



Satisfying our customers is not enough. We want to inspire them.





# Fiscal Year 2006

GLOBAL SALES OF THE GROUP RISES TO EUR 7.75 BILLION ■ OPERATING  
RESULT GROWS TO EUR 515 MILLION ■ EQUITY RISES TO EUR 2.28 BILLION ■  
EQUITY RATIO AT 44.8 PERCENT ■ TOTAL ASSETS AMOUNT TO EUR 5.1 BILLION ■  
GROUP RATING “A/OUTLOOK STABLE” CONFIRMED ■ 54,906 EMPLOYEES WORLD-  
WIDE ■ 2.9 MILLION CUSTOMERS WORLDWIDE

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# Würth at a glance

## Würth Group

		2002	2003	2004	2005	2006
Sales	million EUR	5,360	5,453	6,203	6,914	<b>7,748</b>
Employees	Number	39,809	41,952	46,973	50,767	<b>54,906</b>
Pre-tax operating result*	million EUR	281	330	395	455	<b>515</b>
Net income for the year	million EUR	173	225	263	335	<b>307</b>
Gross cash flow	million EUR	386	431	484	571	<b>605</b>
Capital expenditure	million EUR	227	217	237	310	<b>425</b>
Equity	million EUR	1,354	1,502	1,715	2,049	<b>2,278</b>
Total assets	million EUR	2,980	3,127	3,619	4,138	<b>5,083</b>

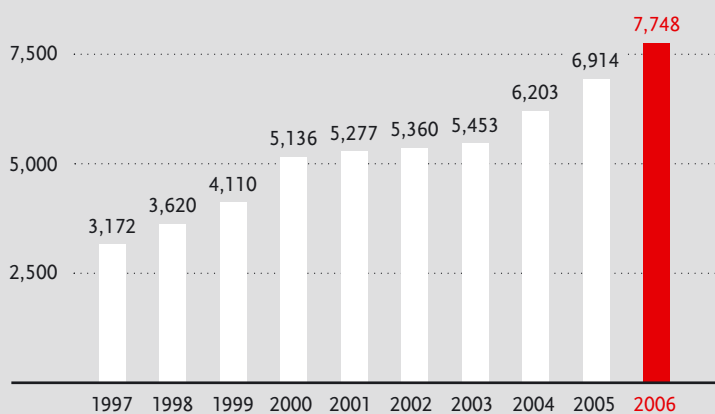
The consolidated financial statements of the Würth Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) since 1999.

\* Earnings before taxes, impairment of goodwill and financial assets, and changes recognized in profit or loss of minority interests disclosed as debt capital

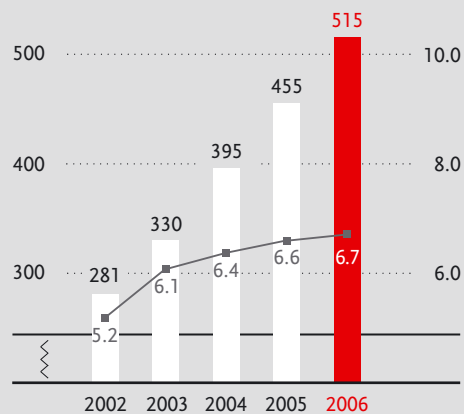
## Sales

### Würth Group

in millions of EUR



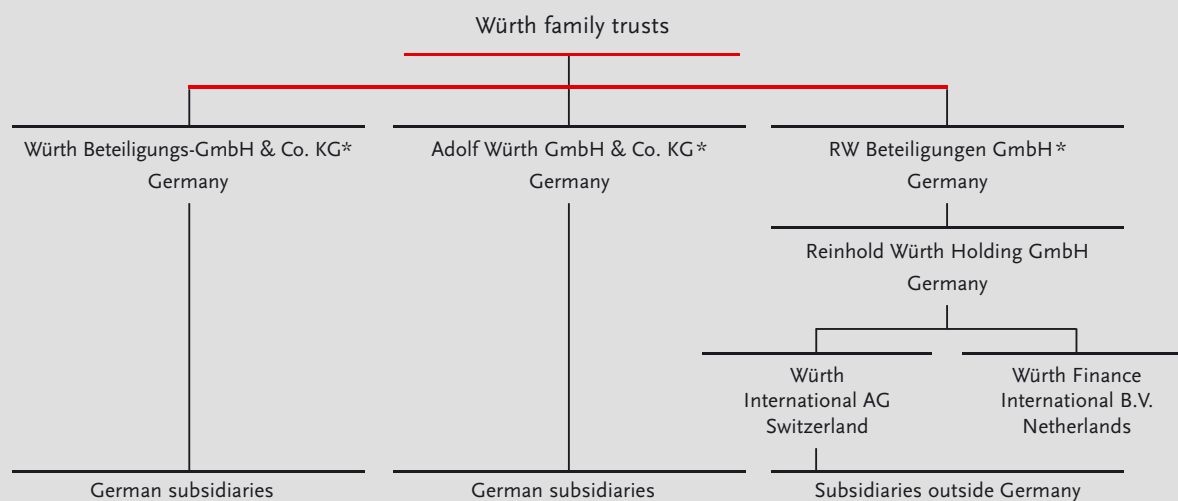
## Pre-tax operating result and return on sales Würth Group



■ Operating result in millions of EUR  
 ■ Return on sales as a percentage



## Legal structure of the Würth Group (simplified chart)



\* Parent companies within the Group

## The Würth Group – tradition and progress

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 the past 52 years, he turned the two-man operation into a global trading group. In the fiscal year 2006 the Würth Group had 370 companies in 83 countries.

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 years 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.



Bettina Würth

## Report of the Advisory Board

**Ladies and Gentlemen,  
Dear Readers,**

The Würth Group once again achieved record sales and operating result in the fiscal year 2006. It is therefore a great pleasure for me to have the opportunity to present this report of the Advisory Board for 2006 to you. On behalf of the Advisory Board of the Würth Group, I would like to report on the business development and the work of the Advisory Board.

### **Germany back on track for growth**

Although the economy slowed down noticeably in the United States from the second quarter of 2006 onwards, the global economy experienced stronger growth than the year before, expanding by 5.1 percent. In a global comparison, not only Europe but also the Asian markets are the key drivers for growth. And we expect the global economy to grow further in 2007. For the core business of the Würth Group, the future development of the price of crude oil and the procurement situation for steel, stainless steel and nonferrous metals will play an important role because our purchasing function is still facing a seller's market. And it would not be realistic to expect this to change before the middle of 2007.

In the Euro area, the economy has picked up considerably, recording growth of 2.7 percent in 2006 (prior year: 2.6 percent).

The German economy seems to have bottomed out. The growth rate of 2.7 percent warrants use of the term 'economic recovery' again for the first time in six years. Another pleasing development besides the good order situation which continued in countries outside Germany was that domestic demand started to pick up again. The substantial increase in capital spending is encouraging confidence that the good development will continue beyond 2007, which should also benefit the labor market.

### **Fiscal year 2006: record sales and operating result**

The Advisory Board was particularly pleased to see that the Würth Group succeeded in growing in all markets that it operates in. The Group raised its annual sales by 12.1 percent to EUR 7.75 billion, setting a new record. The 74 German companies in the Group contributed EUR 3.12 billion, accounting for sales growth of 12.3 percent. Outside Germany, sales increased by 11.9 percent to EUR 4.63 billion. The strong growth rates recorded by the German companies show that the revitalization measures of past years are bearing fruit nicely and that their competitiveness has been reinforced further.



The above-average performance is also evident from the operating result, which improved by 13.2 percent on the prior year to a record EUR 515 million.

Contrary to the general trend, the Würth Group has also invested in a successful future for its employees: As of year-end 2006, the Group had 54,906 employees around the world. This is 4,139 more than in the prior year and marks an increase of 8.2 percent. The total number of employees in the Würth Group has thus more than doubled over the last ten years.

Our sales staff in the field still represents the largest group. Their number grew by 5.6 percent in 2006 to 29,020 members of staff. The number of in-house staff employed in the Würth Group of 25,886 is 11.2 percent higher than in the prior year.

In Germany alone we created more than 1,000 new jobs in 2006, bringing the number of employees in the German Group to 15,298, up 7.3 percent.

One focus of the global activities of the Würth Group in the past year was Asia. Professor Dr. h. c. Reinhold Würth, Honorary Chairman of the Advisory Board of the Würth Group, signed a cooperation agreement in the presence of German Chancellor Dr. Angela Merkel and the Chinese Prime Minister Wen Jiabao between Würth International AG in Chur and Shenyang-European Union Development Zone on September 14, 2006. The aim is to establish the Würth Industrial Park in Shenyang, a city with a population of several millions in northern China.

Würth formed another sales company and is now also flying the flag in Mongolia. The Würth Group is thus represented by 370 companies in 83 countries (prior year: 351 companies).

### **Work of the Advisory Board**

As previously announced, Professor Dr. h. c. Reinhold Würth retired from his office as Chairman of the Advisory Board of the Würth Group as planned on February 28, 2006. As Honorary Chairman of the Advisory Board and Chairman of the Supervisory Board of the Würth Group's Family Trusts, he will, however, still be available to the boards of the Würth Group in an advisory role.

The handover of the Chair of the Advisory Board to Bettina Würth not only marks a well-prepared generation change within the family business, but also reflects the work of the Würth Group and its Advisory Board that is geared towards continuity and reliability in the long term.

The Advisory Board of the Würth Group had three extensive meetings in 2006. It was regularly informed by the Central Managing Board on a timely and in-depth basis of all issues of relevance for planning, business development and risk management. All transactions subject to approval pursuant to the company statutes were submitted to the Advisory Board for decision in good time, considered in detail, and then approved.

The Chairwoman of the Advisory Board also attended numerous meetings of the Central Managing Board, providing advice on important business decisions concerning planning and strategy.

The Advisory Board's investment committee met on November 23, 2006 to discuss the investment proposals for fiscal 2007. The Advisory Board afterwards approved a substantial increase in capital expenditures to a total volume of EUR 532 million.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, 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, which also included the separate financial statements of major companies. The audit committee and the Advisory Board did not raise any objections and approved the result of the audit by Ernst & Young. The Advisory Board of the Würth Group had Ernst & Young AG confirm its independence as defined by No 7.2.1 of the German Corporate Governance Code prior to the appointment.

The Advisory Board of the Würth Group would like to thank all employees for their outstanding performance throughout the fiscal year 2006. It is confident that the Group and its members will again succeed in reaching or even exceeding their targets in 2007.

The whole Advisory Board would like to extend special thanks to its previous Chairman, Professor Dr. h. c. Reinhold Würth, for the harmonious and highly successful cooperation over many years and is confident that he will continue to provide advice and support in his role as Honorary Chairman of the Advisory Board of the Würth Group and Chairman of the Supervisory Board of the Würth Group's Family Trusts.

Sincerely,



Bettina Würth  
Chairwoman of the Advisory Board  
of the Würth Group

Künzelsau, April 5, 2007



## For a new corporate culture of (self-)confidence

“If things turn out better than predicted, you can even forgive a false prophet.” This saying of Ludwig Erhard is what springs to my mind when looking back on 2006. Although the pessimists were the loudest in the first few months of last year, we are now looking back on what turned out to be one of the most successful years since German reunification. Considering the hard facts – the strong economic growth, record figures for goods exports and a substantial decrease in the unemployment rate – there can be no doubt that Germany is back on track.

### Self-criticism or self-doubt?

And yet, there is a shadow of doubt attached to this positive bottom line. The confidence in our own ability which had characterized the mood in our country for many years or even decades has not yet been restored. On the contrary – sociologists warn that the ‘middle classes’ may be lost, leading to a polarization of society. The frequently invoked ‘superiority of politics’ constitutes a key component of a free democratic constitutional order. However, it is often forced to give in to administrative pressure. Opinion polls forecast an increasing sense of insecurity among the population and declining credibility of politics.

What is it that makes many people feel unsure about their own ability and chances? What is it that undermines their confidence in those entrusted with political responsibility and in the institutions of our society?

Maybe it is worth taking a few minutes to reflect on the reasons for this loss of confidence – of course only in a very cursory manner and without scientific basis.

We need confidence to be able to take action. Without confidence, our own perception is influenced by insecurity, or even resignation. Today, many people say that they are afraid of change which they feel they cannot influence. A pronounced welfare mentality fuels this trend: if you believe that you can insure against all risks, you will find it hard to take the initiative and take your life into your own hands.

The heated ‘Leitkultur’ debate on cultural values in Germany has also shown how common values have been eroded. For many years, it was considered a sign of intellectual enlightenment to question traditional virtues, naturally without offering any alternatives that would endure. The term ‘change of values’ was frequently used simply to cover up a loss of values. It is getting harder, it seems, for public spirit to withstand the centrifugal forces of an atomizing society of individuals.

Confidence also feeds on direct personal contact – personal conversations, working together, solutions developed by joint effort. The increased use of indirect forms of communication – via mobile phones and the internet, for example – has to some extent replaced these direct personal experiences. Especially for children and teenagers, this can have a detrimental effect on the development of their personality – deficits, which schools cannot really compensate for either.

Moreover, one cannot rely entirely on the traditional safety nets. A good education used to be a kind of life insurance. Nowadays it can often only provide limited protection if the person is not willing to adapt to lifelong learning and is afraid of change. The PISA studies and various surveys in the area of tertiary education show that there is need for action here. Many young people no longer have the chance to choose their profession based on their disposition or talent. They can consider themselves fortunate if they are offered an apprenticeship at all.

### **Have we failed to lend a helping hand?**

Now we could start lamenting and stick our head in the sand. Or we can accept responsibility and work on a solution. For anyone who can see that things are going wrong is personally obliged to take action. Anything else would be a breach of our obligation to lend assistance to one another.

The apocalyptic prophets can be accused of having given up their 'patient' long ago and striving for a veritable reform according to their ideals. "Doomsday scenarios and apocalypses are the means employed by political outsiders who want to force social change." This is the conclusion that the late Johannes Rau, former Federal President, came to in his last speech in Berlin on May 12, 2004.

### **"A time to make friends"**

The year 2006 offered some impressive and formative experiences in this context, which could point the way out of this vale of tears.

One of the most impressive experiences was definitely the World Cup. In the run-up to the World Cup, everything focused on the problems: high-profile and less well known specialists alike doubted the ability of the German national soccer team. Security at the soccer stadiums was a newspaper headline for weeks on end. Even xenophobia and the danger of terrorist attacks were on the agenda.

But as soon as the first match kicked off the evil spirits that had been invoked disappeared again as quickly as they had come. It was with something like disbelief that we took in the change in atmosphere, which culminated in patriotic euphoria on some days. All of a sudden, we had complete faith, also in the team of national coach Jürgen Klinsmann. It was indeed "a time to make friends". It was a summer fairy tale that hardly anyone would have thought could possibly come true – least of all, the Germans!

### **Germany is the export world champion**

And that was not all: In spite of all predictions to the contrary, the economy also developed much better than expected. The global economy grew by 5.1 percent in the past year. In the Euro area, the growth rate reached 2.7 percent over the same period. In Germany, too, experts had to adjust their forecasts upwards several times. In the end, with a growth rate of 2.7 percent, we experienced the best increase in six years.

The change in opinions regarding the politicians in power is just as impressive. At the end of the year 2006, the U.S. Forbes magazine conferred upon Germany's Chancellor Angela Merkel the title of 'Most Powerful Woman in the World'. What had hardly seemed possible a year earlier now goes without saying. The German voice has gained more weight on the international stage. And what is more: The considerable international respect and recognition of our achievements are in stark contrast to the lack of confidence that keeps overshadowing public debates within Germany.

These sudden mood swings in the past year confirmed my belief that opinion leaders and multipliers have a special duty in this respect. Marion Gräfin Dönhoff, for many years editor of the German "Zeit" newspaper, put it like this: "Not everyone realizes that it is a privilege to be allowed to make a statement and give an opinion in public with a circulation of several thousand copies. Such a privilege can only be justified if it is combined with awareness of a special responsibility."



Although she mainly had the people working in the media industry in mind when she said this, the group of the privileged can be defined in much broader terms: Not only those active on a political and social stage, but also business leaders have a special responsibility in this respect.

### **Inspiring and nurturing confidence**

The basic conditions for confidence include above all a personal profile that inspires and is worthy of confidence. Several decades ago my father Reinhold Würth already set forth in our binding corporate principles that in dealings with our employees we must show honesty, straightforwardness, predictability and reliability, and he has always been a living example of these qualities. Naturally, this applies equally for dealings with customers and suppliers.

This was confirmed by the American professor of business administration Warren G. Bennis in the five qualities he identified for a leader that inspires confidence: competence, reliability, caring, candor and authenticity. We all know from experience that confidence is not simply earned, but has to be constantly renewed.

Yet confidence is also based on transparent communication. Decisions are only plausible and understandable if communicated in a transparent fashion.

### **Communication mobilizes performance reserves**

Within our group of companies and within the companies themselves, communication is the most important tool for multiplying success. Good news spreads like wildfire – and good ideas do, too! The same applies for overcoming new challenges. In a group like ours with 370 companies around the world, besides all the highly successful companies there inevitably is the one or other that is in a weak phase.

The fact that we were able to overcome these challenges in short time in most cases is primarily thanks to the decisiveness displayed from an early stage onwards by all those who were involved in the decision-making process. For when quick decisions are required, this always involves fast communication across all levels of hierarchy. Open and constructive information sharing thus paves the way for the necessary changes. It mobilizes energy reserves and creates team spirit. Employees realize that they are directly responsible for the future development. Instead of experiencing the change process in a passive way, they take the initiative themselves.

### **Development aid workers in our own country**

And last but not least, companies play a key role in creating confidence within society. The approaches are so varied that I can list only a few examples from our own sphere of activity.

Especially in our home region, the Hohenlohe district in northern Baden-Württemberg, the long-term development of a cultural infrastructure is an important contribution to securing the future. What used to be the 'poorhouse of Baden-Württemberg' has been turned into a prosperous region in just a few decades.

At Würth we have always afforded vocational and continuous training a key role, also with respect to people's (self-)confidence. For many years, we have strongly supported vocational and tertiary education. One of the most successful examples in the area of vocational training are the seminars for trades people offered by the Würth Academy. Last year, more than 6,700 customers had the opportunity to learn more about topics relating to the trades and commercial operations at 656 practice-based events.

We have now taken another initiative, this time for schools, by founding the “Freie Schule Anne-Sophie” in Künzelsau in 2006. It is our objective that every child attending the school, whose teaching methods are based on the Montessori concept, will leave as a winner. In the medium term, the “Freie Schule Anne-Sophie” will show up to 700 youngsters the way to a successful future.

The range of cultural events offered even compares favorably with many a city. Whereas in the beginning art critics did not think the Würth Museum at our group headquarters would stand much chance of surviving, today the changing exhibitions regularly draw record numbers of visitors. It is complemented by the Kunsthalle Würth gallery in Schwäbisch Hall, the Hirschwirtscheuer museum in Künzelsau and the Würth Academy, whose programs provide additional cultural and artistic highlights.

Our commitment in the region also includes a culinary aspect. When my father Reinhold Würth decided to buy the Altes Amtshaus in Ailringen some years ago, he secured an architectural gem for posterity, and more than that: Today, Altes Amtshaus under the management of its chef Olaf Pruckner is one of the top places for gourmets and anyone else who appreciates good food. The same applies for another Würth building, the “Wald- und Schlosshotel Friedrichsruhe” and its chef Lothar Eiermann.

The Hotel-Restaurant Anne-Sophie in Künzelsau is unique in a completely different way: Founded by my mother Carmen Würth, this venue is intended to foster the integration of handicapped people in society, and it has gained an excellent reputation in the region. It stands for an open avowal of human dignity. The Hotel-Restaurant Anne-Sophie was selected as one of the “365 Places in the Land of Ideas” in 2007, following in the footsteps of the Würth Solar subsidiary CISfab, which received this award in 2006.

#### **New (self-)confidence**

I would like to take this opportunity to say a big thank you to my father. To this day, the Würth Group lives by his visions and his example. Even after 58 years of working, his advice is still invaluable for our company.

A generation change often brings family-run businesses to the brink of ruin because the handover of the business did not start soon enough or with a clear line. Not in our case. My father not only handed over the Chair of the Advisory Board of the Würth Group to me on March 1, 2006 after careful preparation, but in his foresighted manner already withdrew from the operating business of the Central Managing Board back in 1994. He still lets the Advisory Board and myself benefit from his knowledge and experience.

We have every reason to look into the future optimistically. This applies both for society and the Würth Group. The economic situation is very hopeful. Our own performance boosts our confidence. As a business, we will assume the responsibility that this entails for us. And I am confident that this awareness will penetrate our society – that we are not part of a problem, but instead hold the key to a solution in our own hands.

Let's do something with it.

Sincerely,



Bettina Würth



Robert Friedmann

**Ladies and Gentlemen,**

The year 2006 was an extremely good year for the Würth Group. We achieved a new record with sales of EUR 7.75 billion, an increase of 12.1 percent. The operating result went up considerably from EUR 455 million in the prior year to EUR 515 million, growing by 13.2 percent and at an even higher rate than sales. Our equity ratio of 44.8 percent and the "A/outlook stable" rating are proof of our company's sound financial constitution. The Würth Group expanded not only its sales but also its headcount. We had 54,906 employees worldwide at the end of 2006. Every one of them was instrumental in making the positive result of the Group for the year possible through their dedicated work. I would like to thank all the employees of the Würth Group most sincerely, also on behalf of the other members of the Central Managing Board.

**Satisfying our customers is not enough. We want to inspire them.**

So what made us so strong in the past fiscal year? Our answer is clear: our passion for selling. The drive to sell is a key component of our corporate culture. We have grown up with it in the 61 years of our company's history and have over the years gained the competence that we have today. With a sales force of more than 29,000 employees, we are one of the largest employers worldwide for salaried sales representatives. They make direct contact with our customers around the globe over 290,000 times a day. In collaboration with our in-house staff, our sales representatives do not just keep our customers satisfied, they inspire them time and time again: with our products, our quality, our service and, last but not least, by treating them as partners. The sales function is the engine of our company and at the same time the linchpin of our future growth. A considerable amount of our capital expenditures is channeled into the sales function because we know: the enlargement of our sales force provides the necessary impetus for growth. That is why we increased the headcount of our sales force by 1,532 last year alone.

**The face that the customer sees: the salesperson**

The large sales force gives the Würth Group an important advantage: Our employees at the point of sale convey what makes up our company, while at the same time keeping their ear to the ground – at the customer, in person and without filter. That is our strong point. That way, we learn about our customers' wishes and needs, which helps us not only to offer the right products, but also to develop entire supply and marketing concepts. This enables us not only to satisfy our target groups with suitable products and services, but to inspire them with our pro-active solutions.

Our sales representatives' daily contact with our customers also helps us to develop new innovative products. Every year, a large part of the profit is reinvested in developing innovations and thus securing further growth. Some 8,000 new products are added to our range of 100,000 products every year. About 40 percent of sales are generated with products that have been included in the product range for less than five years.

One recent example of innovation within the Würth Group is Würth Solar's solar factory CISfab, which was opened up in Schwäbisch Hall in October 2006. The Würth Group spent EUR 55 million on establishing this production facility for the world's first mass production of CIS solar modules – the largest single capital expenditure in the history of the company. This investment has paid off: Würth Solar is the technological pioneer on the market of the future that is photovoltaics.

#### **Our culture: fuel for the company**

We want to inspire not only our customers, but also our employees. At Würth, the focus is placed on people. This fundamental aspect shapes our corporate culture and is what motivates us. Only motivated employees have an open ear for the customer. Prof. Dr. h. c. Reinhold Würth exemplified this culture over several decades, firmly establishing values such as predictability, straightforwardness and openness in the company. At the same time, he proved that a generation change does not have to be a rupture or mean breaking with tradition and values. By handing over the Chair of the Advisory Board to his daughter Bettina Würth in March 2006, he managed to secure the future of our company with great foresight. Bettina Würth has not only reinforced our strategic direction, she is also the guarantee that the values of the family-run business will live on.

The Würth culture is the fuel for our company and thus also the fuel for our success. Therefore, we consider it our undeniable duty in the Central Managing Board to keep this source of energy going. We are living examples of the corporate culture and the values which are important to us. They include above all fair and open dealings with each other and with our customers as well as the tradition of training and furthering the development of our employees. Our decentralized organization with individual entities – one of our success factors – allows the fundamental values of our company to be adjusted to every country and to be implemented there.

#### **Our objective: further profitable growth**

In line with our motto for the year, VIBRANT CURIOSITY, we will not rest on our laurels, but continue to strive to reach new milestones – with enthusiasm and passion. We reached one such milestone in March 2006: The monthly sales of the Würth Group soared above EUR 700 million for the first time in the history of the company. Further sales records were to follow in the months of September, October and November. Our development was also exceedingly positive in Germany, our traditional stronghold in terms of sales and employees and the location of our largest single entity, Adolf Würth GmbH & Co. KG. The 74 German companies' sales growth reached 12.3 percent.



Keep moving – for us, that also means continuing to expand. The creed of this strategy, however, is to grow profitably. We aim for double-digit organic growth, to which we want to add two or three percentage points with acquisitions. Admittedly, we were buoyed by the positive development of the global economy. Yet we did not just sit back and watch the economy give impetus – we succeeded in growing with our customers and in winning new ones. I would like to seize this opportunity to express my thanks for the trust that our customers place in us every day. Only if customers renew their vote of confidence in us every day can we be successful in the long run.

I would like to thank the Works Council and Council of Confidence as well as our Customer Advisory Board most sincerely. They not only accompanied our business policy, but actively shaped and supported it in a spirit of constructive cooperation. My special thanks go to the Advisory Board of the Würth Group and the Chairwoman of the Advisory Board Bettina Würth in particular as well as the Supervisory Board of the Würth Group's Family Trusts and its Chairman Prof. Dr. h. c. Reinhold Würth, who is always ready to share his invaluable advice with the boards of the Würth Group.

With vibrant curiosity – this is how we started into 2007, and we have once more set ourselves ambitious targets for this year: We will invest a record amount in the market. Our aim is to achieve a double-digit growth rate again. To do so, we will invest in our passion: that is selling. Satisfying our customers is not enough. We want to inspire them. And we won't compromise on this!

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Friedmann".

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

# The Boards of the Würth Group

## Central Managing Board

The Central Managing Board – 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.



Robert Friedmann



Rolf Bauer



Dr. Roland Hartmann



Dr. Reiner Specht



Dr. Harald Unkelbach

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

**Dr. Reiner Specht**  
Member of the  
Central Managing Board  
of the Würth Group  
(since March 1, 2006)

**Rolf Bauer**  
Deputy Chairman of the  
Central Managing Board  
of the Würth Group

**Dr. Harald Unkelbach**  
Member of the  
Central Managing Board  
of the Würth Group

**Dr. Roland Hartmann**  
Member of the  
Central Managing Board  
of the Würth Group

**Bettina Würth**  
Member of the  
Central Managing Board  
of the Würth Group  
(until February 28, 2006)

- > Central Managing Board
- > Advisory Board



## Advisory Board

The Advisory Board is the supreme supervisory and controlling body of the Würth Group. It advises on strategy and approves corporate planning as well as the use of funds and appoints the members of the Central Managing Board, of the Executive Board as well as the managing directors of the companies in the Group generating high sales.

### **Prof. Dr. h. c. Reinhold Würth**

Chairman of the Advisory Board,  
Künzelsau-Gaisbach  
(until February 28, 2006)  
Honorary Chairman  
of the Advisory Board  
(since March 1, 2006)

### **Bettina Würth**

Chairwoman of the Advisory Board,  
Künzelsau-Gaisbach  
(since March 1, 2006)

### **Dr. Bernd Thiemann**

Deputy Chairman  
of the Advisory Board  
Partner Druker & Co. GmbH &  
Co. KG, Frankfurt/Main

### **Peter Edelmann**

Member of the Management Board  
of Voith AG, Heidenheim

### **Hans G. Güldenber**

brandCreation, Frankfurt/Main  
Member of the Advisory Board of  
H. C. Reynolds Corporate Finance,  
Frankfurt/Main

### **Dr. Frank Heinrich**

Member of the Management Board  
of Heraeus Holding GmbH,  
Hanau

### **Axel C. A. Krauss**

Member of the Supervisory Board  
of Unilever Deutschland,  
Hamburg

### **Dr. Bernd-Albrecht von Maltzan**

Divisional Board Member  
Private Wealth Management  
Deutsche Bank AG,  
Frankfurt/Main

### **Dr. Martin H. Sorg**

Certified Public Accountant,  
Partner of the law firm Binz & Partner,  
Stuttgart

### **Dr. h. c. Uwe Zimpelmann**

Spokesman of the  
Management Board of  
Landwirtschaftliche Rentenbank,  
Frankfurt/Main

### **Honorary members**

#### **Alma Würth**

Künzelsau-Gaisbach  
(† May 4, 2006)

#### **Dr. Michael Rogowski**

Chairman of the Supervisory Board of  
Voith AG, Heidenheim

## Executive Board

The 19 managers of the Executive Board as of December 31, 2006 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

### **Jürgen Graf**

Logistics

### **Helmut Gschnell**

Würth Line Italy,  
Würth Albania,  
Specialists in Italy

### **Michel Kern**

Würth International AG  
Central Purchasing

### **Jürgen Klohe / Jörg Murawski**

Würth Elektronik Group

### **Max Lorefice**

Standard/DIN Parts and  
Stainless Steel,  
reca Group Italy,  
Würth Line South-East Europe,  
Würth Line Japan  
(until December 31, 2006)

### **Jürg Michel**

Finance

### **Juan Ramírez**

Würth Line Spain,  
France, Central America  
and South America

### **Wolfgang Rampmaier**

Industry Division (Würth Line),  
Tools 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, Conmetall Group,  
IVT Group, van Roij Group  
(until February 28, 2006)

### **Robert Stolz**

Würth Line Auto and Wood USA

### **Zekeriya Uluca**

Würth Line Turkey  
and Subregion Asia

### **Alois Wimmer**

Production of Screws,  
Dowels and Plugs

### **Markus Würth**

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

### **Peter Zürn**

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



## Würth Group presents excellent figures

### Economic environment

#### Global economy continues its recovery

The global economy continued its recovery throughout 2006. The global gross domestic product (GDP) increased by 5.1 percent on the prior year. Overall economic output was thus somewhat higher than in the prior year (2005: 4.4 percent). International trade grew by 9.2 percent, 0.5 percentage points up compared to the prior-year growth rate. However, the price for crude oil rose again to an average of USD 66 per barrel. Following temporary peaks of just under USD 80 in the summer, the price fell again down to around USD 55. This high volatility masks the fact that the average price was a new record.

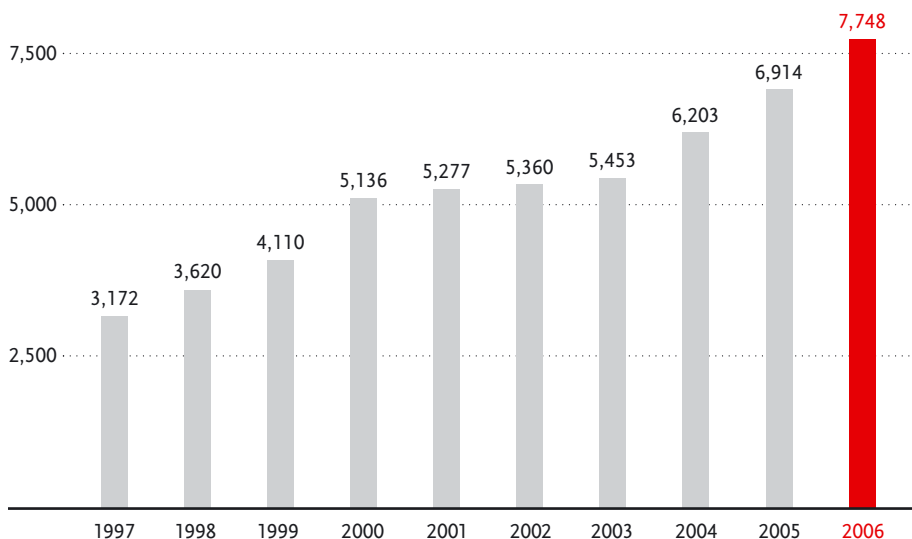
In the course of the year, the economy lost some of its impetus, mainly due to the slowdown of the economy in the United States and, to a minor degree, in Japan. This effect was not balanced by the revival of the economy in the Euro area and in the United Kingdom. In China, the strong economic growth accelerated in 2006 again, while it slowed down overall in the other emerging countries in Eastern Asia.

#### Slight slowdown of the economic development in the US and Japan

At 3.3 percent, the strong growth in real GDP in the US was unbroken in 2006. Since spring 2006, however, a general trend has become noticeable that the U.S. economy is slowing down against the backdrop of stricter monetary policy and a downturn on the real estate market. Private consumption in particular lost much of its momentum. This was partly due to the fall in purchasing power caused by higher energy prices – which rose by more than four percent compared to 2005. For a short period in the summer of 2006 the cost of gasoline in the US, adjusted for inflation, reached the highest price in 25 years. Towards the end of the year, the price spiral slowed again marginally in the wake of falling energy prices. Capital expenditures made by companies were also clearly in decline. While commercial construction activity expanded, capital expenditures lost some of their initial dynamism after starting the year with strong growth. Investments in housing construction were scaled back considerably over the year 2006. Nevertheless, this did not have negative repercussions on the U.S. labor market. The unemployment rate was 4.6 percent in 2006 (2005: 5.1 percent).

### Sales Würth Group

in millions of EUR



## Sales Würth Group

<i>in millions of EUR</i>	2005	2006	%
Würth Line Germany	862	960	+ 11.4
Allied Companies Germany	1,917	2,162	+ 12.8
Würth Group Germany	2,779	3,122	+ 12.3
Würth Group International	4,135	4,626	+ 11.9
<b>Würth Group total</b>	<b>6,914</b>	<b>7,748</b>	<b>+ 12.1</b>

In Japan, the marked upswing which had become apparent in early 2005 lost momentum in 2006. Real GDP increased by 2.2 percent (prior year: 2.6 percent). The rise in overall economic output was not as high as in the prior year, owing to lower growth in international demand. Public spending was also scaled back further. Nevertheless, Japan still recorded a stable recovery, with capital expenditures made by companies and private consumption on the rise (+7.3 percent and +0.9 percent respectively).

### China – the global economy's growth hub

The increase in production remained strong in the emerging countries. The pace picked up in China in the first six months of 2006, while the overall trend in other east-Asian countries was slower. The Chinese economy still is in full swing. Real GDP grew by more than 10.5 percent in 2006. Private consumption rose sharply. In addition to the continued sharp upturn in domestic investments, exports also increased substantially. 15 percent of global economic growth is already accounted for by China today.

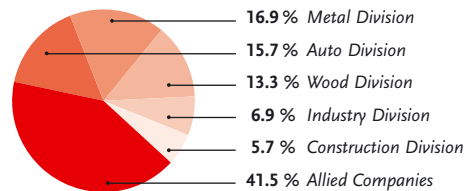
The GDP in India also grew by a solid rate of 8.8 percent in 2006. Compared to China, however, its share in international trade is still fairly low, reaching just under one percent. Nevertheless, foreign trade reached a record level of 29 percent. India is still considered one of the most promising growth markets in Asia.

### Economic growth in the Euro area

The economic development in the Euro area revived noticeably in 2006 – following a relatively weak performance in the prior year. The Euro area's GDP went up 2.7 percent in 2006 in a year-on-year comparison. This is the highest rate of increase since 2000. This development was not solely due to the increase in exports – the main impetus for the economy was provided by domestic demand. For one thing, there was an upward trend in capital expenditures.

### Share in total sales

Divisions of the Würth Line and Allied Companies



For another, building investments accelerated, not least due to the fact that the German construction industry has finally bottomed out after many years. Especially in Germany and Italy, the increase in real GDP was much higher compared to the below-average growth rates that the two countries had recorded in prior years. The unemployment rate again improved significantly in the Euro area, falling from 8.5 percent in 2005 to 7.7 percent in 2006.

### Germany benefits from the strong global economy

In 2006, Germany recorded the strongest economic upturn since the boom year 2000. Real GDP was 2.7 percent higher than in the prior year. For the fourth time in a row, Germany was 'export world champion'. Contrary to the last two years, impetus for growth stemmed not just from the good development of exports but above all from the strong domestic demand. This development was buoyed mainly by capital expenditures, which were at their highest since German reunification. Investment in capital goods increased on the prior year (+7.3 percent), and building investments also recovered visibly after a series of weak years (+3.6 percent). But Germany saw not only an increase in investments, consumer spending was also higher. Although relatively weak in comparison to other European countries, the level of private consumption in Germany did increase in 2006 – following practically two years of stagnation – by 0.6 percent. Government spending was raised by 1.7 percent. Foreign trade remained highly dynamic, with growth rates of imports and exports almost doubling compared to 2005. In real terms, exports again enjoyed stronger growth (+12.4 percent) than imports (+12.1 percent). This improvement in the economic situation did not bypass the labor market. The Federal Employment Agency recorded an annual average of 4.487 million unemployed persons – 374,000 less than a year ago – and an unemployment rate of 10.8 percent (0.9 percentage points down on 2005).



### The trades

The trades saw the economy take an upward turn in Germany in 2006, which accelerated in the course of the year. The strong revival of domestic demand also had a positive effect here, on top of the continuing good development of exports. This revived demand was felt across all trades, albeit to varying degrees. Sales went up by 4.1 percent in the third quarter of 2006 compared to the corresponding period of the prior year. This economic upswing was also positive for employment figures: The job cuts, which have been ongoing for years, slowed down dramatically. At the end of September 2006, the licensed trades employed a total of over 4.4 million persons, 0.9 percent fewer than at year-end 2005.

However, it must be considered that this improvement was preceded by a decade of structural change. This means that the growth rates have been recorded in relation to a much lower starting point compared to the mid-1990s. The anticipated increase in the VAT rate in Germany also had a positive effect.

The generally good economic forecast for 2007 is also shared by the trades. The biggest concerns for small businesses are the increase in the VAT rate effective as of 2007 and the large number of 'one-euro jobbers' working in the trades. Nevertheless, the upward trend experienced in 2006 is expected to continue in light of the good overall economic situation.

### Metal

The German metal and electrical industry is booming, and did even better in 2006 than experts had predicted. Production maintained its growth course. The first nine months of the year already outperformed the result for 2005 by eight percent. Towards the end of the year, the development slowed down again a little, bringing the average annual increase in production to 6.5 percent.

The employment figures in the metal and electrical industry also saw a positive development. On average, the annual headcount grew by just under two percent.

The metal and electrical industry is expecting the positive development to continue into 2007, albeit at a lower rate than in 2006. Hopes for future growth are pinned on the export business.

### Construction

After years of low economic activity, 2006 was a successful year for the German building industry. The industry generated sales growth of 6.5 percent. According to the German construction employers' association, the economic turnaround has thus been achieved.

Over a period of ten years the building industry had faced constant job cuts and falling sales as well as a drop in prices. Despite the fact that, according to the German construction employers' association, the building and civil engineering trade is still 20 percent below the sales level of the year 2000, the upswing in building industry did extend to the labor market in 2006. The job cuts which had been ongoing since 1995 were brought to a halt: the building and civil engineering trade employed more people in 2006 (717,000) than the year before (2005: 715,000).

The German construction employers' association has forecast a continuation of this course for growth in 2007.

### Business development

#### Record growth thanks to professional marketing and dynamic economic development

Set in relation to the global economy, the development of the Würth Group is extremely positive. The Würth Group was prepared for the global growth and presents excellent figures for the year. Every quarter, sales in excess of EUR 1.9 billion was generated on average. The German Würth Group benefited from the favorable economic conditions in Germany, including certain effects in anticipation of the increase in VAT from 16 percent to 19 percent as of January 1, 2007. Ideal overall economic conditions paired with professional marketing made 2006 a highly successful year for the Würth Group.

In March 2006, the Würth Group broke the sales barrier of EUR 700 million per month for the first time in its history. And that was only the start of a whole series of records that were achieved towards the end of the year.

In the months of September, October and November, we improved our record three times in a row, finally reaching monthly sales of more than EUR 729 million. The fiscal year 2006 as a whole closed with consolidated annual sales of EUR 7.75 billion, which is an increase of 12.1 percent on the prior year. Without the acquisitions, the Würth Group grew by 10.4 percent on the prior year. In local currency, the growth rate comes to 12.3 percent.

A look at the individual operating units of the Group reveals a positive picture across the board. The growth recorded by the companies of every operating unit reflects our customer focus in marketing and confirms that we have listened to our customers, enabling us to share in the successful growth achieved by our customers.

The Würth Group has grown steadily over 60 years to close to 55,000 employees (as of December 31, 2006) and global sales of EUR 7.75 billion. This development would not have been possible without our roughly 2.9 million customers. With 290,000 daily customer contacts around the globe achieved by a sales force of over 29,000, customer satisfaction and customer management are a top priority for the Würth Group. It is with passion that we face this challenge and have set ourselves the aim in our sales and marketing departments of not just satisfying our customers, but inspiring them and providing them with innovative products and services in line with our motto for the year, VIBRANT CURIOSITY.

#### **Double-digit growth in domestic and foreign sales**

Exports and capital expenditures are the two driving forces that formed the economic landscape in Germany in the past fiscal year. The high capacity utilization and positive earnings prospects of the individual companies allowed companies to make investments, giving the economy an extra boost. In this economic environment, the German entities of the Würth Group generated sales of EUR 3.1 billion, which corresponds to an increase of 12.3 percent on the prior year. More than 40 percent of the Würth Group's total sales was thus generated in Germany alone. The parent company Adolf Würth GmbH & Co. KG led the field with growth of close to ten percent and external sales of EUR 814 million, accounting for 26 percent of the total German sales.

The growth recorded by Würth Industrie Service GmbH & Co. KG was similarly impressive. This company has established itself as a partner for its industrial customers through customized, logistical supply and service concepts. Sales growth of 23.2 percent and external sales of EUR 140 million in the past fiscal year illustrate the growing importance of this division. In a sales ranking of the German entities Würth Industrie Service GmbH & Co. KG comes fifth, further proof of its important position within the Group.

The foreign entities of the Würth Group increased their sales by 11.9 percent to EUR 4.6 billion. Excellent double-digit growth has thus been generated within and outside Germany. In an international sales ranking – without Germany – three European companies were at the top of the table with Würth Spain leading with sales of EUR 449 million. Würth Spain even exceeded the high growth level of the Würth Group, raising its sales by 13.2 percent in a year-on-year comparison. It was followed by the Würth companies in Italy and France in second and third place.

#### **Construction Division grows by 20 percent**

An analysis of the 128 Würth Line companies by division shows clearly that the Construction Division was able to benefit most from the economic upturn. With a rate of increase of 20.3 percent compared to the prior year, it outperformed the prior-year champion, the Industry Division. In absolute terms, however, the Metal Division is the mainstay of sales, generating sales of EUR 1.3 billion. It is closely followed by the Auto Division with EUR 1.2 billion. The Wood Division came close to double-digit growth, with sales up 9.3 percent in relation to the prior year to EUR 1.0 billion. The Industry Division improved its sales by 15.1 percent to EUR 533 million. This reflects that the Industry Division has gained the trust of its customers not only on the German market, but around the world.

The 242 Allied Companies of the Würth Group generated global sales of EUR 3.2 billion in the past fiscal year, an increase of 14.7 percent on the prior year. Their share in sales has risen over the last ten years from 28.4 percent to 41.5 percent today.



### Germany

Sales in millions of EUR	3,122
Share as a %	40.3
Employees	15,298
Sales staff	4,606

### Western Europe

Sales in millions of EUR	1,413
Share as a %	18.2
Employees	10,257
Sales staff	5,664

### Southern Europe

Sales in millions of EUR	1,274
Share as a %	16.4
Employees	12,054
Sales staff	9,132

### Eastern Europe

Sales in millions of EUR	341
Share as a %	4.4
Employees	5,225
Sales staff	3,087

### Scandinavia

Sales in millions of EUR	442
Share as a %	5.7
Employees	2,289
Sales staff	1,026

### The Americas

Sales in millions of EUR	934
Share as a %	12.1
Employees	6,202
Sales staff	3,330

### Asia, Africa, Oceania

Sales in millions of EUR	222
Share as a %	2.9
Employees	3,581
Sales staff	2,175

## Sales by region

Globalization at an early stage is one of the key success factors of the Würth Group. In the early 1960s Prof. Dr. h. c. Reinhold Würth already knew that the successful development of his group of companies would require tapping market potential around the world. While neighboring countries outside Germany were the primary targets for expansion to start with, the Würth Group gradually spread to all continents. This international outlook was underlined again in 2006 by the incorporation and acquisition of further companies. In the meantime, the Würth Group is even represented in Columbia and Mongolia, for instance, and has a total of 370 entities operating in 83 countries. Of the total sales of EUR 7.7 billion, 40.3 percent is accounted for by Germany. The rest of the world generated EUR 4.6 billion, accounting for the remaining share of 59.7 percent.

## Germany

Traditionally, Germany has been the Würth Group's strongest single market in terms of sales and employee numbers. It is also home to the headquarters of the largest single entity, which is also the nucleus of the Würth Group, Adolf Würth GmbH & Co. KG. Over the more than 60 years of its existence, it has developed into an extremely successful company with more than 4,600 members of sales and in-house staff. Adolf Würth GmbH & Co. KG generated external sales of EUR 814 million in 2006, and made up a share of 10.5 percent of the Würth Group's total sales. This underlines once again its position as flagship of the Group.

Together, all 74 German operating entities recorded sales of EUR 3.1 billion and growth of 12.3 percent. Their share in the Würth Group's total sales thus remains stable. Another positive aspect is that the German group created over 1,000 new jobs in the fiscal year 2006. The capital expenditures of the German entities in the

#### The Würth Group around the world

- Countries in which Würth is represented



Würth Group – at EUR 238 million much higher than in the prior year – also contributed to economic growth.

#### Western Europe

The establishment of the first foreign subsidiary in the Netherlands in 1962 marked the start of the global expansion of the Würth Group. This region includes the Benelux countries, France, the UK, Iceland, Ireland, Liechtenstein, Austria and Switzerland, all home to well-established companies that can look back on an impressive corporate history. With sales of EUR 1.4 billion and a growth rate of 9.4 percent, this region accounted for a slightly lower share in sales. Nevertheless, the companies defended their second place in the sales ranking by region and even took the lead in terms of earnings power. For the first time, the number of employees in Western Europe rose above 10,000, of whom 5,664 are sales staff.

#### Southern Europe

Almost a third of all sales representatives employed by the Würth Group work in Southern Europe. The region thus has the largest team of sales representatives within the Würth Group. It also has the highest ratio of sales staff to in-house staff of three to one. A sales force of more than 9,000 takes care of our customers' needs every day. Above all, our Würth company in Spain has helped the region of Southern Europe to achieve this top position – it has the largest sales force of around 3,500 of all Würth Group companies. The growth rate of its sales force of 7.2 percent is also higher than the Würth Group average of 5.6 percent. In addition, Würth Spain is one of our top performers in the Würth Group in terms of its profitability.

Overall, this region with strong earnings power including companies in Spain, Portugal, Italy, Greece, Cyprus, Turkey and Malta generated sales of EUR 1.3 billion which put it in third place in the

sales ranking behind Germany and Western Europe. Most of the sales growth of 6.9 percent was achieved through organic growth. One notable acquisition in the region is the Italian company Masidef S.r.l., a supplier for DIY stores with an annual sales volume of EUR 17 million.

#### Eastern Europe

By increasing its market presence, the Eastern Europe region raised its sales by 20.1 percent to EUR 341 million.

This above-average sales growth compared to the Würth Group as a whole has raised its share in the Würth Group's sales from 4.1 to 4.4 percent. The dynamic growth that the region has seen over past years without any indication of abating made it possible for the region to more than double its share in sales over the last ten years. The strategic focus in this region is placed on multiplying our business models. Therefore, not only the Würth Line but all operating units are present here with companies of their own. The incorporation of Fega Russia in 2006, for example, marked another step in the international expansion of the Electrical Wholesale unit. Also in view of the enlargement of the European Union in January 2007 to include Bulgaria and Romania, we expect this region to continue to provide positive impetus for growth in the future.



### Scandinavia

Scandinavia has been the region with the largest market penetration among our Würth Line companies for many years now. This region's success is largely based on the established and highly professional companies operating in Finland, Norway and Denmark. Together with the company in Sweden, they achieved sales of EUR 442 million. The share in sales has for years been maintained at a stable level of 5.7 percent. This proves that even established companies that have already tapped much of the market potential still have sufficient growth potential. The striking aspect about the region Scandinavia is its high profitability, which is far above the average of the Würth Group.

### The Americas

Our companies on the American continent showed their mettle in 2006 with dynamic sales growth of 16.9 percent to total sales of EUR 934 million, making a considerable contribution to the

sales development of the Würth Group.

Following a phase of focused growth by means of acquisitions in the period from the mid-1990s to the end of that decade, the current decade has been characterized by a phase of structuring and consolidation of operations in the USA. As a result, our U.S. entities generated their highest result in 2006 since joining the Würth Group. The North-American continent will remain a key focus of the Würth Group. In the past year, for example, McFadden's Hardwood & Hardware Inc. – a trading company in the wood sector – was purchased in Canada and Würth Red Label was incorporated – representing the Metal Division in the Würth Line – to enhance the market presence and create a broader base for further profitable growth.

Operating in both economically and financially relaxed conditions in South America, our companies in this region displayed a highly positive development over the last few years. With a growth rate of over 50 percent, this subregion takes the lead in the Würth Group. This development was boosted by the acquisition of our first two companies in Brazil. Even the organic growth of just under 40 percent is the highest in the Group and proof of the professional operations of our companies in South America. By establishing Würth Columbia, another country was added to the Würth map of the world.

A total of 6,202 employees work for the Würth Group in South and North America, 3,330 of whom as sales representatives. Würth Brazil alone had a sales force of over 1,300 at year-end 2006, which makes it one of the top ten companies in the Würth Group.

### Asia, Oceania and Africa

Within the region, Oceania – which includes Australia and New Zealand – is currently the market which has the largest volume of sales. Its seven operating companies generated sales of approximately EUR 90 million in 2006 – just over one percent of the Würth Group's total sales. Especially in Australia, the strategic focus over the past few years has been to expand trading companies for industrial supplies of prefabricated parts and specialized companies for DIN and standard parts in the stainless steel area. The stainless steel area was strengthened by the acquisition in 2006 of James Glen Pty. Ltd.

The smallest region of the Würth Group is the African continent. In terms of regional expansion, the Würth Group is only just setting out here.

We believe that there is considerable growth potential inherent in the Asian region, with the markets of the future India and China. The Würth Group placed special emphasis on purchasing or incorporating companies here in the past few years in order to increase its market presence in these extremely dynamic countries. For this purpose, Würth International AG with headquarters in Chur signed a cooperation agreement with the Shenyang-European Union Development Zone on September 14, 2006. This documents the commitment of the Würth Group to establish a Würth Industrial Park on 30 hectares in the city of Shenyang in Northern China for an initial amount of USD 30 million. By making this strategic investment, Würth plans to create production facilities for the Chinese market in several stages, starting with 400 employees and growing to 3,000 employees by the final stage of expansion.

On aggregate, the regions Asia, Oceania and Africa successfully raised their sales to EUR 222 million and thus increased their share in the Würth Group's total sales from 2.5 percent to 2.9 percent.

### Results of operations, net assets and financial position

#### Operating result increases to new record level

'Growth without profit is fatal' is a key corporate principle that guided us through 2006. The Würth Group generated another record pre-tax operating result in the past year of EUR 515 million, exceeding the previous record from 2005 (EUR 455 million) by 13.2 percent. This is the fifth straight year that the Würth Group has increased its operating result by a higher rate than sales. As a result, this improved the return on sales from 6.6 percent in 2005 to 6.7 percent in 2006. The operating result is defined as earnings before taxes, impairment of goodwill and financial assets, and changes recognized in profit or loss of minority interests disclosed as debt capital. The acquisitions made in the past year played only a minor role for both sales growth and the increase in the operating result, i.e. the operating result was largely attributable to organic growth.

In Germany, profit rose by a pleasing 15.5 percent to EUR 134 million (prior year: EUR 116 million). This reflects the general economic recovery in the region, but it is also a tribute to our professional, consistent and efficient marketing efforts. 74.0 percent of the Group's operating result was generated outside Germany. Our international companies increased the operating result by 12.4 percent year-on-year to EUR 381 million.

The Würth Group's sales growth in 2006 went with a slightly higher increase in cost of materials on account of the rise in purchasing prices on our procurement markets. This contrasts with improved productivity of our employees, which meant that personnel expenses rose at a lower rate than sales. The increase in other operating expenses was marginally higher than the sales growth. The reasons include higher operating costs as well as expenses relating to other periods for risk provisioning for tax field audits and tax offense investigations. The increase in the effective tax rate is due on the one hand to the considerably lower tax income compared to fiscal 2005 from recognizing unused tax losses as assets. This effect was absent in 2006. On the other hand, income tax expenses went up for reasons including the change in deductibility of vehicle costs for tax purposes in Italy and expenses relating to other periods for risk provisioning for tax field audits and tax offense investigations. This reduced the net income for the year accordingly.



**Investment volume continues to rise**

The Würth Group spent a total of EUR 425 million on property, plant and equipment, intangible assets and financial assets in 2006. The focus was on new warehouse buildings and extensions to these. Furthermore, investments were made on technical equipment and machinery for the Würth Group production facilities within and outside Germany. The largest single capital expenditure was made in Germany. It was used to establish a Würth Solar production plant for CIS solar modules, CISfab in Schwäbisch Hall, with a total volume of EUR 55 million. Of this total, EUR 10 million had already been spent in 2005.

The gross cash flow amounted to EUR 605 million and was thus once again higher than the investment volume. The ratio of capital expenditures to gross cash flow came to 70.2 percent. This shows that the Würth Group was able to make the investments necessary for future growth from the funds earned by the Group itself in 2006.

**Purchasing**

The purchasing function of the Würth Group faced a seller's market again in 2006. There were supply bottlenecks affecting various raw materials. As a direct consequence of the temporary shortage of steel, our supply reliability was at risk. The explosion of the cost of

crude oil led to massive price hikes for oil-based products. The same held true for the increase in energy costs. Scarce transportation capacities and the associated increase in transportation costs posed a further challenge. This scenario was then compounded by exchange rate fluctuation.

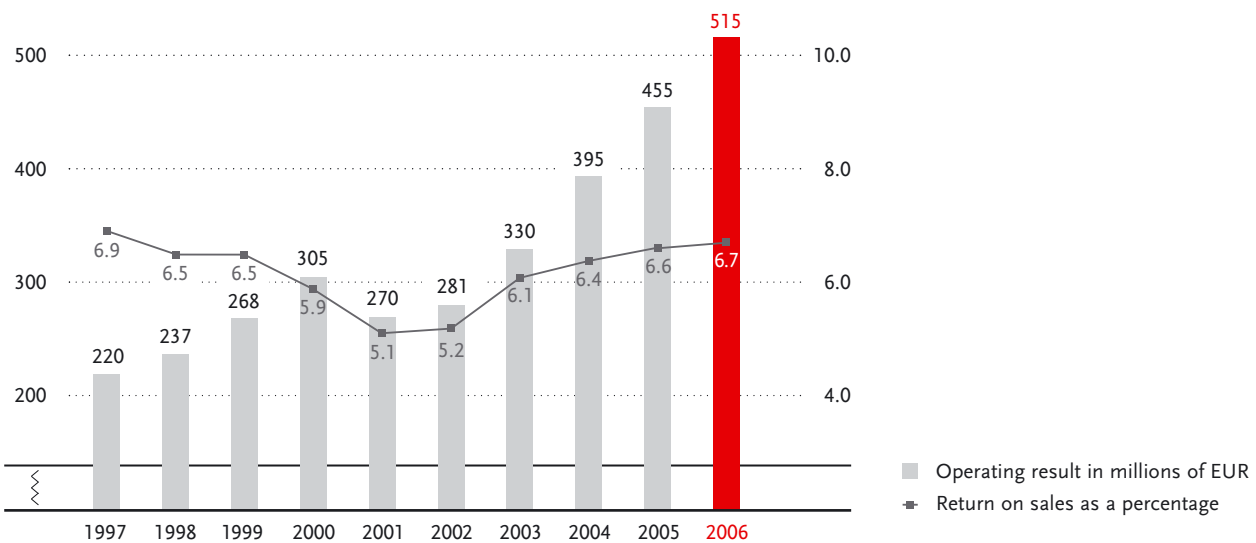
Despite this challenging environment, the purchasing function managed to ensure an excellent service degree for the entire product range and to keep the development of procurement prices under control. The primary aims in terms of strategic purchasing were to expand global sourcing activities, continue to optimize the supply chain and improve the quality of the IT tools.

As part of the global sourcing activities, we reinforced and enhanced our presence on procurement markets in the Far East. The international 'Strategic supplier management' project is designed to render the supplier portfolio more transparent and reliable by means of improved assessment criteria. The improved transparency in relation to the supplier will then be leveraged to increase supply chain efficiency.

Another forward-looking project in 2006 was the development of an international data exchange platform, which will release synergies for group entities.

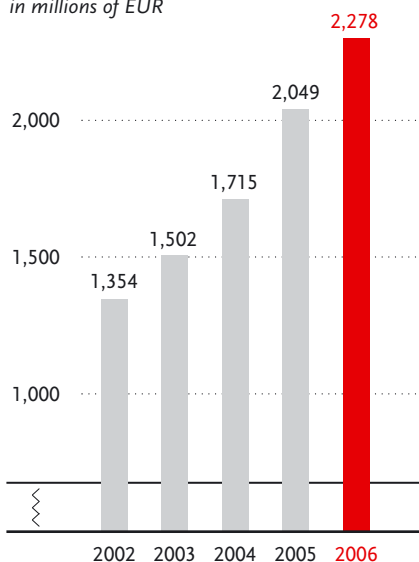
There are no dramatic changes foreseeable on the procurement

Pre-tax operating result and return on sales of the Würth Group



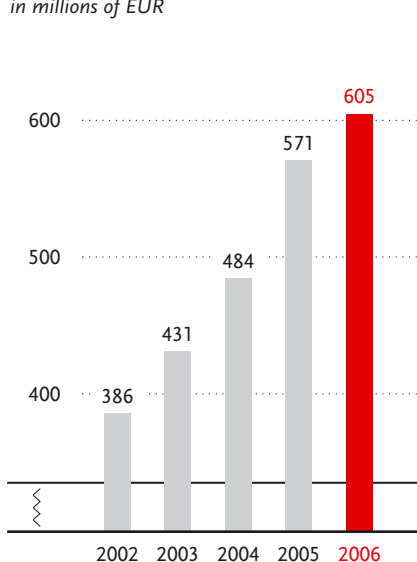
### Equity Würth Group

in millions of EUR



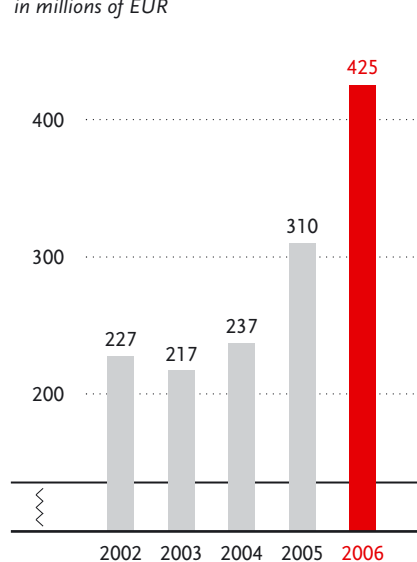
### Gross cash flow Würth Group

in millions of EUR



### Capital expenditure Würth Group

in millions of EUR



market for 2007. However, the development in 2006 showed us that as globalization continues, these markets will become more and more volatile. In order to maintain our good level of stock turnover in future and possibly even improve it, we will focus on optimizing materials planning and product range management over the next few months. It will naturally be ensured that all measures that are taken will allow us to maintain delivery service to our customers at the high level they are used to.

#### Inventories and receivables

Optimizing working capital, in particular inventories and trade receivables, is one of the key tasks of the whole management of the Würth Group. High stock levels mean that a high amount of capital is tied up. So as not to stretch the liquidity of the Würth Group beyond limit, stock turnover must be sufficiently frequent. This requires efficient and optimized material planning. In the Würth Group the stock turnover rate is used as a key indicator to assess inventory management. Compared to 2005, the rate of stock turnover overall dropped slightly in 2006 from 6.0 to 5.9 times. Stock on hand climbed 17.9 percent. Besides sales growth and the increase in raw materials prices, acquisitions were responsible for EUR

21.4 million of the increase in stock on hand. After eliminating the effect of acquisitions, stock turnover remained at a stable rate of 6.0, matching the record figure achieved in 2005.

The collection days of the Würth Group decreased further. Double-digit sales growth through winning new customers and expanding in existing and into new areas of activity led to an increase in receivables. Despite this, the Würth Group managed to reduce the collection days in a year-on-year comparison by 0.3 days to 49.0 days through consistent receivables management, by keeping within credit limits and ensuring efficient cooperation between the sales and finance functions.

#### Financing

The equity of the Würth Group climbed by EUR 229 million to EUR 2.3 billion in 2006 (prior year: EUR 2.0 billion). The equity ratio fell to 44.8 percent (prior year: 49.5 percent) as a result of the increase in total assets to EUR 5.1 billion (prior year: EUR 4.1 billion). The main reason for this development was first-time consolidation of Internationales Bankhaus Bodensee AG, which reports total assets of EUR 560 million. Nevertheless, the Würth Group pursues a strict policy of retaining earnings in order to be ready for future growth.



Würth Finance International B.V. issued a bond of EUR 100 million in 2006. The bond has a maturity of seven years and bears interest of 4.25 percent. Due to the good credit rating of the Würth Group, we were able to attract institutional investors in particular. In addition, the Würth Group of North America Inc., USA, borrowed USD 50 million by means of a US private placement. The term to maturity of this structured transaction is 13 years. The coupon for the first three years is 4.55 percent and 5.62 percent for the following ten years plus the Würth Group's credit spread which will apply in three years time. The funds received from the bond and the private placement serve to repay a bond of EUR 150 million, which matured on June 21, 2006, and to finance future growth. The Würth Group currently has four bonds and two US private placements on the capital market. These provide the Group with long-term finance at reliable interest rates which helps us to ensure sound financing of our corporate growth. The short-term liabilities are principally attributable to operations.

The assessment of the financial position of the Würth Group in 2006 by the leading rating agencies Standard & Poor's and FitchRatings once again gave not just a positive picture of the company's creditworthiness and development potential, but also confirmed the previous "A/outlook stable" rating. This excellent rating ensures favorable refinancing conditions for us and boosts the confidence of our customers and suppliers.

#### **Startups and acquisitions**

One component of the Würth Group's growth strategy relates to the principle of generating double-digit organic growth and another two to three percentage points through acquisitions. In the past year, the Würth Group again managed to expand its sales growth by incorporating and acquiring new companies. A total of twelve companies were established in Germany or abroad. The market entry in Columbia and Mongolia deserves special mention. The forecasts for both countries are for a positive economic development. These newly formed entities will allow the two markets to enjoy the excellent quality of Würth assembly and fastening technology.

In addition to the expansion to these two new countries, another four Würth Line companies were incorporated in India, Portugal, the United States and in China. Six companies were opened up in the closely related business fields in China, Germany, Russia and Singapore.

Seven companies were integrated in the Würth Group by way of acquisition. The Würth Group increased its stake in Internationales Bankhaus Bodensee AG from 44.76 percent to 88.55 percent.

#### **In detail the companies incorporated in the fiscal year were:**

- Würth Mongolia
- Würth Industry, India
- Würth Columbia
- Würth Modyf, Portugal
- Würth Industry, China
- Würth Red Label, USA
- Hahn + Kolb China, Chongqing
- eiSos iBE Wuxi, China
- eiSos, Singapore
- Würth TeleServices, Germany
- Fega, Russia
- Promotional Concepts, Germany

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

- Só W. Diesel, Brazil (trading company in the Industry Division)
- James Glen, Australia (trading company in the stainless steel sector)
- McFadden's, Canada (trading company in the Wood Division)
- Internationales Bankhaus Bodensee AG (bank)
- Action Bolt, South Africa (trading company in the Industry Division)
- AP Winner, Brazil (production and sale of chemical products for the automotive and building industry)
- Masidef, Italy (trading company for DIY stores)
- Nordiska Bult, Sweden (trading company in the Industry Division)

## Employees

At Würth, the focus of operating activities is placed on people. Respect and tolerance govern the management culture and the dealings of employees with each other. 'The most important word in dealings with each other is thank you' – this is one of the principles of our corporate philosophy. A willingness to provide basic and further training, strong personal commitment and a sense of responsibility: these are factors that create an atmosphere that is conducive to growth, be it personal, social or economic. In this interest, Würth offers an open and lively working atmosphere that is challenging while at the same time helping its people to progress.

As of year-end 2006, the Würth Group had 54,906 employees around the world. This is an increase of 4,139 persons on the prior year (8.2 percent).

At Würth, the engine of the business is the sales force. The supreme importance we attach to selling, one of our core competencies, and our striving for continual growth require constant expanding of our sales force. Our earnings situation in 2006 facilitated this and permitted us to make further investments on the market. On our new growth markets Asia and South America in particular, we achieved rates of increase in excess of 20 percent in the number of our sales staff. But even in Europe, we hired over 500 new sellers. Overall, the

number of sales staff working in the field climbed by 5.6 percent to 29,020.

Our headcount of in-house staff went up by 11.2 percent to 25,886 employees worldwide. In Germany alone, we created more than 1,000 new jobs in 2006.

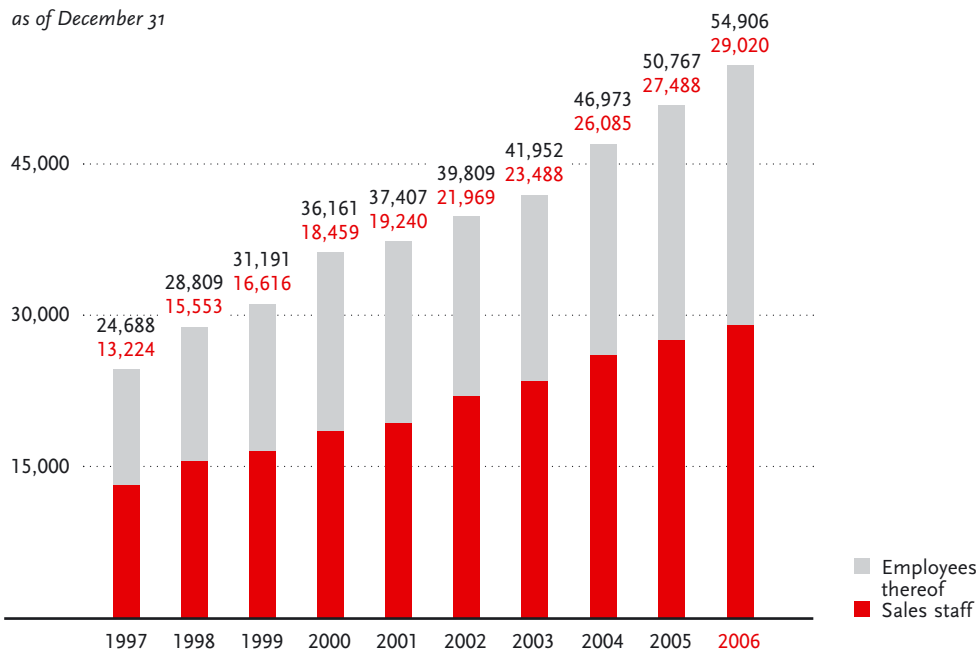
### Training at Würth

Not products, processes or services determine whether we will be successful in the long term – the personal, social and hard skills of our employees are the pillars on which the success of our business rests. The earlier the people in a company get to understand and identify with its aims, structures and processes and make them their own, the more sustainable and dynamic the economic success will be.

Since its formation, Würth has always had this concept at heart and considered it an existential duty to train its employees by offering an extensive and intensive training program. In Germany alone, 766 people are currently being trained at the different entities of the Group. Apart from conveying technical abilities, passing on knowledge about products, processes and key indicators, attention is paid to personal development. To shape the future, we believe that knowledge is not enough. Even trainees are given the opportunity at Würth to broaden their horizons. Seminars, workshops, projects, internships at group entities in Germany and abroad, customer

### Employees Würth Group

as of December 31





contact, social projects and other modules create the basis to support its employees through practical experience to make a successful transition from school to working life in an individual and challenging but fun way.

#### Further training

A company that wants to still be successful tomorrow has to start preparing its employees for future tasks today. Discovering, trying out and implementing new things, acquiring new skills and bringing one's competencies up to speed to meet the challenges of the future is an integral part of and a challenge for our corporate culture. We believe that 'human resources' cannot just be purchased. The key attitudes and abilities are only developed in lively interaction with our management culture. The Würth Group offers its employees structured assistance in the form of seminars and further development programs for all qualification requirements.

#### Development of management qualities

Professional HR work involves thinking ahead. Filling executive positions without having upheaval, without friction during the changeover and without a significant decline in quality – this is a challenge that companies like Würth must face when they need more executives because of the pace at which they are growing. That is why at Würth great importance is attached to developing high potentials. The aim is to fill management positions with our own people. For that purpose, Würth has set up international programs to promote high potentials.

A program called MC Würth offers mainly new employees with high development potential the opportunity to qualify for managerial responsibilities and establish a network in the long term. The three-year course is designed to provide our employees with attractive career perspectives within our company. This is a specially tailored training program that comprises seminars on corporate and management culture and all major competence areas as compulsory subjects.

For employees who already have a few years of experience as an executive in the Würth Group, we have the High Potential Program. It is aimed at qualifying excellent employees with potential at the right time to ensure that they can assume top management positions in their company or at Group level. To give them a realistic professional perspective, the employees get targeted support through training on the job as well as seminars and courses and are prepared individually for their future responsibilities. In so doing, the company gives its employees as much freedom as possible to take the initiative and advance projects that they have defined themselves.

#### Headcount development (as of December 31)

	2005	2006	%
Würth Line Germany	5,000	5,183	+ 3.7
Allied Companies Germany	9,263	10,115	+ 9.2
Würth Group Germany	14,263	15,298	+ 7.3
Würth Group International	36,504	39,608	+ 8.5
<b>Würth Group total</b>	<b>50,767</b>	<b>54,906</b>	<b>+ 8.2</b>
<i>thereof:</i>			
Sales staff	27,488	29,020	+ 5.6
In-house staff	23,279	25,886	+ 11.2

#### A thank you from the Central Managing Board

Würth demands and encourages good work, but does not forget to say thank you. In four months during 2006, we celebrated record sales. This success is not something that simply happened – it was earned by hard work and the personal commitment of every one of our employees. With their motivation and readiness to take responsibility, our employees have shaped the picture that our company presents. This is a crucial factor in the outstanding results of the Würth Group. The Central Managing Board would like to thank all employees sincerely for their commitment and loyalty to the company.

Our special thanks go to the Works Council and Council of Confidence who not only accompanied our business policy, but actively shaped and supported it in a spirit of constructive cooperation.

## Research and development, environmental protection

### Research and development

Innovation is usually associated with high-tech products such as microchips, computers or medical devices. Yet innovation is the key to success in all areas of business. For our services, in the organization of the company or logistics, innovation with the customer in mind creates competitive advantages.

For Würth as a trading group with worldwide operations, innovation management has taken center stage for years. Würth has a range of more than 100,000 products, and some 8,000 new products are added each year. Many others are changed and optimized and then relaunched. We always let the motto 'Quality beats price' guide us in this respect. That means that top quality and first-class service is our prime concern. All products have to pass strict quality controls. They are permanently measured against the wishes expressed by our customers to allow us, wherever possible, to offer new solutions even before the customer knows he has a problem. This task is assumed by about 200 employees in the research and development and product management departments. And they have a successful scorecard: About 40 percent of sales are generated with products that are less than five years old.

The most recent example of innovation in the Würth Group is the largest single capital expenditure ever made in the company, of EUR 55 million: the CISfab of Würth Solar – an entity of the Würth Elektronik Group, one of the Allied Companies. On the basis of research by the University of Stuttgart and the Centre for Solar Energy and Hydrogen Research Baden-Württemberg (ZSW) and after excellent engineering work and a five-year pilot phase, Würth Solar was able to define and implement a production environment that is suitable in terms of productivity and output for mass production.

Apart from the choice and development of new products, innovation in customer care is another key factor for the successful development of the Würth Group. As a trading company that sets great store by intensive personal customer care, Würth is much closer to customers than say manufacturing companies. This opportunity of getting to know our customers' wishes a bit better every day and fulfilling them with suitable products and services is also the big challenge that the company faces. In order to support and make fast progress with improvements, Würth has developed a range of tools that make innovation an integral part of corporate management.

### Environmental protection

Ecology is a decisive component of the Würth Group's corporate philosophy. When selecting our range of products and suppliers, we

always aim to ensure the best possible protection of the environment based on the state of the art technology. We have had an integrated management system in place for quality assurance, industrial safety, health and environmental protection since 1994. The system has been certified under the international standards ISO 9001:2000 and ISO 14001:2004. In order to retain the certification, we are audited by external auditors every year. We have developed a series of particularly environmentally friendly products ourselves. Würth's ABSOBON line for chemical products reduces the burden on the environment and the potential risks in everyday use, saves resources and helps to avoid waste.

### Risk management

In line with the practice of the past few years, the Würth Group surveyed the risk situation of group entities in 2006.

The core business of the Würth Group is that of a typical trading company. The business policy of the Allied Companies, which cover business fields closely related to our Würth Line operations, is also largely sales-oriented. The business model of the Würth Group is characterized by an extensive range of more than 100,000 different products, comparatively low order values and a broad customer base. Over 29,000 sales representatives offer our services to more than 2.9 million customers around the world. As a result, risks are spread effectively. Another favorable factor in this respect is the decentralization of business units in 370 legally independent entities in 83 countries. In addition, the characteristic Würth market is organized in a polypolistic way. The business risk of the Würth Group in terms of risks jeopardizing its continued existence is therefore categorized as relatively low. In addition, the situation described above presents opportunities to which we have aligned our strategic success factors.

In times of globalization and liberalization of markets, as conditions become more complex and management decisions need to be made faster, the time available for weighing opportunities against risks is becoming shorter and shorter. To remain competitive, it is no longer sufficient to respond to developments. The management of opportunities and risks must consequently be firmly integrated in business processes and corporate decisions. That is why the Würth Group has installed an appropriate risk management system, which enables us to identify, record and assess opportunities and risks systematically. Besides the internal control system, internal audit function and controlling, risk management also includes a suitable system for the early detection of risks that is not based on past experience, but analyzes above all forecast market developments. This way, it is



- > Research and development, environmental protection
- > Risk management

ensured that any potential risk factors are regularly identified at an early stage and appropriate action can be taken. The procedures and rules in place are designed to appropriately inform the Advisory Board and the Central Managing Board of the Würth Group on a timely basis of the development and management of the risks.

Risk management is the responsibility of the management of each entity in the Group. In addition, these operating units each have an employee in charge of risk management, who supports management in implementing a functioning and efficient risk management system and who maintains constant contact with the Risk Controller of the Würth Group. The latter reports directly to the Chairwoman of the Advisory Board of the Würth Group.

The risk controlling system has installed another safety net in the Würth Group. It is a control circuit, i.e. a group-wide, cross-functional system that combines all activities geared towards managing risks. The risk management system should consequently be perceived as a continuous process which sees the business as a learning organization. Based on this approach, the risks of the Würth Group have been recorded and assessed systematically by means of a questionnaire since 1999. The purpose of the survey is to identify, analyze and assess any potential risks which could jeopardize the net assets, financial position and results of operations of an entity in the Würth Group in the medium or long term. The aim is to secure the continued existence of the entities as a going concern, protect them against disruptive influences and increase the business value.

Regarding business risks, a distinction is made between external and internal risks at the trading companies in the Würth Group.

Internal risks tend to concern the personnel area and IT in particular. Since more than 50 percent of Würth employees are sales staff, the largest risks naturally involve the fluctuation of sales staff as well as lacking motivation of the sales staff and misguided or missing incentive systems. Extensive measures have been implemented throughout the Group in order to solve these personnel issues. The most noteworthy are the 'MC Würth' and 'High Potential' programs that focus on the employees' career path. In addition, a range of further training measures including an MBA program and various distance learning courses are offered, as well as training events at the Würth Academy.

The Würth Group has its own IT companies and IT specialists who investigate the risks and issues concerning information technology at the individual entities as part of regular IT checks, thus minimizing these risks.

The key external risks relate to the market, competition and prices. These are risks that are specific to operations, which means that these risks can only be effectively countered by the management of the individual entities.

The manufacturing companies within the Würth Group ensure through careful selection of suppliers and materials as well as certified processes and comprehensive quality audits that the products meet the highest standards, including those of the automotive industry and its suppliers.

Risks that could result from contracts with customers or suppliers are thus controlled by a transparent and strict monitoring process. The internal organizational guidelines contain rules and instructions according to which the conclusion of contracts exceeding a certain term or volume is subject to the approval of the company boards.

We entered into a global third-party liability program, also under the aspect of product liability, to insure against risks associated with the production and sale of the Würth Group products to an economically reasonable extent and as customary in the industry.

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. This applies both for the trading companies and the manufacturing companies in the Würth Group. The manufacturing companies and financial service providers additionally have access to a form-based system which analyzes and quantifies the individual risks for these group companies.

The business activities of the Würth Group are also subject to financial risks that are assessed, managed and monitored by a systematic risk management process. Conducted centrally for the Würth Group by Würth Finance International B.V., this process incorporates the management of market risks (mainly interest and exchange rate risks), credit risks and liquidity risks. The processes 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 return on investment. Our global procurement and selling activities also help to reduce our currency risk. Beyond these, risks from the regulatory environment are becoming more and more important for us as a global player. In particular, they arise from the increasing complexity of tax law, for which we have an in-house group of experts and recourse to external consultants on a case-by-case basis. Various, continuously refined instruments are thus in place in all areas of the Würth Group to minimize the company risks. Risks have been insured to the extent possible. Risks that cannot be insured are monitored and assessed systematically by the operative management on the basis of highly detailed instructions and controlling systems.

## Corporate governance report

With close to 55,000 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 cooperation of people. Würth's corporate culture is described by terms such as dynamism, performance-orientation, openness, honesty, reliability and responsibility. Corporate ethics provides the answer to questions about doing the right thing within the regulatory framework.

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) set out a code of conduct to guide executives and employees with respect to the behavior and attitudes we expect of them.

Corporate governance provides rules and standards for good and responsible management and monitoring of companies. It is thus closely related to corporate ethics. With the aim of continuing the successful development of the Würth Group and safeguarding close to 55,000 jobs and even creating new ones, many years ago we already defined rules, codes of conduct and standards for management and monitoring functions within the Würth Group. Our Central Managing Board is comparable to the management board and our Advisory Board to the supervisory board of a stock corporation. Shareholders in the sense of the Corporate Governance Code are the Würth family trusts.

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 planning process at company and group level
- Refined controlling methods to create transparency in operating units
- Rating by two international rating agencies

We consider these interacting elements as a good basis for corporate governance practiced in the Würth Group.

The Advisory Board of the Würth Group decided on November 24, 2006 to measure efficiency based on recommendation 5.6 of the German Corporate Governance Code, starting as of fiscal 2006. Paragraph 4.2.4 of the German Corporate Governance Code as amended on June 12, 2006 refers to the content of Sec. 286 (5) HGB ["Handelsgesetzbuch": German Commercial Code]. It allows the exemption of the management board from the obligation to present the individual remuneration of each board member. On November 23, 2006 the Würth family trusts as the shareholders of the Würth Group unanimously voted for exempting the Central Managing Board from the obligation to publish its individual members' remuneration.

Declaration of compliance:

On November 24, 2006 the Central Managing Board and the Advisory Board of the Würth Group issued the following joint declaration of compliance for 2006 with the German Corporate Governance Code as amended on June 12, 2006.

Declaration of compliance pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporations Act]:

We declare that Würth complied with the recommendations of the government commission for the German Corporate Governance Code as published by the German Federal Ministry of Justice in the official part of the electronic Bundesanzeiger ('Federal Gazette') with the following exceptions in 2006 and will continue to comply with them in 2007.



- > Corporate governance report
- > Subsequent events

#### Exceptions:

We see the recommendations of the Corporate Governance Code as guidelines for our entrepreneurial action. Notwithstanding this, some of the rules contain requirements which do not seem appropriate for family businesses that are not listed on the stock exchange or which prove to be too rigid in terms of time or content requirements. Specifically, these concern the following paragraphs of the German Corporate Governance Code designed for entities listed on the stock exchange or for stock corporations:

- 5.4.7 Incentive-based remuneration of the Advisory Board
- 6.7 Publication of a financial calendar
- 7.1.1 Publication of interim reports
- 7.1.2 Publication of consolidated financial statements within 90 days of the close of the fiscal year
- 7.1.5 Relationships to shareholders

The Corporate Governance Code includes further recommendations which would constitute too severe a restriction of the individual rights of certain board members, and we have therefore given precedence to the latter. Specifically, these concern the following sections of the German Corporate Governance Code:

- 4.2.5 Publication of total compensation in a remuneration report
- 5.4.7 Detailed and individualized publication of the remuneration of the Advisory Board members in the corporate governance report

#### Subsequent events

Effective as of January 23, 2007, the Würth Group took over the U.S. entity Midcom Inc., Watertown, South Dakota. The entity manufactures transformers, which are mainly used in telecommunication applications. The strategic reason behind the acquisition was to achieve growth for the Würth Elektronik eiSos Group in the United States with an existing, strong brand, to increase our competence in the development and manufacture of transformers and secure the production capacity needed to enjoy future growth. Midcom Inc. has over 4,200 employees in the US and at two production facilities in China.

The Würth Group also started on the first expansion phase for the Würth Industrial Park in Shenyang. The investment in Shenyang is designed to strengthen our position on the Chinese market as well as markets in the Far East and Russia.

To secure our company's growth, there are plans to issue another bond of EUR 300 million in 2007.

All in all, the Würth Group continued the pace of growth it had displayed in 2006 in the first quarter of 2007. Sales rose by 10.6 percent to EUR 2.1 billion and the operating result also improved by 12.0 percent. With these results, the targets set for the first three months of the year have been achieved.

## Outlook

The forecasts made by experts for the global economic development in 2007 are positive. They predict that the global economy will continue to expand. Although the growth is expected to be weaker in the USA as the real estate bubble bursts, China and India will continue their dynamic development as the engine of the global economy. The upturn in the EU is also expected to continue.

The German economy may exceed its prior-year level of growth again in 2007. Despite the negative effects of the value added tax on domestic purchasing power, experts forecast that GDP will rise by up to 2.8 percent. As the global economy cools off again and the euro is revalued, exports will, however, not grow at the same high rates of the past. Forecasts for the development of building investments remain optimistic: according to recent estimates, some impetus will be lost in 2007, but a positive growth rate is still expected.

All in all, the Würth Group is confident that it will be able to meet its ambitious targets for 2007 in these conditions. We are planning double-digit growth once again – provided, there are no global economic or political crises. Our actions on the market are guided by the knowledge that we will not be able to grow tomorrow if we do not invest today. In view of the Würth Group's consistent willingness to invest in past years, capital expenditures will remain one of the Group's principal strategic aspects in the next year.

In terms of globalization, our activities will focus on the Eastern European market and the Asian countries. Our home market Germany will naturally also remain at the heart of our business activities.

We will increase our headcount further, both in Germany and on an international scale, consistently enlarging our sales force. Aside from the quantitative aspect, our aim here is to be the number one for our customers, and we want to achieve this through high quality combined with our service promise. Parallel to this, we will expand the network of our pick-up branches in the course of our sales channel segmentation in order to cover immediate requirements.

In the context of our expansion policy, innovative power is not an empty word: We want to keep moving and investigate new business segments and markets with calculable risks with an open mind.

All our activities are guided by the principles of our growth strategy: the balance must be kept between organic growth and acquisitions. In addition, the principle 'Growth without profit is fatal' is our cardinal principle. Consequently, all our market campaigns have to involve raising the operating result at least in proportion to sales. In short, our aim is to grow, and to grow profitably. In all our activities, we also draw strength and motivation from our corporate culture, which places the focus on people.

Our company motto for 2006, VIBRANT CURIOSITY, remains valid for the new year, and we are thus looking towards the future with optimism, dynamism and with enthusiasm and passion for our business. We have budgeted sales of EUR 8.5 billion for the fiscal year 2007 and expect the operating result to exceed the prior-year level, regardless of any potential expenses for tax field audits and tax offense investigations. We also expect to generate further sales and earnings growth in the medium term.

## Art and culture



## Art and culture 2006

A commitment to culture and society, expressed in many different ways, is just as much part of the corporate culture of Würth as the combination of visionary ideas and concrete action. That is why, at the initiative of Professor Dr. h. c. Reinhold Würth, a museum and hall for speeches, conferences, concerts, readings and other events was integrated in the office building at the headquarters in Künzelsau in 1991. Since their inauguration in 1991, 1,600,000 visitors have been to these venues, which have become a real attraction for both company employees and the general public.

In May 2001, the company's museum space was supplemented by the opening of the "Kunsthalle Würth" gallery in Schwäbisch Hall. 26 exhibitions have drawn some 900,000 visitors to date. Attractive exhibition forums at the Würth Group companies in Norway, Netherlands, Switzerland followed and just recently, in October 2006, our first Italian art forum in Capena near Rome. Denmark and Austria, too, have taken on board the extraordinary concept of "art in the workplace", making reference to central aspects of the Würth company such as modernism, international outlook and quality in their art displays. The basis for all these activities is the international Würth Collection, which now includes some 10,500 works of art. It reflects the development of art from the late 19th century through to present day art. Significant groups of works from earlier periods of the history of art were recently added to the collection.

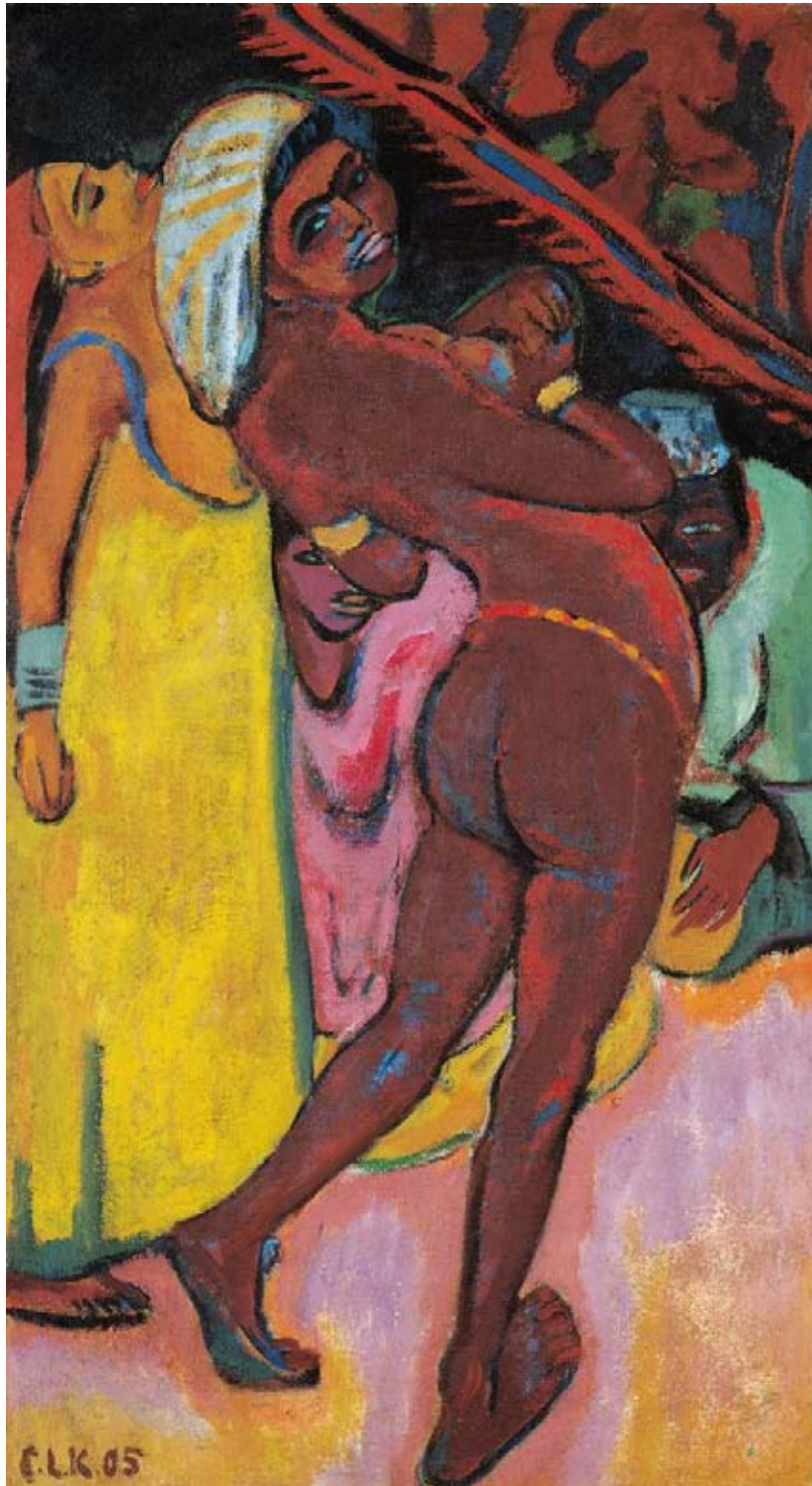
A varied range of related educational and information events for all age groups is offered not only for our external visitors, but also for all employees and their families. Together with various other cultural and social offerings, they complement our employees workday in the spirit of "lifelong learning". They encourage tolerance and the ability to draw associations and provoke new ways of seeing things without which the technical, economic and social future would be impossible to imagine.

### The Würth Museum

Sculptor Bernhard Heiliger's creative cosmos pervaded the museum in the first six months of the year. His sculptures made him one of the most important sculptors of post-WWII Germany. More than 18,000 visitors came to see the exhibition. From July 2006 onwards, Heiliger's sculptures were followed by the expressive work of the Austrian painter Attersee. His work, which for decades has presented a most unusual perspective of contemporary art, drew some 30,000 visitors. Many visitors were interested in Reinhold Würth's photographic impressions captured during his journey through Asia in 2003. The exhibition "Asia through the Lens" documented the rapid change, as well as the sometimes painful balancing act between tradition and modern times in China, Cambodia, Vietnam and Hong Kong.



> Visitors streaming to the exhibition "Literature you can see" on the first day of opening



**Ernst Ludwig Kirchner**  
Negro Dancer, 1909–11  
Oil on canvas  
170 x 94 cm  
Würth Collection, Inv. 7986

### The “Kunsthalle Würth” gallery and Johanniterhalle

Between October 2005 and early May 2006, the “Abu Ghraib” series by the Columbian Fernando Botero, in which he expressed his outrage at the physical and psychological torture in Iraq’s Abu Ghraib prison, was the topic of many a heated discussion. It was fascinating in this context to observe the dialog between Botero’s “Abu Ghraib” cycle and Anthony Caros’ monumental sculpture “The Last Judgement”, installed at Johanniterhalle in Schwäbisch Hall, which he created in response to the smoldering conflicts in Africa and the Balkans and the crisis which escalated into war in Kosovo. In May there was a complete change of scene at Kunsthalle Würth. While impressionists and expressionists from the Würth Collection were put together for “The Magic of Colour” in the basement, the sub-basement was dedicated to artistic “Diversionary Tactics”, ranging from optical illusions and visual manipulations to virtual reality. Many works that were on display at the exhibition “Horst Antes – And maybe tomorrow I’ll paint a picture”, dedicated to the artist from October, have a magical quality to them. Since gaining wide international renown with his “Kopffüssler” or “head-footer” motif, Antes has been recognized as one of the protagonists and most important innovators of figurative art in Germany. The exhibition also highlighted Antes’ own passion for collecting, illustrated by a highly varied and unique collection of studies. Since its opening on October 13, 2006 in the presence of Günter Grass and

Hans Magnus Enzensberger, the “Literature you can see” exhibition showing visual works by the writers Hermann Hesse, Günter Grass and Hans Magnus Enzensberger for the Baden-Württemberg Literature Days in Schwäbisch Hall has also been extremely popular.

### Würth Collection on tour

The Würth Collection is regularly hosted by major national and international exhibition forums. When the Schätzler-Palais in Augsburg, for example, reopened its magnificent chambers to the public again in February 2006 after a five-year period of restoration, the “Old masters” from the Würth Collection were part of the opening exhibition. The reopened Bode Museum on the Berlin Museum Island also appreciated the temporary loan of 30 valuable pieces of art from the Würth Collection. At the Norman Palace in Palermo, 100,000 visitors accepted our invitation to wander through the Würth Collection, ranging from Spitzweg to Baselitz.

### Awards

The 6th Robert Jacobsen Prize, awarded by the Würth Trust in the memory of the Danish sculptor Robert Jacobsen, went to the French sculptor and art theorist Bernar Venet in July 2006.

The 17th Würth Literature Prize was dedicated to the subject suggested by Lars Gustafsson “When a man turns seventy, he can look back on ten years of Mondays” and was awarded to Lothar Kittstein (1st prize), Michaela Schröder and Christoph Steiner (2nd prize ex aequo) in October.



> Hans Magnus Enzensberger, Günter Grass, Prof. Dr. h. c. Reinhold Würth and Lord Mayor Hermann-Josef Pelgrim (Schwäbisch Hall) at the Kunsthalle Würth gallery (from left to right)



> Children at the Venet exhibition in the Kurpark gardens in Bad Mergentheim



**René Magritte**

Le domaine enchanté I/

The Enchanted Domain I, 1953

Oil on canvas

68 x 134.6 cm

Würth Collection, Inv. 9252

The charitable Würth Trust

## 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 Trust established by Reinhold and Carmen Würth in 1987 to sponsor art and culture, research and science as well as education projects. In 2006, the endowment of the trust was again increased by EUR 500,000 and now stands at EUR 3.86 million.

### Würth Prize of Jeunesses Musicales Germany

The Würth Prize of Jeunesses Musicales Germany has been awarded since 1991 to outstanding young ensembles or individuals in the music world who have contributed towards the aims of Jeunesses Musicales in a special way. The prizewinner in 2006 was Michael Kaufmann, director of the Essen Philharmonic, in recognition of his dedicated work aimed at providing a stage for youth orchestras, attracting a young audience and making music accessible to socially underprivileged children through special music projects.

### Economic education in the German state of Baden-Württemberg

Once the overall concept was developed, the Competence Center for Economic Education set up in October 2005 planned and started to implement a series of concrete activities. One of its principal

activities is the Würth Education Award for future-oriented economic projects at secondary schools. These school projects are designed

to encourage entrepreneurial and business-minded action among teachers and pupils. The prize money for all prizewinners together totals EUR 42,000, and the Prime Minister of the German state of Baden-Württemberg, Günther H. Oettinger, has agreed to become the patron for the prize.

At the kick-off meeting at Kunsthalle Würth in Schwäbisch Hall on November 9, 2006, the six schools selected for sponsorship by Würth presented their project plans in public for the first time. The Competence Center accompanies these schools for one year and assists with the implementation of their projects. The main aim of the schools selected for sponsorship now is to make first place when the prize is awarded at the end of the 2006/2007 school year.



> Dr. Ulrich Wüster, secretary general of Jeunesses Musicales Germany, prizewinner Michael Kaufmann, director of the Essen Philharmonic, Robert Friedmann, Chairman of the Central Managing Board of the Würth Group (from left to right)



> The St. Bernhard secondary school for girls in Bad Mergentheim at the kick-off meeting for the Würth Education Award

**Eugène Boudin**

Le Havre, Vue du Port/

Le Havre, View of the Port, 1889

Oil on canvas

65 x 90 cm

Würth Collection, Inv. 9242

The Würth Academy

## Lifelong learning – no longer simply a feature of education and vocational training

The task of the Würth Academy is to offer a suitable program to instruct our customers' staff and to enhance our own employees' skills. Various competence centers provide a broad range of seminars and advanced training opportunities for this purpose. This even includes the possibility of learning about cultural issues and improving physical fitness.

### The trades centers – an offer for Würth customers

Through our contact with ten thousands of customers every day, we are already very well informed about the requirements of the market. In addition, we conducted a broad-based market study under the title "manufactum" in 2005. The results of the survey show that there is a great demand for offers of practice-based training courses.

With the objective of passing on "know-how for future success", the Würth Academy developed a new kind of vocational training course for our customers three years ago: The aim is to help our customers to face the challenges of the market and to extend their competitive advantage. The seminars offered include traditional topics concerning the trades as well as business issues and questions

relating to personal development.

By the end of 2006, the Würth Academy had already welcomed its 16,000th participant to the seminars, held either at one of the 54 trades centers or on-site at the customers. Some 7,000 customers took up our offer nationwide in 2006.

### The staff academy

Our employees face a working future that is determined by our customers' requirements and the development of markets around the world, but which we can also influence ourselves to some extent. With this in mind, the Würth Academy helps to ensure that our employees are suitably qualified. Working to produce the desired results, productive processes, excellent skills for intercultural cooperation and expertise in specific technical areas are some of the skills learned in the 200 courses held by the Würth Academy for 3,000 participants in 2006.



> Technical seminar on modern doweling technology: hands-on training for customers with Würth doweling systems at the trades center in Stuttgart



> Graduation ceremony for the MBA students: Prof. Dr. Charles Moyer, Dean of the University of Louisville College of Business, USA (left), Dr. Gianluca Croce, Würth Italy

### Business School

The range offered by the Würth Academy also includes training programs for working professionals to obtain recognized academic qualifications. They were initially only intended for Würth employees, but owing to the interest generated outside the Würth Group, these programs are now open to anyone who meets the entry requirements.

An MBA course was designed in collaboration with the University of Louisville in Kentucky (USA). This course is completed with an internationally recognized American university degree in Global Business, and has been accredited by the American Association to Advance Collegiate Schools of Business (AACSB). Over 13 months in Germany and the United States, the working students are prepared for future international management responsibilities. This course has been expanded to offer two additional options, the Master of Engineering (MEng) and the Master of Science (MSc). Moreover, cooperation between Hamburger Fern-Hochschule, a distance-learning institution, and Würth now offers students working full-time the possibility of obtaining the German university-level degree of “Diplom-Kaufmann/-frau (FH)” or a Bachelor of Arts (B.A.).

### WÜRTHPHOENIX Academy

Specialized in computer training and process organization, the Academy offers training courses for the software packages used in the Würth Group. Further subjects include process optimization, change management, IT security and office programs. The training offered by the WÜRTHPHOENIX Academy focuses on practical application. It is supplemented by e-learning components – a service that has been well received both within the Würth Group and beyond.

### Cultural offerings

The cultural program offered by the Würth Academy comprised a total of 17 events in 2006 which were attended by an audience of more than 4,000. At the company's own Alma Würth Hall, the curtain went up for high-profile artists from the areas of classical music, jazz and special events.

With cabaret artists like Christoph Sonntag and Reiner Kröhnert, the Pasadena Roof Orchestra and a ballet matinee performed by the Birgit Keil Dance Foundation, the 2006 program was guaranteed to be original and varied.

The Würth Open Air Festival, which celebrated its tenth anniversary in 2006, is a special highlight every year. The three-day Würth Open Air Festival is one of the best-known major events in the region. All three concert evenings take place on company premises in Künzelsau-Gaisbach in the loading yard. In this unusual setting, the festival was opened by Justus Frantz and his Philharmonia of the Nations with an atmospheric night of Mozart. On Saturday, more than 5,000 visitors came to witness an undescrivable evening with Peter Maffay and his band. Fools Garden played as the support band. On Sunday evening, the Leningrad Cowboys performed a parody of the rock star cult in

their typical, unconventional manner. The festival closed with the German rock group BAP and frontman Wolfgang Niedecken celebrating their 30th anniversary with the audience.

### Keeping "Fit with Würth"

Keeping "Fit with Würth" refers to the range of health-oriented sports courses offered by the Würth Academy in cooperation with the BKK Würth company health insurance fund. They are open to all employees in the Würth Group and their families.

The range of over 60 keep-fit courses includes aerobics and back exercises as well as various trend sports. Health and fitness weekends, event days and active breaks at work as well as seminars are also on the agenda.

The important part is the preventative effect of fitness, social contacts and having fun, motivating and keeping our employees happy. We also support the participation in regional and supra-regional sports events. In addition, there are eleven company sports groups, including soccer, hiking and diving right through to archery.



> Close up: Peter Maffay thrilled an audience of 5,000 fans.



> Trusting others – inspiring confidence – overcoming barriers: the challenges of the high ropes course

**Camille Pissarro**

Port du Havre, Marée Haute/

The Port of Le Havre, High Tide, 1903

Oil on canvas

65.5 x 81 cm

Würth Collection, Inv. 7991

Würth Haus Berlin and Würth Office Brussels

## Würth – neighbor and citizen in Germany and in Europe

Business enterprises are increasingly facing expectations of the general public, either in their role as corporate citizen, as a social partner or, last but not least, as neighbor. Terms such as corporate responsibility, corporate governance or public affairs are in common use, stressing their relevance as a fixed contribution that companies should make to society.

Würth has decided to meet its resulting obligation as a corporate citizen in a special way. This is exemplified by its commitment to art, culture and sport. It is as a patron of the arts and sponsor of sports activities that Würth is perceived in public. With around 55,000 employees in 83 countries around the world, sociopolitical communication is an integral part of the corporate culture.

The company Würth has a decentralized organization; reflecting this principle, some of the corporate responsibility initiatives are realized by the subsidiaries at a local level. Every location is determined by the company domiciled there, its political and cultural

understanding as well as the economic situation. Neighborhood projects are clearly initiated and accompanied most effectively at a local level.

The resulting condensed global Würth philosophy is represented and realized at the two political offices in the German capital of Berlin and at the heart of the European Union in Brussels: Würth Haus Berlin and Würth Office Brussels. Especially considered against the backdrop of an enlargement and greater integration of the European Union, multinational businesses are increasingly playing a guiding role. Würth has embraced this role, and its representative offices ensure that the associated political communication is maintained with political representatives.

Würth Haus Berlin and Würth Office Brussels are venues where debates can be held, away from day-to-day politics, unburdened, without party politics or dogmatic 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 political representative offices in Berlin and Brussels assume 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. They are international representative offices of business people and



> Würth Haus Berlin, one of the two representative offices of the Würth Group



> Shimon Stein (left), ambassador of Israel, talking to Jürgen Engert, founding director of the ARD broadcasting studio in Berlin



> Dieter Althaus (MdL), Prime Minister of the free state of Thuringia, and Angela Merkel, Federal Chancellor of Germany

Württemberg liberals who speak out in favor of the independence of the civil society from the state. Würth knows that the liberal development of a citizens' society is very precious.

Aside from the world of politics, innovative business enterprises have the strongest power to influence questions of the future; business and politics are well advised to maintain dialog. As a neighbor in Germany and in Europe, Würth wants to take part in the debate about where we want to go in our society over the next twenty or thirty decisive years. The company magazine specifically designed for this purpose – “present” – provides information on activities at our representative offices. You can browse through “present” on the internet or obtain a copy from our two representative offices.

As two examples of the many events and activities throughout 2006, we would like to mention the jour fixe with Marianne Birthler, the Federal Commissioner for the Records of the National Security Service of the Former German Democratic Republic, and the event with Wolfgang Niedecken, singer of the German rock band BAP, in Brussels where he interpreted Bob Dylan's “Chronicles” and songs. Furthermore, colloquiums were held with Israel's ambassador Shimon Stein on the relationship between Israel and its neighbors

in what is becoming an increasingly threatening situation, with politician and professor for political science Prof. Dr. Gesine Schwan on the inexhaustible topic of “liberty” and with politician and lawyer Prof. Dr. Kurt Biedenkopf on the fundamental issue of protection of intellectual property.

Because Würth feels particularly committed to German middle market companies, Würth Haus Berlin was chosen to host the award ceremony for the SME Award of the German Union of Small and Medium-Sized Companies (UMU), which was conferred on the Prime Minister of the free state of Thuringia Dieter Althaus; Federal Chancellor Dr. Angela Merkel held the speech for this year's prizewinner.

# The operational units within the Würth Group

The 370 companies that make up the Würth Group's active sales operations are divided into two units: Würth Line and Allied Companies.

Würth Line operations focus on fastening and assembly materials, supplying customers in the trades, the construction sector, and industry. 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



### >>> Car subdivision

Our customers are car garages, vehicle fleets, automotive refurbishers and dealers. They include authorized dealerships of car manufacturers and independent workshops as well as special shops and service providers. The products sold in this customer segment range from consumables for repairs to chemical products for maintenance, servicing and bodywork, and tools for pneumatic and electrical machines.

### >>> 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 as well as DIN and standard parts for working and processing various metals.

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

>>> 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 filled with products are also provided.

>>> 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 logistics concepts for supply and service.

### >>> Cargo subdivision

The customer segments of the Cargo subdivision can be broken down into authorized dealers and independent workshops as well as specialized workshops and commercial vehicle service providers. We mainly sell fastening, assembly and cleaning products required especially for the maintenance, repair and servicing of commercial vehicles in these segments.

### >>> 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.

### >>> Maintenance subdivision

This subdivision addresses a wide range of customers: in-house repair shops of industrial enterprises, facility and installation maintenance of hotels, airports, sewage plants, clinics and hospitals, 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.



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 nine strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related areas. The Diversification comprises service companies operating at regional level (such as hotels and restaurants, Würth logistics operators, and a company set up as a training program).

## Allied Companies

### 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 majority of the Würth tools companies are located in Central Europe and chiefly supply the metalworking and metal-processing industries. With more than 60,000 products covering metal cutting, tool and workpiece clamping, measuring and testing, hand tools, works equipment, industrial safety and machines, the companies offer a full range backed by high availability and same-day order processing and delivery.

### reca Group

>>> The reca Group companies supply fastening and assembly materials directly to metal and car businesses as well as customers of the Cargo subdivision. 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. The product portfolio ranges from fasteners for the application area wood and metal and for the automotive and electrical industry to punch and press fasteners, stamped and bent parts right through to dowels, iron and furniture fittings, and tools.

### Electronics

>>> The Electronics unit includes those companies in the Würth Group that are involved in the production and sale of electronic components such as printed circuit boards and passive components as well as full componentry. With Würth Solar, the manufacturer of innovative CIS photovoltaic modules, and Würth Solergy, a provider of complete solutions, the Würth Elektronik Group operates on the market for renewable energies.

### Screws and Standard Parts

>>> These companies are product specialists with concepts for supplying industry. 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.

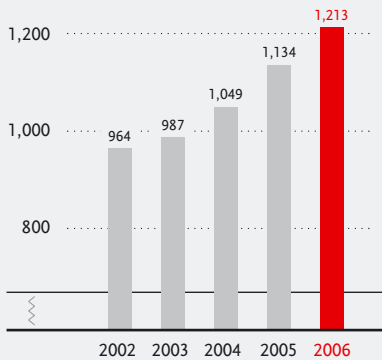
### Financial Services

>>> The companies in this unit offer products and services in the financial services sector both within the Würth Group and for external customers.

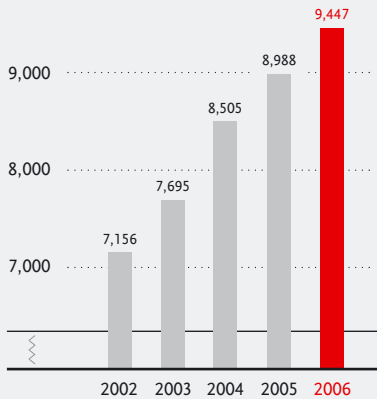
### Diversification

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

**Sales**  
Auto Division  
in millions of EUR



**Sales staff**  
Auto Division



1/4" socket set with ergonomic 2-component handle

## Auto Division

# New sales record

The Auto Division closed the fiscal year 2006 with record sales of EUR 1,213 million, an increase of 7.0 percent. The Cargo subdivision fell just short of double-digit sales growth. The sales volume of EUR 291 million equals growth of 9.8 percent. These remarkable results were achieved by 1,821 sales representatives. Accounting for 50 percent of the Cargo subdivision's sales, the regions of Central and Southern Europe are still the mainstays of sales.

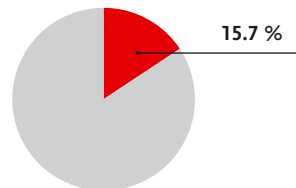
### Dramatic change on the automotive market

The year 2006 saw a new record in production with more than 64 million passenger cars and light commercial vehicles manufactured. This was to a large extent due to the booming Chinese automotive industry, which – with a total of 5.9 million vehicles manufactured in 2006 – pushed Germany down to fourth place, behind the United States – the largest manufacturer with 11 million vehicles – and Japan with 10.6 million vehicles. The automotive market has undergone dramatic changes over the past few years. In 1990, 320 different models were sold worldwide. In 2006, this number had risen to 440. This variety not only changes the market, but also poses new challenges for suppliers.

### Würth consistently develops its product range

We strive to continuously expand our product range with innovative products adapted to the market. In the area of chemical products, Vario's "Safe & Easy" primer won the innovation award of the 2006 Automechanika trade fair in the "systems" category for its multifunctional properties for pre-treatment of surfaces for glass bonding. The product's outstanding innovative features mean that it can be used on all customary surfaces for glass bonding.

**Share in total sales**  
Auto Division



A new product with the name Twin-Fix was developed for the family of quick number plate fasteners.

Our product range for the Cargo subdivision is likewise updated continuously. Besides electrical equipment for vehicles, we focused our attention on the area of cargo securing. The innovative "Pallet Stop" and "Pallet Stop Plus" products were included exclusively in our product range as a result.

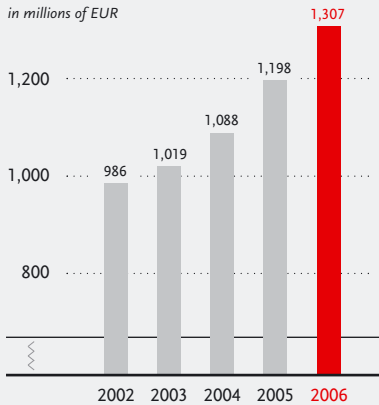
### Outlook for 2007

At an international level, the Auto Division still aims to utilize the enormous potential offered by the Asian markets and to increase its brand recognition in these countries. We want to seize the opportunity in these markets to prove our market leadership. Furthermore, we will continue our strategy of creating further subdivisions in 2007.

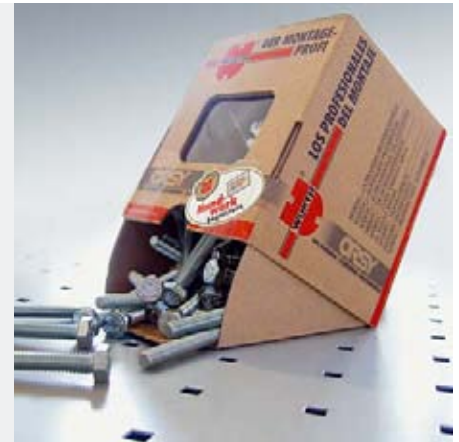
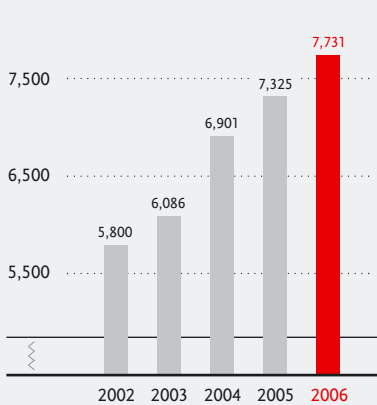


**Sales**  
Auto Division

in millions of EUR



**Sales staff**  
Auto Division



ORSY® – case system and sales tool no. 1

Metal Division

## Growth continues unabated

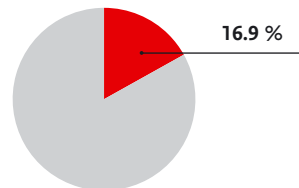
The sales recorded by the Metal Division rose by 9.1 percent in 2006 to a record level of EUR 1,307 million. Of the sales force of 7,731 worldwide, 13 percent worked in the Maintenance subdivision, generating sales of EUR 135 million, which is an increase of more than 18 percent. The intensive sales effort addressing the various market segments in the Metal, Maintenance and Household Technology subdivisions was the driving force behind the positive development of the division as a whole. Productivity of the international part of the Metal Division improved worldwide in the past year on account of the rise in order values. This leverage will also be part of our successful strategy in future. With a sales force of 7,731 people, the Metal Division serves 58 different metal segments around the world. The enormous potential of wide-ranging customer segments makes this division practically impervious to cyclical fluctuations.

**International expansion continues**

As of the start of 2006, our metal customers in Siberia, China, the USA and New Zealand are now also served by specialized sales personnel. These new Metal divisions made their entry in the metal business via in-house maintenance workshops in industrial enterprises. This highly attractive customer group for our direct selling activities is looking for a contact with international competence and high-quality products as well as all-round service from a sales representative.

The Metal Division maintained its successful course in Brazil, Chile and Argentina. The strategy of successfully expanding the sales force from 434 to 547 employees helped these companies realize sales growth of 41.7 percent.

**Share in total sales**  
Metal Division



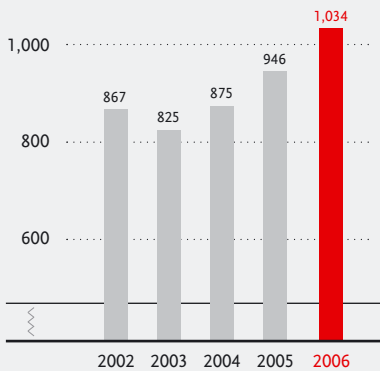
**ORSY successful again**

The sales tool no. 1 is still called ORSY – ORder and SYstem. With ORSY, Würth has developed a system solution that allows customers to organize the specific products they need. The aim is to enable neat and tidy storage and to facilitate retrieving products again. More and more customers are turning to the Würth rack system. That is a clear vote of confidence from our customers.

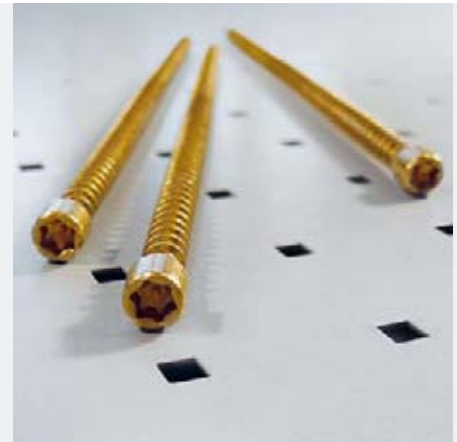
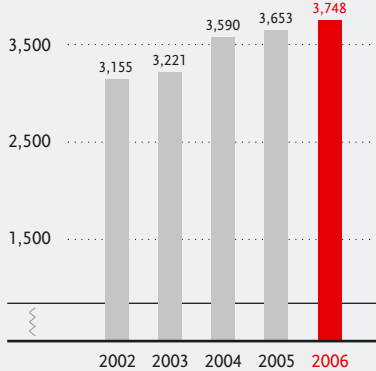
**Outlook for 2007**

We expect further records in sales and the headcount development of our sales force in 2007. Our primary focus will again be placed on advancing the development of our subdivisions as well as employee training. There are plans to form new Metal divisions at the companies in Asia and the South-American companies in Uruguay and Peru in 2007 and 2008.

**Sales**  
Wood Division  
in millions of EUR



**Sales staff**  
Wood Division



ASSY® plus VG – the innovative universal wood screw for a wide range of applications

## Wood Division

# Sales in excess of EUR 1 billion for the first time

The Wood Division closed the fiscal year 2006 very successfully with sales growth of 9.3 percent and record sales of EUR 1,034 million. It was the first time in its history that the Wood Division exceeded the EUR 1 billion limit. The impetus for growth increased steadily, peaking at the highest level in five years in 2006. The largest share in sales of 87 percent and EUR 897 million is accounted for by a total of 30 international Wood divisions with activities in 27 countries. This is an increase of 9.4 percent compared to the prior-year sales volume. The global sales organization was expanded again in 2006. In the past year, 3,748 sales representatives served more than 370,000 customers across all sectors of the wood-working and processing trade.

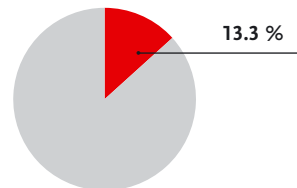
### Market position expanded in North America

The acquisition of McFadden's Hardwood & Hardware Inc., domiciled in Ontario, Canada, was a further step in expanding the Wood Division's international activities and tapping a new market. North America has thus reinforced its position as the major international sales region: 46 percent of international sales were generated in North America in the past fiscal year. The international wood division, which recorded the strongest growth in 2006, is located in Brazil where both sales force and sales volume were doubled.

### Good sales development in Germany

The positive trend that became apparent for the Wood division in Germany towards the end of 2005 continued over the last year: The Wood division achieved sales of EUR 137 million in Germany with sales growth of 8.7 percent. Interior finishing, where fittings including furniture fittings and drawer slides play an important role, recorded a growth rate of 7.7 percent, making a contribution

**Share in total sales**  
Wood Division



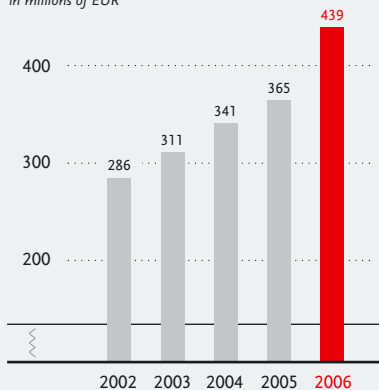
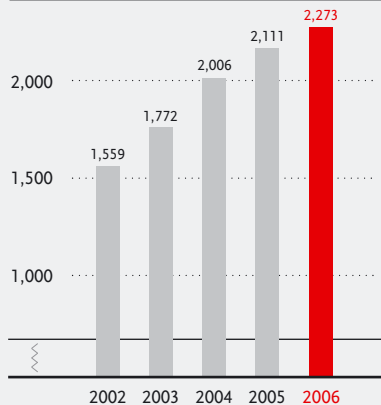
to the positive development of the division's sales. The same applies for the window makers sector, which saw strong growth again for the first time in over ten years, recording an increase of 11.3 percent on the back of the positive economic development of this sector.

### Outlook for 2007

North America as well as Central and Eastern Europe will remain the primary growth markets for 2007. The global sales network is to be expanded to a sales force of 3,900 by the end of the year. Besides tapping new markets, increasing our market penetration in established markets will be the basis for further dynamic growth of the Wood Division. The strategy of creating new subdivisions will play an increasing role in this context.

**Sales****Construction Division**

in millions of EUR

**Sales staff****Construction Division**

Heavy-duty metal anchor with European Technical Approval for the transfer of heavy loads

**Construction Division****Pace of growth picks up considerably**

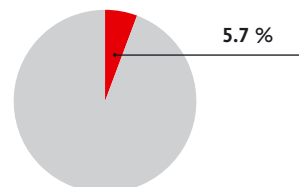
The positive development of the European building sector in 2006 is reflected in the growth enjoyed by the Construction Division. This division generated sales growth of 20.3 percent and record sales of EUR 439 million in the past fiscal year. It was particularly gratifying to see the Construction Division generating double-digit growth in Germany again for the first time in eight years. The international share in sales continued to rise further in 2006: 65 percent of total sales was generated by a total of 14 international Construction divisions. Across Europe, 2,273 sales representatives serve close to 230,000 customers from the building and civil engineering and finishing trades.

**Sales network expanded in Europe**

By forming a Construction division in Ireland and spinning off the construction activities from the previous Wood Division in Denmark in early 2006, the Construction Division reinforced its market presence in Europe further. The expansion of the European sales network also progressed. With a total sales force of 1,792, the international Wood divisions achieved sales of EUR 285 million. This is an increase in sales of 25.0 percent. International construction activities are concentrated on the Southern Europe region, represented by the Construction divisions in Spain, Italy and Portugal, which generate over 50 percent of international sales.

**German building industry recovers**

The positive trend, which became apparent in the German building industry towards the end of 2005, gained momentum in 2006. The Construction division in Germany made the most of the economic recovery in the building and civil engineering as well as finishing trades, closing the past fiscal year successfully with sales

**Share in total sales****Construction Division**

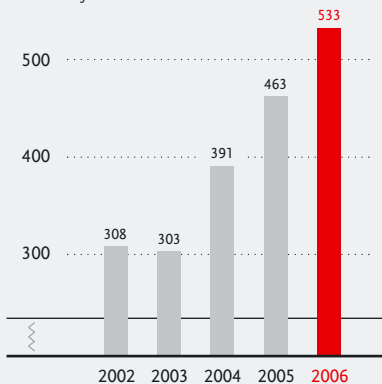
of EUR 154 million. This is an increase in sales of 12.4 percent. In addition to the substantial increase in sales in the traditional segments carpenters, roofers and timber construction, the Construction Sites subdivision including technical sales proved to be a key growth driver in the Construction Division. In this subdivision, specialist sales representatives offer customized logistics and other services on construction sites, which go beyond pure support services for construction companies.

**Outlook for 2007**

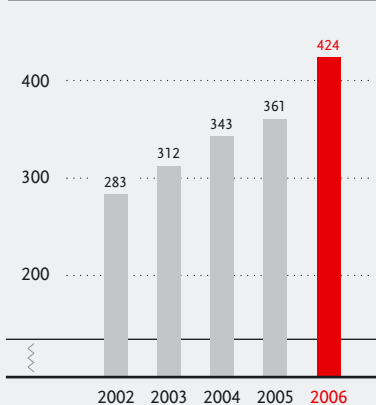
While economic forecasts for the European building sector are moderately positive for 2007, we expect the Construction Division to record pronounced double-digit growth again. Besides increasing market penetration in existing construction countries by introducing further new subdivisions and specialization, another core component of our growth strategy is to tap new markets: The division's international presence is being strengthened since the start of 2007 by the formation of Construction divisions in Brazil, China, Poland, Russia, Serbia and Turkey.

**Sales**  
Industry Division

in millions of EUR



**Sales staff**  
Industry Division



Tote boxes help to cut processing costs in production

Industry Division

## Excellent growth in Germany

The Industry Division continued its success story of recent years in a stable environment. Sales jumped 15.1 percent to EUR 533 million, exceeding expectations across all regions. The growth driver in 2006 proved to be the business in Germany. Both the widely felt recovery of demand and the large number of projects launched with new customers helped to achieve the sales growth of 23.2 percent. The core part of our strategy, on-demand small parts supplies for production via just-in-time Kanban deliveries, recorded a particularly strong increase.

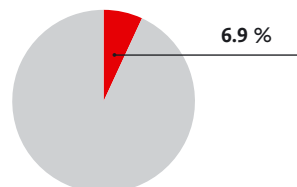
### Substantial investments in the sales organization and technical support

In line with developments of recent years, 2006 saw extensive personnel investments to meet continuously rising demand for engineering capacity. Our engineers are increasingly being involved in the product development process at an earlier stage and can make a remarkable contribution to reducing costs by standardizing, developing multifunctional parts, giving recommendations on corrosion protection or advising on optimum assembly conditions. At the same time, we expanded the industry's most close-knit sales network even more in order to provide more technical support and consulting services.

### WINWORK expanded to include markets with potential for the future

In addition to our strategy of carefully developing established sales regions, our policy to developing those markets where new production capacities are being created through start-ups and acquisitions has proved very successful. Following the new companies, which have started operations in India, China and Canada, targeted acquisitions on the rapidly emerging markets in Brazil and South Africa were

**Share in total sales**  
Industry Division



made in 2006. The Würth Industrial Network (WINWORK) now comprises 32 companies on all continents and ensures that our globally operating clientele in particular can access the infrastructure to manage procurement at international level.

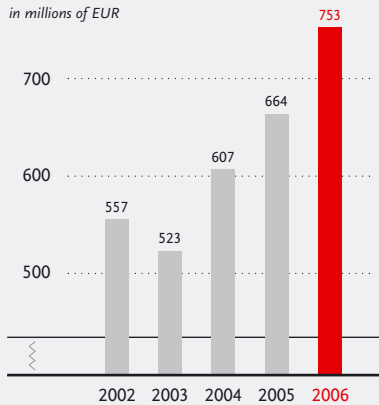
### Outlook for 2007

We expect the American market to lose some of its momentum in 2007, but intend to continue to participate in the expansion of capacity in Europe and Asia. This will be supported by the ever-increasing demand for outsourcing models for low value-added work processes in C-part management. The need of multinational customers to have uniform quality standards at their locations around the world will also play a role. We will manage the continuing trend of relocation of production capacity by establishing companies that specialize in industrial processes. This way, we can guarantee our customers an excellent deal in terms of costs, availability and quality on an international level.

## Sales

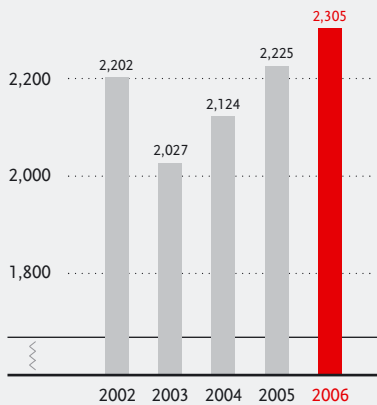
### Electrical Wholesale unit

in millions of EUR



## Employees

### Electrical Wholesale unit



Over-current cutouts from the electrical wiring range

## Electrical Wholesale

# Market position reinforced

The Electrical Wholesale unit expanded substantially, with sales up 13.4 percent to EUR 753 million. The international companies accounted for a considerable share in the sales growth, raising their sales by 42.3 percent on the prior year. German companies recorded sales growth of 10.3 percent. The unit as a whole employed 2,305 persons as of year-end, 310 of whom were sales staff and 1,995 in-house staff. A total of 1,941 employees worked in Germany, of whom 245 were sales staff and 1,696 in-house staff. Thanks to the sales growth achieved as well as process optimization, we managed to improve productivity per employee. Combined with the successful focus on our meanwhile 90,000 customers, this had a positive effect on the operating result.

### Economic upturn has positive effect on the electrical industry

The economic upswing in Germany and the effects in anticipation of the increase in VAT had a positive impact on the sales of the Electrical Wholesale unit. The refurbishment market will offer enormous potential for the next few years, underpinned by the 'energy passport' introduced for buildings in Germany in 2007. The future of the electrical industry will be shaped by an increasing demand of end customers for renewable energies and their intelligent use as well as energy-saving lighting systems.

The Würth electrical wholesale trade has a market share of seven percent in Germany, which makes it the third largest market player. The market volume of around EUR 8 billion is split between Würth, other wholesale group entities with a share of 35 percent and the large number of strong small and medium-sized wholesalers grouped

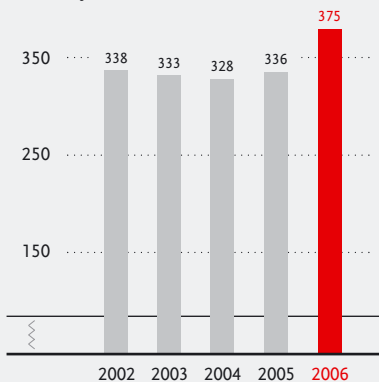
together in purchasing and marketing cooperations which represent 40 percent of the market. The remaining 18 percent are accounted for by independent and small wholesalers that have not joined a cooperation.

### Outlook for 2007

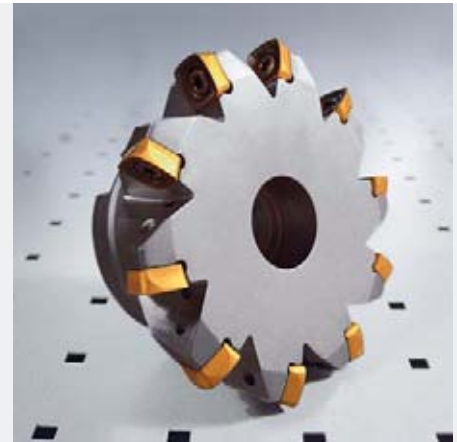
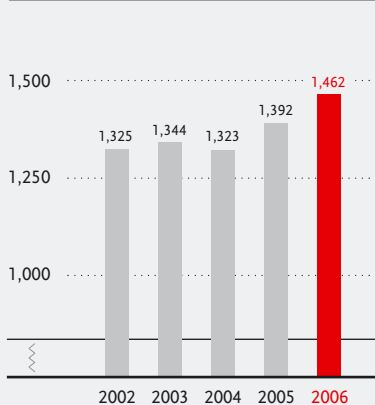
The Electrical Wholesale unit has developed into a profit-making unit within the Würth Group. The companies in this unit in Germany and the international companies in Austria, the Czech Republic, Poland, Russia and the Baltic states plan to continue to partake in the positive mood in the individual countries.

## Sales Tools

in millions of EUR



## Employees Tools



High-feed milling cutters to enhance productivity in production

## Tools

# Willingness to invest boosts strong growth

The group of tool companies which is concentrated on Central Europe was able to raise its sales by 11.6 percent to EUR 375 million with the support of the general economic development. Both the recovered demand for capital goods in measuring and testing technology and the substantial increase in additional sales of capital goods had a positive impact. The Tool unit enjoyed growth of 9.9 percent in its core market Germany. In addition, it started into 2007 with a considerably higher order backlog. In order to secure growth for subsequent years, further investments were made in additional sales staff, especially at the start-up companies. The number of sales representatives in the unit totals 531.

### Atorn well received by the market

The sales growth in used tools is supported by the exceptionally high increase in the ATORN quality brand's share in sales. Thanks to intensive cooperation with leading manufacturers, we were able to close any gaps in the range in 2006 and increase quality across the board. Offering quality-conscious customers unparalleled value for money on the market, Atorn is developing into the centerpiece of our tools group with more than 9,000 tools.

### The driving force of innovative power

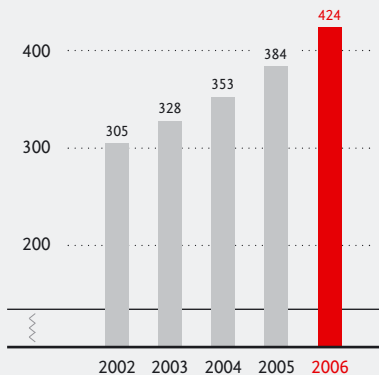
In order to secure future growth, the tools companies have carried out extensive innovation initiatives. The initiatives concern the 60,000 different articles that make up the industry's most comprehensive product range and allow users focusing on productivity to keep up to date with tooling technology. Another focus of innovation are tailored e-commerce concepts to reduce procurement costs. These are increasingly becoming a core part of the tools business.

### Outlook for 2007

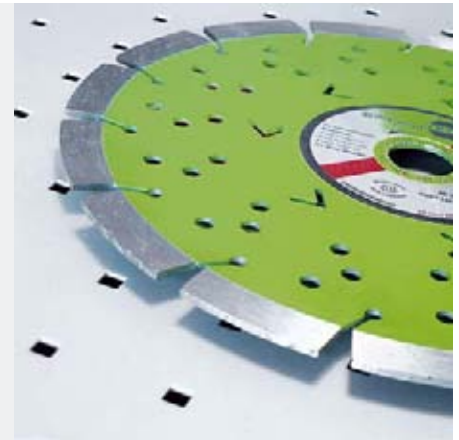
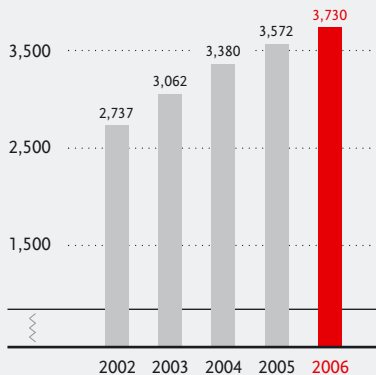
The companies in the Tools unit will strengthen their lead in e-commerce further in 2007. In addition, they will continue to invest in the sales force to safeguard future selling and consulting power. The trend towards shifting production capacities will be encountered by the expansion and establishment of companies in volume markets with a high future potential.

### Sales reca Group

in millions of EUR



### Employees reca Group



reca diaflex diamond blade: very high cutting speed and maximum blade life

## reca Group

# Double-digit sales growth

The reca Group companies supply fastening and assembly materials direct to metal and car businesses as well as customers of the Cargo subdivision. Specialists for professional clothing, advertising materials and the industrial area complement and enrich the reca Group.

In line with the recovering economy, the business development of the reca Group in 2006 was extremely positive. Sales rose by 10.4 percent to EUR 424 million. The headcount as of year-end totaled 3,730. The sales force accounts for 2,880 of our employees, who serve close to 300,000 customers.

### Stabilization of the international market

The focus of the reca Group for 2006 was placed on stabilizing the large number of new companies incorporated in the last few years. At the end of the year 2006, the reca Group consisted of 41 companies in 24 countries. In the building and finishing business in particular, the reca Group benefited from the strong demand and expanded its market position. Nevertheless, the market share as a whole is still rather low and there is sufficient growth potential in all business fields.

It is becoming increasingly difficult to enter new markets and new countries and such steps thus require utmost concentration and professionalism. That is why the range of service concepts for managing C-parts at the customer and also the clear positioning of reca C.A.M., our C-part management designed for industrial and large customers, are gaining in importance. Attention here focuses on the warehouse management chain.

### Record year makes high volume of investments possible

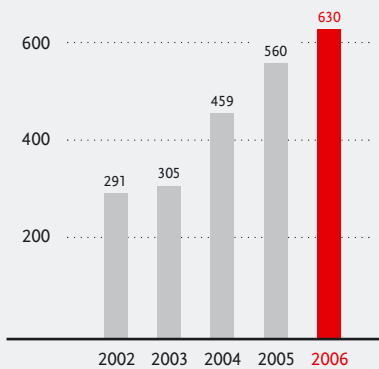
The earnings situation and profits generated permit the reca Group to make capital expenditures, above all to secure growth and profit for the future. The German parent company RECA NORM invested EUR 6 million in expanding the sales center. At Kellner & Kunz in Austria, the parent of the Eastern European reca Group, project planning has been kicked off for the creation of a new logistics center.

### Outlook for 2007

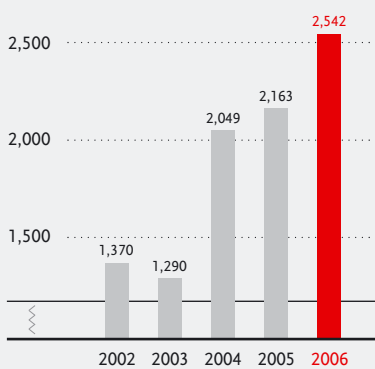
Expansion by means of enlargement of the sales force will remain a priority in 2007. The aim is to expand the position of the reca Group further on the world market over the next few years by forming new companies in Eastern Europe, Ireland and Portugal as well as in South America and India.

## Sales Trade

in millions of EUR



## Employees Trade



SWG general purpose screw

## Trade

# Entering growth markets

Although the market environment is still not easy, the Trade unit recorded profitable growth in 2006 and reinforced its position as global supplier. The number of companies in the Trade unit operating in 19 countries has now reached 50, and they recorded sales of EUR 630 million. This constitutes growth of 12.5 percent on the prior year. The sales force was enlarged to a total of 931.

### Entering growth markets

By entering growth markets in Eastern Europe in a targeted manner, DIY World GmbH has laid the foundation for a positive business development in the future. Expansion efforts of the past and current fiscal year focus on growth markets in Eastern Europe.

### Market entry in Italy

With 564 employees, Conmetall generated sales of EUR 115 million with DIY and hardware stores in Germany and Europe. By acquiring Masidef S.r.l. in Italy, the group will now reinforce its presence in the Southern Europe region as well as in the Eastern Europe.

The trade branches of the screw manufacturers REISSER Schraubentechnik GmbH and SWG Schraubenwerk Gaisbach GmbH primarily serve the German and French markets. REISSER Schraubentechnik GmbH additionally covers the Eastern European market with subsidiaries in Poland, Hungary and Romania and is placing more emphasis on the expansion of its own premium brands.

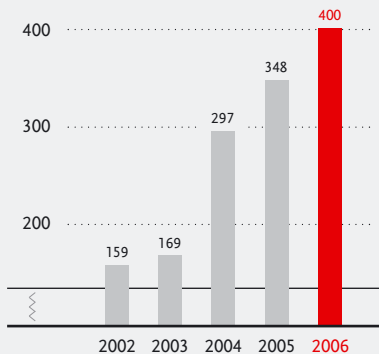
Sales in the flat roofing sector generated by Van Roij Fasteners Europe B.V. with registered office in the Netherlands developed exceedingly well on account of the acquisition of Duvimex Belgien BvbA. The expansion in the Benelux countries will be pursued further in the current fiscal year. The Eastern Europe market in the flat roofing segment is successfully covered by the Hungarian subsidiary Van Roij Fasteners Hungaria Kft.

### Outlook for 2007

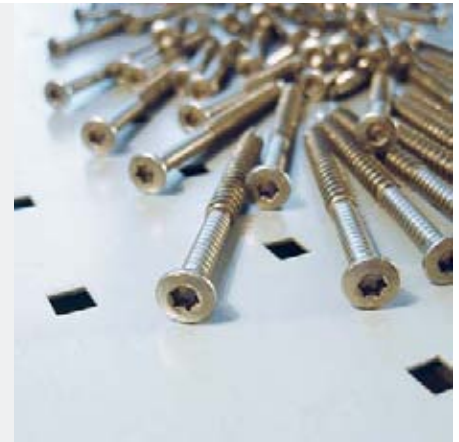
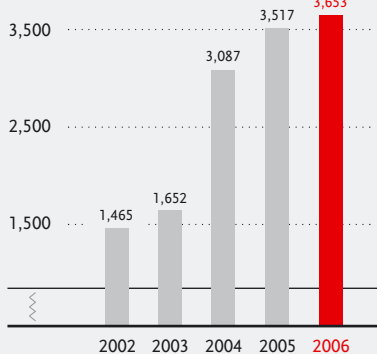
Building on its development to date, the Trade unit will consistently continue on its course for profitable growth in the next few years. It is our long-term aim to steadily increase our sales share and to expand our international presence and market position and gear it towards ever-fiercer competition. The strong growth markets in Eastern Europe will be one focus of our attention here. Our priority is to maintain high quality standards, combined with strong brands, and to expand our range services further.

### Sales Production

in millions of EUR



### Employees Production



ASSY® plus RS A2 – patented decking screw

## Production

# Creation of a Würth Industrial Park in the north-east of China

The Production unit included a total of 25 companies in the fiscal year 2006. The majority of our customers 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. As of December 2006, the unit's 3,653 employees generated total sales of EUR 400 million, an increase of 14.9 per cent on the prior year. The rise in production costs stemming from the increase in prices for energy and raw materials was largely compensated for by higher productivity.

### Conclusion of a cooperation agreement with representatives of the city of Shenyang

In September 2006, Prof. Dr. h. c. Reinhold Würth signed a cooperation agreement with a delegation from the Chinese city of Shenyang led by the deputy mayor Qi Song at the Federal Chancellor's Office in Berlin in the presence of German Chancellor Angela Merkel and the Chinese Prime Minister Wen Jiabao. The purpose is to create a Würth Industrial Park on 30 hectares in the Shenyang-EU Economic Development Zone on the outskirts of the city with a population of seven million in the north-east of China. The ground breaking ceremony for the USD 30 million project is scheduled for spring 2007, and inauguration for the fall of 2008. In a first step, a manufacturing company is to be founded. This will comprise wire preparation and cold forming facilities, a hardening shop and an electroplating shop – i.e. it will cover all stages of the value-added chain for screw pro-

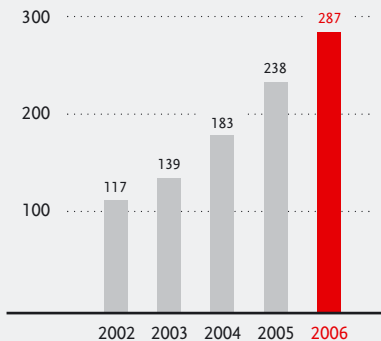
duction. In a second step after establishing this company, further manufacturing companies such as KMT, REISSER and others may follow.

### Outlook for 2007

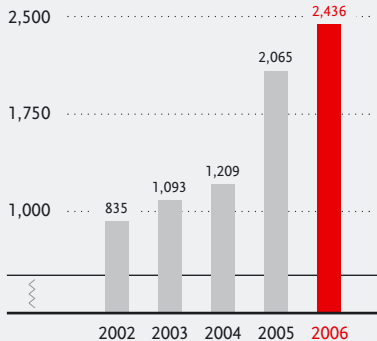
Prices for raw materials and energy will continue to rise in the fiscal year 2007. In order to increase profitability further, we will concentrate on measures to improve productivity and reduce costs in the production process. Several manufacturing companies are thus currently preparing for the introduction of total productive management projects in order to minimize unplanned downtimes of plant and machinery in the long term. In addition, our production program will in future focus more and more on fastening parts subject to approval by building authorities and on innovative new products worthy of patent protection. This way, we hope to compensate for our higher costs on the input side by sales prices which reflect the quality, degree of novelty and customer benefit that our products offer. Moreover, we will create further growth opportunities in China by establishing the Würth Industrial Park in Shenyang.

### Sales Electronics

in millions of EUR



### Employees Electronics



LUCENDO solar house number  
light from Würth Solergy

## Electronics

# Dynamic development continues

The dynamic development experienced in fiscal year 2005 continued in the Electronics unit throughout 2006. The global demand for printed circuit boards, passive components and full componentry exceeded all expectations. This fact is reflected in the highly positive business development of the unit's companies operating in these markets. The 2,436 employees of the Würth Elektronik Group generated total sales of EUR 287 million in 2006. This is an increase of more than 20 percent on the prior year, exceeding even our own extremely ambitious targets. Especially in the area of electronic components, the high pace of growth achieved in prior years accelerated again significantly.

### Global production and sales network

Foundations were again laid for the future in 2006: With capital expenditures to create production capacity for printed circuit boards in Germany and passive components in China as well as investments to steadily expand global selling structures, the unit has its sights set firmly on the next few years. Guided by the principle of customer-oriented globalization, the Electronics unit will continue to devote equal attention to production locations in Germany and abroad.

### Sunny times

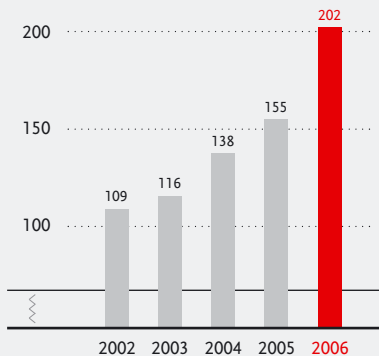
The much noticed official inauguration in October 2006 of CISfab in Schwäbisch Hall, the world's first mass production facility for CIS (copper, indium, selenium) photovoltaics modules of Würth Solar, has set the trend on the market for renewable energies and within the Würth Group. Six years of intensive research and development at the pilot factory combined with visionary thinking on the part of all those involved made it possible for Würth Solar to turn its technological lead into an economic factor. As a multipliable success factor, CISfab will play an important role in the unit's development over the next few years.

### Outlook for 2007

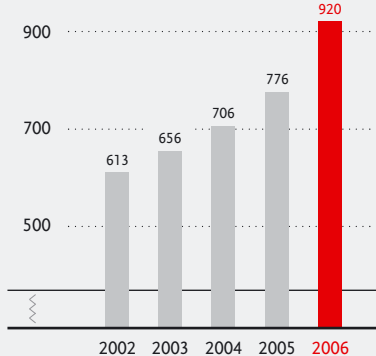
The companies of the Electronics unit are set to continue on their course for growth. Whether it will be accelerated by sustained dynamic market developments remains to be seen. Irrespective of this, all companies will continue to focus on generating healthy organic growth by delivering on Würth Elektronik's promise to its customers: "more than you expect", every day.

### Sales Screws and Standard Parts

in millions of EUR



### Employees Screws and Standard Parts



Hexagon head cap screw and bolt made of stainless steel

## Screws and Standard Parts

# Demand for stainless steel remains high

The Screws and Standard Parts unit comprises 31 companies in 21 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 unit closed the fiscal year 2006 with sales of EUR 202 million, an increase of 30.3 percent on the prior year. The unit employed 182 sales representatives in 2006.

#### The business activities are divided into three areas:

- Sale of DIN and standard parts, as well as of stainless steel products
- Manufacture and sale of specialty fastening parts
- Repairs and maintenance of high pressure hydraulic lines and components

Services for industrial high-pressure facilities recorded especially strong growth, above all in the heavy industry sector. Customization of special tailored solutions in the area of high-pressure pipes for the industry is developing into an important pillar of Indunorm Hydraulik GmbH.

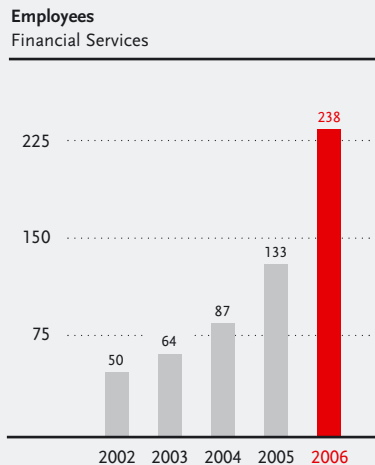
#### Successful anniversary year

For its 25th anniversary, Sonderschrauben Güldner GmbH & Co. KG set new records in all areas. Specializing in special-purpose screws and CNC lathes, it generated sales growth of 18.9 percent to a record EUR 7.7 million. The main customers are industrial customers from the mechanical and equipment engineering industries as well as power plants, valve or fittings manufacturers and automotive

suppliers. Planning is already underway for the construction of a new administrative and production building in Niederstetten, the current production location.

#### Outlook for 2007

Last year saw every kind of turn of events or circumstances that the stainless steel product area has to offer. We experienced an explosion of prices, shortages of raw materials and input stock as well as long delivery times. All of this together gave rise to a considerable amount of speculation in this sector. Nickel listings jumped from USD 13,000 per metric ton to almost USD 35,000 per metric tonne, producing an enormous demand that almost wiped out the world market for nickel and dramatically reduced stocks of stainless steel fasteners. This led to delivery bottlenecks with delivery times for new orders rising to six to seven months. According to experts, the situation is expected to remain this way for a couple of months, with all the concomitant effects.



Financial services at Würth: a dynamically growing unit

## Financial Services

# Individual concepts for individual customers

### History

For more than 30 years, the Würth Group has had an in-house bank – Würth Finance International B.V. – which pursues the aim of centrally processing the financial transactions of the Group. The go-ahead for the creation of an ‘external’ financial services unit that provides services for non-group customers was given in 1995 as part of the range of services offered by Würth Leasing GmbH & Co. KG, domiciled in Göppingen.

### Focus

Particular mention should be made of the fact that the Würth Group has held 88.55 percent of the shares, and thus the majority of shares, in IBB (Internationales Bankhaus Bodensee) AG, which is registered in Friedrichshafen, since 2006. A medium-sized bank, IBB specializes in the areas of asset management, financial engineering, investment banking, real estate transactions and small and medium-sized corporate customers. In the latter business field in particular, the bank has enjoyed strong growth rates. As a medium-sized bank, IBB mainly targets SME corporate customers and has been highly successful with its high consulting competence and short decision paths.

The Würth Group’s financial services unit was recently expanded considerably in Switzerland by Würth Finance International B.V. The services offered range from provisioning, insurance and property to capital goods leasing and mortgages. Würth Finance International B.V. and its subsidiaries operate as the Würth Finance Group.

### Outlook for 2007

Economic forecasts worldwide are predicting solid growth. This market forecast is one reason why we believe that we will be able to continue expanding the financial services unit in the Würth Group in this dynamic fashion. Another reason for our optimistic outlook is that there is still considerable growth potential for high-quality financial services from the Würth financial service providers. The quality and service commitment of the Würth Group to its core business customers also applies to the financial services sector. We believe that this claim is decisive for the further successful expansion of the financial service sector in the next few years.



## The Würth Line companies

### Albania

Würth Albania Ltd.,  
Tirana

### Argentina

Würth Argentina S.A.,  
Villa Lynch

### Armenia

Würth Co. Ltd.,  
Yerevan

### Australia

EDL Fasteners Pty. Ltd.,  
Sydney

Global Fasteners  
(Aust) Pty. Ltd.,  
Seven Hills

Thomas Warburton Pty. Ltd.,  
Mulgrave

Würth North Pty. Ltd.,  
Monterey Keys

Würth South Pty. Ltd.,  
Dingley

Würth West Pty. Ltd.,  
Malaga

### Austria

Würth Handelsges. m.b.H.,  
Böheimkirchen

Würth Modyf Österreich GmbH,  
Böheimkirchen

### Azerbaijan

Würth Aztur Ltd.,  
Baku

### Belarus

FE WuerthBel,  
Minsk

### Belgium

Marc-Gérard S.A.,  
Ans/Liège

Würth Belux N.V.,  
Turnhout

Würth-Modyf N.V.,  
Turnhout

### Bosnia and Herzegovina

WURTH BH d.o.o.,  
Sarajevo

### Brazil

Só W. Diesel, Indústria e Comércio  
Parafusos Peças Importação  
Exportação Ltda.,  
São Paulo - SP

Würth do Brasil Peças  
de Fixação Ltda.,  
Cotia

### Bulgaria

Würth Bulgarien E.O.O.D.,  
Sofia

### Cambodia

Würth Cambodia Ltd.,  
Phnom Penh

### Canada

McFadden's Hardwood &  
Hardware Inc.,  
Oakville, Ontario

Würth Canada Ltd., Ltée,  
Mississauga, Ontario

### Chile

Würth Chile Ltda.,  
Santiago de Chile

### China

Würth Fasteners Trading  
(Shanghai) Co. Ltd.,  
Shanghai

Würth Guangzhou International  
Trading Co. Ltd.,  
Guangzhou

Würth (Shanghai) Hardware &  
Tools Co. Ltd.,  
Shanghai

Würth Hong Kong Co. Ltd.,  
Hong Kong

Würth Tianjin International  
Trading Co. Ltd.,  
Tianjin

### Columbia

Würth Colombia SA,  
Bogota

### Croatia

Würth-Hrvatska d.o.o.,  
Zagreb

### Cyprus

Wuerth Cyprus Ltd.,  
Lefkosia

### Czech Republic

Würth spol. s r.o.,  
Mladá Boleslav

### Denmark

Würth Danmark A/S,  
Kolding

Würth Modyf Danmark A/S,  
Kolding

### Dominican Republic

Würth Dominicana S.A.,  
Santo Domingo

### Ecuador

Wuerth Ecuador S.A.,  
Quito

### Estonia

Würth AS,  
Harjumaa

### Finland

Würth Oy,  
Riihimäki

### France

Würth France S.A.,  
Erstein Cedex

Würth Industrie France S.A.S.,  
Geispoldsheim

Würth Modyf France S.a.r.l.,  
Erstein

### Georgia

Würth Georgia Ltd.,  
Tiflis

### Germany

Adolf Würth GmbH & Co. KG,  
Künzelsau

Würth Industrie Service  
GmbH & Co. KG,  
Bad Mergentheim

Würth Modyf GmbH & Co. KG,  
Künzelsau

### Greece

Würth Hellas S.A.,  
Krioneri

### Hungary

Würth Szerelőtechnika KFT,  
Budaörs

### Iceland

Würth á Íslandi ehf.,  
Garðabær

### India

Bettina Würth Auto  
India Private Limited,  
Mumbai

Marion Würth India Pvt. Ltd.,  
Delhi

Reinhold Wuerth India Pvt. Ltd.,  
Kilpauk, Chennai

Wuerth Industrial  
Services India Pvt. Ltd.,  
Pune

Wuerth India Pvt. Ltd.,  
Mumbai

### Indonesia

PT Wuerth Indah,  
Jakarta Barat

### Iran

Würth Teheran Ltd.,  
Teheran

### Ireland

Würth Ireland Ltd.,  
Limerick

### Israel

Würth Israel Ltd.,  
Caesarea

### Italy

Modyf GmbH,  
Termeno

Würth S.r.l.,  
Egna

### Japan

Würth Japan Inc.,  
Yokohama

### Jordan

Würth-Jordan Co. Ltd.,  
Amman

### Kazakhstan

Wuerth Kazakhstan Ltd.,  
Almaty

### Kenya

Wuerth Kenya Ltd.,  
Nairobi

**Kyrgyzstan**  
Würth Foreign  
Swiss Company Ltd.,  
Bishkek

**Latvia**  
SIA Wurth,  
Riga

**Lebanon**  
Würth Lebanon,  
Beirut

**Lithuania**  
Wurth Lietuva,  
Vilnius

**Macedonia**  
Wuerth-Macedonia d.o.o.e.l.,  
Skopje

**Malaysia**  
Wuerth Malaysia Sdn. Bhd.,  
Petaling Jaya

**Malta**  
Würth Ltd.,  
Qormi

**Martinique**  
Würth Caraïbes S.a.r.l.,  
Ducos

**Mexico**  
Würth México S.A. de C.V.,  
Morelos

**Moldova**  
Würth Moldova Ltd.,  
Chisinau

**Mongolia**  
Wuerth Mongolia LLC,  
Ulaanbaatar

**Netherlands**  
Würth Modyf NL B.V.,  
's-Hertogenbosch  
  
Würth Nederland B.V.,  
's-Hertogenbosch

**New Zealand**  
EDL Fasteners Ltd.,  
Auckland  
  
Global Fasteners Ltd.,  
Auckland

Würth New Zealand Ltd.,  
Auckland

**Norway**  
Würth Modyf Norge AS,  
Hagan  
  
Würth Norge AS,  
Hagan

**Panama**  
Würth Centroamérica S.A.,  
Ciudad de Panama

**Peru**  
Würth Perú S.A.C.,  
Lima

**Philippines**  
Wuerth Philippines Inc.,  
Cabuyao, Laguna

**Poland**  
Würth Polska Sp. z.o.o.,  
Warszawa

**Portugal**  
Würth Modyf Lda.,  
Sintra

Würth Portugal Técnica de  
Montagem Lda.,  
Sintra

**Romania**  
Würth Romania S.R.L.,  
Otopeni, Ilfov

**Russia**  
Würth North-West,  
St. Petersburg

Würth Russia,  
Moscow  
  
ZAO Wuerth-Ural,  
Yekaterinburg

**Serbia**  
Wurth d.o.o.,  
Krnjaca-Belgrade

Wuerth Kosova,  
Prishtine Unmik Kosova

**Slovakia**  
Würth s.r.o.,  
Bratislava

**Slovenia**  
Würth d.o.o.,  
Trzin

**South Africa**  
Action Bolt Pty. Ltd.,  
Durban

Würth South Africa Co. (Pty) Ltd.,  
Isando

**South Korea**  
Wurth Korea Co. Ltd.,  
Seoul

**Spain**  
W Altos Servicios Industriales S.A.,  
Barcelona

Würth España S.A.,  
Barcelona

Würth Modyf S.A.,  
Barcelona

**Sri Lanka**  
Wurth Lanka Private Ltd.,  
Nugegoda

**Sweden**  
Würth Svenska AB,  
Örebro

Nordiska Bult Holding AB,  
Hisings Backa

**Switzerland**  
Würth AG,  
Arlesheim

Würth MODYF AG,  
Arlesheim

**Taiwan**  
Wurth Taiwan Co. Ltd.,  
Taipei Hsien

**Thailand**  
Wuerth Verbindungstechnik  
Co. Ltd.,  
Ladprao Bangkok

**Turkey**  
Würth Otomotiv ve Montaj San.  
Ürün. Paz. Ltd. Sti.,  
Mimarsinan Büyükçekmece

**Ukraine**  
Würth Ukraine Ltd.,  
Vyshgorod, Kiev Region

**United Arab Emirates**  
Würth Gulf FZE,  
Dubai

**United Kingdom**  
Winzer Würth Industrial Ltd.,  
Goldaming, Surrey

Würth U.K. Ltd.,  
Erith, Kent

**Uruguay**  
Würth del Uruguay S.A.,  
Montevideo

**USA**  
Action Bolt & Tool Co.,  
Riviera Beach, Florida

Adams Nut & Bolt Co.,  
Maple Grove, Minnesota

Baer Supply Company,  
Vernon Hills, Illinois

Louis and Company,  
Brea, California

RevCar Fasteners Inc.,  
Roanoke, Virginia

Snider Bolt & Screw Inc.,  
Louisville, Kentucky

Trend Distributors Inc.,  
Ft. Lauderdale, Florida

Würth Eastern Maintenance and  
Industrial Supplies Inc.,  
Berlin, Connecticut

Würth McAllen Bolt & Screw,  
McAllen, Texas

Wurth Red Label,  
Charlotte, North Carolina

Wurth/Service Supply Inc.,  
Indianapolis, Indiana

WURTH USA Inc.,  
Ramsey, New Jersey

Wurth Wood Group Inc.,  
Charlotte, North Carolina

**Vietnam**  
Vuviet Ltd. Co.,  
Ho-Chi-Minh-City



## The Allied Companies

### Electrical Wholesale

#### Austria

Eichmann  
Elektrofachgroßhandel GmbH,  
Linz

#### Czech Republic

Elfetex spol. s.r.o.,  
Pilsen

#### Estonia

Talger-Elektrotehnika OÜ,  
Tallinn

#### Germany

FEGA Elektro-Großhandels-GmbH,  
Ansbach

#### LIChT Zentrale

Lichtgroßhandel GmbH,  
Ansbach

nordberliner Elektro-Großhandels-  
Gesellschaft mbH,  
Eschborn

Schmitt Elektrogroßhandel GmbH,  
Fulda

#### UNI ELEKTRO

Fachgroßhandel GmbH & Co. KG,  
Eschborn

Walter Kluxen GmbH,  
Hamburg

#### Latvia

SIA Baltjas Elektro Sabiedriba,  
Riga

#### Lithuania

UAB ELEKTROBALT,  
Vilnius

#### Poland

Fega Poland Sp. z.o.o.,  
Wroclaw

#### Russia

Fega GmbH,  
Moscow

### Tools

#### Austria

Hommel & Seitz GmbH  
Vienna

Metzler GmbH & Co. KG,  
Rankweil

#### China

HAHN + KOLB (Tianjin)  
International Trade Co. Ltd.,  
Tianjin

HAHN + KOLB  
(Guangzhou) Tools Co. Ltd.,  
Guangzhou

HAHN + KOLB  
(Chongqing) Tools Co. Ltd.,  
Chongqing

#### Czech Republic

HHW-Hommel Hercules  
Werkzeughandel CZ s.r.o.,  
Prague

#### France

HAHN + KOLB SOVECO S.a.r.l.,  
Courtabœuf

#### Germany

HAHN + KOLB Werkzeuge GmbH,  
Stuttgart-Feuerbach

Hommel Hercules-Werkzeug-  
handel GmbH & Co. KG,  
Viernheim

Sartorius Nachf. GmbH & Co. KG,  
Ratingen

#### Hungary

HAHN + KOLB Hungária Kft.,  
Budapest

#### Poland

HAHN + KOLB Polska Sp. z.o.o.,  
Poznan

HHW Hommel Hercules  
PL Sp. z.o.o.,  
Katowice

#### Romania

HAHN + KOLB Romania s.r.l.,  
Otopeni

#### Russia

OOO HAHN + KOLB,  
Moscow

#### Serbia

HAHN + KOLB d.o.o. Beograd,  
Krnjaca-Belgrade

#### Slovakia

HHW-Hommel Hercules  
Werkzeughandel SK s.r.o.,  
Bratislava

#### Spain

HHW Hommel Hercules  
Iberica S.L.,  
Molins de Rei

#### Switzerland

HHW (Schweiz) AG,  
Tagelswangen

#### United Kingdom

Monks and Crane  
Industrial Group Ltd.,  
Wednesbury

### reca Group

#### Austria

Kellner & Kunz AG,  
Wels

Normfest Austria GmbH,  
Vienna

#### Belgium

Normfest Benelux S.A./N.V.,  
Zaventem

Reca Belux S.A.-N.V.,  
Ternat

#### Bosnia and Herzegovina

RECA d.o.o.,  
Sarajevo

#### Bulgaria

Reca Bulgaria E.O.O.D.,  
Sofia

#### China

reca (Shanghai) Intern.  
Trading Co. Ltd.,  
Shanghai

#### Croatia

reca d.o.o.,  
Varazdin

#### Czech Republic

Normfest s.r.o.,  
Prague

Reca spol. s.r.o.,  
Brno

#### Denmark

Reca Danmark A/S,  
Taastrup

#### France

Normfest France S.A.S.,  
Le Blanc Mesnil Cedex

Reca Union France S.a.r.l.,  
Mundolsheim

**Germany**

Baier & Michels GmbH & Co. KG,  
Ober-Ramstadt

CODESI GmbH,  
Oberhausen

dress + safe GmbH & Co. KG,  
Oberhausen

Normfest GmbH,  
Velbert

RECA NORM GmbH & Co. KG,  
Kupferzell

Siller & Laar GmbH & Co. KG,  
Augsburg

**Greece**

reca Hellas e.p.e.,  
Athens

**Hungary**

Reca KFT.,  
Budapest

**Italy**

FIME S.r.l.,  
Belfiore

FINK S.r.l.,  
Termeno

SCAR S.r.l.,  
Bussolengo

SO.FIM S.r.l.,  
Gazollo

**Netherlands**

A.J. Steenkist-Rooijmans B.V.,  
Eindhoven

Normfest Nederland B.V.,  
Well

**Norway**

Reca Norge A/S,  
Skytta

**Poland**

Normfest Polska Sp. z.o.o.,  
Poznan

reca Polska Sp. z.o.o.,  
Kraków

**Romania**

Reca Bucuresti S.R.L.,  
Bucharest

**Serbia**

reca d.o.o. Beograd,  
Novi Belgrade

**Slovakia**

reca Slovensko s.r.o.,  
Bratislava

**Slovenia**

Reca D.O.O.,  
Maribor

**Spain**

Fime Hispania S.A.,  
Massalfaas Valencia

Normfest Hispania S.A.,  
Catarroja-Valencia

reca Hispania S.A.,  
Aldaya-Valencia

Servicios Completos Automoción Y  
Repuestos S.A.,  
Ribarroja del Turia Valencia

**Sweden**

Reca Sverige AB,  
Helsingborg

**Switzerland**

Reca AG,  
Dietikon

**United Kingdom**

Anchorfast Ltd.,  
West Bromwich

**Trade****Belgium**

Conmetall N.V.,  
Mechelen

Duvmex Belgien BvBA,  
Mortsel

**Brazil**

AP Winner Indústria e Comércio de  
Produtos Químicos Ltda.,  
Ponta Grossa, Paraná

**China**

DIY Products Asia Ltd.,  
Hongkong

**Czech Republic**

Conmetall s.r.o.,  
Oslavany

**Germany**

Arnold & Shinjo GmbH & Co. KG,  
Forchtenberg-Ernstsbach

Conmetall GmbH & Co. KG,  
Celle

Conpac GmbH & Co. KG,  
Celle

DIY World GmbH,  
Wuppertal

Glessdox GmbH & Co. KG,  
Bad Mergentheim

IMS-Verbindungstechnik  
GmbH & Co. KG,  
Neuenstein

IVT Installations- und Verbindungs-  
technik GmbH & Co. KG,  
Rohr

KERONA GmbH,  
Ingelfingen-Criesbach

Kisling Deutschland GmbH,  
Schwäbisch Hall

REISSER Schraubentechnik GmbH,  
Geschäftsbereich Handel,  
Ingelfingen-Criesbach

Schössmetall GmbH & Co. KG,  
Freilassing

SWG Schraubenwerk  
Gaisbach GmbH,  
Geschäftsbereich Handel  
Waldenburg

Teudeloff GmbH & Co. KG,  
Waldenburg

TIL-Werkzeuge GmbH,  
Stuttgart

**Hungary**

REISSER-CSAVAR KFT.,  
Tatabánya

Schössmetall Hungária Kft.,  
Budapest

Van Roij Fasteners Hungaria Kft.,  
Dunaharaszti-iparterület

**Italy**

Euroviti G.m.b.H.,  
Padua

Glessdox GmbH,  
Terlano

Masidef S.r.l.,  
Caronno Pertusella

Nuova Viterie Venete S.r.l.,  
Padua

Pianeta Esse S.r.l.,  
Bassona

Safepont GmbH,  
Termeno

Unifix SWG S.r.l.,  
Terlano

VAJA GmbH MASTEN COLOR,  
Bolzano

**Netherlands**

Van Roij Fasteners Europe B.V.,  
Deurne

**Poland**

Reisser-Pol. Sp. z.o.o.,  
Chelmno

**Romania**

Metalife SRL,  
Bucharest

Reisser Tehnic s.r.l.,  
Cluj-Napoca



## Production

### Austria

Alfit AG,  
Götzis

Grass GmbH,  
Höchst

MEPLA WERKE-Lautenschläger  
Ges. mbH & Co. KG,  
Salzburg

Schmid Schrauben Hainfeld  
GmbH,  
Hainfeld

### Canada

Mepla-Alfit Canada,  
Toronto

### China

Grass (Shanghai) International  
Trading Co. Ltd.,  
Shanghai

SWG Fasteners (Shanghai)  
Co. Ltd.,  
Shanghai

### Czech Republic

Mepla spol. s.r.o.,  
Cesky Krumlov

### France

Arnold Technique France S.A.,  
Anneyron

### Germany

Adolf Menschel Verbindungs-  
technik GmbH & Co. KG,  
Plettenberg

Arnold Umformtechnik GmbH &  
Co. KG,  
Forchtenberg-Ernstbach

BB-Stanz- und Umformtechnik  
Produktions- und Handels GmbH,  
Berga

Dringenberg GmbH Betriebs-  
einrichtungen,  
Obersulm-Sülzbach

Grass GmbH & Co. KG,  
Verl

MEPLA-Werke Lautenschläger  
GmbH & Co. KG,  
Reinheim

Reisser Schraubentechnik GmbH,  
Ingelfingen-Criesbach, Geschäfts-  
bereich Produktion

SWG Schraubenwerk  
Gaisbach GmbH,  
Waldenburg, Geschäftsbereich  
Produktion

Werkzeugtechnik Niederstetten  
GmbH & Co. KG,  
Niederstetten

### South Africa

Mepla ZA (Pty) Ltd,  
Chempet

### Sweden

Mepla-Alfit Nordiska AB,  
Jönköping

### Switzerland

Kisling AG,  
Tagelswangen

KMT Kunststoff- & Metallteile AG,  
Hinwil

### United Kingdom

Tooling International Ltd.,  
Solihull

### USA

Grass America Inc.,  
Kernersville

Mepla-Alfit, Inc.,  
Lexington

## Electronics

### Brazil

Würth Energia Solar  
do Brasil Ltda.,  
Cotia, SP

### Bulgaria

Würth Elektronik IBE BG E.O.O.D.,  
Belozem

### China

Würth Electronics (HK) Limited,  
Hong Kong

Würth Electronic Tianjin Co. Ltd.,  
Tianjin

Würth Electronics (Wuxi) Co. Ltd.,  
Wuxi New District

### Czech Republic

Würth Elektronik IBE CZ s.r.o.,  
Ceske Budejovice

### France

Würth Elektronik Radialex S.a.r.l.,  
Saint Priest Cedex

### Germany

Würth Elektronik GmbH & Co. KG,  
Niedernhall, Circuit Board Techno-  
logy

Würth Elektronik Pforzheim  
GmbH & Co. KG, Pforzheim,  
Circuit Board Technology

Würth Elektronik Rot am See  
GmbH & Co. KG,  
Rot am See, Circuit Board  
Technology

Würth Elektronik Schopfheim  
GmbH & Co. KG,  
Schopfheim, Circuit Board  
Technology

Würth Elektronik eiSos GmbH &  
Co. KG,  
Waldenburg, EMC & Inductive  
Solutions

Würth Elektronik IBE GmbH,  
Thyrnau

Würth Elektronik GmbH & Co. KG,  
Öhringen, Intelligent Connecting  
Systems

Würth Elektronik GmbH & Co. KG,  
Würth Solergy,  
Schwäbisch Hall

Würth Solar GmbH & Co. KG,  
Schwäbisch Hall

### India

Würth Elektronik India Pvt. Ltd.,  
Bangalore

### Singapore

Würth Electronics  
Singapore Pte. Ltd.,  
Singapore

### Taiwan

Würth Electronics Limited,  
Taiwan

Würth Elektronik eiSos GmbH &  
Co. KG Taiwan Branch,  
Taipei

### USA

Würth Electronics Inc.,  
Ramsey

## Screws and Standard Parts

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### Australia

James Glen Pty. Ltd.,  
Lidcombe

Stainless Steel Fasteners PTY Ltd.,  
Dingley

### Austria

WASI-Rostfrei  
Schraubenhandelsges. m.b.H.,  
Vienna

### Belgium

FASTINOX N.V.,  
Turnhout

### Bulgaria

Wasi Bulgarien GmbH,  
Sofia

### China

WASI Tianjin Fastener Co. Ltd.,  
Tianjin

### Croatia

WASI d.o.o.,  
Zagreb

### Denmark

WASI Inox Denmark ApS,  
Kolding

### Finland

Ferrometal Oy,  
Nurmijärvi

Würth Elektronik Oy,  
Nurmijärvi

### France

INTER-INOX S.r.l.,  
Mezrieu Cedex

### Germany

Atrion GmbH & Co. KG,  
Wolpertshausen

HSR GmbH  
Hochdruck Schlauch + Rohr  
Verbindungen,  
Duisburg

INDUNORM Hydraulik GmbH,  
Duisburg

John & Molt GmbH,  
Glinde

Sonderschrauben Güldner  
GmbH & Co. KG,  
Künzelsau

Wagener & Simon  
GmbH & Co. KG,  
Wuppertal

### Greece

Inox Mare Hellas SA,  
Krioneri

### Italy

HSR Italia S.r.l.,  
Bussolengo

Inox Tirrenica S.r.l.,  
Fiumicino-Rome

Nuova Inox Mare S.r.l.  
Rimini

Spinelli S.r.l.,  
Terlano

### Norway

Würth Inox AS,  
Skytta

### Romania

Wasi Romania S.R.L.,  
Bucharest

### Serbia

WASI d.o.o.,  
Krnjaca-Belgrade

### Spain

WASI Hispania S.A.,  
Barcelona

### Sweden

WASI Sverige AB,  
Örebro

### Switzerland

Modal Inox AG,  
Arlesheim

### Turkey

Inox Ege Metal  
Ürünleri Dis Tic. Ltd. Sti.,  
Izmir

### United Kingdom

WASI Stainless UK Ltd.  
Surrey

### USA

Brikksen Inc.,  
Dallas

## Financial Services

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### Germany

Internationales Bankhaus  
Bodensee AG,  
Friedrichshafen

Waldenburger Versicherung AG,  
Künzelsau

Würth Immobilien-Leasing  
GmbH & Co. KG,  
Göppingen

Würth-Kirsch GmbH & Co. KG,  
Künzelsau-Gaisbach

Würth Leasing GmbH & Co. KG,  
Göppingen

### Italy

Würth Leasing Italia S.r.l.,  
Egna

### Liechtenstein

Würth Financial Services AG,  
Triesen

### Luxembourg

Würth Reinsurance Company S.A.,  
Luxembourg

### Netherlands

Würth Finance International B.V.,  
's-Hertogenbosch

Branch: Würth Finance Inter-  
national B. V.,  
Zurich branch, Küsnacht

### Switzerland

Oberhänsli & Partner AG,  
Thalwil

Würth Financial Services AG,  
Küsnacht

Würth Invest AG,  
Chur

Würth Leasing AG,  
Küsnacht



### IT service and holding companies

#### China

Comgroup Information Technology Co. Ltd.,  
Shanghai

Würth Phoenix Information Technology (Shanghai) Co. Ltd.,  
Shanghai

Würth International Trading (Shanghai) Co. Ltd.,  
Shanghai

#### Germany

Comgroup Gesellschaft für Systemintegration mbH,  
Bad Mergentheim

Portolan Commerce Solutions GmbH,  
Ilsfeld

WoW! Würth Online World GmbH,  
Künzelsau

Würth Phoenix GmbH,  
Bad Mergentheim

#### Hungary

Würth Phoenix KFT,  
Budaörs

#### Italy

Würth Phoenix S.r.l.,  
Bolzano

#### Netherlands

Würth Phoenix B. V.,  
's-Hertogenbosch

#### Slovakia

Würth International Trading s.r.o.,  
Bratislava

#### Sweden

Autocom Diagnostic Partner AB,  
Trollhättan

#### Switzerland

Comgroup AG,  
Biel/Bienne

Würth International AG,  
Chur

Würth Phoenix AG,  
Chur

#### USA

Würth Central Purchasing America Inc.,  
Ramsey

Würth Group of North America Inc.,  
Ramsey

### Diversification

#### Deutschland

AHD Auto-Hifi & -Design GmbH,  
Ingelfingen

Hotel-Restaurant "Altes Amtshaus",  
Mulfingen-Ailringen

Hotel-Restaurant "Anne-Sophie",  
Künzelsau

Marbet Marion & Bettina Würth GmbH & Co. KG,  
Künzelsau

Marbet Reiseservice GmbH & Co. KG,  
Künzelsau

Panorama Hotel- und Service GmbH,  
Waldenburg

Panoramahotel Waldenburg,  
Waldenburg

Restaurant "Sudhaus an der Kunsthalle Würth",  
Schwäbisch Hall

Swiridoff Verlag GmbH & Co. KG,  
Künzelsau

Wald- und Schlosshotel Friedrichsruhe,  
Friedrichsruhe/Zweiflingen

WLC Würth-Logistik GmbH & Co. KG,  
Adelsheim

Würth Promotional Concepts Deutschland GmbH,  
Künzelsau

Würth TeleServices GmbH & Co. KG,  
Künzelsau

#### Italy

marbet Marion & Bettina Würth s.r.l.,  
Egna

Sales Academy S.r.l.,  
Termeno

#### Spain

marbet Eventos S.A.,  
Barcelona

marbet Servicios Creativos S.A.,  
Barcelona

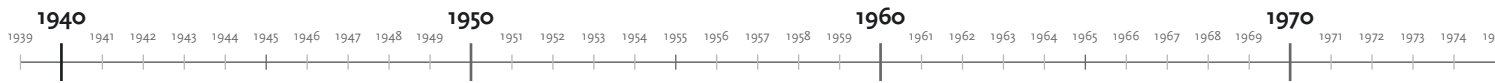
marbet Viajes Espana S. A.,  
Barcelona

#### Switzerland

Würth Logistics AG,  
Chur

Würth Promotional Concepts AG,  
Chur

# 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. Würth establishes its first company 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.

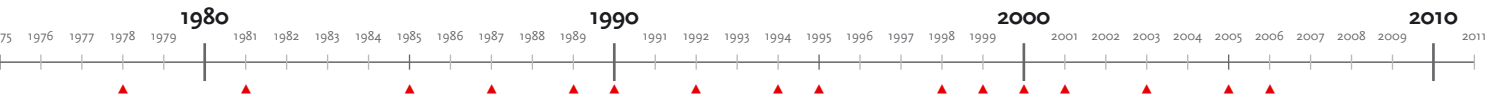
► **1989** Adolf Würth GmbH & Co. KG is awarded the German Marketing Prize.

► **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 Executive Board of the Würth Group. Rolf Bauer becomes Deputy Chairman of the Executive Board.

► **1995** On April 20, 1995, Adolf Würth GmbH & Co. KG celebrates its 50th anniversary. In the anniversary 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. Dr. h. c. 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 Central Managing Board 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 Central Managing Board of the Würth Group on January 1, 2003.

► **2005** Robert Friedmann takes over the role of Chairman of the Central Managing Board from Dr. Walter Jaeger when he retires on June 1, 2005. Dr. Roland Hartmann is appointed to the Central Managing Board on June 1, 2005.

► **2006** Alma Würth, co-founder of Adolf Würth GmbH & Co. KG, passes away on May 4, 2006. Alongside her husband Adolf Würth, she was the driving force behind the foundation of

the screw wholesale business in Künzelsau in 1945. As a member of the Advisory Board, she supported the growth of the Würth Group until 1993 and continued to take great interest in the operating business as an honorary member of the Advisory Board until the very end.

Bettina Würth takes over the Chair of the Advisory Board of the Würth Group from her father on March 1, 2006. Prof. Dr. h. c. Reinhold Würth is now Honorary Chairman of the Advisory Board and remains Chairman of the Supervisory Board of the Würth Group's Family Trusts. At the same time, Bettina Würth hands over her role as member of the Central Managing Board to Dr. Reiner Specht.

# Consolidated financial statements

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## Consolidated income statement

in millions of EUR		2006	Share %	2005*	Share %	Change %
Sales	(1)	7,748.1	100.0	6,913.9	100.0	12.1
Changes in inventories		11.5	0.1	1.4	0.0	> 100
Own work capitalized		11.4	0.1	7.9	0.1	44.3
Cost of materials	(2)	3,608.9	46.5	3,172.8	45.8	13.7
Cost of financial services	(3)	18.1	0.2	4.1	0.1	> 100
		4,144.0	53.5	3,746.3	54.2	10.6
Other operating income	(4)	104.3	1.3	96.2	1.4	8.4
Personnel expenses	(5)	2,136.3	27.6	1,962.2	28.4	8.9
Amortization and depreciation		200.1	2.6	190.3	2.7	5.1
Other operating expenses	(6)	1,369.9	17.7	1,210.5	17.5	13.2
Income from at-equity investments		0.0	0.0	0.3	0.0	- 100.0
Finance revenue	(7)	20.6	0.3	16.8	0.2	22.6
Finance costs	(7)	58.8	0.7	49.2	0.7	19.5
Earnings before taxes		503.8	6.5	447.4	6.5	12.6
Income taxes	(8)	196.8	2.5	112.5	1.6	74.9
<b>Net income for the year</b>		<b>307.0</b>	<b>4.0</b>	<b>334.9</b>	<b>4.9</b>	<b>- 8.3</b>
Attributable to:						
Equity holders of parent companies in the Group		299.0	3.9	328.4	4.8	- 9.0
Minority interests		8.0	0.1	6.5	0.1	23.1
		307.0	4.0	334.9	4.9	- 8.3

\* The figures presented diverge from the figures in the consolidated financial statements for the fiscal year 2005 due to reclassifications.

## Consolidated balance sheet

<b>Assets</b>						
in millions of EUR		<b>2006</b>	Share %	<b>2005*</b>	Share %	Change %
<b>Non-current assets</b>						
Intangible assets including goodwill	(9)	189.8	3.7	164.6	4.0	15.3
Property, plant and equipment	(10)	1,579.7	31.1	1,383.9	33.4	14.1
At-equity investments	(11)	0.0	0.0	15.5	0.4	- 100.0
Other financial assets	(12)	58.7	1.1	26.3	0.6	> 100
Receivables from financial services	(13)	346.3	6.8	16.1	0.4	> 100
Other assets	(18)	17.8	0.4	21.1	0.5	- 15.6
Deferred taxes	(14)	105.7	2.1	119.5	2.9	- 11.5
		<u>2,298.0</u>	<u>45.2</u>	<u>1,747.0</u>	<u>42.2</u>	<u>31.5</u>
<b>Current assets</b>						
Inventories	(15)	972.8	19.1	825.0	19.9	17.9
Trade receivables	(16)	1,099.8	21.6	970.4	23.5	13.3
Receivables from financial services	(13)	269.1	5.3	20.4	0.5	> 100
Income tax receivables	(17)	18.1	0.4	12.9	0.3	40.3
Other assets	(18)	188.0	3.7	179.9	4.3	4.5
Securities	(19)	76.3	1.5	65.6	1.6	16.3
Cash and cash equivalents	(20)	160.4	3.2	316.8	7.7	- 49.4
		<u>2,784.5</u>	<u>54.8</u>	<u>2,391.0</u>	<u>57.8</u>	<u>16.5</u>
		<u>5,082.5</u>	<u>100.0</u>	<u>4,138.0</u>	<u>100.0</u>	<u>22.8</u>

\* The figures presented diverge from the figures in the consolidated financial statements for the fiscal year 2005 due to reclassifications.

<b>Equity and liabilities</b>		2006	Share %	2005*	Share %	Change %
in millions of EUR						
<b>Equity</b>						
Equity attributable to parent companies in the Group	(21)					
Share capital		280.3	5.5	270.2	6.5	3.7
Reserves		915.3	18.0	817.8	19.8	11.9
Retained earnings		1,052.1	20.7	939.5	22.7	12.0
		2,247.7	44.2	2,027.5	49.0	10.9
Minority interests		29.9	0.6	21.2	0.5	41.0
		2,277.6	44.8	2,048.7	49.5	11.2
<b>Non-current liabilities</b>						
Liabilities from financial services	(22)	218.9	4.3	19.8	0.5	> 100
Financial liabilities	(23)	772.1	15.2	626.9	15.1	23.2
Obligations from						
post-employment benefits	(24)	125.7	2.5	120.0	2.9	4.8
Provisions	(25)	47.9	0.9	40.9	1.0	17.1
Other liabilities	(26)	16.1	0.3	15.7	0.4	2.5
Deferred taxes	(14)	74.2	1.5	55.7	1.3	33.2
		1,254.9	24.7	879.0	21.2	42.8
<b>Current liabilities</b>						
Trade payables		408.5	8.0	344.6	8.3	18.5
Liabilities from financial services	(22)	150.7	3.0	1.0	0.0	> 100
Financial liabilities	(23)	205.5	4.0	261.6	6.3	- 21.4
Income tax liabilities		116.2	2.3	81.7	2.0	42.2
Provisions	(25)	107.1	2.1	98.1	2.4	9.2
Other liabilities	(26)	562.0	11.1	423.3	10.3	32.8
		1,550.0	30.5	1,210.3	29.3	28.1
		5,082.5	100.0	4,138.0	100.0	22.8

\* The figures presented diverge from the figures in the consolidated financial statements for the fiscal year 2005 due to reclassifications.

## Consolidated cash flow statement\*

### Cash flow from operating activities

in millions of EUR

	2006	2005**
<b>Earnings before interest and taxes</b>	542.9	479.3
Changes in pension provisions	- 0.7	15.1
Amortization and depreciation	201.4	191.9
Losses on the disposal of non-current assets	2.9	3.2
Gains on the disposal of non-current assets	- 4.6	- 7.5
Other non-cash income and expenses	35.4	30.7
Payment of income taxes	- 145.6	- 107.7
Interest income	15.8	15.8
Interest payments	- 42.7	- 50.1
<b>Gross cash flow</b>	<b>604.8</b>	<b>570.7</b>
Changes in inventory	- 145.6	- 18.4
Changes in trade receivables	- 153.2	- 118.1
Changes in receivables from financial services	- 130.2	- 5.8
Changes in trade payables	54.9	20.5
Changes in liabilities from financial services	129.7	- 1.0
Changes in financial liabilities from financial services	- 27.6	0.0
Changes in other net working capital	78.5	7.2
<b>Cash flow from operating activities</b>	<b>411.3</b>	<b>455.1</b>
Investments in intangible assets	- 24.5	- 17.2
Investments in property, plant and equipment	- 368.6	- 264.4
Investments in financial assets	- 32.3	- 28.5
Investments in newly acquired subsidiaries		
net of cash acquired***	- 52.8	- 63.9
Acquisition of further shares in subsidiaries	- 2.0	- 0.5
Investments in securities classified as current assets	- 9.4	- 3.4
Cash received from the disposal of assets	22.9	24.8
<b>Cash flow from investing activities</b>	<b>- 466.7</b>	<b>- 353.1</b>

**Cash flow from operating activities**

in millions of EUR

	2006	2005
Distributions	- 128.2	- 132.0
Contributions to capital	97.1	101.9
Increase in financial liabilities	166.0	120.7
Decrease in financial liabilities	- 229.3	- 132.4
<b>Cash flow from financing activities</b>	<b>- 94.4</b>	<b>- 41.8</b>
Changes due to consolidation (mainly due to currency translation differences)	- 6.6	6.6
<b>Changes in cash and cash equivalents</b>	<b>- 156.4</b>	<b>66.8</b>

**Changes in cash and cash equivalents**

in millions of EUR

	2006	2005	Change in millions of EUR
Short-term investments	0.6	3.7	- 3.1
Other cash equivalents	3.8	2.1	1.7
Cash on hand	11.2	7.0	4.2
Bank balances	144.8	304.0	- 159.2
<b>Cash and cash equivalents</b>	<b>160.4</b>	<b>316.8</b>	<b>- 156.4</b>

\* Reference to "J. Notes to the consolidated cash flow statement"

\*\* The figures presented diverge from the figures in the consolidated financial statements for the fiscal year 2005 due to reclassifications.

\*\*\* Reference to "C. Consolidated group"

## Consolidated statement of changes in equity\*

in millions of EUR	Equity attributable to parent companies in the Group							
	Reserves						Minority interests	Total equity
	Share capital	Differences from currency translation	Other reserves	Retained earnings	Total			
January 1, 2005	148.3	- 54.2	904.9	704.9	1,703.9	11.2	1,715.1	
Foreign currency translation	0.0	27.8	0.0	0.0	27.8	0.0	27.8	
Net income for the year	0.0	0.0	0.0	328.4	328.4	6.5	334.9	
Total income and expense for the year	0.0	27.8	0.0	328.4	356.2	6.5	362.7	
Capital increase/reduction	121.9	0.0	- 20.0	0.0	101.9	0.0	101.9	
Transfer to/drawings from								
reserves	0.0	0.0	- 41.1	41.1	0.0	0.0	0.0	
Distributions	0.0	0.0	0.0	- 130.5	- 130.5	- 1.5	- 132.0	
Acquisition of minority interests	0.0	0.0	0.0	0.0	0.0	- 0.5	- 0.5	
Other income and expense recognized in equity	0.0	0.0	0.4	- 4.4	- 4.0	5.5	1.5	
December 31, 2005	270.2	- 26.4	844.2	939.5	2,027.5	21.2	2,048.7	
Foreign currency translation	0.0	- 21.7	0.0	0.0	- 21.7	0.0	- 21.7	
Net income for the year	0.0	0.0	0.0	299.0	299.0	8.0	307.0	
Total income and expense for the year	0.0	- 21.7	0.0	299.0	277.3	8.0	285.3	
Capital increase/reduction	10.1	0.0	- 10.0	0.0	0.1	0.0	0.1	
Transfer to/drawings from								
reserves	0.0	0.0	129.2	- 32.2	97.0	0.0	97.0	
Distributions	0.0	0.0	0.0	- 153.6	- 153.6	- 1.8	- 155.4	
Acquisition of minority interests	0.0	0.0	0.0	0.0	0.0	- 1.0	- 1.0	
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	3.5	3.5	
Other income and expense recognized in equity	0.0	0.0	0.0	- 0.6	- 0.6	0.0	- 0.6	
December 31, 2006	280.3	- 48.1	963.4	1,052.1	2,247.7	29.9	2,277.6	

\* The figures presented diverge from the figures in the consolidated financial statements for the fiscal year 2005 due to reclassifications.

## Consolidated value added statement\*

<b>Origin of value added</b> in millions of EUR	2006	2005	Change in %
Sales	7,748.1	6,913.9	12.1
Changes in inventories and own work capitalized for capital expenditure	22.9	9.3	> 100
Other operating income	104.3	96.2	8.4
Finance revenue and income from at-equity investments	20.6	17.1	20.5
	7,895.9	7,036.5	12.2
Less advance payments:			
Cost of materials and cost of financial services	3,627.0	3,176.9	14.2
Other operating expenses	1,369.9	1,210.5	13.2
Amortization and depreciation	200.1	190.3	5.1
	5,197.0	4,577.7	13.5
<b>Value added</b>	<b>2,698.9</b>	<b>2,458.8</b>	<b>9.8</b>

<b>Utilization</b> in millions of EUR	2006	2005	Change in %
Employees (personnel expenses)	2,136.3	1,962.2	8.9
Public sector (tax expenses)	196.8	112.5	74.9
Entities	248.6	304.7	- 18.4
Equity holders**	58.4	30.2	93.4
Lenders	58.8	49.2	19.5
<b>Value added</b>	<b>2,698.9</b>	<b>2,458.8</b>	<b>9.8</b>

\* Not part of the consolidated financial statements

\*\* Distributions net of contribution to capital

# Notes to the Consolidated Financial Statements of the Würth Group as of December 31, 2006

## A. General information

The headquarters of the Würth Group are located in D-74650 Künzelsau, Reinhold-Würth-Strasse 12 – 17, Germany.

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

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

The companies that do not trade under the name of Würth – our Allied Companies – operate independently of the Würth Line companies. They are divided into strategic business units. With the exception of a small number of manufacturing companies, the majority are sales companies operating in related areas and electrical wholesalers. In addition, the Würth Group offers products and services in the financial services sector.

## B. Adoption of International Financial Reporting Standards

- **Statement of compliance**

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

- **Basis of preparation**

All IFRSs whose adoption is mandatory as of December 31, 2006 have been applied. This also includes the International Accounting Standards (IAS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC).

The financial statements are prepared under the historical cost convention, with the exception of financial assets measured at fair value through profit or loss.

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

The balance sheet items were classified into current and non-current assets and liabilities in accordance with IFRS. Items not due within a year are disclosed as non-current assets or non-current liabilities. In addition, deferred taxes are disclosed as non-current assets or liabilities.

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

Rules for accounting for financial services were applied in the consolidated financial statements of the Würth Group for the first time due to purchase accounting for Internationales Bankhaus Bodensee AG. The items receivables and liabilities from financial services were added to the balance sheet in this context. These items include the bank-specific transactions of Internationales Bankhaus Bodensee AG as well as services in the area of leasing and insurance. The prior-year figures were reclassified accordingly.

	Reclassification comparative period <b>2005</b>
Receivables from financial services (non-current)	16.1
Other assets (non-current)	– 16.1
Trade receivables	– 5.9
Receivables from financial services (current)	20.4
Other assets (current)	– 14.5
Liabilities from financial services (non-current)	19.8
Financial liabilities (non-current)	– 19.8
Liabilities from financial services (current)	1.0
Financial liabilities (current)	– 0.7
Other liabilities (current)	– 0.3
<b>Total</b>	<b>0.0</b>

In the consolidated income statement, the item cost of financial services was added. It presents interest and commission expenses from banking and interest expenses from the leasing business.

EUR 4.1 million was reclassified from cost of materials to cost of financial services.

The accounting treatment applied in prior years was adjusted and for the purpose of the comparative information for 2005, EUR 8.0 million was reclassified from the item “Equity attributable to parent companies in the Group” to “Minority interests” in accordance with IAS 8. These are the minority interests in Würth International AG. The net income for the year attributable to these minority interests amounts to EUR 2.5 million and was also reclassified. Provisions were split into current and non-current for the first time. EUR 40.9 million of the comparative figures for 2005 was reclassified. In addition, tax provisions of EUR 10.1 million and EUR 71.6 million were summarized in the item income tax liabilities.

The prepaid expenses of EUR 20.6 million recognized in the fiscal year 2005 were reclassified to other assets (current) in the 2005 comparative information.

The consolidated financial statements were released by the Central Managing Board of the Würth Group on April 3, 2007 to be passed on to the Advisory Board's audit committee.

- **Use of estimates**

The preparation of the consolidated financial statements pursuant to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities and other financial obligations as of balance sheet date and the reported amounts of income and expenses during the reporting period. The assumptions and estimates primarily relate to the determination of uniform useful lives, accounting policies for capitalized development costs, inventories, receivables and provisions as well as the probability of future tax relief being realized from deferred tax assets. Actual amounts in future periods may differ from the estimates. Changes are recognized in income as and when better information is available.

The key future-oriented assumptions and other sources of uncertainty as of the balance sheet date concerning estimates which have given rise to a risk that material adjustments of carrying amounts of assets and liabilities may be required in the next fiscal year are explained below.

a) **Impairment of goodwill**

The Würth Group tests goodwill for impairment at least once a year. This involves an estimate of the value in use of the cash-generating units (CGUs) to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As of December 31, 2006 the carrying amount of goodwill totaled EUR 118.2 million (2005: EUR 110.6 million). Further details are presented in the notes to the consolidated balance sheet under “[9] Intangible assets including goodwill”.

b) **Unused tax losses**

The Würth Group recognizes deferred tax assets for unused tax losses provided it is sufficiently certain that the unused tax losses will be used based on the tax planning. The tax planning involves estimates of the Würth Group of future taxable income. Deferred tax assets recognized on unused tax losses amount to EUR 40.6 million as of December 31, 2006 (2005: EUR 51.1 million). Further details are presented in the notes to the consolidated balance sheet under “[14] Deferred taxes”.

c) **Obligations from post-employment benefits**

The cost of providing post-employment benefits under defined benefit plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net carrying amounts of the obligations from post-employment benefits amount to EUR 125.7 million as of December 31, 2006 (2005: EUR 120.0 million). Further details are presented in the notes to the consolidated balance sheet under “[24] Obligations from post-employment benefits”.

- **Effects of new accounting standards**

The accounting policies adopted are consistent with those of the prior fiscal year, except that the Group has adopted those new/revised standards mandatory for fiscal years beginning on or after January 1, 2006.

The changes in accounting policies and in the disclosures in the notes result primarily from the adoption of IAS 19 “Employee Benefits” (amended), IAS 21 “The Effects of Changes in Foreign Exchange Rates” (amended), IAS 39 “Financial Instruments: Recognition and Measurement” (amended), IFRS 4 “Insurance Contracts” (amended), IFRIC 4 “Determining whether an Arrangement contains a Lease”, IFRIC 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds” and IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”.

**Amendment to IAS 19 “Employee Benefits” – Actuarial Gains and Losses, Group Plans and Disclosures**

The Group adopted IAS 19 (amended) for the first time as of January 1, 2006.

- Actuarial gains and losses: The Würth Group does not make use of the option to recognize actuarial gains and losses directly in equity. By electing not to use this option, the Group is not required to make any additional disclosures or changes in the presentation of equity for actuarial gains and losses.
- Multi-employer plans: The Group does not have any multi-employer plans. This change did not affect the accounting policies or disclosures in the notes.
- Disclosures: Additional disclosures are made on developments of assets and liabilities in the defined benefit plans and on the assumptions underlying the components of the costs for defined benefit plans. These changes gave rise to additional disclosures which, however, do not affect recognition and measurement.

**IAS 21 “The Effects of Changes in Foreign Exchange Rates” – Net Investment in a Foreign Operation**

The Group has applied the amended IAS 21 since January 1, 2006. As a result, all exchange differences resulting from a monetary item which is part of a net investment of the reporting entity in a foreign operation are recorded in a separate equity item, regardless of the currency of the monetary item. An entity, which has such a monetary item in the form of a receivable from or liability to a foreign operation, can be any Group subsidiary. The adoption of the amended IAS 21 did not have any effect on the consolidated financial statements as of December 31, 2006.

### **IAS 39 “Financial Instruments: Recognition and Measurement” – Fair Value Option and Cash Flow Hedge Accounting**

Three amendments to IAS 39 were issued in 2005 that are effective for reporting periods beginning on or after January 1, 2006. The changes relate to financial guarantees (after the amendment of IAS 39 and IFRS 4 “Insurance Contracts – Financial Guarantee Contracts” financial guarantees now fall solely within the scope of IAS 39), the hedging of cash flows in anticipated intercompany transactions and use of the fair value option. The amendments of IAS 39 did not have any effect on the consolidated financial statements as of December 31, 2006.

### **IFRIC 4 “Determining whether an Arrangement contains a Lease”**

IFRIC 4 contains criteria for the identification of lease elements in contracts that have not formally been designated as leases. Elements of contracts which satisfy the criteria of IFRIC 4 have to be accounted for as leases in accordance with the provisions of IAS 17. The adoption of this interpretation did not have an effect on the consolidated financial statements as of December 31, 2006.

### **IFRIC 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”**

The Group adopted IFRIC 5 as of January 1, 2006 which sets out the accounting treatment for funds set up to finance the decommissioning of a company’s assets. As the Würth Group does not currently operate in a country where such funds exist, this interpretation has had no impact on the consolidated financial statements.

### **IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”**

The Group adopted IFRIC 6 as of January 1, 2006, which provides guidance for the recognition of provisions for the disposal of waste electrical and electronic equipment as defined by the EU Directive. The amount of the provision set up for waste electrical and electronic equipment did not have any significant impact on the Würth Group.

The Group decided not to early adopt the following standards and IFRIC interpretations which have already been issued but have not entered into force yet. Generally speaking, the Würth Group intends to adopt all standards when their adoption becomes mandatory for the first time.

- **IFRSs and IFRIC interpretations adopted by the EU in the comitology procedures, which have not yet entered into force, are:**

**Amendments to IAS 1 “Presentation of Financial Statements”:** This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital. The additional disclosure requirements resulting from the amendment of IAS 1 “Presentation of Financial Statements” were not observed in the consolidated financial statements. The amendments are applicable for fiscal years beginning on or after January 1, 2007.

**IFRS 7 “Financial Instruments: Disclosures”:** IFRS 7 governs the disclosure requirements for financial instruments for industrial entities as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions” and IAS 32 “Financial Instruments: Disclosure and Presentation” and requires disclosures that enable users of financial statements to evaluate the significance of the Group’s financial instruments for the financial position and performance of the Group and the nature and extent of risks arising from those financial instruments. IFRS 7 is applicable for fiscal years beginning on or after January 1, 2007. The adoption of this standard will lead to significant additions to the disclosures in the notes on financial instruments.

**IFRIC 7 “Applying the Restatement Approach” under IAS 29 “Financial Reporting in Hyperinflationary Economies”:** This interpretation contains explanations on IAS 29 on the question of adjusting the financial statements in the event that the functional currency of an entity is qualified as highly inflationary for the first time. IFRIC 7 is applicable for fiscal years beginning on or after March 1, 2006. IFRIC 7 has not been early adopted in the consolidated financial statements of the Würth Group and will not have any impact on the future.

**IFRIC 8 “Scope of IFRS 2”:** The amendments are applicable for the first time for fiscal years beginning on or after May 1, 2006. IFRIC 8 has not been early adopted in the consolidated financial statements of the Würth Group and will not have any impact on the future.

**IFRIC 9 “Reassessment of Embedded Derivatives”:** IFRIC 9 deals with special issues surrounding accounting for embedded derivatives pursuant to IAS 39. According to IFRIC 9, the assessment whether an embedded derivative is accounted for separately from the host contract generally takes place when the contract is concluded. A reassessment during the term of the contract is only permitted if the underlying contractual conditions and the associated cash flows change significantly. The extent to which the payments from the embedded derivative and/or the host contract have changed compared to the original cash flows is taken as the basis here. IFRIC 9 is effective for fiscal years beginning on or after June 1, 2006; earlier adoption is encouraged. IFRIC 9 has not been early adopted in the consolidated financial statements of the Würth Group and is not expected to have any impact on the future.

- **IFRSs and IFRIC interpretations which have not yet entered into force and have not yet been adopted by the EU in the comitology procedures:**

**IFRS 8 “Operating Segments”:** IFRS 8 replaces IAS 14 “Segment Reporting” and brings the standards of the IASB into line with the provisions of the Statement of Financial Accounting Standards (SFAS) 131. IFRS 8 requires the disclosure of financial and narrative information on the reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding

how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance (management approach). The standard is effective for fiscal years beginning on or after January 1, 2009. Early adoption is permitted. IFRIC 8 does not affect the consolidated financial statements of the Würth Group.

**IFRIC 10 “Interim Financial Reporting and Impairment”:** This interpretation deals with the alleged contradiction between the provisions of IAS 34 “Interim Reporting” and those in other standards pertaining to the recognition and reversal of impairment losses in the financial statements for goodwill and certain financial assets. IFRIC 10 states that an entity must not reverse impairment losses recognized in a previous interim period on goodwill, investments in equity instruments and in financial assets carried at cost and that an entity may not extend this consensus by analogy to other areas where there may be contradictions between IAS 34 and other standards. IFRIC 10 is effective for fiscal years beginning on or after November 1, 2006. Earlier adoption is encouraged. IFRIC 10 is not expected to affect the consolidated financial statements of the Würth Group.

**IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”:** IFRIC 11 addresses the question of how IFRS 2 “Share-based Payment” applies to share-based payment arrangements involving the entity’s own equity instruments or equity instruments of another Group entity. IFRIC 11 is effective for fiscal years beginning on or after March 1, 2007. Early adoption is permitted. IFRIC 11 does not affect the consolidated financial statements of the Würth Group.

**IFRIC 12 “Service Concession Arrangements”:** The scope of IFRIC 12 is limited to accounting for service concessions (e.g. for the operation of motorways or hospitals) from the perspective of the licensee and relates solely to arrangements with public licensors. IFRIC 12 is mandatory for fiscal years beginning on or after January 1, 2008. This interpretation is not relevant for the business operations of the Würth Group.

## C. Consolidated group

The consolidated financial statements of the Würth Group include parent companies at the same organizational level as well as all domestic and foreign entities in which the parent companies at the same organizational level hold a majority of the voting rights, either directly or indirectly, and thus have the possibility to exercise control over these entities.

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

As of January 20, 2006, the Group acquired a further 43.79% of Internationales Bankhaus Bodensee AG, Friedrichshafen, Germany, bringing the Würth Group's share up to 88.55%. The purchase price totaled EUR 30.9 million. Its business purpose is financial services.

As of February 20, 2006, the Würth Group acquired 100% of the shares in Só W. Diesel Indústria e Comércio de Parafusos e Peças Importação e Exportação LTDA, São Paulo, Brazil ("Só W. Diesel LTDA"). The purpose of the entity is to sell fastening materials and provide related logistics services for industrial customers.

As of May 17, 2006, the Würth Group acquired 100% of the shares in AP Winner Indústria e Comércio de Produtos Químicos LTDA, Ponta Grossa, Paraná, Brazil ("AP Winner LTDA"). Its business activities mainly involve developing and producing as well as selling chemical-technical products for the automotive and construction industry. Goodwill arising from the acquisition totaled EUR 6.6 million.

As of August 1, 2006, the Würth Group acquired 100% of the shares in Action Bolt (Pty.) Ltd., Durban, South Africa. Action Bolt is a trading company that supplies OEMs with fasteners.

As of September 5, 2006, the Würth Group acquired 100% of the shares in MASIDEF S.p.A., Caronno Pertusella, Italy. The entity's business activities are the sale of hardware and store fixtures for DIY and hardware stores.

As of December 11, 2006, the Würth Group acquired 100% of the shares in Nordiska Bult Holding AB, Kungsbacka, Sweden. Nordiska Bult is a trading company for fasteners which supplies industrial customers for production purposes.

In addition the Würth Group took over the operations of the following entities:

As of February 20, 2006, the Würth Group acquired the operations of James Glen Pty Ltd., Oakleigh, Australia. The operations were contributed into the newly founded company Würth Fasteners Pty Ltd., Lidcombe, Australia, which was then renamed James Glen Pty Ltd. The entity is specialized in stainless steel trading. Goodwill arising from the acquisition totaled EUR 1.2 million.

As of March 1, 2006, the Würth Group acquired the operations of McFadden's Hardwood & Hardware Ltd., Oakville, Canada. The operations were contributed into the newly formed company McFadden's Hardwood & Hardware Inc., Oakville, Canada. The entity closes the geographical gap in the Würth Line's Wood Division in Eastern Canada. Goodwill arising from the acquisition totaled EUR 2.4 million.

The newly acquired entities and operations increased the assets and liabilities of the Würth Group as follows:

in millions of EUR	Internationales Bankhaus Bodensee AG	James Glen Pty. Ltd.	Só W. Diesel LTDA	McFadden's Hardwood & Hardware Ltd.	AP Winner LTDA	Action Bolt (Pty.) Ltd.	MASIDEF S.p.A.	Nordiska Bult Holding AB	Other	Total
<b>Assets</b>										
Intangible assets	6.6	1.2	5.9	4.6	6.6	2.4	6.5	4.3	2.8	40.9
Other non-current assets	3.0	0.3	0.1	0.4	2.0	0.2	3.6	0.1	5.6	15.3
Inventories	0.0	3.4	0.4	4.4	0.2	1.5	2.1	1.4	6.3	19.7
Receivables and other assets	450.7	2.1	0.6	4.7	0.6	1.5	9.8	1.1	6.8	477.9
Cash and cash equivalents	2.2	0.0	0.4	0.0	0.0	0.1	0.0	0.3	0.0	3.0
	<u>462.5</u>	<u>7.0</u>	<u>7.4</u>	<u>14.1</u>	<u>9.4</u>	<u>5.7</u>	<u>22.0</u>	<u>7.2</u>	<u>21.5</u>	<u>556.8</u>
<b>Equity and liabilities</b>										
Minority interests	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.5
Non-current liabilities	47.4	0.2	1.9	0.5	0.0	0.6	4.0	1.2	5.6	61.4
Current liabilities	380.7	0.7	0.5	3.3	6.5	3.7	9.2	1.7	14.3	420.6
	<u>431.6</u>	<u>0.9</u>	<u>2.4</u>	<u>3.8</u>	<u>6.5</u>	<u>4.3</u>	<u>13.2</u>	<u>2.9</u>	<u>19.9</u>	<u>485.5</u>
<b>Purchase prices*</b>	<u>30.9</u>	<u>6.1</u>	<u>5.0</u>	<u>10.3</u>	<u>2.9</u>	<u>1.4</u>	<u>8.8</u>	<u>4.3</u>	<u>1.6</u>	<u>71.3</u>
Share of sales	33.9	9.1	4.6	30.3	1.3	3.6	6.0	0.0	8.6	97.4
Share of profit or loss	0.1	0.0	-0.7	0.3	-2.4	0.0	-0.3	0.0	-0.4	-3.4

\* The purchase price for Internationales Bankhaus Bodensee AG includes EUR 15.5 million that had already affected cash in the fiscal year 2005.

If the date of acquisition had been at the beginning of the reporting period on January 1, 2006 for all newly acquired entities and operations, sales of EUR 121.9 million and net income of EUR 1.5 million would have been contributed to the Würth Group.

The net carrying amounts of the intangible assets amounted to EUR 0.5 million directly prior to the acquisition. Revaluation gave rise to customer relationships of EUR 27.6 million and corresponding deferred tax liabilities of EUR 8.5 million. Debit differences remaining after revaluation of the identifiable assets amounted to EUR 12.8 million. They represent goodwill of the entities and operations acquired.

The difference between total assets and total equity and liabilities of EUR 71.3 million corresponds to the sum of the purchase prices for the acquisitions including incidental costs paid in cash. Taking into account the cash acquired of EUR 3.0 million and the first installment of the purchase price for Internationales Bankhaus Bodensee AG of EUR 15.5 million, which had already affected cash in the fiscal year 2005, net cash outflow for the newly acquired subsidiaries and operations amounts to EUR 52.8 million.

## D. Consolidation principles

The consolidated financial statements are based on the financial statements of the parent companies and subsidiaries included in the Group as of December 31, 2006, which have been prepared according to uniform standards.

Business combinations are accounted for using the purchase method in accordance with IFRS 3. Accordingly, capital consolidation is carried out as of the date of acquisition by offsetting the purchase price against the revalued net assets of the subsidiaries and operations acquired. Assets and liabilities as well as contingent liabilities of subsidiaries and operations eligible for recognition are recognized at their fair value in full. Intangible assets are presented separately from goodwill if they are capable of being separated from the entity or arise from any contractual or other legal rights. Remaining debit differences are recognized as goodwill. Credit differences from purchase accounting are released through profit or loss.

Intercompany expenses and income as well as receivables and payables are eliminated. Intercompany profits and losses in non-current assets and inventories arising from intercompany deliveries are eliminated.

Minority interests represent the portion of profit or loss and net assets not attributable to the equity holders of the parent companies in the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the equity attributable to the parent companies in the Group.

## E. Foreign currency translation

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

The functional currency method is used to translate the financial statements of foreign entities. In the consolidated financial statements, the balance sheet items except for equity of all foreign entities are translated to the euro at closing rates, as the significant foreign entities included in the consolidated financial statements conduct their business independently in their local currency, which is the functional currency. Differences compared to the prior-year translation are offset against reserves directly in equity (total income and expense for the period recognized directly in equity). Goodwill is translated at the closing rate as an asset of foreign entities. Acquisitions of foreign entities that occurred prior to January 1, 2005 are translated at the historical exchange rates.

Income and expense items are translated using average rates.

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

	Average exchange rates for the fiscal year		Closing rates as of the balance sheet date	
	2006	2005	2006	2005
1 US dollar	0.79618	0.80586	0.75867	0.84502
1 pound sterling	1.46702	1.46302	1.48943	1.45560
1 Canadian dollar	0.70276	0.66579	0.65385	0.72627
1 Australian dollar	0.59991	0.61366	0.59948	0.61939
1 Danish krone	0.13407	0.13420	0.13412	0.13404
1 Norwegian krone	0.12413	0.12494	0.12136	0.12500
1 Swedish krona	0.10808	0.10775	0.11058	0.10646
1 Swiss franc	0.63580	0.64605	0.62189	0.64288
1 Polish zloty	0.25602	0.24797	0.26033	0.25849
1 Czech koruna	0.03539	0.03361	0.03645	0.03449
1 Hungarian forint	0.00378	0.00403	0.00397	0.00396
1 Brazilian real	0.36494	0.33402	0.35539	0.36275
1 Chinese renminbi yuan	0.10175	0.09953	0.09717	0.10470

## F. Accounting policies

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

**Goodwill** arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In compliance with IFRS 3, goodwill is not subject to scheduled amortization any more as of January 1, 2005.

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

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

**Intangible assets** acquired separately are initially measured at cost. The cost of an intangible asset acquired within the scope of a business combination is its fair value on the date of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful life using the straight-line method and tested for impairment whenever there is any indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each fiscal year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization of intangible assets with a finite useful life is reported in the income statement under amortization and depreciation.

Software, franchises and other rights of use are amortized over three to five years. Capitalized customer relationships are amortized over a useful life of three to five years.

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

If all prerequisites of IAS 38.57 are met, internally generated intangible assets are reported at the amount of the directly attributable development costs incurred. Finance costs are not capitalized. Capitalization ceases when the product is completed and released. Pursuant to IAS 38.57 development costs may only be capitalized if an entity can demonstrate that all of the following six requirements are satisfied:

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

The Company estimated the customary useful life of the capitalized software development costs at three years.

Costs of research and general development are immediately recorded as an expense in accordance with IAS 38.

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

Scheduled depreciation is computed according to the following uniform group useful lives:

Buildings	25 to 40 years
Furniture and fixtures	3 to 10 years
Machines and technical equipment	5 to 15 years

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

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

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

Investments in **associates** are accounted for using the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. When applying the equity method, the Group determines whether additional impairment losses need to be recognized on the Group's net investment in the associate. The income statement contains the Group's share in the profit of the associate. The reporting dates of the associate and the Group are identical and both use consistent accounting policies.

An **impairment test** is performed at the end of the fiscal year for all intangible assets and property, plant and equipment as well as investments in associates if events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount. If the recoverable amount of the asset falls short of the carrying amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and its value in use.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs necessary to make the sale. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined for each asset individually or, if that is not possible, for the cash-generating unit.

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

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

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

Held-to-maturity investments are disclosed under non-current assets unless they are due within twelve months of the balance sheet date. Held-for-trading financial assets are disclosed under current assets. Financial assets designated upon initial recognition as at fair value through profit or loss, designated financial assets and available-for-sale financial assets are disclosed as current assets if management intends to sell them within twelve months of balance sheet date. They are recognized at the date when the Würth Group enters into a contract.

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

Held-to-maturity investments are measured at amortized cost using the effective interest rate method. If it is likely that financial assets measured at amortized cost are impaired, the impairment loss is recognized in profit or loss. If an impairment loss recorded in a prior period decreases and the reversal of the impairment loss (or decrease in the impairment loss) can be objectively related to an event occurring after the impairment loss, the reversal is recognized in profit and loss. However, after reversal, an asset may not be carried at an amount exceeding the carrying amount that would have been recognized without the impairment.

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

Gains and losses from measurement of an available-for-sale financial asset at fair value are recognized directly in equity.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the net income or loss for the period.

Loans and receivables originated by the entity and not held for trading are recognized at amortized cost.

**Derivative financial instruments** are classified as held-for-trading financial assets and measured at fair value. The fair value of open derivative financial instruments is disclosed under other assets/liabilities.

**Receivables and liabilities from financial services** contain all customer receivables and liabilities arising from the financial services business. Bank receivables and loans as well as loans granted to customers are financial investments with fixed or determinable payments and fixed maturity that are not quoted in an active market. After initial recognition, bank receivables and loans to customers are carried at amortized cost using the effective interest method less any allowance for impairment. Internationales Bankhaus Bodensee AG tests its non-performing loans and credits for impairment.

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

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

**Inventories** are stated at costs of purchase or costs of conversion. Costs of conversion contain directly allocable costs (such as direct materials and labor) and fixed and variable production overheads (such as materials and production overheads) including appropriate depreciation of the production plant based on ordinary capacity utilization. Borrowing costs are recorded directly as an expense.

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

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

**Payments on account received** from customers are recorded as liabilities.

**Receivables** and **other assets** are measured at amortized cost. Bad debt allowances are created based on individual risk estimates and past experience.

As a lessor, the Würth Group recognizes **finance lease assets** as receivables in the balance sheet equal to the unforfeited net investment in the lease. Unearned finance income is recognized to reflect a constant periodic rate of return on the lessor's net investment outstanding. Initial direct costs are immediately expensed. Income on unforfeited contracts is recognized over the term of the lease.

**Securities** are classified as financial assets held for trading and reported at market value on the balance sheet date. Highly liquid securities classified as current assets are securities due within three months from the date of acquisition. They are reported as short-term investments under cash and cash equivalents. Fluctuation in market value is posted to the financial result in the income statement.

**Cash and cash equivalents** include cash, demand deposits and short-term investments.

**Minority interests** include minority interests in share capital, reserves and retained earnings unless they qualify as debt capital within the meaning of IAS 32. If the latter is the case, they are disclosed under financial liabilities.

**Post-employment benefit obligations** for defined benefit plans are calculated using the projected unit credit method. Future obligations are measured using actuarial methods. Taking account of dynamic components, the future benefit obligations are spread over the entire period of service. Actuarial calculations and estimates must be obtained for all benefit plans.

The provisions for company pensions disclosed in the balance sheet represent the present value of the benefit obligations less plan assets. Actuarial gains and losses are immediately posted to profit or loss in full.

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either on a voluntary basis or based on legal or contractual provisions. No further payment obligations arise for the entity other than the payment of contributions. The amounts are recognized in profit or loss in full.

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

When measuring **financial liabilities**, a distinction is made between

- a) financial liabilities held for trading and
- b) other financial liabilities.

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

Other financial liabilities are measured at amortized cost, which usually corresponds to the repayment or settlement value or, in the case of obligations similar to pension obligations, to present value. Minority interests classified as debt capital within the meaning of IAS 32 are measured at fair value.

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

**Revenue from financial services** is recognized when it is realized or realizable and earned. Interest from interest-bearing assets and liabilities is recognized proportionately over the term of the assets or liabilities concerned using the effective interest method and taking into account any deferred charges and fees as well as premiums or discounts. Commission is recognized when there is sufficient evidence that an agreement exists, the performance has been rendered, the fee or commission has been fixed, and collectability is sufficiently certain.

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

**Government grants** are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to the grant and that the entity will in fact receive it.

Government grants are recognized in profit or loss as scheduled in line with the related expenses which are subsidized by the grants. If grants are issued for the purchase of property, plant or equipment, the grants are treated as a reduction of the cost of those assets.

**Contingent liabilities** are possible or present obligations arising from past events which are not likely to result in an outflow of resources and are thus not recorded in the balance sheet. The amounts stated correspond to the potential liability as of balance sheet date.

**Subsequent events** that provide additional information about the situation at the balance sheet date are reflected in the balance sheet. Subsequent events which do not lead to adjustments are mentioned in the notes where material.

## G. Notes to the consolidated income statement

### [1] Sales

in millions of EUR	2006	2005
Revenue from the sale of goods and services	7,703.1	6,898.4
Revenue from financial services	45.0	15.5
<b>Total</b>	<b>7,748.1</b>	<b>6,913.9</b>

Revenue from financial services primarily contains interest income of EUR 20.9 million, similar income of EUR 5.4 million and commission income of EUR 7.6 million from Internationales Bankhaus Bodensee AG. For the 2005 comparative information, EUR 15.5 million was reclassified from revenue from the sale of goods and services to revenue from financial services.

### [2] Cost of materials

in millions of EUR	2006	2005*
Cost of raw materials, consumables and supplies		
and of purchased merchandise	3,486.0	3,084.6
Cost of purchased services	122.9	88.2
<b>Total</b>	<b>3,608.9</b>	<b>3,172.8</b>

\* EUR 4.1 million was reclassified to cost of financial services.

### [3] Cost of financial services

Cost of financial services primarily contains interest expenses of EUR 14.6 million and commission of EUR 3.0 million from Internationales Bankhaus Bodensee AG.

### [4] Other operating income

Other operating income mainly includes income from other sales and services, income from the disposal of assets, and gains from the translation of foreign currency items. Gains from the translation of foreign currency items amount to EUR 9.7 million (2005: EUR 15.5 million).

### [5] Personnel expenses and number of employees

Personnel expenses:

in millions of EUR	2006	2005
Wages and salaries	1,743.8	1,590.0
Social security	336.4	311.7
Pension and other benefit costs	56.1	60.5
<b>Total</b>	<b>2,136.3</b>	<b>1,962.2</b>

Personnel expenses for 2006 contain expenses relating to other periods of EUR 10.9 million (2005: EUR 4.0 million).

Headcount development:

	December 31, 2006	December 31, 2005
Würth Line Germany	5,183	5,000
Allied Companies Germany	10,115	9,263
Würth Group Germany	15,298	14,263
Würth Group International	39,608	36,504
<b>Würth Group total</b>	<b>54,906</b>	<b>50,767</b>
thereof:		
Sales staff	29,020	27,488
In-house staff	25,886	23,279

The average headcount of the Würth Group totaled 53,201 in the fiscal year 2006. In Germany, the average headcount of the Würth Group totaled 14,870 and in other countries 38,331.

**[6] Other operating expenses**

Other operating expenses mainly include selling, administrative and operating costs, bad debts, losses from the translation of foreign currency items and other taxes. Losses from the translation of foreign currency items amount to EUR 10.4 million (2005: EUR 7.5 million).

Other operating expenses for 2006 include expenses relating to other periods of EUR 44.8 million.

Other operating expenses include bad debt allowances from the banking business of EUR 4.5 million.

**[7] Financial result**

in millions of EUR	2006	2005
Other interest and similar income	18.4	15.8
Income from equity investments	0.7	0.2
Income from financial assets and liabilities		
at fair value through profit or loss	1.5	0.8
<b>Total finance revenue</b>	<b>20.6</b>	<b>16.8</b>
Expenses from financial assets and liabilities		
at fair value through profit or loss	1.3	2.8
Interest and similar expenses	57.5	46.4
<b>Total finance costs</b>	<b>58.8</b>	<b>49.2</b>
	<b>38.2</b>	<b>32.4</b>

Interest and similar expenses for 2006 include expenses relating to other periods of EUR 6.9 million.

**[8] Income taxes**

in millions of EUR	2006	2005
Current taxes	174.9	130.3
Deferred tax income		
Deferred tax income from unused tax losses	7.7	46.2
Other deferred tax income	36.6	38.1
Deferred tax expense		
Deferred tax expense from unused tax losses	11.2	35.7
Other deferred tax expenses	55.0	30.8
<b>Total</b>	<b>196.8</b>	<b>112.5</b>

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

A reconciliation from the theoretical to the current tax rate for the Würth Group is shown below:

in millions of EUR	2006	2005
Earnings before taxes	503.8	447.4
Theoretical tax rate as a %	27.6	28.8
Theoretical tax expense	139.2	128.9
Changes in theoretical tax expense due to:		
– Unrecognized tax losses		
of the current fiscal year	4.9	2.6
– Recognition of unused tax losses from prior years	– 3.1	– 30.0
– Write-down on recognized unused tax losses from prior years	2.9	1.2
– Deviating tax rates	1.1	0.0
– Tax reductions due to tax-free items	– 2.8	– 1.3
– Tax increases due to non-deductible expenses	23.3	11.9
– Income tax expense that cannot be derived from earnings before taxes	7.5	5.4
– Non-deductible write-down of goodwill	1.2	0.8
– Taxes relating to prior periods	19.5	– 7.3
– Other	3.1	0.3
Taxes on income	196.8	112.5
<b>Current tax rate as a %</b>	<b>39.1</b>	<b>25.1</b>

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

## H. Notes to the consolidated balance sheet

### [9] Intangible assets including goodwill

in millions of EUR	Franchises, industrial rights, licenses and similar rights	Internally generated intangible assets	Customer relationships and similar rights	Goodwill	Payments on account	Total
<b>Cost</b>						
January 1, 2006	99.8	33.6	37.1	164.8	2.6	337.9
Exchange differences	- 1.4	- 0.2	- 0.3	- 0.4	0.0	- 2.3
Changes in the consolidated group	0.5	0.0	27.6	12.8	0.0	40.9
Additions	10.4	8.5	1.7	2.6	1.3	24.5
Disposals	3.9	0.2	0.0	0.4	0.0	4.5
Reclassifications	2.8	0.6	0.1	- 0.1	- 2.5	0.9
December 31, 2006	<u>108.2</u>	<u>42.3</u>	<u>66.2</u>	<u>179.3</u>	<u>1.4</u>	<u>397.4</u>
<b>Accumulated amortization</b>						
January 1, 2006	81.7	26.3	11.1	54.2	0.0	173.3
Exchange differences	- 0.9	- 0.2	0.0	0.0	0.0	- 1.1
Amortization	9.8	6.6	15.9	0.0	0.0	32.3
Impairment losses	0.0	0.0	0.0	7.2	0.0	7.2
Disposals	3.6	0.2	0.0	0.3	0.0	4.1
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0
December 31, 2006	<u>87.0</u>	<u>32.5</u>	<u>27.0</u>	<u>61.1</u>	<u>0.0</u>	<u>207.6</u>
<b>Net carrying amount</b>						
December 31, 2006	<u>21.2</u>	<u>9.8</u>	<u>39.2</u>	<u>118.2</u>	<u>1.4</u>	<u>189.8</u>

in millions of EUR	Franchises, industrial rights, licen- ses and simi- lar rights	Internally generated intangible assets	Customer relationships and similar rights	Goodwill	Payments on account	Total
<b>Cost</b>						
January 1, 2005	86.0	24.8	0.0	305.6	2.6	419.0
Offsetting of previously recognized goodwill (IFRS 3.79)	0.0	0.0	0.0	- 141.7	0.0	- 141.7
Exchange differences	3.2	0.0	0.0	0.0	0.0	3.2
Changes in the consolidated group	3.1	0.0	37.1	0.9	0.0	41.1
Additions	9.2	5.8	0.0	0.1	2.1	17.2
Disposals	1.1	0.0	0.0	0.1	0.1	1.3
Reclassifications	- 0.6	3.0	0.0	0.0	- 2.0	0.4
December 31, 2005	99.8	33.6	37.1	164.8	2.6	337.9
<b>Accumulated amortization</b>						
January 1, 2005	67.1	20.4	0.0	191.9	0.0	279.4
Offsetting of previously recognized goodwill (IFRS 3.79)	0.0	0.0	0.0	- 141.7	0.0	- 141.7
Exchange differences	3.0	0.0	0.0	0.0	0.0	3.0
Amortization	12.5	5.6	11.1	0.0	0.0	29.2
Impairment losses	0.0	0.0	0.0	4.0	0.0	4.0
Disposals	0.7	0.0	0.0	0.0	0.0	0.7
Reclassifications	- 0.2	0.3	0.0	0.0	0.0	0.1
December 31, 2005	81.7	26.3	11.1	54.2	0.0	173.3
<b>Net carrying amount</b>						
December 31, 2005	18.1	7.3	26.0	110.6	2.6	164.6

Research and development costs (including amortization of capitalized development costs) included in the expense totaled EUR 26.3 million (2005: EUR 28.0 million).

Goodwill contains amounts from asset deals as well as from capital consolidation.

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

The impairment losses recorded on goodwill amounted to EUR 7.2 million in the fiscal year 2006 (2005: EUR 4.0 million). Goodwill was reviewed for impairment in regular impairment tests in accordance with IAS 36 in the fiscal year 2006. The impairment tests were based on value in use and conducted at the level of the smallest cash generating unit. In the Würth Group this is the individual entity.

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

in millions of EUR	AP Win- ner LTDA	Licht- zentrale Thurner GmbH	UNI ELEKTRO Fachgroß- handel GmbH & Co. KG	Tunap	Louis and Company	Conmetall GmbH & Co. KG	EDL Fastener	Other
Carrying amount of								
goodwill	6.6	6.8	23.1	9.2	6.8	10.3	3.7	51.7
Impairment losses	2.3	–	–	–	–	–	2.0	2.9
Average sales growth in								
the planning period	31.7	6.6	8.1	10.6	9.8	1.9	12.2	4.7–33.5
EBIT margin in the								
planning period	3.2–4.1	1.1–2.5	3.0–4.1	6.7–7.0	5.7–7.0	2.8–4.2	5.0–6.4	-0.3–15.6
Length of the								
planning period	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years
Sales growth p.a.								
after the end of the								
planning period	1%	1%	1%	1%	1%	1%	1%	1%
EBIT margin after								
the end of the								
planning period	4.2	2.5	4.2	7	7.1	4.3	6.5	3.8–15.7
Discount rate	11.6	9.9	9.3	10.0	10.0	10.1	12.6	7.7–17.7

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

### [10] Property, plant and equipment

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equip- ment, furniture and fixtures	Payments on account and assets under construction	Total
<b>Cost</b>					
January 1, 2006	1,195.7	431.5	855.0	84.5	2,566.7
Exchange differences	- 4.2	- 4.9	- 6.2	- 0.5	- 15.8
Changes in the consolidated group	9.7	1.7	2.8	0.5	14.7
Additions	83.2	59.5	143.8	82.1	368.6
Disposals	2.7	17.3	60.1	7.2	87.3
Reclassifications	31.5	- 5.8	56.3	- 82.9	- 0.9
December 31, 2006	<u>1,313.2</u>	<u>464.7</u>	<u>991.6</u>	<u>76.5</u>	<u>2,846.0</u>
<b>Accumulated depreciation</b>					
January 1, 2006	369.1	299.6	514.1	0.0	1,182.8
Exchange differences	- 1.1	- 3.9	- 3.9	0.0	- 8.9
Depreciation	38.1	37.6	84.9	0.0	160.6
Disposals	1.5	14.7	52.0	0.0	68.2
Reclassifications	0.2	- 16.2	16.0	0.0	0.0
December 31, 2006	<u>404.8</u>	<u>302.4</u>	<u>559.1</u>	<u>0.0</u>	<u>1,266.3</u>
<b>Net carrying amount</b>					
December 31, 2006	<u>908.4</u>	<u>162.3</u>	<u>432.5</u>	<u>76.5</u>	<u>1,579.7</u>

in millions of EUR	Land, land rights and buildings incl. buildings on third-party land	Technical equipment and machines	Other equip- ment, furniture and fixtures	Payments on account and assets under construction	Total
<b>Cost</b>					
January 1, 2005	1,121.8	411.6	784.9	38.6	2,356.9
Exchange differences	8.0	8.7	12.9	0.0	29.6
Changes in the consolidated group	27.1	2.0	2.4	0.0	31.5
Additions	29.3	35.9	116.0	83.2	264.4
Disposals	9.1	38.0	67.3	0.8	115.2
Reclassifications	18.6	11.3	6.1	- 36.5	- 0.5
December 31, 2005	1,195.7	431.5	855.0	84.5	2,566.7
<b>Accumulated depreciation</b>					
January 1, 2005	331.2	293.0	482.5	0.0	1,106.7
Exchange differences	2.1	7.9	9.6	0.0	19.6
Depreciation	39.0	36.5	81.6	0.0	157.1
Disposals	3.4	37.9	58.6	0.0	99.9
Reclassifications	0.2	0.1	- 0.4	0.0	- 0.1
Reversal of impairment losses	0.0	0.0	- 0.6	0.0	- 0.6
December 31, 2005	369.1	299.6	514.1	0.0	1,182.8
<b>Net carrying amount</b>					
December 31, 2005	826.6	131.9	340.9	84.5	1,383.9

There are restrictions on the rights of disposal of property, plant and equipment and assets assigned as collateral. They break down as follows:

in millions of EUR	2006	2005
Mortgages	0.5	0.2
Land charges	51.3	53.7
Collateral assignment	21.8	24.5
<b>Total</b>	<b>73.6</b>	<b>78.4</b>

There are payment obligations of EUR 19.3 million (2005: EUR 47.5 million) for investments in non-current assets.

### [11] At-equity investments

The investment Internationales Bankhaus Bodensee AG which was accounted for using the equity method in the fiscal year 2005 was consolidated in full in the fiscal year 2006.

### [12] Other financial assets

The investments disclosed under other financial assets belong to the “available-for-sale” category. They are generally measured at fair value without effect on profit or loss. There were no adjustments to fair value in the fiscal year 2006 which would require unrealized gains and losses to be recognized in equity. Where fair value could not be determined, the investment was measured at amortized cost.

### [13] Receivables from financial services

in millions of EUR	2006	thereof due within one year	2005	thereof due within one year
Receivables from leases	68.5	30.4	35.8	19.7
Receivables from the insurance business	1.6	1.6	0.7	0.7
Receivables from the banking business				
Receivables from customers	479.7	171.7	–	–
Receivables from banks	58.8	58.6	–	–
Other asset items	6.8	6.8	–	–
<b>Total</b>	<b>615.4</b>	<b>269.1</b>	<b>36.5</b>	<b>20.4</b>

#### [14] Deferred taxes

Deferred tax assets and liabilities can be allocated as follows:

in millions of EUR	Deferred tax assets 2006	Deferred tax liabilities 2006	Deferred tax assets 2005	Deferred tax liabilities 2005
Non-current assets	11.7	54.3	16.0	42.9
Inventories	23.8	19.6	23.6	16.3
Receivables	15.1	3.5	8.5	3.7
Other assets	3.0	3.1	2.9	1.3
Provisions	29.1	2.2	17.0	2.2
Liabilities	14.6	1.9	14.5	0.9
Other liabilities	4.3	26.1	4.3	6.8
	101.6	110.7	86.8	74.1
Unused tax losses	40.6	–	51.1	–
Offsetting	– 36.5	– 36.5	– 18.4	– 18.4
<b>Total</b>	<b>105.7</b>	<b>74.2</b>	<b>119.5</b>	<b>55.7</b>

With the exception of the currency translation differences of EUR 1.9 million (2005: EUR 1.8 million) which were recognized directly in equity and additions of deferred taxes of EUR 8.5 million arising from new acquisitions, the development of timing differences is reflected in full in income taxes.

Deferred tax assets of EUR 3.1 million (2005: EUR 30.0 million) were recorded subsequently in fiscal 2006 on unused tax losses of EUR 16.1 million (2005: EUR 78.0 million), as the results of operations of the entities concerned have improved and it is probable that they will be used in the future.

Deferred tax assets of EUR 222.8 million in total (2005: EUR 220.6 million) have been recognized on unused losses.

No deferred tax assets were recognized for unused losses of EUR 229.2 million (2005: EUR 200.7 million) as it is not sufficiently probable that they will be realized. These unused losses are classified by expiry period as follows:

in millions of EUR	2006	2005
<b>Expiration of unused tax losses</b>		
– Nonforfeitable	161.5	154.7
– Expiration within the next five to ten years	32.7	2.4
– Expiration within the next one to five years	29.3	4.9
– Expiration within the next year	5.7	38.7
<b>Total unused tax losses</b>	<b>229.2</b>	<b>200.7</b>

The unused tax losses include pre-fiscal unity unused losses of EUR 35.5 million (2005: EUR 35.2 million) that cannot be used until the existing profit and loss transfer agreements have been terminated.

No deferred taxes were recognized for accumulated profits and losses of foreign subsidiaries of EUR 707.4 million (2005: EUR 724.9 million). If deferred taxes had been recognized for these timing differences, they would have had to be calculated exclusively using the withholding tax rate applicable in each case, possibly including the German tax rate of five percent for distributed dividends. The calculation of these unrecognized deferred tax liabilities would have been unreasonably time-consuming.

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

#### [15] Inventories

in millions of EUR	2006	2005
Raw materials, consumables and supplies	57.7	37.7
Work in process and finished goods	91.1	76.1
Merchandise	816.2	710.2
Payments on account	7.8	1.0
<b>Total</b>	<b>972.8</b>	<b>825.0</b>

The write-down recorded on inventories, which was recorded under cost of materials in the income statement, amounts to EUR 3.4 million (2005: EUR 6.1 million).

### [16] Trade receivables

This item exclusively comprises receivables from third parties.

Where there is any credit or other risk, this is recognized by creation of appropriate bad debt allowances. Bad debt allowances amounted to EUR 96.3 million in the fiscal year (2005: EUR 93.2 million).

The bad debt allowances and bad debts relating to trade receivables recognized as an expense in the fiscal year amount to EUR 36.8 million (2005: EUR 33.5 million).

Reversals of bad debt allowances on trade receivables totaled EUR 9.4 million (2005: EUR 6.8 million).

### [17] Income tax receivables

This item records income tax receivables from tax authorities.

### [18] Other assets

in millions of EUR	2006	thereof due within one year	2005	thereof due within one year
<b>Receivables from related parties</b>				
Trade receivables	0.2	0.2	0.3	0.3
Loan receivables	35.0	35.0	48.2	48.1
Other receivables	5.7	5.7	0.9	0.9
	40.9	40.9	49.4	49.3
<b>Other assets</b>	141.6	123.8	131.0	110.0
<b>Prepaid expenses</b>	23.3	23.3	20.6	20.6
<b>Total</b>	<b>205.8</b>	<b>188.0</b>	<b>201.0</b>	<b>179.9</b>

Generally, other assets include supplier discounts and bonuses, the present value of lease agreements, VAT receivables, claims from employer's pension liability insurance policies and prepaid expenses. The non-current portion of other assets includes claims from employer's pension liability insurance policies. Prepaid expenses mainly relate to prepaid insurance premiums and prepaid lease and rent payments.

### [19] Securities

Securities classified as current assets mainly comprise securities held for trading.

### [20] Cash and cash equivalents

Balances denominated in foreign currency are measured at the closing rate. The composition and development of cash and cash equivalents is presented in the consolidated cash flow statement.

### [21] Equity

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

Parent companies within the Group	Registered office	Share capital in millions of EUR	Shareholders
Adolf Würth GmbH & Co. KG	Germany	215.0	Family trusts
Würth Finanz-Beteiligungs-GmbH	Germany	32.0	Family trusts
Würth Beteiligungs-GmbH & Co. KG	Germany	24.0	Family trusts
Waldenburger Beteiligungen GmbH & Co. KG	Germany	5.1	Family trusts
RW Beteiligungen GmbH	Germany	1.2	Family trusts
Würth Elektrogroßhandel GmbH & Co. KG	Germany	0.1	Family trusts
Würth TeleServices GmbH & Co. KG	Germany	0.1	Family trusts
Other (incl. 27 general partner companies)	Germany	2.8	Adolf Würth Trust
<b>Total</b>		<b>280.3</b>	

While the limited partners' capital paid into Würth Beteiligungs-GmbH & Co. KG amounts to EUR 24.0 million, the liable capital recorded in the commercial register amounts to EUR 154.6 million.

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

Other reserves include the profits of parent companies in the Group and consolidated subsidiaries earned in prior years and not yet distributed as well as a contribution to capital of EUR 97.0 million. Differences from foreign currency translation are also disclosed here.

The individual components of equity and their development in 2006 and 2005 are shown in the consolidated statement of changes in equity.

#### [22] Liabilities from financial services

in millions of EUR	2006	thereof due within one year	2005	thereof due within one year
Liabilities arising from the leasing business	20.0	1.7	20.5	0.7
Liabilities arising from the insurance business	0.4	0.4	0.3	0.3
Liabilities to customers arising from the banking business	349.2	148.6	–	–
<b>Total</b>	<b>369.6</b>	<b>150.7</b>	<b>20.8</b>	<b>1.0</b>

#### [23] Financial liabilities

Financial liabilities	2006	thereof due within one year	2005	thereof due within one year
Bonds	623.2	0.0	650.7	145.1
Liabilities to banks	265.4	168.0	148.3	83.6
Liabilities to minority interests	36.9	29.1	33.5	25.4
Liabilities from leases	52.1	8.4	56.0	7.5
<b>Total</b>	<b>977.6</b>	<b>205.5</b>	<b>888.5</b>	<b>261.6</b>

The Group has financial liabilities due in more than five years of EUR 373.9 million (2005: EUR 332.3 million).

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

Type	Amount	Interest	Effective interest	Maturity	Carrying amount in millions of EUR	Fair value in millions of EUR
CHF bond	CHF 150 million	4.00%	4.05%	Feb. 21. 2008	93.2	98.0
US private placement	USD 50 million	4.55%	4.55%	May 12. 2009	37.9	37.9
Bearer bond	EUR 150 million	4.25%	4.44%	Mar 31. 2010	144.6	151.1
US private placement	USD 200 million	5.06%	5.16%	Sept. 23. 2011	151.6	155.0
Bearer bond	EUR 100 million	3.50%	3.53%	June 8. 2012	96.7	96.6
Bearer bond	EUR 100 million	4.25%	3.31%	May 31. 2013	99.2	103.8
<b>As of December 31, 2006</b>					<b>623.2</b>	<b>642.4</b>

Type	Amount	Interest	Effective interest	Maturity	Carrying amount in millions of EUR	Fair value in millions of EUR
Bearer bond	EUR 150 million	4.13%	4.34%	June 21, 2006	145.1	154.3
CHF bond	CHF 150 million	4.00%	4.05%	Feb. 21, 2008	96.2	104.2
Bearer bond	EUR 150 million	4.25%	4.44%	Mar. 31, 2010	144.0	161.4
US private placement	USD 200 million	5.06%	5.16%	Sept. 23, 2011	168.8	175.0
Bearer bond	EUR 100 million	3.50%	3.53%	May 31, 2012	96.6	103.7
<b>As of December 31, 2005</b>					<b>650.7</b>	<b>698.6</b>

Treasury stock of EUR 7.3 million (2005: EUR 12.4 million) that was treated as corporate repurchase was offset against the bonds that were issued with an original value of EUR 630.5 million (2005: EUR 663.1 million).

The capital borrowed in the fiscal year 2004 in the context of the US private placement was granted on condition that certain covenants are met. They require the Würth Group to meet certain debt service ratios such as the ratio of net financial debts to EBITDA and priority indebtedness to equity. They also include restrictions on disposals of assets.

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

Currency	Interest terms	Remaining fixed interest period	Interest rate	Carrying amounts			Total
				< 1 year	1–5 years	> 5 years	
EUR	floating/fixed	< 1 year	1.7%–13.0%	161.7	7.9	0.0	169.6
USD	floating/fixed	< 1 year	1.0%–6.8%	3.1	0.0	0.0	3.1
EUR	fixed	1 to 5 years	2.5%–9.7%	0.0	49.7	0.0	49.7
EUR	fixed	> 5 years	1.0%–6.9%	0.0	0.0	39.6	39.6
Other	floating/fixed	< 1 year	2.0%–25.0%	3.2	0.0	0.0	3.2
Other	fixed	1 to 5 years	3.5%–14.8%	0.0	0.2	0.0	0.2
<b>As of December 31, 2006</b>				<b>168.0</b>	<b>57.8</b>	<b>39.6</b>	<b>265.4</b>

Currency	Interest terms	Remaining fixed interest period	Interest rate	Carrying amounts			Total
				< 1 year	1–5 years	> 5 years	
EUR	floating/fixed	< 1 year	2.0%–8.0%	76.9	1.6	4.9	83.4
USD	floating/fixed	< 1 year	2.5%–6.0%	5.8	0.0	0.0	5.8
EUR	fixed	1 to 5 years	2.1%–6.9%	0.0	28.6	7.6	36.2
EUR	fixed	> 5 years	3.0%–6.9%	0.0	0.0	21.5	21.5
Other	floating/fixed	< 1 year	2.5%–8.0%	0.9	0.2	0.0	1.1
Other	fixed	1 to 5 years	2.5%–8.0%	0.0	0.3	0.0	0.3
<b>As of December 31, 2005</b>				<b>83.6</b>	<b>30.7</b>	<b>34.0</b>	<b>148.3</b>

The carrying amounts of liabilities to banks reported in the balance sheet approximate fair value.

Non-current liabilities from leases are subject to customary market interest rates.

#### **[24] Obligations from post-employment benefits**

A pension plan is in place for employees of the Würth Group for the period after they retire. Payments vary according to local legal, tax and economic conditions and are usually based on the employee service period. The obligations include both current pension obligations and future pension obligations. The company pension plan includes both defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the respective entity pays contributions to state or private pension companies either on a voluntary basis or based on legal or contractual provisions. No further payment obligations arise for the entity other than the payment of contributions. The current contribution payments are disclosed as an expense for the respective fiscal year. Without contributions to the statutory pension insurance, these amounted to EUR 14.7 million in the Würth Group in 2006 (2005: EUR 16.2 million).

All other pension plans are defined benefit plans. The majority of the defined benefit plans at the major entities generally guarantee the employee a life-long monthly old-age pension, provided that a vesting period of five years of service can be proven. The employee receives this life-long monthly pension either after leaving the respective entity at the minimum age of 65, or – if he/she simultaneously receives a full state pension – at the age of 60. Benefit obligations are determined from the age of the employees or their length of service. Another defined benefit plan is offered to employees of the Würth Group in Germany. Under this deferred compensation arrangement, gross cash compensation is converted to a company pension plan based on individual contracts. This voluntary conversion of monthly compensation is limited to 10% of one twelfth of the yearly income before commencement of the conversion or 4% of the respective maximum monthly contribution to the German pension system (Western German states), whichever is higher.

If the requirements of IAS 19 are met, claims from plan assets are offset against provisions.

The amounts recognized in the consolidated balance sheet for benefit obligations are as follows:

in millions of EUR	2006	2005
Present value of the obligation	236.5	192.5
thereof funded plans	122.5	60.1
Fair value of the plan assets	– 110.8	– 72.5
<b>Net benefit liability recognized in the balance sheet</b>	<b>125.7</b>	<b>120.0</b>

The major categories of plan assets at fair value are as follows:

in millions of EUR	2006	2005
Shares/share-based investment funds	28.6	18.1
Fixed-interest securities	45.3	29.7
Real estate/real estate investment trusts	6.1	4.4
Other	30.8	20.3
<b>Total</b>	<b>110.8</b>	<b>72.5</b>

The pension cost from defined benefit plans is composed of:

in millions of EUR	2006	2005
Current service cost	14.5	13.0
Past service cost	2.1	0.0
Interest cost	9.0	6.9
Expected return on plan assets (-)	- 2.3	- 5.8
Actuarial losses (+) and gains (-) recognized	- 6.2	13.5
Other expense	2.4	1.1
<b>Net benefit expense</b>	<b>19.5</b>	<b>28.7</b>
Actual return on plan assets	- 0.3	- 5.2

The pension cost and deferred compensation are recorded under personnel expenses of the period

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

in millions of EUR	2006	2005
Defined benefit obligation at the beginning of the year	192.5	131.1
Additions due to changes in the consolidated group	7.9	4.8
Increase due to deferred compensation	0.7	0.7
Interest cost	9.0	6.9
Current service cost	14.5	13.0
Past service cost	2.1	0.0
Employee contributions	2.3	1.3
Benefits paid	- 10.3	- 10.5
Actuarial losses (+) and gains (-) recognized	- 8.2	12.9
Exchange difference on foreign plans	- 0.3	0.8
Other	26.3	31.5
<b>Defined benefit obligation at the end of the year</b>	<b>236.5</b>	<b>192.5</b>

Changes in fair value of the plan assets are as follows:

in millions of EUR	2006	2005
Fair value of plan assets at the beginning of the year	72.5	27.9
Additions due to changes in the consolidated group	1.2	3.2
Expected return on plan assets	2.3	5.8
Employer contributions	12.0	4.1
Employee contributions	2.3	1.3
Benefits paid	- 1.3	- 0.3
Actuarial losses (-) and gains (+) recognized	- 2.0	- 0.6
Exchange difference on foreign plans	- 0.1	0.7
Other	23.9	30.4
<b>Fair value of plan assets at the end of the year</b>	<b>110.8</b>	<b>72.5</b>

Actuarial gains and losses are immediately posted in full to profit or loss.

The calculation of the pension provisions is based on the following assumed increases:

%	Germany		Other countries	
	2006	2005	2006	2005
Discount factor	4.50	4.25	3.75–5.29	3.30–5.00
Future salary increases	3.00	3.00	1.00–4.00	0.50–4.00
Future pension increases	1.50	1.50	1.50–3.10	1.50–2.90
Expected return on plan assets	–	–	3.25–6.87	3.00–6.00

The 2005 G mortality tables from Dr. Klaus Heubeck are applied in Germany.

Experience adjustments on plan assets amounted to EUR 2.0 million (2005: EUR 0.6 million) and experience adjustments on defined benefit obligations as of year-end to EUR 2.9 million (2005: EUR 4.6 million).

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

#### [25] Provisions

in millions of EUR	January 1, 2006	Exchange difference	Additions due to changes in the consolidated group	Utilization	Reversal	Addition	December 31, 2006
<b>Other provisions</b>							
Credit notes	43.1	0.0	0.2	35.4	2.5	42.3	47.7
Long-service bonuses	25.4	0.0	0.1	0.2	0.2	0.5	25.6
Warranty obligations	8.3	–0.1	0.0	2.6	1.2	5.0	9.4
Litigation and lawyers’ fees	2.5	–0.2	0.6	0.6	0.4	4.8	6.7
German phased retirement	5.2	0.0	0.0	1.3	0.1	1.7	5.5
Product liability	4.5	0.1	0.0	1.4	1.3	1.7	3.6
Other	50.0	–0.6	2.7	21.5	1.8	27.7	56.5
<b>Total other accruals</b>	<b>139.0</b>	<b>–0.8</b>	<b>3.6</b>	<b>63.0</b>	<b>7.5</b>	<b>83.7</b>	<b>155.0</b>
thereof: – current	98.1						107.1
– non-current	40.9						47.9

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

The cash outflow for provisions for long-service bonuses and the German phased retirement scheme ('Altersteilzeit') is mainly of a medium (2-4 years) to long-term (5-50 years) nature. In most cases other provisions are expected to lead to a cash outflow in the next fiscal year.

**[26] Other liabilities**

in millions of EUR	2006	thereof due within one year	2005	thereof due within one year
<b>Liabilities to related parties</b>				
Trade payables	0.0	0.0	0.1	0.1
Loan liabilities	34.7	32.8	13.8	11.7
Other liabilities	0.7	0.7	0.5	0.5
	35.4	33.5	14.4	12.3
<b>Liabilities on bills accepted and drawn</b>	1.2	1.2	1.5	1.5
<b>Sundry liabilities</b>	541.5	527.3	423.1	409.5
<b>Total</b>	578.1	562.0	439.0	423.3

Liabilities relating to social security amount to EUR 72.3 million (2005: EUR 67.0 million).

Sundry liabilities include liabilities due from employees and outstanding purchase invoices as well as customers with credit balances.

## I. Other notes

### [1] Contingent liabilities

in millions of EUR	2006	2005
Contingencies from notes	0.3	4.5
Guarantees and warranties	12.7	2.0
<b>Summe</b>	<b>13.0</b>	<b>6.5</b>

The increase in guarantees and warranties relates to liabilities from guarantees and warranty agreements of Internationales Bankhaus Bodensee AG.

### [2] Other financial obligations

in millions of EUR	2006	2005
<b>Obligations from operating leases</b>		
– due within 12 months	156.0	143.9
– due in 13 to 60 months	219.2	225.0
– due in more than 60 months	29.6	24.9
	<b>404.8</b>	<b>393.8</b>
<b>Purchase obligations</b>		
– due within 12 months	182.7	156.5
– due in 13 to 60 months	0.0	0.4
	<b>182.7</b>	<b>156.9</b>
<b>Other financial obligations</b>		
– due within 12 months	103.0	3.9
– due in 13 to 60 months	5.0	2.4
– due in more than 60 months	9.2	2.7
	<b>117.2</b>	<b>9.0</b>
<b>Total</b>	<b>704.7</b>	<b>559.7</b>

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

Payments under the operating leases in fiscal 2006 which were recognized in the income statement totaled EUR 188.8 million (2005: EUR 177.2 million).

For the first time other financial obligations contain irrevocable credit commitments of Internationales Bankhaus Bodensee AG of EUR 95.1 million.

### [3] Contingent liabilities

As an international group with various areas of business, the Würth Group is exposed to many legal risks. This is especially true of risks for warranties, tax law and other legal disputes. It is not possible to conclusively assess whether the litigation currently pending is likely to result in decisions or agreements that will significantly influence the results of operations for the fiscal year 2007. However, according to the assessment by the Central Managing Board, no decisions are expected that would have a significant influence on the net assets of the Group. Furthermore, tax field audits at group entities have not been completed yet and the related audit findings have thus not been reported yet.

### [4] Financial instruments

#### Financial risk management

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

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

#### Exchange rate risks

The Würth Group performs foreign currency transactions worldwide and is therefore exposed to exchange rate fluctuations. By exchange rate fluctuations, the Würth Group means the exposure of the assets and income disclosed resulting from exchange rate fluctuations between the transaction currency and the functional currency in each case.

#### Interest rate risks

By interest rate risk, the Würth Group means the negative effects on the net assets and results of operations resulting from changes in interest rates. A large part of the external financing consists of fixed-interest rate bonds. This is one of the methods used by Würth to manage this risk. In addition, derivatives are used in risk management (e.g., interest rate swaps).

#### Securities risks

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

**Credit risks**

The credit risk is countered by limiting business relationships to first class banks (a minimum rating of A– from Standard & Poor's). Default risks from receivables are minimized by continuous monitoring of the credit worthiness of the counterparty and by limiting the aggregated individual risks from the counterparty. Standardized master agreements (ISDA master agreements) are in place with those external counterparties of the Würth Group with whom it enters into transactions as part of its financial risk management. The counterparty risks from the del credere business were assigned in full to a first class reinsurance company.

The sum of the amounts reported under assets also represents the maximum credit risk.

**Liquidity risks**

The Würth Group needs liquidity to meet its financial obligations. Group entities are obliged by group guidelines to deposit any excess cash not needed to meet current obligations with Würth Finance International B.V., Amsterdam, the Netherlands, and – with support from Würth Finance International B.V., Amsterdam, the Netherlands, – to make it available to the Group to bridge liquidity bottlenecks. The high international credit rating received by the Würth Group (Standard & Poor's and Fitch issued an 'A' rating on the Würth Group's bonds) means that the Group can obtain favorable terms for procuring funds on international capital markets. In addition, potential liquidity bottlenecks are covered by lines of credit with various banks.

**Fair value of financial instruments**

The fair value of securities that are included in the portfolio of available-for-sale financial assets and held-for-trading financial assets is estimated by comparing them with the market price on the balance sheet date. The gain resulting from adjusting the fair value of financial assets at fair value through profit or loss amounted to EUR 0.2 million in fiscal 2006 (2005: EUR –2.0 million) and was recorded in full in profit or loss for the period.

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

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

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

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

The fair value of non-current liabilities is based on the market price for these liabilities or similar financial instruments or on the current interest rate for borrowing at similar terms and conditions. The amounts reported in the balance sheet approximate fair value and are presented separately in note (23).

#### Derivative financial instruments

As of the balance sheet date, the fair value of derivative financial instruments classified as fair value hedges was as follows:

Type	Contract value or nominal value		Positive replacement value		Negative replacement value	
	2006	2005	2006	2005	2006	2005
Currency instruments						
Forward exchange contracts	349.0	218.1	6.8	8.6	7.5	10.6
Currency options (OTC)	3.0	0.0	0.0	0.0	0.0	0.0
<b>Total currency instruments</b>	<b>352.0</b>	<b>218.1</b>	<b>6.8</b>	<b>8.6</b>	<b>7.5</b>	<b>10.6</b>
Interest instruments						
Interest rate swaps	162.4	187.1	1.4	2.4	0.3	0.5
Cross-currency swaps	84.9	77.0	0.1	2.1	4.2	0.4
Caps/floors (interest options)	30.0	0.0	0.0	0.0	0.2	0.0
<b>Total interest instruments</b>	<b>277.3</b>	<b>264.1</b>	<b>1.5</b>	<b>4.5</b>	<b>4.7</b>	<b>0.9</b>
<b>Net replacement value of interest instruments</b>			<b>- 3.2</b>	<b>3.6</b>		

The currency instruments are primarily used to hedge balance sheet items in USD, CHF and GBP: EUR 280.8 million (2005: EUR 210.0 million) is due within twelve months, EUR 71.2 million (2005: EUR 8.1 million) matures in one to three years.

The interest instruments primarily serve to hedge currency and interest exposures related to incongruent asset and liability items denominated in EUR, USD and CHF. The maximum term is six years and three months.

## [5] Leases

### Lessee

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

in millions of EUR	2006	2005
Real estate	78.7	65.9
Machines, equipment, furniture and fixtures	4.4	7.1
Vehicles	1.6	1.6
<b>Total</b>	<b>84.7</b>	<b>74.6</b>

The vast majority of finance leases relate to real estate. These agreements are generally designed to include a purchase option and a renewal option. Furthermore, some contain price adjustment clauses based on the Euribor.

There are no significant restrictions imposed by lease agreements.

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

in millions of EUR	2006	2005
– due within 12 months	11.2	11.2
– due in 13 to 60 months	33.0	38.3
– due in more than 60 months	35.1	19.7
Minimum lease payments from finance leases	79.3	69.2
less: expected future interest payments		
– due within 12 months	2.8	3.4
– due in 13 to 60 months	13.8	5.5
– due in more than 60 months	10.6	4.3
<b>Present value of the minimum lease payments</b>	<b>52.1</b>	<b>56.0</b>
thereof:		
– due within 12 months	8.4	7.8
– due in 13 to 60 months	19.2	32.8
– due in more than 60 months	24.5	15.4

### Lessor

The consolidated group also contains some entities that specialize in leases. These entities are generally responsible for intercompany lease transactions. One of these entities also has finance lease agreements with third parties. These are leases primarily for machines, equipment, furniture and fixtures, and vehicles.

Reconciliation of the total gross investment to the present value of finance leases:

in millions of EUR	December 31		due within 12 months		due in 13 to 60 months		due in more than 60 months	
	2006	2005	2006	2005	2006	2005	2006	2005
Total lease installments								
(Gross total investments in the lease)	176.4	142.2						
Lease installments already received	73.7	57.0						
Lease installments (future minimum lease payments)	102.7	85.2	38.4	30.0	61.9	53.8	2.4	1.4
thereof: forfeited lease installments	83.0	74.1	32.2	25.8	49.3	47.1	1.5	1.2
Unearned finance income	3.2	2.1	1.5	1.1	1.6	1.0	0.1	0.0
<b>Present value of the outstanding minimum lease payments</b>	<b>16.5</b>	<b>9.0</b>	<b>4.7</b>	<b>3.1</b>	<b>11.0</b>	<b>5.7</b>	<b>0.8</b>	<b>0.2</b>

The finance leases are mainly hire-purchase arrangements or full payout lease agreements with a maximum term of over 90% of the leased assets' estimated useful life. The contracts can only be terminated for due cause for which the counterparty is responsible. Upon expiration, the contracts offer a right of purchase or in some cases even a guaranteed purchase price. Thus the lessor generally has no guaranteed residual value.

Valuation allowances of EUR 0.0 million (2005: EUR 0.8 million) were recognized in the fiscal year for uncollectible outstanding minimum lease payments.

## [6] Related parties

Basically, related parties are members of the Würth family, persons in key managerial positions (members of Würth's Central Managing Board and Würth's Executive Board), members of the Advisory Board of the Würth Group, the Würth Trust and the family trusts.

In the fiscal year 2006, payments of EUR 128.2 million (2005: EUR 132.0 million) were made to the members of the Würth family and the family trusts for distributions and usufructuary rights.

As of December 31, 2006, the Würth Group has loan receivables amounting to EUR 0.0 million (2005: EUR 4.0 million), receivables from financial services of EUR 3.7 million (2005: EUR 5.0 million) and loan liabilities of EUR 32.1 million (2005: EUR 6.0 million) from the Würth family. The receivables and liabilities are subject to market interest rates. The Würth Group's interest expense amounts to EUR 2.3 million (2005: EUR 1.0 million). The related interest income is EUR 0.7 million (2005: EUR 0.6 million). In addition, the Würth Group recorded expenses of EUR 1.3 million (2005: EUR 1.3 million) from a lease with the Würth family.

As of December 31, 2006, the Würth Group had receivables from financial services of EUR 0.5 million and liabilities from financial services of EUR 0.6 million due to or from individual members of the Würth Central Managing Board and the Würth Executive Board. The receivables and liabilities from financial services are subject to market interest rates. In addition, the Würth Group had expenses from leases with members of management amounting to EUR 3.6 million (2005: EUR 3.3 million). The cost for other purchased assets amounted to EUR 0.7 million (2005: EUR 0.0 million) and cost of services purchased from individual members of management came to EUR 0.0 million in the fiscal year 2006 (2005: EUR 0.2 million). In addition, close family members of members of management received wage and salary payments of EUR 1.3 million in 2006 (2005: EUR 0.9 million).

As of December 31, 2006, there are no receivables or liabilities in the Würth Group due from or to members of the Advisory Board.

As of December 31, 2006, the Würth Group had loan liabilities amounting to EUR 5.0 million (2005: EUR 7.4 million) and liabilities from financial services of EUR 3.2 million to the Würth Trust. The liabilities are subject to market interest rates. The Würth Group's interest expense amounts to EUR 0.2 million (2005: EUR 0.2 million).

The Würth Group reports loan receivables of EUR 34.7 million (2005: EUR 39.0 million) and other receivables of EUR 5.5 million (2005: EUR 0.0 million) from the family trusts as of December 31, 2006. The receivables and liabilities are subject to market interest rates. The Würth Group's interest income from the loans comes to EUR 0.6 million (2005: EUR 1.2 million).

### [7] Compensation of key management personnel

in millions of EUR	2006	2005
Short-term employee benefits	19.8	17.2
Post-employment benefits	0.4	0.3
Termination benefits	2.1	0.9
<b>Total</b>	<b>22.3</b>	<b>18.4</b>

Individual members of the Central Managing Board and the Executive Board have a right to pension benefits with a total present value of EUR 7.6 million (2005: EUR 6.3 million) as of December 31, 2006. Former members and their surviving dependants are also entitled to benefit payments. The present value of these benefit obligations totaled EUR 4.0 million as of December 31, 2006 (2005: EUR 4.1 million).

### [8] Government grants

The Würth Group received government grants of EUR 8.1 million in the form of investment subsidies for infrastructure projects (2005: EUR 6.7 million). EUR 5.1 million thereof (2005: EUR 4.9 million) was deducted when the assets' carrying amounts were determined and EUR 3.0 million (2005: EUR 1.8 million) was immediately recognized in profit or loss.

### [9] Subsequent events

Effective as of January 1, 2007, Würth Elektronik eiSos GmbH & Co. KG, Waldenburg, Germany, acquired the "exclusive distribution of RAFI products" operations of the company Trigrass Elektro AG, Baar, Switzerland. The entity sells components for industrial automation.

As of January 1, 2007, the Würth Group acquired 100% of the shares in Airproduct AG, Oberwil-Lieli, Switzerland. The entity specializes in trade with ventilation components and components for fastening and assembly technology. The purchase price amounted to EUR 2.6 million.

As of January 23, 2007, the Würth Group acquired 100% of the shares in Midcom Inc., Watertown, USA, and thus also in its wholly owned subsidiaries Midcom Fuling Inc., Changping, China, and Midcom Longgang Inc., Shenzhen, China. The entities manufacture and sell transformers and other passive components. The provisional purchase price totaled USD 17.0 million.

The purchase price allocation cannot be finalized for the acquisitions made since January 1, 2007 until after conversion of the accounting of the acquired entities to IFRS. This process is still underway.

The Würth Group also started on the first expansion phase for the Würth Industrial Park in Shenyang. The investment in Shenyang is designed to strengthen our position on the Chinese market as well as markets in the Far East and Russia.

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

In the fiscal year 2006 the following German group entities organized as partnerships made use of the exemption clause according to Sec. 264b HGB:

<b>Entity</b>	<b>Registered office</b>
Adolf Menschel Verbindungstechnik GmbH & Co. KG	Plettenberg
Adolf Würth GmbH & Co. KG	Künzelsau
AHS Autohaus und -Service GmbH & Co. KG	Ingelfingen
Arnold & Shinjo GmbH & Co. KG	Forchtenberg
Arnold Umformtechnik GmbH & Co. KG	Forchtenberg
Atrion GmbH & Co. KG	Wolpertshausen
Baier & Michels GmbH & Co. KG	Ober-Ramstadt
Conmetall GmbH & Co. KG	Celle
Conpac GmbH & Co. KG	Celle
dress + safe GmbH & Co. KG	Oberhausen
ENZINAS Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Mainz
GAVIA Grundstücksverwaltungsgesellschaft mbH & Co. Objekte Ratingen und Ingolstadt OHG	Mainz
Glessdox GmbH & Co. KG	Bad Mergentheim
Grass GmbH & Co. KG	Verl
H. Sartorius Nachf. GmbH & Co. KG	Ratingen
Hommel Hercules-Werkzeughandel GmbH & Co. KG	Viernheim
IMS-Verbindungstechnik GmbH & Co. KG	Neuenstein
IVT Installations- und Verbindungstechnik GmbH & Co. KG	Rohr
LOGO Grundstücksverwaltungs-GmbH & Co. OHG	Grünwald
Marbet Marion & Bettina Würth GmbH & Co. KG	Künzelsau
Marbet Reiseservice GmbH & Co. KG	Künzelsau
MEPLA Werke Lautenschläger GmbH & Co. KG	Reinheim
Panorama Grundstücksgesellschaft mbH & Co. Objekt Waldenburg oHG	Göppingen
PIRUS Grundstücksverwaltungs- GmbH & Co. OHG	Grünwald
Reca Norm GmbH & Co. KG	Kupferzell
Schössmetall GmbH & Co. KG	Freilassing
Siller & Laar Schrauben- Werkzeug- und Beschläge Handel GmbH & Co. KG	Augsburg
Sonderschrauben Güldner GmbH & Co. KG	Künzelsau
Sonderschrauben Hamburg GmbH Eiben & Co.	Hamburg
SWG Schraubenwerk Gaisbach Besitz GmbH & Co. KG	Waldenburg
Swiridoff Verlag GmbH & Co. KG	Künzelsau
Teudeloff GmbH & Co. KG	Waldenburg
Tunap Deutschland Vertriebs GmbH & Co. Betriebs-KG	Wolfratshausen

<b>Entity</b>	<b>Registered office</b>
Tunap Industrie Chemie GmbH & Co. Produktions KG	Wolfratshausen
Uni Elektro Fachgroßhandel GmbH & Co. Grundstücksverwaltungsgesellschaft OHG	Eschborn
UNI ELEKTRO Fachgroßhandel GmbH & Co. KG	Eschborn
Wagener & Simon WASI GmbH & Co. KG	Wuppertal
Waldenburger Beteiligungen GmbH & Co. KG	Künzelsau
Werkzeugtechnik Niederstetten GmbH & Co. KG	Niederstetten
WLC Würth Logistic GmbH & Co. KG	Künzelsau
Würth Beteiligung-GmbH & Co. KG	Künzelsau
Würth Elektrogroßhandel GmbH & Co. KG	Künzelsau
Würth Elektronik eiSos GmbH & Co. KG	Waldenburg
Würth Elektronik GmbH & Co. KG	Niedernhall
Würth Elektronik Pforzheim GmbH & Co. KG	Pforzheim
Würth Elektronik Rot am See GmbH & Co. KG	Rot am See
Würth Elektronik Schopfheim GmbH & Co. KG	Schopfheim
Würth GmbH & Co. KG Grundstücksgesellschaft	Künzelsau
Würth Immobilien-Leasing GmbH & Co. KG	Göppingen
Würth Industrie Service GmbH & Co. KG	Bad Mergentheim
Würth IT International GmbH & Co. KG	Bad Mergentheim
Würth Leasing GmbH & Co. KG	Göppingen
Würth MODYF GmbH & Co. KG	Künzelsau
Würth Nippon GmbH & Co. KG	Künzelsau
Würth Solar GmbH & Co. KG	Schwäbisch Hall
Würth-Kirsch GmbH & Co. KG	Künzelsau
Würth Teleservices GmbH & Co. KG	Künzelsau

In the fiscal year 2006 the following German group entities organized as corporations made use of the exemption clause according to Sec. 264 (3) HGB:

<b>Entity</b>	<b>Registered office</b>
AHD Auto- Hifi & – Design GmbH	Ingelfingen
comgroup Gesellschaft für Systemintegration mbH	Bad Mergentheim
DIY World GmbH, Sortimente und Service	Wuppertal
FFP Montageteileproduktion-Vertriebs-GmbH	Waldenburg
Flugplatz Schwäbisch Hall GmbH	Schwäbisch Hall
HAHN + KOLB Werkzeuge GmbH	Stuttgart
John & Molt GmbH	Glinde
KERONA GmbH	Ingelfingen-Criesbach
Panorama Hotel- und Service GmbH	Waldenburg
PORTOLAN Commerce Solutions GmbH	Ilsfeld
Pronto-Werkzeuge GmbH	Wuppertal
Reinhold Würth Holding GmbH	Künzelsau
Schmitt Elektrogroßhandel GmbH	Fulda
UNI ELEKTRO Handels- und Beteiligungs-GmbH	Eschborn
WOW! Würth Online World GmbH	Künzelsau
Würth Phoenix GmbH	Bad Mergentheim

## J. Notes to the consolidated cash flow statement

The consolidated cash flow statement shows how the Group's cash has changed in the course of the reporting year as a result of cash received and paid. The effects of acquisitions and other changes in the consolidated group have been eliminated. When purchased subsidiaries are included for the first time, only the actual cash flows are shown in the cash flow statement. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement consist of cash on hand and bank balances as well as highly liquid short-term investments.

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

## K. Shareholdings

The list of shareholdings of the Würth Group is published in the electronic federal gazette ("Bundesanzeiger") as an attachment to these consolidated financial statements.

## L. The Boards of the Würth Group

### Central Managing Board

The Central Managing Board – 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.

<b>Robert Friedmann</b>	Chairman of the Central Managing Board of the Würth Group
<b>Rolf Bauer</b>	Deputy Chairman of the Central Managing Board of the Würth Group
<b>Dr. Roland Hartmann</b>	Member of the Central Managing Board of the Würth Group
<b>Dr. Reiner Specht</b>	Member of the Central Managing Board of the Würth Group (since March 1, 2006)
<b>Dr. Harald Unkelbach</b>	Member of the Central Managing Board of the Würth Group
<b>Bettina Würth</b>	Member of the Central Managing Board of the Würth Group (until February 28, 2006)

### Advisory Board

The Advisory Board is the supreme supervisory and controlling body of the Würth Group. It advises on strategy and approves corporate planning as well as the use of funds and appoints the members of the Central Managing Board, of the Executive Board as well as the managing directors of the companies in the Group generating high sales.

<b>Prof. Dr. h. c. Reinhold Würth</b>	Chairman of the Advisory Board, Künzelsau-Gaisbach (until February 28, 2006) Honorary Chairman of the Advisory Board (since March 1, 2006)
<b>Bettina Würth</b>	Chairwoman of the Advisory Board, Künzelsau-Gaisbach (since March 1, 2006)
<b>Dr. Bernd Thiemann</b>	Deputy Chairman of the Advisory Board Partner Drucker & Co. GmbH & Co. KG, Frankfurt/Main
<b>Peter Edelmann</b>	Member of the Management Board of Voith AG, Heidenheim

<b>Hans G. Güldenber</b>	brandCreation, Frankfurt/Main Member of the Advisory Board of H.C. Reynolds Corporate Finance, Frankfurt/Main
<b>Dr. Frank Heinrich</b>	Member of the Management Board of Heraeus Holding GmbH, Hanau
<b>Axel C.A. Krauss</b>	Member of the Supervisory Board of Unilever Deutschland, Hamburg
<b>Dr. Bernd-Albrecht von Maltzan</b>	Divisional Board Member Private Wealth Management Deutsche Bank AG, Frankfurt/Main
<b>Dr. Martin H. Sorg</b>	Certified Public Accountant, Partner of the law firm Binz & Partner, Stuttgart
<b>Dr. h. c. Uwe Zimpelmann</b>	Spokesman of the Management Board of Landwirtschaftliche Rentenbank, Frankfurt/Main
<b>Honorary members</b>	
<b>Alma Würth</b>	Künzelsau-Gaisbach († May 4, 2006)
<b>Dr. Michael Rogowski</b>	Chairman of the Supervisory Board of Voith AG, Heidenheim

The remuneration of the Advisory Board in the fiscal year amounted to EUR 1.3 million (2005: EUR 0.4 million).

## Executive Board

The 19 managers of the Executive Board constitute the operational management of the Group as of December 31, 2006 and are each in charge of one strategic business unit.

<b>Michael Coffey</b>	Würth Line UK, Ireland, Scandinavia (without Finland), Würth South Africa
<b>Jürgen Graf</b>	Logistics
<b>Helmut Gschnell</b>	Würth Line Italy, Würth Albania, Specialists in Italy

<b>Michel Kern</b>	Würth International AG Central Purchasing
<b>Jürgen Klohe / Jörg Murawski</b>	Würth Elektronik Group
<b>Max Lorefice</b>	Standard/DIN Parts and Stainless Steel, reca Group Italy, Würth Line Southeastern Europe, Würth Line Japan (until December 31, 2006)
<b>Jürg Michel</b>	Finance
<b>Juan Ramírez</b>	Würth Line Spain, France, Central and South America
<b>Wolfgang Rampmaier</b>	Industry Division (Würth Line), Tools Trade
<b>Pentti Rantanen</b>	Würth Line Finland and the Baltic Countries
<b>Werner Rau</b>	Purchasing, Export
<b>Peter Schneider</b>	reca Group Germany and Western Europe
<b>Hans Sigrist</b>	Würth Line Switzerland, Oceania and Subregion Asia
<b>Dr. Reiner Specht</b>	Metal Division (Würth Line), Würth Line Austria, Russia and Subregion Eastern Europe, Conmetall Group, IVT Group, Van Roij Group (until February 28, 2006)
<b>Robert Stolz</b>	Würth Line Auto and Wood USA
<b>Zekeriya Uluca</b>	Würth Line Turkey and Subregion Asia
<b>Alois Wimmer</b>	Production of Screws, Dowels and Plugs
<b>Markus Würth</b>	Wood Division (Würth Line), Construction Division (Würth Line), Belgium, Netherlands, Portugal (Würth Line)
<b>Peter Zürn</b>	Chairman of Adolf Würth GmbH & Co. KG, Auto Division (Würth Line), Sales

Künzelsau, April 3, 2007  
The Central Managing Board of the Würth Group

## Audit opinion of the Group auditor

**The following audit opinion was issued by the Group auditor on the full consolidated financial statements including the list of shareholdings and the group management report:**

“We have audited the consolidated financial statements prepared by the Würth Group, Künzelsau, comprising the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the group management of the Würth Group. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.”

Stuttgart, April 3, 2007

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

signed by	signed by
Elkart	Kaltmaier
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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The editorial team would like to thank the many colleagues who helped prepare this annual report.

This annual report is published in German and English.

Both versions are available on the internet at [www.wuerth.com](http://www.wuerth.com), together with additional information about the Würth Group.

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