WÜRTH GROUP

simply good.

Würth Group
Annual Report 2017

The Würth Group at a glance

WÜRTH GROUP

		2013	2014	2015	2016	**2017**
Sales	in millions of EUR	9,745	10,126	11,047	11,836	**12,722**
Employees	no.	63,571	66,044	68,978	71,391	**74,159**
Pre-tax operating result *	in millions of EUR	445	515	525	615	**780**
Return on sales	in %	4.6	5.1	4.8	5.2	**6.1**
EBIT	in millions of EUR	495	554	572	643	**768**
EBITDA	in millions of EUR	798	831	903	988	**1,195**
Net income for the year	in millions of EUR	309	378	434	462	**531**
Cash flow from operating activities	in millions of EUR	599	612	630	904	**584**
Capital expenditures	in millions of EUR	433	367	525	481	**524**
Equity	in millions of EUR	3,399	3,683	4,083	4,470	**4,779**
Total assets	in millions of EUR	7,978	8,142	9,210	9,711	**10,267**
Rating by Standard & Poor's		A/stable	A/stable	A/stable	A/stable	**A/stable**

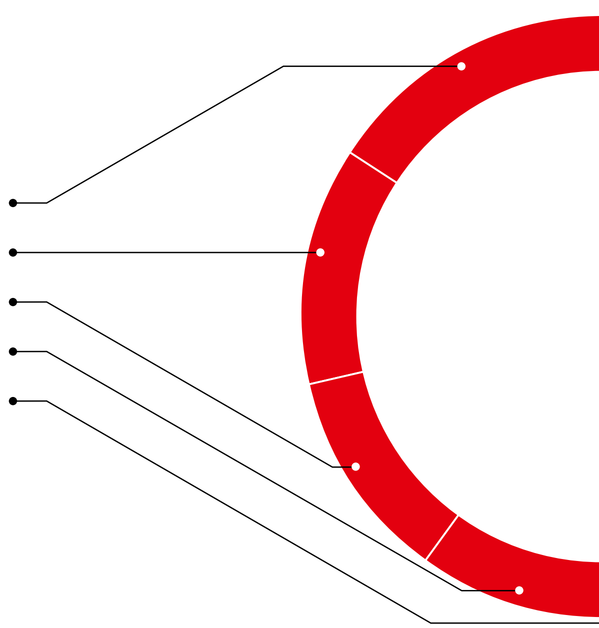
The consolidated financial statements of the Würth Group are prepared in accordance with the International Financial Reporting Standards (IFRS).

* 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

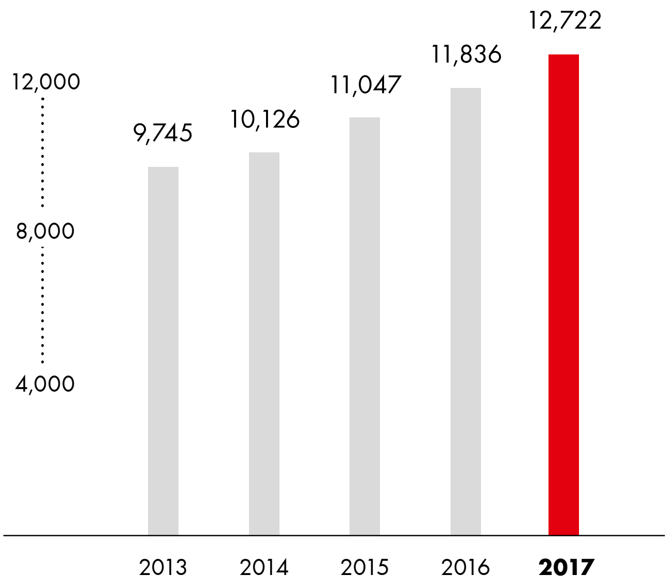
SHARE OF SALES | Divisions of the Würth Line

	2017 in %	**2017** in millions of EUR	2016 in millions of EUR	Change in %
Metal	15.6	**1,984**	1,850	+7.2
Auto	12.8	**1,631**	1,549	+5.3
Industry	11.5	**1,461**	1,361	+7.3
Wood	9.9	**1,256**	1,178	+6.6
Construction	6.4	**819**	754	+8.6
Total	56.2	**7,151**	6,692	+6.9

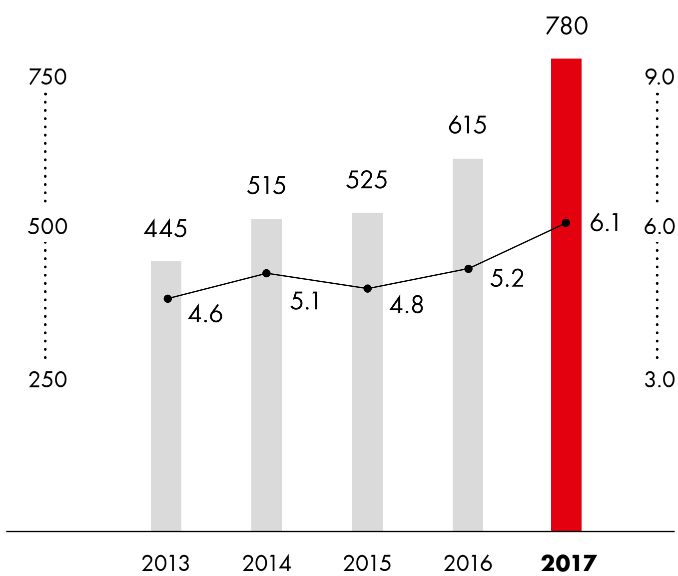


WÜRTH GROUP

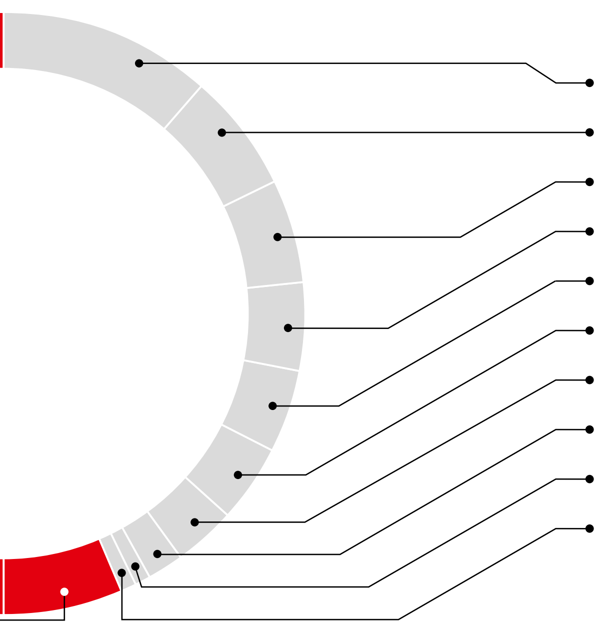
SALES | Würth Group in millions of EUR



OPERATING RESULT | Würth Group in millions of EUR



SHARE OF SALES | Business units of the Allied Companies



	2017 in %	**2017 in millions of EUR**	2016 in millions of EUR	Change in %
Electrical Wholesale	11.6	**1,475**	1,359	+ 8.5
Electronics	6.3	**806**	686	+ 17.5
Production	5.4	**691**	632	+ 9.3
RECA Group	4.7	**603**	559	+ 7.9
Trade	4.5	**568**	554	+ 2.5
Chemicals	4.3	**549**	529	+ 3.8
Tools	3.3	**417**	386	+ 8.0
Screws and Standard Parts	1.9	**244**	217	+ 12.4
Financial Services	0.9	**111**	108	+ 2.8
Other	0.9	**107**	114	– 6.1
Total	43.8	**5,571**	5,144	+ 8.3

Contents

simply good.

Annual Report of the Würth Group

Würth Group in figures

Sales
With over 74,000 employees, the Würth Group generated record sales of EUR 12.7 billion in the 2017 fiscal year with over 400 companies in more than 80 countries, an increase of 7.5 percent.

+7.5 %

26.8 %

Operating result

In the 2017 fiscal year, the operating result came to EUR 780 million – which also sets a new record and marks a significant increase in the year-on-year comparison (2016: EUR 615 million). The return on sales came in at 6.1 percent.

Employees
The number of employees rose by 2,768, from 71,391 to 74,159 in 2017.
There are a total of 22,620 employees in Germany, a figure that is up by 4.3 percent. The Würth Group has a total of 32,295 sales represenatatives.

+3.9 %

simply good ...

Making people’s work easier. This is the vision that has always motivated us at Würth: with products that are simply good, with reliable service, with commitment stemming from conviction. This is the vision to which we owe our success. Today, we have operations worldwide: as a specialist for fastening and assembly materials, as a market leader. This is what motivates us in our commitment to our customers. Why? It’s simple really: We want to live and work in a world in which people are happy. This is why we are also committed to youth and art, literature and sports, music and science. In short: we are committed to quality of life. For our fellow human beings. And in very concrete terms. So what does that mean? Let us show you ...

2

simply in the middle of it

The new nerve center of Axel Springer SE is currently under construction in Berlin's former newspaper district, a building that will house up to 3,500 employees on a historic site in the heart of our capital city. The Würth Construction Project Management team has been on-site since the excavation pit was dug. Würth's construction site sales representative visits the site daily. Together with the supplies provided by Würth's own building site delivery service, this ensures that stocks are replenished.


WÜRTH

simply top-class

Discipline and performance are the key to success. This not only applies to Würth, but also to the world of sports. Würth has been supporting the German Ski Association since as far back as 2002.

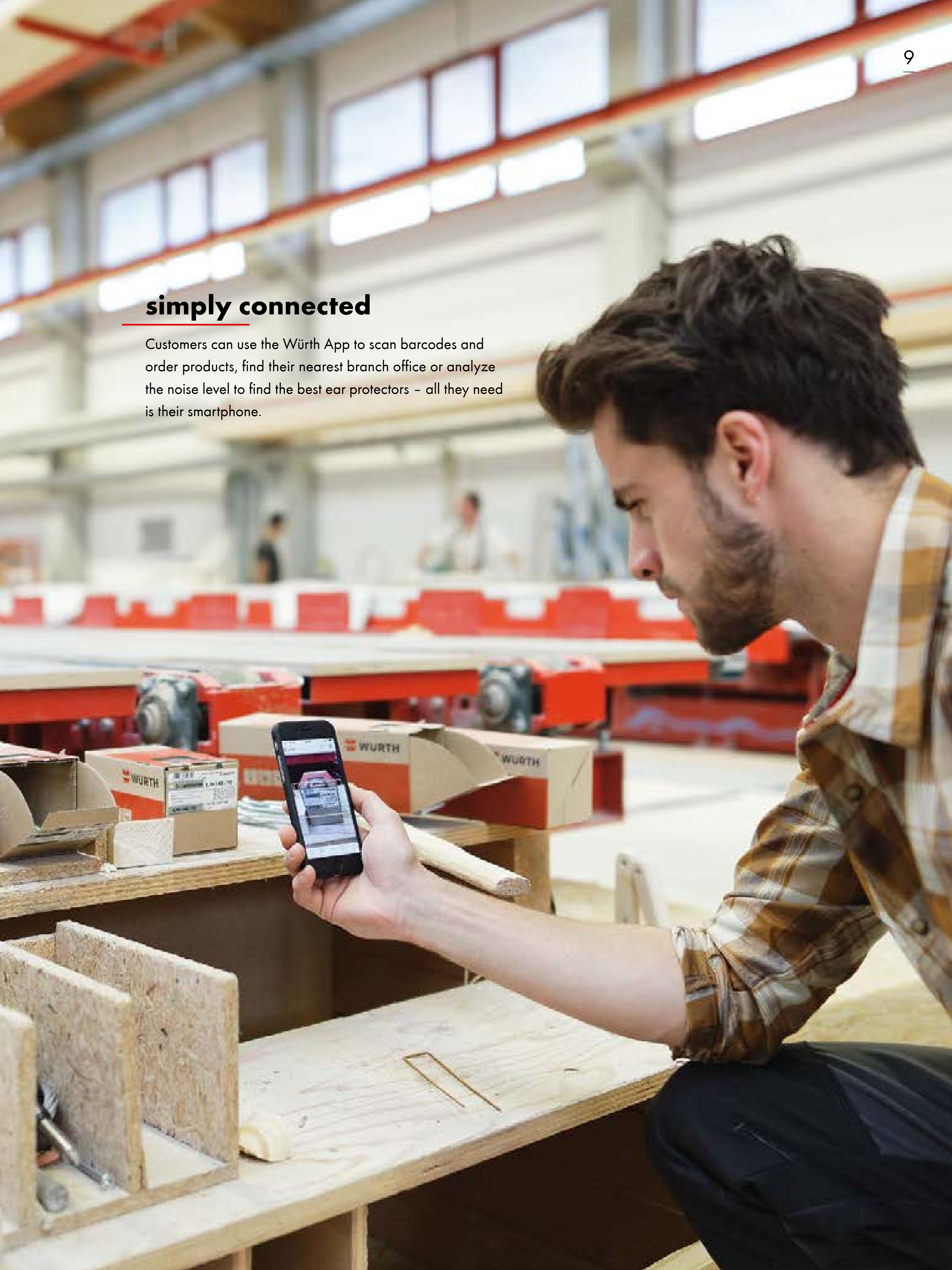
simply magical

The cultural center "Kulturhaus Würth", along with its integrated library "Bibliothek Frau Holle", opened its doors in Künzelsau in May 2017. The reference library on the first floor features more than 7,000 books from the private collection of Carmen Würth, which are available to the public free of charge. The venue is used to host lectures, courses and small-scale artistic performances on a regular basis.

simply inspiring

The Würth Collection, which now comprises more than 17,500 works of art, is on show to the public at four museums in the Hohenlohe region and ten art centers across Europe (picture shows the Würth Forum in Rorschach, Switzerland).

SWG Schraubenwerk Gaisbach GmbH:
Pressed parts have to be threaded, heat-treated and galvanized in additional processing steps before they can be used by woodworkers as ASSY® screws.



simply connected

Customers can use the Würth App to scan barcodes and order products, find their nearest branch office or analyze the noise level to find the best ear protectors – all they need is their smartphone.

simply incredible

Adolf Würth set up a screw wholesale business back in 1945. After his father's sudden death in 1954, Reinhold Würth took over at the helm of the company, which was generating annual sales of EUR 80,000. Today, the company employs a global workforce of more than 74,000 employees at more than 400 companies in over 80 countries, and generated sales of EUR 12.7 billion in 2017.

simply ready to go

In the “land of the free”, Würth has been a sponsor of the PENSKE team in the American NASCAR Sprint Cup Series since 2012. This allows us to reinforce our brand strategy in the US, too.


WÜRTH
WÜRTH 2
WÜRTH
wurthracing.com

simply international

In 1962, Reinhold Würth set up the first company outside of Germany, in the Netherlands. In 1987, 25 years later, Würth was already represented on all five continents. The solidarity between all Würth subsidiaries is reflected in its architecture: The inviting and communicative design bathed in light transports the corporate culture across borders.

The new administrative building of
Würth Canada Ltd., Ltée in Guelph, Ontario

Würth Nederland B.V., 's-Hertogenbosch in the Netherlands

simply unbeatable

The WÜRTH MASTER range of machinery offers convincing performance coupled with tremendous power and truly inspiring service solutions. It is fully compatible with the ORSY® system world, meaning that everything is always on hand in the workshop and on the construction site. This saves time and money. Würth provides every customer with the right solution for their specific application.


WÜRTH

simply e-mobile

Würth Elektronik eiSos is a technology partner of the Audi Sport Abt Schaeffler racing team in the all-electric Formula E racing series. The highly efficient components contributed to Lucas di Grassi's win at the World Championship in the 2016 / 2017 season and to 2nd place in the team rankings.


VISA
MICHELIN
Audi e-tron
SCHAEFFLER
Julius Bär
LGT
riello ups
MICHELIN

simply fascinating

In its first season, the Würth Philharmonic Orchestra played 16 concerts in the Reinhold Würth Hall at Carmen Würth Forum, featuring renowned soloists and conductors. The performances were completely sold out.

The four palletizing robots in Distribution Center West of Adolf Würth GmbH & Co. KG stack a combined total of around 15,000 packages every work day as part of a 2-shift system.

simply genuine

Otto Albrecht, head of department at the pressing shop of SWG Schraubenwerk Gaisbach GmbH, went into retirement at the end of 2017. For more than 40 years, he was responsible for production together with his colleagues, processing hundreds of thousands of kilometers of wire and tens of thousands of metric tons of steel to create billions of screws for our customers to work with: a real lifetime achievement for which we can only say THANK YOU!

SWG processes 700 km of wire every day distributed across wire reels weighing around 1-2 metric tons each. This equates to 1,700 metric tons per month and 1.5 billion to 2 billion screws every year.


SWG

simply curious

Even at the age of 83, Prof. Reinhold Würth never stops asking himself what is "beyond the tip of his own nose". Something that is deeply ingrained in the day-to-day working life of all Würth employees.

simply committed

With Hotel-Restaurant Anne-Sophie in Künzelsau, Carmen Würth created an environment in which people with and without disabilities can work together to demonstrate that the only barriers holding us back are in our heads.

simply touched

Carmen Würth celebrated her 80th birthday with numerous guests in her namesake venue "Carmen Würth Forum". Reinhold Würth's wife has been personally committed to ensuring that people with and without disabilities can live and work together successfully for decades.

simply spirited

Enna is training as a wholesale and foreign trade specialist at Adolf Würth GmbH & Co. KG. She spends a large portion of her training at the various branch offices in the region, focusing on sales, product consulting and inventory management. "It makes me happy every single time a customer thanks me for the good advice and great service and wishes me a nice day as they leave," she says.

simply clever

Founded by Bettina Würth in Künzelsau in 2006, the independent school Freie Schule Anne-Sophie has boasted another attractive location in Berlin since 2011. The bilingual curriculum is designed to open up international prospects for tomorrow's little winners early on.


Bus
Freie

simply mesmerizing

Covering a total area of 11,000 square meters, the new culture and convention center offers a varied range of event opportunities in an inspiring environment. Designed by David Chipperfield Architects, Carmen Würth Forum is a place for people to come together and stands as a beacon in the middle of the Hohenlohe countryside.

Nearly 20,000 visitors enjoyed the celebrations at the three-day Würth Open Air event on the grounds of Carmen Würth Forum in Künzelsau.


WÜRTH
WÜRTH

simply right

"During my training to become a professional warehouse clerk, I was always challenged but also encouraged. I just feel at home here: my work is varied and I have a great team," says Judita from Lithuania.

simply great

The jewel in the crown of the new Carmen Würth Forum is the elegant Reinhold Würth Hall. The chamber music hall offers seats for 580 visitors and stands out thanks to its exquisite decor: the walls are clad with French walnut while the floors are made of oiled German smoked oak. The acoustics are excellent.

Würth Industrie Service GmbH & Co. KG, Bad Mergentheim: The Kanban logistics center at Industriepark Würth – customized C-part management ensures maximum supply security for manufacturing companies.

simply electrifying

Innovative components produced by Würth Elektronik are used in almost all electronic applications. The LAN transformer is a key component used in state-of-the-art, highly networked electronics in the age of Industry 4.0 and the Internet of Things (IoT).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simply new

ORSY® is a versatile modular system for warehouse management – individually tailored to meet each customer's needs. Material supplies have taken on a new dimension with the ORSY® system shelf sensor: It is the first ORSY® system shelf that can detect stock levels and place orders automatically. If the stock level falls below a defined level, the sensor-based monitoring device in the individual storage bins automatically triggers an order. This means that customers never run out of material – with no stress or personnel expenses involved. The concept, which has already been tried and tested in the industrial sector, is now making its way into the trades segment.


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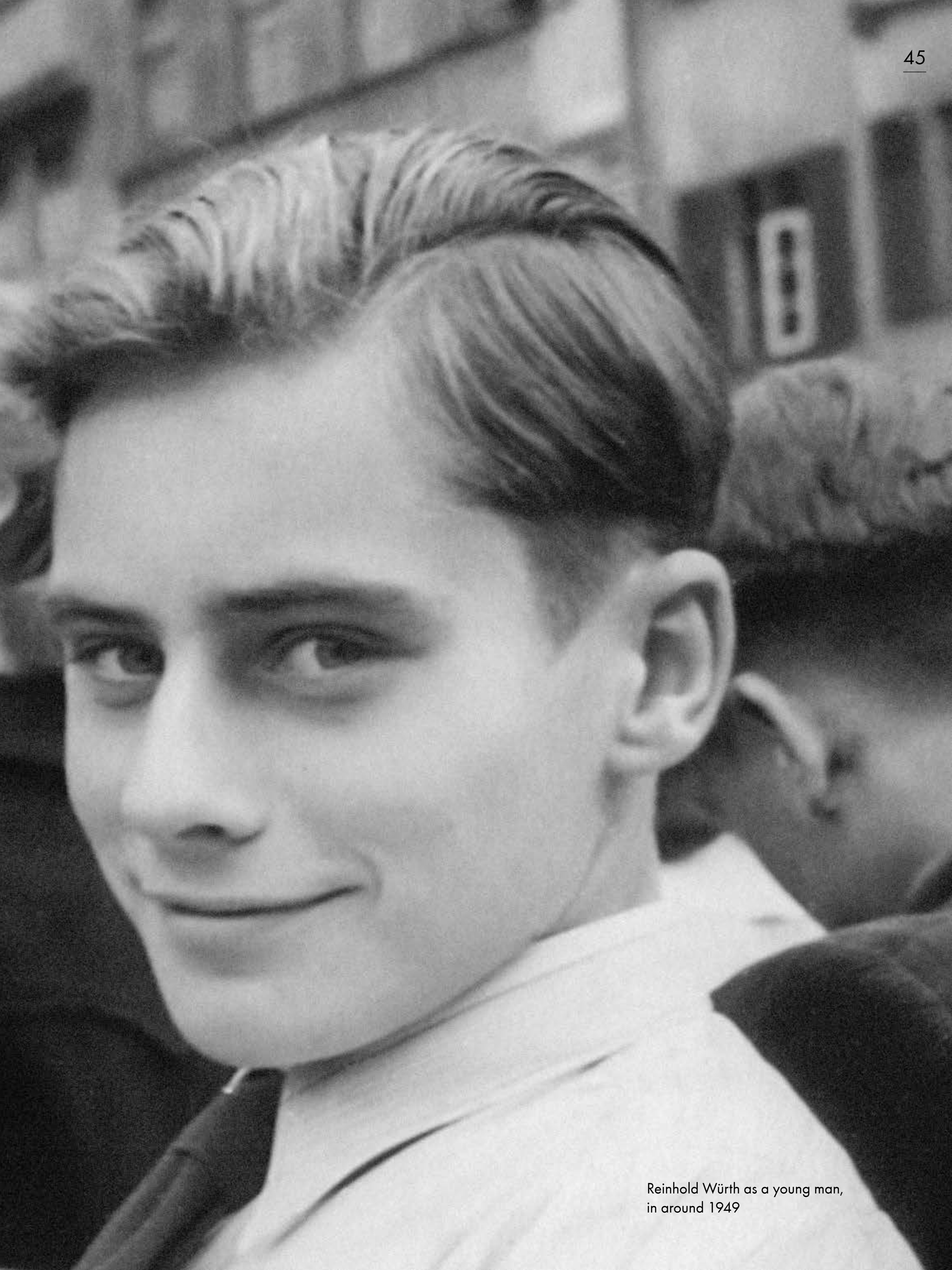
simply flourishing

"Growth like a healthy tree," is how the185-year-old company Ammann Holzbau describes the history behind the family business. With the quality of its craftsmanship, culminating in the construction of church spires, Ammann demonstrates that wood is one of the most innovative building materials available to us today. Junior manager Michael Ammann (left) is counting on the reliability of Würth as his main supplier, and on the expert advice provided by his sales representative Andreas Mickel. He has been serving his customer for more than 15 years now: A supplier has turned into a partner.


HOLZBAU

simply würth



Reinhold Würth as a young man, in around 1949

COMMITMENT HAS MANY FACES

Art /// Education /// Culture

Support /// Awards

Sponsorship /// Foundations

Exhibitions /// Concerts

Architecture /// Events

Assets go hand in hand with responsibility: Würth provides support in the fields of art, music and literature, science and teaching. After all, our culture is defined by what we see, hear, say and think. And this culture is the environment in which we operate: as human beings and as a company.

Specifically, this means: We open museums. After all, everyone should have access to art. We organize concerts, because music creates a forum in which new worlds can emerge. We promote talented individuals, because they turn a simple sound, word or color into magical works of art with their dedication and devotion. We bring groups that have been marginalized back into the spotlight, giving them a voice and a helping hand. Together with Carmen Würth, we are committed to helping people with disabilities. Their place in society has to be a matter of course.

It is crucial to provide help where it is needed most! Würth is currently supporting the state of Baden-Württemberg with the integration of refugees. Providing spontaneous aid is important, too: In September 2017, hundreds of thousands of people lost their homes in the massive earthquake in Mexico, including Würth employees. Of course, we are on hand to help. This is where our commitment goes without saying.

SIMPLY GROUNDS FOR CELEBRATION

Carmen Würth's 80th birthday Carmen Würth has been passionately committed to the social integration of people with disabilities for many years. The wife of entrepreneur Reinhold Würth never tires of standing up for disadvantaged people and offering them her support. Together with her husband Reinhold, she set up the Würth Foundation in 1987. Her latest project is the cultural center "Kulturhaus Würth", along with its integrated library "Bibliothek Frau Holle", which opened its doors in Künzelsau in May 2017. She has received countless prizes and awards for her commitment. Among other things, she has been awarded the Order of Merit of the Federal Republic of Germany as well as the Order of Merit of the federal state of Baden-Württemberg, and has been made an honorary citizen of the town of Künzelsau and the Technical University of Munich. The celebrations to mark her birthday not only included the official opening ceremony for the Carmen Würth Forum. A fragrant, purple flowering rose was specially bred for the occasion and has borne the name Carmen Würth ever since.

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 17,500 works of art, reflect, and result from, a corporate culture that Würth truly lives and breathes. The two most recent major cultural projects, Carmen Würth Forum and the Würth Philharmonic Orchestra, are yet another expression of Würth's extraordinary commitment.

CARMEN WÜRTH FORUM

Carmen Würth Forum, designed by David Chipperfield Architects, was inaugurated in a ceremony on 18 July 2017 to mark Carmen Würth's 80th birthday. The building reflects both Würth's financial success and its vision to incorporate art and culture into day-to-day business. The Reinhold Würth Hall, the chamber music hall, offers seats for an audience of 580, while the Great Hall can hold up to 2,500 people and the outdoor premises can accommodate around 10,000 visitors. Nestled in the Hohenloher countryside and surrounded by a sculpture garden, Carmen Würth Forum has quickly established itself as a cultural gathering place. The Association of German Architects in Heilbronn-Franconia awarded the building the 2017 Hugo Häring Prize.

WÜRTH PHILHARMONIC ORCHESTRA

Reinhold Würth was keen to seize the opportunity to establish an orchestra; he is a big fan of classical music himself and wanted to give something back to his home region. The Würth Philharmonic Orchestra makes music an integral part of the company's cultural activities. The predominantly classical repertoire also includes select pieces of chamber music and contemporary pieces by composers ranging from Astor Piazzolla to Philip Glass, and a number of 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 held in its first season were completely sold out. Before the season started, the orchestra had traveled to Amsterdam and Bucharest to give guest performances.

WÜRTH OPEN AIR

In 2017, the traditional Würth Open Air event was held on the spacious festival grounds of the new Carmen Würth Forum culture and convention center for the first time. The three-day event was kicked off with a performance by the newly established Würth Philharmonic Orchestra, featuring pianist Lars Vogt, under the direction of celebrity conductor Kent Nagano. The orchestra offered renditions of works by John Adams and Ludwig van Beethoven. The singer Cro took to the stage as the main act on the second day. The German rapper, wearing a panda mask, performed to an enraptured audience showcasing an exceptional stage set. The support acts Klan, Bausa and Sam ensured a varied range of musical highlights.

German rapper Cro performed to around 8,000 thrilled fans with his show at the Würth Open Air.

The last day saw Sting, a true pop & rock legend, perform. The ex-Police singer impressed the audience with a wide selection of songs – ranging from old Police hits to songs from his new album "57th & 9th". With 10,000 tickets sold, it was the biggest concert in the history of the Würth Open Air to date.

The musical event, which is now in its 18th year, drew just under 20,000 visitors to Künzelsau.

ORDER OF MERIT OF THE STATE OF BADEN-WÜRTTEMBERG

Winfried Kretschmann, First Minister of the Federal State of Baden-Württemberg, awarded Carmen Würth the federal state's Order of Merit for her outstanding social commitment and dedicated work, especially with regard to helping people with disabilities. In his laudatory speech, he praised her for her exceptional voluntary commitment. The brief resumé published by the State Ministry of Baden-Württemberg to mark the awarding of the Order of Merit, reads:

> **» Carmen Würth's life motto "See with your heart" drives her commitment to people who need special support – it is crucial to look closely and listen carefully. «**

The Order of Merit of the Federal State of Baden-Württemberg is awarded every year by the First Minister of the Federal State of Baden-Württemberg for outstanding achievements, particularly in the political, social, cultural and business sector. The number of living people who can hold the Order is limited to a total of 1,000.

First Minister Winfried Kretschmann with Carmen Würth

KUNSTHALLE WÜRTH

"Water, clouds, wind. Weather phenomena at Kunsthalle Würth" inspired around 150,000 visitors at Kunsthalle Würth in Schwäbisch Hall up until September. The exhibition, which presented 400 paintings, drawings, sculptures, photographs and installations portraying flowing or fleeting elements, dating from the Late Middle Ages to the present day, was accompanied by a sundry supporting program. Highlights included readings by author John von Düffel and actor Klaus Maria Brandauer, a travel report from around-the-world yachtswoman Laura Dekker, and a presentation made by meteorologist Sven Plöger.

The Picture Gallery of the Academy of Fine Arts Vienna, founded in 1692, holds one of the largest collections of Old Masters in Vienna. The exhibition entitled "Hidden Treasures from Vienna – The Art Collections of the Academy of Fine Arts Vienna at Kunsthalle Würth" showcased exquisite masterpieces complemented at different points in the exhibition by works from the Würth Collection. The works from over five centuries illustrate classical themes. The pieces are taken from three of the Academy's collections: the Graphic Collection, the Collection of Plaster Casts and the Picture Gallery itself. This exhibition was also accompanied by numerous events. The "Rendezvous mit der Kunst" (Rendezvous with art) event, for example, which saw celebrities present their favorite works from the current presentation, proved extremely popular.

Weather and climate phenomena form the focal point of an exhibition at Kunsthalle Würth in Schwäbisch Hall.

Nobel Peace Prize laureate Kofi Annan visited the Johanniterkirche in Schwäbisch Hall.

JOHANNITERKIRCHE

The Old Masters collection in the former church Johanniterkirche in Schwäbisch Hall, with the "Darmstadt Madonna" by Hans Holbein the Younger, continues to draw visitors from beyond the region. Kofi Annan, Nobel Peace Prize laureate and former Secretary General of the United Nations, was a prominent and enthusiastic visitor. The "Pfullendorf Altar" by the anonymous Pfullendorf Master was a late medieval painting specimen of the highest quality. The precious pieces were on loan from Staatsgalerie Stuttgart and Städel Museum in Frankfurt.

MUSEUM WÜRTH

Museum Würth in Künzelsau hosted the "Cantastorie" exhibition, which depicted the lush and colorful world of Italian puppeteers and street singers. At the same time, the gallery hosted a traveling exhibition of art from the ice age in the Swabian Alb region. The works of art are among the oldest in the world and have been granted UNESCO World Heritage status. Under the title of "All Sorts of Discoveries – Insights into the Carmen Würth Collection", Carmen Würth's art collection was then presented to public for the first time. This was followed by the exhibition "HAP Grieshaber and the Woodcut". The artist from Baden-Württemberg is one of the most influential and ideosyncratic woodcutters of his time and continues to enjoy a large fan base. The exhibition features works from all stages of Grieshaber's career, including many pieces that were added to the Würth Collection early on. Guided tours, festivals and other events at the Museum Würth were used to maintain dialog with the museum's visitors.

CULTURAL CENTER “KULTURHAUS WÜRTH” WITH THE LIBRARY “BIBLIOTHEK FRAU HOLLE”

The cultural center “Kulturhaus Würth”, along with its integrated library “Bibliothek Frau Holle”, has been enriching cultural life in Künzelsau since May 2017. The establishment was created on the initiative of Carmen Würth. It serves as a social gathering point and cultural center which appeals to all age groups and sections of the population. The reference library on the first floor features over 7,000 works from Carmen Würth’s private collection and includes sundry genres and topics from fiction to specialist literature, reference works and rare copies in a lovingly designed milieu.

The multi-functional event hall on the ground floor, measuring 100 square meters, offers enough space for around 80 people. It is possible to hold a wide range of events there, supported by cutting-edge technology. The building was designed to be accessible for the disabled.

Special emphasis is placed on activities for children and adolescents. Events include regular story times at the library “Bibliothek Frau Holle”, where volunteers read fairy tales and tell stories to children, as well as events held with Carmen Würth. The response to the cultural center “Kulturhaus Würth” has been very positive from the outset.

The magical backdrop of the cultural center “Kulturhaus Würth” with the library “Bibliothek Frau Holle”.

Martin Traxel and C. Sylvia Weber at the Maecenas award ceremony in Vienna

MAECENAS PRIZE

The “Initiativen Wirtschaft für Kunst” (Business for art initiatives), an independent business committee in Vienna, awarded the Austrian art sponsorship award “Maecenas” in cooperation with the Austrian Broadcasting Corporation (ORF) in 2017, for the 29th time. The jury presented the award in the “Maecenatentum” category to Prof. Dr. h. c. mult. Reinhold Würth. The assessment was based on the criteria quality, innovation and creativity. The jury highlighted the strong presence of Austrian 20th and 21st century art in the Würth Collection, making it one of the most extensive collections of Austrian art outside Austria. In addition to examples from the early modernist period, the collection also houses numerous contemporary artists from Austria. The jury also highlighted Reinhold Würth’s commitment to the permanent presentation of modern art in Salzburg’s city center. The prize was presented by the Austrian Broadcasting Corporation’s (ORF) cultural editor Martin Traxel. C. Sylvia Weber, manager of the Art and Culture unit, accepted the award on Reinhold Würth’s behalf.

» I am convinced that we can all learn a lot from books and stories, yes even from fairy tales. «

Carmen Würth

Featuring works by Tomi Ungerer, the Würth Collection made a guest appearance at the "art KARLSRUHE" art fair.

The Würth Group was awarded the "European Cultural Investor" prize in Berlin.

WÜRTH COLLECTION ON ITS TRAVELS

Artist, graphic designer and author Tomi Ungerer has long enjoyed close ties to the Würth Collection. A representative selection of his works was displayed in February 2017 at a special exhibition entitled "Tomi Ungerer – Sketches, Collages and Object Art from the Würth Collection" at the "art KARLSRUHE" art fair. The 86-year-old native of Alsace came along himself to look at the presentation of his work.

In the summer, the "Cantastorie" exhibition traveled to Kunsthaus Zürich in Switzerland. Cantastorie are painted panels used by Neapolitan puppeteer families as theater props to highlight key story themes for their audience. The expressive works on paper of the street singers were first displayed in Museum Würth in Künzelsau.

The nativity scenes from the Carmen Würth Collection also belong to the folk art genre. These were exhibited both in the Sieger Köder Museum in Ellwangen and in the Hällisch-Fränkisches Museum in Schwäbisch Hall.

Sculptures from the Würth Collection have been enriching public spaces for years now. Under the motto "in situ", Künzelsau's town center exhibits numerous works by contemporary artists, while in Salzburg, Austria, the Würth Collection is represented in two locations with the Walk of Modern Art in the old town and the Würth Sculpture Garden at Schloss Arenberg.

EUROPEAN CULTURAL INVESTOR

The Würth Group has been singled out as the "European Cultural Investor of the Year 2017". The prize was awarded at the "Night of Cultural Brands" in Berlin by the cultural agency causales. In particular, the jury praised the wide range of funding provided and the strong personal commitment of Prof. Dr. h. c. mult. Reinhold Würth and his daughter Bettina Würth. The jury was also impressed by the Collection's European orientation as well as by the focus on sustainability and thus the preservation of art and culture for future generations. C. Sylvia Weber (on the left of the photo) and Maria Würth accepted the award.

SHARING COMMITMENT

WÜRTH FOUNDATION

The purpose of the Würth Foundation is to promote art and culture, science and research, training and education, as well as to provide support to refugees. Founded back in 1987 by Reinhold and Carmen Würth, the foundation focuses on projects from the Hohenlohe region, where the Group is headquartered.

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 in Künzelsau.

Other major third-party projects include the Hohenloher Kultursommer, as well as the international violin competition organized every other year by Kulturstiftung Hohenlohe (Hohenlohe Cultural Foundation), Youth Opera Schloss Weikersheim and the Hohenlohe Central Archive Neuenstein (photo above).

WÜRTH PRIZE OF JEUNESSES MUSICALES DEUTSCHLAND

The exceptional violinist Christian Tetzlaff is the winner of the EUR 15,000 Würth Prize of Jeunesses Musicales Deutschland (JMD). He was awarded the prize both for his extraordinary interpretations as well as for his commitment to making classical music accessible, especially to young people. The award was presented by Prof. Dr. h. c. mult. Reinhold Würth and JMD President Johannes Freyer in Carmen Würth Forum. The prize has been awarded since 1991.

SIMPLY ASTOUNDING

Robert Jacobsen Prize The Würth Foundation has been awarding the Robert Jacobsen Prize in cooperation with Museum Würth since the death of Danish sculptor Robert Jacobsen in 1993. It is awarded every two years to contemporary visual artists to commemorate the work and influence of Robert Jacobsen. Previous award winners include: Lun Tuchnowski, Monika Sosnowska, Alicja Kwade, Jeppe Hein and Michael Sailstorfer. Yngve Holen, an artist born in 1982 in Braunschweig, was awarded the Würth Foundation's Robert Jacobsen Prize, worth EUR 25,000, in September 2017. He lives and works in Berlin.

Stefan Petermann and Synke Köhler accepted the Prize for Literature in the Alma Würth Hall in Künzelsau.

INTEGRATION

Würth believes that the integration of refugees is a key socio-political responsibility. Akademie Würth supports a large number of activities aimed at helping refugees integrate themselves into the labor market. They include language courses, such as the summer courses held at vocational schools in Künzelsau and Öhringen, internships, the financing of master's degree programs, and integration courses. Würth used two events of nationwide significance to successfully highlight just how important jobs are to the integration of refugees: a panel discussion to mark the start of the Hannover Messe trade fair in April 2017 and a conference organized by the Friedrich-Ebert Foundation in Berlin in December.

Author Renate Hartwig held a workshop with refugee children in collaboration with the Council of Confidence of Adolf Würth GmbH & Co. KG. The resulting book was presented at Freie Schule Anne-Sophie. A football integration project organized by the Künzelsau town authorities together with the Georg-Wagner school and Ganerben Gymnasium high school benefited from financial support provided by the Würth Foundation. Würth took part in the "welcome culture" action week organized by the Welcome Center of the Heilbronn-Franconia business region with a reading performed by Iranian author Shida Bazyar at Kulturhaus Würth.

A calypso band featuring musicians from around the world provided a musical backdrop to the reading in Kulturhaus Würth.

WÜRTH PRIZE FOR LITERATURE

Stefan Petermann and Synke Köhler were awarded the 28th Würth Prize for Literature. The award ceremony took place in September at Museum Würth in Künzelsau-Gaisbach. The prize is worth a total of EUR 7,500. The motto selected for the prize was "After I met you, I saw myself as another". American author Siri Hustvedt had selected the motto during the 2016 Tübingen Poetry Professorship (Tübinger Poetik-Dozentur) at the University of Tübingen. More than 750 texts were submitted. The prize went to works of prose of around 10,000 characters that convincingly use language in a novel way. The award-winning texts and other stories selected from entries for the Prize for Literature were compiled in an anthology published by the Swiridoff-Verlag publishing house in Künzelsau. The Würth Prize for Literature has been awarded in cooperation with the University of Tübingen since 1996. It is awarded by the Würth Foundation.

»I believe that immigration also offers a great opportunity for our country. Many of the people coming here are educated and highly motivated, including academics and doctors. They are a real asset to us.«

Reinhold Würth

The Lindele shop offers products made by disadvantaged people from all over the world and is connected directly to Hotel-Restaurant Anne-Sophie.

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. Be it in the kitchen, as a member of the waitstaff, or in housekeeping: everyone pitches in, employees both with and without disabilities. Carmen Würth's aim is to use Hotel-Restaurant Anne-Sophie to show visitors that this concept can be a recipe for success. The hotel currently employs a workforce of 90, around one third of whom have disabilities.

TECHNICAL UNIVERSITY OF MUNICH DECLARES CARMEN WÜRTH HONORARY CITIZEN

Carmen Würth has received honorary citizenship from the Technical University of Munich (TUM) for her tireless commitment to the social integration of people with mental and physical disabilities. Thanks to her support, the Markus Würth Endowed Professorship for Pediatric Neuro-Orthopedics and Cerebral Palsy was founded at TUM in 2012. The endowed professorship allows orthopedist Prof. Renée Lampe and her team to research the health development of children with cerebral palsy. She and her team are also developing innovative therapy concepts based on their findings. One example includes technical developments in perception research for people with disabilities, as a proper perception of the body and one's environment is a prerequisite for movement. A second therapeutic project takes an entirely different approach: one possible form of therapy for those affected is playing the piano. Playing the piano helps to develop the connections in the brain and improves the sensory-motor functions of the fingers. In order to make it easier for children with cerebral palsy to play the piano, Professor Lampe and her colleagues have developed a special sensorimotor system.

REPRESENTATIVE OFFICES

In Berlin since 2003 and in Brussels since 2005. Würth attaches a great deal of importance to critical dialog with social groups and institutions. Würth Haus Berlin and Würth Office Brussels have established themselves as key dialog forums for German and international politics, largely to discuss matters relating to international foreign trade policy. 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.

A fiscal debate about the EU was held in Würth Haus Berlin.

SIMPLY A REASON TO CHEER

... can also be used to describe the surprise victory of Thomas Dressen in the Streif downhill ski race in Kitzbühel, Austria. The DSV athlete was the first German to win the legendary Hahnenkamm ski race in 39 years.

Sports sponsorship Würth is a reliable and strong partner not only for its customers, but also in the sporting world. One of the many examples is the partnership with the German Ski Association (DSV). Würth has been supporting the DSV since as far back as 2002. The sporting year traditionally starts with the outfitting of the DSV athletes. This event is held at Adolf Würth Airport every three years and has also been held in Carmen Würth Forum since 2017. In addition to winter sports, Würth is also committed to soccer and motor sports. Its long-standing partnership with the Asia Pacific Rally Championship is being continued in 2018. We are also a sponsor of the PENSKE team in the American NASCAR Sprint Cup Series.

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 IN BERLIN AND KÜNZELSAU

"Every child should leave Freie Schule Anne-Sophie as a winner." This was Bettina Würth's motivation when she founded the all-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 September 2017, Freie Schule Anne-Sophie in Berlin attended the Citizens' Festival organized by German President Frank-Walter Steinmeier in Bellevue Palace. The school represented the Würth Foundation's commitment to training and education.

UNIVERSITY PROMOTION

The Foundation for the Promotion of the Reinhold Würth University within Heilbronn University in Künzelsau has been active since 2005. The Künzelsau campus is one of three campuses belonging to Heilbronn University, boasting around 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.

COMPETENCE CENTER FOR ECONOMIC EDUCATION

Prof. Dr. h. c. mult. 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 pupils and teachers alike and to get the participants interested 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 (Werkrealschulpreis), a prize awarded at the state level for outstanding achievements, as well as the annual Management Symposium that addresses interesting topical issues from the worlds of school and business.

GERMAN SPECIAL OLYMPICS

On Carmen Würth's initiative, Würth has been supporting the German organization of the world's largest sporting event for people with mental and multiple disabilities, which is recognized by the International Olympic Committee (IOC), since 2008. To date, more than 700 volunteers from Würth have helped at the German Special Olympics. In addition to its active support on location, Würth also makes its network and valuable connections with top athletes available, helping to raise awareness for the Special Olympics. The support of top biathlete Laura Dahlmeier was secured for the latest advertising motif.

Photo shoot for a good cause during the
outfitting of the DSV athletes at Adolf Würth Airport

Students present their project at the
kick-off event for the 2017 / 2018 Würth Education Prize.

"TREFFPUNKT FORUM" (MEETINGS AT THE FORUM)

"Treffpunkt Forum" is a series of events 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. Guests have included Johann Lafer, Marcel Reif, Christoph Sonntag, Peter Lohmeyer, Joachim Król, and Klaus Mangold.

LIFELONG LEARNING

Continuing 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 continuing education program.

Akademie Würth Business School offers Würth Group employees and interested external parties continuing education programs for working professionals. These include a Bachelor of Arts in cooperation with the Distance Learning University in Hamburg. An absolute highlight is the opportunity for interested individuals to continue their academic career with a Master of Business Administration (MBA). The English-language MBA degree, which lasts only 13.5 months, has been on offer for many years now in successful cooperation with the renowned and AACSB-accredited University of Louisville, Kentucky, USA.

SIMPLY EXCELLENT

At the 2017 European Risk Management Awards in London, the Würth Group received the award for the category "Innovative Insurance Programme of the Year".

A tribute to good design quality: In 2017, the award went to the PURLOGIC® PREMIUMpress foam gun and the ORSY® system case.

The prize went to the ORSY® system case, which communicates all of Würth's brand-specific elements with its black, structured design.

Internationales Bankhaus Bodensee AG was once again recognized as a member of the "Elite of Asset Managers", achieving a score of "summa cum laude" this year as well.

The jury honored the ORSY® system case. Their justification: "The modern tool case system delivers convincing performance in both formal and functional terms."

The slip-on Würth MODYF® Stretchfit S1P safety shoe was announced the winner of the 2018 German Design Award in the "Workshop and Tools" category.

The "RECA ratchet" offers a unique and convincing combination of quality and innovation, which is why it was awarded the 2017 German Design Award.

Würth is one of the most popular and best employers in Germany, which is why it was awarded the "TOP National Employer 2018" prize by business magazine Focus-Business.

The fine-dining restaurant Le Cerf in Wald & Schlosshotel Friedrichsruhe, headed by chef Boris Rommel, was awarded a second star by the Michelin Guide.

FIAT CHRYSLER AUTOMOBILES identified Würth as the best EMEA MOPAR supplier of parts and services of 2017.

In 2017, the jury of the Austrian art sponsorship award "Maecenas" selected Prof. Dr. h. c. mult. Reinhold Würth as the winner in the "Maecenatentum" category.

The Würth Group was conferred the "European Cultural Investor of the Year 2017" award for its cultural commitment in Europe.

Dualis is a scheme organized by the Chamber of Industry and Commerce of Heilbronn-Franconia to improve the quality of education. In 2017, Würth also achieved successful re-certification as an "Excellent training provider".

Würth received the Green Product Award 2017 for its Cradle to Cradle®-certified Varifix® mounting rail range. The jury was won over by the recycling concept and the outstanding resource efficiency.

The Varifix® mounting rail range was awarded C2C certification by the Environmental Protection Encouragement Agency (EPEA) based on one of the highest standards in eco-effectiveness.

www.wuerth.com

WÜRTH GROUP

simply
good.

Würth Group
Annual Report 2017

LET'S BUILD THE UNITED STATES OF EUROPE FOR OUR CHILDREN AND GRANDCHILDREN!

Ladies and Gentlemen,
Dear readers,

The Würth Group is owned by the Würth Family Trusts. As Chairman of the Supervisory Board of the Würth Group's Family Trusts, I have been asked to write an article for the Würth Group's Annual Report for the 2017 fiscal year.

First of all, I would like to take this opportunity, on behalf of the Supervisory Board, to thank the 74,000 employees of the Würth Group for the fantastic results achieved in the 2017 fiscal year. We were able to set new records with regard to both our consolidated external sales and our operating result, which bears testimony to the fact that, even after being in business for 72 years, Würth remains as youthful and dynamic as ever.

I myself am 82 years old and can look back on my life with a healthy dose of gratitude. I am quite an unusual example in the world of business in the sense that I have been observing, supporting and shaping the development of the Würth Group from day one for more than 72 years now. While our company's development has certainly been more successful than average, it has taken place in a political and technological environment that has brought more changes and technological advances within these 70 years than in the 500-year modern period that came before them.

My father Adolf set up his screw wholesale business only four weeks after the end of the Second World War. I witnessed this era as a 10-year-old boy myself and can still conjure up vivid memories of that time: On 29 May 1945, I was allowed to accompany my father when he set off from Künzelsau, together with farmer Dümmler, in a cart drawn by two oxen with wooden spoke wheels and cast iron rims to the Arnold screw factory, located 15 km from here in Ernsbach, to buy his very first screws. It was quite an event for me! I then helped my father to fill the shelves in a room adjoining the Schlossmühle (castle mill) building in Künzelsau with the screws he had purchased.

As such, I am familiar with the development of the company from day one. Four years later, in 1949, when I was 14 years old, I officially embarked on my apprenticeship with my father, which lasted until 1952. When my father died of a heart attack in 1954, at the age of only 45, I was 19 years old and was very lucky, despite the grief that I inevitably suffered, to have benefited from his comprehensive and stringent teaching and training. With two employees and annual sales of DM 146,000 (1954), I then embarked on the 1955 fiscal year, which I closed with DM 176,000 in annual sales and 20.5 percent sales growth.

The era in which the company was expanding was favorable to its development: The country had been destroyed and endless volumes of fastening materials were required for reconstruction, meaning that procurement was often more difficult than actually selling the goods. In 1962, I set up our first foreign company in the Netherlands, followed shortly thereafter by subsidiaries in Switzerland, Italy and Austria.

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

This two-man business has since become a major name in the SME segment with more than 74,000 employees, and I must confess that sometimes, when I drive up to the Künzelsau campus in the morning and look across the entire site, I can't help but shake my head in disbelief at what has become of this small company in just three generations.

Now, as I near the end of my lifetime, I am filled with gratitude that I have been able to support Würth in various positions during my 69th year of service. I would be lying if I did not admit to being just a little proud of what we have achieved, although I know only too well that this development would not have been possible without the faithful and loyal employees who have worked for Würth over the decades – on the other hand, however, I do sometimes wonder whether the company would have achieved as much as it has without my involvement.

I am naturally asked the same question time and again at lectures, events and meetings: "Würth, if you could start over, what would you do differently today?" I then answer: "In fact, there is hardly anything I would change – after all, I have already celebrated 61 years of marriage with my dear wife Carmen and I am grateful to God that he has given us the gift of such a long life together and the stability that continuity offers!

I thank my wife with all my heart for raising our three children, largely single-handedly, and for being at the center of our growing family today, with five grandchildren and one great-granddaughter.

I am writing this essay in December 2017. Germany only has a caretaker government. Extremism (G20 summit in Hamburg on 7–8 July 2017) on the left wing of the political sphere, along with the growing resurgence of right-wing extremist tendencies and the attacks on the unity of the European Union are already raising questions as to what lies ahead in 2018 and the years that follow.

Now, I have also experienced the political development of the Federal Republic of Germany from the very beginning and I am more relaxed about these attacks on the political margins today. When I recall the outrage in the SME segment when Germany instated its first left-wing government, led by Chancellor Willi Brandt from Germany's Social Democratic Party, back in 1969: People were basically saying that we were all about to be expropriated. When the Green Party entered parliament for the first time, the outrage was on a similar scale. No established political party wanted to even talk to the Greens. In the end, it turned out that the sovereign power, namely the citizens voting in the elections, had made wise decisions after all. The current government crisis will soon be overcome, too, because, with its economic supremacy in Europe, Germany cannot afford to abstain from the decision-making process in the EU or in other bodies for too long.

In any case, the top priority today has to be convincing the young generation, in particular, of the idea of a United States of Europe and allowing the European Union to expand in the manner proposed by the very capable French President Macron, namely to first and foremost arrange for the establishment of a European finance minister and a European financial budget.

Anyone who wants to consider this issue as part of the "big picture" is advised to take a quick look at the past. According to Ms. Google, we had 1,800 different customs and currency areas in the territory of the German Empire back in 1790: So any time you crossed the next bridge, you were practically a foreigner. Bismarck's wise move to proclaim the German Empire in Paris five years after the establishment of the North German Confederation in 1866 was only possible because he exploited the weakness of the states to the south of the river Main, i.e. Baden, Württemberg and Bavaria, at that time and forced them to join the German Empire. It still took many years for Württemberg, Bavarian and Prussian citizenship to be abolished and for the words "Deutsches Reich" (German Empire) to be printed on our passports despite the existence of the German Empire. It is crazy how history repeats itself: The enemies of the North German Confederation, as well as the members of the resistance movement opposing the founding of the German Empire, cited the same sense of "belonging to one's homeland" and loss of identity that are being raised as arguments within the European Union today.

In this era dominated by four global power blocs, the US, China, Russia and the European Union, do we really want to risk talking down and destroying this European Union that is showing such amazing development? The individual European states that remain would be mercilessly abused or, in the worst-case scenario, even crushed entirely by the other three power blocs.

In this era dominated by four global power blocs, the US, China, Russia and the European Union, do we really want to risk talking down and destroying this European Union that is showing such amazing development?

The European Union would be left with no other choice but to proceed at different speeds. I believe that the Brexit negotiations, which are proving to be incredibly tedious, are unlikely to result in the United Kingdom maintaining very close economic links to the European Union by signing an EEA-like treaty.

The Visegrád states of Poland, the Czech Republic, Hungary and Slovakia should not veer too far off the path of democracy if they do not want to risk losing billions in payments from EU funds. Incidentally, it is as clear as day how the other three superpowers – the United States, Russia and China – are trying to hinder or block the progress made by the European Union. They do not want the European Union to become a monolithic power bloc of global political importance. Take China, for example: They buy the Port of Piraeus and announce that they want to build a lovely new highway to none other than the Visegrád countries, not without the idea of eroding the eastern flank of the EU and perhaps even repelling the Russian influence. Dear readers, let us now build the United States of Europe for our children and grandchildren – it is the best conceivable way of protecting our homeland in a global context.

But let us return from this world view to the year 2018. All economic researchers expect to see further growth in global trade, including trade within the European Union, meaning that the business outlook for 2018 is, in fact, excellent.

As businesspeople, we are, of course, required to evaluate opportunities and risks, advantages and disadvantages, and take unforeseeable developments into account as well, making our decisions in such a way that, no matter how much we strive to expand, we continue to safeguard the security and survival of our companies and the jobs that they provide. One key motto has accompanied me throughout my life: "GROWTH WITHOUT PROFIT IS FATAL." This principle has proven its worth, as we have been awarded an A rating by Standard & Poor's for 22 years now. The most important task facing the Würth management team in the future will still be avoiding risks that are not manageable and at the same time making sure that we do not lose our knack for innovation and risk assessment.

Dear readers, I wish you a happy and successful 2018.

RWürth

Reinhold Würth

REPORT OF THE ADVISORY BOARD

Ladies and Gentlemen,
Dear readers,

We want to keep things "simple". Strange. In the past, back when – at least as we think back on it today – everything was so simple, (economic) miracles could not happen quickly enough. Nowadays, with digitalization and technology making seemingly anything possible, we are longing to return to a simple life, to shift down a gear, without giving up the comforts to which we have become accustomed. The tricky thing is also that a "simple" life means something different to everyone.

Simplification that is useful for everyone is based on dealing with what is possible in a responsible manner. As a company, this is something of which we are aware. We do not need to turn everything that is feasible into a reality, but rather wish to offer everything that serves each one of our customers best. We also want our employees to find exactly the form of simplicity that suits them. The Würth Group can look back on a fantastic year: sales of EUR 12.7 billion and an operating result of EUR 780 million. This was something that we were only able to achieve because we turned things that seemed complicated into something simple.

Work of the Advisory Board

The Advisory Board of the Würth Group held three extensive meetings in 2017. These meetings were based on the reports from the Central Managing Board members on 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 means of circulars.

In 2017, the work of the Advisory Board was shaped 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. The Advisory Board also addressed issues related to digitalization and acquisition strategy in detail.

The Advisory Board has set up three committees: a Personnel, Audit and Investment Committee. Each committee met three times in 2017. 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 24 April 2018, the Advisory Board's Audit Committee took an extensive look at the 2017 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 2017 also focused on the compliance management system 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 took an in-depth look at measures to refine the investment planning and investment controlling process. The Würth Group will remain true to its investment culture as a prerequisite for the company's growth, meaning that the investments approved for the 2018 fiscal year will be at a similar level as previous years in relation to the sales growth of the Würth Group. The Advisory Board approved the investment and financial plan of the Würth Group for the 2018 fiscal year at its meeting on Friday, 8 December 2017 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. 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 2017 was a good year for the Würth Group, a record year: sales amounted to EUR 12.7 billion – up by 7.5 percent, or 7.9 percent after adjustments to reflect exchange rate effects. We were able to boost our operating result significantly year on year to EUR 780 million: an increase of 26.8 percent.

How does one react to results like these? First of all, we are very grateful! Above all, this result is a testimony to the satisfaction among, and serves as confirmation from, over 3.5 million Würth customers who are enthusiastic about our performance, our service and our products. A very big thank you to all of you! None of this would be possible without the trust that you have placed in us. And in this respect, I am also speaking on behalf of all 74,000 employees in the Würth Group.

At the same time, these results create new obligations and a new source of motivation for us: Two concepts that are not mutually exclusive. The motivation driving us is summed up in the clear statement made by Professor Würth: "We are not employed by Würth, but by our customers." In other words: We are a service provider. Being able to perform and willing to serve is crucial. As we embark on this journey, it is important that we haul our employees on board, make our corporate objectives transparent and join forces to work on new ideas and possibilities for our customers.

In their assessment of macroeconomic development, the "Wise Men" – the German Council of Economic Experts – write in their 2017/18 Annual Report: "The German economy is experiencing a major upturn," and forecast growth of 2.2 percent for 2018. This is due, among other things, to the rising demand from abroad and buoyant exports. The International Monetary Fund (IMF) predicts global economic growth of 3.9 percent, although it took a skeptical stance in Davos this January and has cautiously predicted that the solid global economic situation will come to an end. One sign of just how overheated the current situation is can be found in the lack of EUR-pallets: The pallet industry cannot keep up with demand and is becoming a new indicator of economic performance.

Our job is to exploit and convert the energy from this "tailwind". Our companies in Eastern and Southern Europe once again made a successful job of this in 2017: Sales in Eastern Europe improved by 21.0 percent, reaching EUR 784 million. The Southern European region was able to continue with the above-average growth witnessed in 2016 and reported sales of EUR 1,432 million in 2017 – an increase of 11.6 percent.

The question as to the new challenges associated with digitalization remains an interesting one. A second major wave is approaching us with artificial intelligence and it is impossible for any of us to define and filter exactly what advantages and disadvantages these advances will bring. Not every possibility translates into an improvement, simplification or opportunity. This is an area in which we all have to take responsibility. Nevertheless, it is clear to us at Würth that our genuine selling skills as a typical direct selling business will remain our focal point. We want to find out how our customers are doing, what questions they have, what suggestions for improvement. Real solutions call for real dialog. And real dialog allows real service to be provided – a characteristic that clearly sets us apart from our peers.

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

One topic that is fighting its way back to the forefront of the agenda within this context is trust. In recent years, big tech companies have dominated the agendas of economic conferences – but there are signs that this trend is starting to reverse. There is growing skepticism toward these young, fast-growing companies. What will happen with the huge volumes of data? Questions relating to security and reliance are coming to the fore. All of a sudden, people are starting to talk about values again. Values such as trust, reliability, predictability, stability. Values that have shaped the partnership with our customers from the outset and continue to do so to this day. As entrepreneurs, we should never lose our sense of respect for our customers' purchasing decisions. After all, a decision is never a matter of course, but always a deliberate intention – in 2017, our customers said "yes" to Würth 44 million times.

The Central Managing Board of the Würth Group would like to thank 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.

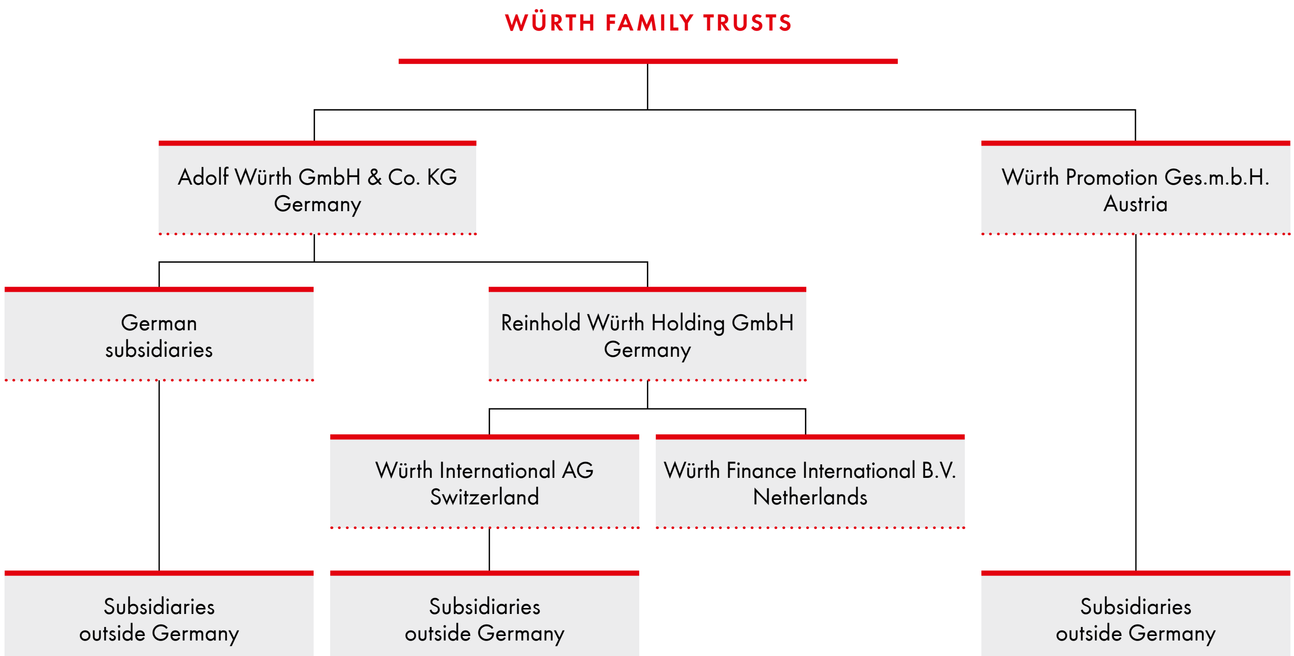
We were able to celebrate two wonderful events in 2017: Carmen Würth's 80th birthday and the associated inauguration of Carmen Würth Forum. Reinhold Würth could not have chosen a better way of marking his wife's birthday by dedicating this building to her. After all, it is his way of highlighting two important things that make Würth the company it is today: mutual appreciation and the management of the Group as a family business.

For the Central Managing Board of the Würth Group

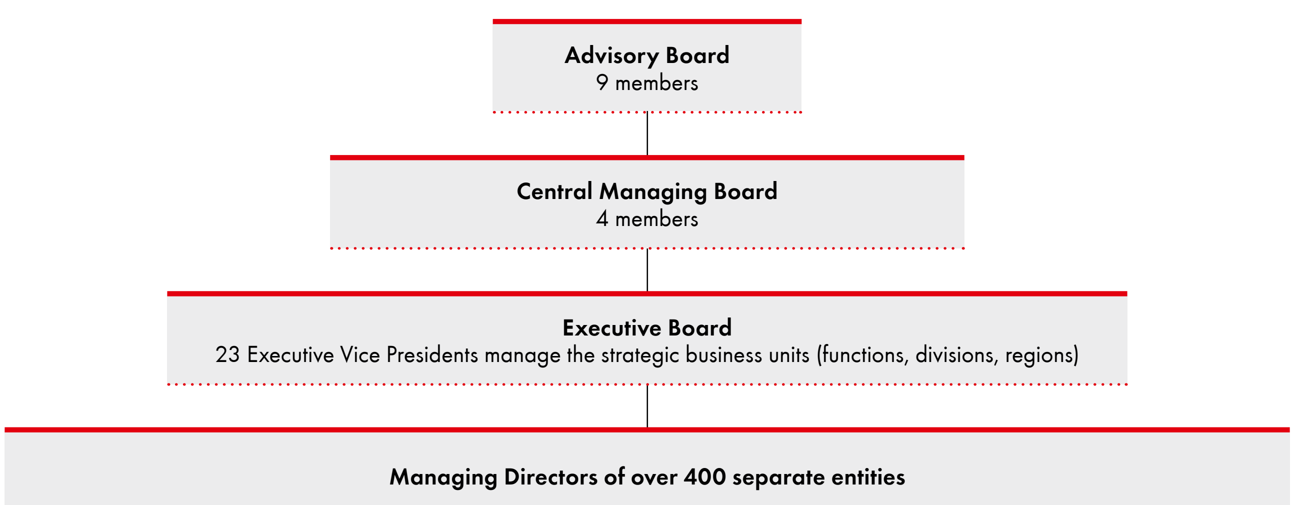
Robert Friedmann
Chairman of the Central Managing Board of the Würth Group

Würth Group: Legal structure

Simplified chart



Organizational structure



Advisory Board

The Advisory Board is the supreme 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 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
SAP SE, Walldorf
Member of the Supervisory Board and Chair of the Audit Committee at QSC AG, Cologne

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.

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

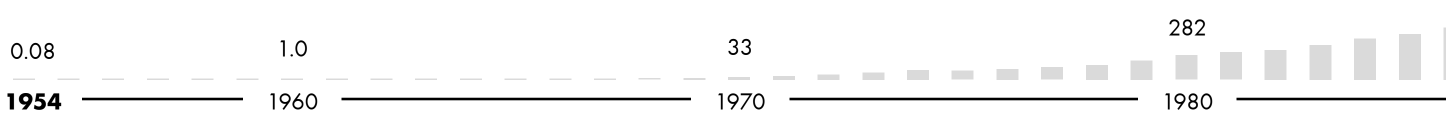
The Würth Group is the global market leader in the trade of fastening and assembly materials. This is its core business and the area in which the story began. To this day, it is the area in which the 143 Würth Line companies operate. It's simple really:

"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 2017, the Allied Companies were responsible for around 40 percent of the consolidated sales.

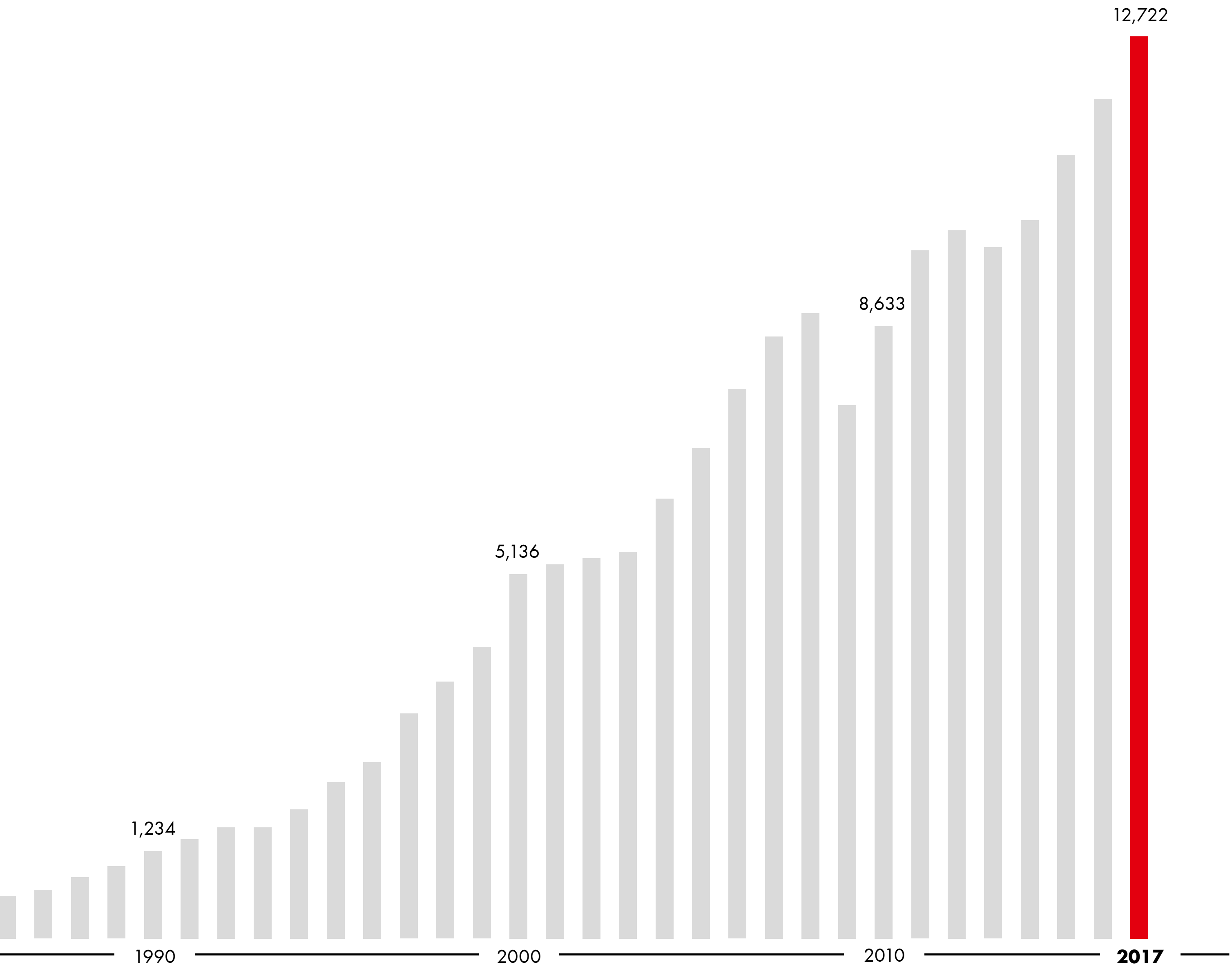
The Würth Group employs a global workforce of 74,159 employees – with 32,295 working on the sales force – has more than 400 companies in over 80 countries, 1,817 branch offices and generated sales of EUR 12.7 billion in 2017.

Digitalization has created new challenges for Würth as well: Its operations now extend far beyond pure direct sales and stationary trade. 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. This has always been, and remains, our primary objective.

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 17,500 pieces. In 1987, he established the Würth Foundation together with his wife Carmen to promote art and culture, science and research, training and education. These two milestones symbolize an attitude that is also at the heart of the Group's corporate culture: openness, gratitude, respect, curiosity, responsibility, but also humility towards our fellow human beings and society. This is the stance that we take in our dealings with our customers.



SALES DEVELOPMENT | Würth Group in millions of EUR



↗ 20.9%

COMPOUND ANNUAL GROWTH RATE

Economic environment

Global economic growth picked up considerable speed in 2017. The economy experienced an upswing in almost all major markets. The economic situation improved in a year-on-year comparison in emerging markets as well: China's economy grew at a rate that was at least three times as fast as Germany's in 2017, with its GDP expanding by 6.9 percent last year. This means that the world's second-largest economy made a return to stronger growth for the first time since 2010. The economic recovery has also made itself apparent on the US labor market. The unemployment rate stood at 4.4 percent last year. In the months from October to December, it came to 4.1 percent, the lowest level witnessed in around 17 years. All in all, global economic growth came to 3.7 percent in 2017, up on the previous year (2016: + 3.2 percent).

- **Consumption and construction boom in a low interest rate environment fuel economic upswing in Germany**
- **Exports and production in German industry at a record high**
- **Long-term effects of the tax reform in the US and Brexit still impossible to predict**

The economic situation in **Germany**, the Würth Group's largest single market, was characterized in 2017 by the strongest growth seen in six years. The gross domestic product rose by 2.2 percent (2016: + 1.9 percent).

The **craft** segment, which is the most important sales market for the Würth Group, recorded rising sales, strong investment and significantly more new hires in 2017. Sales generated by craft businesses increased by 3.6 percent in 2017 (2016: + 3.0 percent). In the **metal and electrical industry**, another key sector for the Würth Group, production rose by an average of 3.7 percent in 2017 (2016: + 1.5 percent). The German **automotive industry** produced fewer cars in the country in 2017. 5.6 million vehicles were manufactured here in Germany, compared with 5.8 million in the previous year. Production in Germany's **mechanical engineering sector** increased significantly in 2017, namely by 3.1 percent compared to one year earlier (2016: + 0.1 percent). Sales also improved by 3.1 percent, reaching a total of EUR 224 billion. The **construction industry** continues to boom. Sales rose by another 5.0 percent year on year to EUR 112 billion. In the last quarter of 2017, the order books were fuller than they had been in 20 years.

In 2017, the economy in the **eurozone** matched the level of growth last witnessed in 2007, i.e. before the financial crisis. Both in the EU and in the eurozone, gross domestic product increased by 2.5 percent (2016: + 1.9 percent). This marked a ten-year high in both cases. Despite battling with the crisis in Catalonia, the **Spanish economy** grew for the fourth year running. At 3.1 percent, growth was down slightly compared with the previous year (2016: + 3.3 percent). **Italy** experienced an upswing in 2017 after a ten-year slump. The economy grew by 1.5 percent (2016: + 0.9 percent), although it nevertheless continued to lag behind the two locomotives of the European economy, Germany and France. In 2017, **France** experienced the strongest economic growth seen since 2011 after the election of President Emmanuel Macron. GDP rose by 1.9 percent (2016: + 1.1 percent).

The **United Kingdom** remained in positive territory, albeit with weaker growth: gross domestic product increased by 1.4 percent (2016: + 1.8 percent). This was the weakest growth rate reported by the British economy in five years.

The economic situation in the **US** showed positive development. All in all, gross domestic product rose by 2.3 percent in 2017 (2016: + 1.5 percent). Consumer spending also increased significantly, growing by 3.8 percent.

The economic situation in **China and India** also remained positive in 2017. The Chinese economy reported strong growth of 6.9 percent (2016: + 6.7 percent). India's economy even outpaced China's with 7.6 percent growth. Total GDP in **Latin America** increased by 1.3 percent in 2017 (2016: – 0.6 percent). This improvement was driven, in particular, by the recovery in Brazil as the region's largest economy. The economic situation in **Russia** showed a marked recovery. Despite sanctions imposed by the West, GDP in 2017 showed positive growth for the first time since 2014, at 1.5 percent. The figures had been in the red in the two previous years (2016: – 0.2 percent, 2015: – 2.8 percent).

Business trends

- **Sales up by 7.5 percent to EUR 12.7 billion**
- **Record operating result of EUR 780 million**
- **Above-average growth in the e-business segment**

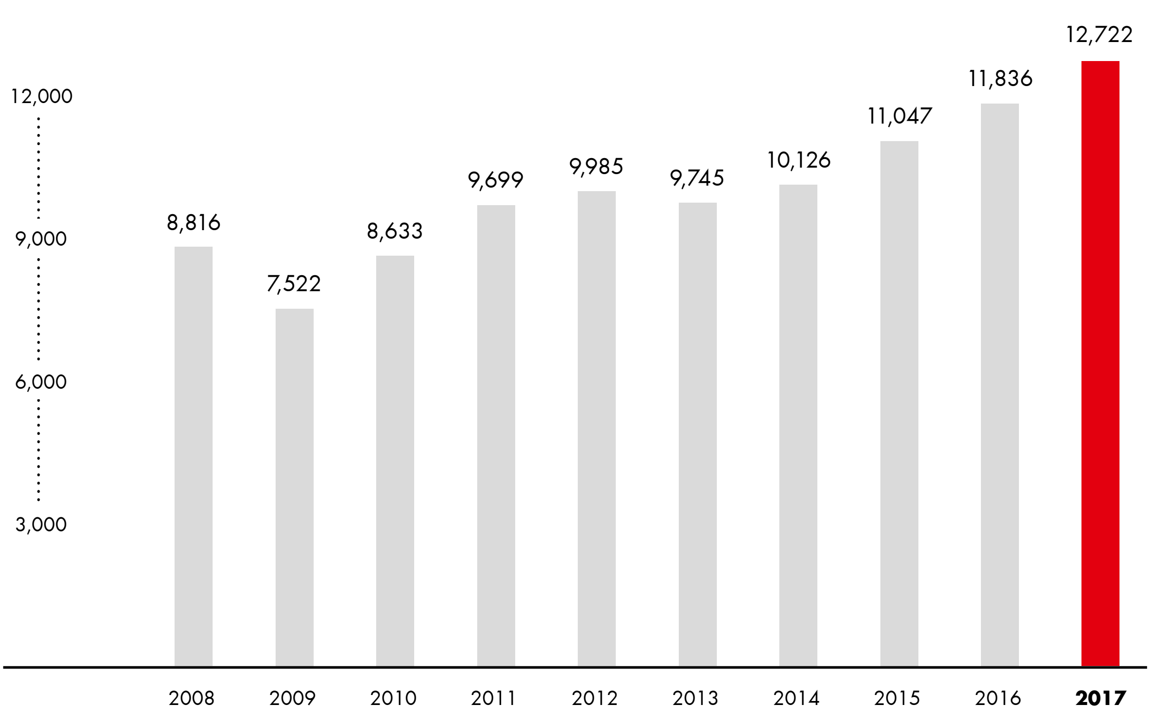
In 2017, the Würth Group generated sales in the amount of EUR 12.7 billion, setting a new record in the company's history (2016: EUR 11.8 billion). This represents growth of 7.5 percent. After adjustments to reflect exchange rate effects, the rate of growth came out at 7.9 percent. The positive development is underlined by the fact that, in the months of March and November, the company reported two new sales records in excess of EUR 1.1 billion in each case. The companies in Eastern and Southern Europe showed particularly dynamic development. The solid growth in 2017 is broad-based within the Würth Group. All business areas reported an increase in sales. Developments in the Electronics unit were particularly impressive, with above-average sales growth of 17.5 percent, a figure that made it into the double digits for the third year in a row. In the Würth Line, developments in the Industry and Construction divisions are encouraging, with their sales also up significantly on the previous year. The e-business strategy that Würth has adopted is bearing fruit, with sales increasing by 19.3 percent in 2017. In 2017, company acquisitions made only a minor contribution to sales growth, contributing 0.5 percentage points.

As far as its operating result is concerned, the Würth Group reported the highest result in the company's history at EUR 780 million (2016: EUR 615 million). At 6.1 percent, the rate of return surpassed the 6 percent mark for the first time in nine years. There are many reasons explaining the above-average earnings growth: 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 improvement in 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 524 million in 2017.

The number of employees rose by 2,768, from 71,391 to 74,159 in 2017. As in the past, the majority of the employees are still based in Germany. In 2017, this figure came to 22,620. Würth is a sales company at its core. Including sales-related areas, more than 45,000 employees have direct contact with customers, with 32,295 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 remains most important single market**
- **Southern and Eastern Europe report above-average growth**
- **Spain benefits from company acquisition**

SALES | Würth Group

in millions of EUR	**2017**	2016	%
Würth Line Germany	1,913	1,796	+6.5
Allied Companies Germany	3,484	3,290	+5.9
Würth Group Germany	5,397	5,086	+6.1
Würth Group International	7,325	6,750	+8.5
Würth Group total	**12,722**	**11,836**	**+7.5**

Eastern Europe was the fastest growing region in the Würth Group for the second year running in 2017, with growth in excess of 20 percent. Southern Europe was able to continue with the growth momentum seen in 2016, with sales up by 11.6 percent. In both regions, this strong growth was favored by acquisitions. On the whole, however, all regions reported strong organic growth.

Germany is the most important individual market for the Würth Group, accounting for 42.4 percent of sales. In 2017, this market reported satisfactory sales growth of 6.1 percent, bringing sales to EUR 5.4 billion (2016: EUR 5.1 billion). The companies outside of Germany reported more substantial growth of 8.5 percent. Although growth momentum is not at the same level in all regions, the differences are less pronounced than in previous years and there are no longer any distinct crisis regions.

One of the Würth Group's strengths is decentralization. Thanks to the 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, to 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.

The Würth Group's roots are in **Germany**. Adolf Würth GmbH & Co. KG was established back in 1945 as a screw wholesale business in Künzelsau. In 2017, the largest single entity in the Group generated record sales of EUR 1.5 billion and employed a workforce of 6,805 as sales representatives and in-house staff, attending to our customers' needs. With 469 branch offices, in which our customers can cover their immediate needs, our Group's flagship is closer to our customers than any of our competitors. In addition to the expansion of the branch office network and the further expansion of direct sales, the parent company is forging ahead with activities in the e-business segment. Adolf Würth GmbH & Co. KG also tops the internal ranking table as far as operating result is concerned. The company increased its profit to more than EUR 150 million. This earnings power is setting standards within the Group and is also key to further positive development. Investments in forward-looking distribution and logistics solutions would not be possible without this strong earnings performance. In addition to Adolf Würth GmbH & Co. KG, the Group also has other extremely successful companies operating in Germany: Würth Elektronik eiSos, Arnold Umformtechnik, Würth Industrie Service, Reca Norm, and Fega & Schmitt Elektrogroßhandel are prime examples. These companies have been showing extremely dynamic development for years now. Out of a total of more than 32,000 sales representatives, 6,167 of them are employed in Germany. Overall, Germany generated an operating result of EUR 421 million (2016: EUR 351 million), thus representing the most profitable region.

Western Europe is the Group's second largest sales region after Germany. Western Europe includes countries such as France, the UK, Austria, and the Benelux countries. Western Europe formed the geographical starting point for the internationalization of the Würth Group. In 1962, Reinhold Würth set up the first company outside of Germany, Würth Nederland B.V. This was followed by Würth AG in Switzerland and Würth Handelsgesellschaft m.b.H. in Austria. This move allowed him to lay the foundation for one of the key success factors of the Würth Group. With sales up by 5.2 percent to EUR 1,857 million, Western Europe reported much stronger growth than in the previous year, when sales increased by only 1.4 percent. The Swiss companies continued to stand in the way of more substantial sales growth. The restructuring of our Swiss direct sales company, which has been operating on the market for more than five decades, is still underway. The biggest source of sales in this region is France, which accounts for just under 40 percent. Sales growth here lagged slightly behind the average for the region. In the UK, in contrast, the companies outstripped the Group's growth rate measured in local currency terms. In euro terms, the UK remains slightly above the average. It is not yet possible to fully predict the consequences of Brexit on our activities. We do not, however, expect Brexit to have any major

THE WÜRTH GROUP AROUND THE WORLD

Countries in which Würth is represented

impact. The positive development in Austria, the second largest market after France, continues. This market reported the strongest sales growth, with 8.0 percent.

The **Americas** region was not quite able to continue with the double-digit sales growth seen in 2016, but reported satisfactory growth of 8.4 percent in local currency terms. At 1.5 percentage points, acquisitions had a positive effect on growth. 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. The US was always a focal point of these activities in the past, most recently in 2015 with the acquisition of Northern Safety Company, Inc., a company known for its strong sales, and in 2016 with the acquisition of the US company House of Threads, Inc.

Two other companies were acquired in 2017: On 1 November 2017, Würth took over the US company Dakota Premium Hardwoods LLC, which has its registered office in Waco, Texas. The company mainly sells wood products, fittings, laminates and accessories primarily to small and medium-sized carpentry workshops in Texas that specialize in manufacturing kitchen furniture. In a fragmented market, Dakota Premium Hardwoods LLC is one of the market leaders in Texas with six locations (Waco, San Antonio, Austin, Houston, Dallas and El Paso). The company generated sales of USD 76 million in 2017 and employed a total workforce of 116 at the end of 2017.

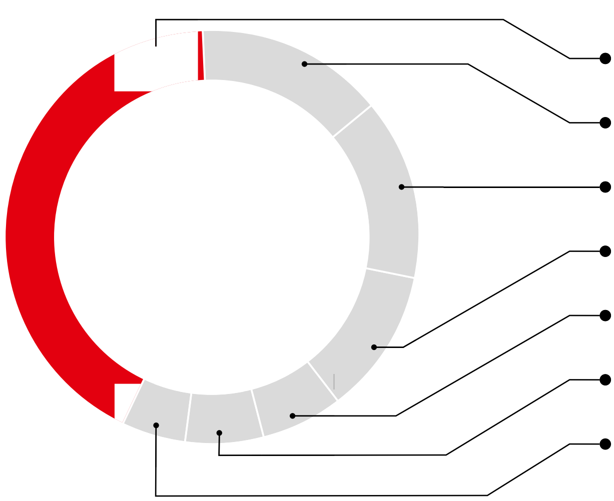
On 1 November 2017, Würth took over the company Weinstock Brothers Corp., which has its registered office in Valley Stream, New York. This family-owned business, which was established in 1898, distributes C parts in the connecting and fastening technology segment to customers in the commercial steel construction sector, and is the market leader in this industry in the US state of New York. Weinstock Brothers Corp. reported sales of USD 15 million in the 2017 fiscal year with 16 employees. The acquisition of Weinstock is a good addition to the regional network following the acquisition of House of Threads, Inc., whose operations are predominantly confined to the south-east of the US. Overall, Würth Industry of North America (WINA) was strengthened in a targeted manner through acquisitions and the company took further measures to forge ahead with WINA's growth strategy.

Following the change in government in 2017, the macroeconomic situation in the US remains positive. Thanks to the further reduction in the unemployment rate, private consumption – the factor that has traditionally propped up the US economy – increased significantly. Investor confidence is also reflected in the strong performance on the US stock markets. Experts expect the tax reform adopted by Congress at the end of 2017 to provide the US economy with a further boost in 2018.

In contrast to the region of North America, sales growth in South America benefited from tailwind in the form of exchange rate developments. In local currency terms, growth came to 10.4 percent, which translates to 13.9 percent growth in euro terms. Developments at the largest single company in this region were particularly encouraging: After a two-year consolidation phase, Würth Brazil edged close to the goal of double-digit sales growth again in local currency terms.

The **Southern European** region was able to continue with the dynamic sales development seen in 2016, reporting above-average growth in 2017, too. The companies achieved sales in the amount of EUR 1,432 million, up by 11.6 percent. The development in Italy, by far the biggest driver of sales in this region, was particularly noteworthy. With growth of 11.4 percent, the Italian companies reported an extremely successful year. In Spain, the Würth Group reported an increase of 14.8 percent, the highest growth in Southern Europe. The increase in sales is also due to the acquisition of the Walter Martínez Group, which consists of four operating companies and mainly supplies fastening materials to industrial customers. The family business, which

SALES | Regions of the Würth Group



	2017 in %	**2017** in millions of EUR	2016 in millions of EUR	Change in %
Germany	42.4	5,397	5,086	+6.1
Western Europe	14.6	1,857	1,766	+5.2
The Americas	14.3	1,827	1,706	+7.1
Southern Europe	11.3	1,432	1,283	+11.6
Scandinavia	6.4	818	784	+4.3
Eastern Europe	6.2	784	648	+21.0
Asia, Africa, Oceania	4.8	607	563	+7.8
Total		**12,722**	**11,836**	**+7.5**

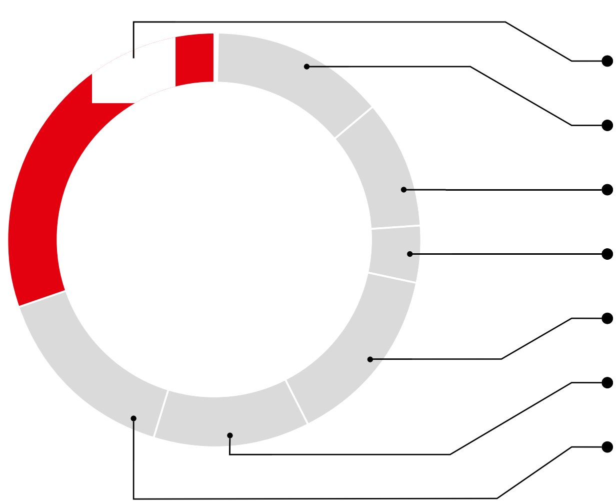
was set up in 1988, generated sales of EUR 17 million in 2017 and employed 55 people. The acquisition, with locations in Zaragoza and Madrid, laid an important foundation for the expansion of the industrial business in Spain. After adjustments to reflect the acquisition, growth in Spain came to 11.3 percent, which is still well ahead of the level for the Würth Group as a whole.

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 impresses with its excellent market penetration and high profitability. The branch office concept is the decisive success factor here. Würth Finland now has 182 branch offices, ten percent of all the Group's branch offices. The entity therefore also spearheaded the spread of this successful sales concept within Würth Line in recent years. All in all, the Scandinavian region closed the 2017 fiscal year with sales growth of 4.3 percent.

With an increase of 21.0 percent to EUR 784 million, the **Eastern European** region showed the fastest pace of growth in 2017. This momentum is still partly due to an acquisition made by Würth's electrical wholesaling business (W. EG) in the first four months of 2016. At that time, Würth had taken over the operating business of a competitor in Estonia, Poland and Slovakia in order to further expand the market position of W. EG. The acquired companies were successfully integrated into the existing portfolio of the electrical wholesaling business and are developing according to plan. If we adjust the sales growth to reflect the acquisition of the electrical wholesaling business, the rate of growth in the Eastern European region comes in at just under 15 percent, twice as high as the level for the Group as a whole.

The share of sales attributable to the **Asia, Africa and Oceania** region has been stable at a level of just under five percent for years now. Although the region is 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



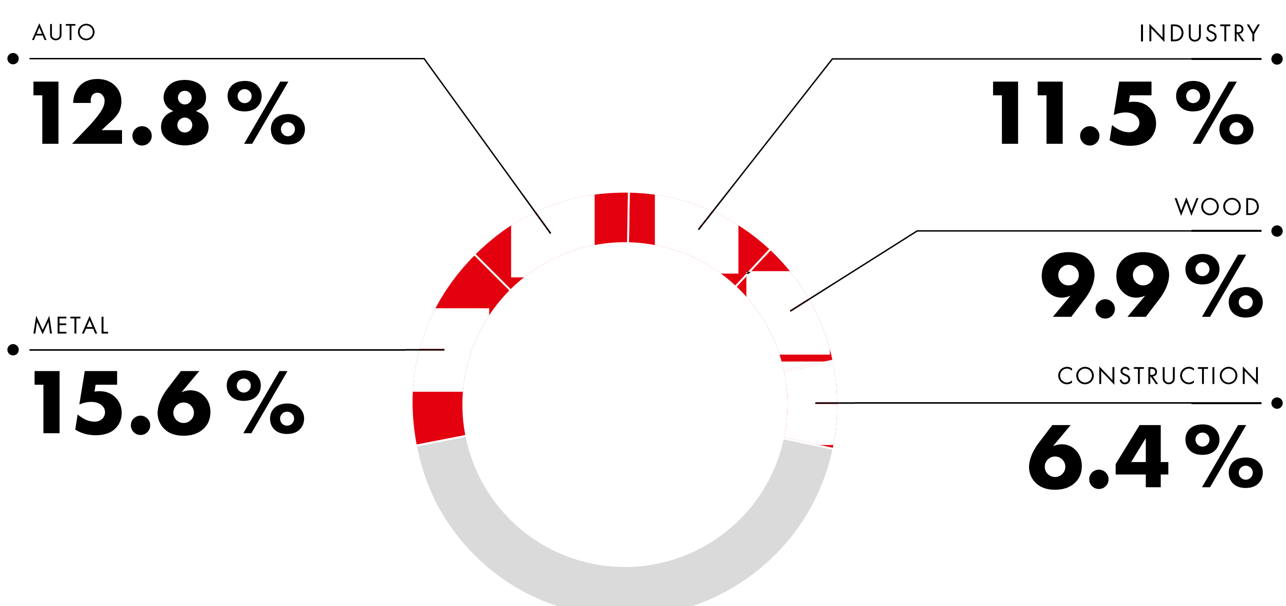
	2017 in %	**2017**	2016	Change in %
Germany	30.5	22,620	21,697	+4.3
Western Europe	15.0	11,088	10,861	+2.1
The Americas	12.1	8,973	8,383	+7.0
Southern Europe	14.2	10,552	10,050	+5.0
Scandinavia	4.5	3,312	3,301	+0.3
Eastern Europe	10.1	7,487	6,914	+8.3
Asia, Africa, Oceania	13.6	10,127	10,185	-0.6
Total		**74,159**	**71,391**	**+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



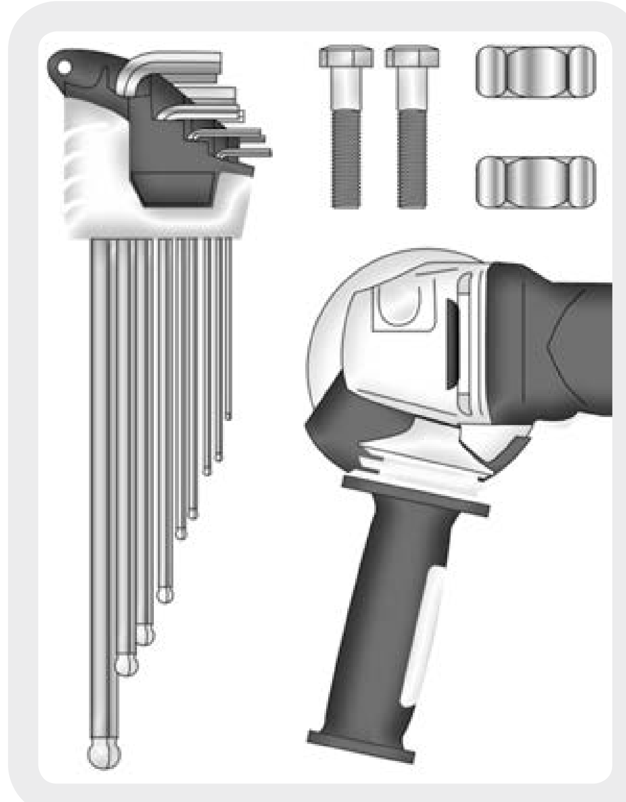
Metal division

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 stationary trade and online trading allows us to offer our customers top-quality advice and a wide range of options for purchasing our products.

Metal subdivision
This subdivision directly serves customers in the metalworking and metal processing industries, and its main customers include metal and steel fabricators, fitters and 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.

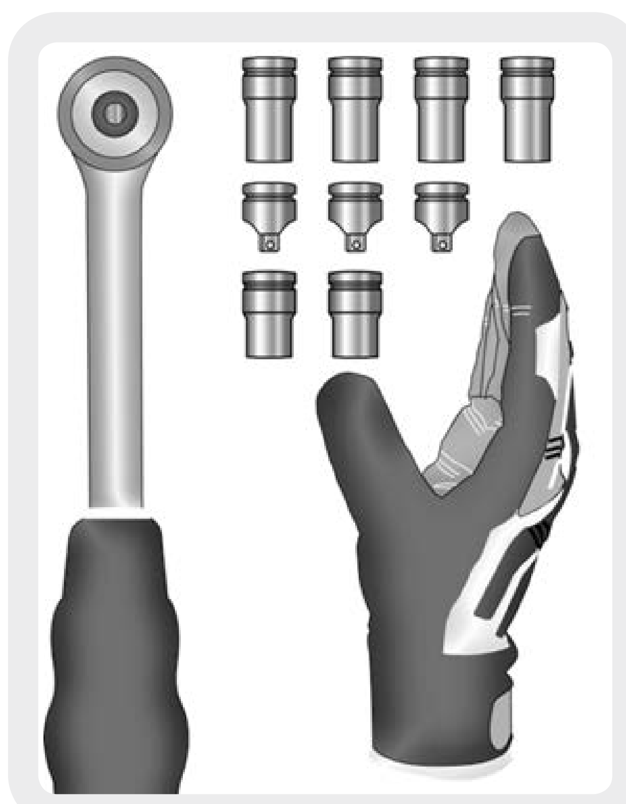


Auto division

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.



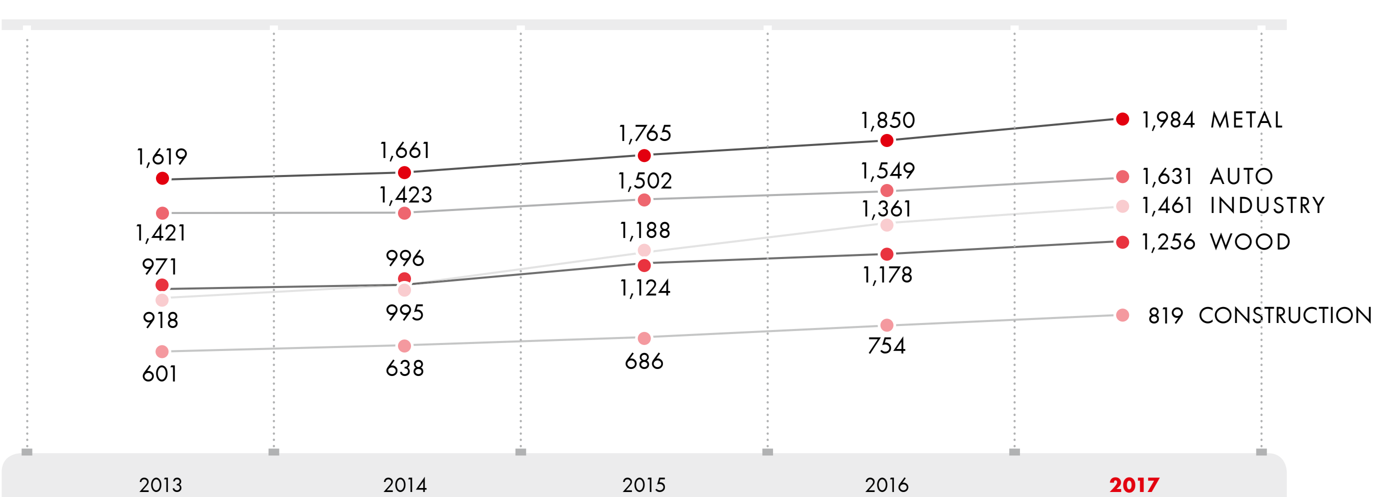
Industry division

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 of quality, products and processes across the globe.

SALES BY DIVISION | in millions of EUR

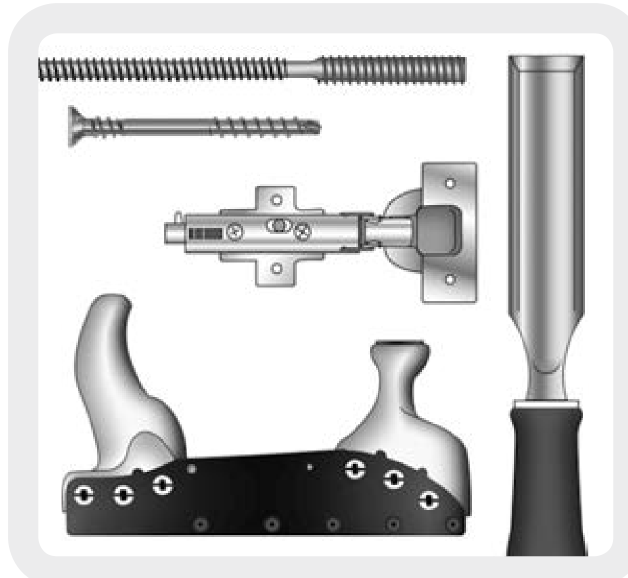


Wood division

The Wood division serves customers in the entire woodworking and wood processing trade within Germany and abroad, focusing on: joiners, interior finishing, window makers (wood and vinyl), and window fitters.

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. The division is also forging ahead with the use of online-based ordering services and the development of planning aids, such as a furniture construction configurator.

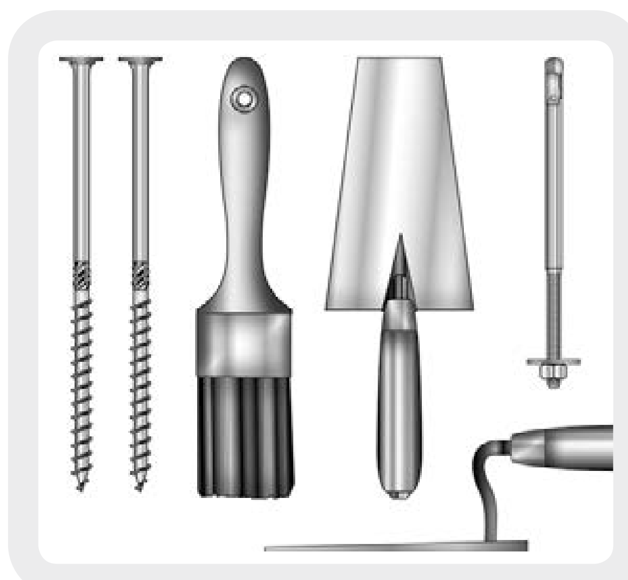
In conjunction with the branch office, telephone and e-business customer contact points, the sales representatives offer a portfolio of services that is tailored to meet our customers' individual requirements.



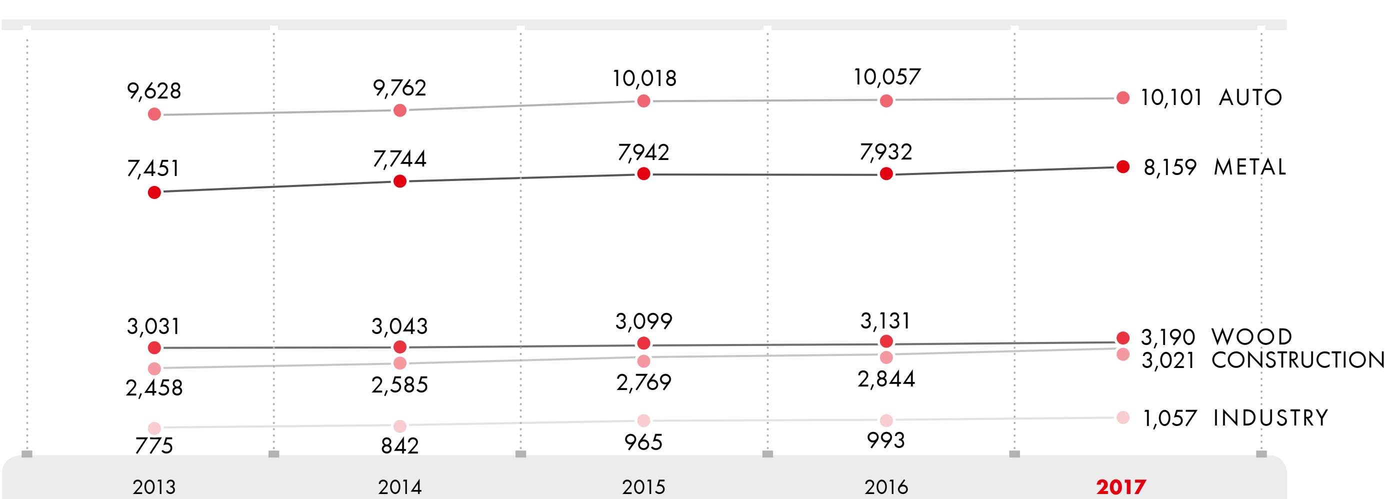
Construction division

The Construction division aims to supply regional, national and international construction companies across the globe with top-level products and services that are as standardized as possible.

The Construction division encompasses all sales units responsible for serving customers in the building and civil engineering industry and finishing 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.



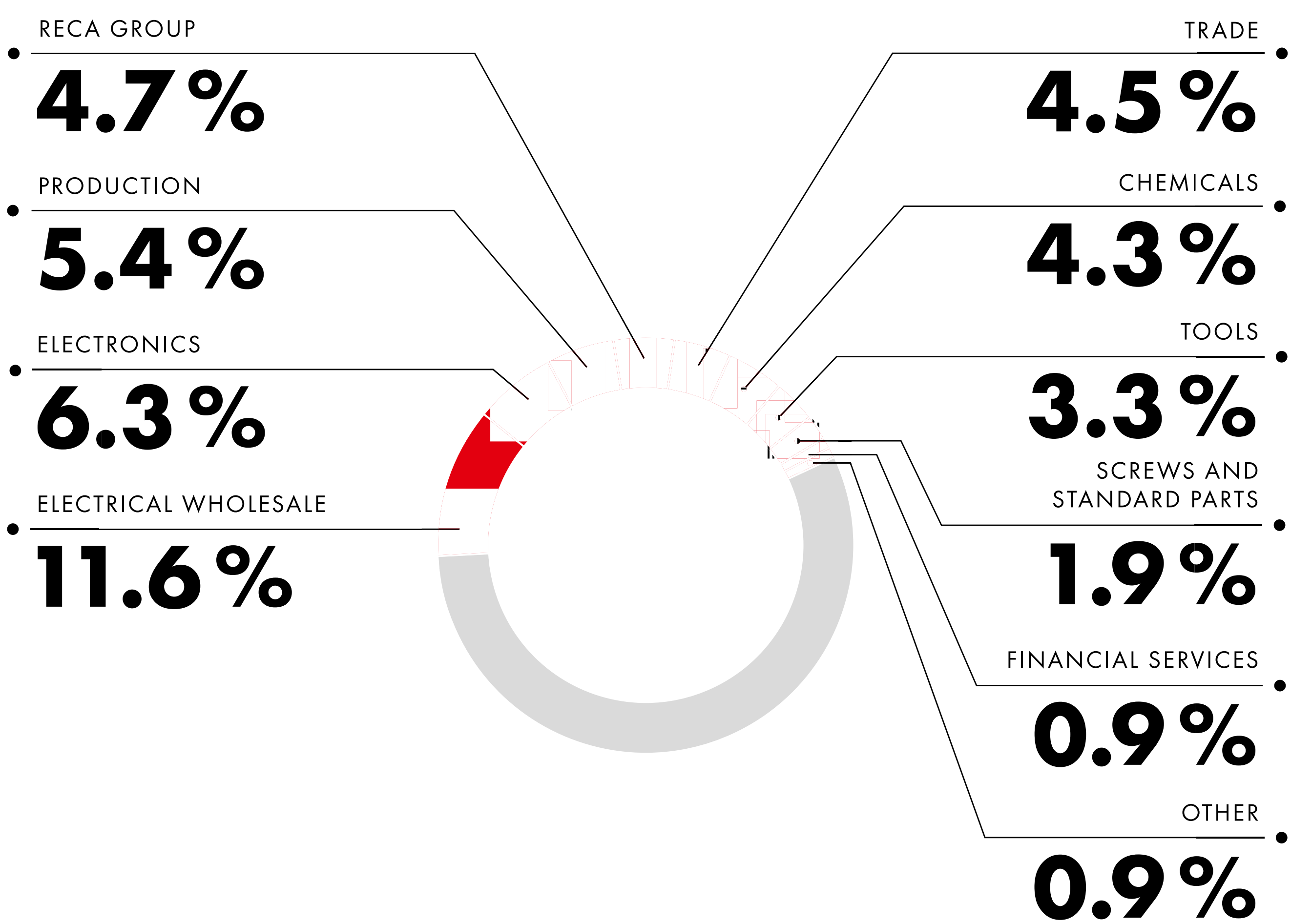
SALES REPRESENTATIVES BY DIVISION



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 affiliated areas.

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

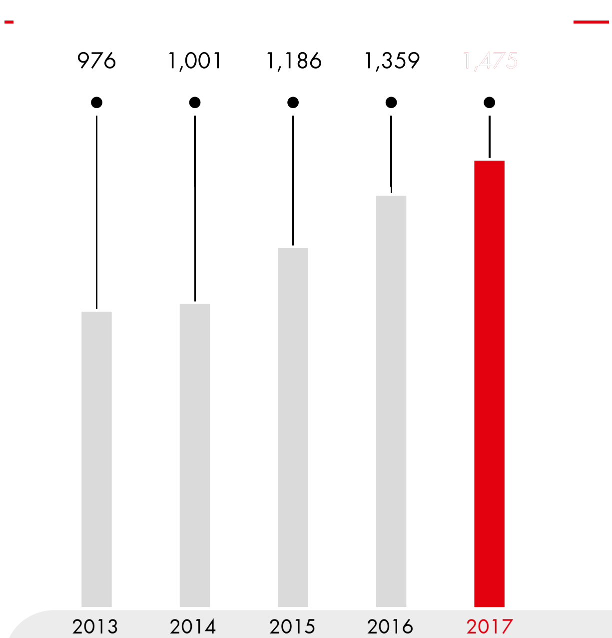


Electrical Wholesale

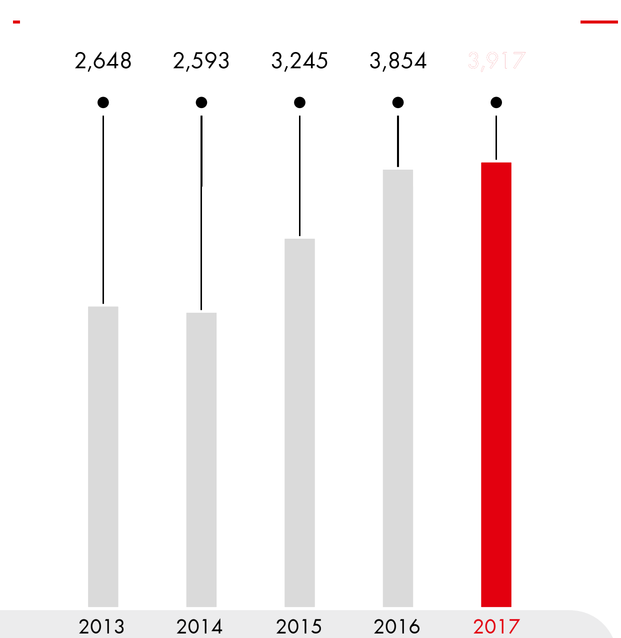
The business activities of these companies include products and systems covering the areas of electrical installation, industrial automation, cables and lines, tools, data and network technology, lighting and illumination, household appliances and multimedia products, as well as electrical domestic heating technology and regenerative power generation.

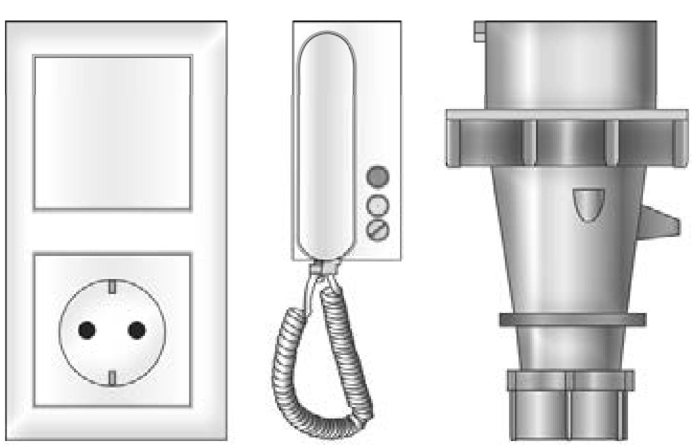
- Ongoing internationalization
- Further expansion of the service and consulting offering
- Continuous further development to become a multi-channel sales company
- Above-average growth of the e-commerce business in relation to total sales
- Groundbreaking ceremony for the new warehouse building at Fega & Schmitt in Heilbronn in the fall of 2017
- Record number of visitors at the in-house trade fair organized by the Italian subsidiary MEF: more than 17,000 visitors in five days
- Expansion of Elfetex headquarters in the Czech Republic by 1,800m²
- Major order spanning a period of several years for Estonian subsidiary W.EG Eesti worth a total of just under EUR 50 million

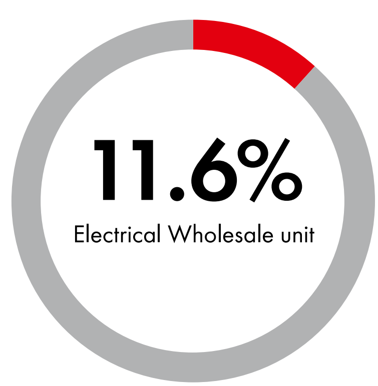
SALES | Electrical Wholesale unit in millions of EUR



EMPLOYEES | Electrical Wholesale unit







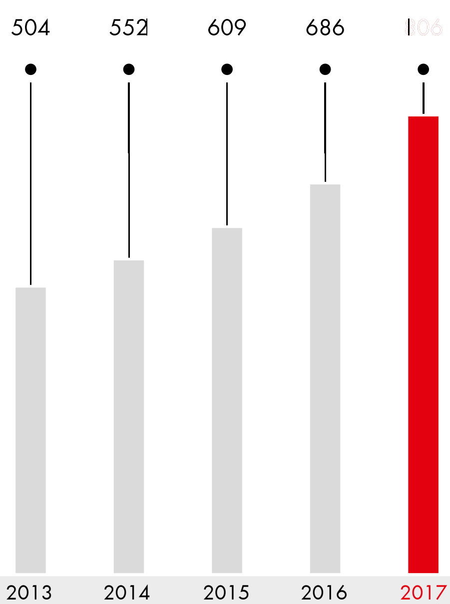
SHARE OF TOTAL SALES

Electronics

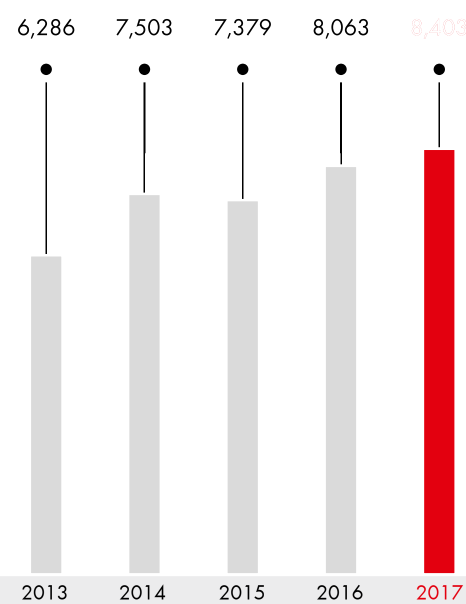
The Electronics unit produces and sells electronic components such as printed circuit boards, electronic and electro-mechanical elements, and full system components.

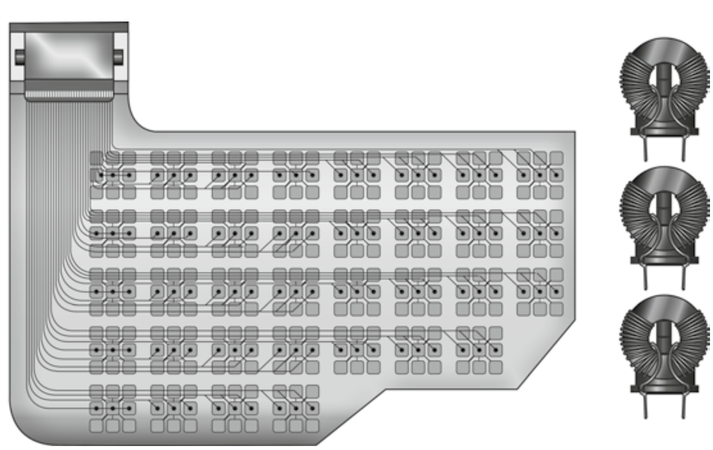
- Würth Elektronik CBT: Expansion of the portfolio through the acquisition of a manufacturer of wire bonding products for electronic contacts (specialties: sensor technology, medical technology, industrial cameras)
- Expansion of the logistics center for Asia Production in Niedernhall to include 480 pallet and 5,600 lower shelf spaces, making it one of the largest PCB warehouses in Europe
- Würth Elektronik eiSos: Purchase of the IQD Group – one of the leading manufacturers of frequency-producing components (quartz crystals and oscillators) in Europe – with its registered office in Crewkerne, UK
- 1st place for the WR-FPC miniature connector, which was voted product of the year by the industry magazine Elektronik
- Würth Elektronik ICS: Opening of production site in India – the third global production site in addition to Germany and the US
- Expansion of the product portfolio to include human-machine interface solutions in the form of multi-functional displays for mobile machinery and commercial vehicles

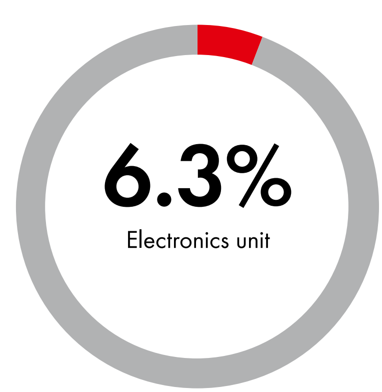
SALES | Electronics unit in millions of EUR



EMPLOYEES | Electronics unit







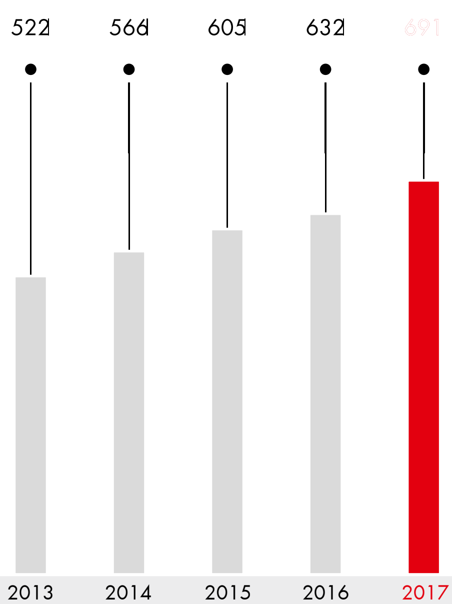
SHARE OF TOTAL SALES

Production

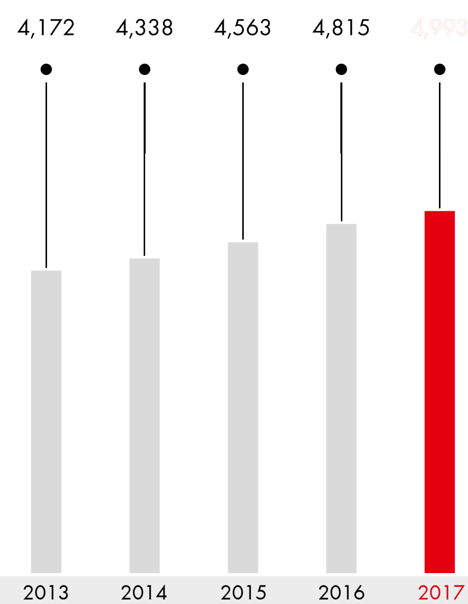
The product range of the production businesses includes cold-formed parts, forming and stamping tools, connecting elements and fastening systems, furniture fittings, assortment and storage bins, operating equipment, and vehicle outfitting material. The business unit supplies a range of customers, including customers from the automotive industry, manufacturers of kitchens and household appliances, and wholesalers.

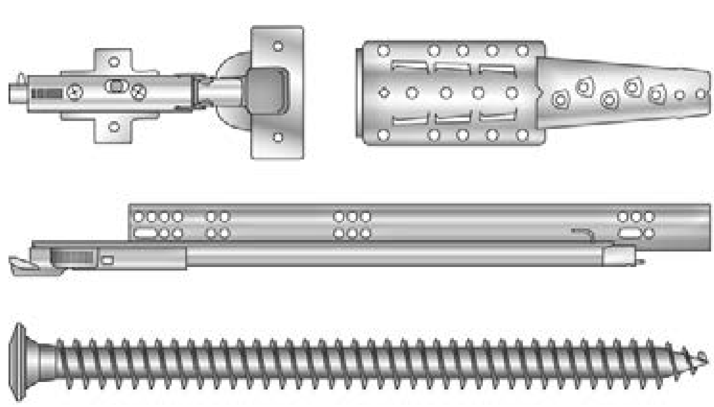
- Renewed growth in sales, number of employees and productivity
- Positive impact of investments made in 2016 within the Automotive Group
- Full utilization of wood-fixing production capacities as of the second quarter of 2017
- Further expansion of production capacities e.g. at Reisser (modernization of electroplating) and SWG (new production hall for ASSY®screws) in the planning stage
- Grass: above-average sales growth for fittings
- Introduction of a new interior dividing system for drawers
- Placement of stainless steel runners for ovens with well-known manufacturers in the kitchen appliance industry

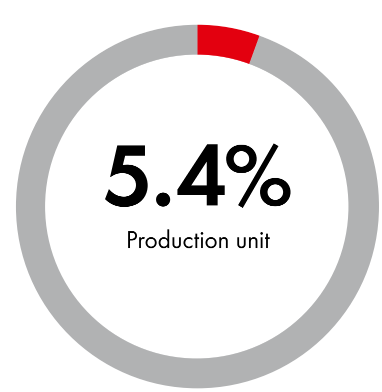
SALES | Production unit in millions of EUR



EMPLOYEES | Production unit







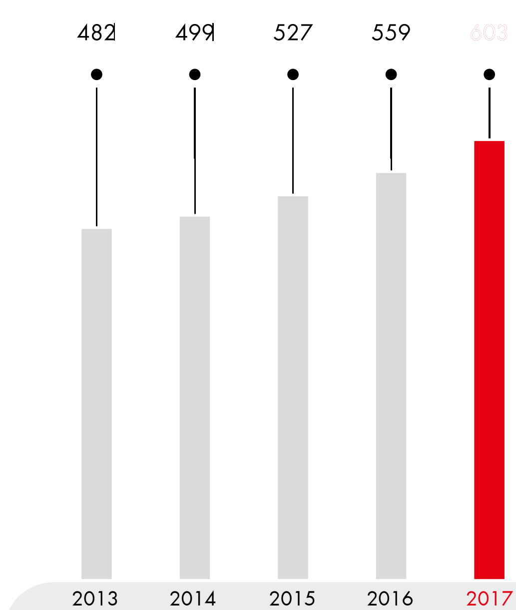
SHARE OF TOTAL SALES

RECA Group

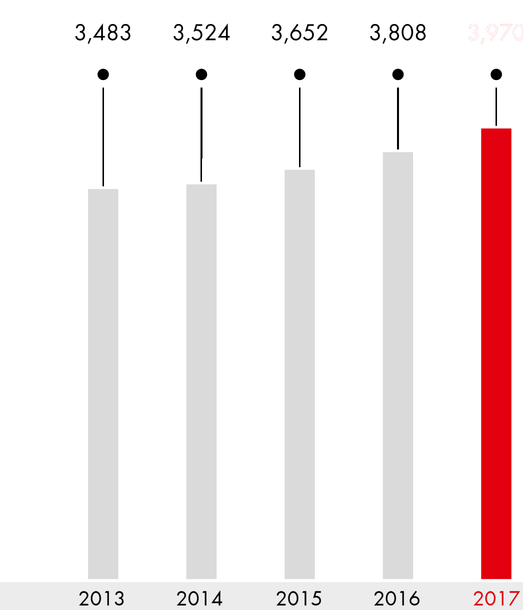
The RECA Group companies supply tools and assembly and fastening materials directly to industrial, metal and car business customers, as well as to customers in the cargo sector. Specialists in workwear, advertising materials and vehicle equipment complement the product portfolio.

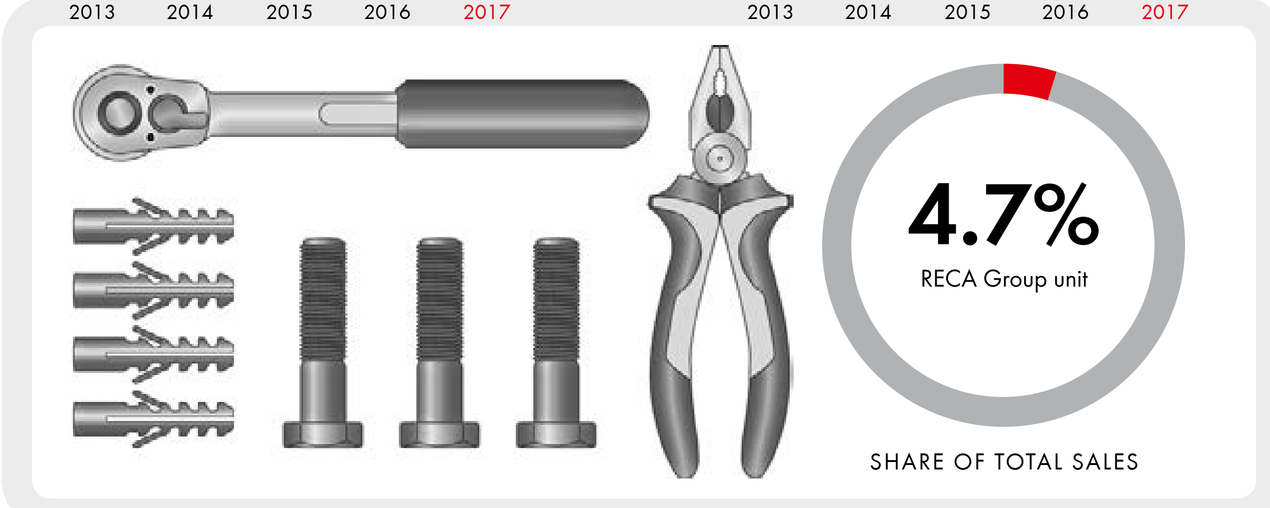
- Lion's share of the revenue generated in Germany and Austria
- Further expansion of customer base by taking targeted measures to attract and retain new customers
- Focus on the further development of e-business and the introduction of an iPad-based sales solution at many companies
- Gradual implementation of online shops within the companies
- Positive business development thanks to the further expansion of multi-channel distribution and the associated strengthening of the sales force
- Outlook for the future remains positive thanks to traditional business of direct selling with a sales force of 2,879

SALES | RECA Group unit in millions of EUR



EMPLOYEES | RECA Group unit



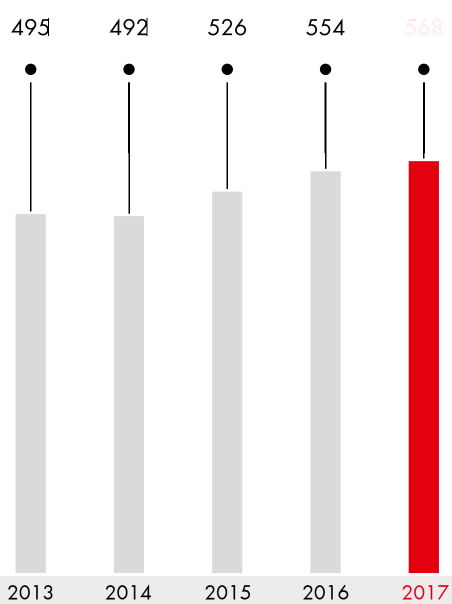


Trade

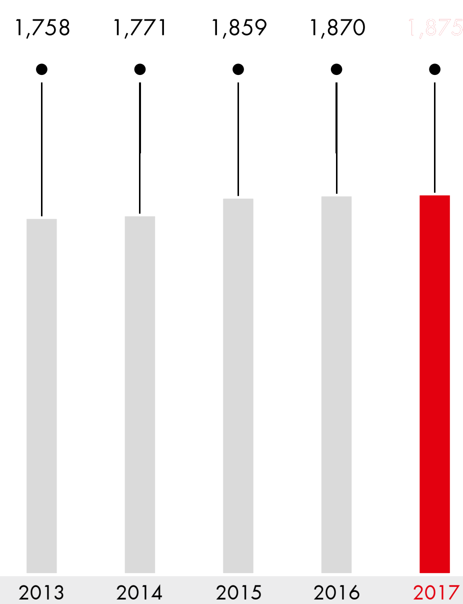
The companies belonging to this unit sell fastening and assembly materials, gardening equipment, power tools and hand tools, and furniture fittings to specialist dealers, DIY and hardware stores, and discounters.

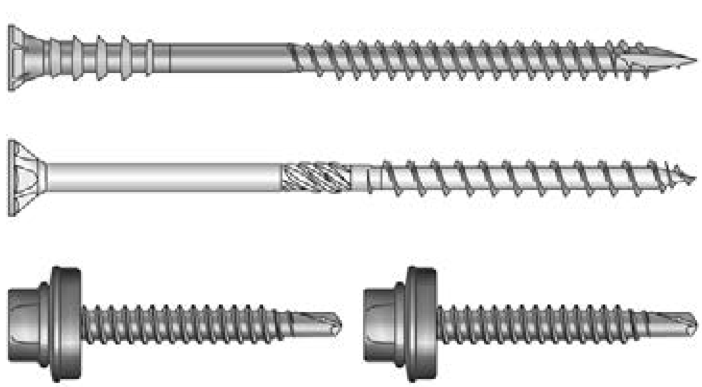
- Stronger position on the market: Conmetall and Meister merge to form Conmetall Meister GmbH
- Stronger focus on customers’ own brands
- Further expansion of e-commerce and digitalization solutions, differentiation from the competition by using multi-channel solutions
- Investment in IT infrastructure and forward-looking technologies such as electronic shelf labels and mobile couponing (discount coupons sent to smartphones)
- Customer segmentation for optimum and targeted customer support and contact
- Distribution activities focusing consistently on the customer’s needs and potential

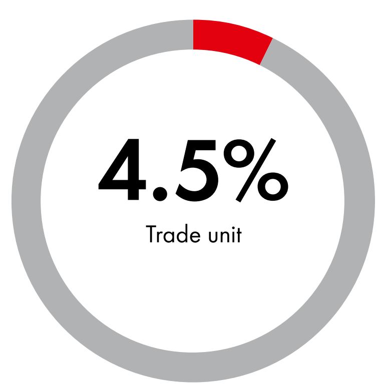
SALES | Trade unit in millions of EUR



EMPLOYEES | Trade unit







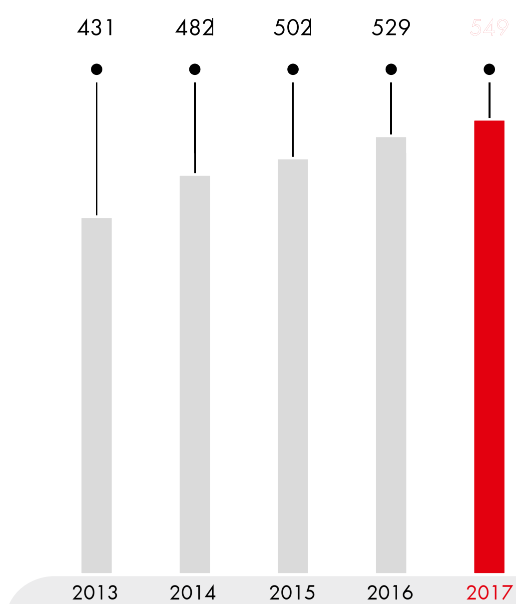
SHARE OF TOTAL SALES

Chemicals

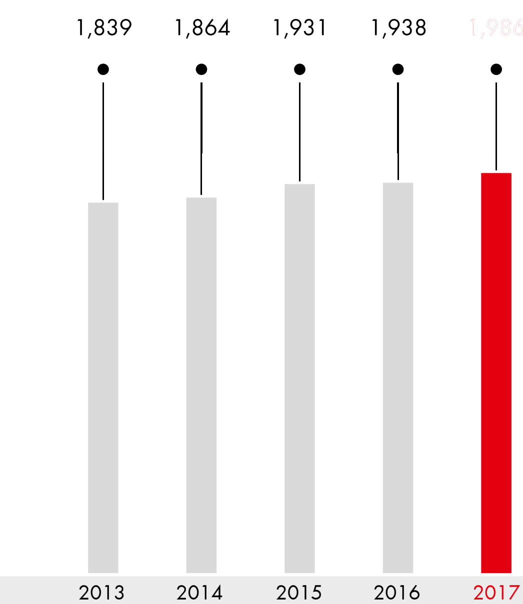
The companies in the Chemicals unit are responsible for the development, manufacturing and distribution of chemical products for the automotive, industrial and cosmetics industries. They distribute both their own brands and private label products and are renowned as real innovation specialists and experts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

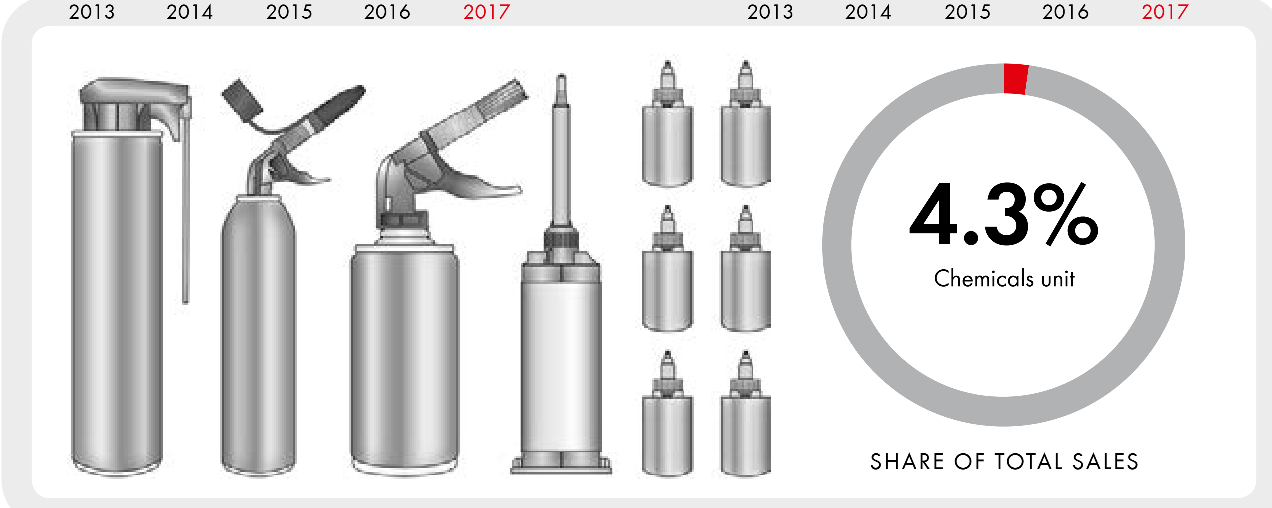
- Strong growth in technical products (household, automotive aftersales), industrial lubricants and in the adhesives segment
- Complete takeover of the lubricant specialist Liqui Moly (subject to the approval of the antitrust authorities)
- Relaunch and expansion of the air-conditioning system cleaner airco well®
- Strong focus on production: investments in the areas of occupational health and safety, the environment and automation in particular
- Focused marketing with customer-oriented products and system solutions
- Further restructuring of the cosmetics segment

SALES | Chemicals unit in millions of EUR



EMPLOYEES | Chemicals unit



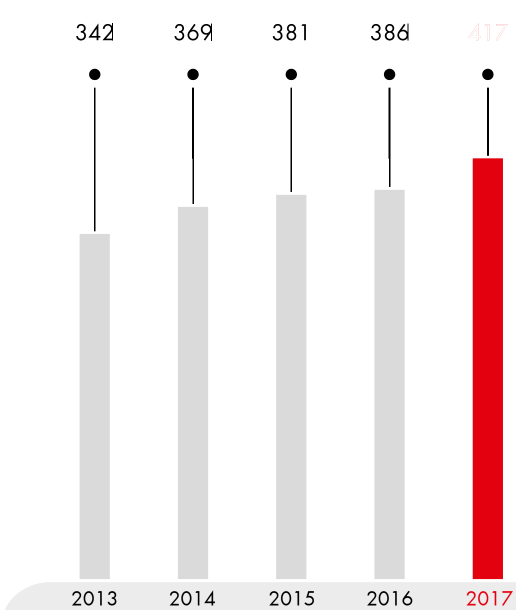


Tools

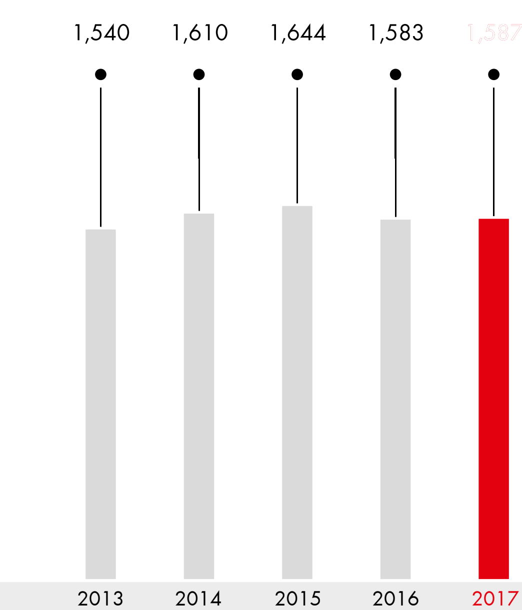
The tools companies supply customers in the automotive manufacturing and automotive supplier industry and metal manufacturing companies, particularly in the mechanical and plant engineering sector. They sell products from the areas of metal cutting, clamping technology, test and measurement equipment,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

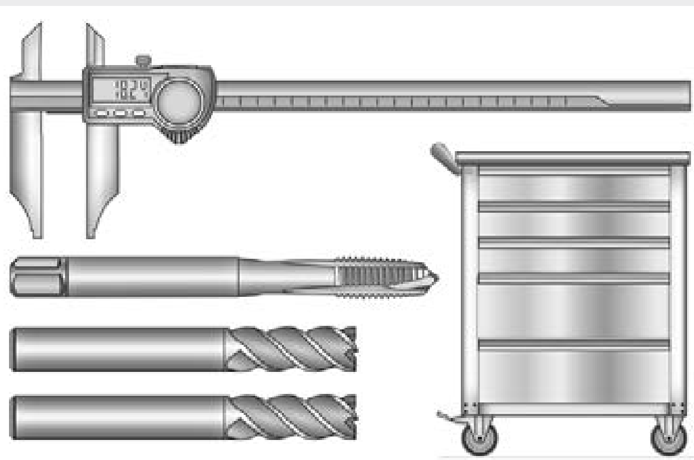
- Focus on improving employee productivity
- Strengthening of the private brand ATORN® by way of marketing measures and the expansion of the product range
- Above-average sales growth in e-business and expansion of e-business expertise by stepping up investments, for example in e-business specialists within sales
- Continued positive outlook in the consulting-intensive areas of test and measurement technology, operating equipment and metal cutting thanks to a high level of expertise in application technology
- VDMA (German Engineering Federation) outlook for 2018: real production growth of three percent in the mechanical engineering sector

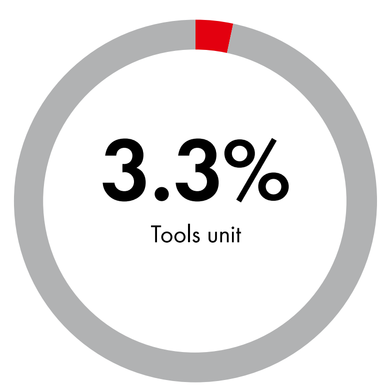
SALES | Tools unit in millions of EUR



EMPLOYEES | Tools unit







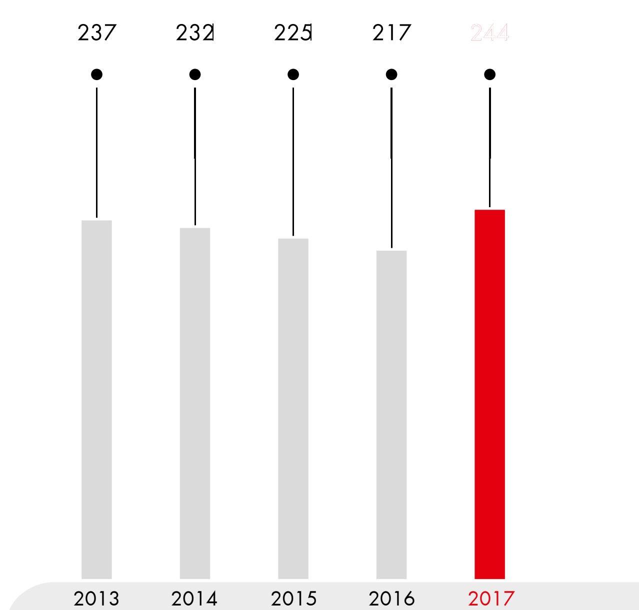
SHARE OF TOTAL SALES

Screws and Standard Parts

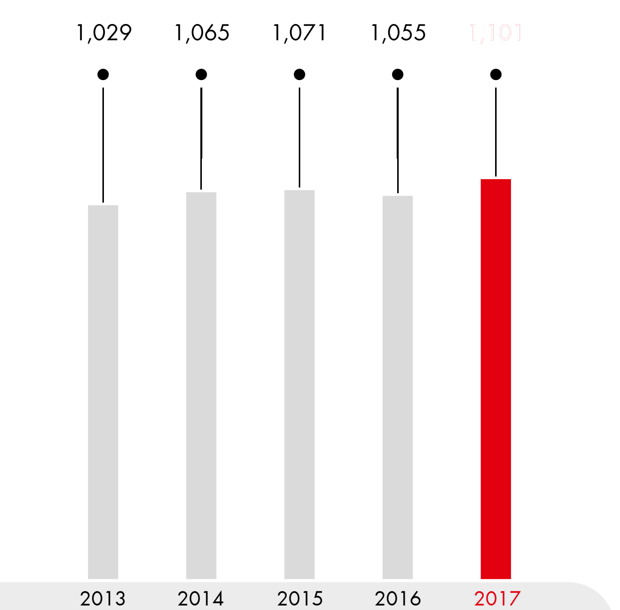
These trading companies are product specialists with sophisticated industry supply concepts. The unit's main business activity is the sale of DIN and standard parts. Most of the companies specialize in stainless connecting elements. The hydraulic companies are system providers of hydraulic hoses and fittings.

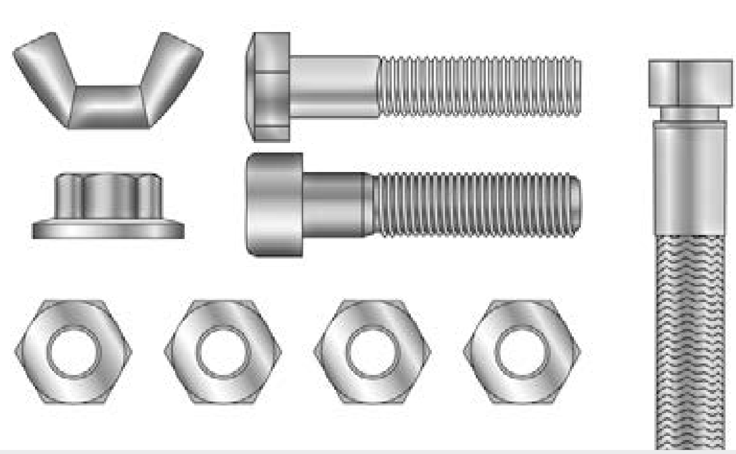
- 18 percent increase in nickel price in 2017 in US dollar terms
- Less capacity due to closure of additional wire producers in China
- Sales in 2017 focused primarily on the distribution of DIN and standard stainless steel parts
- Increased productivity among sales representatives, inhouse staff and in logistics
- Relocation of WASI in Wuppertal to a new administrative building in April 2017
- Successful market launch of an innovative hose management system (SMS)
- Commissioning of new testing technology (best test bench) for quality assurance for hydraulic hoses at the site in Neukirchen-Vluyn
- Mobile hydraulics service Sprinter: more than 200 Sprinter service vehicles out and about every day across Europe as mobile workshops

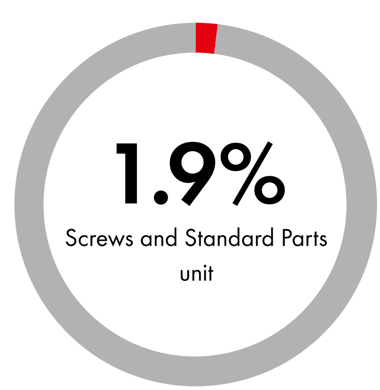
SALES | Screws and Standard Parts unit in millions of EUR



EMPLOYEES | Screws and Standard Parts unit







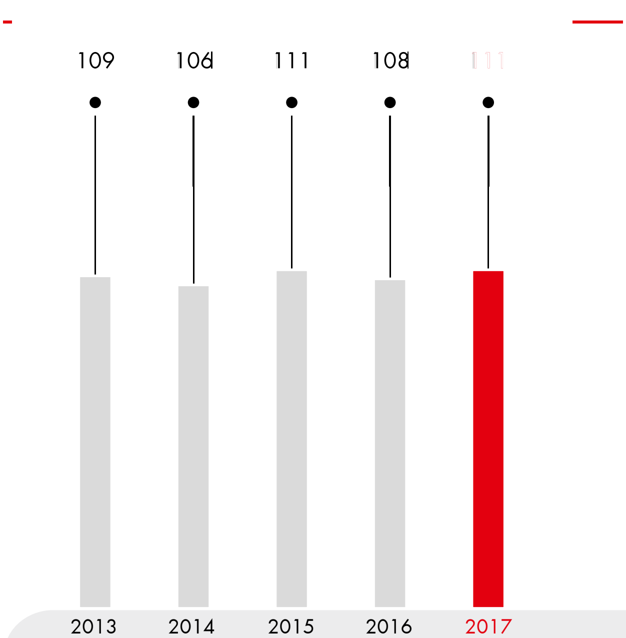
SHARE OF TOTAL SALES

Financial Services

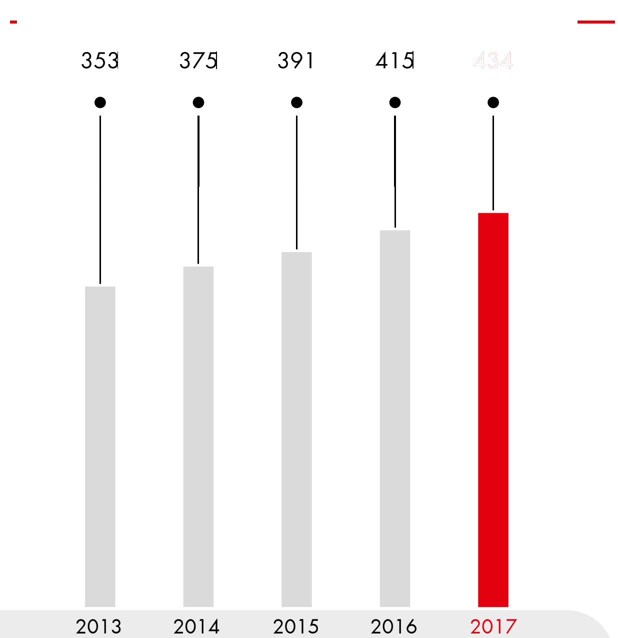
The companies in this unit offer a wide range of services, such as financing, leases, pensions, property insurance, and much more. Their customers include both companies in the Würth Group and external companies. Sales orientation, proximity to the customer and customized products rank among the strengths of this unit.

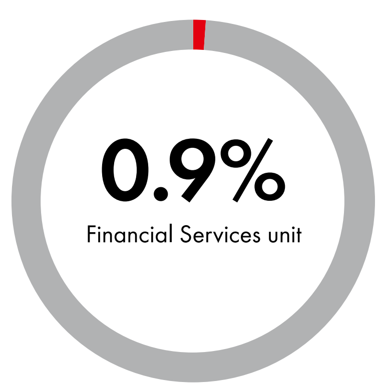
- Improvement of the market position of the companies specializing in leases in Germany, Austria, Denmark and Switzerland with growth that is clearly in the double digits
- Successful expansion of the refinancing structure to support growth
- Waldenburger Versicherung AG: significant improvement in earnings by considerably reducing the burden attributable to large claims and by concentrating on policyholders in the SME segment (small and medium-sized enterprises) and private households
- Internationales Bankhaus Bodensee AG: earnings growth despite low-interest-rate environment thanks to successful positioning in niche markets and a favorable cost-revenue ratio
- Declining risk costs thanks to a diversified business model
- First signs of success after reorganization of the Private Banking area
- Würth Financial Services AG: another sales record set in 2017

SALES | Financial Services unit in millions of EUR



EMPLOYEES | Financial Services unit





SHARE OF TOTAL SALES

Net assets, financial position and results of earnings

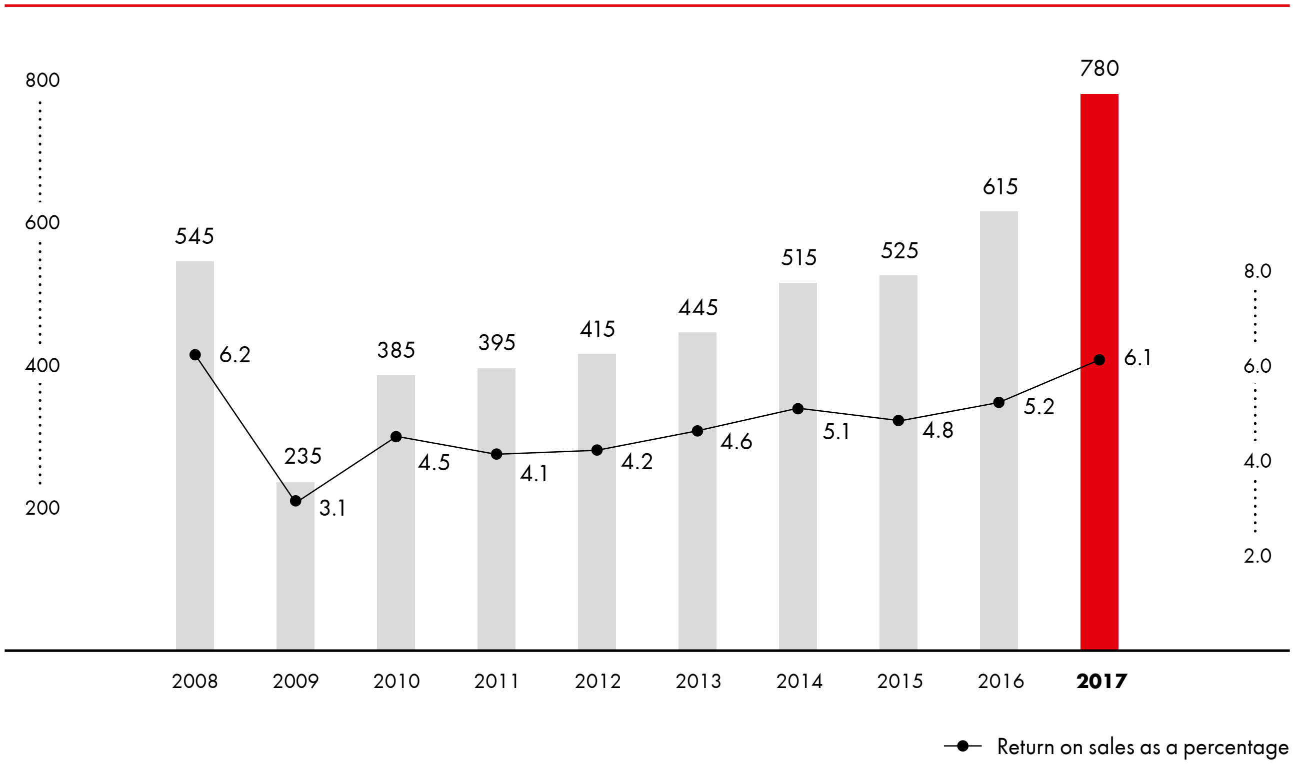
- **Clear increase in operating result**
- **Equity ratio of 46.5 percent**
- **Sustained high level of investment at over EUR 500 million**

At EUR 780 million, the Würth Group achieved an absolute record operating result. This corresponds to a remarkable increase of 26.8 percent on the previous year, bringing the return up to 6.1 percent (2016: 5.2 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.

In Germany, the operating result rose by 19.9 percent to a record value of EUR 421 million (2016: EUR 351 million). The share of the Group's overall result was 54.0 percent, with the return on sales increasing to 7.8 percent (2016: 6.9 percent). This improvement is largely attributable to Adolf Würth GmbH & Co. KG. The company that forms the core of the Group has been making by far the largest contribution to the result for years now. With an operating result of more than EUR 150 million, the Group's flagship once again provided evidence of its earnings strength. Other top performers within Germany include: Würth Elektronik eiSos, Würth Industrie Service, Reca Norm and Arnold Umformtechnik.

The companies outside of Germany boosted their operating result by 36.0 percent to EUR 359 million (2016: EUR 264 million). This means that these companies showed much more dynamic earnings growth than a year ago, and also outstripped the earnings growth of the German companies. This momentum is due, first of all, to improved earnings at established companies such as Würth Finland. At the same time, the consolidation phase at Würth Italy has been completed. With a sales force of over 2,200, Würth Italy is one of the largest

PRE-TAX OPERATING RESULT | Würth Group in millions of EUR



direct selling companies in the Group. The realignment resulted in a significant increase in earnings in 2017, also favored by productivity improvements. At the moment, we are still in the process of restructuring the direct sales business in China, Switzerland and the United Kingdom to achieve multi-channel distribution in order to pave the way for future profitable growth and efficient structures. The need for restructuring at individual industrial companies in the US also prevented even stronger earnings growth.

At 49.1 percent, the ratio of cost of materials to sales is on a par with the previous year (2016: 49.1 percent). It was impossible to reduce this ratio due to rising commodity prices.

At EUR 132 million, other operating income was down slightly on the previous year (2016: EUR 134 million). Remeasuring earn-out liabilities in the US industrial companies increased income by EUR 31.9 million. Lower insurance reimbursements at Würth Elektronik in Niedernhall, which were still being recognized in 2016 and were attributable to the fire at the PCB factory in December 2014, had the opposite effect. In addition, negative goodwill derecognized through profit and loss resulting from initial consolidation reduced income by EUR 17.0 million.

At the end of December 2017, the Würth Group had a total of 74,159 employees. The increase in the workforce by 2,768 compared with December 2016 was one of the reasons behind the sales growth that the company achieved, as face-to-face contact is the strength of our direct distribution approach. The sales forces work hand in hand with our highly effective in-house staff, who provide the necessary support for the specific sales strategy. 797 additional employees joined the sales team in 2017. The number of employees working as members of the in-house staff rose by 4.9 percent, or 3.5 percent after adjustments to reflect acquisitions. At 27.3 percent, the ratio of personnel expenses to sales improved compared with the previous year (2016: 27.7 percent).

At EUR 426 million, amortization and depreciation was up considerably on the prior year in 2017 (2016: EUR 345 million). Amortization and depreciation resulting from the investments made on the one hand, and from the acquisitions realized on the other hand, rose slightly compared with the previous year's level. A major reason for the increase in amortization and depreciation in 2017 lies in the rise in impairment losses on goodwill relating to the US industrial companies.

Other operating expenses showed a below-average increase in relation to sales growth in a year-on-year comparison. The ratio was down on the previous year at 15.2 percent (2016: 15.8 percent). In the areas of rent and operating leases, as well as vehicle and travel expenses, the corresponding expenses increased at a lower rate, meaning that they contributed to an improvement in the ratio.

Net financing costs increased. This development was mainly due to exchange rate losses resulting from currency translation.

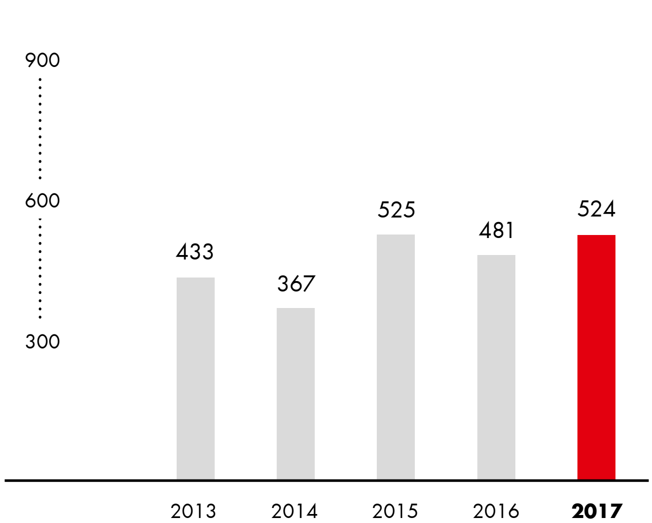
The tax rate increased in the 2017 fiscal year to 24.8 percent (2016: 22.5 percent). This is mainly due to the amortization of goodwill and other intangible assets that are not tax-deductible, mainly in connection with the increased impairment losses relating to the US industrial companies. For a detailed analysis, please refer to the consolidated financial statements: G. "Notes to the Consolidated Income Statement", [9] "Income taxes".

In the last fiscal year, the Würth Group reported sales of EUR 12.7 billion and an operating result of EUR 780 million, allowing it to set two new records and achieve its objectives. Net income for the year rose to EUR 531 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 improved. Our gross profit, i.e. sales minus the cost of goods sold, along with our staff turnover, inventory turnover and collection days, also improved or are at an acceptable level.

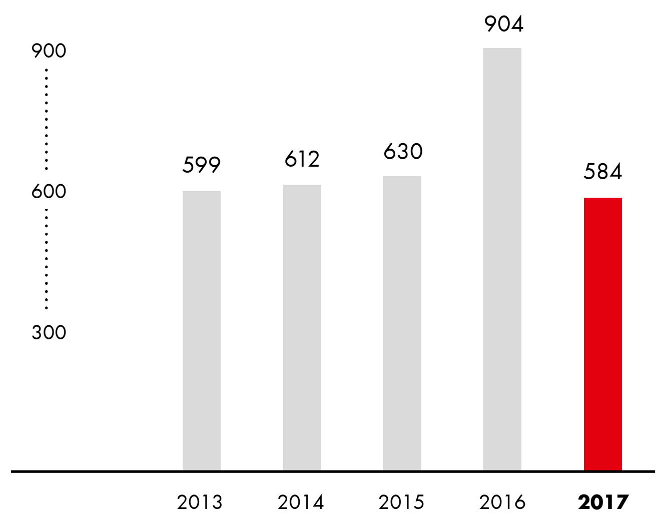
Capital expenditures and cash flow

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 overall 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 billion. It has always been the Würth Group's strategy to invest in sales-related and productive areas. In the last fiscal year, for example, investments in the amount of EUR 524 million (2016: EUR 481 million) focused 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. The Austrian company Grass GmbH, a development partner and system provider for the furniture industry, expanded its capacity for the successful Nova Pro product line, as well as for new product lines. The company invested a total of EUR 18.0 million in technical equipment and machinery.

INVESTMENTS
Würth Group in millions of EUR



CASH FLOW FROM OPERATING ACTIVITIES
Würth Group in millions of EUR



The concept for logistics expansion at Fega & Schmitt had already been adopted by the end of 2016. The company is part of Würth's electrical wholesaling business and is expanding its central warehouse in Heilbronn, which was commissioned in 2006 and has already reached its capacity limit due to the dynamic growth witnessed in recent years. The construction work, which started in 2017, is scheduled for completion in the second half of 2018. Halls measuring around 15,000 m² will be constructed on a total area of 50,000 m², with space for an additional 15,000 pallet storage spaces. Some of these spaces are connected directly, using modern conveyor technology, to a cable cutting center with six lines for customized cable assembly. The total amount being invested comes to around EUR 22 million.

Arnold Umformtechnik, which specializes in connecting and forming technology solutions for the automotive and electrical industry, laid the cornerstone for three further production sites, with corresponding machinery, in Dörzbach in April 2015. The focus is on process orientation and optimizing the production of branded products, as well as on finishing and the steps leading up to delivery. Part of the location strategy includes the construction of a new hardening plant. The aim is to reduce the steadily increasing costs for the outsourcing of hardened goods due to limited in-house capacities. The objective is also to shorten lead times and improve on-time delivery for the growing number of customer orders. The company will also benefit from the significant reduction in transfer logistics between the locations. This investment was given the green light at the end of 2017. The total investment volume comes to EUR 10.5 million.

In addition to the Allied Companies, the Würth Line companies also made substantial investments in stepping up their sales activities.

Würth Norway expanded its logistics capacity by more than 4,000 m². An automated warehouse was created as part of the expansion measures. The total cost of the project, which had already been launched in 2016, amounts to EUR 9.7 million.

Würth Industrie Service expanded its European logistics center in Bad Mergentheim. The new fully automated high-bay warehouse is 120 meters long and 45 meters high, making it one of the largest warehouses of its kind in the whole of Europe. The capacity has been increased by more than 49,000 pallet storage spaces to a current total of around 650,000 storage spaces. This allows Würth Industrie Service to offer maximum security for the supply of C parts for customers in more than 35 countries.

The official opening ceremony of the Carmen Würth Forum culture and convention center was held in Künzelsau-Gaisbach on 18 July 2017. Covering a total area of around 11,000 m^2, the multifunctional event location features a large hall that can be subdivided with a capacity of 2,500 people, a chamber music hall with 580 seats, a gallery and a foyer, as well as space for open-air events. The total investment came to around EUR 60 million.

In addition to investments in production and storage space, we have also, as in past years, invested in our ORSY® storage management system, which offers our customers storage and provision options for various consumables and supplies in line with their needs.

In total, EUR 284 million, or 54.2 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 2017. Our cash flow from operating activities came in at EUR 584 million (2016: EUR 904 million), down by 35.4 percent on the previous year. One reason for the marked drop in cash flow was the drive to accumulate inventories in order to ensure our ability to deliver in a period dominated by turbulent developments in the procurement markets. The increase in receivables from financial services has also had a negative impact on cash flow. On the one hand, the cash reserves of Internationales Bankhaus Bodensee AG were reduced to a lower level, while on the other, the bank's lending business was expanded due to the abolition of the capital surcharge. After the high level of cash flows in 2016, which was influenced to a considerable degree by prior-period factors, this key figure has fallen significantly again. The financing of the investments made in 2017 in the amount of EUR 524 million required 89.7 percent of the operating cash flow (2016: 53.2 percent).

Purchasing

The purchasing manager's index for the eurozone remained significantly above the 50-point expansion threshold in 2017, and touched on a new record high of 60.6 points at the end of the year. This economic indicator also showed positive development throughout the year in the US and China, highlighting the robust economic health of many industrial companies. As a result, the capacity utilization rate of our suppliers remained high in the 2017 fiscal year. The very positive order situation worldwide made many producers less flexible, resulting in significantly longer delivery times overall. Supply bottlenecks, in some cases extreme ones, for individual commodities meant that the delivery situation was extremely tense. The recent move by the Chinese authorities to step up their approach to environmental controls considerably exacerbated the tense situation on the Chinese procurement market, as it resulted in capacities no longer being available and pushed prices up accordingly.

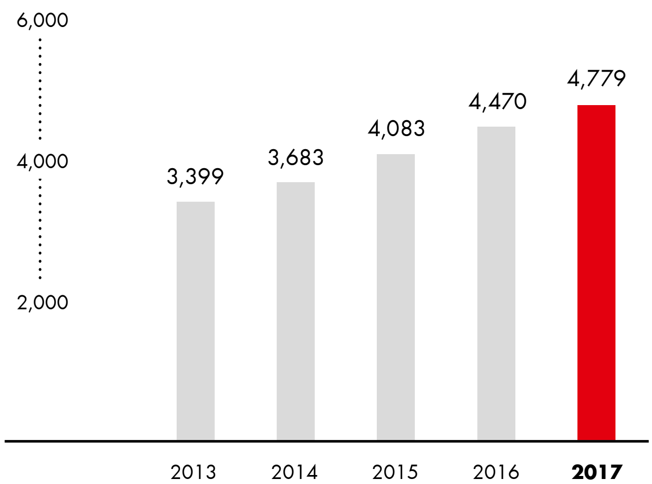
After 2016 gave us largely good arguments for our price negotiations due to falling commodity prices, meaning that we were able to generate corresponding price savings by systematically exploiting these advantages, the tide turned dramatically at the beginning of 2017: Commodity prices exploded across the board and remained at a high level overall at the end of the year. As a result, the Würth Group was confronted with, in some cases, dramatic price increases in some areas of procurement. In this environment, and given the persistently high demand, we expect to see a further increase in purchase prices in 2018.

In order to optimize its master data management, the procurement function is working on establishing a harmonized supplier base within the context of the Würth Group's IT strategy. This is designed to allow the individual Group companies to benefit from shared, harmonized and validated data, as well as from the tried-and-tested, standardized processes and structures of a central ERP system.

Inventories and receivables

As a company that largely operates in the trade sector, 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.

EQUITY
Würth Group in millions of EUR



The sales growth achieved in the 2017 fiscal year also pushed inventories and receivables up.

In 2017, the inventories of the Würth Group showed an above-average increase of 15.1 percent, rising by EUR 257 million to EUR 1,956 million. A small part of this increase (EUR 16.9 million) was the result of acquisitions. The much larger part can be attributed to purchases made to increase inventories due to the tense price and supply situation on the procurement market. In this currently 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 level that is close to the 100 percent mark. To achieve this, we were prepared to stock individual products in 2017, 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 2017, we achieved this in 97 out of 100 cases. Despite this high service level, stock turnover, calculated on a 12-month basis, increased slightly from 5.0 times at the end of 2016 to 5.1 times.

Trade receivables rose by EUR 143 million to EUR 1,719 million (2016: EUR 1,576 million). This increase of 9.1 percent, which is slightly higher than the rate of sales growth, was due to the sales growth achieved in the last quarter of 2017 and partly to acquisitions. 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 53.1 days could not, however, quite keep up with the level achieved in 2016 (52.6 days). We are nevertheless satisfied with the result, considering that the Würth Group has operations in more than 80 countries worldwide. In Germany, the key figure increased slightly to 41.7 days as compared to 41.5 days in 2016. 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 see the payment patterns of debtor payments as critical in Eastern Europe, Southern Europe, China and India – which, on the one hand, slows growth and, on the other hand, reduces earnings due to an increasing need to recognize impairment losses.

The percentage of bad debts and the expenses from additions to value adjustments related to revenues fell slightly to 0.5 percent (2016: 0.6 percent).

Financing

The equity of the Würth Group climbed by 6.9 percent to EUR 4,779 million last year, which corresponds to an increase of EUR 309 million.

This translated into another improvement in the equity ratio, which is quite high for a trading company and came to 46.5 percent at the end of the year (2016: 46.1 percent). For years, a comfortable equity capitalization has 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 556 million to surpass the EUR 10 billion mark for the first time (2017: EUR 10,267 million, 2016: EUR 9,711 million). This increase of 5.7 percent was largely due to the increase in property, plant and equipment and trade receivables, as well as inventories. Net debt increased from EUR 813 million in 2016 to EUR 955 million in 2017 as a result. Financial services 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 2017. 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.

At the end of the 2017 fiscal year, the Würth Group had three bonds issued on the capital market and one private placement. All covenants in this context have been observed. In 2018, 2020 and 2022, bonds worth EUR 500 million each will reach maturity, while the private placement of USD 200 million is set to reach maturity in 2021. The maturity profile is thus well balanced. 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 at 31 December 2017, the Würth Group had liquid funds of EUR 671 million (2016: EUR 874 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 2022. In order to refinance the bond that will mature in 2018, funds are likely to be raised on the capital market as part of the existing "Euro Medium Term Notes" program (EMTN program). This EMTN program, which was established in 2015, allows the Würth Group to strengthen the long-term financing and liquidity basis as a means for future growth opportunities and investments, and offers a high degree of flexibility for issuing bonds.

Research and development

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

In the 2017 fiscal year, for example, Adolf Würth GmbH & Co. KG generated more than one fifth of its sales with products that are no more than three years old. This is a very good proportion for a company that specializes in sales. The innovation rate is also high throughout the Group: At present, the Group has 551 active patents, 9 utility models, 484 registered designs, and 6,984 active brands.

Developments within the Würth Line

Würth parcel station: Nationwide implementation continues
The Würth parcel station is an innovative service that Adolf Würth GmbH & Co. KG is offering its customers, allowing them to collect the goods they have ordered in the branch office whenever they would like. The items are delivered to the parcel station at the customer's request and the station automatically informs the customer when the items are ready to collect. Customers can then collect the goods they have ordered whenever it suits them using a PIN and QR code. The hardware used in the Würth parcel station is being developed in collaboration with the company WAB Systemtechnik from Aalen, which has extensive experience in the field of bank safes and safety deposit boxes. The company is also developing system links between the Würth parcel station and transport service providers so that goods can be delivered directly to the station by courier in the future. This service will be provided by ParcelLock. There are also plans to test special mobile parcel stations on company premises and large construction sites.

In-house drone transportation
In the fall of 2017, Adolf Würth GmbH & Co. KG launched a cooperative initiative with a project group comprising students working towards a technical logistics management degree at Heilbronn University. This project aims to explore possibilities for the transportation of samples by drone between the quality assurance department and the warehouse. In addition to reducing the time and work involved for our quality assurance staff, we hope that the project will allow us to glean initial experience with this technology, which could also be used for customer deliveries in the future.

ORSY®online: new resource management
In 2017, Adolf Würth GmbH & Co. KG launched the new resource management tool ORSY®online. The app solution is a time-saving management system that is easy to use and available everywhere. The solution provides customers with a straightforward way of recording and managing their operating resources. Special QR or RFID combination tags can be used to take stock of a wide range of products and import them into the system. This means that users always know where their resources are and which employee is responsible for them. Dates for upcoming maintenance and repair jobs can also be displayed clearly. The ORSY®online app for iOS and Android offers even greater mobility, as customers can record or edit additional resources directly, even when on the move. In addition, there are user videos available for all of the tool's key functions, making it quick and easy for users to familiarize themselves with the system.

W-ABZ window assembly system: the first fastening system approved by the construction supervisory authorities for fall-protection window elements
Thanks to the general approval awarded by the construction supervisory authorities, the W-ABZ system developed by Adolf Würth GmbH & Co. KG offers a plannable, compliant and straightforward assembly solution for fitting fall-protection windows and doors. With many builders wanting to install floor-to-ceiling window elements, planners and fitters are faced with the challenge that window elements on upper floors often have to meet fall-protection glazing standards. In particular, it must be possible to furnish evidence showing that the fastening of the window elements diverts the loads from the wind and tie bars, as well as the possible impact of people, securely into the anchoring base. The approval of the construction supervisory authorities means that such evidence of compliance with the regulations can already be furnished during the planning phase. The fastening system consisting of a W-ABZ installation rail, F-UR plastic frame anchors and an optional T-bracket enables secure and verifiable fastening in common building materials, such as concrete, solid sand-lime bricks and porous sand-lime bricks, aerated concrete, hollow bricks, and also perforated brick masonry. The new T-bracket allows the loads to be diverted into the anchoring base using two anchors. This means that, for the very first time, fastening in masonry materials with low compressive strength can be performed in an assembly-friendly manner.

Varifix® double profile: patent application and several awards

The well-known Varifix® mounting rail system has been expanded to include two new double profiles. The unique thing about the profiles is that different rail heights can be achieved using a modular tool design. While the existing double profiles are connected using spot welding, the new profiles are connected after the roll-forming process in a substance-to-substance bond by means of clinching. This combination of geometry and clinching has allowed the company to submit its own patent application. In some cases, the new double profiles withstand higher load values than the profiles used to date due to the use of very high-quality materials. Easy handling and the option of mounting further attachment and connection elements makes even faster and more flexible assembly possible.

In addition, Adolf Würth GmbH & Co. KG received official Cradle to Cradle® certification in silver for the Varifix® system in March 2017 as, after its use, it can be broken down into single-variety source materials that can be recycled for a new use phase. All ingredients are chemically harmless and recyclable. The system ensures that the material quality is retained. Würth is one of the first companies in the industry to address the topic of circular value creation (circular economy). The aim is to enter the era of resource-conserving management and construction, as well as to establish the highest standards in eco-effectiveness.

As a result of the Cradle to Cradle® certification, the quick assembly system also received the 2017 Green Product Award in the architecture category. This sustainability award recognizes innovative and sustainable products and solutions.

Multi WIT-UH 300 concrete: injection system for numerous concrete applications at the highest load level

Multi WIT-UH 300 concrete is a two-component mortar system for bonding threaded rods or reinforcing bars. It was developed specifically as a high-performance mortar for demanding applications in concrete. The advantages of the hybrid binder system include optimized curing times for efficient project planning and implementation, as well as an exceptionally high level of temperature stability up to an application temperature of 160 °C. The fact that the system can be used in cracked and non-cracked concrete allows for flexible use in all common areas. European Technical Assessments (ETA) on the basis of independent performance tests allow for the measurement of safety-relevant applications and the structural connection of steel and wood elements in concrete structures. As a subsequent rebar connection, the hybrid mortar stands out by virtue of its very high levels of resistance in Eurocode measurements in the event of fire.

iPLACER®: tried-and-tested RFID technology with an innovative purpose

Digital solutions allowing C parts to be ordered and purchased on a demand-driven, fully automated basis have been playing an important role at Würth Industrie Service GmbH & Co. KG for years now. The company is using technologies and new developments such as the iPLACER®, a handy module to supplement the RFID Kanban, to forge ahead with process digitalization for its customers. The battery-powered iPLACER® is about as big as a smartphone. It is a stand-alone system which, for the first time, uses RFID technology not only for the ordering process, but also for inventory management. Equipped with a reading and transmitter unit, the iPLACER® can be placed anywhere. In the workplace, the device can trigger an order independently when products are required. If the device is attached to a flow rack, it can also be used to record incoming and outgoing goods, additions, withdrawals and order placement without any manual effort.

Large container W-KLT®2.0 6429 and Würth aluminum profile system WAPS®

The further development of the Kanban containers focuses on the optimum use of warehouse and floor space. The new XXL container W-KLT®2.0 6429 for the manufacturing industry developed by Würth Industrie Service GmbH & Co. KG has a volume of 48 liters and makes it easier to handle large items, and to remove them directly from the shelves, thanks to its large side flap. Another new development is the Würth aluminum profile system, or WAPS® for short, which offers numerous possible combinations for the design of ergonomic workstations with more than 150 profiles and over 3,000 connector types. The system allows storage spaces, workstations and assembly stations to be equipped in a flexible, ergonomic and customized manner and incorporated into the value chain.

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.

Further development of SKEDD® technology
Based on the innovative direct plug-in technology SKEDD® developed by Würth Elektronik ICS, Würth Elektronik eiSos has developed the REDFIT IDC SKEDD connector. REDFIT IDC is a solderless reversible direct plug-in connector using SKEDD® technology. The SKEDD® contacts are plugged directly into the PCB. The ribbon cable is connected using insulation displacement contact technology. An entire part and, as a result, a potential source of error is eliminated. This results in higher process reliability while saving space, time, material, and process costs.

Innovative film systems
The topic of intelligent control and networking (Industry 4.0) presents an opportunity to raise production processes to the next level. Within the framework of the ParsiFAl4.0 research project (product-capable autonomous and safe foil systems for automation solutions in Industry 4.0), Würth Elektronik CBT is collaborating with Festo and Bosch on this development. In addition to their various application possibilities in the industrial Internet of Things (IoT), ParsiFAl4.0 film systems are designed to be used as intelligent labels. The film assumes the function of a flexible carrier material for electronic circuits. The application holds the promise of considerable market potential in automation technology, in the areas of logistics and packaging technology and in the wearables and smart home segments. As new hybrid sensor systems are characterized by very thin three-dimensional sensor and actuator elements, they can be integrated into flexible PCB films. Sensors / actuators and electronics in production equipment and products enable the dynamic, decentralized monitoring and control of production processes, resulting in efficient, individual and optimized production.

Alternative fastening solution
As a fastening technology specialist for the automotive and electrical industry, Arnold Umformtechnik is constantly working on developing suitable fasteners for the innovative materials used in these sectors. The light-weight construction sector, for example, has been working increasingly with plastics containing embedded brass inserts as a basis for fastening solutions for years now. These are to be replaced due to their relatively heavy weight and the work needed to manufacture and embed them. In response to these needs, Arnold Umformtechnik has developed Eco-Sert®, an alternative made of aluminum, which is now set to be launched on the market. The advantage lies in both the weight saved and in the fact that Eco-Sert® can be manufactured as a mass part using forming technology, which ultimately results in cost savings.

Innovations for injection systems, household products, industrial lubricants and heat-conductive pastes
In 2017, the Tunap Group's aftermarket problem solvers, which have been tried-and-tested in the automotive sector for cleaning fuel injectors, were also used in injection systems for aircraft and ships. As far as household products are concerned, unique selling points were developed for products that are already established in the market, and special applications or container types were launched (gel, bag-on-valve technology, XXL sprays), for example, for products that are optimized from a human toxicology and ecotoxicology perspective (no perfume, free of allergens). The range of industrial lubricants was expanded to include special lubricating greases for use in small gear units of power tools and household appliances. The trend in this segment is moving towards smaller design spaces with higher power densities, placing greater demands on the gear grease. In addition, products were developed that age at a slower rate and, as a result, significantly extend the life of small gear units. The development of a new generation of heat-conductive pastes is of immense importance for the technical development of new devices, as efficient heat management reduces energy loss and energy consumption.

The down-to-earth heating pipe
Around one-third of the installation time can be saved with the Prineto® Velcro surface heating pipe developed by IVT GmbH & Co. KG compared with conventional fastening types. Instead of fixing the tubes using tackers or by pressing them into knobbed board, the highly flexible Prineto® surface heating pipe can be affixed to the corresponding system roll thanks to a Velcro strip wound around it in a spiral. The high-quality impact noise and thermal insulation panels are equipped with laminated Velcro fleece. A laying grid printed on the Velcro system rolls helps the fitter to adhere to the spacing pattern and allows for a flexible pipe layout. The heating pipe used is the self-cross-linking PE-HDS heating pipe from the Prineto® range. Thanks to the water-impermeable Velcro backing foil of the system roll for impact noise and thermal insulation and its self-adhesive foil overlap, the system is suitable both for cement screed and wet-laid screed.

New spacer set
Reisser Schraubentechnik has developed a spacer set for the fastening of corrugated and trapezoidal light panels onto roofs or facades to replace conventional spacers and simplify the assembly process. The distance expansion sleeve set (DSH set) consists of a stainless steel screw with a drilling segment, a sleeve and a seal. It is available for wood and steel. After pre-drilling the plastic profile sheet with a step drill, the DSH set is introduced through the resulting hole. In just one step, the substructure is pre-drilled, the sleeve is spread out under the light panel, and the drilled hole is sealed under the screw head. This saves a lot of working time, as the DSH set can be installed by only one person.

ASSY® 3.0 SK II with a new head shape
SWG Schraubenwerk Gaisbach GmbH has developed the ASSY® 3.0 SK II, a timber screw with a specially stepped washer head. The very flat shape of the disc head becomes progressively smaller below the head until it matches the diameter of the screw, combining the advantages of existing head shapes: On the one hand, the new screw stands out thanks to its attractive appearance on the surface, while on the other hand, the screw head can be sunk into the wood entirely. The combination of the two features results in a high adhesive force (head torque), which can be increased if necessary by combining the screw with an additional washer.

Expansion to include modular design elements
The frame of the Vionaro drawer system by Grass, which measures only 13 millimeters and received the Red Dot Award in 2014, was expanded to include a design highlight: Vionaro ID offers the opportunity to create a unique appearance for Vionaro drawers thanks to design elements that can be added at a later date. There is also the option of printing the Vionaro ID elements digitally and, in so doing, customizing the appearance of the drawers. Thanks to intelligent clip technology, the elegant design sleeves can easily be attached to fitted drawer sides without using tools, and will sit firmly without adhesive bonding. The narrow L-profiles are made of aluminum and fit snugly onto the Vionaro steel drawer sides. Once fitted, only the inside of the basic drawer side remains visible, creating a multi-colored overall appearance for the drawer whose beauty is timeless.

Stretchfit S1P slip-on safety shoe wins 2018 German Design Award
The Würth MODYF slip-on safety shoe S1P was announced the winner of the 2018 German Design Award in the “Workshop and Tools” category. For a safety shoe, the slip-on shoe combines a unique design with an extraordinary mix of materials. The flexible outer sole and the high-quality insole ensure great walking comfort. The elastic CORDURA® material around the fold line ensures sufficient flexibility while working on your knees, in particular, and makes it easy to slip on and take off the shoes while still allowing for a snug fit. The suede and textile inserts provide sufficient breathability. The jury cited the high level of comfort offered by the slip-on safety shoe, as well as its sporty modern design, as the reasons behind its decision.

Risk and opportunities report

As a globally active company, the Würth Group is constantly exposed to risks, but also makes systematic use of the 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 internal audit function, Group controlling 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 risk 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 risk management at the Group level. The risk manager is 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 a significant 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

RISK DEVELOPMENT | Würth Group 1 January 2017 – 31 December 2017

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

↗ slight increase → unchanged ↘ slight decrease financial statements. Moreover, Würth's Policy and Procedure (PAP) Manual contains internal procedural instructions. Internal publications and training include detailed rules on financial reporting. Compliance with these rules is regularly reviewed by the internal audit function. External specialists are consulted to clarify the implications of legal and tax issues on accounting. External actuaries calculate pension 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 2017 fiscal year, the IT-based risk reporting system was put in place 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 2017, 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 2017, we were able to integrate the separate credit insurance policies taken out by the individual Würth entities into master policies with various credit insurers, allowing us to expand and standardize our insurance coverage and achieve cost advantages at the same time. In 2017, the Würth Group was presented with a risk management award in the category "Innovative Insurance Program of the Year" by the FERMA (Federation of European Risk Management Associations) for this insurance program. 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 in April 2017. 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, are exposed to an increased risk, although this situation turned around considerably last year. We believe that other risks lie in political developments on Eastern European markets and in Turkey, as well as in the mounting global risk from IS terrorism. We believe that the increased immigration to Europe not only poses economic and social challenges, but also 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 2018 as of yet.

Most of the financial risks of the Würth Group are measured, monitored and managed centrally by Würth Finance International B.V. In order to ensure that the Würth Group is solvent at all times without restriction, the Würth Group has at its disposal sufficient cash and cash equivalents and, thanks to its "A rating" from Standard & Poor's, excellent access to the public and private capital markets to procure further financial resources. There are therefore no liquidity risks for the Würth Group at present. In addition to the existing liquidity, the Würth Group had a contractually agreed, unused credit line of EUR 400 million at the end of 2017, which expires in July 2022. According to the latest liquidity plans, the Würth Group will not need to draw on this credit line in 2018 either. 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. In 2011, a CSA (Credit Support Annex) was concluded 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 to 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 risks are a particular challenge. The Würth Group rises to these challenges with a clear strategy for the standardization and harmonization of its global 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 of the Würth Group. 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 since 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 for 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, e.g., in the data centers, and at the logistical level, e.g. 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 instruments allowing 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 training measures offered by the Würth Business Academy for the in-house staff and the sales force when it comes to managing young talent and training management employees in 2017. 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 management 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 order to ensure that the process involved in providing 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 tool used for the objective and standardized evaluation of executives. The pipeline 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. In addition to management seminars, international specialist seminars on issues such as product management, procurement and finance are organized and coordinated by the Würth Business Academy in order to support the specialist functions with relevant further training.

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 for our business, both nationally and internationally. This applies when dealing with our employees, competitors and suppliers, 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. The commitment to these values could already be found in the corporate philosophy penned by Reinhold Würth back in the 1970s. It is not just about adhering to all of the applicable laws and in-house regulations, but also about employees having a corresponding frame of mind that 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.

Restructuring of the 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, 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 our biggest single 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 unchanged, 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 focus on "Dealing with gifts and invitations", "Antitrust law and price fixing", "Company secrets" and "Data protection".

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, in the future, not only employees but also customers and suppliers 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 external sales force, branch offices and the Internet. We refer to this as a multi-channel sales model in which e-business complements the traditional sales methods where it makes sense to do so in a manner that is tailored to suit our customers' purchasing organization. The above-average increase in e-business sales in 2017 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 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, does not just refer to regional aspects, but also covers the large number of our 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 huge 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 3.5 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. 300,000 customer contacts a day and a large number of long-standing relationships between our customers and our 32,000 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 steering 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 2017 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 324 QRCAs had been conducted by the end of 2017. The management of the respective entity directly implements the findings in specific process enhancements that enhance quality awareness. 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 are, 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 26 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, four testing laboratories had been awarded ISO 17025 accreditation.

The training initiative in quality management was also continued. While the primary target group comprises employees from quality assurance, the basic seminars also target employees from other relevant functional areas, e.g., purchasing. Another 219 employees in total received training on the topic of quality in 2017. In addition, 412 employees, mainly from the industrial customer environment, underwent process awareness training to prevent loss events.

Overall assessment

The risks for the Würth Group are limited by the functioning risk management system that is in place. 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 to grow profitably in 2018 and the years to come.

Employees

- **Number of employees rises to 74,159**
- **Expansion of the Group-wide HR network**

EMPLOYEE HEADCOUNT
Würth Group as of 31 December

	2017	2016	%
Würth Line Germany	8,240	7,890	+4.4
Allied Companies Germany	14,380	13,807	+4.2
Würth Group Germany	22,620	21,697	+4.3
Würth Group International	51,539	49,694	+3.7
Würth Group total	**74,159**	**71,391**	**+3.9**
Thereof:			
Sales representatives	32,295	31,498	+2.5
In-house staff	41,864	39,893	+4.9

Workforce development

The number of employees in the Würth Group rose by 3.9 percent to 74,159 as of 31 December 2017 (2016: 71,391). In Germany, the Würth Group had 22,620 employees on its payroll (2016: 21,697), while Würth companies abroad reported 51,539 employees (2016: 49,694). There were 32,295 employees working as permanent sales representatives worldwide in the 2017 fiscal year (2016: 31,498). 257 employees joined us in connection with acquisitions.

HR strategy

Making people's work easier – this is a vision that Würth also applies to the most important resource in the company: our employees. The focal point in the area of human resources is digitalization. With digital support, processes can be designed in a straightforward, transparent manner and in accordance with a uniform standard worldwide.

In the future, the plan is for the Würth Group's HR administration to use one central system worldwide. This means that standard processes can be improved and made more secure across the Group, while making it easier for us to identify trends and refine controlling operations by means of benchmarks. The idea is that these measures will give our employees more freedom and free time. Time that will allow them to focus more intensely on the individual wishes and needs of our customers, and that will bring us one step further in our vision of being the most customer-friendly company for the trades, construction and industry.

In addition, international cooperation is being strengthened by an HR network within the Group. Within this network, HR and HR development officers are working together on HR topics that are relevant to the Group under the auspices of the Würth Business Academy (Rorschach). This allows us to ensure that we can meet the current and future requirements of modern HR work.

Employee training

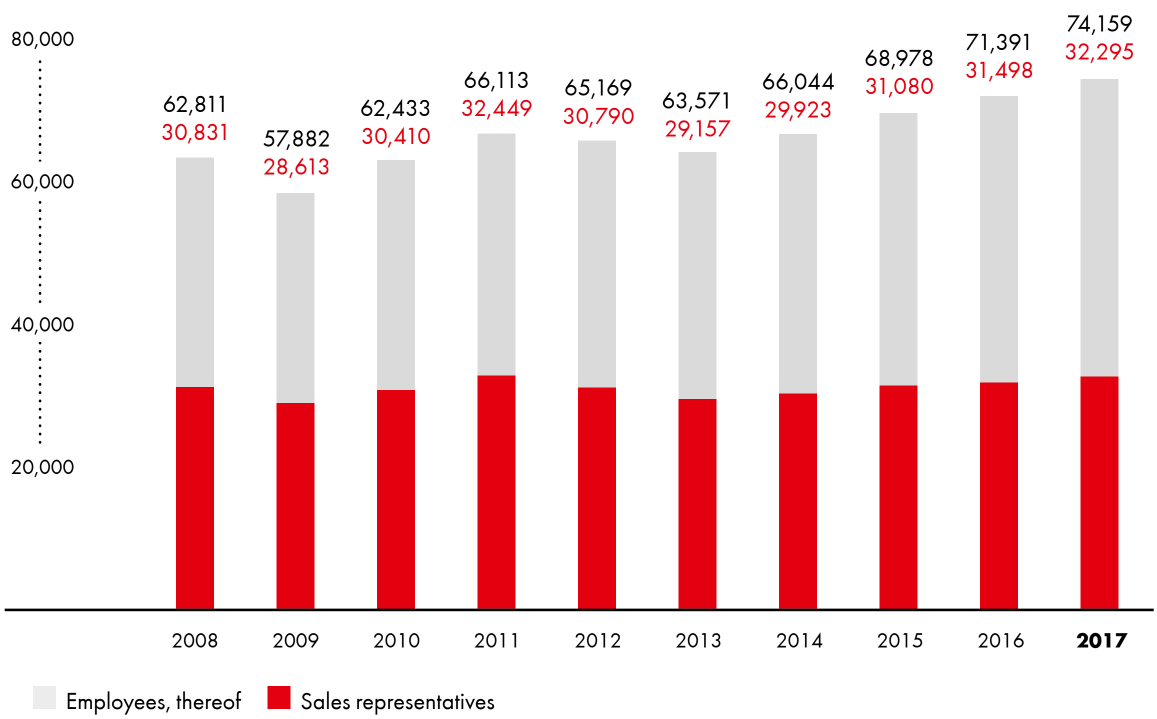
There are various phases in each employee's working life: There are times at which personal issues such as self-worth or self-confidence play a key role and there are also times in which the focus is on career advancement - be it in an employee's career as a manager or in the various specialist departments. 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 2017, the Würth Group in Germany employed 1,255 trainees for more than 40 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. Quality is a top priority when it comes to initial training, too: In 2017, Adolf Würth GmbH & Co. KG was once again awarded the Dualis certificate by the Chamber of Industry and Commerce of Heilbronn-Franconia for its outstanding commitment as a training provider. 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).

In Germany, **Akademie Würth** offers employees a holistic further training concept spanning all hierarchical levels. The program includes seminars on management, leadership, commercial or technical subjects, as well as training sessions to promote personal and social skills and training on working methods, IT applications and foreign languages.

Due to the increased demand for consultancy and training services for quality, environmental, energy and process management, organizational development and business excellence, Akademie Würth also started to establish a supporting program in July 2017. It is aimed, on the one hand, at Würth companies, while, on the other, helping our customers to meet the market and legal requirements that apply to them.

EMPLOYEES
Würth Group as of 31 December



Degree programs for working professionals at the **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 qualifications. The Business Administration B.A. in cooperation with the Distance Learning University in Hamburg is a three-and-a-half year program leading to a Bachelor of Arts (B.A.) degree. In collaboration with the University of Louisville in Kentucky (USA), Würth has been offering the internationally recognized master's course in Global Business since 2002. The one-year program, which is conducted in English, awards graduates a Master of Business Administration (MBA).

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. 343 up-and-coming management staff took part in 2017.
- The High Potential program supports managers on their way to upper management levels. 143 specialists and executives took part in 2017.
- The Top Potential program prepares select managers for positions in the highest echelons of corporate management over a two to three-year period. In 2017, 49 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 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

The in-house health management program "Fit mit Würth" launched by Adolf Würth GmbH & Co. KG offers a wide range of activities: it covers fitness, nutrition, safety, social affairs, preventative health, and well-being. Around 1,500 employees, relatives and pensioners of the Würth Group take part in the special programs and courses every year. 2018 will mark the 10th birthday of the "Kraftmobil", an electric vehicle with a piece of exercise equipment on the loading surface. It allows employees to engage in regular exercise at work. Study results show that exercise improves the strength and flexibility of the back muscles and the spine. Specially trained health navigators help their colleagues in the branch offices and within the sales force to live and work in a healthy manner. The "Fit mit Würth" health management program has been integrated into the company's processes in a structural and strategic manner and promotes a culture of health throughout the company. An annual dialog event with health officers from the subsidiaries is used to exchange information on ideas and measures for health promotion and to achieve common goals.

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, regular employee survey 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). 201 companies within the Würth Group now 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

Something always comes before a "thank you". Performance, motivation, inspiration, perseverance, or sometimes just being there, offering support and understanding. It is the conscious recognition of what has come before that makes a "thank you" so valuable. Then, saying "thank you" becomes a way of showing appreciation.

Globalization. Digitalization. Industry 4.0. Value streams are becoming increasingly networked worldwide. Increasingly close-knit processes are masking the performance of the individual. Economic and social conditions are being transformed, while working conditions and individual lifestyles are changing. As individuals, however, we still have a desire to be seen and heard. We all long for recognition, no matter how fast-moving the world around us is.

The Central Managing Board of the Würth Group would like to thank each and every employee for their unbounded commitment to our customers, as well as the employee representatives in the individual Würth companies. Open and honest dialog forms the backbone of successful and constructive collaboration.

Corporate governance report

Corporate governance provides rules and standards for good and responsible management and monitoring of 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 74,000 employees, the Würth Group needs clear rules to determine its conduct or 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 Compliance Code, 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 grow by 3.9 percent year-on-year in 2018, 0.2 percentage points more than in 2017 (+3.7 percent).

Consequently, the result for **Germany**, the Würth Group's largest sales market, is expected to be similarly positive: Germany's "Wise Men" (Council of Economic Experts) expect gross domestic product to grow by 2.2 percent in 2018 as well (2017: +2.2 percent). Other experts believe that the sustained record employment and rising real wages are responsible for the continued solid economic growth. The global economic upturn holds the promise of a good business environment for exporters as well. The construction sector is benefiting from low interest rates and companies are investing due to well-filled order books. The economy could also suffer setbacks, however, due to the uncertain outcome of the Brexit negotiations or the long-term effects of the US tax reform, for example. The North Korea crisis, a further escalation in the Syrian conflict and new trade barriers could also put a damper on the positive economic outlook.

The Würth Group generates most of its sales in the **eurozone**, where the pace of growth increased again in 2017. The forecasts for 2018 once again point towards a similar economic trend to that witnessed in 2017 (+2.5 percent): Economic growth is currently expected to come in at 2.1 percent in the eurozone. The **Spanish economy** is suffering due to the crisis in Catalonia. The Spanish economy had already started losing momentum at the end of 2017, which is why the forecast for 2018 only comes to 2.1 percent (2017: +3.1 percent). Real economic growth in **Italy** is expected to remain roughly on a par with 2017 at 1.4 percent (+ 1.5 percent). The **French economy** is expected to achieve GDP growth of 1.8 percent in 2018, similar to the level seen in 2017 (+ 1.9 percent). This is due to growing optimism in the corporate sector and the lower unemployment rate under President Macron.

The forecasts for the **UK** are weak. Economic growth is expected to come in at 1.5 percent in 2018 (2017: + 1.4 percent).

The **US economy** grew by 2.3 percent in 2017 under the Trump presidency. Experts believe that the impact of the tax reform, in particular, will give the US economy further growth potential of 2.7 percent in 2018. Tax cuts for businesses and citizens will increase purchasing power and investment. At the same time, Trump is planning to impose revenge taxes on foreign companies to implement infrastructure projects.

The emerging markets of **China and India**, which are very important to the Würth Group, will remain global growth drivers. Experts predict growth of over five percent for the emerging markets in 2018. The export world champion China will continue to benefit from the recovery in global trade. As a result, growth in its gross domestic product will be roughly at the same level as in 2017 (+6.9 percent) at 6.5 percent. The outlook for India is also positive. After growth of 7.6 percent in 2017, the Indian economy is expected to report growth above the seven percent mark again in 2018. All in all, India is expected to grow at an even faster rate than China. The economic upswing looks set to continue for **Latin America**, too, with growth expected to pick up from + 1.3 percent in 2017 to up to 2.2 percent in 2018. As far as **Russia** is concerned, accelerated GDP growth of at least two percent is expected. Exports will continue to grow and consumer purchasing power will increase on the back of falling unemployment and lower inflation rates, according to experts. The economic forecasts for 2018 are optimistic as a whole. The International Monetary Fund (IMF) predicts that the global economy will continue to pick up speed this year.

Development of the Würth Group

- **Further increase in sales and operating result**
- **Dynamic development in e-business activities**
- **New logistics center will secure sustainable growth**

With sales of EUR 12.7 billion and an operating result of EUR 780 million, the Würth Group set new records for both key figures in 2017. The increase in sales comes to 7.5 percent, while the operating result grew by as much as 26.8 percent. This success over the last fiscal year serves as testimony to the fact that our customers value Würth's product range, quality and service. One key factor is also our availability: From our online shop to the dense network of branch offices and our 32,000 sales representatives worldwide – a sales force that we want to strengthen further and expand in 2018 – right down to a simple Bauloc container located directly on the construction site: Würth's customers know that Würth is available everywhere, and that Würth delivers. After all, one thing is important to people working in the trades: No matter where they are, at home or somewhere far away on a construction site in Germany or even abroad, they know that they will get the same quality and the same service. This reliability and predictability is one of Würth's key unique selling points and is multiplied worldwide throughout all of our companies. One of the main tasks involved in shaping the future will be to continue working on these aspects.

We want to make our customers' lives easy to provide them with a basis for their day-to-day work. Procurement, warehousing, basically inventory management as a whole, are tasks and challenges with which we can help them. Good, high-quality products with a long service life are just as important as competent contacts who are on hand to answer questions. Nowadays, it is no longer a matter of course to get real answers to questions. This cannot be said for Würth. At Würth, the word "partnership" is a term still shaped by individuals. By individuals and communication. This is the context in which we also see our role as an attractive employer. Professor Würth has always emphasized that we all spend a large portion of our lives in the workplace. So it is important that we do everything in our power to make sure that our employees enjoy coming to work every day. In these endeavors, we must remember that as the competition becomes more intense and the markets become more globalized, it will become more and more of a challenge for employers to prevail in the battle for talents. This is an issue that is closely related to the question of changing values in society at large, meaning that employers, too, have to be more flexible than ever before. Various prizes awarded to us confirm that Würth is on the right track in this regard, for example the "TOP National Employer 2018" award presented by the business magazine Focus-Business.

E-business activities

One key issue on which we are focusing in our global e-business activities, above and beyond the implementation of online shops, is the expansion of activities relating to digital sales. The various business units of the Würth Group have adopted different approaches. Within the Würth Line, for example, e-business sales specialists are supporting the sales representatives in their customer meetings and highlighting the advantages of digital purchasing in the context of a holistic procurement solution. Other measures include, for example, collaboration with digital agencies in order to make it easier for customers to find Würth products in search engines. Twenty-five Würth Line companies, in addition to 15 Allied Companies, are now using the Würth Group's central online shop. The way in which the functions have been adapted to suit different regional requirements is particularly noteworthy. The interface for the online shop in China, for example, was structured completely differently and was equipped with additional functions required locally in order to meet Chinese requirements. Especially in markets like China, however, things are being taken even one step further: We are currently testing a collaboration with major online marketplace providers such as Alibaba in order to expand our sales activities, moving away from pure direct sales and seeking to establish ourselves as a company with various digital contact points.

Since the beginning of 2018, Adolf Würth GmbH & Co. KG has had a Berlin-based team focusing exclusively on the topic of big data. The move to the German capital was also motivated by the fact that it is easier to recruit specialists in this field there.

Other important drivers are the various industry-specific ERP systems, which are increasingly being turned into integrated procurement solutions for their users. As a result, the companies in the Würth Group are very keen to establish a presence in these software solutions in order to offer customers real added value in procurement.

Expansion of logistics

We are facing rising demands among our customers as far as the binding nature of deliveries and the reduction in delivery splits are concerned. This is why we have to make further investments in logistics in order to establish corresponding capacities and allow us to control the processes involved. Within this context, Adolf Würth GmbH & Co. KG will start building a central external warehouse in Waldenburg, near the A 6 federal highway, in 2018. This new building, which will span an area of 50,000 m^2, will house various dispatch points of Adolf Würth GmbH & Co. KG and external warehouses under one roof. In particular, different bulky goods warehouses will be bundled into the new building, reducing the delivery split, the number of packages and also the filling material required. In addition, new processes and technologies will help our customers to offer an even higher quality of service as of the end of 2019.

Overall statement on the future development of the Würth Group

The Würth Group expects to achieve sales growth in the mid single-digit range and growth in its operating result that will be slightly more pronounced in comparison in the 2018 fiscal year. We expect the development in gross profit to remain constant. We predict a slight 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		2017	Share in %	2016	Share in %	Change in %
Sales	[1]	12,721.9	100.0	11,836.2	100.0	7.5
Changes in inventories		18.6	0.1	2.1	0.0	> 100
Own work capitalized		8.8	0.1	13.3	0.1	– 33.8
Cost of materials	[2]	6,252.1	49.1	5,813.2	49.1	7.6
Cost of financial services	[3]	27.9	0.2	33.0	0.3	– 15.5
		6,469.3	**50.9**	**6,005.4**	**50.7**	**7.7**
Other operating income	[4]	132.1	1.0	134.0	1.1	– 1.4
Personnel expenses	[5]	3,468.4	27.3	3,281.2	27.7	5.7
Amortization and depreciation		426.2	3.4	344.6	2.9	23.7
Other operating expenses	[6]	1,938.4	15.2	1,870.2	15.8	3.6
Finance revenue	[7]	33.8	0.3	44.9	0.4	– 24.7
Finance costs	[7]	96.0	0.7	91.4	0.8	5.0
Earnings before taxes	[8]	**706.2**	**5.6**	**596.9**	**5.0**	**18.3**
Income taxes	[9]	175.1	1.4	134.6	1.1	30.1
Net income for the year		**531.1**	**4.2**	**462.3**	**3.9**	**14.9**
Attributable to:						
Owners of parent companies in the Group		506.2	4.0	451.4	3.8	12.1
Non-controlling interests		24.9	0.2	10.9	0.1	> 100
		531.1	**4.2**	**462.3**	**3.9**	**14.9**

Consolidated statement of comprehensive income

in millions of EUR		2017	Share in %	2016	Share in %	Change in %
Net income for the year		531.1	100.0	462.3	100.0	14.9
Items that are not reclassified to profit or loss						
Remeasurement of defined benefit plans	[26]	– 9.8	– 1.8	– 6.4	– 1.4	53.1
Net profit (+) / loss (–) from cash flow hedges		– 1.9	– 0.4	0.0	0.0	100.0
Taxes attributable to other comprehensive income		1.7	0.4	1.8	0.4	– 5.6
Items that may be reclassified to profit or loss in certain circumstances						
Foreign currency translation		– 91.0	– 17.1	30.0	6.5	< 100
Other comprehensive income		**– 101.0**	**– 19.0**	**25.4**	**5.5**	< 100
Total comprehensive income		**430.1**	**81.0**	**487.7**	**105.5**	**– 11.8**
Attributable to:						
Owners of parent companies in the Group		405.8	76.4	476.6	103.1	– 14.9
Non-controlling interests		24.3	4.6	11.1	2.4	> 100
		430.1	**81.0**	**487.7**	**105.5**	**– 11.8**

Consolidated statement of financial position

Assets in millions of EUR		**2017**	Share in %	**2016**	Share in %	Change in %
Non-current assets						
Intangible assets including goodwill	[10]	480.1	4.7	583.7	6.0	– 17.7
Property, plant and equipment	[11]	3,052.4	29.7	2,909.5	30.0	4.9
Financial assets	[12]	62.6	0.6	49.3	0.5	27.0
Receivables from financial services	[13]	861.1	8.4	770.5	7.9	11.8
Other financial assets	[18]	7.1	0.1	10.6	0.1	– 33.0
Other assets	[19]	33.7	0.3	31.0	0.3	8.7
Deferred taxes	[14]	140.2	1.4	152.2	1.6	– 7.9
		4,637.2	**45.2**	**4,506.8**	**46.4**	**2.9**
Current assets						
Inventories	[15]	1,955.6	19.1	1,698.5	17.5	15.1
Trade receivables	[16]	1,719.0	16.7	1,575.5	16.2	9.1
Receivables from financial services	[13]	745.2	7.3	568.5	5.9	31.1
Income tax assets	[17]	35.3	0.3	34.3	0.4	2.9
Other financial assets	[18]	162.0	1.6	141.1	1.5	14.8
Other assets	[19]	173.9	1.7	153.0	1.6	13.7
Securities	[20]	151.7	1.5	137.1	1.3	10.6
Cash and cash equivalents	[21]	670.9	6.5	873.9	9.0	– 23.2
		5,613.6	**54.7**	**5,181.9**	**53.4**	**8.3**
Assets classified as held for sale	[22]	16.5	0.1	22.2	0.2	– 25.7
		5,630.1	**54.8**	**5,204.1**	**53.6**	**8.2**
		10,267.3	**100.0**	**9,710.9**	**100.0**	**5.7**

Equity and liabilities in millions of EUR		**2017**	Share in %	**2016**	Share in %	Change in %
Equity						
Equity attributable to parent companies in the Group	[23]					
Share capital		408.4	4.0	408.4	4.2	0.0
Reserves		1,935.3	18.8	1,860.0	19.2	4.0
Retained earnings		2,324.3	22.6	2,093.9	21.6	11.0
		4,668.0	45.4	4,362.3	45.0	7.0
Non-controlling interests		110.6	1.1	107.2	1.1	3.2
		4,778.6	**46.5**	**4,469.5**	**46.1**	**6.9**
Non-current liabilities						
Liabilities from financial services	[24]	424.8	4.1	308.8	3.2	37.6
Financial liabilities	[25]	1,171.8	11.4	1,715.6	17.7	– 31.7
Obligations from post-employment benefits	[26]	277.8	2.7	267.2	2.8	4.0
Provisions	[27]	96.0	0.9	95.5	1.0	0.5
Other financial liabilities	[28]	37.7	0.5	68.4	0.7	– 44.9
Other liabilities	[29]	2.4	0.0	2.9	0.0	– 17.2
Deferred taxes	[14]	126.6	1.2	130.5	1.3	– 3.0
		2,137.1	**20.8**	**2,588.9**	**26.7**	**– 17.5**
Current liabilities						
Trade payables		741.7	7.2	634.0	6.5	17.0
Liabilities from financial services	[24]	925.7	9.0	885.1	9.1	4.6
Financial liabilities	[25]	605.6	5.9	108.4	1.1	> 100
Income tax liabilities		58.5	0.6	44.3	0.5	32.1
Provisions	[27]	182.5	1.8	176.7	1.8	3.3
Other financial liabilities	[28]	392.7	3.8	373.4	3.8	5.2
Other liabilities	[29]	437.9	4.3	410.1	4.2	6.8
		3,344.6	**32.6**	**2,632.0**	**27.0**	**27.1**
Liabilities in a group of assets classified as held for sale	[22]	7.0	0.1	20.5	0.2	– 65.9
		3,351.6	**32.7**	**2,652.5**	**27.2**	**26.4**
		10,267.3	**100.0**	**9,710.9**	**100.0**	**5.7**

Consolidated statement of cash flows*

Cash flow from operating activities in millions of EUR	2017	2016
Earnings before taxes	**706.2**	**596.9**
Income taxes paid	– 151.7	– 123.0
Finance costs	96.0	91.4
Finance revenue	– 33.8	– 44.9
Interest income from operating activities	9.5	11.9
Interest payments from operating activities	– 13.8	– 13.2
Changes in obligations from post-employment benefits	3.2	5.6
Amortization, depreciation and impairment losses / reversals of impairment	425.7	343.1
Losses on the disposal of non-current assets	4.5	4.6
Gains on the disposal of non-current assets	– 5.7	– 8.7
Other non-cash income and expenses	8.1	35.9
Gross cash flow	**1,048.2**	**899.6**
Changes in inventories	– 293.4	– 11.6
Changes in trade receivables	– 207.8	– 153.9
Changes in receivables from financial services	– 272.6	95.2
Changes in trade payables	111.9	53.5
Changes in liabilities from financial services	158.4	– 23.0
Changes in short-term securities	– 12.9	0.4
Changes in other net working capital	52.2	43.6
Cash flow from operating activities	**584.0**	**903.8**
Investments in intangible assets	– 35.9	– 40.3
Investments in property, plant and equipment	– 451.0	– 439.8
Investments in financial assets	– 29.4	– 1.3
Investments in newly acquired subsidiaries less cash**	– 52.2	– 64.8
Cash inflow from the disposal of subsidiaries	1.8	0.0
Cash received from the disposal of assets	28.1	27.2
Cash flow from investing activities	**– 538.6**	**– 519.0**

Cash flows in millions of EUR	**2017**	**2016**
Distributions	– 274.2	– 253.3
Changes in receivables from / liabilities to Family Trusts and the Würth family including interest income	– 35.5	21.8
Capital contribution	173.5	154.0
Increase in financial liabilities	11.5	33.7
Decrease in financial liabilities	– 44.5	– 54.1
Interest payments / income from financing activities	– 39.2	– 34.7
Increase in majority shareholdings	– 22.4	– 1.6
Cash flow from financing activities	**– 230.8**	**– 134.2**
Changes due to consolidation	– 17.6	7.4
Changes in cash and cash equivalents	**– 203.0**	**258.0**

Composition of cash and cash equivalents in millions of EUR	**2017**	**2016**	Change in millions of EUR
Short-term investments	0.5	0.2	0.3
Other cash equivalents	5.0	4.3	0.7
Cash on hand	2.3	2.3	0.0
Bank balances	663.1	867.1	– 204.0
Cash and cash equivalents	**670.9**	**873.9**	**– 203.0**

* 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	Other capital and revenue reserves	Reserves for cash flow hedges	Retained earnings	Total	Non-controlling interests	Total equity
1 January 2016	**408.4**	**– 57.1**	**1,735.2**	**0.0**	**1,889.2**	**3,975.7**	**107.0**	**4,082.7**
Net income for the year	0.0	0.0	0.0	0.0	451.4	451.4	10.9	462.3
Other comprehensive income	0.0	30.0	– 4.8	0.0	0.0	25.2	0.2	25.4
Total comprehensive income	0.0	30.0	– 4.8	0.0	451.4	476.6	11.1	487.7
Capital increase / reduction	0.0	0.0	150.6	0.0	0.0	150.6	3.4	154.0
Transfer to / drawings from reserves	0.0	0.0	7.0	0.0	– 7.0	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	0.0	– 239.7	– 239.7	– 13.6	– 253.3
Increase in majority shareholdings	0.0	0.0	– 0.9	0.0	0.0	– 0.9	– 0.7	– 1.6
31 December 2016	**408.4**	**– 27.1**	**1,887.1**	**0.0**	**2,093.9**	**4,362.3**	**107.2**	**4,469.5**
Net income for the year	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	– 100.4	– 0.6	– 101.0
Total comprehensive income	0.0	– 90.6	– 7.9	– 1.9	506.2	405.8	24.3	430.1
Capital increase / reduction	0.0	0.0	173.2	0.0	0.0	173.2	0.3	173.5
Transfer to / drawings from reserves	0.0	0.0	12.4	0.0	– 12.4	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	0.0	– 263.8	– 263.8	– 10.4	– 274.2
Increase in majority shareholdings	0.0	0.5	– 10.2	0.0	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	1.7	1.7
Other income and expense recognized in equity	0.0	– 0.4	0.2	0.0	0.4	0.2	0.2	0.4
31 December 2017	**408.4**	**– 117.6**	**2,054.8**	**– 1.9**	**2,324.3**	**4,668.0**	**110.6**	**4,778.6**

Consolidated value added statement*

Origin of value added in millions of EUR	**2017**	**2016**	Change in %
Sales	12,721.9	11,836.2	7.5
Changes in inventories and own work capitalized for capital expenditure	27.4	15.4	77.9
Other operating income	132.1	134.0	– 1.4
Finance revenue	33.8	44.9	– 24.7
	12,915.2	**12,030.5**	**7.4**
Less advance payments			
Cost of materials and cost of financial services	6,280.0	5,846.2	7.4
Other operating expenses	1,938.4	1,870.2	3.6
Amortization and depreciation	426.2	344.6	23.7
	8,644.6	**8,061.0**	**7.2**
Value added	**4,270.6**	**3,969.5**	**7.6**

Purpose in millions of EUR	**2017**	**2016**	Change in %
Employees (personnel expenses)	3,468.4	3,281.2	5.7
Public sector (tax expenses)	175.1	134.6	30.1
Company	430.4	363.0	18.6
Equity holders**	100.7	99.3	1.4
Lenders	96.0	91.4	5.0
Value added	**4,270.6**	**3,969.5**	**7.6**

* 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 activity includes 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 whose adoption is mandatory as of 31 December 2017 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 at fair value through profit or loss and financial assets that are measured at fair value without affecting profit or loss. The carrying amounts of the assets and liabilities recognized in the 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 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 taxes 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 9 March 2018 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 2017, the carrying amount of goodwill totaled EUR 159.8 million (2016: EUR 276.8 million). Further details are presented in the notes on the consolidated statement of financial position under [10] "Intangible assets including goodwill".

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" and [11] "Property, plant and equipment".

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 19.7 million as of 31 December 2017 (2016: EUR 25.3 million).

d) Obligations from post-employment benefits
The cost of defined benefit pension 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 rate, 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 obligations from post-employment benefits amount to EUR 277.8 million as of 31 December 2017 (2016: EUR 267.2 million). Further details are presented in the notes on the consolidated statement of financial position under [26] “Obligations from post-employment benefits”. All parameters are reviewed annually.

e) Securities
Financial assets for which there is no active market were measured on the basis of the expected cash flows discounted at a rate that reflects the terms and risks involved. This measurement is subject to estimation uncertainty because it is most sensitive to the discount rates used in the discounted cash flow method as well as the expected future cash inflows. The fair value of these financial assets totaled EUR 100.0 million as of 31 December 2017 (2016: EUR 75.5 million).

f) Development costs
Development costs are capitalized in accordance with the accounting policies presented 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 2017, the carrying amount of capitalized development costs was EUR 12.4 million (2016: EUR 16.5 million).

g) Receivables
To determine specific allowances, receivables that could potentially be impaired are assessed for impairment and valuation allowances are applied where appropriate. The calculation of valuation allowances on receivables is based primarily on assessments and analyses performed by the local management. In addition to the creditworthiness of, and default on payment by, the customer in question, historical default rates are also taken into account. Further details are presented in the notes on the consolidated statement of financial position under [13] “Receivables from financial services” and [16] “Trade receivables”.

h) Purchase price liabilities for subsidiaries / business operations acquired
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.

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 2017. The changes in accounting policies and in the disclosures in the notes are due primarily to the adoption of:

- **Amendments to IAS 7 "Statement of Cash Flows: Disclosure Initiative"**
- **Amendments to IAS 12 "Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses"**
- **Improvements to IFRS 2014–2016**
  Amendments to IFRS 12 "Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12"

The adoption of these standards or interpretations is described below:
In connection with its "Disclosure Initiative", the IASB published amendments to **IAS 7 "Statement of Cash Flows: Disclosure Initiative"** in January 2016. The amendments essentially relate to requirements for additional disclosures in the notes, the aim being to allow users of an entity's financial statements to evaluate changes in the entity's liabilities arising from financing activities, including both cash and non-cash changes (for example, profit or loss from foreign currency translation). The amendments are mandatory, for the first time, for fiscal years beginning on or after 1 January 2017. Entities need not provide comparative information on previous periods when they first apply the amendments. The Würth Group has made the necessary disclosures for the reporting period in Note [25] Financial liabilities.

In January 2016, the IASB published amendments to **IAS 12 "Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses"**. This amendment clarifies that, with regard to the deductibility of a deductible difference that will be reversed in the future arising from unrealized losses, an entity must consider whether tax laws restrict the sources for future taxable income from which this deductible temporary difference could be deducted. The amendment also contains guidelines as to how an entity is to calculate to future taxable income, and to what extent the realization of assets can be taken into account beyond their carrying amount. The Würth Group has applied this amendment retroactively. Its application does not, however, have any impact on the net assets, financial position and earnings situation of the Würth Group, as the latter has no deductible temporary differences or tax assets that fall within this scope.

Improvements to IFRS 2014–2016
The improvements to IFRS 2014–2016 constitute an omnibus of amendments that was published in December 2016. The amendment to IFRS 12 "Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12" is mandatory for fiscal years beginning on or after 1 January 2017. This amendment clarifies that the disclosure requirements in IFRS 12, with the exception of IFRS 12.B10–B16, apply to shares of an entity in a subsidiary, joint venture or associate (or parts of its shares in a joint venture or associate) that are classified as held for sale (or belong to a disposal group that is classified as held for sale). The amendment will not have any material impact on the consolidated financial statements of 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.

In July 2014, the International Accounting Standards Board (IASB) published the finalized version of **IFRS 9 "Financial Instruments"**, which incorporates the results of all phases in the IFRS 9 project and replaces both IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9 "Financial Instruments". IFRS 9 applies for the first time to fiscal years beginning on or after 1 January 2018. Earlier application of the final version of IFRS 9 (2014) is permitted at any time. Although the standard is to be applied with retroactive effect, no comparative information has to be provided. With only a few exceptions, the provisions governing hedge accounting are generally to be applied prospectively. The standard contains new provisions on classification and measurement, impairment and hedge accounting phases. The Würth Group will adopt the new standard on the prescribed date of entry into force and will not be adjusting any prior-year figures. In the 2017 fiscal year, the Würth Group performed an evaluation of all three aspects of IFRS 9.

a) Classification and measurement
The Würth Group does not expect the application of the classification and measurement provisions set out in IFRS 9 to have any material impact on its statement of financial position or equity. It assumes that all financial assets held at fair value can still be measured at fair value. The Würth Group plans to hold the shares in non-listed companies for the foreseeable future. In previous reporting periods, no impairment losses were recognized directly in equity for these investments. The Würth Group will make use of the option for equity instruments not held for trading purposes and will recognize the changes in fair value in other comprehensive income. As a result, the adoption of IFRS 9 will not have any material impact on the consolidated financial statements of the Würth Group. Loans and trade receivables are held to collect the contractual cash flows, which exclusively consist of principal and interest payments on the outstanding nominal amount. In addition, the Würth Group analyzed the contractual cash flows and came to the conclusion that the cash flow conditions have been met and that no reclassification is necessary.

b) Impairment losses
The Würth Group will apply the simplified procedure and will recognize risk provisions based on the expected losses over the total duration directly as of the time of origination. The Würth Group does not expect the impairment losses on loans and trade receivables to have any material impact on its statement of financial position or equity. As far as receivables from financial services are concerned, the Würth Group expects the risk provisions that have to be set up to be higher, which will have an impact on equity.

c) Hedge accounting
The Würth Group is of the opinion that all hedging relationships will continue to meet the proposed criteria for hedge accounting under IFRS 9. As a result, it does not expect any significant effect on the financial statements of the Würth Group.

Applying IFRS 9 "Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4", 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. The Würth Group is currently examining which of the two options it will use.

IFRS 15 "Revenue from Contracts with Customers" introduces a new five-step revenue recognition model to be applied to all contracts with customers. The core principle of IFRS 15 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 Programmes", 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 standard must be applied to reporting periods starting on or after 1 January 2018. Earlier adoption is permitted. The standard is to be applied either on a fully retrospective basis or on a modified retrospective basis.

The Würth Group intends to adopt the new standard on the prescribed date of entry into force using the modified retrospective approach. In the 2017 fiscal year, the Würth Group performed a detailed evaluation of IFRS 15, concluding that it is unlikely to have any material impact on the consolidated financial statements. In addition, the Würth Group has taken into account the clarifications published by the IASB in April 2016 and will monitor any further developments regarding the interpretation of IFRS 15.

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 is not expected to have any impact on revenue or the consolidated income statement. The Würth Group expects the time of revenue realization to be the time at which 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 the future, revenue in such cases will be realized over a specific period in line with the percentage of completion method in individual cases. Due to the fact that production in these areas is largely "just-in-time" production, however, the Würth Group does not expect to see any significant deviations compared with the realization of revenue upon delivery to the customer, which has applied to date.

b) Variable consideration
The contracts with customers partly grant a right of return, trade discounts or volume discounts. The Würth Group recognizes revenue from the sale of goods at the fair value of the consideration received less income and discounts, trade discounts and volume discounts.

IFRS 15 states that the estimated variable consideration must be limited in order to prevent the overstatement of revenue.

- Right of return
  If a contract with a customer provides for a right to return the goods within a certain period, the Würth Group recognizes a right to return goods using a probability-weighted average income value that corresponds to the expected value method in accordance with IFRS 15. In accordance with IFRS 15, the initial carrying amount of the goods that are expected to be returned has to be recognized under inventories and not, as in the past, as a trade payable. The Würth Group does not, however, expect this amendment resulting from IFRS 15 to have any material impact on the consolidated statement of financial position, since no significant return rights are granted.
- Volume discount
  According to IFRS 15, retroactive volume discounts are recognized as variable consideration. The Würth Group does not, however, expect this amendment resulting from IFRS 15 to have any significant impact, since no significant volume-based discounts are 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. As a result, the Würth Group does not expect this amendment to have any material impact on the consolidated financial statements.

d) Provision of services
These services are sold either on a stand-alone basis in contracts with customers or in conjunction with the sale of goods to a customer. 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. The Würth Group expects, however, that the customer's entitlement to consideration is of an amount that corresponds directly to the value of the service already provided by the Würth Group, meaning that there is no material impact on the consolidated financial statements of 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 will opt 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. As a result, the Würth Group will continue to not recognize any financing arrangements for short-term advance payments.

f) Presentation and disclosure requirements
The presentation and disclosure requirements under IFRS 15 are more detailed than under the current IFRS. The disclosure requirements represent a significant change compared with the current practice and considerably increase the amount of information that has to be provided in the consolidated financial statements. In 2017, the Würth Group performed further tests on suitable systems, internal controls, policies, and procedures that are required in order to record and disclose the required information.

Based on the analyses carried out in the 2017 fiscal year, the Würth Group expects that, in the future, distribution over several performance obligations / revenue realization over the period will be required for part of its revenue, in particular in the case of customer-specific production orders. Due to the short contract periods, however, the impact on the period allocation of revenues will be significantly less than one percent of revenues.

IFRS 16 "Leases" was published on 13 January 2016 and is mandatory, for the first time, for fiscal years beginning on or after 1 January 2019. Earlier adoption is permitted, but only if the entity is also applying IFRS 15. IFRS 16 replaces IAS 17 "Leases" and all interpretations relating to lease accounting. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure requirements regarding leases and requires lessees to recognize all leases based on a single model, similar to the accounting for finance leases in accordance with IAS 17. For the lessor, IFRS 16 will not, in the main, result in any changes in terms of accounting compared with the current IAS 17. The standard is to be applied either on a fully retrospective basis or on a modified retrospective basis. The transitional provisions of IFRS 16 provide certain forms of transitional relief. The Würth Group intends to adopt the new standard on the prescribed date of entry into force. Based on an initial analysis, the effects set out below have been identified. The analysis has not yet been completed, however, and is updated by the Würth Group on an ongoing basis. In 2018, the Würth Group will continue to analyze the potential impact of IFRS 16 on its financial statements.

a) Würth Group as the lessee
To date, the Würth Group has largely concluded operating leases relating to movable assets and real estate. At the moment, the payment obligations for operating leases are only to be disclosed in the notes on the consolidated financial statements. In the future, however, the rights and obligations resulting from these leases will have to be reported in the statement of financial position as a mandatory requirement, as an asset (right of use to the leased asset) and as a liability (lease liability). The Würth Group expects this to increase its total assets significantly at the time of initial application. In the consolidated income statement, the expenses associated with operating leases have been reported under "miscellaneous operating expenses" to date. In the future, amortization on the right of use and interest expenses for the lease liabilities will be reported instead. The plan is to apply the modified retrospective approach at the time of initial application. In the statement of cash flows, payments for operating leases are currently reported under cash flow from operating activities. In the future, they will be split into interest and principal payments, and the principal payments will be allocated to the cash flow from financing activities. For information on the main operating leases affected by the standard, please refer to [5] Leases in section I. "Other notes".

b) Würth Group as the lessor
The Würth Group expects the redefinition of a lease to have an impact on the number of scenarios to be recognized as a lease. Existing leases, however, will not be reassessed due to the use of the transitional relief.

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 2017 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.

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.

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration": The Interpretation clarifies that, for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) at the time of the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration, the time of the transaction corresponds to the date of the initial recognition of the non-monetary asset or non-monetary liability arising from the consideration.

If there are multiple payments or receipts in advance, the entity must establish the date of transaction for each payment or receipt with advance consideration. Entities can apply the amendments in full retroactively. Alternatively, an entity can apply the interpretation prospectively to all assets, expenses and income within the scope of the interpretation initially recognized on or after the following dates:
i) the beginning of the reporting period in which the entity applies the interpretation for the first time, or
(ii) the beginning of a previous reporting period that presents, in the financial statements, comparative information for the reporting period in which the entity applies the interpretation for the first time.

The interpretation is to apply for fiscal years beginning on or after 1 January 2018. Earlier adoption is permitted and must be specified in the notes. Since its current procedure is consistent with the interpretation, the Würth Group does not expect this to impact its financial statements.

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.

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.

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 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 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 the improvements on the prescribed date of entry into force. 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.

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 produce an accurate value of the net assets, financial position and results of operations because transactions between the subgroups thereby created would not be presented correctly. 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 in the consolidated financial statements.

Subsidiaries are fully consolidated as of the date of their 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:

On 1 November 2017, the Würth Group acquired 100 % of the shares and voting rights in Dakota Premium Hardwoods LLC, Waco, USA. The company operates in the hardwood and timber industry for closet and construction materials in the Würth Line operational unit.
The purchase price was allocated on a provisional basis on the balance sheet date as not all aspects had been assessed with definitive effect.

The purchase price allocation is as follows:

in millions of EUR	Fair value at acquisition date	Previous carrying amount
Assets		
Customer base	15.0	0.0
Other property, plant and equipment	1.0	1.0
Inventories	8.6	8.6
Trade receivables	5.7	5.7
Other assets	1.9	1.9
Cash and cash equivalents	0.5	0.5
	32.7	**17.7**
Liabilities		
Financial liabilities	7.9	7.9
Trade payables	4.2	4.2
Other liabilities	8.4	8.4
	20.5	**20.5**
Total identifiable net assets	**12.2**	**– 2.8**
Goodwill arising from the business combination	7.4	
Consideration transferred	**19.6**	
Transaction costs	0.4	
Net cash outflow	**19.5**	

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 11.6 million to sales. The net loss for the year came in at EUR 0.1 million. If the company had been acquired at the beginning of the year, then the sales for 2017 would have amounted to EUR 67.7 million and the net income for the year to EUR 0.1 million.

The following acquisitions were also made
On 28 April 2017, the Würth Group acquired 100 % of the shares and voting rights in Walter Martínez S. A., Zaragoza, Spain, Walter Martínez Madrid S. L., Zaragoza, Spain, Global Bulon S. L., Zaragoza, Spain and Tuhewi S. L., Zaragoza, Spain. The Walter Martínez Group specializes in the distribution of fastening materials for industrial customers, predominantly for the automotive industry, and has been incorporated into the RECA Group unit.

On 1 November 2017, the Würth Group acquired the business operations of Weinstock Bros. Corp., New York, USA, which were incorporated into the newly established company Weinstock Bros., Inc., Delaware, USA. The company operates in the area of high-strength screws, tools and equipment for steel buildings and bridge structures in the Würth Line business unit.

On 27 November 2017, the Würth Group acquired 100 % of the shares and voting rights in IQD Holdings Limited, Crewkerne, UK, including its subsidiaries IQD Group Limited, Crewkerne, UK, IQD Frequency Products Limited, Crewkerne, UK, and IQD Frequency Products Inc., Palm Springs, USA. The IQD Group is a supplier of quartz crystals and oscillators. The acquisition expands the product portfolio of the Electronics unit.

in millions of EUR	Walter Martínez Group	Weinstock Bros. Corp.	IQD Group	Other	Total
Assets					
Franchises, industrial rights, licenses and similar rights	0.3	0.0	0.0	0.1	0.4
Goodwill	0.0	4.7	0.0	0.0	4.7
Customer relationships and similar assets	14.5	7.3	5.2	0.9	27.9
Other non-current assets	0.3	0.2	0.2	2.6	3.3
Inventories	6.3	1.0	0.4	0.6	8.3
Receivables and other assets	5.6	2.1	2.2	0.8	10.7
Cash and cash equivalents	1.4	0.0	0.0	0.1	1.5
	28.4	**15.3**	**8.0**	**5.1**	**56.8**
Equity and liabilities					
Deferred tax liabilities	3.6	0.0	0.9	0.0	4.5
Non-current liabilities	0.0	0.0	0.1	0.0	0.1
Current liabilities	3.8	1.3	3.1	0.2	8.4
	7.4	**1.3**	**4.1**	**0.2**	**13.0**
Basic purchase price	21.0	11.9	3.9	2.4	39.2
Conditional purchase price payment	0.0	2.1	0.0	0.0	2.1
Negative difference	0.0	0.0	0.0	2.5	2.5
Consideration transferred	**21.0**	**14.0**	**3.9**	**2.4**	**41.3**
Pro rata sales	11.1	2.2	0.4	0.7	14.4
Share of profit / loss	- 0.6	- 0.3	- 0.1	- 0.5	- 1.5
Pro forma sales in 2017	17.1	13.3	8.1	1.2	39.7
Pro forma profit / loss in 2017	0.4	- 0.9	- 0.3	- 1.4	- 2.2

The goodwill largely includes synergy effects relating to sales and procurement. The carrying amount of the receivables and other assets corresponds to the fair value. In the 2017 fiscal year, expenses amounting to EUR 118.6 million (2016: EUR 44.9 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 January 2017, the purchase price allocation of Erwin Büchele GmbH & Co. KG, Esslingen, Germany, was completed. The fair value of the customer base of EUR 12.1 million at the time of acquisition, as well as the assumed purchase price payment of EUR 16.8 million, remained unchanged. Only the goodwill decreased by EUR 3.6 million and now amounts to EUR 4.5 million.

In the 2017 fiscal year, the following company disposals were processed by the Würth Group.
On 1 August 2017, the Würth Group sold 100 % of its shares in Hetal-Werke Franz Hettich GmbH & Co. KG, Alpirsbach, Germany. The sale resulted in a cash inflow of EUR 1.8 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 2017, 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 credit differences are accounted for 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 IAS 39 either in profit or loss or as a change to other comprehensive income. 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 to the euro using the following exchange rates:

	Average exchange rates for the fiscal year		Closing rates on the reporting date	
	2017	**2016**	**2017**	**2016**
1 US dollar	0.88801	0.90381	0.83382	0.94769
1 pound sterling	1.14120	1.22465	1.12689	1.16482
1 Canadian dollar	0.68207	0.68299	0.66481	0.70309
1 Australian dollar	0.67882	0.67250	0.65155	0.68428
1 Brazilian real	0.27830	0.25983	0.25164	0.29119
1 Chinese renminbi yuan	0.13105	0.13600	0.12813	0.13648
1 Danish krone	0.13443	0.13431	0.13432	0.13451
1 Norwegian krone	0.10736	0.10772	0.10163	0.11004
1 Polish zloty	0.23526	0.22928	0.23939	0.22602
1 Russian rouble	0.01516	0.01367	0.01441	0.01547
1 Swedish krona	0.10374	0.10561	0.10159	0.10442
1 Swiss franc	0.90070	0.91729	0.85463	0.92997
1 Czech koruna	0.03802	0.03699	0.03913	0.03701
1 Hungarian forint	0.00323	0.00321	0.00322	0.00323

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. 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 all prerequisites of IAS 38.57 are met, internally generated intangible assets are reported at the amount of the directly attributable development costs incurred. 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.

Financial assets are divided into the following categories: (a) held-to-maturity financial assets, (b) financial assets at fair value through profit or loss, (c) available-for-sale financial assets, and (d) loans and receivables originated by the entity.

Financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity, other than loans and receivables originated by the entity, are classified as held-to-maturity investments. Financial assets classified as "at fair value through profit or loss" are (i) financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or exchange rates or (ii) financial assets designated upon initial recognition as at fair value through profit or loss. All other financial assets apart from loans and receivables originated by the entity are classified as available-for-sale financial assets.

Held-to-maturity investments are disclosed under non-current assets unless they are due within twelve months of the reporting date. Financial assets held for trading are disclosed under current assets. This does not apply to derivatives that lead to payments in more than twelve months after the reporting date. They are disclosed under non-current financial assets or liabilities. Financial assets designated upon initial recognition as at fair value through profit or loss and available-for-sale financial assets are disclosed as current assets if management intends to sell them within twelve months of the end of the reporting period. They are recognized at the date on which the Würth Group enters into a contract.

The initial recognition of a financial asset is at cost, which corresponds to the fair value of the consideration given. Transaction costs are included, except for financial assets designated upon initial recognition as at fair value through profit or loss or classified as held for trading.

Held-to-maturity investments are measured at amortized cost using the effective interest method. If it is likely that financial assets measured at amortized cost are impaired, the impairment loss is recognized in profit or loss. An impairment loss recorded previously as an expense is adjusted in profit or loss if the subsequent reversal of the impairment loss (or reduction in the impairment loss) can be objectively attributed to circumstances that arose after the original impairment loss. A reversal of the impairment loss is, however, only recognized to the extent that it does not exceed the amortized cost that would have been recognized without the impairment.

Available-for-sale financial assets, financial assets that are classified as held for trading, and financial assets at fair value through profit or loss are subsequently measured at fair value on the basis of market prices as of the reporting date without deducting any transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, discounted cash flow analyses or other valuation models.

Gains and losses from measurement of an available-for-sale financial asset at fair value are recognized directly in equity. Changes in the fair value of financial assets held for trading and financial assets at fair value through profit or loss are recognized in the net income or loss for the period.

Loans and receivables originated by the entity and not held for trading are recognized at amortized cost.
Any necessary impairment losses are recognized by deducting the amounts directly from the underlying receivables.

Derivative financial instruments are classified as held-for-trading financial assets / financial liabilities, unless they are included in hedge accounting as hedging instruments. The change in the fair value of the derivative financial instruments is recognized in the consolidated income statement. The fair value of open derivative financial instruments is disclosed under other assets / liabilities.

For hedge accounting purposes, hedging instruments are classified as follows:
a) 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,
b) 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. The documentation stipulates the hedging instrument, the underlying transaction or the hedged transaction and the nature of the hedged risk, while describing how the Würth Group determines the effectiveness of changes in the fair value of the hedging instrument in offsetting the risks from changes in the fair values or cash flows of the underlying transaction that can be traced back 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 check that they are, in fact, highly effective during the entire reporting period for which the hedging relationship was designated.

Hedging transactions that meet the stringent criteria for hedge accounting are recognized as follows:

Fair value hedges
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 firm 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.

Cash flow hedges
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 Würth Group has an interest rate swap that is used to hedge the risk of fluctuations in the fair value of future financing.

Amounts recognized in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss for the period, such as when hedged financial income or financial expense is recognized or when an expected sale occurs. Where the hedge results in the recognition of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income become part of the cost at the time of initial recognition of the non-financial asset or liability. If the hedging instrument expires or is disposed of, is terminated or exercised, without being replaced by, or rolled over into, another hedging instrument (as part of the hedging strategy), or if the designation as a hedge is revoked or the criteria for hedge accounting are no longer met, then the accumulated gains / losses recognized under other comprehensive income to date remain in equity as a separate item until the expected transaction occurs or the firm commitment in the foreign currency is fulfilled.

Receivables and liabilities from financial services include all 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 allowance for impairment. Loans in the banking business are tested for impairment. The Würth Group sells receivables from financial services to factors in asset-backed commercial paper (ABCP) transactions. Notwithstanding the transfer of title to the receivables from financial services, these must continue to be recognized by the Würth Group where Group entities retain significant risks and rewards on a contractual basis.

Interest-free and low-interest **loans** are stated at present value.

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 taxes 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.

Receivables and **other assets** are measured at amortized cost. Allowances are made for impairment based on individual risk estimates and past experience of recoverability. To determine specific allowances, financial assets that could potentially be impaired are grouped together by similar credit risk characteristics and collectively assessed for impairment. Impairment losses on trade receivables are recognized via a provision for impairment in some cases. The decision of whether to account for a credit risk by using a provision for impairment or by recognizing a loss directly on the receivable depends on the ability to accurately assess the risk involved. On account of the different business fields and regional conditions, this assessment is at the discretion of the individuals in charge of the respective portfolios.

As a lessor, the Würth Group recognizes **finance lease assets** as receivables in the 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.

Securities are classified as financial assets held for trading or designated upon acquisition as financial assets at fair value through profit or loss and marked to market on the reporting date. Highly liquid securities classified as current assets are securities due within three months of the date of acquisition. They are reported as short-term investments under cash and cash equivalents.

Cash and cash equivalents include cash, demand deposits and short-term investments (e.g., money market funds).

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. If the latter is the case, they are disclosed under financial liabilities and changes in the fair value are recognized within the financial result.

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 not available to the creditors of the Group, nor can they be paid directly to the 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.

When measuring **financial liabilities**, a distinction is made between
a) financial liabilities held for trading, and
b) other financial liabilities.

Derivative financial instruments are classified as held-for-trading financial liabilities and measured at fair value. However, an exception is made for derivatives related to non-listed equity instruments whose fair value cannot be reliably determined and that can only be settled through their delivery. These are measured at cost.

Other financial liabilities are measured at amortized cost using the effective interest rate method. This usually corresponds to the repayment or settlement value or, in the case of obligations similar to pension obligations, to the present value. If non-controlling interests are classified as liabilities as defined by IAS 32, they are measured at fair value.

The Würth Group measures financial instruments and non-financial assets at **fair value** on every reporting date. The fair value is the price that would be paid, in the event of a due and proper transaction, between market participants on the calculation cut-off date for the sale of an asset / transfer of a liability. All assets and liabilities for which the fair value is calculated or is reported in the financial statements are allocated to the fair value hierarchy described below.

Level 1 – Prices listed on active markets for identical assets and liabilities
Level 2 – Valuation procedures in which the lowest level input parameter that is relevant to valuation at fair value as a whole can be directly or indirectly observed on the market
Level 3 – Valuation procedures in which the lowest level input parameter that is relevant to valuation at fair value as a whole cannot be observed on the market

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.

Sales are recognized when it is probable that the economic benefits associated with the transaction will flow to the entity and the level of sales can be measured reliably. Sales are recorded net of general VAT and any price reductions and quantity discounts when delivery has taken place and the risks and rewards incidental to ownership have been transferred in full.

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.

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 Würth Group will comply with the conditions attached to the grant and that the Würth Group 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 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	2017	2016
Revenue from the sale of goods and services	12,617.4	11,734.2
Revenue from financial services	104.5	102.0
Total	**12,721.9**	**11,836.2**

Revenue from financial services primarily contains interest income of EUR 34.9 million (2016: EUR 33.5 million), similar income of EUR 11.9 million (2016: EUR 11.1 million) and commission income of EUR 11.1 million (2016: EUR 10.7 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. It also includes income from the leasing and insurance business.

Revenue from the sale of goods and services contains revenue from services of EUR 84.9 million (2016: EUR 84.8 million).

[2] Cost of materials

in millions of EUR	2017	2016
Cost of materials and supplies and of purchased merchandise	6,023.8	5,588.8
Cost of purchased services	228.3	224.4
Total	**6,252.1**	**5,813.2**

[3] Cost of financial services

The cost of financial services primarily contains interest expenses of EUR 5.6 million (2016: EUR 7.8 million) and commission of EUR 5.9 million (2016: EUR 4.9 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. This item also contains EUR 0.8 million (2016: EUR 0.5 million) from the external business of the companies specializing in leases and EUR 15.4 million (2016: EUR 19.6 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. In addition, the item includes income from the adjustment of purchase price liabilities from acquisitions in the amount of EUR 31.9 million. This item also includes income from the derecognition of negative differences from initial consolidation in the amount of EUR 2.5 million (2016: EUR 19.5 million).

[5] Personnel expenses and number of employees

Personnel expenses

in millions of EUR	2017	2016
Wages and salaries	2,838.8	2,676.8
Social security	370.4	355.5
Pension and other benefit costs	259.2	248.9
Total	**3,468.4**	**3,281.2**

Number of employees as of the reporting date

	2017	2016
Würth Line Germany	8,240	7,890
Allied Companies Germany	14,380	13,807
Würth Group Germany	22,620	21,697
Würth Group International	51,539	49,694
Würth Group total	**74,159**	**71,391**
Thereof		
Sales staff	32,295	31,498
In-house staff	41,864	39,893

The average headcount of the Würth Group totaled 73,182 in the reporting period (2016: 70,553).

[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 5.2 million (2016: EUR 3.5 million).

[7] Finance revenue / finance costs

in millions of EUR	2017	2016
Other interest and similar income	33.8	44.9
Interest and similar expenses	91.8	86.4
Net interest cost from pension plans	4.2	5.0
Total financial result	**62.2**	**46.5**
Thereof from financial instruments under the IAS 39 measurement categories:		
Financial assets held for trading (FAHfT)	23.7	32.3
Financial assets (designated as) at fair value through profit or loss (FAFVtpl)	1.0	1.2
Loans and receivables (LaR)	9.1	11.3
Financial liabilities held for trading (FLHfT)	– 13.7	– 27.1
Financial liabilities at amortized cost (FLAC)	– 78.1	– 59.3

Expenses from the translation of foreign currency items amounted to EUR 20.9 million in 2017. In the previous year, the translation of foreign currency items resulted in income of EUR 8.5 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	2017	2016
Earnings before taxes	**706.2**	**596.9**
Impairment losses for goodwill and brands	102.0	31.0
Measurement of the interests as defined by IAS 32	4.3	5.1
Elimination and charging to the income statement of negative difference from initial consolidation	– 2.5	– 19.5
Adjustment of purchase price liability from acquisition through profit or loss	– 31.9	0.0
Other	2.0	1.8
Operating result	**780.1**	**615.3**

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

[9] Income taxes

in millions of EUR	2017	2016
Income taxes	166.9	158.6
Deferred tax income		
Deferred tax income from unused tax losses	60.8	55.3
Other deferred tax income	63.3	75.0
Deferred tax expense		
Deferred tax expense from unused tax losses	66.6	53.5
Other deferred tax expenses	65.7	52.8
Total	**175.1**	**134.6**

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	2017	2016
Earnings before taxes	706.2	596.9
Theoretical tax rate as a %	18.1	16.9
Theoretical tax expense	**127.8**	**100.9**
Changes in theoretical tax expense due to:		
Unrecognized tax losses from the current fiscal year	15.4	20.1
Recognition of unused tax losses from prior periods	– 8.4	– 10.9
Use of unused tax losses written down in prior years	– 6.5	– 9.9
Write-down on recognized unused tax losses from prior years	2.8	9.4
Write-down + / write-up – on temporary differences	– 3.6	1.5
Different tax rates	7.0	– 0.7
Tax reductions due to tax-free items	– 17.5	– 2.2
Tax increases due to non-deductible expenses	6.7	7.1
Income tax expense that cannot be derived from earnings before taxes	0.5	2.3
Non-tax-deductible amortization of goodwill and other intangible assets	38.9	6.2
Taxes relating to other periods	4.6	10.0
Other	7.4	0.8
Income taxes	**175.1**	**134.6**
Effective tax rate as a %	**24.8**	**22.5**

The theoretical tax rate is based on the weighted average tax rate of all consolidated entities. Changes in income taxes resulted primarily from impairment losses on goodwill, which served to increase taxes. By contrast, purchase price liabilities were adjusted with the resulting income being taken into account free of tax. Tax losses from the current fiscal year, where it was not reasonably certain that they could be used in subsequent periods, also had an impact. 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 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**

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 2016	366.6	84.5	281.7	490.2	9.0	1,232.0
Exchange differences	2.4	0.1	3.3	10.3	0.0	16.1
Changes in the consolidated group	– 6.7	0.0	15.9	– 4.1	0.0	5.1
Additions	30.3	2.6	0.5	0.0	6.9	40.3
Disposals	6.3	0.6	0.9	0.5	0.3	8.6
Reclassifications to "Assets classified as held for sale"	– 1.3	0.0	– 1.5	0.0	– 0.1	– 2.9
Reclassifications	11.0	1.1	0.9	0.0	– 6.3	6.7
31 December 2016	**396.0**	**87.7**	**299.9**	**495.9**	**9.2**	**1,288.7**
Accumulated depreciation and impairment						
1 January 2016	220.8	64.3	147.2	191.2	0.1	623.6
Exchange differences	1.0	0.1	0.4	3.4	0.0	4.9
Amortization and depreciation	30.5	7.2	14.4	0.0	0.0	52.1
Impairment losses	6.0	0.0	3.6	25.0	0.0	34.6
Disposals	5.4	0.4	0.9	0.5	0.0	7.2
Reclassifications to "Assets classified as held for sale"	– 1.3	0.0	– 1.5	0.0	– 0.1	– 2.9
Reclassifications	– 0.1	0.0	0.0	0.0	0.0	– 0.1
31 December 2016	**251.5**	**71.2**	**163.2**	**219.1**	**0.0**	**705.0**
Net carrying amount						
31 December 2016	**144.5**	**16.5**	**136.7**	**276.8**	**9.2**	**583.7**

Research and development costs (including amortization of capitalized development costs) recognized as expenses totaled EUR 7.7 million (2016: EUR 7.2 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.

The impairment losses in the 2017 fiscal year relate to franchises, industrial rights, licenses and similar rights in the amount of EUR 0.0 million (2016: EUR 6.0 million), to customer relationships and similar assets in the amount of EUR 0.0 million (2016: EUR 3.6 million) and to goodwill in the amount of EUR 102.0 million (2016: EUR 25.0 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 2017 fiscal year. These impairment tests were based on net selling price and conducted at the level of the smallest cash-generating unit.

The impairment losses were recognized under amortization and depreciation.

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

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 (%)	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 (%)	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 (%)	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 (%)	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	

2016 in millions of EUR	Northern Safety Company, Inc.	PARAVAN GmbH	MEF S.r.l.	Tunap	HSR / Indunorm	Chemofast Anchoring GmbH	Lichtzentrale Thurner GmbH	Wurth Des Moines Bolt Inc.	Diffutherm / Dinol	Other	Total
Goodwill before impairment test	159.7	22.9	17.6	9.2	9.1	8.7	6.8	6.4	6.2	48.3	294.9
Exchange difference	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.5	6.9
Impairment losses	0.0	0.0	17.6	0.0	0.0	0.0	0.0	0.0	6.2	1.2	25.0
Goodwill	165.9	22.9	0.0	9.2	9.1	8.7	6.8	6.6	0.0	47.6	276.8
Average sales growth in the planning period (%)	11.2	29.4	4.6	7.9	5.8	5.7	5.5	10.0	7.3	3.0–16.7	
EBIT margin in the planning period (%)	5.8–9.3	5.5–33.0	2.1–2.3	7.5–9.4	5.2–5.7	5.0–6.2	2.7–3.1	8.2–17.3	2.7–3.8	0.9–18.2	
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 (%)	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
EBIT margin after the end of the planning period (%)	9.9	34.3	2.5	9.4	5.2	8.6	3.1	13.7	6.0	2.6–18.2	
Discount rate	11.1	9.4	13.8	8.1	8.2	8.1	9.8	11.7	7.9	7.6–12.4	
Additional impairment losses											
Assuming a 10 % lower cash flow	21.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4	
Assuming a 1 % higher discount rate	37.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4	

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 machines	Other equipment, furniture and fixtures	Payments on account 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**

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
Cost					
1 January 2016	2,365.2	912.4	1,751.7	172.0	5,201.3
Exchange differences	8.5	3.6	4.8	2.0	18.9
Changes in the consolidated group	6.9	1.3	1.5	0.8	10.5
Additions	63.6	59.4	156.2	160.6	439.8
Disposals	10.8	31.1	76.2	1.3	119.4
Reclassifications to "Assets classified as held for sale"	- 4.0	- 14.1	- 10.7	- 0.4	- 29.2
Reclassifications	83.2	64.3	13.1	- 167.4	- 6.8
31 December 2016	**2,512.6**	**995.8**	**1,840.4**	**166.3**	**5,515.1**
Accumulated depreciation and impairment					
1 January 2016	883.5	608.6	975.7	0.1	2,467.9
Exchange differences	0.7	2.5	2.5	0.0	5.7
Amortization and depreciation	68.5	62.2	127.2	0.0	257.9
Impairment losses	0.0	0.0	0.0	0.0	0.0
Disposals	4.3	28.6	65.2	0.0	98.1
Reclassifications to "Assets classified as held for sale"	- 4.0	- 13.1	- 9.4	0.0	- 26.5
Reclassifications	0.3	0.1	- 0.3	0.0	0.1
Reversal of impairment losses	0.0	0.0	1.4	0.0	1.4
31 December 2016	**944.7**	**631.7**	**1,029.1**	**0.1**	**2,605.6**
Net carrying amount					
31 December 2016	**1,567.9**	**364.1**	**811.3**	**166.2**	**2,909.5**

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	**2017**	**2016**
Land charges	4.1	14.8
Collateral assignment	11.9	10.9
Total	**16.0**	**25.7**

There are payment obligations for investment in fixed assets of EUR 18.7 million (2016: EUR 42.0 million).

Payments on account and assets under construction contain assets under construction of EUR 145.5 million (2016: EUR 118.3 million), which relate to technical equipment and machines as well as buildings.

[12] Financial assets

The investments disclosed under financial assets belong to the available-for-sale category. They are generally measured at fair value without any effect on profit or loss. There were no adjustments to fair value in the 2017 fiscal year that would require unrealized gains and losses to be recognized in equity. Where fair value could not be determined because there was no active market or suitable valuation technique, the investment was measured at amortized cost. This item also includes held-to-maturity investments, which are accounted for at amortized cost. Fair values that could not be determined on the basis of observable market data of EUR 11.8 million (2016: EUR 16.2 million) relate to long-term interests in non-listed corporations and partnerships.

Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, provided securities with a carrying amount of EUR 36.0 million (2016: EUR 0.0 million) as collateral for loans granted by L-Bank, Karlsruhe, Germany. The maximum credit risk is the amount carried in the statement of financial position.

[13] Receivables from financial services

in millions of EUR	**2017**	Thereof due within one year	**2016**	Thereof due within one year
Receivables from the leasing business	431.3	164.2	343.1	108.2
Receivables from the insurance business	1.6	1.6	1.5	1.5
Receivables from the banking business				
Receivables from customers	1,080.7	486.7	967.0	431.4
Receivables from banks	90.5	90.5	22.0	22.0
Other asset items	2.2	2.2	5.4	5.4
Total	**1,606.3**	**745.2**	**1,339.0**	**568.5**

Receivables from financial services include receivables from related parties of EUR 14.2 million (2016: EUR 16.9 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 2017, factored receivables from financial services of EUR 110.3 million (2016: EUR 88.2 million) 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".

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

in millions of EUR	2017	2016
Receivables from financial services that are neither past due nor impaired	1,580.0	1,296.2
Receivables not impaired but past due by		
less than 120 days	12.7	28.2
between 120 and 179 days	0.1	0.8
between 180 and 359 days	1.0	0.4
more than 360 days	0.2	1.0
Total receivables not impaired	**1,594.0**	**1,326.6**
Impaired receivables from financial services (gross)	32.0	36.7
Impairment loss recognized on receivables from financial services	19.7	24.3
Net carrying amount	**1,606.3**	**1,339.0**

With respect to the receivables from financial services that were neither impaired nor past due, there was no indication as of the reporting date that the debtors would not meet their payment obligations.

Most of the receivables that are past due but not impaired are secured.

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

in millions of EUR	2017	2016
Provision for impairment as of January 1	**24.3**	**23.0**
Amounts recognized as income (–) or expense (+) in the reporting period	4.7	6.0
Derecognition of receivables	– 9.0	– 4.7
Payments received and recoveries of amounts previously written off	– 0.1	0.0
Currency translation effects	– 0.2	0.0
Provision for impairment as of December 31	**19.7**	**24.3**

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

[14] Deferred taxes

Deferred tax assets and liabilities can be allocated as follows:

in millions of EUR	Deferred tax assets **2017**	Deferred tax liabilities **2017**	Deferred tax assets **2016**	Deferred tax liabilities **2016**	Change **2017**	Change **2016**
Non-current assets	81.5	76.6	73.9	88.5	19.5	20.9
Inventories	49.2	37.0	54.1	36.8	– 5.1	2.0
Receivables	17.3	14.5	17.0	2.8	– 11.4	2.6
Other assets	7.7	34.2	15.9	45.9	3.5	– 3.0
Provisions	69.0	24.6	70.7	20.9	– 5.4	11.7
Liabilities	11.3	4.8	13.5	6.4	– 0.6	– 1.1
Other liabilities	4.5	54.9	10.4	57.8	– 3.0	– 7.9
	240.5	**246.6**	**255.5**	**259.1**	**– 2.5**	**25.2**
Unused tax losses	19.7		25.3		– 5.6	0.9
Netting	– 120.0	– 120.0	– 128.6	– 128.6		
Total	**140.2**	**126.6**	**152.2**	**130.5**	**– 8.1**	**26.1**

The development of timing differences is fully reflected in income taxes. One exception relates to foreign exchange differences of EUR – 2.8 million (2016: EUR 0.9 million), which were recognized directly in equity, and additions of deferred taxes of EUR 4.5 million (2016: EUR 0.9 million) arising from new acquisitions, as well as deferred taxes on items recorded in equity that were also recognized directly in other comprehensive income in the amount of EUR 1.7 million (2016: EUR 1.8 million).

There are deferred tax assets totaling EUR 12.1 million (2016: EUR 19.6 million) for entities that have a history of losses.

Deferred tax assets of EUR 8.4 million (2016: EUR 10.9 million) were recorded subsequently in the 2017 fiscal year on unused tax losses of EUR 60.0 million (2016: EUR 40.3 million), as management considers it possible that they will be used by the Würth Group in the future.
Deferred tax assets of EUR 111.8 million in total (2016: EUR 128.6 million) were recognized on unused tax losses.

No deferred tax assets were recognized for unused tax losses of EUR 524.2 million (2016: EUR 599.1 million) as it is not sufficiently probable that they will be realized.

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

in millions of EUR	**2017**	**2016**
Expiration of unused tax losses		
Non-forfeitable	292.9	345.1
Expiration within the next five to ten years	67.9	50.9
Expiration within the next one to five years	133.1	131.0
Expiration within the next year	30.3	72.1
Total unused tax losses net of deferred tax assets recognized	**524.2**	**599.1**

The unused tax losses include unused tax losses of EUR 1.5 million (2016: 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 taxes were recognized for accumulated profits and losses of foreign subsidiaries of EUR 581.4 million (2016: EUR 605.8 million). If deferred taxes 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 5 % 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	2017	2016
Materials and supplies	112.4	92.3
Work in process and finished goods	190.3	169.0
Merchandise	1,638.3	1,427.3
Payments on account	14.6	9.9
Total	**1,955.6**	**1,698.5**

The write-down recorded on inventories, which was recognized under cost of materials in the consolidated income statement, amounts to EUR 3.8 million (2016: EUR 26.3 million).

[16] Trade receivables

This item exclusively comprises receivables from third parties.

in millions of EUR	2017	2016
Trade receivables that are neither past due nor impaired	832.2	765.7
Receivables not impaired but past due by		
less than 120 days	277.2	252.4
between 120 and 179 days	2.5	2.0
between 180 and 359 days	0.7	0.8
more than 360 days	0.1	0.1
Total receivables not impaired	**1,112.7**	**1,021.0**
Impaired trade receivables (gross)	753.9	711.2
Provision for impairment of trade receivables	147.6	156.7
Net carrying amount	**1,719.0**	**1,575.5**

With respect to the trade receivables that were neither impaired nor past due, there was no indication as of the reporting date that the debtors would not meet their payment obligations. 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	2017	2016
Provision for impairment as of January 1	**156.7**	**152.5**
Changes in the consolidated group	1.3	2.7
Amounts recognized as income (–) or expense (+) in the reporting period	31.4	30.6
Derecognition of receivables	– 34.5	– 28.2
Payments received and recoveries of amounts previously written off	– 2.9	– 1.5
Currency translation effects	– 4.4	0.9
Less impairment losses recognized on assets classified as held for sale	0.0	0.3
Provision for impairment as of December 31	**147.6**	**156.7**

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	2017	2016
Expenses from the derecognition of receivables	38.2	38.2
Income from recoveries of amounts previously written off	2.7	2.7

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

[17] Income tax receivables

This item records income tax receivables from tax authorities.

[18] Other financial assets

in millions of EUR	2017	Thereof due within one year	2016	Thereof due within one year
Receivables from related parties	40.7	33.6	20.6	10.1
Derivative financial assets	7.7	7.7	13.1	13.1
Sundry financial assets	120.7	120.7	118.0	117.9
Total	**169.1**	**162.0**	**151.7**	**141.1**

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 of EUR 10.6 million (2016: EUR 14.0 million). The receivable is subject to customary market interest rates.

[19] Other assets

in millions of EUR	2017	Thereof due within one year	2016	Thereof due within one year
Sundry assets	146.4	112.7	128.6	97.6
Prepaid expenses	61.2	61.2	55.4	55.4
Total	**207.6**	**173.9**	**184.0**	**153.0**

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

On the one hand, the securities are investments in shares and bonds that are not actively traded, but are stated at fair value on account of internal management and performance evaluations as well as in accordance with a documented risk management and investment strategy. Changes in value are determined by reference to comparable market values (level 2). Income from changes in value amounted to EUR 1.8 million in the fiscal year (2016: EUR 1.3 million). A total amount of EUR 12.4 million (2016: EUR 10.6 million) has been recognized in profit or loss since the instruments were designated as financial assets at fair value through profit or loss. On the other hand, securities include actively traded shares and bonds that are grouped as available-for-sale financial assets. There were no changes in value in the 2017 fiscal year. Out of the securities from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, EUR 51.0 million (2016: EUR 61.6 million) was pledged as collateral for the credit line granted for refinancing purposes by Deutsche Bundesbank, Frankfurt am Main, Germany, and as collateral for a global loan at L-Bank, Karlsruhe, 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.

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

Assets in millions of EUR	2017	2016
Non-current assets		
Property, plant and equipment	2.6	2.8
Deferred taxes	0.0	1.2
Current assets		
Inventories	7.4	10.4
Trade receivables	4.8	4.4
Other financial assets	0.8	2.5
Other assets	0.8	0.8
Cash and cash equivalents	0.1	0.1
Assets classified as held for sale	**16.5**	**22.2**

Liabilities in millions of EUR	2017	2016
Non-current liabilities		
Obligations from post-employment benefits	0.5	0.7
Provisions	0.0	4.3
Current liabilities		
Trade payables	5.0	5.0
Provisions	0.0	3.0
Other financial liabilities	1.5	7.4
Other liabilities	0.0	0.1
Liabilities in a group of assets classified as held for sale	**7.0**	**20.5**
Net assets directly related to the disposal group	**9.5**	**1.7**

The statement of financial position of the Würth Group, as of 31 December 2017, includes assets classified as held for sale and liabilities in a group of assets 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 is scheduled to be completed in the 2018 fiscal year.

[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 Ges.m.b.H.	Austria	0.07	Würth Private Trust
Würth Beteiligungen GmbH	Germany	0.03	Würth Family Trusts
Other (incl. 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 and from the remeasurement of defined benefit plans are also disclosed here.

The individual equity components and their development in 2017 and 2016 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 fair value of future financing.

Distributions of EUR 150 million are planned for 2018.

[24] Liabilities from financial services

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**

2016 in millions of EUR	Total	Due in < 1 year	Due in 1 – 5 years	Due in > 5 years
Liabilities from the leasing business	155.7	62.0	87.7	6.0
Liabilities from the insurance business	3.2	3.2	0.0	0.0
Liabilities from the banking business	1,035.0	819.9	155.4	59.7
Total	**1,193.9**	**885.1**	**243.1**	**65.7**

Liabilities from financial services include liabilities from related parties of EUR 2.5 million (2016: EUR 2.9 million).

Liabilities from the leasing business include liabilities from an ABCP transaction of EUR 110.3 million (2016: EUR 88.2 million). The nominal amount of this ABCP transaction comes to EUR 116.3 million (2016: EUR 93.3 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 2017**	< 1 year	1 – 5 years	> 5 years
Liabilities from the leasing business	195.5	45.8	158.7	0.9
Liabilities from the insurance business	2.3	2.3	0.0	0.0
Liabilities from the banking business	1,152.7	884.6	222.0	66.1

[25] Financial liabilities

in millions of EUR	2017	Thereof due within one year	2016	Thereof due within one year
Bonds	1,662.4	499.7	1,683.8	0.0
Liabilities to banks	65.2	59.6	87.7	60.6
Liabilities to non-controlling interests	44.9	44.9	43.2	43.2
Liabilities from leases	4.9	1.4	9.3	4.6
Total	**1,777.4**	**605.6**	**1,824.0**	**108.4**

The Group has financial liabilities due in more than five years of EUR 1.2 million (2016: EUR 504.7 million).

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	3.75 %	3.86 %	5/25/2018	0.0	499.7	507.7
Bond	EUR 500 million	1.75 %	1.76 %	5/21/2020	0.0	497.7	522.3
US private placement	USD 200 million	4.48 %	4.53 %	9/29/2021	0.0	166.8	182.7
Bond	EUR 500 million	1.00 %	1.04 %	5/19/2022	1.5	498.2	515.2
31 December 2017					**1.5**	**1,662.4**	**1,727.9**

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 %	5/25/2018	0.0	499.0	525.3
Bond	EUR 500 million	1.75 %	1.76 %	5/21/2020	0.0	499.0	529.5
US private placement	USD 200 million	4.48 %	4.53 %	9/22/2021	0.0	189.5	214.0
Bond	EUR 500 million	1.00 %	1.04 %	5/19/2022	1.5	496.3	498.5
31 December 2016					**1.5**	**1,683.8**	**1,767.3**

Treasury stock of EUR 1.5 million (2016: EUR 1.5 million), which was treated as a corporate repurchase, was offset against the bonds that were issued with an original value of EUR 1,663.9 million (2016: EUR 1,685.3 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. All financial covenants were complied with as of 31 December 2017, as in the previous year.

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	> 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**

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 %	44.2	0.2	0.0	44.4
USD	floating / fixed	< 1 year	0.01 % – 6.00 %	0.5	0.0	0.0	0.5
Other	floating / fixed	< 1 year	0.01 % – 20.00 %	15.9	0.7	0.0	16.6
EUR	fixed	1 – 5 years	0.59 % – 7.00 %	0.0	19.2	0.0	19.2
EUR	fixed	> 5 years	0.85 % – 5.00 %	0.0	0.0	7.0	7.0
31 December 2016				**60.6**	**20.1**	**7.0**	**87.7**

The carrying amounts of liabilities to banks reported in the 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 2017**	< 1 year	1 – 5 years	> 5 years
Financial liabilities				
Bonds, liabilities to banks	1,727.6	599.6	1,228.5	0.1
Liabilities from leases	4.9	1.8	3.7	1.4
Trade payables	741.7	741.7	0.0	0.0
Derivative financial liabilities				
Inflows from currency derivatives	–	291.8	0.0	0.0
Outflows from currency derivatives	0.7	295.5	0.0	0.0
Outflows from interest rate derivatives	7.9	3.4	7.1	0.0
Inflows from interest rate derivatives	–	0.0	0.0	1.7

Change in liabilities from financing activities:

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				0.7		499.0	499.7
Current liabilities to banks	60.6	8.2	- 29.5	- 1.0			21.3	59.6
Current liabilities from leases	4.6		- 4.2	- 0.3		0.2	1.1	1.4
Long-term bonds	1,683.8			- 22.8	0.7		- 499.0	1,162.7
Non-current liabilities to banks	27.1		0.7				- 22.2	5.6
Non-current liabilities from leases	4.7	0.1		- 0.1		0.2	- 1.4	3.5
Receivables from / liabilities to family trusts and the Würth family	- 14.3		- 35.5					- 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] Obligations from post-employment benefits

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 16.5 million (2016: EUR 16.7 million). Payments of EUR 190.3 million were made to the statutory pension insurance in the fiscal year (2016: EUR 174.9 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 162.4 million (2016: EUR 155.5 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 29.0 million in Austria (2016: EUR 27.7 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 27.1 million were recognized in the statement of financial position of the Würth Group in Italy (2016: EUR 26.0 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 206.4 million (2016: EUR 196.9 million). Plan assets came to EUR 173.8 million (2016: EUR 161.4 million). The associated net liability amounts to EUR 32.6 million (2016: EUR 35.5 million).

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

	Discount rate		Future salary increases		Future pension increases	
in %	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Germany	1.75	1.75	3.0	3.00	1.75	1.75
Austria	1.50 – 1.75	1.75 – 2.00	2.00 – 3.00	2.00 – 3.00	–	–
Italy	1.30	1.80	3.00	3.00	1.50	1.50
Switzerland	0.60	0.70	0.50	0.50	–	–
Other countries	0.50-2.50	0.75-2.60	2.00-2.25	2.00-2.25	1.00	1.00

The 2005 G mortality tables from Dr. Klaus Heubeck are applied in Germany. The method for determining the discount rate is unchanged compared to the prior year.

The benefit obligations are derived as follows:

in millions of EUR	**2017**	**2016**	**2015**	**2014**	**2013**
Present value of funded benefit obligations	257.7	246.5	270.5	293.5	238.6
Fair value of plan assets	– 199.7	– 188.2	– 204.7	– 242.3	– 205.9
Adjustments to plan assets in accordance with IAS 19.64 b	0.0	0.0	0.0	3.3	1.6
Net carrying amount on funded benefit obligations	**58.0**	**58.3**	**65.8**	**54.5**	**34.3**
Present value of unfunded benefit obligations	**219.8**	**208.9**	**182.9**	**190.3**	**151.8**
Net benefit liability recognized in the statement of financial position	**277.8**	**267.2**	**248.7**	**244.8**	**186.1**
Experience adjustments					
Present value of the obligations	10.0	– 10.4	– 1.9	0.7	10.2

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

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

in millions of EUR	**2017**	**2016**
Service cost		
Current service cost	17.4	22.3
Expense / income from plan settlements	– 1.0	0.1
Net interest cost	4.2	5.0
Total expense recognized in the income statement	**20.6**	**27.4**

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	2017	2016
Actuarial gains (–) and losses (+) recognized		
on changes in actuarial assumptions	4.3	22.3
on changes in demographic assumptions	13.2	– 10.4
Return on plan assets (less interest income)	– 9.6	– 5.5
Remeasurement of defined benefit plans	**7.9**	**6.4**

The present value of the defined benefit obligations changed as follows:

in millions of EUR	2017	2016
Defined benefit obligation at the beginning of the year	455.4	453.4
Disposal to assets classified as held for sale and liabilities in a group of assets classified as held for sale	0.0	– 27.8
Increase due to deferred compensation	0.4	0.5
Service cost	16.4	22.4
Interest cost	6.0	7.8
Employee contributions	5.9	6.3
Benefits paid	– 10.0	– 11.6
Actuarial gains (–) and losses (+) recognized	17.5	11.9
Transfer of benefits	– 1.5	– 5.7
Exchange difference on foreign plans	– 12.6	– 1.8
Defined benefit obligation at the end of the year	**477.5**	**455.4**

Future adjustments in pensions are taken into account in accordance with legal provisions (e.g., in Germany Sec. 16 BetrAVG ["Gesetz zur Verbesserung der betrieblichen Altersversorge": German Company Pensions Act]).

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

in millions of EUR	2017	2016
Fair value of plan assets at the beginning of the year	188.2	204.7
Disposal to assets classified as held for sale	0.0	– 28.6
Interest income	1.8	2.8
Return on plan assets (less interest income)	9.6	5.5
Employer contributions	9.2	10.0
Employee contributions	5.9	6.3
Benefits paid	– 3.6	– 4.9
Transfer of assets	– 1.5	– 5.1
Exchange difference on foreign plans	– 9.9	– 2.5
Fair value of plan assets at the end of the year	**199.7**	**188.2**

The actual return came in at 6.07 % (2016: 3.96 %). 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	2017	2016	2015	2014	2013
Fixed-income investment funds	55.8	63.0	67.9	116.4	79.6
Share-based investment funds	47.0	45.4	43.2	45.7	39.5
Real estate investment funds	37.5	38.0	35.8	30.4	32.1
Other funds	11.7	10.5	2.5	20.8	26.9
Fixed-interest securities	21.0	16.8	25.2	15.1	16.0
Shares	5.7	2.0	13.2	1.7	1.9
Real estate	5.6	2.7	3.5	2.4	2.6
Other	15.4	9.8	13.4	9.8	7.3
Total	**199.7**	**188.2**	**204.7**	**242.3**	**205.9**

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 –4.8 % / 5.2 %. A 0.25 % increase / decrease in the pension trend would lead to an increase / decrease in the DBO of 1.8 % / –2.3 %. An increase in life expectancy of one year would increase the DBO by 3.6 %.

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 % / 3.6 %. 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 1.7 %.

[27] Provisions

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

in millions of EUR	1 January 2016	Exchange difference	Additions due to changes in the consolidated group	Reclassifications to liabilities in a group of assets classified as held for sale	Utilization	Reversal	Addition	Unwinding of the discount and changes in the discount rate	31 December 2016
Credit notes	68.6	– 0.1	0.1	0.0	48.6	4.7	59.9	0.0	75.2
Long-service bonuses	74.0	0.1	0.0	0.0	0.5	1.8	6.5	3.8	82.1
Warranty obligations	24.1	0.1	0.1	0.1	4.1	2.2	4.6	0.2	22.7
Litigation and lawyers' fees	19.2	0.2	0.0	1.3	2.4	2.0	19.6	0.2	33.5
Phased retirement scheme	9.0	0.0	0.1	0.5	0.4	1.3	1.6	0.4	8.9
Product liability	7.4	0.0	0.0	4.4	0.3	1.6	1.4	0.3	2.8
Sundry	38.7	0.0	0.3	1.0	11.2	3.9	24.0	0.1	47.0
Total	**241.0**	**0.3**	**0.6**	**7.3**	**67.5**	**17.5**	**117.6**	**5.0**	**272.2**
Thereof: current	147.7								176.7
non-current	93.3								95.5

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	2017	Thereof due within one year	2016	Thereof due within one year
Liabilities to related parties	13.0	11.9	11.1	9.9
Derivative liabilities	8.6	8.6	13.4	13.4
Liabilities from business combinations	35.1	5.7	64.2	4.4
Sundry financial liabilities	373.7	366.5	353.1	345.7
Total	**430.4**	**392.7**	**441.8**	**373.4**

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

[29] Other liabilities

in millions of EUR	2017	Thereof due within one year	2016	Thereof due within one year
Deferred income	13.9	13.9	11.6	11.6
Other liabilities	426.4	424.0	401.4	398.5
Total	**440.3**	**437.9**	**413.0**	**410.1**

Liabilities relating to social security amount to EUR 68.9 million (2016: EUR 64.3 million). In addition, sundry liabilities include liabilities from other taxes of EUR 113.5 million (2016: EUR 103.9 million).

[30] Additional disclosures on financial instruments – carrying amounts, amounts recognized and fair values by measurement category

in millions of EUR	Measurement category under IAS 39	Carrying amount 31 Dec. 2017	Amount recognized in the statement of financial position: Amortized cost	Fair value (recognized directly in equity)	Fair value (recognized in profit or loss)	IAS 17	Fair value 31 Dec. 2017
Assets							
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

in millions of EUR **Assets**	Measurement category under IAS 39	Carrying amount **31 Dec. 2016**	Amortized cost	Fair value (recognized directly in equity)	Fair value (recognized in profit or loss)	IAS 17	Fair value **31 Dec. 2016**
		Amount recognized in the statement of financial position					
Financial assets	AfS / HtM	49.3	49.3				33.1
Receivables from financial services	LaR / n. a.	1,339.0	995.9			343.1	1,339.0
Trade receivables	LaR	1,575.5	1,575.5				1,575.5
Other financial assets							
Receivables from related parties	LaR	20.6	20.6				20.6
Derivative financial assets	FAHfT / LaR	13.1	– 6.4		19.5		13.1
Sundry financial assets	LaR	118.0	118.0				118.0
Securities	AfS / FAHfT / FAFVtpl	137.1		61.6	75.5		137.1
Cash and cash equivalents	FAFVtpl / LaR	873.9	873.7		0.2		873.9
Equity and liabilities							
Liabilities from financial services	FLAC	1,193.9	1,193.9				1,193.9
Trade payables	FLAC	634.0	634.0				634.0
Financial liabilities	FLAC / n. a.	1,824.0	1,814.7			9.3	1,907.5
Other financial liabilities							
Liabilities to related parties	FLAC	11.1	11.1				11.1
Derivative liabilities	FLAC / FLHfT	13.4	– 9.2		22.6		13.4
Liabilities from business combinations	FLAC	64.2	64.2				64.2
Sundry financial liabilities	FLAC	353.1	353.1				353.1
Thereof combined by measurement category in accordance with IAS 39:							
1 Held-to-maturity investments	(HtM)	33.1	33.1				33.1
2 Financial assets held for trading	(FAHfT)	19.5			19.5		19.5
3 Financial assets (designated as) at fair value through profit or loss	(FAFVtpl)	75.7			75.7		75.7
4 Available-for-sale financial assets	(AfS)	77.8	16.2	61.6			61.6
5 Loans and receivables	(LaR)	3,577.3	3,577.3				3,577.3
6 Receivables from the leasing business	(n. a.)	343.1				343.1	343.1
7 Financial liabilities held for trading	(FLHfT)	22.6			22.6		22.6
8 Financial liabilities at amortized cost	(FLAC)	4,061.8	4,061.8				4,145.3
9 Lease obligations	(n. a.)	9.3				9.3	9.3

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. 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**

in millions of EUR	**Total 31 Dec. 2016**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Derivative assets			
Currency instruments	3.7	0.0	3.7
Interest instruments	15.8	0.0	15.8
Securities	137.1	61.6	75.5
Cash and cash equivalents	0.2	0.2	0.0
Financial assets at fair value	**156.8**	**61.8**	**95.0**
Derivative liabilities			
Currency instruments	4.2	0.0	4.2
Interest instruments	18.4	0.0	18.4
Financial liabilities at fair value	**22.6**	**0.0**	**22.6**

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. 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**

in millions of EUR	**Total 31 Dec. 2016**	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	33.1	0.0	33.1
Receivables from financial services	1,339.0	0.0	1,339.0
Trade receivables	1,575.5	0.0	1,575.5
Receivables from related parties	20.6	0.0	20.6
Sundry financial assets	118.0	0.0	118.0
Cash and cash equivalents	873.7	873.7	0.0
Financial assets not stated at fair value	**3,959.9**	**873.7**	**3,086.2**
Liabilities from financial services	1,140.1	0.0	1,140.1
Trade payables	634.0	0.0	634.0
Financial liabilities	1,961.3	0.0	1,961.3
Liabilities to related parties	11.1	0.0	11.1
Liabilities from business combinations	64.2	0.0	64.2
Sundry financial liabilities	353.1	0.0	353.1
Financial liabilities not stated at fair value	**4,163.8**	**0.0**	**4,163.8**

I. Other notes

[1] Commitments and contingencies

in millions of EUR	2017	2016
Guarantees, warranties and collateral for third-party liabilities	35.5	26.8

Guarantees, warranties and collateral are due immediately upon request.

[2] Other financial obligations

in millions of EUR	2017	2016
Obligations from operating leases		
due within 12 months	263.9	256.5
due in 13 to 60 months	480.5	469.1
due in more than 60 months	71.5	94.1
	815.9	**819.7**
Purchase obligations		
due within 12 months	534.0	462.4
due in 13 to 60 months	0.3	0.0
	534.3	**462.4**
Sundry financial obligations		
due within 12 months	133.0	95.5
due in 13 to 60 months	163.9	69.7
due in more than 60 months	1.5	0.0
	298.4	**165.2**
Total	**1,648.6**	**1,447.3**

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 181.1 million (2016: EUR 144.5 million).

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 acquisition is subject to the approval of the antitrust authorities. The purchase price payment for the minority interest expected for the second quarter of 2018 was reported under sundry financial obligations and amounts to an estimated EUR 100 million.

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

in millions of EUR	2017	2016
Real estate	153.9	151.2
Machines, equipment, furniture and fixtures	16.1	14.4
Vehicle fleet	125.5	129.4
Other	3.4	2.9
Total	**298.9**	**297.9**

[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 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 goods purchases 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 2017, the hypothetical effect on profit or loss would have been as follows:

in millions of EUR	Hypothetical effect on profit or loss **2017**		Hypothetical effect on profit or loss **2016**	
Currency	Depreciation	Appreciation	Depreciation	Appreciation
US dollar	0.8	– 0.8	– 4.2	4.2
Swiss franc	19.5	– 19.5	25.1	– 25.1
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".

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 2017, profit or loss would have been EUR 6.4 million lower (higher) (2016: EUR 7.4 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.
There were no changes affecting other comprehensive income.

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 of 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.

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.

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 Group manages its capital structure based on changes in economic conditions. In addition, the financial service providers within the Group comply with the applicable regulatory capital requirements. No changes were made to the objectives, policies and processes as of 31 December 2017 and 31 December 2016. The equity ratio, calculated as equity in accordance with IFRS divided by total assets, is 46.5 % (2016: 46.1 %). 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 financial instruments that are included in the portfolio of available-for-sale financial assets and financial assets held for trading is estimated by comparing it with the market price on the reporting date.

The fair value of financial instruments designated as at fair value through profit or loss is determined using the valuation techniques presented under [20] "Securities".
The result of adjusting the fair value of financial assets at fair value through profit or loss amounted to EUR 1.6 million in the 2017 fiscal year (2016: EUR 0.7 million) and was recorded in full in profit or loss for the period.

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 recognized 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 statement of financial position approximate fair value and are presented separately in note [30] "Additional disclosures on financial instruments".

Hedges and derivative financial instruments

As of the reporting date, the fair value of derivative financial instruments not classified as hedging instruments was as follows:

in millions of EUR	Contract value or nominal value		Positive replacement value		Negative replacement value	
Type	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Currency instruments						
Foreign exchange forward contracts	896.6	897.2	10.4	3.7	0.7	4.2
Currency options (OTC)	1.6	0.0	0.1	0.0	0.0	0.0
Total currency instruments	**898.2**	**897.2**	**10.5**	**3.7**	**0.7**	**4.2**
Interest instruments						
Interest rate swaps	821.4	603.1	7.7	13.4	7.2	9.0
Cross-currency swaps	198.1	169.1	16.1	2.4	0.7	9.4
Interest rate futures	41.1	0.0	0.0	0.0	0.0	0.0
Total interest instruments	**1,060.6**	**772.2**	**23.8**	**15.8**	**7.9**	**18.4**
Reduction due to CSA			**26.6**	**6.4**	**0.0**	**9.2**
Net replacement value			– 0.9	– 0.3		

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.

[5] Leases

Lessee

The net carrying amount of assets leased under finance leases breaks down as follows:

in millions of EUR	**2017**	**2016**
Real estate	4.1	6.7
Machines, equipment, furniture and fixtures	1.6	2.4
Vehicle fleet	0.8	1.0
Other	1.0	1.0
Total	**7.5**	**11.1**

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	2017	2016
due within 12 months	1.8	4.6
due in 13 to 60 months	3.7	4.3
due in more than 60 months	1.3	1.6
Minimum lease payments from finance leases less expected future interest payments	6.8	10.5
due within 12 months	0.4	0.3
due in 13 to 60 months	1.3	1.2
due in more than 60 months	0.2	0.2
Present value of minimum lease payments	**4.9**	**8.8**
Thereof		
due within 12 months	1.4	4.3
due in 13 to 60 months	2.4	3.1
due in more than 60 months	1.1	1.4

Lessor
The consolidated group also contains several entities that specialize in leases. These entities also have finance and operating leases with external third parties, primarily for machines, equipment, furniture and fixtures, and vehicles.

Reconciliation of the total gross investment with the present value of finance leases – lessor:

	December 31		Due within 12 months		Due in 13 to 60 months		Due in more than 60 months	
in millions of EUR	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Total lease installments (gross total investments in the lease)	914.0	842.5						
Lease installments already received	337.8	340.3						
Lease installments (future minimum lease payments)	576.2	502.2	174.5	161.9	371.0	318.5	30.7	21.8
Thereof: lease payments already sold	324.2	298.5	93.3	90.8	207.6	192.7	23.3	15.0
Unearned finance income	53.1	48.6	18.4	18.9	32.9	27.7	1.8	2.0
Present value of the outstanding minimum lease payments	**198.9**	**155.1**	**62.8**	**52.2**	**130.5**	**98.1**	**5.6**	**4.8**

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.

Valuation allowances of EUR 1.7 million (2016: EUR 0.8 million) were recognized in the fiscal year for uncollectable outstanding minimum lease payments.

Cash flow from operating leases – lessor:

in millions of EUR	2017	2016
Due within 12 months	4.1	3.2
Due in 13 to 60 months	10.7	10.9
Due in more than 60 months	3.8	5.5
Total	**18.6**	**19.6**

[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 263.8 million (2016: EUR 239.7 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 173.2 million (2016: EUR 150.6 million) was paid back as a capital contribution.

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	2017	2016
Purchased services	2.8	2.4
Services rendered	0.2	0.3
Interest cost	0.5	0.7
Interest income	0.1	0.1
Lease / rental expense	6.0	6.2
Lease / rental income	0.3	0.2
Remuneration of the Management Board and Supervisory Board of the Würth Group's Family Trusts, the Advisory Board, members of the Würth family	7.6	7.5

The following receivables and liabilities arose from these transactions:

in millions of EUR	2017	2016
Receivables from financial services	14.2	16.9
Loan receivables	10.6	14.0
Liabilities from financial services	2.5	2.9
Loan liabilities	9.6	7.9

In addition, close family members of key management personnel received wage and salary payments of EUR 0.1 million (2016: EUR 0.1 million). In addition, there are liabilities from financial services amounting to EUR 0.1 million (2016: 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	2017	2016
Lease / rental expense	1.0	1.0
Interest cost	3.4	3.5
Interest income	0.0	0.2

These transactions gave rise to loan receivables of EUR 30.1 million (2016: EUR 6.5 million) due from this group of persons and loan liabilities of EUR 0.0 million (2016: EUR 0.4 million).

The receivables due from and liabilities due to related parties for financial services are subject to market interest rates. All other purchased services are also rendered at market terms and conditions.

In addition, the Würth Group acquired the minority interest of 0.56 % in Würth International AG, Chur, Switzerland, from the Reinhold Würth Foundation, Chur, Switzerland, on 23 January 2017 at a purchase price of EUR 22.4 million.

[7] Compensation of key management personnel

in millions of EUR	2017	2016
Short-term employee benefits	25.7	23.7
Post-employment benefits	0.1	0.5
Benefits due to the end of the employment relationship	0.3	0.1
Total	**26.1**	**24.3**

Individual members of the Central Managing Board and the Executive Board have a right to pension benefits with a total present value of EUR 16.1 million (2016: EUR 12.4 million). Former members and their surviving dependents are also entitled to benefit payments. The present value of the resulting benefit obligations totals EUR 26.7 million (2016: EUR 26.5 million).

[8] Government grants

The Würth Group received government grants of EUR 1.5 million in the form of investment subsidies for infrastructure projects (2016: EUR 0.8 million). EUR 0.5 million thereof (2016: EUR 0.0 million) was deducted from the assets' carrying amounts and EUR 1.0 million (2016: EUR 0.8 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 2017 fiscal year.

in millions of EUR	2017	2016
Audit	2.0	2.1
Assurance services	0.1	0.0
Tax services	0.0	0.1
Other fees	0.1	0.2
Total	**2.2**	**2.4**

[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 2017 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-Kupfer
Grass GmbH & Co. KG	Reinheim
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
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach
PIRUS Grundstücksgesellschaft mbH & Co. oHG	Albershausen
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 2017 fiscal year:

Entity	Registered office
AMBER wireless GmbH	Trier
BB Stanz- und Umformtechnik GmbH	Berga
Conmetall Meister GmbH	Celle
Dinol GmbH	Lügde
Dringenberg GmbH Betriebseinrichtungen	Obersulm
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall
HAHN+KOLB Werkzeuge GmbH	Ludwigsburg
HSR GmbH Hochdruck Schlauch + Rohr Verbindungen	Neukirchen-Vluyn
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn
KERONA GmbH	Öhringen
Lichtzentrale Lichtgroßhandel GmbH	Ansbach
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
SVH Handels-GmbH	Dortmund
SWG Schraubenwerk Gaisbach GmbH	Waldenburg
WASI GmbH	Wuppertal
WASI International 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

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 tax payments, finance costs and finance revenue, interest income and expenses from operating activities, changes in obligations from post-employment benefits, 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
Bolivia		
Wurth Bolivia S.r.l.	Santa Cruz de la Sierra	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 (China) Co., Ltd.	Shanghai	100
Wuerth (Shenyang) Hardware & Tools Co., Ltd.	Shenyang	100

Entity	Registered office	Würth Group share in %
China		
Wuerth (Tianjin) International Trade Co., Ltd.	Tianjin	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 MASTERSERVICE CZ, spol. s r.o.	Prague	100
Würth, spol. s r.o.	Nepřevázka	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.	Tiflis	100
Germany		
Würth Modyf GmbH & Co. KG	Künzelsau	100
Greece		
Wurth Hellas S.A.	Kryoneri, Attiki	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Hungary		
Würth Szereléstechnika KFT	Budaörs	100
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.	Teheran	100
Ireland		
Würth (Ireland) Limited	Limerick	100
Israel		
Würth Israel Ltd.	Caesarea	100
Italy		
Modyf S.r.l.	Tramin	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	Skopje	100

Entity	Registered office	Würth Group share in %
Malaysia		
Wuerth (Malaysia) Sdn. Bhd.	Johor Bahru	100
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	Ulan Bator	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 Modyf Lda.	Sintra	100
Würth (Portugal) Técnica de Montagem Lda.	Sintra	100
Romania		
Würth Romania S.R.L	Otopeni	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Russia		
"Würth Eurasien" Aktiengesellschaft	Yekaterinburg	100
Wuerth North-West JSC	St. Petersburg	100
"Würth-Rus" Aktiengesellschaft	Moscow	100
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	Nugegoda	100
Sweden		
Würth Svenska AB	Örebro	100
Switzerland		
Würth AG	Arlesheim	100
Taiwan		
Würth Taiwan Co. Ltd.	Miaoli	100
Thailand		
Wuerth (Thailand) Company, Limited	Bangkok	100
Turkey		
Würth Sanayi Ürünleri Tic. Ltd. Sti.	Mimarsinan	100
Ukraine		
Würth Ukraine Ltd.	Kiev	100

Entity	Registered office	Würth Group share in %
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.	Riviera Beach, 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.	Indianapolis	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.	Subang Jaya	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
Würth Service Supply de Mexico	Indianapolis	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
Sweden		
Würth Industri Sverige AB	Askim	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.	Sat Quirze del Vallès	100
Würth Industria España, S.A.	Barcelona	100
Turkey		
Würth Baier & Michels Otomotiv Türkiye Ltd. Şti.	Bursa	100
Würth Industrie Service Endüstriyel Hizmetler Pazarlama Limited Sirketi	Silivri	100
USA		
Baier & Michels USA Inc.	Greenville	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.	Indianapolis, Indiana	100

ELECTRICAL WHOLESALE

Entity	Registered office	Würth Group share in %
Czech Republic		
Elfetex spol. s r.o.	Pilsen	100
Estonia		
W.EG Eesti OÜ	Tallinn	100
Germany		
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach	100
Lichtzentrale Lichtgroßhandel GmbH	Ansbach	100
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn	100
Walter Kluxen GmbH	Hamburg	100

Entity	Registered office	Würth Group share in %
Italy		
MEF S.r.l.	Florence	65
Latvia		
SIA Baltjas Elektro Sabiedriba	Riga	100
Lithuania		
UAB ELEKTROBALT	Vilnius	100
Poland		
Elektroskandia Polska Sp. z o. o.	Poznan	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
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein	100
IVT Installations- und Verbindungs-technik GmbH & Co. KG	Rohr	100

Entity	Registered office	Würth Group share in %
Germany		
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
Norway		
Arvid Nilsson Norge AS	Oslo	100
Synfiber AS	Oslo	100
Poland		
REISSER - POL Sp. z o.o.	Poznan	100
Romania		
REISSER TEHNIC S.R.L. Filiala Romania	Cluj Napoca	100

TRADE

Entity	Registered office	Würth Group share in %
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

Entity	Registered office	Würth Group share in %
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	Anneyron	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

Entity	Registered office	Würth Group share in %
Germany		
Dringenberg GmbH Betriebseinrichtungen	Obersulm	100
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt	100
Grass GmbH & Co. KG	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
South Africa		
Grass ZA (Pty.) Ltd.	Montague Gardens	100

On (1): These entities also operate in the Trade segment.

PRODUCTION

Entity	Registered office	Würth Group share in %
Spain		
Grass Iberia, S.A.	Iurreta	100
Sweden		
Grass Nordiska AB	Jönköping	100
Switzerland		
InovaChem Engineering AG	Wetzikon	100
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
Dokka Fasteners 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 (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
Czech Republic		
Würth Elektronik eiSos Czech s.r.o.	Brünn	100
Würth Elektronik IBE CZ s.r.o.	Budweis	100
Finland		
Würth Elektronik Oy	Nurmijärvi	100
France		
Würth Elektronik France SAS	Jonage	100
Germany		
AMBER wireless GmbH	Trier	100

Entity	Registered office	Würth Group share in %
Germany		
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar	100
PARAVAN GmbH	Pfronstetten-Aichelau	51
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
Italy		
Wuerth Elektronik Stelvio Kontek S.p.A.	Oggiono	100
Würth Elektronik Italia s.r.l.	Vimercate	100

ELECTRONICS

Entity	Registered office	Würth Group share in %
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
Singapore		
Wurth Electronics Singapore Pte. Ltd.	Singapore	100
Spain		
Würth Elektronik España, S.L.	Barcelona	100
Sweden		
Würth Elektronik Sweden AB	Enköping	100
Switzerland		
Würth Elektronik (Schweiz) AG	Volketswil	100

Entity	Registered office	Würth Group share in %
Taiwan		
Würth Elektronik eiSos GmbH&Co KG Taiwan Branch	Taipeh	100
Wurth Electronics Co., Ltd.	Taipeh	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.	Ternat	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
Czech Republic		
Normfest s.r.o.	Prague	90
reca spol. s r.o.	Brünn	100

Entity	Registered office	Würth Group share in %
France		
Reca Union France Assemblage SARL	Mundolsheim	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
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

RECA GROUP

Entity	Registered office	Würth Group share in %
Poland		
Normfest Polska Sp. z o.o.	Poznan	100
reca Polska Sp. z o.o.	Krakau	100
Romania		
Reca Bucuresti S.R.L.	Bucharest	100
Serbia		
reca d.o.o. Beograd	Belgrade	100
Slovakia		
reca Slovensko s.r.o.	Bratislava	100
Slovenia		
Reca D.O.O.	Pesnica pri Mariboru	100
Spain		
Global Bulon S.L.	Zaragoza	100

Entity	Registered office	Würth Group share in %
Spain		
reca Hispania S.A.U.	Paterna	100
Tuhewi S.L.	Zaragoza	100
Walter Martínez Madrid S. L.	Zaragoza	100
Walter Martínez S. A.	Zaragoza	100
Switzerland		
Airproduct AG	Oberwil-Lieli	100
Reca AG	Samstagern	100
Turkey		
Reca Vida Alet ve Makine Parc. Tic. Ltd. Sti.	Izmir	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
HAHN+KOLB (Chongqing) Tools Co., Ltd.	Chongqing	100
HAHN+KOLB (Guangzhou) Tools Co., Ltd.	Guangzhou	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

Entity	Registered office	Würth Group share in %
Germany		
SVH Handels-GmbH	Dortmund	100
Hungary		
HAHN + KOLB Hungaria Kft.	Budapest	100
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.	Poznan	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	Bad Mergentheim	100
Liqui - Moly Gesellschaft mit beschränkter Haftung	Ulm	67
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
Indonesia		
PT. TUNAP INDONESIA	Jakarta	67
Italy		
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
Singapore		
TUNAP Asia-Pacific Pte. Ltd.	Singapore	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
YOUR OWN BRAND UK Ltd.	North Somerset	100
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
WASI International 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
Switzerland		
Modal Inox AG	Arlesheim	100
Serbia		
WASI d.o.o.	Belgrade	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	Böheimkirchen	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 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

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 %
Austria		
marbet GmbH	Vienna	100
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.	Subang Jaya	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
Würth Promotional Concepts AG in Liquidation	Chur	100
USA		
Wurth International Trading America, Inc.	Ramsey, New Jersey	100
Wurth Logistics USA Inc.	Indianapolis, 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		
Midcom-Hong Kong Limited	Hong Kong	100
munich one live communications Co., Ltd.	Beijing	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
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal	100
ESB Grundstücksverwaltungsgesellschaft 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
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal	100
"METAFRANC" Möbel- u. Bau-beschläge Vertriebsgesellschaft mbH	Wuppertal	100
MKT Metall-Kunststoff-Technik Beteilungsgesellschaft mbH	Weilerbach	100
nordberliner Elektro-Großhandels-Gesellschaft mbH	Eschborn	100
PIRUS Grundstücksgesellschaft mbH & Co. oHG	Albershausen	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
WPS Beteiligungen GmbH	Künzelsau	100
Würth GmbH & Co. KG Grundstücks-gesellschaft	Künzelsau	100
Würth Logistic Center Europe GmbH	Künzelsau	100
Würth Montagetechnik GmbH	Dresden	100

Entity	Registered office	Würth Group share in %
India		
HAHN+KOLB TOOLS Chennai Pvt Ltd	Chennai	100
Indonesia		
P.T. Wuerth Indah	Jakarta	100
Italy		
Würth Solar Italia s.r.l.	Campodarsego	100
Morocco		
Würth Maroc SARL	Casablanca	100
Netherlands		
Normfest Nederland B.V.	Well	100
Pakistan		
Würth Pakistan (Private) Limited	Karachi	100
Spain		
ISA EOLICAS S.L.	Madrid	100
marbet Servicios Creativos S.A.	Barcelona	100
WS Murcia Anbesol PM S.L.	Madrid	100
United Kingdom		
Anchorfast Limited	Wednesbury	100
Monks & Crane Industrial Group Limited	Wednesbury	100
Winzer Würth Industrial Ltd.	Erith	100
USA		
Cardinal Fastener Inc.	Bedford Heights, Ohio	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 supreme 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 and the managing directors of the companies that generate the most sales.

(As of: 31 December 2017)

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 at
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
SAP SE, Walldorf
Member of the Supervisory Board
and Chair of the Audit Committee at
QSC AG, Cologne
Member of the Supervisory Board of
Theo Müller S.e.c.s., Luxembourg

Hans-Otto Schrader
Chairman of the Supervisory Board
of Otto AG für Beteiligungen,
Hamburg
(since 29 March 2017)

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 most senior decision-making board 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, and 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 and Spain,
Corporate Development

Norbert Heckmann
Würth Line Germany,
Chairman of
Adolf Würth GmbH & Co. KG

Thomas Klenk
Purchasing and Product,
Anchor Production

Jürgen Klohe / Jörg Murawski
Würth Elektronik Group

Andreas Kräutle
Tools Companies

Ralf Lagerbauer
Würth Line Asia and Oceania
(since 1 May 2017)

Svein Oftedal
Würth Line Scandinavia
(excl. Finland) and Africa

Thomas O'Neill
Würth Line Wood USA and Canada
(since 1 May 2017)

Pentti Rantanen
Würth Group Finland
and the Baltic States

Uwe Schaffitzel / Ulrich Liedtke
Electrical Wholesale

Dr. Reiner Specht
Würth Line Russia, Sub-Regions
of Western Europe and 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

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

Audit opinion of the independent auditor

To the Würth Group

Opinion on the audit of the consolidated financial statements and the Group management report

Audit opinions

We have audited the consolidated financial statements prepared by the Würth Group, Künzelsau (the "Group") – comprising the consolidated statement of financial position as of 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2017, as well as the notes on the consolidated financial statements, including a summary of the key accounting policies. In addition, we audited the Group management report of the Würth Group for the fiscal year from 1 January to 31 December 2017. Furthermore, we have been instructed to express an opinion as to whether the consolidated financial statements fully comply with IFRS.

In our opinion, based on our audit findings:

- The attached consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to Sec. 315e (1) of the German Commercial Code (HGB) and the IFRS as a whole, and give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2017, as well as its earnings situation for the fiscal year from 1 January to 31 December 2017
- The attached Group management report provides a suitable view of the Group's position overall. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with the German statutory provisions, and suitably presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the accuracy of the consolidated financial statements and the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Sec. 317 HGB and Germany's generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibility in accordance with these provisions and principles is set out in the section entitled "Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report" of our audit opinion. We are independent of the Group companies in accordance with the German commercial law and professional regulations and have met our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the Group management report.

Other information

The Advisory Board is responsible for the report of the Advisory Board. Otherwise, the statutory representatives are responsible for any other information. The other information comprises the following components intended for the Annual Report, of which we received a version before preparing this audit opinion: the information set out in the sections "Essay", "Bulletin" and "The boards".

Our audit opinion on the consolidated financial statements and the Group management report does not extend to the other information, meaning that we do not provide an audit opinion or draw any other kind of audit conclusion in this regard.

In connection with our audit, we are responsible for reading the other information and evaluating whether the other information
- includes substantial discrepancies in respect of the consolidated financial statements, Group management report or the knowledge obtained during our audit, or
- appears to be significantly misrepresented otherwise.

Responsibility of the statutory representatives and the members of the supervisory body for the consolidated financial statements and the Group management report
The statutory representatives are responsible for the preparation of the consolidated financial statements, which comply in all material respects with the IFRS as adopted by the EU and the supplementary requirements of German law pursuant to Sec. 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the assets and liabilities, financial position and earnings situation of the Group in accordance with these requirements. In addition, the statutory representatives are responsible for the internal controls that they deem necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the statutory representatives are responsible for ensuring the ability of the Group to continue as a going concern. They are also responsible for stating facts in connection with the continuation of the Group's business activities, where applicable. In addition, they are responsible for accounting based on the going concern assumption, unless the intention is either to liquidate the entity or to cease trading, or if there is no realistic alternative but to do so.

In addition, the statutory representatives are responsible for preparing the Group management report, which provides a suitable view of the Group's position as a whole and is consistent, in all material respects, with the consolidated financial statements, complies with Germany's statutory provisions and suitably presents the opportunities and risks of future development. In addition, the statutory representatives are responsible for taking the precautions and measures (systems) which they deem necessary in order to enable the preparation of a Group management report in accordance with the German statutory provisions, and in order to be able to furnish sufficient appropriate evidence for the statements made in the Group management report.

The supervisory body is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report
Our objective is 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 a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings identified during the audit, complies with the German statutory provisions, and suitably presents the opportunities and risks of future development, as well as to give an audit opinion that includes our opinion on the consolidated financial statements and 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, in line with the German generally accepted standards for the audit of financial statements promulgated by the IDW, will always discover 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 Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement in the consolidated financial statements and in the Group management report – whether due to fraud or error – plan and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures that are relevant to the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of the accounting methods used by the statutory representatives and the reasonableness of the accounting estimates and related disclosures made by the statutory representatives.
- draw conclusions on the appropriateness of the statutory representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether there is material uncertainty in respect of events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Future events or conditions may, however, result in the Group no longer being 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 represent the underlying transactions and events in such a manner that the consolidated financial statements, in accordance with the IFRS as adopted by the EU, and in accordance with the IFRS as a whole and the supplementary German statutory provisions pursuant to Sec. 315e (1) HGB, give a true and fair view of the assets and liabilities, financial position and earnings situation of the Group.
- obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to provide an audit opinion on the consolidated financial statements and the Group management report. We are responsible for instructing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion.
- evaluate whether the Group management report is consistent with the consolidated financial statements, the law and the view of the Group's position that it presents.
- conduct audit activities on the forward-looking statements made by the statutory representatives in the Group management report. On the basis of sufficient and suitable audit evidence, we verify, in particular, the assumptions on which the forward-looking statements made by the statutory representatives are based and assess whether the forward-looking statements have been appropriately derived from these assumptions. We do not provide any independent audit opinion on the forward-looking statements or the underlying assumptions. There is a considerable and unavoidable risk that future events may differ considerably from the forward-looking statements.

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, 9 March 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Blesch
German Public Auditor	German Public Auditor

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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

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simply good.
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