

KEY EVENTS IN 2018

- The Würth Group generated sales of EUR 13,623 million, an increase of more than 7% over the previous year. E-business grew by 25%.
- Record profit in an anniversary year: In summer 2018 Würth Finance International B.V. celebrated its 40th anniversary. Happily, the record result of the Würth Finance Group also gave cause for celebration, with an adjusted operating income of EUR 75 million and an adjusted profit before taxes of EUR 46 million.
- Successful fund-raising on the capital market: Würth Finance International B.V. successfully issued a benchmark bond for EUR 500 million to finance the future growth of the Würth Group. Thanks to favourable financing costs, average net interest expense for the Group was reduced significantly.
- Success does not come of its own accord: it is due to the commitment and passion of its employees that Würth Financial Services AG can look back on a successful 2018 financial year.
- Würth Financial Services AG has set itself the goal of consistently pushing forward on its three focal points: sales, processes and staff.

THE WÜRTH FINANCE GROUP AT A GLANCE

The Würth Finance Group is the financial competence centre for the Würth Group. It employs 125 staff at five locations in the two divisions Inhouse Banking and External Financial Services.

WÜRTH FINANCE GROUP

Core competence	RISK MAI	NAGEMENT
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

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.

DIVISION EXTERNAL FINANCIAL SERVICES

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.

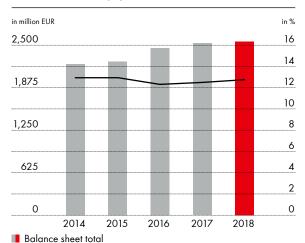
KEY FIGURES OF THE WÜRTH FINANCE GROUP

Key figures from the consolidated income statement in TEUR	2014	2015	2016	2017	2018
Interest income	19.882	2,611	4.521	4,416	9,730
Income from factoring activities	13.331	14,115	12,899	14,755	16,018
Income from commission and service fee activities	24.994	28.596	29.880	32.983	35.272
Income from trading activities and financial instruments	7,288	<i>7</i> ,038	8,83 <i>7</i>	9,553	<i>7</i> ,320
Other ordinary income	682	4,896	4,858	3,959	3,292
Credit loss (expenses) / recovery	0	0	0	0	-3,698
Total operating income	66,177	57,256	60,995	65,666	67,934
Total operating expenses	-25,474	-27,523	-29,183	-28,920	-29,418
Profit before taxes	40,703	29,733	31,812	36,746	38,516
Operating income adjustments Inhouse Banking					
Hedge accounting effect management accounting	-8,204	8,438	4,297	4,353	3,742
Credit loss (expenses) / recovery	0	0	0	0	3,698

Balance Sheet Total/Equity Ratio

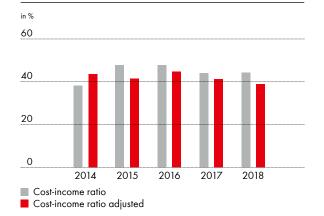
Total operating income (adjusted)

Profit before taxes (adjusted)



Equity ratio (right-hand scale)

Cost-Income Ratio



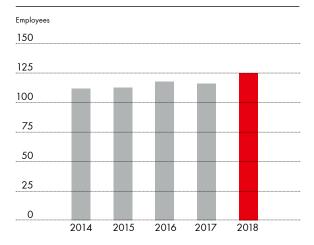
Number of Employees

57,973

32,499

65,694

38,171



65,292

36,109

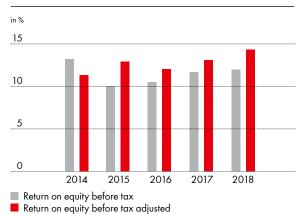
70,019

41,099

75,374

45,956

Return on Equity before Tax



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"Rich in experience, young at heart" - the illustration design for the 2018 Annual Report

Experience is an important asset in any work. It helps in making the right decisions swiftly and achieving goals efficiently. After many years in the marketplace, the Würth Finance Group with its employees is able to build on a great deal of common and shared experience in a variety of areas and functions. At the same time, however, it is just as important for successful work and collaboration not to grow old as a company, not to get stuck in routines, but to remain young and agile in attitude and action. Characteristics such as curiosity, spontaneity and

enthusiasm are a clear expression of this youthful attitude and are important strengths for the people who make the Würth Finance Group what it is. The 2018 Annual Report shows employees of the Würth Finance Group in playful, relaxed and surprising situations. By means of this deliberate staging we seek to convey the young-at-heart approach that the people portrayed apply to their work and their collaboration with clients and colleagues.

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 decisionmaking 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 Raithelhuber** | **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.

Report of the Management WÜRTH FINANCE GROUP

The high expectations were fulfilled. The global economy expanded by 3.6% in 2018, with the euro area and the USA even realising growth well above their potential. Accordingly, capacity utilisation reached a peak and unemployment was lower than at any time since the start of 2009. Additional tailwinds came from the reduction in corporate taxes and other fiscal stimulus in the USA.

It was always clear that rapid growth could not go on forever. Nonetheless, the extent to which prospects rapidly worsened towards the end of 2018 came as a surprise. Global trade and capital expenditure slowed markedly, while many emerging economies experienced capital outflows and weakening currencies. Leading economic indicators predict a widespread growth slowdown in the coming quarters.

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 13,623 million in financial year 2018, an increase of 7.1% over the previous year. After adjusting for foreign currency effects, the plus was 8.6%. The individual regions performed successfully across the board. With regard to the different divisions, the Electronics and Electrical Wholesale units recorded above-average rates of growth.

The efforts to improve performance on the digital front bore fruit. As a robust addition to the traditional direct sales channel and the stationary trading via the branch network, sales in e-business rose by around 25% to EUR 2,400 million in 2018. In parallel with sales growth, the Würth Group achieved better capacity utilisation and thereby further increased its earning power. Its operating result (according to preliminary figures) improved by 11%, from EUR 780 million to EUR 870 million. This increase meant that the operating margin rose significantly as well, from 6.1% to 6.4%. The number of staff increased by 3.9% to 77,080.

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 2018 give a true and fair view of the assets, liabilities, financial position and

profit or loss of the Group, and that the Management report includes a fair review of the development and performance during the financial year and of the financial situation of the Group at the balance sheet date, as well as of the risks associated with its business.

The Würth Group enjoys a very sound financial position. This is reflected both in its financial metrics and in the confirmed rating from Standard & Poor's (A, outlook stable). The capital market acknowledged this as well, as can be seen in the significantly oversubscribed benchmark bond issue (EUR 500 million). Shareholders' equity as at 31 December 2018 was EUR 5,200 million, with an equity ratio of 46%. With liquidity of around EUR 380 million and unused, committed credit lines of EUR 400 million until 2023, the Würth Group has comfortable liquidity reserves available.

Würth Finance Group

2018 was a great success for the Würth Finance Group. The adjusted operating income increased by 7.6% compared with the previous year, rising from EUR 70 million to EUR 75 million. The Inhouse Banking Division in particular achieved a significant improvement in income in its core business as a result of the growth of the Würth Group. Operating expenses increased by 1.7%, rising from EUR 28.9 million to EUR 29.4 million. An adjustment to staff pension benefits led to a one-off EUR 0.5 million reduction in personnel expenses in 2017. Without this extraordinary item and after adjusting for the effects of a higher EUR/CHF exchange rate, expenses rose by 2.5%.

This increase is chiefly attributable 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 118 to 121 employees. The Management regards these investments as reasonable and necessary to secure the ongoing successful performance of the Würth Finance Group. The adjusted productivity of the Würth Finance Group, as measured by the adjusted cost-income ratio, decreased to 39.0%. The adjusted profit before taxes of the Würth Finance Group in 2018 amounted to EUR 46.0 million (previous year: EUR 41.1 million), a new record and a significant contribution to the operating result of the Würth Group.

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 it has taken on apprentices and employed them on a permanent basis, in line with staffing needs, once they have completed their training. In order to secure the company's future, the Würth Finance Group supports ongoing employee training throughout their professional life. Priority is given to filling management positions from within the company's ranks, while up-and-coming employees are assisted in their career progression by enabling them to participate in Group-internal development programmes.

Information about the performance of the business at the Inhouse Banking and External Financial Services divisions in financial year 2018 and the outlook for 2019 can be found on pages 10 to 21. The Würth Finance Group's report on risk and opportunities is described 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 2019

The global economy has most recently lost significant momentum, with growth forecasts for 2019 from the International Monetary Fund and the OECD being revised. Accordingly, global GDP growth is likely to slow to 3.3%. While relatively stable growth of 2.5% is anticipated in the USA, the euro area economy is expected to weaken to just over 1%. However, whether such a soft landing will actually happen is uncertain. Rising barriers to trade such as the increase in import duties, record debts in many countries and regions, and the progressive normalisation of monetary policy by the central banks have the potential to trigger significant corrections on the financial markets and painful capital outflows.

The Würth Group, by expanding multi-channel distribution and optimising its productivity, is gearing its growth initiatives to a slower expansion in GDP. A selective and disciplined approach continues to be applied to acquisitions. In view of the multiplicity of downside risks, the Management of the Würth Finance Group expects ongoing volatility on the relevant markets and has limited 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 human capital. The digitalisation of the insurance and financial industry and the market effects of this are being watched closely. Various projects have been put in place with a view to improving the service which the company provides to its clients. In addition, the company is optimising its processes. Suitable organisational and technical measures are being taken to counter the risk of cyber attacks with their considerable potential for financial loss. The company is also implementing measures to take account of regulatory requirements relating 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. Insofar as the relevant markets develop as expected, the Management anticipates 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 2018.

Thanks

The Management of the Würth Finance Group is very satisfied with financial year 2018 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 2019.

Roman Fust

Managing Director Würth Finance International B.V. Adrian Parpan

Managing Director Würth Financial Services AG





Report of the Management

INHOUSE BANKING

Alternative Performance Measures (APMs)

For its full-year 2018 financial reporting, Würth Finance Group has implemented guidelines on alternative performance measurements (APM's). As a result, certain items will no longer be labelled with '1' or '2'. Such items will instead be labelled as 'Adjusted'.

In presenting and discussing Würth Finance Group's financial position, operating results and net profit, management uses certain alternative performance measures not defined by IFRS. These Alternative performance measures should

not be viewed in isolation as alternatives to the equivalent IFRS measures and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Alternative performance measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

To reflect a better overview of the development of the Inhouse Banking activities and its added value for the Würth Group, APM adjustments are made that impact the operating income and the net Profit of the division Inhouse Banking and can be specified as follows:

in TEUR	2014	2015	2016	201 <i>7</i>	2018
Hedge accounting effect management accounting	-8,204	8,438	4,297	4,353	3,742
Credit loss (expenses) / recovery	0	0	0	0	3,698

- Hedge accounting effect management accounting refers to the effect of the market valuation of interest rate
 derivatives to hedge the interest rate risk where historically no hedge accounting was applied;
 As of the implementation of IFRS9 Hedge Accounting new hedge relations will be presented as such;
- Credit loss (expenses) / recovery (IFRS 9) refers only to related party losses and therefore do not apply for the Würth Group.

		20	18			20	17	
		Adjust	ments			Adjust	ments	
	Inhouse Banking	Hedge accounting effect management accounting	Credit loss (expenses) / recovery	Segment Inhouse Banking	Inhouse Banking	Hedge accounting effect management accounting	Credit loss (expenses)/ recovery	Segment Inhouse Banking
Income Distribution								
Group financing	32,283	-3,956	-3,698	24,629	26,189	-3,949	0	22,240
Credit loss (expenses)/recovery	0	0	-3,698	-3,698	0	0	0	0
Income from factoring activities	16,018	0	0	16,018	14,755	0	0	14,755
Interest Income	12,977	-3,956	0	9,021	7,496	-3,949	0	3,547
Other ordinary income	3,288	0	0	3,288	3,938	0	0	3,938
Other	1,285	0	0	1,285	1,285	0	0	1,285
Income from participations	2,003	0	0	2,003	2,653	0	0	2,653
Central settlement	25,515	0	0	25,515	23,025	0	0	23,025
Income from trading acitivities and financial instruments	<i>7,7</i> 11	214	0	7,925	11,097	-404	0	10,693
Securities investments	-2,366	0	0	-2,366	1,904	0	0	1,904
Trading	10,077	214	0	10,291	9,193	-404	0	8,789
Total income	65,509	-3,742	-3,698	58,069	60,311	-4,353	0	55,958
Total expenses	-20,133	0	0	-20,133	-19,783	0	0	-19,783
Profit inhouse banking	45,376	-3,742	-3,698	37,936	40,528	-4,353	0	36,175
	Inhouse Banking	External financial services	Eliminations	Total	Inhouse Banking	External financial services	Eliminations	Total
Segment Profit before taxes (adjusted)	37,936	483	97	38,516	36,175	690	-119	36,746

2017 numbers are restated to align with presentation change in 2018.



"The best business ideas with the greatest benefit to clients come about when we listen to our clients very carefully."

Roman FustManaging Director, Würth Finance International B.V.

Key events

Record profit in an anniversary year

Würth Finance International B.V. celebrated its 40th anniversary in the summer of 2018: cause to take a step back and to honour those people in celebratory manner who built up and formed the Würth Group's inhouse bank and led it successfully into the future. Happily, in this special year an adjusted profit before taxes of EUR 45.4 million was achieved. Total adjusted income improved by 8.6% to EUR 65.5 million, while expenses rose by just 1.8% to EUR 20.1 million.

The following main factors were the cause of the good earnings:

- 1.) Würth Group growth: With the advantage of a healthy economic environment in its core markets, the Würth Group maintained its high rate of growth in 2018. Sales were up 7.1% at EUR 13,623 million. By the way: in 1978, the year in which Würth Finance International B.V. was founded, the Würth Group recorded Group sales of EUR 170 million.
- 2.) Inventory build-up: Driven by price increases announced by some suppliers, a strong commitment to a swift delivery capability and the low opportunity costs of holding inventory, stocks at the Würth Group grew much more quickly than sales. Measures were initiated to counter this development. However, Würth Finance International B.V. benefited temporarily because transaction volumes rose disproportionately.
- 3.) Financing: In May 2018, a maturing bond for EUR 500 million with a coupon of 3.75% was replaced by a new benchmark bond with a coupon of 1.0%. This decline and other factors helped the Würth Group to reduce its interest expenses in 2018 by around EUR 4 million.

Economic conditions

Driven by a broadly based and solid economic upturn in the industrialised countries, financial year 2018 got off to an extremely promising start. Leading indicators also pointed to growth, and the global supply of liquidity by the major central banks continued to have a stimulating effect. At the start of the year, however, an initial sharp correction on the capital markets (mainly in US dollars) negatively impacted sentiment on the equity markets. However, following a stabilisation and with corporate earnings continuing to rise, confidence returned to business and the financial markets, before sentiment then increasingly turned sceptical in the summer. Although political effects on the financial markets are generally thought to be short-lived, it was precisely such effects that dominated almost all daily ups and downs on the financial markets, albeit through changing issues: trade disputes, car tariffs, crisis in Italy, crisis in Turkey, Brexit, congressional elections - the list could be extended almost at will. And the fact that the business cycle was well advanced and the major central banks had either already begun withdrawing liquidity from the markets (USA) or at least announced their intention to do so (Europe) made for one of the weakest years on the stock markets for a long time. In short: volatility had returned, so the market environment for the inhouse bank last year was far more difficult than for the Würth Group's core business.

Main challenges in 2018

Securities investments

This heading refers first and foremost to the concentration of lasting excess liquidity at Würth Invest AG. An absolute return approach is pursued, while ensuring investments can be swiftly liquidated. Würth Invest AG was invested mostly in corporate bonds (almost exclusively investment grade) and equities. At the end of the year the performance amounted to EUR -2.4 million, the worst result for more than ten years.

GPS Payment & Factoring project

The project to redesign the payments system remained a challenge. Despite deploying more staff resources on the project for the extensive testing stage, the go-live date for release 2.0 for handling international payments and factoring processes had to be postponed to the first half of 2019.

Business performance in 2018

Securities investments

Unfortunately the selected mix of asset classes did not stabilise the performance of the securities portfolio. This was mainly because the bond duration was kept short – intentionally so against the backdrop of ongoing liquidity tightening by the major central banks. The credit risk premiums then reacted in step with equity markets coming under heavy pressure. The result was a negative performance amounting to approximately EUR 1.4 million for bonds.

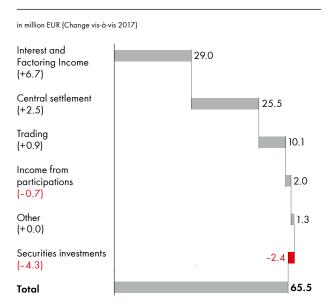
One positive development to note is that the equity allocation during the year as a whole, at 6% to 12%, was held well below the benchmark level. This reduced fluctuations in the value of the overall portfolio. There were nonetheless losses on the equity portfolio of EUR 1.1 million. Only real estate achieved a positive return. In total, a loss of EUR 2.4 million was incurred on average capital invested of EUR 90 million.

Group Financing

One main area of activity of Würth Finance International B.V. is focused on ensuring the constant availability of liquidity for the Würth Group. Both the bond issue described above and the extension of the syndicated loan for EUR 400 million to 2023 contributed to securing long-term liquidity. The seven-year bond was given a rating of "A" by Standard & Poor's and was placed extremely successfully with a premium of 30 basis points in an environment of incipient volatility on the capital markets. DZ Bank, LBBW, BNP and UBS were selected as lead managers and bookrunners.

The financing needs of the Würth Group increased in the period under review, particularly in the rapidly growing Group companies, the producing entities, in the industry business and regionally in North America. Accordingly, lending to Group

Income Distribution



companies rose by 17% to EUR 1,462 million. New long-term loans were hedged at matching maturities only to a partial extent, which resulted in positive returns from this maturity transformation. Following the capital market transaction and including an initial interest rate hedge for the expected bond issuance in 2020, this enabled the sensitivity of shareholders' equity to interest rate changes to be reduced to 7% by the end of 2018.

The Würth Group takes a risk-averse approach regarding its cash investments. Unless prohibited by country-specific regulations, Group liquidity is pooled at Würth Finance International B.V., where it is invested by the latter exclusively with first-class counterparties. Despite the strong cash flow of the Würth Group, the high level of inventory build-up and significant capital expenditure meant that the cash amount to be invested by Würth Finance International B.V. fell slightly, with values of between EUR 400 million and 500 million.



"Curiosity and openness are required in order to recognise the opportunities offered by digitalisation. To make use of them, the organisation needs to gear itself up accordingly."

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

Negative interest rates remained a dominant issue in 2018. They impacted cash balances on some days. On the other hand, they allowed optimisation of the results by borrowings from commercial papers and fixed-rate receiver swaps. In the end, it was even possible to achieve a positive return on cash investments in this very challenging environment.

Group Financing also includes the pre-financing of intercompany receivables (factoring). Volumes in this area grew at about the same rate as sales of the Würth Group, at 9%. The result was a record transaction volume of EUR 1,634 million.

Overall, the adjusted income from Group financing (interest and factoring income) totalled EUR 29.0 million.

Central settlement of payments to suppliers

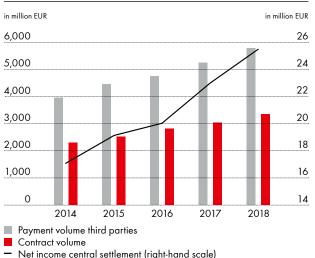
This area of business handles most of the Group companies' payments to external suppliers of merchandise. Very gratifying growth in volume was recorded in the last financial year at EUR 5,760 million (+10%). The main contributing factor to this development was the inventory build-up described above. Around 58% of payment volume is made to counterparties with which Würth Finance International B.V. has concluded a central settlement agreement, generating an income of EUR 25.5 million (+10.8%) in 2018.

Group Financing: Volume and Revenue from Intra-Group Lendings

in million EUR in million EUR 1,800 45 1,500 37.5 30 1,200 900 22.5 600 15 300 7.5 0 0 2014 2015 2016 2017 2018 Factoring volume

Net lending as at 31.12.2018 Interest and factoring income (right-hand scale)

Central Settlement: Payment Volume/Revenue



Net income central settlement (right-hand scale)

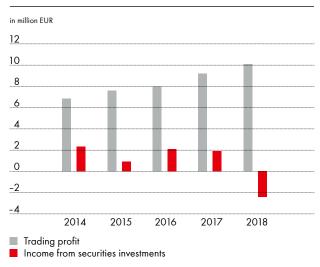
Currency hedging and trading with financial instruments

Foreign currency transactions of Würth Group companies are handled centrally through Würth Finance International B.V. staff in the treasury team advise the counterparties closely with the aim of maintaining an adequate level of hedging at all times and benefiting from temporary market opportunities. The bundling of currency exchange with a volume of EUR 2,000 million (+18% over the previous year) at Würth Finance International B.V. guarantees attractive terms, a minimisation of counterparty risk (on the basis of ISDA agreements) with periodic net present value cash settlement of the outstanding transactions and adherence to specific regulatory requirements (e.g. EMIR). These operations form the basis for further trading activities of Würth Finance International B.V., in which to a limited extent risk positions are entered into in a targeted manner in order to make an additional positive contribution to profits. In financial year 2018 the adjusted trading income increased by EUR 0.9 million to EUR 10.1 million.

Income from participations

In order to strengthen the core capital of Internationales Bankhaus Bodensee AG, Würth Finance International B.V. has for several years made resources available to it in the form of a silent participation and a capital relinquishment. The participation was reduced by EUR 10 million to EUR 35.8 million in the financial year under review, as planned. This meant that income from participations at Würth Finance International B.V. was also reduced, falling from EUR 2.7 million to EUR 2.0 million.

Trading/Securities Investments: Income Development



Outlook for 2019

At the time of this report, the global economy appears to be at a crossroads. Following a collapse on the stock markets at the end of 2018 and an erosion in leading economic indicators, it is unclear whether merely a brief pause for breath is currently being experienced, or whether the tightening of liquidity by the central banks, an unresolved Brexit and simmering trade disputes are leading us into a global recession. In the Würth Group's core business, the figures currently point to further moderate growth.

The volatility on the commodity and currency markets is likely to trigger additional hedging activities. In addition, growing capital expenditure is expected in the Würth Group. These developments lead to positive perspectives for the Group Financing and Trading business areas. The anticipated flattening out of inventories is expected to lead to a slightly below-average performance in the central settlement of payments to suppliers and in factoring volumes. For securities investments, current valuations offer a more attractive profile of opportunities and risks, though ensuring the right timing for any activities will be crucial. On the expenses side, once again relatively high operating and personnel expenses are expected, particularly in IT.

Overall, we are moderately optimistic and expect that profit before tax will improve slightly in 2019.



MANAGEMENT WÜRTH FINANCE INTERNATIONAL B.V. AND WÜRTH INVEST AG
from left to right: Daniel Ochsner | Roman Fust | Jorre van Schipstal | Björn van Odijk | Patrik Imholz (Würth Invest AG) |
Alejandro Muñoz | Philip Guzinski

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

Facts and figures (at 31 December 2018)

66 employees at the offices in Den Bosch, the Netherlands, and Rorschach, Switzerland

473,000 payment transactions with a volume of EUR 5,760 million in the year under review

Outstanding capital market funding as at 31.12.2018: three transactions with a total volume of EUR 1,500 million

Account relationships with over 400 Würth Group companies

3,030 foreign exchange transactions with 250 Group companies and a hedging volume totalling EUR 970 million

5,530 treasury transactions with external counterparties (banks)

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.

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





Working on the whole thing with team spirit and a sense of fun

"Even when it comes to complex tasks, we work best as a team – with mutual trust and solution-driven collaboration. Everyone has a voice. Good ideas and arguments count more than hierarchy."

from left to right: David Reichlin (Management Assistant, Rorschach), Ilona Piechaczek (International Payments, 's-Hertogenbosch), Srivaths Chakram (Product Manager Omnichannel Payment, 's-Hertogenbosch), Sabrina Tanner (International Payments, Rorschach), Kim Meyer (Contract Management & Business Administration, Rorschach)

Report of the Management

EXTERNAL FINANCIAL SERVICES

Change has arrived in the insurance industry! Digitalisation is making its mark in everyday operations; new business models are emerging and there is an increasing awareness of the danger of potential disruption in the sector. The challenges are considerable but the major players are slow to evolve. For insurers and insurance brokers, the art is in achieving further growth in saturated markets while at the same time reducing costs through more efficient processes and adjusting their systems to new technologies. In doing so, they must not disregard the developments that have been predicted.

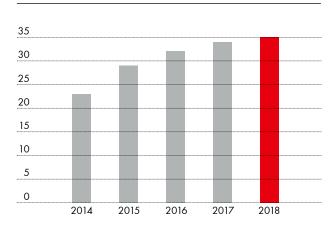
For Würth Financial Services AG, too, the challenge in 2018 was to manage the balancing act between continuing with the tried and tested and finding its way in a new world. The top priority was always to work for the benefit of clients. The delight and commitment in winning new clients was also key to success. At the same time, attention was given to taking the company as a whole forward, but above all its employees. In insurance, with its heavy reliance on advice, the staff are the central interface between client needs and Würth Financial Services AG. It is due to the firm commitment and passion of its employees that Würth Financial Services AG can look back on a successful 2018.

The insurance market and the brokerage market in Switzerland

Various trends from previous years continued to be felt in 2018. Consolidation is advancing, the possibilities of automation seem limitless and regulatory requirements are increasing.

Given the needs with regard to developing the technology, there is an ongoing trend towards larger entities for insurers as well as brokers. Capital expenditure in technology is growing. For insurance brokers in particular, which have hitherto been able to operate easily as very small companies, the question as to critical size looms larger. In 2018, the wave of consolidation both nationally and internationally became still more marked. It is noticeable that foreign insurance brokers are increasingly penetrating the Swiss market. After the French broker Verlingue entered the market in 2017 by taking over S&P Insurance Group and Advantis Versicherungsberatung AG, in 2018 one of the world's largest insurance brokers, Arthur J. Gallagher & Co., ventured into the Swiss brokerage market, likewise by acquiring a medium-sized broker. For insurers, too, the trend towards consolidation continues, as demonstrated by the takeover of XL Group by AXA SA.

Number of Field Staff





"The new management system for our clients' insurance contracts enables the level of automation to be increased and simplifies dealings with clients."

Adrian Parpan Managing Director, Würth Financial Services AG

Automation poses a number of issues for the insurance sector. For instance, technological advances make it likely that claims ratios along with insurance premiums will trend downwards. This thesis is illustrated by examples such as the preventive effect of smart home functions that lead to fewer burglary claims or water damage incidents, or in the sharing economy, which might mean a smaller number of vehicles and an associated fall in premium volumes for motor vehicle insurers. With respect to client advice, sales consultants conducting standardised retail business will probably be increasingly assisted by digital advisory processes. If human advisors are in fact mostly no longer needed in this business, a large number of private and business client consultants will face the challenge of having to adapt the work they do.

The challenges are steadily growing with respect to regulatory requirements as well. With the General Data Protection Regulation and the revision of the Insurance Mediation Directive, additional regulatory framework conditions have been created in the EU and EEA. These standards will also be implemented in Switzerland in one form or another in the foreseeable future. If they are to continue to meet new requirements, businesses will need to devote additional resources to these areas of work.

Focal points for Würth Financial Services AG

In view of the variety of challenges it faces, Würth Financial Services AG has defined three focal points for its ongoing development. The first focal point is sustainable growth in the sales operation. For this reason, the structure of sales has been reconfigured in order to ensure organic growth in coming years. The integration of further small brokerage entities is another important area of work. For small entities, Würth Financial Services AG offers the ideal platform for lasting business operations in the future.

The second focal point is processes. Würth Financial Services AG aims to establish processes that are as efficient as possible. With this in mind, the company switched over to a new management system as of 01 January 2019. This enables the level of automation to be increased in connection with core processes in the back office and simplifies dealings with clients. The system change creates the basis for ongoing technological development.

The third focal point is staff. In order to benefit more effectively from leaner processes, administrative work is being centralised at the head office in Rorschach. Consolidated administration at a single location makes deputy arrangements simpler and enables more focused development and training of employees. In addition, Würth Financial Services AG will benefit from scale effects. The anchoring of branches in their local areas will be ensured by the account managers and specialists, so clients will continue to be served on a regional basis.

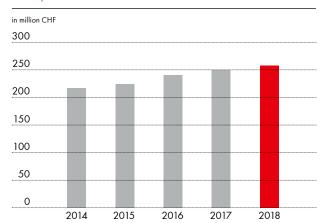
Business performance in 2018

2018 was a successful financial year for Würth Financial Services AG. While premium volumes for the non-life insurance contracts it looked after rose by CHF 8 million to CHF 258 million, the number of corporate clients as at the end of 2018 was 2,608.

Würth Financial Services AG recorded a small increase in sales compared to the previous year. Expectations for the acquisition of new clients were met last year, though premium reductions resulting from tendering and isolated client losses prevented a higher level of growth. In addition to organic growth, the integration of Iverba AG at the Urdorf location was initiated and successfully executed during 2018. This integration is a further step in the successful acquisition of small brokerage entities looking for a lasting solution to their medium-term succession arrangements.

With regard to operating expenses, personnel expenses rose while administrative expenses were reduced compared to the previous year. The rise in personnel expenses was attributable to rising costs for sales consultants and reflects ongoing investment in the sales set-up. The operating result improved by almost 14%, exceeding expectations.

Development of Premium Volume Non-Life



Outlook for 2019

For 2019, Würth Financial Services AG has set itself the goal of consistently pushing forward on its three focal points: sales, processes and staff. Achieving growth objectives organically as well as through further acquisitions of small brokerage entities is of eminent importance. Only by achieving steady profitable growth can it be ensured that the necessary funds are available in the long term for further investments and the continuous development of systems and procedures.

Enhancing productivity will be essential for the future. Irrespective of processes, Würth Financial Services AG in 2019 will continue to focus its employee-related initiatives on enhancing staff structures, fostering existing employees and striving to recruit suitably skilled employees for the company. Through the corporate culture that is lived out in the Würth Group, characterised by family values and predictability, Würth Financial Services AG is an attractive employer in an evolving sector.



MANAGEMENT WÜRTH FINANCIAL SERVICES AG

from left to right: Adrian Parpan (Managing Director) | Luciano Viotto | Beat Jordan (Managing Director) | 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
- Pensions and pension planning for private persons and employees of corporate clients

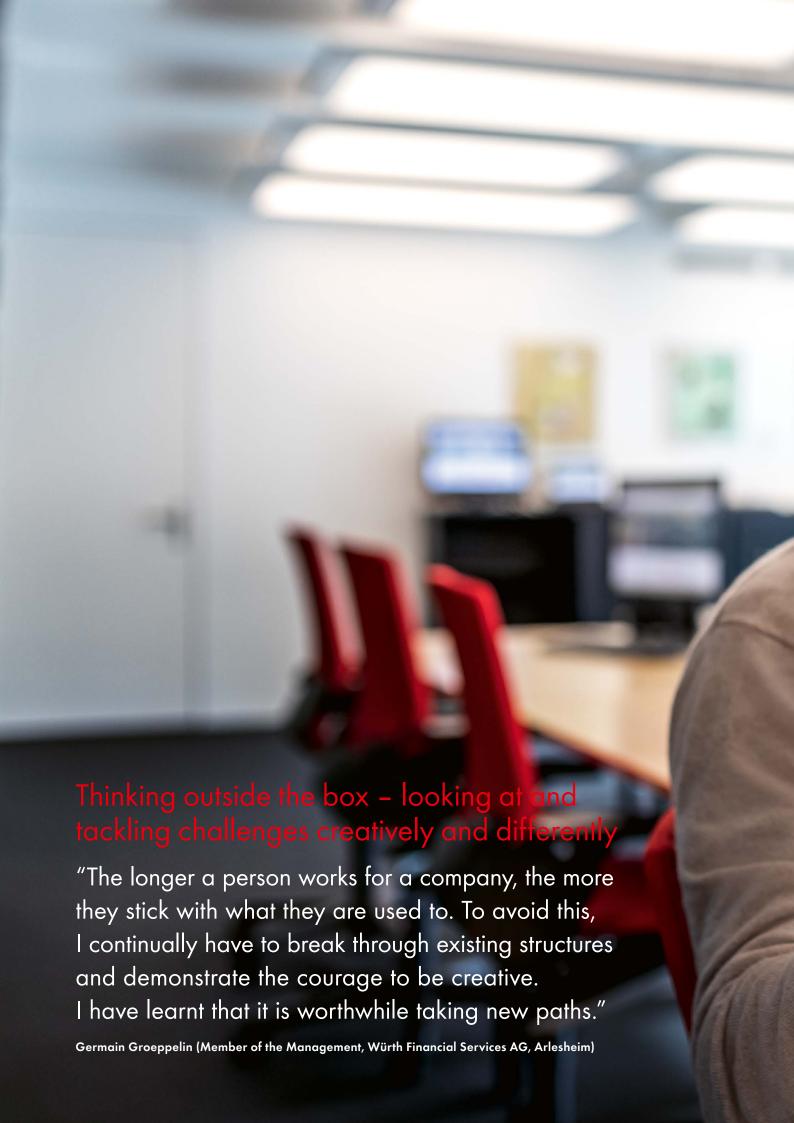
Facts and figures (at 31 December 2018)

Number of corporate clients: 2,608

Premium volume: CHF 258 million

Number of employees: 59

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





Würth Finance Group

REPORT ON RISKS AND OPPORTUNITIES

The Würth Group has a three-tier, Group-wide risk management system which enables risks and opportunities to be identified, evaluated, controlled and communicated: the internal audit monitoring system, Group controlling and the early warning system. The Central Managing Board determines the principles of risk policy and the risk strategy for the Würth Group. Responsibility for implementing an effective and efficient risk management system lies with the respective Management of each Group entity.

At the Würth Finance Group, entering into, managing and controlling risk are central components 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 grouped into three risk categories: market, company and general environment.

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 measured, monitored and controlled largely by the Würth Finance Group. The business activities of the Würth Finance Group expose the company 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 arise mainly from financial assets and contingent liabilities. The Würth Finance Group measures, controls and monitors financial risks by means of a systematic risk management process. Traceable, safe and audit-proof documentation and transparency of information are ensured by strictly segregating the functions of the risk-taking and risk-monitoring bodies. The Würth Finance Group uses various means to manage financial risk and optimise income, 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 financial assets, contingent liabilities and unused irrevocably guaranteed lending commitments reported in the financial statements. In order to minimise credit risks, business relations 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. With all external counterparties for financial derivatives transactions the Würth Finance Group has concluded ISDA agreements, including a Credit Support Annex that ensures the periodic net present value cash settlement of the outstanding transactions. The counterparty risks relating to delcredere business are transferred in full to insurance companies.

Every Würth Group company is granted a credit limit by the appropriate member of the Würth Group's Central Managing Board. Compliance with such credit limits is monitored by Würth Finance International B.V. Any credit risks relating to loans to individual Würth Group companies with negative equity as at 31 December 2018 are secured 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

For the Würth Finance Group interest rate risk means the negative impact on the financial position 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 appetite of the company for interest rate risks is defined by the net present value sensitivity of all on and off-balance sheet exposures to adverse changes in interest rates by 100 basis points in relation to the equity capital. The Würth Finance Group aims to achieve an equity sensitivity of less than 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. In close co-operation with the Central Managing Board the liquidity situation of the Würth Finance Group is monitored and managed to ensure that the expected funds needed over the next 12 to 24 months are covered sufficiently 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 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 credit lines 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 based on shareholders' equity of EUR 320.7 million, net profit of EUR 29.9 million and assets of EUR 2,518 million (as at 31 December 2018).

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 continually being enhanced and monitored via an information security management system. The Würth Finance Group, in collaboration with cyber security experts, works to counter the constantly growing and evolving threat from attacks on information and communications technology. It does so by ex-

tending technical and organisational protection measures and by conducting awareness training for employees. In addition, the Würth Finance Group has a business disaster recovery system. 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 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.

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 thus to meet the increasing regulatory requirements in the financial and insurance brokerage business.

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.





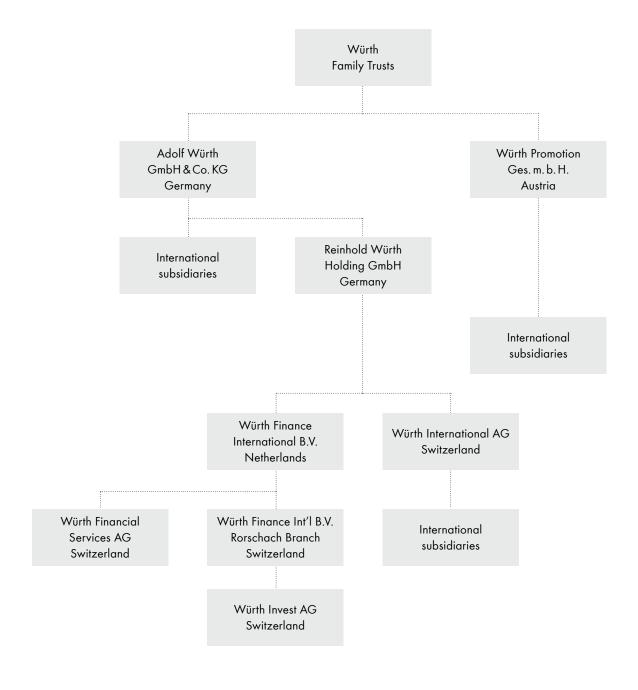
Taking pleasure in movement and trying out new things

"The international financial environment demands a great deal of flexibility and vigour. Close collaboration with my team helps me to keep hold of my feel for developments in the market and to stay close to our clients."

Björn van Odijk (Managing Director, Würth Finance International B.V., 's-Hertogenbosch)

Würth Group

LEGAL STRUCTURE (SIMPLIFIED CHART)



Würth Finance Group

EXECUTIVE BODIES

(AS AT DECEMBER 2018)

Board of Directors		'
Würth Finance International B.V.		Elected until:
Joachim Kaltmaier (Member of the Central Managing Board of the Würth Group)	Chairman	2022
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
Jürg Michel (Member of the Würth Group Advisory Board)	Member	2022
Dr. Bernd Thiemann (former Chairman of the Board of Deutsche Genossenschaftsbank AG)	Member	2022
Mag. Michel Haller (Chairman of the Board of Hypo Vorarlberg Bank AG)	Member	2022

Managing Directors Würth Finance International B.V.	
Björn van Odijk	
Roman Fust	
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, Amsterdam / 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 2018:

Bonds				
Notional amount:	Coupon rate:	Issue yield:	Term:	Listing:
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
EUR 500 m	1.000%	1.08%	25.05.2018-25.05.2025	Luxembourg Stock Exchange/ISIN: XS1823518730

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 commercial 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 method¹ (EVA®). The EVA® calculations were based on the audited balance sheets and financial statements of the Würth Finance Group for 2018 and 2017.

In 2018, the Würth Finance Group posted a net operating profit after taxes (NOPAT) of EUR 56.9 million (2017: 59.2 million), representing a decrease of approximately 3.84% compared to the previous year. The average invested capital

increased by 9.45% from EUR 1,997 million in 2017 to EUR 2,185 million in 2018, the return on invested capital (ROIC) was at 2.61% (2017: 2.97%).

The risk-free cost of debt capital increased from 0.38% (2017) to 0.46% (2018). The market risk premium increased from its 2017 level of 9.61% to 9.82% in 2018. Overall this resulted in an increase in the cost of equity capital to 11.78% (2017: 11.49%).

The cost of debt capital also fell from 1.08% (2017) to 0.87% (2018), reducing the WACC from 2.27% in 2017 to 2.22% in 2018. As a result, the ROIC-WACC spread amounted to 0.39% (2017: 0.70%). Consequently, the Economic Value Added decreased from EUR 13.8 million (2017) to EUR 8.3 million (2018).

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

ECONOMIC VALUE ADDED (EVA®)

in TEUR	2018	2017
Net earnings for the year	29,947	28,082
+ Tax expense	8,569	8,664
+ Interest expense	29,670	37,687
Earnings before Interest and Taxes (EBIT)	68,186	74,433
+ Conversion depreciation of property, plant and equipment	290	159
+ Conversion hedge accounting	3,742	4,353
+ Conversion credit loss expenses / recovery	3,698	_
EBIT EVA®	75,916	78,945
- Normalised tax expense (2018: 25%/2017: 25%)	18,979	19,736
Net Operating Profit After Taxes (NOPAT)	56,937	59,209
Average current assets (EVA®)	1,482,310	1,483,748
+ Average non-current assets	1,044,919	1,012,033
- Average Cash	341,786	499,035
Average invested capital	2,185,443	1,996,746
Return on Invested Capital (ROIC)	2.61%	2.97%
Average cost of debt capital 1	1.16%	1.43%
- Normalised tax rate (2018: 25%/2017: 25%)	0.29%	0.36%
Cost of debt capital after tax	0.87%	1.08%
Risk free cost of debt capital ²	0.46%	0.38%
+ Risk premium market ³	9.82%	9.61%
+ Risk premium Würth Finance International B.V.	1.50%	1.50%
Cost of equity capital	11.78%	11.49%
Weighted Average Cost of Capital (WACC ₁)	2.22%	2.27%
ROIC-WACC _T - Spread	0.39%	0.70%
Economic Value Added (EVA®)	8,325	13,830

 $\mathsf{EVA}^{\scriptscriptstyle \bigcirc}$ Economic Value Added

Earnings Before Interest and Taxes Net Operating Profit After Taxes Return on Invested Capital Weighted Average Cost of Capital EBIT NOPAT ROIC WACC_T

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 2018

Consolidated Income Statement for the Year Ended at 31 December

in TEUR	2018	2017
Operating income		
Interest income from financial instruments measured at amortised cost	48,163	44,140
Interest income from financial instruments measured at fair value through profit or loss	16,092	15,163
Interest expenses	-54,525	-54,887
Net interest income	9,730	4,416
Income from factoring activities	16,018	14,755
Income from commission and service fee activities	35,272	32,983
Income from trading activities and financial instruments	7,320	9,553
Other ordinary income from related parties	3,292	3,959
Credit loss (expenses) / recovery	-3,698	0
Total operating income	67,934	65,666
Operating expenses		
Personnel expenses	-16,744	-16,545
Other administrative expenses	-11,798	-11,876
Depreciation and amortisation	-794	-435
Other ordinary expenses	-82	-64
Total operating expenses	-29,418	-28,920
Profit before taxes	38,516	36,746
Income tax expense	-8,341	-8,028
Deferred taxes	-228	-636
Net profit for the year	29,947	28,082

Consolidated Statement of Other Comprehensive Income for the Year Ended at 31 December

in TEUR, net of tax	2018	2017
Profit for the year	29,947	28,082
Total items that will be reclassified to the income statement		
Foreign currency translation	-164	122
Net (loss) / gain on cash flow hedges	261	-1,513
Total items that will not be reclassified to the income statement		
Gains / (losses) on defined plans	-884	-409
Other comprehensive income for the year (OCI)	-787	-1,800
Total comprehensive income for the year	29,160	26,282

Consolidated Balance Sheet at 31 December Before Appropriation of Profits

Additional paid-in capital Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Bonds issued Payables to related companies Payables to related companies Payables to banks Income tax payables Negative fair values of derivative instruments Other liabilities Accrued expenses and deferred income Total current liabilities Total equity and liabilities	3,000 271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796 0 646,387 7,689 8,925 5,990 11,962 11,512 692,465 2,517,987	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192 499,726 671,628 5,848 7,538 4,199
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Bonds issued Payables to related companies Payables to related companies Payables to banks Income tax payables Negative fair values of derivative instruments Other liabilities Accrued expenses and deferred income	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796 0 646,387 7,689 8,925 5,990 11,962 11,512	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192 499,726 671,628 5,848 7,538 4,199 12,769 19,682
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Bonds issued Payables to related companies Payables to related companies Payables to banks Income tax payables Negative fair values of derivative instruments Other liabilities	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796 0 646,387 7,689 8,925 5,990 11,962	4,230 0 18 1,000,192 499,726 671,628 5,848 7,538 4,199 12,769
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Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Bonds issued Payables to related companies Payables to banks	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796 0 646,387 7,689 8,925	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192 499,726 671,628 5,848 7,538
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Bonds issued Payables to related companies Payables to related companies Payables to banks	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796 0 646,387 7,689	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192 499,726 671,628 5,848
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Bonds issued Current liabilities Bonds issued Payables to related companies	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192 499,726 671,628
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Bonds issued	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities Total non-current liabilities Current liabilities Current liabilities	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369 1,504,796	265,616 -1,513 115 28,082 313,300 995,944 4,230 0 18 1,000,192
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks Deferred tax liabilities	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436 369	265,616 -1,513 115 28,082 313,300 995,944 4,230 0
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans Payables to banks	271,080 -1,252 -49 29,947 320,726 1,494,723 5,268 4,436	265,616 -1,513 115 28,082 313,300 995,944 4,230
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued Liabilities for pension plans	271,080 -1,252 -49 29,947 320,726	265,616 -1,513 115 28,082 313,300 995,944 4,230
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities Bonds issued	271,080 -1,252 -49 29,947 320,726	265,616 -1,513 115 28,082 313,300
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity Non-current liabilities	271,080 -1,252 -49 29,947 320,726	265,616 -1,513 115 28,082 313,300
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year Total shareholders' equity	271,080 -1,252 -49 29,947 320,726	265,616 -1,513 115 28,082 313,300
Retained earnings Other comprehensive income Foreign currency translation Net profit for the year	271,080 -1,252 -49 29,947	265,616 -1,513 115 28,082
Retained earnings Other comprehensive income Foreign currency translation	271,080 -1,252 -49	265,616 -1,513 115
Retained earnings Other comprehensive income	271,080 -1,252	265,616 -1,513
Retained earnings	271,080	265,616
		-
Additional pala-in capital	3,000	5,000
***************************************	5,000	
Capital subscribed and paid in	16,000	16,000
EQUITY AND LIABILITIES Shareholders' equity		
	2,517,987	2,334,062
Total assets Total assets	1,422,423	1,542,196 2,534,882
Cash and cash equivalents	262,119	439,428
Securities held for trading	80,815	96,939
Accrued income and prepaid expenses	7,246	5,092
Income tax receivables	2,243	2,860
Other receivables	3,273	2,658
Positive fair values of derivative instruments	3,827	8,102
Loans to family trusts	9,969	14,000
Receivables from related companies	1,052,931	973,117
Current assets		070=
Toral non-current assets	1,073,364	772,000
Deterred tax assets Total non-current assets	2,826 1,095,564	2,259 992,686
Other financial assets to related parties Deferred tax assets		······
Other financial assets to related parties	35,834	44,500
Loans to related companies	1,055,899	944,422
Operating equipment and furnishings Financial assets	438	509
Property, plant and equipment Operating equipment and furnishings	458	500
	347	790
	547	996
Software		
Intangible assets		
Non-current assets Intangible assets		
Intangible assets	2018	2017

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

Impact of adoption of IFRS 9 expected credit losses						
Impact of adoption of IFRS 9 classification and measurement	0	0	1,338	0	0	1,338
At 1 January 2018	16,000	5,000	294,264	-1,513	115	313,866
Net profit for the year	0	0	29,947	0	0	29,947
Other comprehensive income	0	0	0	0	-164	-164
IAS 19	0	0	-884	0	0	-884
			-004			
Cash flow hedge accounting	0	0	0	261	0	261
Total comprehensive income for the year	0	0	29,063	261	-164	29,160
Dividends paid	0	0	-22,300	0	0	-22,300
At 31 December 2018	16,000	5,000	301,027	-1,252	-49	320,726

Würth Finance International B.V. has authorised share capital of EUR 80 million 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 million.

In 2018, a dividend of TEUR 22,300 (EUR 697 per share) was paid for financial year 2017.

Consolidated Cash Flow Statement for the Year Ended at 31 December

in TEUR	2018	2017*
Net profit for the year	29,947	28,082
Depreciation and amortisation	794	435
Adjustment to provision for taxes	1,387	5,142
Decrease (increase) in deferred tax assets	-566	237
Increase (decrease) in deferred tax liabilities	351	18
Other expenses and revenues without cash flows	12,230	-1,424
Foreign exchange gains and losses (long-term loans)	-8,573	24,368
Foreign exchange gains and losses (short-term loans)	2,065	7,424
(Increase) decrease in operating assets		
Redemption of long-term loans to related companies	58,258	56,541
Lending of long-term loans to related companies	-418,505	-356,255
Receivables from related companies	177,322	64,927
Positive fair values of derivative instruments	4,275	-3,453
Income tax receivables	617	1,439
Other receivables and accrued income and prepaid expenses	-2,770	592
Increase (decrease) in operating liabilities		
Payables to related companies	-25,242	70,333
Negative fair values of derivative instruments	1,791	-2,575
Other liabilities and accrued expenses and deferred income	-8,977	441
Net cash flows from operating activities	-175,596	-103,728
Purchase of property, plant and equipment, and intangible assets	-289	-704
Disposal of property, plant and equipment, and intangible assets	11	35
Purchase of securities	-52,136	-47,851
Disposal of securities	61,995	26,359
Sales of other financial assets	10,000	10,000
Net cash flows from investing activities*	19,581	-12,161
Issue of bonds	494,647	0
Repayment of bonds issued	-500,000	0
Dividends paid	-22,300	-20,050
Contribution	0	5,000
Net cash flows from financing activities	-27,653	-15,050
Foreign currency translation	80	30
Net increase (decrease) in cash and cash equivalents	-183,588	-130,909
Net cash and cash equivalents at the beginning of the year	433,580	564,489
Net cash and cash equivalents at the end of the year	249,991	433,580
Net increase (decrease) in cash and cash equivalents	-183,588	-130,909
Taxes paid	6,985	1,779
Interest received	75,620	69,465
Interest paid	-51,957	-51,848

The funds for this cash flow statement are represented by cash and cash equivalents (net).

^{*2017} numbers are restated to align with presentation change in 2018. For further details see section 2. Accounting principles.

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