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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

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

Consolidated statement of comprehensive income

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

Consolidated statement of financial position

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

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

Consolidated statement of cash flows*

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

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

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

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

Consolidated statement of changes in equity

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

Consolidated value added statement*

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

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

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

Notes on the consolidated financial statements

A. General information

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

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

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

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

B. Adoption of International Financial Reporting Standards

Statement of compliance

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

Basis of preparation

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

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

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

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

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

The consolidated financial statements were approved by the Central Managing Board of the Würth Group on 20 March 2020 for issue to the audit committee of the Würth Group's Advisory Board.

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

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

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

b) Impairment of intangible assets, property, plant and equipment, and right-of-use assets
The Würth Group tests intangible assets, property, plant and equipment, and right-of-use assets for impairment if events or changes in circumstances suggest that it may not be possible to recover the carrying amount of an asset. The intrinsic value is calculated by comparing the carrying amount of the individual assets with their recoverable amount. The recoverable amount is either the value in use or the fair value, whichever is higher, less the cost of sale. The value in use is the amount calculated by discounting the estimated future cash flows. If an asset does not generate any cash inflows that are largely independent of the cash inflows generated by other asset groups, the impairment test is not carried out at the level of an individual asset, but at the level of the cash-generating unit. Further details are presented under [11] "Intangible assets including goodwill", [12] "Property, plant and equipment" and [13] "Right-of-use assets" in Section H. Notes on the consolidated statement of financial position.

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

d) Post-employment benefit obligations
The cost of defined benefit plans and other post-employment medical benefits and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These

include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in their respective currencies with at least an AA rating or above, and extrapolated maturity corresponding to the expected duration of the defined benefit obligation. Moreover, the quality of the underlying bonds is assessed. Those having excessive credit spreads are excluded from the analysis of bonds from which the discount rate is derived, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. The net carrying amounts of the obligations from post-employment benefits amount to EUR 339.7 million as of 31 December 2019 (2018: EUR 284.0 million). Further details are presented under [28] "Post-employment benefit obligations" in Section H. Notes on the consolidated statement of financial position. All parameters are reviewed annually.

e) Fair value measurement of financial instruments

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

f) Development costs

Development costs are capitalized in accordance with the accounting policies set out in Section F. Initial recognition of development costs is based on an assessment by management that the development is both technically and economically feasible. Generally, this is the case if a product development project has reached a certain milestone within an existing project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied, and the expected period of benefits. As of 31 December 2019, the carrying amount of capitalized development costs was EUR 11.9 million (2018: EUR 9.3 million).

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

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

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

The assessment of the relationship between historical default rates, forecast economic conditions and expected loan defaults represents a material estimate. The amount of expected loan defaults depends on changes in circumstances and the forecast economic environment. Historical loan defaults within the Würth Group and the forecast of the general economic conditions may not be representative of the actual defaults of customers in the future. Information on expected credit losses on trade receivables of the Würth Group is provided in [18] "Trade receivables" in Section H. Notes on the consolidated statement of financial position.

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

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

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

i) Purchase price receivables for sold subsidiaries

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

j) Determining the term of leases featuring extension and termination options—the Würth Group as the lessee

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

k) Leases—estimate of the incremental borrowing rate

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

Effects of new accounting standards

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

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

The adoption of these standards is described below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An entity is required to decide whether each uncertain tax treatment should be considered independently or together with one or several other uncertain tax treatments. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. The interpretation will enter into force for reporting periods beginning on or after 1 January 2019. The Würth Group applies significant judgment in determining uncertainty over income tax treatments. As the Würth Group operates in a complex multinational environment, it checked whether the interpretation would have an impact on its consolidated financial statements. When applying the interpretation, the Würth Group checked whether it had any uncertain tax positions, particularly in connection with transfer prices. The tax returns submitted by the Würth Group companies in the various countries include deductions with regard to transfer prices, and the competent tax authorities could call these tax treatments into question. Based on its analysis of tax compliance and transfer pricing, the Würth Group concluded that the tax treatments it applies are likely to be accepted by the tax authorities. The interpretation did not have any impact on the consolidated financial statements of the Würth Group.

Improvements to IFRS 2015–2017
The improvements to IFRS 2015–2017 constitute an omnibus of amendments that was published in December 2017 and includes changes to various IFRS standards that are to apply to fiscal years beginning on or after 1 January 2019. The improvements to the IFRS contain the following amendments:

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

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

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

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

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

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

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

The IASB has published the following standards and interpretations whose adoption was not yet mandatory in the 2019 fiscal year. These standards and interpretations have not yet been recognized by the EU and will be applied by the Würth Group as soon as they come into force. This listing of standards and interpretations issued includes only those that the Würth Group reasonably expects to have an effect on disclosures in the notes, net assets, financial position, and results of operations.

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

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

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

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

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

C. Consolidated group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of the receivables and other assets corresponds to the fair value. Expenses amounting to EUR 85.6 million (2018: EUR 30.1 million), resulting from the amortization, depreciation and impairment of assets identified in the course of purchase price allocation were recognized in connection with business combinations from prior years.

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

D. Consolidation principles

The consolidated financial statements are based on the financial statements of the parent companies and subsidiaries included in the Group as of 31 December 2019, which have been prepared according to uniform standards.

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

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

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

E. Foreign currency translation

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

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

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

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

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

F. Accounting policies

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

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

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

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

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

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

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

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

Intangible assets with an indefinite useful life and intangible assets that are not ready for use are tested for impairment at least once a year. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be legitimate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred taxes relating to items recognized directly in equity are also posted directly to other comprehensive income. Other deferred taxes are posted to the consolidated income statement.

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

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

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

Payments on account received from customers are recorded as liabilities.

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

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

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

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

Post-employment benefit obligations for defined benefit plans are calculated using the projected unit credit method. Future obligations are measured using actuarial methods. Taking account of dynamic components, on occurrence of the insured event, the future benefit obligations are spread over the entire period of service. Actuarial calculations and estimates must be obtained for all benefit plans. Actuarial gains and losses for the defined benefit plan are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in revenue reserves and are not reclassified to profit or loss in subsequent periods. The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high-quality fixed-rate corporate bonds) and the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or by qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Extension and termination options

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

Residual value guarantees

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

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

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

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

G. Notes on the consolidated income statement

[1] Sales

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

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

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

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

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

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

[2] Cost of materials

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

[3] Cost of financial services

Cost of financial services primarily contains interest expenses of EUR 4.0 million (2018: EUR 4.3 million) and commission of EUR 3.7 million (2018: EUR 6.7 million) from Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany. This item also contains EUR 1.4 million (2018: EUR 1.1 million) from the external business of the companies specializing in leases and EUR 12.7 million (2018: EUR 13.2 million) from the insurance business.

[4] Other operating income

Other operating income principally includes income from the sale of other goods and services as well as income from the disposal of assets. Other operating income also includes income from the subleasing of right-of-use assets in the amount of EUR 0.5 million.

[5] Personnel expenses and number of employees

Personnel expenses

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

Number of employees as of the reporting date

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

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

[6] Amortization and depreciation

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

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

[7] Other operating expenses

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

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

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

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

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

[8] Finance revenue / finance costs

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

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

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

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

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

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

[10] Income taxes

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

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

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

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

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

H. Notes on the consolidated statement of financial position

[11] Intangible assets including goodwill

in millions of EUR	Franchises, industrial rights, licenses and similar rights	Internally generated intangible assets	Customer relationships and similar assets	Goodwill	Payments on account	Total
Cost						
1 January 2019	411.7	79.6	361.9	485.1	16.8	1,355.1
Exchange differences	1.6	0.2	2.8	4.7	0.0	9.3
Changes in the consolidated group	0.6	0.0	13.0	– 4.0	0.0	9.6
Additions	25.2	3.4	0.3	0.0	7.2	36.1
Disposals	6.9	0.4	0.0	0.0	0.0	7.3
Reclassifications	12.1	6.5	0.0	0.0	– 14.3	4.3
31 December 2019	**444.3**	**89.3**	**378.0**	**485.8**	**9.7**	**1,407.1**
Accumulated depreciation and impairment						
1 January 2019	301.7	70.3	194.0	329.7	0.0	895.7
Exchange differences	0.9	0.1	0.9	3.1	0.0	5.0
Amortization and depreciation	37.9	7.1	20.0	0.0	0.0	65.0
Impairment losses	0.0	0.0	10.3	54.3	0.0	64.6
Disposals	6.5	0.1	0.0	0.0	0.0	6.6
31 December 2019	**334.0**	**77.4**	**225.2**	**387.1**	**0.0**	**1,023.7**
Net carrying amount						
31 December 2019	**110.3**	**11.9**	**152.8**	**98.7**	**9.7**	**383.4**

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

Research and development costs (including amortization of capitalized development costs) recognized as expenses total EUR 8.5 million (2018: EUR 8.6 million).

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

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

The impairment losses recorded on goodwill amounted to EUR 54.3 million in the 2019 fiscal year (2018: EUR 10.6 million), and to customer relationships and similar assets in the amount of EUR 10.3 million (2018: EUR 0.0 million). These were largely required at companies whose previous plans for the reporting year were adjusted to reflect changes in expectations regarding future demand development. Goodwill was regularly tested for impairment in accordance with IAS 36 in the 2019 fiscal year. These impairment tests were based on net selling price and conducted at the level of the smallest cash-generating unit.

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

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

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

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

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

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

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

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

[12] Property, plant and equipment

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

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

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

in millions of EUR	2019	2018
Land charges	4.1	4.1
Collateral assignment	9.2	12.2
Total	**13.3**	**16.3**

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

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

Of the impairment losses in the 2019 fiscal year, technical equipment and machines accounted for EUR 2.4 million (2018: EUR 3.0 million) and other plant, operating and office equipment EUR 2.1 million (2018: EUR 0.6 million). These were largely required at companies whose previous plans for the reporting year were adjusted to reflect changes in expectations regarding future demand development.

[13] Right-of-use assets

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

[14] Financial assets

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

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

[15] Receivables from financial services

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

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

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

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

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

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

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

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

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

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

[16] Deferred taxes

Deferred tax assets and liabilities can be allocated as follows:

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

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

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

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

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

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

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

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

The unused tax losses include unused tax losses of EUR 23.2 million (2018: EUR 23.2 million) that originated prior to creation of the consolidated tax group and that cannot be used until the existing profit and loss transfer agreements have been terminated.

No deferred taxes were recognized for accumulated profits and losses of foreign subsidiaries of EUR 650.0 million (2018: EUR 663.4 million). If deferred taxes had been recognized for these timing differences, they would have had to be calculated exclusively using the withholding tax rate applicable in each case, possibly including the German tax rate of five percent on distributed dividends. The calculation of these unrecognized deferred tax liabilities would have been unreasonably time-consuming.

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

[17] Inventories

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

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

[18] Trade receivables

This item exclusively comprises receivables from third parties.

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

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

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

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

Where possible and feasible, we take out credit insurance.

Value adjustments on trade receivables have developed as follows:

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

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

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

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

[19] Income tax assets

This item records income tax assets from tax authorities.

[20] Other financial assets

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

Sundry financial assets mainly include supplier discounts and bonuses.

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

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

[21] Other assets

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

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

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

[22] Securities

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

[23] Cash and cash equivalents

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

[24] Equity

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

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

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

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

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

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

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

Distributions of EUR 165.0 million are planned for 2020.

[25] Liabilities from financial services

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

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

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

Liabilities from the leasing business include liabilities from an ABCP transaction of EUR 354.9 million (2018: EUR 174.3 million). The nominal amount of this ABCP transaction comes to EUR 376.2 million (2018: EUR 183.7 million). Any risk items relating to it are hedged by interest swaps of the same amount and term as soon as they become apparent. As of the end of the reporting period, the contrasting changes in value and cash flows from hedged transactions and hedging instruments had balanced each other out.

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

in millions of EUR	Carrying amounts 31 December 2019	Cash flow < 1 year	1–5 years	> 5 years
Liabilities from the leasing business	534.3	254.9	287.2	28.4
Liabilities from the insurance business	0.7	0.7	0.0	0.0
Liabilities from the banking business	1,178.5	714.6	472.6	70.6

[26] Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

[27] Lease liabilities

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

[28] Obligations from post-employment benefits

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

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either on a voluntary basis or based on legal provisions. Contributions are recognized under personnel expenses when due. No further payment obligations arise for the Würth Group from the payment of contributions. Current contributions (excluding contributions to the statutory pension insurance) totaled EUR 19.9 million (2018: EUR 17.6 million). Payments of EUR 202.1 million were made to the statutory pension insurance in the fiscal year (2018: EUR 198.33 million).

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

The Würth Group's benefit obligations in Germany guarantee the beneficiaries a life-long monthly old-age pension, provided that a vesting period of ten years of service can be demonstrated. The amount of the benefit is usually determined by agreed fixed amounts. Employees receive such voluntary pensions in addition to the statutory pension once they reach the statutory retirement age. Employees are also offered another defined benefit plan in the form of a deferred compensation arrangement under which gross cash compensation is converted into a company pension plan based on individual contracts. This voluntary conversion of monthly compensation is generally limited to the higher of either 10 percent of one twelfth of the yearly income before commencement of the conversion or 4 percent of the respective maximum monthly contribution to the German pension system (western German states). This commitment was closed in 2018. In total, obligations in Germany amount to EUR 206.0 million (2018: EUR 161.6 million).

In Austria, a severance payment is guaranteed by law, subject to the provisions of the BMVG ["Betriebliche Mitarbeiterversorgungsgesetz": Austrian Act Governing Company Pensions]. This is paid out when the employment relationship ends. For employment relationships that began before the end of 2002, the employee has a right to such payment from the employer. The amount depends on the length of service and salary development. If the employment relationship is terminated by the employee, the right to a severance payment from the employer is forfeited. For employment relationships started as of the beginning of 2003, the employer pays 1.53 percent of the gross monthly salary into a selected company pension scheme, which then pays out any severance payment entitlement when the employment ends. The entitlement is now retained even if the employee terminates the employment relationship. For employment relationships that began before the end of 2002, total obligations were recognized in the amount of EUR 30.0 million in Austria (2018: EUR 28.3 million).

In Italy, employees are entitled by law to a severance payment when the employment relationship ends (trattamento di fine rapporto, TFR). The amount of the TFR is determined by the number of years of service and is capped at one month's salary per year of service. Since 2007, the legislature provides for a capital option, i.e., the employees can choose whether their entitlements should continue to be made in the company or whether future entitlements should be paid into a pension fund instead. Obligations of EUR 27.0 million were recognized in the statement of financial position of the Würth Group in Italy (2018: EUR 27.5 million).

In the Würth Group in Switzerland, retirement benefits are handled via external insurance companies. They are subject to regulatory supervision and are governed by the BVG ["Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge": Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans]. The top management body of these insurance companies, the trust board, is composed of an equal number of employee and employer representatives. The various benefits are set forth in regulations, with minimum benefits stipulated by the BVG. The contributions to the insurance company are settled by employers and employees. In the event of a deficit, measures can be agreed, such as adjusting the benefit obligation by changing conversion rates or increasing current contributions. In the case of almost all Swiss entities in the Würth Group in Switzerland, the insurance company is a separate pension trust. The benefits comprise not only old age pensions, but also disability and surviving dependents' pension benefits. The trust's statutes define the pension scope and benefit amounts, minimum payment obligations and the investment strategy. All insurance-related risks are borne by the trust. The trust board reviews the investment strategy annually by means of an ALM (asset liability management) analysis as part of its responsibility for the investment of the assets. In total, obligations in Switzerland amounted to EUR 262.5 million (2018: EUR 221.8 million). Plan assets came to EUR 216.1 million (2018: EUR 181.9 million). The associated net liability amounts to EUR 46.3 million (2018: EUR 39.9 million).

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

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

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

The benefit obligations are derived as follows:

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

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

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

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

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

The remeasurement of defined benefit plans can be broken down as follows:

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

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

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

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

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

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

The actual return came in at 8.64 % (2018: – 0.46 %). The amount of employer contributions to external funds is expected to be similar in the following year.

Breakdown of fair value of plan assets by asset category:

in millions of EUR	2019	2018	2017	2016	2015
Fixed-income investment funds	76.5	64.9	55.8	63.0	67.9
Share-based investment funds	59.6	51.5	47.0	45.4	43.2
Real estate investment funds	53.6	46.7	37.5	38.0	35.8
Other funds	19.1	10.4	11.7	10.5	2.5
Fixed-interest securities	16.8	16.2	21.0	16.8	25.2
Shares	1.9	1.9	5.7	2.0	13.2
Real estate	2.7	2.6	5.6	2.7	3.5
Other	12.4	13.4	15.4	9.8	13.4
Total	**242.6**	**207.6**	**199.7**	**188.2**	**204.7**

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

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

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

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

[29] Provisions

in millions of EUR	**1 January 2019**	Exchange difference	Additions due to changes in the consolidated group	Utilization	Reversal	Addition	Unwinding of the discount and changes in the discount rate	**31 December 2019**
Credit notes	80.4	0.2	2.1	55.5	6.4	62.2	0.0	83.0
Long-service bonuses	81.1	0.2	0.0	0.6	0.1	7.9	4.2	92.7
Warranty obligations	20.2	0.0	0.0	2.9	1.7	4.5	0.2	20.3
Litigation and lawyers' fees	33.7	0.2	0.1	2.4	2.5	2.0	0.4	31.5
Phased retirement scheme	10.3	0.0	0.0	0.1	1.8	1.7	0.5	10.6
Product liability	3.8	0.0	0.0	0.5	0.7	0.9	0.0	3.5
Sundry	53.3	0.0	3.5	11.7	2.0	23.0	0.1	66.2
Total	**282.8**	**0.6**	**5.7**	**73.7**	**15.2**	**102.2**	**5.4**	**307.8**
Thereof: current	183.4							194.4
non-current	99.4							113.4

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

The provision for credit notes is primarily attributable to obligations relating to granted discounts, bonuses, etc. that are allocable to the period after the reporting date, but caused by sales prior to the reporting date. The provision for long-service bonuses contains bonuses awarded to employees that have been with the company for many years. The provision for warranty obligations accounts for risks from legal or constructive obligations from sale with fastening and assembly materials involving trade customers, the building industry and industrial customers, as well as from the manufacture of screws and fittings.

Other provisions relate to numerous identifiable specific risks and uncertain liabilities, which were accounted for at the amount at which they are likely to be incurred.

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

[30] Other financial liabilities

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

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

[31] Other liabilities

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

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

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

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

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

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

Financial assets and liabilities at fair value:

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

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

Financial assets and liabilities not stated at fair value:

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

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

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

Contractually agreed remaining terms to maturity from financial liabilities

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

Change in liabilities from financing activities

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

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

I. Other notes

[1] Commitments and contingencies

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

Guarantees, warranties and collateral are due immediately upon request.

[2] Other financial obligations

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

The operating leases from 2018 mainly related to rented buildings and leased vehicles. The interest rates stipulated in the lease agreements are customary market rates. There are no purchase options upon expiry of the lease either for the rented buildings or the leased vehicles. These leases were recognized in accordance with IFRS 16 in the 2019 fiscal year.

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

[3] Contingent liabilities

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

[4] Financial instruments

Financial risk management

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

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

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

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

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

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

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

There are no changes affecting other comprehensive income.

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

The interest rate risk is mainly limited to the liabilities to banks with floating interest rates listed under [26] "Financial liabilities" and the items presented under [15] "Receivables from financial services" and under [25] "Liabilities from financial services" in Section H. Notes on the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

Capital management
The primary objective of the Würth Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio. The Würth Group manages its capital structure taking into account changes in the economic environment. In addition, the financial service providers within the Würth Group comply with the applicable regulatory capital requirements. No changes were made to the objectives, policies and processes as of 31 December 2019 and 31 December 2018. The equity ratio, calculated as equity in accordance with IFRS divided by total assets, is 44.0 % (2018: 47.1 %). This means that the equity ratio is higher than the industry average and ensures the Würth Group an investment grade A rating at present. Regarding a US private placement, the Würth Group is also required to comply with a certain ratio of senior liabilities to equity.

Fair value of financial instruments

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

The following table shows the results of the hedges:

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

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

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

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

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

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

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

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

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

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

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

[5] Leases: The Würth Group as the lessor

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

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

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

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

Income realized from finance leases

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

Operating leases
Maturity analysis for lease payments

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

Income realized from operating leases

in millions of EUR	2019	2018
Leasing income	2.0	2.1

Reconciliation of the carrying amount from operating leases

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

[6] Related parties

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

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

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

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

The following receivables and liabilities arose from these transactions:

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

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

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

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

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

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

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

[7] Compensation of key management personnel

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

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

[8] Government grants

The Würth Group received government grants of EUR 1.0 million in the form of investment subsidies for infrastructure projects (2018: EUR 1.0 million). These were immediately recognized in profit or loss.

[9] Auditor’s fees

The following table shows, on aggregate, the fees incurred for the services provided by the auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, in the 2019 fiscal year.

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

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

The following German group entities organized as partnerships made use of the exemption clause according to Sec. 264b HGB for the 2019 fiscal year:

Entity	Registered office
Abraham Diederichs GmbH & Co. oHG	Wuppertal
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg
Adolf Würth GmbH & Co. KG	Künzelsau
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg
Baier & Michels GmbH & Co. KG	Ober-Ramstadt
Conpac GmbH & Co. KG	Celle
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr
Marbet Marion & Bettina Würth GmbH & Co. KG	Schwäbisch Hall
Meguin GmbH & Co. KG Mineraloelwerke	Saarlouis
MKT Metall-Kunststoff-Technik GmbH & Co KG	Weilerbach
SARTORIUS Werkzeuge GmbH & Co. KG	Ratingen
Schössmetall GmbH & Co. KG	Freilassing
Siller & Laar Schrauben- Werkzeug- und Beschläge- Handel GmbH & Co. KG	Augsburg
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten
SYNFIBER AS & Co. beschränkt haftende KG	Worms
Teudeloff GmbH & Co. KG	Waldenburg

Entity	Registered office
TOGE Dübel GmbH & Co. KG	Nuremberg
TUNAP GmbH & Co. KG	Wolfratshausen
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn
Waldenburger Beteiligungen GmbH & Co. KG	Künzelsau
Werkzeugtechnik Niederstetten GmbH & Co.KG	Niederstetten
WLC Würth-Logistik GmbH & Co. KG	Künzelsau
Würth Elektrogroßhandel GmbH & Co. KG	Künzelsau
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg
Würth Elektronik GmbH & Co. KG	Niedernhall
Würth Elektronik ICS GmbH & Co. KG	Niedernhall
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim
Würth IT International GmbH & Co. KG	Bad Mergentheim
Würth Leasing GmbH & Co. KG	Albershausen
Würth Modyf GmbH & Co. KG	Künzelsau
Würth TeleServices GmbH & Co. KG	Künzelsau
Würth V1 GmbH & Co. KG	Künzelsau

The following German group entities organized as corporations made use of the exemption clause according to Sec. 264 (3) HGB for the 2019 fiscal year:

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

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

J. Notes on the consolidated statement of cash flows

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

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

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

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

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

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

K. Events after the reporting period

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

L. List of shareholdings

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Albania		
Würth Albania Ltd.	Tirana	100
Argentina		
Wumet Argentina S.A.	Canuelas	100
Würth Argentina S.A.	Buenos Aires	100
Armenia		
Würth LLC	Yerevan	100
Australia		
Würth Australia Pty Ltd	Dandenong South	100
Austria		
Würth Handelsgesellschaft m.b.H.	Böheimkirchen	100
Azerbaijan		
Wurth Azerbaijan LLC	Baku	100
Belarus		
WurthBel FLLC	Minsk	100
Belgium		
Würth België N.V.	Turnhout	100
Bosnia and Herzegovina		
WURTH BH d.o.o.	Sarajevo	100
Brazil		
Wurth do Brasil Peças de Fixação Ltda.	Cotia	100
Bulgaria		
Würth Bulgaria EOOD	Sofia	100

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

WÜRTH LINE CRAFT

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

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

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Kazakhstan		
Wuerth Kazakhstan Ltd.	Almaty	100
Kenya		
Wuerth Kenya Ltd.	Nairobi	100
Kosovo		
Würth-Kosova Sh.p.k.	Gračanica	100
Kyrgyzstan		
Würth Foreign Swiss Company Ltd.	Bishkek	100
Latvia		
SIA Wurth	Riga	100
Lebanon		
Wurth Lebanon SAL	Beirut	100
Lithuania		
Wurth Lietuva UAB	Ukmerge	100
Macedonia		
Wurth Makedonija DOOEL	Cucer-Sandevo	100
Malaysia		
Wuerth (Malaysia) Sdn. Bhd.	Kuala Lumpur	100
Malta		
Würth Limited	Zebbug	99
Martinique		
Würth Caraïbes SARL	Ducos	100
Mexico		
Würth México S.A. de C.V.	Morelos	100
Moldova		
Wurth S.R.L.	Chisinau	100

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

WÜRTH LINE CRAFT

Entity	Registered office	Würth Group share in %
Russia		
AG "Würth Eurasien"	Yekaterinburg	100
AO "WÜRTH-RUS"	Moscow	100
Wuerth North-West JSC	St. Petersburg	100
Saudi Arabia		
Wurth Saudi Arabia LLC	Riyadh	75
Serbia		
Wurth d.o.o.	Belgrade	100
Slovakia		
Hommel Hercules France, s.r.o.	Bratislava	100
Würth spol. s r.o.	Bratislava	100
Slovenia		
Würth d.o.o.	Trzin	100
South Africa		
Wuerth South Africa (Pty.) Ltd.	Gauteng	100
Spain		
WÜRTH CANARIAS, S.L.	Las Palmas	100
Würth España, S.A.	Palau-solità i Plegamans	100
Würth Modyf S.A.	Palau-solità i Plegamans	100
Sri Lanka		
Wurth Lanka (Private) Limited	Pannipitiya	100
Sweden		
Würth Svenska AB	Örebro	100
Switzerland		
Würth AG	Arlesheim	100

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

WÜRTH LINE INDUSTRY

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

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

WÜRTH LINE INDUSTRY

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

ELECTRICAL WHOLESALE

Entity	Registered office	Würth Group share in %
Czech Republic		
Elfetex spol. s r.o.	Pilsen	100
Estonia		
W.EG Eesti OÜ	Tallinn	100
Germany		
Deko-Light Elektronik-Vertriebs GmbH	Karlsbad	100
FEGA & Schmitt Elektrogroßhandel GmbH	Ansbach	100
Lichtzentrale Lichtgroßhandel GmbH	Ansbach	100
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn	100
Walter Kluxen GmbH	Hamburg	100
Italy		
Blumel Srl	Merano	100
MEF S.R.L.	Florence	79
M.E.B. S.R.L.	Schio	79
Latvia		
SIA Baltjas Elektro Sabiedriba	Riga	100
Lithuania		
Gaudre UAB	Vilnius	100
UAB ELEKTROBALT	Vilnius	100
Poland		
ENEXON Polska Sp. z o.o.	Poznań	100
Fega Poland Sp. z o.o.	Wrocław	100
W.EG Polska Sp. z. o.o.	Wrocław	100
Slovakia		
HAGARD: HAL, spol. s r.o.	Nitra	100
Spain		
Candia Electrica, S.A.U.	Sant Cugat del Vallés	100
Grupo Electro Stocks, S.L.U.	Sant Cugat del Vallés	100
Kilovatio Galicia, S.A.U.	A Coruña	100

TRADE

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

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

PRODUCTION

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

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

Entity	Registered office	Würth Group share in %
Germany		
TOGE Dübel GmbH & Co. KG	Nuremberg	100
Werkzeugtechnik Niederstetten GmbH & Co.KG	Niederstetten	100
Hungary		
Felo Szerszámgyár Kft.	Eger	100
Italy		
Grass Italia SRL	Pordenone	100
Norway		
Dokka Fasteners AS	Dokka	100
Poland		
Dringenberg Polska Sp. z o.o.	Zagan	100
South Africa		
Grass ZA (Pty.) Ltd.	Montague Gardens	100
Spain		
Grass Iberia, S.A.	Iurreta	100
Sweden		
Grass Nordiska AB	Jönköping	100
Switzerland		
KMT Kunststoff- und Metallteile AG	Hinwil	100
Turkey		
Grass TR Mobilya Aksesuarlari Ticaret Limited Sirketi	Istanbul	100
United Kingdom		
Grass Movement Systems Ltd	West Bromwich	100
Tooling International Ltd.	Solihull	100
USA		
Arnold Fastening Systems, Inc.	Auburn Hills, Michigan	100
Chemofast USA, Inc.	Wilmington, Delaware	100
Grass America, Inc.	Kernersville, North Carolina	100
MKT Fastening L.L.C.	Lonoke, Arkansas	100

ELECTRONICS

Entity	Registered office	Würth Group share in %
Australia		
Wurth Electronics Australia Pty. Ltd.	Footscray	100
Austria		
Würth Elektronik Österreich GmbH	Schwechat	100
Belgium		
Würth Elektronik België	Turnhout	100
Bulgaria		
Würth Elektronik iBE BG EOOD	Belozem	100
China		
Midcom-Hong Kong Limited	Hong Kong	100
Wuerth Electronic Tianjin Co., Ltd.	Tianjin	100
Wurth Electronics Co., Ltd.	Taipei	100
Wurth Electronics (Chongqing) Co., Ltd.	Chongqing	100
Wurth Electronics (HK) Limited	Hong Kong	100
Wurth Electronics (Shenyang) Co., Ltd.	Shenyang	100
Wurth Electronics (Shenzhen) Co., Ltd.	Shenzhen	100
Würth Elektronik eiSos GmbH & Co. KG Taiwan Branch	Taipei	100
Czech Republic		
Würth Elektronik eiSos Czech s.r.o.	Brno	100
Würth Elektronik IBE CZ s.r.o.	České Budějovice	100
Finland		
Würth Elektronik Oy	Nurmijärvi	100
France		
Würth Elektronik France SAS	Jonage	100
Germany		
Erwin Büchele GmbH & Co. KG	Esslingen am Neckar	100
Würth Elektronik GmbH & Co. KG	Niedernhall	94

Entity	Registered office	Würth Group share in %
Germany		
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg	100
Würth Elektronik iBE GmbH	Thyrnau	100
Würth Elektronik ICS GmbH & Co. KG	Niedernhall	100
Hungary		
Würth Elektronik Hungary Kft.	Budapest	100
SIME Elektronikai Gyártó és Forgalmazó Kft.	Tab	75
India		
Wuerth Elektronik CBT India Private Limited	Bangalore	100
Wuerth Elektronik India Pvt Ltd	Bangalore	100
Wurth Electronics Services India Private Limited	Bangalore	100
Israel		
Würth Elektronik Israel LTD	Caesarea	100
Italy		
Wuerth Elektronik Italia s.r.l.	Vimercate	100
Wuerth Elektronik Stelvio Kontek S.p.A.	Oggiono	100
Japan		
Wurth Electronics Japan Co., Ltd.	Yokohama	100
Mauritius		
Wurth Electronics Midcom International Holdings (Mauritius) LTD	Ebene	100
Mexico		
Würth Elektronik Mexico S.A. de C.V.	Irapuato	100
Netherlands		
Würth Elektronik Nederland B.V.	's-Hertogenbosch	100
Poland		
Würth Elektronik Polska sp. z o.o.	Wrocław	100

ELECTRONICS

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

RECA GROUP

Entity	Registered office	Würth Group share in %
Austria		
Kellner & Kunz AG	Wels	100
Belgium		
Reca Belux S.A./N.V.	Schaerbeek	100
Bosnia and Herzegovina		
RECA d.o.o. Sarajevo	Sarajevo	100
Bulgaria		
Reca Bulgaria EOOD	Sofia	100
China		
reca (Shanghai) International Trading Co., Ltd.	Shanghai	100
Croatia		
reca d.o.o.	Varazdin	100
Czech Republic		
Normfest, s.r.o.	Prague	90
reca spol. s r. o.	Brno	100
France		
Reca France SAS	Reichstett	75
Germany		
Normfest GmbH	Velbert	100
RECA NORM GmbH	Kupferzell	100
Siller & Laar Schrauben- Werkzeug- und Beschläge- Handel GmbH & Co. KG	Augsburg	100
Hungary		
Reca KFT	Budapest	100
Italy		
FIME S.r.l.	Belfiore	100
Reca Italia S.r.l.	Gazzolo d'Arcole	100
SCAR S.r.l.	Bussolengo	100

RECA GROUP

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

TOOLS

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

TOOLS

Entity	Registered office	Würth Group share in %
Serbia		
HAHN + KOLB DOO	Belgrade	100
Turkey		
HAHN KOLB Endüstri Ürünleri Tic. Ltd. Sti	Istanbul	100

CHEMICALS

Entity	Registered office	Würth Group share in %
Austria		
TUNAP Cosmetics GmbH	Kematen in Tyrol	51
TUNAP Cosmetics Liegenschaften GmbH	Kematen in Tyrol	51
TUNAP chemisch-technische Produkte Produktions- und Handelsgesellschaft m.b.H.	Vienna	67
Belgium		
Tunap Benelux nv	Lokeren	100
Brazil		
AP Winner Indústria e Comércio de Produtos Químicos Ltda.	Ponta Grossa	100
TUNAP do Brasil Comércio de Produtos Químicos Ltda.	São Paulo	67
China		
AP Winner (Changzhou) Chemical Technology Co., Ltd.	Changzhou	100
Tunap (Shanghai) International Trading Co., Ltd.	Shanghai	67
France		
LM FRANCE SAS	Sarreguemines	100
Tunap France SAS	Dachstein	67
Germany		
Dinol GmbH	Lügde	100
Kisling (Deutschland) GmbH	Künzelsau	100
Liqui - Moly Gesellschaft mit beschränkter Haftung	Ulm	100
Meguin GmbH & Co. KG Mineraloelwerke	Saarlouis	100
Momper Auto-Chemie GmbH	Vöhringen	100
TUNAP GmbH & Co. KG	Wolfratshausen	100
TUNAP Sports GmbH	Munich	100
Italy		
LIQUI MOLY ITALIA Srl	Milan	100
Tunap Italia S.r.l.	Terlano	67
Your Own Brand S.R.L	Milan	100

CHEMICALS

Entity	Registered office	Würth Group share in %
Netherlands		
Diffutherm B.V.	Hapert	100
Norway		
Tunap Norge AS	Hagan	67
Poland		
TUNAP Polska Sp. z o.o.	Zielonka	67
Portugal		
LIQUI-MOLY IBÉRIA, UNIPESSOAL, LDA	Sintra	100
Russia		
TUNAP Russia OOO	Moscow	67
South Africa		
LIQUI MOLY SOUTH AFRICA (PTY) LTD	Randburg	100
Spain		
Tunap Productos Quimicos S.A.	Barcelona	67
Sweden		
Tunap Sverige AB	Sollentuna	67
Switzerland		
Kisling AG	Wetzikon	100
TUNAP AG	Märstetten	51
Turkey		
Tunap Kimyasal Ürünler Pazarlama Ltd. Sti.	Istanbul	67
United Kingdom		
Tunap (UK) Limited	Tonbridge	67
USA		
Dinol U.S. Inc.	Wilmington, Delaware	100
Liqui Moly USA, Inc.	Hauppauge, New York	100

SCREWS AND STANDARD PARTS

Entity	Registered office	Würth Group share in %
Australia		
James Glen Pty Ltd	Lidcombe	100
Belgium		
HSR Belgium S.A./N.V.	Antwerp	100
Bulgaria		
Wasi Bulgarien EOOD	Sofia	100
Croatia		
WASI d.o.o.	Zagreb	100
Estonia		
Ferrometal Baltic OÜ	Tallinn	100
Finland		
Ferrometal Oy	Nurmijärvi	100
France		
INTER-INOX Sarl	Meyzieu	100
Germany		
HSR GmbH Hochdruck Schlauch + Rohr Verbindungen	Neukirchen-Vluyn	100
INDUNORM Hydraulik GmbH	Neukirchen-Vluyn	100
Sonderschrauben Güldner GmbH & Co. KG	Niederstetten	100
WASI GmbH	Wuppertal	100
Greece		
Inox Mare Hellas SA	Kalochori	100
Italy		
HSR Italia S.r.l.	Verona	100
Inox Mare S.r.l.	Rimini	100
Inox Tirrenica S.r.l.	Fiumicino	100
Spinelli s.r.l	Terlano	100

SCREWS AND STANDARD PARTS

Entity	Registered office	Würth Group share in %
Serbia		
WASI d.o.o.	Belgrade	100
Turkey		
Inox Ege Metal Ürünleri Dis Ticaret Limited Sirketi	Beylikdüzü	100

FINANCIAL SERVICES

Entity	Registered office	Würth Group share in %
Austria		
Würth Leasing GmbH	Vienna	100
Denmark		
Würth Leasing Danmark A/S	Kolding	100
Germany		
Internationales Bankhaus Bodensee AG	Friedrichshafen	94
Waldenburger Versicherung AG	Künzelsau	100
Würth Immobilien-Leasing GmbH & Co.KG	Albershausen	100
Würth Leasing GmbH & Co. KG	Albershausen	100
Würth Truck Lease GmbH	Dreieich	100
Würth Versicherungsdienst GmbH	Künzelsau	100
Italy		
Würth Leasing Italia S.r.l.	Neumarkt	100
Luxembourg		
Würth Reinsurance Company, S.A.	Luxembourg	100
Netherlands		
Würth Finance International B.V.	’s-Hertogenbosch	100
Switzerland		
Optima Versicherungsbroker AG	Chur	100
Würth Financial Services AG	Rorschach	100
Würth Invest AG	Chur	100
Würth Leasing AG	Dietikon	100
USA		
RC Insurance Corp., Inc.	Ramsey, New Jersey	100

IT SERVICE AND HOLDING COMPANIES

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

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

DIVERSIFICATION

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

OTHER ENTITIES

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

OTHER ENTITIES

Entity	Registered office	Würth Group share in %
Germany		
KOSY Gesellschaft zur Förderung des holzverarbeitenden Handwerks mbH	Künzelsau	100
Meguin Verwaltungs-GmbH	Saarlouis	100
Meister-Werkzeuge, Werkzeugfabrik Vertriebsgesellschaft mbH	Wuppertal	100
"METAFRANC" Möbel- u. Baubeschläge Vertriebsgesellschaft mbH	Wuppertal	100
MKT Metall-Kunststoff-Technik Beteiligungsgesellschaft mbH	Weilerbach	100
nordberliner Elektro-Großhandels-Gesellschaft mbH	Eschborn	100
Pronto-Werkzeuge GmbH	Wuppertal	100
Schmitt Elektrogroßhandel GmbH	Fulda	100
SCREXS GmbH	Waldenburg	100
Sonderschrauben Hamburg GmbH Eiben & Co.	Künzelsau	100
SYNFIBER AS & Co. beschränkt haftende KG	Worms	100
TUNAP Deutschland Vertriebs GmbH	Wolfratshausen	51
TUNAP Industrie Chemie GmbH	Wolfratshausen	100
WPS Beteiligungen GmbH	Künzelsau	100
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau	100
Würth Logistic Center Europe GmbH	Künzelsau	100
Würth Montagetechnik GmbH	Dresden	100
Würth V1 GmbH & Co. KG	Künzelsau	100
Würth Versicherungsdienst Verwaltungs-GmbH	Künzelsau	100
India		
HAHN+KOLB TOOLS Chennai Pvt Ltd	Chennai	100
Indonesia		
PT. TUNAP INDONESIA	Jakarta	67

Entity	Registered office	Würth Group share in %
Iran		
Würth Teheran Ltd.	Tehran	100
Mexico		
Würth Service Supply de Mexico	Mexicali	100
Morocco		
Würth Maroc SARL	Casablanca	100
Pakistan		
Würth Pakistan (Private) Limited	Karachi	100
Singapore		
TUNAP Asia-Pacific Pte. Ltd.	Singapore	67
South Korea		
SST Co. Ltd.	Anyang	15
Spain		
ISA EOLICAS S.L.	Madrid	100
Turkey		
Reca Vida Alet ve Makine Parc. Tic. Ltd. Sti.	Izmir	100
United Kingdom		
Anchorfast Limited	Wednesbury	100
Winzer Würth Industrial Ltd.	Erith	100
USA		
Dokka Fasteners Inc.	Auburn Hills, Michigan	100
Lubro Moly of America, Inc.	Los Angeles, California	100
R. W. Ramsey Realty Corporation	Ramsey, New Jersey	100
Session Solar USA, Inc.	Ramsey, New Jersey	100

M. The boards

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

Bettina Würth
Chairwoman of the Advisory Board
of the Würth Group

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

Peter Edelmann
Managing Partner of
Edelmann & Company, Ulm

Dr. Ralph Heck
Director emeritus at
McKinsey & Company, Düsseldorf

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

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

Ina Schlie
Former Head of Group Tax
SAP SE, Walldorf

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

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

Sebastian Würth
International Division Manager,
Würth Group

Honorary Chairman of the Advisory Board

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

Honorary members of the Advisory Board

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

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

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

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

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

Dr. Steffen Greubel
Member of the Central Managing Board of the Würth Group

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

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

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

Rainer Bürkert
Würth Line Industry (excl. USA)

João Cravina
Würth Line South America and Portugal

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

Dan Hill
Würth Line Industry North America

Thomas Klenk
Purchasing and Product Management, Anchor Production

Jürgen Klohe / Jörg Murawski
Würth Elektronik Group, Chemicals Group (excl. Liqui Moly Group)

Oliver G. Konz / Thomas Schrott
Würth Elektronik eiSos Group

Andreas Kräutle
Tools Companies

Ralf Lagerbauer
Würth Line Asia and Oceania

Thomas O'Neill
Würth Line Wood USA and Canada

Pentti Rantanen
Würth Group Finland and Würth Line Baltic States

Uwe Schaffitzel / Ulrich Liedtke
Electrical Wholesale

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

Ulrich Steiner
DIN / Standard Stainless Steel Parts

Thomas Wahl
Logistics (since 1 October 2019)

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

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

Ernst Wiesinger
RECA Group

Alois Wimmer
Production of Screws, Anchors and Fittings

Independent auditor's report

To the Würth Group

Opinions

We have audited the consolidated financial statements of the Würth Group, Künzelsau, and its subsidiaries (the "Group"), which comprise the consolidated income statement, and the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2019, the consolidated statement of financial position as of 31 December 2019, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of the Würth Group for the fiscal year from 1 January to 31 December 2019. We were also engaged to assess whether the consolidated financial statements comply with the IFRSs as a whole.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code], as well as IFRSs as a whole and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2019, and of its financial performance for the fiscal year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

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

Other information

The Advisory Board is responsible for the report of the Advisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the following components designated for the annual report, a version of which we obtained prior to the issue of this auditor's report: the disclosures made in the sections "Overview of the Würth Group", "#Hellow", "Engagement", "Bulletin" and "The Boards".

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

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

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

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

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so. Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the requirements of German law, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

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

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

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

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

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Stuttgart, 20 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Barth	Blesch
German Public Auditor	German Public Auditor