WÜRTH GROUP

ANNUAL REPORT 2017

WÜRTH FINANCE GROUP

KEY EVENTS IN 2017

- The Würth Group achieved a new sales record of EUR 12.7 billion and improved its net operating margin to 6.2%, the highest it has been for seven years. E-business grew by 19%.

- The Würth Finance Group increased its revenue by 7% to EUR 70 million and recorded the best operating result in its history at EUR 41 million.

- Würth Finance International B.V. strengthened its liquidity reserves by doubling its committed credit facility from EUR 200 million to EUR 400 million and extending the duration until 2022.

- POS payments in over 500 branches in Europe are handled through the Omnichannel Payment Gateway of Würth Finance International B.V.

- Würth Financial Services AG ended 2017 with a new sales record, realising an increase of 4% compared to the previous year.

- Würth Financial Services AG is taking a forward-looking approach to ongoing automation and digitalisation. In 2017, for example, it successfully initiated the replacement of its existing administration system.

THE WÜRTH FINANCE GROUP AT A GLANCE

The Würth Finance Group is the financial competence centre for the Würth Group. It employs 116 staff at five locations in the two divisions Inhouse Banking and External Financial Services.

WÜRTH FINANCE GROUP

Core competence	RISK MANAGEMENT	
Core business	Group financing, liquidity security and payment flow optimisation for the Würth Group and its subsidiaries	Insurance brokerage for SMEs, national and international companies
	DIVISION INHOUSE BANKING	DIVISION EXTERNAL FINANCIAL SERVICES

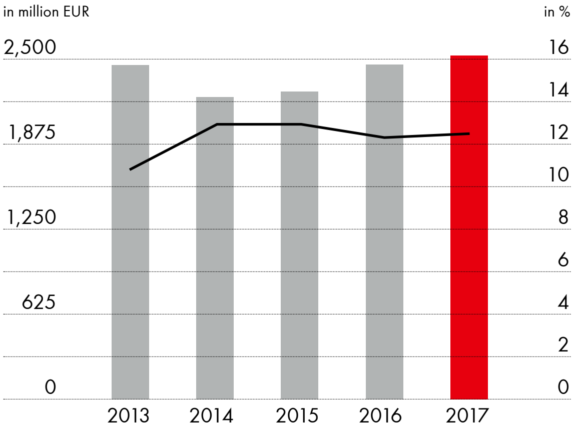
The Inhouse Banking Division works with over 400 Group companies in 80 countries. The legal entities of the division are Würth Finance International B.V. (NL / CH) and Würth Invest AG.

The External Financial Services Division trades as Würth Financial Services AG. More than 5,600 clients in Switzerland are looked after from the four offices in Rorschach (head office), Urdorf, Lugano and Arlesheim.

KEY FIGURES OF THE WÜRTH FINANCE GROUP

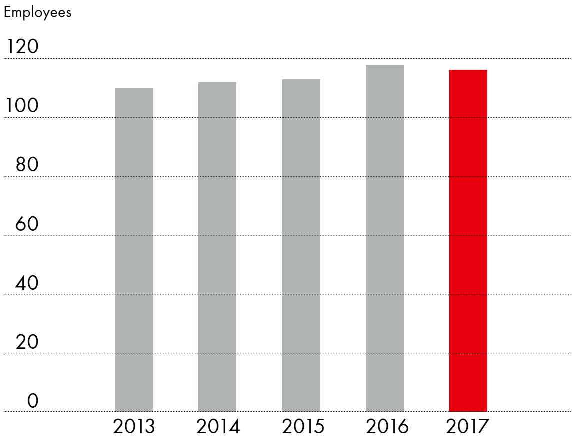
Key figures from the consolidated income statement in TEUR	2013	2014	2015	2016	**2017**
Interest income	-8,076	19,882	2,611	4,521	4,416
Interest income incl. hedge accounting	12,872	11,704	10,968	8,818	8,769
Income from factoring activities	12,877	13,331	14,115	12,899	14,755
Income from commission and service fee activities	24,029	24,994	28,596	29,880	32,983
Income from trading activities and financial instruments	4,321	7,288	7,038	8,837	9,553
Other ordinary income	5,495	682	4,896	4,858	3,959
Total operating income	38,646	66,177	57,256	60,995	65,666
Total operating expenses	-27,464	-25,474	-27,523	-29,183	-28,920
Profit before taxes	11,182	40,703	29,733	31,812	36,746
Impact of mark-to-market measurement of interest rate derivatives	20,948	-8,204	8,438	4,297	4,353
Profit before taxes incl. hedge accounting	32,130	32,499	38,171	36,109	41,099

Balance Sheet Total/Equity Ratio

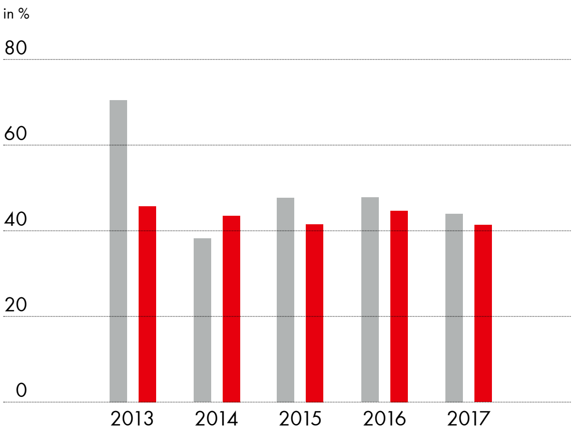


Balance sheet total
Equity ratio (right-hand scale)

Number of Employees

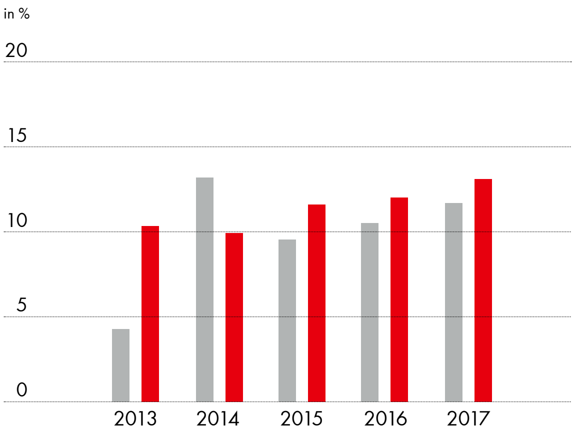


Cost-Income Ratio



Cost-income ratio
Cost-income ratio incl. hedge accounting

Return on Equity before Tax



Return on equity before tax
Return on equity before tax incl. hedge accounting

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Living and sharing values – the illustration design for the 2017 Annual Report

Würth Finance International B.V. was created 40 years ago, laying the foundations for today's Würth Finance Group. We are very pleased that we can look back on four successful decades in 2018. Our staff have contributed a great deal to this by living the values of our company over the years and sharing them with new colleagues – in this way we can continue to build on a strong corporate culture.

Openness and honesty, challenging and fostering, mutual respect and gratitude – these are the core values that guide the way people at the Würth Finance Group think and act. In the 2017 Annual Report we portray employees who reflect these values and talk to each other about how they shape their day-to-day work together.

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 Raithelhuber** | **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.

J. Kaltmaier

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

REPORT OF THE MANAGEMENT

WÜRTH FINANCE GROUP

"There is much to indicate that the economy will be robust in the coming months" – that was our optimistic opener for the economic outlook for 2017 in last year's Würth Finance Group Annual Report. Now we know: it was much better still, especially in Europe. For instance, growth in the Eurozone beat the 2% mark for the first time since 2011, while unemployment fell to a level not seen since 2009. Furthermore, political uncertainty in connection with general elections in several European countries clearly did not dampen sentiment among consumers and businesses. The US economy also put in a robust performance, growing over 2% on the back of continued expansionary monetary policy and showing few signs of any impacts from the new Trump administration. The emerging economies are in good form, too: China and India remained on their solid growth path, while the recovery in Brazil and Russia was swifter and more pronounced than expected.

Würth Group

The positive economic picture was also reflected in the markets of relevance to the Würth Group. Overall, the Group generated sales of EUR 12.7 billion in financial year 2017, an increase of 7.5% over the previous year. All regions achieved positive organic growth. The performance in Southern and Eastern Europe was particularly gratifying, with organic growth in the double-digit percentage range.

Expanding and improving all services in the digital range remained a focal point of activity for the Würth Group. These include order platforms involving not just the traditional online shop and the Würth app, but also electronic procurement that enables process optimisation for the customer and automated inventory management. As a robust addition to the work of the traditional sales force and branches, sales realised through these distribution channels rose by 19.3% in 2017. Their share of total sales was 15%.

In parallel with its sales growth, the Würth Group achieved better capacity utilisation and thereby increased its earning power considerably. Thus, its operating result improved by 25%, rising from EUR 615 million to EUR 770 million, which meant that the operating margin also improved significantly, from 5.2% to 6.2%. The number of staff increased by 3.7%.

Responsibility Statement

In accordance with the EU Transparency Directive and the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Management of the Würth Finance Group hereby confirms that, to the best of its knowledge, the financial statements for the financial year ended on 31 December 2017 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Management report includes a fair review of the development and the performance during the financial year and of the financial situation of the Group at the reporting date, as well as of the risks associated with its business.

The Würth Group's financial position became even stronger compared to the previous year. This is reflected both in the financial key figures and in the reaffirmed "A" rating from Standard & Poor's. Shareholders' equity as at 31 December 2017 totalled EUR 4.78 billion (up EUR 309 million on the previous year), while the equity ratio was 46.5% (previous year: 46.1%). The Würth Group also has comfortable liquidity reserves. In summer, the committed credit line of EUR 200 million obtained from a consortium of banks and originally valid until 2021 was increased to EUR 400 million and extended to 2022. In addition, the company held cash totalling EUR 670 million as at 31 December 2017.

Würth Finance Group
The Würth Finance Group performed well in 2017. Overall, revenue rose by 7% to EUR 70.0 million[1], with increases in both Inhouse Banking – where core activities benefited from the high level of growth at the Würth Group – and at External Financial Services. This reflects the company's excellent positioning in its markets.

Operating expenses dropped by 1% from EUR 29.2 million to EUR 28.9 million. The adjustment of staff pension benefits had a positive one-off impact on personnel costs in the amount of EUR 0.5 million. Without this extraordinary item these costs increased by 1%. This rise is attributable, firstly, to higher expenses from the ongoing GPS project to renew the IT infrastructure for handling international payments. Secondly, the average headcount was increased slightly from 116 to 118. The Management regards this investment as reasonable and necessary to secure the ongoing successful performance of the Würth Finance Group.

The pre-tax operating result for the Würth Finance Group in 2017 came in at EUR 41.1 million[1] (previous year: EUR 36.1 million), a new record and a significant contribution to the operating result of the Würth Group. The cost-income ratio improved from 44.7% to 41.3%.

As a family business, Würth focuses on the long-term development of the company. That applies equally to supporting up-and-coming talent at the Würth Finance Group. For many years the Würth Finance Group has taken on apprentices and employed them on a permanent basis, in line with staffing needs, once they have completed their education. In order to secure the company's future, the Würth Finance Group supports ongoing employee training throughout their professional life. The Würth Finance Group prefers to fill management positions from within its own ranks; it also fosters the professional development of up-and-coming talent through participation in Group-internal training programmes.

At his own request Mr Patrik Imholz, as a Managing Director of Würth Invest AG, will in future concentrate on managing the company's financial investments and on developing this area of business. Accordingly, he relinquished his Managing Director role at Würth Finance International B.V. as at 1 June 2017. In addition and with the approval of the Board of Directors of Würth Finance International B.V. he will take on directorships in the area of asset management outside the Würth Finance Group at closely associated companies and organisations.

[1] Not included in these figures are the extraordinary effects impacting profit and loss in the IFRS accounts of the market valuation of interest rate derivatives taken out to hedge interest rate risks. These effects amount to EUR –4.4 million (previous year: EUR –4.3 million).

Information about the performance of the business at the Inhouse Banking and External Financial Services divisions in financial year 2017 and the outlook for 2018 can be found on pages 10 to 21. The Würth Finance Group's report on risk and opportunities can be found on pages 24 to 25. The Würth Finance Group does not have its own audit committee and is therefore integrated into the Würth Group's audit process.

Outlook for 2018

Business sentiment is good, profits are high, unemployment is falling and capital expenditure is rising. In addition, there is considerable synchrony of the world's main regional economies, to an extent not seen for years. Nor does this appear likely to change in the coming quarters. The International Monetary Fund and the OECD forecast in their baseline scenarios that global economic growth in 2018 will be about on a par with 2017, at 3.7%. An acceleration to around 2.4% is anticipated in the United States, while in the Eurozone slightly reduced growth of 2% is expected. Led by China and India, the contribution from the emerging markets to global growth will increase further.

However, it is also to be noted that eight years after the outbreak of the financial crisis, the world economy has recovered to an extent such that capacity and resources are now well utilised again. Core inflation and the prices of commodities reached their low points between mid-2015 and mid-2016. The central banks may begin to normalise monetary policy. The labour markets in North America and Europe have recovered almost to their 2007 levels and are showing tightness in various sectors. There is an increasing probability that in the next phase of the global economy's expansion, prices on the product and labour markets will rise and the high point of the economic cycle will soon be reached.

In this environment, the Würth Group will stick to its proven growth and capital investment strategy, will continue to approach acquisitions in a selective and disciplined way and will retain its focus on expanding multi-channel distribution and optimising its productivity.

The Würth Finance Group anticipates volatility in the relevant markets will increase at any time and is limiting its risk appetite accordingly. At the same time, the two divisions Inhouse Banking and External Financial Services seek to achieve further growth and are investing in their staff. The digitalisation of the insurance and financial sector and its effect on the markets are being watched very carefully, and new solutions will be used to improve the company's own client service and to optimise its processes. At the same time, the company must initiate appropriate organisational and technical measures to take account of the increasing risk from cyberattacks – and the associated considerable potential for financial loss – and of the current tightening of regulatory requirements applying to data protection. The Würth Finance Group has the requisite critical mass and the human and financial resources to meet the further increase in compliance requirements, too.

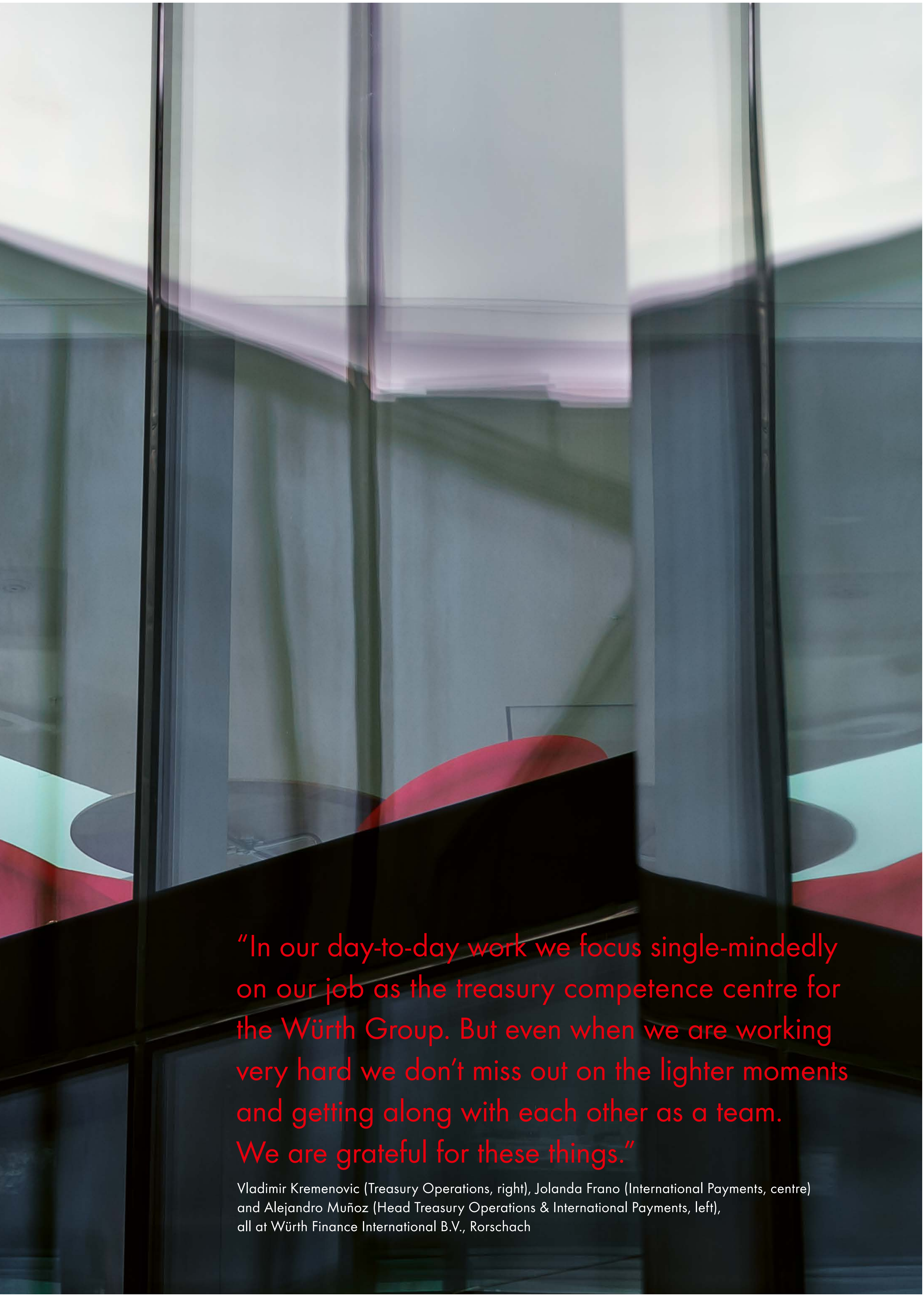
Insofar as the relevant markets develop as expected, and despite considerable margin pressure, particularly in the insurance brokerage business, the Management expects in the current financial year that business volumes will expand at a mid-single-digit percentage pace, and that the operating result will improve on 2017.

Thanks

The Management of the Würth Finance Group is satisfied with financial year 2017 and would like to thank all employees for their important contribution to the success achieved. Thanks also go to our clients and business partners, whose trust in the Würth Finance Group has made our success possible in the first place. We look forward to continuing working with them in 2018.

Roman Fust
Managing Director,
Würth Finance International B.V.

Adrian Parpan
Managing Director,
Würth Financial Services AG



"In our day-to-day work we focus single-mindedly on our job as the treasury competence centre for the Würth Group. But even when we are working very hard we don't miss out on the lighter moments and getting along with each other as a team. We are grateful for these things."

Vladimir Kremenovic (Treasury Operations, right), Jolanda Frano (International Payments, centre) and Alejandro Muñoz (Head Treasury Operations & International Payments, left), all at Würth Finance International B.V., Rorschach

REPORT OF THE MANAGEMENT

INHOUSE BANKING

Key events

Record profits thanks to strong growth for the Würth Group

Bolstered by the central banks' continued expansionary monetary policy, the Würth Group's markets grew more than expected in 2017. The Würth Group made successful use of this economic tailwind and, with organic sales growth of 8.2%, achieved the highest value in seven years. Better capacity utilisation enabled a significant improvement in profitability. The increased need for funds from organic growth, from capital expenditure and from the acquisition of five companies could be financed to a large extent by the cash flow generated.

In the Inhouse Banking Division, therefore, client-based transaction volume increased significantly in all areas of business and capacity utilisation was correspondingly high, whereas the volume of net lendings stagnated during the year. Investing liquidity reserves was a challenge for Inhouse Banking despite support from long-standing partner banks and the various measures to optimise cash flows. It was not possible to avoid negative interest entirely. Nonetheless, the surprisingly strong volume growth enabled a record operating result of EUR 40.0 million[1] to be achieved.

Protecting Group financing from the risks of interest rate hikes and from any rise in liquidity requirements

Companies are operating at full capacity in North America and increasingly in European countries, which means that the central banks may begin normalising monetary policy. Thus, a possible trend towards rising interest rates should not come as a surprise. The Central Managing Board of the Würth Group therefore decided at a Finance Committee meeting in the summer of 2017 to use forward-start interest rate swaps to hedge a financing volume of EUR 250 million against rising interest rates, irrespective of the precise point in time of any new capital market financing. This was put in place by Würth Finance International B.V. with three partner banks.

In parallel, the Würth Group, acting through Würth Finance International B.V., arranged an early one-year extension to 2022 of the existing syndicated credit line and increased the total by EUR 200 million to EUR 400 million. The credit line, which has never been utilised in past years, serves as a back-up facility to ensure sufficient liquidity for the Würth Group.

Varying degrees of progress in digitalisation projects

As in many other parts of the economy, a steady and lively stream of new technological options and services for corporate treasury organisations is currently appearing on the market under the banner of digitalisation. The management of Inhouse Banking is observing this trend very carefully, is maintaining a close dialogue with fellow treasurers, specialised advisors, software firms and financial service providers, is involved in treasury associations and user groups, and is making use of the new solutions to improve the division's own client services and to optimise its processes. In 2017 the main projects in strategic areas of action were unchanged: the establishment and expansion of Omnichannel Payment Gateway services and the renewal of the IT infrastructure for handling international payments (GPS Payment & Factoring project) for the Würth Finance Group.

Würth Omnichannel Payment Gateway (WOPG) services

B2B customers of the Würth Group, especially in the branches and in e-commerce, expect various payment options that they have long been using as private consumers, such as credit cards, PayPal and other payment instruments. Würth is therefore setting up the corresponding infrastructure worldwide, based mainly on the WOPG platform of the Würth Finance Group. By 31 December 2017 around 500 POS terminals of the Würth Finance Group were in operation at Würth Line companies in Germany and the Netherlands, including payment handling via the WOPG platform. The same applies to the e-commerce solutions in the United Kingdom. The new technology will also be introduced shortly in China and at other Group companies. A variety of projects are in the pipeline.

GPS Payment & Factoring project

Release 1.0 of the GPS project went live at the beginning of April 2017 with account management functions. The subsequent rectification work required was more extensive than expected, resulting in delays in the development and establishment of test libraries for release 2.0 for handling international payments and the factoring processes. The system is expected to go live by the end of 2018 after comprehensive testing and parallel operations lasting several months. In order to prevent further delays, the project resources for the next project phases will be selectively increased.

[1] Not included in these figures are the effects impacting profit and loss in the IFRS accounts from a) the marking-to-market valuation of outstanding interest rate derivatives to hedge interest rate risks with an effect of EUR –4.4 million (previous year: EUR –4.3 million) and b) a one-time reduction of pension plan liabilities amounting to EUR 0.5 million by the amendment of the benefit plan for the employees in Switzerland.

"Giving up-and-coming talents opportunities to have an impact and help shape things is the best investment in the effectiveness and future success of the Würth Finance Group. I am guided by this conviction."

Roman Fust
Managing Director, Würth Finance International B.V.

Business performance

Inhouse Banking recorded a good result for 2017, reflecting healthy growth at the Würth Group. The volumes handled by the central settlement of payments to suppliers and in intercompany factoring activities increased at a double-digit percentage pace and led to corresponding income growth. Revenue reached EUR 59.7 million[1] in the year under review (previous year: EUR 55.4 million). An even stronger increase was prevented by stagnating net interest income and lower year-on-year revenues from the IBB participation and securities investments.

Operating expenses rose by just under 2% to EUR 19.7 million[2]. This increase was mainly attributable to higher expenses for the GPS project and personnel costs. The average headcount rose in the course of 2017 to 61 employees (previous year: 60 employees).

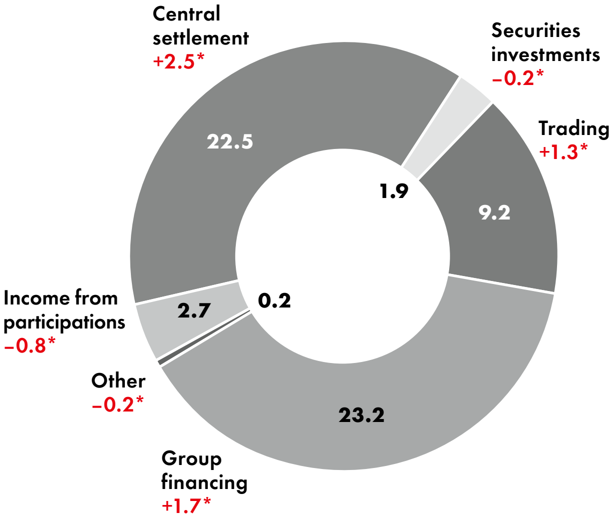
The pre-tax operating result increased by 11.4% to EUR 40.0 million.[1,2] The productivity of the Inhouse Banking Division, based on the cost-income ratio, improved from 35.2% to 33.1%.

Group financing

The Würth Group's net debt remained stable in the first half of 2017 and stepped up in the second half due to an increase of inventories. Gross cash flow of EUR 1,048 million (previous year: EUR 900 million) was almost sufficient to finance capital investment and acquisitions totalling EUR 567 million (previous year: EUR 546 million), an increase in net working capital of EUR 389 million (previous year: EUR 112 million) and net dividends to shareholders of EUR 101 million (unchanged).

Income Distribution

in million EUR



*Change vis-à-vis 2016

[1] Not included in these figures are the effects impacting profit and loss in the IFRS accounts from the marking-to-market valuation of outstanding interest rate derivatives to hedge interest rate risks with an effect of EUR −4.4 million (previous year: EUR −4.3 million)
[2] Not included in these figures are the effects impacting profit and loss in the IFRS accounts from a one-time reduction of pension plan liabilities amounting to EUR 0.5 million by the amendment of the benefit plan for the employees in Switzerland.

Accordingly, the credit metrics of the Würth Group improved. For example, the ratio of net debt to EBITDA compared to December 2016 declined slightly to 0.93×.

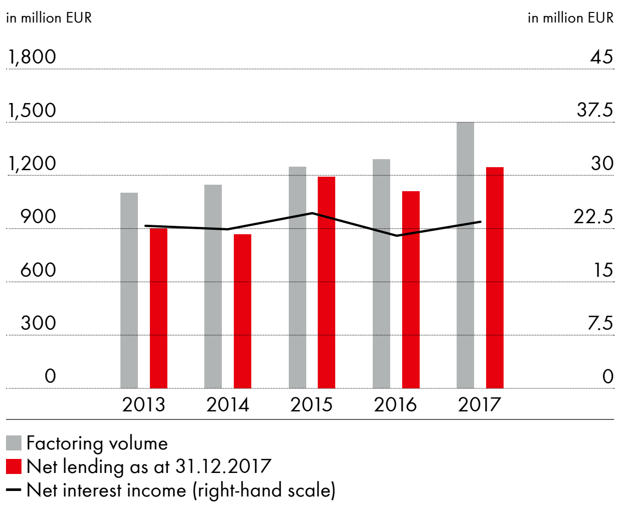
Intra-group net lending by the Würth Finance Group stagnated in the course of the year at around EUR 1,150 million. Short-term loans were preferred, resulting in a growing proportion of lendings with terms of less than one year. Liquid assets fluctuated on average between EUR 570 million and 670 million, around 100 million more than the 2016 values. The balance sheet total of the Würth Finance Group remained relatively stable over the course of financial year 2017 and as at 31 December 2017 totalled EUR 2,535 million (31 December 2016: EUR 2,457 million).

The sensitivity of shareholders' equity to interest rate changes was reduced only slightly from 9.2% to 7.7% as at 31 December 2017 due to the arrangement of new interest rate hedging for future capital market financing.

The Würth Group's strategy of progressive centralisation of procurement led to an above-average rise in intra-group sales of almost 13% in the financial year. The factoring volume handled through the Würth Finance Group increased by 13.4%.

Net interest income increased by EUR 1.7 million to EUR 23.2 million for financial year 2017. These figures do not include the effects from the valuation of interest rate derivatives used to actively manage interest rate risk. The lower euro yield curve compared to the previous year led to valuation losses amounting to EUR 4.4 million, which are reported in the IFRS accounts.

Group Financing: Volume and Revenue from Intra-Group Lendings



Würth Omnichannel Payment Gateway (WOPG) services

The success of the Würth Group is based on selling through multiple channels. Besides direct selling, customer contact through e-commerce and in the branches are gaining in importance. Würth is therefore setting up the corresponding infrastructure worldwide, based mainly on the WOPG platform at the Würth Finance Group.

Digitalisation is swiftly transforming the payments environment, with new providers appearing on the market and procedures being accelerated and simplified. The aim is to ensure that the shopping experience at Würth is not hampered by the payment process. Customers must be able to choose from the payment options that have long been available to them as private consumers, such as credit cards, PayPal and local payment instruments.

By establishing the central yet flexible WOPG platform solution for all Würth companies, resources can be saved and economies of scale can be achieved. Furthermore, a high standard of security and quality in terms of technical and organisational implementation can be ensured.

Another advantage of centralisation is in the processing and analysis of data: Inhouse Banking can set up the interfaces with providers, use the existing online communication platform and analyse data for the entire Würth Group, while adhering to international data protection legislation.

Services

- Implementation: advice, project support, integration
- Operation: support, data analysis
- Payment Gateway: payment processing
- POS terminals

"The services and solutions of the Würth Finance Group help our clients to deal with financial risks. This will be particularly pertinent if the economy fails to meet the high expectations in 2018."

Björn van Odijk
Managing Director, Würth Finance International B. V.

Income from participations

In order to strengthen the core capital of Internationales Bankhaus Bodensee AG (IBB), the Würth Finance Group committed a total of EUR 44.5 million (2016: EUR 54.5 million) in the form of a silent participation and a capital relinquishment. This participation contributed income of EUR 2.7 million in financial year 2017 (2016: EUR 3.5 million). The plan is to reduce this commitment continuously. Information on the business performance and financial position of IBB may be found on the website www.ibb-ag.com.

Central settlement of payments to suppliers

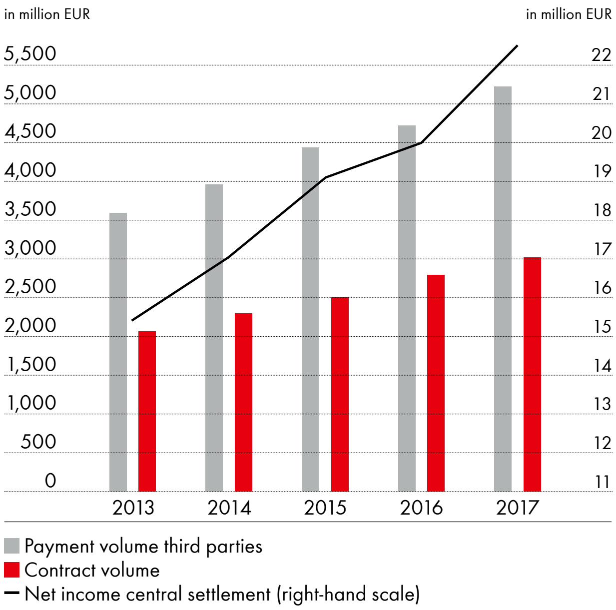
In parallel with sales Group purchasing volumes rose in the year under review, which in turn affected the central settlement of payments made by the Würth Finance Group. The total volume of 450,000 payments to suppliers processed through Inhouse Banking rose compared to 2016 by 9.7% to EUR 5,226 million.

The Würth Group constantly strives to improve business relations with its suppliers. This includes integrating all suppliers into the central settlement facility managed by the Würth Finance Group. As at end-2017, more than 7,600 contractual suppliers with sales of EUR 3,000 million had entrusted the processing of payments to Inhouse Banking. Thus, central settlement income improved by EUR 2.5 million to EUR 22.5 million.

Securities investments

The volume of securities investments was progressively increased over the course of the financial year as planned, rising from EUR 80 million to EUR 100 million. No change was made to the conservative investment strategy: more than 70% of funds were invested in investment grade corporate bonds with a relatively short duration. The share of equities was kept below 10% throughout the year. The fluctuation of the portfolio value was correspondingly low.

Central Settlement: Payment Volume/Revenue



The net performance of the securities portfolio was EUR 1.8 million (previous year: EUR 2.1 million). This equates to a return of 2.1% and exceeds the benchmark (three-month money market deposit plus 200 basis points). With the financial markets doing extremely well in the last financial year, investments in bonds and – with double-digit returns on the capital invested – equities and real estate contributed to this excellent result.

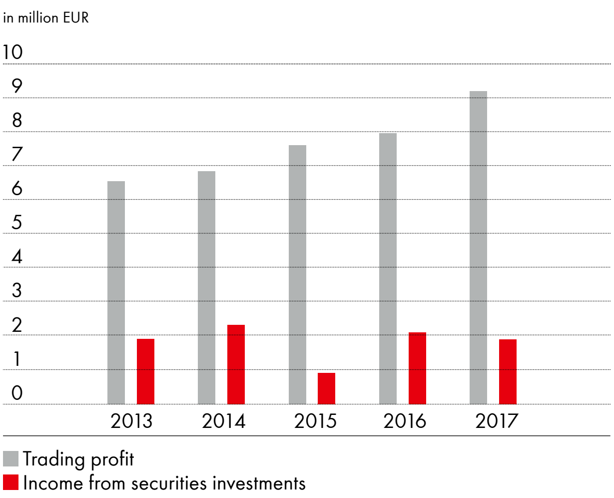
Currency hedging and trading with financial instruments

The euro and the US dollar are by far the most important currencies for the Würth Group. While the euro appreciated significantly in 2017 on a trade-weighted basis, the US dollar steadily lost value as the year progressed. Many Group companies obtain goods from suppliers in the Eurozone, so the strength of the euro towards the end of the year put pressure on their margins, at least for a time.

Würth companies selectively hedge their currency risk with Inhouse Banking in order to smooth out the effects of short-term fluctuations on their results. The volumes traded in foreign currency transactions increased by 21% to EUR 1.7 billion.

These foreign currency flows represent the basis for the trading activities of the Würth Finance Group. While adhering to the limits required by internal regulations, the traders constantly monitor and control positions by concluding countertrades with the trading units of the company's banking partners. There are also smaller trading limits for positions on the bond, equity and commodity markets. In 2017 income of EUR 9.2 million was generated through trading activities, 16% more than in the previous year.

Trading/Securities Investments: Income Development



Outlook for 2018

Overall, conditions for growth at the Würth Group and thus the prospects for the Inhouse Banking Division of the Würth Finance Group remain positive. The Management expects the operating result in 2018 will be above the previous year.
The aim is to grow revenues from central settlement and intercompany factoring activities at a mid-single-digit percentage pace. The redemption of the EUR 500 million 2011–2018 bond will reduce interest expense in the second half of the year, even if new funds are obtained from the capital markets in the course of the year.

With regard to expenses, high costs will continue to be incurred for the GPS project in 2018. Thus, no notable relief for the operating result is anticipated. The new payments infrastructure is expected to be available in the course of the year, enabling efficiency gains. Another project is the renewal of the electronic communication platform to improve benefits to clients. At the same time, the company must initiate appropriate organisational and technical measures to take account of the increasing risk from cyberattacks – and the associated considerable potential for financial loss – and of the current tightening of regulatory requirements applying to data protection.

In addition, resources will continue to be devoted to developing and fostering staff so that Inhouse Banking at the Würth Finance Group can continue to fulfil its role as the central treasury competence centre for the Würth Group.

MANAGEMENT WÜRTH FINANCE INTERNATIONAL B.V.
from left to right: **Jorre van Schipstal** | **Roman Fust** | **Daniel Ochsner** | **Patrik Imholz** | **Björn van Odijk**

INHOUSE BANKING AT A GLANCE

Core business

The Inhouse Banking Division of the Würth Finance Group monitors the financial risks incurred by the Würth Group and takes the necessary measures to retain the financial stability of the Group.

In close collaboration with Group Management and the operational Group companies, the Inhouse Banking Division ensures that the necessary liquid funds are available to the Würth Group at all times and employs the Group's funds in an optimal manner. The division consists of the legal entities Würth Finance International B.V. and Würth Invest AG.

Facts and figures (at 31 December 2017)

68 employees (59.3 FTE) at the offices in Den Bosch, the Netherlands, and Rorschach, Switzerland

450,000 payment transactions with a volume of EUR 5,226 million in the year under review

Outstanding capital market funding as at 31.12.2017: three transactions with a total volume of EUR 1,500 million

Account relationships with over 400 Würth Group companies

2,960 foreign exchange transactions with 240 Group companies and a hedging volume totalling EUR 832 million

5,390 treasury transactions with external counterparties (banks)

Services

Central settlement of payments to suppliers

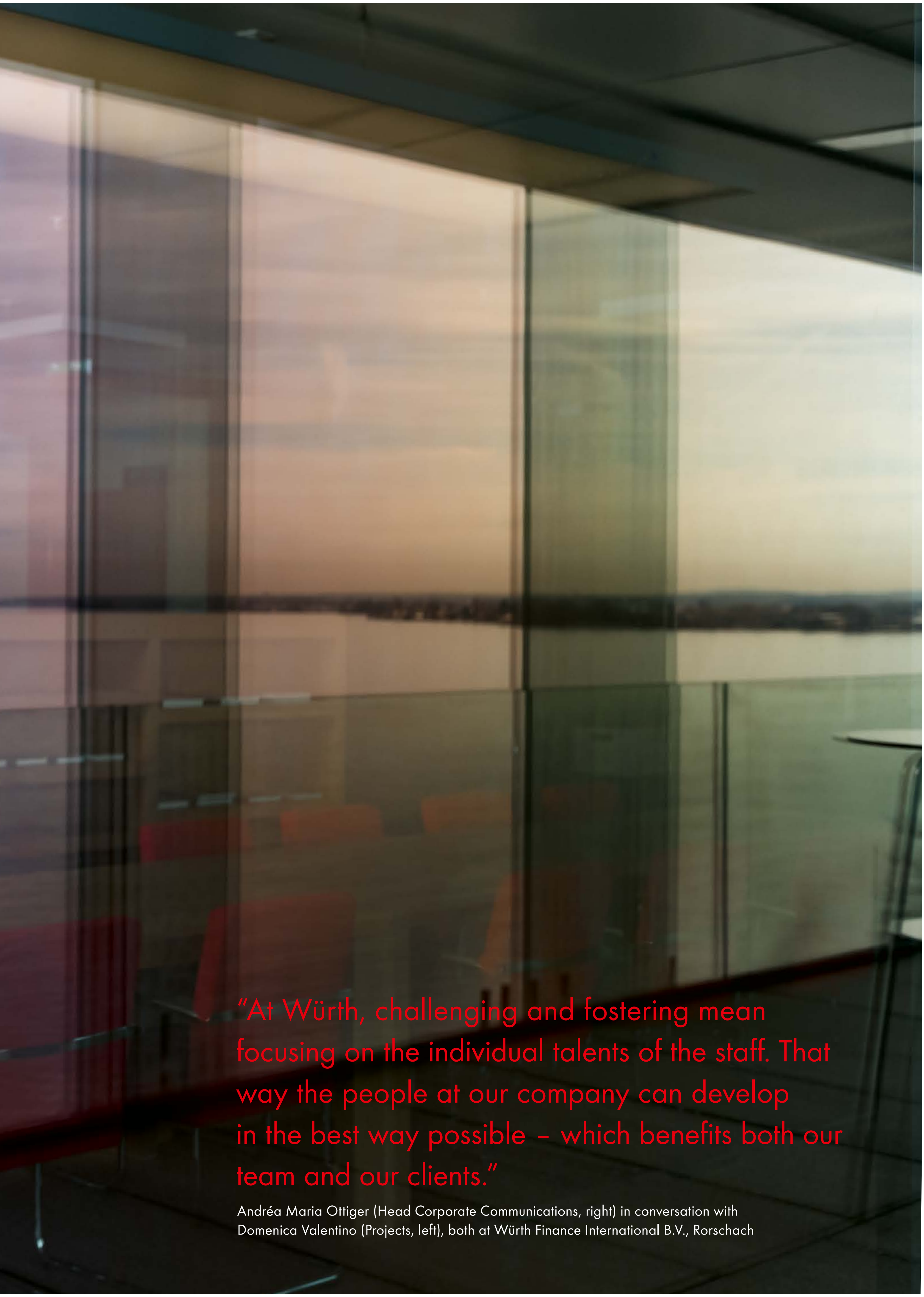
- Service provider for the central settlement of payments to beneficiaries worldwide
- Collection of outstanding invoices on behalf of over 7,000 Würth Group suppliers vis-à-vis all Group companies and, to a certain extent, insurance of default risk

Group financing and risk management

- Financing of the Würth Group on the capital market, principally by means of bond issues
- Competence centre and interface for banks, investors, financial market regulators, rating agencies and credit analysts
- Provision of comprehensive advice and a wide range of treasury products to Group companies
- Central management of bank accounts and financial risk management for the Würth Group

Cash and securities investments

- Securing of strategic freedom to act by managing the cash reserves of the Würth Group
- Central management of financial investments in the conflicting areas of security, liquidity and return



"At Würth, challenging and fostering mean focusing on the individual talents of the staff. That way the people at our company can develop in the best way possible – which benefits both our team and our clients."

Andréa Maria Ottiger (Head Corporate Communications, right) in conversation with Domenica Valentino (Projects, left), both at Würth Finance International B.V., Rorschach

REPORT OF THE MANAGEMENT

EXTERNAL FINANCIAL SERVICES

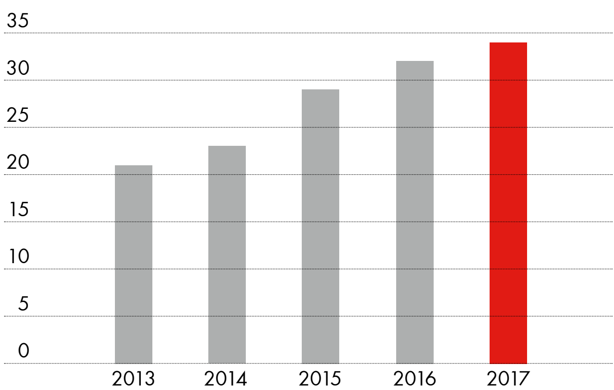
Challenging conditions for the insurance sector
In 2017 the risk environment became more explosive in several respects. With political representatives increasingly looking to their own interests, the number of open conflicts is rising steadily. Even though military conflicts between various great powers are not likely, the political situation can nonetheless be described as tense. Irrespective of this situation, the financial markets are following the same trends as in previous years. Even if interest rates are being slowly tightened in the United States, the financial markets in Europe continue to be supplied with liquidity. A swift and sharp rise in interest rates is not foreseeable, and the equity and property markets are rising.

The 2017 hurricane season in the United States was one of the worst of recent years, with damage amounting to over USD 200 billion. Climate change is a risk factor that will become increasingly important for insurance companies. Even though insurance premiums remain under price pressure, it is likely the global costs of damage from bad weather will steadily rise, and that this will lead to higher premiums in the medium term. Increasing risk potential can also be seen in cyberattacks. While in recent years the main targets of cyberattacks have been large entities and companies with particular IT exposure, the threat has now also reached even the smallest of companies. There is steadily growing awareness of the danger, but the market still shows no broad acceptance of the corresponding insurance products. In this situation, it is to be feared that over the coming years companies will suffer further increasing, large-scale losses as a result of cyberattacks.

The brokerage market in Switzerland: digitalisation and consolidation trends
In common with other markets, the brokerage market in Switzerland is experiencing the effects of digitalisation. Even though many procedures are still handled manually by brokers, this situation will change dramatically in the future. IGB2B, an interest group, brings together insurance companies, system providers and insurance brokers. Its members have committed to a digitalisation roadmap through to 2020. Provided the timetable does not slip, within a very short space of time the insurance brokerage sector will face a key change of direction involving the redefinition of core processes. The future of the brokerage business is digital, and clients will not be willing to pay their brokers for inefficient processes.

The question arises as to how relatively small brokerage organisations will meet the challenge of digitalisation. Some organisations will probably join forces with larger partners so that they do not have to invest in automated processes themselves. This will also resolve the succession question. The consolidation in the Swiss brokerage market will therefore continue unabated: in 2017 there were once again a number of mergers and acquisitions, affecting some well-known organisations.

Number of Field Staff



"The insurance brokerage market is consolidating. We offer attractive solutions for collaboration to service providers in this industry!"

Adrian Parpan
Managing Director, Würth Financial Services AG

Focal points for Würth Financial Services AG

Adjusting to the developments in digitalisation is one of the focal points for Würth Financial Services AG. In 2017 a project was launched to replace the existing contract management system. The aim of the new system is to create the conditions for being state of the art in the context of automation and digitalisation, and thus establish the technical foundations to be able to make the necessary process adjustments.

A second focal point is the acquisition of small-scale brokers. Last year two organisations transferred their client base to Würth Financial Services AG, and others will follow. The positive experience gained from these integrations will help when it comes to integrating other brokerage organisations in comparable situations into the company's structures. It is intended that part of the company's growth will continue to come from integration of this kind.

In 2017 Würth Financial Services AG invested further in the human resources structure of the individual branches. The headcount increased from 63 to 65. The distribution structure, and thus organic growth, remains the main driver of successful business performance. Our account managers collaborate closely with the specialist teams for the various insurance lines to ensure both the quality of client care and sustained client and revenue growth.

With respect to the individual areas of business, the insurance market remains very soft outside personal insurance. Significant premium savings can be achieved by inviting providers to tender. With regard to the threats from cyberattacks, Würth Financial Services AG has responded and has had specifically tailored cybercrime cover developed in collaboration with an insurance company. This product ensures that the clients of Würth Financial Services AG have straightforward access to cover solutions in this area.

In individual life insurance, low interest rates mean there are practically no attractive products being offered on the market now. Würth Financial Services AG has reduced its activity in this area. There are also significant challenges for providers in group life insurance: pension schemes must find alternative investments because of low interest rates, while underfunded liabilities are emerging because of the rejection of the "2020 pension reform". It is likely that companies will need a great deal more advice on this subject in future. This area will also be one of the key pillars of the future range of services offered by Würth Financial Services AG.

Business performance

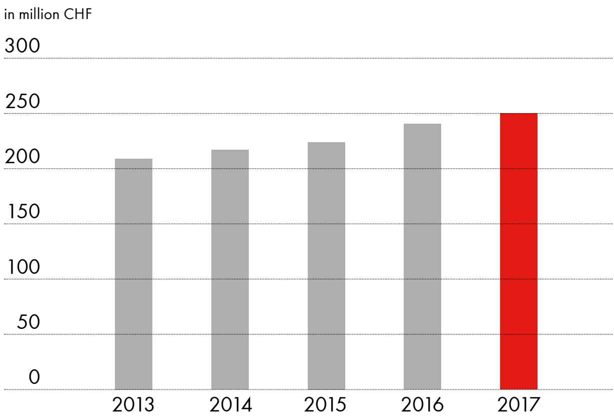
Würth Financial Services AG ended 2017 with record sales. They increased by 4% compared with the previous year. In the same period the volume of insurance premiums rose from CHF 240 million to CHF 250 million. The number of corporate clients also increased to 2,650.

As in the previous year, the Rorschach branch made an above-average contribution to growth. The company drew great benefit from the profile that the Würth Group and the Würth House Rorschach enjoy in eastern Switzerland, where it is regarded as an attractive employer. In terms of clients, staff and sales, this leads to a positive acquisition experience and sustained growth, as is reflected in the key figures for 2017. The units in Urdorf, Lugano and Arlesheim also advanced during 2017 and are very well positioned in terms of their structure.

With regard to the individual areas of business, non-life grew by 6%. This growth is attributable to both organic growth and the acquisition of two brokerage organisations. In group life, an increase in income of 5% was recorded, while individual life registered a 22% drop in income.

On the cost side, personnel costs for sales consultants rose by 7% while remaining stable for non-field staff. The operating result improved by 9% over the previous year, in line with expectations.

Development of Premium Volume Non-Life



Outlook for 2018

One of the important focal points in 2018 for Würth Financial Services AG, besides organic growth, will be integrating more small-scale brokers. This will involve achieving the corresponding growth targets with respect to the number of clients, portfolio volume and the number of staff. Besides the growth target, the focus will be on optimising processes in the shift towards digitalisation and automation. Efforts will be centred on preparations for switching to the new contract management system, which is expected to result in a significant increase in productivity from 2019.

MANAGEMENT WÜRTH FINANCIAL SERVICES AG
from left to right: **Adrian Parpan** (Managing Director) | **Beat Jordan** (Managing Director) | **Luciano Viotto** | **Hansruedi Strotz**

EXTERNAL FINANCIAL SERVICES AT A GLANCE

Core business

The External Financial Services Division operates under the legal entity of Würth Financial Services AG, one of the leading independent providers of pension and insurance services to corporate clients and private persons in Switzerland.

Experienced consultants and highly qualified specialists draw up tailor-made solutions and advise clients on the best choice of pension and insurance products.

Services

- Insurance brokerage for both corporate and private clients
- Management and operation of company occupational pension schemes
- Pension and pension planning for private persons and employees of corporate clients

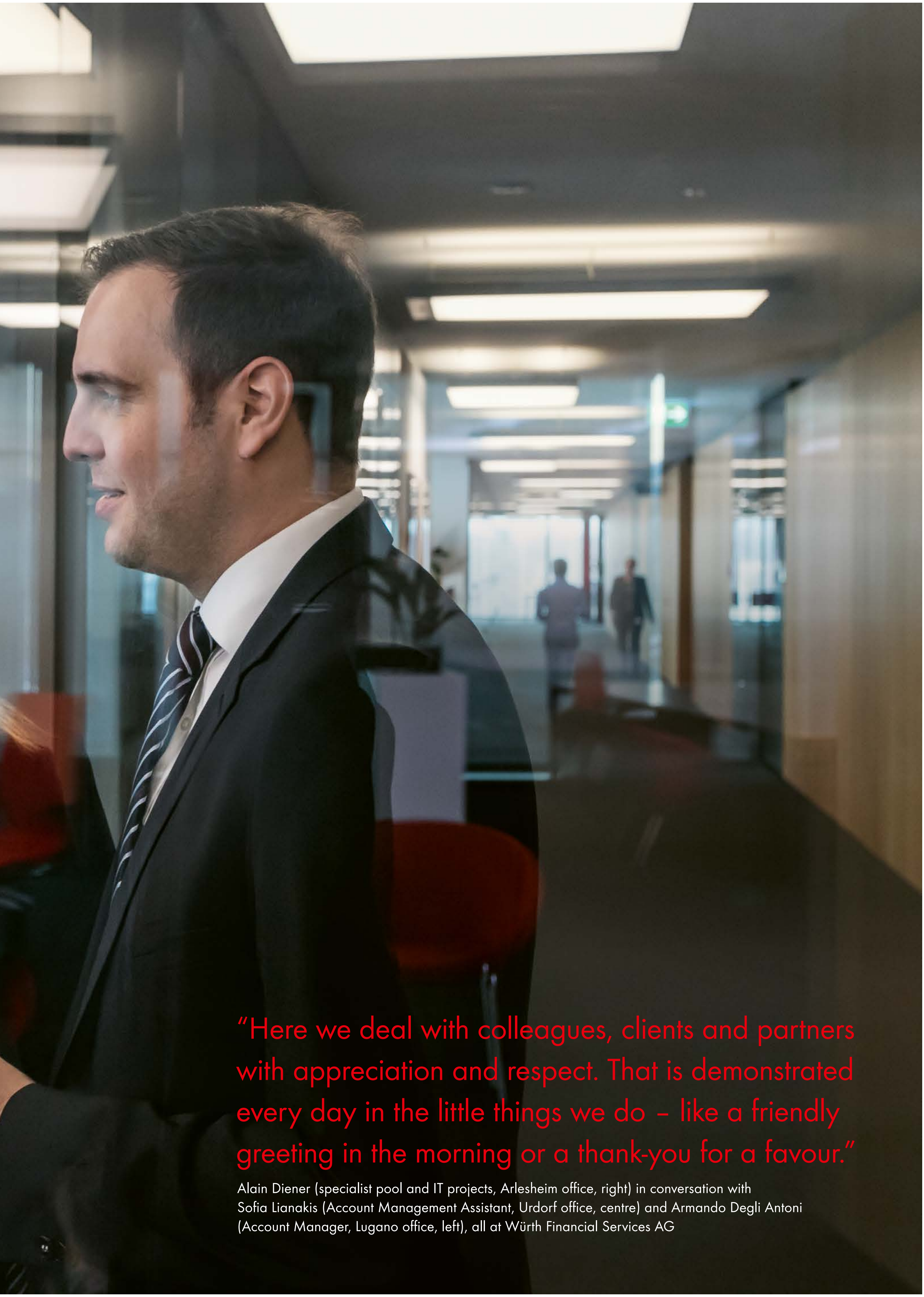
Facts and figures (at 31 December 2017)

Number of corporate clients: 2,650

Premium volume: CHF 250 million

Number of employees: 65 (57 FTE)

Four locations: Rorschach (head office), Urdorf, Lugano, Arlesheim



"Here we deal with colleagues, clients and partners with appreciation and respect. That is demonstrated every day in the little things we do – like a friendly greeting in the morning or a thank-you for a favour."

Alain Diener (specialist pool and IT projects, Arlesheim office, right) in conversation with Sofia Lianakis (Account Management Assistant, Urdorf office, centre) and Armando Degli Antoni (Account Manager, Lugano office, left), all at Würth Financial Services AG

WÜRTH FINANCE GROUP

REPORT ON RISKS AND OPPORTUNITIES

At the Würth Finance Group, entering into, managing and controlling risk are central pillars of its business. The goal is not to eliminate all risks, but to achieve a balanced relationship between risk and return. Potential risks that might have a negative effect on assets, the financial position and the earnings situation are seen in the following three risk categories: market, company and general environment.

Risk and opportunity category – market

Business model: The Würth Finance Group generates around 40% of its revenue through internal counterparties. As a result, there is a direct correlation between its operating result and the course of business of the Würth Group as a whole. At the same time, the company is in competition with external financial services companies. However, because it is part of the Würth Group, the Würth Finance Group enjoys a unique position compared to its rivals, an advantage it has successfully utilised for many years to extend market share.

Financial risks and opportunities: The financial risks of the Würth Group are largely measured, monitored and controlled by the Würth Finance Group. The business activities of the Würth Finance Group expose it to developments in the financial markets. Fluctuations in exchange rates and interest rates affect revenue, as do share price fluctuations and changes in commodity prices, albeit to a lesser extent. Furthermore, credit risks exist on financial assets and contingent liabilities. The Würth Finance Group measures, controls and monitors financial risks by means of a systematic risk management process. Secure auditing and transparency of information are ensured by strictly segregating the functions of the risk-taking and risk-monitoring bodies. In order to control financial risk and optimise income, the Würth Finance Group uses various means, including derivative financial instruments, which are valued and monitored on a daily basis.

Credit risk

The maximum credit risk corresponds to the value of all the financial assets and unused irrevocable credit commitments stated in the annual accounts. In order to minimise credit risks, transactions are conducted only with first-class external counterparties. For each rating level, binding counterparty limits are defined. Their absolute value is subjected to regular critical reviews by the supervisory bodies and adjusted if necessary. ISDA agreements, including a Credit Support Annex that provides for regular offsetting of cash values, are concluded with those external counterparties with whom the Würth Finance Group carries out transactions within the framework of financial risk management. The counterparty risks relating to delcredere business are transferred in full to insurance companies.

Würth intra-group counterparty risks are monitored by Würth Finance International B.V., together with the appropriate member of the Würth Group's Central Managing Board, and granted a credit limit. Any credit risks relating to loans to individual Würth Group companies with negative equity as at 31 December 2017 are covered by letters of comfort from the superordinate parent company.

The credit ratings of the internal and external counterparties and the limitation on aggregated individual party risks are constantly monitored.

Interest rate risk

The Würth Finance Group deems interest rate risk to mean the negative impact on the assets and earnings situation arising from changes in the interest rates for all currencies. A significant proportion of the loans to Würth Group companies are refinanced by fixed-interest bonds with partially similar interest and maturity structures. The maximum willingness to take risks in the interest rate sector is defined by a sensitivity in relation to the equity capital. In the event of adverse changes in the interest rates on the individual currencies by 100 basis points, the maximum loss potential is related to equity. The Würth Finance Group limits the impact of interest rate changes on the equity capital base or on the asset and earnings situation. The Group aims to achieve an equity sensitivity of below 5% over the medium term. Furthermore, the Group makes use of interest derivatives to manage its exposure.

Liquidity risk

The objective of liquidity management is to ensure that the Würth Group is able to meet its payment obligations at all times. The liquidity situation of the Würth Finance Group is monitored by the Treasury Operations department. It collaborates closely with the Central Managing Board of the Würth Group to ensure that the funds needed over the next 12 to 24 months are sourced by the expected cash flow and liquidity reserves.

The high international creditworthiness of the Würth Group (Standard & Poor's has awarded its non-current liabilities an "A" rating) allows the Würth Finance Group to raise liquid funds in the international capital markets on favourable conditions. In order to cover any liquidity needs that may arise even in extraordinary circumstances, the Würth Finance Group also has several credit facilities granted by various banks.

Further information about the risks arising from financial instruments and their management can be found in the notes to the separate financial report on the website (www.wuerthfinance.net under Investor Relations). The expected effects on the results and/or the financial position and the sensitivity analysis can be found in note 19 to the financial statements.

The financial strength of the Würth Finance Group is founded on equity of EUR 313 million, net profit of EUR 28.1 million and assets of EUR 2,535 million (as at 31 December 2017).

Risk and opportunity category – company

Technological risks and opportunities: As the Würth Group's "payment factory", the Würth Finance Group handles large payment volumes, which rely on high-performance IT systems and networks. Consequently, the IT systems and IT security are constantly being enhanced and are monitored via an information security management system. The Würth Finance Group also has a business disaster recovery system: if the information and communications technology (ICT) network were to fail, all Inhouse Banking operations for the Würth Group could resume within just a few hours at another site. The ICT infrastructure is highly scalable, enabling additional business volumes to be dealt with cost-effectively and with a high level of processing quality.

Operational risks and opportunities: The Würth Finance Group deems an operational risk to constitute a risk of loss due to inadequate or failed internal processes, persons or systems, or as a result of external events. The Würth Finance Group's internal control system (ICS) assesses, documents and optimises potential events based on the probability and frequency of their occurrence as well as their impact. The desire to continuously improve the quality, efficiency and safety of core processes – a self-evident aspect of the corporate culture – strengthens the effectiveness of the Würth Finance Group on a sustained basis.

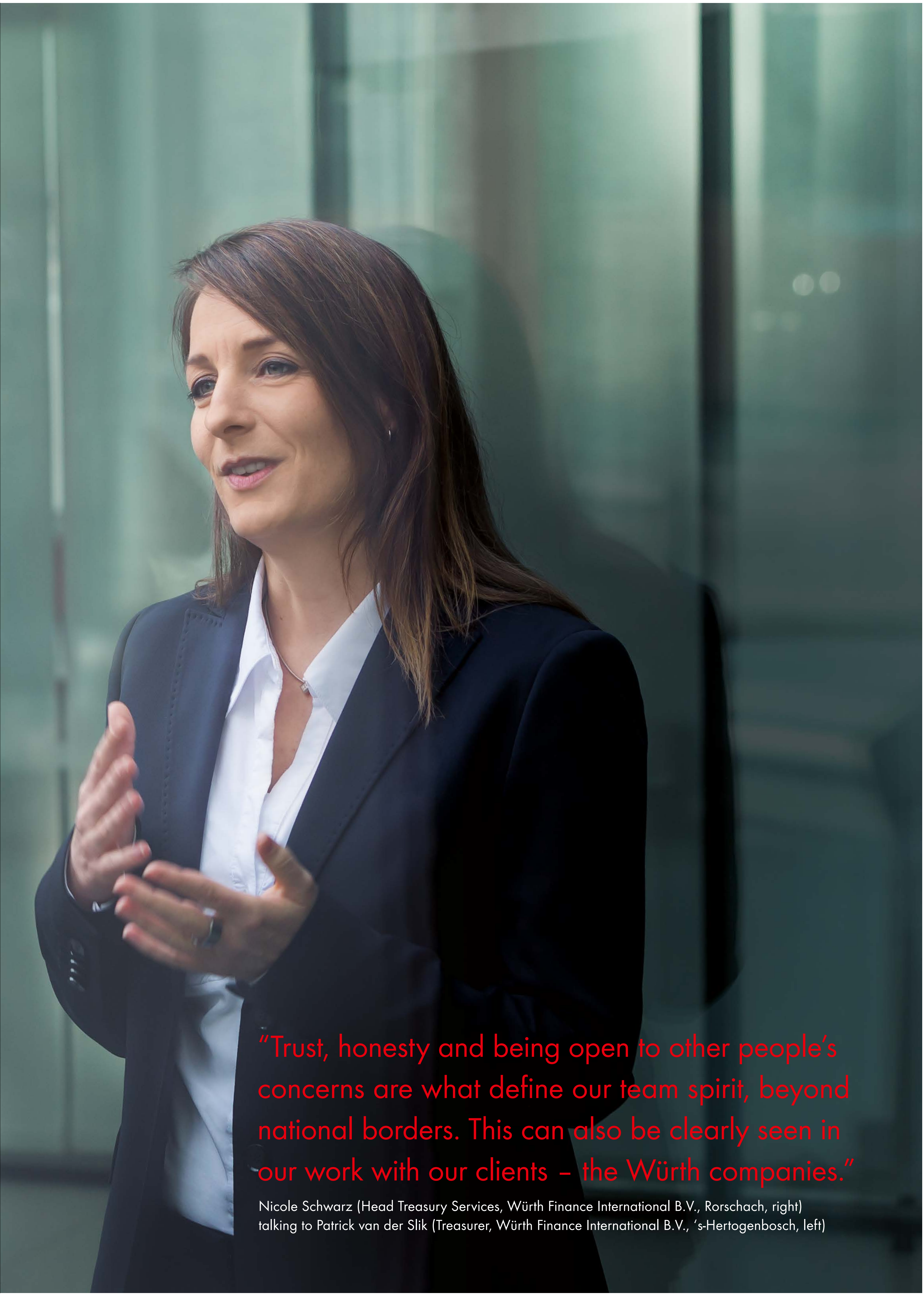
Risk and opportunity category – general environment

Regulatory risks and opportunities: Meeting regulatory requirements is challenging for financial and insurance service providers. Among other things, this entails rules on dealing with employees, with clients and business partners, with data and with authorities. It goes without saying that the Würth Finance Group endeavours to observe and adhere to all rules and regulations applying to its business. It has the necessary critical mass and the organisational set-up to ensure effective and efficient compliance management and to meet the increasing regulatory requirements in the financial and insurance brokerage business.

Overall assessment:
The existing risks are systematically monitored and mitigated by measures which ensure the continuation of the company's activities, and the existing opportunities will enable further profitable growth.

Basic principles of our risk management system

- The Management bears the responsibility for all risks incurred as a result of the company's business activities and seeks to achieve a healthy balance between risk and returns.
- An independent control process forms an integral part of the corporate structure.
- Employees are familiar with and alert to the principal risks specific to their area of activity.
- A central element of risk control is the comprehensive, transparent and objective disclosure of risks to the Group and company Management, owners, supervisory authorities and other stakeholders.
- Revenue is protected on the basis of risk tolerance – i.e. the maximum risk that the Würth Finance Group can bear given its financial and earning power.
- Ultimately, the Würth Finance Group's reputation depends on effective risk management and control.

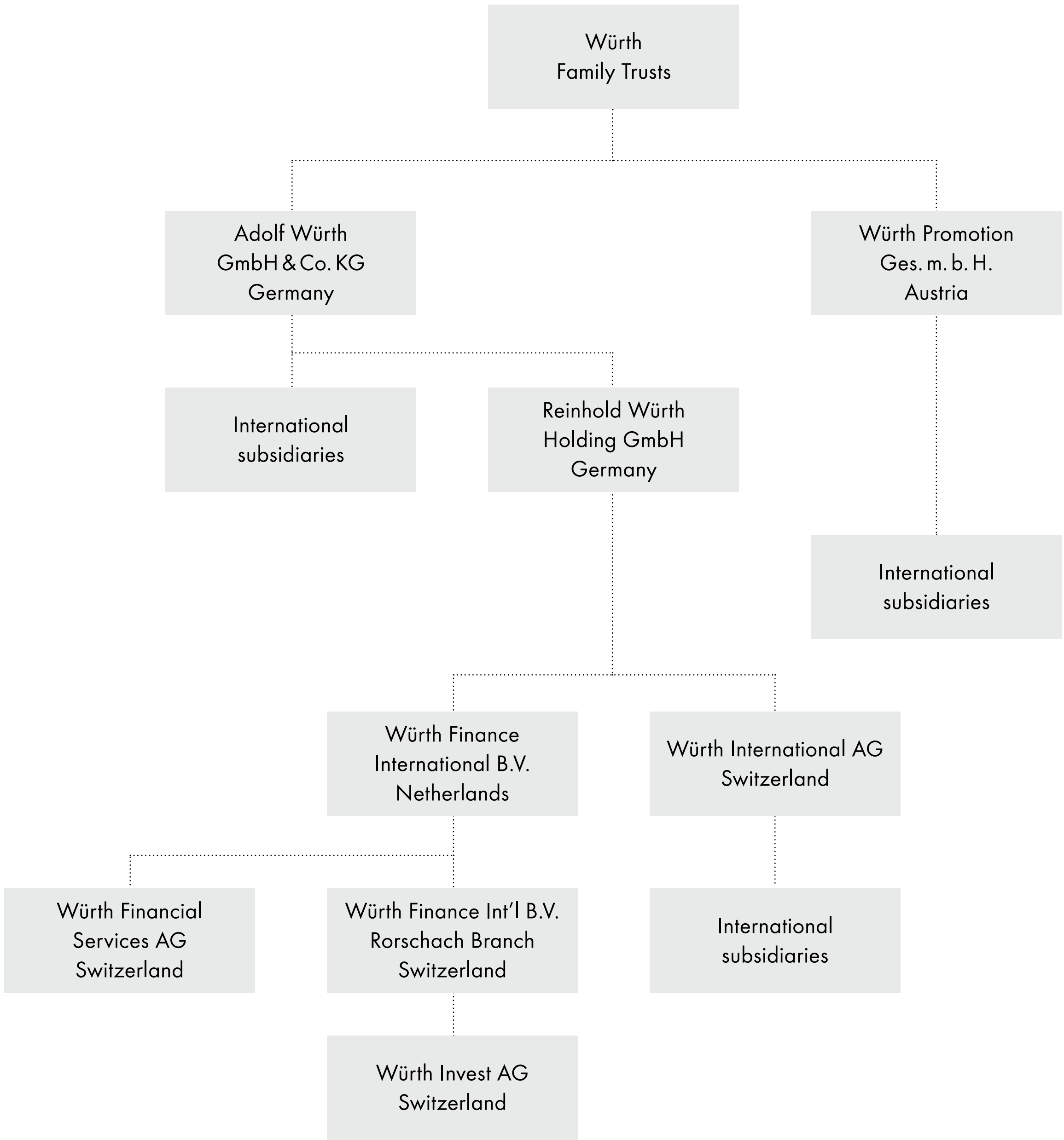


"Trust, honesty and being open to other people's concerns are what define our team spirit, beyond national borders. This can also be clearly seen in our work with our clients – the Würth companies."

Nicole Schwarz (Head Treasury Services, Würth Finance International B.V., Rorschach, right) talking to Patrick van der Slik (Treasurer, Würth Finance International B.V., 's-Hertogenbosch, left)

WÜRTH GROUP

LEGAL STRUCTURE (SIMPLIFIED CHART)



WÜRTH FINANCE GROUP

EXECUTIVE BODIES

(AS AT DECEMBER 2017)

Board of Directors Würth Finance International B.V.		Elected until:
Joachim Kaltmaier (Member of the Central Managing Board of the Würth Group)	Chairman	2018
Dr. Bernd Thiemann (former Chairman of the Management Board of Deutsche Genossenschaftsbank AG)	Member	2018
Dr. Peter Beglinger (Lawyer)	Member	2018
Jürg Michel (Member of the Würth Group Advisory Board)	Member	2018
Andreas Diemant (Member of the Executive Board and Head of the Corporate Banking Division Banque Cantonale Vaudoise)	Member	2020
Prof. Dr. h. c. mult. Reinhold Würth (Chairman of the Supervisory Board of the Würth Group's Family Trusts)	Member	2021
Dieter Gräter (Vice President Finance, Würth-Verwaltungsgesellschaft mbH)	Member	2021
Christoph Raithelhuber	Member	2021

Managing Directors
Würth Finance International B.V.

Björn van Odijk

Roman Fust

Patrik Imholz (until the end of May 2017)

Managing Directors
Würth Financial Services AG

Adrian Parpan

Beat Jordan

Managing Directors
Würth Invest AG

Roman Fust (Delegate of the Board of Directors)

Patrik Imholz

Auditors	
Ernst & Young, Eindhoven / Zurich:	Würth Finance International B.V.
Ernst & Young, Zurich:	Würth Financial Services AG, Würth Invest AG

Internal Auditors	
KPMG, Zurich:	Würth Finance International B.V.
Caminada Treuhand AG, Zurich:	Würth Financial Services AG

WÜRTH FINANCE GROUP

INFORMATION FOR INVESTORS

Outstanding Capital Market Transactions by Würth Finance International B.V. at 31 December 2017:

Bonds				
Notional amount:	Coupon rate:	Issue yield:	Term:	Listing:
EUR 500 m	3.750%	3.86%	25.05.2011 – 25.05.2018	Luxembourg Stock Exchange / ISIN: XS0625977987
EUR 500 m	1.750%	1.76%	21.05.2013 – 21.05.2020	Luxembourg Stock Exchange / ISIN: DE000A1HJ483
EUR 500 m	1.000%	1.04%	19.05.2015 – 19.05.2022	Luxembourg Stock Exchange / ISIN: XS1234248919

All bonds have been granted an "A" rating by Standard & Poor's.

Multi Currency Commercial Paper Programme		
Notional amount:	Coupon rate:	Maturity period:
EUR 500 m	variable	7 days – 2 years

Under this programme, in addition to Würth Finance International B.V., Adolf Würth GmbH & Co. KG can also issue short-term com-mercial paper for up to a cumulative total of EUR 500 million.

The primary objective of the Management of the Würth Finance Group is to create continuous value added for the Würth Group. The Management is responsible for generating adequate risk-adjusted returns. In order to be successful in the long term, the Würth Finance Group needs to generate an overall return that is higher than the risk-adjusted cost of capital.

To this end, we have determined the value added generated during the year under review using the Economic Value Added method[1] (EVA®). The EVA® calculations were based on the audited balance sheets and financial statements of the Würth Finance Group for 2017 and 2016.

In 2017, the Würth Finance Group posted a net operating profit after taxes (NOPAT) of EUR 59.2 million (2016: 55.6 million), representing an increase of approximately 6.4% against the previous year. The average invested capital increased by 6.7% from EUR 1,872 million in 2016 to EUR 1,997 million in 2017, the return on invested capital (ROIC) was unchanged 2.97% (2016: 2.97%).

The risk-free cost of debt capital increased from 0.14% (2016) to 0.38% (2017). The market risk premium decreased from its 2016 level of 10.04% to 9.61% in 2017. Overall this resulted in a decrease in the cost of equity capital to 11.49% (2016: 11.68%).

The cost of debt capital also fell from 1.18% (2016) to 1.08% (2017), reducing the WACC from 2.46% in 2016 to 2.27% in 2017. As a result, the ROIC-WACC spread amounted to 0.70% (2016: 0.51%). Consequently, the Würth Finance Group succeeded in raising the Economic Value Added from EUR 9.6 million (2016) to EUR 13.8 million (2017).

[1] EVA® method; EVA® is a registered trademark of Stern Stewart & Co.

ECONOMIC VALUE ADDED (EVA©)

Economic Value Added (EVA©) in TEUR	2017	2016
Net earnings for the year	28,082	26,378
+ Tax expense	8,664	5,434
+ Interest expense	37,687	37,897
Earnings before Interest and Taxes (EBIT)	**74,433**	**69,709**
+ Conversion depreciation of property, plant and equipment	159	169
+ Conversion hedge accounting	4,353	4,297
EBIT EVA©	**78,945**	**74,175**
– Normalised tax expense (2017: 25% / 2016: 25%)	19,736	18,544
Net Operating Profit After Taxes (NOPAT)	**59,209**	**55,631**
Average current assets (EVA©)	1,483,748	1,306,972
+ Average non-current assets	1,012,033	1,056,949
– Average cash	499,035	492,099
Average invested capital	**1,996,746**	**1,871,822**
Return on Invested Capital (ROIC)	**2.97%**	**2.97%**
Average cost of debt capital [1]	1.43%	1.57%
– Normalised tax rate (2017: 25% / 2016: 25%)	0.36%	0.39%
Cost of debt capital after tax	**1.08%**	**1.18%**
Risk-free cost of capital [2]	0.38%	0.14%
+ Risk premium market [3]	9.61%	10.04%
+ Risk premium Würth Finance International B.V.	1.50%	1.50%
Cost of equity capital	**11.49%**	**11.68%**
Weighted Average Cost of Capital ($WACC_T$)	**2.27%**	**2.46%**
ROIC-$WACC_T$ spread	**0.70%**	**0.51%**
Economic Value Added (EVA©)	**13,830**	**9,577**

EVA©	Economic Value Added
EBIT	Earnings Before Interest and Taxes
NOPAT	Net Operating Profit After Taxes
ROIC	Return on Invested Capital
$WACC_T$	Weighted Average Cost of Capital

[1] Effective cost of capital according to the "amortised cost" method
[2] 10-year German government bonds (source: Bloomberg; country risk premium CRP evaluation)
[3] Implied anticipated market return euro area minus risk-free cost of debt capital (data: IBES International Inc.; source: Bloomberg; country risk premium CRP evaluation/corresponding index: Dow Jones EURO STOXX)

WÜRTH FINANCE GROUP

EXCERPT FROM THE FINANCIAL STATEMENTS 2017

Consolidated Balance Sheet
at 31 December Before Appropriation of Profits

ASSETS

in TEUR	2017	2016
Non-current assets		
Intangible assets		
Software	996	891
Property, plant and equipment		
Operating equipment and furnishings	509	357
Financial assets		
Loans to associated companies	944,422	973,135
Other financial assets	44,500	54,500
Deferred tax assets	2,259	2,496
Total non-current assets	**992,686**	**1,031,379**
Current assets		
Receivables from associated companies	973,117	737,409
Loans to family trusts	14,000	18,000
Positive fair values of derivative instruments	8,102	4,649
Other receivables	2,658	2,835
Income tax receivables	2,860	4,299
Accrued income and prepaid expenses	5,092	5,507
Securities held for trading	96,939	74,742
Cash and cash equivalents	439,428	577,859
Total current assets	**1,542,196**	**1,425,300**
Total assets	**2,534,882**	**2,456,679**

EQUITY AND LIABILITIES

Shareholders' equity		
Capital subscribed and paid in	16,000	16,000
Additional paid-in capital	5,000	0
Retained earnings	264,103	259,697
Foreign exchange difference	115	-7
Net profit for the year	28,082	26,378
Total shareholders' equity	**313,300**	**302,068**
Non-current liabilities		
Bonds issued	995,944	1,494,248
Liabilities for pension plans	4,230	4,518
Payables to banks	0	4,650
Deferred tax liabilities	18	0
Total non-current liabilities	**1,000,192**	**1,503,416**
Current liabilities		
Bonds issued	499,726	0
Payables to associated companies	671,628	601,295
Payables to banks	5,848	8,720
Provisions for taxes	7,538	2,396
Negative fair values of derivative instruments	4,199	6,774
Other liabilities	12,769	12,184
Accrued expenses and deferred income	19,682	19,826
Total current liabilities	**1,221,390**	**651,195**
Total equity and liabilities	**2,534,882**	**2,456,679**

Consolidated Income Statement for the Year Ended 31 December

in TEUR	2017	2016
Operating income		
Interest income	59,303	72,932
Interest expenses	-54,887	-68,411
Net interest income	**4,416**	**4,521**
Income from factoring activities	14,755	12,899
Income from commission and service fee activities	32,983	29,880
Income from trading activities and financial instruments	9,553	8,837
Other ordinary income	3,959	4,858
Total operating income	**65,666**	**60,995**
Operating expenses		
Personnel costs	-16,545	-17,032
Other administrative expenses	-11,876	-11,679
Depreciation and amortisation	-435	-462
Other ordinary expenses	-64	-10
Total operating expenses	**-28,920**	**-29,183**
Profit before taxes	**36,746**	**31,812**
Corporate taxes	-8,028	-4,836
Deferred taxes	-636	-598
Net profit for the year	**28,082**	**26,378**

Consolidated Statement of Comprehensive Income for the Year Ended 31 December

in TEUR, net of tax	2017	2016
Profit for the year	**28,082**	**26,378**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign exchange difference	122	91
Net (loss)/gain on cash flow hedges	-1,513	0
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
IAS 19 obligation	-409	249
Other	0	187
Other comprehensive income for the year (OCI)	**-1,800**	**527**
Total comprehensive income for the year	**26,282**	**26,905**

Consolidated Cash Flow Statement for the Year Ended 31 December

in TEUR	2017	2016
Net profit for the year	**28,082**	**26,378**
Depreciation and amortisation	435	462
Adjustment to provision for taxes	5,142	-53
Decrease (increase) in deferred tax assets	237	-353
Increase (decrease) in deferred tax liabilities	18	-1
Other expenses and revenues without cash flows	27,933	-6,812
(Increase) decrease in operating assets		
Receivables from associated companies	-231,708	-91,773
Positive fair values of derivative instruments	-3,453	6,975
Income tax receivables	1,439	281
Other receivables and accrued income and prepaid expenses	592	-978
Increase (decrease) in operating liabilities		
Payables to associated companies	70,333	168,371
Negative fair values of derivative instruments	-2,575	6,680
Other liabilities and accrued expenses and deferred income	441	1,876
Net cash flows from operating activities	**-103,084**	**111,053**
Purchase of property, plant and equipment and intangible assets	-704	-521
Disposal of property, plant and equipment and intangible assets	35	16
Purchase of securities	-47,695	-24,460
Disposal of securities	21,214	21,396
Redemption of long-term loans to associated companies	360,600	275,501
Lending of long-term loans to associated companies	-356,255	-227,667
Sales of other financial assets	10,000	10,000
Net cash flows from investing activities	**-12,805**	**54,265**
Dividends paid	-20,050	-20,505
Contribution	5,000	0
Net cash flows from financing activities	**-15,050**	**-20,505**
Foreign exchange difference	30	-33
Net increase (decrease) in cash and cash equivalents	**-130,909**	**144,780**
Net cash and cash equivalents at the beginning of the year	**564,489**	**419,709**
Net cash and cash equivalents at the end of the year	**433,580**	**564,489**
Net increase (decrease) in cash and cash equivalents	**-130,909**	**144,780**
Taxes paid	**1,779**	**5,394**
Interest received*	**69,465**	**83,820**
Interest paid	**-51,848**	**-73,025**

The funds for this cash flow statement are represented by cash and cash equivalents (net).
*2016 numbers are restated in line with 2017 overview.

Consolidated Statement of Changes in Equity for the Year Ended 31 December

in TEUR	Capital	Additional paid-in capital	Retained earnings	Currency adjustment	Total
At 1 January 2016	16,000	0	280,050	-98	295,952
Net profit for the year	0	0	26,378	0	26,378
Other comprehensive income	0	0	436	91	527
Total comprehensive income for the year	**0**	**0**	**26,814**	**91**	**26,905**
Dividends paid	0	0	-20,789	0	-20,789
At 31 December 2016	**16,000**	**0**	**286,075**	**-7**	**302,068**
At 1 January 2017	16,000	0	286,075	-7	302,068
Net profit for the year	0	0	28,082	0	28,082
Capital contribution	0	5,000	0	0	5,000
Other comprehensive income	0	0	-1,922	122	-1,800
Total comprehensive income for the year	**0**	**5,000**	**26,160**	**122**	**31,282**
Dividends paid	0	0	-20,050	0	-20,050
At 31 December 2017	**16,000**	**5,000**	**292,185**	**115**	**313,300**

Würth Finance International B.V. has authorised share capital of EUR 80,000,000 consisting of 160,000 share certificates with a nominal value of EUR 500. Of this authorised share capital, 32,000 share certificates have been subscribed and fully paid in, corresponding to EUR 16,000,000.

In 2017, a dividend of TEUR 20,050 (EUR 627 per share) was paid for financial year 2016.

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