

Würth Finance International B.V.

REPORT OF THE BOARD OF DIRECTORS

Dear readers

During financial year 2020, 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. Two of these four meetings took place by way of videoconference, the form of which was legitimised by the temporary Dutch emergency law (Tijdelijke wet COVID-19 Justitie en Veiligheid). This reporting also included 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 context, 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 set by the Board of Directors for measuring, managing and monitoring market, credit and liquidity risk in relation to the Group balance sheet and trading activities.

As in the previous years, 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, which had been discussed and decided upon beforehand by the Board of Directors. There was a particular emphasis on the reliability of the internal control systems used by the company.

The Würth Group recorded sales growth of 0.9% to EUR 14,410 million in financial year 2020, based on preliminary figures. Sales developed surprisingly positively – after a massive 21% year-on-year slump in April caused by COVID-19. In the second half of the year, this shortfall was made up despite a second wave of the pandemic, so that total sales were slightly above their 2019 level. Thanks to immediate measures on the cost side, the operating result was also on a par with the previous year. The measures taken also led to a huge reduction in the Würth Group's net debt. This reduction in debt and the build-up of liquidity, also as a result of the successful issue of a new EUR 750 million bond in May 2020, were also reflected in declining interest income at Würth Finance International B.V.

In a financial market environment that remained challenging, the company performed its duties effectively 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 optimum management of liquidity reserves in euros and Swiss francs. Taking into consideration an impairment for credit losses on loans and receivables to related parties of EUR 8.6 million in accordance with IFRS 9, consolidated profit before taxes of the Würth Finance Group amounted to EUR 42.4 million.

Board of Directors



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



Dieter Gräter
Vice President Finance, Würth-Verwaltungsgesellschaft mbH



Mag. Michel Haller
Chief Executive Officer of Hypo Vorarlberg Bank AG



Wolfgang Kirsch
Former Chief Executive Officer of DZ Bank AG



Christoph Raithelhuber



Dr. Bernd Thiemann
Former Chairman of the Board of Deutsche Genossenschaftsbank AG

The additional challenges of staff working from home were also successfully overcome. This was thanks to the technical prerequisites that were already in place, also with regard to safety requirements. In this way, the company remained operational at all times.

The 2020 consolidated Financial Statements, along with the separate 2020 Financial Statements of Würth Finance International B.V., have been prepared in accordance with International Financial Reporting Standards (IFRS). The auditor Ernst & Young audited the annual accounts and issued an unqualified audit opinion. 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 for 2020.

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.

Following the unexpected death of Jürg Michel, Ralf Schaich was elected as his successor with effect from 1 January 2021 at the extraordinary shareholders' meeting on 17 December 2020.

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 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.

In memory of Jürg Michel

Jürg Michel, member of the Board of Directors, sadly passed away at the age of 69 on 11 October 2020.

Jürg Michel joined Würth Finanz AG in 1991 (since 1994 Würth Finance International B.V., headquartered in 's-Hertogenbosch, with a branch in Switzerland) and, as Managing Director, helped bring the company to its present size with his incredible expertise, prudence and foresight.

He was a constant supporter and visionary pioneer for Würth Financial Services AG and Würth Invest AG – the two other companies of the Würth Finance Group – since their foundation in 2003.

Jürg Michel was a member of the Central Managing Board of the Würth Group from January 2010 to June 2013. He made a valuable contribution to the Board with his great expertise in strategic financial matters and was responsible for the business operations of the Würth Line in China during this period. After leaving the Central Managing Board, the Supervisory Board of the Würth Group's Family Trusts appointed him to the Advisory Board of the Würth Group in 2014. He also held various Supervisory Board and Board of Directors mandates within the Würth Group. In particular, he intensively supported Würth Management AG, Internationales Bankhaus Bodensee AG and all Würth Group companies in Switzerland.

With great respect for his achievements and deep gratitude for his loyalty to the Würth family as well as to the entire Würth Group, we remember Jürg Michel and recall his friendliness, modesty and humour. His high level of professionalism – embodying the Würth values in everything he did – made him a role model for the entire Würth Group. Jürg Michel was not just an esteemed colleague, many of us have also lost a friend.

We will honour his memory.



Joachim Kaltmaier

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