



Annual Report 2002  
Würth Finance International B.V.



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# Würth Finance International B.V.

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## Professional Financial Services for the Würth Group

- Würth Finance International B.V. is the in-house bank of the Würth Group, a leading multi-national corporation in the field of assembly and fastening technology
- The Würth Group currently does business through 270 companies in 80 countries (as per 31.12.2002)
- In its core business, Würth Finance International B.V. carries the responsibility for:
  - the concentration and optimisation of the world-wide payment flows
  - the management of financial risks
  - group financing and
  - investor relations
- In collaboration with the Group's Purchasing Managers, Würth Finance International B.V. offers credit guarantee services to all the suppliers of the Würth Group
- In close co-operation with the operating companies, the employees ensure at all times the availability of the necessary liquidity and the optimum usage of the funds
- Engagement, professionalism, global thinking, friendliness and honesty characterize the corporate culture of Würth Finance International B.V. and form the basis of a trusting and co-operative relationship with the customers and business partners



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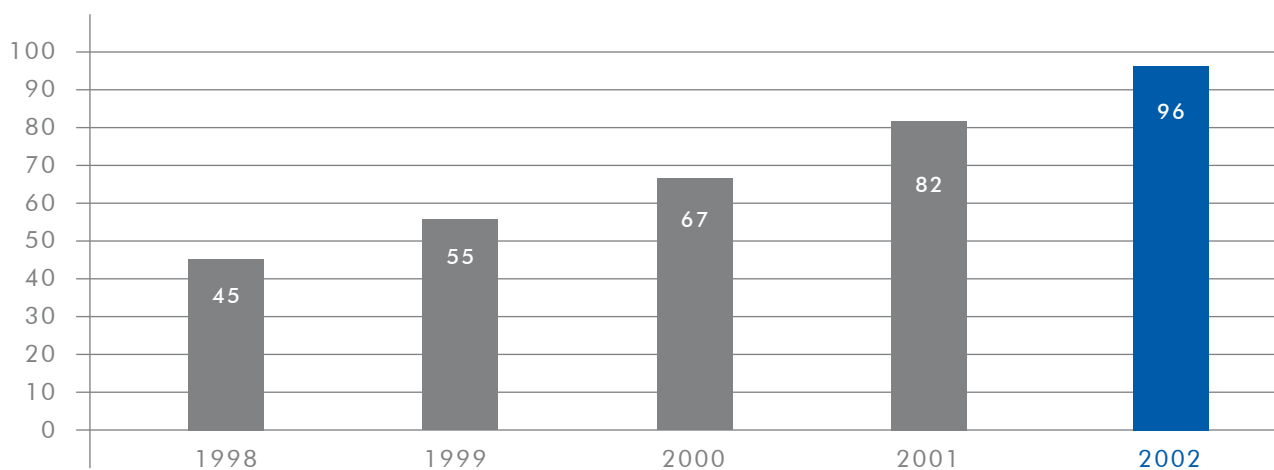
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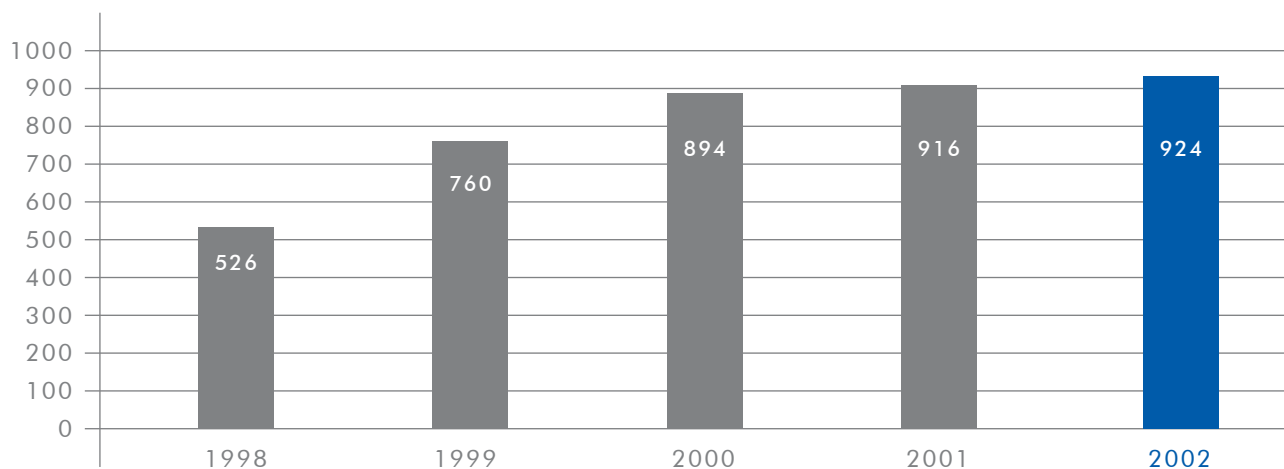
*New building of Würth Nederland B.V.;  
Headquarters of Würth Finance International B.V. in 's-Hertogenbosch NL*

# Key figures from the financial statements

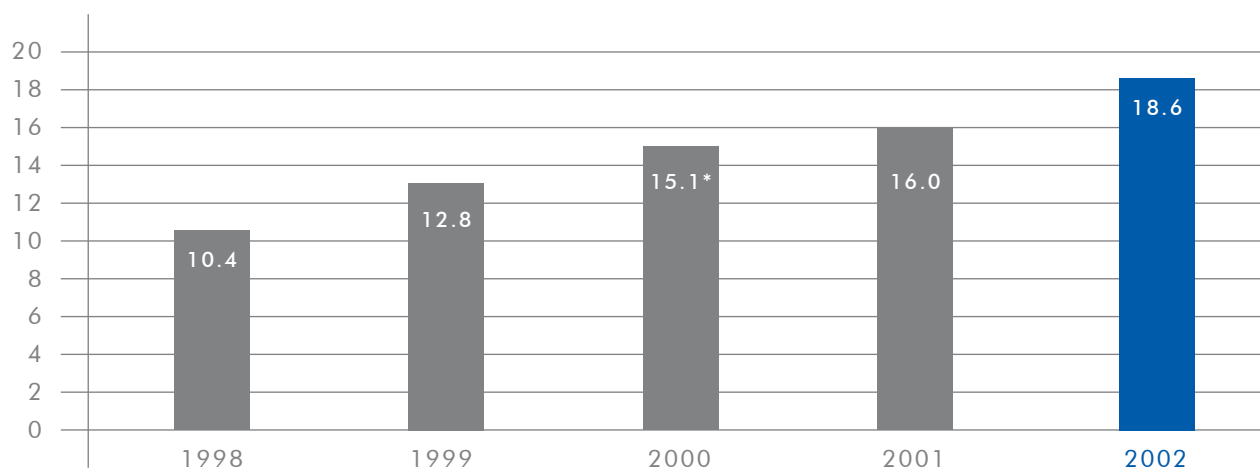
Equity in millions of EUR



Balance sheet total in millions of EUR



Profit before tax in millions of EUR



\* from 2000: International Financial Reporting Standards (IFRS)

# Information for investors

The primary objective of the business activities of Würth Finance International B.V. is to create sustainable value-added for the Group. The Management is responsible for generating adequate risk-adjusted returns. In order to achieve long-term success, Würth Finance International B.V. needs to generate an overall return that is higher than the risk-adjusted cost of capital.

For this purpose, in the analysis below, which has been drawn up in accordance with the EVA method (Economic Value Added), we have adjusted the reported net income of EUR 14.1 million by the costs of capital which in our opinion would arise for Würth Finance International B.V. in the market. Assuming a cost rate of 13.51% for the equity capital, in 2002 the business activities of Würth Finance International B.V. generated a value-added of EUR 3.5 million.

## Economic Value Added (EVA) 2002 in millions of EUR

Net income	14.1
+ Tax expenditure and interest expenses	42.7
<b>Earnings before interest and taxes (EBIT)</b>	<b>56.8</b>
. /. Normalised tax rate (24%)	13.6
<b>Net operating profit after taxes (NOPAT)</b>	<b>43.1</b>
Average long-term assets	529.7
+ Average short-term assets	388.7
./. Average cash	35.2
<b>Average invested capital</b>	<b>883.2</b>
<b>Return on average invested capital (ROIC)</b>	<b>4.88%</b>
Average cost of debt capital <sup>1</sup>	4.33%
./. Normalised tax rate (24%)	1.04
<b>Cost of debt capital after tax</b>	<b>3.29%</b>
Risk-free rate <sup>2</sup>	4.05%
+ Market risk premium <sup>3</sup>	7.46%
+ Risk premium Würth Finance International B.V.	2.00%
<b>Cost of equity capital</b>	<b>13.51%</b>
<b>Weighted average cost of capital (tax adjusted) (WACC<sub>T</sub>)</b>	<b>4.49%</b>
<b>ROIC-WACC<sub>T</sub>-spread</b>	<b>0.40%</b>
<b>Economic value added 2002 (EVA)</b>	<b>3.5</b>

EVA Economic Value Added

EBIT Earnings Before Interest and Taxes

NOPAT Net Operating Profit After Taxes

ROIC Return on Invested Capital

WACC<sub>T</sub> Weighted Average Cost of Capital (tax adjusted)

<sup>1</sup> Actual cost of capital according to the „Amortised Cost“ method

<sup>2</sup> 10-year German government bond (source: Bloomberg)

<sup>3</sup> Implied anticipated market return Euroland - Risk-free rate (data: IBES International Inc., source: Bloomberg); Assumption: Beta factor of the Würth Group = 1

# Information for investors

Outstanding bonds of Würth Finance International B.V. per 31.12.2002:

<b>Notional amount:</b>	<b>Coupons rate:</b>	<b>Period:</b>	<b>Exchange:</b>
DEM 200 million	6.375%	25.3.1996 - 25.3.2003	Frankfurt Stock Exchange ISIN: DE0001317402
USD 100 million	6.875%	1.10.1997 - 1.10.2004	Luxembourg Exchange ISIN: XS0080463010
CHF 100 million	3.75%	15.4.1997 - 15.4.2005	Swiss Exchange ISIN: CH0006044009
EUR 150 million	4.125%	21.6.1999 - 21.6.2006	Frankfurt Stock Exchange ISIN: DE0003085551
CHF 150 million	4%	21.2.2001 - 21.2.2008	Swiss Exchange ISIN: CH0011791628

All bonds are rated „A“ by Standard & Poor’s and Fitch.



*Küsnacht/Zürich Branch*

# Report of the Chairman of the Board of Directors



*Dr. Walter Jaeger*

## **Ladies and Gentlemen, Dear Readers**

During the 2002 fiscal year, the Management of Würth Finance International B.V. reported to the Board of Directors on the development and current situation of the company, as well as on important events and significant business transactions. The Board of Directors monitored the Management in accordance with both legal and statutory regulations and made decisions relating to business matters requiring its approval. This year, too, the collaboration with the Management was extremely constructive, with all the required information being made available promptly and in detail.

In the course of the four Board meetings held during the year, the two auditing companies, Ernst & Young and Caminada AG, alternately reported on the quarterly audits carried out. Neither the auditors' reports nor those of the internal controlling department gave rise to any objections and they confirmed that the company had been managed in a proper manner.

The financial statements for 2002, which were drawn up in accordance with the International Financial Reporting Standards (IFRS), were audited by Ernst & Young and granted an unqualified audit certificate. The auditor's report on the result of its audit was examined by the Board of Directors and discussed in detail. The Board raised no objections to the audit report and approved the financial statement for 2002.

The 2002 business year was marked by the terrorist attacks at the end of 2001 and their repercussions. Against a backdrop of a stagnating to recessive economy and the turbulent developments in the international financial markets, both the Management and employees of Würth Finance International B.V. succeeded in achieving a superlative result, which far surpassed that of the previous year. While this pleasing development is to some extent connected with the growth of the Würth Group, it is primarily attributable to the fact that our business activities are consistently geared towards providing first-class quality and security.

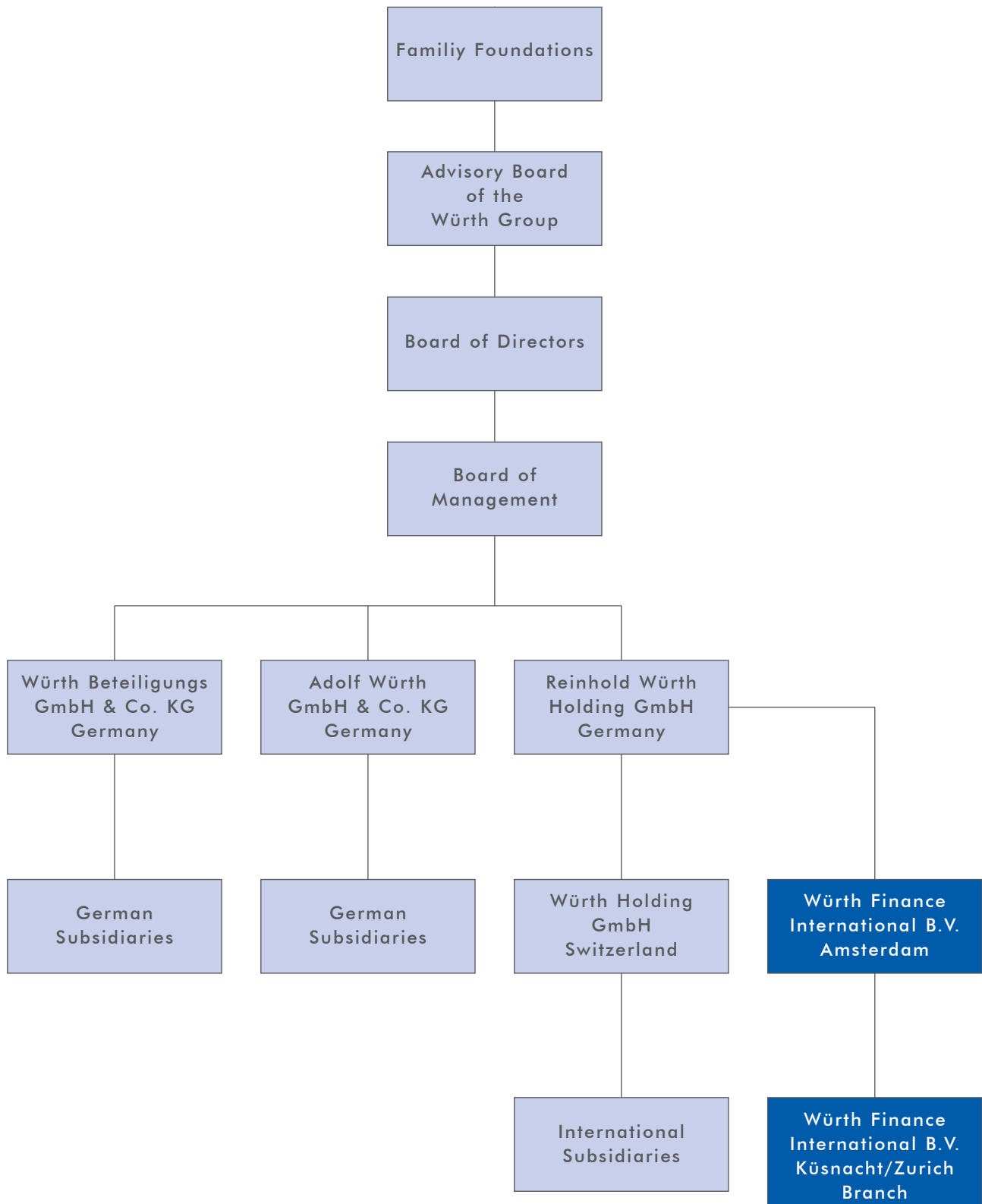
The Board of Directors would like to congratulate the Management and all the staff of Würth Finance International B.V. on the excellent business results achieved in the past business year. At the same time it would like to thank everyone concerned for all their efforts to the benefit of the company.

Künzelsau, April 9, 2003

A handwritten signature in black ink, appearing to read 'W. Jaeger', written in a cursive style.

**Dr. Walter Jaeger**  
Chairman of the Board of Directors  
of Würth Finance International B.V.  
Chairman of the Board of Directors  
of the Würth Group

# Structure of the Würth Group



# Executive bodies

## Board of Directors

- |  |                 |
|--|-----------------|
| • <b>Dr. Walter Jaeger</b><br>Spokesman of the Board of Directors of the Würth Group         | <b>Chairman</b> |
| • <b>José C. Viana</b>   | <b>Delegate</b> |
| • <b>Prof. Dr. h. c. Reinhold Würth</b><br>Chairman of the Advisory Board of the Würth Group | <b>Member</b>   |
| • <b>Dieter Gräter</b><br>Vice President, Finance, Adolf Würth GmbH & Co. KG                 | <b>Member</b>   |
| • <b>Dr. Peter Beglinger</b><br>Attorney at law, Beglinger Holenstein Rechtsanwälte          | <b>Member</b>   |
| • <b>Christoph Raithelhuber</b><br>Director, Bank von Ernst & Cie. AG                        | <b>Member</b>   |
| • <b>Dr. Felix Zumbach</b><br>Director, UBS AG, Zurich                                       | <b>Member</b>   |

## Management

- |                              |                                |
|------------------------------|--------------------------------|
| • <b>Jürg Michel</b>         | <b>Managing Director NL/CH</b> |
| • <b>Sjifong A. Djotirto</b> | <b>Managing Director NL</b>    |

## Auditors

- |                                       |
|---------------------------------------|
| • <b>Ernst &amp; Young, Amsterdam</b> |
|---------------------------------------|

## Internal Auditors

- |                                       |
|---------------------------------------|
| • <b>Caminada Treuhand AG, Zurich</b> |
|---------------------------------------|



*Management, Küsnacht/Zürich Branch*

# Report of the Management on the 2002 fiscal year



*Jürg Michel*



*Sijifong A. Djotirto*

**Dear Business Partners,  
Dear Readers,**

The corporate culture of the Würth Group is characterised by its link between art and architecture and its business activities. The Würth collection of works of art contains some of the most beautiful works of contemporary art. In order to give staff access to these works, museums have been established on the premises of the various Würth companies all over the world, where these masterpieces can be admired. Moreover, a key feature of the Group companies' head offices is their architecture. The workplaces of their employees are distinguished by unusual forms and inspiring façades, as well as inviting, friendly, light and airy rooms. In addition, the Kunsthalle Würth - shown on the cover of this annual report - provides an attractive setting for the display of modern art for public audience.

At Würth Finance International B.V., too, art and architecture constitute motivating design elements of its corporate culture. Our staff are given the opportunity to encounter the world of

art and culture by, for example, organising visits to cultural events and promoting young, unknown artists and local cultural institutions.

A visual link between art and architecture is provided by the spectacular exterior views of world-famous museums housing significant works of art, which form the pictorial framework of this year's Annual Report of Würth Finance International B.V.

## **The economic development of the Würth Group**

The world economy has still not managed to find its way out of the stagnation phase, which began during the 2001 business year. While companies have continued to hold back on investments, excess capacity still exists, which weighs heavily on income statements and stock exchange prices. In Europe, particularly in Germany, lower tax revenue has resulted in a sharp rise in government deficits and is also forcing governments to restrict expenditure, which in turn impedes growth. In addition, this negative environment has shaken consumer confidence, with the result that private consumption is also currently unable to stimulate growth.

In 2002, thanks to a substantial 14% expansion of its sales personnel, the Würth Group succeeded in increasing its consolidated sales by 1.7% to EUR 5.35 billion. Gratifyingly, according to provisional figures, the Group managed to increase its pre-tax operating result by 4% to EUR 281 million by consistently imposing a recruitment freeze in internal departments and focusing on stepping up productivity.

During the year under review, the business policy was geared towards consolidation by limiting investments and deferring any major acquisitions. Over the last months, the Würth Group's financial management was mainly geared towards optimising the net working capital. As a result, all Group companies throughout the world worked hard at increasing the inventory turnover figures and reducing the collection days, which resulted in a further drop in the net financial liabilities.

According to its latest rating, the world's leading rating agency, Standard & Poor's, remains positive about the prospects of the Würth Group and confirms its existing „A /outlook stable“ rating.

We do not foresee any substantial change in the markets in 2003, due to the current feeling of uncertainty, including that caused by the crises in the Middle East and Iraq. For this reason, we do not anticipate an economic tailwind.

### **Consolidation within the Würth Group utilised for expanding non-Group activities and optimising the organisation**

The Group's cautious business policy is reflected in the practically unchanged balance sheet total for Würth Finance International B.V., amounting to EUR 924 million, and in the reduction of receivables from Group companies by approximately EUR 50 million.

As per 31.12.2002, Würth Finance International B.V. had at its disposal cash in banks totalling EUR 41 million, which can be used to repay the DEM bond, which matures on March 25, 2003.

The global, to some extent drastic drop in the ratings of commercial banks have confirmed that we are on the right course with our long-established efforts to consistently focus on fostering business relations with first-class financial institutes with a minimum rating of „A minus“. Financial investments and derivative financial transactions are only carried out with partners with a minimum rating of „AA minus“, thus minimising the credit risk.

Gratifyingly, we were able to boost revenue by almost 16% during the year under review. This was attributable in part to the net interest income, as well as the higher revenue resulting from our trading activities and delcredere services. Overall, some 12% of revenue was generated by non-Group business (2001: 7%). Operating expenses rose by EUR 1.0 million.

In the 2002 fiscal year, the equity ratio increased from 8.9% to 10.4%, while the return on equity (before tax) reached the high level of 21%. Productivity, measured by the cost-income ratio, amounted to 30%, thus achieving the target level.

As part of our development strategy, in 2002 we stepped up our security portfolio from EUR 20 million to EUR 47 million. Despite heavy stock price losses, we nevertheless achieved a slightly

positive performance. To cope with the more complex nature of our risk management, resulting from the expansion of our activities in the financial market, we also further expanded our treasury controlling and reporting.

Last year, in close collaboration with the Group's purchasing managers, we were able to substantially expand our delcredere guarantee business with our suppliers; at around EUR 1.37 million, the gross revenue increased almost fourfold in comparison with the previous year. We are convinced that this service will enable us to provide high, long-term value-added to our suppliers, with the corresponding income potential for the Würth Group, and are planning to rapidly expand this business area significantly.

In 2002, in accordance with the Group's motto, „PPP - Productivity Provides Profit“, and as part of a large-scale project, we introduced further measures to automate the processes to effect supplier payments, in collaboration with specialists from the Group's IT service companies. By centralising supplier payments at Würth Finance International B.V., we have at our disposal comprehensive, valuable information and evaluations relating to the Würth Group's business relations with suppliers all over the world and the ways in which they might be optimised, which we can pass on to our purchasing department.

We are in a position to cater for the existential importance of secure IT systems thanks to our Information Security Management System (ISMS), which was certified in accordance with the British standard 7799/2:1999 in September 2002. This seal of quality serves to signal to our supervisory bodies, auditors and business partners the high standard of our IT and security systems, as well as boost confidence in Würth Finance International B.V.

The Group's motto, „PPP - Productivity Provides Profit“, remains unchanged for 2003! At Würth Finance International B.V., productivity is monitored and managed in the areas of processes and systems, human resources, customers and services, whereby quality plays a central role. However, we are only able to achieve such ambitious goals thanks to our highly qualified and motivated staff.

# Report of the Management on the 2002 fiscal year

The scandals at various companies that have hit the headlines in the past months have caused enormous damage to the esteem and reputation of business entrepreneurs and managers. This has shown all too clearly where short-term measures to maximise profit can lead and just how important a responsible, long-term oriented manner of working is. We are convinced more than ever before that the development of and adherence to such common values as trust, honesty, openness and respect are important and valuable characteristics of a company. These qualities generate a long-term positive attitude towards an enterprise on the part of customers, business partners and the public, and in the end give it a lasting competitive edge. This is particularly true for our company, which operates in the field of finance.

We would like to thank all our Group companies, business partners, house banks, investors, financial analysts and rating agencies for the confidence they have shown in us and for their valued cooperation. We look forward to continuing to work with you towards a successful future for Würth Finance International B.V.

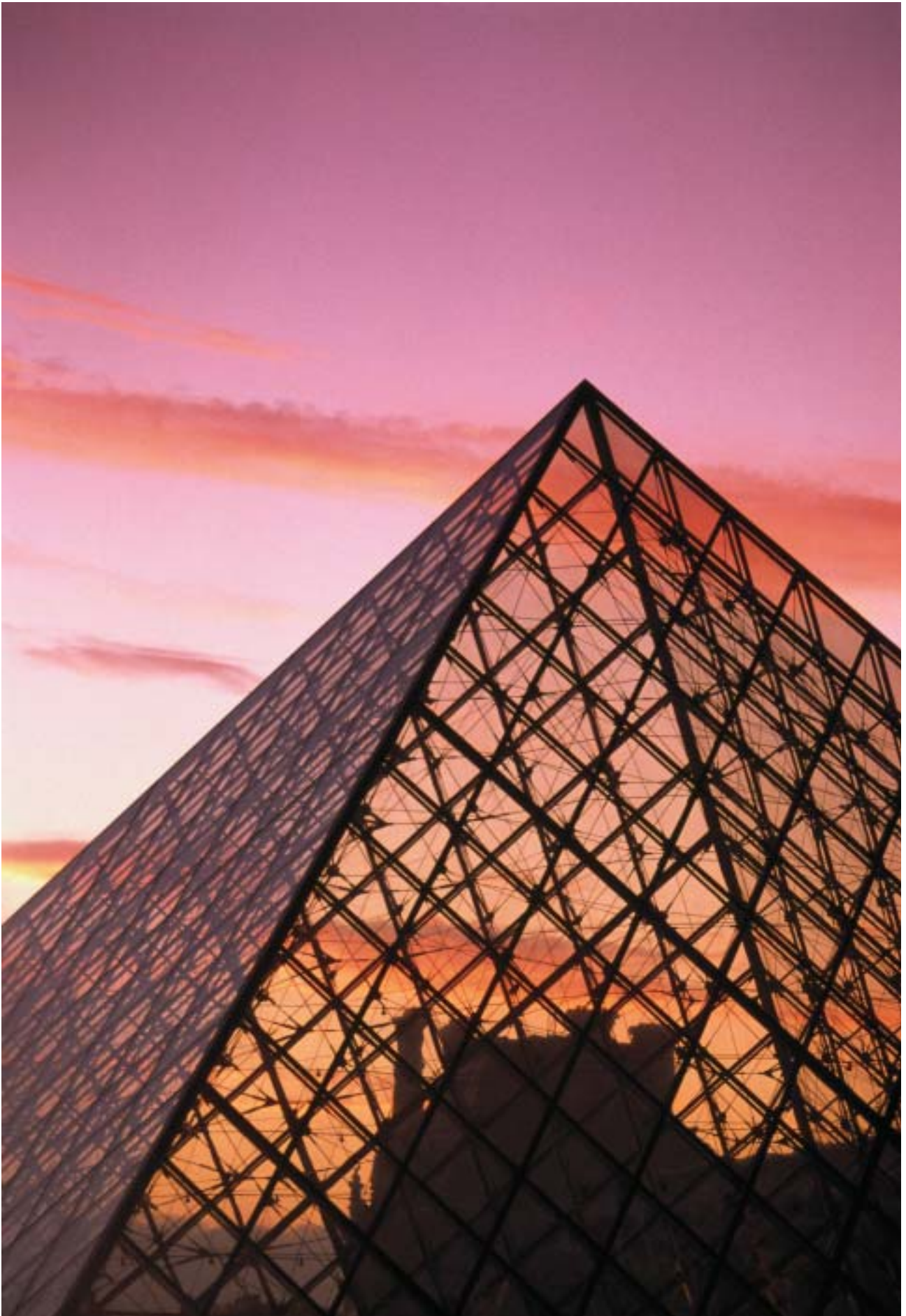
Amsterdam und Küsnacht, April 9, 2003



J. Michel  
Managing Director NL/CH



S. A. Djotirto  
Managing Director NL



*Musée du Louvre, Paris, France*

# Divisional reports

## Group financing

In 2002, too, the prudent investment policy implemented by the Würth Group brought about a further decrease in the Group's net indebtedness. This meant that in the 2002 business year, the Group companies were able to reduce their net lendings vis-à-vis Würth Finance International B.V. by some EUR 50 million to EUR 544 million. On the one hand loans were repaid, while on the other the short-term investments in liquid assets at Würth Finance International B.V. were slightly increased.

Thanks to this lively cash flow, only marginal use needed to be made of external short-term borrowings from the Commercial Paper Program or from banks. At the end of the year, credit balances at banks had increased to EUR 41 million.

In spite of the stringent limitations placed on interest rate and currency risks, we are pleased to report a more than 11% growth in net interest income, rising from EUR 20.5 million to EUR 22.8 million. This was principally attributable to measures to step up short-term financing under the strong influence of falling interest rates. Throughout the year, the sensitivity of the equity to interest rate movements fluctuated below 2% of its market value.

Various measures in the sphere of cash management also contributed to the favourable result, which allowed an optimal usage of the Group's liquidity.

Florian Linner

## Supplier Service

In our view, the centralised settlement of payments to suppliers on behalf of the Würth Group offers advantages to both the Group companies and their suppliers.

Our clearly structured, detailed payment advices make it easier for suppliers to check the payments, and are valued just as highly as our competent team of staff, who are available to assist with any queries that may arise. The division's new name „Supplier Service“ better expresses its orientation towards meeting the needs of our business partners than the previous „Payment Department“, which reduced our activities to simply effecting payments.

Despite the stagnation in Group growth, in 2002 we were able to increase the volume of centrally settled payments to suppliers on behalf of the Würth Group to a disproportional degree. Over 154,000 payment transactions (4% more than in the previous year), totalling EUR 1.33 billion (17% up on 2001), were carried out.

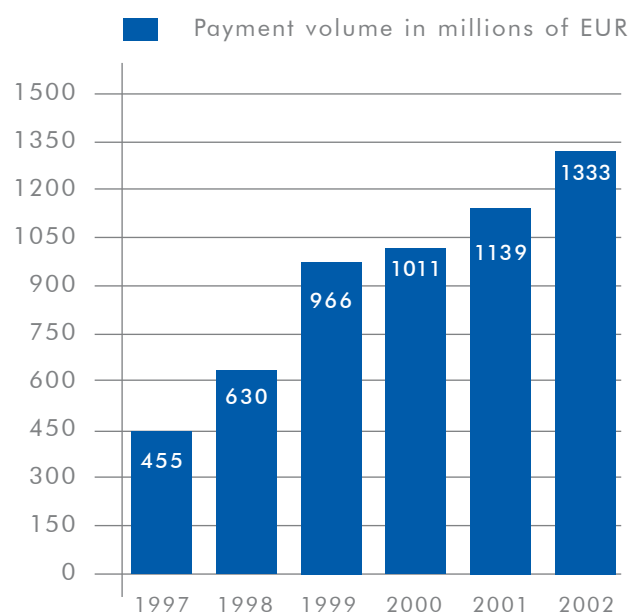
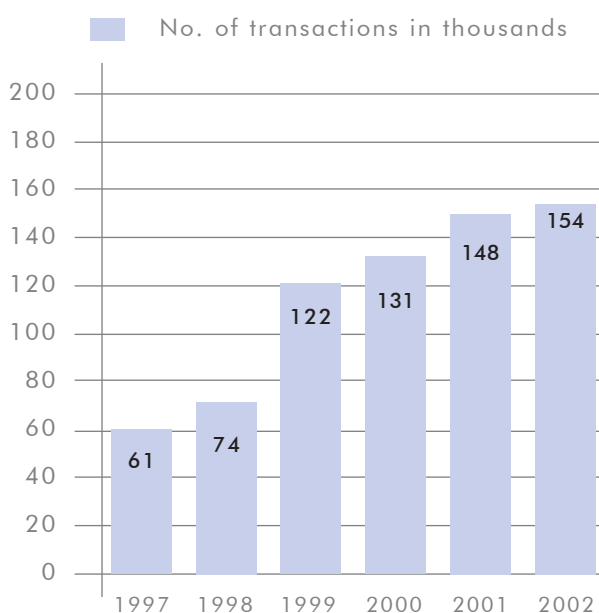
Thanks to the new payment transaction application, which was successfully introduced in autumn, we have created a basis to enable Würth purchasing managers to evaluate payment flows even better. In this regard, as in the previous year we succeeded in further improving the payment conditions of our suppliers. We shall also continue to focus on further optimising the terms of payments and discounts.

At the same time, thanks to the fully automated transfer of payments, we have created the necessary capacities for further, substantial volume increases, which we shall be striving towards in the coming years.

Daniel Ochsner

Beat Maurer

## Payment Volume



# Divisional reports

## Portfolio management and foreign exchange trading

2002 was characterised by highly volatile financial markets. This is attributable to the unease and uncertainty of investors about the state of the world economy, but also to the loss of confidence in the top management of commercial enterprises arising from scandals involving the preparation of the accounts. The financial markets have also been put under additional strain by geopolitical tensions, which has led to a marked shift from shares to safe-haven values, such as government bonds, gold and Swiss francs.

Würth Finance International B.V. decided to position its portfolio management as a strategic income pillar with the aim of further diversifying the overall result. The liquidity situation made it possible to increase the invested assets from EUR 19.5 million at the beginning of the year to EUR 47 million. In spite of the adverse market environment, thanks to the defensive asset allocation with a bond/share ratio of 80/20, we have succeeded in achieving an annualised performance of approximately 0.5%.

Parallel to the stock prices, the USD lost some 15% against the EUR and the markets were characterised by high short-term fluctuations. Gratifyingly, against this backdrop our trading activities still generated revenue totalling EUR 2.36 million.

This success underpins our decision to strategically expand our Treasury Risk Management division further in the coming years. It is our aim that our activities in the securities and interest markets will achieve a similar dimension to our foreign exchange trading business.

Patrik Imholz

EUR/USD



S&P 500



## Delcredere services

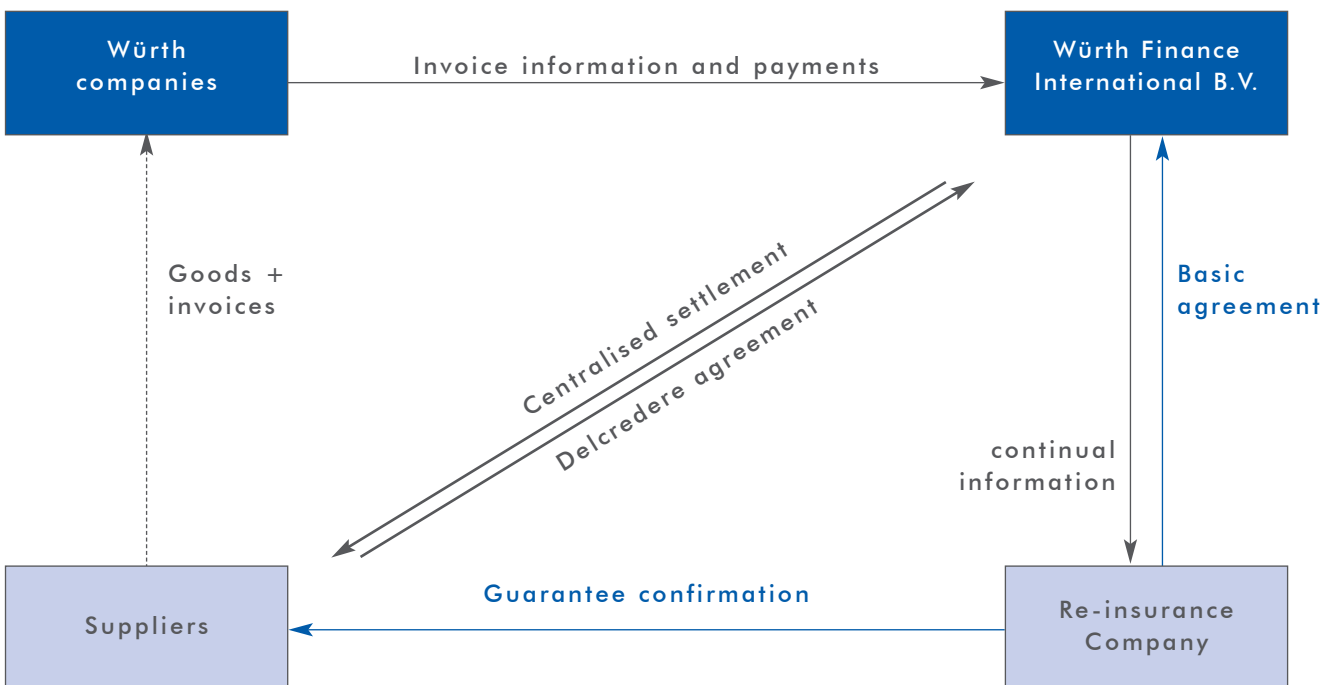
For the past two years, in collaboration with an external re-insurance company, we have been offering Group suppliers a full credit risk guarantee on all accounts receivable from the Würth Group as a hedge against any credit or default risks.

After an introductory phase, as per 31 December 2002 we had succeeded in signing agreements with over 550 suppliers, representing an annual purchasing volume in excess of EUR 160 million. In the year under review, the realized premium income grew to EUR 1.37 million, which is equivalent to four times the previous year's figure. Higher re-insurance premium costs partly offset this development.

Due to the on-going unstable economic environment, and growing requirements of our suppliers to reduce the credit risks on their accounts receivable, as well as the positive and close collaboration with the purchasing managers at the Group companies, our credit risk guarantee services are increasingly establishing themselves as an integral part of the business relations between the Würth Group and its suppliers. For the 2003 fiscal year, we shall be striving to further expand the number of agreements to a substantial degree, as well as achieve an additional boost in revenue.

Marion Krummenacher

## Structure of the Delcredere Services



## Balance sheet as of December 31, 2002 in EUR before distribution of profits

Assets	Note	2002	2001
<b>Long-term assets</b>			
Intangible assets -			
Software, net	3	265,881	340,901
Tangible assets -			
Operating equipment and furnishings, net	3	878,146	672,572
Financial investments -			
Long-term loans to associated companies	4	442,398,763	582,857,829
Loans to family trusts	4	11,452,938	11,452,938
Participations	5	1,073,394	49,084
<b>Total long-term assets</b>		<b>456,069,122</b>	<b>595,373,324</b>
<b>Short-term assets</b>			
Accounts receivable from associated companies		355,597,409	267,908,292
Loans to family trusts		8,000,000	-
Other receivables	6	13,236,998	2,215,096
Accrued income and prepaid expenses		2,855,199	1,812,419
Marketable securities	7	47,007,923	19,551,193
Cash		41,239,042	29,074,823
<b>Total short-term assets</b>		<b>467,936,571</b>	<b>320,561,823</b>
<b>Total assets</b>		<b>924,005,693</b>	<b>915,935,147</b>

The accompanying notes are an integral part of this balance sheet.



*San Francisco Museum of Modern Art, San Francisco, USA*

<b>Liabilities and shareholders' equity</b>	<b>Note</b>	<b>2002</b>	<b>2001</b>
<b>Shareholders' equity:</b>			
Capital subscribed and paid in		16,000,000	16,000,000
Valuation reserves		2,458,256	1,788,603
Retained earnings		63,969,085	49,520,835
Net income for the year		14,067,263	14,448,250
<b>Total shareholders' equity</b>		<b>96,494,604</b>	<b>81,757,688</b>
<b>Long-term liabilities</b>			
Bonds issued	8	424,937,467	535,038,253
<b>Short-term liabilities</b>			
Bonds issued	8	102,258,376	-
Liabilities from Commercial Paper Program		1,864,138	564,016
Accounts payable to associated companies		272,948,364	266,264,252
Accounts payable to banks		24,776	1,724,130
Provisions for taxes		1,509,138	7,362,852
Other liabilities	9	10,849,628	9,572,729
Accrued expenses and deferred income		13,119,202	13,651,227
<b>Total short-term liabilities</b>		<b>402,573,622</b>	<b>299,139,206</b>
<b>Total liabilities and shareholders' equity</b>		<b>924,005,693</b>	<b>915,935,147</b>

The accompanying notes are an integral part of this balance sheet.

# Statement of income for the year 2002 in EUR

	Note	2002	2001
<b>Income from financing activities</b>			
Interest income	10	60,960,423	63,223,767
Interest expenses	10	-38,140,697	-42,710,791
<b>Net interest results</b>		<b>22,819,726</b>	<b>20,512,976</b>
<b>Commission income</b>		<b>1,357,283</b>	<b>898,693</b>
<b>Income from trading and securities operations</b>		<b>2,360,368</b>	<b>1,467,182</b>
<b>Operating expenses</b>			
Personnel expenses	11	-3,992,585	-3,275,886
Other administrative expenses		-2,904,990	-2,749,038
Depreciation		-1,006,327	-850,733
<b>Total operating expenses</b>		<b>-7,903,902</b>	<b>-6,875,657</b>
<b>Income before taxes</b>		<b>18,633,475</b>	<b>16,003,194</b>
Corporate taxes	12	-4,566,212	-1,554,944
<b>Net income for the year</b>		<b>14,067,263</b>	<b>14,448,250</b>

The accompanying notes are an integral part of this statement of income.

# Statement of cash flows

## for the year 2002 in EUR

	2002	2001
Net income for the year	14,067,263	14,448,250
Depreciation and expenses and income with no liquidity effect	-4,712,235	2,570,408
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable from associated companies	-87,369,117	158,963,038
Other receivables and accrued income and prepaid expenses	-24,987,263	10,379,335
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable to associated companies	6,684,111	55,407,396
Liabilities from Commercial Paper Program	1,300,122	-96,220,376
Other liabilities and accrued expenses and deferred income	-6,915,750	1,311,984
<b>Cash flow from operating activities</b>	<b>-101,932,868</b>	<b>146,860,035</b>
Purchase of tangible assets	-1,136,881	-800,889
Purchase of marketable securities	-31,578,826	-1,076,200
Sale of marketable securities	3,130,501	1,159,249
<b>Cash flow used for investing activities</b>	<b>-29,585,206</b>	<b>-717,840</b>
Repayment of bonds issued	-	-65,573,771
Bonds issued	-	111,371,405
Long-term loans to associated companies	145,381,647	-171,237,831
<b>Cash flow used for financing activities</b>	<b>145,381,647</b>	<b>-125,440,197</b>
<b>Net increase (decrease) in cash</b>	<b>13,863,574</b>	<b>20,701,998</b>
<b>Net cash at the beginning of the year</b>	<b>27,350,692</b>	<b>6,648,695</b>
<b>Net cash at the end of the year</b>	<b>41,214,266</b>	<b>27,350,693</b>
Taxes paid	-10,768,775	-944,920
Interest received	60,960,423	63,223,767
Interest paid	-31,362,096	-45,907,794

The funds for the cash flows are represented by cash (net).

The accompanying notes are an integral part of this statement of cash flows.

## Statement of changes in equity for the year 2002 in EUR

	Capital	Valuation reserves	Retained earnings	Total
Balance at January 1, 2001	15,882,308	1,058,351	49,638,527	66,579,186
Capital increase	117,692	-	-117,692	-
Change in valuation reserves	-	730,252	-	730,252
Net income for 2001	-	-	14,448,250	14,448,250
<b>Balance at December 31, 2001</b>	<b>16,000,000</b>	<b>1,788,603</b>	<b>63,969,085</b>	<b>81,757,688</b>
Change in valuation reserves	-	669,653	-	669,653
Net income for 2002	-	-	14,067,263	14,067,263
<b>Balance at December 31, 2002</b>	<b>16,000,000</b>	<b>2,458,256</b>	<b>78,036,348</b>	<b>96,494,604</b>

The Company has a subscribed and fully paid in share capital of EUR 16,000,000, represented by 32,000 shares of EUR 500 par value. Furthermore, the Company has an authorised share capital of EUR 64,000,000, comprising 128,000 shares of EUR 500 par value.

The valuation reserves are connected with hedge accounting.

The accompanying notes are an integral part of this statement of changes in equity.



*Supplier Service at Würth Finance International B.V.*

# Notes to the financial statements as of December 31, 2002

## 1. Business activity

Würth Finance International B.V. („the Company“) was incorporated in 1987 and is domiciled in Amsterdam, The Netherlands. The address of the Company is Het Sterrenbeeld 35, P.O. Box 344, NL-5201 AH 's-Hertogenbosch. The Company has a branch in Küsnacht, Switzerland.

The Company is a wholly-owned subsidiary of Reinhold Würth Holding GmbH, Künzelsau, Germany, which is owned by family trusts.

The corporate purpose is to provide financing to Group companies, both at home and abroad, as well as to hold investments in and finance other enterprises.

The financial statements of Würth Finance International B.V. are included in the consolidated accounts of Adolf Würth GmbH & Co. KG, Künzelsau, Germany.

The annual report of the Company is available at the Company's domicile and was approved by the Management on February 28, 2003.

## 2. Accounting principles

### General

The Company draws up its financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as with the appropriate laws and regulations of The Netherlands. For the Company, there are no valuation differences between the IFRS and the accounting principles applied in The Netherlands. The accounting principles have been applied constantly.

### Recording of business transactions

All concluded business transactions are documented and evaluated. Any unrealised gains or losses resulting from valuing the securities at fair market value are posted in the income statement at their settlement date.

### Foreign currencies

The Company keeps its accounts in Euros (EUR). Assets and liabilities in foreign currencies are converted into EUR at year-end exchange rates. Foreign currency transactions during the year are converted at the exchange rate in effect at the time of the transaction.

Conversion rates at December 31:	2002	2001
US Dollar (USD)	1.0415	0.8865
Swiss Francs (CHF)	1.4525	1.4830
British Pound (GBP)	0.6502	0.6115

### Cash

The cash positions have a maximum maturity of 3 months and are freely available to the Company.

### **Intangible assets/ Tangible assets**

These assets are stated in the balance sheet at acquisition costs less accumulated depreciation, calculated according to the straight line method over their estimated useful lives. Art objects are not depreciated as they are stable in value. The Company applies the following depreciation periods:

- EDP (hardware and software) 2 years
- Office furniture 2 years
- Vehicles 3 years
- Leasehold improvements 5 years

### **Financial instruments**

Financial instruments are deemed to be all assets and liabilities, as well as off-balance sheet positions, with a monetary character.

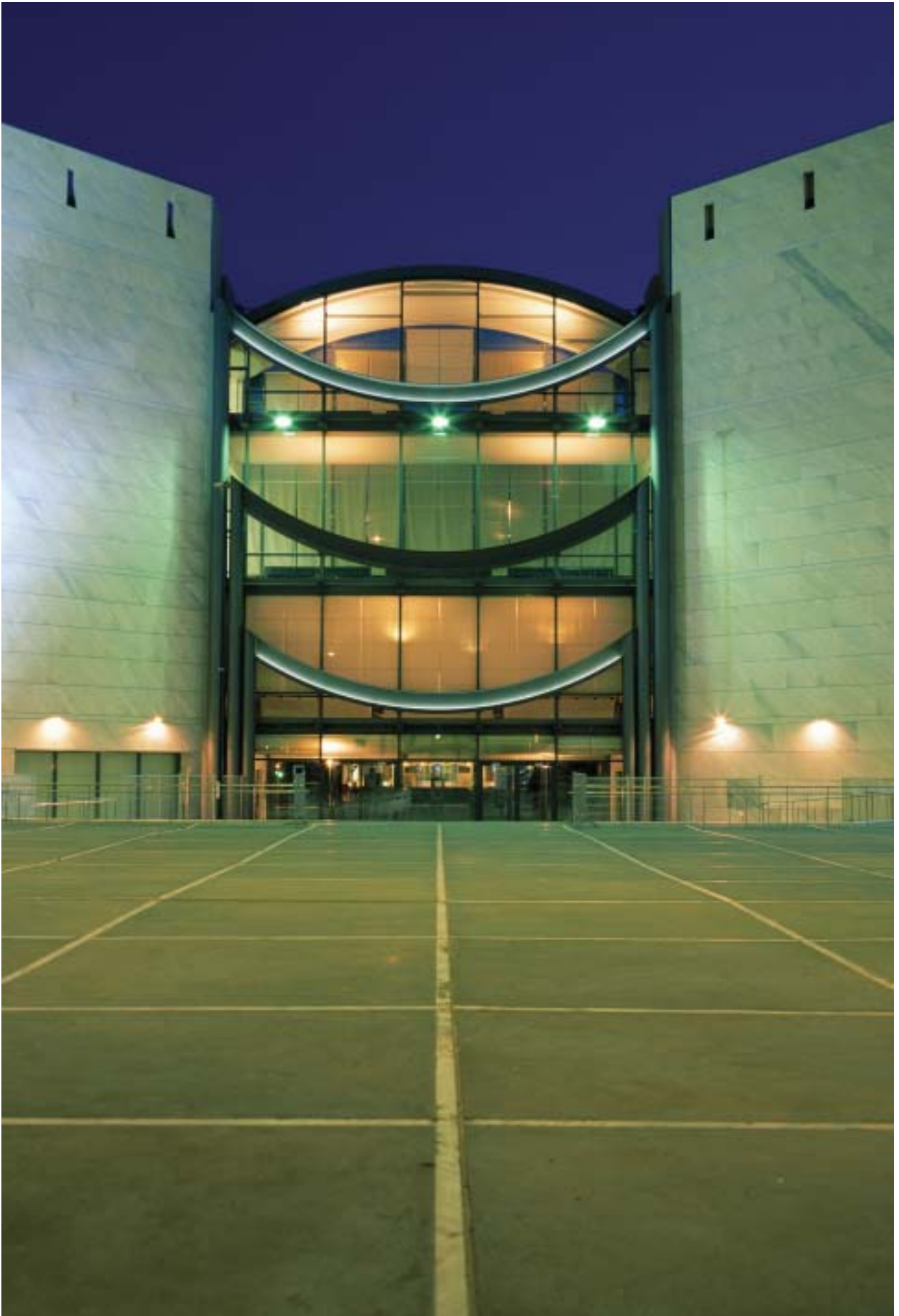
- **Marketable securities:** Marketable securities are held for trading purposes and are stated at market values. Gains and losses resulting from changes in market values are included in the income statement.
- **Bonds:** Bonds are held until maturity and represent long-term liabilities. As soon as the remaining maturity reaches less than 12 months, the respective bond is reported as a current liability. Bond issuing costs, agios or disagios are capitalised and either amortised or reversed over the period of the bond. Bonds are valued at amortised costs.
- **Loans:** Long-term loans and accounts receivable from associated companies and family trusts are valued at amortised costs.
- **Derivative financial instruments** are valued at fair market value. The Company applies generally accepted standard pricing models. The replacement values of the open derivative financial instruments are recorded as „other receivables“ or „other liabilities“.

### **Hedge accounting**

Before entering into a hedging transaction, the Company documents the purpose of the transaction and assesses its effectiveness. The Company hedges certain asset and liability positions against interest and currency fluctuations by means of cross currency and interest rate swaps. Both the hedged positions and the swaps are valued at market value and the value differences are reported in the income statement. The market values of derivative financial instruments considered to be cash flow hedges (i.e. interest payments) on balance sheet positions are included in the equity as valuation reserves. At the time of the effective cash flow, or as soon as the hedging transaction is no longer effective, the respective part of the market value will generally be adjusted to income.

### **Segment reporting**

The Company provides segment reporting by business line. Segment reporting by geographic areas is not considered meaningful as the Company provides services only from The Netherlands and Switzerland and principally to Group companies.



*Musée d'Art Moderne et d'Art Contemporain, Nice, France*

## Taxes

The Company is taxed separately in The Netherlands and in Switzerland. The taxes are calculated based on the tax laws applicable in The Netherlands and in Switzerland and are included in the period in which the respective income is recorded. As of December 31, 2002, all taxes payable are accrued. The tax impact due to temporary differences between assets and liabilities posted in the balance sheet according to IFRS and their taxable values according to the laws applicable in The Netherlands is recorded as deferred taxes. Deferred tax assets and liabilities are calculated based on the probable future tax rate applicable to the period in which the tax asset or liability is being realised. Deferred tax assets and liabilities are netted against each other provided that they relate to the same tax entity and tax authority and that a legally enforceable netting right exists. Current taxes and changes in deferred taxes are considered in the income statement as tax expense or tax income.

## Business transactions after the balance sheet date

The Company's Board of Directors has decided to issue a seven-year Eurobond of EUR 150 million to refinance the bond of DEM 200 million that is due to mature on March 25, 2003. The Landesbank Baden-Württemberg was instructed to arrange this transaction. The bond issue will be floated on the stock market in Frankfurt am Main. No further details were known at the time this report was prepared.

No other significant business transactions were carried out between the balance sheet date and the date of drawing up this report which would require these financial statements to be amended or further details to be published.

## 3. Intangible assets/ Tangible assets

Intangible assets and tangible assets are composed as follows:

	Acquisition cost 31.12.01	Additions (Retirements) 2002	Acquisition cost 31.12.02	Accumulated depreciation 31.12.01	Depreciation for the year 2002	Accumulated depreciation 31.12.02	Net book value 31.12.02
Intangible assets							
Software	681,802	531,761	1,213,563	-340,901	-606,781	-947,682	265,881
<b>Total intangible assets</b>	<b>681,802</b>	<b>531,761</b>	<b>1,213,563</b>	<b>-340,901</b>	<b>-606,781</b>	<b>-947,682</b>	<b>265,881</b>
Tangible assets							
Vehicles	293,929	156,325	450,254	-277,447	-50,128	-327,575	122,679
Art objects	33,671	-	33,671	-	-	-	33,671
Office equipment/ installations	2,258,200	448,794	2,706,994	-1,635,780	-349,418	-1,985,198	721,796
<b>Total tangible assets</b>	<b>2,585,800</b>	<b>605,119</b>	<b>3,190,919</b>	<b>-1,913,227</b>	<b>-399,546</b>	<b>-2,312,773</b>	<b>878,146</b>
<b>Total</b>	<b>3,267,602</b>	<b>1,136,880</b>	<b>4,404,482</b>	<b>-2,254,128</b>	<b>-1,006,327</b>	<b>-3,260,455</b>	<b>1,144,027</b>

#### 4. Long-term loans to associated companies and family trusts

	2002	2001
Balance at January 1	582,857,829	411,619,998
New loans granted	3,992,341	88,197,862
Increase in existing loans	-	72,816,003
Repayments	-49,039,748	-2,875,224
Currency adjustments	-24,229,008	12,149,024
Valuation difference in connection with hedging transactions	4,922,581	3,613,520
Less current portion	-76,105,232	-2,663,354
<b>Balance at December 31</b>	<b>442,398,763</b>	<b>582,857,829</b>

The market value of loans to associated companies at December 31, 2002 amounts to EUR 477,185,968 (2001: EUR 613,855,767).

Loans to family trusts	11,452,938	11,452,938
------------------------	------------	------------

The market value of loans to family trusts at December 31, 2002 amounts to EUR 12,100,256 (2001: EUR 11,672,380).

The long-term loans to associated companies, granted in foreign currencies, are translated into EUR at year-end rates. The average interest rates for the major currencies are:

	2002	2001
EUR	5.51%	5.99%
USD	7.07%	6.80%
CHF	4.44%	4.47%

#### 5. Participations

Company	Share	2002	2001
Würth Financial Services AG, Küsnacht, Switzerland	100%	1,024,310	-
Kosy, Gesellschaft zur Förderung des holzverarbeitenden Handwerks mbH, Künzelsau, Germany	100%	49,084	49,084
		<b>1,073,394</b>	<b>49,084</b>

## 6. Other receivables

	2002	2001
Replacement values of derivative instruments	12,157,338	1,462,316
Other receivables	1,079,660	752,780
	<b>13,236,998</b>	<b>2,215,096</b>

## 7. Marketable securities

	2002	2001
Bonds	35,002,498	9,880,765
Investment funds	10,744,807	9,670,428
Shares	1,260,618	-
<b>Total marketable securities at market value</b>	<b>47,007,923</b>	<b>19,551,193</b>



Salomon R. Guggenheim Museum, New York, USA

## 8. Bonds issued

The Company has issued the following bonds:

### Position at 31.12.2002

Maturity	Original currency	Notional EUR	Disagio	Agio	Fair value adjustment	Total at 31.12.2002	Coupons rate
<b>Long-term</b>							
01.10.2004	USD 100,000,000	96,015,362	-72,987	-	-	95,942,375	6 7/8%
15.04.2005	CHF 100,000,000	68,846,816	-	253,634	-	69,100,450	3 3/4%
21.06.2006	EUR 150,000,000	150,000,000	-859,123	-	2,785,928	151,926,805	4 1/8%
21.02.2008	CHF 150,000,000	103,270,224	-490,847	183,114	5,005,346	107,967,837	4%
<b>Total long-term bond liabilities</b>						<b>424,937,467</b>	

### Short-term

25.03.2003	DEM 200,000,000	102,258,376				102,258,376	6 3/8%
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**Total bonds issued** **527,195,843**

### Markt value

01.10.2004	USD 100,000,000					105,100,456	6 7/8%
15.04.2005	CHF 100,000,000					74,705,660	3 3/4%
21.06.2006	EUR 150,000,000					156,991,857	4 1/8%
21.02.2008	CHF 150,000,000					117,642,483	4%
25.03.2003	DEM 200,000,000					108,059,634	6 3/8%

**Total market value at 31 December** **562,500,090**

### Position at 31.12.2001

Maturity	Original currency	Notional EUR	Disagio	Agio	Fair value adjustment	Total at 31.12.2002	Coupons rate
<b>Long-term</b>							
25.03.2003	DEM 200,000,000	102,258,376	-	309,414	-	102,567,790	6 3/8%
01.10.2004	USD 100,000,000	112,803,158	-183,461	-	413,195	113,032,892	6 7/8%
15.04.2005	CHF 100,000,000	67,430,883	-	425,054	-	67,855,937	3 3/4%
21.06.2006	EUR 150,000,000	150,000,000	-1,329,366	-	-	148,670,634	4 1/8%
21.02.2008	CHF 150,000,000	101,146,325	-612,288	222,650	2,154,313	102,911,000	4%

**Total bonds** **535,038,253**

### Market value

25.03.2003	DEM 200,000,000					110,670,410	6 3/8%
01.10.2004	USD 100,000,000					121,839,788	6 7/8%
15.04.2005	CHF 100,000,000					70,615,047	3 3/4%
21.06.2006	EUR 150,000,000					150,204,799	4 1/8%
21.02.2008	CHF 150,000,000					107,127,589	4%

**Total market value at 31 December** **560,457,633**

The bonds are irrevocably and unconditionally guaranteed by Adolf Würth GmbH & Co. KG, Künzelsau, Germany.

## 9. Other liabilities

	2002	2001
Replacement values of derivative instruments	4,387,617	7,914,200
Accounts payable to third parties	3,623,781	305,975
Other liabilities	1,967,563	894,334
Other accruals	870,667	458,220
	<b>10,849,628</b>	<b>9,572,729</b>

Other accruals mainly comprise accruals for personnel costs.

## 10. Interest income and expenses

<b>Interest income</b>	<b>2002</b>	<b>2001</b>
Interest income from loans to associated companies and family trusts	41,699,192	45,340,001
Interest income from current accounts and prefinancing of goods (Würth Group)	14,515,158	13,169,220
Other interest income (non-Group)	4,746,073	4,714,546
	<b>60,960,423</b>	<b>63,223,767</b>

<b>Interest expenses</b>	<b>2002</b>	<b>2001</b>
Interest expenses for bonds issued	26,928,290	27,286,871
Interest expenses for current accounts (Würth Group)	6,975,512	7,059,662
Other interest expenses (non-Group)	4,236,895	8,364,258
	<b>38,140,697</b>	<b>42,710,791</b>

## 11. Personnel

As per December 31, 2002, the Company had 42 members of staff (2001: 35), of which 6 (2001: 8) were employed on a part-time basis. 3 employees worked in the Group Financing division, 2 in Trading, and 11 in Delcredere Services and Supplier Service.

<b>Personnel expenses are composed as follows:</b>	<b>2002</b>	<b>2001</b>
Wages and salaries	3,067,832	2,530,680
Personnel welfare	388,869	369,060
Social security contributions	185,629	144,440
Other personnel expenses	350,255	231,706
	<b>3,992,585</b>	<b>3,275,886</b>

The Company has transferred all pension liabilities to an external insurance company in the form of a contributory pension plan. The necessary premiums are reported in the financial statements. There are no other obligations or claims that need to be recorded.

## 12. Corporate taxes

The Company is subject to corporate taxes both in The Netherlands and in Switzerland. All taxes that were due or payable in the future based on the business years up to and including 2002 were accrued as per December 31, 2002.

The relevant tax rate for The Netherlands is 35%. Due to separate taxation of the headquarters and the branch office in accordance with the valid guidelines in the corresponding countries, there is a difference between the effective tax rate and the relevant tax rate for The Netherlands.

**The reconciliation of income taxes is composed as follows:**

	<b>2002</b>	<b>2001</b>
<b>Income before taxes</b>	<b>18,633,475</b>	<b>16,003,194</b>
Expected tax expenses at a tax rate for 2002 (24%) / 2001 (28%)	-4,472,034	-4,480,894
Dissolution of excessive tax provision	-	3,000,000
Difference to effective tax rate	-94,178	-74,050
<b>Effective tax expenses, net</b>	<b>-4,566,212</b>	<b>-1,554,944</b>

The difference to the expected tax rate is due to differences between taxation in The Netherlands and Switzerland.

There are no valuation differences which would result in deferred tax assets or liabilities.

### 13. Board of Directors' fees

In the 2002 business year, directors' fees totalled EUR 23,436 (2001: EUR 19,526).

### 14. Contingent liabilities

The Company and banks have issued guarantees and letters of comfort for companies belonging to the Würth Group. They represent contingent liabilities in favour of third parties for associated company liabilities, and comprise the following:

	<b>2002</b>	<b>2001</b>
Guarantees in favour of associated companies	16,472,177	18,491,859
Letters of credit	79,661	254,867
	<b>16,551,838</b>	<b>18,746,726</b>

### 15. Financial instruments and risk management

#### a) Financial risk management

Certain risks are inherent in the Company's financial activities, which are measured, controlled and monitored by means of a systematic risk management policy. To guarantee a correct audit and provide transparent information, the duties performed by risk-incurring and risk-monitoring bodies are strictly segregated. The financial risks are measured and monitored without restriction by the Company's risk-controlling bodies. The control process is carried out based on recorded strategic procedures.

In order to hedge the financial risks and optimise income, the Company enters into derivative financial instrument transactions. The Company expects that in general each reduction in the value of one of these instruments is compensated by a respective increase in the value of the underlying transaction.

The financial risks are limited by applying the permissible instruments and by adhering to a limit system on a daily basis. The management of markets risks (security price, interest rate, foreign exchange), credit risks and liquidity risks are described individually below.

#### Foreign exchange risks

The Company enters into foreign exchange transactions for the Group and is consequently exposed to fluctuations in the exchange rates. The Company deems foreign exchange risks to mean loss risks on the reported assets and revenues arising from the change in the relation between the exchange rates of the exposure currency and the EUR balance sheet currency.

## Balance sheet by currency at 31.12.2002

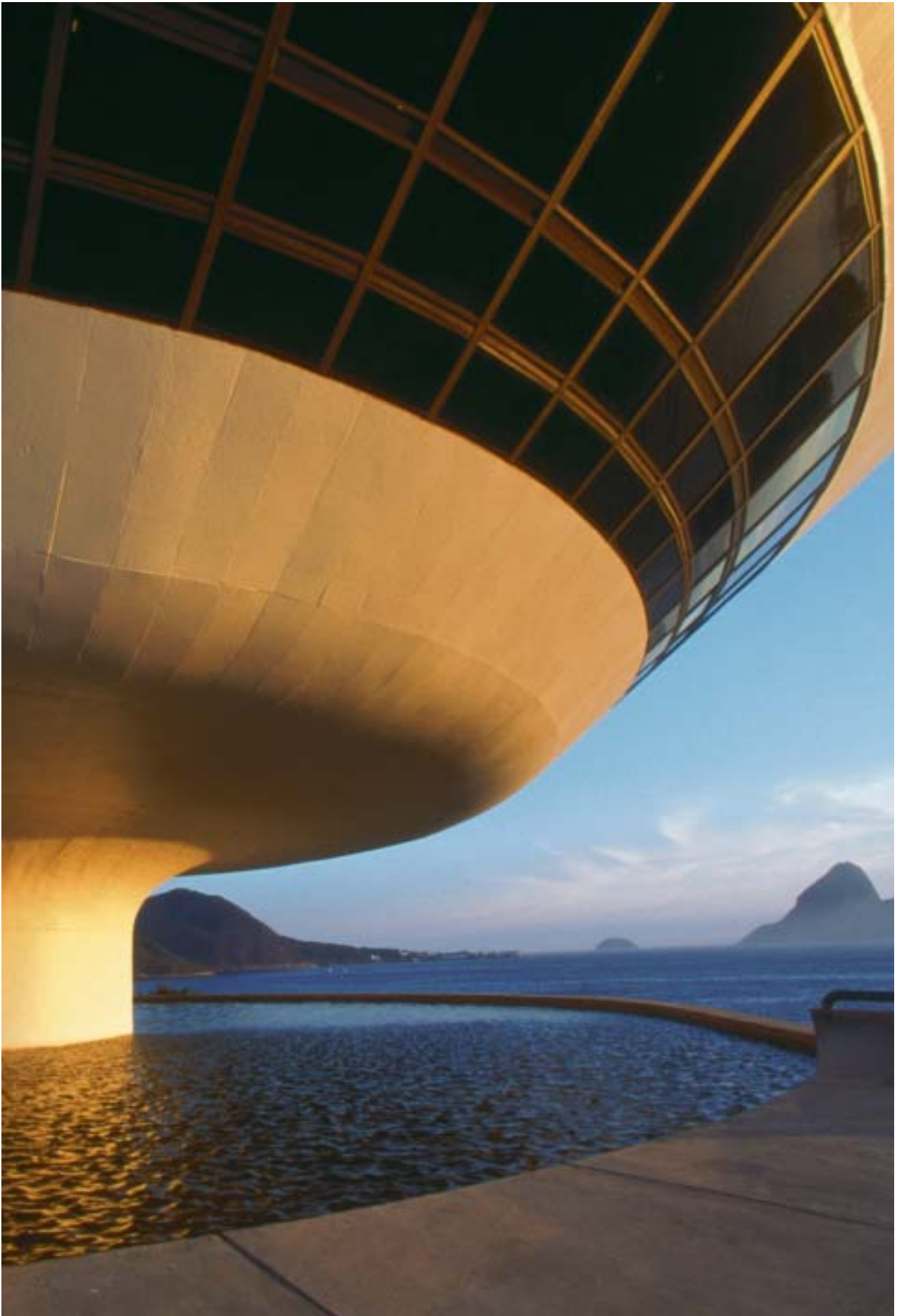
Balance sheet position (in EUR 1,000)	EUR countervalue	Amounts in EUR countervalue				
		EUR	USD	CHF	GBP	other
<b>Assets</b>						
Tangible assets	1,144	213		931		
Long-term loans to associated companies	442,399	146,888	150,083	144,513		915
Loans to family trusts	11,453	11,453				
Accounts receivable from associated companies	355,597	243,614	51,401	16,454	19,575	24,553
Other receivables	22,311	21,287		1,024		
Accrued income and prepaid expenses	2,855	2,185	38	630	2	
Marketable securities	47,008	37,254	3,643	2,206	535	3,370
Cash	41,239	38,895	1,151	863	48	282
<b>Total</b>	<b>924,006</b>	<b>501,789</b>	<b>206,316</b>	<b>166,621</b>	<b>20,160</b>	<b>29,120</b>
<b>Liabilities and shareholders' equity</b>						
Bonds issued	527,196	254,185	95,942	177,069		
Liabilities from Commercial Paper Program	1,864	1,000	864			
Accounts payable to associated companies	272,948	244,617	4,054	2,673	3,294	18,310
Accounts payable to banks	25	23		2		
Provisions for taxes	1,509	1,509				
Other liabilities	10,850	10,173	38	639		
Accrued expenses and deferred income	13,119	7,182	1,734	4,203		
Shareholders' equity	96,495	96,495				
<b>Total</b>	<b>924,006</b>	<b>615,184</b>	<b>102,632</b>	<b>184,586</b>	<b>3,294</b>	<b>18,310</b>
<b>Balance sheet position</b>	<b>0</b>	<b>-113,395</b>	<b>103,684</b>	<b>-17,965</b>	<b>16,866</b>	<b>10,810</b>
Forward foreign exchange contracts		121,154	-68,599	-21,912	-16,306	7,584
Cross currency swaps			-26,884	34,423		
<b>Position including derivative instruments</b>		<b>7,759</b>	<b>8,201</b>	<b>-5,454</b>	<b>560</b>	<b>3,226</b>

## Balance sheet by currency at 31.12.2001

Balance sheet position (in EUR 1,000)	EUR countervalue	Amounts in EUR countervalue				
		EUR	USD	CHF	GBP	other
<b>Assets</b>						
Tangible assets	1,013	16	6	991		
Long-term loans to associated companies	582,858	251,274	185,249	145,270		1,065
Loans to family trusts	11,453	11,453				
Accounts receivable from associated companies	267,908	123,391	66,308	16,388	34,331	27,490
Other receivables	2,264	1,435	415	301	113	
Accrued income and prepaid expenses	1,812	1,178		634		
Marketable securities	19,552	14,967	2,784	1,801		
Cash	29,075	27,766	72	1,161		76
<b>Total</b>	<b>915,935</b>	<b>431,480</b>	<b>254,834</b>	<b>166,546</b>	<b>34,444</b>	<b>28,631</b>
<b>Liabilities and shareholders' equity</b>						
Bonds issued	535,038	251,156	112,503	171,379		
Liabilities from Commercial Paper Program	564		564			
Accounts payable to associated companies	266,264	224,476	16,462	1,312	5,928	18,086
Accounts payable to banks	1,724	540	553	13	28	590
Provisions for taxes	7,363	7,363				
Other liabilities	9,572	8,815	284	473		
Accrued expenses and deferred income	13,652	7,617	1,918	4,117		
Shareholders' equity	81,758	81,758				
<b>Total</b>	<b>915,935</b>	<b>581,725</b>	<b>132,284</b>	<b>177,294</b>	<b>5,956</b>	<b>18,676</b>
<b>Balance sheet position</b>		<b>-150,245</b>	<b>122,550</b>	<b>-10,748</b>	<b>28,488</b>	<b>9,955</b>
Forward foreign exchange contracts		151,264	-88,023	-22,304	-28,281	-12,656
Cross currency swaps			-34,571	36,059		
<b>Position including derivative instruments</b>		<b>1,019</b>	<b>-44</b>	<b>3,007</b>	<b>207</b>	<b>-2,701</b>

### Interest risks

The Company finances Group companies all over the world and is consequently exposed to interest rate risks. The Company deems interest rate risks to mean the negative impact on the financial position and the earnings situation arising from changes in the interest rates in all currencies. A significant proportion of loans to Group companies are refinanced by fixed-interest bonds with similar interest and maturity structures. Thus the impact of interest rate changes on the Company's financial statements are kept low. Furthermore, the Company uses derivative instruments to optimise the financial structure.



*Metropolitan Museum of Modern Art, Rio de Janeiro, Brazil*

## Balance sheet by maturity at 31.12.2002

Balance sheet position (in EUR 1,000)	EUR countervalue	Maturity			
		< 1 year	2-5 years	> 5 years	no maturity
<b>Assets</b>					
Tangible assets	1,144				1,144
Long-term loans to associated companies	442,399		337,106	105,293	
Loans to family trusts	11,453		11,453		
Participations	1,074				1,074
Short-term assets	467,936	467,936			
<b>Total</b>	<b>924,006</b>	<b>467,936</b>	<b>348,559</b>	<b>105,293</b>	<b>2,218</b>
<b>Liabilities and shareholders' equity</b>					
Bonds issued	527,196	102,258	316,970	107,968	
Liabilities from Commercial					
Paper Program	1,864	1,864			
Accounts payable to associated companies	272,949	272,949			
Accounts payable to banks	25	25			
Provisions for taxes	1,509	1,509			
Other liabilities	10,850	10,850			
Accrued expenses and deferred income	13,119	13,119			
Shareholders' equity	96,494				96,494
<b>Total</b>	<b>924,006</b>	<b>402,574</b>	<b>316,970</b>	<b>107,968</b>	<b>96,494</b>
<b>Position</b>		<b>65,362</b>	<b>31,589</b>	<b>-2,675</b>	<b>-94,276</b>
Interest rate swaps		68	-35,838	5,839	
Interest rate options					
<b>Position including derivative instruments</b>		<b>65,430</b>	<b>-4,249</b>	<b>3,164</b>	<b>-94,276</b>

## Balance sheet by maturity at 31.12.2001

Balance sheet position (in EUR 1,000)	EUR countervalue	Maturity			
		< 1 year	2-5 years	> 5 years	no maturity
<b>Assets</b>					
Tangible assets	1,013				1,013
Long-term loans to associated companies	582,858		428,178	154,680	
Loans to family trusts	11,453		11,453		
Short-term assets	320,611	320,562			49
<b>Total</b>	<b>915,935</b>	<b>320,562</b>	<b>439,631</b>	<b>154,680</b>	<b>1,062</b>
<b>Liabilities and shareholders' equity</b>					
Bonds issued	535,038		432,127	102,911	
Liabilities from Commercial					
Paper Program	564	564			
Accounts payable to associated companies	266,264	266,264			
Accounts payable to banks	1,724	1,724			
Provisions for taxes	7,363	7,363			
Other liabilities	9,572	9,572			
Accrued expenses and deferred income	13,652	13,652			
Shareholders' equity	81,758				81,758
<b>Total</b>	<b>915,935</b>	<b>299,139</b>	<b>432,127</b>	<b>102,911</b>	<b>81,758</b>
<b>Position</b>		<b>21,423</b>	<b>7,504</b>	<b>51,769</b>	<b>-80,696</b>
Interest rate swaps			-68,182		
Interest rate options			50,000	-50,000	
<b>Position including derivative instruments</b>		<b>21,423</b>	<b>10,678</b>	<b>1,769</b>	<b>-80,696</b>

### Security price risks

Due to its investment activities, the Company is exposed to security price risks. The Company deems security price risks to mean the exposure to loss resulting from changes in the prices of (listed) securities.

Würth Finance International B.V. has invested EUR 47 million (2001: EUR 19.5 million) in a broadly diversified portfolio with a strategic asset allocation of 80% bonds and 20% shares.

As per December 31, 2002, EUR 9.0 million (2001: EUR 9.7 million) were invested in the Oyster Selection Fund.

Basically, a minimum rating of BBB (Standard & Poor's) is required when selecting bonds. In the event of the bond being downgraded, it is immediately disposed of. Furthermore, the Company uses derivative instruments to hedge security price risks.

### Credit risks

Credit risks are limited further by carrying out transactions exclusively with first-class banks (Standard & Poor's minimum rating for a bank to be able to conduct business with the Company is „A minus“). The ratings of the counter parties and individual exposure limits are regularly reviewed. As a result, the Company's counter party risk is minimal. ISDA agreements are concluded with those counter parties with whom the Company carries out transactions within the framework of financial risk management.

### Liquidity risks

The Company needs sufficient liquidity to fulfil its financial liabilities. In accordance with the superordinate Group policy, Group companies are required to transfer their excess liquidity to Würth Finance International B.V and, with the latter's support, to make it available to other Group companies to bridge over any potential shortages in liquidity.

The high international creditworthiness of the Würth Group (Standard & Poor's and Fitch have awarded its long-term liabilities an „A“ rating) allows the Company to raise liquid funds in the international capital markets at favourable conditions. Furthermore, the Company arranges credit lines with various banks to cover any potential liquidity requirements.

## b) Derivative financial instruments

Position as of 31.12.2002	Notional value EUR 1,000	Positive replace- ment values EUR 1,000	Negative replace- ment values EUR 1,000
<b>Foreign currency instruments</b>			
Forward foreign exchange contracts	306,864	9,534	-4,387
Currency options (OTC)	192,000	-	-
<b>TOTAL foreign currency instruments</b>	<b>498,864</b>	<b>9,534</b>	<b>-4,387</b>
<b>Interest rate instruments</b>			
Interest rate swaps	46,952	233	-1,563
thereof for hedging purposes	46,952	233	-1,563
Cross currency swaps	61,044	4,311	-358
thereof for hedging purposes	61,044	4,311	-358
<b>Total interest rate instruments</b>	<b>107,996</b>	<b>4,544</b>	<b>-1,921</b>
<b>Net replacement values of interest rate instruments</b>		<b>2,623</b>	

ISDA master agreements are concluded with those counter parties with whom the Company carries out transactions within the framework of financial risk management. For this reason, the positive and negative replacement values of the interest rate instruments are recorded in the financial statements in net terms.

Position as of 31.12.2001	Notional value EUR 1,000	Positive replace- ment values EUR 1,000	Negative replace- ment values EUR 1,000
<b>Foreign currency instruments</b>			
Forward foreign exchange contracts	415,566	1,336	-4,393
Currency options (OTC)	5,000	5	-
<b>TOTAL foreign currency instruments</b>	<b>420,566</b>	<b>1,341</b>	<b>-4,393</b>
<b>Interest rate swaps</b>			
Interest rate swaps	41,002	121	-436
thereof for hedging purposes	27,429	8	-354
Cross-currency swaps	61,044	1,651	-4,594
thereof for hedging purposes	61,044	1,651	-4,594
Caps/floors (interest rate options)	50,000	-	-142
<b>Total interest rate instruments</b>	<b>152,046</b>	<b>1,772</b>	<b>-5,172</b>

The foreign currency instruments are mainly used to hedge the currency positions in USD, CHF and GBP recorded in the balance sheet: EUR 484 million (2001: EUR 415 million) have a maturity date of less than 12 months, EUR 15 million (2001: EUR 5 million) mature in 1-2 years (2001: 1-3 years).

The interest rate instruments are mainly used to hedge currency and interest rate risks on non-congruent asset and liability positions in EUR, USD and CHF. The maximum maturity is 6 years (2001: 7 years).

### c) Shareholders' equity at market value

Considering all financial positions, the market value of the shareholders' equity is as follows (in EUR 1,000):

	Market value	Book value	Difference
Shareholders' equity 2002	110,976	96,495	14,481
Shareholders' equity 2001	89,796	81,758	8,038

## 16. Segment information

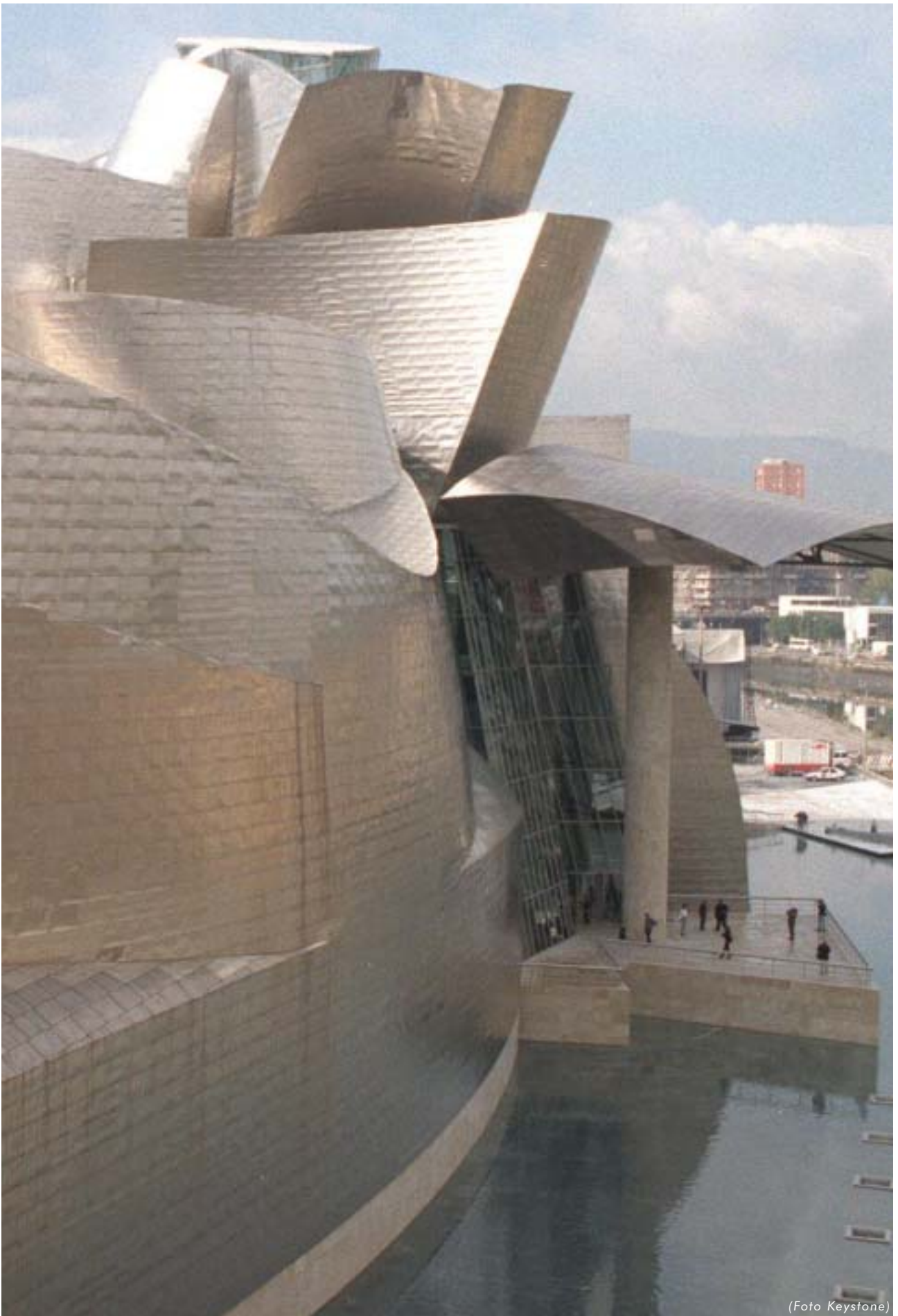
The Company provides segment reporting by business line. Segment reporting by geographic area is not considered meaningful as the Company provides services only from The Netherlands and Switzerland and principally to Group companies.

31.12.2002

In EUR 1,000 Segments	Group Financing	Trading	Services	Central Services	Total
<b>Income</b>					
Interest income	60,960				60,960
Interest expenses	-38,140				-38,140
Results from trading in currencies		2,047			2,047
Results from trading in securities		313			313
Commission income			1,357		1,357
<b>Segment income</b>	<b>22,820</b>	<b>2,360</b>	<b>1,357</b>	<b>-</b>	<b>26,537</b>
<b>Expenses</b>					
Personnel expenses	-242	-342	-797	-2612	-3,993
Other administrative costs	-248	-248	-722	-1687	-2,905
Depreciation	-136	-136	-569	-165	-1,006
<b>Segment expenses</b>	<b>-626</b>	<b>-726</b>	<b>-2,088</b>	<b>-4,464</b>	<b>-7,904</b>
Income before taxes	22,194	1,634	-731	-4,464	18,633
Taxes				-4,566	-4,566
<b>Net income</b>	<b>22,194</b>	<b>1,634</b>	<b>-731</b>	<b>-9,030</b>	<b>14,067</b>
<b>Assets</b>					
Tangible assets				1,144	1,144
Financial investments	454,925				454,925
Accounts receivable from associated companies	363,597				363,597
Other receivables, accrued income and prepaid expenses	4,329	8,904		2,860	16,093
Marketable securities		47,008			47,008
Cash	41,239				41,239
<b>Segment assets</b>	<b>864,090</b>	<b>55,912</b>	<b>-</b>	<b>4,004</b>	<b>924,006</b>
<b>Liabilities and shareholders' equity</b>					
Shareholders' equity				96,495	96,495
Bonds issued	527,196				527,196
Accounts payable to associated companies	272,948				272,948
Other liabilities, accrued expenses and deferred income	18,339	3,624		2,006	23,969
Accounts payable to banks and from Commercial Paper Program	1,889				1,889
Provisions for taxes				1,509	1,509
<b>Segment liabilities and shareholders' equity</b>	<b>820,372</b>	<b>3,624</b>	<b>-</b>	<b>100,010</b>	<b>924,006</b>

31.12.2001

In EUR 1,000 Segments	Group Financing	Trading	Services	Central Services	Total
<b>Income</b>					
Interest income	63,224				63,224
Interest expenses	-42,711				-42,711
Results from trading in currencies		766			766
Results from trading in securities		701			701
Commission income			899		899
<b>Segment income</b>	<b>20,513</b>	<b>1,467</b>	<b>899</b>	<b>-</b>	<b>22,879</b>
<b>Expenses</b>					
Personnel expenses	-217	-217	-889	-1,953	-3,276
Other administrative costs	-335	-238	-709	-1,467	-2,749
Depreciation	-65	-60	-218	-508	-851
<b>Segment expenses</b>	<b>-617</b>	<b>-515</b>	<b>-1,816</b>	<b>-3,928</b>	<b>-6,876</b>
Income before taxes	19,896	952	-917	-3,928	16,003
Taxes				-1,555	-1,555
<b>Net income</b>	<b>19,896</b>	<b>952</b>	<b>-917</b>	<b>-5,483</b>	<b>14,448</b>
<b>Assets</b>					
Tangible assets				1,013	1,013
Financial investments	594,312				594,312
Accounts receivable from associated companies	267,908				267,908
Other receivables, accrued income and prepaid expenses	1,178	1,450		1,448	4,076
Marketable securities		19,551			19,551
Cash	29,075				29,075
<b>Segment assets</b>	<b>892,473</b>	<b>21,001</b>	<b>-</b>	<b>2,461</b>	<b>915,935</b>
<b>Liabilities and shareholders' equity</b>					
Shareholders' equity				81,758	81,758
Bonds issued	535,038				535,038
Accounts payable to associated companies	266,264				266,264
Other liabilities, accrued expenses and deferred income	13,651	7,873		1,700	23,224
Accounts payable to banks and from Commercial Paper Program	2,288				2,288
Provisions for taxes				7,363	7,363
<b>Segment liabilities and shareholders' equity</b>	<b>817,241</b>	<b>7,873</b>	<b>-</b>	<b>90,821</b>	<b>915,935</b>



(Foto Keystone)

*Salomon R. Guggenheim Museum, Bilbao, Spain*

# Other Information as of December 31, 2002

## 1. Auditors' report

### Introduction

We have audited the accompanying financial statements of WÜRTH FINANCE INTERNATIONAL B.V., Amsterdam, The Netherlands for the year ended December 31, 2002. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit. The previous year's figures reported in the financial statements were audited by another auditing company.

### Scope

We have conducted our audit in accordance with auditing standards generally accepted in The Netherlands. These standards require that an audit shall be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by the Management and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of the Company as of December 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and with accounting principles generally accepted in The Netherlands. Furthermore, they comply with the financial reporting requirements laid down in Part 9, Book 2 of The Netherlands Civil Code.

Ernst & Young  
Amsterdam, The Netherlands  
February 28, 2003

## 2.

The Company's Articles of Incorporation provide for the net income for the business year to be put at the disposal of the shareholders.

## 3.

The Board of Directors proposes to allocate the net income of EUR 14,067,263 to retained earnings.

# History of the company

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## 1978

- Incorporation of Reca Union Finanz AG in Zürich with an initial authorized share capital of CHF 500,000 with the purpose of carrying out financial transactions of all kinds with the companies of the Würth Group, both domestically and abroad, as well as activities in the area of financing in a consulting and trusteeship function

## 1987

- Formation of Würth Finance International B.V., Amsterdam

## 1988

- The placing of a Würth bond on the Swiss Capital Market for the first time. The bond over CHF 75 million had a coupon of 5.25% and a term of 10 years

## 1990

- Issue of the second bond on the German Capital Market in the amount of DEM 100 million with a term of 10 years and a coupon of 8%

## 1991/1992/1993

- The founder of the company, J.C. Viana, is appointed to the Board of Management of the Würth Group

- J. Michel takes over the management of the company

## 1994

- Restructuring and change of name from Würth Finanz AG to Würth Finance International B.V., Amsterdam, with a branch in Zürich

## 1995

- Standard & Poor's give the Würth Group an „A-“ rating for long-term liabilities

## 1996/1997

- Expansion of capital market activities to finance the Group's growth. Issue of bonds in DEM (200 million), CHF (100 million) and USD (100 million)
- As a second rating, the Würth Group receives an „A“ from Fitch for long-term and an „A1“ for short-term liabilities

## 1998

- Issue of a Multi-Currency Commercial Paper-Program to the amount of EUR 150 million together with Adolf Würth GmbH & Co. KG
- Mr. J.C. Viana retires from the Board of Management of the Würth Group for reasons of age, but continues his function as a delegate to the Board of Directors of Würth Finance International B.V.

## 1999

- Issue of the so far largest bond ( EUR 150 million) with a 7-year term to finance the further growth of the Würth Group
- Standard & Poor's increase their rating for long-term liabilities to „A“ and for short-term liabilities to „A1“

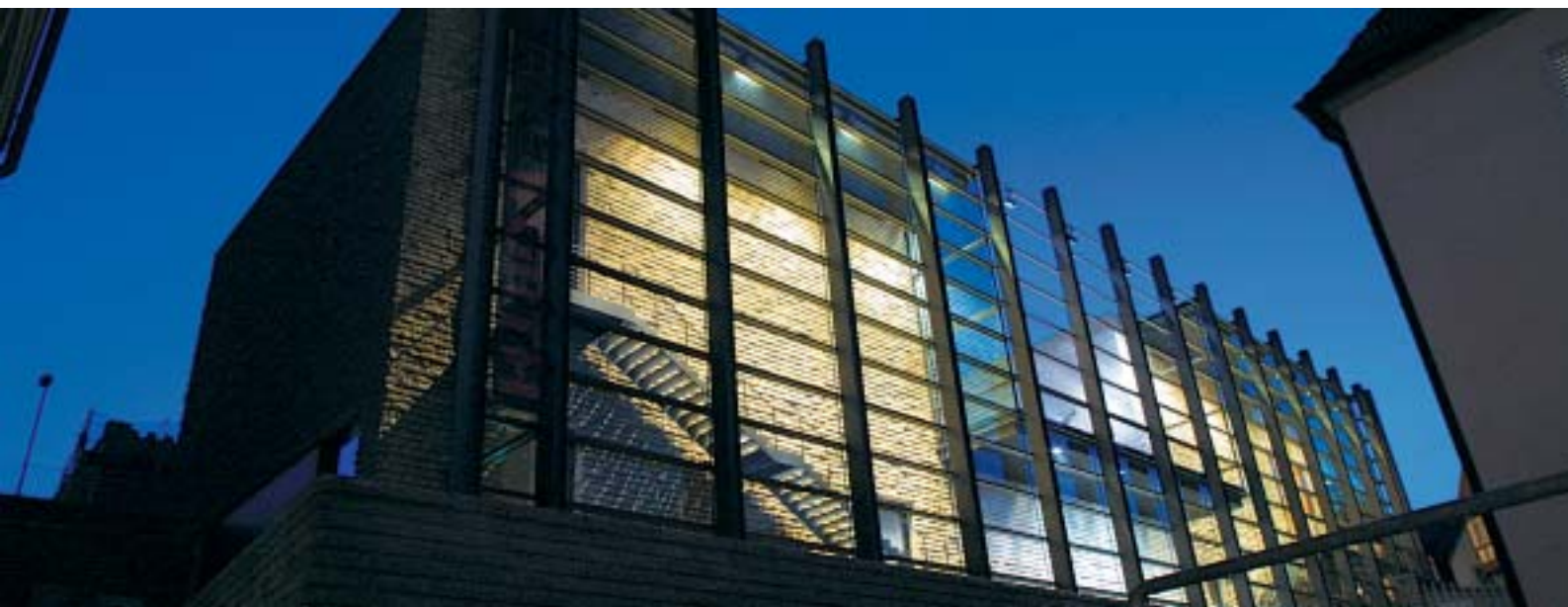
## 2000

- By moving the Zürich Branch to its new premises at the Goldbach-Center in Küsnacht, Würth Finance Int. B.V. sets the foundation for a further growth of the company

## 2001/2002

- Further activities on the capital markets: The Commercial Paper Program has been stepped up by EUR 100 million to EUR 250 million and another bond (CHF 150 million) with a 7-year term issued
- Mr. Michel is appointed to the Board of Management of the Würth Group
- The Dutch Headquarters of Würth Finance International move to a bigger building in 's-Hertogenbosch, creating the foundation for its further growth







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