WÜRTH GROUP

Annual Report 2023

WÜRTH FINANCE GROUP

GROWING TOGETHER

KEY EVENTS IN 2023

- 4.2 million customers and record sales for the Würth Group: Despite a significant slowdown in the economy, the Würth Group increased its consolidated sales by 2.4% to EUR 20,400 million. It acquired 100,000 new customers and achieved the second-best result in the company's history at EUR 1,400 million (according to preliminary figures).

- Extraordinarily sharp increase in profit for the Würth Finance Group: driven by higher interest income on cash investments, total income increased by 26.0% to EUR 134.7 million, while pre-tax profit was even up 33.3% at EUR 93.7 million (adjusted figures).

- A large inflow of liquidity from the core business and strong increases in interest rates were a key spur to action for Würth Finance International B.V.: In an environment of significant rises in interest rates, active management of more than 50 bank accounts in 26 currencies along with the optimal investment of liquidity totalling well over EUR 1,000 million created significant added value. Higher interest rates also dominated deliberations and decision-making processes when it came to financing the Group companies.

- Remarkable performance in a challenging market environment: With a 6% increase in brokered premium volume and a 7% rise in revenue, Würth Financial Services AG achieved new records. Thanks to its successful sales strategy, Würth Financial Services AG is thus growing significantly faster than the market.

- Digital insurance sales as a key strategic initiative: The InsurHub on Twint is performing well. With payment protection insurance for private individuals with mortgage debts offered online on the brokermarket.ch platform, Würth Financial Services AG has successfully entered the digital bancassurance market.

THE WÜRTH FINANCE GROUP AT A GLANCE

The Würth Finance Group is the financial competence centre for the Würth Group. It employs 120 staff (FTEs) at six locations in the two divisions Inhouse Banking and External Financial Services.

WÜRTH FINANCE GROUP

Core competence	RISK MANAGEMENT	
Core business	Group financing, liquidity assurance and payment flow optimisation for the Würth Group and its subsidiaries	Insurance brokerage for SMEs, national and international companies
	DIVISION INHOUSE BANKING	DIVISION EXTERNAL FINANCIAL SERVICES

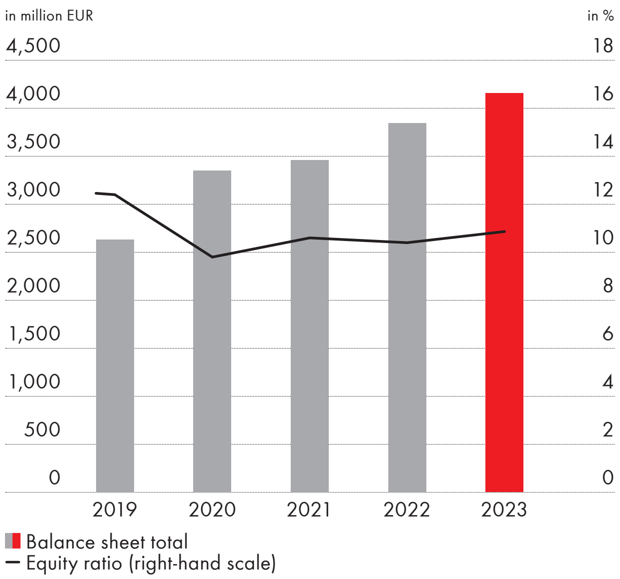
The Inhouse Banking division works with over 400 Group companies in more than 85 countries. The legal entities of the division are Würth Finance International B.V. (NL / CH) and Würth Invest AG.

The External Financial Services division operates as Würth Financial Services AG. Around 10,000 clients in Switzerland are looked after from the five offices in Rorschach (head office), Zurich, Lugano, Arlesheim and Chur.

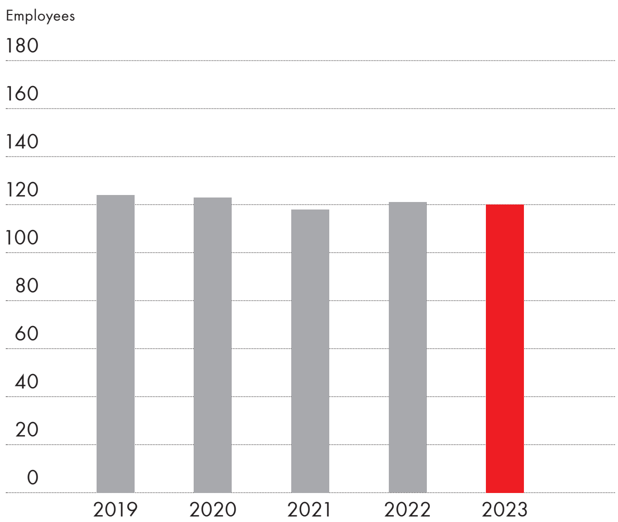
KEY FIGURES OF THE WÜRTH FINANCE GROUP

in TEUR	2019	2020	2021	2022	2023
Key figures from the consolidated income statement					
Net interest income	14,284	13,789	14,170	29,576	50,844
Income from factoring activities	16,419	16,275	16,234	17,733	13,573
Income from commission and service fee activities	35,897	37,668	43,725	48,348	49,564
Income from trading activities and financial instruments	14,713	12,376	14,789	11,289	20,376
Other ordinary income	2,870	1,709	797	653	592
Expected credit loss (expenses) / recovery	1,005	-7,886	6,846	-4,615	4,273
Total operating income	85,189	73,931	96,561	102,984	139,222
Total operating expenses	-32,397	-31,519	-34,031	-36,656	-41,021
Profit before taxes	52,792	42,412	62,530	66,328	98,201
Operating income adjustments Inhouse Banking					
Hedge accounting effect management accounting	2,993	1,492	-548	-619	-203
Impairment for credit loss	-739	8,558	-6,450	4,615	-4,273
Total operating income (adjusted)	**87,443**	**83,981**	**89,563**	**106,980**	**134,747**
Profit before taxes (adjusted)	**55,046**	**52,462**	**55,532**	**70,324**	**93,726**

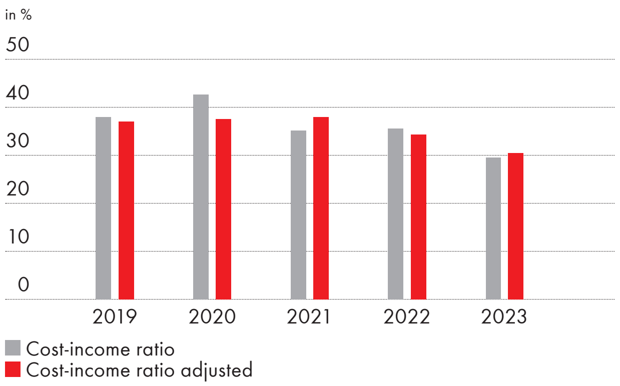
Balance sheet total/equity ratio



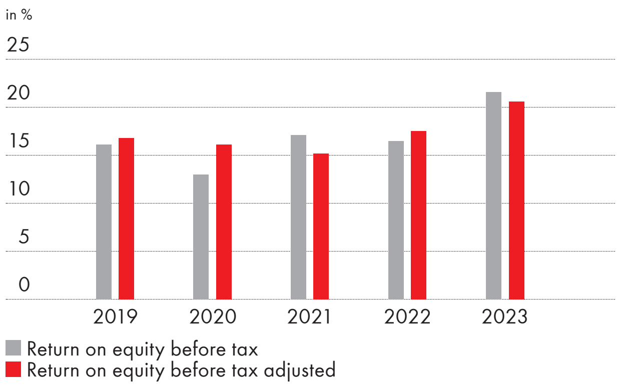
Number of employees (FTEs)



Cost-income ratio



Return on equity before tax



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Würth Finance Group Insights

GROWING TOGETHER AND GROWING CLOSER TOGETHER

The year 2023

There are different ways of growing. Those that grow together become bigger through their joint efforts. Those that grow closer together achieve a combined greatness and a unity. Behind the word "together" lies the deep-seated human need for community and for working with one another. Both the Würth Finance Group and the whole of the Würth Group attach great importance to working together. Growing together, creating things together – that's what counts.

Shared goals and a shared attitude

The year saw the different players in the Würth Group – in the Netherlands, Switzerland, Europe and around the world – grow closer together in their work on a number of fronts. Another outstanding feature has been and continues to be the ability to develop together as a company with different facets and to enable sustainable growth.

The following pages look back over 2023. Our aim is to highlight very clearly what is being worked on and in this way to grow closer together – by knowing what our colleagues in the various departments are busy with.

Artificial Intelligence: Image Design

Digitalisation is in full swing, including at the Würth Finance Group. In recent months, this talking point has been replaced by another: artificial intelligence (AI) and the impact of its applications on both companies and society.

For this reason, the story images in this magazine for the Annual Report have been generated using AI. They visualise the business activities of the Würth Finance Group in different ways and show how its stakeholders are growing closer together – and growing together.

Fraud Management at Würth Finance

WE UNCOVER AN AVERAGE OF 30 FRAUD ATTEMPTS A YEAR – AND THE TREND IS RISING

"2023 was a tough year," says Alejandro Muñoz, Head of Treasury Operations & Payment Factory at Würth Finance. His mission: to protect the companies in the Würth Group from fraud in payment transactions and thus from financial loss.

A difficult task, because fraud attempts are not only becoming more frequent, they are also increasingly sophisticated. Würth Finance, however, has the necessary expertise to fend off attacks.

Alejandro, how does a fraud attempt work?

In the world of digital fraud, a typical attack begins with a targeted search for sensitive or personal information. After this search, the fraudster uses the information to disguise themselves as a trustworthy counterparty. They try to trick employees into disclosing sensitive information or granting them access to protected systems. Fraudsters often pose as suppliers and attempt to get a bank account switched to a fraudulent account. The attempts are becoming increasingly sophisticated and professional.

How do you usually prevent fraud?

Fraud prevention is based on a comprehensive security strategy. In addition to sophisticated technical solutions, the real-time monitoring of networks and the use of firewalls and security software, comprehensive employee training to raise awareness is a particularly important measure. We have strictly defined processes and can therefore identify traps that have been set. We then train the accountants concerned – in a very practical way. A combination of cyber security and employee awareness is therefore the key to successful fraud prevention.

How does this actually take place?

A number of e-training courses are mandatory for new employees throughout the Group. In these, the requirements, structures and rules that apply to everyone are communicated. We have to counter ever more sophisticated attempts at fraud. An example is CEO fraud: employees receive a call from a person claiming to be a member of the Group's Central Management Board. That gets the pulse racing ... AI is also used to mask the person's voice and a telephone number from head office in Germany is displayed. In this case you can no longer rely on what you hear and see.

That must worry you ...

The rapid growth in cyber crime really does give me a headache. There are people who no longer have a normal job, instead they work as fraudsters or cyber criminals. Our walls may be high, but we can never rely solely on them. We invest heavily in prevention to minimise the risk of falling victim to a hacker attack or attempted fraud. Fortunately, no material damage has been caused so far.

"A combination of cyber security and employee awareness is the key to successful fraud prevention."

Looking into the future, what happens next?

In October 2023, we received the green light for our latest strategic project to revolutionise payment transactions. A real game changer for us!

Why a game changer?

We have reached the limits of our existing tools. From summer 2024, we will be introducing a new payment platform that will enable us to manage all the payment transaction processes of the local units through the secure processes and channels at Würth Finance. Thanks to our centralised fraud prevention functions, partly assisted by AI, we can increase security even further and ward off fraud attempts more effectively and comprehensively.

Alejandro Muñoz
Head of Treasury Operations
& Payment Factory at Würth Finance

The New Global Market Information Platform

INDIVIDUALLY TAILORED, WITH ALL THE LATEST DATA

A new web-based service called the Global Market Information platform has been created – with a modern design and individual customisation options. The platform offers up-to-date information for monitoring commodity prices, materials, economic indicators and currencies. It replaces the traditional monthly report.

Until December 2023, the traditional commodity charts were published as a PDF report, which was sent out to Würth Group purchasing units every month. This report has now been replaced by an online platform that is closely tailored to the Group's requirements. The platform was developed for staff at the Würth Group who need access to a range of up-to-date market information in order to make sound financial decisions or to prepare for negotiations with different suppliers and customers.

Added value through tailored settings

The platform can be used via a dashboard that allows individual focal points to be set and information to be tailored to the user, for example with regard to materials or different currencies. Historical data and current trends can also be called up, thereby supplying data for better-informed decisions. The standard Raw Materials report is still available via the platform in the desired format.

"We are proud of this launch. The new platform was a joint project," says Kathrin Freimann, Sales & Contract Management, who is responsible for the new platform at Würth Finance. "We seek to offer added value to all Würth Group staff and make their day-to-day work easier."

The new internal information platform was created in close collaboration with Würth Germany and Würth International. Consolidation made it possible to cancel existing subscriptions for the regular provision of market data and to offer a total solution that also caters to the individual needs of users. Another advantage is that, by bringing the whole service together at Würth Finance, long-term savings and thus cost benefits can be achieved for all Group companies.

Customer relationship management at Würth Finance

Würth Finance regards itself as a partnership-based service provider for the Würth companies, giving them advice and support. Managing Director Philip Guzinski: "We made around a hundred personal visits to companies last year. We maintain a close and direct dialogue. This is becoming increasingly important in our digitalised and performance-oriented society." In addition to performing the work of its core business, Würth Finance aims to identify client needs and to drive forward the automation and standardisation of processes and systems in order to become more efficient. With new products and the transfer of expertise, Würth Finance aims to foster companies' freedom to act and at the same time to provide them with security.

IMPARTING KNOWLEDGE AND FOSTERING COLLABORATION

Staff in the finance departments of Würth Group companies have nothing to worry about if the financial markets start going awry: the Treasury podcast keeps them informed and also gives them an assessment from a Würth Finance expert in terms of what the developments mean for Würth.

Nicole Schwarz, Head Treasury Services, on the Treasury podcast: "The podcast enables us to present our services and impart knowledge." The podcast service is provided in addition to direct contact with the Würth Group companies and has the advantage that it can be listened to anywhere at any time.

Nicole continues: "During the coronavirus crisis we were forced to reduce personal contact with our customers to an absolute minimum, which was very difficult for all of us – and so we came up with the idea of gaining visibility and maintaining contact through the airwaves."

The podcast was launched in 2022. A new episode is published once a quarter and available to all employees on the Group-wide intranet. In general the podcasts are aimed at finance managers and their teams. They set out an overview of current financial market issues. The Treasury podcast has been supervised and moderated right from the start by client relationship manager Raphael Helfenstein, who put his heart and soul into the task, learned how to use the necessary editing programmes and worked on achieving the right sound. When he is recognised as the podcast host during on-site meetings, it is a pleasant surprise for all concerned: listeners are pleased to meet the person behind the microphone. The podcast host in turn receives direct feedback on his work.

Raphael draws inspiration from the podcasts produced by other financial service providers. The basic format for discussing current topics with a financial market expert from Würth Finance is always the same, but it can be expanded flexibly and dynamically. Raphael improvises a studio in his open-plan office with soundproof partitions and bath towels brought from home. He laughs: "It looks funny, but there's no reverb in the recording."

DIFFERENT COUNTRIES, DIFFERENT HABITS

The Würth Group's customers around the world have varying payment preferences. The ePayments team at Würth Finance assists them through its expertise in electronic payment transactions. The team's experts focus on differing customer needs – as is the case, for example, with the Würth Group's new Marketplace initiative.

The Marketplace initiative aims to offer customers a one-stop online experience in which they can not only buy products from a Würth company's online shop, but also access the product range of other Würth Group suppliers – the next level of e-business.

For this pilot project at Würth Italy, the ePayments team worked with various internal and external teams to put the right payment and financial flows in place. This involved setting up credit card and debit card payments and other local payment methods on the new Marketplace platform. The work includes evaluating and selecting the necessary service providers and setting up the system with the Würth Omnichannel Payment Gateway, which provides the infrastructure for processing electronic payments across all sales channels. This key project also involved various legal teams in order to set up the payment and financial workflow in a compliant manner for all countries, retailers and companies. The plan is to go live in 2024.

LIFELONG LEARNING – INTERNALLY, EXTERNALLY AND ONLINE

Training in project management, business IT and treasury management – just three examples of subject areas that employees grappled with in detail in 2023. The language courses on offer are also very popular – especially with new employees around the world. Courses are offered in German and Dutch.

This is just as company founder Reinhold Würth would wish: in his eyes, ensuring that all employees have the right skills is the basis for a successful future. Free e-training courses can be found on Learning Campus, the digital learning platform. This offers online courses in leadership, personal development, digital skills, communication, business skills, management and teamwork as well as productivity.

Every company within the Würth Group supports employee training through its own set of activities. In addition, training courses are provided by the Würth Business Academy, Akademie Würth and the Akademie Würth Business School, which have been in operation since 2012. The training is intended to enable employees to take the next step in their career, for example into international management, and to ensure that their professional skills remain up to date. The goal: to grow through the skills acquired.

Roman Fust, Managing Director of Würth Finance: "Our employees are crucial to our success, which is why we equip them with the right skills, but also give them responsibility. We offer a varied, dynamic and exciting working environment with great development potential." After all, as Roman is convinced, if employees are to remain with the company for the long term, they also need to be given the opportunity to grow constantly with their responsibilities and to develop. The advantage is obvious on both sides: employees can respond appropriately to change, enabling them to remain productive and fit for the labour market.

INSURANCE FOR YOUR PET DOG WITH TWINTPLUS

What a start! InsurHub from Würth Financial Services AG (WFS) was awarded a prize for innovation just one year after it was launched. This service recently launched by WFS remained a success in the year under review and represents an innovative component in the digital distribution of insurance.

What began with ticket and smartphone insurance in 2021 has built on its success: TWINT users can now take out health insurance for their pets or insure their brand new carving skis directly in the app. "We address people where they are – on their smartphones," explains Stefan Sollberger, Product Innovation Consultant at Würth Financial Services AG. "The collaboration with TWINT offers us great opportunities – as a digital playground in an absolutely positive sense." The goal formulated at the start of the project still applies: to provide the best possible insurance service for the five million TWINT users.

InsurHub can be found under the partner functions on TWINT. Insurance can be offered through this facility following straightforward registration. "In the summer, we launched an insurance service embedded in the buying process as part of the Super Deals on TWINT, which led to a lot of policies being taken out," says Stefan.

"All insurance quotes provide very good value for money. But actually, making a claim is the real moment of truth. We wish to offer a good service in this respect." Another practical feature for users is that the entire administration process, such as reporting a claim or cancelling a policy, can be carried out directly via the TWINT partner function, i.e. in the app. This shortens the distance between the user and the insurer and provides a new way of managing insurance policies easily and transparently. And looking into the future, it seems the possibilities offered by this innovative sales channel are far from exhausted.

Covering Risk When Taking Out a Mortgage

SIMPLE AND ATTRACTIVE

"Embedded insurance" is a modern concept that played an important role in the new collaboration with the brokermarket.ch platform. The principle: if a mortgage is taken out to finance your new home, this can now be insured via Würth Financial Services AG (WFS) when the contract is signed. The collaboration with the mortgage platform, which brings together nine lenders, began in the third quarter of 2023.

Stefan Sollberger
Product Innovation Consultant at Würth Financial Services AG

This is how it works. On the brokermarket.ch platform, mortgage brokers can search for the cheapest mortgages for property buyers. When you take out a mortgage for your dream home, you can also immediately arrange mortgage insurance on brokermarket.ch. The advantages: obtaining a quote is straightforward, the insurance quote is tailored to the individual mortgage and the WFS team takes care of the formalities. As a Product Innovation Consultant, Stefan Sollberger has driven the new service forward: "We have created a simple, straightforward insurance option. For example, the insurer covers the interest payments on your mortgage for a year so you can look for a new job without worrying." After all, who wants to have to give up their much-loved house or their nice apartment with their family if they lose their job or fall ill for an extended period of time? The banks also benefit: they have a reduced risk of default thanks to the insurance cover.

An example of how the figures look: if you pay CHF 1,500 a month for your mortgage, you can insure it for around CHF 50 extra. "This decision, which takes place immediately on taking out the mortgage, is easy to make and an attractive proposition," says Stefan. "Though this will not make insurance something to get excited about, protection against risk is nonetheless very important to many property owners."

The idea of working with brokermarket.ch came about through contact with Thurgauer Kantonalbank. The WFS team was already familiar with the technical service provider, which is known for its interfaces and for its quick and easy process for taking out insurance. The team could therefore rely on proven expertise. "We have really created something new across the board – very straightforward, streamlined and efficient," says Stefan. "However, we have had ideas about this kind of product for some time."

"Switzerland is a country of mortgages and therefore offers an attractive place to do business."

Working with Thurgauer Kantonalbank was a smooth process without any complications. The new service was launched in less than a year. The level of acceptance among mortgage brokers that use brokermarket.ch increases the more familiar they become with the service. Almost like a start-up, Stefan thinks: "We are all in the engine room, shovelling coal and pulling the right levers to move the project forward."

Open finance: services growing together

The collaboration between WFS and brokermarket.ch picks up on a new trend in banking. Thanks to digitalisation, "open banking" allows banks to open themselves up to the services and functions of other providers – an opportunity with huge potential that should offer added value to existing clients. Mortgage insurance on brokermarket.ch is a first step. Work on further options is ongoing.

SPOTLIGHT

Many small parts become a whole: employees have been working together in a number of different activities and events, growing closer together in the process.

LOOKING AFTER TEAMS, ACTING AS BALL BOY AND OPERATING THE LIVE TICKER

Würth Finance Group employees and other Würth volunteers from all over Europe worked as helpers at the Special Olympics World Games in Berlin in June 2023. Würth acts as a partner to this, the world's largest inclusive sporting event. "An unforgettable experience," is how Felix Jerg from IT Management sums it up. It was particularly inspiring for him to see how Special Olympics breaks down barriers and gives people with learning difficulties and multiple disabilities the chance to enjoy sports and realise their potential.

SAWS, ROPES AND WOOD

It was off to the forest on Rorschacherberg for Swiss employees at Würth Finance. Equipped with saws, wood and ropes, colleagues built bridges with commitment and creativity – a strenuous task, but also an exciting one that everyone took to with gusto on this glorious summer's day. Participants voted for the bridge that was the most aesthetically pleasing. The winning team then closed the event by leading in a sing-along – about bridges.

AN AWARD FOR REINHOLD AND BETTINA WÜRTH

Photo: Philipp Kirschner

Global management consultants EY (Ernst & Young) presented Reinhold and Bettina Würth with an honorary award for their exceptional entrepreneurial and social commitment at the EY Entrepreneur Of The Year 2023 awards ceremony in Germany. "It gives me great joy to receive this honorary award. The fact that the Würth Group is so successful around the world today is thanks to all of its 87,000 hard-working employees. I am very grateful for this," said Prof. Reinhold Würth following the award ceremony in Berlin at the beginning of November 2023.

INDUSTRY NEWS AND NETWORKING

Discussion among specialists, new input and passionate debate in the electronic payments industry: attending the Merchant Payments Ecosystem (MPE) trade fair was a wonderful opportunity for the Würth Finance ePayments-Team to meet other e-payment experts and companies, and to share knowledge – whether about the seamless design of e-payment solutions, new trends or evolving security requirements. MPE 2023 in Berlin offered three full days of lively panel discussions and presentations, innovations and trends that will change payment transactions for merchants in both the short and the long term.

Merchant Payments Ecosystem is the largest event for the business of payment acceptance in Europe, connecting the entire payments value chain. Merchants, acquirers, payment service providers and providers of card systems are represented at the trade fair, along with regulatory authorities, fintech companies, start-ups, blockchain companies and other providers from related sectors.

Legend AI Images

Image 1, Cover	Working for the future in the top of a Würth red tree and growing closer together as a team. Prompt: Surreal image of a red building in the shape of a tree, made out of glass. The building floats in the sky. Business people work in it.
Image 2, p. 2	The screw thread ensures a firm connection and also picks up on the DNA of the Würth Group. Prompt: 3D sculpture with a distinct texture and bold colours. A network of shapes and lines growing into each other.
Image 3, p. 5	With professional expertise and modern technology against cyberattacks. Prompt: photograph of a superhero with a suit and a red cape, fighting against cyber crime in the office.
Image 4, p. 6	It feels like the world is turning faster and faster – the new Global Market Information Platform provides the essentials. Prompt: graphic of a crazy and stunning world of finance.
Image 5, p. 8	The ePayments team provides an infrastructure for processing electronic payments across all sales channels within the Würth Group Prompt: An abstract picture of data sent back and forth between payment terminals, positive, light, white black and red.
Image 6, p. 9	Whether dogs, skis or personal data – insurance made easy with our InsurHub. Prompt: image of a dog on skis, shimmering.
Image 7, p. 11	Insurance as a protective cover for your home. Prompt: illustration of a house in a glass ball.

Würth Finance Group

ANNUAL REPORT 2023

Würth Finance International B.V.

REPORT OF THE BOARD OF DIRECTORS

Dear readers

During financial year 2023, 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 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. This reporting also included the subsidiaries Würth Financial Services AG and Würth Invest AG. The information required as the basis for decision-making was provided in timely fashion and enabled a detailed insight into business operations. The Board of Directors was also informed promptly of all potential opportunities and risks. In this context, the Board of Directors advised the Management on strategic measures and issues relating to the company's future. The cooperation between the Management and the Board of Directors was highly constructive and fully complied with the principles of good corporate governance.

A focal point of the work of the Board of Directors was monitoring the effectiveness of risk management, particularly regarding compliance with the regulatory limits set by the Board of Directors for measuring, managing and monitoring market, credit and liquidity risk in relation to trading activities and the company as a whole.

As in previous years, the audit companies Ernst & Young and KPMG reported to the meetings of the Board of Directors. They reported in connection with risk management on a quarterly basis on selected audit areas, which had been discussed and decided upon beforehand by the Board of Directors. There was a particular emphasis on the reliability of the internal control systems used by the company.

At his own request and in connection with his departure from the Central Management Board of the Würth Group, Joachim Kaltmaier stepped down as Chairman of the Board of Directors of Würth Finance International B.V. at the shareholders' meeting on 19 April 2023, with effect from 5 May 2023. On behalf of the Board of Directors and the Management, I would like to express my sincere thanks to Mr Kaltmaier for his long-standing and successful leadership of the Board of Directors and am delighted that he remains a full member of the Board.

For the Würth Group, financial year 2023 was marked by economic slowdown and a steadily weakening market environment over the course of the year. In spite of this, according to preliminary figures, the company recorded sales growth of 2.4% to around EUR 20,400 million and an operating result of EUR 1,400 million – the second-highest result in its history. This shows that the Würth Group's highly diversified business portfolio again paid off. The positive growth trend was driven by the European markets, the traditional sale of assembly and fastening materials to the crafts customers of the Würth Line and the RECA Group as well as the Electrical Wholesale unit.

Given the significant cash inflow from the core business and the sharp rise in interest rates, Würth Finance International B.V. – as the competence centre for the financing and liquidity management of the Würth Group – concentrated on optimally investing cash on the money market and on advising and supporting the Group companies in adapting their financing structures. Buoyed by a huge improvement in net interest income as a consequence of higher interest rates and successful sales activities in insurance brokerage, the company's adjusted consolidated pre-tax profit rose to a record EUR 93.7 million in financial year 2023.

Board of Directors
from left to right: **Mag. Michel Haller** (Chief Executive Officer of Hypo Vorarlberg Bank AG) | **Wolfgang Kirsch** (former Chief Executive Officer of DZ Bank AG, Chairman of the Supervisory Board of Fresenius SE & Co. KGaA) | **Joachim Kaltmaier** (former Member of the Central Management Board of the Würth Group) | **Prof. Dr. h. c. mult. Reinhold Würth** (Chairman of the Supervisory Board of the Würth Group) | **Ralf Schaich** (Member of the Central Management Board of the Würth Group and Chairman of the Board of Directors of Würth Finance International B.V.) | **Dieter Gräter** (Vice President Finance, Würth-Verwaltungsgesellschaft mbH) | **Christoph Raithelhuber**

The 2023 Consolidated Financial Statements, along with the 2023 separate Financial Statements of Würth Finance International B.V., were prepared in accordance with International Financial Reporting Standards (IFRS) and Part 9 of Book 2 of the Dutch Civil Code. Ernst & Young audited the annual accounts and issued an unqualified audit opinion. The Financial Statements and the audit report were examined by the Board of Directors and discussed in detail with both the Management and Ernst & Young. Following the final result of the audit, the Board of Directors raised no objections, agreed with the audit report and approved the Financial Statements.

As part of its legal obligations to increase gender diversity in management, Würth Finance International B.V. aims to include at least one female member when appointing new members to the Board of Directors and to the Management by the end of 2025. Various specific measures are in place to achieve this goal (see page 39). Currently, the proportion of men on both boards is 100%.

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 very good operating result they achieved in the past financial year. I would also like to thank the Würth Finance Group's clients and business partners for the trust they have placed in us and for their loyalty to the company and the Würth Group as a whole.

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

Würth Finance Group

REPORT OF THE MANAGEMENT

It would be at best an understatement to say that the world has become more volatile over the past few years. In the wake of the pandemic and the (ongoing) war in Ukraine, the outbreak of war in the Middle East has triggered another crisis with a global impact that extends beyond the human tragedy of those directly involved. Relations between the US and China remain consistently tense, and the ongoing cost of living crisis has sustained and exacerbated the high geo-political risk premium. The global economy continues to face the challenges posed by inflation and lacklustre growth prospects. Although GDP growth in 2023 was slightly stronger than expected, particularly in the US, it is now slowing due to tighter financing conditions, weak trade growth and lower business and consumer confidence in Europe and North America. Inflation rates declined rapidly and moved towards levels consistent with central bank targets. Accordingly, central banks were able to end their rate hike cycle in autumn 2023.

Würth Group
As expected, the impact of the stagnating economic trend on the Würth Group increased as financial year 2023 progressed. According to preliminary figures, the company nevertheless recorded sales growth of 2.4% to around EUR 20,400 million. The sales trend in the construction sector, which is important for the Würth Group, was subdued. However, this weakness was offset by the developments in other business units, such as Electrical Wholesale.

Higher energy prices, the increased cost of services and inflation-related wage increases pushed up operating expenses to a greater extent than sales in financial year 2023. Profits were therefore unable to keep pace with sales growth. However, at EUR 1,400 million, the company achieved the second-highest operating result in its history.

In financial year 2022, maintaining delivery capabilities was crucial to the company's success, so inventories were increased to a greater-than-average extent. In the year under review, the supply situation eased rapidly and the service level improved. At the same time, it was possible to normalise purchasing behaviour and reduce safety stocks.

This development had a very positive impact on the Würth Group's operating cash flow and net debt. With centrally – by the Würth Finance Group – held liquidity totalling around EUR 1,200 million and an undrawn credit facility of EUR 500 million committed until 2028, the Würth Group has comfortable liquidity reserves available.

Würth Finance Group
The performance of the Würth Group's core business had knock-on effects for the Würth Finance Group's Inhouse Banking division: as expected, the volume of payments stagnated compared with the previous year due to the reduction in inventories. Thanks to the higher interest rates, income from net lending to Group companies and from cash investments increased significantly, while interest expenses were kept relatively stable thanks to the existing fixed-rate bond financing. This led to a sharp rise in net interest income, from EUR 29.6 million to EUR 50.8 million. Würth Financial Services AG maintained the steady growth trajectory of its insurance brokerage business and saw commission income increase by 6%.

At EUR 134.7 million, the Würth Finance Group's adjusted income rose by a further EUR 27.8 million compared with the previous year's already high figure. This increase is primarily due to the above-mentioned improvement in net interest income in the Inhouse Banking division. Operating expenses increased by 11.9%, rising from EUR 36.7 to EUR 41.0 million. This development was driven by higher IT costs for operations and digitalisation projects, increased prices charged by service providers and higher personnel expenses. The latter is attributable to wage rises and a slight increase in the average headcount. As at 31 December 2023, the Würth Finance Group had 120 employees (FTEs). With an adjusted pre-tax profit of EUR 93.7 million, the company achieved a record-high result (2022: EUR 70.3 million).

In a challenging market environment in 2023, the Würth Finance Group successfully positioned itself on the financial markets and significantly enhanced its profile as an innovative provider of digital insurance solutions in Switzerland.

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 2023 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.

At the different company locations, the Würth Finance Group is known and valued as an attractive, reliable and successful employer that offers modern and flexible working conditions.

Details on the course of business in the Inhouse Banking and External Financial Services divisions follow on pages 20 to 31. The Würth Finance Group's report on risk management and control can be found on pages 32 to 39. The Würth Finance Group does not have its own audit committee, but is integrated into the Würth Group's audit process.

Outlook for 2024

The purchasing managers' indices for the manufacturing sector and the relatively restrictive financing conditions indicate that – in the best-case scenario – the economy will achieve a soft landing in the coming months, before potentially recovering somewhat in the second half of the year. Heightened geopolitical tensions due to the conflict following Hamas' terrorist attacks on Israel are again contributing to uncertainty regarding the short-term outlook. This could lead to major disruptions on the energy markets and key trade routes, hampering growth. For calendar year 2024, the OECD forecasts a growth rate of just 0.6% in the euro area.

Inflation rates will probably continue to decline, but core inflation will remain stubbornly above central bank targets. Consequently, monetary policy will need to remain restrictive until there are clear signs of a lasting decrease in inflationary pressure, inflation expectations decline further and balance between supply and demand on the labour and product markets is restored. Scope for key interest rate cuts is therefore likely to remain limited until well into 2024, even if key interest rates in Europe and the US have reached a peak.

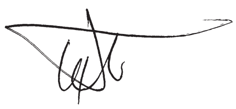
Governments face growing fiscal pressure due to high debt burdens and additional spending on the ageing population, climate change and defence. In the short term, greater efforts are required to create the leeway needed for future spending pressure; fiscal support measures, including the remaining energy support schemes, should be withdrawn or better targeted at those most in need.

Following some three years of double-digit sales growth, the Würth Group expects sales in its core business to stagnate in the first half of 2024. The company is countering the economic headwinds by slowing down the expansion of its workforce, maintaining strict net working capital management and pursuing a disciplined investment approach, with growth-oriented projects and the expansion of capacities implemented only gradually. However, this will not detract from or result in compromises for our client-focused services. Our actions will remain consistently geared to our clients and their needs.

The Würth Finance Group's clients face a wide array of rapidly evolving challenges and risks. Through its financial and insurance products, services and expertise, the Würth Finance Group provides solutions for risk management, pension planning and protecting assets against potential losses. It provides dedicated support to its clients over the long term. The Würth Finance Group will continue to focus on its clients' needs and the constant changes in the insurance and financial markets in 2024. Consequently, investments are continuously being made in the further development of solutions and the digitalisation of the business model in the Inhouse Banking and External Financial Services divisions.
In view of the relatively weak economic forecasts for the first half of the year, the Management of the Würth Finance Group anticipates only a moderate rise in business volumes in the current year and a slightly lower operating result compared with the record year 2023.

Thanks

The Management of the Würth Finance Group is very satisfied with the results achieved in financial year 2023 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 to work with them in 2024.



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)

In presenting and discussing the Würth Finance Group's financial position, operating results and net profit, Management uses certain alternative performance measures not defined under IFRS. These alternative performance measures (APMs) 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. APMs do not have a standardised meaning under IFRS, and therefore may not be comparable to similar measures presented by other companies.

To provide a better overview of the development of the Inhouse Banking activities and their added value for the Würth Group, APM adjustments are made. They affect the operating income and net profit of the Inhouse Banking segment, as shown in the table below.

in TEUR	2019	2020	2021	2022	2023
Hedge accounting effect management accounting	2,993	1,492	–548	–619	–203
Impairment for credit loss	–739	8,558	–6,450	4,615	–4,273

- Hedge accounting effect management accounting refers to the effect of the market valuation of interest rate derivatives to hedge interest rate risk where historically no hedge accounting was applied. As of the implementation of IFRS 9 Hedge Accounting, new hedge relations will be presented as such.
- Impairment for credit loss refers only to related party loss and therefore does not apply to the consolidated financial statements of the Würth Group. This position represents the expected credit loss (ECL) on loans and receivables as at the balance sheet date and until 2021 also the Würth Finance Group's impairment of the capital relinquishment to Internationales Bankhaus Bodensee AG. The ECL calculation is probability-weighted applying a combination of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The LGD is based on the global corporate average of 60% and the PD is based on the Bloomberg default risk of the Würth Group. The PD decreased to 0.45% as at 31 December 2023 (31 December 2022: 0.79%), thus a reduction in ECL of EUR 4.3 million is recognised in the income statement.

2023

in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	61,929	1,096	4,273	67,298
Net interest income	47,946	1,096	0	49,042
Income from factoring activities	13,573	0	0	13,573
Other ordinary income	410	0	0	410
Expected credit loss (expenses) / recovery	0	0	4,273	4,273
Central Settlement	33,736	0	0	33,736
Income from trading activities and financial instruments	22,758	-893	0	21,865
Trading	16,071	–893	0	15,178
Securities investments	6,687	0	0	6,687
Total income	**118,423**	**203**	**4,273**	**122,899**
Total expenses	**–25,865**	**0**	**0**	**–25,865**
Total Inhouse Banking	**92,558**	**203**	**4,273**	**97,034**

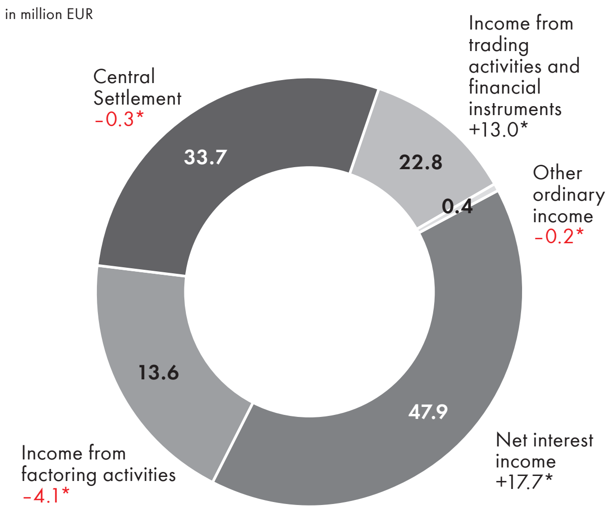
2022

in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	48,440	–1,291	–4,615	42,534
Net interest income	30,154	–1,291	0	28,863
Income from factoring activities	17,733	0	0	17,733
Other ordinary income	553	0	0	553
Expected credit loss (expenses) / recovery	0	0	–4,615	–4,615
Central Settlement	34,029	0	0	34,029
Income from trading activities and financial instruments	9,815	1,910	0	11,725
Trading	15,340	1,910	0	17,250
Securities investments	–5,525	0	0	–5,525
Total income	**92,284**	**619**	**–4,615**	**88,288**
Total expenses	**–22,758**	**0**	**0**	**–22,758**
Total Inhouse Banking	**69,526**	**619**	**–4,615**	**65,530**

Key events

Record profit
Financial year 2023 was another record year. With a pre-tax profit of EUR 92.6 million, the previous year's result was once again exceeded, this time by EUR 23.0 million. The main reason for this considerable improvement was record-high net interest income. Securities investments also made a large contribution of EUR 6.7 million to earnings. However, the other segments (centralised settlement of payments to suppliers, factoring, currency hedging), which correlate closely with the Würth Group's core business, declined in comparison with the previous year.

Income distribution



*Change vis-à-vis 2022

Economic environment and Group performance
The supply chain situation eased significantly in 2023. For the Würth Group, which mainly operates as a trading company, this was initially good news on the purchasing side. As a result, safety stocks in the warehouses were reduced, while the level of service for customers was improved to the usual pre-crisis level. However, this is only one of many factors; most of the macroeconomic conditions deteriorated noticeably. The general political climate continued to be overshadowed by the war in Ukraine and, later in the year, by the Gaza-Israel conflict. Domestic political issues in the Würth Group's core markets (particularly in Germany) and persistently high inflation coupled with a sluggish economy also did little to boost the confidence and planning security of economic actors. Inflation in the core markets in Europe and the US fell significantly over the course of the year, but most recently was still in excess of the central banks' targets. The central banks progressively raised their policy rates and did not take a breather until autumn. In the fourth quarter, the expectation prevailed on the capital markets that the central banks will begin to cut interest rates in the first half of 2024. This led to rising bond prices and falling yields to maturity.

The Würth Group started the business year 2023 with high single-digit sales growth, but lost momentum from month to month, which was attributable to challenging economic trends in its core markets. Nevertheless – according to preliminary figures – it ultimately managed to post record sales and the second-highest operating result in the company's history. Once again, the Electrical Wholesale unit should be highlighted, as it enjoyed significant double-digit sales growth until autumn 2023, before a correction set in here too. The Würth Group's growth strategy in this segment remains focused on organic growth and targeted acquisitions; several acquisitions were also made in financial year 2023, not all of which had been completed as at the balance sheet date.

Both capital expenditure and the M&A activities were at their highest for several years. The number of employees once again increased slightly to reach just over 87,000 full-time equivalents.

Although the Würth Group is not immune to recessionary trends, the company once again demonstrated its solidity in financial year 2023.

Significantly positive operating cash flow reduced the need for financing and boosted the cash reserves of many Group companies. Refinancing measures on the capital market were therefore not necessary.

Although the Würth Group is not immune to recessionary trends, the company once again demonstrated its solidity in financial year 2023. This is also reflected in the renewed confirmation of its A credit rating by Standard & Poor's.

Business performance

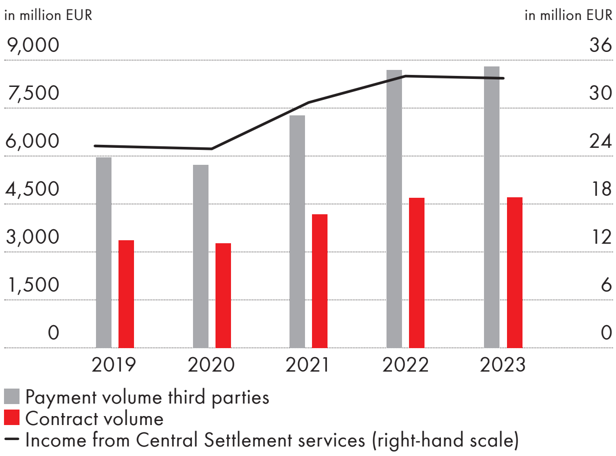
Intercompany factoring activities

A large part of intra-Group receivables are settled by means of an internally developed factoring mechanism via the Group's inhouse bank. As in all the inhouse bank's other areas of business, the fees payable for factoring are compared with third-party fees. The inhouse bank endeavours to smooth out sharp market fluctuations. Nevertheless, long-term trends have an impact on the fee model. Because of the low interest rate environment in recent years, a decision was made in the course of 2022 to reduce factoring fees starting from 2023. This is the main reason for the sharp fall in earnings in this area of business. The volumes transacted stagnated as a result of the reduction in safety stocks in the Würth Group's warehouses.

Central settlement of payments to suppliers

In this segment, too, the combination of sales momentum in the underlying business, the change in purchase prices and the management of inventories is crucial to payment volumes at Würth Finance International B.V.: With 540,000 payments and a value of EUR 8,800 million they remained almost unchanged compared to the previous year. The contribution to earnings from the central settlement of payments to suppliers totalled EUR 33.7 million, EUR 0.3 million down on the previous year.

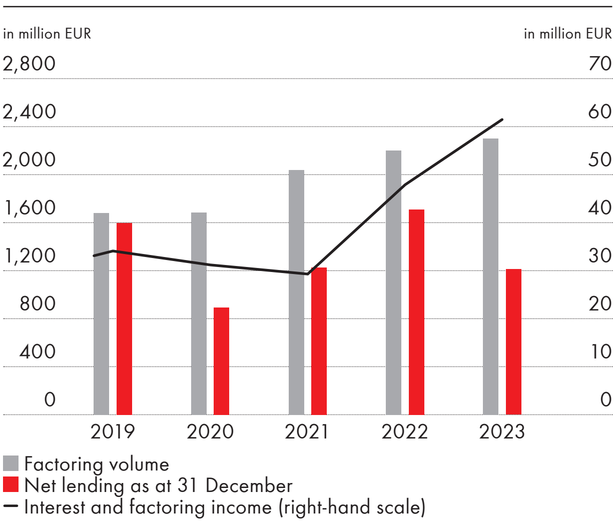
Central Settlement: payment volume/income



Net interest income
The decline in inflation started from levels of around 10% and began rather slowly, which is why the central banks initially continued with or further amplified their cycle of monetary policy tightening. This also directly pushed up the short-term interest rates paid on Würth Finance International B.V.'s cash investments with its banking partners. The sharp rise in cash reserves during the financial year also meant that significantly higher interest income was earned than in previous years.

With regard to the interest expense paid to external counterparties, the fact that the existing borrowings on the capital markets are of a long-term nature (funds committed at fixed interest rates) has a positive effect. Following two bond issues in the previous year, the Würth Group stayed away from the capital markets in 2023. No new funds had to be raised at higher interest rate levels. The negative impact of higher market interest rates was therefore limited to the relatively small proportion of older bond borrowings swapped into short-term rates.

Group Financing volume and revenue from intra-Group lendings



The conservative balance sheet management of the Würth Group had a clearly positive effect and led to record-high net interest income at the inhouse bank.

With high levels of operating cash flow, many Group companies were able to repay loans and borrowings from the in-house bank or to increase their cash holdings. Net loans from Würth Finance International B.V. to Group companies fell by around EUR 550 million to EUR 1,000 million between the end of 2022 and the end of 2023. With interest rates rising, this had a positive effect on the net interest income of those Group companies that were able to build up high levels of liquidity.

With the yield curve clearly inverted of late, some specific opportunities were utilised for balance sheet management; targeted use was made of derivatives for this purpose. All in all, the conservative balance sheet management of the Würth Group had a clearly positive effect in the financial year and led to record-high net interest income at the in-house bank.

Currency hedging and trading with financial instruments
Wherever possible, all currency exchanges at the Würth Group are effected via Würth Finance International B.V. Colleagues in the Treasury department endeavour always to effect currency exchanges at optimum times and terms and to enhance planning security by means of tailored, systematic hedging strategies. In terms of intercompany business, most of the volumes originate either from Group companies that purchase in a foreign currency from the Group's central purchasing companies, or from payments to external suppliers whose invoices are in a foreign currency. These volumes

declined as a result of the slowdown in the Würth Group's sales in conjunction with the progressive reduction in inventories. In financial year 2023, declining trading volumes were again used specifically to enter into risk positions within defined position and loss limits. As a result, the overall contribution to earnings from trading with financial instruments increased by 4.8% to a gratifying EUR 16.1 million.

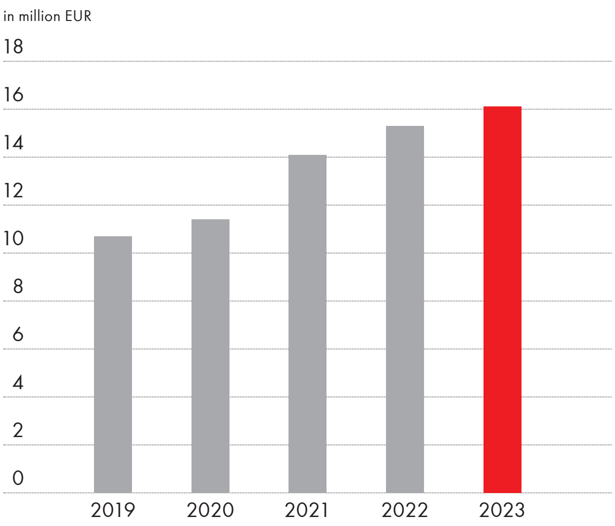
Securities investments

The Würth Group's inhouse bank continued with its policy of investing part of the strategic liquidity reserves for the longer term. The aim is to achieve a return that is 200 basis points above the interest rate on an ESTR money market investment in the long run.

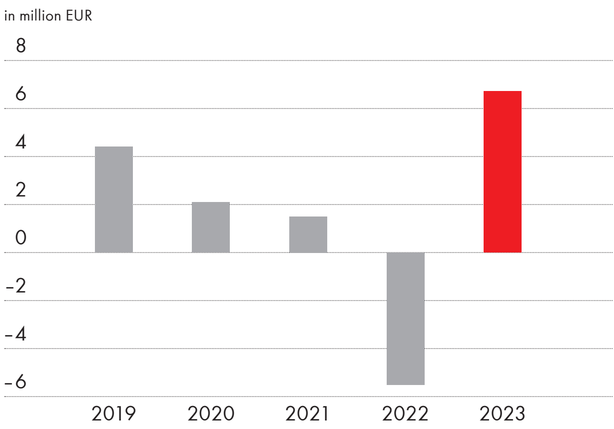
Based on the assessment that yields to maturity had reached an attractive level of well over 3% p.a., the bond portfolio was expanded from EUR 84.4 million to EUR 92.9 million in the first half of the year and to EUR 101.4 million in the second half, with a focus on good credit ratings and relatively long maturities. This paid off. Share prices also moved in a positive direction – with two pronounced upward phases in the first and fourth quarters – and predominantly posted significant double-digit price gains. The inhouse bank benefited from this, too. With a record result of EUR 6.7 million, which equates to a performance of +6.5%, the losses from the previous year were fully recouped. The average annualised return achieved over five years is 2.0%, around 150 basis points higher than the benchmark.

Because of the central banks' zero interest rate policy, over several years the funds from maturing bonds were only partially reinvested, as a result of which the securities portfolio steadily contracted. However, in the last two years up to 31 December 2023 the portfolio was expanded by 67.6% to reach EUR 114.8 million mainly through the acquisition of more bond positions. This reflects the management's positive assessment of the prospects for returns on the markets.

Trading: income development



Securities investments: income development



E-payment services
Electronic payment instruments (e-payments) are becoming increasingly important for the Würth Group companies, as they offer customers the opportunity to pay using their preferred means of payment, such as debit and credit cards, PayPal, Apple Pay and Google Pay. In 2023, the volume of e-payments (incoming customer payments) processed via the Würth Omnichannel Payment Gateway (WOPG) increased by approximately 27%. This growth was spread across various customer contact points, such as the online shop, sales branches, mobile POS and telesales. One of the most challenging initiatives launched in 2023 is an e-payment solution for a new online marketplace.

The inhouse bank's e-payment team works in very close collaboration with the IT companies and the various Group companies active in this market with a view to optimising the e-payment experience for customers. Together, these people form the Würth Group's e-payment competence centre.

Operating expenses
The inhouse bank's operating expenses increased by around half as much as operating income in the year under review. They rose by 13.7% to EUR 25.9 million. Around two-thirds of this increase was attributable to higher IT costs for projects to optimise the technical infrastructure, processes and IT security, particularly for the Payment Factory. In addition, personnel expenses were higher because of an increase in staff (annual average: +5.2%) and wage rises.

Outlook for 2024

At the time this annual report went to press, leading business indicators, global political uncertainties and the current macroeconomic trend (particularly in the construction sector) still leave little room for exuberant optimism. However, thanks to falling rates of inflation, central banks now have greater room for manoeuvre for an accommodative monetary policy.

In keeping with the tradition of a family-owned company, the management of the Würth Group takes a long-term view when making its decisions. There is solid confidence in the agility and resilience of the individual Group companies, and this confidence has been bolstered recently by major acquisitions and is backed by large cash reserves. In general, there is optimism that the period of economic weakness is coming to an end and that the company will emerge stronger from the competition with rival business partners.

For Würth Finance International B.V., this means that positive momentum in volume-dependent business is not expected until the second half of the year at the earliest. As part of the Würth Group's financing strategy, long-term funds at fixed rates may be raised on the capital markets in the course of the year – at significantly higher interest rates than last time. This will tend to have a negative impact on net interest income. And after an exceptionally strong result in 2023, income from securities investments is also likely to be significantly lower, as the bond and equity markets have probably already priced in a large part of the potential for interest rate cuts.

After a number of positively correlated developments contributed to a record profit in 2023, and assuming that there is no escalation at the geopolitical hotspots and no negative surprises for the global economy, the management of the inhouse bank expects a low double-digit percentage decline in its operating result in financial year 2024.

Management Würth Finance International B.V. and Würth Invest AG
from left to right: **Patrik Imholz** (Würth Invest AG) | Alejandro Muñoz | **Philip Guzinski** (Managing Director) | **Björn van Odijk** (Managing Director) | **Roman Fust** (Managing Director) | **Jorre van Schipstal** | **Daniel Ochsner**

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 its financial stability.

In close collaboration with the Central Management Board and the operational Group companies, the Inhouse Banking division 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.

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

Providing electronic payment possibilities
- Analysing the business needs and identifying the right service providers
- Integrating various electronic payment methods across sales channels for the branches, e-commerce, m-commerce and the call centres within the Würth Group

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 11,000 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

Facts and figures (at 31 December 2023)

65 employees (FTEs) at the offices in Den Bosch, the Netherlands, and Rorschach, Switzerland

540,000 payment transactions with a volume of EUR 8,800 million in the year under review

Outstanding capital market funding with a total volume of EUR 2,100 million

Account relationships with over 400 Würth Group companies

4,320 foreign exchange transactions with 330 Group companies and a hedging volume totalling EUR 1,230 million

344,000 customer e-payments with a volume increase of approximately 27% compared to the previous year

Report of the Management

EXTERNAL FINANCIAL SERVICES

Despite the gloomy global situation, there were many positive developments in 2023. The integration of artificial intelligence (AI) to support and simplify everyday business and private life has been remarkable. Awareness of the importance of living sustainably and protecting the environment is growing. In addition, financial market developments in 2023 also paint an encouraging picture.

Developments in the innovative area of digital insurance sales were particularly positive.

Overall, 2023 was a good year for Würth Financial Services AG (WFS). Sales targets were exceeded and new client acquisition was promising. Developments in the innovative area of digital insurance sales were particularly positive. In addition, preparations for new regulatory requirements – including the Swiss Federal Act on Data Protection and the Swiss Insurance Oversight Act – were successfully completed and promising progress was made in the area of process digitalisation.

Insurance market 2023

In terms of global claim events, the effects in 2023 were relatively minor compared with previous years. However, insured damages exceeded the USD 100,000 million mark for the fourth consecutive year, with severe storms accounting for a large proportion of this figure. With insured losses amounting to USD 6,000 million, the earthquake in Turkey was the most expensive natural disaster in the past year. In Switzerland, the storm in La Chaux-de-Fonds led to damages of around CHF 90 million.

Thanks in part to financial market developments, most insurers can look back on positive results. However, due to the increased inflation level, their combined ratios are increasingly coming under pressure. Various providers, particularly in the motor vehicle insurance business, have increased premiums accordingly.

In the field of corporate insurance, the risk of cyber attacks is still underestimated and many companies forego insurance to cover attacks on their IT infrastructure. The situation in personal insurance remains strained due to high claims ratios. In general, insurers underwrite risks much more selectively, whereby good risks can in turn benefit from declining premiums, especially in the area of asset insurance.

Swiss brokerage market

There is a notable trend towards consolidation in the brokerage market in Switzerland, as well as abroad. Due to the pressure to adapt to a constantly evolving business environment, coupled with the desire to increase efficiency and access new technologies, many brokers are choosing to join forces. Other causes of this wave of consolidation include the shortage of skilled staff, technological developments (or digitalisation) and more stringent regulatory requirements.

The shortage of skilled staff has pushed up personnel expenses and resulted in lower service quality – particularly on the insurer side – as less qualified employees have had to be hired. This shortage has far-reaching implications with regard to error frequency at insurance companies and requires more oversight by brokers to ensure that client confidence is not eroded.

Innovative strategies are needed to counteract this lack of qualified talent and maintain service quality. Advances in digitalisation and the use of AI offer opportunities in this area. AI will play a central role in risk management, as it makes it possible to conduct more precise analyses and make faster, better-informed decisions. This could help support employees in an environment marked by a shortage of skilled staff.

Upcoming regulatory changes – namely the new Swiss Federal Act on Data Protection and the Swiss Insurance Oversight Act – are also keeping the industry busy. These new acts aim to enhance client protection and ensure the professionalism of insurance brokers. A clear separation between dependent and independent agents and the disclosure of compensation and client hours worked are examples of the new requirements intended to improve the quality of advice and client protection.

Focal points in financial year 2023

The subject of regulation took up a lot of time last year due to the two new legislation mentioned above. Other key topics included sales, personnel development and expansion, and product innovation.

The past year was one of the most successful ever for WFS, particularly in terms of sales. It continuously succeeded in convincing new clients of its services, structures and the quality of its employees. Entrepreneurs are impressed by the stability of WFS, together with its down-to-earth corporate culture and focus on efficient processes.

The most important assets when it comes to providing advisory services and support are the employees, who are committed to meeting clients' needs each and every day. Given the shortage of skilled staff, personnel management is a priority. Every day, it is important to re-emphasise to employees that WFS will remain the right employer for them tomorrow and the next day, and that resisting the constant attempts by competitors to entice them away will prove worthwhile.

> The most important assets are the employees, who are committed to meeting clients' needs each and every day.

With regard to personnel recruitment, there is also a significant requirement to create an attractive image for potential employees. In a brokerage market dominated by waves of consolidation, WFS benefits from the stability and reliability afforded by belonging to the Würth Group. In addition, its encouraging development in recent years led to its very positive perception among insurance companies and competitors.

In the past year, WFS further developed the digital insurance sales channel. InsurHub, which covers the insurance partner function in the Twint app, was expanded to include additional insurance products and achieved good growth rates in both client numbers and the number of insurance policies concluded. A first insurance product was also successfully integrated directly into the purchasing process, resulting in significantly higher completion rates. The trend in recent months has been positive and bodes well for InsurHub's ongoing development.

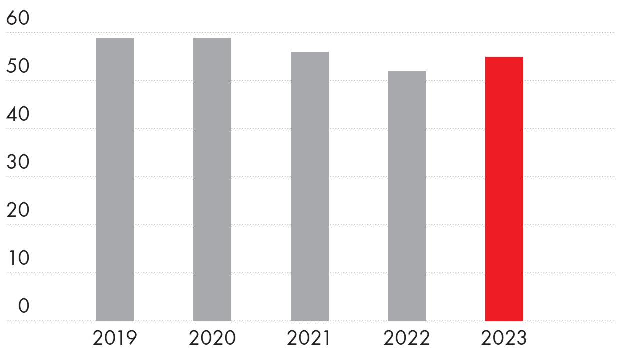
With regard to digital insurance sales, it is also encouraging that WFS was able to launch on a second platform on brokermarket.ch at the beginning of December 2023. Clients can use this sales channel to purchase involuntary unemployment and disability insurance when taking out a new mortgage or extending an existing mortgage. The process of concluding the insurance policy is fully digital and offers a highly simplified process for accessing the insurance product.

Successful course of business in 2023

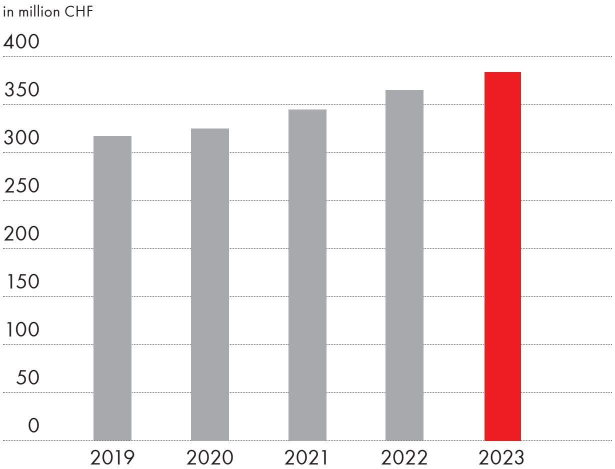
WFS ended financial year 2023 on a very successful note. The brokered premium volume increased by 6% to CHF 384 million. As a result, revenue increased by 7%. This increase is highly encouraging, particularly given that the growth is entirely organic and the overall insurance market recorded significantly lower growth rates.

On the cost side, personnel expenses were rising. This is primarily attributable to the number of employees, which increased from 52 to 55. In addition, the personnel expenses also reflect the inflation-related wage adjustments of around 2%. IT costs also rose at an above-average rate due to the increased focus on digitalisation, while administrative expenses remained at the previous year's level. The operating result improved by 22% in financial year 2023.

Number of staff (FTEs)



Development of premium volume



Outlook for 2024

WFS expects to see steady and sustainable performance in 2024. Its stated goal for the core business is to increase the number of employees, laying the foundation for further growth. The recruitment of additional sales representatives and specialists will be the main focus. WFS also intends to continue investing in automation and technical support in the various areas of digitalisation. The aim is for WFS to keep pace with technological progress within the scope of its capabilities and to make increased use of digital tools in day-to-day business.

With regard to digital insurance sales, WFS aims to significantly scale up the number of clients and policies sold digitally on the two platforms Twint and brokermarket.ch. In addition, the digital insurance sales offering is to be extended to further platforms, significantly elevating the importance of digital insurance sales for WFS.

Management Würth Financial Services AG
from left to right: **Hans-Jürg Flury** | **Adrian Parpan** (Managing Director) | **Beat Jordan** (Managing Director) | **Luciano Viotto**

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 corporate and private clients
- Claims management
- Pension fund advisory services for corporate clients
- Insurance solutions for credit card issuers and payment providers

Facts and figures (at 31 December 2023)

Number of corporate clients: around 4,000

Premium volume: CHF 384 million

Number of employees: 55 (FTEs)

Five locations: Rorschach (head office), Zurich, Lugano, Arlesheim and Chur

Würth Finance Group

RISK MANAGEMENT AND CONTROL

1 Risk culture

Taking risks has always been inherent in any entrepreneurial activity. As a globally active company, the Würth Group is constantly exposed to risks that can arise both as a result of its own actions or failure to act and as a result of external factors. The conscious and systematic approach to addressing opportunities and risks is inextricably linked to the Würth Group's entrepreneurial activities.

The decentralised structure of the Würth Group represents a great advantage, especially given that the individual countries in which Würth operates vary so greatly in their economic performance. However, as a result of the internationalisation of its business activities, the Würth Group is exposed to the political risks of each economic region.

Due to restrictive legal standards applying to national and international transactions involving goods, services, payments, capital, technology, software and other types of intellectual property, compliance risks have also gained in importance. The Würth Group always seeks to comply with all regulations and administrative requirements for its business, both nationally and internationally. This applies when dealing with Würth's customers and suppliers, employees, competitors, other business partners and public authorities.

Against this background, systematic risk management for achieving corporate goals has become of central importance. The Würth Group's policy on risk and opportunities is aimed at meeting the medium-term financial objectives and at ensuring sustainable, long-term growth. To achieve this, the Würth Group has a system that identifies entrepreneurial opportunities and risks, assesses them using a standardised system, weighs them against each other and communicates them.

The Central Management Board of the Würth Group holds overall responsibility for the Group-wide risk management process and defines the principles of the Würth Group's risk policy and strategy. The Management of each Group company is responsible for establishing an effective and efficient risk management system in its entity. They are supported by the Würth Group risk manager, who reports directly to the Central Management Board and coordinates the risk management process at Würth Group level. The risk manager remains in close contact with the risk controller of the Advisory Board, who reports directly to the Chairwoman of the Würth Group.

The Würth Group actively promotes a strong risk culture, and the Central Management Board or the responsible persons in the areas of compliance, controlling, information security, IT security and data protection regularly communicate the expectations of the risk culture. Employees are also encouraged to take responsibility for identifying and escalating risks and rejecting inappropriate measures. Internal control systems, instructions and training courses ensure that employees are informed about the current status of legislation and also support them in identifying and dealing with risks.

2 Risk governance framework

2.1 Governance

The Würth Group's risk governance framework is based on the "three lines of defence" model as an effective control and monitoring system. In this context, corporate risks are managed by three independent levels, which ensure that the risk and control procedures work properly.

The first line of defence consists of all the functions associated with the implementation of day-to-day business. As the risk owners, they are responsible for identifying and analysing risks in the business processes, implementing appropriate controls on the management of the risks and testing their effectiveness. This first line of defence is intended to prevent or discover and correct at an early stage all risks that are inherent in the operational activities.

In contrast to the first line, the second line of defence primarily serves to control and monitor the first line of defence. It takes on various tasks in supervising and controlling operating risk management, ensuring that this works properly. Responsibility for the second line of defence is assigned to control functions such as compliance and controlling.

The third line of defence is the independent auditing body responsible for internal auditing. It carries out risk-oriented audits on behalf of the Supervisory Body and is independent of the first two lines of defence and the entity's management team. This allows the third line of defence to understand the processes and risks at the first and second lines of defence and to objectively assess the internal control mechanisms.

2.2 Framework

Mutual trust, predictability, honesty and straightforwardness, directed both internally and externally, are fundamental principles that are deeply ingrained in Würth's corporate culture and in the corporate philosophy. This does not just entail adhering to all applicable laws and inhouse regulations, but also means ensuring that employees maintain the proper mindset, which is key to the sustainable corporate success of the Würth Group. Extensive internal guidelines, known as the Policies and Procedures Manual, operationalise these fundamental principles in the form of descriptions of the structural and process organisation, as well as setting out specific rules and codes of conduct.

Using the Group-wide Würth Information System, an integral component of the internal control and risk management system of the Würth Group, all key performance indicators required to steer the Würth Group are presented in a timely manner and are available for further evaluation by the Central Management Board and Executive Vice Presidents, based on standardised monthly reporting.

Würth's Group-wide, system-based control mechanisms, such as validation and cross-checks, optimise the quality of the information used as a basis for decision-making. A Group-wide online record for the Würth Group entities' financial statements is not only efficient, but also avoids carry-over errors, safeguards the uniform provision of information and includes numerous plausibility checks, without which the information cannot be forwarded. This platform also ensures that financial reporting changes are implemented in a uniform manner across the Würth Group. Data are protected against changes by using check digits and a system of IT access rights. Standard software is used for consolidation. Changes in the system settings are logged centrally. The monthly and annual financial statements of Würth Group companies are subject to regular automated assessment mechanisms, as are the consolidated financial statements. Moreover, Würth's Policies and Procedures Manual contains internal procedural instructions.

Internal publications and training include detailed rules on financial reporting. Compliance with these rules is regularly reviewed by the central auditing department. External specialists are consulted to clarify the accounting implications of legal and tax issues. External actuaries calculate pension and similar obligations. Central and local training courses for those in charge of finance departments also ensure that all employees involved in the financial reporting process are up to date on the latest legislation and information of relevance to them.

Embedded in the Würth Group, Würth Finance International B.V. has access to the aforementioned Group-wide risk management system. It is exposed to a large number of risks that are directly linked with the divisional activities of its Inhouse Banking and External Financial Services divisions. The Group's most important risk types are credit risks (including default risks), liquidity risks, market risks (including exchange rate, interest rate and securities price risks) and operational risks.

Most of the Würth Group's financial risks are measured, monitored and controlled centrally by Würth Finance International B.V. It pursues a conservative risk policy as part of its risk-oriented company management. It refrains from transactions with imponderable risks and only enters into quantifiable risks within clearly defined limits. This principle forms the basis of the risk policy and provides guidelines for business decisions. The general goal is not to eliminate all risk, but to achieve a balanced relationship between risk and return.

Principles and methods for measuring financial risks, limits and permissible instruments for managing financial risks, and the design of an effective information and reporting system are set out in separate financial risk management regulations, and all financial transactions must comply with these. This framework includes a detailed list of the maximum risk exposures approved by the Board of Directors of Würth Finance International B.V. A core aspect of the framework is a system of defined, binding limits and permissible financial instruments.

The Würth Finance Group (WFG) maintains an internal control system. The self-imposed obligation to check certain processes, routines and functions at predetermined intervals and to monitor the elimination of identified sources of error allows the WFG to protect itself in advance against financial losses or liability risks. The internal control system is in place to ensure the correctness and reliability of accounting. It contains principles, procedures and measures to ensure the effectiveness and efficiency of accounting. The main objective of the internal control system is to ensure that all business transactions are recorded, processed and documented correctly and in full, in accordance with statutory regulations and standards as well as other internal guidelines.

The principles for handling operational risk are anchored in a comprehensive set of guidelines and procedures that define how employees should carry out their activities. The strategic objective of a balanced relationship between risk and return is always pursued, applying a cost/benefit analysis. Each business area takes responsibility for its operational and compliance risks and for having adequate procedures in place to manage those risks. Entities are supported by designated second line of defence operational risk and compliance teams that are responsible for independent risk oversight.

3 Financial risk and opportunities

Further information on the risks arising from financial instruments and their management can be found specifically in note 18 and in the notes to the separate financial report on the website (wuerthfinance.net).

3.1 Credit risk

Credit risk is defined as the risk of a financial loss caused by a counterparty failing to meet its financial obligations or by a deterioration in the credit quality of the counterparty. In the event of a default, the WFG incurs a loss equal to the amount owed by the debtor, less any recoveries. 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.

Given the nature of its core business activities, the WFG monitors the counterparty default risk for all its major risk-related activities.

The WFG aims to minimise the credit risk and has defined its risk appetite in only entering into business relationships with first-class external counterparties. Binding counterparty limits are defined for each rating level, but the aim is to enter into business relationships only with banks with a Standard & Poor's minimum rating of "BBB" (equivalent to a rating of "Baa" from Moody's and "BBB" from Fitch). The creditworthiness of all the Würth Group's banking relationships is controlled by daily monitoring of ratings and outlook changes. A rating downgrade leads to a reduction in the credit limits and to immediate reduction or closure and transfer of open transactions to other banks. In 2023 there were four rating upgrades and two rating downgrades, which did not affect the open positions at the counterparties.

With all external counterparties for financial derivatives transactions, the WFG 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 Würth Group's Central Management Board. Würth Finance International B.V. monitors compliance with these limits on a monthly basis. In the event of a continuous credit limit breach, the Würth Group's Central Management Board is obliged to grant a new credit limit. Such credit limit breaches were repeated in the year under review. The Central Management Board subsequently adjusted the credit limits. Any credit risk relating to loans to individual Würth Group companies with negative equity as at the reporting date are secured by letters of comfort from the superordinate parent company.

3.2 Liquidity risk

The WFG defines liquidity risk as the risk of being unable to meet due payment obligations in full or on time. In addition, there is the risk that refinancing means cannot be procured or can only be procured at higher market rates (liquidity protection or refinancing risk).

The WFG is the main financing company of the Würth Group and, in this function, manages liquidity risks in accordance with the recorded strategic guidelines of the Central Management Board. It also helps to optimise the financial result by exploiting market opportunities in a targeted manner.

The overriding goal of the Würth Group and the associated risk appetite is the ability to meet its payment obligations at all times, even in extraordinary situations.

The high international creditworthiness of the Würth Group (Standard & Poor's has awarded its non-current liabilities an "A" rating) allows the WFG to raise funds in the international capital markets on favourable terms. To cover any liquidity needs that may arise even in extraordinary circumstances, the WFG also has credit lines granted by various banks. The annual financial requirements plan of the Würth Group serves as a basis for the size and the management of such liquidity reserves.

To measure, analyse, monitor and report on liquidity risk, the WFG prepares liquidity overviews on a daily basis and reports the liquidity and debt status of the whole Würth Group to the Central Management Board of the Würth Group on a monthly basis.

In the current reporting period under review all financial requirements were met.

3.3 Market risk

A large part of the WFG's business activities is subject to market risk, defined as the possibility of changes in the fair values of the trading and investment positions. Risks may arise from changes in exchange rates, interest rates and securities prices.

One of the main objectives in dealing with market risks is to ensure that the risk corresponds with the approved risk appetite and is appropriate to the defined strategy.

Both on-balance-sheet and off-balance-sheet financial instruments are used to manage market price risks. Before concluding new transactions, compliance with the prescribed limits and the permissibility of derivative financial instruments must be checked. Compliance with the limits is monitored on a daily basis.

The defined limits were not exceeded in the current reporting period under review.

3.3.1 Exchange rate risk

By exchange rate risks, the WFG means the loss risk on the net assets resulting from exchange rate fluctuations between the transaction currency and the applicable functional currency.

Inhouse Banking's business is exposed to exchange rate risk; the insurance brokerage business is only subject to translation risk from the conversion of business transactions in Swiss francs into the consolidation currency, which is the euro.

Individual limits are set for each currency or currency group to manage exchange rate risks. The limits are to be regarded as open net positions towards the balance sheet currency. The positions are valued and monitored on a daily basis.

In assessing exchange rate risks, the absolute amount of open foreign currency positions and changes in their earnings development are taken into account. For this purpose, all positions are valued on a daily basis at market rates (marked to market) and should not exceed the total amount of EUR 50 million.

In order to control the exposure to exchange rate risk, the WFG enters into FX spot transactions, forwards, cross-currency swaps and currency options with external counterparties.

The defined limits were not exceeded in the current reporting period under review.

3.3.2 Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates in all currencies. Interest rate risk arises from balance sheet positions such as loans, financial assets at fair value, payables to related parties and banks, and derivatives, including those used for hedge accounting purposes. These positions may affect other comprehensive income or the income statement, depending on their accounting treatment. A significant proportion of the loans to Würth Group companies are refinanced by fixed-interest bonds with partially similar interest and maturity structures.

In order to hedge interest rate risks, the use of derivatives such as forward rate agreements, interest rate swaps, swaptions, caps/floors and cross-currency swaps is permitted in addition to any balance sheet structure measure. The limit for these derivative financial instruments is set at a notional amount of EUR 1,000 million, which was not breached in the current reporting period under review.

Interest rate risks are measured using gap and sensitivity analyses, key rate duration analyses and present value calculations.

The WFG's appetite for interest rate risks is defined by the net present value sensitivity of all on-balance-sheet and off-balance-sheet exposures to adverse changes in interest rates by 100 basis points, expressed as a percentage of equity capital.

The defined limits set by the Board of Directors were not exceeded in the current reporting period under review.

3.3.3 Securities price risk

Securities price risk is the risk of financial loss resulting from changes in the price of (publicly traded) securities. To assess securities price risks, the absolute amount of the securities position and its earnings performance are considered. All positions are valued at market prices (marked to market).

The WFG pursues a conservative investment policy which allows investment in bonds and money market paper (investment and sub-investment-grade) and shares on regulated stock exchanges and capital markets. In addition to a defined benchmark strategy with strategic equity exposure, securities price risk is countered through diversification of the investment portfolio. Limits per asset class have also been defined to limit securities price risk, including an automatic equity position reduction mechanism which is triggered at a negative YTD return of the equity portfolio of EUR 750,000, maximising the total negative return of the equity portfolio at EUR 6 million per financial year.

In the current reporting period under review this automatic position reduction mechanism was not activated.

4 Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes or systems, human error or external events.

4.1 Legal and compliance risk

By legal and compliance risk, the WFG means the risk of possible, unintentional non-compliance with laws, regulations or standards which could have a negative impact on the business and its business relationships and, in the worst case, could result in the imposition of payments for damages, fines, penalties or other forms of liability.

Meeting regulatory requirements is challenging for providers of financial and insurance services. 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 WFG 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 finance and insurance brokerage business. Due to the increasing legal complexity, the Würth Group has inhouse experts and consults renowned external consultants on a case-by-case basis.

Training and education within and outside the (Würth) Group are carried out regularly to promote awareness of legal and compliance risks among employees.

Furthermore, a Group-wide whistleblowing system exists that can be used not only by employees but also by customers, suppliers and other stakeholders to anonymously report suspicions of compliance breaches.

For tax compliance, the WFG is structured in the manner that it needs to comply with both Swiss and Dutch tax legislation and has embedded operating policies and procedures to ensure compliance with these tax legislations.

4.2 Technology

As the Würth Group's "payment factory", the WFG handles large payment volumes, which rely on high-performance IT systems and networks. Consequently, the IT systems and IT security are continually enhanced and monitored via an information security management system. The WFG, 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 extending technical and organisational protection measures and by conducting awareness training for employees. In addition, the WFG 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.

4.3 Staff

The success of the WFG depends to a large extent on its employees and their know-how. Through their ideas and suggestions, the employees are deeply involved in particular activities and work processes and thus make a significant contribution every day to the WFG's continued existence, ongoing improvement and innovations. Personnel risks will continue to influence the WFG in the coming years, as competition for highly qualified employees remains intense. Future success will depend, among other factors, on the extent to which the WFG succeeds in recruiting, integrating and retaining skilled employees in the long term.

Staff turnover is documented and analysed across all hierarchy levels. Regular surveys conducted by independent institutions and monthly monitoring of staff turnover are key tools that allow the WFG to identify unfavourable developments, analyse their impact on staff recruitment and combat these effects using targeted measures.

The bottleneck risk arising from current demographic trends, among other considerations, can be countered by attractive employment conditions, a modern and appealing working environment, and training tailored to individual roles. As a family-owned 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 addition, Würth Finance International B.V. successfully gained some initial experience with an international trainee programme aimed at counteracting the shortage of qualified specialists.

In order to secure the company's future, the Würth Finance Group supports ongoing training throughout employees' professional lives. Its own employees take precedence when management positions need to be filled. Up-and-coming management talents attend courses to prepare them for various levels of management within the Group, via the MC Würth, High Potential and Top Potential programmes. These programmes give employees targeted training that is tailored to suit their particular ambitions and skills, to prepare them for further management duties within the Group. Independently of the inhouse training programmes, both the Würth Group and the WFG support any employee training as promoting lifelong learning.

5 Sustainability

5.1 Foundation

Sustainability is becoming increasingly relevant to society. This is leading to a heightened awareness for concerns such as climate change, social standards and corporate misconduct. As a result, the market environment is changing rapidly across all industries. In addition, the inclusion of sustainability criteria in decision-making by investors and by banks granting loans has led to an expansion and tightening of the associated requirements for corporate governance and risk management at companies.

Sustainability risks, also known as environmental, social and governance (ESG) risks, potentially influence the level of capital and insurance costs, as well as the creditworthiness of the Würth Group and its business partners. This challenge is being met through active sustainability management at strategic and operational level and the expansion of associated reporting, including at the WFG.

Sustainability risks relate to the potential impact that a company, its stakeholders and the environment or society can have on each other. They are based on a triangular relationship where each nodal point acts in both directions. ESG risks can have a positive or negative impact on a company's assets, business models and reputation. They have a complex cause-and-effect relationship with the risk framework and all other risk factors. The systematic incorporation of these risks through the three lines of defence in the company's risk framework is based on reliable and transparent information.

The Würth Group's first Group-wide sustainability report for financial years 2020–2022 is a key milestone in creating transparency and providing guidance for sustainability management. This report, prepared in accordance with the standards of the Global Reporting Initiative (GRI) and within the framework of the United Nations Sustainable Development Goals (SDGs), provides a comprehensive insight into the Group's social, economic and environmental activities. (Sustainability Report Würth Group 2020–2022 see wuerthfinance.net).

The WFG – which is integrated into the Würth Group's sustainability management system – will base its future sustainability reporting on the Group-wide database and standardised data infrastructure, thereby ensuring transparency and comparability of sustainability performance. This will enable the WFG not only to minimise risks, but also to achieve a positive impact on the company's reputation and value.

The WFG also sees opportunities to take greater account of sustainability aspects in the design of its own products and services. The WFG has identified initial starting points and will specify them in coordination with the Würth Group's sustainability strategy.

5.2 Environmental protection and climate change

Environmental risks arise from the effects of climate change and efforts to mitigate or contain it. They are divided into two categories: Physical risks include the direct impact of weather and climate changes on the economy. Transition risks result from the societal changes brought about by the shift to a decarbonised and circular economy.

The WFG intends to support an environmentally friendly corporate governance of the Würth Group and its business partners. That includes promoting and funding projects that help to reduce greenhouse gas emissions and protect the environment. The first step in this direction is the disclosure and reporting of quantitative metrics on the current situation and the creation of incentives for positive sustainability development. At the same time, the latest developments in IFRS standards as well as the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards are adhered to.

The WFG sees the integration of environmental and climate goals into the design of financial and insurance solutions as an opportunity and has made an initial contribution to strengthening sustainability-based financial management in the Würth Group by concluding a "sustainability-linked" loan agreement.

5.3 Social standards

In the context of ESG, social risks relate to the consequences of a company's failure to meet its social responsibilities in its role as an employer, customer, service provider and stakeholder in society. For the Würth Group and the WFG, it has always been self-evident that they need to behave in a socially responsible manner towards all stakeholders and to give high priority to the relevant values when designing and developing the company's social architecture.

With regard to employees, the WFG's commitment is not limited to health and safety. It wishes to support its employees in their activities and work experience. The WFG strives to attract and foster a broad range of talented employees at all levels of the company; it is eager to promote workforce diversity and equality of opportunity and regards a fair remuneration system as a self-evident requirement.

The WFG is continuously investing in digital collaboration infrastructure. This results not just in efficiency-enhancing workflow automation; it also creates new opportunities for collaboration at different work locations with flexible working time models and conditions, adapted to the needs of employees.

Based on the values of the Würth Group, the WFG supports local social projects and organisations in the Netherlands and Switzerland. These are often linked to volunteering work by employees, for example as part of Special Olympics, an organisation that provides training and competition in sports for people with intellectual disabilities.

5.4 Governance

The third element in ESG relates to the factors of good corporate governance. The guiding principles in this area are accountability, fairness, transparency and responsibility. It must be taken into account that the specific institutional and cultural context significantly influences the way a company is set up and monitored.

The WFG has suitable and effective structures, management and decision-making systems, procedures and processes as well as competent staffing of management and supervisory bodies, as important elements in ensuring good corporate governance. This is complemented by a solid financial position, a comprehensive and effective risk control system and performance-related remuneration structures.

The WFG's corporate governance is geared towards complying with the relevant legal and regulatory requirements, avoiding infringements wherever possible and thus protecting the company's good reputation. An institutionalised whistleblowing system helps in the identification and reporting of any infringements. The WFG works closely with the authorities in the clarification of conduct that does not comply with the law and standards.

The decentralised structure of the Würth Group and short decision-making paths enable the WFG to respond quickly to changes with regard to the shaping of corporate governance and thus support long-term, sustainable growth.

5.5 Diversity and inclusion

The Würth Group and Würth Finance International B.V. recognise the importance of a diverse workforce and believe that their business activities benefit from staff with a wide range of skills and a variety of backgrounds. Diversity aspects relevant to the company include gender, education/experience, age and nationality/cultural background. Thanks to these aspects different perspectives arise, which help to drive growth and innovation and avoid a silo mentality.

In order to anchor these aspects firmly within the corporate culture, multilingual communication is promoted for employees. This can be seen, for example, in bilingual information events and in written communication with employees in different languages. Access to relevant information in different languages improves mutual understanding, makes for a stronger connection between the various teams and promotes a sense of belonging to the company among employees.

Following the introduction of statutory requirements regarding gender diversity in the Netherlands for companies such as Würth Finance International B.V., the company's diversity policy was revised in 2022. Under the new policy, the company undertakes to improve the gender balance throughout the company and has developed ambitious targets for this purpose. In this context, the current composition of the Board of Directors and Management, as well as the current representation of women in the company, have been taken into account.

Würth Finance International B.V. as at 31 December 2023		
Composition male/female per relevant corporate body	Male	Female
Board of Directors	7	0
Management: Managing Directors	3	0
Management: other members	3	0
Company	48	19

Note: the Management consists of the statutory members (Managing Directors) and non-statutory members.

To accelerate the achievement of a better gender balance at the management level, the company aims to appoint at least one female member for the Management and Board of Directors by the end of 2025. In the long term, a minimum balance of 30% men and 30% women by 2030 is targeted.

The following measures have been or will be taken to achieve these goals:
- The Würth Group has established a "diversity and inclusion team" supporting all Group companies including Würth Finance International B.V. in their ambition to achieve a more diverse workforce and an inclusive working environment. This support consists of a mentoring programme, a women's network and training materials to create awareness on diversity and inclusion.
- Würth Finance International B.V. has ensured that gender neutral wording will be used whenever job vacancies are announced.
- "Gender diversity" will be included in the profile for new members of Management and the Board of Directors.
- Recruiters are instructed to include female talent in relevant shortlists.
- Working towards teams with greater gender diversity is included as an objective for senior management.
- All employees are educated on the value of diversity. Managers are trained and made aware of the topic.
- The company will monitor how applicants, employees and leavers perceive the issues of diversity and inclusion as experienced within Würth Finance International B.V. (and action is taken based upon the outcome).

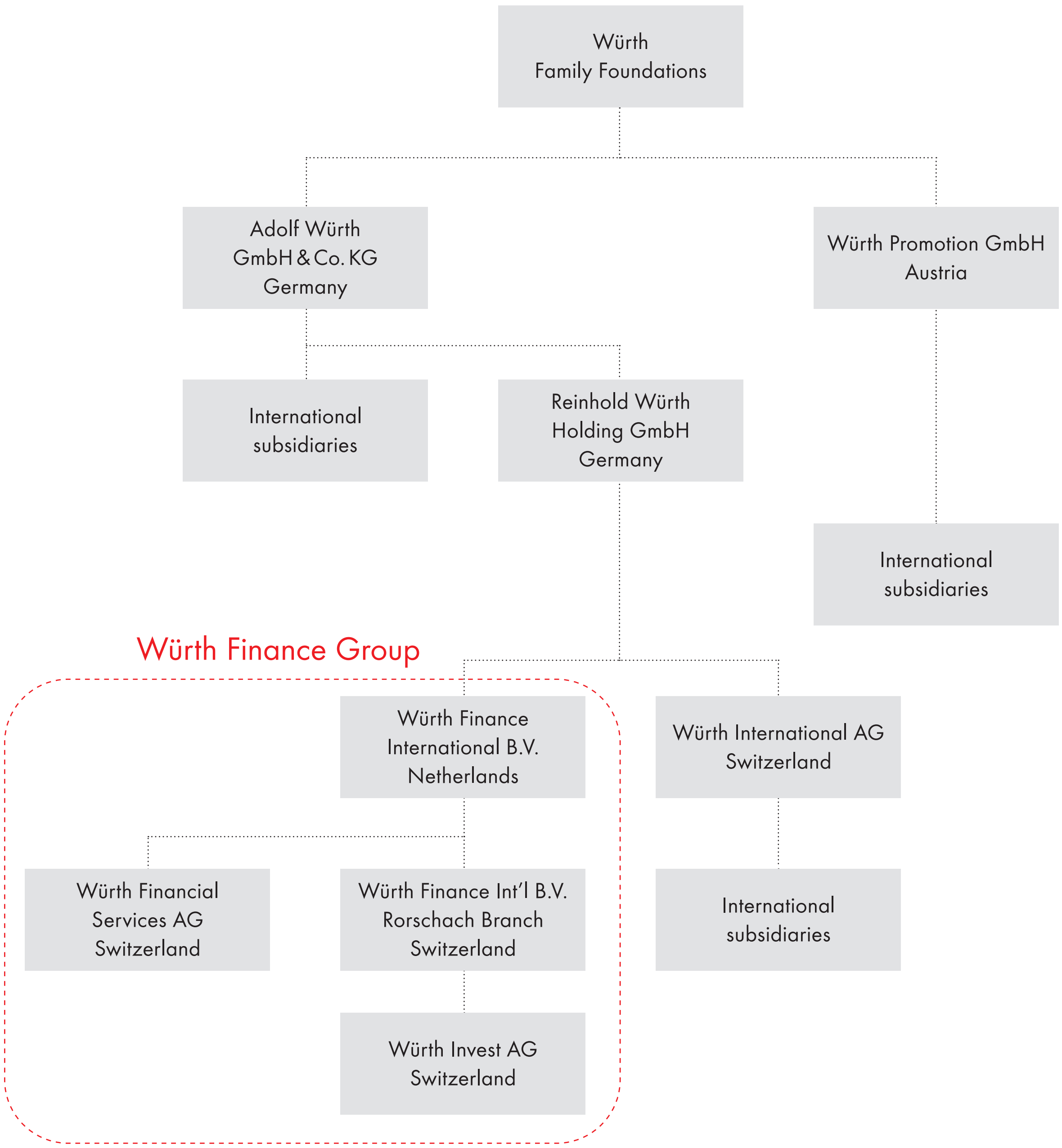
The current composition of the management reflects the fact that the company, with its male-dominated employee base, has traditionally supported the promotion of internal candidates. While the company will continue to invest in the development and promotion of its people, it recognises the importance of creating an inclusive workplace and attracting female talent at all levels. Although the desired change will not happen overnight, the company has clear goals on what it aims to accomplish and is determined to act accordingly.

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.
- Income 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.

Würth Group

LEGAL STRUCTURE (SIMPLIFIED ILLUSTRATION)



Würth Finance Group

EXECUTIVE BODIES

(As at 31 December 2023)

Board of Directors **Würth Finance International B.V.**		Elected until:
Ralf Schaich (Member of the Central Management Board of the Würth Group)	Chairman	2025
Prof. Dr. h. c. mult. Reinhold Würth (Chairman of the Supervisory Board of the Würth Group)	Member	2025
Dieter Gräter (Vice President Finance, Würth-Verwaltungsgesellschaft mbH)	Member	2025
Christoph Raithelhuber	Member	2025
Mag. Michel Haller (Chief Executive Officer of Hypo Vorarlberg Bank AG)	Member	2026
Joachim Kaltmaier (Former Member of the Central Management Board of the Würth Group)	Member	2026
Wolfgang Kirsch (Former Chief Executive Officer of DZ Bank AG, Chairman of the Supervisory Board of Fresenius SE & Co. KGaA)	Member	2026

Managing Directors **Würth Finance International B.V.**
Björn van Odijk
Roman Fust
Philip Guzinski

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	
EY, Amsterdam / Zurich:	Würth Finance International B.V.
EY, Zurich:	Würth Financial Services AG, Würth Invest AG

Internal auditors	
KPMG, Zurich:	Würth Finance International B.V.

Würth Finance Group

INFORMATION FOR INVESTORS

Outstanding Capital Market Transactions by Würth Finance International B.V. at 31 December 2023:

Bond				
Notional amount:	Coupon rate:	Issue yield:	Term:	Listing:
EUR 500 m	1.000%	1.038%	25.05.2018–26.05.2025	Luxembourg Stock Exchange / ISIN: XS1823518730
CHF 300 m	2.100%	2.070%	16.11.2022–16.11.2026	SIX Swiss Exchange / ISIN: CH1206367604
EUR 750 m	0.750%	0.782%	21.05.2020–22.11.2027	Luxembourg Stock Exchange / ISIN: XS2176534795
EUR 600 m	2.125%	2.174%	23.05.2022–23.08.2030	Luxembourg Stock Exchange / ISIN: XS2480515662

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.

EXCERPT FROM THE FINANCIAL STATEMENTS 2023

Consolidated income statement
for the year ended at 31 December

in TEUR	2023	2022
Operating income		
Interest income from financial instruments measured at amortised cost	125,621	72,136
Interest income from financial instruments measured at fair value through profit or loss	22,768	16,290
Interest expenses	–97,545	–58,850
Net interest income	**50,844**	**29,576**
Income from factoring activities	13,573	17,733
Income from commission and service fee activities	49,564	48,348
Income from trading activities and financial instruments	20,376	11,289
Other ordinary income from related parties	592	653
Expected credit loss (expenses) / recovery	4,273	–4,615
Total operating income	**139,222**	**102,984**
Operating expenses		
Personnel expenses	–23,735	–21,991
Other administrative expenses	–15,268	–12,682
Amortisation expenses	–2,018	–1,968
Other ordinary expenses	0	–15
Total operating expenses	**–41,021**	**–36,656**
Profit before taxes	**98,201**	**66,328**
Income tax expense	–18,966	–12,673
Deferred taxes	–166	749
Net profit for the year	**79,069**	**54,404**

Consolidated statement of comprehensive income
for the year ended at 31 December

in TEUR Net of tax	2023	2022
Profit for the year	**79,069**	**54,404**
Total items that will be reclassified to the income statement		
Exchange differences on translation of foreign operations	141	92
Net gain / (loss) on cash flow hedges	2,304	2,031
Total items that will not be reclassified to the income statement		
Remeasurement gain / (loss) on defined benefit plans	–3,439	1,893
Deferred taxes on cash flow hedges	–386	–411
Other comprehensive income for the year (OCI)	**–1,380**	**3,605**
Total comprehensive income for the year, net of tax	**77,689**	**58,009**

Consolidated balance sheet
at 31 December before appropriation of profits

in TEUR	2023	2022
ASSETS		
Non-current assets		
Intangible assets	1,435	1,441
Right-of-use assets	1,621	1,749
Property, plant and equipment	271	431
Loans to related companies	1,389,770	1,554,992
Positive fair values of derivative instruments	10,193	14,894
Deferred tax assets	1,781	2,507
Total non-current assets	**1,405,071**	**1,576,014**
Current assets		
Receivables from related companies	1,297,954	1,348,390
Positive fair values of derivative instruments	9,785	6,634
Other assets	5,724	2,949
Income tax receivables	55	52
Accrued income and prepaid expenses	12,088	12,248
Securities at amortised cost	112,949	0
Securities at fair value through profit or loss	114,782	95,473
Cash and cash equivalents	1,191,590	804,952
Total current assets	**2,744,927**	**2,270,698**
Total assets	**4,149,998**	**3,846,712**
EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	16,000	16,000
Additional paid-in capital	5,000	5,000
Retained earnings	359,064	333,099
Other comprehensive income from cash flow hedges	-5,409	-7,327
Foreign currency translation	179	38
Net profit for the year	79,069	54,404
Total shareholders' equity	**453,903**	**401,214**
Non-current liabilities		
Bonds issued	2,149,847	2,109,593
Liabilities for pension plans	5,292	2,160
Lease liabilities	341	480
Negative fair values of derivative instruments	12,896	12,442
Deferred tax liabilities	397	342
Total non-current liabilities	**2,168,773**	**2,125,017**
Current liabilities		
Commercial paper	0	75,000
Payables to related companies	1,474,770	1,194,662
Lease liabilities	1,304	1,287
Payables to banks	5,731	6,589
Income tax payables	12,422	9,310
Negative fair values of derivative instruments	13,280	7,565
Other liabilities	10,435	15,612
Accrued expenses and deferred income	9,380	10,456
Total current liabilities	**1,527,322**	**1,320,481**
Total equity and liabilities	**4,149,998**	**3,846,712**

Consolidated statement of changes in equity
for the year ended at 31 December

in TEUR	Issued capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Foreign currency translation	Total
At 1 January 2022	16,000	5,000	356,206	–8,947	–54	368,205
Net profit for the year	0	0	54,404	0	0	54,404
Foreign currency translation	0	0	0	0	92	92
Cash flow hedge accounting	0	0	0	2,031	0	2,031
Remeasurement gain / (loss) on defined benefit plans	0	0	1,893	0	0	1,893
Deferred taxes on cash flow hedges	0	0	0	–411	0	–411
Total comprehensive income for the year	**0**	**0**	**56,297**	**1,620**	**92**	**58,009**
Dividend payments	0	0	–25,000	0	0	–25,000
At 31 December 2022	**16,000**	**5,000**	**387,503**	**–7,327**	**38**	**401,214**
At 1 January 2023	16,000	5,000	387,503	–7,327	38	401,214
Net profit for the year	0	0	79,069	0	0	79,069
Foreign currency translation	0	0	0	0	141	141
Cash flow hedge accounting	0	0	0	2,304	0	2,304
Remeasurement gain / (loss) on defined benefit plans	0	0	–3,439	0	0	–3,439
Deferred taxes on cash flow hedges	0	0	0	–386	0	–386
Total comprehensive income for the year	**0**	**0**	**75,630**	**1,918**	**141**	**77,689**
Dividend payments	0	0	–25,000	0	0	–25,000
At 31 December 2023	**16,000**	**5,000**	**438,133**	**–5,409**	**179**	**453,903**

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 2023, a dividend of TEUR 25,000 (EUR 781 per share) was paid for financial year 2022.

Consolidated cash flow statement
for the year ended at 31 December

in TEUR	2023	2022
Net profit for the year	**79,069**	**54,404**
Amortisation and impairments	501	508
Adjustment to provision for taxes	3,112	2,290
Deferred tax expense / (benefit)	781	-423
Other expenses and revenues without cash flows	27,319	-33,619
Foreign exchange gains and losses (long-term loans)	3,132	-25,165
Foreign exchange gains and losses (short-term loans)	2,287	1,331
(Increase) / decrease in operating assets		
Redemption of long-term loans to related companies	69,167	60,744
Lending of long-term loans to related companies	-303,882	-496,979
Receivables from related companies	449,753	62,945
Positive fair values of derivative instruments	1,549	-15,873
Income tax receivables	-3	-52
Other assets, accrued income and prepaid expenses	-2,615	-4,746
Increase / (decrease) in operating liabilities		
Payables to related companies	280,108	-88,340
Negative fair values of derivative instruments	6,169	10,941
Other liabilities, accrued expenses and deferred income	-6,253	3,011
Net cash flows from operating activities	**610,194**	**-469,023**
Purchase of property, plant and equipment, and intangible assets	-335	-405
Purchase of securities	-154,587	-60,139
Disposal of securities	32,224	28,180
Net cash flows from investing activities	**-122,698**	**-32,364**
Proceeds of borrowings	0	902,649
Repayment of borrowings	0	-500,000
Commercial paper	-75,000	75,000
Dividend payments	-25,000	-25,000
Net cash flows from financing activities	**-100,000**	**452,649**
Net foreign exchange difference	0	36
Net increase / (decrease) in cash and cash equivalents	**387,496**	**-48,702**
Net cash and cash equivalents at the beginning of the year	**798,363**	**847,065**
Net cash and cash equivalents at the end of the year	**1,185,859**	**798,363**
Net increase / (decrease) in cash and cash equivalents	**387,496**	**-48,702**
Increase / (decrease) in taxes paid	**-15,742**	**-10,031**
Interest received	**154,701**	**101,167**
Interest paid	**-88,707**	**-49,464**

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

Statement

This version of the annual financial reporting of the Würth Finance Group for the year ended 31 December 2023 is not presented in the ESEF format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The ESEF annual financial reporting is available at: www.unternehmensregister.de

Published by
Würth Finance International B.V.

Editors
Corporate Communications
Würth Finance International B.V.
Wirz Group AG, Zurich

Layout and concept
Wirz Group AG, Zurich

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