

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS*

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

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

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

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

** Reference to "C. Consolidated group"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to parent companies in the Group

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

CONSOLIDATED VALUE ADDED STATEMENT*

| Origin of the value added in millions of EUR | 2018 | 2017 | Change in % |
|---|-----------------|-----------------|------------------------|
| Sales | 13,620.4 | 12,721.9 | 7.1 |
| Changes in inventories and own work capitalized for capital expenditure | 36.9 | 27.4 | 34.7 |
| Other operating income | 96.4 | 132.1 | - 27.0 |
| Finance revenue | 52.1 | 33.8 | 54.1 |
| | 13,805.8 | 12,915.2 | 6.9 |
| Less advance payments | | | |
| Cost of materials and cost of financial services | 6,825.4 | 6,280.0 | 8.7 |
| Other operating expenses | 2,005.3 | 1,938.4 | 3.5 |
| Amortization and depreciation | 375.1 | 426.2 | - 12.0 |
| | 9,205.8 | 8,644.6 | 6.5 |
| Value added | 4,600.0 | 4,270.6 | 7.7 |
| Purpose in millions of EUR | 2018 | 2017 | Change in % |
| Employees (personnel expenses) | 3,644.9 | 3,468.4 | 5.1 |
| Public sector (tax expenses) | 177.3 | 175.1 | 1.3 |
| Company | 513.4 | 430.4 | 19.3 |
| Equity holders** | 173.1 | 100.7 | 71.9 |
| Lenders | 91.3 | 96.0 | - 4.9 |
| Value added | 4,600.0 | 4,270.6 | 7.7 |

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

** Distributions net of contribution to capital

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

A. General information

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

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

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

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

B. Adoption of International Financial Reporting Standards

Statement of compliance

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

Basis of preparation

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

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

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

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

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

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

Use of estimates and judgments

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

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

a) Impairment of goodwill

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

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

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

c) Unused tax losses and temporary differences

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

d) Post-employment benefit obligations

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

e) Fair value measurement of financial instruments

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

f) Development costs

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

g) Allowance for expected credit losses on trade receivables and receivables from financial services
The Würth Group uses an allowance matrix in order to calculate expected credit losses on trade receivables and receivables from financial services. The allowance rates are determined on the basis of days past due for various customers (grouped according to criteria such as geographical region and credit rating and credit insurance coverage).

The allowance table is initially based on the historical default rates within the Würth Group. The Würth Group then calibrates the table in order to adjust its historical loan defaults to future-related information. If, for example, it is assumed that forecast economic conditions (such as gross domestic product) will deteriorate in the course of the coming year, which could lead to an increase in loan defaults, then the historical default rates are adjusted. Historical default rates are updated and changes in future-oriented estimates are analyzed at each reporting date.

The assessment of the relationship between historical default rates, forecast economic conditions and expected loan defaults represents a material estimate. The amount of expected loan defaults depends on changes in circumstances and the forecast economic environment. Historical loan defaults within the Würth Group and the forecast of the general economic conditions may not be representative of the actual defaults of customers in the future. Information on expected credit losses on trade receivables of the Würth Group is provided in [16] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

For receivables from financial services that are valued at amortized cost, the first step is to calculate the impairment at the 12-month expected loss. Impairment is calculated at lifetime expected loss for receivables from financial services that change to the intensive approach.

h) Purchase price liabilities from business combinations and/or acquired operations

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

i) Purchase price receivables for sold subsidiaries

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

Effects of new accounting standards

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

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

The adoption of these standards is described below:

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

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

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

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification is based on two criteria: the Würth Group business model for controlling the assets and the question of whether the contractual cash flows of the instruments exclusively represent repayments of principal and interest on the outstanding capital amount.

The Würth Group business model was assessed on 1 January 2018, the date of first-time application. The assessment of whether contractual cash flows from debt instruments represent only principal and interest payments was based on the facts and circumstances existing at the time the assets were initially recognized.

The changes in the classification of the Würth Group's financial assets are explained below:

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

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

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

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

* Measurement category according to IAS 39

Available-for-sale financial assets

AfS

Held-to-maturity investments

HtM

Loans and receivables

LaR

Financial assets held for trading

FAHfT

Financial assets at fair value through profit or loss

FVtPl

Financial liabilities held for trading

FLHfT

Financial liabilities at amortized cost

FLAC

** Measurement category in accordance with IFRS 9

Financial assets and liabilities at fair value through profit or loss

FVTPL

Financial assets and liabilities at amortized cost

AC

b) Impairment

The first-time application of IFRS 9 has fundamentally changed the accounting treatment of impairment losses on financial assets of the Würth Group: The model of losses incurred practiced in accordance with IAS 39 has been replaced by a forward-looking model of expected credit losses. According to IFRS 9, the Würth Group must record an impairment for expected credit losses for all debt instruments that are not measured at fair value through profit or loss.

When IFRS 9 was applied for the first time, the Würth Group recorded a reduced impairment of EUR 22.0 million on its trade receivables and an additional impairment of EUR 16.9 million on receivables from financial services. Taking into account deferred tax assets and non-controlling interests, this resulted in an increase of EUR 6.6 million in revenue reserves as of 1 January 2018.

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

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

c) Hedge accounting

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

d) Other adjustments

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

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

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

a) Sale of goods

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

b) Variable consideration

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

- Right of return

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

- Volume discount

According to IFRS 15, retroactive volume discounts are recognized as variable consideration. In the Würth Group, however, this change due to IFRS 15 did not have any significant effects, as no significant subsequent volume-based discounts were granted.

c) Warranty obligations

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

d) Provision of services

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

e) Payments received from customers

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

f) Presentation and disclosure requirements

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

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

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

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

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

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

IFRS 16 “Leases” was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure requirements regarding leases and requires lessees to recognize all leases using a single model, similar to the accounting for finance leases in accordance with IAS 17. The new standard contains two exceptions to the obligation to recognize lessees in the balance sheet: leasing agreements for low-value assets (e.g., PCs) and short-term leasing agreements (e.g. leasing agreements with a maximum term of twelve months). At the inception of the lease, the lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset for the right granted to use the leased asset during the term of the lease (i.e., right-of-use assets). Lessees must record separately the interest expenses for the lease liability and the depreciation expense for the right to use the leased asset. In addition, lessees must revalue the lease liability if certain events occur (e.g., a change in the lease term or a change in future lease payments due to a change in the index or interest rate used to determine the lease payments). The amount of the revaluation of the lease liability will generally be recognized by the lessee as an adjustment to the right to use the leased asset.

For lessors, IFRS 16 will essentially not result in any changes in accounting compared with the current version of IAS 17. They will continue to classify all leases in accordance with the classification principles of IAS 17 and distinguish between two types of leases, namely operating leases and finance leases.

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

Transition to IFRS 16

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

During the 2018 fiscal year, the Würth Group carried out a detailed assessment of the effects of IFRS 16.

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

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

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

- a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and
- a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

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

The amendments also clarify that a company first determines past service cost or a settlement gain or loss without considering the effects of the asset ceiling. This amount is recognized in the consolidated income statement. A company then determines the effects of the limit after the change, curtailment or settlement of the plan. Any change in this effect, other than the amounts included in net interest income, is recognized in total comprehensive income.

The amendments apply to plan amendments, curtailments or settlements made on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These changes only apply to future plan changes, reductions or compensations within the Würth Group.

IFRIC Interpretation 23 “Uncertainty over Income Tax Treatments” is to be applied when there is uncertainty over income tax treatments. It does not apply to taxes or levies that do not fall within the scope of IAS 12, and does not contain any provisions on interest and late payment fines in conjunction with uncertain tax treatments. The interpretation addresses the following topics in particular:

- Decision as to whether an entity should consider uncertain tax treatments independently
- Assumptions made by an entity regarding the examination of tax treatments by the tax authorities
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates
- Effect of changes to facts and circumstances

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

Improvements to IFRS 2015–2017

The improvements to IFRS 2015–2017 constitute an omnibus of amendments that was published in December 2017 and includes changes to various IFRS standards that are to apply to fiscal years beginning on or after 1 January 2019. The improvements to the IFRS contain the following amendments: IFRS 3: Clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 11: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not have to remeasure previously held interests in that business.

IAS 12: Clarification that the income tax consequences of dividends are more closely related to the original events that generated distributable profits. This means that entities have to recognize income tax consequences of dividend payments relating to the underlying transaction either in profit or loss, in other comprehensive income or in equity.

IAS 23: Clarification that an entity has to include outstanding debt taken out specifically to acquire an asset in the calculation of the weighted average of all borrowing costs as of the time at which, by and large, all of the activities necessary to prepare this asset for its intended use or sale are complete. The Würth Group intends to adopt these improvements as of the prescribed effective date.

The current accounting methods are consistent with the clarifications. As a result, the Würth Group does not expect any impact on the consolidated financial statements.

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

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

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

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

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

C. Consolidated group

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

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

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

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

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

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

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

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

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

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

The following acquisitions were also made

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

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

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

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

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

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

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

Acquisition of additional shares in fiscal year 2018

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

In the 2018 fiscal year, the Würth Group sold the following companies

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

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

D. Consolidation principles

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

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

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

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

E. Foreign currency translation

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

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

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

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

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

F. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- “Use of estimates and judgments” in Section B. Application of International Financial Reporting Standards
- [13] “Receivables from financial services” in Section H. Notes on the consolidated statement of financial position, and
- [16] “Trade receivables” in Section H. Notes on the consolidated statement of financial position.

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

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

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

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities

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

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

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

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

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

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

At the start of the hedge, both the hedging relationship and the risk management objectives and strategies of the Würth Group are formally defined and documented with regard to the hedge. Documentation from the period before 1 January 2018 stipulates the hedging instrument, the underlying transaction or the hedged transaction as well as the nature of the hedged risk and a description of how the Würth Group determines the effectiveness of the changes in the fair value of the hedging instrument in offsetting the risks from changes in the fair value or the cash flows of the hedged underlying transaction that can be attributed to the hedged risk. Such hedge relationships are deemed to be highly effective in terms of achieving compensation for the risks of changes in fair value or cash flows. They are assessed on an ongoing basis to determine whether they were actually highly effective throughout the reporting period for which the hedge was designated. Since 1 January 2018, documentation has included the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and the manner in which the Würth Group will assess whether the hedging relationship meets the requirements for hedge effectiveness (including its analysis of the causes of hedge ineffectiveness and the manner in which the hedging ratio is determined). A hedging relationship meets the requirements for hedge accounting only if all of the following criteria are met:

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

Fair value hedge

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

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

Cash flow hedge

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

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

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

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

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

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

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

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

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

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

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

Payments on account received from customers are recorded as liabilities.

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

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

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

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

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

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

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

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

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

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

Variable consideration

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

- Right of return

Certain contracts give a customer the right to return the products within a specified period. The Würth Group uses the expected value method to estimate the products that are not returned, since this method is the most reliable way of estimating the variable consideration to which the Würth Group is entitled. In addition, the provisions of IFRS 15 with respect to the limitation of the estimation of variable consideration are applied to determine the amount of variable consideration that may be included in the transaction price. For expected product returns, the Würth Group recognizes a contract liability instead of proceeds. In addition, an asset from return rights is recognized for the right to receive products from a customer.

- Volume discounts

The Würth Group retrospectively grants certain customers volume discounts as soon as the quantity of products purchased during the period exceeds a contractually agreed minimum purchase quantity. Discounts are offset against the amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Würth Group applies the most probable amount method for contracts with a single minimum purchase quantity and the expected value method for contracts with several minimum purchase quantities. The choice of the method by which the amount of the variable consideration can most reliably be determined therefore depends primarily on the number of minimum purchase quantities contained in the contract. Subsequently, the Würth Group applies the rules for limiting the estimate of variable consideration and recognizes a contract liability for the expected future discounts.

Costs to obtain the contract

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

Non-cash consideration

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

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

Trade receivables

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

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

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

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

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

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

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

G. Notes on the consolidated income statement

[1] Sales

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

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

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

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

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

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

[2] Cost of materials

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

[3] Cost of financial services

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

[4] Other operating income

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

[5] Personnel expenses and number of employees

Personnel expenses

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

Number of employees as of the reporting date

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

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

[6] Other operating expenses

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

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

[7] Finance revenue / finance costs

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

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

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

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

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

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

[9] Income taxes

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

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

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

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

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

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

H. Notes on the consolidated statement of financial position

[10] Intangible assets including goodwill

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

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

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

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

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

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

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

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

| 2018 in millions of EUR | Northern Safety Com- pany, Inc. | M.E.B. Srl | Tunap | HSR/ Ind- unorm | Wurth Hot | Chemo- fast Anchor- ing GmbH | Dakota Premium Hard- woods LLC | Licht- zentrale 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 dis- count rate | 17.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 5.6 | 0.0 | 0.0 | 2.4 | |

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

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

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

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

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

[11] Property, plant and equipment

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

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

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

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

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

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

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

[12] Financial assets

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

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

[13] Receivables from financial services

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

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

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

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

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

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

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

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

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

[14] Deferred tax assets

Deferred tax assets and liabilities can be allocated as follows:

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

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

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

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

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

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

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

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

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

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

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

[15] Inventories

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

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

[16] Trade receivables

This item exclusively comprises receivables from third parties.

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

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

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

Where possible and feasible, we take out credit insurance.

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

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

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

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

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

[17] Income tax assets

This item records income tax assets from tax authorities.

[18] Other financial assets

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

Sundry financial assets mainly include supplier discounts and bonuses.

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

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

[19] Other assets

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

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

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

[20] Securities

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

[21] Cash and cash equivalents

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

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

| Assets in millions of EUR | 2018 | 2017 |
|---|-------------|-------------|
| Non-current assets | | |
| Property, plant and equipment | 0.0 | 2.6 |
| Deferred tax assets | 0.0 | 0.0 |
| Current assets | | |
| Inventories | 0.0 | 7.4 |
| Trade receivables | 0.0 | 4.8 |
| Other financial assets | 0.0 | 0.8 |
| Other assets | 0.0 | 0.8 |
| Cash and cash equivalents | 0.0 | 0.1 |
| Assets classified as held for sale | 0.0 | 16.5 |
| Liabilities in millions of EUR | 2018 | 2017 |
| Non-current liabilities | | |
| Post-employment benefit obligations | 0.0 | 0.5 |
| Provisions | 0.0 | 0.0 |
| Current liabilities | | |
| Trade payables | 0.0 | 5.0 |
| Provisions | 0.0 | 0.0 |
| Other financial liabilities | 0.0 | 1.5 |
| Other liabilities | 0.0 | 0.0 |
| Liabilities in a group of assets classified as held for sale | 0.0 | 7.0 |
| Net assets directly related to the disposal group | 0.0 | 9.5 |

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

[23] Equity

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

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

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

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

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

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

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

Distributions of EUR 175 million are planned for 2019.

[24] Liabilities from financial services

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

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

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

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

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

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

[25] Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Change in liabilities from financing activities:

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

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

[26] Post-employment benefit obligations

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

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

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

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

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

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

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

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

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

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

The benefit obligations are derived as follows:

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

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

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

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

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

The remeasurement of defined benefit plans breaks down as follows:

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

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

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

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

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

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

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

Breakdown of fair value of plan assets by asset category:

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

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

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

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

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

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

[28] Other financial liabilities

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

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

[29] Other liabilities

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

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

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

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

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

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

Assets and liabilities at fair value:

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

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

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

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

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

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

I. Other notes

[1] Commitments and contingencies

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

Guarantees, warranties and collateral are due immediately upon request.

[2] Other financial obligations

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

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

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

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

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

[3] Contingent liabilities

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

[4] Financial instruments

Financial risk management

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

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

Exchange rate risks

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

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

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

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

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

There were no changes affecting other comprehensive income.

Interest rate risks

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

The interest rate risk is mainly limited to the liabilities to banks with floating interest rates listed under [25] "Financial liabilities" and the items presented under [13] "Receivables from financial services" and under [24] "Liabilities from financial services" in Section H. Notes on the consolidated statement of financial position.

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

If the market interest level had been 100 base points higher (lower) as of 31 December 2018, profit or loss would have been EUR 4.5 million lower (higher) (2017: EUR 6.4 million). The hypothetical effect on profit or loss is mainly attributable to overdraft facilities as well as receivables and liabilities from financial services. Equity would change accordingly.

Changes affecting other comprehensive income amounted to EUR 0.2 million (2017: EUR - 1.9 million).

Securities risks

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

Credit risks

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

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

Additional information about credit risks may be found under [13] "Receivables from financial services" and [16] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

Liquidity risks

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

Default risk

Default risk from receivables from customers is controlled on the basis of the Würth Group's guidelines, procedures and controls for customer default management. The individual credit lines for customers are determined according to the credit rating. Outstanding receivables from customers are monitored regularly.

The impairment requirement is analyzed at each reporting date using the impairment matrix to determine the expected credit losses. The impairment rates are determined on the basis of the past-due period in days with customers grouped together with similar default patterns. The calculation includes the probability-weighted result taking into account the interest effect and appropriate and reliable information about past results, current circumstances and expected future economic conditions available at the reporting date. The maximum default risk on the reporting date corresponds to the carrying amount of each class of financial asset reported. The impairment matrix for receivables from customers may be found under [16] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

Capital management

The primary objective of the Würth Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio. The Würth Group manages its capital structure taking into account changes in the economic environment. In addition, the financial service providers within the Würth Group comply with the applicable regulatory capital requirements. No changes were made to the objectives, policies and processes as of 31 December 2018 and 31 December 2017. The equity ratio, calculated as equity in accordance with IFRS divided by total assets, is 47.1 % (2017: 46.5 %). This means that the equity ratio is higher than the industry average and ensures the Würth Group an investment grade A rating at present. Regarding a US private placement, the Würth Group is also required to comply with a certain ratio of senior liabilities to equity.

Fair value of financial instruments

The fair value of the financial instruments reported under financial assets, which form part of the portfolio of financial instruments measured at fair value through profit or loss or part of financial instruments measured at amortized cost, is estimated by comparison with their listed market price on the reporting date.

The fair value of securities classified as financial instruments at fair value through profit or loss is determined in accordance with the valuation methods described in [20] "Securities" in Section H. Notes on the consolidated statement of financial position. The adjustment of the fair value of financial assets at fair value through profit or loss resulted in the recognition of EUR 3.5 million in profit or loss in the fiscal year and EUR 1.6 million in full in profit or loss in 2017.

The fair value of forward exchange contracts is measured using the closing rates on the forward exchange markets. Interest rate swaps are measured at fair value on the basis of the present value of estimated future cash flows. The fair value of options is measured using option-pricing models. The Würth Group has a policy of obtaining confirmation of the fair value of all the above instruments from the banks that arranged the respective contracts for the Würth Group.

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

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

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

The fair value of non-current liabilities is based on the market price for these liabilities or similar financial instruments or on the current interest rates for borrowing at similar terms and conditions. The amounts reported in the consolidated balance sheet are very close to their fair value or are separately stated under [30] "Additional disclosures on financial instruments—carrying amounts and fair values by measurement category IFRS 9 for fiscal year 2018 and IAS 39 for fiscal year 2017" in Section H. Notes on the consolidated statement of financial position.

Derivative financial instruments and hedge accounting

As of the reporting date, the fair value of derivative financial instruments was as follows:

| in millions of EUR Type | Contract value or nominal value | | Positive replacement value | | Negative replacement value | |
|---------------------------------------|------------------------------------|----------------|-------------------------------|-------------|-------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Currency instruments | | | | | | |
| Foreign exchange forward contracts | 834.6 | 896.6 | 1.6 | 10.4 | 8.0 | 0.7 |
| Currency options (OTC) | 1.6 | 1.6 | 0.0 | 0.1 | 0.0 | 0.0 |
| Total currency instruments | 836.2 | 898.2 | 1.6 | 10.5 | 8.0 | 0.7 |
| Interest instruments | | | | | | |
| Interest rate swaps | 622.0 | 821.4 | 5.3 | 7.7 | 4.5 | 7.2 |
| Cross-currency swaps | 171.6 | 198.1 | 7.1 | 16.1 | 0.8 | 0.7 |
| Interest rate futures | 51.7 | 41.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total interest instruments | 845.3 | 1,060.6 | 12.4 | 23.8 | 5.3 | 7.9 |
| Reduction due to CSA | | | 8.9 | 26.6 | 5.2 | 0.0 |
| Net replacement value | | | - 3.0 | - 0.9 | | |

As part of financial risk management, a credit support annex (CSA) was entered into. For this reason, the positive and negative replacement values of the interest instruments were all presented as a net value in the statement of financial position, i.e. after taking into account the cash settlement under the CSA.

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

Cash flow hedges

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

The following table shows the results of the hedging strategy:

| in millions of EUR | | Nominal amount | Assets | | Liabilities | |
|-------------------------------|-----|----------------|-------------|-------------|-------------|-------------|
| Micro cash flow hedges | | | 2018 | 2018 | 2017 | 2017 |
| Planned new bond 2018 | EUR | 250.0 | 0.0 | 0.0 | 0.0 | 1.9 |
| Planned new bond 2018 | EUR | 0.0 | 0.0 | 0.5 | 0.0 | 0.0 |
| Planned new bond 2020 | EUR | 100.0 | 0.0 | 1.2 | 0.0 | 0.0 |

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

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

| in millions of EUR | | | |
|--------------------------|----------|-----------|-----------|
| 31 December 2018 | < 1 year | 1–5 years | > 5 years |
| Forecasted new bond 2020 | 0.0 | 0.0 | 1.2 |

Fair value hedges

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

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

| in millions of EUR | | | | | |
|--------------------------------|----------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Micro fair value hedges | Nominal amount | Assets 2018 | Liabilities 2018 | Assets 2017 | Liabilities 2017 |
| Bond 2025 | 150.0 | 3.4 | 0.0 | 0.0 | 0.0 |

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

| in millions of EUR | | | |
|-------------------------|----------|-----------|-----------|
| 31 December 2018 | < 1 year | 1–5 years | > 5 years |
| Bond 2025 | 0.0 | 0.0 | 3.4 |

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

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

[5] Leases

Lessee

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

| in millions of EUR | 2018 | 2017 |
|---|------------|------------|
| Real estate | 3.9 | 4.1 |
| Machines, equipment, furniture and fixtures | 1.6 | 1.6 |
| Vehicle fleet | 0.5 | 0.8 |
| Other | 0.8 | 1.0 |
| Total | 6.8 | 7.5 |

The vast majority of finance leases relate to real estate. These agreements are generally designed to include a purchase option and a renewal option. Furthermore, some contain price escalation clauses based on the Euribor. There are no significant restrictions imposed by lease agreements.

Minimum lease installments over the remaining terms of the finance lease agreements and their present value are as follows:

| in millions of EUR | 2018 | 2017 |
|--|------------|------------|
| due within 12 months | 1.5 | 1.8 |
| due in 13 to 60 months | 3.6 | 3.7 |
| due in more than 60 months | 0.2 | 1.3 |
| Minimum lease payments from finance leases less expected future interest payments | 5.3 | 6.8 |
| due within 12 months | 0.4 | 0.4 |
| due in 13 to 60 months | 0.8 | 1.3 |
| due in more than 60 months | 0.1 | 0.2 |
| Present value of minimum lease payments | 4.0 | 4.9 |
| Thereof | | |
| due within 12 months | 1.1 | 1.4 |
| due in 13 to 60 months | 2.8 | 2.4 |
| due in more than 60 months | 0.1 | 1.1 |

Lessor

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

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

| in millions of EUR | 31 December | | Due within 12 months | | Due in 13 to 60 months | | Due in more than 60 months | |
|--|--------------|--------------|-------------------------|-------------|---------------------------|--------------|-------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Total lease installments (gross total investments in the lease) | 988.9 | 914.0 | | | | | | |
| Lease installments already received | 252.7 | 337.8 | | | | | | |
| Lease installments (future minimum lease payments) | 736.2 | 576.2 | 218.1 | 174.5 | 485.8 | 371.0 | 32.3 | 30.7 |
| Thereof: lease payments already sold | 390.8 | 324.2 | 114.0 | 93.3 | 257.7 | 207.6 | 19.1 | 23.3 |
| Unearned finance income | 62.2 | 53.1 | 23.6 | 18.4 | 37.0 | 32.9 | 1.6 | 1.8 |
| Present value of the outstanding minimum lease payments | 283.2 | 198.9 | 80.5 | 62.8 | 191.1 | 130.5 | 11.6 | 5.6 |

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

During the fiscal year, provisions amounting to EUR 0.7 million (2017: EUR 1.7 million) were established for uncollectible outstanding minimum leasing payments.

Cash flow from operating leases—lessor:

| in millions of EUR | 2018 | 2017 |
|----------------------------|-------------|-------------|
| Due within 12 months | 3.2 | 4.1 |
| Due in 13 to 60 months | 10.4 | 10.7 |
| Due in more than 60 months | 0.4 | 3.8 |
| Total | 14.0 | 18.6 |

[6] Related parties

Basically, "related parties" are members of the Würth family and entities controlled by them, as well as key management personnel (members of the Würth Group's Central Managing Board and the Executive Board), members of the Advisory Board of the Würth Group, the Management Board of the Würth Group's Family Trusts, the Supervisory Board of the Würth Group's Family Trusts, and close family members of the aforementioned groups of persons. "Related parties" also include the family trusts. Related party transactions were all conducted at arm's length.

Payments of EUR 295.8 million (2017: EUR 263.8 million) were made to members of the Würth family and the family trusts for distributions and usufructuary rights. Of the payments made, an amount of EUR 133.0 million (2017: 173.5 million) was later recontributed.

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

| in millions of EUR | 2018 | 2017 |
|---|------|------|
| Purchased services | 3.0 | 2.8 |
| Services rendered | 0.7 | 0.2 |
| Interest cost | 0.6 | 0.5 |
| Interest income | 0.0 | 0.1 |
| Lease / rental expense | 4.9 | 6.0 |
| Lease / rental income | 0.6 | 0.3 |
| Remuneration of the Management Board and Supervisory Board of the Würth Group's Family Trusts, the Advisory Board, members of the Würth family | 8.3 | 7.6 |

The following receivables and liabilities arose from these transactions:

| in millions of EUR | 2018 | 2017 |
|-------------------------------------|------|------|
| Receivables from financial services | 20.2 | 14.2 |
| Loan receivables | 7.1 | 10.6 |
| Liabilities from financial services | 3.9 | 2.5 |
| Loan liabilities | 14.6 | 9.6 |

In addition, close family members of key management personnel received wage and salary payments of EUR 0.0 million (2017: EUR 0.1 million). In addition, there are liabilities from financial services from this group of persons amounting to EUR 0.0 million (2017: EUR 0.1 million).

The interest income and expenses listed below were transacted between the Würth Group and the Family Trusts:

| in millions of EUR | 2018 | 2017 |
|------------------------|------|------|
| Lease / rental expense | 1.0 | 1.0 |
| Interest cost | 4.0 | 3.4 |
| Interest income | 0.4 | 0.1 |

The following receivables and liabilities result from these business relationships:

| in millions of EUR | 2018 | 2017 |
|--------------------|------|------|
| Loan receivables | 0.0 | 30.1 |
| Loan liabilities | 6.1 | 0.0 |

Receivables and liabilities from financial services from all related companies and persons bear interest at market rates. All other purchased services are also rendered at market terms and conditions.

[7] Compensation of key management personnel

| in millions of EUR | 2018 | 2017 |
|--|-------------|-------------|
| Short-term employee benefits | 23.0 | 25.7 |
| Post-employment benefits | 0.2 | 0.1 |
| Benefits due to the end of the employment relationship | 1.4 | 0.3 |
| Total | 24.6 | 26.1 |

Individual members of the Central Managing Board and the Executive Board have a right to pension benefits with a total present value of EUR 17.1 million (2017: EUR 16.1 million). Former members and their surviving dependents are also entitled to benefit payments. The present value of the resulting benefit obligations totals EUR 18.0 million (2017: EUR 26.7 million).

[8] Government grants

The Würth Group received government grants of EUR 1.0 million in the form of investment subsidies for infrastructure projects (2017: EUR 1.5 million). Of this amount, EUR 0.0 million (2017: EUR 0.5 million) was deducted from the carrying amounts of the related assets and EUR 1.0 million (2017: EUR 1.0 million) was immediately recognized in profit or loss.

[9] Auditor's fees

The following table shows, on aggregate, the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, in the 2018 fiscal year.

| in millions of EUR | 2018 | 2017 |
|--------------------|------------|------------|
| Audit | 1.9 | 2.0 |
| Assurance services | 0.1 | 0.1 |
| Other fees | 0.2 | 0.1 |
| Total | 2.2 | 2.2 |

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

The following German group entities organized as partnerships made use of the exemption clause according to Sec. 264b HGB for the 2018 fiscal year:

| Entity | Registered office |
|---|---------------------|
| Abraham Diederichs GmbH & Co. oHG | Wuppertal |
| Adolf Menschel Verbindungstechnik GmbH & Co. KG | Plettenberg |
| Adolf Würth GmbH & Co. KG | Künzelsau |
| Arnold Umformtechnik GmbH & Co. KG | Forchtenberg |
| Baier & Michels GmbH & Co. KG | Ober-Ramstadt |
| Conpac GmbH & Co. KG | Celle |
| Erwin Büchele GmbH & Co. KG | Esslingen am Neckar |
| Glessdox GmbH & Co. KG | Untermünkheim |
| Hommel Hercules-Werkzeughandel GmbH & Co. KG | Viernheim |
| IMS-Verbindungstechnik GmbH & Co. KG | Neuenstein |
| IVT Installations- und Verbindungstechnik GmbH & Co. KG | Rohr |
| Marbet Marion & Bettina Würth GmbH & Co. KG | Künzelsau |
| Meguïn GmbH & Co. KG Mineraloelwerke | Saarlouis |
| MKT Metall-Kunststoff-Technik GmbH & Co KG | Weilerbach |
| SARTORIUS Werkzeuge GmbH & Co. KG | Ratingen |
| Schössmetall GmbH & Co. KG | Freilassing |
| Siller & Laar Schrauben- Werkzeug- und Beschläge-Handel GmbH & Co. KG | Augsburg |
| Sonderschrauben Güldner GmbH & Co. KG | Niederstetten |
| SYNFIBER AS & Co. beschränkt haftende KG | Worms |
| Teudeloff GmbH & Co. KG | Waldenburg |
| TOGE Dübel GmbH & Co. KG | Nuremberg |
| TUNAP Deutschland Vertriebs- GmbH & Co. Betriebs-KG | Wolfratshausen |
| TUNAP GmbH & Co. KG | Wolfratshausen |
| UNI ELEKTRO Fachgroßhandel GmbH & Co. KG | Eschborn |
| Waldenburger Beteiligungen GmbH & Co. KG | Künzelsau |
| Werkzeugtechnik Niederstetten GmbH & Co.KG | Niederstetten |
| WLC Würth-Logistik GmbH & Co. KG | Künzelsau |
| Würth - Elektronik GmbH & Co KG | Niedernhall |
| Würth Elektrogroßhandel GmbH & Co. KG | Künzelsau |
| Würth Elektronik eiSos GmbH & Co. KG | Waldenburg |
| Würth Elektronik ICS GmbH & Co. KG | Niedernhall |
| Würth GmbH & Co. KG Grundstücksgesellschaft | Künzelsau |
| Würth Immobilien-Leasing GmbH & Co.KG | Albershausen |
| Würth Industrie Service GmbH & Co. KG | Bad Mergentheim |
| Würth IT International GmbH & Co. KG | Bad Mergentheim |
| Würth Leasing GmbH & Co. KG | Albershausen |
| Würth Modyf GmbH & Co. KG | Künzelsau |
| Würth TeleServices GmbH & Co. KG | Künzelsau |
| Würth Versicherungsdienst GmbH & Co. KG | Künzelsau |

The following German group entities organized as corporations made use of the exemption clause according to Sec. 264 (3) HGB for the 2018 fiscal year:

| Entity | Registered office |
|--|-------------------|
| AHD Auto-Hifi & -Design GmbH | Künzelsau |
| BB-Stanz- und Umformtechnik GmbH | Berga |
| Conmetall Meister GmbH | Celle |
| Deko-Light Elektronik-Vertriebs GmbH | Karlsbad |
| Dinol GmbH | Lügde |
| Dringenberg GmbH Betriebseinrichtungen | Obersulm |
| E 3 Energie Effizienz Experten GmbH | Künzelsau |
| Erbschloe Werkzeug Vertriebsgesellschaft mbH | Wuppertal |
| FEGA & Schmitt Elektrogroßhandel GmbH | Ansbach |
| FELO-Werkzeugfabrik Holland-Letz GmbH | Neustadt |
| Flugplatz Schwäbisch Hall GmbH | Schwäbisch Hall |
| Grass GmbH | Reinheim |
| HAHN+KOLB Werkzeuge GmbH | Ludwigsburg |
| Hetalco GmbH | Alpirsbach |
| HSR GmbH Hochdruck Schlauch + Rohr Verbindungen | Neukirchen-Vluyn |
| INDUNORM Hydraulik GmbH | Neukirchen-Vluyn |
| KERONA GmbH | Öhringen |
| Lichtzentrale Lichtgroßhandel GmbH | Ansbach |
| Liqui - Moly Gesellschaft mit beschränkter Haftung | Ulm |
| Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH | Wuppertal |
| "METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH | Wuppertal |
| Normfest GmbH | Velbert |
| Panorama Hotel- und Service GmbH | Waldenburg |
| Pronto-Werkzeuge GmbH | Wuppertal |
| Reca Norm GmbH | Kupferzell |
| Reinhold Würth Holding GmbH | Künzelsau |
| REISSER Schraubentechnik GmbH | Ingelfingen |
| Schmitt Elektrogroßhandel GmbH | Fulda |
| SCREXS GmbH | Waldenburg |
| Sonderschrauben Hamburg GmbH Eiben & Co. | Künzelsau |
| SVH Handels-GmbH | Dortmund |
| SWG Schraubenwerk Gaisbach GmbH | Waldenburg |
| WASI GmbH | Wuppertal |
| WOW ! Würth Online World GmbH | Künzelsau |
| WSS Würth Shared Services GmbH | Künzelsau |
| WUCATO Marketplace GmbH | Stuttgart |
| Würth Elektronik iBE GmbH | Thyrnau |
| Würth IT GmbH | Bad Mergentheim |
| Würth Logistic Center Europe GmbH | Künzelsau |
| Würth Logistics Deutschland GmbH | Bremen |
| Würth Truck Lease GmbH | Dreieich |

J. Notes on the consolidated statement of cash flows

In accordance with IAS 7, the consolidated statement of cash flows shows how the Würth Group's cash has changed over the fiscal year as a result of cash received and paid. It is classified by cash flows from operating, investing or financing activities.

The cash flow from operating activities is derived indirectly from the earnings before taxes. Specifically, the figure for earnings before taxes is adjusted for income taxes paid, finance costs and finance revenue, interest income and expenses from operating activities, changes in post-employment benefit obligations, non-cash amortization, depreciation, impairment and reversals of impairment, as well as losses and gains on the disposal of non-current assets, and other non-cash expenses and income.

The effects of acquisitions and other changes in the consolidated group have been eliminated. When purchased subsidiaries are included for the first time, only the actual cash flows are shown in the consolidated statement of cash flows. Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand and bank balances as well as highly liquid short-term investments and other cash equivalents.

The effects of acquisitions and other changes in the consolidated group on the consolidated statement of cash flows have been considered separately. Please refer to "C. Consolidated group".

K. List of shareholdings

WÜRTH LINE CRAFT

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|--|-------------------|------------------------|---|--------------------|------------------------|
| Albania | | | China | | |
| Würth Albania Ltd. | Tirana | 100 | Wuerth (Zhejiang) Trade Co., Ltd | Haiyan | 100 |
| Argentina | | | Würth Taiwan Co. Ltd. | Miaoli | 100 |
| Wumet Argentina S.A. | Canuelas | 100 | Würth (Chongqing) Hardware & Tools Co., Ltd. | Chongqing | 100 |
| Würth Argentina S.A. | Canuelas | 100 | Würth (Guangzhou) International Trading Co., Ltd. | Guangzhou | 100 |
| Armenia | | | Würth Hong Kong Co., Ltd. | Hong Kong | 100 |
| Würth LLC | Yerevan | 100 | Colombia | | |
| Australia | | | Würth Colombia SA | Bogotá | 100 |
| Würth Australia Pty Ltd | Dandenong South | 100 | Costa Rica | | |
| Austria | | | Würth Costa Rica, S.A. | La Uruca, San José | 100 |
| Würth Handelsgesellschaft m.b.H. | Böheimkirchen | 100 | Croatia | | |
| Azerbaijan | | | Würth-Hrvatska d.o.o. | Zagreb | 100 |
| Würth Azerbaijan LLC | Baku | 100 | Czech Republic | | |
| Belarus | | | Würth, spol. s r.o. | Neprevázka | 100 |
| FLLC "WürthBel" | Minsk | 100 | Würth MASTERSERVICE CZ, spol. s r.o. | Prague | 100 |
| Belgium | | | Denmark | | |
| Würth België N.V. | Turnhout | 100 | Würth Danmark A/S | Kolding | 100 |
| Bosnia and Herzegovina | | | Dominican Republic | | |
| WURTH BH d.o.o. | Sarajevo | 100 | Würth Dominicana S.A. | Santo Domingo | 100 |
| Brazil | | | Ecuador | | |
| Würth do Brasil Peças de Fixação Ltda. | Cotia | 100 | WURTH ECUADOR S.A. | Quito | 100 |
| Bulgaria | | | Estonia | | |
| Würth Bulgarien EOOD | Sofia | 100 | Aktsiaselts Würth | Tallinn | 100 |
| Cambodia | | | Finland | | |
| Wuerth (Cambodia) Ltd. | Phnom Penh | 100 | Würth Oy | Riihimäki | 100 |
| Canada | | | France | | |
| McFadden's Hardwood & Hardware Inc. | Oakville | 100 | Würth France SAS | Erstein | 95 |
| Würth Canada Ltd., Ltée | Guelph | 100 | Würth Modyf France S.A.R.L. | Erstein | 100 |
| Chile | | | Georgia | | |
| Würth Chile Ltda. | Santiago de Chile | 100 | Würth Georgia Ltd. | Tbilisi | 100 |
| China | | | Germany | | |
| Wuerth Master Power Tools Limited | Hong Kong | 100 | Würth Modyf GmbH & Co. KG | Künzelsau | 100 |
| Wuerth (China) Co., Ltd. | Shanghai | 100 | Greece | | |
| Wuerth (Shenyang) Hardware & Tools Co., Ltd. | Shenyang | 100 | Würth Hellas S.A. | Kryoneri, Attica | 100 |
| Wuerth (Tianjin) International Trade Co., Ltd. | Tianjin | 100 | Hungary | | |
| | | | Würth Szereléstechnika KFT | Budaörs | 100 |

WÜRTH LINE CRAFT

| Entity | Registered office | Würth Group share in % |
|----------------------------------|--------------------------|-------------------------------|
| Iceland | | |
| Würth á Íslandi ehf. | Reykjavik | 100 |
| India | | |
| Wuerth India Pvt. Ltd. | Mumbai | 100 |
| Indonesia | | |
| Wuerth Indonesia P.T. | Jakarta | 99 |
| Iran | | |
| Würth Teheran Ltd. | Tehran | 100 |
| Ireland | | |
| Würth (Ireland) Limited | Limerick | 100 |
| Israel | | |
| Würth Israel Ltd. | Caesarea | 100 |
| Italy | | |
| Modyf S.r.l. | Tramin | 100 |
| Pandora Technology Srl | Neumarkt | 100 |
| Würth S.r.l. | Neumarkt | 100 |
| Japan | | |
| Würth Japan Co., Ltd. | Yokohama | 100 |
| Jordan | | |
| Wurth - Jordan Co. Ltd. | Amman | 100 |
| Kazakhstan | | |
| Wuerth Kazakhstan Ltd. | Almaty | 100 |
| Kenya | | |
| Wuerth Kenya Ltd. | Nairobi | 100 |
| Kosovo | | |
| Würth-Kosova Sh.p.k. | Gračanica | 100 |
| Kyrgyzstan | | |
| Würth Foreign Swiss Company Ltd. | Bishkek | 100 |
| Latvia | | |
| SIA Würth | Riga | 100 |
| Lebanon | | |
| Wurth Lebanon SAL | Beirut | 100 |
| Lithuania | | |
| Wurth Lietuva UAB | Ukmerge | 100 |
| Macedonia | | |
| Wurth Makedonija DOOEL | Čučer-Sandevo | 100 |
| Malaysia | | |
| Wuerth (Malaysia) Sdn. Bhd. | Kuala Lumpur | 100 |

| Entity | Registered office | Würth Group share in % |
|---|--------------------------|-------------------------------|
| Malta | | |
| Würth Limited | Zebbug | 99 |
| Martinique | | |
| Würth Caraïbes SARL | Ducos | 100 |
| Mexico | | |
| Würth México S.A. de C.V. | Morelos | 100 |
| Moldova | | |
| Wurth S.R.L. | Chisinau | 100 |
| Mongolia | | |
| Wuerth Mongolia LLC | Ulaanbaatar | 100 |
| Montenegro | | |
| Wurth d.o.o. Podgorica | Podgorica | 100 |
| Namibia | | |
| Wurth Namibia (Pty) Ltd | Windhoek | 100 |
| Netherlands | | |
| Würth Nederland B.V. | 's-Hertogenbosch | 100 |
| New Zealand | | |
| Wurth New Zealand Ltd. | Auckland | 100 |
| Norway | | |
| Würth Norge AS | Hagan | 100 |
| Panama | | |
| Würth Centroamérica S.A. | Panama City | 100 |
| Peru | | |
| Würth Perú S.A.C. | Lima | 100 |
| Philippines | | |
| Wuerth Philippines, Inc. | Laguna | 100 |
| Poland | | |
| Würth Polska Sp. z o.o. | Warsaw | 100 |
| Portugal | | |
| Würth (Portugal) Técnica de Montagem Lda. | Sintra | 100 |
| Würth Modyf Lda. | Sintra | 100 |
| Romania | | |
| Würth Romania S.R.L | Otopeni | 100 |
| Russia | | |
| "Würth Eurasien" Aktiengesellschaft | Yekaterinburg | 100 |
| Wuerth North-West JSC | St. Petersburg | 100 |
| "Würth-Rus" Aktiengesellschaft | Moscow | 100 |

WÜRTH LINE CRAFT

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|------------------------------------|--------------------------|------------------------|--------------------------------------|---------------------------|------------------------|
| Saudi Arabia | | | Turkey | | |
| Würth Saudi Arabia LLC | Riyadh | 75 | Würth Sanayi Ürünleri Tic. Ltd. Sti. | Mimarsinan | 100 |
| Serbia | | | Ukraine | | |
| Würth d.o.o. | Belgrade | 100 | Würth Ukraine Ltd. | Kiev | 100 |
| Slovakia | | | United Arab Emirates | | |
| Hommel Hercules France, s.r.o. | Bratislava | 100 | Würth Gulf FZE | Dubai | 100 |
| Würth spol. s r.o. | Bratislava | 100 | Würth Gulf (L.L.C.) | Dubai | 49 |
| Slovenia | | | United Kingdom | | |
| Würth d.o.o. | Trzin | 100 | Würth (Northern Ireland) Ltd. | Belfast | 100 |
| South Africa | | | Würth U.K. Ltd. | Erith | 100 |
| Wuerth South Africa (Pty.) Ltd. | Gauteng | 100 | Uruguay | | |
| Spain | | | Würth del Uruguay S.A. | Barros Blancos | 100 |
| WÜRTH CANARIAS, S.L. | Las Palmas | 100 | USA | | |
| Würth España, S.A. | Palau-solità i Plegamans | 100 | Dakota Premium Hardwoods LLC | Waco, Texas | 100 |
| Würth Modyf S.A. | Palau-solità i Plegamans | 100 | Oliver H. Van Horn Co., LLC | New Orleans, Louisiana | 100 |
| Sri Lanka | | | Würth Action Bolt & Tool Co. | Lake Worth, Florida | 100 |
| Würth Lanka (Private) Limited | Pannipitiya | 100 | Würth Baer Supply Co. | Vernon Hills, Illinois | 100 |
| Sweden | | | Würth Louis and Company | Brea, California | 100 |
| Würth Svenska AB | Örebro | 100 | Würth USA Inc. | Ramsey, New Jersey | 100 |
| Switzerland | | | Würth Wood Group Inc. | Charlotte, North Carolina | 100 |
| Würth AG | Arlesheim | 100 | Vietnam | | |
| Thailand | | | Würth Vietnam Company Limited | Ho Chi Minh City | 100 |
| Wuerth (Thailand) Company, Limited | Bangkok | 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 Fixação Ltda. | São Bernardo do Campo | 100 |
| Canada | | |
| Würth Industry of Canada Ltd. | Brantford | 100 |
| China | | |
| Arvid Nilsson Logistics & Trade (Shanghai) Co., Ltd. | Shanghai | 100 |
| WASI Tianjin Fastener Co., Ltd. | Tianjin | 100 |
| Wuerth Baier & Michels (Shanghai) Automotive Fastener Co., Ltd. | Shanghai | 100 |
| Denmark | | |
| Würth Industri Danmark A/S | Kolding | 100 |
| France | | |
| Würth Industrie France S.A.S. | Erstein | 100 |
| Germany | | |
| Baier & Michels GmbH & Co. KG | Ober-Ramstadt | 100 |
| Würth Industrie Service GmbH & Co. KG | Bad Mergentheim | 100 |
| India | | |
| Wuerth Industrial Services India Pvt. Ltd. | Pune | 100 |
| Italy | | |
| Baier & Michels S.r.l. | Padua | 100 |
| Malaysia | | |
| Wuerth Industrial Services Malaysia Sdn. Bhd. | Kuala Lumpur | 100 |
| Mexico | | |
| Wuerth Baier & Michels México S.A.de C.V. | Querétaro | 100 |
| Würth Industry de Mexico S de RL de CV | Reynosa | 100 |
| Würth McAllen Maquila Services S de RL de CV | Reynosa | 100 |

| Entity | Registered office | Würth Group share in % |
|---|----------------------------|------------------------|
| New Zealand | | |
| EDL Fasteners Ltd. | East Tamaki | 100 |
| Norway | | |
| Würth Industri Norge A/S | Dokka | 100 |
| Romania | | |
| S.C. Wurth Industrie S.r.l. | Otopeni | 100 |
| South Africa | | |
| Action Bolt (Pty.) Ltd. | Durban | 100 |
| South Korea | | |
| Wuerth Korea Co., Ltd. | Gyeonggi-Do | 100 |
| Spain | | |
| Wuerth Baier & Michels España, S.A. | Sant Quirze del Vallès | 100 |
| Würth Industria España, S.A. | Sant Quirze del Vallès | 100 |
| Sweden | | |
| Würth Industri Sverige AB | Askim | 100 |
| Turkey | | |
| Würth Baier & Michels Otomotiv Ltd. Sti. | Bursa | 100 |
| Würth Industrie Service Endüstriyel Hizmetler Pazarlama Limited Sirketi | Silivri | 100 |
| USA | | |
| Baier & Michels USA Inc. | Greenville, South Carolina | 100 |
| Marine Fasteners Inc. | Sanford, Florida | 100 |
| Northern Safety Company, Inc. | Frankfort, New York | 100 |
| Weinstock Bros., Inc. | Valley Stream, New York | 100 |
| Würth Adams Nut & Bolt Company | Brooklyn Park, Minnesota | 100 |
| Würth Des Moines Bolt Inc. | Des Moines, Iowa | 100 |
| Würth House of Threads Inc. | Wilmington, Delaware | 100 |
| Würth RevCar Fasteners, Inc. | Roanoke, Virginia | 100 |
| Würth Snider Bolt and Screw, Inc. | Louisville, Kentucky | 100 |
| Würth Timberline Fasteners Inc. | Commerce City, Colorado | 100 |
| Würth/Service Supply Inc. | Greenwood, Indiana | 100 |

ELECTRICAL WHOLESALE

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|--|-------------------|------------------------|-----------------------------------|-------------------|------------------------|
| China | | | Italy | | |
| Deko-Light [HK] Limited | Hong Kong | 100 | CSI Srl | Schio | 100 |
| Czech Republic | | | MEF S.r.l. | Florence | 65 |
| Elfetex spol. s r.o. | Plzeň | 100 | M.E.B. Srl | Schio | 79 |
| Estonia | | | Latvia | | |
| W.EG Eesti OÜ | Tallinn | 100 | SIA Baltijas Elektro Sabiedriba | Riga | 100 |
| Germany | | | Lithuania | | |
| Deko-Light Elektronik-Vertriebs GmbH | Karlsbad | 100 | Gaudre UAB | Vilnius | 100 |
| FEGA & Schmitt Elektrogroßhandel GmbH | Ansbach | 100 | UAB ELEKTROBALT | Vilnius | 100 |
| Lichtzentrale Lichtgroßhandel GmbH | Ansbach | 100 | Poland | | |
| UNI ELEKTRO Fachgroßhandel GmbH & Co. KG | Eschborn | 100 | Elektroskandia Polska Sp. z o. o. | Poznań | 100 |
| Walter Kluxen GmbH | Hamburg | 100 | Fega Poland Sp. z o.o. | Wrocław | 100 |
| Italy | | | W.EG Polska Sp. z o. o. | Wrocław | 100 |
| Blumel Srl | Merano | 100 | Slovakia | | |
| | | | HAGARD: HAL, spol. s r.o. | Nitra | 100 |

TRADE

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|--|----------------------|------------------------|---|--------------------|------------------------|
| Belgium | | | Germany | | |
| CONMETALL N.V. | Sint-Katelijne-Waver | 100 | IMS-Verbindungstechnik GmbH & Co. KG | Neuenstein | 100 |
| Duvmex Belgium Bvba | Edegem | 100 | IVT Installations- und Verbindungstechnik GmbH & Co. KG | Rohr | 100 |
| China | | | KERONA GmbH | Öhringen | 100 |
| DIY Products Asia Ltd. | Hong Kong | 100 | Schössmetall GmbH & Co. KG | Freilassing | 100 |
| Meister Tools Trading (Shanghai) Co., Ltd. | Shanghai | 100 | Teudeloff GmbH & Co. KG | Waldenburg | 100 |
| Czech Republic | | | Hungary | | |
| CONMETALL spol. s r.o. | Opava | 100 | REISSER Csavar Kft | Szár | 100 |
| France | | | Van Roij Fasteners Hungaria Kft. | Dunaharaszti | 100 |
| Meister France S.A.S. | Strasbourg | 100 | Italy | | |
| SWG France SARL | Forbach | 100 | Masidef S.r.l. | Caronno Pertusella | 100 |
| Germany | | | Unifix SWG S.r.l. | Terlano | 100 |
| Conmetall Meister GmbH | Celle | 100 | Netherlands | | |
| Conpac GmbH & Co. KG | Celle | 100 | Van Roij Fasteners Europe B.V. | Deurne | 100 |
| Glessdox GmbH & Co. KG | Untermünkeim | 100 | | | |

TRADE

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

PRODUCTION

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|--|-------------------|------------------------|-------------------------------|--------------------|------------------------|
| Australia | | | Germany | | |
| Grass Australia/New Zealand Pty Ltd. | Coburg | 100 | Chemofast Anchoring GmbH | Willich-Münchheide | 100 |
| Austria | | | Hungary | | |
| Grass GmbH | Höchst | 100 | Felo Szerszámgyár Kft. | Eger | 100 |
| Schmid Schrauben Hainfeld GmbH | Hainfeld | 100 | Italy | | |
| Canada | | | Norway | | |
| Grass Canada Inc. | Toronto | 100 | Dokka Fasteners AS | Dokka | 100 |
| China | | | Poland | | |
| Arnold Fasteners (Shenyang) Co., Ltd. | Shenyang | 100 | Dringenberg Polska Sp. z o.o. | Zagan | 100 |
| Grass (Shanghai) International Trading Co., Ltd. | Shanghai | 100 | | | |
| Czech Republic | | | | | |
| GRASS CZECH s.r.o. | Cesky Krumlov | 100 | | | |
| Denmark | | | | | |
| Dokka Fasteners A/S | Brande | 100 | | | |
| France | | | | | |
| Arnold Technique France SA | Salaise-sur-Sanne | 100 | | | |
| Germany | | | | | |
| Adolf Menschel Verbindungstechnik GmbH & Co. KG | Plettenberg | 100 | | | |
| Arnold Umformtechnik GmbH & Co. KG | Forchtenberg | 100 | | | |
| BB-Stanz- und Umformtechnik GmbH | Berga | 100 | | | |

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

PRODUCTION

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|--------------------------------|------------------------------|------------------------|
| South Africa | | | United Kingdom | | |
| Grass ZA (Pty.) Ltd. | Montague Gardens | 100 | Grass Movement Systems Ltd | West Bromwich | 100 |
| Spain | | | Tooling International Ltd. | Solihull | 100 |
| Grass Iberia, S.A. | Iurreta | 100 | USA | | |
| Sweden | | | Arnold Fastening Systems, Inc. | Auburn Hills, Michigan | 100 |
| Grass Nordiska AB | Jönköping | 100 | Grass America, Inc. | Kernersville, North Carolina | 100 |
| Switzerland | | | MKT Fastening L.L.C. | Lonoke, Arkansas | 100 |
| KMT Kunststoff- und Metallteile AG | Hinwil | 100 | | | |
| Turkey | | | | | |
| Grass TR Mobilya Aksesuarlari Ticaret Limited Sirketi | Istanbul | 100 | | | |

ELECTRONICS

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|--|---------------------|------------------------|
| Australia | | | France | | |
| Würth Electronics Australia Pty. Ltd. | Footscray | 100 | Würth Elektronik France SAS | Jonage | 100 |
| Austria | | | Germany | | |
| Würth Elektronik Österreich GmbH | Schwechat | 100 | Erwin Büchele GmbH & Co. KG | Esslingen am Neckar | 100 |
| Bulgaria | | | Würth - Elektronik GmbH & Co KG | Niedernhall | 94 |
| Würth Elektronik iBE BG EOOD | Belozem | 100 | Würth Elektronik eiSos GmbH & Co. KG | Waldenburg | 100 |
| China | | | Würth Elektronik iBE GmbH | Thyrnau | 100 |
| Stelvio Kontek Limited | Hong Kong | 100 | Würth Elektronik ICS GmbH & Co. KG | Niedernhall | 100 |
| Wuerth Electronic Tianjin Co., Ltd. | Tianjin | 100 | Hungary | | |
| Würth Electronics Co., Ltd. | Taipei | 100 | Würth Elektronik Hungary Kft. | Budapest | 100 |
| Würth Electronics (Chongqing) Co., Ltd. | Chongqing | 100 | SIME Elektronikai Gyártó és Forgalmazó Kft. | Tab | 75 |
| Würth Electronics (HK) Limited | Hong Kong | 100 | India | | |
| Würth Electronics (Shenyang) Co., Ltd. | Shenyang | 100 | Wuerth Elektronik CBT India Private Limited | Bangalore | 100 |
| Würth Electronics (Shenzhen) Co., Ltd. | Shenzhen | 100 | Wuerth Elektronik India Pvt Ltd | Bangalore | 100 |
| Würth Elektronik eiSos GmbH&Co KG Taiwan Branch | Taipei | 100 | Würth Electronics Services India Private Limited | Bangalore | 100 |
| Czech Republic | | | Israel | | |
| Würth Elektronik eiSos Czech s.r.o. | Brno | 100 | Würth Elektronik Israel LTD | Caesarea | 100 |
| Würth Elektronik IBE CZ s.r.o. | České Budějovice | 100 | | | |
| Finland | | | | | |
| Würth Elektronik Oy | Nurmijärvi | 100 | | | |

ELECTRONICS

| Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|
| Italy | | |
| Würth Elektronik Stelvio Kontek S.p.A. | Oggiono | 100 |
| Würth Elektronik Italia s.r.l. | Vimercate | 100 |
| Mexico | | |
| Wemsa S.A. de C.V. | Irapuato | 100 |
| Würth Elektronik Mexico S.A. de C.V. | Irapuato | 100 |
| Netherlands | | |
| Würth Elektronik Nederland B.V. | 's-Hertogenbosch | 100 |
| Poland | | |
| Würth Elektronik Polska sp. z o. O | Wrocław | 100 |
| Romania | | |
| sc STM Elettromeccanica S.r.l. | Blaj | 100 |
| Russia | | |
| Würth Elektronik RUS OOO | Moscow | 100 |
| Singapore | | |
| Würth Electronics Singapore Pte. Ltd. | Singapore | 100 |
| Slovenia | | |
| Würth Elektronik eiSos, izdelava in prodaja elektronskih ter elektro-mehanskih komponent d.o.o. | Trbovlje | 100 |

| Entity | Registered office | Würth Group share in % |
|---|--------------------------|------------------------|
| Spain | | |
| Würth Elektronik España, S.L. | Barcelona | 100 |
| Sweden | | |
| Würth Elektronik Sweden AB | Enköping | 100 |
| Switzerland | | |
| Würth Elektronik (Schweiz) AG | Volketswil | 100 |
| Turkey | | |
| Würth Elektronik İthalat İhracat 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 |
| Würth Electronics ICS, Inc. | Dayton, Ohio | 100 |
| Würth Electronics Midcom Inc. | Watertown, South Dakota | 100 |

RECA GROUP

| Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|
| Austria | | |
| Kellner & Kunz AG | Wels | 100 |
| Belgium | | |
| Reca Belux S.A./N.V. | Schaerbeek | 100 |
| Bosnia and Herzegovina | | |
| RECA d.o.o. Sarajevo | Sarajevo | 100 |
| Bulgaria | | |
| Reca Bulgaria EOOD | Sofia | 100 |
| China | | |
| reca (Shanghai) Intern. Trading Co., Ltd. | Shanghai | 100 |
| Croatia | | |
| reca d.o.o. | Varazdin | 100 |

| Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|
| Czech Republic | | |
| Normfest s.r.o. | Prague | 90 |
| reca spol. s r.o. | Brno | 100 |
| France | | |
| Reca France SAS | Reichstett | 75 |
| Germany | | |
| Normfest GmbH | Velbert | 100 |
| Reca Norm GmbH | Kupferzell | 100 |
| Siller & Laar Schrauben-Werkzeug- und Beschläge- Handel GmbH & Co. KG | Augsburg | 100 |
| Hungary | | |
| Reca KFT | Budapest | 100 |

RECA GROUP

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

TOOLS

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

CHEMICALS

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|--|-------------------|------------------------|--|----------------------|------------------------|
| Austria | | | Netherlands | | |
| TUNAP Cosmetics GmbH | Kematen in Tyrol | 51 | Diffutherm B.V. | Hapert | 100 |
| TUNAP Cosmetics Liegenschaften GmbH | Kematen in Tyrol | 51 | Norway | | |
| TUNAP chemisch-technische Produkte Produktions- und Handelsgesellschaft m.b.H. | Vienna | 67 | Tunap Norge AS | Hagan | 67 |
| Belgium | | | Poland | | |
| Tunap Benelux nv | Lokeren | 100 | TUNAP Polska Sp. Z o.o. | Warsaw | 67 |
| Brazil | | | Portugal | | |
| AP Winner Indústria e Comércio de Produtos Químicos Ltda. | Ponta Grossa | 100 | LIQUI-MOLY IBÉRIA, UNIPessoal, LDA | Sintra | 100 |
| TUNAP do Brasil Comércio de Produtos Químicos Ltda. | São Paulo | 67 | Russia | | |
| China | | | TUNAP Russia OOO | Moscow | 67 |
| AP Winner (Changzhou) Chemical Technology Co., Ltd. | Changzhou | 100 | South Africa | | |
| Tunap (Shanghai) International Trading Co., Ltd. | Shanghai | 67 | LIQUI MOLY SOUTH AFRICA (PTY) LTD | Randburg | 100 |
| France | | | Spain | | |
| Tunap France SAS | Dachstein | 67 | Tunap Productos Quimicos S.A. | Barcelona | 67 |
| Germany | | | Sweden | | |
| Dinol GmbH | Lügde | 100 | Tunap Sverige AB | Sollentuna | 67 |
| Kisling (Deutschland) GmbH | Künzelsau | 100 | Switzerland | | |
| Liqui - Moly Gesellschaft mit beschränkter Haftung | Ulm | 100 | Kisling AG | Wetzikon | 100 |
| Meguín GmbH & Co. KG Mineraloelwerke | Saarlouis | 100 | TUNAP AG | Märstetten | 51 |
| Momper Auto-Chemie GmbH | Vöhringen | 100 | Turkey | | |
| TUNAP Deutschland Vertriebs- GmbH & Co. Betriebs-KG | Wolftratshausen | 51 | Tunap Kimyasal Ürünler Pazarlama Ltd. Sti. | Istanbul | 67 |
| TUNAP GmbH & Co. KG | Wolftratshausen | 100 | United Kingdom | | |
| TUNAP Sports GmbH | Munich | 100 | Tunap (UK) Limited | Tonbridge | 67 |
| Italy | | | USA | | |
| LIQUI MOLY ITALIA Srl | Milan | 100 | Dinol U.S. Inc. | Wilmington, Delaware | 100 |
| Tunap Italia S.r.l. | Terlano | 67 | Liqui Moly USA, Inc. | Hauppauge, New York | 100 |
| Your Own Brand S.R.L | Milan | 100 | | | |

SCREWS AND STANDARD PARTS

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|---|-------------------|------------------------|
| Australia | | | Germany | | |
| James Glen Pty Ltd | Lidcombe | 100 | INDUNORM Hydraulik GmbH | Neukirchen-Vluyn | 100 |
| Belgium | | | Sonderschrauben Güldner GmbH & Co. KG | Niederstetten | 100 |
| HSR Belgium S.A./N.V. | Antwerp | 100 | WASI GmbH | Wuppertal | 100 |
| Bulgaria | | | Greece | | |
| Wasi Bulgarien EOOD | Sofia | 100 | Inox Mare Hellas SA | Thessaloniki | 100 |
| China | | | Italy | | |
| WASI (SHANGHAI) FASTENER TRADING CO., LTD. | Shanghai | 100 | HSR Italia S.r.l. | Verona | 100 |
| Croatia | | | Inox Mare S.r.l. | Rimini | 100 |
| WASI d.o.o. | Zagreb | 100 | Inox Tirrenica S.r.l. | Fiumicino | 100 |
| Estonia | | | Spinelli s.r.l. | Terlano | 100 |
| Ferrometal Baltic OÜ | Tallinn | 100 | Serbia | | |
| Finland | | | WASI d.o.o. | Belgrade | 100 |
| Ferrometal Oy | Nurmijärvi | 100 | Switzerland | | |
| France | | | Modal Inox AG | Arlesheim | 100 |
| INTER-INOX Sarl | Meyzieu | 100 | Turkey | | |
| Germany | | | Inox Ege Metal Ürünleri Dis Ticaret Limited Sirketi | Beylikdüzü | 100 |
| HSR GmbH Hochdruck Schlauch + Rohr Verbindungen | Neukirchen-Vluyn | 100 | | | |

FINANCIAL SERVICES

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|----------------------------------|--------------------|------------------------|
| Austria | | | Italy | | |
| Würth Leasing GmbH | Vienna | 100 | Würth Leasing Italia S.r.l. | Neumarkt | 100 |
| Denmark | | | Luxembourg | | |
| Würth Leasing Danmark A/S | Kolding | 100 | Würth Reinsurance Company, S.A. | Luxembourg | 100 |
| Germany | | | Netherlands | | |
| Internationales Bankhaus Bodensee AG | Friedrichshafen | 94 | Würth Finance International B.V. | 's-Hertogenbosch | 100 |
| Waldenburger Versicherung AG | Künzelsau | 100 | Switzerland | | |
| Würth Immobilien-Leasing GmbH & Co.KG | Albershausen | 100 | Würth Financial Services AG | Rorschach | 100 |
| Würth Leasing GmbH & Co. KG | Albershausen | 100 | Würth Invest AG | Chur | 100 |
| Würth Truck Lease GmbH | Dreieich | 100 | Würth Leasing AG | Dietikon | 100 |
| Würth Versicherungsdienst GmbH & Co. KG | Künzelsau | 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 | | |
| Würth Information Technology India Private Limited | Pune | 100 |
| Italy | | |
| W.EG Italia S.r.l. | Tramin | 100 |
| Würth Phoenix S.r.l. | Bolzano | 100 |

| Entity | Registered office | Würth Group share in % |
|---|--------------------|------------------------|
| Mauritius | | |
| Würth Electronics Midcom International Holdings (Mauritius) LTD | Port Louis | 100 |
| Sweden | | |
| Autocom Diagnostic Partner AB | Trollhättan | 100 |
| Switzerland | | |
| Würth Elektronik International AG | Chur | 100 |
| Würth International AG | Chur | 100 |
| Würth ITensis AG | Chur | 100 |
| Würth Management AG | Rorschach | 100 |
| United Kingdom | | |
| IQD Group Limited | Crewkerne | 100 |
| IQD Holdings Limited | Crewkerne | 100 |
| Würth Holding UK Ltd | Kent | 100 |
| USA | | |
| Würth Electronics Inc. | Ramsey, New Jersey | 100 |
| Würth Group of North America Inc. | Ramsey, New Jersey | 100 |
| Würth Industry North America LLC | Ramsey, New Jersey | 100 |
| Würth IT USA Inc. | Ramsey, New Jersey | 100 |
| Würth Wood-Division Holding LLC | Ramsey, New Jersey | 100 |

DIVERSIFICATION

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|---|-------------------|------------------------|---|--------------------|------------------------|
| China | | | Malaysia | | |
| Wuerth International Trading (Shanghai) Co., Ltd. | Shanghai | 100 | Würth Logistics Asia-pacific Sdn. Bhd. | Kuala Lumpur | 100 |
| Germany | | | Singapore | | |
| EOS KSI Forderungsmanagement GmbH & Co. KG | Künzelsau | 50 | Würth International Trading (Singapore) Pte. Ltd. | Singapore | 100 |
| Flugplatz Schwäbisch Hall GmbH | Schwäbisch Hall | 98 | Slovakia | | |
| Marbet Marion & Bettina Würth GmbH & Co. KG | Künzelsau | 100 | Würth International Trading s. r. o. | Bratislava | 100 |
| Panorama Hotel- und Service GmbH | Waldenburg | 100 | Spain | | |
| Reinhold Würth Musikstiftung gemeinnützige GmbH | Künzelsau | 100 | FINCA INTERMINABLE, S.L. | Maspalomas | 100 |
| WLC Würth-Logistik GmbH & Co. KG | Künzelsau | 100 | marbet Viajes Espana S. A. | Barcelona | 100 |
| WSS Würth Shared Services GmbH | Künzelsau | 100 | Switzerland | | |
| WUCATO Marketplace GmbH | Stuttgart | 100 | Lagerhaus Landquart AG | Landquart | 100 |
| Würth Aviation GmbH | Künzelsau | 100 | Würth Logistics AG | Rorschach | 100 |
| Würth Logistics Deutschland GmbH | Bremen | 100 | USA | | |
| Würth TeleServices GmbH & Co. KG | Künzelsau | 100 | Würth International Trading America, Inc. | Ramsey, New Jersey | 100 |
| | | | Würth Logistics USA Inc. | Greenwood, Indiana | 100 |

OTHER ENTITIES

| Entity | Registered office | Würth Group share in % | Entity | Registered office | Würth Group share in % |
|---------------------------------------|-------------------|------------------------|---|----------------------|------------------------|
| Australia | | | Cyprus | | |
| EDL Fasteners Pty. Ltd. | Eastern Creek | 100 | Würth Cyprus Ltd. | Nicosia | 100 |
| Austria | | | Germany | | |
| Metzler GmbH | Röthis | 100 | Abraham Diederichs GmbH & Co. oHG | Wuppertal | 100 |
| Belgium | | | AHD Auto-Hifi & -Design GmbH | Künzelsau | 100 |
| DIN-FIX SA/NV | Eupen | 100 | E 3 Energie Effizienz Experten GmbH | Künzelsau | 100 |
| Würth Belux N.V. | Turnhout | 100 | EKOR Tech GmbH | Potsdam | 30 |
| Bulgaria | | | Emil Nikisch GmbH | Burscheid | 51 |
| Meister Bulgaria | Sofia | 100 | Erbschloe Werkzeug Vertriebs-gesellschaft mbH | Wuppertal | 100 |
| China | | | ESB Grundstücksverwaltungsgesellschaft mbH | Eschborn | 100 |
| HAHN+KOLB (Chongqing) Tools Co., Ltd. | Chongqing | 100 | EuroSun GmbH | Freiburg im Breisgau | 45 |
| HAHN+KOLB (Guangzhou) Tools Co., Ltd. | Guangzhou | 100 | | | |
| Midcom-Hong Kong Limited | Hong Kong | 100 | | | |

OTHER ENTITIES

| Entity | Registered office | Würth Group share in % |
|---|--------------------|------------------------|
| Germany | | |
| FANDUS Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Willich KG | Pullach im Isartal | 94 |
| Grass Verwaltungs GmbH | Reinheim | 100 |
| Grundstücksgesellschaft Berlin Chemnitz Erfurt GbR | Künzelsau | 49 |
| Grundstücksgesellschaft Cottbus Magdeburg GbR | Künzelsau | 49 |
| Hetalco GmbH | Alpirsbach | 100 |
| KOSY Gesellschaft zur Förderung des Holzverarbeitenden Handwerks mbH | Künzelsau | 100 |
| Meguín 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 | Wolftrathausen | 51 |
| TUNAP Industrie Chemie GmbH | Wolftrathausen | 100 |
| Wagener & Simon Beteiligungs GmbH | Wuppertal | 100 |
| WPS Beteiligungen GmbH | Künzelsau | 100 |
| Würth GmbH & Co. KG Grundstücksgesellschaft | Künzelsau | 100 |
| Würth Logistic Center Europe GmbH | Künzelsau | 100 |
| Würth Montagetechnik GmbH | Dresden | 100 |
| India | | |
| HAHN+KOLB TOOLS Chennai Pvt Ltd | Chennai | 100 |
| Indonesia | | |
| PT. TUNAP INDONESIA | Jakarta | 67 |
| P.T. Wuerth Indah | Jakarta | 100 |

| Entity | Registered office | Würth Group share in % |
|---|-------------------------|------------------------|
| Italy | | |
| Würth Solar Italia s.r.l. | Campodarsego | 100 |
| Mexico | | |
| Würth Service Supply de Mexico | Mexicali | 100 |
| Morocco | | |
| Würth Maroc SARL | Casablanca | 100 |
| Pakistan | | |
| Würth Pakistan (Private) Limited | Karachi | 100 |
| Singapore | | |
| TUNAP Asia-Pacific Pte. Ltd. | Singapore | 67 |
| Spain | | |
| ISA EOLICAS S.L. | Madrid | 100 |
| Switzerland | | |
| InovaChem Engineering AG | Wetzikon | 100 |
| Turkey | | |
| Reca Vida Alet ve Makine Parc. Tic. Ltd. Sti. | Izmir | 100 |
| United Kingdom | | |
| Anchorfast Limited | Wednesbury | 100 |
| Winzer Würth Industrial Ltd. | Erith | 100 |
| USA | | |
| Cardinal Fastener Inc. | Bedford Heights, Ohio | 100 |
| Dokka Fasteners Inc. | Auburn Hills, Michigan | 100 |
| Lubro Moly of America, Inc. | Los Angeles, California | 100 |
| R. W. Ramsey Realty Corporation | Ramsey, New Jersey | 100 |
| Session Solar USA, Inc. | Ramsey, New Jersey | 100 |

L. The boards

Advisory Board

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

(As of: 31 December 2018)

Bettina Würth

Chairwoman of the Advisory Board of the Würth Group

Dr. Frank Heinrich

Deputy Chairman of the Advisory Board of the Würth Group
Chairman of the Management Board of Schott AG, Mainz

Peter Edelmann

Managing Partner of Edelmann & Company, Ulm

Dr. Ralph Heck

Director Emeritus of McKinsey & Company, Düsseldorf

Wolfgang Kirsch

Chief Executive Officer of DZ BANK AG, Frankfurt/Main

Jürg Michel

Former Member of the Central Managing Board of the Würth Group

Ina Schlie

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

Hans-Otto Schrader

Chairman of the Supervisory Board of Otto AG für Beteiligungen, Hamburg

Dr. Martin H. Sorg

Certified Public Accountant and Partner of the Law Firm Binz & Partner, Stuttgart

Honorary Chairman of the Advisory Board

Prof. Dr. h. c. mult. Reinhold Würth

Chairman of the Supervisory Board of the Würth Group's Family Trusts

Honorary members of the Advisory Board

Rolf Bauer

Former Member of the Central Managing Board of the Würth Group

Dr. Bernd Thiemann

Former Chairman of the Management Board of Deutsche Genossenschaftsbank AG, Frankfurt/Main

Central Managing Board

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

Robert Friedmann

Chairman of the
Central Managing Board
of the Würth Group

Peter Zürn

Deputy Chairman of the
Central Managing Board
of the Würth Group

Bernd Herrmann

Member of the
Central Managing Board
of the Würth Group

Joachim Kaltmaier

Member of the
Central Managing Board
of the Würth Group

Executive Vice Presidents

The Executive Vice Presidents constitute the operational management of the Würth Group. Each of the members is in charge of one strategic business unit or responsible for one functional area.

Joachim Breitfeld
Chemicals Group
(excl. Liqui Moly Group)

Jürgen Klohe/ Jörg Murawski
Würth Elektronik Group

Ulrich Steiner
DIN/ Standard Stainless
Steel Parts

Rainer Bürkert
Würth Line Industry (excl. USA)

Andreas Kräutle
Tools Companies

Marc Strandquist
Würth Line Industry America
(through 30 September 2018)

João Cravina
Würth Line South America
and Portugal

Ralf Lagerbauer
Würth Line Asia and Oceania

C. Sylvia Weber
Art and Culture in the Würth Group,
Director of Museum Würth/ Kunsthalle
Würth, Curator of the Würth Collection

Dr. Steffen Greubel
Würth Line Italy, Spain, France
and Scandinavia (excl. Finland),
Corporate Development

Svein Oftedal
Würth Line Scandinavia
(excl. Finland) and Africa
(until 30 June 2018)

Mario Weiss
Würth Line UK, Ireland, Eastern
Europe, Balkans and the Middle East,
Würth Line Auto USA and Canada

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

Thomas O'Neill
Würth Line Wood USA and Canada

Ernst Wiesinger
RECA Group

Dan Hill
Würth Line Industry North America
(since 1 October 2018)

Uwe Schaffitzel/ Ulrich Liedtke
Electrical Wholesale

Alois Wimmer
Production of Screws
and Anchors

Thomas Klenk
Purchasing and Product
Management, Anchor Production

Dr. Reiner Specht
Würth Line Russia and Austria,
Sub-Region Asia, Trade Unit, Deputy
Member of the Central Managing
Board of the Würth Group

Markus Würth
Fittings Manufacturers

INDEPENDENT AUDITOR'S REPORT

To the Würth Group

Opinions

We have audited the consolidated financial statements of the Würth Group, Künzelsau (the "Group"), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2018, the consolidated statement of financial position as at 31 December 2018, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of the Würth Group for the fiscal year from 1 January to 31 December 2018. In addition, we were engaged to assess whether the consolidated financial statements comply with the IFRS as a whole.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the fiscal year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ("Handelsgesetzbuch": German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The Advisory Board is responsible for the report of the Advisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the following sections intended for the annual report, a version of which we have obtained until the issue of this auditor's report: the tasks completed in the sections "Overview of the Würth Group", "Growing", "Commitment", "Bulletin" and "The boards".

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory body for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS, both as adopted by the EU and as a whole, as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the requirements of German law, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS, both as adopted by the EU and as a whole, as well as the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Stuttgart, 14 March 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|-------------------------|-------------------------|
| Prof. Dr. Wollmert | Blesch |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

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The editorial team would like to thank the many people who helped prepare this Annual Report.

In order to improve legibility, male pronouns have often been used in this Annual Report as opposed to making consistent use of both female and male pronouns at the same time. Such pronouns are always, however, intended to refer to both genders.

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This Group Annual Report is also published in German. The German version shall prevail.

The German and English versions of this Annual Report, along with further information about the Würth Group, can be found online at:

www.wuerth.com

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