



SPEED 2004

SERVICE
PRODUCTIVITY
EMOTIONS
ENTHUSIASM
DRIVE

Annual Report of the Würth Group 2004

SPEED



 **SERVICE · PRODUCTIVITY**
EMOTIONS · ENTHUSIASM · DRIVE

WÜRTH AT A GLANCE

Würth Group

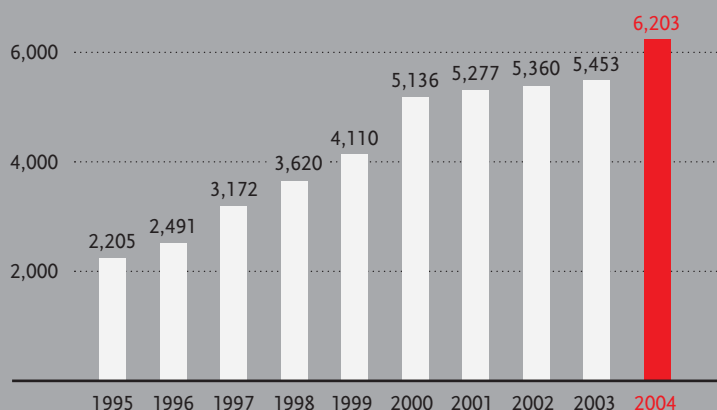
		2000	2001	2002	2003	2004
Sales	EUR million	5,136	5,277	5,360	5,453	6,203
Employees	Number	36,161	37,407	39,809	41,952	46,973
Pre-tax operating result	EUR million	305	270	281	330	395
Net income	EUR million	185	141	167	219	258
Cash flow	EUR million	384	389	386	431	487
Capital expenditure	EUR million	251	249	227	217	237
Economic equity	EUR million	1,095	1,198	1,354	1,502	1,734
Total assets	EUR million	2,913	2,904	2,980	3,127	3,615

Since 1999, the consolidated financial statements of the Würth Group have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Sales

Würth Group

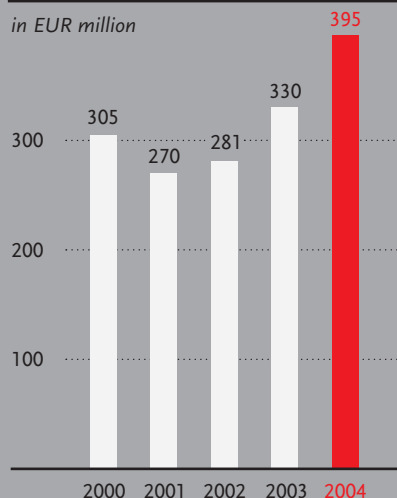
in EUR million



Pre-tax operating result

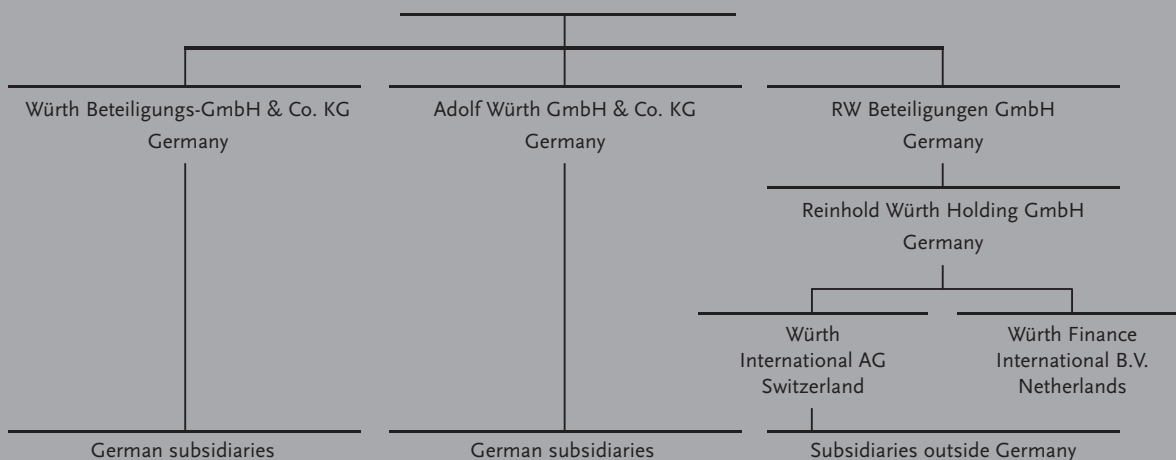
Würth Group

in EUR million



LEGAL STRUCTURE OF THE WÜRTH GROUP

Carmen Würth Family Foundation
 Bettina Würth Family Foundation
 Marion Würth Family Foundation
 Markus Würth Family Foundation
 Adolf Würth Foundation





FACTS

2004

FIGURES
AND
DATA

FACTS

- > GLOBAL SALES OF THE GROUP RISE TO EUR 6.2 BILLION
- > NET INCOME OF THE GROUP FOR THE YEAR GROWS TO EUR 258 MILLION
- > ECONOMIC EQUITY UP AT EUR 1.7 BILLION
- > TOTAL ASSETS AMOUNT TO EUR 3.6 BILLION
- > EQUITY RATIO AT 48 PERCENT
- > CASH FLOW AMOUNTS TO EUR 487 MILLION
- > GROUP RATING "A/OUTLOOK STABLE" CONFIRMED

CONSOLIDATED BALANCE SHEET

Assets in EUR million	2004	Share %	2003	Share %	Change %
Non-current assets					
Intangible assets and goodwill	135.8	3.8	138.7	4.4	- 2.1
Property, plant and equipment	1,250.2	34.6	1,127.5	36.1	+ 10.9
Financial assets	23.6	0.6	20.8	0.7	+ 13.5
	1,409.6	39.0	1,287.0	41.2	+ 9.5
Other assets	34.6	1.0	25.2	0.8	+ 37.3
Deferred taxes	87.4	2.4	78.7	2.5	+ 11.1
	122.0	3.4	103.9	3.3	+ 17.4
	1,531.6	42.4	1,390.9	44.5	+ 10.1
Current assets					
Inventories	775.7	21.5	573.8	18.3	+ 35.2
Receivables and other assets					
Trade receivables	835.0	23.1	735.4	23.5	+ 13.5
Receivables from the tax authorities	9.1	0.2	9.8	0.3	- 7.1
Other assets	132.5	3.7	108.2	3.5	+ 22.5
Prepaid expenses	19.1	0.5	19.3	0.6	- 1.0
	995.7	27.5	872.7	27.9	+ 14.1
Securities	62.3	1.7	53.1	1.7	+ 17.3
Cash and cash equivalents	250.0	6.9	236.9	7.6	+ 5.5
	2,083.7	57.6	1,736.5	55.5	+ 20.0
	3,615.3	100.0	3,127.4	100.0	+ 15.6

Prepared in accordance with International Financial Reporting Standards (IFRS)

Equity and liabilities in EUR million	2004	Share %	2003	Share %	Change %
Equity					
Share capital	148.3	4.1	148.2	4.7	+ 0.1
Revenue reserves	846.9	23.4	769.2	24.6	+ 10.1
Retained earnings	717.7	19.9	563.3	18.0	+ 27.4
	1,712.9	47.4	1,480.7	47.3	+ 15.7
Adjustment item for minority interests	21.2	0.6	21.5	0.7	- 1.4
Non-current liabilities					
Provisions for pensions and similar obligations	103.2	2.9	76.7	2.5	+ 34.6
Provisions for deferred taxes	32.1	0.9	32.9	1.1	- 2.4
Financial liabilities	714.4	19.7	633.0	20.2	+ 12.9
Other liabilities	13.0	0.3	13.1	0.4	- 0.8
	862.7	23.8	755.7	24.2	+ 14.2
Current liabilities					
Tax provisions	49.4	1.4	44.3	1.4	+ 11.5
Other provisions	118.1	3.3	100.9	3.2	+ 17.0
Financial liabilities	122.5	3.4	131.9	4.2	- 7.1
Trade payables	308.4	8.5	233.8	7.5	+ 31.9
Other liabilities	415.0	11.5	353.3	11.3	+ 17.5
Deferred income	5.1	0.1	5.3	0.2	- 3.8
	1,018.5	28.2	869.5	27.8	+ 17.1
	3,615.3	100.0	3,127.4	100.0	+ 15.6

Prepared in accordance with International Financial Reporting Standards (IFRS)

CONSOLIDATED INCOME STATEMENT

Income statement in EUR million	2004	Share %	2003	Share %	Change %
Sales	6,203.2	100.0	5,452.9	100.0	+ 13.8
Increase in inventories of finished goods and work in process	15.2	0.2	3.3	0.1	+ 360.6
Own work capitalized	9.6	0.2	5.9	0.1	+ 62.7
Other operating income	96.5	1.6	100.2	1.8	- 3.7
	6,324.5	102.0	5,562.3	102.0	+ 13.7
Cost of materials	2,802.9	45.2	2,397.2	44.0	+ 16.9
Gross profit	3,521.6	56.8	3,165.1	58.0	+ 11.3
Personnel expenses	1,803.4	29.1	1,615.9	29.6	+ 11.6
Amortization and depreciation	191.4	3.1	184.0	3.4	+ 4.0
Other operating expenses	1,120.6	18.0	1,024.1	18.8	+ 9.4
Financial income	18.9	0.3	24.2	0.5	- 21.9
Financial expenses	49.7	0.8	57.7	1.1	- 13.9
Result from ordinary activities	375.4	6.1	307.6	5.6	+ 22.0
Taxes on income	109.2	1.8	82.7	1.5	+ 32.0
Net income for the year	266.2	4.3	224.9	4.1	+ 18.4
Minority interests	8.2	0.1	5.6	0.1	+ 46.4
Net income of the Group for the year	258.0	4.2	219.3	4.0	+ 17.6

Prepared in accordance with International Financial Reporting Standards (IFRS)

CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities in EUR million	2004	2003
Earnings before interest and taxes	406.2	340.2
Changes in pension provisions	17.8	7.2
Amortization and depreciation	191.8	185.2
Losses on the disposal of non-current assets	2.3	3.2
Gains on the disposal of non-current assets	- 4.7	- 3.8
Other non-cash income and expenses	17.4	13.1
Payment of income taxes	- 107.1	- 97.9
Interest income	18.3	24.0
Interest payments	- 54.6	- 40.5
Gross cash flow	487.4	430.7
Changes in inventories	- 134.6	- 0.6
Changes in trade receivables	- 97.8	- 88.3
Changes in other provisions	14.2	1.6
Changes in other current liabilities	26.3	- 17.0
Changes in other net working capital	46.2	31.2
Cash flow from operating activities	341.7	357.6
Investments in intangible assets	- 20.6	- 27.4
Investments in property, plant and equipment	- 215.5	- 188.0
Investments in financial assets	- 1.1	- 1.4
Investments in newly acquired subsidiaries less cash	- 26.0	0.0
Acquisition of further shares in subsidiaries	- 4.1	- 1.5
Investments in securities classified as current assets	- 9.2	- 28.1
Cash received from the disposal of assets	11.5	33.4
Cash flow from investing activities	- 265.0	- 213.0
Distributions	- 28.8	- 37.2
Contributions to capital	0.1	0.0
Changes in shareholder loans	- 14.2	11.4
Increase in financial liabilities	165.6	193.5
Decrease in financial liabilities	- 185.3	- 194.0
Cash flow from financing activities	- 62.6	- 26.3
Changes due to consolidation (mainly due to currency translation differences)	- 1.0	- 3.5
Changes in cash and cash equivalents	13.1	114.8

Changes in cash and cash equivalents in EUR million	2004	2003	Change in EUR million
Short-term investments	1.9	51.8	- 49.9
Other cash equivalents	0.8	1.8	- 1.0
Cash on hand	6.3	4.2	2.1
Bank balances	241.0	179.1	61.9
Cash and cash equivalents	250.0	236.9	13.1

CONSOLIDATED VALUE ADDED STATEMENT

Origin of value added in EUR million	2004	2003	Change %
Sales	6,203.2	5,452.9	+ 13.8
Changes in inventories and own work capitalized for investments	24.8	9.2	+ 169.6
Other operating income	96.5	100.2	- 3.7
Financial income	18.9	24.2	- 21.9
	6,343.4	5,586.5	+ 13.5
Less advance payments:			
Cost of materials	2,802.9	2,397.2	+ 16.9
Other operating expenses	1,120.6	1,024.1	+ 9.4
Amortization and depreciation	191.4	184.0	+ 4.0
	4,114.9	3,605.3	+ 14.1
Value added	2,228.5	1,981.2	+ 12.5

Utilization in EUR million	2004	2003	Change %
Employees (personnel expenses)	1,803.4	1,615.9	+ 11.6
Public sector (tax expenses)	109.2	82.7	+ 32.0
Companies	237.4	187.7	+ 26.5
Shareholders	28.8	37.2	- 22.6
Lenders	49.7	57.7	- 13.9
Value added	2,228.5	1,981.2	+ 12.5

Prepared in accordance with International Financial Reporting Standards (IFRS)

AUDIT OPINION OF THE GROUP AUDITOR

The following audit opinion was issued by the group auditor on the consolidated financial statements and the group management report:

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the consolidated financial statements for the fiscal year from January 1 to December 31, 2004. The preparation and content of the consolidated financial statements according to IFRS are the responsibility of the Board of Directors of the Würth Group. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the IFRS, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with the German auditing requirements and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. In the course of the audit the documentation supporting the carrying amounts and disclosures in the consolidated financial statements is examined on a test basis. The audit includes

assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with IFRS.

Our audit, which also extends to the group management report prepared by the group management for the fiscal year from January 1 to December 31, 2004, has not led to any reservations. On the whole, the group management report in our opinion provides a suitable understanding of the Group's position and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2004 satisfy the conditions required for the Würth Group's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

Stuttgart, April 5, 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

signed by
Prof. Dr. Langenbucher
Wirtschaftsprüfer
(German Public Auditor)

signed by
Kaltmaier
Wirtschaftsprüfer
(German Public Auditor)





SPEED

2004

SERVICE
PRODUCTIVITY
EMOTIONS
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DRIVE

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THE WÜRTH COMPANY – MORE THAN JUST SCREWS

Reinhold Würth was 19 years old when he took over the screw wholesale business in Künzelsau in 1954 after the early death of his father, Adolf Würth. Over a period of 50 years, he turned the two-man operation into a global trading group. The Würth Group had 314 companies in 80 countries in the fiscal year 2004.

Trade in fastening and assembly materials continues to be the core business of the Group. But Würth has long been more than just a source of screws, screw accessories, dowels and plugs, tools and chemical products. In addition to this traditional range of products, the Würth Group companies have for some years also been selling protective clothing, products for DIY and hardware stores, electrical installation materials, electronic components such as printed circuit boards, financial services and even solar modules.

Würth Line fastening and assembly materials are sold through an international network of 120 of the 314 Group companies. Our 194 Allied Companies – mostly wholly-owned subsidiaries of the Würth Group that do not trade under the Würth name – cover business segments closely related to our Würth Line operations.

In both its core business and the other business segments, the Würth Group stands for good, dependable, long-lasting quality. Over 2.65 million customers worldwide put their trust in the products, services and customer care provided by our Group. A sales force of more than 26,000 worldwide – in the core business in Germany alone we employ over 2,500 sales staff and maintain a network of more than 100 branch offices – we seek the direct route to our customers, guaranteeing competent advice and fast delivery.

FOR US,
SPEED
STANDS FOR

- > SERVICE AND HIGH INVENTORY AVAILABILITY
- > PRODUCTIVITY ENHANCEMENT
- > EMOTIONS THAT INSPIRE
- > ENTHUSIASM FOR OUR CUSTOMERS
- > DRIVE FOR FURTHER GROWTH

SERVICE

250,000 CUSTOMER CONTACTS PER DAY
THANKS TO 46,973 EMPLOYEES

- From Greenland to Tierra del Fuego. From America to Australia. Würth is at its customers' service on all key markets around the globe.
- Over 26,000 sales people serve more than 2.65 million customers. In Mangoldsall and in Munich. In Seattle and in Sydney.
- In addition to direct sales, we have a continuously expanding nationwide network of currently more than 100 branch offices in Germany. This is our answer to customer proximity.
- Our service level reached an outstanding 98.1 percent in 2004. This means that of 100 items ordered from our range of over 100,000 products, 98 are available at the customers' the very next day.



Würth salesman Michael Lehmann supplies a building site in Frankfurt/Main

PRODUCTIVITY

WÜRTH PROCESSES

25,000,000 ORDERS PER YEAR WORLDWIDE

- The 314 companies in the Würth Group process over 100,000 orders a day comprising more than 500,000 order lines in total.
- The central logistics department at the Company's headquarters in Künzelsau picks some 80,000 ordered items every day. Robot order picking and computer-assisted technology facilitate the work for our staff.
- Today Würth processes more than twice the number of deliveries per day as ten years ago. At the same time, we have reduced the ratio of returns to less than one percent, thus achieving higher productivity through fewer errors.
- Würth supplies and serves around 260,000 small parts warehouses of customers across Europe via the ORSY storage and retrieval system.



Looking down a high-bay warehouse at the Company's headquarters in Künzelsau

EMOTIONS

EMOTIONS 365 DAYS A YEAR –
CLOSE UP, LIVE AND MULTIFACETED

- The Würth brand stands for dynamism, technology, passion, motivation, modesty, courage, team spirit and fairness. Würth owns 149 different brands and has protected its brands in 99 countries.
- The Würth company is also a place to meet people: VIPs such as the Dalai-Lama, Christo & Jeanne-Claude, Franz Beckenbauer, Chancellor Gerhard Schröder, Senta Berger, Justus Frantz or Harald Schmidt are no strangers at the Company in Künzelsau.
- Würth uses high-profile sports events and sponsoring commitments to enhance brand awareness. Examples are the German Touring Car Championship (DTM), support for the German Skiing Association (DSV) in the disciplines ski jumping, biathlon, cross-country skiing and Nordic combination. Würth is also the official supplier of the Formula 1 team for BMW Williams, it supports the Liberty Seguros Würth cycle racing team and is the main sponsor of the Tour de Suisse.
- The Würth art collection is one of the largest private collections in Germany, comprising 8,000 paintings, graphics and sculptures. More than 1.6 million visitors have been to see the exhibitions at Museum Würth in Künzelsau and at Kunsthalle Würth in Schwäbisch Hall.



Allan Davis from the Liberty Seguros Würth team wins the last leg of the Tour of Murcia in Spain.

ENTHUSIASM

WITH 314 COMPANIES IN 80 COUNTRIES,
WE ARE ALWAYS CLOSE AT HAND

- “One day spent at the customer is worth a thousand times more than attending management seminars.” (Reinhold Würth, Chairman of the Advisory Board of the Würth Group)
- Würth has its ear to the ground. Management and office staff accompany our sales staff on visits to customers at least four times a year.
- Only motivated employees can fill our customers with enthusiasm. For them to do so, we need a working atmosphere based on rewards and recognition, trust, consistency, delegation of responsibilities and room for each employee to give the job their personal touch.



Prof. Dr. h. c. Reinhold Würth with salesman Stefan Sahlmüller visiting the customer Ludwar Elektrobau GmbH

DRIVE

SALES OF EUR 6.2 BILLION, +13.8 PERCENT

46,973 EMPLOYEES, +12.0 PERCENT

OPERATING INCOME OF EUR 395 MILLION, +19.7 PERCENT

- The total sales revenue of the Würth Group has increased as much as eighty-thousand times over in the last 50 years, often at double-digit growth rates. With just one exception (1975), the Group has set a new sales record each fiscal year.
- Over 40 percent of sales are generated by the Würth Line with products that have been included in the product range for less than five years.
- The headcount rose by 5,021 employees in 2004 and a total of 2,597 additional sales staff were hired. Over the last ten years, the headcount has grown by 31,669 employees.
- With 115 patents, 31 utility models and 14 protected designs, the trading company Würth is among the leading innovators in Germany. In 2004, applications were filed for nine patents, four utility models and three protected designs.



The warehouse technologies used are consistently geared to growth and reliability.

SPEED

SERVICE

+

PRODUCTIVITY

+

EMOTIONS

+

ENTHUSIASM

+

DRIVE

SPEED

= 100% SPEED

AT OUR CUSTOMERS' SERVICE



REPORT OF THE ADVISORY BOARD



Reinhold Würth

**Ladies and Gentlemen,
Dear readers,**

The Advisory Board has written this Report of the Advisory Board to inform you of the business development and the work of this supervisory body of the Würth Group throughout the fiscal year 2004.

Following a series of difficult years, the global economy in 2004 was more dynamic than it has been for almost thirty years. Despite the severe fluctuation in oil prices, world trade grew by nine percent, which is well above the long-term average of six percent. In Europe, too, the economy picked up again, but in a global comparison of the large economic areas, Europe is still the weakest performer.

In Germany, however, the economic recovery was hardly felt at all. The ongoing weak domestic market set the pace for the economy again in 2004. Germany – the country that once was the economic engine of the European Union – takes a back seat in a European comparison. The growth of 1.6 percent in gross domestic product is first and foremost attributable to the international competitiveness of German companies and, as a result, strong export activity. Many reforms are still being postponed in Germany and those that have been initiated so far are by no means sufficient. Chancellor Schröder would be well advised to rename his “Agenda 2010” “Agenda 2030”, as the changes required to turn the welfare state which is getting out of hand into a liberal, social market economy as envisaged by Ludwig Erhard will take much longer than just five years.

Having said that, it is all the more pleasing to see that the Würth Group recorded double-digit growth again in Germany in 2004. The past fiscal year was the most successful year in the history of the Würth Group which meanwhile spans sixty years. Both Group sales and the operating result reached impressive new records with growth of 13.8 percent to EUR 6.2 billion and 19.7 percent to EUR 395 million respectively. The Advisory Board of the Würth Group is delighted with this excellent result and wishes to thank the Board of Directors, the Board of Management (directors) as well as all general managers and employees very much for this resounding success.

In accordance with the duties assigned by its statutes, the Advisory Board took a close look at the development of the Würth Group again in 2004. The Advisory Board met three times and was regularly informed by the Board of Directors on a timely and in-depth basis of the economic situation of the Würth Group as well as of all issues relevant to the planning, business development, risk situation and risk management. The Board of Directors readily provided the Advisory Board with all information required to assess the net assets, financial position and results of operations. All transactions subject to approval were submitted to the Advisory Board for decision, discussed in detail by the Advisory Board, and then approved.

The Advisory Board’s investment committee reviewed the investment

applications for fiscal year 2005 at its meeting on November 25, 2004. At that meeting it was also determined that the real capital expenditure of the Group in 2004 matched the draft planning presented in the fall of 2003 with only minor deviations. In its meeting on November 26, 2004, the Advisory Board approved an investment volume of EUR 279 million for the fiscal year 2005.

The Chairman of the Advisory Board also attended numerous meetings of the Board of Directors as a guest, which allowed him to discuss many important issues of the day-to-day business as well as corporate planning and strategy with the Board of Directors regularly and at an early stage, thus enabling him to fulfill his advisory role. The risk controlling function, which is one of the Advisory Board's responsibilities, on many an occasion proved its capacity to fully investigate all questions and issues, to rapidly respond when further information was required and to provide all the details. In addition, the Advisory Board regularly satisfied itself that the Board of Directors has ensured adequate risk management.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the consolidated financial statements and the Group management report and issued an unqualified opinion thereon. The consolidated financial statements and the Group management report as well as the audit report from Ernst & Young were discussed in depth by the Advisory Board's audit committee and the Chairman of the audit committee reported in detail to the Advisory Board on the results of the committee's work. The audit committee and the Advisory Board did not raise any objections and approved the result of the audit by Ernst & Young. The auditors attended the meeting of the Advisory Board at which the balance sheet was discussed as well as the meeting of the audit committee and readily answered all questions in full.

In its letter dated November 16, 2004, Ernst & Young AG Wirtschaftsprüfungsgesellschaft issued a declaration of independence as defined by No 7.2.1 of the German Corporate Governance Code to the Würth Group.

The German Corporate Governance Code contains internationally and nationally accepted standards of good and responsible corporate governance. As a group geared towards the capital market that has been rated by international rating agencies since 1994, the Würth Group greatly welcomes the Code, seeing that the Würth Group has for many years adhered closely to the internationally accepted standards of corporate governance. The internal company code practiced in the Würth Group is based on values such as mutual trust, constancy, honesty, modesty and clarity. The Würth Group has modeled its internal structures on the dual management system described in the Code, in which the management board and the supervisory board – here: Board of Directors and Advisory Board – not only exercise control and perform management, but interact closely to the benefit of the company and its shareholders, while gaining

the trust of the capital market, suppliers and customers, and last but not least, the public.

The Board of Directors and the Advisory Board of the Würth Group have therefore decided that the Würth Group will commit itself to the Corporate Governance Code and issue a declaration of compliance in accordance with Sec. 161 AktG (German stock corporations act) from fiscal year 2004 onwards. The declaration of compliance was issued on November 26, 2004 with an explanation on the few deviations due to the fact that some of the Code's provisions are designed for stock corporations and therefore do not seem appropriate for family businesses like the Würth Group.

With effect as of December 31, 2004, the two Advisory Board members Dr. Michael Rogowski and Udo Floto retired from the Advisory Board of the Würth Group after many years of service upon reaching retirement age. The Advisory Board would like to express its thanks to Dr. Rogowski and Mr. Floto for their long-standing, trusting cooperation and their critical but constructive service to the Würth Group. These two Advisory Board posts were taken up by Mr. Peter Edelmann and Mr. Axel Krauss. Dr. Rogowski was appointed honorary member of the Advisory Board.

The Advisory Board began preparing the generation change that is soon to take place on the Board of Directors at an early stage. Mr. Robert Friedmann was appointed to the Board of Directors effective April 1, 2004 and will succeed Dr. Walter Jaeger, who retires on May 31, 2005, as Chairman of the Board of Directors.

For 2005, the sixtieth anniversary of the Würth Group, the Company has again budgeted double-digit growth. In light of the forecasts predicting further solid, if slightly weaker global growth and moderate growth in Germany, the Advisory Board considers this to be a realistic target.

Sincerely,



Reinhold Würth
Chairman of the Advisory Board of the Würth Group

GLOBALIZATION – QUO VADIS

**Ladies and Gentlemen,
Dear readers,**

In terms of the Kondratieff cycle, we are currently going through one of those phases of dramatic global change that are closely connected to the development of the internet, information technology and globalization. Back in 1962, Nikolai Kondratieff scientifically proved the thesis that long waves (45-60 years) of growth and recession overlie short cycles in an economy. These long waves are triggered by fundamental innovations, for example the steam engine in the 19th century, which led to a reorganization process in society as a whole. Technical progress is thus a *conditio sine qua non* for economic growth and prosperity in an economy.

According to the long-wave theory, western economies today are in the fifth Kondratieff cycle, i.e. there has been a change from the industrial to the information society. Whereas the industrial society focused on exploiting raw materials, developing machines and assembly lines, building factories and roads, the information society concentrates on procuring and using information.

Structural change is therefore only one side of the coin. The other side is that the world has been preserved from a third world war since 1950, which is not to ignore the many hundred local tribal feuds and civil wars from Uganda to Bosnia and Herzegovina and the Kosovo.

If we look back on the 20th century today just five years after its end, one development is quite clear: the western world has been able to use its democratic system to wipe most of the fascist and communist forms of government from the face of the earth. Ultimately, the liberal economic system proved once and for all that it is superior to all kinds of controlled economy – not least by ‘arming’ communism to death, so to speak. The superiority of the western world in terms of resources and technology, above all in information technology, made it possible to put the last nail in the coffin of communism with NATO’s Dual Track Decision in 1979. When the Berlin Wall came down in 1989, and 1991 saw the end of communism in the former USSR, humanity was transported by a wave of euphoria, full of hope for the paradise to come. The global movement for “liberty, equality and fraternity” that originated in 1789 from the French Revolution brought us very close to the ideal realization of these human rights objectives in 1989. An unnerving detail is that exactly 200 years elapsed from the fall of the Bastille on July 14, 1789 to the fall of the Berlin Wall.

Helmut Kohl and Mikhail Gorbachev could not have put the finishing touches to this development the way they did without the political support of our allies in France, Great Britain and the USA and their deeply rooted democratic systems nor, above all, without the economic power of the United States.

Yet German politicians also played an important role in this vision of freedom of humanity. Let me mention just a few: Konrad Adenauer, the first Chancellor of the Federal Republic of Germany, was the main defender of the thesis of a unified nation. Willy Brandt, the cosmopolitan philosopher, initiated the pragmatic rapprochement with our eastern neighbors. Helmut Schmidt, the fighter, imposed acceptance of NATO's Dual Track Decision in the Federal Republic of Germany even against resistance from his own party. As a pragmatic democrat, but also a visionary, Helmut Kohl seized the short window of opportunity together with foreign minister Hans-Dietrich Genscher and made German unification reality. All democratic parties in Germany have thus contributed to the peaceful development of the world.

At the age of 70, I still look back on the past with gratefulness. I was ten years old when Nazi Germany was defeated in 1945. I am grateful to my Creator that I have been able to be a living part of and witness these 60 years of modern history – a time in which more changed in the space of just five decades than in the preceding 1,950 years since the birth of Christ. The second half of the 20th century was exciting, fascinating, buzzing with vitality and the feeling that a new era was dawning. I experienced the second half of the 20th century in much the same way people spoke of the Golden Twenties in the first half of the 20th century after the end of the First World War, when they thought that the 'Great Peace' had finally arrived. I associate the period with names like Charles de Gaulle, President Eisenhower, Marilyn Monroe, Elvis Presley, Margaret Thatcher, Ronald Reagan, Christiaan Barnard and many others along with Jack Welch, Bill Gates, Deng Xiaoping, John Maynard Keynes, Maria Callas, Picasso and Günter Grass – a kaleidoscope, a veritable firework of activities, events and flights of human spirit.

In what is actually a wonderful environment, we have been speaking of the world's globalization for about 20 years now. This raises the question: will the plan work out and who will be the winners and who the losers? Basically, we can discuss that question empirically: in a manner of speaking, what is happening today with globalization, has already happened twice before – yesterday with the German unification and the day before yesterday with the conclusion of the Treaties of Rome on March 25, 1957. This means that arguments and analogies can be drawn from the two historic moments mentioned to help answer the question of what effect globalization will have.

The Treaties of Rome set a series of successful events in motion, as a result of which the European Union has irreversibly grown together, despite all the political quarrels, delays, tricks and feints.

The European peoples and European citizens may forcefully defend their personal interests, yet we all instinctively know that we are stronger if we stand together in the USA/China/Europe triangle – as the saying goes “unity is strength” – as even if we want to and must ensure a functioning federalism within the EU in future, from a pragmatic perspective there is no alternative to moving closer together.

Now how did the EU start out in 1957 when the Treaties of Rome were signed? There was a strong north/south divide. Per capita income in 1957 in France, Belgium and Germany was three-fold or four-fold that in Portugal or Greece.

This led to a migratory movement in Europe, from south to north, because many employees who had lost their jobs in their home countries could earn five times as much in Great Britain, France, Germany or the Scandinavian countries. Had it been possible in the 1960s to look into the future and see what the European economic landscape looks like in 2005 (more than five million unemployed in Germany alone), I am sure that the better path would have been chosen, as it then was later in many instances

in the 1970s, of creating jobs for the people in Portugal and Ireland which were relocated to those countries from Germany, France or Sweden.

Although smaller in scale economically, this phenomenon recurred after the unification and entailed considerable friction for Germany. Even today, 15 years after reunification, we can still observe a tendency among young citizens to move from former East Germany to the western federal states. Slowly, jobs in industry in the new federal states are being created, subsidized by the EU and the German government, in order to benefit from the low wage costs in that region and above all to stop young people moving away.

These examples can be applied to globalization one-to-one: over the next 30 years the industrialized nations can choose whether, voluntarily or not, they want to have people move from low-wage countries to the highly industrialized countries (with the problems that entails for all those affected at a later stage) or whether they will take the more sensible course and relocate what have become expensive jobs from the industrialized countries to countries that can offer high technological know-how and low wage costs.

For all those affected by it, this globalization process will not be painless or without friction. The industrialized nations with their high performers in industry, science and politics are naturally called upon to replace the jobs lost here with more highly qualified jobs in research and development, in the tertiary sector, above all in the field of geriatrics and the care of the elderly.

The countries to which the jobs move experience the extremely positive effects of developing prosperity, and increased employment. Moreover, quite automatically, democratic systems will spread and be stabilized considerably – democracy is inconceivable without prosperity.

I am writing this essay under the impression of the devastating tsunami catastrophe in the Indian Ocean, a global catastrophe on a scale the world has not seen since the earthquake in 1628 B.C. at least. The strange phenomenon was that it affected not just the people living geographically close to the epicenter of the seaquake, but in fact all nations around the world – thanks to globalization and the resulting tourism and travelers reaching all the corners of the world.

Following that catastrophe on December 26, 2004, politicians from all countries around the globe, among them the German President, declared to their people: we live in this world together and share responsibility for this world and the people living in it. This feeling of unity was overwhelming. The Würth Company donated EUR 500,000 to the German Red Cross and the Red Crescent. This amount was topped up by donations from individual companies and from our employees – another EUR 38,000 came from Gaisbach alone.

There can be no doubt that donations worldwide would not have been as high if we had not each of us known someone among our friends, or friends of friends, who was missing or had died in the region affected by the catastrophe.

The process of globalization is irreversible. The lingua franca of our times happens to be English and it will stay that way, even if we Germans or our French friends are not entirely happy about it. Würth is already a global player, it introduced English as a second corporate language besides German decades ago, and some 30 percent of the conferences, seminars and symposia at top management level at Würth are conducted in English.

The new possibilities of the media and telecommunications have also contributed to making the world a global village where everyone is only a call away. With the internet and cell phones, Intelsat, Inmarsat and Iridium, we have no choice but to look towards the future and complete the phase of globalization in the shortest possible time of 20 to 30 years.

In Germany and Europe, we are facing two difficult decades, which is why the German Chancellor Schröder is obviously mistaken with his “Agenda 2010”: he should have called it “Agenda 2030”, then the name would have fit.

Let me as a German businessman break the problem of globalization down to German dimensions. The state to which Germany has fallen, cannot be reversed within a mere ten or twelve years, it will take at least 30 or 40 years. Again, there are some models we can refer to: let us look to Great Britain. During her term in office from 1979 to 1990, Margaret Thatcher began treating the sick man of Europe which Britain was at the time, and 20 years later the Labor Prime Minister Tony Blair can reap what Margaret Thatcher sowed, causing much pain and discontent among the British people. Today Britain is a model of prosperity and stability to us all in Europe. Unemployment is under five percent, i.e. the country has a comfortable level of full employment.

Margaret Thatcher as a role model is being copied in Germany in small, almost homeopathic doses and many good initiatives are budding. The nearly completed tax reform and the Hartz-IV legislation to reform unemployment and welfare benefits are steps in precisely the right direction.

With his admirable toughness and ability to impose his views even against his own party, treading in the footsteps of Helmut Schmidt, Chancellor Schröder could, provided he continues strictly along the course taken, find himself with the strange distinction in European history of a Social Democrat sowing what a conservative chancellor will reap in 2018 when society in Germany is reorganized, flourishing and prospering. Until then, I can see many a conflict to be dealt with and hope that we will be spared extreme social unrest in Germany.

Let me finish by recalling one more episode. Erich Honecker, the penultimate Chairman of the Council of State of the former GDR, declared towards the end of his days: communism is not dead, it has only lost a battle (when the Berlin Wall fell in 1989).

One should not reject this claim out of hand. The ideas, philosophies and thoughts of Karl Marx, Friedrich Engels and Rosa Luxemburg were far too attractive for that: unfortunately, however, they forgot human nature. Only in democracies and systems like Ludwig Erhard's social market economy will man's primeval urge to survive allow globalization to become a successful form of survival in a world that has become so very small.

Sincerely,

A handwritten signature in blue ink, appearing to read "Reinhold Würth".

Reinhold Würth



Dr. Walter Jaeger

Ladies and Gentlemen,

I am happy to be able to start this foreword in the annual report by saying that 2004 was the most successful year in the 59-year history of the Würth Group. It is much easier to say why business went so well than having to seek reasons and excuses for not doing so well. After three fiscal years of moderate growth, we recorded double-digit growth of 13.8 percent and generated record sales of EUR 6.2 billion at Group level. The pre-tax operating result rose by 19.7 percent to EUR 395 million. I would like to thank our employees, also on behalf of the other members of the Board of Directors, for this excellent performance.

The global economy displayed growth rates in 2004 that had not been seen for 30 years. The world's globalization is taking effect, but globalization also means competition between national economies. Those that do not grow, have to try harder. In Germany, we will make this painful experience unless the necessary restructuring of tax, welfare and labor market policies is combined with impetus for growth.

Like companies, economies will only survive in the long term and be successful if they grow. We need growth to secure our living standards, social security, and ultimately world peace in a culture and mindset that is becoming increasingly dominated by economic considerations. The tasks of companies and economies of ensuring growth are therefore basically the same. Companies, however, have the advantage that their leaner management and decision-making structures provide shorter response times than is the case in a democratic society.

Companies and economies must bear in mind that size alone is no long-term guarantee for survival. There are enough examples of large companies going bankrupt, but even the large communist countries of the eastern block went down in the end because they were not economically successful.

Why did the Würth Group grow at such an above-average rate in 2004? Because we have consistently implemented our business policy that is geared towards quality in our products and services and therefore customer satisfaction on the basis of the following elements:

- Growth-oriented corporate philosophy and management culture
- Consistent decentralized organization
- Motivation of our staff
- Orientation towards the customer and innovation

Double-digit growth is an essential component of our corporate culture. Growth is not just important for the sake of growth, it is to ensure that the Company stays young and strong. As long as we are strong, i.e. growing with a profit, we are at the very beginning of the life cycle of our Company. The critical phase of saturation or even contraction and then the predetermined downfall of the Company are thus moved into the distant future.

For us, growth means safeguarding existing jobs, creating new ones and ultimately also the professional satisfaction of our employees. Only a company that grows successfully is also socially minded, by paying taxes on its profit which are required for the government to meet its responsibilities in areas such as infrastructure, welfare and education, health and culture.

Empirically we are able to show in our Group of companies that companies grow irrespective of their size. Our decentralized organization is the prerequisite for and driving force behind sustainable growth. One of the success factors of the Würth Group is manifested by the fact that we set the executives in our 314 legally independent companies in 80 countries around the globe corporate goals and tasks, but leave them a certain freedom to achieve growth with a profit.

The organization of the individual Würth companies, too, is characterized by divisions and regions determined by the market, i.e. small units responsible for their results. In decentralized organizations, responsibilities are strictly delegated. Managers are entrepreneurs. It is easier for them to motivate employees for values and goals in their smaller, homogenous units and manage their labor and innovative power as appropriate in the individual case. Decentralized companies are closer to the customer. This promotes innovation in line with market requirements and, as a consequence, sustainable growth.

The organization is one prerequisite for growth, but the decisive factors are the management and employees. If the management has visions, sets ambitious but realistic aims and motivates the employees to serve the company, double-digit sales growth is not a question of the market, but of the employees' vision, willingness and ability.

Würth's management culture is described with terms such as performance-oriented, dynamic, sporty and aggressive. Rewards and recognition for outstanding performance are a motivation for our employees. Flat hierarchies and market orientation of the entire Company drive our growth.

SPEED not only to be taken literally

We chose the motto "SPEED" for the year 2004 and this annual report. What we mean by that is illustrated throughout this report which – as mentioned in the prior year – only comprises the consolidated financial statements and no longer presents the figures relating to the annual financial statements of Adolf Würth GmbH & Co. KG.

On behalf of the entire Board of Directors, I would like to thank our over 2.65 million customers for placing their trust in us in our successful year 2004. The companies in the Würth Group have committed themselves to being a reliable and competent partner. My thanks also to the works council, the council of representatives and our customer advisory board for their constructive and trusting support of our company policies. My special thanks once again also to the Advisory Board of the Würth Group and its Chairman Prof. Reinhold Würth in particular for the pleasant cooperation and valuable input to the benefit of the Company as a whole.

Outlook for the fiscal year 2005

The Würth Group is celebrating its 60th anniversary and Prof. Reinhold Würth his 70th birthday in 2005. These are certainly reasons to celebrate in style, especially in light of the good results generated in 2004. With economic equity of EUR 1.73 billion disclosed on the balance sheet and an equity ratio of 48.0 percent (prior year: 48.0 percent) the Company has a sound financial basis, which is a key prerequisite for further growth. We will continue our course for growth in 2005 to again exceed the results generated in 2004.



Dr. Walter Jaeger
Chairman of the Board of Directors of the Würth Group

THE BOARDS OF THE WÜRTH GROUP



Dr. Walter Jaeger, Rolf Bauer, Dr. Harald Unkelbach, Bettina Würth, Robert Friedmann (from the left)

BOARD OF DIRECTORS

The Board of Directors – comparable to the management board of a group holding – is the most senior decision-making board of the Würth Group and comprises five members. Its most important duties include corporate strategy planning, the selection of executives as well as the management of strategic business units and functions.

Dr. Walter Jaeger

Chairman of the Board of Directors of the Würth Group

Rolf Bauer

Deputy Chairman of the Board of Directors of the Würth Group

Dr. Harald Unkelbach

Member of the Board of Directors of the Würth Group

Bettina Würth

Member of the Board of Directors of the Würth Group

Robert Friedmann

Member of the Board of Directors of the Würth Group (since April 1, 2004)

ADVISORY BOARD

The Advisory Board is the supreme supervisory and control body of the Würth Group. It advises on strategy and approves corporate planning as well as the use of funds and appoints the members of the Board of Directors, of the Board of Management as well as the general managers of the high-revenue companies in the Group.

Prof. Reinhold Würth

Chairman of the Advisory Board, Künzelsau-Gaisbach

Hans G. Güldenber

President of Nestlé Food LLC, Moscow

Dr. Michael Rogowski

Chairman of the supervisory board of Voith AG, Heidenheim (until December 31, 2004)

Dr. Bernd Thiemann

Deputy Chairman of the Advisory Board, Chairman of the advisory board of Rothschild GmbH, Frankfurt/Main

Dr. Frank Heinrich

Member of the management board of Heraeus Holding GmbH, Hanau

Dr. Martin H. Sorg

Certified public accountant, partner of the law firm Binz & Partner, Stuttgart

Peter Edelmann

Member of the management board of Voith AG, Heidenheim (since January 1, 2005)

Axel C. A. Krauss

Chairman of the administrative board of Münzing Chemie GmbH, Heilbronn (since January 1, 2005)

Dr. h. c. Uwe Zimpelmann

Spokesman of the management board of Landwirtschaftliche Rentenbank, Frankfurt/Main

Udo Floto

Business executive, Kerken (until December 31, 2004)

Dr. Bernd-Albrecht von Maltzan

Divisional board member Private Wealth Management, Deutsche Bank AG, Frankfurt/Main

BOARD OF MANAGEMENT

The 23 managers as of December 31, 2004 of the Board of Management constitute the operational management of the Group and are each in charge of one strategic business unit.

Michael Coffey

Würth Line UK, Ireland,
Scandinavia (without Finland),
Würth South Africa

Karl Eder

reca Group Austria
and Eastern Europe

Karl-Heinz Grabher

Production of Furniture Fittings

Jürgen Graf

Logistics

Helmut Gschnell

Würth Line Italy,
Würth Albania,
Specialists in Italy

Michel Kern

Würth International AG
Central Purchasing,
Würth Line North America
Auto Division

Jürgen Klohe/Jörg Murawski

Würth Electronics Group

Max Lorefice

Standard/DIN Parts and
Stainless Steel, reca Group Italy,
Würth Line Southeastern Europe,
Würth Line Japan

Jürg Michel

Finance

Juan Ramírez

Würth Line Spain,
France, Central America
and South America

Wolfgang Rampmaier

Industry Division (Würth Line),
Tool Trade

Pentti Rantanen

Würth Line Finland and
Baltic Countries

Werner Rau

Purchasing, Export

Peter Schneider

reca Group Germany
and Western Europe

Hans Sigrist

Würth Line Switzerland,
Oceania, and Subregion Asia

Dr. Reiner Specht

Metal Division (Würth Line),
Würth Line Austria,
Russia and Subregion
Eastern Europe,
Trade Business Unit

Robert Stolz

Coordinator
Würth Line Wood USA

Zekeriya Uluca

Würth Turkey and
Subregion Asia

Alois Wimmer

Production of Screws,
Dowels and Plugs

Marcus Wölflle

Würth Line Subregion Asia,
Chemicals Group,
Würth Canada and Würth Israel
(until December 31, 2004)

Markus Würth

Wood Division (Würth Line),
Construction Division (Würth Line),
USA Wood Companies
(Würth Line), Belgium,
Netherlands, Portugal (Würth Line)

Peter Zürn

CEO
of Adolf Würth GmbH & Co. KG,
Auto Division (Würth Line),
Sales

FURTHER RECORD YEAR FOR THE WÜRTH GROUP

- **Group sales exceed six-billion-euro threshold**
- **Equity rises to EUR 1.73 billion**
- **Double-digit growth also achieved in Germany**
- **Refinancing through US private placement for the first time**

Global economy booms in 2004

Prospects for growth in the global economy have increased considerably over the last ten years. The integration of the former eastern block countries and the emerging countries, China in particular, in the global economic cycle have considerably increased the potential for growth in these countries.

The global economy experienced a strong upswing in 2004, reaching the highest growth rate in 28 years. Key incentives for this development were the expansive monetary policy in the USA and the economic development in the emerging countries.

In the first six months of 2004, global production expanded very strongly. The recovery in global trade was particularly noticeable – in real terms it was more than ten percent higher in the first six months of 2004 than a year before. Towards the middle of the year the global economy cooled down again slightly. Economic activity slowed down as a result of the sharp rise in the price of

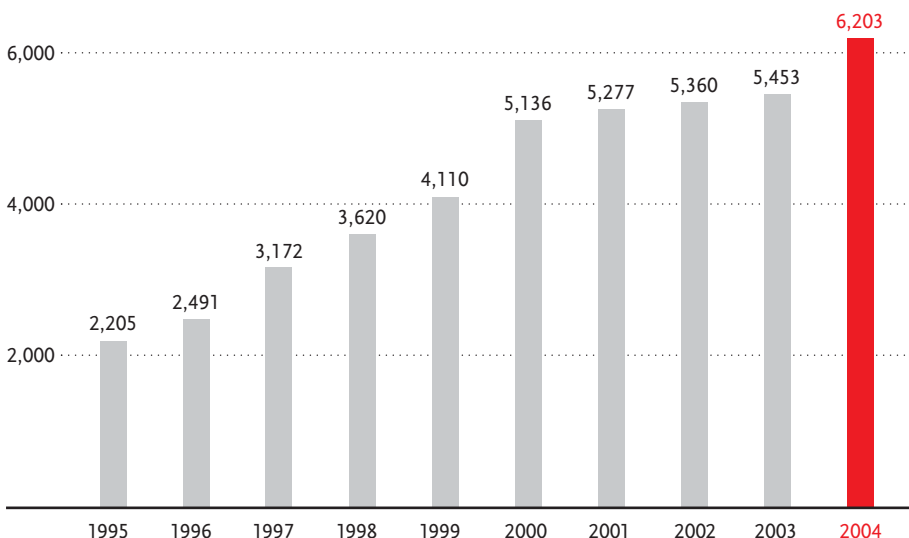
raw materials, especially of crude oil. Through to the fourth quarter of the year, prices kept on rising to new record levels. This development automatically lowered the level of private consumption. Following growth of 3.9 percent in the prior year, real GDP still increased worldwide by five percent in 2004.

Economy in the USA sustained by domestic demand

The rate of expansion of the large economies varied considerably from one region to another in 2004. The regions displaying the strongest growth were the United States and the east-Asian emerging countries, especially China. The expansion of the American economy as a whole continued in 2004. However, the economic recovery lost some of its dynamism towards the end of the year and the US economy did not meet expectations in the fourth quarter – the GDP only gained 0.9 percent compared to the prior quarter. Over the full 12 months of 2004, the US economy grew by 4.4 percent, which is the best

Sales of the Würth Group

in EUR million



Sales of the Würth Group

<i>in EUR million</i>	2003	2004	%
Würth Linie Germany	779	816	+ 4.7
Allied Companies Germany	1,424	1,708	+ 19.9
Würth Group Germany	2,203	2,524	+ 14.6
Würth Group International	3,250	3,679	+ 13.2
Würth Group total	5,453	6,203	+ 13.8

development since 1999. Growth was sustained by very strong domestic demand.

Private consumer spending thus rose at a rate of 3.8 percent. The weak point of the US economy is still the labor market, but employment rose by an annual average rate of just one percent.

The marked upswing of the Japanese economy that commenced in spring 2003 after a decade of stagnation, came to an end in mid-2004. The considerably lower growth rate of export activities and the weaker expansion of private consumption led to stagnation of the industrial production. The second largest economy in the world improved its economic output by 2.9 percent on account of a large backlog at the beginning of the year and a strong first quarter. The highest contribution to economic activity was made by exports to the emerging countries in Asia in particular.

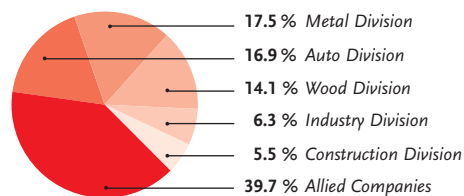
China – The engine of economic growth

The extremely dynamic development of the economies in the east-Asian emerging countries continued throughout 2004. China remained the engine of economic growth in this region which also had an impact on Latin America, Australia and the western industrialized countries. The increase in China's GDP in real terms amounted to some nine percent, which was only marginally lower than in the prior year (9.3 percent). Economic growth in all east-Asian emerging countries reached eight percent in 2004.

The economy slowed down in the European Monetary Union (EMU). The main reason for this was the strong revaluation of the euro and the price hike for crude oil. Real GDP was up two percent in the euro zone, but growth rates differed substantially from one country to another. The Greek economy displayed the highest rate of expansion (owing to the Olympic Games), along with Ireland, Finland and Spain. Spain's economy, for example, grew by 2.7 percent thanks to the upswing in the construction sector. Italy and Portugal brought up the rear.

Share in total sales

Divisions of the Würth Line and Allied Companies


German economy still weak performer

The German economy was still unsettled at the end of 2004. While the global economy boomed in 2004, the German economy dragged its feet. Although there was a minor upward trend in 2004, it was low compared to previous growth phases and disappointingly weak in view of the links to the global economy. After a strong first six months, economic growth fell more sharply than expected towards the end of the year. In the last quarter of 2004 GDP shrank by 0.2 percent.

So not much has changed: Germany has been in a fundamental economic crisis for about a decade. The global economy still does not seem to affect the German economy whose growth rate is below the average of the old EU countries.

Overall, the real GDP in Germany grew by 1.6 percent in 2004. Despite the fact that some countries recorded even lower growth levels than Germany in 2004 (Italy, the Netherlands, Portugal), the German economy still is the weakest performer in terms of total growth that it has been since 1995. No other country in western Europe has grown at the slow pace that Germany has displayed in the last nine years. Exports were the only area that showed a positive development in 2004. Driven by the global economy, exports increased by ten percent in 2004. The increase recorded in exports was however only reflected to a limited extent in the total GDP. One explanation certainly is the low level of domestic demand and of consumer spending in Germany.

The situation on the labor market remained desolate. The unemployment figure in Germany rose to 4.46 million at the end of the year 2004, which is the highest level since 1997. The unemployment rate was 10.8 percent.

No recovery in the building industry

The building industry in Germany including the building and civil engineering and finishing trades relevant for the Würth Line's trading business as well as the trade customers sector has not picked up. For the industry as a whole, 2004 was much worse than anticipated. The downturn which began in the mid-nineties has not bottomed out yet. The number of jobs was halved over that period to about 750,000. Private individuals are reluctant to build or buy houses and public-sector demand for construction work is virtually non-existent.

Hauptverband der Deutschen Bauindustrie, the German construction employers' association, calculated a decline in sales across all building sectors of 4.5 percent for 2004. The number of employees fell by 62,000 in the building industry and by 44,000 in the building and civil engineering trade. Building investments in Germany declined by 2.5 percent. While investments in residential building increased marginally by about 0.5 percent, investments in commercial building fell by four percent and those on public building by five percent. In the euro zone building investments decreased as well, albeit at a more moderate rate.

Decline in sales and job losses in the building trades

The critical situation in the building industry again had a knock-on effect on the trades in 2004. Tradesmen and businesses have, however, reported a slightly improved situation. This notwithstanding, they recorded a decrease in sales of 2.1 percent in 2004 in relation to the prior year. In addition, the number of employees in the licensed trades fell by 3.4 percent in a year-on-year comparison (178,000 employees).

Group sales rise to EUR 6.2 billion

Thanks to our presence around the globe, the Würth companies have benefited from the very positive development of the global economy. Nonetheless, we have the ambition of growing through our own efforts irrespective of economic cycles.

After a successful fiscal year 2003, the positive development of business continued throughout 2004. Following years of consolidation, our declared aim was to expand at a faster pace: through organic growth and acquisitions. Consequently, our motto for 2004 is: SPEED! SPEED stands for SERVICE, PRODUCTIVITY, ENTHUSIASM, EMOTIONS and DRIVE. This motto, together with the slogan "Go for 6", accompanied us through 2004.

In terms of the corporate policy for 2004, SPEED primarily stood for more dynamic growth. The aim was to raise sales to EUR 6 billion by the end of the year. SPEED in terms of SERVICE means more than the fast, reliable and correct delivery of a broad range of products. At Würth, SERVICE also stands for permanently seeking solutions for what customers want, what they need and how to provide added value.

PRODUCTIVITY, in turn, is paramount for our competitiveness. That is why we need more SPEED in optimizing and improving internal processes. In 2004, we demonstrated that we are able to considerably raise our PRODUCTIVITY.

To make our customers believe in the Würth products, we need enthusiastic and extremely motivated employees. Würth depends on its employees' motivation to present products with true enthusiasm. EMOTIONS and ENTHUSIASM determine our collaboration with customers and are key components of our corporate culture.

Finally, SPEED in terms of DRIVE means that all employees face the challenges and tasks in a dynamic, eager and keen fashion. Transparency of corporate goals, fast decision-making and open communication by management were the prerequisites for this.

With more than just average commitment, concentration on our core competences and corporate governance oriented towards the market, management and all employees together outstripped previous results in 2004. The Würth Group was able to break the EUR 6-billion-sales barrier for the first time. Total consolidated sales increased by 13.8 percent to a new record of EUR 6.2 billion (prior year: EUR 5.45 billion). Adjusted for effects of exchange rate fluctuation, i.e. using prior-year exchange rates, the total sales of the Würth Group in fact rose by as much as 15.1 percent. Growth adjusted for exchange rate changes and acquisitions comes to ten percent. With this growth in the double-digit region, the Company clearly exceeded the growth dynamics of past years. In its now 59-year history, the Company has generated a new record level of sales each fiscal year – with the sole exception of 1975.

With the new record levels, the Würth Group gained further dynamism and stability during the fiscal year 2004. Several reasons account for this development:

- The drive to expand the sales force was purposefully continued worldwide. Würth has the necessary financial strength to continue this market-conquering policy.
- With more than 100,000 products from a single source, the Würth Line – the core business – has a broad range of high-quality products which provides it with a unique selling point on the market.
- The consolidation course of the years 2001 to 2003 was brought to a successful conclusion. The balance sheet structure and inventory management have been optimized and there is sufficient liquidity, which means that we can train management capacities on expansion once again.
- The fact that the global economy picked up again also helped our trading activities. With the exception of the moderate economic upturn in Germany, the global economy grew at a pace in 2004 that the world had not seen for 28 years.

Domestic and foreign Group companies report double-digit growth

The trend of recent years, when the Group companies outside Germany grew at a faster pace than those within Germany, reversed in fiscal year 2004. The clear lead that the foreign companies had in recent years was thus lost in 2004. The German companies achieved growth of 14.6 percent to EUR 2.5 billion in 2004 (prior year: EUR 2.2 billion), admittedly with the support of three large acquisitions that on aggregate generated annual sales of EUR 161 million. Adjusted for the acquisitions, sales in Germany still rose by 6.8 percent. This is a noteworthy performance in light of the rather modest economic recovery in Germany. Companies outside Germany raised their sales by 13.2 percent to EUR 3.7 billion (prior year: EUR 3.3 billion). Adjusted for effects of exchange rate fluctuation and acquisitions, growth of the foreign group companies was 12.1 percent.

The North American region displayed a satisfactory development, especially our companies in the United States. The 18 US companies increased sales by 32.2 percent to USD 763 million. This growth was generated without acquisitions. Ten years ago, the USA accounted for 1.4 percent of group sales. Today, our US companies generate a share in sales of about ten percent – a remark-

able performance, considering that only few European investors manage to do business successfully in the USA.

Sales in the business units

The Würth Group had 314 companies in 80 countries as of the end of 2004. Of those companies, 120 belonged to what is called the Würth Line, which comprises trading companies in the area of assembly and fastening technology. The other companies (194) – referred to as “Allied Companies” within the Group – operate under a different name and are generally trading companies in closely related business fields.

The growth dynamics of the Würth Group, broken down by Würth Line and AC Line, developed as follows: in the Würth Line growth reached 8.7 percent (EUR 3.7 billion), failing to match the overall growth rate in the Würth Group, while the Allied Companies expanded by 22.4 percent to EUR 2.5 billion. Within the Würth Line, the international companies generated growth of 9.8 percent to EUR 2.9 billion (prior year: EUR 2.7 billion). Their strongest sales markets were in Italy, Spain, France and Finland. In Germany, the Würth Line generated pleasing sales growth of 4.7 percent to EUR 816 million after the decline in sales experienced in the prior year (prior year: EUR 779 million).

The highest level of sales in the Würth Line was generated by the Metal Division with EUR 1.09 billion (+6.8 percent). It was followed by the Auto Division with sales of EUR 1.05 billion and 6.3 percent growth. The Wood Division sales jumped 6.1 percent to EUR 875 million. Sales in the Construction Division climbed to EUR 341 million (+9.6 percent). At EUR 391 million, sales in the Industry Division were clearly above the prior-year level (+29.0 percent).

Germany

Sales in EUR million	2,524
% share in total sales	40.7
Employees	13,941
Sales staff	4,696

Western Europe

Sales in EUR million	1,189
% share in total sales	19.2
Employees	9,358
Sales staff	5,275

Southern Europe

Sales in EUR million	1,085
% share in total sales	17.5
Employees	11,016
Sales staff	8,752

Eastern Europe

Sales in EUR million	229
% share in total sales	3.7
Employees	3,853
Sales staff	2,674

Scandinavia

Sales in EUR million	349
% share in total sales	5.6
Employees	1,938
Sales staff	890

America

Sales in EUR million	680
% share in total sales	11.0
Employees	4,523
Sales staff	2,245

Asia, Africa, Oceania

Sales in EUR million	147
% share in total sales	2.3
Employees	2,344
Sales staff	1,553

The total sales of our Allied Companies, accounting for approximately 40 percent of Group sales, increased by 22.4 percent to EUR 2.5 billion in fiscal year 2004 (prior year: EUR 2.0 billion). The business units displaying the strongest sales levels in 2004 were the Electrical Wholesale business (+16.1 percent) and the Trade unit (+50.5 percent).

Sales by region

The Würth Group is a trading group that operates at an international level. As such, the development of the global economy does to some extent impact the Group. Since 2001, we have gradually strengthened the importance of the regions in the Würth Group's management structure and are thus in a position to address the individual regions more efficiently, being closer to the market. True to our motto "SPEED", we formed and acquired new companies around the world in 2004. Most of our meanwhile 314 active sales companies are based in Germany, western and southern Europe. These were also the regions in which we generated the highest sales in the Würth Group.

Germany

Traditionally, Germany has been the strongest sales region in the Würth Group. The formation of Adolf Würth GmbH & Co. KG almost 60 years ago laid the foundation stone for the rapid growth and dynamic development of the Würth Group. The largest individual entity in the Group, the parent company, generated sales of EUR 827 million in 2004, employing 4,651 persons at the end of December 2004. 2004 was the first year for many years that the German group was able to slightly raise its share in the total sales of the Würth Group to 40.7 percent (prior year: 40.4 percent).

Western Europe

A key factor in the success story of the Würth Group is the early internationalization. As early as 1962, Prof. Reinhold Würth laid the foundation for global expansion by founding Würth Nederland B. V. This region, which besides the Netherlands includes companies in France, Belgium, Luxembourg, Ireland, Great Britain, Austria

and Switzerland, reported sales of EUR 1.2 billion in 2004. This corresponds to growth of 13.0 percent. It was boosted by the acquisition of the Grass group, a manufacturer of furniture fittings based in Höchst, Austria. Adjusted for the acquisitions, the region's growth rate of 6.7 percent is still decidedly positive. The second strongest sales region after Germany, with just under 9,400 employees in 2004, also plays a leading role in the Würth Group in terms of earnings power.

Southern Europe

For the first time, the Würth Group generated sales of more than EUR 1 billion in the region of southern Europe comprising companies in Portugal, Spain, Italy, Turkey, Greece, Cyprus and Malta. This represents sales growth of just under ten percent. While market activities in this region had in the past been supported by numerous incorporations, 2004 saw a consolidation phase.

With 8,752 sales staff, the southern European companies lead the field in terms of numbers. In this region, our strategic approach became particularly clear: growth by enlarging our sales force.

Eastern Europe

Raising sales by 13.9 percent to EUR 229 million, our eastern European companies were able to maintain their share in total sales of the Würth Group at 3.7 percent. Since 1994 the share of this region in sales has increased more than fourfold. This development is the result of consistent multiplication of existing business models over the past years. In 2004, this strategy was pursued further, for example, with the formation of Wasi Romania S.R.L. and of Hahn+Kolb d.o.o. Beograd, Serbia and Montenegro, which helped to reinforce the market presence. Further incorporations are planned for this region in 2005, mainly in our Allied Companies unit.

Scandinavia

This region, with the lowest number of sales companies in the Würth Group, has for many years been characterized by extremely professional marketing associated with very high market penetration. Our companies in Finland, Norway, Sweden, Denmark and Iceland successfully boosted sales by 8.4 percent to EUR 349 million in 2004. Measured against total sales, they account for a share of 5.6 percent. The particular importance of this region for the Würth Group is reflected especially by the high profitability of the Scandinavian companies.

America

Our American companies made a significant contribution to the Würth Group's sales growth in 2004. With sales climbing 19.5 percent to EUR 680 million, the companies overcame the low reached in 2003 on account of the weak dollar and the financial and economic crises in South America.

The consolidation course and the high capital expenditures of recent years paid off for our US companies in fiscal 2004. With double-digit growth and a share in total sales of about ten percent, the US market will remain at the center of our expansion activities.

The positive trend of the South American companies that was already becoming apparent in 2003 was continued in 2004 with 22.5 percent growth as the political, economic and financial situation had stabilized.

Asia, Africa and Oceania

The lowest share in total sales of the Würth Group was accounted for by the companies in Asia, Africa and Oceania at just 2.3 percent. However, with China and India, this region also encompasses the large markets of the future. In terms of sales growth, this region takes the lead within the Würth Group with a rate of 26.7 percent.

We have more than 800 salesmen serving the Asian market today. In relation to the geographic area and the number of potential customers in this region, the market share of the Würth Group is still low, even if we have paved the way for further above-average growth rates.

Operating result increases to record level

Our aim for 2004 was not only to increase sales by over ten percent, we also planned to raise earnings accordingly, in spite of the acquisitions made.

The Würth Group pushed its operating result to a new record of EUR 395 million in fiscal 2004, outstripping its top prior-year performance by 19.7 percent (EUR 330 million). Earnings thus grew at an even higher rate than sales, which underlines the fact that the Würth Group is on a healthy course for growth.

While the international companies increased earnings – the well-established Würth companies in Spain, France and Finland within the Würth Line in particular – the German companies improved their operating result by 33.8 percent.

The net income of the Würth Group rose by EUR 39 million on the prior year to EUR 258 million.

Equity ratio of 48.0 percent

The economic equity of the Würth Group climbed by EUR 232 million to EUR 1.73 billion in fiscal 2004. The Würth Group thus maintained its remarkable equity ratio of 48.0 percent (prior year: 48.0 percent), which is far above the average of European trading companies.

The Würth Group issued its first US private placement of USD 200 million in the summer 2004. The Board of Directors of the Würth Group presented the Würth Group's business model to a total of 60 investors at a roadshow touring various cities in the United States. In a bid process we received bids for a total of USD 615

million on June 24, 2004. Eight American investors were finally chosen – primarily companies in the insurance industry as well as professional investors. This transaction was accompanied by Deutsche Bank and Banc of America Securities.

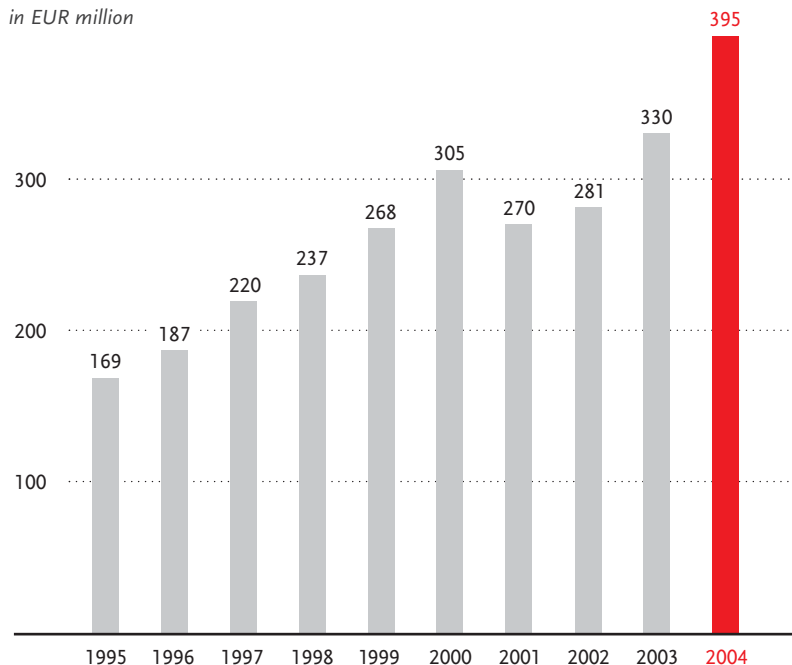
The funds raised were used on the one hand to repay a bond of USD 100 million due in October 2004 and on the other they are earmarked for further capital expenditure on the expanding US market. The bond has a maturity of seven years, the effective interest is 5.16 percent.

The most recent assessment of the financial position of the Würth Group in 2004 by the rating agency Standard & Poor's gave not just a positive picture of the Company's creditworthiness and development potential, but also once again confirmed the previous "A/outlook stable" rating. This has helped the Würth Group to obtain very favorable refinancing conditions and boosts the confidence of our customers and suppliers.

The Würth Group spent a total of EUR 237 million on property, plant and equipment, intangible assets and financial assets in 2004.

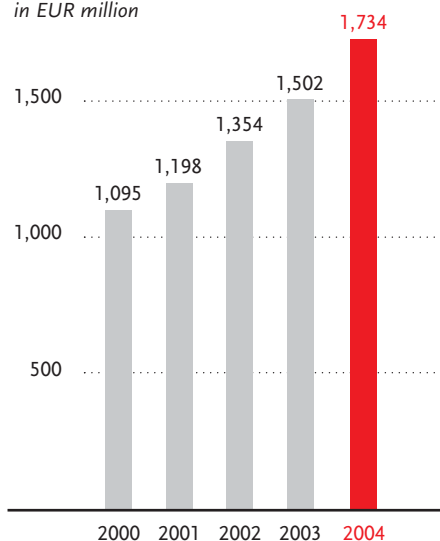
Pre-tax operating result of the Würth Group

in EUR million



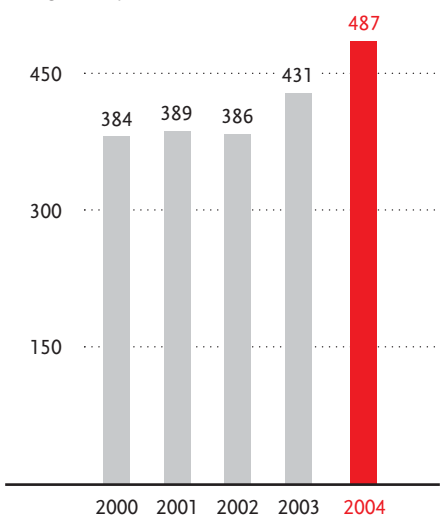
Economic equity of the Würth Group

in EUR million



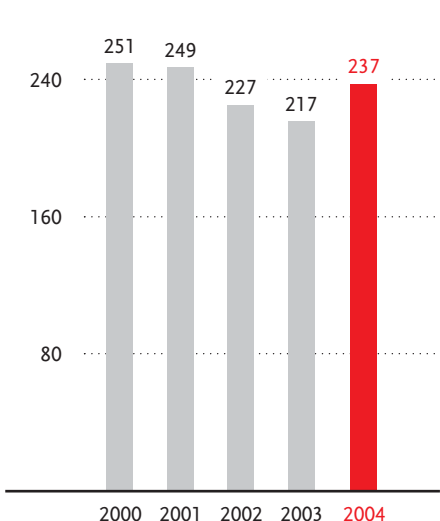
Gross cash flow of the Würth Group

in EUR million



Capital expenditure of the Würth Group

in EUR million



Purchasing

The central topic on the procurement side in the past year 2004 was the development of prices on the markets for raw materials. The economic boom in China in particular, along with the rising demand for steel and power led to bottlenecks on the steel and oil market and to higher prices. Despite the increasing shortage of steel, the Würth Group successfully maintained its ability to supply the product segments concerned.

Contrary to the years 2001 to 2003, inventory levels in the Würth Group were stepped up in the fiscal year 2004. This development is partly in response to changes on the procurement market. The acquisitions made in 2004 increased inventories by a further EUR 74 million. Overall, the inventory turnover calculated on a 12-month rolling basis dropped slightly to 5.8 (prior year: 5.9). Our service level as indicator for our ability to deliver stayed at a high level of 98.1 percent.

5,021 additional employees

Qualified employees are the key factor for the success of a company. The ongoing development and training of employees is therefore just as important as capital expenditure on technology and the market. We are convinced that our Company's potential for growth has by no means been fully exploited yet at a market share of about four percent. We see additional staff as an investment in future success and as an opportunity of attracting new customers and tapping new markets.

The Würth Group consequently again invested heavily in the future of the Company in fiscal 2004. The headcount rose by 5,021 to 46,973 employees worldwide (prior year: 41,952), i.e. this is a twelve percent increase. This figure includes 1,395 new jobs created through business acquisitions. As a further result of the acquisitions, the number of office employees rose at a faster pace in the past fiscal year than that of our salesmen. As of December 31, 2004, we had 20,888 office employees (prior year: 18,464). The number of our salesmen was up 11.1 percent to 26,085 (prior year: 23,488). Outside Germany, the headcount was 13.4 percent higher, reaching 33,032 (prior year: 29,117), within Germany it gained 8.6 percent to 13,941 employees (prior year: 12,835).

Employees			
	2003	2004	%
Würth Line Germany	4,798	5,067	+ 5.6
Allied Companies Germany	8,037	8,874	+ 10.4
Würth Group Germany	12,835	13,941	+ 8.6
Würth Group International	29,117	33,032	+ 13.4
Würth Group total	41,952	46,973	+ 12.0
<i>thereof:</i>			
Sales staff	23,488	26,085	+ 11.1
Office staff	18,464	20,888	+ 13.1

Success through taking responsibility and ongoing further training

We offer our employees maximum responsibility to enable them to fully display their entrepreneurial skills and participate in the development of Würth. This includes performance-based compensation and a bonus system. Würth is a decentralized company, which is why our international subsidiaries, generating 59.3 percent of sales, also enjoy a maximum level of autonomy. With the help of a comprehensive training program, we make sure that Würth stands for uniform high standards in customer service around the world, despite the decentralized structure. Our employees enhance their knowledge and receive specific further training at regular seminars. In addition, the training program serves to further knowledge sharing across the individual companies and ensures that new ideas quickly spread throughout the whole Group. With this and the high level of employee responsibility, we have created the basis for the success of Würth: our team of highly motivated and competent employees.

The ongoing development and training of employees rests on several pillars at Würth, from the education of trainees to further training programs for future top managers. Our sales people, for instance, have to go through a comprehensive introductory program at the start. The Würth Academy in Künzelsau manages the group-wide seminars and qualification schemes, developing offers for all training needs in close cooperation with executives.

Development of management qualities

Global economic and technical dynamism is forcing companies to constantly adapt to increasingly tougher competition. In this context, lifelong learning is required first and foremost of executives wishing to successfully steer

a business through these developments. Selecting the right executives is therefore a key factor in a company's success.

Würth has made the decision to recruit its management from its existing employees as far as possible. This will not only guarantee that the executives are familiar with the business operations, but also that they have understood the corporate culture of Würth and will support it. Owing to Würth's continual growth, the demand for executives is particularly high. A central task with regard to human resources is therefore to select employees with potential at an early stage, to encourage and train them in the areas where they need to learn most. For this purpose, the Würth Academy put a high potential program in place a couple of years back for potential managers at all Würth companies: MC Würth. The development program spans roughly three years. The MC Würth Basic Seminar is followed by project work on ongoing operations, training on the job and training courses.

Würth's international high potential program initiated in 2001 addresses future top managers already working in responsible positions. The candidates are selected by the national general managers in cooperation with the Board of Directors and participate in intensive qualification and coaching schemes. After three to five years, the 'high potentials' are ready for the next step in their career.

Development of executives through MBA studies

A further pillar in the development of executives at Würth is to enable working professionals to pursue a Master of Business Administration (MBA). The Würth Academy developed this postgraduate course of studies in collaboration with the University of Louisville, Kentucky (USA) and the University of Applied Sciences in Künzelsau (Germany) in 2002. Since the launch three years ago, a total of 29 employees have successfully completed the MBA. The post-graduate course guarantees qualified, all-round management training, and participants receive an internationally recognized US university degree upon successful completion. The US University of Louisville, with whom the Würth Academy has entered into cooperation, made the seventh place in the ranking of "Business Schools of Entrepreneurship" and has also been accredited by the Association to Advance Collegiate Schools of Business (AACSB).

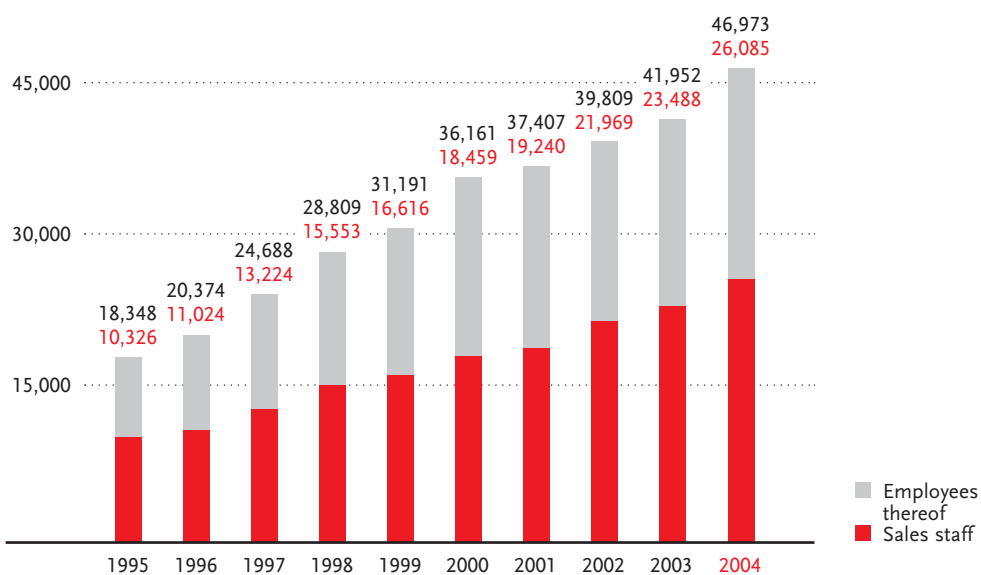
Successful MBA year 2004

The MBA program covers 13 months and offers two main areas of study: International Management & Entrepreneurship and International Accounting & Finance. The MBA starts with a six-week course at the University of Louisville. Then the students attend various classes at the Würth Academy in Bad Mergentheim while continuing to work for the Company. The course covers topics such as company formation procedures, conception of business plans, finance and accounting, international accounting standards and reporting systems and marketing. A university degree is required for the postgraduate MBA course and, for the International Accounting & Finance course, also a degree in an economic discipline.

The graduates of the last MBA year again passed the course with flying colors. Traditionally, the University of Louisville invites selected teams among the graduates of its international MBA program to take part in a competition. The aim is to present new business ideas to a jury of bank representatives, professors and industry experts. A team of four employees from Würth came second in this presentation. The successful MBA graduates convinced the jury with the formation of their company HICA Systems that is to offer integrated IT and logistics services

for small and mid-sized companies. “The course was a great challenge and I can only recommend it. We motivated each other, the team gave us additional energy,” says industrial engineer Christian Schorndorfer from Würth Industrie Service GmbH & Co. KG about the postgraduate course. He considers it a great advantage for his further professional career. Other companies have now also discovered the MBA course offered by the Würth Academy. The Würth Company has therefore decided to admit other interested parties to the MBA course as well. In future, employees not employed by Würth can also obtain the much sought-after MBA in International Management and Entrepreneurship. Professor Reinhold Würth and the University of Louisville signed the contract at the end of December 2004. The Würth Academy in Bad Mergentheim will offer two more MBA courses in spring and summer 2005. These programs are all aimed at qualifying excellent employees with potential at the right time to ensure that they can assume key positions at their company or within the Group. There is no career guarantee for the employees who go through this comprehensive preparation, yet the measures have shown that Würth means what it says about personal development opportunities. Each employee has the opportunity to grow into

Employees Würth Group



a responsible position and to receive assistance on all fronts to enable him or her to do so.

A thank you from the Board of Directors to our employees

The resounding success of the Würth Group in the past fiscal year, by far outstripping the economic recovery, is also attributable to the dedication and commitment of our employees. The Board of Directors would therefore like to express its sincere thanks for the hard work shown by every employee and for their loyalty to the Company. Our special thanks go to the works council and council of representatives who accompanied and actively supported Würth's development in a spirit of constructive cooperation.

Research and development

The focus of the research and development department and its 220 employees is to develop and update the product range. 40 percent of the Würth Line sales are generated with products that have only been included in the product range over the last five years. Our internal development department tests new products under extreme conditions using complex processes. Simultaneously, it cooperates closely with suppliers and specialists from various product areas. Our goal is to bring to market maturity the kind of products that cannot be found elsewhere or are distinctly above average in quality.

As we are a globally operating company, our product-development projects concentrate primarily on solutions that are time-saving for the customer. Besides quality, user-friendliness is one of the main criteria for new products. This future-oriented product and system development work also finds expression in our cooperation with independent research institutes, universities and the customer advisory board. Not until our high, exactly defined quality standards have been satisfied are products released for sale. Total quality management is the term for the outstanding service which all business processes are designed to ensure in the Company.

Environmental protection

Just as specific and top-quality innovations figure among our corporate goals, environmental protection is an integral part of our corporate philosophy. Our corporate guidelines integrate all environmentally relevant matters into our operational management activities. This applies equally to our manufacturing companies and to our products. It goes without saying that the product range is environmentally friendly and safe to use. Examples include the launch of the ecological ABSOBON brand of the Würth Line. The ecological impact analysis carried

out as part of product development is hence vital for us.

Risk management

The core business of the Würth Group is a typical trading company. The business policy of the Allied Companies is also marketing-oriented. Over 26,000 salesmen offer our services to more than 2.65 million customers around the world, selling some 100,000 different products. The average order value across the entire Group is about EUR 250.

Although the Company is not exposed to any major risks with respect to either the range of products or customers, the strong decentralization of business fields in legally independent companies in 80 countries reduces risks even further. In addition, the characteristic Würth market is organized extremely polypolistically, which means that there are many suppliers and even more customers. As a result, the business risk in terms of risks jeopardizing the continued existence of the Würth Group as a going concern is relatively low.

The manufacturing companies of the AC Line within the Würth Group ensure through careful selection of suppliers and materials, certified internal processes and comprehensive quality audits that the products meet the highest standards, including those of the automotive industry and its suppliers. We have insured against risks associated with the production and sale of these products to an economically reasonable extent.

Risk controlling

The Würth Group has installed a risk management system with reference to KonTraG, the German Law on Control and Transparency in Business. As a group with international operations, we have systematized our risk management besides installing risk controlling.

In the Würth Group, we define risk management as an ongoing evaluation of risks and opportunities. Risk management is the responsibility of the active management. Each operating unit has an employee in charge of risk management, who supports management in implementing a functioning and efficient risk management system.

The risk controlling system adds another safety net. The risk controlling is performed by a risk controller, who reports directly to the Chairman of the Advisory Board of the Würth Group.

Those risks that can be insured on an economically reasonable scale are covered by master programs including the companies that have only just joined the Group.

The Würth Group has an adequate management information system as well as a number of monitoring and control instruments such as the controlling and

internal audit departments. This way, it is ensured that any potential risk factors are regularly identified at an early stage and appropriate action can be taken. The procedures, rules and other instructions in place are designed to appropriately inform the Advisory Board and the Board of Directors of the Würth Group on a timely basis of the development and management of the risks.

The business activities of the Würth Group are subject to financial risks that are assessed, managed and monitored by a systematic risk management process. This process incorporates the management of marketing risks (mainly interest and exchange rate risks), credit risks and liquidity risks which is conducted centrally for the Würth Group by Würth Finance International B.V. The processes there are subject to a strict segregation of functions between the party entering into the risk and the party monitoring the risk. Financial risks are managed via documented strategic guidelines, supplemented by regular reviews.

Würth Finance International B.V. uses derivative financial instruments to hedge against financial risks and optimize income from financial assets. Any loss of value of an item is generally expected to be compensated for by a rise in value of the corresponding hedging transaction.

Startups and acquisitions

At the end of fiscal year 2004, the Würth Group comprised 314 companies in 80 countries. Of the 314 companies, 120 were Würth Line companies and 194 operated as Allied Companies under a different name. After years of consolidation, 2004 was the first year in which we realized acquisitions again on a larger scale with the companies of the Grass group, DIY-World and Lichtzentrale Thurner.

The following companies were integrated in the Würth Group by way of acquisition:

- Würth Kirsch GmbH & Co. KG, Germany (insurance broker)
- Lichtzentrale Thurner GmbH, Germany (specialist in project business for lighting)
- DIY World GmbH, Sortimente und Service, Germany (tools and hardware supplier for DIY and discount stores)
- the Grass group, Austria (manufacturer of drawer slides and hinges with plants in Germany and the United States)
- Schmid Schrauben Hainfeld GmbH, Austria

The following companies were established:

Würth Line:

- Würth Ecuador
- Würth India Calcutta (already the third Würth company in India)

Allied Companies:

- Normfest, Austria and the Netherlands (sale of standard/DIN parts)
- Würth Electronics, Hong Kong (Electronics group)
- Würth Elektronik eiSos, Taiwan (Electronics group)
- Hahn+Kolb, Serbia and Montenegro (tool trade)
- Wasi Romania (stainless steel specialist)
- Grass, China (production and trade with drawer slides)
- Metalife, Romania (retail trade with technical consumables)
- Würth Phoenix Information Technology Co. Ltd., China (IT specialist)

Corporate governance of the Würth Group

With about 47,000 employees, the Würth Group needs certain rules to govern the behavior of people and their cooperation as well as to provide a framework for entrepreneurial decisions.

The corporate constitution of the Würth Group is made up of the following components in addition to the fixed regulations provided by its legal structure:

- Corporate philosophy
- Corporate culture
- Corporate ethics
- Corporate governance

The corporate philosophy, lived and defined by Reinhold Würth, determines the understanding and image the Würth Group has of itself. Together with corporate ethics, the corporate culture deals with questions of which values and standards should underlie entrepreneurial decisions and actions as well as the behavior and collaboration of people. Würth's corporate culture is described by terms such as young, dynamic, performance-oriented, open, honest, reliable and responsible. The term corporate ethics refers to doing what is right within our legal system.

Würth operates worldwide. This means that we need to set out binding standards and rules of conduct without infringing values prevailing in various countries and cultures. On the basis of our corporate philosophy and corporate culture, our PAP rules (Policy and Procedure Manual) sets out a code of conduct to guide executives and employees with respect to the behavior and attitudes we expect of every employee.

Corporate governance provides rules and standards for good and responsible management and monitoring of companies. Corporate governance is thus closely related to corporate ethics. The Würth Group welcomes the German Corporate Governance Code issued by the government commission and last updated in May 2003.

With the aim of continuing the successful development of the Würth Group and safeguarding our approx. 47,000 jobs and even creating new positions, many years ago we already defined rules, codes of conduct and standards of how management competences should be transferred to management and monitoring bodies of the Würth Group. Our Board of Directors is comparable to the management board of a stock corporation. The

Advisory Board of the Würth Group corresponds to the supervisory board of a listed company. Shareholders in the meaning of the Corporate Governance Code are the five foundations:

- Carmen Würth Family Foundation
- Bettina Würth Family Foundation
- Marion Würth Family Foundation
- Markus Würth Family Foundation
- Adolf Würth Foundation

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

- Dual management system, i.e. segregation of operative management and supervisory bodies
- Internal audit department
- Audit of the individual and consolidated financial statements by independent auditors
- Risk management and risk controlling
- Target setting and budgeting process at company and Group level
- Refined controlling methods to create transparency in operating units
- Rating by international rating agencies

We consider these interacting systems as a good basis for corporate governance to be practiced in the Würth Group. The declaration of compliance with the German Corporate Governance Code issued jointly by the Advisory Board and the Board of Directors on November 26, 2004 – explaining a few deviations due to the fact that some of the Code's provisions do not seem appropriate for family businesses that are not listed on the stock exchange or proved too rigid with respect to time or content requirements – was made available permanently to the public at www.wuerth.com.

Subsequent events

Effective January 1, 2005, we acquired the IBE group to sustainably strengthen our companies in the Würth Electronics group. This group manufactures and sells inductive components for automotive suppliers and generated sales of EUR 20 million in 2004.

The Würth Group is currently also in negotiations concerning the acquisition of a majority holding in a medium-sized bank with total assets of EUR 413.5 million (as of December 31, 2004) in order to further expand our range of financial services.

Outlook for 2005

The global economy in 2005 will be influenced to a great extent by the development of the price for crude oil and raw materials. Another considerable risk for the international economic development is the US dollar exchange rate. For exports, it has currently reached a critically low level, above all against the western European currencies. Nonetheless, the global economy is set for an upward trend forecast to continue well beyond the middle of the year. The western industrialized countries will continue to recover despite what for some countries was a disappointing development in the last six months of 2004.

The German economy will remain unstable in 2005. Even assuming that the economy will continue to pick up in Germany, the prospects of a recovery this year are still not good. In the fourth quarter of 2004 the economic output shrank by 0.2 percent, and the starting point for a full recovery thus slid again further.

Weak domestic consumption is once again the main factor to blame for the economic slump in Germany. Even the export activity lost some of its pace towards the end of 2004. The development of the economy in 2005 will therefore depend greatly on domestic demand, and in particular on investments. Growth of just under one percent is realistic for Germany.

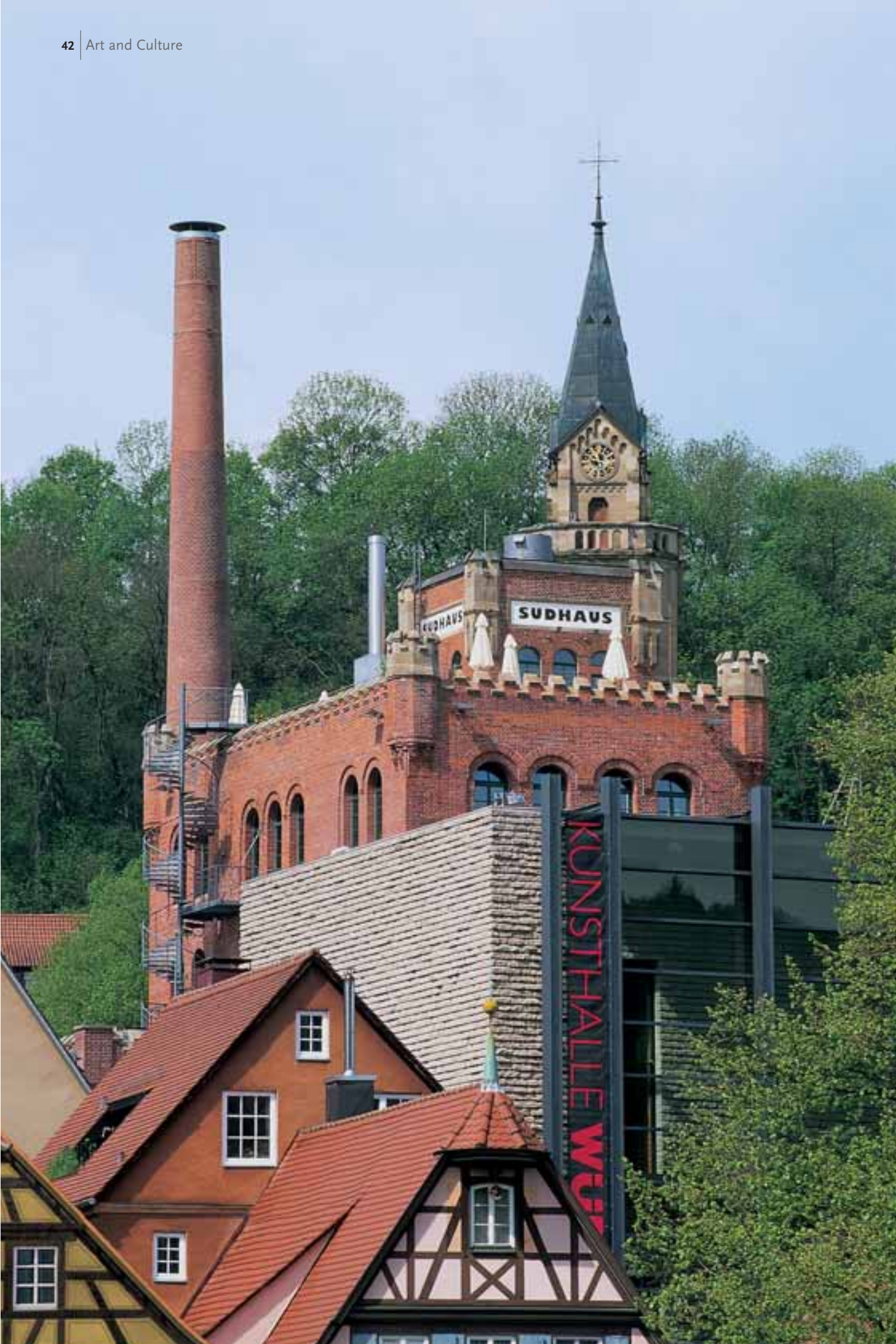
The building industry does not expect a turnaround in 2005. The industry is expecting another crisis year for the eleventh year in a row with sales declining in residential building, commercial building and public building by up to three percent. In addition, thousands of jobs could be cut. The reasons for the desolate situation in the German building industry are the economic slump as well as the vacant office space and the financial difficulties of municipalities.

German trades, by contrast, see the first signs of the downturn that has been ongoing for several years bottoming out. Sales and employment levels will decrease further in 2005, yet not as severely as in the past two years. Zentralverband des Deutschen Handwerks, the Central Association of German Trades, does not expect the negative sales development that has been ongoing since 2000 to improve noticeably until 2006 at the very earliest.

Owing to our international orientation and our broad range of products and services, we are in a position to detach ourselves from the economic development of a home market and establish our own corporate economy.

2005 is a special year for Würth. The nucleus of our corporate group, Adolf Würth GmbH & Co. KG, turns 60 and Professor Reinhold Würth, Chairman of the Advisory Board of the Würth Group celebrates his 70th birthday. Over a period of 50 years, he turned the two-man operation with annual sales of approx. EUR 80,000 into a global trading group.

The economic success of 2004 and the positive forecasts for the global economy are motivating for the current fiscal year 2005. We will pursue our course for success and continue along the path taken. We will therefore continue under the motto "SPEED" in 2005. We want to maintain our pace and aim for another double-digit growth rate. The operating result should rise at an even higher rate than sales.



Art and Culture 2004

A COMMITMENT TO CULTURE THAT CONNECTS ART AND BUSINESS

The diverse corporate culture of Würth is expressed not only by the high-quality training courses it offers, but also by its cultural commitment. This is the spirit in which a museum was integrated in the office building at the Group headquarters in Künzelsau – a museum, which has become an attraction for both company employees and the interested public since its inauguration in 1991.

In May 2001, activities in this field were supplemented by the opening of the “Kunsthalle Würth” gallery in Schwäbisch Hall. Essential motifs of both the museum and the gallery reflect aspects of the Würth Company such as modernity, internationality, and quality.

The basis for all activities is the Würth Collection, which now includes some 8,000 works of art and reflects the development of modern art from the late 19th century through to present day art. Groups of works from earlier periods of the history of art were recently added to the collection. With such a broad basis, different facets of the collection can be presented and highlighted, or new perspectives and contexts can throw the vitality and complexity of works of art that have already been on display into sharp relief.

The small Hirschwirtscheuer museum for the Sommer artist family in Künzelsau, which is also managed by Würth, has made a name for itself ever since 1989, with a mixture of cultural history exhibitions and monographic presentations of contemporary art.

Additionally, there are the exhibition forums at Würth’s foreign subsidiaries in Norway, Denmark, the Netherlands, Austria, and Switzerland, which have taken on board the extraordinary concept of “art in the workplace” and themselves stage interesting exhibitions, readings, and special events.

In this way, cultural and social offerings complement the employees’ workday in the spirit of a corporate culture, inclining people to tolerance, awakening new, interesting associations and ideas and promoting quality of life and quality of the company’s work.



Robert Jacobsen Sculpture
outside the main entrance
of the Group headquarters



Event for schools at the “Heftige Malerei”
(fierce painting) exhibition in the Kulturforum
at Würth International AG in Chur



Anselm Kiefer (*1945)

Merkaba, 2001

Oil, emulsion, acrylic, wire,

plaster, and lead objects on canvas

280 x 500 cm

Würth Collection, Inv. 7754

The “Kunsthalle Würth” gallery and Sudhaus

In 2004, the Würth gallery in Schwäbisch Hall staged the exhibition “Up and Down the Land – Karlsruhe und Stuttgart as reflected by the Würth Collection” giving an insight into the stances adopted by 20th and 21st century artists working in Baden-Württemberg’s art centers Karlsruhe and Stuttgart. Parallel to this, the gallery put on the retrospective exhibition “CARO IN FOCUS – The Sculptures of Anthony Caro: 1942–2003” to mark the 80th birthday of one of the most widely acclaimed living British sculptors. At the same time this exhibition served to inaugurate the new halls of the gallery added by reopening the historic Sudhaus – the gallery was erected on the site of a former brewery. The restored historic hall from 1902/03, tastefully interspersed with modern elements, gives the renovated space a fascinating design. The “Sudhaus an der Kunsthalle Würth” is now open for social evenings, receptions, lectures, or dinner parties in an attractive atmosphere which can be combined with a visit to Kunsthalle Würth.

In the fall, Kunsthalle Würth presented another two very special exhibitions – “Old Masters in the Würth Collection: The Former Fürstlich Fürstenberg Collection of Paintings” and “Anselm Kiefer – Let a Thousand Flowers Bloom.”

The Würth Company was able to acquire the extensive collection of the former Fürstlich Fürstenberg collection of paintings, Donaueschingen – one of the most important and most exquisite private collections of mainly southern German art from the late Middle Ages – for the Würth Collection. Since October 2004 paintings by Bartholomäus Zeitblom, Bernhard Strigel, Andreas Haider, Hans Schäußlein, Hans Süss von Kulmbach, Barthel Beham, the Master of Messkirch, Hans Holbein the Older and Lucas Cranach the Older have enraptured visitors, while modern art enthusiasts can enjoy the first major Anselm Kiefer exhibition in Germany for more than ten years.



Former Federal President Prof. Roman Herzog, Prof. Reinhold Würth and the Premier of the State of Baden-Württemberg Erwin Teufel during a visit to the “Old Masters” exhibition



Aerial view of the newly opened Sudhaus at the Kunsthalle Würth gallery, May 2004



André Masson (1896–1987)
Les insectes Matadors
(The insect matadors), 1936
Oil on canvas
89 x 116 cm
Würth Collection, Inv. 7912

Museum Würth

The “Alfred Haberpointner – Concrete Transformations” exhibition shown by the Würth museum at the beginning of the year was the largest individual exhibition to be shown to date in Germany of the Austrian wood sculptor, born in 1966. His works fascinate not just in the creativity of their shape, but also in their captivating proportions. With “André Masson – A Mythology of Nature” by contrast, paintings and drawings by a leading representative of surrealism were on display in Künzelsau.

The works of art were loaned by international private and museum collections, including the Musée National d’Art Moderne in the Paris Centre Georges Pompidou and the Kunstmuseum Bern.



View of the Haberpointner exhibition



Book signing at the award ceremony as the Würth Prize for European Literature goes to Harald Hartung in January 2004 in Stuttgart

Würth Literature Prize

The Würth Group is also a sponsor of literature. Since the poetry chair was established at the University of Tübingen in 1995, international writers have been invited to come to Tübingen to teach and participate in workshops and discussions. In 2004, André Heller and Ruth Klüger were won as guest lecturers. At the start of the winter term 2004/2005, the comparative literature scholar Prof. Dorothee Kimmich, assumed the visiting professorship. Prof. Kimmich took over from Prof. Jürgen Wertheimer.

The Würth Literature Prize of EUR 7,500 attached to the professorship is unique as a model for a prize that sponsors writers, especially emerging talents. Between 1996 and 2002, it was awarded twice a year, since 2003 it has been bestowed annually. The respective holder of the Tübingen poetry chair, which is also financed by the Würth Group, selects the topic for the competition.

Würth Prize for European Literature

The Würth Prize for European Literature was awarded to the Berlin author Harald Hartung in 2004. Following Hermann Lenz (1998), Claudio Magris (2000) and Claude Vigée (2002), Hartung is the fourth author to receive the EUR 25,000 literature prize endowed by the Würth Group. The prize aims to “draw attention to a culturally diverse Europe,” and is awarded to “persons working at the interface between different cultures.”



Andreas Haider (c. 1495–1544/45)

Bildnis eines Mannes mit rotem Barett

(Portrait of a man with red beret),

around 1516/17

Limewood

43 x 34 cm

Würth Collection, Inv. 6558

Würth Foundation

SPONSORING ART AND CULTURE, AS WELL AS RESEARCH AND THE SCIENCES

Committed cultural work is an integral part of the corporate culture and philosophy of Würth. It is the declared purpose of the Würth Foundation established by Reinhold and Carmen Würth in 1987 to sponsor art and culture, research and science projects. In 2004, the endowment of the foundation was increased by EUR 500,000 to EUR 3 million.

Würth Prize of Jeunesses Musicales Germany

The Würth Prize of Jeunesses Musicales Germany has been awarded since 1991 to outstanding young ensembles or public figures in the music world who have contributed towards the aims of Jeunesses Musicales in a special way. The prizewinner in 2004 was the Berlin Philharmonic Orchestra for its Zukunft@BPhil education program. The prize was handed over to Sir Simon Rattle by Professor Reinhold Würth during a ceremony at the Berlin Philharmonia.



Conductor Sir Simon Rattle receives the Würth Prize of Jeunesses Musicales Germany



Mosaic in the dome of the Cappella Palatina in Palermo

Robert Jacobsen Prize

This prize is awarded every two years in the memory of the major Danish sculptor and graphic artist Robert Jacobsen (1912–1993). The prize recognizes and promotes the contemporary visual arts. In 2004 it went to the young Portuguese sculptor Rui Chafes. Examples of his work were shown at an exhibition in Crailsheim.

Restoration of the Cappella Palatina in Palermo

The Würth Foundation has made a generous donation towards the restoration of the earthquake-damaged Cappella Palatina in Palermo's Norman Palace. The work focuses on building analysis and research on the lower church. As part of this sponsorship scheme, the Würth Foundation and the Sicilian government agreed that art and cultural events as well as – for several months a year – top-level exhibitions from the Würth Collection would be held in the Norman Palace during the restoration period from 2005 to 2009. The unique splendor of the palace's chapel with its mosaics represents a cultural heritage of outstanding significance. Its maintenance is therefore a vital issue across regional borders, also for Würth.

The Würth Academy

LIFELONG LEARNING – NO LONGER SIMPLY A FEATURE OF EDUCATION AND VOCATIONAL TRAINING

“If we did all the things we are capable of doing, we would literally astound ourselves,” Thomas Alva Edison (1847–1931) once said.

Believing in one’s own ability and making the most of it – that is what the seminars offered by the Würth Academy want to achieve. We want to provide our employees with the opportunity to develop their talents further for professional and social purposes to open up individual opportunities for them in life and work.

The main task of the Würth Academy is the organization of seminars for continuing education for all employees in the Würth Group. The idea is to enhance existing competencies and keep our employees abreast of the rapid progress that is changing the nature of many jobs. But education is more than just knowledge. Since 1991, the Würth Academy has offered a multifaceted program of concerts and other special events.

391 seminar offerings

The Würth Academy’s vocational training offerings included 150 seminars in 2004. The spectrum of topics ranged from computer science, rhetoric and the basics of leadership to business English and pro-active telephone sales. 241 seminars were offered to customers.

Cultural highlights 2004

The cultural highlights in the Würth Academy’s cultural calendar included the “Anfang offen” (‘open beginning’) show of the satirical revue performer from Cologne, Richard Rogler, the appearance of the Barrelhouse Jazzband and Georg Danzer, who presented his new CD “Persönlich” (‘personally’) in the Alma Würth Hall.

The Würth Open Air Festival 2004

This event has already become a real classic in the region’s event calendar. True to tradition, the festival was opened at the company headquarters in Künzelsau-Gaisbach by Justus Frantz and his Philharmonia of the Nations. Rock legends of the 70s and 80s such as Chris Norman, Golden Earring, Roger Chapman & The Shortlist, Bonnie Tyler, Kim Wilde, Dave Dee, Dozy, Beaky, Mick & Tich really turned up the heat for the enthusiastic visitors on Saturday and Sunday.



Chris Norman, former lead singer of Smokie



The Würth Open Air Festival has been drawing visitors since 1997



Bonnie Tyler, one of the most expressive voices in rock music

Würth Haus Berlin

WÜRTH FOOTHOLD IN BERLIN

In May 2003, the Würth Group moved into Würth Haus Berlin, establishing a presence in the German capital.

Due to its dynamic corporate development and, in particular, its international nature, Würth feels it has both a certain responsibility, as well as the legitimation to speak out on political and social issues. In doing so, Würth is aware that, as part of society, every business – whether positively or negatively – has an impact on society. Business has the pleasant – or sometimes unpleasant – tendency to create irreversible facts at high speed that cannot be dealt with by legislation until some time later. Business and politics are therefore well advised to maintain dialog.

Debate about society's way forward

Würth wants to take part in the debate about where we want to go in this society over the next twenty or thirty decisive years. Against the backdrop of reorganization and expansion of the European Union in particular, cross-border trade and commerce is increasingly playing a guiding role.



Würth Haus Berlin,
representative office
of the Würth Group

In times in which the scope of governments to act is limited more and more by fiscal restrictions and political inflexibility, business as the remaining creative force is gaining in importance in all areas of society. Würth is prepared to face the responsibility arising; the initiatives and activities originating from its Group representative office are proof of this.

Corporate citizenship as a duty

Corporate citizenship, public affairs and political communication are the issues that are pooled, followed up and developed in the house on the Wannsee lake. The Würth Haus Berlin has become a place to meet representatives of national politics, industry associations, academia, and the diplomatic service. It is the venue where debates can be held, away from day-to-day politics, unburdened, without party politics or conventional restrictions, and strategies can be developed as a result; the sole purpose being to make a sustainable contribution to the continued prosperity of our society.

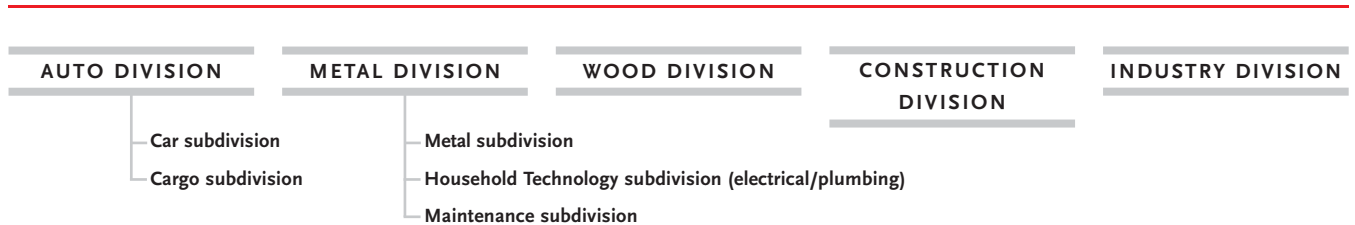
The Würth Haus Berlin assumes a facilitating and at the same time a guiding role, based on the ethics of the Company and the commitment to the welfare of society. It is the house of businessmen and Württemberg liberals who speak out in favor of the independence of the civil society from the state, knowing that the liberal development of a citizens' society is very precious.

THE OPERATIONAL UNITS WITHIN THE WÜRTH GROUP

The 314 companies that make up the Würth Group's active sales operations are divided into two entities: Würth Line and Allied Companies.

Würth Line operations focus on fastening and assembly materials, supplying customers in the trades, the construction sector, and industry. Internationally, the operational business units within the Würth Line comprise the Auto Division with the Car and Cargo subdivisions, the Metal Division with the subdivisions Metal, Household Technology and Maintenance, the Wood Division, the Construction Division, and the Industry Division.

WÜRTH-LINE



Auto Division – Car subdivision

The business objective of the Car subdivision is to sell standard/DIN parts, fastening materials and chemical products as well as tools to authorized dealerships of car manufacturers and independent workshops as well as special shops and professional car trade service providers. These include in particular all products for car maintenance, repair and servicing purposes.

Auto Division – Cargo subdivision

The Cargo subdivision supplies authorized dealers and independent workshops as well as special shops and commercial vehicle service providers. Fastening, assembly and cleaning products required especially for the maintenance, repair and servicing of commercial vehicles are sold here.

Metal Division – Metal subdivision

This subdivision directly serves customers in the metalworking and metal processing industries such as metal and steel fabricators, fitters, machine and vehicle manufacturers. The Metal subdivision focuses on the provision of products such as anchor and dowel systems, tools and electrical machines and standard/DIN parts for working and processing various metals.

Metal Division – Household Technology subdivision

The Household Technology subdivision concentrates on electricians, gas, heating and water installation firms, plumbers as well as air conditioning and ventilation system firms. The products offered here range from rapid assembly systems, insulating materials for plumbing and cable laying-out systems to installation materials in the electrical area.

Metal Division – Maintenance subdivision

This subdivision addresses a wide range of customers. They include in-house repair shops, facility and installation maintenance of insurance companies, clinics and hospitals, hotels, airports, sewage plants and recycling companies as well as garden and landscape specialists. The focal point is a complete product range for minor repairs and products for servicing, maintenance and care.

Wood Division

The Wood Division serves customers in the entire woodworking and processing trade, typically joiners/carpenters and window makers, (wood and vinyl). The product range covers furniture fittings, the entire range of fastening materials and sealing technology as well as hand tools, power tools, abrasives and chemical products.

Construction Division

The Construction Division encompasses all sales units responsible for serving customers in the building and civil engineering industry and finishing trades. Marketing activity focuses on construction companies, roofers, plasterers, stucco masons, dry construction firms and direct supplies to building sites. Customized logistics solutions such as building site containers are also provided.

Industry Division

The Industry Division companies are specialized companies with a complete range of assembly and connecting material for industrial production, as well as maintenance and repair. In addition to the comprehensive standard range offered by these companies, their strength lies in customized, logistical supply and service concepts.

The companies that do not trade under the name of Würth – our Allied Companies – operate independently of the Würth Line companies. They are divided into eight strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related areas. The Diversification/Other group comprises service companies operating at regional level (such as hotels, car dealers, Würth logistics operators, and a company set up as a training program). This unit posted total sales of EUR 94 million in 2004 and is of no strategic significance.

ALLIED COMPANIES

ELECTRICAL WHOLESALE	TOOLS	RECA GROUP	TRADE
PRODUCTION	ELECTRONICS	SCREWS AND STANDARD PARTS	DIVERSIFICATION/ OTHER

Electrical wholesale

The companies in this group specialize in the wholesale trade in electrical installation materials, installation systems, communication technology, cables and lines, tools, data and network technology, lighting and illumination, household appliances and a wide range of multimedia products.

Tools

The companies in this group specialize in the wholesale trade in tools, including a full range of shop and cutting tools, measuring instruments, works equipment and power tools, primarily for industrial use.

reca group

The reca group companies supply fastening and assembly materials direct to customers in the various trades. Specialists for professional clothing, advertising materials and the industrial area complement and enrich the reca group.

Trade

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

Production

This group comprises the manufacturing companies of the Würth Group.

Electronics

The Electronics unit includes those companies involved in the production and sale of electronic components such as printed circuit boards and passive components and full componentry. In addition, this unit also covers the area of renewable energy with the manufacturer of state-of-the-art CIS photovoltaic modules Würth Solar and the systems provider Würth Solergy.

Screws and standard parts

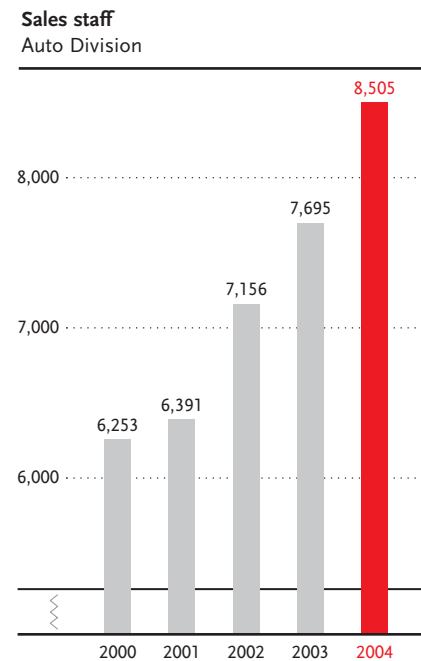
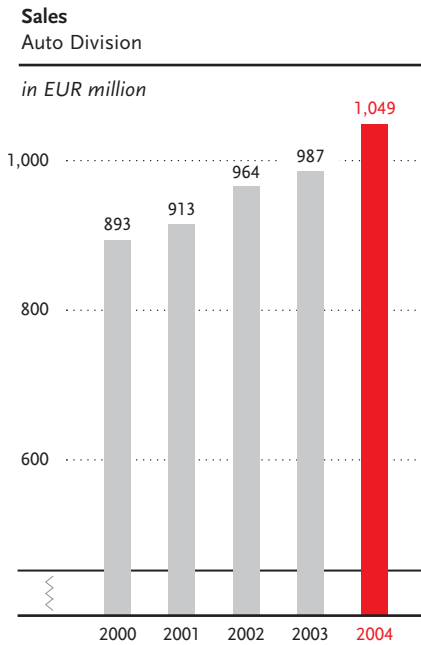
These companies are product specialists with concepts for supplying industry.

Diversification/other

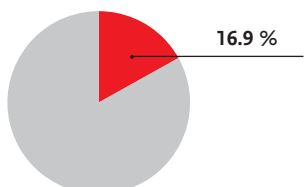
This category covers companies operating primarily in different lines of business from those served by Würth itself.

Auto Division

SALES IN EXCESS OF ONE BILLION EURO FOR THE FIRST TIME



Share in total sales
Auto Division



The Auto Division again generated record sales in fiscal year 2004, breaking the one-billion-euro barrier for the first time. Total sales rose by 6.3 percent to EUR 1.05 billion (prior year: EUR 987 million). With sales of EUR 239 million, Cargo underscored its role as growth driver in the Auto Division as a whole. This development is even more remarkable considering that the economic situation of our customers has not improved, with the dealer network thinning out and return on sales in decline.

Rapid growth in China

2004 again proved that customers trust in Würth. Achieving growth rates of 30 percent and more in China and in Russia, the Auto Division continued its expansion on the world market. We expanded our market position in the accession countries of the European Union with a sales increase of 13 percent. Even in relatively established markets, we succeeded in winning market share and generating double-digit growth rates. Although the economic situation in the German automotive business remains difficult, the Auto Division recorded 3.2 percent sales growth in Germany.

Customers appreciate product competence

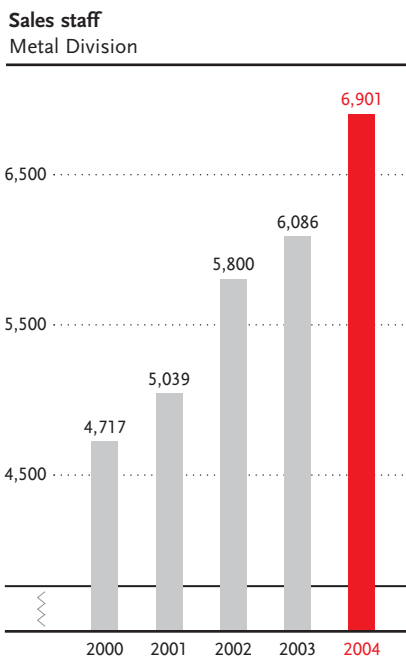
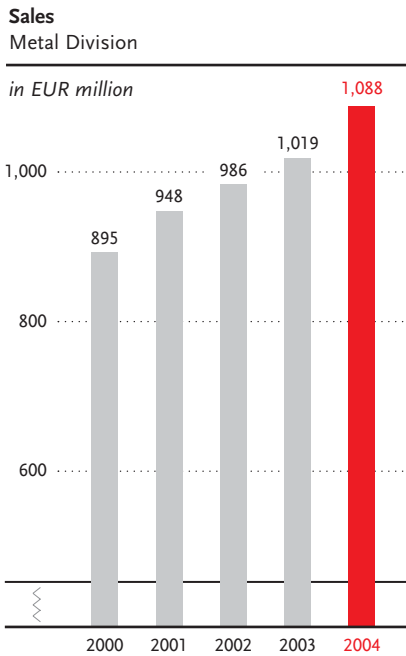
Our customers in the automotive industry around the world appreciate our product competence. In addition to quality, we are constantly on the lookout for product solutions that will make work easier and more efficient for our customers. We introduced innovations in all product areas again in 2004. Examples include the new chemicals for car wash plants, the powerbond body compound and the expansion of the “Smile-Repair” product line. Another major problem solver for customers in 2004 was our most recent development in diagnosis systems: WoW! Snooper, a diagnostic tool with an impressive range of functions for wireless work in the workshop.

Outlook for 2005

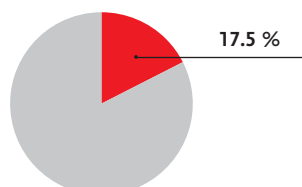
The Auto Division will continue to enhance its product competence throughout the current fiscal year 2005, it will make investments to expand and improve its sales force and strengthen the market position of our growth industries.

Metal Division

METAL DIVISION AGAIN GENERATES RECORD SALES



Share in total sales
Metal Division



Substantial investments in the sales organization

The Metal Division again invested heavily in its sales force in 2004, raising the number of salesmen by 13.4 percent. The division had 6,901 salesmen serving about 580,000 customers from the metal, plumbing and electrical trades in 37 countries around the world. Thanks not only to the shortages in the steel area and the related price hikes, but also due to our aggressive sales policy, the Metal Division once again generated record sales of EUR 1.09 billion. Internationally, the Metal Division's sales increased by 7.7 percent to EUR 793 million. In Germany, we overcame the two-year lean period and increased sales again by 4.6 percent to EUR 295 million (prior year: EUR 282 million). The Plumbing subdivision excelled in 2004 with a double-digit growth rate of 22.2 percent.

South America is the fastest-growing region

Our capital expenditures in the South American region already yielded excellent return in 2004. The Metal Division reported the highest sales growth of 35.4 percent in this region with companies in Argentina, Brazil and the newly formed division in Chile, followed by Africa/Asia/Oceania with growth of 24.2 percent, eastern Europe 13.0 percent, Scandinavia 9.8 percent, southern Europe 7.4 percent and central Europe 6.2 percent.

Expanded plug and dowel range

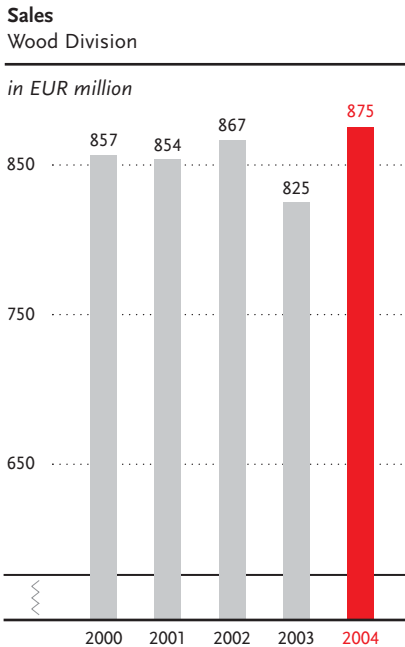
The plug and dowel range was supplemented by high-performance injection systems. They are suitable for use in cracked concrete (tension zone) and non-cracked concrete (compression zone). Special anchor pins and the high-strength WIT-VM 100 injection mortar have been developed for these areas of application. All three systems have been granted European Technical Approval with Option 1 for cracked and non-cracked concrete and can therefore be used for almost all purposes.

Outlook for 2005

We expect double-digit sales growth in the Metal Division again in 2005 and will therefore continue to build up our sales force. We hope to realize considerable growth potential by intensifying our support for the wide range of metalworking industries.

Wood Division

SUBSTANTIAL INVESTMENTS IN THE SALES ORGANIZATION

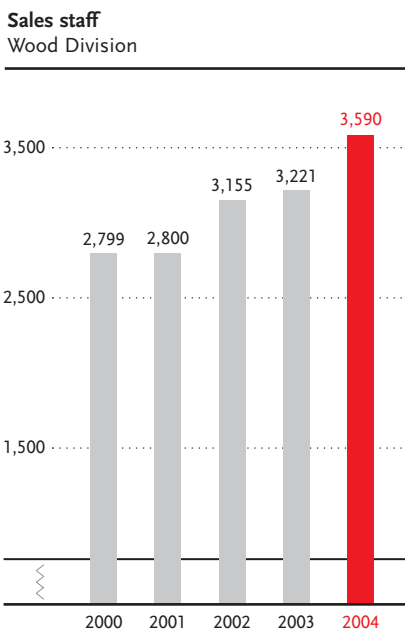


Sales force of 3,590 serves 350,000 customers

The Wood Division closed the fiscal year 2004 very successfully with sales growth of 6.1 percent and record sales of EUR 875 million.

Around the globe, almost 3,600 employees sell directly to more than 350,000 customers in the wood-working and processing trade. The new impetus for growth stems from increased spending to expand the global sales organization. In the past fiscal year the Wood Division employed 11.5 percent more sales staff than in 2003.

The positive effects of the continuing internationalization of our trading group are particularly apparent in the Wood Division. The international divisions, i.e. those outside Germany, now account for 86 percent of total sales in the Wood Division – ten years ago the international share was just 47 percent.



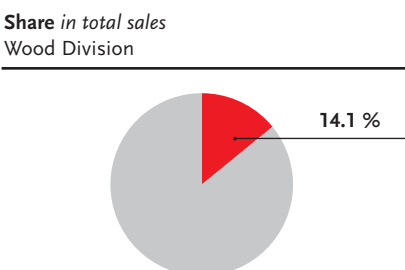
Expansion in eastern Europe

In the course of our expansion in the eastern European countries, we reinforced our market activities by forming new companies in Croatia, Bosnia and Herzegovina and Serbia and Montenegro. The 30 international wood divisions achieved sales of EUR 752 million in 2004. This is an increase of 7.0 percent.

Accounting for more than 30 percent of sales, the North American market is a key center of business activity in the Wood Division. With virtually area-wide market coverage, North America stepped up its sales in US dollar by just under 15 percent in 2004.

Slightly positive sales trend in Germany

The Division recorded a moderate increase of 0.5 percent in Germany to sales of EUR 123 million. In light of the recession that has been affecting the construction sector for several years, this slightly positive trend was very pleasing. Decisive factors in this context were the professional furniture hinge program, for instance, as well as the introduction of a new generation of drawer slides.

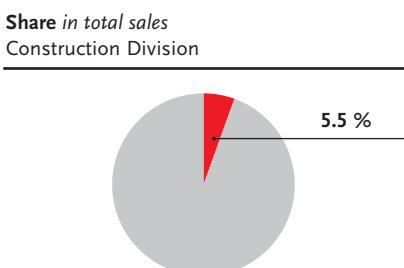
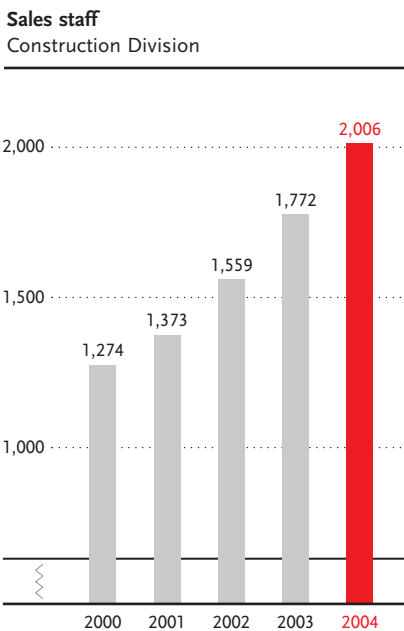
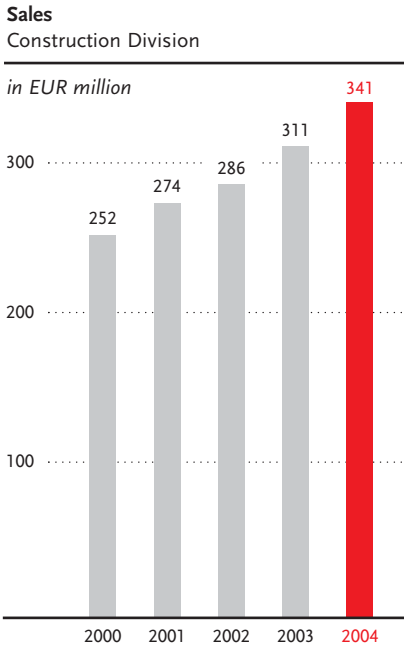


Outlook for 2005

After considerably strengthening the sales force in the past fiscal year, the Wood Division has planned a moderate increase in sales staff for 2005. The aim of these investments is, however, to uphold the growth momentum of the past year.

Construction Division

DOUBLE-DIGIT GROWTH AT INTERNATIONAL LEVEL



Construction Division represented in twelve European countries

The European construction industry picked up slightly again in 2004 after a phase of stagnation. The Construction Division made the most of this economic stimulus and generated sales of EUR 341 million (prior year: EUR 311 million), which equals an increase of 9.6 percent in a year-on-year comparison. In the twelve European countries in which the Construction Division operates, a sales force that exceeded 2,000 employees for the first time serves about 200,000 customers in the building and civil engineering as well as finishing trades.

Double-digit growth at international level

At an international level, the Construction Division grew at a rate of 12.8 percent in 2004. International sales have increased more than tenfold over the last ten years. The eleven international construction divisions generated annual sales of more than EUR 200 million for the first time (prior year: EUR 180 million) – a new record. The positive development of sales is attributable to massive spending to expand the European sales network. Compared to the prior year, the sales force was expanded by 14.2 percent at international level.

Moderate growth in Germany

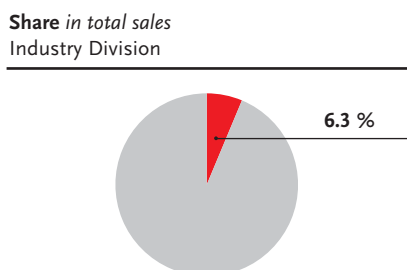
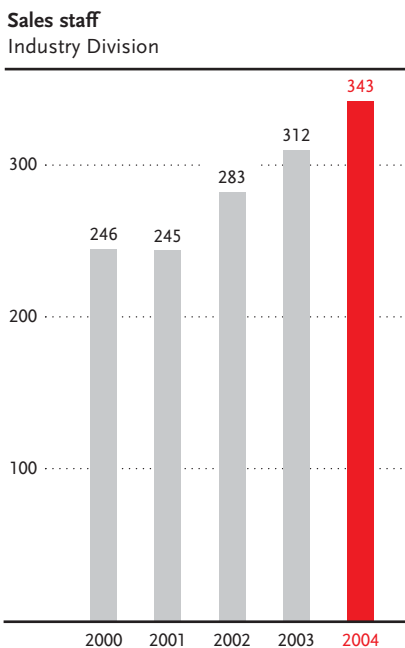
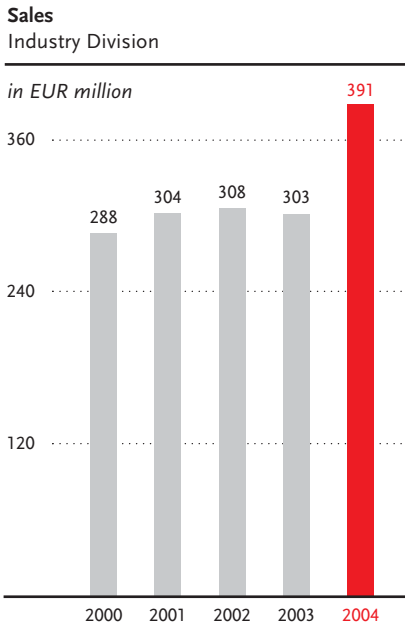
Contrary to the European trend, the German construction industry is still in recession. Nevertheless, the Construction Division reported significant sales growth for the first time since 2000 with an increase of 4.5 percent to sales of EUR 138 million (prior year: EUR 132 million). The Construction Sites subdivision made a significant contribution there. Our construction site specialists, who mainly serve construction companies and customers on construction sites, achieved an 8.5 percent increase in sales.

Outlook for 2005

Following the huge spending program of the past fiscal year to expand the international sales network, the Construction Division will continue its expansion policy in 2005. We therefore expect further double-digit growth in the international business for the current fiscal year. In light of the expansion of the EU to the east, the accession countries also provide an extremely positive environment for setting up and expanding construction divisions.

Industry Division

ON TRACK FOR GROWTH IN ALL REGIONS



The fiscal year 2004 in the Industry Division was characterized by strong growth in all sales regions. Sales rose by 29.0 percent to EUR 391 million. The North American market was outstanding in this respect, producing 55.9 percent growth in local currency, benefiting from the favorable influence of rising production volumes and new projects with large customers.

Steel shortage leads to price fluctuations

In the course of the general economic recovery steel was in short supply, in particular in the first six months. This frequently caused bottlenecks on the procurement side as well as a dramatic jump in prices. However, thanks to our globally operating sourcing network, we were able to ensure supplies for our customers at all times.

Continued expansion of Winwork

After concentrating on expanding the Würth Industrial Network (Winwork) in the Asian/Oceanic area in recent years, we extended Winwork by divisions in the eastern European countries Poland, the Czech Republic, Slovakia and Hungary in the reporting year. The Würth Industrial Net now comprises 23 companies in Europe, North America, Asia and Oceania and ensures that our globally operating clientele in particular can access the infrastructure to manage procurement at international level.

Growth in Germany requires capital expenditures

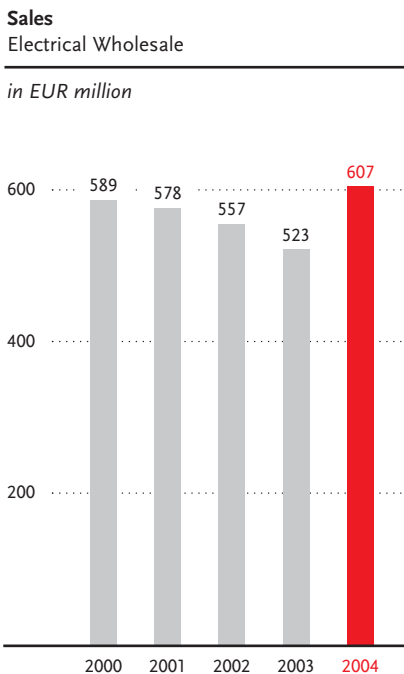
On the German market, both the upward trend in demand and the launch of new customer projects produced growth rates of over ten percent. To ensure growth in future years, substantial capital expenditures were made in the fall at the Würth industrial park in Bad Mergentheim on a large item sorting system, an integrated goods receipt and pallet high-bay warehouse.

Outlook for 2005

In order to respond even more effectively to the increasing need of multinational companies for global procurement concepts, we will continue to expand Winwork in the next few years. Startups and acquisitions will focus on the volume markets in Asia and South America.

Electrical Wholesale

CUSTOMERS HAVE ACCESS TO MORE THAN 45,000 PRODUCTS



The Electrical Wholesale unit of the Würth Group comprises 14 legally independent companies in Germany and abroad. These companies specialize in the wholesale trade in electrical installation materials, installation systems, communication technology, cables and lines, tools, data and network technology, lighting and illumination, household appliances and multimedia products as well as products in the area of electrical heating, ventilation and air conditioning.

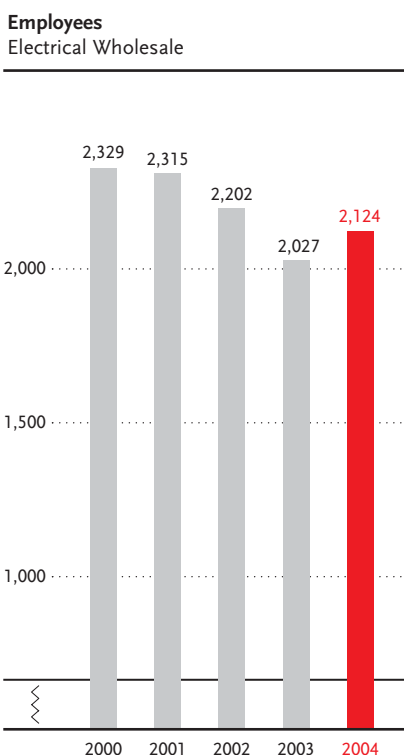
Unit employs 2,124 employees

With 16.1 percent growth, the Electrical Wholesale unit generated sales of EUR 607 million – EUR 562 million inside Germany and EUR 45 million internationally. The sales growth was also the basis for a further improvement in net income in 2004. The unit employed 2,124 persons, 304 of which were sales staff and 1,820 office staff. 1,864 employees worked in Germany and 260 abroad.

45,000 products available for delivery within 24 hours

The customers of our Electrical Wholesale unit are the electrical trade and retail trade for electrical appliances. We can deliver more than 45,000 products from our warehouse to our customers within 24 hours.

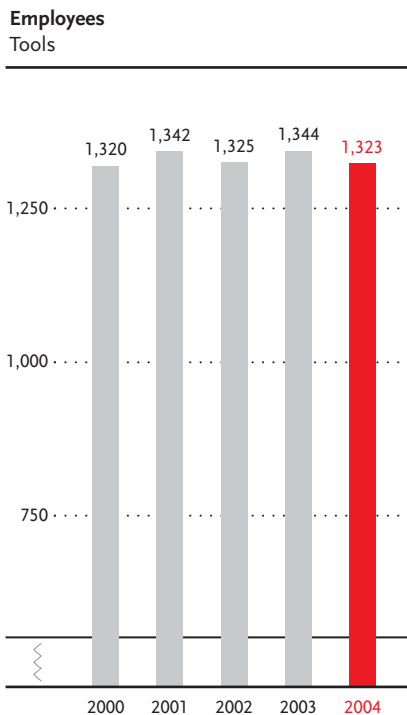
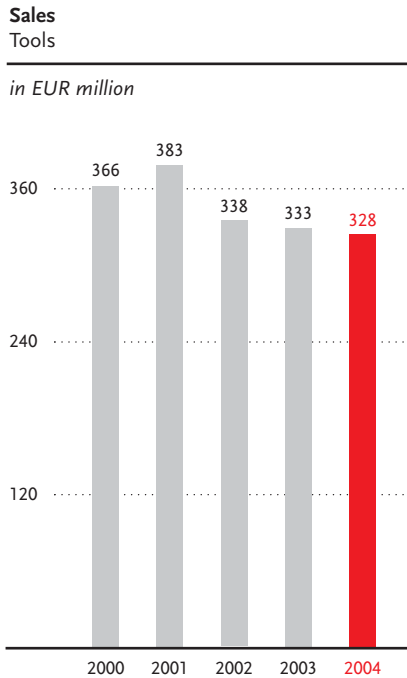
The mainstays of sales in the electrical wholesale business are the companies in Germany including Uni Elektro Fachgrosshandel in Eschborn, FEGA Elektro-Grosshandel in Ansbach, Schmitt Elektrogrosshandel in Fulda, Walter Kluxen in Hamburg, and nordberliner Elektrogrosshandel in Eschborn. Our companies outside Germany include the Baltic companies Talger/ Estonia, Baltik Elektro/Latvia, and Elektrobalt/Lithuania as well as FEGA in Poland and Elfetex in the Czech Republic. The group of German companies was enlarged by Lichtzentrale Thurner GmbH. The increasing importance of the element light and the continually rising aesthetic and architectural demands on light moved us to acquire the company Lichtzentrale Thurner GmbH in early 2004.



Outlook for 2005

The Electrical Wholesale unit plans to pursue its positive sales development further in the current fiscal year 2005. Concentrating on customer needs is the basis for us to achieve a further successful year.

Tools

LEADING MARKET POSITION REINFORCED
IN E-COMMERCE BUSINESS

The companies in the tool wholesale business were again faced with a difficult environment in 2004. Above all the stagnating low level of demand for capital goods in measuring technology and works equipment led to declining revenues on the central European market which were only partially offset by the pleasing surge in sales performance of consumer goods.

German market lacks impetus for growth

Growth is decisively influenced by the stagnation of the high sales share in Germany. Especially in the last six months of the year, customer demand in the metal-working and processing industry dropped once again. In contrast, a positive development was displayed by the young companies in eastern Europe and in China.

Higher demand for systems to reduce procurement costs

In addition to the extensive range of products including over 60,000 products, customized e-commerce concepts aimed at reducing procurement costs are gaining importance. The companies in the Würth tool wholesale trade therefore further reinforced their market leadership in e-procurement in fiscal year 2004. Based on the specific requirements, individual solutions are offered for large companies as well as for mid-sized customers to boost the productivity and profitability of customers through reduced expenditure on logistical and administrative processes.

ATORN quality program is a success

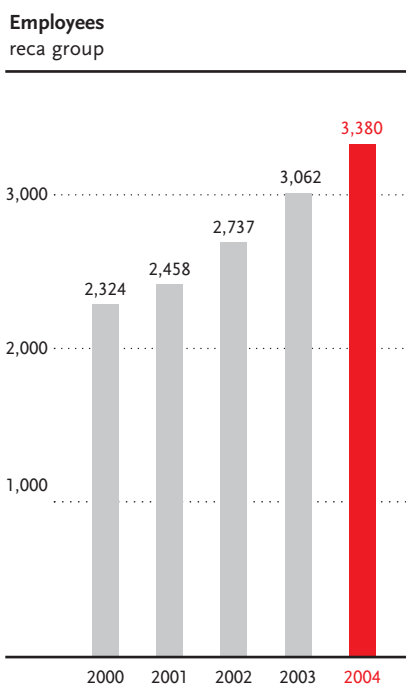
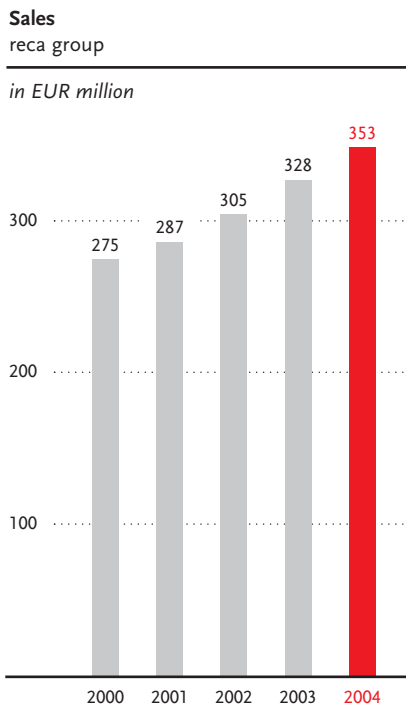
The climbing order figures for used tools are sustained primarily by the increasing share in sales of the ATORN quality brand. The already extensive range was enlarged to more than 8,000 metal cutting, workpiece clamping, measuring and hand tools for the quality-conscious customer.

Outlook for 2005

The companies in the Tools unit will strengthen their lead in e-commerce further in 2005. In addition, they will invest again in the sales force to drive future selling power.

reca Group

EXPANSION OF THE RECA GROUP CONTINUES



The marketing activities of the reca group concentrate on product lines and customer groups such as the areas trade, cargo and car. In addition, the reca group includes companies specializing either on products or services such as Baier & Michels GmbH & Co. KG, which is an engineering partner for the automotive industry. Practically all companies in the reca group rely on direct sales organizations.

280,000 customers Europe-wide

The whole reca group was on course for growth and expansion in the fiscal year 2004. At the end of the fiscal year, the reca group consisted of 39 companies in 20 countries. The headcount increased by 318 in the fiscal year to 3,380 and sales were up 7.6 percent to EUR 353 million. Europe-wide, some 280,000 customers rely on the products and service provided by the reca group.

Innovation with reca power products

In our core business, we offer our customers in the metal/construction trade a range of products and services. reca "power products" document the competence and innovative power of the reca group. These products give us a unique selling point on the market, convincing customers with a top quality. In addition, the product process concept is gaining significance in all companies as well as acceptance on the market.

International supply concept

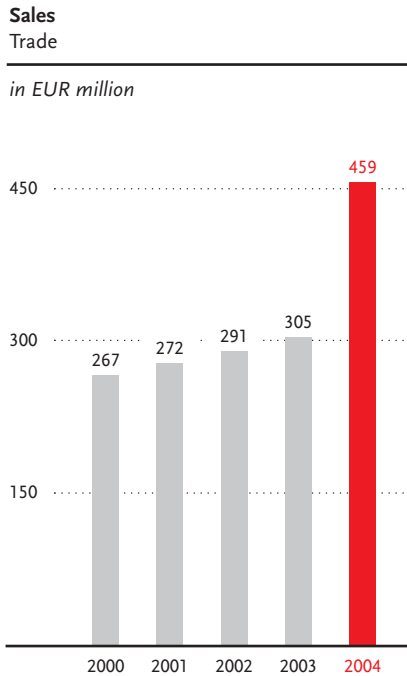
A further success factor of the group is its international supply concept. All eastern European companies are supplied by our Austrian subsidiary Kellner & Kunz AG and, therefore, do not need warehouses of their own. In western Europe, the reca companies are supplied via the parent company RECA NORM.

Outlook for 2005

In future, the reca group will continue to drive expansion through multiplication. We will enlarge the sales organization and intensify our business activities in the key account and reca SeCo (C-parts service concept) areas. The Normfest group within the reca group, which targets the car trade, will primarily use 2005 to further stabilize the startup companies in western and eastern European countries.

Trade

TRADE UNIT ACQUIRES DIY WORLD GMBH

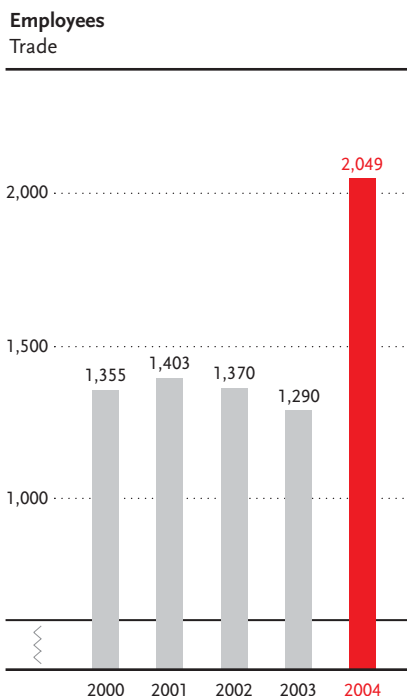


The companies of the Trade unit within our Allied Companies Line, such as DIY store suppliers Conmetall GmbH & Co. KG or the trade branch of the screw manufacturers REISSER Schraubentechnik GmbH and SWG Schraubenwerk Gaisbach GmbH, concentrate on the German and French markets. REISSER Schraubentechnik GmbH also has subsidiaries in Poland, Hungary and Romania.

23 companies work the market

The 23 companies in the Trade unit increased their sales by 50.5 percent to EUR 459 million in the fiscal year 2004. Adjusted for the acquisition of DIY World GmbH, Sortiment und Service in Wuppertal in April 2004, organic growth amounted to 5.6 percent. The number of employees in the whole Trade unit climbed to 2,049 in fiscal year 2004.

The Conmetall group including companies in Germany, Belgium and the Czech Republic expanded its market position further, closing the fiscal year with reported sales growth of 6.8 percent. The Conmetall group generated sales of EUR 111 million with DIY and hardware stores in Germany and Europe.

**DIY World GmbH Sortiment und Service**

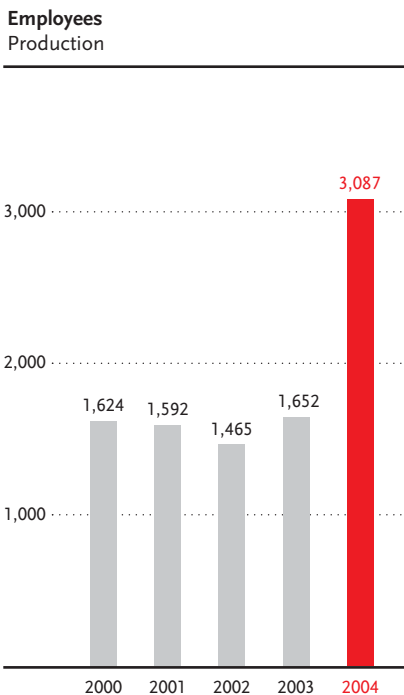
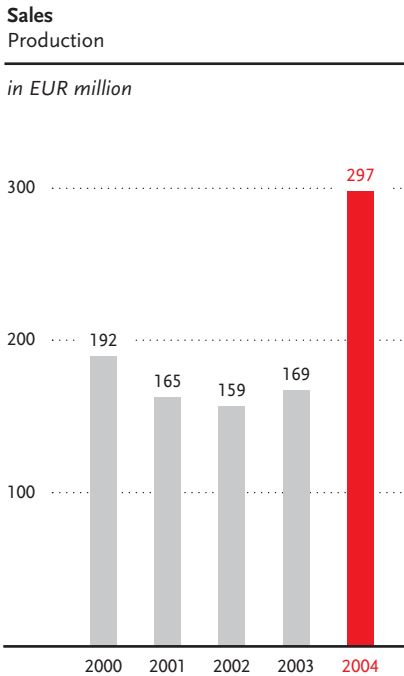
With the acquisition of DIY World GmbH, Sortiment und Service in Wuppertal, the Trade unit has enhanced its activities in the field of supplying DIY and hardware stores. DIY World GmbH supplies renowned DIY and hardware stores, discounters and self-service stores in Germany and Europe with hand tools, electrical tools, furniture fittings, hardware, as well as gardening and leisure goods.

Outlook for 2005

In a market environment characterized by stagnation, our aim for the current fiscal year is to expand and gain further market shares while consolidating our earnings power. We will concentrate on high quality, strong brands, product innovations and broadening the services offered by our sales force. This strategy is focused on our USP concepts for hardware stores, construction materials and timber merchants, as well as traditional DIY products from the range of goods offered by the companies in the Trade unit.

Production

ACQUISITION OF THE GRASS GROUP BOOSTS FURNITURE FITTINGS BUSINESS UNIT



Steel shortage causes higher production costs

Most of the companies in the Würth Group are distributors of fastening and assembly technology. Production accounts for a share of just 4.8 percent in the Würth Group’s business activities. The developments on the steel market in 2004 hit our production companies particularly hard. Good capacity utilization and improved production planning, however, largely compensated for the higher production costs.

The Production unit included a total of 24 production companies in 2004. These are manufacturers of screws, plastic and metal dowels as well as iron and furniture fittings. The headcount in the unit was 3,087 and total sales came to EUR 297 million. Compared to the prior year, this is an increase of 75.7 percent.

Good capacity utilization in screw production

The unit’s screw production reported excellent capacity utilization in the fiscal year 2004, which led to considerable growth in both sales and operating income. The majority of our customers in the Production unit are from the wood and metal trade, but our international clientele also includes large customers in the furniture, electrical and electronic as well as automotive industries.

Acquisition of the furniture fittings manufacturer Grass

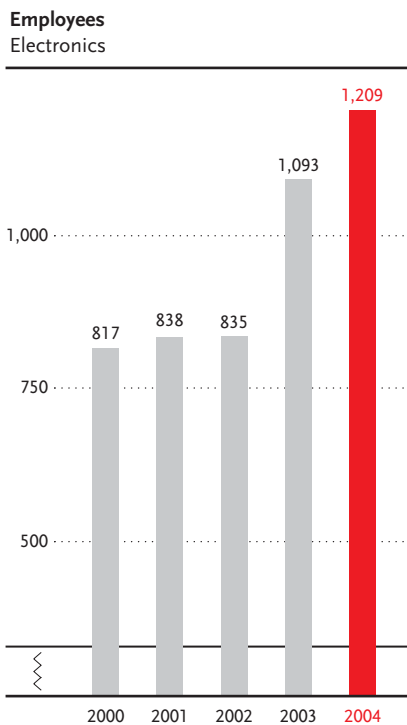
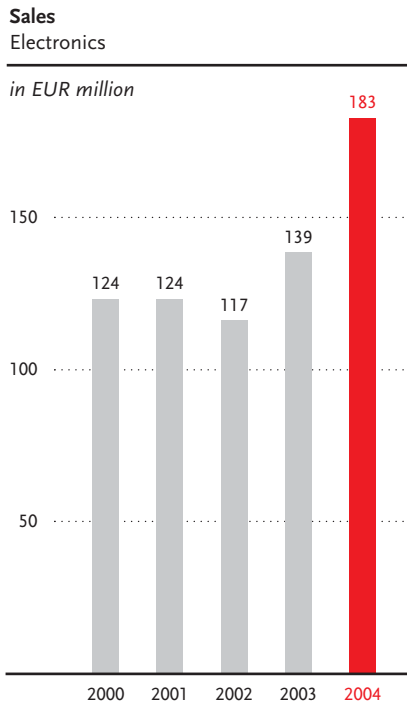
By acquiring the fittings manufacturer domiciled in the Vorarlberg region, Grass, as of March 1, 2004, the Würth Group has strengthened its production unit for furniture fittings which has been operating on the market through the MEPLA-ALFIT group. The Grass group, which is headquartered in Hoechst, generated sales of approximately EUR 125 million in fiscal 2003/2004 with 900 employees. The company specializes in the production of furniture fittings as well as drawer slides and pull-out systems for kitchen furniture.

Outlook for 2005

Prices for raw materials are expected to continue to rise in the current fiscal year. As these developments are a global phenomenon, however, they will not affect our competitiveness directly compared to other markets.

Our production program will in future focus more and more on fastening parts subject to approval by building supervisory authorities, which entail more intensive advisory services. This way, we hope to offer our customers added value in the form of advice and support with marketing and product training.

Electronics

COMPANY GROUP EXHIBITS
DYNAMIC GROWTH

As the Electronics unit within our Allied Companies, the Würth Elektronik group comprises the circuit board technology, intelligent connecting systems, EMC & inductive solutions, and photovoltaics units.

Sales surge to EUR 183 million

The fiscal year 2004 had one common denominator for all companies in the Electronics unit: an unconditional focus on growth. As a result, the Würth Elektronik group experienced the best fiscal year in its history. Sales surged by 31.7 percent compared to the prior year to EUR 183 million and the unit employed 1,209 staff as of the end of 2004. The strategic customer management and immense demand on the photovoltaics market made this success possible.

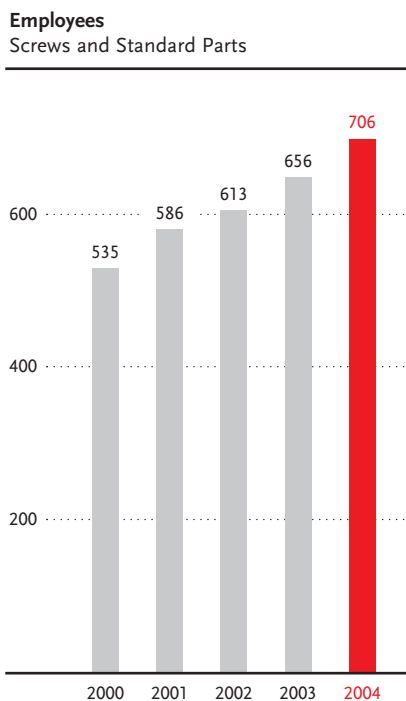
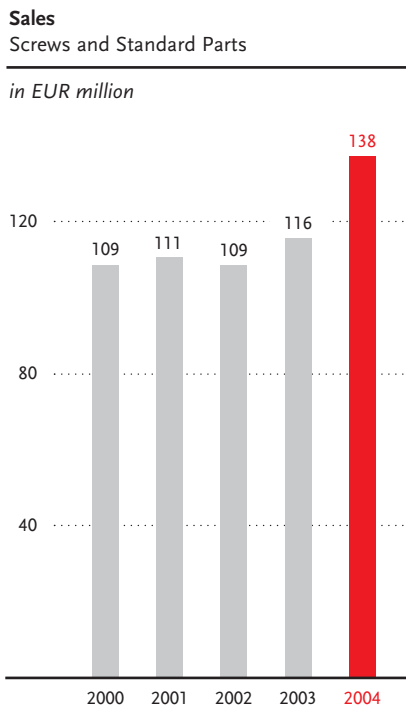
The circuit board technology unit with the companies manufacturing printed circuit boards succeeded in becoming number three in the industry in Europe in 2004. Having successfully initiated a policy of internationalization with our own sales forces in France, the UK, Sweden, Denmark, Austria and Switzerland, we have set our sights on further expansion. In our traditional market, Germany, we also achieved clear increases, not least with the more sophisticated technologies such as microvia and polymer paste systems.

Outlook for 2005

The growth targeted for the Electronics unit in the current fiscal year 2005 rests on two pillars – further international alignment of all corporate units and the tapping of new industries. With these aims in mind, the unit integrated IBE GmbH, a leading technology and process company in the field of interference suppression chokes for the automotive industry, into the Würth Elektronik group in January 2005. The customer management geared towards added value and focus on productivity will continue to receive top priority. Based on the positive sales development so far, we expect the unit to set new standards in sales and operating income again in 2005.

Screws and Standard Parts

MOBILE SERVICE WORKSHOP



The Screws and Standard Parts unit comprises 29 companies in 20 countries. Of these, six are headquartered in Germany. The unit's main business activity is the sale of DIN and standard parts. The majority of the companies specialize in the sale of stainless steel parts.

The business activities are divided into three areas:

- Sale of DIN and standard parts, sale of stainless steel products
- Manufacture and sale of specialty fastening parts
- Repair and maintenance of hydraulic high-pressure piping

In fiscal 2004, the unit had 706 employees, and raised sales by 19.0 percent to EUR 138 million. The business activities are mainly geared towards small and medium-sized industrial enterprises, specialist stores as well as boat builders and shipyards.

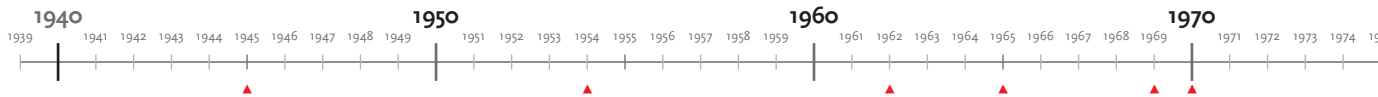
System supplier in hydraulics technology

INDUNORM Hydraulik GmbH in Duisburg – our system supplier for practical solutions in hydraulics, hose and pipe connection technology – operates in a special market segment with high growth potential. In addition to maintenance for industrial facilities, the company has a special hydraulics service concept: the mobile service workshop. Via a broad network of branches in Germany our "sprinters", as we call them, offer a 24-hour emergency service for the fast manufacture and repair of hydraulic lines. The mobile service workshop provides a breakdown service for construction sites and preventive maintenance in industrial facilities.

Outlook for 2005

The companies in this unit are proven specialists and competent suppliers of DIN and standard parts for the processing trades and manufacturing industry. Our stainless steel experts in particular see considerable opportunities for growth with the sale of these products. With the multiple stresses to which building materials are exposed to an ever-greater extent, stainless steel will play an important role as a material thanks to its excellent properties.

MILESTONES IN THE COMPANY'S HISTORY



▶ 1945

With 20 years' experience in this line of business, Adolf Würth establishes a wholesale firm in Künzelsau, in the Hohenlohe region of southern Germany, supplying screws, nuts, and bolts.



▶ 1954

Death of Adolf Würth, founder of the firm, at the age of 45. His 19-year-old son Reinhold takes over the running of the business. Annual sales at the time are around EUR 80,000.



▶ 1962

Reinhold Würth ventures outside Germany and sets up the company's first foreign subsidiary, Würth Nederland B.V.

▶ 1965

Adolf Würth OHG is converted into a limited commercial partnership ("KG"). The general partner is Würth-Verwaltungs-GmbH. The limited liability partnership capital is contributed solely by the family.



▶ 1969

The firm's premises at the railway station in Künzelsau reach the limit of their capacity. The offices are moved to a new building in the Gaisbach district of Künzelsau.

The Würth Screw and Fastener Corporation is set up in the USA, Würth's first company on the American continent.



▶ 1970

Würth celebrates 25 years in the business. Sales rise 50 percent to EUR 32.9 million, and the first Würth company is established in South Africa.

▶ 1978

A new distribution center goes into operation in Künzelsau-Gaisbach.



▶ 1981

Würth establishes its first company in Australia.

▶ 1985

Adolf Würth GmbH & Co. KG celebrates 40 years in business, and Reinhold Würth celebrates his 50th birthday.

▶ 1987

Würth enters the Asian market by acquiring a company in Japan and establishing its own subsidiary in Malaysia. Würth is now represented on all five continents.

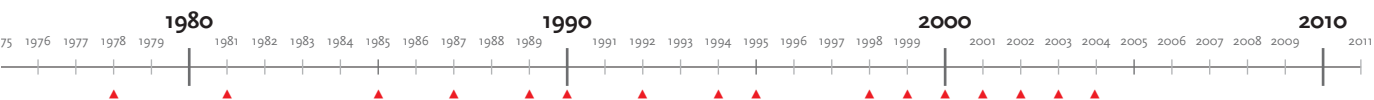
▶ 1989

Adolf Würth GmbH & Co. KG is awarded the German Marketing Prize.

▶ 1990

The company opens its first branch office in former East Germany, in Dresden.





► 1992

On May 15, 1992, the new headquarters building in Künzelsau-Gaisbach is officially opened. The modern office complex includes a museum of art that is open to the public.



► 1994

On January 1, 1994, Reinhold Würth retires from operational management and takes the chair of the Advisory Board of the Würth Group. Dr. Walter Jaeger is appointed Chairman of the Board of Management of the Würth Group. Rolf Bauer becomes Deputy Chairman of the Board of Management.



► 1995

On April 20, 1995, Adolf Würth GmbH & Co. KG celebrates its 50th anniversary. In the jubilee year 1995, the Würth Group achieves record sales of EUR 2.2 billion.

► 1998

Two Würth Group companies steeped in tradition, toolmakers HAHN+KOLB Werkzeuge GmbH in Stuttgart and the Arnold Umformtechnik GmbH & Co. KG screw factory in Ernsbach, celebrate their 100th year in business.

► 1999

Reinhold Würth is appointed Professor for Entrepreneurship at the University of Karlsruhe in recognition of his outstanding entrepreneurial achievement and teaches there until the end of the summer term 2003.

► 2000

The Würth Group rounds off an outstanding fiscal year in the history of the company by setting new records, the company's sales exceeding EUR 5 billion. This represents the fulfillment of the target set by Prof. Reinhold Würth. His "Vision 2000", formulated back in 1987 when group sales were just EUR 700 million, becomes reality.



► 2001

On January 1, 2001, the Würth Group is given a new management structure. The members of the new Board of Directors are Dr. Walter Jaeger (Chairman), Rolf Bauer (Deputy Chairman), and Bettina Würth.

► 2003

Despite the challenging economic environment and a focus on consolidation, the company continues to invest heavily in expanding its worldwide sales force. This policy is rewarded by record sales of EUR 5.45 billion.

Dr. Harald Unkelbach is appointed to the Board of Directors of the Würth Group on January 1, 2003.

► 2004

The fiscal year 2004 is the most successful year in the history of the Würth Group which meanwhile spans sixty years. Sales reach a new record of EUR 6.2 billion and, at EUR 395 million, the Würth Group also generates record net income.



On April 1, 2004, Robert Friedmann is appointed to the Board of Directors of the Würth Group, which now comprises five members. Robert Friedmann will take over the role of Chairman of the Board of Directors from Dr. Walter Jaeger when he retires in June 2005.

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who helped prepare this report.

This annual report is published in German and English.
Both versions are available on the internet at www.wuerth.com,
together with additional information about the Würth Group.