass Movement Systems Ltd	West Bromwich	100
Tooling International Ltd.	Solihull	100
USA		
Arnold Fastening Systems, Inc.	Auburn Hills, Michigan	100
Grass America, Inc.	Kernersville, North Carolina	100
MKT Fastening L.L.C.	Lonoke, Arkansas	100

ELECTRONICS

Entity	Registered office	Würth Group share in %
Australia		
Wurth Electronics Australia Pty. Ltd.	Footscray	100
Austria		
Würth Elektronik Österreich GmbH	Schwechat	100
Bulgaria		
Würth Elektronik iBE BG EOOD	Belozem	100
China		
Stelvio Kontek Limited	Hong Kong	100
Wuerth Electronic Tianjin Co., Ltd.	Tianjin	100
Wurth Electronics Co., Ltd.	Taipei	100
Wurth Electronics (Chongqing) Co., Ltd.	Chongqing	100
Wurth Electronics (HK) Limited	Hong Kong	100
Wurth Electronics (Shenyang) Co., Ltd.	Shenyang	100
Wurth Electronics (Shenzhen) Co., Ltd	Shenzhen	100
Würth Elektronik eiSos GmbH&Co KG Taiwan Branch	Taipei	100
Czech Republic		
Würth Elektronik eiSos Czech s.r.o.	Brno	100
Würth Elektronik IBE CZ s.r.o.	České Budějovice	100
Finland		
Würth Elektronik Oy	Nurmijärvi	100

Entity	Registered office	Würth Group share in %
France		
Würth Elektronik France SAS	Jonage	100
Germany		
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar	100
Würth - Elektronik GmbH & Co KG	Niedernhall	94
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg	100
Würth Elektronik iBE GmbH	Thyrnau	100
Würth Elektronik ICS GmbH & Co. KG	Niedernhall	100
Hungary		
Würth Elektronik Hungary Kft.	Budapest	100
SIME Elektronikai Gyártó és Forgalmazó Kft.	Tab	75
India		
Wuerth Elektronik CBT India Private Limited	Bangalore	100
Wuerth Elektronik India Pvt Ltd	Bangalore	100
Wurth Electronics Services India Private Limited	Bangalore	100
Israel		
Würth Elektronik Israel LTD	Caesarea	100

ELECTRONICS

Entity	Registered office	Würth Group share in %
Italy		
Wuerth Elektronik Stelvio Kontek S.p.A.	Oggiono	100
Würth Elektronik Italia s.r.l.	Vimercate	100
Mexico		
Wemsa S.A. de C.V.	Irapuato	100
Würth Elektronik Mexico S.A. de C.V.	Irapuato	100
Netherlands		
Würth Elektronik Nederland B.V.	’s-Hertogenbosch	100
Poland		
Würth Elektronik Polska sp. z o. O	Wrocław	100
Romania		
sc STM Elettromeccanica S.r.l.	Blaj	100
Russia		
Würth Elektronik RUS OOO	Moscow	100
Singapore		
Wurth Electronics Singapore Pte. Ltd.	Singapore	100
Slovenia		
Würth Elektronik eiSos, izdelava in prodaja elektronskih ter elektromehanskih komponent d.o.o.	Trbovlje	100

Entity	Registered office	Würth Group share in %
Spain		
Würth Elektronik España, S.L.	Barcelona	100
Sweden		
Würth Elektronik Sweden AB	Enköping	100
Switzerland		
Würth Elektronik (Schweiz) AG	Volketswil	100
Turkey		
Würth Elektronik Ithalat Ihracat ve Ticaret Ltd. Sti.	Ümraniye	100
United Kingdom		
IQD Frequency Products Limited	Crewkerne	100
Würth Electronics UK Ltd.	Manchester	100
USA		
IQD Frequency Products Inc	Palm Springs, California	100
Wurth Electronics ICS, Inc.	Dayton, Ohio	100
Wurth Electronics Midcom Inc.	Watertown, South Dakota	100

RECA GROUP

Entity	Registered office	Würth Group share in %
Austria		
Kellner & Kunz AG	Wels	100
Belgium		
Reca Belux S.A./N.V.	Schaerbeek	100
Bosnia and Herzegovina		
RECA d.o.o. Sarajevo	Sarajevo	100
Bulgaria		
Reca Bulgaria EOOD	Sofia	100
China		
reca (Shanghai) Intern. Trading Co., Ltd.	Shanghai	100
Croatia		
reca d.o.o.	Varazdin	100

Entity	Registered office	Würth Group share in %
Czech Republic		
Normfest s.r.o.	Prague	90
reca spol. s r.o.	Brno	100
France		
Reca France SAS	Reichstett	75
Germany		
Normfest GmbH	Velbert	100
Reca Norm GmbH	Kupferzell	100
Siller & Laar Schrauben-Werkzeug- und Beschläge- Handel GmbH & Co. KG	Augsburg	100
Hungary		
Reca KFT	Budapest	100

RECA GROUP

Entity	Registered office	Würth Group share in %
Italy		
FIME S.r.l.	Belfiore	100
Reca Italia S.r.l.	Gazzolo d'Arcole	100
SCAR S.r.l.	Bussolengo	100
Netherlands		
A.J. Steenkist-Rooijmans B.V.	Eindhoven	100
Poland		
Normfest Polska Sp. z o.o.	Poznań	100
reca Polska Sp. z o.o.	Węgrzce	100
Romania		
Reca Bucuresti S.R.L.	Bucharest	100
Serbia		
reca d.o.o. Beograd	Belgrade	100

Entity	Registered office	Würth Group share in %
Slovakia		
reca Slovensko s.r.o.	Bratislava	100
Slovenia		
Reca D.O.O.	Pesnica pri Mariboru	100
Spain		
reca Hispania S.A.U.	Paterna	100
Walter Martínez S. A.	Zaragoza	100
Switzerland		
Airproduct AG	Oberwil-Lieli	100
Reca AG	Samstagern	100
United Kingdom		
reca-uk ltd	West Bromwich	100

TOOLS

Entity	Registered office	Würth Group share in %
Austria		
Hommel & Seitz GmbH	Vienna	100
Metzler GmbH & Co. KG	Röthis	100
Bulgaria		
Hahn i Kolb Instrumenti EOOD	Sofia	100
China		
HAHN + KOLB (Tianjin) International Trade Co., Ltd.	Tianjin	100
Czech Republic		
HHW-Hommel Hercules Werkzeughandel CZ/SK s.r.o.	Prague	100
Germany		
HAHN+KOLB Werkzeuge GmbH	Ludwigsburg	100
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim	100
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen	100
SVH Handels-GmbH	Dortmund	100
Hungary		
HAHN + KOLB Hungaria Kft.	Budapest	100

Entity	Registered office	Würth Group share in %
India		
HAHN+KOLB Tools Pvt. Ltd.	Pune	100
Mexico		
HAHN+KOLB Mexico S. de R.L. de C.V.	Puebla	100
Poland		
HAHN + KOLB POLSKA Sp. z o.o.	Poznań	100
HHW Hommel Hercules PL Sp. z o.o.	Katowice	100
Romania		
HAHN+KOLB ROMANIA SRL	Otopeni	100
Russia		
OOO Hahn+Kolb	Moscow	100
Serbia		
Hahn + Kolb d.o.o. Beograd	Belgrade	100
Turkey		
HAHN KOLB Endüstri Ürünleri Tic. Ltd. Sti	Istanbul	100

CHEMICALS

Entity	Registered office	Würth Group share in %
Austria		
TUNAP Cosmetics GmbH	Kematen in Tyrol	51
TUNAP Cosmetics Liegenschaften GmbH	Kematen in Tyrol	51
TUNAP chemisch-technische Produkte Produktions- und Handelsgesellschaft m.b.H.	Vienna	67
Belgium		
Tunap Benelux nv	Lokeren	100
Brazil		
AP Winner Indústria e Comércio de Produtos Químicos Ltda.	Ponta Grossa	100
TUNAP do Brasil Comércio de Produtos Químicos Ltda.	São Paulo	67
China		
AP Winner (Changzhou) Chemical Technology Co., Ltd.	Changzhou	100
Tunap (Shanghai) International Trading Co., Ltd.	Shanghai	67
France		
Tunap France SAS	Dachstein	67
Germany		
Dinol GmbH	Lügde	100
Kisling (Deutschland) GmbH	Künzelsau	100
Liqui - Moly Gesellschaft mit beschränkter Haftung	Ulm	100
Meguin GmbH & Co. KG Mineraloelwerke	Saarlouis	100
Momper Auto-Chemie GmbH	Vöhringen	100
TUNAP Deutschland Vertriebs- GmbH & Co. Betriebs-KG	Wolfratshausen	51
TUNAP GmbH & Co. KG	Wolfratshausen	100
TUNAP Sports GmbH	Munich	100
Italy		
LIQUI MOLY ITALIA Srl	Milan	100
Tunap Italia S.r.l.	Terlano	67
Your Own Brand S.R.L	Milan	100

Entity	Registered office	Würth Group share in %
Netherlands		
Diffutherm B.V.	Hapert	100
Norway		
Tunap Norge AS	Hagan	67
Poland		
TUNAP Polska Sp. Z o.o.	Warsaw	67
Portugal		
LIQUI-MOLY IBÉRIA, UNIPESSOAL, LDA	Sintra	100
Russia		
TUNAP Russia OOO	Moscow	67
South Africa		
LIQUI MOLY SOUTH AFRICA (PTY) LTD	Randburg	100
Spain		
Tunap Productos Quimicos S.A.	Barcelona	67
Sweden		
Tunap Sverige AB	Sollentuna	67
Switzerland		
Kisling AG	Wetzikon	100
TUNAP AG	Märstetten	51
Turkey		
Tunap Kimyasal Ürünler Pazarlama Ltd. Sti.	Istanbul	67
United Kingdom		
Tunap (UK) Limited	Tonbridge	67
USA		
Dinol U.S. Inc.	Wilmington, Delaware	100
Liqui Moly USA, Inc.	Hauppauge, New York	100

SCREWS AND STANDARD PARTS

Entity	Registered office	Würth Group share in %
Australia		
James Glen Pty Ltd	Lidcombe	100
Belgium		
HSR Belgium S.A./N.V.	Antwerp	100
Bulgaria		
Wasi Bulgarien EOOD	Sofia	100
China		
WASI (SHANGHAI) FASTENER TRADING CO., LTD.	Shanghai	100
Croatia		
WASI d.o.o.	Zagreb	100
Estonia		
Ferrometal Baltic OÜ	Tallinn	100
Finland		
Ferrometal Oy	Nurmijärvi	100
France		
INTER-INOX Sarl	Meyzieu	100
Germany		
HSR GmbH Hochdruck Schlauch + Rohr Verbindungen	Neukirchen-Vluyn	100

Entity	Registered office	Würth Group share in %
Germany		
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn	100
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten	100
WASI GmbH	Wuppertal	100
Greece		
Inox Mare Hellas SA	Thessaloniki	100
Italy		
HSR Italia S.r.l.	Verona	100
Inox Mare S.r.l.	Rimini	100
Inox Tirrenica S.r.l.	Fiumicino	100
Spinelli s.r.l	Terlano	100
Serbia		
WASI d.o.o.	Belgrade	100
Switzerland		
Modal Inox AG	Arlesheim	100
Turkey		
Inox Ege Metal Ürünleri Dis Ticaret Limited Sirketi	Beylikdüzü	100

FINANCIAL SERVICES

Entity	Registered office	Würth Group share in %
Austria		
Würth Leasing GmbH	Vienna	100
Denmark		
Würth Leasing Danmark A/S	Kolding	100
Germany		
Internationales Bankhaus Bodensee AG	Friedrichshafen	94
Waldenburger Versicherung AG	Künzelsau	100
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen	100
Würth Leasing GmbH & Co. KG	Albershausen	100
Würth Truck Lease GmbH	Dreieich	100
Würth Versicherungsdienst GmbH & Co. KG	Künzelsau	100

Entity	Registered office	Würth Group share in %
Italy		
Würth Leasing Italia S.r.l.	Neumarkt	100
Luxembourg		
Würth Reinsurance Company, S.A.	Luxembourg	100
Netherlands		
Würth Finance International B.V.	's-Hertogenbosch	100
Switzerland		
Würth Financial Services AG	Rorschach	100
Würth Invest AG	Chur	100
Würth Leasing AG	Dietikon	100
USA		
RC Insurance Corp., Inc.	Ramsey, New Jersey	100

IT SERVICE AND HOLDING COMPANIES

Entity	Registered office	Würth Group share in %
Austria		
Würth Leasing International Holding GmbH	Böheimkirchen	100
RuC Holding GmbH	Böheimkirchen	100
China		
Wuerth (China) Holding Co., Ltd.	Shanghai	100
Wuerth Information Technology (Shanghai) Co., Ltd.	Shanghai	100
Germany		
Reinhold Würth Holding GmbH	Künzelsau	100
UNI ELEKTRO Handels- und Beteiligungs-GmbH	Eschborn	100
WABCOWÜRTH Workshop Services GmbH	Künzelsau	50
WOW ! Würth Online World GmbH	Künzelsau	100
Würth IT GmbH	Bad Mergentheim	100
Würth IT International GmbH & Co. KG	Bad Mergentheim	100
India		
Wurth Information Technology India Private Limited	Pune	100
Italy		
W.EG Italia S.r.l.	Tramin	100
Würth Phoenix S.r.l.	Bolzano	100

Entity	Registered office	Würth Group share in %
Mauritius		
Wurth Electronics Midcom International Holdings (Mauritius) LTD	Port Louis	100
Sweden		
Autocom Diagnostic Partner AB	Trollhättan	100
Switzerland		
Würth Elektronik International AG	Chur	100
Würth International AG	Chur	100
Würth ITensis AG	Chur	100
Würth Management AG	Rorschach	100
United Kingdom		
IQD Group Limited	Crewkerne	100
IQD Holdings Limited	Crewkerne	100
Wurth Holding UK Ltd	Kent	100
USA		
Wurth Electronics Inc.	Ramsey, New Jersey	100
Wurth Group of North America Inc.	Ramsey, New Jersey	100
Wurth Industry North America LLC	Ramsey, New Jersey	100
Wurth IT USA Inc.	Ramsey, New Jersey	100
Würth Wood-Division Holding LLC	Ramsey, New Jersey	100

DIVERSIFICATION

Entity	Registered office	Würth Group share in %
China		
Wuerth International Trading (Shanghai) Co., Ltd.	Shanghai	100
Germany		
EOS KSI Forderungsmanagement GmbH & Co. KG	Künzelsau	50
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall	98
Marbet Marion & Bettina Würth GmbH & Co. KG	Künzelsau	100
Panorama Hotel- und Service GmbH	Waldenburg	100
Reinhold Würth Musikstiftung gemeinnützige GmbH	Künzelsau	100
WLC Würth-Logistik GmbH & Co. KG	Künzelsau	100
WSS Würth Shared Services GmbH	Künzelsau	100
WUCATO Marketplace GmbH	Stuttgart	100
Würth Aviation GmbH	Künzelsau	100
Würth Logistics Deutschland GmbH	Bremen	100
Würth TeleServices GmbH & Co. KG	Künzelsau	100

Entity	Registered office	Würth Group share in %
Malaysia		
Wurth Logistics Asia-pacific Sdn. Bhd.	Kuala Lumpur	100
Singapore		
Wurth International Trading (Singapore) Pte. Ltd.	Singapore	100
Slovakia		
Würth International Trading s. r. o.	Bratislava	100
Spain		
FINCA INTERMINABLE, S.L.	Maspalomas	100
marbet Viajes Espana S. A.	Barcelona	100
Switzerland		
Lagerhaus Landquart AG	Landquart	100
Würth Logistics AG	Rorschach	100
USA		
Wurth International Trading America, Inc.	Ramsey, New Jersey	100
Wurth Logistics USA Inc.	Greenwood, Indiana	100

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Australia		
EDL Fasteners Pty. Ltd.	Eastern Creek	100
Austria		
Metzler GmbH	Röthis	100
Belgium		
DIN-FIX SA/NV	Eupen	100
Würth Belux N.V.	Turnhout	100
Bulgaria		
Meister Bulgaria	Sofia	100
China		
HAHN+KOLB (Chongqing) Tools Co., Ltd.	Chongqing	100
HAHN+KOLB (Guangzhou) Tools Co., Ltd.	Guangzhou	100
Midcom-Hong Kong Limited	Hong Kong	100

Entity	Registered office	Würth Group share in %
Cyprus		
Wurth Cyprus Ltd.	Nicosia	100
Germany		
Abraham Diederichs GmbH & Co. oHG	Wuppertal	100
AHD Auto-Hifi & -Design GmbH	Künzelsau	100
E 3 Energie Effizienz Experten GmbH	Künzelsau	100
EKOR Tech GmbH	Potsdam	30
Emil Nikisch GmbH	Burscheid	51
Erbschloe Werkzeug Vertriebs-gesellschaft mbH	Wuppertal	100
ESB Grundstücksverwaltungsgesell-schaft mbH	Eschborn	100
EuroSun GmbH	Freiburg im Breisgau	45

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Germany		
FANDUS Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Willich KG	Pullach im Isartal	94
Grass Verwaltungs GmbH	Reinheim	100
Grundstücksgesellschaft Berlin Chemnitz Erfurt GbR	Künzelsau	49
Grundstücksgesellschaft Cottbus Magdeburg GbR	Künzelsau	49
Hetalco GmbH	Alpirsbach	100
KOSY Gesellschaft zur Förderung des holzverarbeitenden Handwerks mbH	Künzelsau	100
Meguin Verwaltungs-GmbH	Saarlouis	100
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal	100
"METAFRANC" Möbel- u. Baube-schläge Vertriebsgesellschaft mbH	Wuppertal	100
MKT Metall-Kunststoff-Technik Beteiligungsgesellschaft mbH	Weilerbach	100
nordberliner Elektro-Großhandels-Gesellschaft mbH	Eschborn	100
Pronto-Werkzeuge GmbH	Wuppertal	100
Schmitt Elektrogroßhandel GmbH	Fulda	100
SCREXS GmbH	Waldenburg	100
Sonderschrauben Hamburg GmbH Eiben & Co.	Künzelsau	100
SYNFIBER AS & Co. beschränkt haftende KG	Worms	100
TUNAP Deutschland Vertriebs-GmbH	Wolfratshausen	51
TUNAP Industrie Chemie GmbH	Wolfratshausen	100
Wagener & Simon Beteiligungs GmbH	Wuppertal	100
WPS Beteiligungen GmbH	Künzelsau	100
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau	100
Würth Logistic Center Europe GmbH	Künzelsau	100
Würth Montagetechnik GmbH	Dresden	100
India		
HAHN+KOLB TOOLS Chennai Pvt Ltd	Chennai	100
Indonesia		
PT. TUNAP INDONESIA	Jakarta	67
P.T. Wuerth Indah	Jakarta	100

Entity	Registered office	Würth Group share in %
Italy		
Würth Solar Italia s.r.l.	Campodarsego	100
Mexico		
Würth Service Supply de Mexico	Mexicali	100
Morocco		
Würth Maroc SARL	Casablanca	100
Pakistan		
Würth Pakistan (Private) Limited	Karachi	100
Singapore		
TUNAP Asia-Pacific Pte. Ltd.	Singapore	67
Spain		
ISA EOLICAS S.L.	Madrid	100
Switzerland		
InovaChem Engineering AG	Wetzikon	100
Turkey		
Reca Vida Alet ve Makine Parc. Tic. Ltd. Sti.	Izmir	100
United Kingdom		
Anchorfast Limited	Wednesbury	100
Winzer Würth Industrial Ltd.	Erith	100
USA		
Cardinal Fastener Inc.	Bedford Heights, Ohio	100
Dokka Fasteners Inc.	Auburn Hills, Michigan	100
Lubro Moly of America, Inc.	Los Angeles, California	100
R. W. Ramsey Realty Corporation	Ramsey, New Jersey	100
Session Solar USA, Inc.	Ramsey, New Jersey	100

L. The boards

Advisory Board

The Advisory Board is the chief supervisory and controlling body of the Würth Group. It advises on strategy and approves corporate planning as well as the use of funds. It appoints the members of the Central Managing Board, the Executive Vice Presidents as well as the managing directors of the companies that generate the most sales.

(As of: 31 December 2018)

Bettina Würth
Chairwoman of the Advisory Board of the Würth Group

Dr. Frank Heinricht
Deputy Chairman of the Advisory Board of the Würth Group
Chairman of the Management Board of Schott AG, Mainz

Peter Edelmann
Managing Partner of Edelmann & Company, Ulm

Dr. Ralph Heck
Director Emeritus of McKinsey & Company, Düsseldorf

Wolfgang Kirsch
Chief Executive Officer of DZ BANK AG, Frankfurt/Main

Jürg Michel
Former Member of the Central Managing Board of the Würth Group

Ina Schlie
Senior Vice President Digital Government – Head of Government Relations MEE
SAP SE, Walldorf

Hans-Otto Schrader
Chairman of the Supervisory Board of Otto AG für Beteiligungen, Hamburg

Dr. Martin H. Sorg
Certified Public Accountant and Partner of the Law Firm Binz & Partner, Stuttgart

Honorary Chairman of the Advisory Board

Prof. Dr. h. c. mult. Reinhold Würth
Chairman of the Supervisory Board of the Würth Group’s Family Trusts

Honorary members of the Advisory Board

Rolf Bauer
Former Member of the Central Managing Board of the Würth Group

Dr. Bernd Thiemann
Former Chairman of the Management Board of Deutsche Genossenschaftsbank AG, Frankfurt/Main

Central Managing Board

The Central Managing Board is the highest decision-making body of the Würth Group. It has four members and is comparable to the management board of a group holding company. Its most important duties include corporate strategy planning, the selection of executives, as well as the management of strategic business units and functions.

Robert Friedmann
Chairman of the
Central Managing Board
of the Würth Group

Peter Zürn
Deputy Chairman of the
Central Managing Board
of the Würth Group

Bernd Herrmann
Member of the
Central Managing Board
of the Würth Group

Joachim Kaltmaier
Member of the
Central Managing Board
of the Würth Group

Executive Vice Presidents
The Executive Vice Presidents constitute the operational management of the Würth Group. Each of the members is in charge of one strategic business unit or responsible for one functional area.

Joachim Breitfeld
Chemicals Group
(excl. Liqui Moly Group)

Rainer Bürkert
Würth Line Industry (excl. USA)

João Cravina
Würth Line South America
and Portugal

Dr. Steffen Greubel
Würth Line Italy, Spain, France
and Scandinavia (excl. Finland),
Corporate Development

Norbert Heckmann
Würth Line Germany,
Chairman of the Management
Adolf Würth GmbH & Co. KG

Dan Hill
Würth Line Industry North America
(since 1 October 2018)

Thomas Klenk
Purchasing and Product
Management, Anchor Production

Jürgen Klohe / Jörg Murawski
Würth Elektronik Group

Andreas Kräutle
Tools Companies

Ralf Lagerbauer
Würth Line Asia and Oceania

Svein Oftedal
Würth Line Scandinavia
(excl. Finland) and Africa
(until 30 June 2018)

Thomas O'Neill
Würth Line Wood USA and Canada

Pentti Rantanen
Würth Group Finland and
Würth Line Baltic States

Uwe Schaffitzel / Ulrich Liedtke
Electrical Wholesale

Dr. Reiner Specht
Würth Line Russia and Austria,
Sub-Region Asia, Trade Unit, Deputy
Member of the Central Managing
Board of the Würth Group

Ulrich Steiner
DIN / Standard Stainless
Steel Parts

Marc Strandquist
Würth Line Industry America
(through 30 September 2018)

C. Sylvia Weber
Art and Culture in the Würth Group,
Director of Museum Würth / Kunsthalle
Würth, Curator of the Würth Collection

Mario Weiss
Würth Line UK, Ireland, Eastern
Europe, Balkans and the Middle East,
Würth Line Auto USA and Canada

Ernst Wiesinger
RECA Group

Alois Wimmer
Production of Screws
and Anchors

Markus Würth
Fittings Manufacturers

INDEPENDENT AUDITOR'S REPORT

To the Würth Group

Opinions
We have audited the consolidated financial statements of the Würth Group, Künzelsau (the "Group"), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2018, the consolidated statement of financial position as at 31 December 2018, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of the Würth Group for the fiscal year from 1 January to 31 December 2018. In addition, we were engaged to assess whether the consolidated financial statements comply with the IFRS as a whole.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the fiscal year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ("Handelsgesetzbuch": German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information
The Advisory Board is responsible for the report of the Advisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the following sections intended for the annual report, a version of which we have obtained until the issue of this auditor's report: the tasks completed in the sections "Overview of the Würth Group", "Growing", "Commitment", "Bulletin" and "The boards".

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

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

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

Responsibilities of the executive directors and the supervisory body for the consolidated financial statements and the group management report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS, both as adopted by the EU and as a whole, as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the requirements of German law, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory body is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS, both as adopted by the EU and as a whole, as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Stuttgart, 14 March 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Blesch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Imprint

Published by
The Würth Group

Adolf Würth GmbH & Co. KG
Reinhold-Würth-Straße 12–17
74653 Künzelsau
Germany

Responsible for the content
Robert Friedmann and Joachim Kaltmaier

Editorial staff
Sigrid Schneider (editor-in-chief), Denis Bernlöhr, Heike Elbl, Dr. Beate Elsen-Schwedler, Silke Hofmann, Detlef Lederer, Sonja Rauh, Thomas Rosenberger, Ralf Schaich, Martina Skibowski, Claudia Zürn

The editorial team would like to thank the many people who helped prepare this Annual Report.

In order to improve legibility, male pronouns have often been used in this Annual Report as opposed to making consistent use of both female and male pronouns at the same time. Such pronouns are always, however, intended to refer to both genders.

This Group Annual Report is also published in German. The German version shall prevail.

The German and English versions of this Annual Report, along with further information about the Würth Group, can be found online at:
www.wuerth.com

Contact details
Corporate Communication of the Würth Group
Phone +49 7940 15-1186
Fax +49 7940 15-4400
presse@wuerth.com

Design concept
Hilger & Boie Design, Wiesbaden

Prepared by
Scanner GmbH, Künzelsau

Edited by
Ina Christov, Andreas Henschel, Zachary Mühlenweg (Berlin), Sonja Rauh

Printed by
Schweikert Druck, Obersulm

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ID-No. 1979037
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