

Würth Finance International B.V.

REPORT OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen, Dear Readers

During financial year 2019, 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 fashion 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. 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 to the meetings of the Board of Directors. They reported in connection with risk management on the quarterly audits they performed on selected audit areas, with a particular emphasis on the reliability of the internal control systems used by the company.

The Würth Group recorded sales growth of 4.8% to EUR 14,270 million in financial year 2019; after adjusting for exchange rate effects, the increase was 4.2%. Sales trends were unusually heterogeneous in 2019, as can be seen from the divergent performances of the individual regions and individual business units of the Würth Group. E-business sales experienced above-average growth, coming in at EUR 2,600 million and increasing their share of total Group sales to 18.3%. 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 1.085 as at the end of 2019. However, this depreciation had only a minor negative impact on the results of the Swiss branch of Würth Finance International B.V. In a financial market environment that remained challenging, the company performed its duties as the Würth Group's competence centre for financing and cash management effectively. In the current negative interest rate environment, the Management placed a high priority on the optimum management of liquidity reserves in euros and Swiss francs. Overall, consolidated profit before taxes rose to a record EUR 52.8 million.



BOARD OF DIRECTORS

from left to right: **Dr. Bernd Thiemann** (former Chairman of the Board of Deutsche Genossenschaftsbank AG) | **Christoph Raitelhuber** | **Dieter Gräter** (Vice President Finance, Würth-Verwaltungsgesellschaft mbH) | **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 Foundations) | **Joachim Kaltmaier** (Member of the Central Managing Board of the Würth Group) | **Wolfgang Kirsch** (former Chief Executive Officer of DZ Bank AG) | **Mag. Michel Haller** (Chief Executive Officer of Hypo Vorarlberg Bank AG)

The 2019 consolidated financial statements, along with the separate 2019 financial statements of Würth Finance International B.V., have been prepared in accordance with International Financial Reporting Standards (IFRS). The auditors Ernst & Young audited these financial statements and issued an unqualified audit opinion in both cases. The financial statements and the audit report by Ernst & Young 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) stipulates that at least 30% of the members of boards of directors should be women. Würth Finance International B.V. does not currently meet this requirement. The company will take the prescribed gender quota into account as far as possible 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 that they achieved in the last 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 for 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.