

REPORT OF THE BOARD OF DIRECTORS

WÜRTH FINANCE INTERNATIONAL B.V.

Dear Ladies and Gentlemen, Dear Readers

The Board of Directors of Würth Finance International B.V. performed its duties during financial year 2017 in accordance with the law and the company's articles of association, monitored the performance of the company and provided advice to the Management.

Four meetings were held in 's-Hertogenbosch and Rorschach during which the Management informed the Board of Directors verbally and in writing about the general situation of the company, the course of business and the principal issues relating to its business policy. These reports also encompassed the subsidiaries Würth Financial Services AG and Würth Invest AG. All information required as the basis for decision-making was made available in timely fashion. This information offered detailed insight into the operational business and all potential opportunities and risks. The Board of Directors advised the Management on strategic measures and issues relating to the company's future. Where necessary, and after in-depth consideration, the Board of Directors also took decisions by circular resolution outside of these meetings. The cooperation between the Management and the Board of Directors was highly constructive and fully complied with the principles of good corporate governance.

A focal point of the work of the Board of Directors was monitoring the effectiveness of risk management, particularly compliance with the regulatory limits for measuring, managing and monitoring market, credit and liquidity risk in relation to the Group balance sheet and trading activities.

As in the previous year, the audit companies Ernst & Young and KPMG reported at the Board of Directors meetings. The two audit companies reported on the quarterly audits they performed on selected audit areas, with a particular emphasis on the reliability of the company's internal control and risk management systems.

In financial year 2017 the Würth Group grew by 7.5% to achieve a new record sales figure of EUR 12.7 billion. In local currencies the increase was even greater at 7.9%. This growth was broadly based globally, with e-business sales in particular recording above-average growth of 19.3% in 2017. The Group's growth was reflected in rising business volumes and revenue for Würth Finance International B.V.

The euro strengthened against the Swiss franc and traded at CHF 1.17 at the end of 2017. This trend supported the result of the Swiss branch of Würth Finance International B.V. At the same time, the company consistently fulfilled its responsibilities as the Würth Group's competence centre for finance and cash management. In the current negative interest rate environment, the Management placed a high priority on the optimal management of liquidity reserves in euros and Swiss francs. In order to strengthen the Würth Group's liquidity reserves, Würth Finance International B.V. increased its committed bank credit facility from EUR 200 million to EUR 400 million. Overall, Würth Finance International B.V. increased its consolidated profit before taxes (excluding the effect of the market valuation of interest rate derivatives) to a record of EUR 41.1 million.



BOARD OF DIRECTORS

from left to right: **Dr. Bernd Thiemann** (former Chairman of the Management Board of Deutsche Genossenschaftsbank AG) | **Christoph Raitelhuber** | **Jürg Michel** (Member of the Würth Group Advisory Board) | **Joachim Kaltmaier** (Member of the Central Managing Board of the Würth Group) | **Prof. Dr. h. c. mult. Reinhold Würth** (Chairman of the Supervisory Board of the Würth Group's Family Trusts) | **Dr. Peter Beglinger** (Lawyer) | **Dieter Gräter** (Vice President Finance, Würth-Verwaltungsgesellschaft mbH) | **Andreas Diemant** (Member of the Executive Board and Head of the Corporate Banking Division Banque Cantonale Vaudoise)

The 2017 consolidated financial statements along with the separate 2017 financial statements of Würth Finance International B.V. have been prepared in accordance with the International Financial Reporting Standards (IFRS). These statements were audited by Ernst & Young, Eindhoven, the Netherlands, and approved in full. The financial statements and the audit report were examined by the Board of Directors and discussed in detail with both the Management and the auditors. Following the final result of the audit, the Board of Directors raised no objections, agreed with the audit report and approved the financial statements.

Dutch corporate governance law (Wet Bestuur en Toezicht) envisages that at least 30% of the members of boards of directors be women. Würth Finance International B.V. does not currently meet this requirement. As far as possible the company will take into account the envisaged gender quota when making new appointments.

On behalf of the Board of Directors, I would like to thank the Management and all the staff for their hard work, and congratulate them on the good operating result they achieved in the past financial year. I would also like to thank the Würth Finance Group's clients and business partners for the trust they have placed in us and their loyalty to the company and the Würth Group as a whole.

Joachim Kaltmaier

Chairman of the Board of Directors of Würth Finance International B.V.