

Report of the Board of Directors

WÜRTH FINANCE INTERNATIONAL B.V.

Dear Ladies and Gentlemen, Dear Readers

During financial year 2018 the Board of Directors of Würth Finance International B.V. performed its duties in accordance with the law and the company's articles of association, monitored the performance of the company and advised 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 provided in timely manner and enabled a detailed insight into business operations. The Board of Directors was also informed promptly of all potential opportunities and risks. In this respect 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 co-operation 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 trading activities and all on and off-balance sheet exposures.

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

The Würth Group recorded growth of 7.1% to EUR 13,623 million in financial year 2018; after adjusting for exchange rate effects, the plus was 8.6%. This growth was broadly based across regions, while e-business sales registered above-average growth of 25% for 2018. The Group's growth was reflected in rising business volumes and revenue for Würth Finance International B.V.

The euro weakened somewhat against the Swiss franc, trading at CHF 1.13 as at the end of 2018. This development, however, had only a minor negative impact on the results for the Swiss branch of Würth Finance International B.V. In a financial market environment that remained challenging, the company effectively performed its duties as the Würth Group's competence centre for financing 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 addition, Würth Finance International B.V. synchronously replaced a bond that matured on 25 May 2018 with a EUR 500 million bond issue with a term of seven years, thereby strengthening the Würth Group's liquidity reserves on attractive terms. Overall, consolidated adjusted profit before taxes of Würth Finance International B.V. was increased to a record of EUR 46 million.

The 2018 consolidated financial statements along with the separate 2018 financial statements of Würth Finance International B.V. have been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS). Ernst & Young audited these financial statements and issued an unqualified audit opinion in both cases. 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.



BOARD OF DIRECTORS

from left to right: **Dr. Bernd Thiemann** (former Chairman of the Board of Deutsche Genossenschaftsbank AG) | **Christoph Raitelhuber** | **Jürg Michel** (Member of the Würth Group Advisory Board) | **Prof. Dr. h. c. mult. Reinhold Würth** (Chairman of the Supervisory Board of the Würth Group's Family Trusts) | **Joachim Kaltmaier** (Member of the Central Managing Board of the Würth Group) | **Dieter Gräter** (Vice President Finance, Würth-Verwaltungsgesellschaft mbH) | **Mag. Michel Haller** (Chairman of the Board of Hypo Vorarlberg Bank AG)

At the Annual General Meeting on 18 April 2018, Dr. Peter Beglinger (on the Board of Directors since 02 April 1998) and Andreas Diemant (on the Board of Directors since 24 April 2012) resigned and left the Board of Directors at their own request. The Board of Directors would like to thank them both for their valued expert assistance and their many years of work in the service of Würth Finance International B.V. Mag. Michel Haller, Chairman of the Board of Hypo Vorarlberg Bank AG, and Wolfgang Kirsch were appointed as successors (the latter taking up his post as at 01 January 2019 after his tenure as Chairman of the Board of DZ Bank AG finished at the end of 2018).

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.

Würth Finance International B.V. celebrated its 40th anniversary in 2018. Following the Board of Directors meeting on 19 July 2018, employees, the members of the Board of Directors and honorary guests from the founding family looked back over a corporate history characterised by consistent growth.

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 results 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.