WÜRTH GROUP

#HelloW

Values. Changes. New Directions.

Würth Group
Annual Report 2019

CONTENTS

THE WÜRTH GROUP AT A GLANCE

WÜRTH GROUP

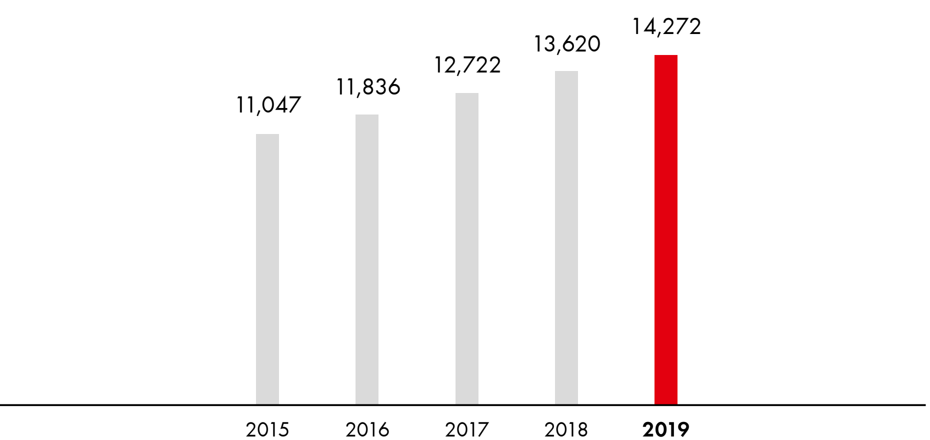
		2015	2016	2017	2018	**2019**
Sales	in millions of EUR	11,047	11,836	12,722	13,620	**14,272**
Employees	no. of	68,978	71,391	74,159	77,080	**78,686**
Pre-tax operating result *	in millions of EUR	525	615	780	870	**770**
Return on sales	in %	4.8	5.2	6.1	6.4	**5.4**
EBIT	in millions of EUR	572	643	768	903	**776**
EBITDA	in millions of EUR	903	988	1,195	1,278	**1,497**
EBITDAR	in millions of EUR	1,204	1,301	1,502	1,607	**1,581**
Net income for the year	in millions of EUR	434	462	531	687	**595**
Cash flows from operating activities	in millions of EUR	630	904	584	751	**1,123**
Investments	in millions of EUR	521	480	494	635	**933****
Equity	in millions of EUR	4,083	4,470	4,779	5,172	**5,554**
Balance sheet total	in millions of EUR	9,210	9,711	10,267	10,974	**12,627**
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).

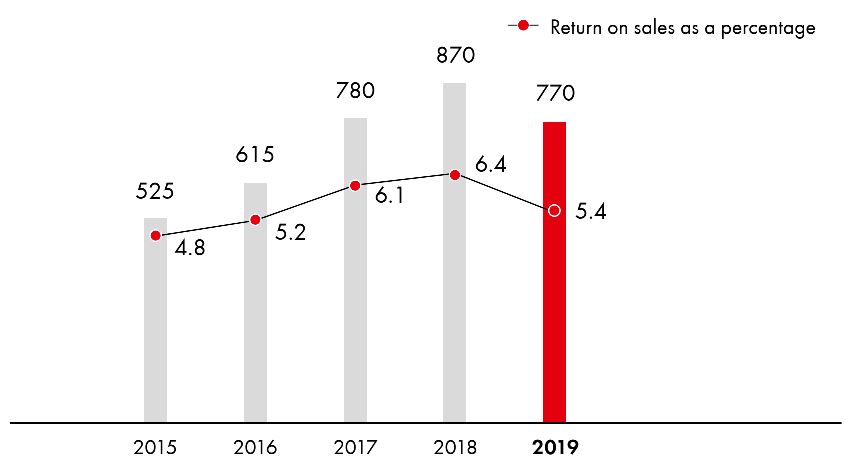
* Earnings before taxes, before amortization of goodwill and financial assets, before the collection of negative differences recognized in profit or loss, before the adjustment of purchase price liabilities from acquisitions through profit or loss, and before changes recognized in profit or loss of non-controlling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

** Incl. additions of right-of-use assets

SALES Würth Group in millions of EUR



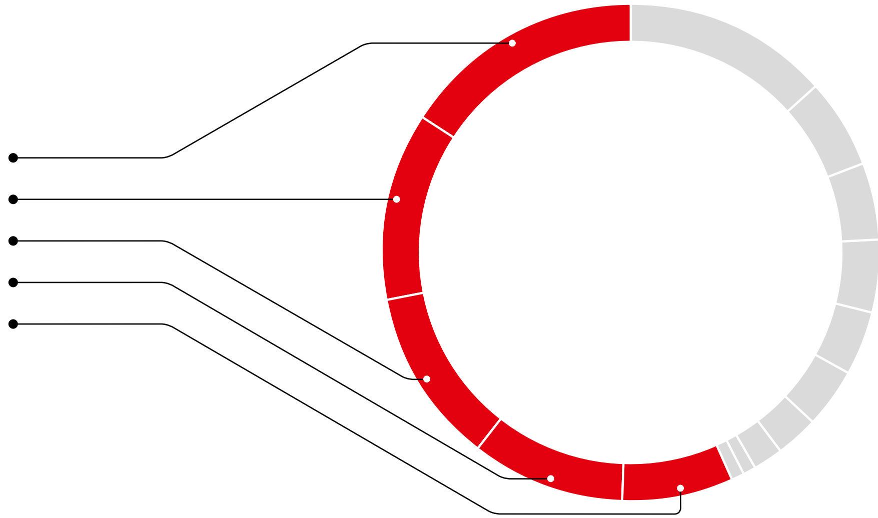
OPERATING RESULT Würth Group in millions of EUR

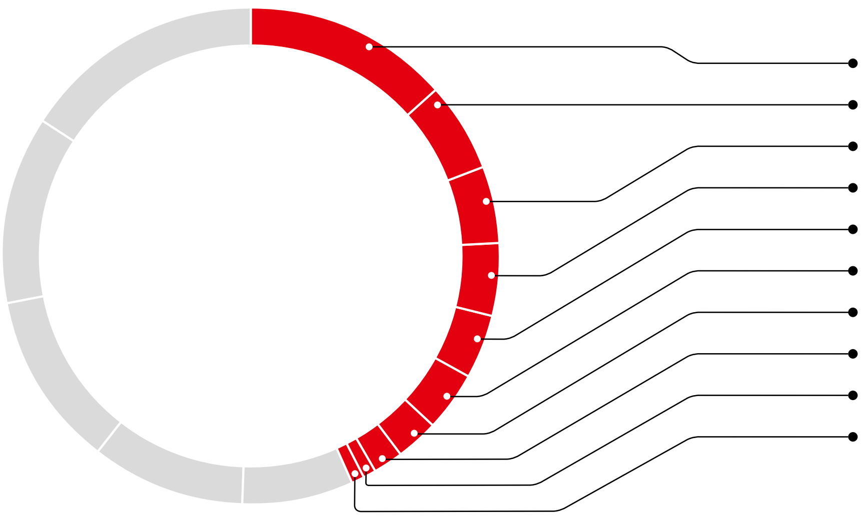


OPERATIONAL UNITS

SHARE OF SALES Divisions of the Würth Line

	2019 in %	**2019 in millions of EUR**	2018 in millions of EUR	Change in %
Metal	15.7	**2,236**	2,155	+3.8
Auto	12.2	**1,745**	1,687	+3.4
Industry	11.5	**1,646**	1,588	+3.7
Wood	9.8	**1,399**	1,311	+6.7
Construction	7.4	**1,049**	905	+15.9
Total	56.6	**8,075**	7,646	+5.6





SHARE OF SALES Business units of the Allied Companies

	2019 in %	**2019 in millions of EUR**	2018 in millions of EUR	Change in %
Electrical Wholesale	13.4	**1,913**	1,666	+14.8
Electronics	5.9	**847**	891	– 4.9
Production	5.0	**710**	716	– 0.8
RECA Group	4.7	**676**	652	+3.7
Trade	4.1	**583**	574	+1.6
Chemicals	3.9	**555**	536	+3.5
Tools	2.8	**403**	447	– 9.8
Screws and Standard Parts	1.9	**272**	274	– 0.7
Financial Services	0.9	**124**	113	+9.7
Other	0.8	**114**	105	+8.6
Total	43.4	**6,197**	5,974	+3.7

WÜRTH GROUP

#HelloW

Wedded to values. Welcoming change. Working to explore new avenues.

Wedded to values. Welcoming change. Working to explore new avenues. These concepts are not contradictory. They are the path towards further development. After all, even if we make a conscious decision here at Würth to stick to our traditional values, we are still committed to exploring new avenues. This is something we have always done, over a history now spanning 75 years. Without this approach, we wouldn't be where we are today. We are constantly changing, and this is one of our values, too: the ability to continually reinvent our products, our business and ourselves, in line with the people around us, with society at large and with the requirements of the current era. Tradition combined with innovative spirit: This is something we put into practice day in, day out. This is why being "wedded to value, welcoming change and working to explore new avenues" form the basis for our business. For Würth.

#HelloW

Three concepts. Two hands. One letter.
W for Würth. W for a company that is wedded to values, that welcomes change and that works to explore new avenues.

We wanted to know: What does this mean for the people we deal with? For the people we work with? And for Reinhold Würth himself? The answers are manifold and include everything from ties to childcare centers and concert tours to little balls of tomato oil. One person is enthusiastic about beautiful old bridges, two others find the love of their life on the early shift, and another raves about walk-in artwork.

W—constantly being reinterpreted. Personal, creative, individual.
Just like the people we work with.

THE HÄFNERS
A family in a family-owned business

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CHILDCARE CENTERS, CHILDREN, CONFERENCES

What does their life revolve around? Family. And work. And how to strike a balance between the two. Sarah Häfner has been working for Würth for 15 years now, while Tobias Häfner has been with the company for 25 years. Their children are 2 and 5.

"ON MY LAST DAY AT WORK BEFORE I BECAME A MOTHER...
I knew that I was about to embark on a completely new journey. And luckily, I already knew that I would be able to come back to my job."

"FOR ME AS A FATHER...
there is no question of me not doing my bit at home. If one of the children is sick, I also have the option of working from home and using video or Skype to connect with my colleagues. That's something that has changed a lot over the past few years.

THE WÜRTHOLINO DAYCARE CENTER...
is really convenient for us. A few years back, there was a lot of debate about whether we even needed a Würth daycare center at all. Nowadays, there is a long waiting list for places."

"STRIKING A BALANCE BETWEEN FAMILY AND WORK...
is still a challenge, but things are easier now thanks to the childcare center and flexible working hours.

A CERTAIN AMOUNT OF AUTONOMY AT WORK...
is something we have always had to the extent possible. It makes you more willing to show a bit of flexibility, too, and to work on the weekend occasionally if need be."

"A FAMILY BUSINESS...
certainly has its advantages. There's just a different sort of atmosphere. You really feel that the company has the support of the entire Würth family.

LOYALTY...
runs deep here. A lot of the company's employees have been here for a really long time—it's all about give and take."

In order to give parents a degree of flexibility as they juggle work and family life, Würth opened the Würtholino childcare center in Künzelsau back in 2015 in cooperation with the childcare organization Kinderzentren Kunterbunt gGmbH.

JAKOB WEISS
Trainee at Würth

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NEW PEOPLE, NEW WORLDS

What does a member of the younger generation have to say about values, change, and new avenues? Jakob Weiss is 23 and is studying International Business at the Baden-Wuerttemberg Cooperative State University (DHBW) in Bad Mergentheim.

WHAT CONCEPT STARTING WITH THE LETTER W SPEAKS TO HIM THE MOST?

Wedded to values, welcoming change or working to explore new avenues? "That's not an easy question," says Jakob Weiss. The first concept that speaks to him instinctively is working to explore new avenues. After all, he's constantly exploring them at the moment, wholeheartedly so. Completing high school, doing a voluntary year of social work in Liverpool, starting a dual study program at Würth. Lectures in Bad Mergentheim, vocational training in Künzelsau. Jakob Weiss spent last fall in Bratislava as part of a study program that is also part of his training.

WHY SO MANY NEW AVENUES?

"I just love traveling from one place to the next—meeting new people, exploring new worlds. Settling into a new place. It means you can never get bored."

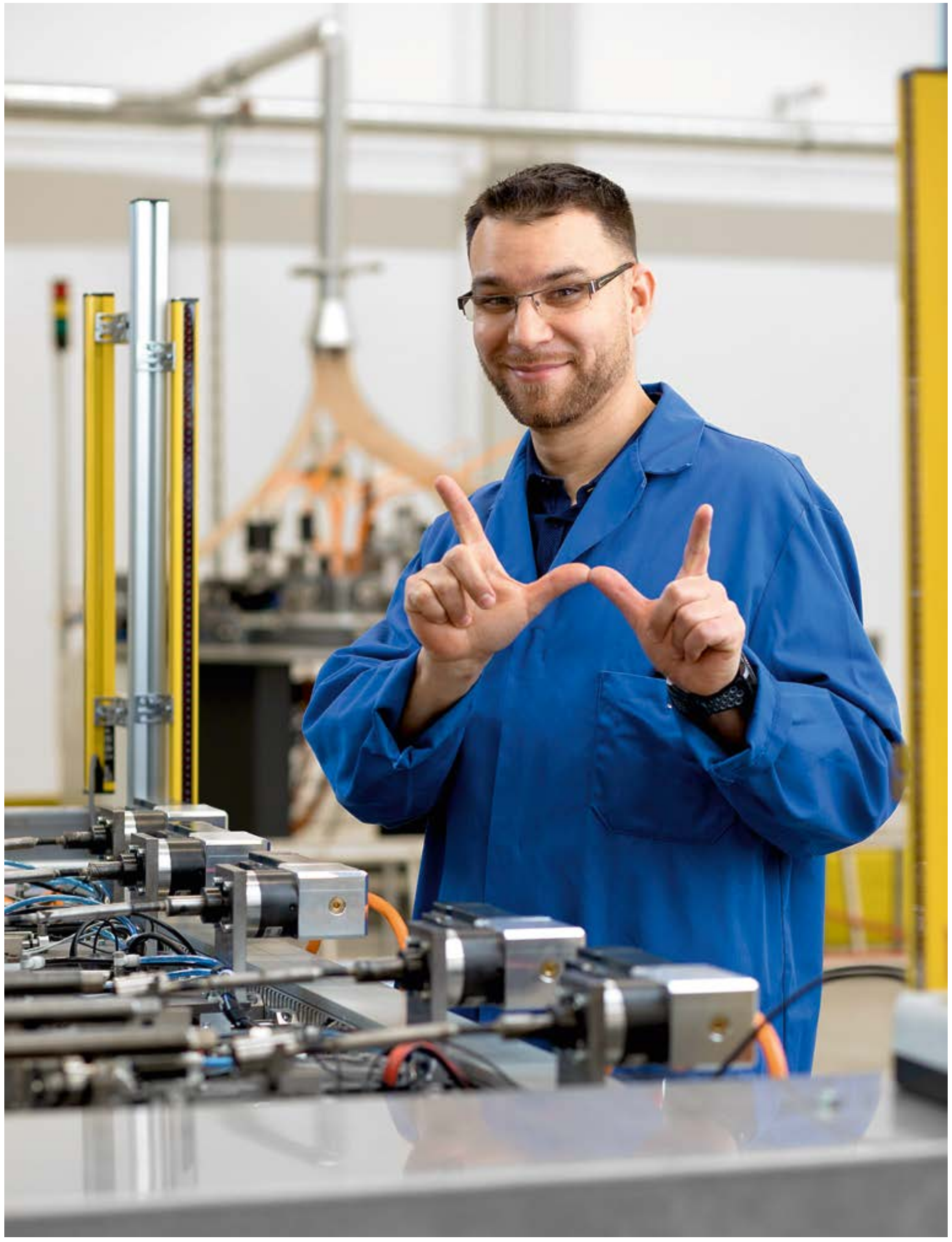
WHAT ABOUT VALUES?

"You really become aware of them when you start venturing into pastures new." Especially in a world that appears to hold a lot of uncertainty on the one hand, but also offers infinite opportunities, values are an absolute must.

WHICH ONES?

"Loyalty, friendship, family, freedom, security." During his year in Liverpool working with the Red Cross, Jakob Weiss also came into contact with refugees. "When you hear their stories, you realize how lucky we are here." And how important values are, like this feeling of security and consistency. "I always look forward to coming home as well. Somehow, I think that values provide you with the best possible foundation for change, for seeking out new avenues."

At the end of 2019, the Würth Group in Germany had 1,387 trainees for more than 50 different occupations.



NORBERTO ESCOBAR
Engineer at TOGE in Nuremberg

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Working to explore new avenues.

SOMEHOW, IT'S JUST LIKE BACK IN THE OLD DAYS

Using screws to stabilize old bridges instead of demolishing them: That's the idea behind RELAST®—an idea that sometimes reminds engineer Norberto Escobar of his childhood.

THE PERSON

"I grew up in Cuba. Back then, it was normal for us to repair our appliances time and again and to darn our socks several times over. If you saw a piece of wire lying around on the street, you would take it home with you—after all, you never knew when you might need it. We simply didn't have that much, so you knew that you had to value and reuse what you had. Even to this day, I try to be as careful as I can with the resources I use in my day-to-day life—so I try not to eat too much meat and I like to buy from regional producers. I think that if everyone does what they can, then we can already achieve quite a bit."

THE PRODUCT

"I enjoy working on a product that preserves things from the past. We can use our screws to stabilize bridges so that they last 25 years longer. So it's all about repairing things instead of demolishing and rebuilding them. This is environmental protection at its best! Do you know how much CO_2 is used in the construction of a new concrete bridge? One metric ton of CO_2 for every metric ton of concrete! It's just a nice feeling for me to put my efforts into maintaining these old bridges. And I love it when I can walk under a beautiful old bridge with my children and say: 'Look, that's one that we mended,' or: 'We'll use our screws to fix that one at some point.'"

A strong pillar of the Würth Group: the manufacturing expertise of individual companies within the Group. The RELAST® reinforcement system was developed by the subsidiary TOGE Dübel GmbH & Co. KG.

NORBERT BETZ AND MARTINA KLEINSCHROTH
Logistics professionals through and through

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A LITTLE SURPRISE AFTER THE EARLY SHIFT

No, when they started working in Würth's Distribution Center West, Martina Kleinschroth and Norbert Betz would never have guessed where this new avenue would lead them…

MK: "So, I have been working for Würth for 22 years now. My first job was at the sorting facility on a part-time contract."
NB: "I've been here for 11 years. Back then, I was looking for something to give me a bit of job security. Würth seemed to be exactly what I was looking for."
MK: "The thing I like most is that the company is a family business. It's something that really comes across, with the Würth family attending a lot of our celebrations, for example."
NB: "Yes, I like that, too. And I like the fact that the company never stops being innovative. It was 2015 when I first heard about the new Distribution Center West."
MK: "It's really state of the art. Back then, it was the only distribution center of its kind in the whole of Europe".
NB: "I was really interested when I heard that the center was to use the very latest technology. So I put my application in right away."
MK: "We both ended up on the same shift. Before then, we had only ever seen each other in passing."
NB: "I obviously really enjoyed the work. But especially at the end of my shift, when I could meet Martina for a coffee…"
MK: "We hit it off really quickly!"
NB: "If you'd asked me before, I'd never have imagined that I'd be working the same shift as my partner. But I'm loving it."
MK: "Yes, and now we can have both: a state-of-the-art workplace and a partner for life at the same time!"

Around 1,000 employees working in the logistics department of Adolf Würth GmbH & Co. KG ship 40,000 parcels every day.

PEI-SAN HSIEH AND DANIEL SCHNEIDER
Würth Philharmoniker

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READY FOR PROMOTION TO THE PREMIER LEAGUE

He plays the trombone and she plays the flute. You will sometimes find them in Dubai and sometimes in Künzelsau: Pei-San Hsieh and Daniel Schneider are members of the Würth Philharmoniker. So what does that have to do with football?

PEI-SAN HSIEH

"It's fantastic that the company attaches so much value to music. While Germany is downsizing a lot of its orchestras, we have set up a new one. The atmosphere among us musicians is great and I really feel at home. When we play concerts, I love the sense of energy between us and the audience. Particularly when we play in the small chamber music hall, the Reinhold Würth Hall, in Künzelsau, it's easy for me to gauge the reaction of individual members of the audience and see whether we've really captured their attention. It's great for me to see them concentrating and enjoying the performance! This is a really important aspect for us as musicians—I need an audience and a buzz to be able to play my best music."

DANIEL SCHNEIDER

"Our orchestra is currently on its way to the premier league, so to speak. In terms of quality, we are up there with the best of them, and we're also building an international reputation for ourselves. We played with Anna Netrebko in Dubai this year! Events like these obviously throw us into the spotlight. On the other hand, our concerts here in the surrounding area also draw big crowds. I think the fact that we are local also attracts a lot of people who might not listen to classical music otherwise. It has a sort of sponge effect—people here literally soak up the high-quality culture. Distances have become shorter, quite literally."

Reinhold Würth is a classical music enthusiast. He wants to share his passion and give something back to the region that he calls home. The Würth Philharmoniker perform as the orchestra in residence at Carmen Würth Forum.

Works: Stephan Balkenhol, *7 Figuren mit Haus* (7 Figures with House), 2005/2006, Würth Collection, Inv. 9254–9261 and *Relief Mann vor vier Häusern* (Relief of Man in front of Four Houses), 2017, Würth Collection, Inv. 17891

DR. SONJA KLEE
Exhibition curator for the Würth Collection

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EVERYTHING IS IN FLUX

Anyone who deals with art on a daily basis is no stranger to either values or change—like Dr. Sonja Klee, who is responsible for coordinating the exhibitions in the Würth Group's associated galleries.

"FOR ME, VALUES AND CHANGE GO TOGETHER...
both in life and in art. My take on things is that values form a sort of inner framework, connecting our society. What would we be without culture? Without art? I see cultural values as a key component of human history. Museums and exhibitions are places where one can engage with ideas—including those that differ from your own. And I think it is really important for communal meeting places like these to be open to everyone, as they are here at Würth.

I CAN TRACE A CONSTANT PROCESS OF CHANGE WITHIN THIS FRAMEWORK OF VALUES...
change that is reflected in art, also mirroring changes within society. If you look at the 1960s, for example, with its dynamic trend towards calling hierarchical systems into question, you can see a process of revolution in the world of art, too. Artists started to work more interactively, using new media, creating works of art that you can walk into, for example.

EVERYTHING IS IN FLUX, THERE'S NO SUCH THING AS A STANDSTILL...
the Swiss artist Jean Tinguely once said. And it's true: There is no art without change, pursuing new avenues is, in itself, an act of creativity—and one that needs no particular purpose, but is intrinsically playful. You can try something out, venture into pastures new, transform yourself, without any immediate consequences. It's a genuine form of freedom."

Würth's art collection contains more than 18,000 works of art on display in 14 museums and associated galleries of the Würth Group throughout Europe.

CHEF BORIS ROMMEL WITH TWO MICHELIN STARS
Maître de cuisine

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A NUANCED APPROACH TO CHANGE WITH NO EXPERIMENTS

He ranks among one of the very best chefs in the country, is only 35 years old and is already collecting Michelin stars. He has been awarded 18 points by Gault Millau, which crowned him "Young Talent of the Year in Baden-Württemberg": Boris Rommel, chef de cuisine at Wald & Schlosshotel Friedrichsruhe, which is part of the Würth Group.

"MY FAVORITE THING TO COOK IS...
quality. And as for what I've learned: Over the course of my career, I've chosen what works best for me. There's no need for me to start cooking Asian food now.

OUR REGION ...
is something that I really value. We have some fantastic suppliers here and I know a lot of the people who run the farms in person. A baker just brought over some bread that was nothing short of outstanding!

ROUTINE...
isn't really my thing. We develop a new menu every six to eight weeks so things don't get boring. Otherwise, I get to the point where I think: I can't stand the sight of this any more.

THE WÜRTH FAMILY...
comes here a lot. Mr. Würth likes to eat lentils with *spaetzle* (a traditional German pasta) and he sometimes comes into the kitchen. And Bettina Würth congratulates us whenever we win an award. That's something I really appreciate!

ONE OF THE TRENDS THAT I'M HAPPY TO FOLLOW...
is that of molecular cuisine: I can use a texturizer to solidify balls of tomato oil. It looks great on the plate.

NEW AVENUES...
are something that I'm open to, but I embark on them carefully. I like to reinvent old dishes, for example, by cooking a slightly lighter version of Beef Wellington. I like to focus on nuances, not experiments."

The Würth Group operates five hotel and catering establishments in Germany.

PROF. DR. H. C. MULT. REINHOLD WÜRTH
Chairman of the Supervisory Board of the Würth Group's Family Trusts

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HOW VALUES CREATE A BRAND

In his capacity as an entrepreneur, Reinhold Würth is a representative of the business world. His role as an art collector makes him a representative of the world of culture and, as a politically-minded individual, he acts as a representative of civil society. Reinhold Würth talks about being wedded to values, welcoming change and working to explore new avenues in the worlds of business and culture and within society at large.

WHY PROFIT AND GROWTH ARE ALSO IMPORTANT VALUES FOR SOCIETY.

"The task at the very top of a company's agenda is to offer secure jobs and use growth to create new jobs. This is an area in which companies play a key role for society. And it goes without saying that this task goes hand in hand with growth. If a company is to remain profitable in the face of an overall increase in costs while not endangering any jobs, then it has no other option than to grow, even if some voices in society are critical of the corporate pursuit of profit."

WHY COMPANIES THAT GROW REMAIN YOUTHFUL.

"Businesses are living systems. And like all living things, they have a life cycle. The painter Giovanni Segantini depicted this in his triad of "becoming, being and passing away", and I repeatedly refer to the symbolic power that I recognize in his paintings for the corporate world, too. Business history has seen countless examples of first-rate companies that were brimming with growth and profits and yet still passed away after a period of becoming and being. My aim is to make sure that my company stays in the state of becoming for as

Reinhold Würth turned a two-man business into a global market leader.

long as possible. After all, the process of becoming means youthfulness. In a company, you are surrounded by young people with boundless energy who want to forge ahead and accomplish something. I want to stop the Würth Group from transitioning to the phase of being, the stage that is just about ticking boxes and neatly managing everything, like in a government institution."

CAN THERE EVER BE SUCH A THING AS ENDLESS GROWTH?

"There is still no definitive answer to the question of capitalism, which relies on growth. Obviously growth cannot continue for all eternity. It has to end at some point. But I want Würth as a company to stay in the phase of becoming for a long time to come. And this is where I believe my central task lies: to stop the aging process at the company for as long as possible."

WHY PROFITS ARE NOT EVERYTHING AND VALUES MAKE A BRAND.

"Art and culture shape the values of Würth as a company—this has created a positive company image across the board. Würth is mentioned not only in the business section of newspapers but also in the culture supplement. We take a broader view of the world and do not just focus fanatically on our products, on boosting our sales and maximizing our profits. Art and work are entwined with each other at Würth, and many of our employees who had never had anything to do with art in the past can now experience it first hand. I am proud when I hear people, who I do not even know, saying that we make a significant cultural contribution to our region. A top-rate cultural program makes our rural area, located far from the country's major cities, a great place to live."

WHY SOCIETY NEEDS ART AND CULTURE.

"Art and culture are really important ways of building bridges between different areas of society. Museums, especially our museums where admission is free of charge, are open to all of society. Every citizen is equal in this respect, regardless of his or her social status. In this respect, art and culture help to foster social cohesion. Without culture, our republic would be more aggressive. Competition is left out of the equation. Cultural areas are areas for moderation. There is no bawling like you would hear in a football stadium. Culture has no place for wannabe strongmen."

WHY SUCCESSFUL PEOPLE SHOULD NOT ACT LIKE BIG SHOTS.

"In my 70 years in the working world, I have seen more than a few careers and businesses really take off. It is incredible how people's characters change, and how they suddenly abandon their friends and their roots when they move into positions of power or find themselves blessed with money and success. They lose touch with who they are. Arrogance is one of the most nauseating human traits. In my company, I try to get the message across that acting like a big shot is not how we deal with our success. Rather, here at Würth, we stay humble and grounded."

WHY SUCCESS IS ALWAYS A TWO-WAY STREET.

"I took over the business with two employees in 1954. Today, we have more than 78,000 employees working for the Würth Group worldwide. I could never have managed it alone. I rely on each and every employee and they are all deserving of my thanks. That is the one side of the coin. On the other, the question arises as to what would have happened to the company without me. That is one that other people will have to answer for me. But the success story was not written entirely without my help, if I can say that with all due modesty."

WHY A COMPANY IS NOT FORCED TO REACT TO EVERY SINGLE CHANGE.

"Sometimes, I look at certain changes and think that it is best to adopt a traditional stance and simply sit back and let a fad run its course, like the trend of top managers not wearing ties to demonstrate how laid-back they are. I myself will definitely continue to regard wearing a tasteful tie as a sign of politeness and as a way of distinguishing work from leisure time."

WHY CHANGES ARISE BETWEEN THE GENERATIONS.

"There are significant differences between old and young people that clearly have to do with our changing times. When I was young, the country was on its knees and everyone was trying to earn a bit of money to be able to travel, build a house, or buy a car. Nowadays, people are inheriting quite a bit, we all actually have enough and money is not the motivator it used to be. It is more of a necessary reassurance. While people are naturally looking for the "right" salary, it is not as important as it once was. If employees could choose between a salary increase and more time off every year, half of them would choose the time off. That is a trend that is obviously leaving its mark on the company."

WHEN COMPANIES SHOULD ADOPT A FORWARD-LOOKING APPROACH IN RESPONSE TO CURRENT CHANGES.

"Naturally, there are developments and changes, such as digitalization, that we cannot afford to ignore. But that does not mean adopting a hectic approach and thinking that it is going to be the end of the world as we know it. We are looking at certain topics of the future, such as digital industrial technology, known as Industry 4.0, within our company. We have more than 1,000 IT specialists in our workforce. We do 20 percent of our business via online shops. So in this respect, Würth is definitely keeping up with the times. But when I look at the economy as a whole, there are obviously developments such as the 3D printing of fastening and metal components that we are keeping a very close eye on. This is not a case of us merely reacting to a future trend. Rather, we are working in collaboration with scientists from the universities in our innovation center to help shape these trends."

WHY WE SHOULD NOT TRY TO STOP SOCIETY FROM PURSUING NEW AVENUES, BUT SHOULD NOT LEAVE THESE AVENUES UNQUESTIONED EITHER.

"It is not just the corporate sector that is pursuing new avenues with digitalization. Society is also in the midst of a process of massive change. I no longer have to be interested in every little detail. After all, at 85 years old, the biggest part of my life is behind me now. We naturally cannot stop digitalization from making inroads into every area of our lives. The fact is that, yes, in today's society our children are glued to their cellphones. Doctors might well be able to tap into a completely new business area: neck vertebrae repairs. But I think that when we start thinking about abolishing old cultural techniques like handwriting, then that becomes a problem. Whether or not that is really the future is something I dare to question."

WHY IT IS NOT ONLY ENTREPRENEURS BUT ALSO POLICYMAKERS WHO NEED VISIONS FOR NEW AVENUES.

"The economy would be lost if our policymakers did not create the right legal framework for us to operate in. A lot of laws are important and make sense as a way of regulating how we trade, and indeed live, in a society. But in interpreting these laws, the executive often gets lost in meaningless trivia and that sort of approach holds a vibrant economy back. The most recent example of this is a law requiring sausage vendors to print a receipt for every single hot dog they sell. This is a prime example of useless red tape. Luckily, Baden-Württemberg is a very business-friendly federal state. In our North Württemberg district, the district council and the district chief executive interpret the statutory provisions so as not to create obstacles. Instead, they focus on making things possible. While we are very pleased with our coalition government made up of the Green Party and the Christian Democrats, our policymakers really need to become a bit more open-minded in their approach and keep any regulation frenzy in check."

WHY GERMANY NEEDS MORE DEDICATED EUROPEANS TO PURSUE NEW AVENUES.

"We can see a trend emerging towards more and more people turning their backs on the grand concept of the European Union and believing that they can pursue new avenues with a nation-state mindset. We have to understand that we will all lose out if we do not do everything in our power to promote and support Europe. I really regret the lack of truly dedicated Europeans in Germany to contribute their visions and show a passionate commitment to the European Union. What happens when the new President of the European Commission Ursula von der Leyen tries to gain support for her "Green Deal" and a new approach to climate protection? Berlin says right away that it is not prepared to make the financial contribution that the EU would like Germany to make. And what about Emmanuel Macron, whose visionary strength I almost marvel at and whose ideas for the Europe of tomorrow are shown the cold shoulder here in Germany? We are in urgent need of a political landscape that is committed to promoting the European project."

TINA WASCHKE AND CARSTEN GRUCHMANN

Site managers at the construction firm Leonhard Weiss who are in charge of the new Würth transshipment depot

Wedded to values. Welcoming change.
Working to explore new avenues.

A QUESTION OF EFFICIENCY

What is efficiency? Saving energy and resources. Thinking ahead. Not wasting any time. Just like on the construction site in Kupferzell, only a few kilometers away from Künzelsau. It is here that Würth's new transshipment depot is being built right next to the A6 highway.

SAVING ENERGY AND RESOURCES

"More and more attention is being paid to saving energy and resources in construction projects today," says site manager Carsten Gruchmann. "As an example, this project involves the installation of a heat pump to tap into regenerative energy sources." The materials used are as solvent-free as possible and have been sourced from the region.

THINKING AHEAD

What might happen to the building in the future? Nowadays, this aspect is something that is already taken into account during the construction phase. "We are designing this building to allow a suspended ceiling to be installed fairly easily if need be," explains site manager Tina Waschke. "This makes any remodeling work a whole lot easier."

NOT WASTING ANY TIME

A fastener, some adhesive tape, a tool: Sometimes, a small component can make a big difference—particularly if it is not available. "It's always frustrating to have to wait for a replacement delivery," say the site managers. Würth's BAULOC® stations make sure that this never happens. These stationary material stores are individually stocked with the material that the construction site needs and are constantly replenished. Sometimes, a Würth expert is also available on site, in a sort of mini shop. The concept has been well received: "It's really handy to know that you're not going to run out of anything."

There are currently BAULOC® stations on around 1,000 construction sites throughout Germany, supplying construction site employees with the material they need.

ANDREAS HANSELMANN AND DENIS DUBHORN
Würth sales rep visiting his customer in the workshop

Wedded to values. Welcoming change.
Working to explore new avenues.

MULTI-CHANNEL TRUST

Personal customer service or digital contact? Both, according to sales rep Andreas Hanselmann and his customer, workshop manager Denis Dubhorn, who have known each other for years now.

THE SALES REP

"The human touch is important to me—and so is communication, particularly in an era when online business and digitalization are really taking off. Yes, it's true that I'm glad when customers place their routine orders online. But only because it then means that I can set aside more time to answer the more specific questions that my individual customers have. A good personal relationship is the foundation for my work in the sales force. That requires a certain degree of personal chemistry, reliability and honesty. I have a solid base comprised of customers who genuinely trust me, because they know that I don't want to just do business come hell or high water when it doesn't make sense. That's really important to me."

THE CUSTOMER

"It makes a huge difference to me whether I order everything online or have a personal advisor to assist me. I'm glad that I have a dedicated advisor who I can ask all of my questions. Some of them are complicated and I can't find the exact answers I need online. In addition to our personal appointments, we use all channels to communicate. I've got his cellphone number, I can ask him questions, and sometimes I even send photos—that's a really handy option. It's important for me to know that he will only sell me things that actually make sense. He once told me: 'Hold off a bit with your order, because we're going to launch a special offer soon and you'll get a discount.' That was a nice touch—the sort of thing that builds trust."

Every day, Würth has 34,000 sales reps working across the globe, providing personal service to a total of 3.7 million customers.

www.wuerth.com

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COMMITMENT

Art /// Music /// Literature /// Social Affairs /// Sports /// Research /// Teaching /// Architecture /// Education /// Further Training ///

Würth takes responsibility in many areas of life.
This open square at Salzburg University is a meeting place for students from all over the world, making it the ideal setting for the rootless *Awilda*, a sculpture by the Catalan artist Jaume Plensa. The marble sculpture, on permanent loan from the Würth Collection, is one of the stops on the "Walk of Modern Art" in downtown Salzburg.

Highlight of the 2019 exhibition season: art from Paris
visiting Kunsthalle Würth, such as Daniel Buren's *Wall of Paintings*, shown here. Around 200 masterpieces "From Henri Matisse to Louise Bourgeois" won the hearts of more than 142,000 art connoisseurs.

EXPERIENCING ART AND CULTURE

An inspiring duo: Art and culture are inextricably linked to the Würth Group. The focal point of this commitment is the Würth Collection. At the end of 2019, it encompassed more than 18,000 works of art and is constantly developing with an eye to the future, accompanied by a vast range of activities in the fields of art, music and literature across Europe.

CARMEN WÜRTH FORUM

The expansion work on the Carmen Würth Forum cultural and convention center in Künzelsau, which opened its doors in 2017, is making rapid progress. The second phase of construction, once again based on plans masterminded by David Chipperfield Architects, will add a conference center and another exhibition space for the Würth Collection's permanent exhibition—Museum Würth 2. Würth is investing around EUR 39 million into the expansion project. From the summer of 2020 onwards, there will be eleven conference rooms that can be combined to create a larger space able to accommodate up to 700 people. Thanks to a second entrance, an inner courtyard and a café, the venue will be able to host various events in parallel in the future.

The exclusively appointed Carmen Würth Forum currently houses a multifunctional event hall with around 2,500 seats and a chamber music hall with approximately 580 seats. The open-air grounds and the Würth Sculpture Garden also allow all kinds of open-air events to be organized, with space for up to 10,000 visitors. In 2019, the Carmen Würth Forum hosted corporate and cultural events drawing a crowd of more than 60,000 guests in total.

David Chipperfield Architects also came up with the plans for the completion of the Carmen Würth Forum, which will add new conference rooms and a museum.

CLASSICAL MUSIC AT WÜRTH

In the 2018/19 season, the Würth Philharmoniker once again captivated sold-out audiences in the Carmen Würth Forum. More than 11,000 classical music buffs were treated to unforgettable moments. Guests including internationally renowned soloists and conductors, such as the outstanding Anne-Sophie Mutter with the Chamber Orchestra Vienna-Berlin or the celebrated virtuoso cellist Sol Gabetta, had their opportunity to shine in the world-class acoustics of the Reinhold Würth Hall.

With their varied repertoire spanning everything from classical to modern and contemporary compositions, the Würth Philharmoniker were also highly sought-after for guest performances—appearing at Dubai Opera in February 2019 at the invitation of star soprano Anna Netrebko.

The concert schedule for the 2019/20 season also includes magnificently colorful events, ranging from classic and romantic to avant-garde: One of the highlights is the two-day Ludwig van Beethoven concert cycle by Staatskapelle Dresden under the baton of the world-famous piano virtuoso Rudolf Buchbinder.

It was none other than Anne-Sophie Mutter who added the perfect finishing touch to the second classical music season at Carmen Würth Forum with her rendering of Mozart. The audience honored her stellar performance with standing ovations.

In 2019, Kunsthalle Würth once again defended its status as one of the most popular private museums in the world, also exhibiting the *Spider* by Louise Bourgeois.

KUNSTHALLE WÜRTH

In the period from April to September 2019, the famous Paris-based modern art museum Musée d'Art moderne de la Ville de Paris was on exhibition at Kunsthalle Würth in Schwäbisch Hall. The 200 masterpieces "From Henri Matisse to Louise Bourgeois" captivated some 142,000 guests in a period of only five months. In addition to Fauvist highlights by Derain, Dufy and others, enthusiastic visitors encountered iconic works *such as Delaunay's Eiffel Tower, Duchamp's legendary suitcase of miniatures Box in a Suitcase*, Klein's *Blue Venus*, and a monumental *Spider* by Bourgeois, as well as the invention of Cubism by Picasso, Braque and Goncharova. The French summer party held on 14 July 2019 also left no visitor wishes unfulfilled.

Previously, "As Far as the Eye Can See. New Insight into the Würth Collection" had already attracted more than 120,000 visitors. Encouraged by this success, the company continued to acquire new works in the fall of 2019. "Up for more. News from the Würth Collection on art since 1960" showcases further highlights of contemporary art.

The works of Siegfried Anzinger, to whom Museum Würth dedicated a retrospective exhibition in 2019, exhibit wit and humor. Shown here: *Flucht, kaffeebraunes Pferd, Madonna unter dem Bogen* and *Laufrad* (from left to right).

MUSEUM WÜRTH

The expressive use of color and vehement paint application characterize the early works of Austrian artist Siegfried Anzinger. Today, his unsentimental use of matte color serves as a basis, allowing him to explore conventional problems associated with panel painting: space, perspective, picture surface, color, structure, and texture. The exhibition "Siegfried Anzinger. A Look Backwards and Forwards. Works from the Würth Collection and on loan" traced the development of the internationally renowned painter, who holds a painting professorship at Kunstakademie Düsseldorf, in 140 works.

As part of the supporting program, the great old, but eternally young, theater director Claus Peymann enthused his audience with a reading from Thomas Bernhard's "My Prizes". This was followed, in October, by the exhibition "Between Pathos and Pastose. Christopher Lehmpfuhl in the Würth Collection". The Berlin artist is regarded as a shooting star of contemporary realism. His predominantly large-format landscapes and cityscapes are created on location in the open air, where the artist applies copious amounts of oil paint to the canvas with his hands.

CULTURAL CENTER KULTURHAUS WÜRTH WITH THE LIBRARY BIBLIOTHEK FRAU HOLLE

The cultural center Kulturhaus Würth with the Bibliothek Frau Holle library has been awarded the German Arts Sponsorship Award 2019 in the category “Large companies with up to 50,000 employees”. The award was presented by Kulturkreis der deutschen Wirtschaft im BDI e.V. (Association of Arts and Culture of the German Economy at the Federation of German Industries e.V.) and its partners ZDF and Handelsblatt. The creative support concept and the sustainable cultural and social relevance of the Künzelsau cultural institution, which was set up back in 2017 based on an idea proposed by Carmen Würth, won over the jury: Local clubs can book the fully accessible hall, with a capacity of 100 people, free of charge. Carmen Würth’s personal library featuring more than 8,000 volumes is freely accessible in Bibliothek Frau Holle, and the informal meetings bringing people together to sing, as well as “story hours” for young and old alike, are popular across all generations. The flair of the institution, with its charming interior, is also characterized by creative programs aimed at children and young people.

Kulturhaus Würth offered more than 70 events honoring the spoken, sung and written word and featuring authors and actors such as Peter Wohlleben, Barbara Auer or Hannelore Hoger. More than 7,700 guests, 850 of them children, visited Kulturhaus Würth in 2019.

WÜRTH PRIZE OF JEUNESSES MUSICALES DEUTSCHLAND
WÜRTH FOUNDATION

Jeunesses Musicales Deutschland (JMD) and the Würth Foundation have been awarding the Würth Prize of Jeunesses Musicales Deutschland since 1991. The award is presented to outstanding individuals, ensembles or projects that meet the values and fulfill the objectives of JMD in an exemplary fashion. The 29th Würth Prize of Jeunesses Musicales Deutschland, endowed with prize money of EUR 15,000, was awarded to Patricia Kopatchinskaja by the Würth Foundation on 10 September 2019. The jury explained that the violinist was being honored for her “courageous journey across the classical music sector” and for “sensing surprising aspects in the seemingly familiar and devoting herself to exciting concepts of the contemporary music scene”.

“A concert is only successful when something out of the ordinary happens,” says Patricia Kopatchinskaja.

Carmen Würth (left) and Harald Unkelbach (right) with the winners of the Würth Prize for Literature, Silke Andrea Schuemmer and Sven Amtsberg.

WÜRTH PRIZE FOR LITERATURE
WÜRTH FOUNDATION

Two up-and-coming young writers, Sven Amtsberg from Neustadt in Holstein and Silke Andrea Schuemmer from Berlin, were awarded the 30th Würth Prize for Literature by the Würth Foundation on 20 October 2019. The prize is worth a total of EUR 7,500 and has been awarded since 1996 following the annual Tübinger Poetik-Dozentur (Tübingen Poetry Lectureship). Author Uwe Timm, who shared the Poetry Lectureship at the University of Tübingen with Frank Witzel in 2018, proposed the topic of the call for submissions: “At the Tomb of Joseph Brodsky”. Sven Amtsberg received the EUR 5,000 prize for his text “Rakete Schmidt”. The second prize, worth EUR 2,500, went to Silke Andrea Schuemmer for her short story “Borschtsch in Venedig”.

REINHOLD WÜRTH PROMOTION PRIZE
WÜRTH FOUNDATION

Every two years, the Würth Foundation awards the Reinhold Würth Promotion Prize as part of the International Violin Competition organized as part of Hohenloher Kultursommer (a series of cultural events in the Hohenlohe region). The prize is intended to finance further musical training and is awarded at Carmen Würth Forum. Daniil Bulayev (14) from Latvia was awarded the 7th Reinhold Würth Promotion Prize in 2019. The EUR 5,000 prize is designed to give the young musician an opportunity to develop his exceptional talent further over the next few years.

The young string player Daniil Bulayev from Riga captivated the audience with his masterful performance on the violin.

ROBERT JACOBSEN PRIZE
WÜRTH FOUNDATION

Irish sculptor Eva Rothschild was awarded the 13th Robert Jacobsen Prize of the Würth Foundation. Since 1993, the Foundation has been awarding the prize to contemporary visual artists to commemorate the influential work of Danish sculptor Robert Jacobsen. The prize is endowed with EUR 25,000. "Eva Rothschild's works enter into a direct, dynamic dialog with the viewer," was how the jury explained its decision. The graphic, linear forms she uses initially evoked connotations of the Minimal Art of the 1960s and 1970s, which she continued, however, with compositional clarity and austerity. "The sculptor's work succeeds in giving fresh impetus to the art of sculpture and plastics." Rothschild, whose work is exhibited across the globe, represented Ireland at the 58th Venice Biennale in 2019. She will be showing some of her most striking works in Museum Würth until 2021.

The Robert Jacobsen Prize is awarded every two years. In 2019, it went to Eva Rothschild, born in 1971 in Dublin.

WÜRTH COLLECTION ON TOUR

The Würth Collection organized 25 exhibitions in its ten European associated galleries. Würth House Rorschach, Switzerland, for example, hosted "Tomi Ungerer—Sketches, Collages and Object Art from the Würth Collection". The exhibition pays tribute to the oeuvre of the artist, a native of Alsace, who died in 2019 and achieved worldwide fame as a draftsman, painter, illustrator, and author.

Around 350 works were on loan to international museums such as the Prado in Madrid or the Gallerie dell'Accademia in Venice in 2019, and Berlin State Museums' Gemäldegalerie has been showing the monumental 25-part installation "The Last Judgement Sculpture" by British artist Sir Anthony Caro since December 2019.

Over 2.3 million visitors encountered eight sculptures from the Würth Collection at the German Horticultural Show in Heilbronn. In Künzelsau, eleven contemporary sculptures are installed in situ, while in Salzburg, sculptures from the Würth Collection inspire citizens and visitors alike in the gardens at Arenberg Palace and in downtown Salzburg.

Art has to embark on the adventure of travel so that it can meet a new audience. Several replicas of Horst Antes' *Figur 1000* were on show to visitors at the German Horticultural Show in Heilbronn.

Governor Wilfried Haslauer (left), pictured here with Anselm Kiefer (right), awarded Reinhold Würth the Decoration of the Land Salzburg for his outstanding commitment to art and culture in Salzburg.

DECORATION FOR COMMITMENT IN SALZBURG

Since April 2019, *The Language of Birds*, a new sculpture by Anselm Kiefer and another work belonging to the Würth Collection, can be admired in the courtyard of the seat of government in Salzburg. The pair of bronze wings, measuring over four meters in height, is sure to attract the attention of anyone who passes by. Kiefer sees the artwork as a symbol for the fact that "knowledge hidden in books cannot be constrained merely to those pages".

Reinhold Würth and his company have been active in the city of Mozart for decades now. To express "the gratitude for his ties to the cultural land of Salzburg and for being a generous patron of a series of renowned domestic cultural institutions," Governor Wilfried Haslauer awarded him the Decoration of the Land Salzburg.

Rock legend Foreigner put everybody in the festival mood as the headline act at the 20th Würth Open Air event in Künzelsau.

IN ONE SENTENCE

+++ At the "Treffpunkt Forum" (Meetings at the Forum) live talk at Carmen Würth Forum in 2019, former Daimler-Benz CEO Edzard Reuter, "Tagesthemen" German daily news presenter Ingo Zamperoni, and actors Walter Sittler and Sebastian Koch met to discuss the latest in current affairs. +++ More than half a million visitors since Johanniterkirche opened in Schwäbisch Hall in 2008 bore witness to the unbroken appeal of the Old Masters in the Würth Collection with *Darmstadt Madonna* by Hans Holbein the Younger. +++ Three days of musical entertainment for 13,000 guests at the 20th Würth Open Air in June: Soprano Olga Peretyatko, tenor Dmitry Korchak and bass Ildar Abdrazakov scored points with opera fans on Friday before the stage was handed over to pop band Revolverheld on Saturday and to rock legend Foreigner on Sunday. +++

Fabian Riessle, together with Eric Frenzel, won gold in the team sprint at the Nordic World Ski Championships in Seefeld in 2019. Würth is a reliable and strong partner not only for its customers, but also in the sporting world, for example as one of the main sponsors of the German Ski Association.

SHARING COMMITMENT

Assuming responsibility: Würth's social commitment spans a wide range of different initiatives, including support for charitable organizations and projects in the fields of culture, sports, social affairs, and education. Its activities do not always involve large-scale, well-known projects. Often, Würth is involved in very small initiatives that go unnoticed, which does not make them any less important.

THE WÜRTH FOUNDATION

The Würth Foundation was founded by Reinhold and Carmen Würth in 1987. It is a civil law foundation based in Künzelsau, Germany, and promotes charitable and benevolent purposes.

The Foundation currently has a total capital of EUR 12.6 million. The Würth Foundation promotes numerous projects in the fields of art and culture, research and science, education and training, as well as projects furthering the integration of migrants and refugees. The activities are supported by the German Würth Group companies, in particular Adolf Würth GmbH & Co. KG.

The music festival for people with disabilities attracted hundreds of visitors in 2019. Six music groups from institutions for special education played on two stages under the motto "Together—for each other", like the band Lebenshilfe Buchen, pictured here.

WINNER OF INTEGRATION PRIZE
WÜRTH FOUNDATION

The Hohenlohe Integration Center, which focuses on intercultural education for refugees, was set up together with the district of Hohenlohe. Language, literacy and integration courses are financed by the Würth Foundation. The aim is to help refugees integrate into society and working life in Germany.

On 21 May 2019, the Würth Foundation received the recognition award in the "Civil Society" category, presented by state premier Winfried Kretschmann and Minister of Social Affairs and Integration Manne Lucha, at the first-ever award ceremony for the State Integration Prize of Baden-Württemberg. The prize honors the project "Support for refugees in the district of Hohenlohe".

"Diversity is part and parcel of Baden-Württemberg," explains state premier Kretschmann at the awards ceremony for the first Integration Prize, which also recognized the work of the Würth Foundation.

The Würth Group received the UN Global Recognition Award "Good Practices of Employability for Workers with Disability" for its commitment to people with disabilities. Arne Molfenter, UNRIC (Regional Information Center of the United Nations) office manager in Germany, presents Carmen Würth, the initiator of Hotel-Restaurant Anne-Sophie, with the award.

HOTEL-RESTAURANT ANNE-SOPHIE

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

WÜRTH DONATES EUR 120,000 TO UNICEF

As part of a worldwide ride-along campaign, RW WORKOUT Week, Würth customers had the opportunity to purchase a limited special-edition tool set and a ratchet spanner set. For every product sold, the Würth Group donated one euro to UNICEF. A total of EUR 120,000 was collected during the campaign. The money is to be used to support young women in Brazil as part of the "Empowering Girls in Brazil" project. For more than 30 years, RW WORKOUT Week has been part of the cooperation between the Würth Group's in-house staff and the field sales force. During this ride-along campaign, in-house employees accompany sales representatives on their daily customer visits. Bettina Würth, Chairwoman of the Advisory Board of the Würth Group: "Würth shows commitment. This is part of our corporate culture and it goes beyond our commitment to our business and our customers. We are committed to social responsibility."

More than 800 Würth employees have already worked as volunteers at the Special Olympics—such as in the cross-country skiing event, as pictured here.

SPECIAL OLYMPICS GERMANY

At the initiative of Carmen Würth, Würth has been supporting Special Olympics Germany—the German organization of the world's largest sporting event for people with mental and multiple disabilities—since 2008. More than 800 employees have supported the event as volunteers ever since. At the Special Olympics Baden-Württemberg Winter Games 2019 in Todtnauberg, which involved more than 170 athletes, Würth's volunteers made sure that the cross-country skiing event held at the Nordic Center Notschrei ran smoothly. "We helped to set up and dismantle the stations, cheered the athletes on, supplied tea, and helped wherever help was needed," reports cooperative study program student Jana Benzinger. "It was an incredible experience to see how ambitious the athletes were in their disciplines and how they celebrated both their own and their competitors' successes."

Debate on the Aachen Treaty on Franco-German friendship: Prof. Dr. h. c. mult. Reinhold Würth on 14 May 2019 at Würth Haus Berlin. He was joined in the debate by Dr. Jörg Kukies, State Secretary at the Federal Ministry of Finance, Gunther Krichbaum, Chairman of the Committee on European Union Affairs of the German Bundestag, Guillaume Ollagnier, envoy of the French Embassy in Berlin, and Dr. Claire Demesmay, Head of the Franco-German Relations Program at the German Council on Foreign Relations (DGAP).

THE REPRESENTATIVE OFFICES

Würth attaches great importance to critical exchange. Würth Haus Berlin and Würth Office Brussels comment on national and international political events. International trade issues are becoming increasingly important from the perspective of a commercial company with global operations. In our globalized and digitally driven world, global economic links can only be shaped together.

Given the mounting trade conflicts, the weak position of established institutions, shifts in military power, and repression, dialog between the world of business and governments is becoming a central challenge. Würth is a vehement advocate of free and rule-based world trade and practices it in more than 80 countries worldwide.

Companies and policymakers are well advised to stay in constant contact with each other. The political representative offices in Berlin and Brussels rise to this challenge by organizing rounds of talks and conferences, and taking a stand. Especially at a time when the European Union is faced with major challenges, Würth continues to focus on supporting the continent's overall sustainability.

WÜRTH AS A SPORTS SPONSOR

Team spirit, the willingness to perform, and giving one's all are values that define the corporate culture of the Würth Group, and are also essential characteristics of sports. This is why we are committed to the world of sports as a sponsor in a wide variety of areas. Würth has been supporting the German Ski Association since as far back as 2002 and was the official supplier of machinery, assembly and fastening materials for the Nordic World Ski Championships at Seefeld in 2019. The Würth Group is also involved in the world of soccer: Würth has been involved in Bundesliga soccer since 1990. We have been sponsoring referees and linesmen in the Primera and Segunda División, the first and second Spanish soccer leagues, since 2003. Würth is also committed to motor sports: In addition to supporting Team PENSKE in the American Monster Energy NASCAR Cup Series, Würth was the official supplier and naming partner of the FIA Asia-Pacific Rally Championship until the end of 2019.

Striving to be the first and the best is something that motor sports and the Würth Group have in common.

At the very top of the podium: At the biggest world championship of the trades held to date in Kazan, Würth promoted and supported young people working in the trades.

WÜRTH AT 2019 WORLDSKILLS IN RUSSIA

A total of 1,354 young employees from 63 countries participated in the 2019 WorldSkills competition, the world championships of the trades, in Russia. Würth was part of the event as a cooperation partner and sponsor. More than 400 different Würth products were used in the disciplines of Autobody Repair, Plumbing and Heating, Automobile Technology, and Heavy Vehicle Technology. Visitors also had the opportunity to test Würth products at the Würth stand.

WorldSkills is an international competition for young talents working in non-academic occupations. Every two years, 82 national member groups compete for the title in 56 disciplines, both on a worldwide and European level. China and the host country Russia were particularly successful in Kazan, winning 16 and 14 gold medals respectively. The German team won gold in the Wall/Floor Tiling and Carpentry skills. The European championship of the trades will take place in Austria in September 2020. Würth will also be involved in the event as a partner and sponsor.

A career in the trades instead of university?
Career counseling at the “trades workshop” organized in a chalet in Austria’s Montafon valley is only one of the many educational projects supported by Würth.

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 customers and other interested individuals outside the Würth world.

FREIE SCHULE ANNE-SOPHIE
WÜRTH FOUNDATION

Bettina Würth founded the independent school Freie Schule Anne-Sophie in Künzelsau in 2006. Its sister school opened in 2011 in Berlin. Both schools are state-accredited and offer education from primary level to graduation (Abitur). The Würth Foundation is the supporting organization behind the schools.

The focus in Berlin is on bilingual education (German and English). Freie Schule Anne-Sophie in Künzelsau has been a “Global Ethic School” since 2018.

Besides the concept of target- and performance-based learning in an actively shaped learning environment, the main focus lies on acquiring independent learning skills and developing social skills. Appreciation of values, prudence, willingness to learn, and confidence are the four basic attitudes of Freie Schule Anne-Sophie. They are upheld in the daily school routine with a common goal: Every child should leave the school as a winner. This is how Bettina Würth explained her motivation for setting up the school back in 2006.

Brothers Sebastian and Johannes Engbert from Freie Schule Anne-Sophie in Künzelsau took first place in the 2019 “Jugend testet” (youth tests quality) competition organized by the German testing institute Stiftung Warentest. They investigated parental control apps.

COMPETENCE CENTER FOR ECONOMIC EDUCATION
WÜRTH FOUNDATION

The Baden-Württemberg Competence Center for Economic Education uses a range of activities to impart knowledge of economic issues in the classroom in a hands-on way based on learning by doing. Programs for schools in the federal state include, for example, the Würth Education Prize for forward-looking economic projects and the company placement program for teachers—a program for further training that combines online learning with practical elements.

Other focal points of support include the federal state prize for graduates of secondary technical schools, the "trades workshop" as a career counseling service, and the annual management symposium, an event at which participants from schools and the business world address topical issues.

The Baden-Württemberg Competence Center for Economic Education was set up on the initiative of Reinhold Würth under the umbrella of the Würth Foundation in 2005. The Ministry of Education and Cultural Affairs, Youth and Sports of Baden-Württemberg is a close partner.

At the "trades workshop", 25 pupils from Germany, the Netherlands and France spent a week trying out various trades-related activities at the Heilbronner Hütte chalet in the Montafon valley, Austria.

Turning a perspex model into a reality: Baden-Württemberg's Minister of Science, Research and Arts Theresia Bauer inaugurated the new buildings on the Künzelsau campus in 2019 together with Thomas Philippiak, CEO of the association Innovationsregion Hohenlohe e.V. (left), university rector Prof. Dr.-Ing. Oliver Lenzen (center), and Prof. Dr. h. c. mult. Reinhold Würth.

SUPPORTING UNIVERSITY EDUCATION
WÜRTH FOUNDATION

The Würth Foundation is the supporting organization for the Foundation for the Promotion of Reinhold-Würth-Hochschule of Heilbronn University of Applied Sciences in Künzelsau. The purpose of the foundation is to promote science, research and teaching. The Künzelsau campus is one of four campuses belonging to Heilbronn University, boasting just over 1,500 students. Künzelsau 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. In addition to a large number of projects, the foundation ensures that the laboratories and university facilities have the best possible resources and that all students can enjoy first-rate international encounters.

Establishing and co-funding professorships is also part of the support provided by the Würth Foundation. Students at the university also receive financial support in the form of "Deutschlandstipendium" scholarships.

The new lecture hall building at Reinhold-Würth-Hochschule of Heilbronn University of Applied Sciences in Künzelsau was inaugurated in 2019.

EXTENSION OF REINHOLD-WÜRTH-HOCHSCHULE
WÜRTH FOUNDATION

The extension buildings of the Reinhold-Würth-Hochschule of Heilbronn University of Applied Sciences on the Künzelsau campus, built by the Würth Foundation, were inaugurated on 16 September 2019. A lecture hall and an institute building were constructed on an area covering around 7,500 square meters. The Würth Foundation invested approximately EUR 17 million and constructed the state-of-the-art buildings in just 15 months.

The main tenant of the institute building is the association Innovationsregion Hohenlohe. The ground floor houses the university's institute, which is supported by research contracts awarded by the corporate sector. The first floor houses the Digital Hub, which supports regional companies in the process of digital transformation and receives funding in the amount of almost EUR 1 million from the federal state. Würth Elektronik is represented on the second floor with research and development laboratories.

LIFELONG LEARNING

Continuing education is a key component of corporate culture at Würth. In addition to commercial, logistics and technical apprenticeships, Würth also offers twelve Bachelor's degree courses in these areas in collaboration with Baden-Württemberg Cooperative State University.

Akademie Würth was established in 1991. It facilitates individual further training and lifelong learning extending beyond initial vocational training. This is why Akademie Würth Business School offers all Würth Group employees academic continuous education programs for working professionals. The programs are also open to all interested individuals who do not work for the Würth Group, with a large number of companies taking advantage of them. In cooperation with several distance learning universities, Akademie Würth Business School offers bachelor's degree courses such as business administration or industrial engineering, and master's degree programs such as the Master of Science in Digital Management and Transformation.

Together with the University of Louisville in Kentucky, USA, Akademie Würth Business School has also been offering a part-time Master of Business Administration (MBA) in Global Business for working professionals since 2001. This MBA degree is awarded by the University of Louisville after 13.5 months of study. During this relatively short period of time, two stays in Louisville give participants the opportunity to experience studying at a very research-intensive, renowned American university without them having to interrupt their professional career.

Anniversary celebration: 25 years of "Fit mit Würth" in front of Carmen Würth Forum

25 YEARS OF "FIT MIT WÜRTH"

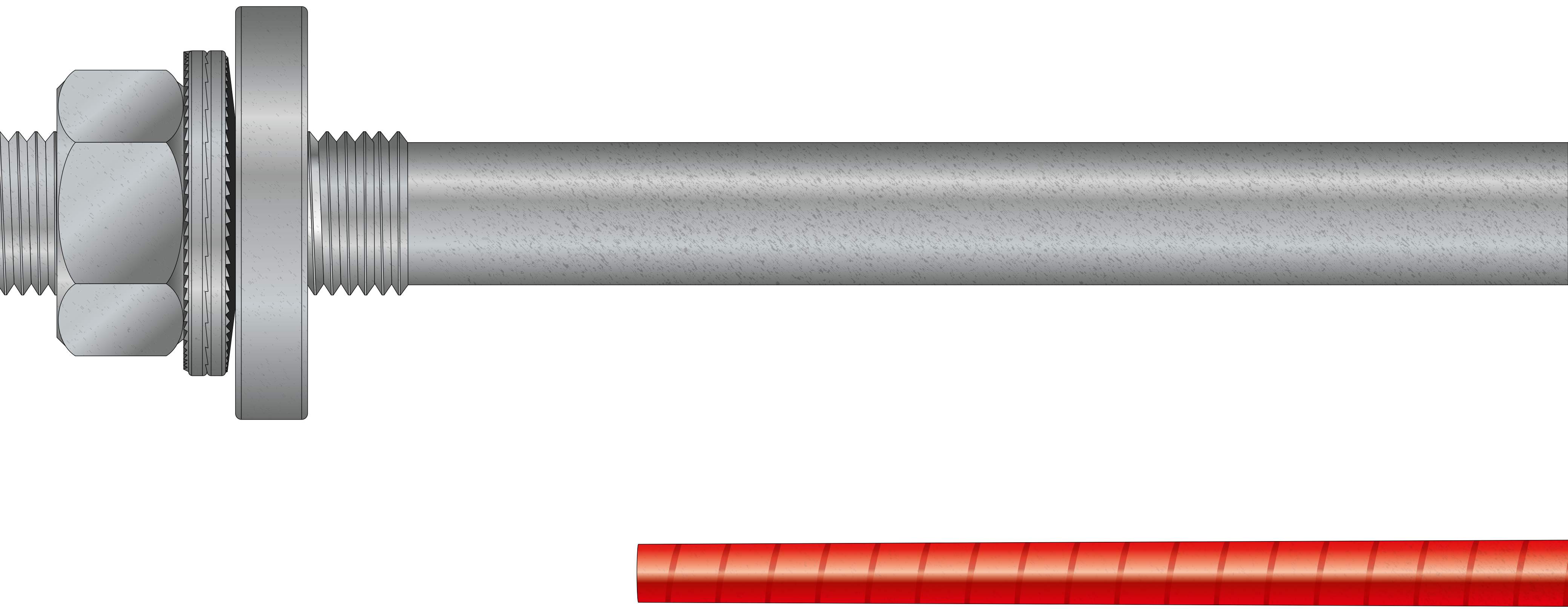
The in-house health management program of Adolf Würth GmbH & Co. KG "Fit mit Würth" (Fit with Würth) celebrated its 25th anniversary in 2019. A program that started out with 10 courses and three presentations made by doctors back in 1994 is now a firmly established component of the corporate culture: More than 1,000 employees and their relatives attend a current total of over 300 courses. The program covers the areas of ergonomics, exercise, nutrition, well-being, and occupational health and safety. It aims to raise awareness of healthy living and working and to create an overall environment that is conducive to employee health. "Our health program is gaining an impressive number of participants every year. We develop innovative ideas and thus inspire many employees," says Norbert Heckmann, Chairman of the Management of Adolf Würth GmbH & Co. KG.

Around 70 percent of the workforce in Künzelsau-Gaisbach take part in health days, active breaks, consultations, and courses.

Gammertingen versus Munderkingen in the nail hammering competition: The closing event of the trades competition also involved a number of small trades-related tasks that the students could compete in.

MACH WAS! THE TRADES COMPETITION FOR SCHOOL TEAMS

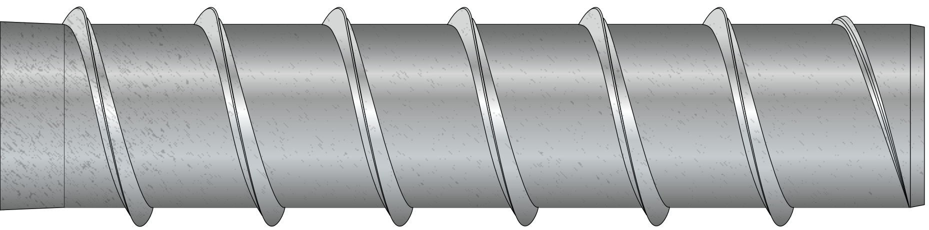
Although the skilled trades are creative and sustainable, there is often a lack of young people joining their ranks. This motivated Würth, as a partner of the trades, to launch "MACH WAS! (DO SOMETHING!) The trades competition for school teams". Akademie Würth announced the competition for secondary schools in Baden-Württemberg, along with a small number of selected schools from all over Germany. With the professional support of regional trades businesses, around 1,800 seventh to tenth graders from the participating schools executed 95 of their own craft projects. Würth provided support in the form of EUR 1,000 for each project. After four months of planning, drilling, sawing and screwing, Maximilian Kolbe School from Rottweil took the first prize for a state-of-the-art seating ensemble: a trip to Paris. Second place went to Gymnasium Gammertingen high school for a human table-soccer game. The Munderkingen school association came in third, building a pizza oven for the schoolyard. The special prize for "innovation" was awarded to Grund- und Oberschule Müllrose school in Brandenburg, whose students built talking trash cans. In 2019/2020, the competition will be organized for 250 schools nationwide.

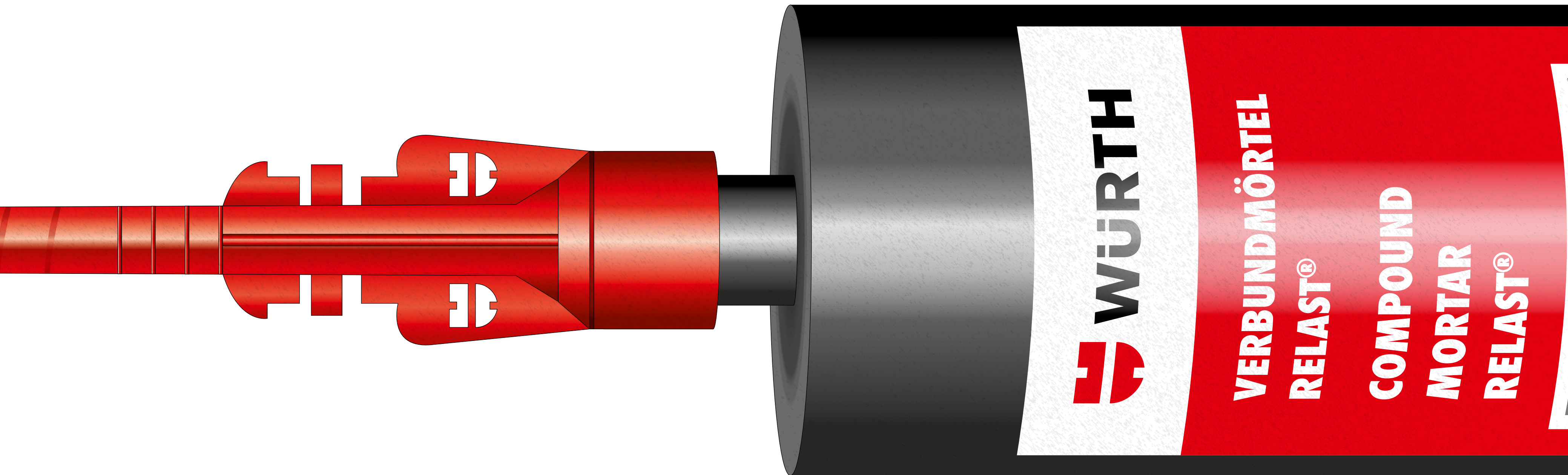


Top quality for optimum stability—Würth’s RELAST® reinforcement system allows bridges to be renovated without closing them and causing traffic jams.

BULLETIN

THE BOARDS





REPORT OF THE ADVISORY BOARD

Ladies and gentlemen,
Dear readers,

No matter what we are doing, what we are thinking of doing, what we are planning to change: We always have the interests of our customers in mind. We always ask ourselves: How will this benefit them? The aim is to develop new solutions and products for precisely those situations in which our customers are still lacking an ideal solution. Changes make sense, and are necessary, if they make our customers' day-to-day work easier. That is why we focus on understanding our customers' everyday working lives, and working with them to find out what they really need. It is easy to get distracted. In our complex world, where more and more opportunities seem to be arising at an ever faster pace, it is extremely difficult to recognize what is essential: And the same goes for our tradespeople. If they are able to confirm, without hesitation, that "Würth is unbeatable in terms of service and quality", if they are absolutely convinced that Würth is the "W"ay forward, then that means that we have achieved what we set out to do and have created added value as a result of the changes that we have implemented.

In 2019, the Würth Group generated sales of EUR 14.3 billion and achieved an operating result of EUR 770 million with its 78,686 employees worldwide. This puts us in an ideal position to address the big issues that are on all of our agendas: By 2050, the aim is for Europe to be the first climate-neutral corner of the globe. The tense global trade situation is putting pressure on economic and, as a result, on growth expectations. The shortage of skilled workers is quite rightly calling on us to look beyond our own borders and think in terms of open societies in an open world. At the same time, the threat posed by the coronavirus has yet again shown that we need to be flexible and fast in our response to new developments. Although situations like these present us with particular challenges, I am sure that the experience gleaned from the financial crisis of 2009, for example, will help us continue to successfully shape the future of the Würth Group.

Work of the Advisory Board

The Advisory Board of the Würth Group held four extensive meetings in 2019. These meetings were all based on the reports from the Central Managing Board members covering the business situation, projections, and opportunity and risk management. All transactions subject to approval pursuant to the company statutes were submitted to the Advisory Board for approval in good time and considered at length; in urgent cases, resolutions were passed by means of a circular procedure.

In 2019, the work of the Advisory Board was characterized to a considerable degree by the global political uncertainty and the economic implications that it was already starting to unfold. The Advisory Board was on hand to provide the Central Managing Board with advice on such matters. One of the four meetings was a separate strategy meeting for the Advisory Board together with the Central Managing Board of the Würth Group. The Advisory Board also addressed issues related to digitalization in detail and conducted its sixth efficiency assessment in December 2019 to evaluate the effectiveness of its own work.

The Advisory Board continuously monitored the work of the Central Managing Board and provided it with support in its management duties, in the strategic further development of the company, and with regard to key individual issues. In addition, the Chairwoman of the Advisory Board was provided with regular information on current developments and relevant events within the company outside of board meetings in reports by members of the Central Managing Board.

Each of the Advisory Board's three committees (Personnel, Audit and Investment Committee) met three times in 2019. These meetings serve to increase the efficiency of the Advisory

Bettina Würth
Chairwoman of the Advisory Board of the Würth Group

Board, carrying out preparatory work on complex issues. The committee chairs each report regularly and in depth to the Advisory Board as a whole on the work of the committees.

On 21 April 2020, the Advisory Board's Audit Committee took an extensive look at the 2019 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 2019 also focused on the compliance and risk management systems and the impact of legal developments on future audits of the annual financial statements.

The Advisory Board's Investment Committee assessed the investment projects that are subject to approval and classified them according to urgency and significance. In addition, the Committee dealt in greater depth with investment controlling, in particular with a review of major investments made and selected acquisitions. The Würth Group will remain true to its investment culture as a prerequisite for the company's growth. The Advisory Board approved the investment and financial plan of the Würth Group for the 2020 fiscal year at its meeting on 13 December 2019 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. For the Würth Group, the 2019 fiscal year was characterized by global uncertainties. For this reason, we would particularly like to thank all employees for their strong commitment and drive, as well as all our customers and business partners for their loyalty to the Würth Group.

Sincerely,

Bettina Würth
Chairwoman of the Advisory Board of the Würth Group

REPORT OF THE CENTRAL MANAGING BOARD

Ladies and gentlemen,

Size and power—these were two key aspects in the public eye in 2019. Who is the biggest, the fastest, the first? The worldwide battle against the coronavirus has made it more than clear that none of us can cross the finish line first in this global race.

Europe has become smaller, while trade conflicts have become larger. In the political arena, debates about particular individuals seem to have replaced the true purpose behind politics: namely developing ideas and solutions to tackle the most pressing challenges of our time. Our planet does not adopt a "German" perspective or think in terms of economic regions. Nature knows no boundaries and does not respect ownership claims either. Our planet belongs to nobody, meaning that it belongs to all of us. This means that globalization has presented us with a common task: making sure that our planet offers quality of life for the coming generations.

Let us find sensible, sustainable answers to the process of transformation that is manifesting in the new social, global and environmental policy issues facing us. Let us make use of all the technical and digital possibilities that our era has bestowed upon us in order to do so! Never before have we had so much choice. Let us pursue new avenues. Here at Würth, we want to talk about innovative and forward-looking solutions. And we want to turn them into a reality.

It is the conviction that we can achieve and change something that gives us a sense of purpose and answers the question of "why?". It is precisely in today's affluent society, in which we know that we actually have everything that we need, that the question of purpose is coming to the fore again. Simply owning things is no recipe for fulfillment. Growth and innovative power cannot be unleashed under pressure. Being part of something, sharing common values, becoming involved, making a contribution to something bigger, helping to shape change: This is how we motivate people and convince our employees to set out with us on new avenues towards a sustainable future.

So let's get started: Würth will be making changes to its ORSY® packaging in 2020. The decision to do away with the little plastic window will allow us to save 22.7 metric tons of plastic film throughout the Group every year and to recycle the empty boxes as waste paper, something that was not possible in the past due to the mix of materials used. This is a small, but deliberate contribution to the current debate surrounding moves to avoid plastic and save resources.

Let us create developments that offer added value and are economically successful, too! You might wonder what options are left to improve on a screw that was first conceived 75 years ago? In 2020, Würth will be launching the fourth generation of the ASSY® high-performance screw on the market. Inspired by our quest to always offer our customers the best solution, we asked them: "What would make the ASSY even better?" Graduate engineers, wood science and technology graduates, and mechanical engineers came together to tackle this very question and developed the ASSY®4, which does an even better job of delivering what tradespeople need in their day-to-day work with its patented RW drive, improved bit locking, more precise countersinking, and optimal tightening capabilities. This means that this innovation will contribute to both our economic success and to that of our customers.

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

Let us create symbols of social community, like Museum Würth 2, which will complete the Carmen Würth Forum with the second phase of the building. This adds a museum to the ensemble of buildings designed, and now extended, by David Chipperfield Architects, making key pieces of art from the Würth Collection available to the general public. Our cultural and social activities in particular bear testimony to our conviction that companies can contribute to creating a sense of purpose in the long term, offering guidance in our globalized world, which is growing together at an ever faster pace.

While some of the steps that we have taken might appear to be small ones, such as doing away with a plastic film or optimizing a screw, others stand out as great strides forward: a new museum. We have been taking what are sometimes very small steps day in and day out for 75 years now, together with our current workforce of more than 78,000 people and our more than 3.7 million customers across the globe, in the firm conviction that, by working together, we can make tremendous advancements even in very short periods of time.

The Würth Group remains on the path to growth: Sales rose by 4.8 percent to EUR 14.3 billion in 2019, or by 4.2 percent after adjustments to reflect exchange rate effects. The Group's operating result was down by 11.5 percent year-on-year to total EUR 770 million due to factors that left their mark on a large number of companies. Commodity prices played a key role in price developments, and we were unable to pass on the increases to our customers in full. The process of structural change in the automotive industry is also leaving its mark. As a supplier, this is a trend that is impacting us, too.

Particularly in these times that are very challenging for each and every one of us, in which we have to look after each other, regardless of the country or continent where we live, it is clear that nobody can shape the future alone. Rather, we all need to join forces. On this note, the Central Managing Board of the Würth Group would like to thank all of the company's customers, 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 the many steps we have taken together in this trusting relationship.

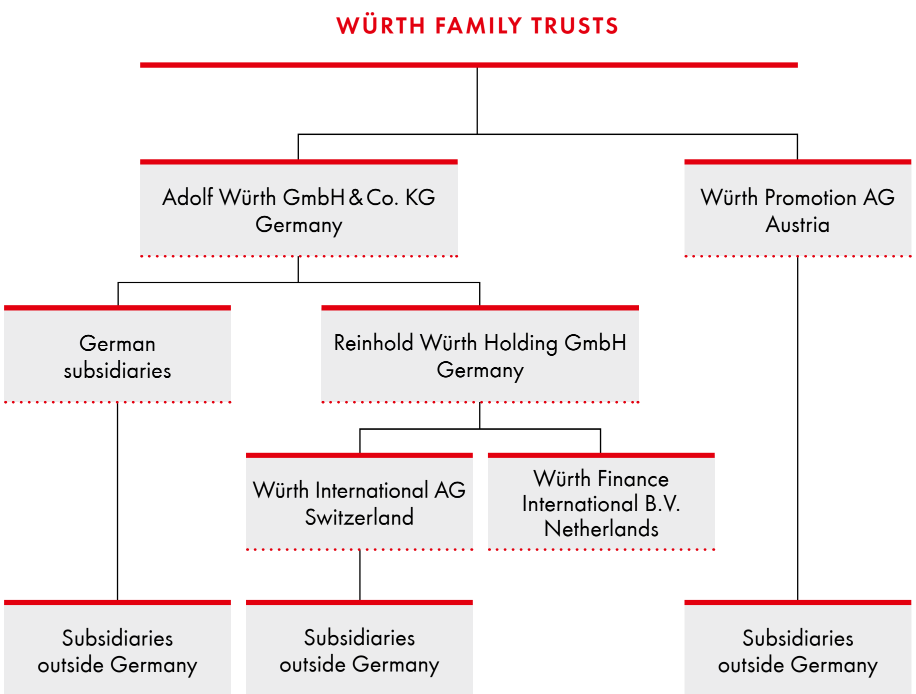
For the Central Managing Board

R. Friedmann

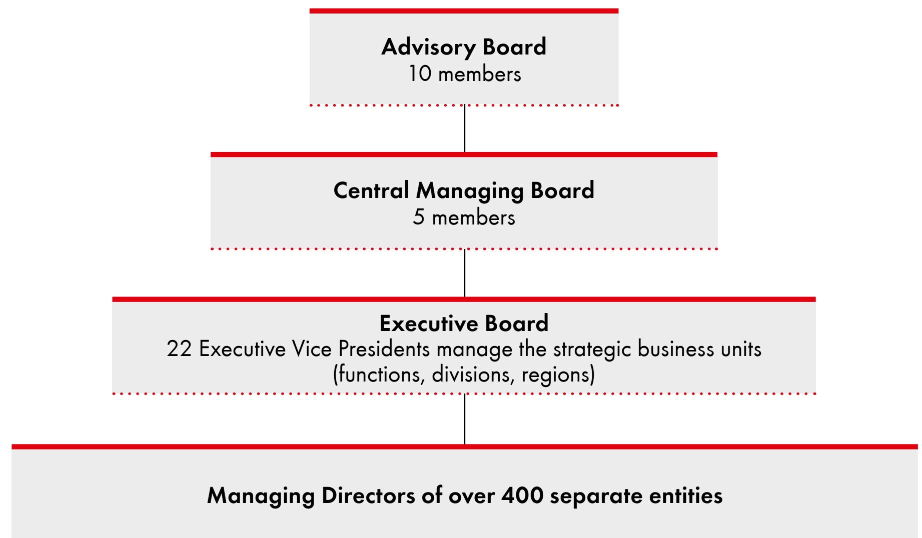
Robert Friedmann
Chairman of the Central Managing Board of the Würth Group

Würth Group: Legal structure

Simplified chart



Organizational structure



Advisory Board

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

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

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

Ina Schlie
Former Head of the Group Tax Dept.
SAP SE, Walldorf

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

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

Sebastian Würth
International Division Manager,
Würth Group

Honorary Chairman of the Advisory Board

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

Honorary members of the Advisory Board

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

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

Central Managing Board

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

Robert Friedmann

Chairman of the Central Managing Board of the Würth Group

Dr. Steffen Greubel

Member 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

Peter Zürn

Deputy Chairman 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, Karlsruhe
President of the Karlsruhe Chamber of Trade (Handwerkskammer)

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

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

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

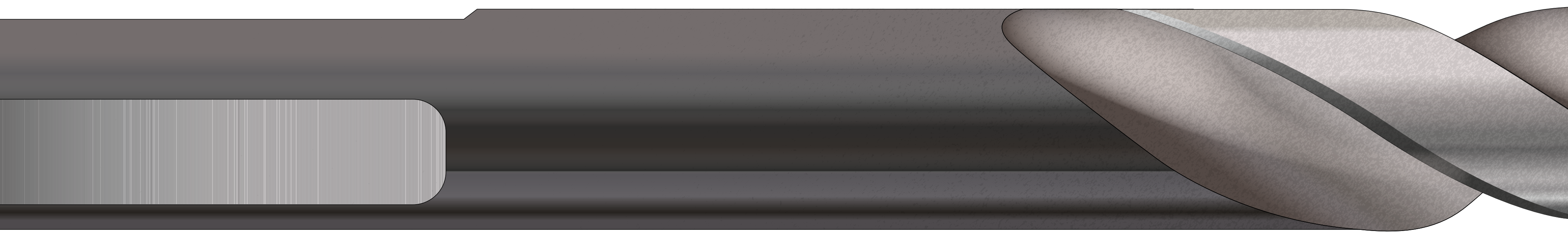
Burkhard Weller
Managing Partner
Wellergruppe GmbH & Co. KG, Berlin
Honorary Senator of
Nuertingen-Geislingen University

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

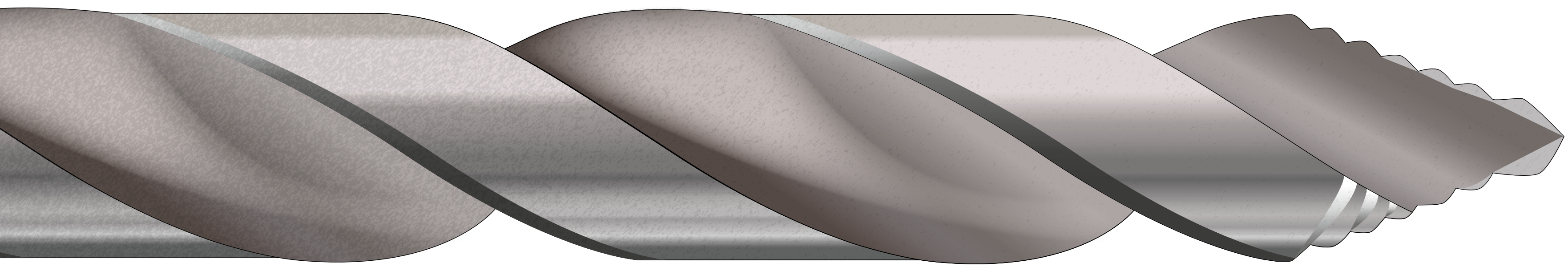
Honorary Chairman of the Customer Advisory Board

Gerhard Irmscher



Smart innovation for optimum drilling strength—the HSS DIN 338 high-performance drill featuring unique SMART STEP technology for high-precision, circular through holes

GROUP MANAGEMENT REPORT



GROUP MANAGEMENT REPORT OF THE WÜRTH GROUP

The company

The core business of the Würth Group involves the distribution of assembly and fastening materials. Today, more than 140 companies are operating in this area of the Würth Line.

“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 key pillar: the Allied Companies. They operate in related areas as trading or manufacturing companies, and also include companies operating in the financial services industry, as well as hotels and catering establishments. In 2019, the Allied Companies generated more than 43 percent of the consolidated sales.

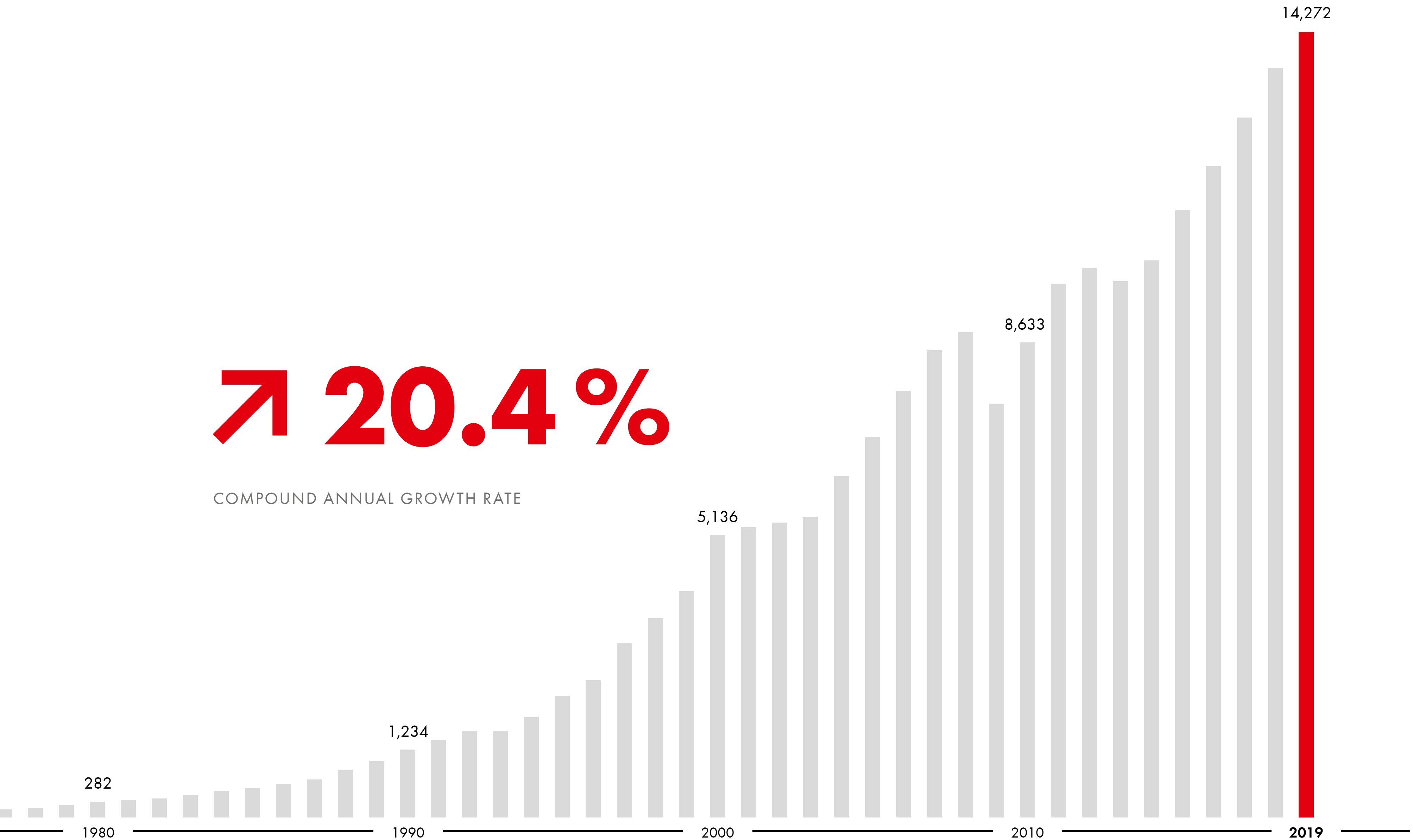
The Würth Group employs a global workforce of 78,686 employees, with 33,979 working on the sales force. It consists of more than 400 companies in over 80 countries, maintains over 2,100 pick-up shops and generated sales of EUR 14.3 billion in 2019.

The year 2020 is a year of celebration for the Würth Group: Reinhold Würth is celebrating his 85th birthday in April, only a few months after he marked his 70th year with the company in October 2019. The nucleus of the Group, Adolf Würth GmbH & Co. KG, and as a result the entire Würth Group, can look back on a success story spanning a 75-year period. This only goes to show how values and traditions can find their way into the future. This can only work for companies that embrace transformation as an engine for growth and are able to identify and exploit the opportunities that changes bring in order to turn them into progress and innovation.

In the early 1960s, Reinhold Würth bought the work of art entitled *Cloud Reflection in the Marsh* by Emil Nolde, laying the cornerstone for the Würth Collection, which now comprises more than 18,000 pieces. The Carmen Würth Forum with the Würth Philharmoniker as “orchestra in residence” is another visible sign of his conviction that art and culture go hand-in-hand with entrepreneurial success. These milestones in our commitment to art and culture symbolize an attitude that characterizes the entire Group: openness, gratitude, respect, curiosity, responsibility, but also humility towards our fellow human beings and society. And towards our customers.

SALES DEVELOPMENT Würth Group in millions of EUR

1954	1960	1970
0.08	1.0	33


↗ 20.4 %
COMPOUND ANNUAL GROWTH RATE
282
1,234
5,136
8,633
14,272
1980
1990
2000
2010
2019

Economic environment

Global economic growth suffered a setback in 2019. The marked downward trajectory had not been corrected by the end of the year either. All in all, global economic growth came to 2.9 percent in 2019, down considerably on the previous year (2018: + 3.6 percent). The weak global economic trend can be traced back to the trade dispute between the US and China, the protracted Brexit negotiations between the UK and the EU, and also structural pressures, such as lower productivity growth, particularly in the automotive industry, unresolved problems in the world's emerging markets, an increase in anti-government protests in countries such as France or Chile, and the conflicts looming on the horizon between the US and Iran. With a slowing of gross domestic product growth in both China and the US, the world's two largest economies lost considerable momentum. As a result, 2019 saw the lowest level of global growth since the financial and economic crisis of 2008/2009.

- **German economy bolstered by sustained consumption, high employment and a flourishing construction industry**
- **Drop in export momentum in Germany to + 0.9 percent (2018: + 2.1 percent)**
- **Global economy hit by reduced production in the automotive industry**

As was already the case in 2018, growth momentum in **Germany**, the largest single market for the Würth Group, also slowed in 2019. GDP expanded by only 0.6 percent last year, as against 1.5 percent in the previous year and 2.2 percent in 2017. This means that German economic growth touched on a six-year low in 2019, bringing it to the brink of recession. Key sectors of the German economy, such as automotive manufacturing and mechanical engineering, as well as the electrical and chemical industries, were hit particularly hard.

The fact that GDP in Germany increased slightly in spite of these developments is thanks to sustained consumption, the country's high employment rate and the **construction industry**, a sector that is so important for Würth and that generated sales of EUR 137.2 billion in Germany (2018: EUR 126.6 billion). This represents a total increase in sales to the tune of 8.4 percent compared to the previous year. At EUR 86.1 billion, incoming orders for 2019 as a whole were up by 8.2 percent on the previous year's figure.

In the **trade** sector, one of the two key markets for the Würth Group, the economic boom continued in 2019, albeit at a lower rate of growth than in the previous year. Total sales generated by craft businesses in Germany increased by 3.8 percent in 2019 (2018: + 4.9 percent). The number of people employed by craft businesses also rose slightly by around 40,000. Nevertheless, many companies felt the impact of the shortage of skilled workers, with a large number of apprenticeship positions remaining unfilled. Production in the **metal and electrical industry**, another important pillar for the Würth Group, already slipped into recession, where it remained for all of 2019. Looking at 2019 as a whole, M+E production was down by 5.1 percent on the previous year (2018: + 1.4 percent). This development can be traced back to a drop in production due to crises, especially in the automotive industry. With just under 4.7 million vehicles produced in 2019, the German **automotive industry** again produced fewer cars than in 2018 (5.1 million), which equates to a drop of 8.9 percent in production (2018: – 9.3 percent). Production in the **mechanical engineering** sector also experienced a downturn in 2019, contracting by 2.0 percent (2018: + 2.1 percent).

Gross domestic product in the 19 countries making up the European Monetary Union rose by only 1.2 percent in 2019. This means that **eurozone** economic growth was down in a year-on-year comparison for the second year running. Growth was still sitting at + 1.9 percent in 2018. The slower growth was triggered by ongoing global trade disputes, contracting economies in France and Italy, and the state of paralysis caused by Brexit. The **Spanish** economy, too, the fourth largest in the eurozone, reported growth of 2.0 percent in 2019, falling short of the prior-year level (2018: + 2.6 percent). Economic growth in **Italy** dipped by a significant 0.6 percentage points in 2019. Economic output expanded by only 0.2 percent (2018: + 0.8 percent). The eurozone's third-largest economy has already been considered a problem child for years now, with economists pointing to its excessive bureaucracy and very rigid labor market. **France**, crippled by strikes over Emmanuel Macron's pension reform, experienced something very close to a recession in 2019, closing the year with a growth rate of 1.2 percent (2018: + 1.7 percent).

The **UK** economy reported anemic growth again in 2019 due to the negative impact of Brexit, a historic step taken by the country at the end of January 2020. Although the increase in gross domestic product was up by 0.1 percentage points on the previous year, it remained in weak territory at + 1.4 percent (2018: + 1.3 percent).

While US economic growth showed a gradual slowdown in the course of 2019, the **US** still outperformed the eurozone as a whole. GDP rose by 2.3 percent in 2019 (2018: + 3.1 percent). The unemployment rate was once again down on the previous year at 3.6 percent (2018: 3.9 percent).

The year 2019 saw the **Chinese** economy grow at the slowest pace witnessed since 1990. Based on the figures released by the National Bureau of Statistics in Beijing, the world's second-largest economy expanded by only 6.1 percent (2018: + 6.6 percent). This was triggered by the trade dispute with the US, but also by the high level of debt, putting pressure on state-owned businesses. While the government invested heavily in the economy and infrastructure in a quest to make the country more innovative and productive, this initially weighed on economic growth. **India's** economy also failed to match the strong growth seen in the previous year in 2019 (2018: + 6.8 percent). At only 4.8 percent, GDP growth was actually two percentage points slower in 2019 than experts had predicted.

Latin America's economy is heading towards a recession with meager growth of only 0.1 percent (2018: + 1.3 percent). One reason for this lies in the weak economic performance in Mexico, one of the largest economies in Latin America.

After two consecutive years of growth, **Russia's** economic upswing tapered off in 2019. GDP grew by only 1.4 percent, down by 1.1 percentage points compared with 2018 (+ 2.5 percent).

Business trends

- **Sales up by 4.8 percent to set a new record of EUR 14.3 billion**
- **Operating result down to EUR 770 million**
- **Further increase in the share of e-business to 18.3 percent**

In 2019, the Würth Group achieved record sales of EUR 14.3 billion (previous year: EUR 13.6 billion). This represents growth of 4.8 percent. After adjustments to reflect exchange rate effects, the rate of growth came out at 4.2 percent.

Sales development in 2019 painted an unusually mixed picture. This is reflected in varying developments in the individual regions on the one hand, and within the Group's business units on the other. In Germany, sales growth was on the modest side at 2.2 percent, largely due to the critical situation faced by the automotive industry. This had a marked impact on developments in business units such as the Würth Elektronik Group, manufacturing companies and tool distributors, whose customers come from this sector of industry, and translated into a drop in sales in 2019. By contrast, Adolf Würth GmbH & Co. KG, the nucleus of the Group and the German sales organization of the Würth Line, reported growth of 5.4 percent. The Electrical Wholesale business unit actually achieved double-digit growth, also thanks to the acquisition of Grupo Electro Stocks, S.L.U., one of Spain's leading electrical wholesalers, in 2019. All in all, company acquisitions contributed 0.8 percentage points to sales growth.

Outside of Germany, the Group increased its sales by 6.7 percent. Satisfactory growth rates were achieved in Southern Europe (+ 15.4 percent; 4.9 percent after adjustments to reflect acquisitions), South America (+ 8.1 percent) and Eastern Europe (+ 6.4 percent). All of the individual regions reported an increase in sales in 2019.

The positive developments in e-business continued in 2019, and e-business sales showed above-average growth, climbing to EUR 2.6 billion in 2019. This brought their share of Group sales up to 18.3 percent. The successful model of multi-channel sales once again proved effective.

The operating result was down on the previous year at EUR 770 million (2018: EUR 870 million). One of the reasons explaining this downward trend is the gross profit margin, which came under pressure. It was not possible to pass rising purchase prices on to customers on the market in full. In addition, the Würth Group continued to invest in expanding its business model and in growth initiatives. The rate of return fell in a year-on-year comparison to 5.4 percent (2018: 6.4 percent).

In order to implement its planned strategies, the Würth Group is making sustainable investments in its various business areas and markets. Capital expenditure on intangible assets and property, plant and equipment came to EUR 705 million in 2019.

The number of employees rose by 1,606 to 78,686 in 2019. As in the past, the majority of the employees are still based in Germany. The German workforce totaled 24,344 in 2019, which corresponds to an increase of 2.4 percent. Würth is a sales company at its core. Including sales-related areas, more than 49,000 employees have direct contact with customers, with 33,979 of them working as sales representatives. Thus, the Würth Group remains the world's biggest employer of salaried sales representatives.

Sales by region

- **Germany remains biggest individual market**
- **Strongest growth seen in Southern Europe**
- **Spain benefits from company acquisition**

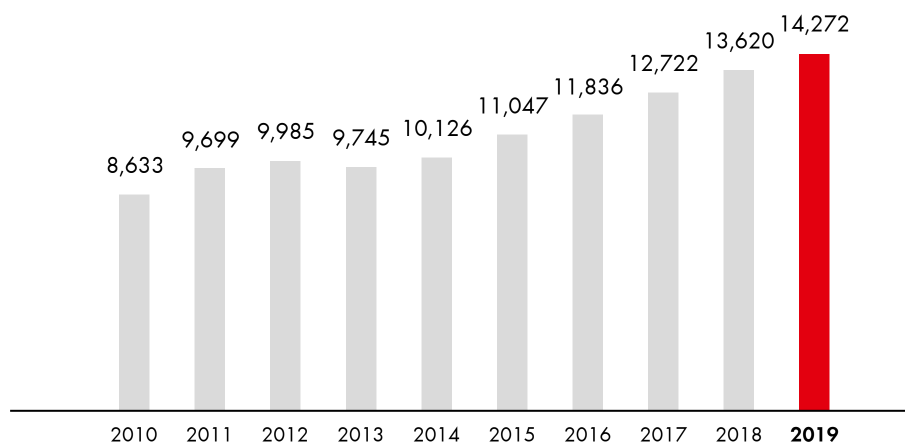
Southern Europe was the only region to report double-digit growth in 2019. With an increase of 15.4 percent, it was the fastest-growing region in the Würth Group, a trend that also benefited from acquisitions. Eastern Europe (6.4 percent) and South America (8.1 percent) also reported above-average growth rates, although the latter was held back considerably by exchange rate effects. Germany remains the most important individual market for the Würth Group, accounting for 41.3 percent of sales.

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 developing the sales force. The established entities concentrate on refining their sales divisions and expanding their sales channels, such as pick-up shops and e-business, through a regional approach, customer-specific segments, and a policy of seeking out potential.

Sales growth in **Germany** came in at 2.2 percent in 2019, bringing sales to EUR 5,900 million (2018: EUR 5,775 million), a level that fell well short of expectations. The slowdown in the automotive industry in particular clearly left its mark on sales development. As the automotive industry is one of the main sectors that the Würth Elektronik Group, for example, supplies, this part of Würth was hit by dwindling sales. The drop in demand also translated into lower sales at the subsidiary Arnold Umformtechnik, which specializes in connection technology for the automotive manufacturing industry. At our major German tool distributors, Hahn+Kolb, Sartorius, and Hommel Hercules, the waning economic momentum also had a direct impact on business, leading to declining sales after five years of dynamic growth.

Developments at Adolf Würth GmbH & Co. KG tell a completely different story. Established back in 1945, it is the nucleus of the Würth Group and is celebrating its 75th anniversary in 2020. The company, together with its 7,418 employees, reached a new milestone in 2019: Its sales surpassed the EUR 2 billion mark for the first time in its history, totaling EUR 2,094 million, including intercompany sales. This corresponds to an increase of 5.4 percent, outstripping the average figure for the Group.

SALES Würth Group in millions of EUR



SALES Würth Group in millions of EUR

	2019	2018	%
Würth Line Germany	2,252	2,147	+ 4.9
Allied Companies Germany	3,648	3,628	+ 0.6
Würth Group Germany	5,900	5,775	+ 2.2
Würth Group International	8,372	7,845	+ 6.7
Würth Group total	**14,272**	**13,620**	**+ 4.8**

Alongside the sales force and in-house sales staff, the more than 520 pick-up shops, which our customers can use to cover their immediate needs, are key to the company's positive development. Our Group's flagship is also closer to our customers than any of our competitors. In addition to the expansion of the pick-up shop network and the further expansion of direct selling, Adolf Würth GmbH & Co. KG is forging ahead with activities in the e-business segment. Professionalism, both internally and externally, is one of the reasons behind the company's high level of profitability. It tops the internal profit ranking table in absolute terms. This earnings power is also a prerequisite for our ability to invest in forward-looking distribution, logistics and product solutions. Examples include the construction of the new transshipment depot directly next to the A6 highway and an innovation center that is being built on the Künzelsau campus.

In addition to Adolf Würth GmbH & Co. KG, Fega & Schmitt Elektrogroßhandel GmbH can look back on an extremely successful fiscal year in which it also set a new record. Sales rose by 8.6 percent to EUR 515 million, breaking through the EUR 500 million barrier for the very first time. The company has been demonstrating a high level of dynamism and professionalism for years now, and has managed to double its sales in the space of only ten years.

Out of a total of more than 33,900 sales representatives, 6,412 of them are employed in Germany. Overall, Germany generated an operating result of EUR 389 million (2018: EUR 436 million), thus representing the most profitable region.

For the first time, **the Americas** make up the second-largest sales region of the Würth Group, accounting for 14.3 percent of total sales. The companies stepped up sales by 6.8 percent to EUR 2,048 million. Sales growth was more subdued in local currency terms, largely due to developments in the US, the region's largest individual market. The macroeconomic situation clouded over somewhat due to the trade dispute with China, although the country's unemployment rate is at an all-time low, providing a boost to consumption—the pillar that has traditionally propped up the US economy. Companies in the Industry division and within Würth Elektronik in particular were unable to reap the benefits from these rather favorable economic conditions.

South America was one of the best-performing regions in the Würth Group with sales growth of 15.4 percent in local currency terms. The largest company in the region, Würth Brazil, delivered particularly convincing performance, reporting a double-digit increase in sales expressed in the local currency.

Western Europe was responsible for sales of EUR 2,016 million. This region is home to many of the Group's more established companies, as it was where the internationalization of the Würth Group began. Western Europe is one of the key factors in the Group's success. With growth of 2.8 percent, Western Europe fell just short of the growth rates achieved in previous years. This is due, among other factors, to the below-average development seen at companies in Austria, which was, in turn, influenced to a considerable degree by negative business development at fittings manufacturers. The companies in Switzerland, on the other hand, showed positive development, especially the Swiss direct selling company, which was able to shift up a gear again after a period of restructuring. France is the biggest source of sales in this region with a share in excess of 35 percent and a growth rate that outstripped both the regional average and the average for the

THE WÜRTH GROUP AROUND THE WORLD

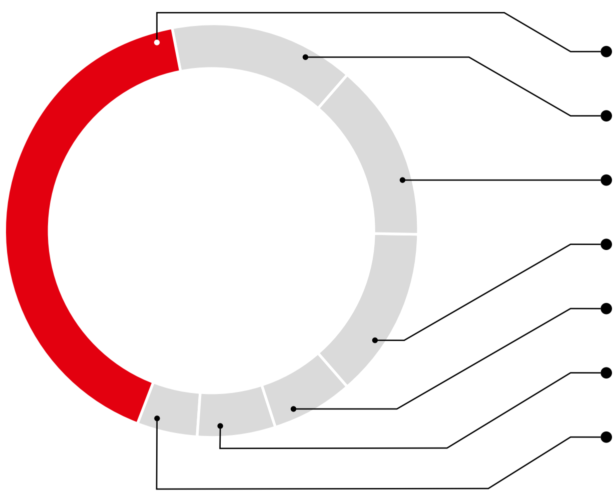
■ Countries in which Würth is represented

Würth Group as a whole. The United Kingdom is also part of the Western European region. It is not yet possible to fully predict the consequences of Brexit on our activities. The British companies recorded lower sales, both in euro and in local currency terms, in 2019.

With growth of 15.4 percent in euro terms, **Southern Europe** clearly stands out from all of the Würth Group's other regions as the only region to report double-digit growth. Although the increase was supported by acquisitions, it reflects the sustained upward trajectory that companies in this region have been on for no fewer than five years running. The companies in Italy and Spain in particular made a huge contribution to sales growth in the region, reporting sales growth of 12.4 percent and 28.0 percent respectively.

It has always been part of the Group's growth strategy to add targeted acquisitions to successful business areas where it makes sense to do so. Last year, the regional focus of the Group's company acquisitions was on Spain. Würth Electrical Wholesale Group (W.EG) expanded in Spain by acquiring 100 percent of the shares in Grupo Electro Stocks, S. L. U. The company was established in 1981 and is headquartered in Barcelona. Grupo Electro Stocks reported sales of EUR 284 million in 2019, employed a workforce of 975 in 66 pick-up shops, and operates in the electrical wholesale business, while also trading in heating, ventilation and air conditioning products, as well as in sanitaryware. The Southern European region employs a total workforce of 12,486, over 60 percent of whom work as sales representatives.

SALES Regions of the Würth Group



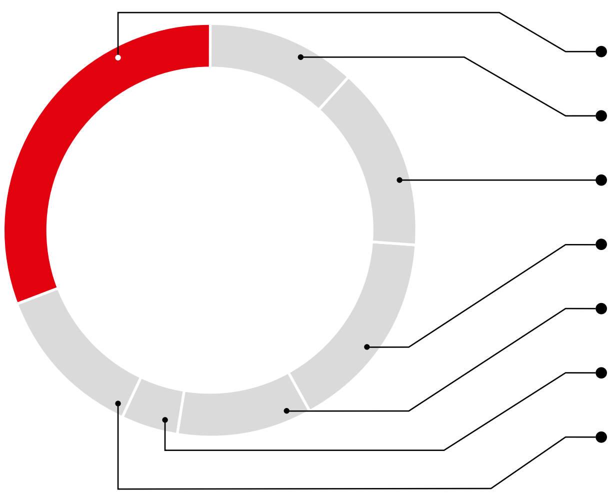
	2019 in %	**2019** in millions of EUR	2018 in millions of EUR	Change in %
Germany	41.3	5,900	5,775	+2.2
The Americas	14.3	2,048	1,917	+6.8
Western Europe	14.1	2,016	1,961	+2.8
Southern Europe	13.1	1,866	1,617	+15.4
Eastern Europe	6.5	926	870	+6.4
Scandinavia	6.1	867	845	+2.6
Asia, Africa, Oceania	4.6	649	635	+2.2
Total		**14,272**	**13,620**	**+4.8**

Although growth momentum in the **Eastern European** region was above average at 6.4 percent, this was not quite enough to match the high level seen in 2018. One positive development is the fact that the companies in Poland, the country with the highest sales in the region, more than doubled their growth momentum year-on-year by 9.2 percent. It is also encouraging to see that we achieved the sales growth witnessed in this region under our own steam. The Würth Group employs more than 8,000 people in the region.

The structure of companies in the **Scandinavian** region has been relatively stable in recent years, which also reflects the maturity of the market. Nevertheless, the 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 consistently impresses with its excellent market penetration and high profitability. Würth Finland also spearheaded the spread of the successful sales concept of "pick-up shops" within the Würth Line. The company now has 185 pick-up shops.

Asia, Africa and Oceania still only play a minor role for the Würth Group at present. The share of sales attributable to this region has been stable at a level of just under five percent for years now.

EMPLOYEES Regions of the Würth Group

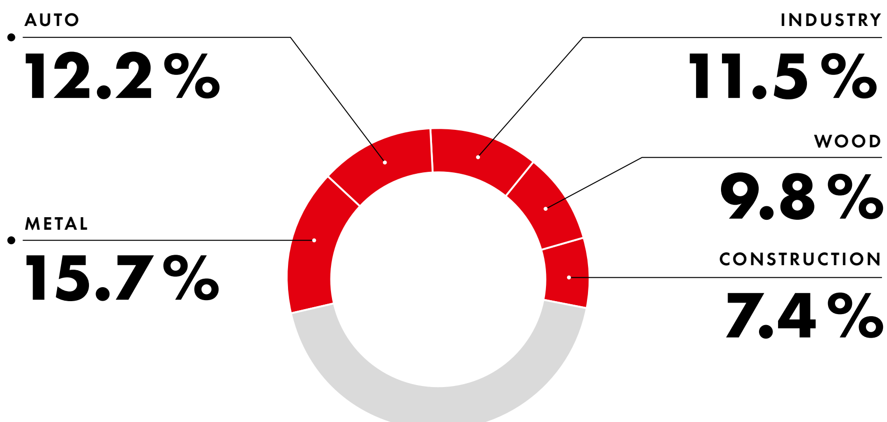


	2019 in %	**2019**	2018	Change in %
Germany	30.9	24,344	23,772	+2.4
The Americas	11.7	9,245	9,187	+0.6
Western Europe	14.5	11,410	11,246	+1.5
Southern Europe	15.9	12,486	11,454	+9.0
Eastern Europe	10.4	8,202	7,818	+4.9
Scandinavia	4.5	3,505	3,416	+2.6
Asia, Africa, Oceania	12.1	9,494	10,187	-6.8
Total		**78,686**	**77,080**	**+2.1**

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, plumbers, and air-conditioning and ventilation system firms.

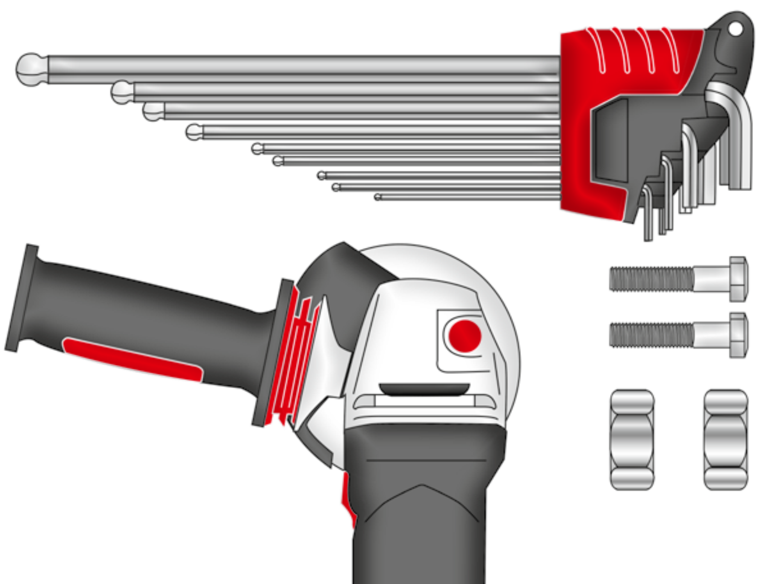
Maintenance subdivision
This subdivision addresses customers with in-house repair shops, such as industrial enterprises, hotels, shopping centers, airports, and hospitals.

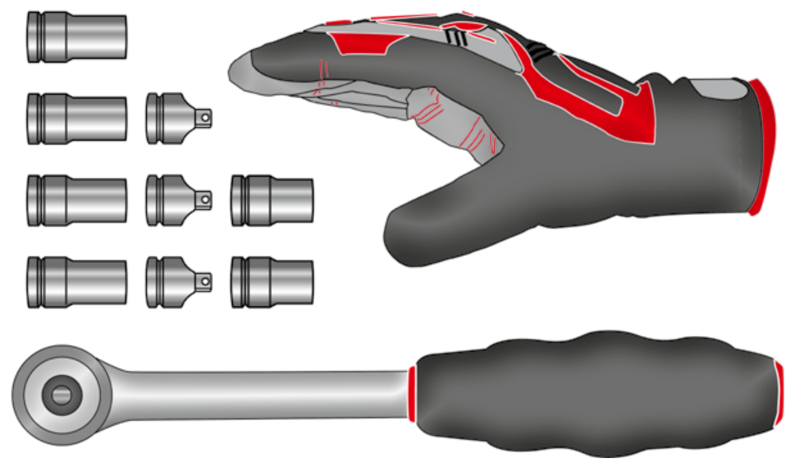
Auto division

Proximity to customers is a key success factor for the Auto division, along with our extensive range of top-quality products, as well as systems and services that make our customers' processes easier. At the same time, we are helping our customers to meet the rapidly changing demands of the automotive and commercial vehicle market, and are expanding our product range to include key specialist areas, such as special tools and solutions for alternative drive systems.

Car subdivision
The customers in the car subdivision include vehicle manufacturers, brand-specific and independent car dealers, customers with large vehicle fleets, specialist businesses such as bodywork specialists, vehicle restorers, tire changing businesses, and the bike segment. 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 with their own workshops, independent repair workshops, freight forwarders and transportation companies, bus companies, businesses specializing in repairing and renting working platforms and forklifts, public-sector utilities and waste disposal companies, and 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 consultancy advice.

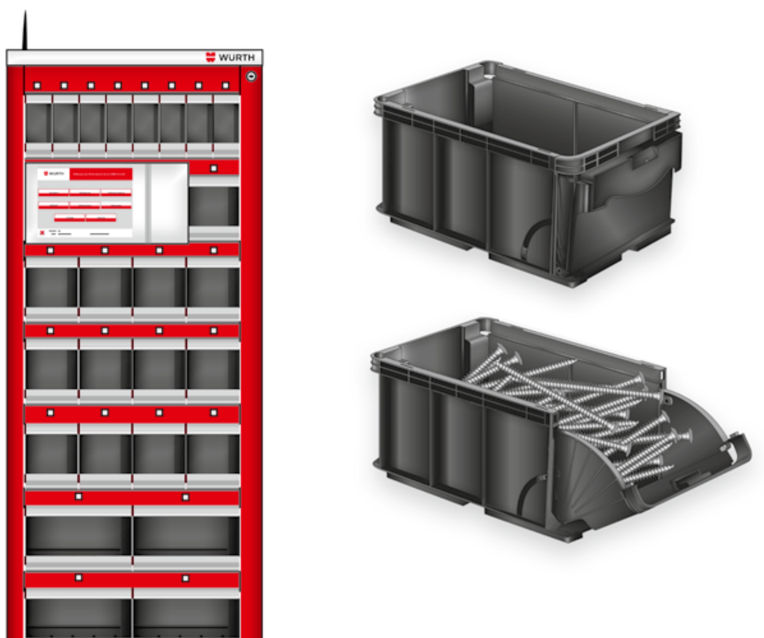
The innovative further development of procurement and logistics systems within the Industry division is emphasizing the role of full automation and systems in stocking and replenishing Würth products for manufacturing customers. One key focus remains the maximum security of C-part supplies directly at 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.

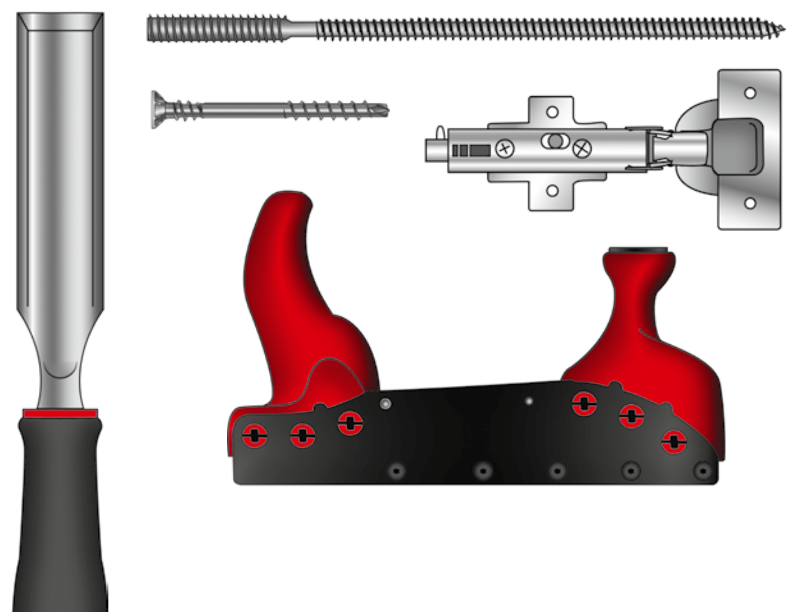
The strategic focus remains on personal on-site customer service thanks to a global network and, as a result, the same high standards of quality, products and processes across the globe.

Wood division

In the core areas of interior finishing, window makers and window fitters, the Wood division offers the woodworking and wood processing trade a product range designed to meet their requirements, as well as a solution-oriented service portfolio.

In addition to stationary direct sales, we are responding to our customers’ increasingly dynamic ordering behavior and forging ahead with the use of online ordering services and planning aids. We are setting trends with our innovative product and application initiatives. One example is the innovative digital furniture configurator Wüdesto. The product spectrum of the Wood division 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.

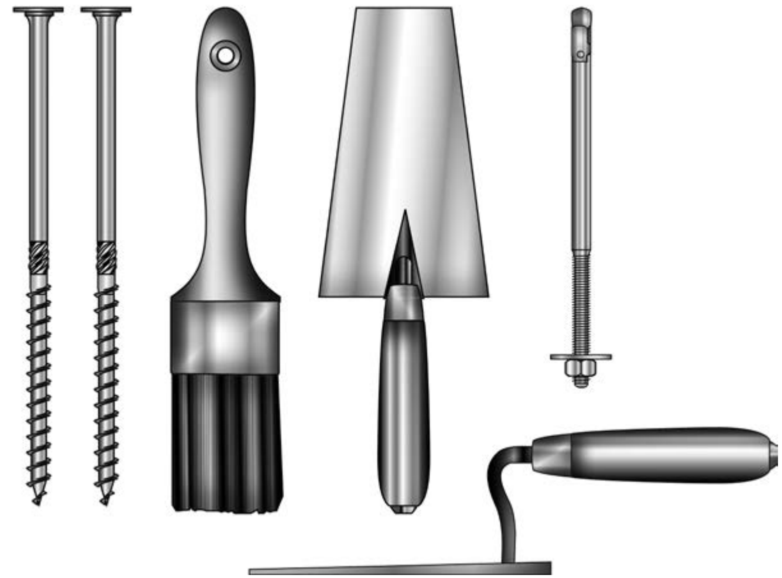




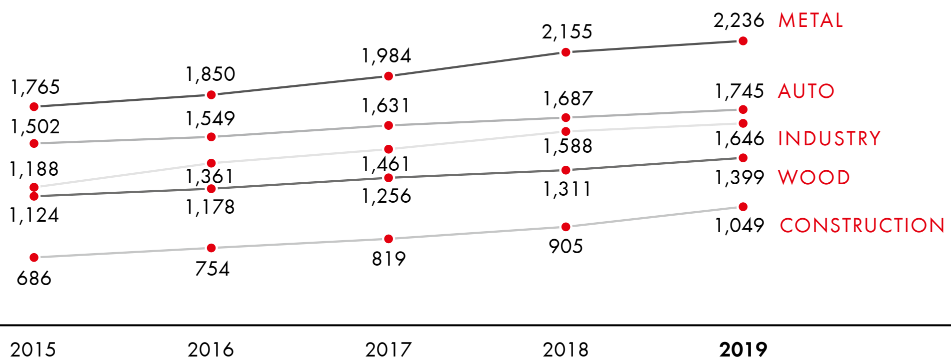
Construction division

The Construction division aims to supply construction companies across the globe with regional, national and international operations with top-level products and services that are as standardized as possible. The pick-up shops are the ideal port of call for customers looking to cover their immediate needs. Sales representatives act as a permanent point of contact on the construction site. They are responsible for optimizing the processes associated with the main trades involved in the shell construction phase and in the building's various technical installations as part of the project business.

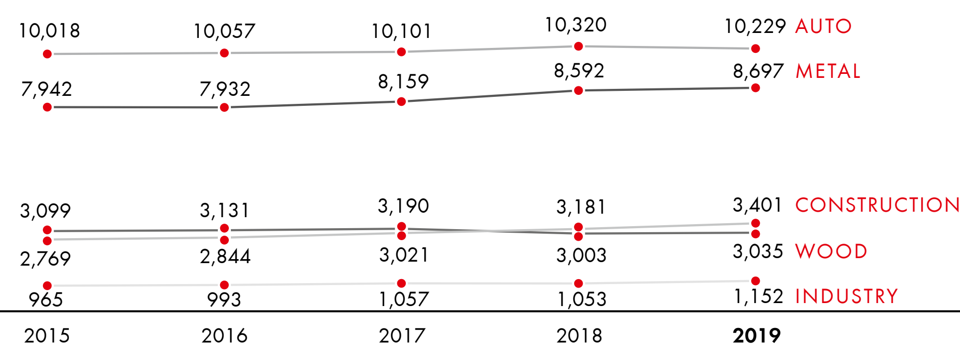
The Construction division encompasses all sales units responsible for serving customers in the building and civil engineering industry and finishing trades. Cultivation of the market focuses on construction companies, technical building equipment, roof and wood construction customers, finishing and facade 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. There is an increasing focus on strategic target groups such as builders, project managers, planners and architects.



SALES BY DIVISION in millions of EUR



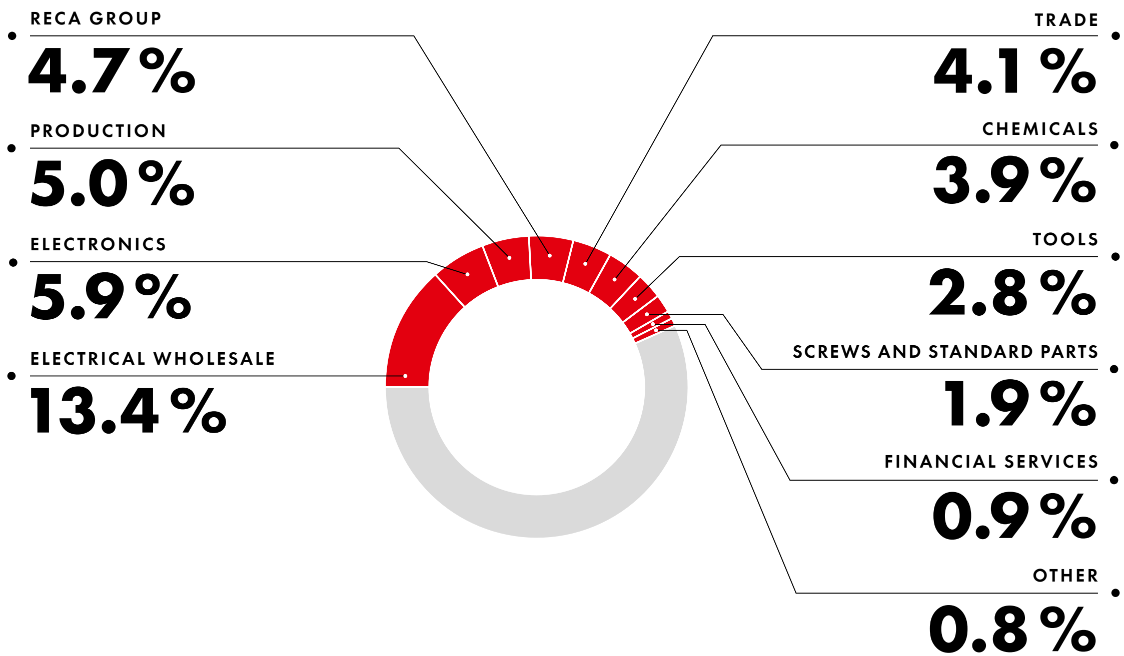
SALES REPRESENTATIVES BY DIVISION



The Business units of the Allied Companies

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

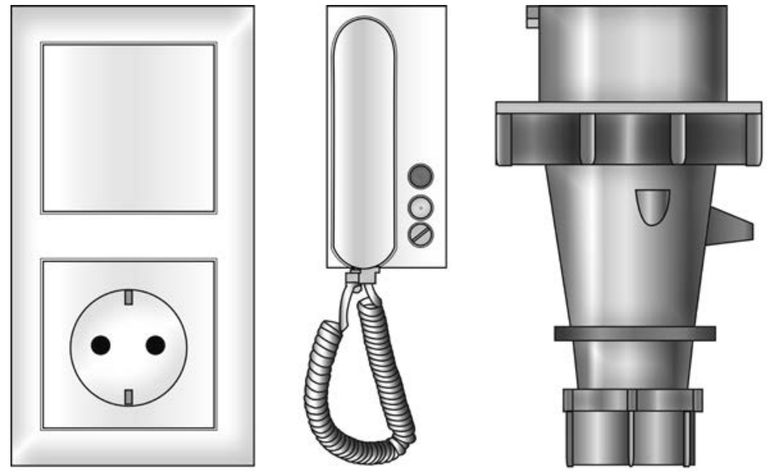
SHARE OF SALES OF THE BUSINESS UNITS OF THE ALLIED COMPANIES in relation to the Würth Group's total sales



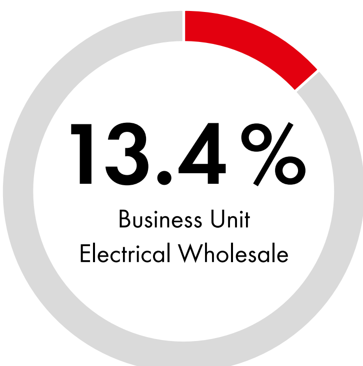
Electrical Wholesale

The business activities of these companies include products and systems covering the areas of electrical installation, industrial automation, cables and 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. Trading activities are supplemented by extensive consultancy and service ranges and are aimed at professional customers from the retail/wholesale sector, trade and industry.

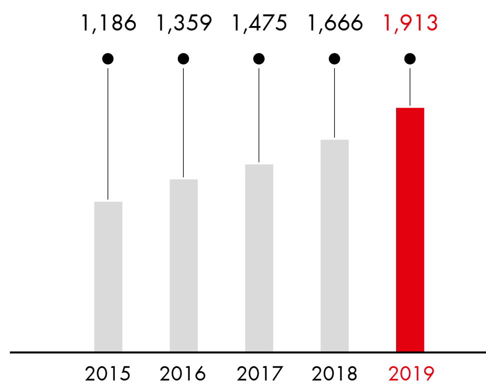
- Another sales record set with growth well in excess of the market average
- Digitalization advancing successfully: e-commerce reports above-average growth
- More than 5,000 employees for the first time
- Warehouse capacity almost doubles: official opening of the new Fega & Schmitt warehouse in Heilsbronn
- Sales trade fairs organized by the Italian companies MEF (based in Florence) and MEB (based in Schio) attract more than 20,000 visitors.
- Entry into the Spanish market: acquisition of Grupo Electro Stocks, S.L.U., one of Spain's leading electrical wholesalers, headquartered in Barcelona



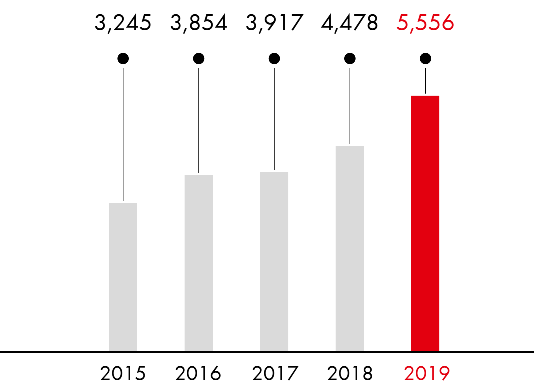
SHARE OF TOTAL SALES



SALES in millions of EUR

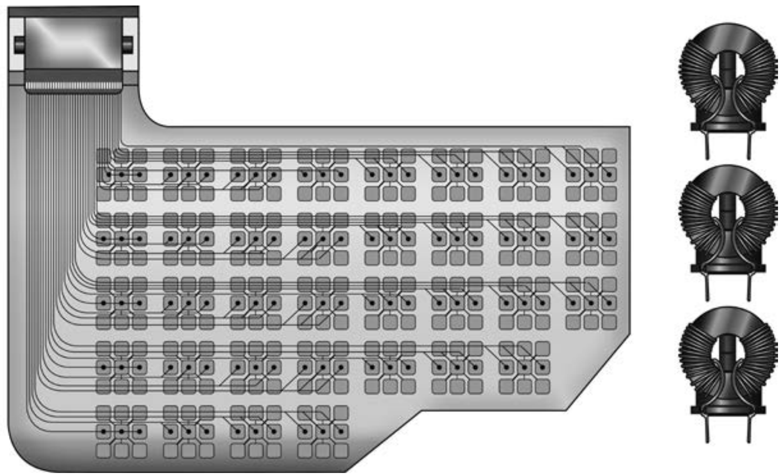


EMPLOYEES



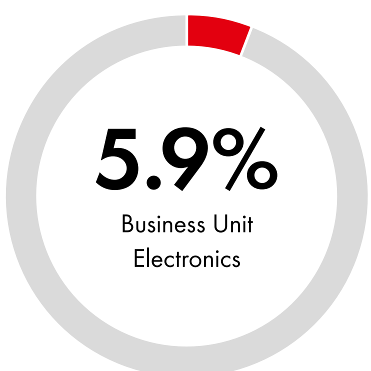
Electronics

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

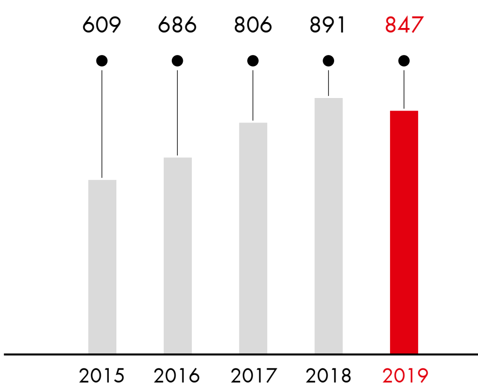


- Würth Elektronik Group: crowned “Innovator of the Year” by the business magazine Statista for the third time running
- Würth Elektronik CBT: R&D department moves into the new Reinhold-Würth-Hochschule building in Künzelsau, featuring spaces for work, research and lab facilities; focus on digitalization in electronics
- New printed circuit board production process: first few customer orders and start of series production for new, additive printed circuit board technology using 3D inkjet printing
- Würth Elektronik eiSos: opening of Quality & Design Center in Shenzhen, China, and “Open Space” for creative thinkers and developers on the EUREF Campus in Berlin
- Gold Research and Transfer Prize awarded by the Chamber of Industry and Commerce of Heilbronn-Franconia in 2019: new technologies for the manufacture of miniaturized inductive components using semiconductor technology
- Würth Elektronik ICS: market launch and implementation of the first few customer projects featuring high-voltage power distribution solutions for electric and hybrid vehicles

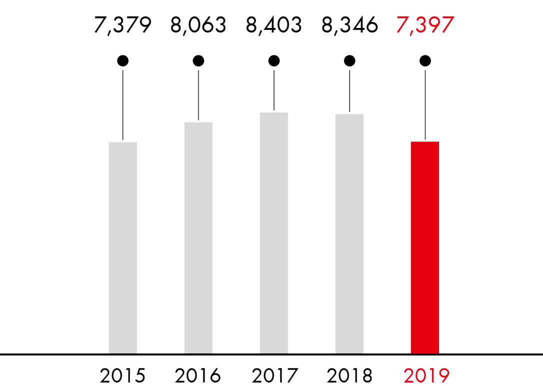
SHARE OF TOTAL SALES



SALES in millions of EUR

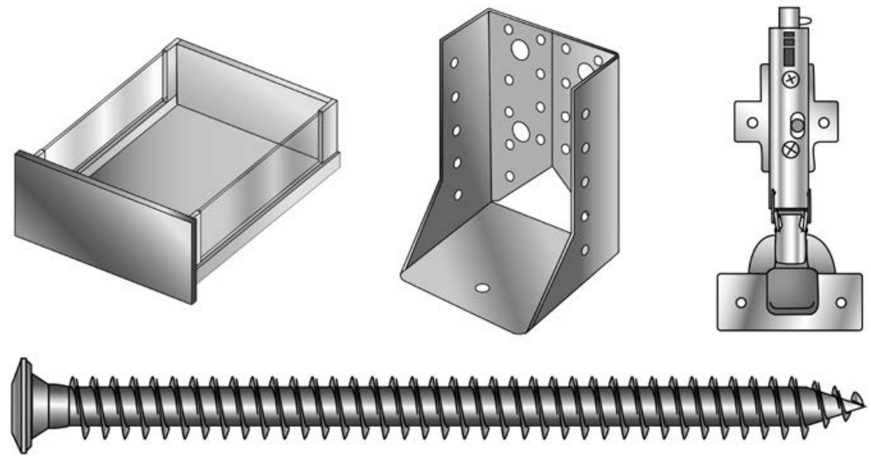


EMPLOYEES



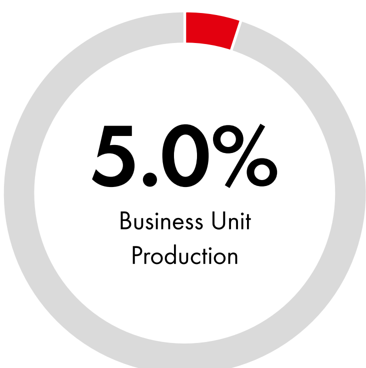
Production

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

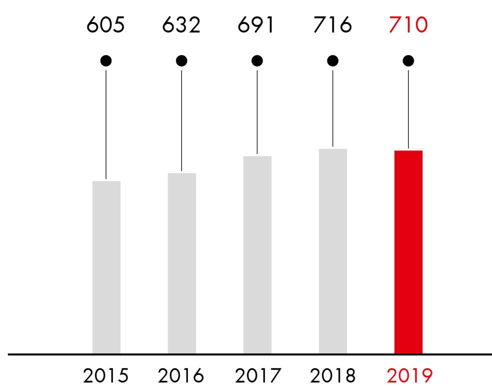


- Commissioning of one new hall each at three companies: KMT in Switzerland, Reisser Galvanik in Criesbach, and Sonderschrauben Güldner in Niederstetten
- Expansion of automated production steps at manufacturing companies
- Packaging system featuring palletizing robots set up at Arnold in Dörzbach
- Focus on process optimization
- Plans to consolidate Grass external warehouses in a new warehouse building in Hohenems largely completed
- Commissioning of a new machine for faster slide system production at Grass in Vorarlberg
- New production facilities at Arnold in Dörzbach and SWG in Waldenburg scheduled for completion in 2020

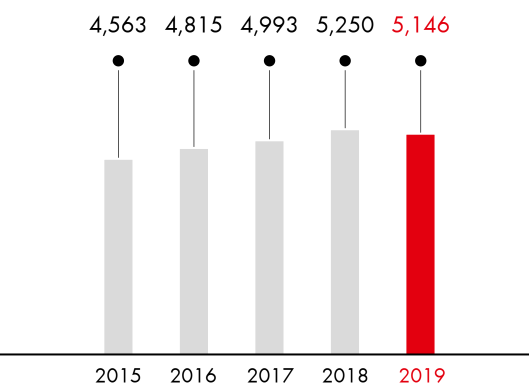
SHARE OF TOTAL SALES



SALES in millions of EUR



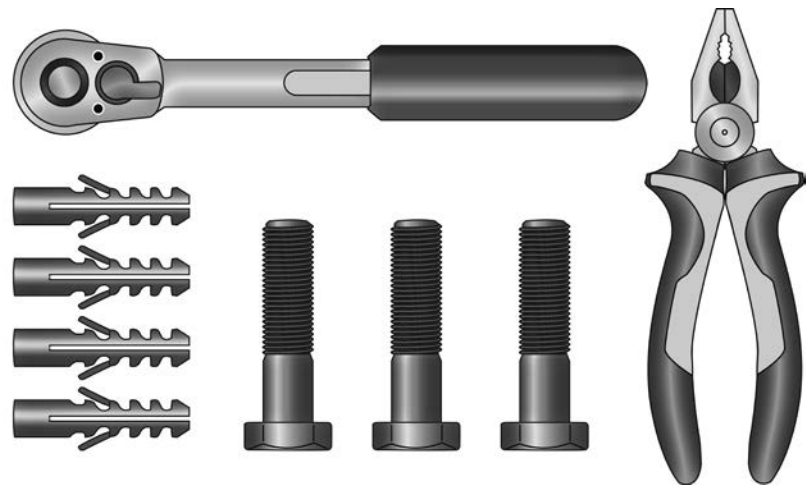
EMPLOYEES



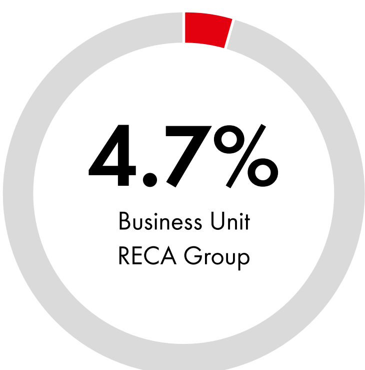
RECA Group

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

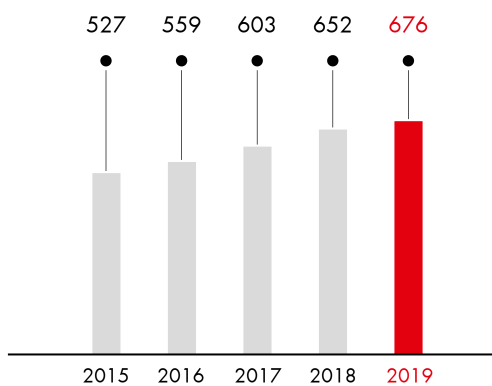
- Market cultivation in Europe by 27 companies operating in 19 countries
- Growth by broadening the customer base in all divisions
- Exploitation of customer potential by expanding and adapting the product range to meet customer requirements
- Focus on services that help customers reduce procurement costs for small parts, such as KANBAN and RFID-supported storage systems, the SECO® shelf management system (service concept) for trade customers, shelf and vending solutions for the direct retrieval of goods and automated reordering for customers
- Continued good prospects for the future thanks to the combination of digital sales systems with customer support by the traditional sales force
- Tapping markets by implementing a trading partner concept in (mainly European) countries in which the RECA Group has not been active to date



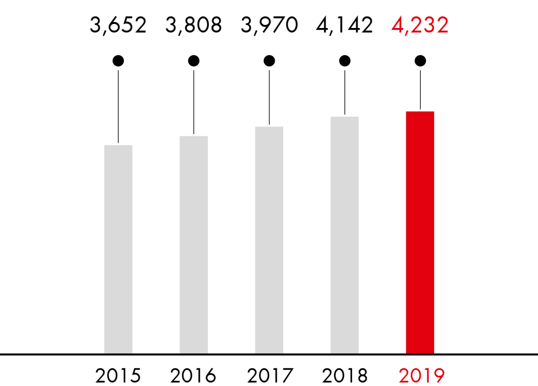
SHARE OF TOTAL SALES



SALES in millions of EUR

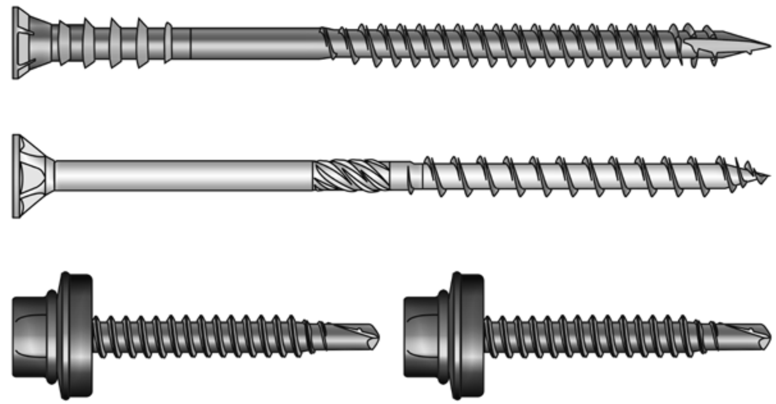


EMPLOYEES



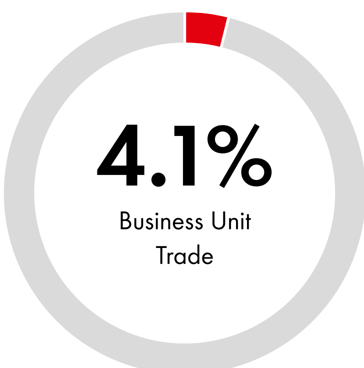
Trade

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

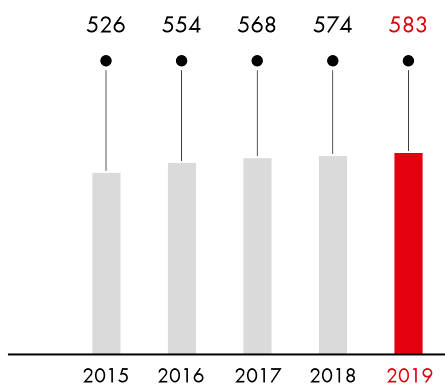


- Strong focus on branded products and customers' own brands
- Sophisticated shelf and packaging systems
- Special solutions tailored to customer needs and requirements
- Expansion of e-commerce and digitalization, differentiation from the competition by using multi-channel solutions
- Investment in IT infrastructure and forward-looking technologies such as electronic shelf labels and mobile coupons
- Own social media channels with videos and information on new articles as well as tips on product applications
- Customer segmentation for optimum and targeted customer support and contact
- Reduced packaging variety in the interest of sustainability

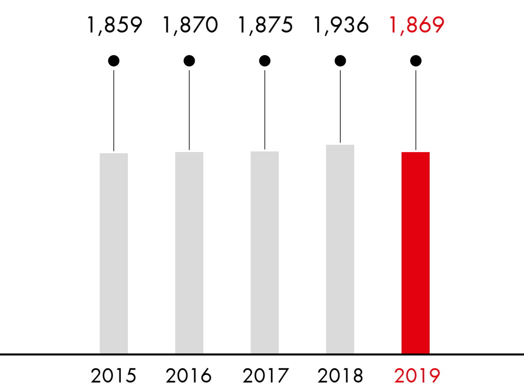
SHARE OF TOTAL SALES



SALES in millions of EUR



EMPLOYEES

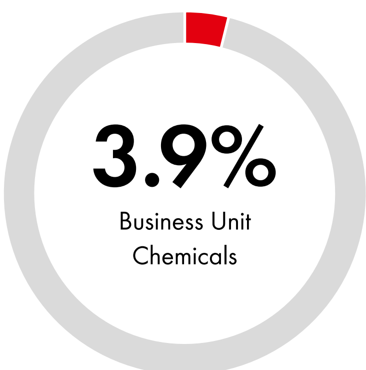


Chemicals

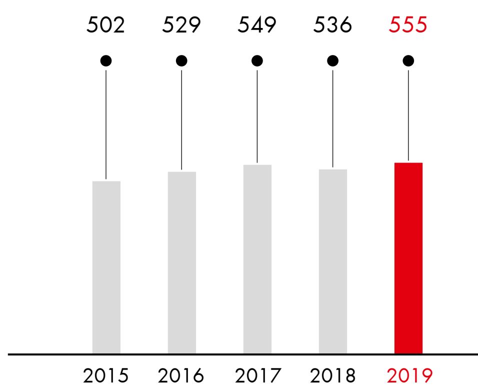
The companies in the Chemicals unit are responsible for the development, manufacturing and distribution of chemical products for the automotive, industrial and cosmetics industries. They distribute both their own brands and private label products, and are renowned as innovation specialists and experts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

- Relaunch of the Dinitrol brand (corrosion protection, sealants and adhesives)
- Expansion of the micro flex® product line: fuel system for dissolving deposits in engines
- Further restructuring of the cosmetics segment
- Regional presence expanded
- Research and development as an integral part of the business unit: offering innovative solutions such as innovative formulas and application developments
- Strong focus remains on production: investments in the areas of occupational health and safety, the environment and automation to increase efficiency

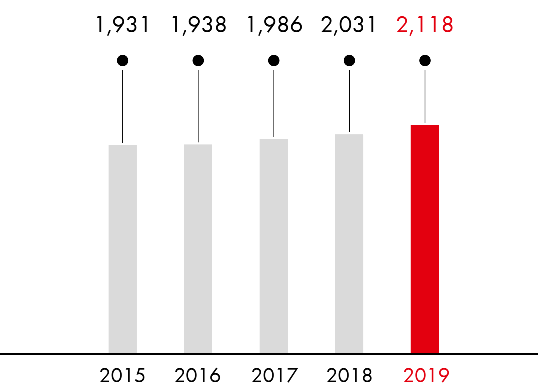
SHARE OF TOTAL SALES



SALES in millions of EUR



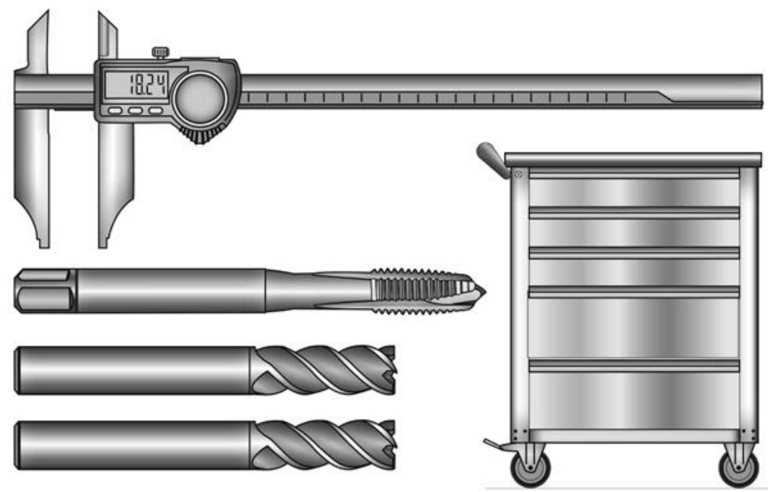
EMPLOYEES



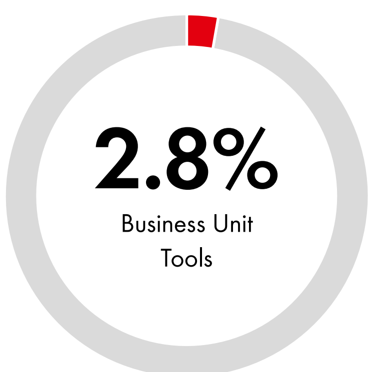
Tools

The tools companies supply customers in the metalworking and metal processing industries, particularly in the mechanical and plant engineering sector, and in the automotive manufacturing and automotive supplier industry. They sell products from the areas of drilling, milling, turning, clamping technology, testing and measurement equipment, hand tools, grinding, operating equipment, personal protective equipment, and machinery.

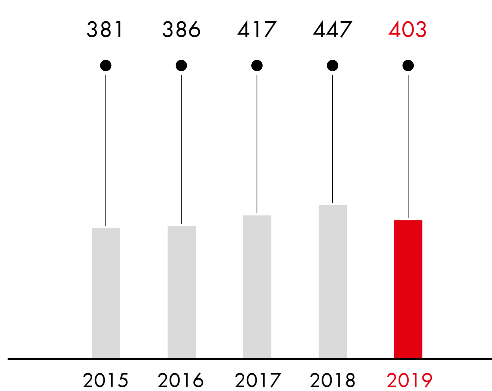
- Less willingness to invest, particularly in the German mechanical and plant engineering sector, and in the automotive manufacturing and automotive supplier industry
- Sales down by 2.1 percent (adjusted to reflect the sale of Monks & Crane, UK, in 2018) due to a drop in sales in investment-related areas such as testing and measurement equipment, machine tools, and operating equipment
- Expansion of the ATORN® and ORION® proprietary brand share with a focus on metal cutting, hand tools, and occupational health and safety
- Moves to press ahead with e-business via the web shop, customer integration in systems, electronic catalogs, and tool dispensing systems
- Continued roll-out of SAP and online shop systems at national companies



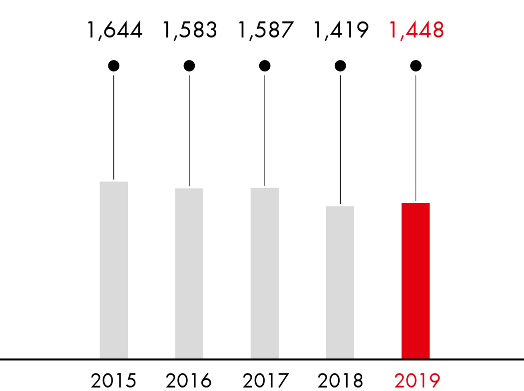
SHARE OF TOTAL SALES



SALES in millions of EUR



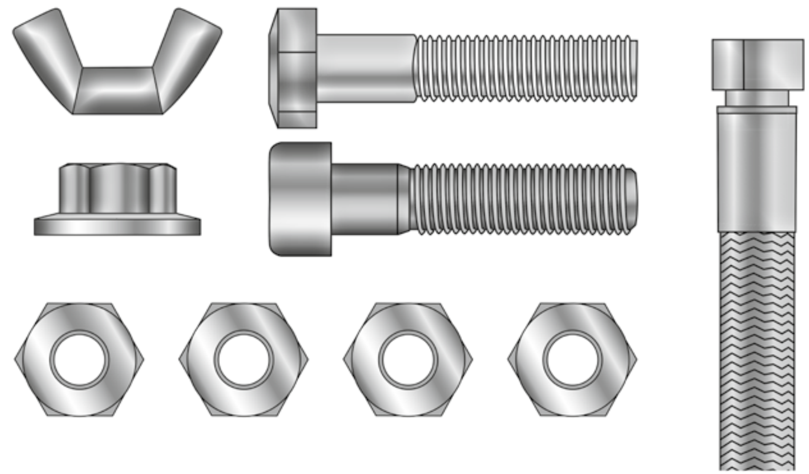
EMPLOYEES



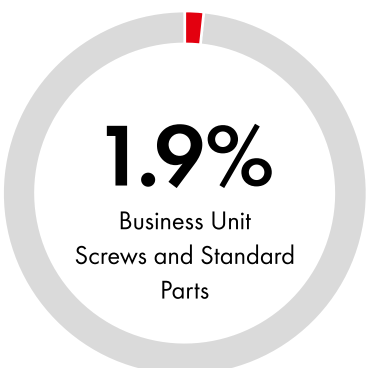
Screws and Standard Parts

The stainless steel companies are product specialists with supply concepts for industry and trade. The unit's main business activity is the sale of stainless connecting elements, in particular DIN and standard parts. The hydraulic companies specialize in trading in hydraulic connection technology and providing the associated services.

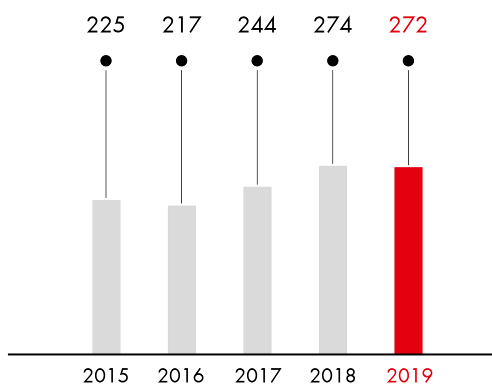
- Sales in 2019 focused primarily on the distribution of DIN and standard stainless-steel parts
- Shortage of nickel stocks due to Chinese environmental policy
- Rising demand for nickel as a raw material due to increasing production of nickel metal hybrid batteries for electric cars
- Expansion of the Inox Mare warehouse, Italy, to include 12,000 new pallet bays
- Hydraulic companies report record sales
- Introduction of tablets to record service orders for the Sprinter® service fleet (D-ProS system)
- Additional services on data management for hydraulics customers (S.M.S.—Safety Management System)



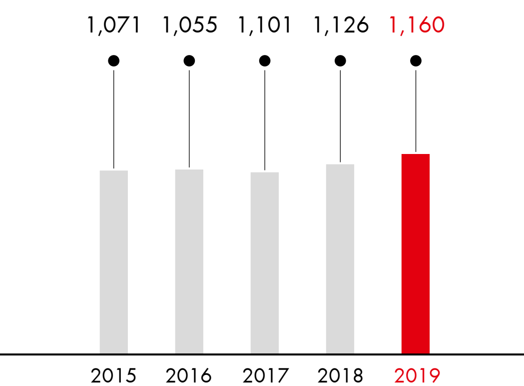
SHARE OF TOTAL SALES



SALES in millions of EUR



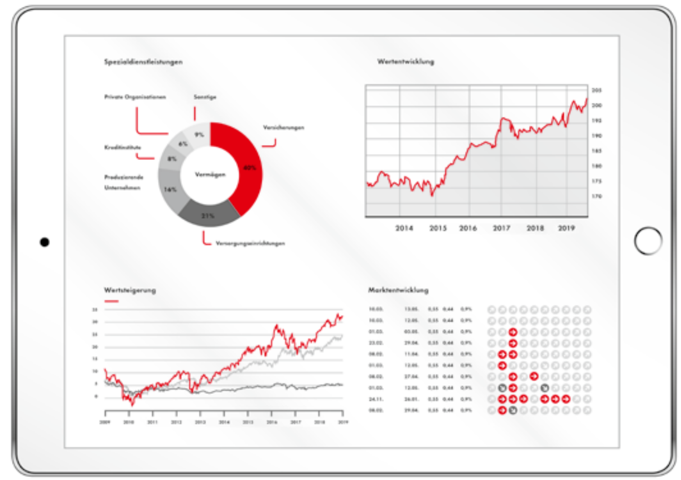
EMPLOYEES



Financial Services

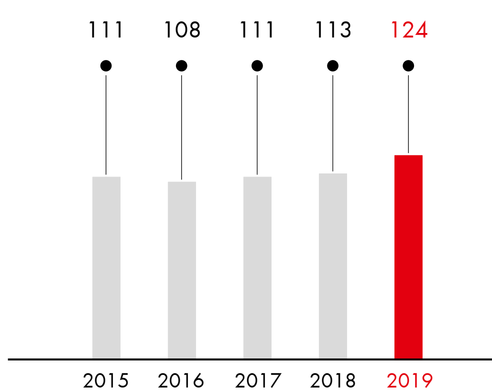
In addition to its conventional screw-based business, the Würth Group has also specialized in financial services for business and retail customers alike. Financing, leasing, retirement plans, property and personal insurance as well as asset management are among the services offered.

- IBB bucks the industry trend, reporting positive earnings development
- Commercial real estate business and receivables financing in the sports sector prove to be sustainable earnings drivers
- Systematic process to promote innovative ideas to bolster the position of the niche bank
- Leasing companies: dynamic growth despite a market environment that remains challenging; outstanding first fiscal year for the newly established Würth Truck Lease
- Waldenburger Versicherung: improved result despite damages running into the millions; tapping into further growth potential offered by retail customers and lines of insurance for small businesses thanks to systematic implementation of the distribution and digitalization strategy
- Würth Financial Services: strengthening of market position in Switzerland with the acquisition of Optima Versicherungsbroker AG
- Focus on boosting productivity thanks to the systematic centralization of in-house staff functions and use of shared service structures

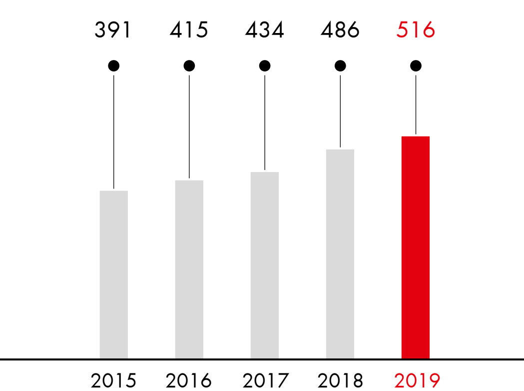


SHARE OF TOTAL SALES

SALES in millions of EUR



EMPLOYEES

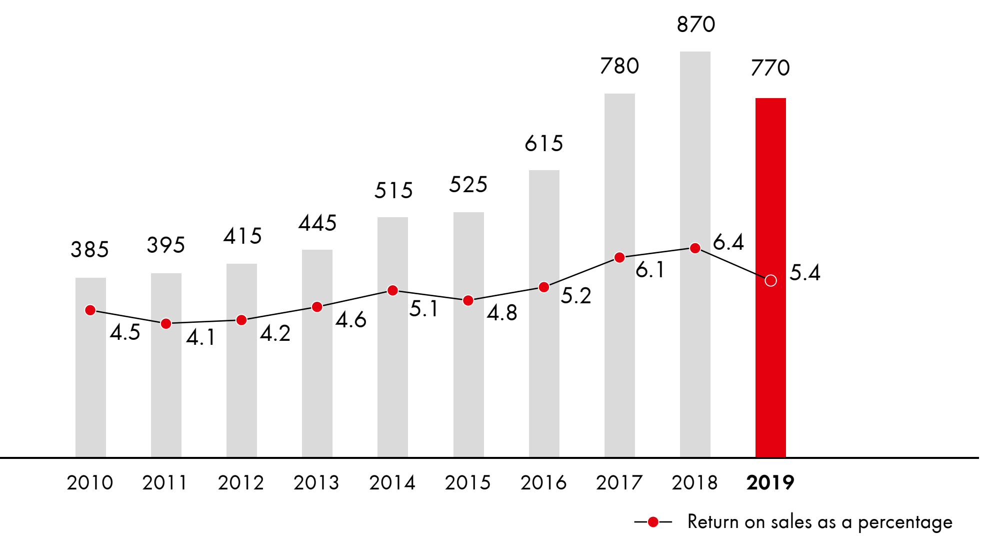


Net assets, financial position and results of operations

- **Operating result down to EUR 770 million**
- **Investments reach record high**
- **Equity ratio of 44.0 percent**

At EUR 770 million, the Würth Group was unable to match the record operating result of EUR 870 million achieved in the previous year. The operating result fell by 11.5 percent, bringing the return down to 5.4 percent (2018: 6.4 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.

PRE-TAX OPERATING RESULT Würth Group in millions of EUR



In Germany, the operating result fell by 10.8 percent to EUR 389 million (2018: EUR 436 million), a drop that was only slightly less pronounced than that seen at companies outside of Germany (–12.2 percent). The drop in earnings in Germany is due, first, to the fact that the German market is more heavily reliant on the automotive industry/mechanical engineering sector from the perspective of the Group as a whole. The negative trend in those industries put pressure on earnings at companies trading in tools, within the Würth Elektronik Group and at individual manufacturing companies.

The share of the Group's overall result attributable to the German companies was 50.5 percent, with the return on sales amounting to 6.6 percent (2018: 7.5 percent). With an operating result in excess of EUR 160 million, Adolf Würth GmbH & Co. KG made what was by far the biggest contribution to earnings of any other single company in the Group. Other top performers within Germany include: Würth Elektronik eiSos, Würth Industrie Service and Fega & Schmitt Elektrogroßhandel.

As far as the companies outside of Germany are concerned, reliance on particular areas of the economy was once again reflected in earnings development. This was compounded by a need for restructuring at individual industrial companies in the US and by the gross profit margin, which came under pressure. It was not always possible to pass on rising purchase prices to the customers on the market. The situation in the United Kingdom also remains challenging due to the uncertainty surrounding Brexit. As things stand at the moment, however, we do not expect Brexit to have any significant impact on the Würth Group's net assets, financial position and results of operations. The companies outside of Germany achieved an operating result totaling EUR 381 million (2018: EUR 434 million).

The ratio of cost of materials to sales was up slightly on the previous year at 50.1 percent (2018: 49.9 percent). It was impossible to keep this ratio stable due to rising commodity prices. At EUR 108 million, other operating income was higher than in the previous year (2018: EUR 96 million). The 12.0 percent increase is due primarily to the remeasurement of earn-out liabilities at US industrial companies.

At the end of December 2019, the Würth Group had a total of 78,686 employees. Face-to-face contact is the strength of our direct selling 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. A total of 761 additional employees joined the sales team in 2019. The workforce in our in-house departments increased by 1.9 percent. A total of 996 employees joined the Group as a result of acquisitions. The ratio of personnel expenses to sales was up slightly on the previous year at 27.0 percent (2018: 26.8 percent).

Amortization and depreciation virtually doubled in a year-on-year comparison to EUR 721 million (2018: EUR 375 million), mainly due to the first-time adoption of IFRS 16. The application of this standard increases property, plant and equipment (right-of-use assets), with a knock-on effect on depreciation. Without the application of IFRS 16 and without the rise in impairment losses on goodwill relating to the US industrial companies in the amount of EUR 54.3 million, amortization and depreciation would have increased by 7.9 percent. This increase is due to the increased investment and the acquisitions made by the Würth Group in recent years.

Other operating expenses fell by 7.2 percent as against the previous year. The ratio was down considerably year-on-year to 13.1 percent (2018: 14.7 percent). This drop is, however, due first and foremost to the first-time adoption of IFRS 16. In the past, for example, rental and lease costs were reported under other operating expenses. The new standard means that these expenses are now assigned to amortization and depreciation, or interest expenses. Adjusting to reflect this effect, other operating expenses would have risen by 6.0 percent.

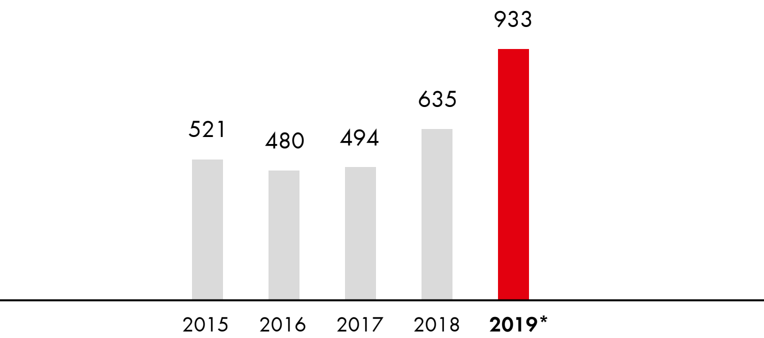
The tax rate fell in the 2019 fiscal year to 18.8 percent (2018: 20.5 percent). One of the main reasons behind this development was a change in the tax base for the coming fiscal years in Switzerland, reducing taxes in 2019 due to the recognition of a deferred tax asset. The reversal of previous impairment losses on temporary differences also had a positive effect. The increase in non-tax-deductible amortization of goodwill, primarily with regard to US industrial companies, had the opposite effect. For a detailed analysis, please refer to Section G. Notes on the consolidated income statement, [10] “Income taxes”, in the consolidated financial statements.

The Würth Group achieved a new sales record of EUR 14.3 billion in the 2019 fiscal year. Despite the increase in sales, the operating result lagged behind the previous year at EUR 770 million. Net income for the year fell to EUR 595 million. Our gross profit, meaning sales minus the cost of goods sold, along with our staff turnover, stock turnover and sales per employee, improved or are at an acceptable level. This means that the sales target was met, whereas the operating result fell short of the expectations of the Central Managing Board. If we take the developments in the global economy into account, which started to cloud over considerably as of the third quarter of 2019, these results can be classed as satisfactory.

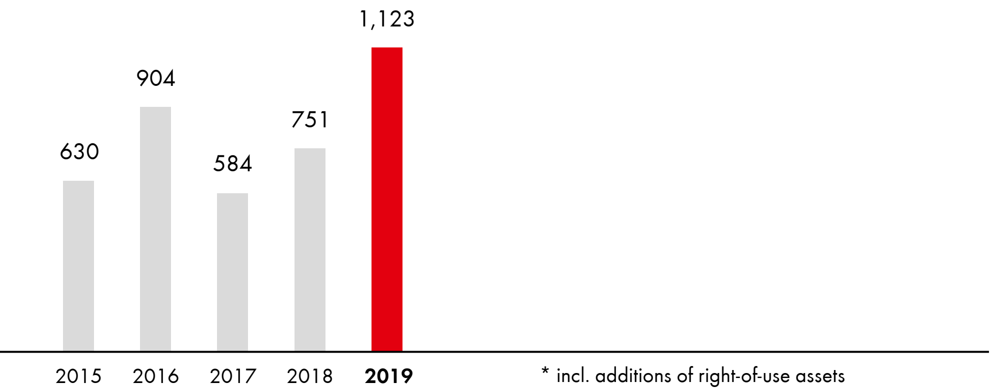
Capital expenditures and cash flow

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 4.8 billion in intangible assets and in property, plant and equipment. In the last fiscal year, investments in the total amount of EUR 705 million (2018: EUR 635 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.

INVESTMENTS Würth Group in millions of EUR



CASH FLOW FROM OPERATING ACTIVITIES Würth Group in millions of EUR



* incl. additions of right-of-use assets

SWG Schraubenwerk Gaisbach GmbH expanded its production capacities in Waldenburg with the construction of a state-of-the-art hall spanning a surface area of 96 x 113 meters. Just under 1,700 cubic meters of wood were used in the construction process—around a quarter of which was BauBuche, a laminated veneer lumber. Allowing for a span of up to 82 meters using only one mid-section support, the innovative BauBuche material offers the very highest levels of stability. The total amount invested comes to around EUR 30 million. By deliberately opting for timber construction, SWG is sending out a clear signal, pointing to the positive impact of the natural material in terms of climate protection thanks to its ability to store CO_2.

Grass GmbH, Austria, made the biggest investment in its history, constructing a central warehouse in Hohenems. The manufacturer of movement systems for high-quality furniture constructed a logistics center featuring a state-of-the-art office and customer center in order to optimize its supply chain management. Around 100 employees will start work in Hohenems in mid-2020. The central warehouse offers a total of 37,800 pallet bays on 22 levels. The total amount invested comes to around EUR 70 million.

In addition to the Allied Companies, the Würth Line companies also made substantial investments in stepping up their sales activities. Over the last 18 months, Würth Austria has invested EUR 20 million in extensive measures to expand and modernize its logistics center at the company's headquarters in Böheimkirchen. The expansion measures created 60,000 additional storage spaces thanks to a fully automated shuttle warehouse. More than 55,000 customers across Austria place their trust in Würth. An average of around 6,000 to 7,000 packages weighing a total of 80 metric tons are sent out every day. The moves to expand and modernize the company's logistics facilities also involved the decision to transition the Böheimkirchen site to environmentally friendly power generation. The new and innovative conveyor technology allows for a significant reduction in the volume of filling material required, as the technology has the ability to adjust to individual package heights. Renewable raw materials make up 100 percent of the organic air cushions used, which are made of potato and maize starch. At the same time as the logistics expansion measures back in the summer of 2019, the company also commissioned what is currently the biggest photovoltaic system designed for a company's own use in Lower Austria, featuring an output of 730 kWp (kilowatts peak).

After a planning and construction phase spanning more than a year, Würth Czech Republic moved into a new warehouse and office building in January 2020. The warehouse offers space for 3,000 pallet and 15,000 lower shelf spaces, and will form the basis for the company's planned growth, as well as for an increase in logistics productivity. The amount invested came to just under EUR 11 million.

In addition to investments in production and storage space, we have also, as in previous 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 371 million, or 52.6 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 2019. Our cash flow from operating activities came in at EUR 1,123 million (2018: EUR 751 million), up by 49.5 percent on the previous year. The first-time adoption of IFRS 16 also had a considerable impact on this increase. Further positive effects resulted from lower inventory accumulation and a less pronounced increase in trade receivables compared with 2018. These effects more than offset a contrary effect resulting from the lower increase in liabilities from financial services.

Purchasing

The year 2019 was characterized to a considerable degree by increasingly gloomy economic forecasts. This is confirmed if we take a look at the purchasing managers' indices for the world's three leading economies (eurozone, US, China), which serve as leading indicators of developments in these economic areas.

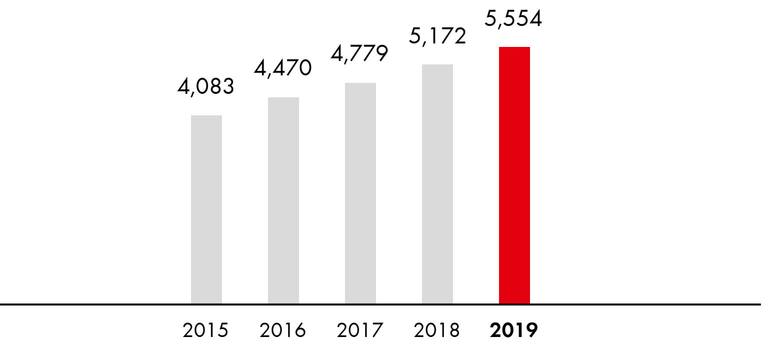
The purchasing managers' index for the eurozone had already slid to below the key 50-point expansion threshold at the beginning of 2019 and closed the year at 46.3 points in December 2019. This suggests that leading buyers in this economic area expect to see negative market developments.

The purchasing managers' index for the US economy tells a similar story. It fell to 47.2 points at the end of 2019 and is also well below the 50-point expansion threshold. The purchasing managers' index for China, on the other hand, did not show any negative trend in 2019, although it remained very volatile over the course of the year. It climbed to 51.5 points in December 2019, making it the only indicator to exceed the 50-point expansion threshold.

The procurement markets certainly felt the impact of the trade conflict between the US and China in 2019, as well as the effects of the marked global economic slowdown in comparison to the prior year. The shortage of raw materials that had persisted in some areas, such as refrigerants, in 2018, was no longer an issue in 2019. The tense capacity utilization situation experienced by many manufacturers, as well as the long delivery times that this entailed, also returned to normal as the year progressed. Particularly in the fourth quarter of 2019, for example, significant capacity shortages came to light when attempting to purchase connecting elements from suppliers. Nevertheless, 2019 brought periods of very long delivery times in some product areas, for example engine oils.

The euro to US dollar exchange rate remained on a negative trajectory throughout the year, falling from 1.145 in January 2019 to 1.123 at the end of December. This trend had a negative impact on purchases of products from third countries.

EQUITY Würth Group in millions of EUR



Looking ahead to 2020, we expect the world's major economies to continue to feel the impact of the 2019 economic downturn. We will see a clear shift from the seller's market that we have encountered to date towards a buyer's market. It will be crucial for buyers to exploit the price optimization opportunities resulting from this shift.

In the course of 2019, a value management function was established to enhance the Würth Line's procurement processes even further. This function aims to use value analysis approaches to strengthen product price transparency within the Purchasing function of the Würth Line so as to provide additional support to buyers in their negotiations with suppliers.

Inventories and receivables
As a company with international operations, 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.

The 4.8 percent sales growth achieved in the 2019 fiscal year came hand-in-hand with an increase in inventories and receivables. The 3.7 percent increase in inventories to EUR 2,288 million lagged behind the increase in sales (2018: EUR 2,205 million). Acquisitions resulted in extra inventories worth EUR 40.9 million.

After an increase in inventories in the first three quarters of 2019, inventory control measures were stepped up in the individual business units to counteract inventory accumulation. The Central Purchasing and Product Management departments also worked closely to press ahead with projects aimed at streamlining the core range. The idea behind these projects was to eliminate products with low demand in order to reduce the core range to a total of 10,000 items. Stock turnover, calculated on a 12-month basis, fell slightly from 4.8 times at the end of 2018 to 4.7 times at the end of 2019.

Due to inventory levels that were high overall, our supply capability remained consistently high throughout the year. The service level in 2019 came to 97.3 percent, meaning that 97 out of 100 items ordered were delivered to the customer the next day. By offering this sort of service, we aim not only to satisfy our customers but also to inspire them.

Trade receivables rose by 4.8 percent to EUR 1,975 million (2018: EUR 1,885 million). Acquisitions resulted in extra receivables worth EUR 102 million. For years, sophisticated controlling systems, which enable rapid responses in the event of any indications of negative developments, and an optimum interplay between sales and accounts receivable management have enabled the Würth Group to achieve a low level of receivables in relation to sales. The corresponding key figure, collection days (based on a 12-month calculation), at 54.8 days could not, however, quite keep up with the level achieved in 2018 (53.6 days). Nevertheless, we are satisfied with this result, considering that the increase is largely due to the acquisitions of electrical wholesale companies in Italy, where payment terms traditionally tend to be longer.

One encouraging development is the fact that collection days in Germany have been at a low level of 42 days for years now.

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 debtors as critical in Eastern Europe, Southern Europe, China, the Middle East, and India. This also has the effect of slowing growth.

The percentage of bad debts and the expenses from additions to value adjustments related to sales increased to 0.4 percent (2018: 0.3 percent).

Financing

The equity of the Würth Group climbed by 7.4 percent to EUR 5,554 million in the past year, an increase of EUR 382 million. This increase allowed the company to maintain its equity ratio at a level of 44.0 percent, which is high for a trading company (2018: 47.1 percent). The drop in the equity ratio is due primarily to the first-time adoption of IFRS 16. For years, a good level of equity capitalization has been the basis for consistently high levels of financial stability and the solid financing of our group of companies, strengthening 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 1,653 million to EUR 12,627 million in the reporting period (2018: EUR 10,974 million). Half of the 15.1 percent increase is due to the first-time adoption of IFRS 16. An amount of EUR 885 million was reported for the first time as right-of-use assets. In turn, lease liabilities totaling EUR 910 million were recognized for the first time on the liabilities side. The increase in total assets was also driven by the rise in property, plant and equipment. Net debt, excluding the effects associated with IFRS 16, increased from EUR 1,207 million in 2018 to EUR 1,356 million as a result.

Financial service activities also contributed to the growth in total assets. Refinancing in the banking sector was mainly achieved through financial intermediaries and refinancing programs launched by the European Central Bank, while refinancing in the leasing segment was achieved mainly through the ABCP (Asset Backed Commercial Paper) program created especially for this purpose, a global loan program launched by the German state-owned development bank KfW, as well as through non-recourse financing and internal funds.

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 2019. This rating reflects the confidence that business and the financial KPIs will continue to develop successfully. The opportunities and outlook for 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 2019 fiscal year, the Würth Group had three bonds issued on the capital market and one US private placement. All covenants in this context have been complied with. In 2020, 2022 and 2025, bonds worth EUR 500 million each will reach maturity, while the private placement of USD 200 million is set to reach maturity in 2021. This means that the maturities are well spread out. For further details on the maturity profile and interest structure, please refer to [26] "Financial liabilities" in Section H. Notes on the consolidated statement of financial position, in the consolidated financial statements.

As of 31 December 2019, the Würth Group had liquid funds of EUR 477 million (2018: EUR 493 million). In addition, the Group has a fixed credit line of EUR 400 million, which remains undrawn to date, provided by a syndicate of banks until July 2023. This means that the company has sufficient liquidity reserves. In order to refinance the bond that will mature in 2020, funds are likely to be raised on the capital market in the course of the current fiscal year as part of the existing "Euro Medium Term Notes" program. This program offers a high degree of flexibility for issuing bonds and serves as a means of long-term financing for the Würth Group.

Research and development

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

In the 2019 fiscal year, for example, Adolf Würth GmbH & Co. KG generated around one-fifth of its sales from products that are less than three years old. Given the breadth and size of the range that Würth offers its customers, this number is very high. The issue is also a priority throughout the Group: At present, the Group has 646 active patents, 7 utility models, 761 registered designs, and 6,980 active brands.

Developments within the Würth Line

M-Cube® battery platform—made by Würth
Würth launched a new battery line in November 2018: The M-Cube® battery system developed by Würth stands out first and foremost due to its intelligent battery management. The new series was initially launched with the ABS 18 COMPACT cordless screwdriver, which was available in combination with 4Ah batteries and a 4A charging device. Further battery capacities were added in the 2019 fiscal year, together with a faster, 6A charging device. The range of power tools was expanded in 2019 to include more powerful drill drivers and impact drills. In order to make a full system available, further power tools were developed in the course of last year, including the ABH 18 COMPACT hammer drill with its anti-vibration function and the AWS 18-125 P COMPACT angle grinder. All of the new tools were developed taking the wishes and experience of our customers into account.

ZEBRA® Smart Step:
the very first twist drill featuring step drill tip geometry
Compared with conventional twist drills, the new Smart Step drills extremely exact, high-precision circular through holes. The drill tip also allows for precise spot drilling without running off center, saves pre-drilling for larger bore holes and allows for simple core drilling or enlarging an existing drill hole. The Smart Step also stands out thanks to its speed, allowing for comfortable, effortless drilling. The three-face shank prevents twisting in the drill chuck, ensuring the optimum transmission of forces and protecting the drill chuck from damage as a result. The Smart Step is also a real multifunctional talent, as it allows for precise drilling in steel, cast iron, aluminum, non-ferrous metals, plastic, hardwood, and softwood.

RELAST®—Highspeed Reinforcement System:
the system for the reinforcement of existing structures
The RELAST® reinforcement system is a technically innovative and resource-efficient procedure for reinforcing the shear and punching resistance of existing reinforced concrete structures. RELAST® was designed, among other things, to reinforce existing bridges, tunnels, underpasses, parking lots, and buildings. For planners, building contractors and construction companies, reinforcing existing structures is one of the biggest challenges of our time. Tearing down and rebuilding such structures would cause immense costs, not to mention the associated inconveniences for users, which is why subsequent reinforcement is the preferred alternative from a financial perspective. What is more, reinforcing existing structures is much more environmentally friendly than new construction, as it allows substantial CO_2 emissions to be avoided. RELAST® has been approved by building supervisory authorities and can be installed quickly, without the need for renovation closures. The shear and punching resistance can be increased considerably with only a few anchors.

MOBILE SHOP COUNTER: the sales strategy of the future
Thanks to the use of a mobile tablet and the 1Plus sales app, pick-up shop sales reps can guide their customers through the salesroom and provide them with advice as they go—directly in front of the shelf and surrounded by the goods. The main advantage is that pick-up shop sales reps can provide information at any time and in any place within the pick-up shop, be it regarding applications, dimensions or prices. The sales transaction can be completed directly using the mobile shop counter system (MOBILE THEKE), with the customer using a tablet to sign. The focus is on an active sales discussion and on the provision of advice on the product and its application. Numerous applications designed to support the sales process are translating into additional sale transactions to meet specific customer needs. More than 200 pick-up shop sales reps across Germany have been working with the mobile shop counter system since 2019, with a further 450 to be equipped with the system in 2020.

Würth Industrie Service
Logistics 4.0: holistic data management
The CPS®miLOGISTICS concept developed by Würth Industrie Service allows industrial customers to combine various suppliers in a single C-parts management solution and also use the service for non-Würth items at the same time. The CPS®miSELF option is based on the RFID Kanban system from Würth Industrie Service, in which any item or supplier can be incorporated independently. Not only are C parts possible: A and B parts are available as well. Customers use RFID technology to respond to fluctuations in demand at an early stage and can precisely control the flow of goods. The effort involved in configuring this technology in existing processes is minimal, but it directly increases productivity, because production employees no longer have to enter the order themselves. The system independently detects the exact need for material and reports it, as part of a fully automated process, to the supplier. CPS®miSELF users use the system and the associated hardware such as bins, labels and shelves. The Kanban system digitally reports the requirements for all items and provides the corresponding data. Subsequently, the customers themselves trigger the order for the required products from the supplier of their choice. Depending on the requirements, Würth Industrie Service offers the provision of pure bin information, master data management and even interface connection with additional automated materials planning.

Würth Italy
Wüdesto: furniture design featuring augmented and mixed reality
Würth Italy launched the digital furniture construction configurator Wüdesto in the Wood division back in 2015. The configurator has been working with technologies such as augmented and mixed reality since 2019, allowing users to experience their furniture plans in a virtual room. This allows customers to get an immediate feel for what their plans will look like in the rooms for which they are intended. The system produces a cost estimate in real time and provides an indication as to when the furniture will be complete. Customers receive a corresponding quote right away and joiners know what sort of costs and outlay to expect even before they start work. They are supplied with all of the individual components required to complete the project. All semi-finished parts are individually labeled so that they can be installed together with the assembly parts, which are supplied at the same time.

Würth IT: cloud platform for small and medium-sized craft businesses
By developing the tradespeople cloud, Würth IT GmbH is providing small and medium-sized craft businesses with considerable support as they drive forward with the process of digital transformation, allowing them to save costs in the long run, too. The craft app store, which is being constantly expanded, provides easy access to innovative and networked solutions. These are made available as “software as a service” from the Würth cloud. Users only need a central login and a cloud account to be able to use all of the services on offer. Be it professional solutions for enterprise resource planning (quotes, orders, invoicing), photo management, construction documentation or an application for taking room measurements: The apps available allow craft customers to optimize their entire value chain—while adhering to the very highest security and compliance standards in the process. All of the user data is processed exclusively within the German Würth cloud.

Developments within the Allied Companies

The Allied Companies of the Würth Group also continued to invest in the development of products and services to offer their customers the best possible solutions in 2019.

Kisling Group:
the ergo. 7440 heat-resistant epoxy-based adhesive
The Kisling Group is the manufacturer of high-quality industrial adhesives and sealants. The ergo. product range comprises high-strength methacrylate and epoxy-based structural adhesives, anaerobic adhesives, instant adhesives, and RTV silicones. One of Kisling's latest developments is the toughened and high temperature-resistant epoxy-based structural adhesive ergo. 7440. As a champion of structural adhesion for composite materials and metals, the black ergo. 7440 offers excellent performance, particularly in combination with composite materials such as CFRP and GFRP. At temperatures ranging from – 40 °C to + 80 °C, ergo. 7440 always maintains at least 80 percent of its room temperature strength, providing first-rate structural adhesive strength even at 100 °C. This makes the adhesive suitable for applications in the light-weight construction sector and for composite adhesion, for example in car body construction.

Arnold Umformtechnik: friction element welding
In collaboration with BMW and a plant manufacturer, Arnold Umformtechnik developed "friction element welding", a technique that is now ready for series production. The procedure allows components made of different metals to be joined. The adherend used was developed by Arnold Umformtechnik and has been registered for patent protection. The component's undulated tip allows for a more stable process and offers a significant cost advantage compared with the competitor product. The main advantage of the procedure is that it allows aluminum to be connected to ultra-strength, press-hardened steel without the need for pre-drilling. This allows for optimum bond strength while reducing the number of joins at the same time. The procedure can also be used with adhesives.

Grass: Nova Pro synchronized overextension system
To further enhance ease of use, Grass has developed the Nova Pro slide system with an overextension system for drawers measuring up to 70 mm, allowing unrestricted access to the items stored. The synchronization mechanism allows for smooth and silent movement. No compromises have been made with regard to load capacity either: The Nova Pro overextension system proves to be exceptionally stable and reliable, with a load capacity of 50 kg. The Nova Pro slide system is one of the mainstays in the Grass portfolio and has now been enhanced to feature an attractive new mechanism in the form of the overextension system, which is of particular interest for application manufacturers such as waste sorting system manufacturers or wire basket manufacturers.

IVT Installations- und Verbindungstechnik: "rheometer"—development of a new method for determining crosslink density
When it comes to ensuring the consistently high quality of the PE Xb pipes produced by IVT, checking the crosslink density is a particularly crucial step. Before a production batch is released for sale, it must be possible to prove a crosslink density of at least 65 percent. In particular, the fact that the analysis of the crosslink density is a process that takes 24 hours has a negative impact on the process chain in terms of the overall time required. IVT is working with the University of Erlangen on using a device known as a "rheometer" to determine the crosslink density of the PE Xb pipes. The process involves using heating and oscillation to determine the crosslink density of the pipe samples in only 6 minutes as opposed to 24 hours.

Würth Elektronik eiSos: miniaturized MagI³C® power module
The development of the new MagI³C® VDMM (Variable Step Down MicroModule) focused on achieving the highest possible level of efficiency in applications with limited space. With this module, Würth Elektronik eiSos is extending its product series of power modules with high power density, very few external components and excellent electromagnetic compatibility. Applications include the supply of interfaces, microcontrollers, microprocessors, FPGAs (Field Programmable Gate Arrays) and sensors. Thanks to its small size and high efficiency, it is particularly suitable for use in mobile and battery-powered devices.

Würth Elektronik CBT:
“PowerGrasp” research project successfully concluded
The research findings of the “PowerGrasp” project, launched in 2015 and funded by the Federal Ministry of Education and Research (BMBF), are now available. The aim of this project was to develop a power-assist system to support workers involved in heavy manual activities. Highlights include the soft robotic orthosis, which can be worn. Würth Elektronik acted as a technology partner that was responsible for the technical implementation of the sensors as well as the development and manufacture of the circuit-board-based electronics and the provision of electronic demonstrators. “PowerGrasp” is the logical continuation of the “3rd arm” project which used USB 3.1 Type C as a new interface for the sensors and actuators for the very first time. The project opens up further application opportunities in the area of smart robotics, virtual reality and augmented reality.

Würth Elektronik ICS:
integrated power distribution and signal control
The electrification, digitalization and automation of agricultural and construction machinery are creating a need for increasingly smart and powerful solutions for power distribution and function control in these vehicles. This is why, in addition to its conventional electromechanical power distribution solutions, Würth Elektronik ICS is developing new solutions to integrate power distribution and signal control. As well as ensuring efficient power distribution, these electronic power distribution components offer additional functions, such as the control of vehicle and convenience features, and functions making service and status information easier to read. This means that the solutions offer significant added value, and their compact design allows them to be installed in vehicles without taking up much space.

WOW! Group: remote diagnosis—development to promote efficient fleet management
Fleet management is a key element of new mobility concepts in all markets. The aim is to reduce unplanned vehicle downtime. As a product designed as an add-on to telematics systems, the WOW! Group has developed what are known as remote diagnostic solutions that record diagnostic data from the vehicle, upload it to a cloud for interpretation, and then make it available to the fleet manager, who can then optimize any necessary repairs and servicing.

Risk and opportunities report

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

How the risk management system works

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

How the internal control system for financial reporting works

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

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

RISK DEVELOPMENT Würth Group 1 January 2019 – 31 December 2019

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

↑ marked increase ↗ slight increase → unchanged ↘ slight decrease

System-based control mechanisms such as validation and cross-checks optimize the quality of the information as a basis for decision-making. A Group-wide online record of the financial statements of the Group entities is not only efficient, it also avoids carry-over errors, safeguards the uniform provision of information, and includes numerous plausibility checks, without which the information cannot be forwarded. This platform also ensures that financial reporting changes are implemented in a uniform manner across the Group. Data is protected from changes by using check digits and a system of IT access rights. Standard software is used for consolidation. Changes in the system settings are logged centrally. The monthly and annual financial statements of Group companies are subject to regular automated assessment mechanisms, as are the consolidated financial statements. Moreover, Würth's Policy and Procedure (PAP) Manual contains internal procedural instructions. Internal publications and training include detailed rules on financial reporting. Compliance with these rules is regularly reviewed by the Auditing Department. External specialists are consulted to clarify the implications of legal and tax issues on accounting. External actuaries calculate pension obligations and similar obligations. Central and local training courses for those in charge of finance departments also ensure that all employees involved in the financial reporting process are up to date on the latest legislation and information of relevance to them.

The opportunity and risk management process is updated within the Würth Group on an ongoing basis and adapted to changes in the Group or in its economic and legal environment. In the 2019 fiscal year, the establishment of the IT-based risk reporting system was continued at further Group companies and the Executive Vice Presidents and heads of the Group's administrative departments were actively involved in the risk management process.

Risks

The Central Managing Board identifies, analyzes and assesses the Group's 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 enhanced in 2019, undergoing 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. We integrated credit insurance policies taken out by further Würth entities into existing master policies with various credit insurers. This allowed us to expand and standardize our insurance coverage and achieve further cost advantages at the same time. In addition, receivables from customers are monitored by an extensive receivable management system, also at 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 low level. This highlights that our risk in this area is relatively low and that the existing processes and systems remain 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. Nevertheless, we have an insurance policy in place to cover such reimbursement claims so as 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 order of relevance:

Economic environment
Through our global purchasing and sales activities, we have a high natural diversification of risk and a reduced 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. We believe that risks lie in political developments in Eastern European markets and in Turkey, as well as in the increasing trade barriers between China, the US and Europe. We believe that immigration to Europe not only poses economic and social challenges, but also still presents opportunities for the labor market and on the demand side for our customers and, as a result, for the Würth Group. We believe that the rise of right-wing populism and isolated plans to reverse globalization trends within individual countries give cause for concern, although we have not identified any immediate threat to our business objectives for 2020 as yet.

Most of the financial risks of the Würth Group are measured, monitored and controlled centrally by Würth Finance International B.V. With liquid assets of EUR 477 million and a committed, unused credit line of EUR 400 million running until July 2023, the Würth Group has sufficient liquidity reserves to meet its payment obligations at all times. Thanks to its "A" rating from Standard & Poor's, the Würth Group has very good access to the public and private capital markets to procure further financial resources. Any risks arising from derivative financial instruments are accounted for. At the time this management report was prepared, there was no indication of any specific counterparty risks, which are automatically monitored on a daily basis. A CSA (Credit Support Annex) is in place with the main counterparties to derivatives, thus further reducing counterparty risk. Cluster risks are avoided by internal deposit limits for individual banks. For a description of derivatives and associated risks, please refer to the notes on the consolidated financial statements under I. Other notes, [4] "Financial instruments".

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

IT structures
As a company with a very decentralized structure, the Würth Group had previously used various different IT systems, software components, platforms, and process control systems. This structure, which allows for a high degree of flexibility at local level, increasingly emerged as a disadvantage in light of changing business models, digitalization and disruption, as well as the ever growing requirements as far as cyber security is concerned.

In line with our corporate philosophy, which allows for a significantly higher degree of centralization in IT, the Würth Group's IT organization, which is represented by the IT companies, has established a global ecosystem that can offer platform-based IT solutions to suit the business models of companies in the Würth Group.

IT standardization
The central management of the IT companies with what is now a standardized product portfolio in the form of the IT ecosystem 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 high 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
Risks arising from global integration are minimized by applying high security standards to make sure that the company is well equipped to deal with the constant threat of cyber attacks. IT system standards are reviewed by means of IT checks at the Group entities in accordance with a plan coordinated with the Central Managing Board. This allows us to 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 introduced an IT Compliance Code of Conduct and appointed an IT Compliance Officer. The network of IT security officers in the companies is used to take measures to ward off security risks quickly at the level of the Group companies and establish those measures with regard to the continuous improvement of IT security. The centralization of the IT systems also allows far-reaching and multi-level security procedures to be implemented, both at the physical level, for example in the data centers, and at the logistical level, for example in the various system and program components.

Raising employee awareness of information security risks is a top priority. Various media such as e-learning sessions, poster campaigns, information letters and specialist presentations are used to show employees the behaviors and habits they need to adopt in order to reduce the risk of security incidents.

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

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

In order to provide the decentralized local companies with even better support with regard to HR development and talent management, the Würth Business Academy North America (Chicago site) was set up in October 2017, while the Würth Business Academy Asia-Pacific (Shanghai) will support talent development in the Asia-Pacific region from January 2020 onwards. In order to make further training available across the globe, the company had already set up its Learning Campus back in 2017 to enable digital learning. All employees can use the Learning Campus to complete e-learning courses or attend webinars.

Compliance risks

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

Value-oriented corporate culture

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

Compliance organization

With regard to the mounting requirements for compliance that organizations have to meet at both national and international level, the Central Managing Board made the decision in 2015, with the consent of the Advisory Board and the Supervisory Board of the Würth Group's Family Trusts, to combine and restructure the existing compliance components to form a Group-wide compliance management system and considerably strengthen the compliance organization. In addition to the roles of Chief Compliance Officer and Group Compliance Officer, compliance officers were appointed at the level of the units, and additional compliance officers were appointed within the largest individual companies in the Würth Group during the 2016 fiscal year. The responsibilities and structures for product, tax and IT compliance that are already in place across the Group remain in force, but the individuals responsible also report to the Chief Compliance Officer of the Würth Group. The Compliance Board provides advice on compliance incidents as and when required and makes recommendations regarding any measures that need to be taken. The Compliance Board is also responsible for the further development of the compliance organization and reports 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 a Code of Compliance and supplemented with regard to compliance with international standards. In order to anchor the compliance organization within the Group in the long term, Group-wide training sessions on the compliance organization and on compliance issues have been conducted since the 2016 fiscal year. Training sessions will initially focus on "Dealing with gifts and invitations", "Antitrust law and price fixing", "Company secrets", "Data protection", "European General Data Protection Regulation", and "Export control".

Group-wide reporting system

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

Prerequisite for sustainable corporate success

The compliance organization is supported 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 responsibilities 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. Digitalization 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, services and a broad product range to open up market opportunities. Nowadays, sales representatives are more than just salespeople. They are managers of various customer contact points: the sales force, pick-up shops and the Internet. We refer to this as a multi-channel sales model in which e-business serves as a practical complement to the traditional sales methods in a manner that is tailored to suit our customers' procurement organization. The above-average increase in e-business sales in 2019 shows that we are on the right track with the developments and services that we are offering with our customers' needs in mind, and that our strategy of multi-channel sales is bearing fruit.

Opportunities

The opportunities set out below could have a positive impact on our net assets, financial position and results of operations. 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 a quick local response to circumstances and changes in any given market environment, meaning that we can implement efficient measures. We will continue to push the development of the Würth Group while maintaining our decentralized structure. The term "decentralized" within this context not only refers to regional aspects, but also covers our large array of different business models. However, the fact that we pursue the principle of decentralization does not mean that we cannot standardize processes where it makes sense to do so in order to make more efficient use of our resources.

Market penetration

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

Customer relations

Our more than 3.7 million customers form the basis for our business success. As a result, expanding and maintaining our customer relations are key components of our day-to-day work. We will continue to focus on very intensive customer management at all Group companies. Around 300,000 customer contacts a day and a large number of long-standing relationships between our customers and our just under 34,000 sales representatives help us to exploit the existing customer potential to the greatest extent possible. Grouping our customers based on their individual needs is a key control mechanism for strategic management. Our motto is: "To each customer their own Würth." The relationship between customer wins and sales growth as well as the delivery service level are important indicators of business success for us. Customer insolvencies are therefore a manageable risk for the Würth Group. Due to our very extensive core range of over 125,000 products, the comparatively low average order values and our broad customer base, we are well positioned to keep these risks at a minimum.

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 2019 fiscal year, the Würth Group's central quality team continued its activities. The Würth Quality Risk Company Assessments (QRCA) identify strengths and potential for improvement and arrive at future measures based on these findings. A total of 377 QRCAs had been conducted by the end of 2019. The findings are implemented by the management of the company concerned. The measures prioritize customer interfaces (contract review, sales support), complaint management, warehouse batch management, quality assurance, and supplier management.

Key components of the Würth quality promise include, first of all, the validation of new products by the quality department, for example, 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 30 active "Supplier Quality Engineers" (SQEs) as well as its own test laboratories / goods checkpoints spread across Europe, the US and Asia with a total of over 160 employees. By the end of the reporting period, five test laboratories had been awarded ISO 17025 accreditation. Further investments were made in the expansion of the SAP-supported system WS1, to be used as a mandatory requirement throughout the Group, focusing on the advance quality planning function and the verification of tests, as well as on the further integration of Group laboratories and suppliers.

Overall assessment

Subject to the risks associated with the coronavirus pandemic, the risks to which the Würth Group is exposed are also limited by the established and functioning risk management system. Existing risks are consistently monitored and assigned measures to ensure that they do not jeopardize the Würth Group's continued prosperity. With the exception of the risks arising from the coronavirus pandemic, which are impossible to assess specifically—we refer to the information set out in the forecast report—we are currently not aware of any such risks.

Employees

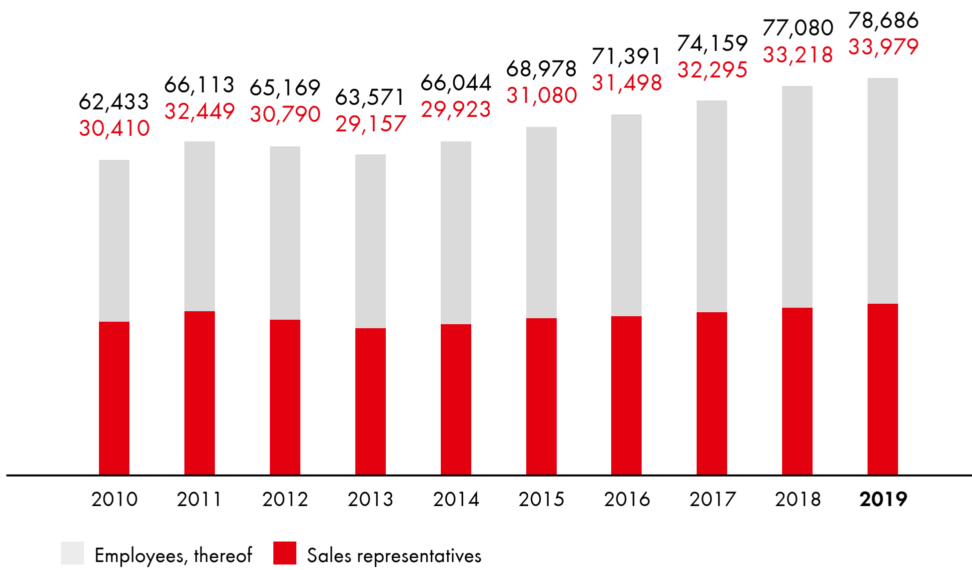
- **Number of employees rises to 78,686**
- **Broad-based in-house employee development program**

Workforce development
The number of employees in the Würth Group rose by 2.1 percent to 78,686 as of 31 December 2019 (2018: 77,080). In Germany, the Würth Group had 24,344 employees on its payroll (2018: 23,772), while Würth companies abroad reported 54,342 employees (2018: 53,308). There were 33,979 employees working as permanent sales representatives worldwide in the 2019 fiscal year (2018: 33,218). A total of 996 employees joined us in connection with acquisitions.

Human resources strategy
The shortage of specialists and managers is having an impact in many countries and qualified employees are increasingly becoming a limiting factor for growth. It is therefore important to retain employees at the company and to offer a positive working environment with interesting development opportunities. The Würth Group, with its diverse business models and international orientation, has many possibilities in this respect. Various activities were launched to present these prospects in a transparent manner. A binding and structured process was launched for the large companies to identify potential risks when filling key positions, but also to identify where new career prospects are opening up. This information is condensed and analyzed with the top management team of the Würth Group at regular intervals, with agreements being made on the measures to be taken and talent pools being defined.

The location for training, HR and talent development activities in North America has also brought us closer to our target groups, thus encouraging the internationalization of our operations with regard to HR. Another location in China, responsible for the entire Asia-Pacific region, has been in operation since January 2020. This decentralized approach allows the programs to be adapted to better suit local requirements and allows for more efficient talent management on location.

EMPLOYEES in the Würth Group as of 31 December



Digitalization will lead to major changes and associated challenges with regard to human resources. HR management has been mapped in a central system since the end of 2019, allowing standard processes to be improved and made more secure across the Group. In addition, the Würth Group Learning Campus was established as a platform for e-learning open to employees within the Würth Group.

EMPLOYEE HEADCOUNT
Würth Group as of 31 December

	2019	2018	%
Würth Line Germany	9,196	8,858	+3.8
Allied Companies Germany	15,148	14,914	+1.6
Würth Group Germany	24,344	23,772	+2.4
Würth Group International	54,342	53,308	+1.9
Würth Group total	**78,686**	**77,080**	**+2.1**
of which:			
Sales representatives	33,979	33,218	+2.3
In-house sales	44,707	43,862	+1.9

Under the leadership of Würth Business Academy, international cooperation within the Group is being strengthened by a Group-wide HR network and a platform for best practice sharing. The Group-wide HR network also discusses, develops and establishes HR-related topics such as social media recruiting or requirements for an employee survey that is in line with the latest standards.

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

As a family business, Würth is committed to long-term corporate development. This also applies when it comes to promoting the talents of the future. In Germany, where there is a long tradition of dual training concepts, Würth has been committed to providing people with extensive initial training for more than 60 years now. At the end of 2019, the Würth Group in Germany employed 1,387 trainees for more than 50 occupations. Young professionals can also study for bachelor's degrees at the Baden-Württemberg Cooperative State University. Commercial and technical occupations and catering traineeships form training focal points within the German companies. The social commitment in the support of refugees regarding access to the labor market is evident from the cooperation with Steinbeis University's School of International Business and Entrepreneurship (SIBE).

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

Akademie Würth offers a practice-oriented range of further training courses specifically for craft businesses in the form of technically oriented training courses. The targeted courses focus on specific topics such as fire safety, metalworking, fasteners, sealants and adhesives, motor vehicles, and occupational safety. This allows Würth to support its customers as a service provider, driver of innovation and mentor as well.

The concept is rounded off by consultancy services on all matters relating to quality and process management, organizational development and business excellence. Companies within and outside the Group alike are given support to help them meet the requirements that apply to them. These include compliance with customer requirements and the implementation of overall statutory conditions, such as the creation and implementation of integrated management systems or support with certification processes. We also provide companies with support in areas such as strategy development and the implementation of change processes. Lean Management and Six Sigma have already been launched successfully at companies in various sectors. In order to ensure sustainability, the approach chosen tends to involve providing support with projects that will have an impact on the organization's profit or loss.

Degree programs for working professionals at **Akademie Würth Business School**, which are open both to employees of the Group and to interested individuals from outside the Group, allow people to study for academic degrees. The Bachelor of Business Administration in cooperation with the Distance Learning University Hamburg is a seven-semester program leading to a Bachelor of Arts (B.A.) degree. The bachelor's program in Industrial Engineering and Technical Sales in cooperation with SRH Distance Learning University takes six semesters, finishing with a Bachelor of Science (B. Sc.). In collaboration with the University of Louisville in Kentucky (USA), Würth also offers the internationally recognized master's degree in Global Business. This one-year program, which is conducted in English, awards graduates a Master of Business Administration (MBA). The master's program in Digital Management & Transformation confers a Master of Science (M. Sc.) in four semesters; likewise in cooperation with SRH Distance Learning University.

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

Health management
The in-house health management program "Fit mit Würth" launched by Adolf Würth GmbH & Co. KG celebrated its 25th anniversary in 2019. A program that started out with 10 courses and three presentations made by doctors back in 1994 is now a firmly established component of the corporate culture 25 years down the line. "Fit mit Würth" aims to raise awareness for healthy living and working and to create an overall environment that is conducive to employee health. Approximately 1,100 employees and their relatives attend over 300 courses. The program covers the areas of exercise, nutrition, safety, social affairs, prevention, and well-being. Every two years, "Fit mit Würth" takes part in an audit to obtain the Corporate Health Award. A large number of subsidiaries are now also developing sports programs of their own.

Employee survey
Employee satisfaction has always been a top priority for the Würth Group. Only satisfied employees can be good employees. They secure the company's competitive standing and, as a result, help to secure jobs. The Würth Group has been conducting a standardized employee survey on a regular basis since 2005. This results in structured information allowing comparisons to be drawn and is used to improve employee well-being and processes in general. The survey provides a benchmark both within 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).

Thanks to our employees
The Central Managing Board of the Würth Group would like to thank all employees as well as the employee representatives at the Würth companies for their great commitment and flexibility in exploring new avenues in a constantly changing environment in order to promote the Würth Group's healthy growth in the long term.

Corporate governance report

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

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

The corporate philosophy shaped and defined by Prof. Dr. h. c. mult. Reinhold Würth determines the credo and self-image of the Würth Group. Together with corporate ethics, the corporate culture deals with the values and standards that should underlie entrepreneurial actions and decisions as well as the behavior of people working and being together. Würth's corporate culture is shaped by concepts such as dynamism, performance orientation, 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, involving the division of authority for operative 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 besides those set out above:

- Examination of efficiency 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, for example, 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 employees. With more than 78,000 employees, the Würth Group needs clear rules to determine its conduct and to define the framework for entrepreneurial decisions. This is particularly relevant in light of the fact that the Würth Group's activities span more than 80 countries.

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

Outlook

Overall economic environment
The global economy is on volatile ground due to the spread of the novel coronavirus. As a result, it is currently virtually impossible to forecast the growth outlook for individual economies. The following forecast report takes account of the experts' predictions up until the cut-off date of 18 March 2020. Experts are cautious as they look ahead to the rest of 2020. While the global economy had stabilized somewhat at the start of the year, the tables were turned in February, prompting the IMF to revise the forecasts for the current year that had only just been announced in January 2020. The reason: the coronavirus. The OECD estimates that global economic growth could even be reduced by half in the worst case scenario: from 2.9 percent in 2019 to only 1.5 percent in 2020, which would send some economies into recession. The rapid spread of the coronavirus has brought manifold consequences, such as production downtimes, a slump in tourism, cancellations of major events, closed borders, and the shutdown of public life. As the situation is expected to escalate further, with an exponential increase in virus infections predicted in some cases, it is impossible to develop any clear forecasts in the current situation.

After experts had predicted an end to the downward spiral in the **German economy** at the beginning of the year, they now expect to see a recession. Following weak growth of only 0.6 percent last year, German economic output is now expected to contract by 0.1 percent in 2020, marking the first year of negative growth since the financial crisis in 2009. As a result, the forecasts for Germany, the Würth Group's biggest sales market, are anything other than rosy. Above all, the coronavirus pandemic and its implications are leading to the emergence of a dystopian scenario. The restrictions on the global economy, weak demand in China, a moratorium on investment, and the shutdown of public life across the globe are certainly the main reasons behind the economic downturn. But the negative trend is also being fueled by issues that are enjoying less media coverage at the moment, such as the impact, which is still impossible to predict, of the conflict between the US and Iran on commodity prices, the fundamental transformation process in the automotive industry, the crisis in Syria, the consequences of Brexit, and global climate change.

Prior to the spread of the coronavirus, sustained high levels of consumption and the flourishing construction industry were expected to be the growth drivers for 2020. General consumption is currently being cut back dramatically, and the construction industry has also failed to escape the impact of the pandemic unscathed. The German Federal Association of the Construction Industry (*Bundesvereinigung Bauwirtschaft*) has revised its previous assumption of 5.5 percent sales growth downward to 4.0 percent, corresponding to EUR 142.7 billion (2019: EUR 137.2 billion). Declining production and investment moratoriums could, however, hit the construction industry even harder.

The Würth Group generates most of its sales in the **eurozone**. With growth of 1.2 percent, GDP in the EMU countries grew at a slower rate in 2019 than in the previous year (2018: + 1.9 percent). As far as 2020 is concerned, experts are now predicting a decline in economic output of – 1.0 percent. The authorities in Brussels go further, forecasting a – 2.5 percent drop in GDP in 2020. The **Spanish** economy will also contract as a result of the coronavirus. Experts predict negative growth of – 1.2 percent (2019: + 2.0 percent). **Italy**, currently the country in Europe that the coronavirus has hit the hardest, will have to expect GDP to stagnate in 2020 (2019: + 0.2 percent). **France**, too, is expected to return negative economic growth of – 0.9 percent in 2020 (2019: + 1.2 percent). The coronavirus has taken hold of the European economy.

The **UK** is also still faced by uncertainty surrounding Brexit. The Bank of England predicts that economic output will increase by 1.1 percent in 2020 (2019: + 1.4 percent).

In the **US**, the economy lost momentum in 2019, reporting growth of 2.3 percent. There are no signs of the situation easing in 2020 either, with the US economy set to weaken by a further 0.4 percentage points to 1.9 percent.

Growth in China and India was significantly weaker in 2019. **China**'s economy was hit by the impact of the trade conflict with the US, expanding by only 6.1 percent. In its latest forecast for 2020, the IMF has made a significant downward revision to its growth forecast for China due to the total production stoppage in early 2020. The IMF expects to see the Chinese economy grow by only 5.6 percent in 2020, with the OECD going as far as to predict a figure of only 4.9 percent, as against the 6.0 percent predicted in January. This would be the weakest growth rate witnessed since the early 1990s. **India** can look back on a 2019 that brought significantly weaker economic growth (+ 4.8 percent). Experts do not expect this situation to change in 2020 either (+ 4.9 percent). It is also, however, the case that the impact of the coronavirus is only just starting to emerge.

Experts predict that, after a brief lull in 2019, **Latin America** will bounce back in 2020. Although the anti-government protests look set to continue this year and raw material exports to China in particular are being hit hard by the coronavirus, GDP is expected to increase by 1.1 percent (2019: +0.1 percent).

Following the government shake-up at the start of the year, there were signs that **Russia** was on the brink of a turnaround that would see it move towards a big-spending, more growth-enhancing economic policy. Due to the pandemic, experts now expect the economy to contract by – 0.6 percent.

Development of the Würth Group

- **Another sales record set**
- **Expansion of manufacturer expertise**
- **Focus on innovation in key business fields**

With sales of EUR 14.3 billion and an operating result of EUR 770 million, the Würth Group set a new sales record in 2019, with a lower operating result. The increase in sales comes to 4.8 percent, while the operating result contracted by 11.5 percent. Our new sales record demonstrates that our customers value the quality of our products and the vast range of services we offer, and that they have firmly established Würth as a supplier in their operating processes. One of the reasons behind the lower operating result is the gross profit margin, which came under pressure. It was not always possible to pass on rising purchase prices to the customers on the market. In addition, the Würth Group continued to invest in expanding its business model and in growth initiatives. The Würth Group was also hit by economic influences in its high-yield business units, primarily those emerging in the automotive and mechanical engineering industries.

Availability for our customers remained a top priority for us in 2019. With the continued roll-out of the Würth24 concept, we are moving even closer to our customers, offering them maximum flexibility in covering their immediate needs. The concept combines digital and stationary trade. Customers can use a QR code to access the pick-up shop via the Würth App. State-of-the-art technology electronically tracks products and orders. This is allowing us to make opportunities offered by product and service digitalization available to our customers, enhancing conventional models in the process.

The key factor for us is that we want to make our customers' lives easier. We aim to do everything we can to support them in their day-to-day work. So it is irrelevant to us where our customers are, or how or when they want to place an order or get in touch with us—we offer the right channel for each individual customer. Our sales force, as central and personal points of contact, is a crucial factor in our success, and remains the backbone of the company. We bundle our professional expertise in our sales force and our pick-up shops, while at the same time ensuring geographical proximity to our customers. To make their lives as easy as possible, we offer digital services to complement our conventional sales channels. These include not only our online shop, but also automatic ordering systems that independently place repeat orders for C parts such as screws, or digital services such as various online planners and configurators, for example to measure anchors.

We have been producing our cordless power tools for professional tradespeople ourselves since December 2018. In 2019, we continued to systematically expand our own M-CUBE® cordless interface, introducing new power tools. Other examples, such as the RELAST® reinforcement system, are also testimony to just how much manufacturing and development expertise the Würth Group has at its disposal. TOGE Dübel GmbH & Co. KG, a Nuremberg-based subsidiary of the Würth Group, developed the system, which was approved by construction supervisory authorities in 2019. RELAST® allows complex renovation work on bridges, multi-story parking lots, tunnels, underpasses, and buildings to be performed in a manner that is straightforward, fast and efficient, without the need for closures.

The Würth Group will be celebrating a very special anniversary in 2020: Adolf Würth GmbH & Co. KG and, as a result, the Würth Group as a whole will be turning 75. At the same time, Reinhold Würth will be celebrating his 85th birthday after marking 70 years with the company in 2019. From day one, he has shaped the corporate culture of the Würth Group, which is now steeped in tradition, based on modesty, visionary thinking and mutual respect.

Expansion of logistics
In May 2020, we will be officially opening our new transshipment depot directly next to the A6 highway. This hub for flows of goods throughout Europe is based on a completely new logistics concept that Würth developed from the customer's perspective. Based on the motto "all in one package", we will bundle orders so that the customer receives exactly one shipment, reducing the number of packages and the volume of filling material required. The total amount invested comes to EUR 73 million. This further logistics investment made by the Würth Group is, first of all, a sign of the company's clear commitment to the further development of the Hohenlohe region and, second, signals expectations of further growth at Adolf Würth GmbH & Co. KG. The warehouse offers 74 docking stations for trucks and covers a surface area of some 50,000 square meters. There are three warehouse zones with 12,800 pallet bays and 4,000 meters of rack length for long goods, such as installation rails measuring up to 6 meters long, and more than 10,000 square meters of block storage space for bulky items such as wheelbarrows. The center will employ around 300 employees and will operate on a two-shift schedule.

E-business activities
The Würth Group is continuing to focus on implementing its worldwide e-business strategy. The central online shop, app and e-procurement solutions are now used by more than 60 companies and are being multiplied further to create a uniform technical basis, and also to allow the company to scale innovations and enhancements quickly on an international level. The online shop has since been singled out as the best B2B shop in Germany, Austria and the Netherlands for example by the renowned industry magazine Internet World Business. A range of digital strategies with different designs are being implemented in the various business units of the Würth Group based on this technology. They include, by way of example, regional recruitment and budget plans, close cooperation with digital marketing agencies, tech start-ups or software manufacturers, as well as intensive in-house and external training programs. Within the Würth Line, e-procurement solutions and cooperation with platforms is becoming increasingly important as a way of optimizing and automating customer procurement processes in a holistic manner. Within this context, specialized teams are being set up and trained worldwide to provide proactive advice to major customers and to implement customized solutions. Big Data is another key approach allowing digital marketing activities in particular to be automated based on data and used for specific target groups. In addition to a specialized team in Berlin, data scientists and analysts have been recruited by several individual companies in order to develop sales activities based on our customers' purchasing and information behavior, and to develop new service components.

Overall statement on the future development of the Würth Group
Profitable growth is the driver behind all the activities of the Würth Group, making it a strategic objective. A specific set of measures has been identified for each business unit so that this objective can be achieved. These measures have one thing in common across all of our business units: the expansion of our sales team to bring us closer to our customers and to ensure that we can identify and meet their needs even better and even faster. In the Würth Line, the largest business unit, accounting for 57 percent of sales, we are focusing on the further expansion of our multi-channel approach, consisting of our sales force, our pick-up shops and e-business. This multi-channel approach is also being used increasingly abroad, where our market shares are still smaller than they are in Germany.

Economic experts are very cautious as they look ahead to the rest of 2020. The reason: the coronavirus. At the time this report was prepared, the coronavirus was continuing to spread further across the globe on a daily basis and the number of new infections was increasing rapidly. The main task lies in ensuring that the virus spreads as slowly as possible so that as many people as possible have access to medical care.

In light of this ongoing pandemic, it is impossible to develop any valid plan for our KPIs in 2020. Instead, securing the liquidity of the Würth Group will be our top priority. Before the outbreak of the coronavirus pandemic, the Würth Group had predicted a growth rate running into the mid-single digits and a proportionate increase in the operating result for 2020 in response to signs of a slight upswing. The economic implications of the pandemic will be considerable and are currently completely impossible to predict. Thanks to its good rating, prudent financial policy and radical spending discipline, the Würth Group is well positioned to weather the crisis and, particularly once it is over, to be available to our customers with all of our products and services. Our growth strategy will also include exploiting any acquisition opportunities that arise as a result of, or after, the crisis in line with the acquisition approach we have pursued to date.

Strong splitting force in even the tightest of spaces—the Würth nut splitter stands out thanks to its compact design and splits irretrievable nuts without damaging the threaded bolt.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

in millions of EUR		2019	Share in %	2018	Share in %	Change in %
Sales	[1]	14,271.7	100.0	13,620.4	100.0	4.8
Changes in inventories		– 8.0	– 0.1	22.3	0.2	<-100
Own work capitalized		12.3	0.1	14.6	0.1	– 15.8
Cost of materials	[2]	7,151.0	50.1	6,800.1	49.9	5.2
Cost of financial services	[3]	21.8	0.1	25.3	0.2	– 13.8
		7,103.2	**49.8**	**6,831.9**	**50.2**	**4.0**
Other operating income	[4]	108.0	0.8	96.4	0.7	12.0
Personnel expenses	[5]	3,852.3	27.0	3,644.9	26.8	5.7
Amortization and depreciation	[6]	720.7	5.0	375.1	2.8	92.1
Other operating expenses	[7]	1,861.9	13.1	2,005.3	14.7	– 7.2
Financial revenue	[8]	42.8	0.3	52.1	0.4	– 17.9
Finance costs	[8]	85.8	0.6	91.3	0.6	– 6.0
Earnings before taxes	[9]	**733.3**	**5.2**	**863.8**	**6.4**	**– 15.1**
Income taxes	[10]	138.2	1.0	177.3	1.3	– 22.1
Net income for the year		**595.1**	**4.2**	**686.5**	**5.1**	**– 13.3**
Attributable to:						
Owners of parent companies in the Group		589.7	4.1	679.5	5.0	– 13.2
Non-controlling interests		5.4	0.1	7.0	0.1	– 22.9
		595.1	**4.2**	**686.5**	**5.1**	**– 13.3**

Consolidated statement of comprehensive income

in millions of EUR	2019	Share in %	2018	Share in %	Change in %
Net income for the year	**595.1**	**100.0**	**686.5**	**100.0**	**– 13.3**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Net gain (+) / loss (–) on cash flow hedges	– 8.0	– 1.3	0.2	0.0	<– 100
Foreign currency translation	18.3	3.1	– 3.5	– 0.5	<– 100
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**10.3**	**1.8**	**– 3.3**	**– 0.5**	**<– 100**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):					
Remeasurement gain / loss on defined benefit plans	– 40.7	– 6.8	5.5	0.8	<– 100
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**– 40.7**	**– 6.8**	**5.5**	**0.8**	**<– 100**
Other comprehensive income, net of tax	**– 30.4**	**– 5.1**	**2.2**	**0.3**	**<– 100**
Total comprehensive income, net of tax	**564.7**	**94.9**	**688.7**	**100.3**	**– 18.0**
Attributable to:					
Owners of parent companies in the Group	559.6	94.0	682.2	99.4	– 18.0
Non-controlling interests	5.1	0.9	6.5	0.9	– 21.5
	564.7	**94.9**	**688.7**	**100.3**	**– 18.0**

Consolidated statement of financial position

Assets in millions of EUR		2019	Share in %	2018	Share in %	Change in %
Non-current assets						
Intangible assets including goodwill	[11]	383.4	3.0	459.4	4.2	– 16.5
Property, plant and equipment	[12]	3,675.1	29.1	3,317.7	30.2	10.8
Right-of-use assets	[13]	884.8	7.0	0.0	0.0	100.0
Financial investments	[14]	102.6	0.8	79.0	0.7	29.9
Receivables from financial services	[15]	969.0	7.7	910.7	8.3	6.4
Other financial assets	[20]	0.0	0.0	3.6	0.0	– 100.0
Other assets	[21]	33.0	0.3	29.9	0.3	10.4
Deferred tax liabilities	[16]	214.0	1.7	151.4	1.4	41.3
		6,261.9	**49.6**	**4,951.7**	**45.1**	**26.5**
Current assets						
Inventories	[17]	2,288.0	18.1	2,205.4	20.1	3.7
Trade receivables	[18]	1,974.8	15.6	1,884.9	17.2	4.8
Receivables from financial services	[15]	1,113.5	8.8	946.5	8.6	17.6
Income tax assets	[19]	45.3	0.4	38.3	0.3	18.3
Other financial assets	[20]	170.1	1.3	149.2	1.4	14.0
Other assets	[21]	203.7	1.6	179.6	1.6	13.4
Securities	[22]	93.2	0.8	126.1	1.2	– 26.1
Cash and cash equivalents	[23]	476.9	3.8	492.5	4.5	– 3.2
		6,365.5	**50.4**	**6,022.5**	**54.9**	**5.7**
		12,627.4	**100.0**	**10,974.2**	**100.0**	**15.1**

Equity and liabilities in millions of EUR		**2019**	Share in %	**2018**	Share in %	Change in %
Equity						
Equity attributable to parent companies in the Group	[24]					
Share capital		408.4	3.2	408.4	3.7	0.0
Reserves		2,190.3	17.4	2,047.3	18.7	7.0
Retained earnings		2,897.4	22.9	2,659.5	24.2	8.9
		5,496.1	43.5	5,115.2	46.6	7.4
Non-controlling interests		57.9	0.5	56.9	0.5	1.8
		5,554.0	**44.0**	**5,172.1**	**47.1**	**7.4**
Non-current liabilities						
Liabilities from financial services	[25]	661.3	5.2	582.1	5.3	13.6
Financial liabilities	[26]	1,216.2	9.6	1,701.7	15.5	– 28.5
Lease liabilities	[27]	640.5	5.1	2.9	0.0	> 100.0
Post-employment benefit obligations	[28]	339.7	2.7	284.0	2.6	19.6
Provisions	[29]	113.4	0.9	99.4	0.9	14.1
Other financial liabilities	[30]	14.5	0.1	31.5	0.3	– 54.0
Other liabilities	[31]	1.4	0.0	2.4	0.0	– 41.7
Deferred tax liabilities	[16]	127.3	1.0	137.5	1.3	– 7.4
		3,114.3	**24.6**	**2,841.5**	**25.9**	**9.6**
Current liabilities						
Trade payables		827.3	6.6	776.7	7.1	6.5
Liabilities from financial services	[25]	1,052.2	8.4	987.9	9.0	6.5
Financial liabilities	[26]	709.7	5.6	119.7	1.1	> 100.0
Lease liabilities	[27]	269.7	2.1	1.1	0.0	> 100.0
Tax liabilities		74.8	0.6	64.6	0.6	15.8
Provisions	[29]	194.4	1.5	183.4	1.7	6.0
Other financial liabilities	[30]	430.4	3.4	402.3	3.6	7.0
Other liabilities	[31]	400.6	3.2	424.9	3.9	– 5.7
		3,959.1	**31.4**	**2,960.6**	**27.0**	**33.7**
		12,627.4	**100.0**	**10,974.2**	**100.0**	**15.1**

Consolidated statement of cash flows*

Cash flows from operating activities in millions of EUR	2019	2018
Earnings before taxes	**733.3**	**863.8**
Income taxes paid	– 185.5	– 169.3
Finance costs (excluding loss on derivative instruments at fair value through profit or loss)	75.0	70.9
Finance income (excluding gain on derivative instruments at fair value through profit or loss)	– 42.8	– 52.1
Interest received from operating activities	8.6	10.6
Interest paid from operating activities	– 17.1	– 16.2
Changes in post-employment benefit obligations	– 1.7	5.2
Amortization and depreciation of intangible assets, property, plant, and equipment, and right-of-use assets	718.9	373.7
Losses on disposal of non-current assets	2.1	10.3
Gains on disposal of non-current assets	– 5.0	– 11.8
Gains / losses on derivative instruments reported at fair value through profit or loss	10.8	20.4
Other non-cash income and expenses	52.4	64.5
Gross cash flows	**1,349.0**	**1,170.0**
Changes in inventories	– 42.3	– 252.9
Changes in trade receivables	– 15.9	– 134.9
Changes in receivables from financial services	– 223.3	– 271.7
Changes in trade payables	– 40.0	21.7
Changes in liabilities from financial services	143.4	217.6
Changes in short-term securities	37.6	22.1
Changes in other net working capital	– 85.5	– 21.0
Cash flows from operating activities	**1,123.0**	**750.9**
Investments in intangible assets	– 36.2	– 39.5
Investments in property, plant and equipment	– 668.3	– 601.5
Investments in financial instruments	– 32.0	– 25.9
Investments in newly acquired subsidiaries less cash**	– 67.8	– 71.0
Cash inflow from the disposal of subsidiaries less cash	0.0	41.3
Cash received from disposals of assets	28.4	30.2
Cash flows from investing activities	**– 775.9**	**– 666.4**

Cash flows in millions of EUR	**2019**	**2018**
Distributions	– 265.9	– 308.5
Changes in receivables from / liabilities to family trusts and the Würth family including interest income	26.4	42.3
Capital contribution	85.5	135.4
Increase in financial liabilities	115.8	528.7
Decrease in financial liabilities	– 35.8	– 523.6
Payments for the repayment portion of lease liabilities	– 253.6	– 1.3
Interest paid / received from financing activities	– 41.2	– 35.3
Increase in majority shareholdings	0.0	– 101.5
Cash flows from financing activities	**– 368.8**	**– 263.8**
Changes due to consolidation	6.1	0.9
Changes in cash and cash equivalents	**– 15.6**	**– 178.4**

Composition of cash and cash equivalents in millions of EUR	**2019**	**2018**	Change in millions of EUR
Short-term investments	0.2	0.0	0.2
Other cash equivalents	2.2	4.7	– 2.5
Cash on hand	2.8	2.1	0.7
Cash at banks	471.7	485.7	– 14.0
Cash and cash equivalents	**476.9**	**492.5**	**– 15.6**

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

Consolidated statement of changes in equity

	Equity attributable to parent companies in the Group								
in millions of EUR	Share capital	Differences from currency translation	Adjustment for post-employment benefit obligations	Cash flow hedge reserve	Other capital and revenue reserves	Retained earnings	Total	Non-controlling interests	Total equity
1 January 2018	**408.4**	**– 117.6**	**– 89.1**	**– 1.9**	**2,150.5**	**2,324.3**	**4,674.6**	**109.7**	**4,784.3**
Net income for the year	0.0	0.0	0.0	0.0	0.0	679.5	679.5	7.0	686.5
Other comprehensive income	0.0	– 3.0	5.5	0.2	0.0	0.0	2.7	– 0.5	2.2
Total comprehensive income	0.0	– 3.0	5.5	0.2	0.0	679.5	682.2	6.5	688.7
Issue / reduction of share capital	0.0	0.0	0.0	0.0	133.0	0.0	133.0	2.4	135.4
Transfer to / drawings from reserves	0.0	0.0	0.0	0.0	49.0	– 49.0	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	0.0	0.0	– 295.8	– 295.8	– 12.7	– 308.5
Increase in majority shareholdings	0.0	0.0	0.0	0.0	– 78.9	0.0	– 78.9	– 31.7	– 110.6
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	– 13.0	– 13.0
Other changes recognized in equity	0.0	– 0.5	0.0	0.0	0.1	0.5	0.1	– 4.3	– 4.2
31 December 2018	**408.4**	**– 121.1**	**– 83.6**	**– 1.7**	**2,253.7**	**2,659.5**	**5,115.2**	**56.9**	**5,172.1**
1 January 2019	**408.4**	**– 121.1**	**– 83.6**	**– 1.7**	**2,253.7**	**2,659.5**	**5,115.2**	**56.9**	**5,172.1**
Net income for the year	0.0	0.0	0.0	0.0	0.0	589.7	589.7	5.4	595.1
Other comprehensive income	0.0	18.6	– 40.7	– 8.0	0.0	0.0	– 30.1	– 0.3	– 30.4
Total comprehensive income	0.0	18.6	– 40.7	– 8.0	0.0	589.7	559.6	5.1	564.7
Issue / reduction of share capital	0.0	0.0	0.0	0.0	83.0	0.0	83.0	2.5	85.5
Transfer to / drawings from reserves	0.0	0.0	0.0	0.0	92.3	– 92.3	0.0	0.0	0.0
Distributions	0.0	0.0	0.0	0.0	0.0	– 259.5	– 259.5	– 6.4	– 265.9
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Other changes recognized in equity	0.0	0.1	0.0	0.0	– 2.3	0.0	– 2.2	– 0.3	– 2.5
31 December 2019	**408.4**	**– 102.4**	**– 124.3**	**– 9.7**	**2,426.7**	**2,897.4**	**5,496.1**	**57.9**	**5,554.0**

Consolidated value added statement*

Origin of the value added in millions of EUR	**2019**	**2018**	Change in %
Sales	14,271.7	13,620.4	4.8
Changes in inventories and own work capitalized for capital expenditure	4.3	36.9	– 88.3
Other operating income	108.0	96.4	12.0
Financial revenue	42.8	52.1	– 17.9
	14,426.8	**13,805.8**	**4.5**
Less advance payments			
Cost of materials and cost of financial services	7,172.8	6,825.4	5.1
Other operating expenses	1,861.9	2,005.3	– 7.2
Amortization and depreciation	720.7	375.1	92.1
	9,755.4	**9,205.8**	**6.0**
Value added	**4,671.4**	**4,600.0**	**1.6**

Purpose in millions of EUR	**2019**	**2018**	Change in %
Employees (personnel expenses)	3,852.3	3,644.9	5.7
Public sector (tax expenses)	138.2	177.3	– 22.1
Company	414.7	513.4	– 19.2
Equity holders**	180.4	173.1	4.2
Lenders	85.8	91.3	– 6.0
Value added	**4,671.4**	**4,600.0**	**1.6**

* 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 sale 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 is the sale of screws, screw accessories, standard / DIN parts, chemical-technical products, furniture and construction fittings, anchors, 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 mailing of workwear.

The Allied Companies, which either operate in business areas related to 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 has been prepared in accordance with Sec. 315 HGB.

Basis of preparation

All IFRSs whose adoption is mandatory as of 31 December 2019 have been applied. This also includes the International Accounting Standards (IAS) as well as the interpretations issued by the IFRS Interpretations Committee (formerly: IFRIC) and the Standing Interpretations Committee (SIC).

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

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

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

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

The consolidated financial statements were approved by the Central Managing Board of the Würth Group on 20 March 2020 for issue 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 and 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 and when better information becomes available.

The key 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 allocated. The cash-generating units are determined on the basis of the lowest level used to monitor goodwill for internal purposes by management as it makes decisions on business combinations. In the Würth Group, this is the legal entity. As of 31 December 2019, the carrying amount of goodwill totaled EUR 98.7 million (2018: EUR 155.4 million). Further details are presented under [11] "Intangible assets including goodwill" in Section H. Notes on the consolidated statement of financial position.

b) Impairment of intangible assets, property, plant and equipment, and right-of-use assets

The Würth Group tests intangible assets, property, plant and equipment, and right-of-use assets 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 under [11] "Intangible assets including goodwill", [12] "Property, plant and equipment" and [13] "Right-of-use assets" in Section H. Notes on the consolidated statement of financial position.

c) Unused tax losses and temporary differences

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies. Unused tax losses and temporary differences are considered recoverable only if they are likely to be used within the next five years. Deferred tax assets recognized on unused tax losses amount to EUR 16.6 million as of 31 December 2019 (2018: EUR 16.3 million) and are presented in [16] "Deferred taxes" in Section H. Notes on the consolidated statement of financial position.

d) Post-employment benefit obligations

The cost of defined benefit plans and other post-employment medical benefits and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of 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. In 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 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 339.7 million as of 31 December 2019 (2018: EUR 284.0 million). Further details are presented under [28] "Post-employment benefit obligations" in Section H. Notes on the consolidated statement of financial position. All parameters are reviewed annually.

e) Fair value measurement of financial instruments

If the fair values of recognized financial assets and financial liabilities cannot be measured using quoted prices in active markets, they are determined using valuation techniques, including the discounted cash flow method. The input factors used in the model are based on observable market data as far as possible. If such data is not available, the determination of fair values is largely based on discretionary decisions by management. The discretionary decisions relate to input factors such as liquidity risk, default risk and volatility. Changes in the assumptions made for these factors may affect the fair values of the financial instruments. Further information can be found under [32] "Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9" in Section H. Notes on the consolidated statement of financial position.

f) Development costs

Development costs are capitalized in accordance with the accounting policies set out in Section F. Initial recognition of development costs is based on an assessment by management that the development is both technically and economically feasible. Generally, this is the case if a product development project has reached a certain milestone within an existing project management model. In 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 2019, the carrying amount of capitalized development costs was EUR 11.9 million (2018: EUR 9.3 million).

g) Allowance for expected credit losses on trade receivables and receivables from financial services

The Würth Group uses an allowance matrix in order to calculate expected credit losses on trade receivables and receivables from financial services. The allowance rates are determined on the basis of days past due for various customers (grouped according to criteria such as geographical region, credit rating and credit insurance coverage).
The allowance table is initially based on the historical default rates within the Würth Group. The Würth Group then calibrates the table in order to adjust its historical loan defaults to future-related information. If, for example, it is assumed that forecast economic conditions (such as gross domestic product) will deteriorate in the course of the coming year, which could lead to an increase in loan defaults, then the historical default rates are adjusted. Historical default rates are updated and changes in future-oriented estimates are analyzed at each reporting date.
The assessment of the relationship between historical default rates, forecast economic conditions and expected loan defaults represents a material estimate. The amount of expected loan defaults depends on changes in circumstances and the forecast economic environment. Historical loan defaults within the Würth Group and the forecast of the general economic conditions may not be representative of the actual defaults of customers in the future. Information on expected credit losses on trade receivables of the Würth Group is provided in [18] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

For receivables from financial services that are valued at amortized cost, the first step is to calculate the impairment at the 12-month credit loss. Impairment is calculated based on the expected losses over the remaining term for receivables from financial services that change to the intensive approach.

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

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

j) Determining the term of leases featuring extension and termination options—the Würth Group as the lessee
The Würth Group defines the lease term based on the non-cancelable basic term of the lease and taking periods resulting from an option to extend the lease into account as long as it is reasonably certain that it will exercise this option. If it is reasonably certain that the option will not be exercised, only the periods resulting from the option up to the time of termination of the lease are included.
The Würth Group has entered into leases featuring extension and termination options. Assessing whether it is reasonably certain that the lease extension / termination option will be exercised or not is a process that involves discretionary decisions. This means that it considers all of the relevant factors that give it a financial incentive to exercise the extension or termination option. After the commencement date, the Würth Group reassesses the lease terms upon the occurrence of a significant event or a significant change in circumstances that are within the control of the Würth Group and have an impact on whether it will exercise the lease extension or termination option or not (e.g., if significant leasehold improvements are made or if the underlying asset is considerably altered).

k) Leases—estimate of the incremental borrowing rate
It is not possible for the Würth Group to readily determine the interest rate on which the lease is based. This is why it applies its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest rate that the Würth Group would have to pay to borrow the funds required to finance an asset of a similar value to the right-of-use asset in a comparable economic situation with a similar term and similar collateral arrangements. This means that the incremental borrowing rate reflects the interest that the Würth Group "would have to pay". If no observable interest rates are available, the incremental borrowing rate has to be estimated. Further details are provided in Section H. Accounting policies.

Effects of new accounting standards
The adopted accounting policies are consistent with those of the prior fiscal year, except that the Group has adopted the new / revised standards and interpretations set out below that are mandatory for fiscal years beginning on or after 1 January 2019. The changes in accounting policies and in the disclosures in the notes are due primarily to the adoption of:

- **IFRS 16 "Leases"**
- **IFRS 9 "Prepayment Features with Negative Compensation"**
- **IAS 19 "Plan Amendment, Curtailment or Settlement"**
- **IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments"**
- **Improvements to IFRS 2015–2017**

The adoption of these standards is described below:

IFRS 16 "Leases" was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recog-

nition, measurement, presentation and disclosure requirements regarding leases and requires lessees to recognize all leases using a single model, similar to the accounting for finance leases in accordance with IAS 17. The new standard contains two exceptions to the obligation to recognize lessees in the balance sheet: leasing agreements for low-value assets (e.g., PCs) and short-term leasing agreements (e.g., leasing agreements with a maximum term of twelve months). At the inception of the lease, the lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset for the right granted to use the leased asset during the term of the lease (i.e., the right-of-use asset). Lessees must record separately the interest expenses for the lease liability and the depreciation expense for the right to use the asset.
In addition, lessees must revalue the lease liability if certain events occur (e.g., a change in the lease term or a change in future lease payments due to a change in the index or interest rate used to determine the lease payments). Lessees generally have to recognize the amount of the revaluation of the lease liability as an adjustment to the right-of-use asset.
For lessors, IFRS 16 essentially does not result in any changes in accounting compared with IAS 17. Under IFRS 16, they still have to classify all leases in accordance with the classification principles of IAS 17 and distinguish between two types of leases, namely operating leases and finance leases.
IFRS 16 is effective for fiscal years beginning on or after 1 January 2019 and requires lessees and lessors to provide more detailed disclosures than IAS 17.

Transition to IFRS 16
The Würth Group has opted for the modified retrospective approach for its first-time adoption of IFRS 16. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized at the date of initial application. When applying IFRS 16 for the first time, the Würth Group made use of the following practical expedients pursuant to 16.C10:

- The application of the exemption for leases with a residual term of less than 12 months as of 1 January 2019 as short-term leases
- The exclusion of initial direct costs from the measurement of the right-of-use assets on the date of initial application
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics, for example, leases involving similar assets, with similar residual terms and in a similar economic environment
- The use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease
- The practical expedient provided for in 16.C3, which means that an entity does not have to reassess whether a contract is, or contains, a lease within the meaning of IFRS 16. As a result, the Würth Group has applied IFRS 16 to existing leases and has not applied IFRS 16 to contracts that do not constitute leases based on the provisions set out in IAS 17 and IFRIC 4.

The application of IFRS 16 to leases that were previously classed as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. This reduced other expenses and increased amortization and depreciation, as well as interest cost. Assets relating to finance leases that were previously reported under property, plant and equipment are not reported under right-of-use assets. The amount reported remains unchanged.

Explanation of the difference between the liabilities from the operating lease reported in accordance with IAS 17 at the end of the fiscal year immediately preceding the date of first-time application and discounted to the date of first-time application based on the incremental borrowing rate, and the lease liabilities reported in the statement of financial position upon first-time application:

in millions of EUR	
Obligations from operating leases as of 31 December 2018	**977.1**
less short-term leases recognized as an expense on a straight-line basis	59.3
less leases of low-value assets recognized as an expense on a straight-line basis	5.9
Obligations from operating leases as of 1 January 2019 (gross amount without discounting)	**911.9**
Obligations from operating leases as of 1 January 2019 (discounted at the incremental borrowing rate)	**905.0**
Plus liabilities from finance leases recognized as of 31 December 2018	4.0
Total lease liabilities as of 1 January 2019	**909.0**

The weighted average incremental borrowing rate as of 1 January 2019 was 1.5 percent.

The effects of the first-time application of IFRS 16 as of 1 January 2019 are as follows:

in millions of EUR **Assets**	**1 January 2019**
Right-of-use assets	908.2
Property, plant and equipment	– 3.2
Total assets	905.0
Equity and liabilities	
Lease liabilities	905.0
Total assets	905.0
Net effect on shareholders' equity	**0.0**

This resulted in the following movements as of 1 January 2019:

- Right-of-use assets totaling EUR 908.2 million were recognized and reported separately in the statement of financial position. These include leased assets in the amount of EUR 3.2 million that were previously recognized as finance leases and reported under property, plant and equipment.
- Additional liabilities amounting to EUR 905.0 million were recognized and reported under lease liabilities.

Due to the first-time application of IFRS 16, the net income for the year of the Würth Group has not changed significantly; however, other operating expenses have decreased, whereas depreciation and amortization, and finance costs have increased. This is due to the change in accounting for expenses from leases that are classified as operating leases in accordance with IAS 17. The cash flow from operating activities improved as a result of the first-time application of IFRS 16. For further details, please refer to Section J. Notes on the consolidated statement of cash flows.

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 assets 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. The amendments are to be applied retroactively. The transitional provisions provide a certain degree of transitional relief. 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.

The amendments to **IAS 19 "Plan Amendment, Curtailment or Settlement"** affect accounting when a change, curtailment or settlement of a plan occurs during a reporting period. They specify that after a plan adjustment, curtailment or settlement has been made during a fiscal year, companies are required to determine:

- The current service cost for the part of the reporting period remaining after the plan adjustment, curtailment or settlement, using the actuarial assumptions used to remeasure the net liability (net assets) of defined benefit plans. The net liability (or net assets) represents the benefits granted under the plan and the plan assets after the event occurs.
- The net interest expense for the portion of the reporting period remaining after the plan adjustment, curtailment or settlement using the net liability (net assets) from defined benefit plans equal to the benefits granted under the plan and the plan assets after the event occurs, and the discount rate applied in remeasuring that net liability (net assets).

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

compensations within the Würth Group. The amendments did not have any impact on the consolidated financial statements of the Würth Group, as it did not have any plan amendments, curtailments or settlements during the reporting period.

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 applies significant judgment in determining uncertainty over income tax treatments. As the Würth Group operates in a complex multinational environment, it checked whether the interpretation would have an impact on its consolidated financial statements. When applying the interpretation, the Würth Group checked whether it had any uncertain tax positions, particularly in connection with transfer prices. The tax returns submitted by the Würth Group companies in the various countries include deductions with regard to transfer prices, and the competent tax authorities could call these tax treatments into question. Based on its analysis of tax compliance and transfer pricing, the Würth Group concluded that the tax treatments it applies are likely to be accepted by the tax authorities. The interpretation did not 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 standards that are to apply to fiscal years beginning on or after 1 January 2019. The improvements to the IFRS contain the following amendments:

IFRS 3: Clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
IFRS 11: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not have to remeasure previously held interests in that business.
IAS 12: Clarification that the income tax consequences of dividends are more closely related to the original events that generated distributable profits. This means that entities have to recognize income tax consequences of dividend payments relating to the underlying transaction either in profit or loss, in other comprehensive income or in equity.
IAS 23: Clarification that an entity has to include outstanding debt taken out specifically to acquire an asset in the calculation of the weighted average of all borrowing costs as of the time at which, by and large, all of the activities necessary to prepare this asset for its intended use or sale are complete. There was no impact on the consolidated financial statements for the Würth Group.

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

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

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

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

On 26 September 2019, the IASB issued **amendments to IFRS 9, IAS 39 and IFRS 7** that provide certain reliefs in connection with IBOR reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. The amendments are effective for fiscal periods beginning on or after 1 January 2020.

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 2019 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.

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

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 and is currently assessing the effect on the consolidated financial statements.

On 23 January 2020, the IASB issued amendments to IAS 1 to clarify requirements for classifying liabilities as current or non-current. Based on these amendments, a liability is to be classified as non-current if the entity has the right, on the reporting date, to defer settlement of the liability for at least 12 months after the end of the reporting period. The mere fact that the entity has this right is sufficient. It is not necessary for the entity to intend to actually exercise it. In cases involving rights that depend on certain conditions being fulfilled, the decisive aspect is whether the conditions are fulfilled on the reporting date. If a liability is subject to terms that could, in the option of the counterparty, result in its settlement by the issue of equity instruments, it is clarified that this does not affect its classification as a current or non-current liability, provided that the option is recognized separately as an equity component of a compound financial instrument applying IAS 32. The amendments will enter into force for reporting periods beginning on or after 1 January 2022.

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 these 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 gives a true and fair view of the Würth Group. Determining the consolidated group in accordance with IAS 27 / IFRS 10 would not portray a true and fair value of the net assets, financial position and results of operations because transactions between the subgroups thereby created would not be presented fairly. In this case, the subgroups would provide an incomplete and misleading presentation of the economic and financial conditions of the Würth Group regarding practically every item of the consolidated financial statements.

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

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

In addition, a contingent purchase price liability from acquisitions in the amount of EUR 11.9 million was remeasured and derecognized through profit and loss in the 2019 fiscal year.

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

On 30 August 2019, the Würth Group acquired 100 percent of the shares and voting rights in Grupo Electro Stocks, S. L. U., Sant Cugat del Vallés, Spain, including its subsidiaries Candia Electrica, S.A.U., Sant Cugat del Vallés, Spain, and Kilovatio Galicia, S.A.U., A Coruña, Spain. The group operates in the electrical wholesale business and the acquisition is designed to allow for market entry in Spain.

The purchase price was allocated as follows as of the reporting date:

in millions of EUR	Fair value at acquisition date	Previous carrying amount
Assets		
Customer base	4.8	0.0
Other intangible assets	0.2	0.2
Right-of-use assets	26.2	26.2
Land and buildings	11.0	9.1
Other property, plant and equipment	1.3	1.3
Inventories	39.9	39.9
Trade receivables	100.3	100.3
Income tax assets	1.1	1.1
Deferred tax assets	14.1	14.1
Other assets	10.4	10.4
Cash and cash equivalents	4.7	4.7
	214.0	**207.3**
Liabilities		
Financial liabilities	20.4	20.4
Lease liabilities	26.2	26.2
Trade payables	84.5	84.5
Amounts due to employees	6.5	6.5
Provisions	5.7	5.7
Deferred tax liabilities	1.2	0.0
Other liabilities	4.2	4.2
	148.7	**147.5**
Total identifiable net assets	**65.3**	**59.8**
Goodwill arising from the business combination	0.0	
Consideration transferred	**65.3**	
Transaction costs	0.9	
Net cash outflow	**61.5**	

The intangible assets acquired were valued using income-based approaches.

Since the acquisition date, the company has contributed EUR 96.9 million to sales. The net income for the year came in at EUR 0.5 million. If the company had been acquired at the beginning of the year, then the sales for 2019 would have amounted to EUR 283.8 million and the net income for the year to EUR 0.7 million.

The following acquisitions were also made:
On 10 January 2019, the Würth Group acquired 100 percent of the shares and voting rights in GIME S.r.l., Castelfranco Veneto, Italy. The company is active in the electrical wholesale business and subsequently merged with M.E.B. Srl, Schio, Italy.

On 12 April 2019, the Würth Group acquired 80 percent of the shares and voting rights in KBlue S.r.l., Zanè, Italy. The company develops solutions for smart home functions and has been assigned to the Würth Line.

On 5 November 2019, the Würth Group acquired 100 percent of the shares and voting rights in Optima Versicherungsbroker AG, Chur, Switzerland. The company operates in the financial services sector and offers both property and casualty, and personal lines insurance.

in millions of EUR	GIME S.r.l.	KBlue S.r.l.	Optima Versicherungs-broker AG	Total
Assets				
Franchises, industrial rights, licenses and similar rights	0.0	0.4	0.0	0.4
Customer relationships and similar assets	0.4	0.6	1.6	2.6
Inventories	0.5	0.5	0.0	1.0
Receivables and other assets	1.1	0.7	0.0	1.8
Cash and cash equivalents	0.4	0.0	0.4	0.8
	2.4	**2.2**	**2.0**	**6.6**
Equity and liabilities				
Deferred tax liabilities	0.1	0.2	0.3	0.6
Non-current liabilities	0.1	0.3	0.1	0.5
Current liabilities	0.4	1.2	0.0	1.6
	0.6	**1.7**	**0.4**	**2.7**
Non-controlling interests	0.0	0.1	0.0	0.1
Basic purchase price	1.8	0.5	0.7	3.0
Conditional purchase price payment	0.0	0.0	0.9	0.9
Consideration transferred	**1.8**	**0.4**	**1.6**	**3.8**
Pro rata sales	3.0	0.7	0.1	3.8
Share of profit / loss	0.1	– 0.3	– 0.1	– 0.3
Pro forma sales in 2019	3.0	1.0	1.1	5.1
Pro forma profit / loss in 2019	0.1	– 0.4	0.0	– 0.3

The carrying amount of the receivables and other assets corresponds to the fair value. Expenses amounting to EUR 85.6 million (2018: EUR 30.1 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.

The purchase price allocation for the MEB Group, Italy, was completed in June 2019. Seventy-nine percent of the shares and voting rights in the MEB Group were acquired by the Würth Group effective 31 July 2018. The final measurement of the customer relationships resulted in an increase in the customer base of EUR 5.6 million, while deferred tax liabilities rose by EUR 1.6 million at the same time. Goodwill dropped by EUR 4.0 million in return.

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 2019, which have been prepared according to uniform standards.

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

In the case of business combinations achieved in stages that give rise to control over an entity, or in the case of disposals of shares which 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 of the statement of financial position of all foreign entities are translated into euro at closing rates, as the significant 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 prior-year translation are offset against reserves directly in equity (other comprehensive income). Goodwill is translated at the closing rate as an asset of foreign entities.

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

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

	Average exchange rates for the fiscal year		Closing rates on the reporting date	
	2019	2018	2019	2018
1 US dollar	0.89327	0.84703	0.89051	0.87344
1 pound sterling	1.13937	1.13086	1.17485	1.11807
1 Canadian dollar	0.67305	0.65420	0.68476	0.64086
1 Australian dollar	0.62082	0.63277	0.62492	0.61656
1 Brazilian real	0.22680	0.23241	0.22148	0.22503
1 Chinese yuan renminbi	0.12939	0.12825	0.12792	0.12698
1 Danish krone	0.13394	0.13417	0.13385	0.13392
1 Norwegian krone	0.10148	0.10417	0.10137	0.10051
1 Polish zloty	0.23269	0.23455	0.23494	0.23249
1 Russian ruble	0.01384	0.01347	0.01429	0.01254
1 Swedish krona	0.09440	0.09749	0.09571	0.09752
1 Swiss franc	0.89881	0.86611	0.92159	0.88739
1 Czech koruna	0.03895	0.03899	0.03936	0.03888
1 Hungarian forint	0.00308	0.00314	0.00302	0.00312

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 effected 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 least 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:

- The technical feasibility of completing the asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or to sell the intangible asset
- The verification that the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- 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

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, property, plant and equipment, and right-of-use assets 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 continuing 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 in the consolidated income statement. 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.

The **right-of-use assets** relate to leases in which the Würth Group is the lessee. More information is available under "Leases" in Section F. Accounting policies.

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

For subsequent measurement, financial assets are classified into the following categories:

- Financial assets measured at amortized cost (debt instruments) = AC
- Financial assets reported at fair value through profit or loss = FVTPL

The category of **financial assets measured at amortized cost (debt instruments)** is the most significant for the consolidated financial statements of the Würth Group. The Würth Group values financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- the contractual terms of the financial asset result in cash flows at specified points in time that represent only principal and interest payments on the outstanding principal amount.

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

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

Notwithstanding the above criteria for classifying debt instruments into the category “measured at amortized cost”, debt instruments may be classified as at fair value through profit or loss on initial recognition if this eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are recognized in the consolidated statement of financial position at fair value, with changes in fair value being recognized in the consolidated income statement on a net basis. This category comprises derivative financial instruments, listed debt instruments as well as listed and unlisted equity instruments for which the Würth Group has not irrevocably decided to classify them as at fair value through equity in other comprehensive income. Dividends from listed equity instruments are also recognized as other income in the consolidated income statement if there is a legal claim to payment.

Financial assets (or part of a financial asset or part of a group of similar financial assets) are mainly derecognized (i.e., removed from the consolidated statement of financial position of the Würth Group) if one of the following conditions is fulfilled:

- The contractual rights to receive cash flows from the financial asset have expired.
- The Würth Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation to immediately pay the cash flow to a third party within the framework of a so-called pass-through agreement and has either (a) essentially transferred all opportunities and risks associated with ownership of the financial asset or (b) essentially neither transferred nor retained all opportunities and risks associated with ownership of the financial asset, but has transferred the power of disposal over the asset.

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

Additional information concerning the **impairment of financial assets** is provided in the following notes:

- "Use of estimates and judgments" in Section B. Adoption of International Financial Reporting Standards
- [15] "Receivables from financial services" in Section H. Notes on the consolidated statement of financial position, and
- [18] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

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

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

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

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

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

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

Further information can be found under [26] "Financial liabilities" in Section H. Notes on the consolidated statement of financial position.

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

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

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

Derivative financial instruments used as hedges are classified as follows for accounting purposes:

- As fair value hedges if they hedge the risk of fluctuations in the fair value of a recognized asset or liability, or a firm commitment not recognized in the balance sheet.
- As cash flow hedges if they hedge the risk of fluctuations in cash flows that can be allocated to the risk associated with a recognized asset, a recognized liability or a highly probable future transaction, or the foreign currency risk associated with an unrecognized firm commitment.

At the start of the hedge, both the hedging relationships and the risk management objectives and strategies of the Würth Group are formally defined and documented with regard to the hedge. Documentation from the period before 1 January 2018 stipulates the hedging instrument, the underlying transaction or the hedged transaction as well as the nature of the hedged risk and a description of how the Würth Group determines the effectiveness of the changes in the fair value of the hedging instrument in offsetting the risks from changes in the fair value or the cash flows of the hedged underlying transaction that can be attributed to the hedged risk. Such hedge relationships are deemed to be highly effective in terms of achieving compensation for the risks of changes in fair value or cash flows. They are assessed on an ongoing basis to determine whether they were actually highly effective throughout the reporting period for which the hedge was designated.

Since 1 January 2018, documentation has included the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and the manner in which the Würth Group will assess whether the hedging relationship meets the requirements for hedge effectiveness (including its analysis of the causes of hedge ineffectiveness and the manner in which the hedging ratio is determined). A hedging relationship meets the requirements for hedge accounting only if all of the following criteria are met:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of the default risk has no dominant influence on the changes in value resulting from this economic relationship.
- The hedging ratio of the hedging relationship corresponds to that resulting from the volume of the underlying transaction actually hedged by the Würth Group and the volume of the hedging instrument actually used by the Würth Group to hedge this volume of the hedged underlying transaction. Hedging transactions that meet all of the criteria for hedge accounting are recognized as follows:

Fair value hedge

The change in the fair value of the hedging instrument is recognized in the financial result of the consolidated income statement. The change in the fair value of the underlying transaction that can be attributed to the hedged risk is recognized as part of the carrying amount of the hedged underlying transaction and is also recognized in the financial result in the consolidated income statement. For fair value hedges relating to items carried at amortized cost, the adjustment to the carrying amount is amortized through profit or loss over the remaining term to maturity of the hedge using the effective interest rate method. Effective interest rate amortization can begin as soon as an adjustment exists, but no later than when the underlying transaction ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the underlying transaction is derecognized, then the fair value that has not yet been amortized is recognized in the consolidated income statement with immediate effect.
When an unrecognized firm commitment is designated as the underlying transaction, the subsequent cumulative change in the fair value of the commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recorded in the consolidated income statement. Additional information can be found under [4] "Financial instruments" in Section I. Other notes.

Cash flow hedge

The effective part of the profit or loss resulting from a hedging instrument is posted to other comprehensive income in the reserve for cash flow hedges, while the ineffective part is recognized in the income statement with immediate effect. The reserve for cash flow hedges is adjusted to the lower of the following amounts:

- The cumulative gain or loss on the hedging instrument from inception of the hedge; or
- the cumulative change in the fair value of the hedged item.

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

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

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

Receivables and liabilities from financial services include the receivables and liabilities arising from the financial services business. Bank receivables and loans, as well as receivables or loans due from customers, are financial investments with fixed or determinable payments and fixed maturity that are not quoted in an active market. After initial recognition, receivables and liabilities from financial services are carried at amortized cost using the effective interest method less any credit risks. As a lessor, the Würth Group recognizes finance lease assets as receivables from financial services in the consolidated statement of financial position equal to the unsold net investment in the lease. Financial in-

come is recognized to reflect a constant periodic rate of return on the lessor's net investment outstanding. Initial direct costs are immediately expensed. Income on unsold contracts is recognized over the term of the lease. Leases that do not essentially transfer all of the risks and rewards associated with ownership from the Würth Group to the lessee are classified as operating leases. Initial direct costs incurred during the negotiation and conclusion of an operating lease are added to the carrying amount of the leased asset and recorded as an expense during the term of the lease in the same way as leasing income. Conditional rental payments are recognized as income during the period in which they are generated. The Würth Group sells assets from finance leases to receivables purchasing companies as part of "asset backed commercial papers" (ABCP) transactions. Notwithstanding the legal transfer, these must continue to be recognized by the Würth Group where Group entities retain significant risks and rewards on a contractual basis.
Receivables from financial services are tested for impairment in accordance with IFRS 9.

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

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

Deferred 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.

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

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

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

The **lease liabilities** relate to leases in which the Würth Group is the lessee. More information is available under "Leases" in Section F. Accounting policies.

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, on occurrence of the insured event, 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 the period in which they occur in other comprehensive income. 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 by 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 on each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of the money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. In the discounting process, the increase in the provision reflecting the passage of time is recognized as finance costs. Reversals of provisions are posted against the expense items for which the provisions were set up.

Financial guarantee contracts issued by the Würth Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. These financial guarantee contracts are treated as insurance contracts as defined by IFRS 4, that is to say, the financial guarantee contracts are presented as contingent liabilities until utilization becomes probable. When this is the case, the corresponding obligation is recognized. The core business of the Würth Group is the distribution of fastening and assembly materials. In addition, there are trading and production companies in related business fields. **Revenue from contracts with customers** is recognized when control of the goods or services is transferred to the customer. This is recorded in the amount of the consideration that the Würth Group is expected to receive in exchange for these goods or services. In principle, the Würth Group has come to the conclusion that it acts as principal in its sales transactions, since it usually has control over the goods or services before they are transferred to the customer.

Revenue from the sale of goods is recognized when control of the asset is transferred to the customer. This is generally the case at the time the goods are delivered. Customer-specific contract manufacturing in the Production and Electronics units is one exception to this rule. In individual cases, revenue is realized over a specific period of time in line with the progress of production. Due to the fact that production in these areas is largely "just-in-time" production, however, there is no significant deviation compared with the realization of revenue at a specific point in time. The usual payment period is 30 to 90 days from delivery. The Würth Group examines whether the contract contains other commitments that represent separate performance obligations to which part of the transaction price must be allocated (e.g., warranties, loyalty point programs). When determining the transaction price for the sale of goods, the Würth Group takes into account the effects of variable consideration, the existence of significant financing components, non-cash consideration and any consideration payable to a customer.

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

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

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

Non-cash consideration
The Würth Group usually offers legally prescribed guarantees for the remedying of defects that existed at the time of sale. In accordance with IAS 37, provisions are formed for these so-called assurance-type warranties. Details of the accounting policy for warranty provisions are given in [29] "Provisions" in Section H. Notes on the consolidated statement of financial position.

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

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

Leases
Leases of the Würth Group and their accounting
The Würth Group rents various properties, facilities and vehicles. While rental agreements tend to be concluded for fixed periods, they can feature extension options. The rental conditions are negotiated individually and include a large number of different terms and conditions.

Leases are recognized in the statement of financial position as right-of-use assets and corresponding lease liabilities at the time when the leased asset is made available for use by the Würth Group. Each lease installment is separated into a repayment portion and a financing expense portion. Finance expenses are recognized in profit or loss over the term of the lease, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each item. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets for land, land rights and buildings incl. buildings on third-party land	2 – 40 years
Right-of-use assets for technical equipment and machines	2 – 15 years
Right-of-use assets for other equipment, furniture and fixtures	2 – 10 years

On the commencement date, the Würth Group recognizes the lease liabilities at the present value of the lease payments to be made over the term of the lease, for example:
- fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or interest rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects that the lessee will exercise an option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, discounting is based on the lessee's incremental borrowing rate.

Right-of-use assets are measured at cost, comprising the following:
- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs incurred by the lessee and
- estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or returning the underlying asset to the condition specified in the lease agreement.

The Würth Group has also entered into leases with a term of twelve months or less, as well as leases of low-value assets. The Würth Group applies the practical expedient for these leased assets, which applies to short-term leases and leases of low-value assets.

In 2019, the Würth Group reported total cash outflows from leases amounting to EUR 348.3 million (2018: EUR 330.6 million). Furthermore, the Würth Group reported non-cash additions to right-of-use assets and lease liabilities amounting to EUR 227.8 million in 2019 (2018: EUR 0.4 million).

Extension and termination options

A number of real estate and facility leases within the Würth Group feature extension and termination options. These contractual conditions are used to maintain the Würth Group's operational flexibility with regard to the agreements in force. When determining lease terms, all facts and circumstances that provide an economic incentive to exercise an extension option, or not to exercise a termination option, are taken into account. Changes in the term resulting from the exercise of extension and termination options are only included in the lease term if it is reasonably certain that the lease will be extended, or that the termination option will not be exercised. The assessment is reviewed upon the occurrence of a significant event or a significant change in circumstances that could affect this assessment, provided that this is within the lessee's control.

Residual value guarantees

In some cases, the Würth Group grants residual value guarantees in order to optimize leasing costs during the lease term. The Würth Group estimates the payments expected to be made under residual value guarantees and recognizes them as part of the lease liability. The estimates are reviewed at the end of each period, with adjustments being made if necessary.

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

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

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

G. Notes on the consolidated income statement

[1] Sales

in millions of EUR	2019	2018
Revenue from contracts with customers	14,153.7	13,515.6
Revenue from financial services	118.0	104.8
Total	**14,271.7**	**13,620.4**

Revenues from contracts with customers relate to revenues from the sale of goods and services. These revenues include services amounting to EUR 88.5 million (2018: EUR 83.1 million).

Revenue from financial services primarily contains interest income of EUR 46.4 million (2018: EUR 40.0 million), similar income of EUR 6.3 million (2018: EUR 6.4 million) and commission income of EUR 8.1 million (2018: EUR 11.2 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. It also includes income from the leasing and insurance business.

The following table shows the breakdown of sales revenues for the 2019 fiscal year by region and business segment.

in millions of EUR	Germany	Western Europe	The Americas	Southern Europe	Eastern Europe	Scandinavia	Asia, Africa, Oceania	Total
Würth Line	2,251.5	1,295.5	1,828.4	1,083.1	441.7	717.0	457.4	**8,074.6**
Allied Companies								
Electrical Wholesale	1,173.3	0.0	0.0	425.8	313.4	0.0	0.3	**1,912.8**
Electronics	433.5	102.1	93.2	55.9	28.6	27.8	106.1	**847.2**
Production	340.8	173.1	81.4	17.4	3.4	59.1	34.2	**709.4**
RECA Group	235.8	249.2	0.0	119.0	70.3	0.0	2.0	**676.3**
Trade	441.9	44.5	0.0	42.8	11.9	29.5	12.7	**583.3**
Chemicals	411.8	54.0	42.5	32.4	3.6	1.6	9.1	**555.0**
Tools	312.5	34.5	2.1	0.7	40.4	0.0	13.2	**403.4**
Screws and Standard Parts	129.0	10.5	0.0	75.9	12.4	31.0	13.0	**271.8**
Financial Services	97.7	25.1	0.0	0.0	0.0	1.4	0.0	**124.2**
Other	71.7	27.7	0.1	13.1	0.1	0.0	1.0	**113.7**
Total	**5,899.5**	**2,016.2**	**2,047.7**	**1,866.1**	**925.8**	**867.4**	**649.0**	**14,271.7**

Of the revenues from the sale of goods and services, EUR 588.1 million was generated in 2019 on a periodic basis. All other revenues were recognized at a specific point in time.

[2] Cost of materials

in millions of EUR	2019	2018
Cost of materials and supplies and of purchased merchandise	6,909.0	6,628.6
Cost of purchased services	242.0	171.5
Total	**7,151.0**	**6,800.1**

[3] Cost of financial services

Cost of financial services primarily contains interest expenses of EUR 4.0 million (2018: EUR 4.3 million) and commission of EUR 3.7 million (2018: EUR 6.7 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. This item also contains EUR 1.4 million (2018: EUR 1.1 million) from the external business of the companies specializing in leases and EUR 12.7 million (2018: EUR 13.2 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. Other operating income also includes income from the subleasing of right-of-use assets in the amount of EUR 0.5 million.

[5] Personnel expenses and number of employees

Personnel expenses

in millions of EUR	2019	2018
Wages and salaries	3,147.4	2,978.4
Social security payments	425.7	395.8
Pension and other benefit costs	279.2	270.7
Total	**3,852.3**	**3,644.9**

Number of employees as of the reporting date

	2019	2018
Würth Line Germany	9,196	8,858
Allied Companies Germany	15,148	14,914
Würth Group Germany	24,344	23,772
Würth Group International	54,342	53,308
Würth Group total	**78,686**	**77,080**
Thereof		
Sales staff	33,979	33,218
In-house sales	44,707	43,862

The average headcount of the Würth Group totaled 78,175 in the reporting period (2018: 76,133).

[6] Amortization and depreciation

The consolidated income statement includes the following depreciation expense for right-of-use assets:

in millions of EUR	2019
Depreciation of right-of-use assets for land, land rights and buildings incl. buildings on third-party land	163.4
Depreciation of right-of-use assets for technical equipment and machines	7.9
Depreciation of right-of-use assets for other equipment, furniture and fixtures	101.9
Total	**273.2**

[7] Other operating expenses

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

Other operating expenses also include the following expenses from leases that were not included in the measurement of the lease liability:

in millions of EUR	2019	2018
Expense from operating leases	–	329.3
Expense from short-term leases	75.7	–
Expense from leases of low-value assets	5.9	–
Expense from variable lease payments	2.4	–
Total	**84.0**	**329.3**

The total cash outflows for leases in the 2019 fiscal year amounted to EUR 348.3 million.

Other operating expenses also include impairment of receivables from the banking business of EUR 0.0 million (2018: EUR 2.4 million).

[8] Finance revenue / finance costs

in millions of EUR	2019	2018
Other interest and similar income	42.8	52.1
Interest and similar expenses	70.3	86.4
Interest expense from lease liabilities	10.7	0.0
Net interest cost from pension plans	4.8	4.9
Total financial result	**43.0**	**39.2**
Thereof from financial instruments under the IFRS 9 measurement categories:		
Financial assets and liabilities to be reported at fair value through profit or loss (FVTPL)	- 15.1	- 16.1
Financial liabilities at amortized cost (AC)	- 23.1	- 18.2

Expenses from the translation of foreign currency items amounted to EUR 13.0 million (2018: EUR 27.5 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.

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

in millions of EUR	2019	2018
Operating result	**770.0**	**870.4**
Impairment losses for goodwill and brands	- 54.3	- 10.6
Measurement of the interests as defined by IAS 32	6.7	2.7
Adjustment of purchase price liability from acquisition through profit or loss	11.9	3.0
Other	- 1.0	- 1.7
Earnings before taxes	**733.3**	**863.8**

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

[10] Income taxes

in millions of EUR	2019	2018
Income tax expenses	189.9	175.6
Deferred tax income		
Deferred tax income from unused tax losses	25.7	33.8
Other deferred tax income	90.7	47.4
Deferred tax expense		
Deferred tax expense from unused tax losses	27.0	37.1
Other deferred tax expenses	37.7	45.8
Total	**138.2**	**177.3**

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

in millions of EUR	2019	2018
Earnings before taxes	733.3	863.8
Theoretical tax rate as a %	18.8	18.2
Theoretical tax expense	**137.9**	**157.2**
Changes in theoretical tax expense due to:		
Unrecognized tax losses from the current fiscal year	14.3	13.0
Recognition of unused tax losses from prior periods	– 0.8	– 2.0
Use of unused tax losses written down in prior years	– 3.5	– 5.5
Write-down on recognized unused tax losses from prior years	0.4	1.9
Write-down + / write-up – on temporary differences	– 5.5	0.2
Different tax rates	– 1.5	0.6
Tax reductions due to tax-free items	– 4.2	– 3.9
Tax increases due to non-deductible expenses	9.8	8.7
Income tax expense that cannot be derived from earnings before taxes	2.5	5.6
Non-tax-deductible amortization of goodwill and other intangible assets	11.4	2.1
Taxes relating to other periods	– 29.4	– 7.4
Other	6.8	6.8
Income taxes	**138.2**	**177.3**
Effective tax rate as a %	**18.8**	**20.5**

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

Changes in income taxes resulted primarily from a change in the tax base for future fiscal years. In addition, there was a contrary effect resulting from tax losses in the current fiscal year which cannot be utilized with sufficient certainty in future fiscal years. Deferred tax assets were not recognized in such cases.

H. Notes on the consolidated statement of financial position

[11] 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 2019	411.7	79.6	361.9	485.1	16.8	1,355.1
Exchange differences	1.6	0.2	2.8	4.7	0.0	9.3
Changes in the consolidated group	0.6	0.0	13.0	– 4.0	0.0	9.6
Additions	25.2	3.4	0.3	0.0	7.2	36.1
Disposals	6.9	0.4	0.0	0.0	0.0	7.3
Reclassifications	12.1	6.5	0.0	0.0	– 14.3	4.3
31 December 2019	**444.3**	**89.3**	**378.0**	**485.8**	**9.7**	**1,407.1**
Accumulated depreciation and impairment						
1 January 2019	301.7	70.3	194.0	329.7	0.0	895.7
Exchange differences	0.9	0.1	0.9	3.1	0.0	5.0
Amortization and depreciation	37.9	7.1	20.0	0.0	0.0	65.0
Impairment losses	0.0	0.0	10.3	54.3	0.0	64.6
Disposals	6.5	0.1	0.0	0.0	0.0	6.6
31 December 2019	**334.0**	**77.4**	**225.2**	**387.1**	**0.0**	**1,023.7**
Net carrying amount						
31 December 2019	**110.3**	**11.9**	**152.8**	**98.7**	**9.7**	**383.4**

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

Research and development costs (including amortization of capitalized development costs) recognized as expenses total EUR 8.5 million (2018: EUR 8.6 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 recorded on goodwill amounted to EUR 54.3 million in the 2019 fiscal year (2018: EUR 10.6 million), and to customer relationships and similar assets in the amount of EUR 10.3 million (2018: EUR 0.0 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 2019 fiscal year. These impairment tests were based on net selling price and conducted at the level of the smallest cash-generating unit.

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

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

2019 in millions of EUR	Northern Safety Company, Inc.	M.E.B. Srl	Tunap	HSR/ Indunorm	Wurth Hot	Chemofast Anchoring GmbH	Dakota Premium Hard-woods LLC	Lichtzentrale Thurner GmbH	Wurth Des Moines Bolt Inc.	Other	Total
Goodwill before impairment test	46.1	23.0	9.2	9.1	9.1	8.7	8.3	6.8	6.1	25.0	151.4
Exchange difference	0.9	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.1	0.2	1.6
Impairment losses	47.0	0.0	0.0	0.0	6.3	0.0	0.0	0.0	0.0	1.1	54.3
Goodwill	**0.0**	**23.0**	**9.2**	**9.1**	**3.0**	**8.7**	**8.5**	**6.8**	**6.2**	**24.2**	**98.7**
Average sales growth in the planning period (in %)	9.8	4.3	2.3	8.7	8.1	7.0	13.8	6.0	10.8	3.7–24.8	
EBIT margin in the planning period (in %)	0.5–3.3	5.7–6.9	1.5–6.4	5.3–5.5	3.5–5.6	7.0–7.3	3.4–3.5	3.1–3.8	3.9–7.1	-0.6–22.1	
Length of the planning period	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Sales growth p. a. after the end of the planning period (in %)	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.0	1.0	1.0–1.5	
EBIT margin after the end of the planning period (in %)	4.5	8.4	6.4	5.5	6.7	8.6	4.2	3.8	9.8	2.5–22.1	
Discount rate	10.6	10.0	7.5	9.3	11.2	7.7	11.1	8.1	11.0	7.6–11.4	
Additional impairment losses											
assuming a 10 % lower cash flow	0.0	0.0	0.0	0.0	3.0	0.0	2.5	0.0	0.0	0.0	
assuming a 1 % higher discount rate	0.0	0.0	0.0	0.0	3.0	0.0	4.1	0.0	0.0	0.0	

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

The assumptions underlying the calculation of 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 probable change in any of the above key assumptions made to determine net selling price would cause the carrying amount of the cash-generating unit to materially exceed its recoverable amount.

[12] 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	Advance payments and assets under construction	Total
Cost					
1 January 2019	2,744.9	1,128.6	2,065.0	272.1	6,210.6
Exchange differences	10.7	3.8	9.0	0.4	23.9
Changes in the consolidated group	11.0	0.4	0.9	0.0	12.3
Additions	67.2	57.0	198.4	346.6	669.2
Disposals	4.9	24.5	86.9	0.1	116.4
Reclassifications	41.7	76.7	31.9	– 154.0	– 3.7
31 December 2019	**2,870.6**	**1,242.0**	**2,218.3**	**465.0**	**6,795.9**
Accumulated depreciation and impairment					
1 January 2019	1,060.4	720.9	1,111.5	0.1	2,892.9
Exchange differences	3.3	2.5	6.5	0.0	12.3
Amortization and depreciation	76.7	82.5	154.1	0.0	313.3
Impairment losses	0.0	2.4	2.1	0.0	4.5
Disposals	3.1	19.9	78.9	0.0	101.9
Reclassifications	– 0.9	– 1.5	3.3	0.0	0.9
Reversal of impairment losses	0.0	0.0	1.2	0.0	1.2
31 December 2019	**1,136.4**	**786.9**	**1,197.4**	**0.1**	**3,120.8**
Net carrying amount					
31 December 2019	**1,734.2**	**455.1**	**1,020.9**	**464.9**	**3,675.1**

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Cost					
1 January 2018	2,606.5	1,044.4	1,919.6	185.7	5,756.2
Exchange differences	– 0.8	1.8	2.3	– 0.2	3.1
Additions due to changes in the consolidated group	0.3	0.0	1.4	0.0	1.7
Additions	84.3	64.6	232.4	213.5	594.8
Disposals due to changes in the consolidated group	2.4	0.6	4.8	0.3	8.1
Disposals	14.9	19.2	99.7	2.2	136.0
Reclassifications	71.9	37.6	13.8	– 124.4	– 1.1
31 December 2018	**2,744.9**	**1,128.6**	**2,065.0**	**272.1**	**6,210.6**
Accumulated depreciation and impairment					
1 January 2018	992.8	653.4	1,057.5	0.1	2,703.8
Exchange differences	0.7	1.7	1.6	0.0	4.0
Amortization and depreciation	75.1	80.3	145.0	0.0	300.4
Impairment losses	0.0	3.0	0.6	0.0	3.6
Disposals due to changes in the consolidated group	0.3	0.2	2.2	0.0	2.7
Disposals	6.4	17.0	89.5	0.0	112.9
Reclassifications	– 0.6	– 0.3	– 1.0	0.0	– 1.9
Reversal of impairment losses	0.9	0.0	0.5	0.0	1.4
31 December 2018	**1,060.4**	**720.9**	**1,111.5**	**0.1**	**2,892.9**
Net carrying amount					
31 December 2018	**1,684.5**	**407.7**	**953.5**	**272.0**	**3,317.7**

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	**2019**	**2018**
Land charges	4.1	4.1
Collateral assignment	9.2	12.2
Total	**13.3**	**16.3**

There are payment obligations for investment in fixed assets of EUR 25.1 million (2018: EUR 44.4 million).

Advance payments and assets under construction include additions to assets under construction of EUR 274.2 million (2018: EUR 154.2 million) relating to technical equipment and machinery as well as buildings.

Of the impairment losses in the 2019 fiscal year, technical equipment and machines accounted for EUR 2.4 million (2018: EUR 3.0 million) and other plant, operating and office equipment EUR 2.1 million (2018: EUR 0.6 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.

[13] Right-of-use assets

in millions of EUR	Right-of-use assets for land, land rights and buildings incl. buildings on third-party land	Right-of-use assets for technical equipment and machines	Right-of-use assets for other equipment, furniture and fixtures	Total
Cost				
1 January 2019	717.3	21.1	172.0	910.4
Changes in the consolidated group	23.4	0.0	2.8	26.2
Additions	123.5	0.9	103.4	227.8
Disposals	6.7	0.0	0.7	7.4
31 December 2019	**857.5**	**22.0**	**277.5**	**1,157.0**
Accumulated depreciation and impairment				
1 January 2019	2.2	0.0	0.0	2.2
Amortization and depreciation	163.4	7.9	101.9	273.2
Disposals	2.8	0.0	0.4	3.2
31 December 2019	**162.8**	**7.9**	**101.5**	**272.2**
Net carrying amount				
31 December 2019	**694.7**	**14.1**	**176.0**	**884.8**

[14] Financial assets

The investments reported under financial assets are allocated to the category “at fair value through profit or loss” (FVTPL) in accordance with IFRS 9. There were no fair value adjustments in the 2019 fiscal year. Fair values that could not be determined on the basis of observable market data of EUR 14.5 million (2018: EUR 11.5 million) relate to long-term interests in non-listed corporations and partnerships.

Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, issued securities with a book value of EUR 80.0 million (2018: EUR 56.3 million) as security for the granting of a credit line for refinancing at Deutsche Bundesbank, Frankfurt am Main, Germany. The maximum credit risk is the amount carried in the consolidated statement of financial position.

[15] Receivables from financial services

in millions of EUR	2019	Thereof due within one year	2018	Thereof due within one year
Receivables from the leasing business	856.4	329.4	561.5	235.4
Receivables from the insurance business	1.9	1.9	1.9	1.9
Receivables from the banking business				
Receivables from customers	1,149.9	707.9	1,171.3	586.8
Receivables from banks	70.7	70.7	117.1	117.1
Other asset items	3.6	3.6	5.3	5.3
Total	**2,082.5**	**1,113.5**	**1,857.1**	**946.5**

Receivables from the leasing business include finance leases in which the main opportunities and risks from the leasing business have been transferred to the lessee, as well as operating leases. Further details can be found under [5] "Leases: The Würth Group as the lessor" in Section I. Other notes.

Receivables from financial services include receivables from related parties of EUR 18.2 million (2018: EUR 20.2 million).

The Würth Group regularly sells receivables from financial services arising from the external leasing business in the form of ABCP transactions. As of 31 December 2019, factored receivables from financial services of EUR 354.9 million (2018: EUR 174.3 million) were not derecognized from the consolidated statement of financial position because the majority of all risks and rewards incidental to ownership were retained by the Würth Group. The corresponding liability is disclosed under [25] "Liabilities from financial services" in Section H. Notes on the consolidated statement of financial position.

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

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

in millions of EUR	2019	2018
Receivables from financial services that are neither past due nor impaired	2,049.1	1,829.7
Receivables not impaired but past due by		
less than 120 days	16.0	12.6
between 180 and 359 days	0.0	0.2
more than 360 days	0.0	1.3
Total receivables not impaired	**2,065.1**	**1,843.8**
Impaired receivables from financial services (gross)	47.3	45.3
Impairment loss recognized on receivables from financial services	29.9	32.0
Net carrying amount	**2,082.5**	**1,857.1**

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

in millions of EUR	2019	2018
Provision for impairment as of 1 January	**32.0**	**19.7**
Effect of first-time adoption of new accounting standards	0.0	16.9
Amounts recognized as income (–) or expense (+) in the reporting period	2.6	– 1.7
Derecognition of receivables	– 3.8	– 3.0
Payments received and recoveries of amounts previously written off	– 1.0	0.0
Currency translation effects	0.1	0.1
Provision for impairment as of 31 December	**29.9**	**32.0**

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

[16] Deferred taxes

Deferred tax assets and liabilities can be allocated as follows:

in millions of EUR	Deferred tax assets 2019	Deferred tax liabilities 2019	Deferred tax assets 2018	Deferred tax liabilities 2018	Change 2019	Change 2018
Non-current assets	140.5	220.5	86.5	74.5	– 92.0	7.1
Inventories	64.6	50.2	56.0	41.3	– 0.3	2.5
Receivables	46.8	15.3	28.6	20.7	23.6	5.1
Other assets	12.3	64.0	10.2	43.0	– 18.9	– 6.3
Provisions	83.4	32.1	68.0	29.1	12.4	– 5.5
Liabilities	168.3	1.3	10.5	2.5	159.0	1.5
Other liabilities	8.2	70.6	4.9	56.0	– 11.3	– 0.7
	524.1	**454.0**	**264.7**	**267.1**	**72.5**	**3.7**
Unused tax losses	16.6		16.3		0.3	– 3.4
Offset	– 326.7	– 326.7	– 129.6	– 129.6		
Total	**214.0**	**127.3**	**151.4**	**137.5**	**72.8**	**0.3**

The development of timing differences is fully reflected in income taxes. The currency translation differences of EUR 24.4 million (2018: EUR – 10.2 million), which were recognized directly in equity, as well as the additions to deferred taxes of EUR 12.9 million (2018: EUR 6.1 million) in connection with new acquisitions and deferred taxes of EUR 10.3 million (2018: EUR 2.1 million) on items recognized directly in other comprehensive income are exceptions to this rule.

There are deferred tax assets totaling EUR 15.5 million (2018: EUR 17.5 million) for entities that have a history of losses.

During the 2019 fiscal year, deferred tax assets of EUR 0.8 million (2018: EUR 2.0 million) were subsequently formed on unused tax losses in the amount of EUR 6.1 million (2018: EUR 9.7 million), since the management has classified future use within the Würth Group as probable.

Deferred tax assets of EUR 82.6 million in total (2018: EUR 75.4 million) were recognized on unused tax losses.

No deferred tax assets were recognized in the consolidated statement of financial position for unused tax losses of EUR 725.8 million (2018: EUR 542.0 million), as realization is not sufficiently certain.

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

in millions of EUR	2019	2018
Expiration of unused tax losses		
Non-forfeitable	434.5	295.8
Expiration within the next five to ten years	109.0	86.2
Expiration within the next one to five years	164.5	139.9
Expiration within the next year	17.8	20.1
Total unused tax losses net of deferred tax assets recognized	**725.8**	**542.0**

The unused tax losses include unused tax losses of EUR 23.2 million (2018: EUR 23.2 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 650.0 million (2018: EUR 663.4 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 five percent on distributed dividends. The calculation of these unrecognized deferred tax liabilities would have been unreasonably time-consuming.

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

[17] Inventories

in millions of EUR	2019	2018
Materials and supplies	105.9	109.4
Work in process and finished goods	204.4	210.7
Merchandise	1,961.4	1,872.8
Payments on account	16.3	12.5
Total	**2,288.0**	**2,205.4**

The write-down recorded on inventories, which was recognized under cost of materials in the consolidated income statement, amounts to EUR 7.5 million (2018: EUR 13.5 million).

[18] Trade receivables

This item exclusively comprises receivables from third parties.

in millions of EUR	2019	2018
Trade receivables that are neither past due nor impaired	830.5	791.4
Receivables not impaired but past due by		
less than 120 days	383.6	395.8
between 120 and 179 days	32.0	4.7
between 180 and 359 days	0.7	0.3
more than 360 days	0.0	0.1
Total receivables not impaired	**1,246.8**	**1,192.3**
Impaired trade receivables (gross)	898.1	825.0
Provision for impairment of trade receivables	170.1	132.4
Net carrying amount	**1,974.8**	**1,884.9**

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

2019 in millions of EUR	Expected default rate in %	Gross book value	Expected losses over remaining term
< 120 days (level 2)	1.3	1,875.5	24.1
120 to 359 days (level 2)	14.2	139.7	19.8
> 359 days (level 3)	43.3	129.7	56.2
Total		**2,144.9**	**100.1**

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

Where possible and feasible, we take out credit insurance.

Value adjustments on trade receivables have developed as follows:

in millions of EUR	2019	2018
Provision for impairment as of 1 January	**132.4**	**147.6**
Effect of first-time adoption of new accounting standards	0.0	– 22.0
Changes in the consolidated group	33.4	4.5
Amounts recognized as expense in the reporting period	34.6	28.7
Derecognition of receivables	– 29.5	– 24.7
Payments received and recoveries of amounts previously written off	– 1.6	– 1.4
Currency translation effects	0.8	– 0.3
Provision for impairment as of 31 December	**170.1**	**132.4**

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	2019	2018
Expenses from the derecognition of receivables	32.9	27.5
Income from recoveries of amounts previously written off	2.6	2.0

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

[19] Income tax assets

This item records income tax assets from tax authorities.

[20] Other financial assets

in millions of EUR	2019	Thereof due within one year	2018	Thereof due within one year
Receivables from related parties	3.5	3.5	7.1	3.5
Derivative financial assets	6.6	6.6	5.1	5.1
Sundry financial assets	160.0	160.0	140.6	140.6
Total	**170.1**	**170.1**	**152.8**	**149.2**

Sundry financial assets mainly include supplier discounts and bonuses.

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

The receivables from related parties include the purchase price receivable from the sale of the Freie Schule Anne-Sophie to the Würth Foundation, Künzelsau, Germany in the amount of EUR 3.5 million (2018: EUR 7.1 million). The receivable was subject to customary market interest rates.

[21] Other assets

in millions of EUR	2019	Thereof due within one year	2018	Thereof due within one year
Sundry assets	154.6	121.6	140.8	110.9
Prepaid expenses	82.1	82.1	68.7	68.7
Total	**236.7**	**203.7**	**209.5**	**179.6**

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

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

[22] Securities

Securities comprise listed equity and bond exposures (equity instruments) that are actively traded and measured at fair value through profit or loss in accordance with IFRS 9. Changes in value are calculated using quoted prices in active markets (level 1 inputs). In addition, securities include actively traded bonds (debt instruments) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, which are valued at amortized cost and pledged in the amount of EUR 25.2 million (2018: EUR 41.2 million) as collateral for the grant of a credit line for refinancing at Deutsche Bundesbank, Frankfurt am Main, Germany. The maximum credit risk corresponds to the fair value.

[23] Cash and cash equivalents

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

[24] Equity

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

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

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

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

The individual equity components and their development in 2019 and 2018 are shown in the consolidated statement of changes in equity.

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

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

Distributions of EUR 165.0 million are planned for 2020.

[25] Liabilities from financial services

2019 in millions of EUR	Total	Residual maturity < 1 year	Residual maturity 1–5 years	Residual maturity > 5 years
Liabilities from the leasing business	534.3	242.9	269.4	22.0
Liabilities from the insurance business	0.7	0.7	0.0	0.0
Liabilities from the banking business	1,178.5	808.6	310.9	59.0
Total	**1,713.5**	**1,052.2**	**580.3**	**81.0**

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

Liabilities from financial services include liabilities from related parties of EUR 4.5 million (2018: EUR 4.2 million).

Liabilities from the leasing business include liabilities from an ABCP transaction of EUR 354.9 million (2018: EUR 174.3 million). The nominal amount of this ABCP transaction comes to EUR 376.2 million (2018: EUR 183.7 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 2019**	< 1 year	1 – 5 years	> 5 years
Liabilities from the leasing business	534.3	254.9	287.2	28.4
Liabilities from the insurance business	0.7	0.7	0.0	0.0
Liabilities from the banking business	1,178.5	714.6	472.6	70.6

[26] Financial liabilities

in millions of EUR	**2019**	Thereof due within one year	**2018**	Thereof due within one year
Bonds	1,681.8	499.9	1,669.3	0.0
Liabilities to banks	188.0	176.0	91.6	79.2
Liabilities to non-controlling interests	56.1	33.8	60.5	40.5
Total	**1,925.9**	**709.7**	**1,821.4**	**119.7**

There are financial liabilities of EUR 509.9 million (2018: EUR 502.0 million) due in more than five years.

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

Type	Amount	Interest	Effective interest	Maturity	Carrying amount in millions of EUR	Fair value in millions of EUR
Bond	EUR 500 million	1.75 %	1.76 %	21 May 2020	499.9	509.3
US private placement	USD 200 million	4.48 %	4.53 %	22 September 2021	178.1	188.9
Bond	EUR 500 million	1.00 %	1.04 %	19 May 2022	499.0	514.9
Bond	EUR 500 million	1.00 %	1.08 %	25 May 2025	504.8	523.9
31 December 2019					**1,681.8**	**1,737.0**

Type	Amount	Interest	Effective interest	Maturity	Treasury stock in millions of EUR	Carrying amount in millions of EUR	Fair value in millions of EUR
Bond	EUR 500 million	1.75 %	1.76 %	21 May 2020	0.0	499.5	518.5
US private placement	USD 200 million	4.48 %	4.53 %	22 September 2021	0.0	174.7	185.7
Bond	EUR 500 million	1.00 %	1.04 %	19 May 2022	1.5	497.1	515.1
Bond	EUR 500 million	1.00 %	1.08 %	25 May 2025	3.0	498.0	509.0
31 December 2018					**4.5**	**1,669.3**	**1,728.3**

Treasury stock of EUR 1,681.8 million (2018: EUR 1,673.8 million) that was treated as corporate repurchase was offset against the bonds that were issued with an original value of EUR 0.0 million (2018: EUR 4.5 million).

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

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

Currency	Interest terms	Remaining fixed interest period	Interest rate	< 1 year	1 – 5 years	Carrying amount
EUR	floating / fixed	< 1 year	0.01 % – 12.00 %	156.6	4.3	160.9
EUR	floating / fixed	1 – 5 years	0.01 % – 6.20 %	0.0	7.4	7.4
USD	floating / fixed	< 1 year	0.01 % – 6.50 %	0.2	0.0	0.2
Other	floating / fixed	< 1 year	0.01 % – 18.00 %	19.2	0.3	19.5
31 December 2019				**176.0**	**12.0**	**188.0**

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

The carrying amounts of liabilities to banks reported in the consolidated statement of financial position approximate fair value.

[27] Lease liabilities

in millions of EUR	2019	2018
Lease liabilities < 1 year	269.7	1.1
Lease liabilities 1 – 5 years	489.3	2.7
Lease liabilities > 5 years	151.2	0.2
Total	**910.2**	**4.0**

[28] 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. Contributions are recognized under personnel expenses when 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 19.9 million (2018: EUR 17.6 million). Payments of EUR 202.1 million were made to the statutory pension insurance in the fiscal year (2018: EUR 198.33 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 agreed 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 percent of one twelfth of the yearly income before commencement of the conversion or 4 percent of the respective maximum monthly contribution to the German pension system (western German states). This commitment was closed in 2018. In total, obligations in Germany amount to EUR 206.0 million (2018: EUR 161.6 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 percent 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 30.0 million in Austria (2018: EUR 28.3 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 their entitlements should continue to be made in the company or whether future entitlements should be paid into a pension fund instead. Obligations of EUR 27.0 million were recognized in the statement of financial position of the Würth Group in Italy (2018: EUR 27.5 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 262.5 million (2018: EUR 221.8 million). Plan assets came to EUR 216.1 million (2018: EUR 181.9 million). The associated net liability amounts to EUR 46.3 million (2018: EUR 39.9 million).

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

	Discount rate		Future salary increases		Pension increase rate	
in %	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Germany	1.00	2.00	3.00	3.00	1.75	1.75
Austria	1.00–1.25	1.75–2.00	1.50–3.00	2.00–3.00	–	–
Italy	1.00	1.55	3.00	3.00	1.50	1.50
Switzerland	0.20	0.80	0.50	0.50	–	–
Other countries	0.97–2.30	1.66–2.80	2.00	2.50	1.00	1.00

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

The benefit obligations are derived as follows:

in millions of EUR	2019	2018	2017	2016	2015
Present value of funded benefit obligations	317.7	273.2	257.7	246.5	270.5
Fair value of plan assets	– 242.6	– 207.6	– 199.7	– 188.2	– 204.7
Net carrying amount on funded benefit obligations	**75.1**	**65.6**	**58.0**	**58.3**	**65.8**
Present value of unfunded benefit obligations	**264.6**	**218.4**	**219.8**	**208.9**	**182.9**
Net benefit liability recognized in the statement of financial position	**339.7**	**284.0**	**277.8**	**267.2**	**248.7**
Empirical adjustments					
Present value of the obligations	8.4	6.6	10.0	– 10.4	– 1.9

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

The net benefit expense from defined benefit plans can be broken down as follows:

in millions of EUR	2019	2018
Service cost		
Current service cost	18.1	18.0
Past service cost	0.0	0.3
Net interest cost	4.8	4.9
Total expense recognized in the consolidated income statement	**22.9**	**23.2**

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 can be broken down as follows:

in millions of EUR	2019	2018
Actuarial gains (–) and losses (+) recognized		
on changes in actuarial assumptions	59.5	– 13.3
on empirical adjustments	8.4	6.6
on changes in demographic assumptions	0.0	2.1
Expense / income from plan assets (less interest income)	– 16.8	2.2
Remeasurement of defined benefit plans	**51.1**	**– 2.4**

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

in millions of EUR	2019	2018
Defined benefit obligation at the start of the year	491.6	477.5
Changes in the consolidated group	0.1	1.3
Increase due to deferred compensation	0.3	0.4
Service cost	18.1	18.3
Interest cost	7.3	6.1
Employee contributions	7.1	6.4
Benefits paid	– 13.6	– 22.8
Actuarial gains (–) and losses (+) recognized	67.9	– 4.6
Transfer of benefits	– 2.4	4.7
Exchange difference on foreign plans	5.9	4.3
Defined benefit obligation at the end of the year	**582.3**	**491.6**

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

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

in millions of EUR	2019	2018
Fair value of plan assets at the beginning of the year	207.6	199.7
Interest income	2.5	1.2
Expense / income from plan assets (less interest income)	16.8	– 2.2
Employer contributions	10.9	9.8
Employee contributions	7.1	6.4
Benefits paid	– 4.9	– 11.7
Transfer of assets	– 2.4	0.2
Exchange difference on foreign plans	5.0	4.2
Fair value of plan assets at the end of the year	**242.6**	**207.6**

The actual return came in at 8.64 % (2018: – 0.46 %). 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	2019	2018	2017	2016	2015
Fixed-income investment funds	76.5	64.9	55.8	63.0	67.9
Share-based investment funds	59.6	51.5	47.0	45.4	43.2
Real estate investment funds	53.6	46.7	37.5	38.0	35.8
Other funds	19.1	10.4	11.7	10.5	2.5
Fixed-interest securities	16.8	16.2	21.0	16.8	25.2
Shares	1.9	1.9	5.7	2.0	13.2
Real estate	2.7	2.6	5.6	2.7	3.5
Other	12.4	13.4	15.4	9.8	13.4
Total	**242.6**	**207.6**	**199.7**	**188.2**	**204.7**

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 percent increase / decrease in the discount rate would lead to a decrease / increase in the DBO (Defined Benefit Obligation) of – 5.1 / + 5.5 percent. A 0.25 percent increase / decrease in the pension trend would lead to an increase / decrease in the DBO of + 2.2 / – 2.1 percent. An increase in life expectancy of one year would increase the DBO by 3.8 percent.

At the Würth Group in Switzerland, a 0.25 percent increase / decrease in the discount rate would lead to a decrease / increase in the DBO of – 3.6 / + 3.8 percent. A 0.5 percent increase / decrease in the rate of future salary increases would lead to an increase / decrease in the DBO of + 1.3 / – 1.2 percent. An increase in life expectancy of one year would increase the DBO by 1.9 percent.

[29] Provisions

in millions of EUR	1 January 2019	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 2019
Credit notes	80.4	0.2	2.1	55.5	6.4	62.2	0.0	83.0
Long-service bonuses	81.1	0.2	0.0	0.6	0.1	7.9	4.2	92.7
Warranty obligations	20.2	0.0	0.0	2.9	1.7	4.5	0.2	20.3
Litigation and lawyers' fees	33.7	0.2	0.1	2.4	2.5	2.0	0.4	31.5
Phased retirement scheme	10.3	0.0	0.0	0.1	1.8	1.7	0.5	10.6
Product liability	3.8	0.0	0.0	0.5	0.7	0.9	0.0	3.5
Sundry	53.3	0.0	3.5	11.7	2.0	23.0	0.1	66.2
Total	**282.8**	**0.6**	**5.7**	**73.7**	**15.2**	**102.2**	**5.4**	**307.8**
Thereof: current	183.4							194.4
non-current	99.4							113.4

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

The provision for credit notes is primarily attributable to obligations relating to granted discounts, bonuses, etc. 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 that have been with the company for many years. The provision for warranty obligations accounts for risks from legal or constructive obligations from sale 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.

[30] Other financial liabilities

in millions of EUR	2019	Thereof due within one year	2018	Thereof due within one year
Liabilities to related parties	43.6	42.5	26.2	19.4
Derivative liabilities	6.1	6.1	8.0	8.0
Liabilities from company acquisitions	10.6	5.9	25.8	1.7
Sundry financial liabilities	384.6	375.9	373.8	373.2
Total	**444.9**	**430.4**	**433.8**	**402.3**

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

[31] Other liabilities

in millions of EUR	2019	Thereof due within one year	2018	Thereof due within one year
Prepaid expenses	18.6	18.6	18.9	18.9
Other liabilities	383.4	382.0	408.4	406.0
Total	**402.0**	**400.6**	**427.3**	**424.9**

Liabilities relating to social security amount to EUR 69.7 million (2018: EUR 68.9 million). Sundry liabilities also include EUR 121.6 million (2018: EUR 112.5 million) arising from other taxes.

[32] Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9

in millions of EUR **Assets**	Measurement category under IFRS 9	Carrying amount **31 Dec. 2019**	Fair value **31 Dec. 2019**
Financial assets	FVTPL / AC	102.6	102.6
Receivables from the banking business	AC	1,224.2	1,224.2
Trade receivables	AC	1,974.8	1,974.8
Other financial assets			
Receivables from related parties	AC	3.5	3.5
Derivative financial assets	FVTPL	6.6	6.6
Sundry financial assets	AC	160.0	160.0
Securities	FVTPL / AC	93.2	93.2
Cash and cash equivalents	AC	476.9	476.9
Equity and liabilities			
Liabilities from banking business	AC	1,178.5	1,178.5
Trade payables	AC	827.3	827.3
Financial liabilities	FVTPL / AC	1,925.9	1,972.4
Other financial liabilities			
Liabilities to related parties	AC	43.6	43.6
Derivative liabilities	FVTPL	6.1	6.1
Liabilities from company acquisitions	FVTPL	10.6	10.6
Sundry financial liabilities	AC	384.6	384.6
Thereof combined by measurement category in accordance with IFRS 9:			
Financial assets measured at amortized cost	(AC)	3,952.8	3,952.8
Financial liabilities measured at amortized cost	(AC)	4,326.1	4,372.6
Financial assets at fair value through profit or loss	(FVTPL)	88.9	88.9
Financial liabilities at fair value through profit or loss	(FVTPL)	50.5	50.5

in millions of EUR **Assets**	Measurement category under IFRS 9	Carrying amount **31 Dec. 2018**	Fair value **31 Dec. 2018**
Financial assets	FVTPL / AC	79.0	79.0
Receivables from the banking business	AC	1,293.7	1,293.7
Trade receivables	AC	1,884.9	1,884.9
Other financial assets			
Receivables from related parties	AC	7.1	7.1
Derivative financial assets	FVTPL	5.1	5.1
Sundry financial assets	AC	140.6	140.6
Securities	FVTPL / AC	126.1	126.1
Cash and cash equivalents	AC	492.5	492.5
Equity and liabilities			
Liabilities from banking business	AC	1,276.7	1,276.7
Trade payables	AC	776.7	776.7
Financial liabilities	FVTPL / AC	1,821.4	1,880.4
Other financial liabilities			
Liabilities to related parties	AC	26.2	26.2
Derivative liabilities	FVTPL	8.0	8.0
Liabilities from company acquisitions	FVTPL	25.8	25.8
Sundry financial liabilities	AC	373.8	373.8
Thereof combined by measurement category in accordance with IFRS 9:			
Financial assets measured at amortized cost	(AC)	3,927.5	3,927.5
Financial liabilities measured at amortized cost	(AC)	4,234.3	4,293.3
Financial assets at fair value through profit or loss	(FVTPL)	101.5	101.5
Financial liabilities at fair value through profit or loss	(FVTPL)	74.3	74.3

Measurement of the fair value of the Würth Group's assets and liabilities by hierarchical level

Financial assets and liabilities at fair value:

in millions of EUR	Total 31 December 2019	Listed price on active markets (level 1)	Material observable input parameter (level 2)	Material observable input parameter (level 3)
Financial assets	14.5	0.0	14.5	0.0
Derivative assets				
Currency instruments	0.8	0.0	0.8	0.0
Interest instruments	10.4	0.0	10.4	0.0
Securities	67.9	67.9	0.0	0.0
Financial assets at fair value	**93.6**	**67.9**	**25.7**	**0.0**
Liabilities to non-controlling interests	33.8	0.0	0.0	33.8
Derivative liabilities				
Currency instruments	15.8	0.0	15.8	0.0
Interest instruments	13.3	0.0	13.3	0.0
Liabilities from company acquisitions	10.6	0.0	0.0	10.6
Financial liabilities at fair value	**73.5**	**0.0**	**29.1**	**44.4**

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

Financial assets and liabilities not stated at fair value:

in millions of EUR	Total 31 December 2019	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	88.1	0.0	88.1
Receivables from the banking business	1,224.2	0.0	1,224.2
Trade receivables	1,974.8	0.0	1,974.8
Receivables from related parties	3.5	0.0	3.5
Sundry financial assets	160.0	0.0	160.0
Securities	25.3	0.0	25.3
Cash and cash equivalents	476.9	476.9	0.0
Financial assets not stated at fair value	**3,952.8**	**476.9**	**3,475.9**
Liabilities from the banking business	1,178.5	0.0	1,178.5
Trade payables	827.3	0.0	827.3
Financial liabilities (partially excluding liabilities to other companies)	1,892.1	0.0	1,892.1
Liabilities to related parties	43.6	0.0	43.6
Sundry financial liabilities	384.6	0.0	384.6
Financial liabilities not stated at fair value	**4,326.1**	**0.0**	**4,326.1**

in millions of EUR	Total 31 December 2018	Listed price on active markets (level 1)	Material observable input parameter (level 2)
Financial assets	67.5	0.0	67.5
Receivables from the banking business	1,293.7	0.0	1,293.7
Trade receivables	1,884.9	0.0	1,884.9
Receivables from related parties	7.1	0.0	7.1
Sundry financial assets	140.6	0.0	140.6
Securities	41.2	0.0	41.2
Cash and cash equivalents	492.5	492.5	0.0
Financial assets not stated at fair value	**3,927.5**	**492.5**	**3,435.0**
Liabilities from the banking business	1,276.6	0.0	1,276.6
Trade payables	776.7	0.0	776.7
Financial liabilities (excluding liabilities to other companies)	1,819.9	0.0	1,819.9
Liabilities to related parties	20.6	0.0	20.6
Sundry financial liabilities	379.2	0.0	379.2
Financial liabilities not stated at fair value	**4,277.0**	**0.0**	**4,277.0**

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

Contractually agreed remaining terms to maturity from financial liabilities

in millions of EUR	Carrying amounts **31 December 2019**	Cash flow < 1 year	1 – 5 years	> 5 years
Financial liabilities				
Bonds, liabilities to banks	1,869.8	702.5	738.0	502.0
Trade payables	827.3	827.3	0.0	0.0
Derivative financial liabilities				
Inflows from currency derivatives	–	679.4	106.3	0.0
Outflows from currency derivatives	15.8	692.3	113.2	0.0
Outflows from interest derivatives	13.3	4.7	13.3	3.5

Change in liabilities from financing activities

in millions of EUR	1 January 2019	Additions due to changes in the consolidated group	Cash flows	Exchange rate changes	Change in fair value	New leases	Other	31 December 2019
Bonds < 1 year	0.0	0.0	0.0	0.0	0.2	0.0	499.7	499.9
Liabilities to banks < 1 year	79.2	20.5	70.7	0.2	0.0	0.0	5.4	176.0
Lease liabilities < 1 year	254.4	5.0	– 253.6	0.0	0.0	63.7	200.2	269.7
Bonds > 1 year	1,669.3	0.0	4.6	3.4	4.3	0.0	– 499.7	1,181.9
Liabilities to banks > 1 year	12.4	0.3	4.7	0.0	0.0	0.0	– 5.4	12.0
Lease liabilities > 1 year	654.6	21.1	0.0	0.0	0.0	164.1	– 199.3	640.5
Receivables from / liabilities to family trusts and the Würth family	– 7.5	0.0	26.4	0.0	0.0	0.0	0.0	18.9
Total liabilities from financing activities	**2,662.4**	**46.9**	**– 147.2**	**3.6**	**4.5**	**227.8**	**0.9**	**2,798.9**

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

I. Other notes

[1] Commitments and contingencies

in millions of EUR	2019	2018
Guarantees, warranties and collateral for third-party liabilities	28.1	30.6

Guarantees, warranties and collateral are due immediately upon request.

[2] Other financial obligations

in millions of EUR	2019	2018
Obligations from operating leases		
due within 12 months	–	271.2
due in 13 to 60 months	–	525.9
due in more than 60 months	–	127.2
	–	**924.3**
Purchase obligations		
due within 12 months	492.9	539.9
due in 13 to 60 months	0.1	0.1
	493.0	**540.0**
Sundry financial obligations		
due within 12 months	60.2	23.5
due in 13 to 60 months	152.8	146.2
due in more than 60 months	0.3	0.5
	213.3	**170.2**
Total	**706.3**	**1,634.5**

The operating leases from 2018 mainly related 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. These leases were recognized in accordance with IFRS 16 in the 2019 fiscal year.

The sundry financial obligations contain irrevocable lending commitments on the part of Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, in the amount of EUR 181.8 million (2018: EUR 146.7 million).

[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.

Individual group companies primarily perform their daily business in their respective functional currency. The currency risk for the Würth Group from current operating activities is therefore classified as low. Exchange rate risks are countered by forward exchange contracts and currency options. Derivative financial instruments are used to hedge future sales and purchased goods against exchange rate risks. These are not, however, designated as hedges and are measured at fair value through profit or loss.

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

If the euro had depreciated, or appreciated, against the US dollar, the Swiss franc and the pound sterling by 10 percent as of 31 December 2019, the hypothetical effect on profit or loss would have been as follows:

in millions of EUR	Hypothetical effect on profit or loss 2019		Hypothetical effect on profit or loss 2018	
Currency	Depreciation	Appreciation	Depreciation	Appreciation
US dollar	0.7	- 0.7	0.5	- 0.5
Swiss franc	16.9	- 16.9	17.8	- 17.8
Pound sterling	- 0.1	0.1	- 0.1	0.1

There are no changes affecting other comprehensive income.

Interest rate risks

By interest rate risk, the Würth Group means 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 [26] "Financial liabilities" and the items presented under [15] "Receivables from financial services" and under [25] "Liabilities from financial services" in Section H. Notes on the consolidated statement of financial position.

Under IFRS 7, interest rate risks are presented using sensitivity analyses. These present the effects of changes in market interest rates on interest payments, interest income and expenses, other components of profit or loss and, if applicable, on equity.

If the market interest level had been 100 base points higher (lower) as of 31 December 2019, profit or loss would have been EUR 4.0 million lower (higher) (2018: EUR 4.5 million). The hypothetical effect on profit or loss is mainly attributable to overdraft facilities as well as receivables and liabilities from financial services. Equity would change accordingly.

Changes affecting other comprehensive income amounted to EUR 0.0 million (2018: EUR 0.2 million).

Securities risks
The Würth Group is exposed to securities risks because of its investments. Specifically, there is a risk of financial loss due to changes in prices of (publicly traded) securities. One way of countering this risk is through diversification of the investment portfolio. When selecting bonds, a minimum rating of BBB (Standard & Poor's) is generally required. The rating development is monitored on a daily basis. If the bonds are downgraded by the rating agency, they are sold immediately. In addition, derivatives are used for risk management purposes to hedge securities risks.

Credit risk
Credit risks are countered by limiting business relationships to first-class banks with a minimum rating of BBB (Standard & Poor's). Default risks from receivables are minimized by continuously monitoring the creditworthiness of the counterparty and by limiting the aggregated individual risks from the counterparty. Standardized master agreements from the International Swaps and Derivatives Association (ISDA master agreements), including the Credit Support Annex (CSA), are in place with those external counterparties of the Würth Group with whom it enters into transactions as part of its financial risk management.

The maximum credit risk is the carrying amount of the financial assets recognized in the statement of financial position. The credit risk from operating activities is accounted for by recognizing a portfolio-based specific allowance on trade receivables.

Additional information about credit risks may be found under [15] "Receivables from financial services" and [18] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

Liquidity risks
The Würth Group needs liquidity to meet its financial obligations. Group entities are obliged by the Group's guidelines to deposit any excess cash not needed to meet current obligations with Würth Finance International B.V., 's-Hertogenbosch, Netherlands, or Adolf Würth GmbH & Co. KG, Künzelsau, Germany, to make it available to the Würth Group. The high international credit rating received by the Würth Group (Standard & Poor's issued an A rating on the Würth Group's non-current liabilities) means that the Group can obtain favorable terms for procuring funds on international capital markets. In order to be in a position to meet its payment obligations at any time, even in extraordinary circumstances, the Würth Group also maintains lines of credit with various banks to cover potential liquidity bottlenecks.

Default risk
Default risk from receivables from customers is controlled on the basis of the Würth Group's guidelines, procedures and controls for customer default management. The individual credit lines for customers are determined according to the credit rating. Outstanding receivables from customers are monitored regularly. The impairment requirement is analyzed at each reporting date using the impairment matrix to determine the expected credit losses. The impairment rates are determined on the basis of the past-due period in days with customers grouped together with similar default patterns. The calculation includes the probability-weighted result taking into account the interest effect and appropriate and reliable information about past results, current circumstances, and expected future economic conditions available at the reporting date. The maximum default risk on the reporting date corresponds to the carrying amount of each class of financial asset reported. The impairment matrix for receivables from customers may be found under [18] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

Capital management
The primary objective of the Würth Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio. The Würth Group manages its capital structure taking into account changes in the economic environment. In addition, the financial service providers within the Würth Group comply with the applicable regulatory capital requirements. No changes were made to the objectives, policies and processes as of 31 December 2019 and 31 December 2018. The equity ratio, calculated as equity in accordance with IFRS divided by total assets, is 44.0 % (2018: 47.1 %). 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 the financial instruments reported under financial assets, which form part of the portfolio of financial instruments measured at fair value through profit or loss or part of financial instruments measured at amortized cost, is estimated by comparison with their listed market price on the reporting date.

The fair value of securities classified as financial instruments at fair value through profit or loss is determined in accordance with the valuation methods described in [22] "Securities" in Section H. Notes on the consolidated statement of financial position. The adjustment of the fair value of financial assets at fair value through profit or loss resulted in the recognition of EUR 4.3 million recognized in income in the fiscal year and EUR 3.5 million in full recognized as an expense in 2018.

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 by the banks that arranged the respective contracts for the Würth Group.

The financial instruments not measured at fair value within the Würth Group primarily comprise certain cash equivalents, trade receivables, other current assets, other non-current assets, trade payables, and other liabilities, overdraft facilities, non-current loans, and held-to-maturity investments.

The carrying amount of cash equivalents and overdraft facilities approximates fair value due to the short maturities of the financial instruments.

The historical cost carrying amount of receivables and payables subject to normal trade credit terms also approximates fair value.

The fair value of non-current liabilities is based on the market price for these liabilities or similar financial instruments or on the current interest rates for borrowing at similar terms and conditions. The amounts reported in the consolidated statement of financial position are very close to their fair value or are separately stated under [32] "Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9" in Section H. Notes on the consolidated statement of financial position.

Derivative financial instruments and hedge accounting
As of the reporting date, the fair value of derivative financial instruments was as follows:

in millions of EUR	Contract value or nominal value		Positive replacement value		Negative replacement value	
Type	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Currency instruments						
Foreign exchange forward contracts	1,042.1	834.6	0.8	1.6	15.8	8.0
Currency options (OTC)	0.0	1.6	0.0	0.0	0.0	0.0
Total currency instruments	**1,042.1**	**836.2**	**0.8**	**1.6**	**15.8**	**8.0**
Interest instruments						
Interest rate swaps	719.1	622.0	9.1	5.3	12.8	4.5
Cross-currency swaps	153.8	171.6	1.3	7.1	0.5	0.8
Interest rate futures	6.5	51.7	0.0	0.0	0.0	0.0
Total interest instruments	**879.4**	**845.3**	**10.4**	**12.4**	**13.3**	**5.3**
Reduction due to CSA			**4.6**	**8.9**	**23.0**	**5.2**
Net replacement value			0.5	– 3.0		

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, that is to say, after taking into account the cash settlement under the CSA.

Derivative financial instruments not designated as hedging instruments show the change in the fair value of the foreign exchange forward contracts that are not designated as hedging instruments in hedges, but are nevertheless designed to reduce the currency / interest rate risk of the Würth Group.

Cash flow hedges
The Würth Group designates cash flow hedges as part of its strategy to reduce its interest rate and foreign currency fluctuations within defined limits and to reduce the cash flow fluctuations resulting from the exchange rate and interest rate risks of an instrument or a group of instruments. Interest rate swaps are mainly used to hedge cash flows for highly probable forecasted transactions.

The following table shows the results of the hedges:

in millions of EUR **Micro cash flow hedges**	Nominal amount	Assets **2019**	Liabilities **2019**	Assets **2018**	Liabilities **2018**
Planned new bond 2018 EUR	0.0	0.0	0.4	0.0	0.5
Planned new bond 2020 EUR	200.0	0.0	9.3	0.0	1.2

The micro cash flow hedge in connection with the new issue of a Würth bond in 2018 was terminated in 2018. The loss in other comprehensive income from premature termination will be recognized in profit and loss over the actual derivative term from May 2019 onwards.

The following table shows the carrying amount and maturity profile of the hedging instruments used to hedge cash flows:

in millions of EUR **31 December 2019**	< 1 year	1–5 years	> 5 years
Forecasted new bond 2020	0.0	0.0	9.3

Fair value hedges

Fair value hedges within the Würth Group essentially consist of interest rate swaps that are used to hedge against changes in the market value of the fixed-interest Würth bond maturing in 2025.

The following table shows the results of the hedges, in particular the nominal value and book value of derivatives used by the Würth Group as hedging instruments:

in millions of EUR **Micro fair value hedges**	Nominal amount	Assets **2019**	Liabilities **2019**	Assets **2018**	Liabilities **2018**
Bond 2025	150.0	6.8	0.0	3.4	0.0

The following table shows the maturity and interest rate risk profile of the hedging instruments used in fair value hedges. Since the Würth Group only uses micro hedges with a ratio of 1:1 hedges, the following table effectively shows the result of the fair value hedges:

in millions of EUR **31 December 2019**	< 1 year	1–5 years	> 5 years
Bond 2025	0.0	0.0	6.8

In accordance with its hedging strategy, the Würth Group adapts the principle of hedging instruments to the principle of hedged items.

If the hedging instrument expires or is sold, terminated or exercised, or if the hedging transaction no longer meets the criteria for hedge accounting, or if the Würth Group decides to voluntarily terminate the hedging relationship, the hedging relationship is terminated prospectively. If the relationship does not meet the criteria for hedge effectiveness, the Würth Group discontinues hedge accounting from the last day on which compliance with the hedge effectiveness was demonstrated. If the hedging relationship for an item carried at amortized cost is terminated, the cumulative fair value hedge adjustment to the carrying amount of the hedged item is amortized over the remaining term of the original hedging instrument. When the hedged item is derecognized, the unamortized fair value adjustment is immediately recognized in the consolidated income statement.

[5] Leases: The Würth Group as the lessor

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

Finance leases
Reconciliation of the total gross investment with the present value

in millions of EUR	2019	2018
Lease installments (future minimum lease payments)	651.9	414.6
due within 12 months	304.2	209.2
due in 1 to 2 years	126.5	76.9
due in 2 to 3 years	104.4	62.7
due in 3 to 4 years	70.5	37.5
due in 4 to 5 years	32.3	18.1
due in more than 5 years	14.0	10.2
Unearned finance income	56.6	48.8
Unguaranteed residual value	3.7	0.5
Net investment in the lease—finance leases only	**599.0**	**366.3**
Lease payments already sold	218.4	170.5
Advance payments on leased assets	44.1	29.0
Impairments on lease receivables	5.1	4.3
Lease receivable (net)	**856.4**	**561.5**

The finance leases are mainly hire-purchase arrangements or full payout lease agreements with a maximum term of over 90 percent of the leased assets' estimated useful life. The contracts can only be terminated for due cause, for which the counterparty is responsible.

Income realized from finance leases

in millions of EUR	2019	2018
Disposal gain (+) / loss (–)	4.3	1.9
Financial revenue on the net investment in the lease	34.4	30.0
Income from variable lease payments not included in the measurement of the net investment in the lease	1.2	0.5
Total	**39.9**	**32.4**

Operating leases
Maturity analysis for lease payments

in millions of EUR	2019	2018
due within 12 months	3.2	3.2
due in 1 to 2 years	2.7	3.0
due in 2 to 3 years	2.4	2.8
due within 12 months	2.1	2.4
due in 1 to 2 years	1.6	2.2
due in 2 to 3 years	0.1	0.4
Total	**12.1**	**14.0**

Income realized from operating leases

in millions of EUR	2019	2018
Leasing income	2.0	2.1

Reconciliation of the carrying amount from operating leases

in millions of EUR	Technical equipment and machines	Other equipment, furniture and fixtures	Total
Cost			
1 January 2019	17.4	3.5	20.9
Additions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
31 December 2019	17.4	3.5	20.9
Accumulated depreciation and impairment			
1 January 2019	5.7	1.1	6.8
Amortization and depreciation	1.7	0.5	2.2
31 December 2019	7.4	1.6	9.0
Net carrying amount			
31 December 2019	10.0	1.9	11.9

[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 259.5 million (2018: EUR 295.8 million) were made to members of the Würth family and the family trusts for distributions and usufructuary rights. Of the payments made, an amount of EUR 83.0 million (2018: 133.0 million) was later recontributed.

The transactions and interest income and expenses listed below were effected between the Würth Group and the Würth family, members of the Central Managing Board, the Executive Board and the Advisory Board, as well as the Management Board and the Supervisory Board of the Würth Group's Family Trusts.

in millions of EUR	**2019**	**2018**
Purchased services	2.8	3.0
Services rendered	0.6	0.7
Interest cost	0.8	0.6
Lease / rental expense	5.3	4.9
Lease / rental income	0.7	0.6
Remuneration of the Management Board and Supervisory Board of the Würth Group's Family Trusts, the Advisory Board, members of the Würth family	7.8	8.3

The following receivables and liabilities arose from these transactions:

in millions of EUR	**2019**	**2018**
Receivables from financial services	18.2	20.2
Loan receivables	3.5	7.1
Liabilities from financial services	4.4	3.9
Loan liabilities	10.8	14.6

In addition, close family members of key management personnel have the following liabilities:

in millions of EUR	**2019**	**2018**
Liabilities from financial services	0.1	0.3
Loan liabilities	8.6	12.6

The interest income and expenses listed below were transacted between the Würth Group and the family trusts:

in millions of EUR	2019	2018
Lease / rental expense	1.0	1.0
Interest cost	4.1	4.0
Interest income	0.1	0.4

These transactions gave rise to loan liabilities amounting to EUR 32.9 million (2018: EUR 6.1 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.

[7] Compensation of key management personnel

in millions of EUR	2019	2018
Short-term employee benefits	23.8	23.0
Post-employment benefits	0.0	0.2
Benefits due to the end of the employment relationship	1.3	1.4
Total	**25.1**	**24.6**

Individual members of the Central Managing Board and the Executive Board have a right to pension benefits with a total present value of EUR 21.1 million (2018: EUR 17.1 million). Former members and their surviving dependents are also entitled to benefit payments. The present value of the resulting benefit obligations totals EUR 20.0 million (2018: EUR 18.0 million).

[8] Government grants

The Würth Group received government grants of EUR 1.0 million in the form of investment subsidies for infrastructure projects (2018: EUR 1.0 million). These were 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 2019 fiscal year.

in millions of EUR	2019	2018
Audit	2.0	1.9
Assurance services	0.0	0.1
Tax services	0.1	0.0
Other fees	0.2	0.2
Total	**2.3**	**2.2**

[10] Exemption from the duty of partnerships and stock corporations to prepare, audit and disclose financial statements

The following German group entities organized as partnerships made use of the exemption clause according to Sec. 264b HGB for the 2019 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
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	Schwäbisch Hall
Meguin GmbH & Co. KG Mineraloelwerke	Saarlouis
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen
Schössmetall GmbH & Co. KG	Freilassing
Siller & Laar Schrauben- Werkzeug- und Beschläge- Handel GmbH & Co. KG	Augsburg
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten
SYNFIBER AS & Co. beschränkt haftende KG	Worms
Teudeloff GmbH & Co. KG	Waldenburg

Entity	Registered office
TOGE Dübel GmbH & Co. KG	Nuremberg
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 Elektrogroßhandel GmbH & Co. KG	Künzelsau
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg
Würth Elektronik GmbH & Co. KG	Niedernhall
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 V1 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 2019 fiscal year:

Entity	Registered office
BB-Stanz- und Umformtechnik GmbH	Berga
Chemofast Anchoring GmbH	Willich-Münchheide
Conmetall Meister GmbH	Celle
Deko-Light Elektronik-Vertriebs GmbH	Karlsbad
Dinol GmbH	Lügde
Dringenberg GmbH Betriebseinrichtungen	Obersulm
E 3 Energie Effizienz Experten GmbH	Künzelsau
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal
ESB Grundstücksverwaltungsgesellschaft mbH	Eschborn
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall
Grass GmbH	Reinheim
HAHN + KOLB Werkzeuge GmbH	Ludwigsburg
HSR GmbH Hochdruck Schlauch + Rohr Verbindungen	Neukirchen-Vluyn
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn
KERONA GmbH	Öhringen
Kisling (Deutschland) GmbH	Künzelsau
KOSY Gesellschaft zur Förderung des holzverarbeitenden Handwerks mbH	Künzelsau
Lichtzentrale Lichtgroßhandel GmbH	Ansbach
Liqui - Moly Gesellschaft mit beschränkter Haftung	Ulm
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal
"METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH	Wuppertal
MKT Metall-Kunststoff-Technik Beteiligungsgesellschaft mbH	Weilerbach

Entity	Registered office
nordberliner Elektro-Großhandels-Gesellschaft mbH	Eschborn
Normfest GmbH	Velbert
Panorama Hotel- und Service GmbH	Waldenburg
Pronto-Werkzeuge GmbH	Wuppertal
RECA NORM GmbH	Kupferzell
Reinhold Würth Holding GmbH	Künzelsau
Reinhold Würth Musikstiftung gemeinnützige GmbH	Künzelsau
REISSER Schraubentechnik GmbH	Ingelfingen
Schmitt Elektrogroßhandel GmbH	Fulda
SCREXS GmbH	Waldenburg
Sonderschrauben Hamburg GmbH Eiben & Co.	Künzelsau
SVH Handels-GmbH	Dortmund
SWG Schraubenwerk Gaisbach GmbH	Waldenburg
UNI ELEKTRO Handels- und Beteiligungs-GmbH	Eschborn
Walter Kluxen GmbH	Hamburg
WASI GmbH	Wuppertal
WOW ! Würth Online World GmbH	Künzelsau
WPS Beteiligungen GmbH	Künzelsau
WSS Würth Shared Services GmbH	Künzelsau
WUCATO Marketplace GmbH	Stuttgart
Würth Aviation GmbH	Künzelsau
Würth Elektronik iBE GmbH	Thyrnau
Würth IT GmbH	Bad Mergentheim
Würth Logistic Center Europe GmbH	Künzelsau
Würth Logistics Deutschland GmbH	Bremen
Würth Truck Lease GmbH	Dreieich
Würth Versicherungsdienst GmbH	Künzelsau

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 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".

The cash flow from operating activities improved in particular as a result of the first-time application of IFRS 16. The previous operating lease payments are now shown in the cash outflow from financing activities, unless they relate to payments from short-term leases or leases of low-value assets. Specifically, the figure for earnings before taxes is adjusted for income tax paid, finance costs and finance revenue, interest income and expenses from operating activities, changes in post-employment benefit obligations, and non-cash amortization, depreciation, impairment and reversals of impairment on intangible assets and property, plant and equipment. Amortization and depreciation rose to EUR 720.7 million in the fiscal year under review due to the first-time recognition of leased assets (previous year: EUR 373.7 million). An adjustment has also been made to reflect losses and gains on the disposal of non-current assets, and other non-cash expenses and income, which are as follows:

in millions of EUR	2019	2018
Expenses from receivables that have been derecognized	36.1	32.2
Additions to / reversal of allowances for trade receivables	4.1	1.0
Expenses / income from the measurement of inventories at their net realizable value	7.5	13.5
Expenses / income from the elimination of intragroup profits in relation to inventories	4.7	11.5
Income from the adjustment of purchase price liabilities from acquisitions	– 11.6	– 3.0
Other	11.6	9.3
Total non-cash income (+) and expenses (–)	**52.4**	**64.5**

The **cash flow from investing activities** rose from EUR 666.4 million to EUR 775.9 million. Whereas in the previous year, the cash inflow increased due to the disposal of subsidiaries in particular, investments in newly acquired subsidiaries and in property, plant and equipment increased significantly in the reporting year.

The **cash flow from financing activities** came to EUR 368.8 million (previous year: EUR 263.8 million), up considerably in a year-on-year comparison. The EUR 252.3 million increase in the repayment of lease liabilities is due first and foremost to the first-time adoption of IFRS 16.

K. Events after the reporting period

The novel coronavirus (COVID-19), the spread of which was initially restricted to China, has now spread rapidly across the globe, with considerable implications for healthcare systems, people's habits and the capital markets worldwide and, as a result, for individual economies and day-to-day life. It is difficult to predict what the economic and financial impact of the crisis will be, or when it will end. An impact on the consolidated financial statements of the Würth Group, which would only be reflected in the following period, could arise, for example, in connection with the measurement and intrinsic value of trade receivables, goodwill and customer relationships, as well as similar assets in the context of acquisitions, as well as property, plant and equipment, the fair value of plan assets, post-employment benefit obligations, securities, and deferred tax assets. Revenue and, as a result, our operating result will be directly affected by the drop in demand resulting from curfews, the closure of production facilities, and orders that are no longer being placed by our customers. It is currently not possible to arrive at any reliable estimate of the scale of this impact.

L. 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.	Buenos Aires	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		
WurthBel FLLC	Minsk	100
Belgium		
Würth België N.V.	Turnhout	100
Bosnia and Herzegovina		
WURTH BH d.o.o.	Sarajevo	100
Brazil		
Wurth do Brasil Peças de Fixação Ltda.	Cotia	100
Bulgaria		
Würth Bulgaria EOOD	Sofia	100

Entity	Registered office	Würth Group share in %
Cambodia		
Wuerth (Cambodia) Ltd.	Phnom Penh	100
Canada		
McFadden's Hardwood & Hardware Inc.	Oakville	100
Würth Canada Ltd., Ltée	Guelph	100
Chile		
Würth Chile Ltda.	Santiago de Chile	100
China		
Wuerth Master Power Tools Limited	Hong Kong	100
Wuerth (China) Co., Ltd	Shanghai	100
Wuerth (Shenyang) Hardware & Tool Co., Ltd.	Shenyang	100
Wuerth (Tianjin) International Trade Co., Ltd.	Tianjin	100
Wuerth (Zhejiang) Trade Co., Ltd	Haiyan	100
Wurth Taiwan Co., Ltd.	Miaoli	100
Wuerth (Chongqing) Hardware & Tools Co., Ltd	Chongqing	100
Wuerth (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

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Croatia		
Würth-Hrvatska d.o.o.	Zagreb	100
Czech Republic		
Würth, spol. s r.o.	Nepревázka	100
Würth MASTERSERVICE CZ, spol. s r.o.	Pilsen	100
Denmark		
Würth Danmark A/S	Kolding	100
Dominican Republic		
Würth Dominicana S.A.	Santo Domingo	100
Ecuador		
WURTH ECUADOR S.A.	Quito	100
Estonia		
Aktsiaselts Würth	Tallinn	100
Finland		
Würth Oy	Riihimäki	100
France		
Würth France SAS	Erstein	95
Würth Modyf France S.A.R.L.	Erstein	100
Georgia		
Würth Georgia Ltd.	Tbilisi	100
Germany		
Würth Modyf GmbH & Co. KG	Künzelsau	100

Entity	Registered office	Würth Group share in %
Greece		
Wurth Hellas S.A.	Kryoneri, Attica	100
Hungary		
Würth Szereléstechnika KFT	Budaörs	100
Iceland		
Würth á Íslandi ehf.	Reykjavík	100
India		
Wuerth India Pvt. Ltd.	Mumbai	100
Indonesia		
Wuerth Indonesia P.T.	Jakarta	99
Ireland		
Würth (Ireland) Limited	Limerick	100
Israel		
Würth Israel Ltd.	Caesarea	100
Italy		
KBlue s.r.l.	Neumarkt	80
Modyf S.r.l.	Tramin	100
Pandora Technology Srl	Neumarkt	100
Würth S.r.l.	Neumarkt	100
Japan		
Würth Japan Co., Ltd.	Yokohama	100
Jordan		
Wurth - Jordan Co. Ltd.	Amman	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
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	Cucer-Sandevo	100
Malaysia		
Wuerth (Malaysia) Sdn. Bhd.	Kuala Lumpur	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

Entity	Registered office	Würth Group share in %
Mongolia		
Wuerth Mongolia LLC	Ulaanbaatar	100
Montenegro		
Wurth d.o.o. Podgorica	Podgorica	100
Namibia		
Wurth Namibia (Pty) Ltd	Windhoek	100
Netherlands		
Würth Nederland B.V.	's-Hertogenbosch	100
New Zealand		
Wurth New Zealand Ltd.	Auckland	100
Norway		
Würth Norge AS	Hagan	100
Panama		
Würth Centroamérica S.A.	Panama City	100
Peru		
Würth Perú S.A.C.	Lima	100
Philippines		
Wuerth Philippines, Inc.	Laguna	100
Poland		
Würth Polska Sp. z o.o.	Warsaw	100
Portugal		
Würth (Portugal) Técnica de Montagem Lda.	Sintra	100
Würth Modyf Lda.	Sintra	100
Romania		
Würth Romania S.R.L	Otopeni	100

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Russia		
AG "Würth Eurasien"	Yekaterinburg	100
AO "WÜRTH-RUS"	Moscow	100
Wuerth North-West JSC	St. Petersburg	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	Pannipitiya	100
Sweden		
Würth Svenska AB	Örebro	100
Switzerland		
Würth AG	Arlesheim	100

Entity	Registered office	Würth Group share in %
Thailand		
Wuerth (Thailand) Company, Limited	Bangkok	100
Turkey		
Würth Sanayi Ürünleri Tic. Ltd. Sti.	Mimarsinan	100
Ukraine		
Würth Ukraine Ltd.	Kiev	100
United Arab Emirates		
Würth Gulf FZE	Dubai	100
Wurth Gulf (L.L.C.)	Dubai	49
United Kingdom		
Wurth (Northern Ireland) Ltd.	Belfast	100
Würth U.K. Ltd.	Erith	100
Uruguay		
Wurth del Uruguay S.A.	Barros Blancos	100
USA		
Dakota Premium Hardwoods LLC	Waco, Texas	100
Oliver H. Van Horn Co., LLC	New Orleans, Louisiana	100
Wurth Action Bolt & Tool Co.	Lake Worth, Florida	100
Wurth Baer Supply Co.	Vernon Hills, Illinois	100
Wurth Louis and Company	Brea, California	100
Wurth USA Inc.	Ramsey, New Jersey	100
Wurth Wood Group Inc.	Charlotte, North Carolina	100
Vietnam		
Wurth Vietnam Company Limited	Ho Chi Minh City	100

WÜRTH LINE INDUSTRY

Entity	Registered office	Würth Group share in %
Australia		
Thomas Warburton Pty. Ltd.	Dandenong South	100
Belgium		
Würth Industry Belgium N.V.	Grâce-Hollogne	100
Würth Industry Belux S.A.	Grâce-Hollogne	100
Brazil		
Würth SW Industry Pecas de Fixacão Ltda.	São Bernardo do Campo	100
Canada		
Wurth Industry of Canada Ltd.	Brantford	100
China		
Arvid Nilsson Logistics & Trade (Shanghai) Co., Ltd	Shanghai	100
WASI Tianjin Fastener Co., Ltd.	Tianjin	100
Wuerth Baier & Michels (Shanghai) Automotive Fastener Co., Ltd.	Shanghai	100
Denmark		
Würth Industri Danmark A/S	Kolding	100
France		
Würth Industrie France S.A.S.	Erstein	100
Germany		
Baier & Michels GmbH & Co. KG	Ober-Ramstadt	100
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim	100
Hungary		
baier & michels Kft.	Alsónémedi	100
India		
Wuerth Industrial Services India Pvt. Ltd.	Pune	100
Italy		
Baier & Michels S.r.l.	Selvazzano Dentro	100

Entity	Registered office	Würth Group share in %
Malaysia		
Wuerth Industrial Services Malaysia Sdn. Bhd.	Kuala Lumpur	100
Mexico		
Wuerth Baier & Michels México S.A.de C.V.	Querétaro	100
Würth Industry de Mexico S de RL de CV	Reynosa	100
Würth McAllen Maquila Services S de RL de CV	Reynosa	100
New Zealand		
EDL Fasteners Ltd.	East Tamaki	100
Norway		
Würth Industri Norge AS	Dokka	100
Romania		
S.C. Wurth Industrie S.r.l.	Otopeni	100
South Africa		
Action Bolt (Pty.) Ltd.	Durban	100
South Korea		
Wuerth Korea Co., Ltd.	Gyeonggi-Do	100
Spain		
Wuerth Baier & Michels España, S.A.	Sant Quirze del Vallès	100
Würth Industria España, S.A.	Sant Quirze del Vallès	100
Sweden		
Würth Industri Sverige AB	Askim	100
Turkey		
Würth Baier Michels Otomotiv Ltd. Sti.	Bursa	100
Würth Industrie Service Endüstriyel Hizmetler Pazarlama Limited Sirketi	Silivri	100

WÜRTH LINE INDUSTRY

Entity	Registered office	Würth Group share in %
USA		
Baier & Michels USA Inc.	Greenville, South Carolina	100
Marine Fasteners Inc.	Sanford, Florida	100
Northern Safety Company, Inc.	Frankfort, New York	100
Weinstock Bros., Inc.	Valley Stream, New York	100
Würth Adams Nut & Bolt Company	Brooklyn Park, Minnesota	100
Wurth Des Moines Bolt Inc.	Des Moines, Iowa	100
Wurth House of Threads Inc.	Wilmington, Delaware	100
Wurth RevCar Fasteners, Inc.	Roanoke, Virginia	100
Wurth Snider Bolt and Screw, Inc.	Louisville, Kentucky	100
Wurth Timberline Fasteners Inc.	Commerce City, Colorado	100
Wurth/Service Supply Inc.	Greenwood, Indiana	100

ELECTRICAL WHOLESALE

Entity	Registered office	Würth Group share in %
Czech Republic		
Elfetex spol. s r.o.	Pilsen	100
Estonia		
W.EG Eesti OÜ	Tallinn	100
Germany		
Deko-Light Elektronik-Vertriebs GmbH	Karlsbad	100
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach	100
Lichtzentrale Lichtgroßhandel GmbH	Ansbach	100
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn	100
Walter Kluxen GmbH	Hamburg	100
Italy		
Blumel Srl	Merano	100
MEF S.R.L.	Florence	79
M.E.B. S.R.L.	Schio	79
Latvia		
SIA Baltjas Elektro Sabiedriba	Riga	100
Lithuania		
Gaudre UAB	Vilnius	100
UAB ELEKTROBALT	Vilnius	100
Poland		
ENEXON Polska Sp. z o.o.	Poznań	100
Fega Poland Sp. z o.o.	Wrocław	100
W.EG Polska Sp. z. o.o.	Wrocław	100
Slovakia		
HAGARD: HAL, spol. s r.o.	Nitra	100
Spain		
Candia Electrica, S.A.U.	Sant Cugat del Vallés	100
Grupo Electro Stocks, S.L.U.	Sant Cugat del Vallés	100
Kilovatio Galicia, S.A.U.	A Coruña	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
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein	100
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr	100
KERONA GmbH	Öhringen	100
Schössmetall GmbH & Co. KG	Freilassing	100
Teudeloff GmbH & Co. KG	Waldenburg	100
Hungary		
REISSER Csavar Kft	Szár	100
Van Roij Fasteners Hungaria Kft.	Dunaharaszti	100
Italy		
Masidef S.r.l.	Caronno Pertusella	100
Unifix SWG S.r.l.	Terlano	100
Netherlands		
Van Roij Fasteners Europe B.V.	Deurne	100

Entity	Registered office	Würth Group share in %
Norway		
Arvid Nilsson Norge AS	Oslo	100
Synfiber AS	Hagan	100
Poland		
ASC sp. z o.o.	Stawiguda	100
REISSER-POL Sp. z o.o.	Poznań	100
Romania		
REISSER TEHNIC S.R.L. Filiala Romania	Cluj Napoca	100
Russia		
IVT Ural, O.O.O.	Bolshoj Istok	100
Spain		
Reisser Tornillería SLU	Barcelona	100
RUC Holding Conmetall S.A.	Barcelona	100
SWG SCREWS Iberia S.L.U.	Barcelona	100
Sweden		
Arvid Nilsson Sverige AB	Kungälv	100
Switzerland		
Reinhold Handels AG	Chur	100

PRODUCTION

Entity	Registered office	Würth Group share in %
Australia		
Grass Australia/New Zealand Pty Ltd.	Coburg	100
Austria		
Grass GmbH	Höchst	100
Schmid Schrauben Hainfeld GmbH	Hainfeld	100
Canada		
Grass Canada Inc.	Toronto	100
China		
Arnold Fasteners (Shenyang) Co., Ltd.	Shenyang	100
Grass (Shanghai) International Trading Co., Ltd.	Shanghai	100
Czech Republic		
GRASS CZECH s.r.o.	Cesky Krumlov	100
Denmark		
Dokka Fasteners A/S	Brande	100
France		
Arnold Technique France SAS	Salaise-sur-Sanne	100
Germany		
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg	100
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg	100
BB-Stanz- und Umformtechnik GmbH	Berga	100
Chemofast Anchoring GmbH	Willich-Münchheide	100
Dringenberg GmbH Betriebseinrichtungen	Obersulm	100
Emil Nickisch GmbH	Burscheid	51
FELO-Werkzeugfabrik Holland-Letz GmbH	Neustadt	100
Grass GmbH	Reinheim	100
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach	100
REISSER Schraubentechnik GmbH (1)	Ingelfingen	100
SWG Schraubenwerk Gaisbach GmbH (1)	Waldenburg	100

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

Entity	Registered office	Würth Group share in %
Germany		
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
Spain		
Grass Iberia, S.A.	Iurreta	100
Sweden		
Grass Nordiska AB	Jönköping	100
Switzerland		
KMT Kunststoff- und Metallteile AG	Hinwil	100
Turkey		
Grass TR Mobilya Aksesuarlari Ticaret Limited Sirketi	Istanbul	100
United Kingdom		
Grass Movement Systems Ltd	West Bromwich	100
Tooling International Ltd.	Solihull	100
USA		
Arnold Fastening Systems, Inc.	Auburn Hills, Michigan	100
Chemofast USA, Inc.	Wilmington, Delaware	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
Belgium		
Würth Elektronik België	Turnhout	100
Bulgaria		
Würth Elektronik iBE BG EOOD	Belozem	100
China		
Midcom-Hong Kong Limited	Hong Kong	100
Wuerth Electronic Tianjin Co., Ltd.	Tianjin	100
Wurth Electronics Co., Ltd.	Taipei	100
Wurth Electronics (Chongqing) Co., Ltd.	Chongqing	100
Wurth Electronics (HK) Limited	Hong Kong	100
Wurth Electronics (Shenyang) Co., Ltd.	Shenyang	100
Wurth Electronics (Shenzhen) Co., Ltd.	Shenzhen	100
Würth Elektronik eiSos GmbH & Co. KG Taiwan Branch	Taipei	100
Czech Republic		
Würth Elektronik eiSos Czech s.r.o.	Brno	100
Würth Elektronik IBE CZ s.r.o.	České Budějovice	100
Finland		
Würth Elektronik Oy	Nurmijärvi	100
France		
Würth Elektronik France SAS	Jonage	100
Germany		
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar	100
Würth Elektronik GmbH & Co. KG	Niedernhall	94

Entity	Registered office	Würth Group share in %
Germany		
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 Italia s.r.l.	Vimercate	100
Wuerth Elektronik Stelvio Kontek S.p.A.	Oggiono	100
Japan		
Wurth Electronics Japan Co., Ltd.	Yokohama	100
Mauritius		
Wurth Electronics Midcom International Holdings (Mauritius) LTD	Ebene	100
Mexico		
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

ELECTRONICS

Entity	Registered office	Würth Group share in %
Romania		
sc STM Elettromeccanica S.r.l.	Blaj	100
Russia		
Würth Elektronik RUS OOO	Moscow	100
Singapore		
Wurth Electronics Singapore Pte. Ltd.	Singapore	100
Slovenia		
Würth Elektronik eiSos, izdelava in prodaja elektronskih ter elektromehanskih komponent d.o.o.	Trbovlje	100
Spain		
Würth Elektronik España, S.L.	Barcelona	100
Sweden		
Würth Elektronik Sweden AB	Enköping	100
Switzerland		
Würth Elektronik (Schweiz) AG	Volketswil	100
Turkey		
Würth Elektronik Ithalat Ihracat ve Ticaret Ltd. Sti.	Ümraniye	100
United Kingdom		
IQD Frequency Products Limited	Crewkerne	100
Würth Electronics UK Ltd.	Manchester	100
USA		
IQD Frequency Products Inc	Palm Springs, California	100
Wurth Electronics ICS, Inc.	Dayton, Ohio	100
Wurth Electronics Midcom Inc.	Watertown, South Dakota	100

RECA GROUP

Entity	Registered office	Würth Group share in %
Austria		
Kellner & Kunz AG	Wels	100
Belgium		
Reca Belux S.A./N.V.	Schaerbeek	100
Bosnia and Herzegovina		
RECA d.o.o. Sarajevo	Sarajevo	100
Bulgaria		
Reca Bulgaria EOOD	Sofia	100
China		
reca (Shanghai) International 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.	Brno	100
France		
Reca France SAS	Reichstett	75
Germany		
Normfest GmbH	Velbert	100
RECA NORM GmbH	Kupferzell	100
Siller & Laar Schrauben- Werkzeug- und Beschläge- Handel GmbH & Co. KG	Augsburg	100
Hungary		
Reca KFT	Budapest	100
Italy		
FIME S.r.l.	Belfiore	100
Reca Italia S.r.l.	Gazzolo d'Arcole	100
SCAR S.r.l.	Bussolengo	100

RECA GROUP

Entity	Registered office	Würth Group share in %
Netherlands		
A.J. Steenkist-Rooijmans B.V.	Eindhoven	100
Poland		
Normfest Polska Sp. z o.o.	Poznań	100
reca Polska Sp. z o.o.	Węgrzce	100
Romania		
Reca Bucuresti S.R.L.	Bucharest	100
Serbia		
reca d.o.o. Beograd	Belgrade	100
Slovakia		
reca Slovensko s.r.o.	Bratislava	100
Slovenia		
Reca D.O.O.	Pesnica pri Mariboru	100
Spain		
reca Hispania S.A.U.	Paterna	100
Walter Martínez S. A.	Zaragoza	100
Switzerland		
Airproduct AG	Oberwil-Lieli	100
Reca AG	Samstagern	100
United Kingdom		
reca-uk ltd	West Bromwich	100

TOOLS

Entity	Registered office	Würth Group share in %
Austria		
Hommel & Seitz GmbH	Vienna	100
Metzler GmbH & Co. KG	Röthis	100
Bulgaria		
Hahn i Kolb Instrumenti EOOD	Sofia	100
China		
HAHN + KOLB (Tianjin) International Trade Co., Ltd.	Tianjin	100
Czech Republic		
HHW-Hommel Hercules Werkzeughandel CZ/SK s.r.o.	Prague	100
Germany		
HAHN + KOLB Werkzeuge GmbH	Ludwigsburg	100
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim	100
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen	100
SVH Handels-GmbH	Dortmund	100
Hungary		
HAHN + KOLB Hungaria Kft.	Budapest	100
India		
HAHN+KOLB Tools Pvt. Ltd.	Pune	100
Mexico		
HAHN+KOLB Mexico, S. de R.L. de CV.	Puebla	100
Poland		
HAHN + KOLB POLSKA Sp. z o.o.	Poznań	100
HHW Hommel Hercules PL Sp. z o.o.	Katowice	100
Romania		
HAHN + KOLB ROMANIA SRL	Otopeni	100
Russia		
DOO “Hahn + Kolb”	Moscow	100

TOOLS

Entity	Registered office	Würth Group share in %
Serbia		
HAHN + KOLB DOO	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		
LM FRANCE SAS	Sarreguemines	100
Tunap France SAS	Dachstein	67
Germany		
Dinol GmbH	Lügde	100
Kisling (Deutschland) GmbH	Künzelsau	100
Liqui - Moly Gesellschaft mit beschränkter Haftung	Ulm	100
Meguin GmbH & Co. KG Mineraloelwerke	Saarlouis	100
Momper Auto-Chemie GmbH	Vöhringen	100
TUNAP GmbH & Co. KG	Wolfratshausen	100
TUNAP Sports GmbH	Munich	100
Italy		
LIQUI MOLY ITALIA Srl	Milan	100
Tunap Italia S.r.l.	Terlano	67
Your Own Brand S.R.L	Milan	100

CHEMICALS

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.	Zielonka	67
Portugal		
LIQUI-MOLY IBÉRIA, UNIPESSOAL, LDA	Sintra	100
Russia		
TUNAP Russia OOO	Moscow	67
South Africa		
LIQUI MOLY SOUTH AFRICA (PTY) LTD	Randburg	100
Spain		
Tunap Productos Quimicos S.A.	Barcelona	67
Sweden		
Tunap Sverige AB	Sollentuna	67
Switzerland		
Kisling AG	Wetzikon	100
TUNAP AG	Märstetten	51
Turkey		
Tunap Kimyasal Ürünler Pazarlama Ltd. Sti.	Istanbul	67
United Kingdom		
Tunap (UK) Limited	Tonbridge	67
USA		
Dinol U.S. Inc.	Wilmington, Delaware	100
Liqui Moly USA, Inc.	Hauppauge, New York	100

SCREWS AND STANDARD PARTS

Entity	Registered office	Würth Group share in %
Australia		
James Glen Pty Ltd	Lidcombe	100
Belgium		
HSR Belgium S.A./N.V.	Antwerp	100
Bulgaria		
Wasi Bulgarien EOOD	Sofia	100
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
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn	100
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten	100
WASI GmbH	Wuppertal	100
Greece		
Inox Mare Hellas SA	Kalochori	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

SCREWS AND STANDARD PARTS

Entity	Registered office	Würth Group share in %
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	Vienna	100
Denmark		
Würth Leasing Danmark A/S	Kolding	100
Germany		
Internationales Bankhaus Bodensee AG	Friedrichshafen	94
Waldenburger Versicherung AG	Künzelsau	100
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen	100
Würth Leasing GmbH & Co. KG	Albershausen	100
Würth Truck Lease GmbH	Dreieich	100
Würth Versicherungsdienst GmbH	Künzelsau	100
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		
Optima Versicherungsbroker AG	Chur	100
Würth Financial Services AG	Rorschach	100
Würth Invest AG	Chur	100
Würth Leasing AG	Dietikon	100
USA		
RC Insurance Corp., Inc.	Ramsey, New Jersey	100

IT SERVICE AND HOLDING COMPANIES

Entity	Registered office	Würth Group share in %
Austria		
Würth Leasing International Holding GmbH	Böheimkirchen	100
RuC Holding GmbH	Böheimkirchen	100
China		
Wuerth (China) Holding Co., Ltd.	Shanghai	100
Wuerth Information Technology (Shanghai) Co., Ltd.	Shanghai	100
Germany		
Reinhold Würth Holding GmbH	Künzelsau	100
UNI ELEKTRO Handels- und Beteiligungs-GmbH	Eschborn	100
WABCOWÜRTH Workshop Services GmbH	Künzelsau	50
WOW ! Würth Online World GmbH	Künzelsau	100
Würth IT GmbH	Bad Mergentheim	100
Würth IT International GmbH & Co. KG	Bad Mergentheim	100
India		
Wurth Information Technology India Private Limited	Pune	100
Italy		
W.EG Italia S.r.l.	Tramin	100
Wuerth Phoenix Srl	Bolzano	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

Entity	Registered office	Würth Group share in %
United Kingdom		
IQD Group Limited	Crewkerne	100
IQD Holdings Limited	Crewkerne	100
Wurth Holding UK Ltd	Kent	100
USA		
Wurth Electronics Inc.	Ramsey, New Jersey	100
Wurth Group of North America Inc.	Ramsey, New Jersey	100
Wurth Industry North America LLC	Ramsey, New Jersey	100
Wurth IT USA Inc.	Ramsey, New Jersey	100
Würth Wood-Division Holding LLC	Ramsey, New Jersey	100

DIVERSIFICATION

Entity	Registered office	Würth Group share in %
China		
Wuerth International Trading (Shanghai) Co., Ltd.	Shanghai	100
Germany		
EOS KSI Forderungsmanagement GmbH & Co. KG	Künzelsau	50
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall	98
Marbet Marion & Bettina Würth GmbH & Co. KG	Schwäbisch Hall	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
Malaysia		
Wurth Logistics Asia-pacific Sdn. Bhd.	Kuala Lumpur	100
Singapore		
Wurth International Trading (Singapore) Pte. Ltd.	Singapore	100
Slovakia		
Würth International Trading s. r. o.	Bratislava	100
Spain		
FINCA INTERMINABLE, S.L.	Maspalomas	100
marbet Viajes Espana S. A.	Barcelona	100
Switzerland		
Lagerhaus Landquart AG	Landquart	100
Würth Logistics AG	Rorschach	100
USA		
Wurth International Trading America, Inc.	Ramsey, New Jersey	100
Wurth Logistics USA Inc.	Greenwood, Indiana	100

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Australia		
EDL Fasteners Pty. Ltd.	Eastern Creek	100
Austria		
Metzler GmbH	Röthis	100
Belgium		
DIN-FIX SA/NV	Eupen	100
MinDCet NV	Leuven	46
Würth Belux N.V.	Turnhout	100
Bulgaria		
Meister Bulgaria	Sofia	100
China		
GQ Electronics Co. Ltd	Shau Kei Wan	36
HAHN+KOLB (Guangzhou) Tools Co., Ltd.	Guangzhou	100
Cyprus		
Wurth Cyprus Ltd.	Nicosia	100
Germany		
Abraham Diederichs GmbH & Co. oHG	Wuppertal	100
CAMPTON Diagnostics GmbH	Itzehoe	30
E 3 Energie Effizienz Experten GmbH	Künzelsau	100
EKOR Tech GmbH	Potsdam	41
Erbschloe Werkzeug Vertriebsgesellschaft mbH	Wuppertal	100
ESB Grundstücksverwaltungsgesellschaft mbH	Eschborn	100
EuroSun GmbH	Freiburg im Breisgau	45
FANDUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Willich KG	Pullach im Isartal	94
Grundstücksgesellschaft Berlin Chemnitz Erfurt GbR	Künzelsau	49
Grundstücksgesellschaft Cottbus Magdeburg GbR	Künzelsau	49
hfcon GmbH & Co. KG	Künzelsau	50

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Germany		
KOSY Gesellschaft zur Förderung des holzverarbeitenden Handwerks mbH	Künzelsau	100
Meguin Verwaltungs-GmbH	Saarlouis	100
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal	100
"METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH	Wuppertal	100
MKT Metall-Kunststoff-Technik Beteiligungsgesellschaft mbH	Weilerbach	100
nordberliner Elektro-Großhandels-Gesellschaft mbH	Eschborn	100
Pronto-Werkzeuge GmbH	Wuppertal	100
Schmitt Elektrogroßhandel GmbH	Fulda	100
SCREXS GmbH	Waldenburg	100
Sonderschrauben Hamburg GmbH Eiben & Co.	Künzelsau	100
SYNFIBER AS & Co. beschränkt haftende KG	Worms	100
TUNAP Deutschland Vertriebs GmbH	Wolfratshausen	51
TUNAP Industrie Chemie GmbH	Wolfratshausen	100
WPS Beteiligungen GmbH	Künzelsau	100
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau	100
Würth Logistic Center Europe GmbH	Künzelsau	100
Würth Montagetechnik GmbH	Dresden	100
Würth V1 GmbH & Co. KG	Künzelsau	100
Würth Versicherungsdienst Verwaltungs-GmbH	Künzelsau	100
India		
HAHN+KOLB TOOLS Chennai Pvt Ltd	Chennai	100
Indonesia		
PT. TUNAP INDONESIA	Jakarta	67
Iran		
Würth Teheran Ltd.	Tehran	100
Mexico		
Würth Service Supply de Mexico	Mexicali	100
Morocco		
Würth Maroc SARL	Casablanca	100
Pakistan		
Würth Pakistan (Private) Limited	Karachi	100
Singapore		
TUNAP Asia-Pacific Pte. Ltd.	Singapore	67
South Korea		
SST Co. Ltd.	Anyang	15
Spain		
ISA EOLICAS S.L.	Madrid	100
Turkey		
Reca Vida Alet ve Makine Parc. Tic. Ltd. Sti.	Izmir	100
United Kingdom		
Anchorfast Limited	Wednesbury	100
Winzer Würth Industrial Ltd.	Erith	100
USA		
Dokka Fasteners Inc.	Auburn Hills, Michigan	100
Lubro Moly of America, Inc.	Los Angeles, California	100
R. W. Ramsey Realty Corporation	Ramsey, New Jersey	100
Session Solar USA, Inc.	Ramsey, New Jersey	100

M. The boards

Advisory Board

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

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

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

Ina Schlie
Former Head of Group Tax
SAP SE, Walldorf

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

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

Sebastian Würth
International Division Manager,
Würth Group

Honorary Chairman of the Advisory Board

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

Honorary members of the Advisory Board

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

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

Central Managing Board

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

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

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

Dr. Steffen Greubel
Member 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.

Rainer Bürkert
Würth Line Industry (excl. USA)

João Cravina
Würth Line South America and Portugal

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

Dan Hill
Würth Line Industry North America

Thomas Klenk
Purchasing and Product Management, Anchor Production

Jürgen Klohe / Jörg Murawski
Würth Elektronik Group, Chemicals Group (excl. Liqui Moly Group)

Oliver G. Konz / Thomas Schrott
Würth Elektronik eiSos Group

Andreas Kräutle
Tools Companies

Ralf Lagerbauer
Würth Line Asia and Oceania

Thomas O'Neill
Würth Line Wood USA and Canada

Pentti Rantanen
Würth Group Finland and Würth Line Baltic States

Uwe Schaffitzel / Ulrich Liedtke
Electrical Wholesale

Dr. Reiner Specht
Würth Line Russia and Austria, Sub-Region Asia, Trade Unit, Deputy Member of the Central Managing Board of the Würth Group

Ulrich Steiner
DIN / Standard Stainless Steel Parts

Thomas Wahl
Logistics (since 1 October 2019)

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, Anchors and Fittings

Independent auditor's report

To the Würth Group

Opinions

We have audited the consolidated financial statements of the Würth Group, Künzelsau, and its subsidiaries (the "Group"), which comprise the consolidated income statement, and the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2019, the consolidated statement of financial position as of 31 December 2019, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of the Würth Group for the fiscal year from 1 January to 31 December 2019. We were also engaged to assess whether the consolidated financial statements comply with the IFRSs as a whole.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code], as well as IFRSs as a whole and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The Advisory Board is responsible for the report of the Advisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the following components designated for the annual report, a version of which we obtained prior to the issue of this auditor's report: the disclosures made in the sections "Overview of the Würth Group", "#Hellow", "Engagement", "Bulletin" and "The Boards".

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory body for the consolidated financial statements and the group management report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs, both as adopted by the EU and as a whole, as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so. Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the requirements of German law, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs, both as adopted by the EU and as a whole, as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 20 March 2020

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The English translation of the Annual Report of the Würth Group is made available online. 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:
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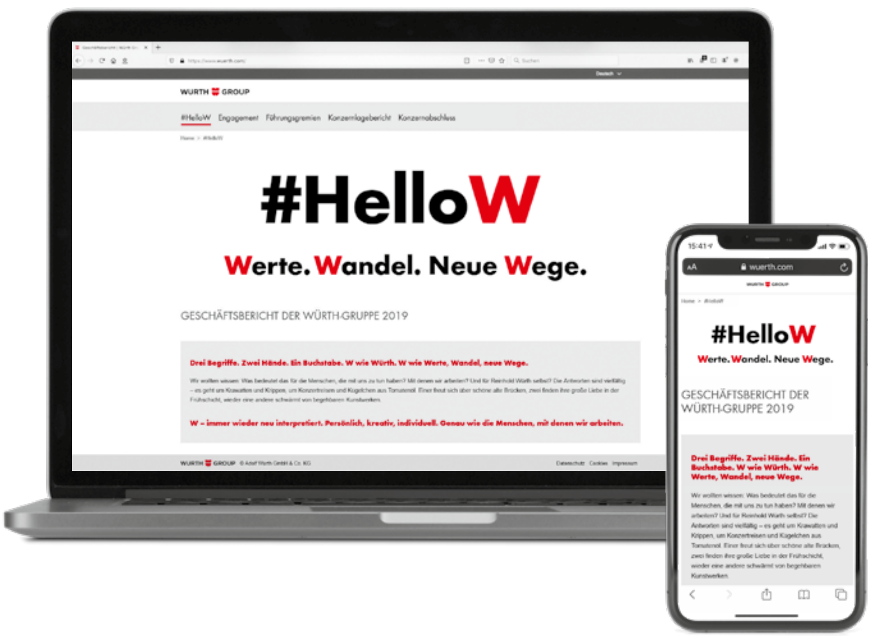

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