WÜRTH GROUP

Annual Report 2022

WÜRTH FINANCE GROUP

CHANGE AND CONSTANCY

KEY EVENTS IN 2022

- A further demonstration of the impressive competitive strength and stability of the Würth Group's core business: The Würth Group increased its sales by 16.9% to EUR 19,950 million, thereby gaining further market share. In addition, with an operating result of EUR 1,500 million, the Würth Group succeeded in defending its profit margin of 7.5% (based on preliminary figures).

- Successful completion of a comprehensive refinancing phase in an unfavourable capital market environment: with two notes issued in the amounts of EUR 600 million and CHF 300 million, as well as the renewal of the committed revolving credit facility in the amount of EUR 500 million, the Würth Group's inhouse bank fulfilled its most important mandate: to safeguard the availability of liquidity for the companies of the Würth Group at all times.

- Income at the Würth Finance Group exceeds EUR 100 million for the first time: driven by a marked increase in lending volumes and higher interest income on cash investments, operating income increased by 19.4% to EUR 107.0 million and pre-tax profit was even up 26.6% at EUR 70.3 million (adjusted figures).

- Solid target achievement despite a challenging environment in the insurance brokerage market: with revenue growth of just under 5% and brokered premium volume up 6%, Würth Financial Services AG clearly exceeded expectations in a market environment that remained difficult.

- Successful establishment of digital distribution of insurance products: With its innovative online insurance platform InsurHub, Würth Financial Services AG established a new mainstay in digital distribution and is thereby continuing on its digitalisation path. The potential of this bancassurance solution is far from exhausted and offers promising prospects for the future.

THE WÜRTH FINANCE GROUP AT A GLANCE

The Würth Finance Group is the financial competence centre for the Würth Group. It employs 121 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

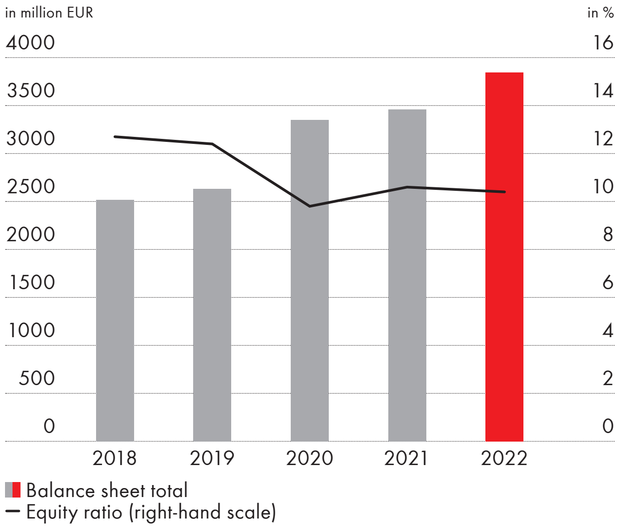
The Inhouse Banking division works with over 400 Group companies in more than 85 countries. The legal entities of the division are Würth Finance International B.V. (NL / CH) and Würth Invest AG.

The External Financial Services division operates as Würth Financial Services AG. Around 9,300 clients in Switzerland are looked after from the five offices in Rorschach (head office), Zurich, Lugano, Arlesheim and Chur.

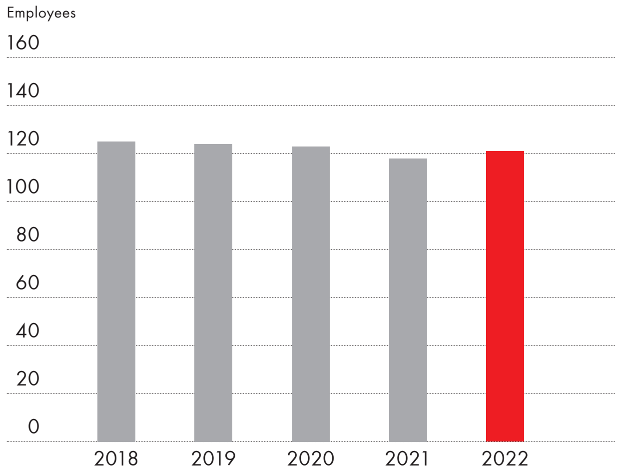
KEY FIGURES
OF THE WÜRTH FINANCE GROUP

in TEUR	2018	2019	2020	2021	2022
Key figures from the consolidated income statement					
Net interest income	9,730	14,284	13,789	14,170	29,576
Income from factoring activities	16,018	16,419	16,275	16,234	17,733
Income from commission and service fee activities	35,272	35,897	37,668	43,725	48,348
Income from trading activities and financial instruments	7,320	14,713	12,376	14,789	11,289
Other ordinary income	3,292	2,870	1,709	797	653
Expected credit loss (expenses) / recovery	–3,698	1,005	–7,886	6,846	–4,615
Total operating income	67,934	85,189	73,931	96,561	102,984
Total operating expenses	–29,418	–32,397	–31,519	–34,031	–36,656
Profit before taxes	38,516	52,792	42,412	62,530	66,328
Operating income adjustments Inhouse Banking					
Hedge accounting effect management accounting	3,742	2,993	1,492	–548	–619
Impairment for credit loss	3,698	–739	8,558	–6,450	4,615
Total operating income (adjusted)	**75,374**	**87,443**	**83,981**	**89,563**	**106,980**
Profit before taxes (adjusted)	**45,956**	**55,046**	**52,462**	**55,532**	**70,324**

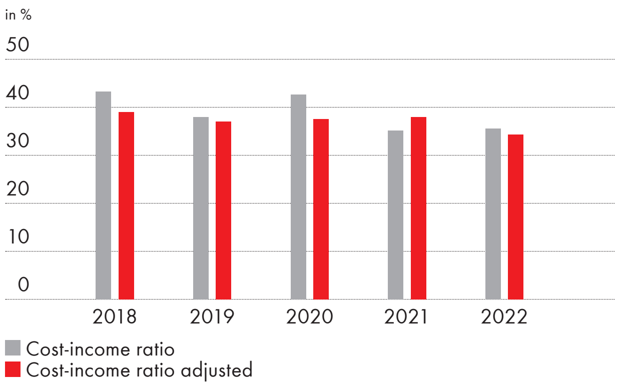
Balance sheet total/equity ratio



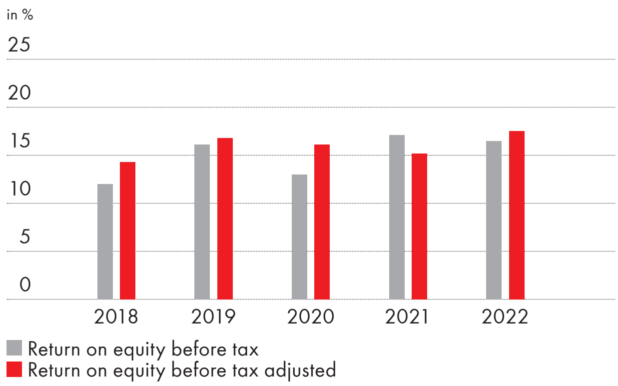
Number of employees (FTEs)



Cost-income ratio



Return on equity before tax



CONTENTS

"Change and constancy" – the illustration design for the 2022 Annual Report

The world is in a state of constant flux. Changing needs continually give rise to new frameworks and demands. This requires flexibility and anticipation – including in the financial services industry. The Würth Finance Group accepts new challenges and evolves on an ongoing basis. At the same time, it remains reliable and offers its clients constancy in this volatile environment.

In collaboration with the Swiss studio Ploy, a series of images has been created in which the interplay between change and constancy is conveyed in an artistic way by means of thematic projections onto 3D models of the locations in 's-Hertogenbosch and Rorschach. Change and constancy are not opposites but complementary elements in the Würth Finance Group's self-image.

Würth Finance International B.V.

REPORT OF THE BOARD OF DIRECTORS

Dear readers

During financial year 2022, 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 compliance with the regulatory limits set by the Board of Directors for measuring, managing and monitoring market, credit and liquidity risk in relation to the Group balance sheet and trading activities.

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

According to preliminary figures, the Würth Group recorded sales growth of almost 16.9% to reach EUR 19,950 million and an increase in its operating result of 18.1% to EUR 1,500 million in financial year 2022. All regions and divisions contributed to this performance. Thus, in a year burdened by supply and materials bottlenecks, price increases, the zero-COVID strategy in China and the war in Ukraine, a very good result was achieved and the Würth Group's competitive position was strengthened. As a consequence of this performance, the Würth Group's financial position also improved further: as at 31 December 2022, equity increased by EUR 1,100 million to EUR 7,900 million year on year, while net debt rose by only EUR 450 million to EUR 1,100 million. With funds from fixed-rate notes totalling EUR 2,100 million and maturities between 2025 and 2030, the Würth Group is well protected against any further increases in interest rates. The Würth Group's high level of financial manoeuvrability is also reflected in liquidity reserves amounting to EUR 1,500 million.

In memory of Dr. Bernd Thiemann

Dr. Bernd Thiemann, a member of the Board of Directors, passed away on 28 December 2022 at the age of 79.

Dr. Thiemann was a member of the Advisory Board of the Würth Group from 1994 to 2013 and had been an honorary member of the Advisory Board since 2014. In addition, he had made his knowledge and long experience as former Chief Executive Officer of DG Bank available to Würth Finance International B.V. as a member of its Board of Directors since 2010.

With his valuable financial expertise he played a key role in shaping the company over the last 12 years. With him, we lose a companion and wise advisor with a spirited personality.

With great respect for his achievements and in deep gratitude for his loyalty, we remember Dr. Thiemann as a person whose actions were driven by a big heart and informed by a great sense of humour and a keen concern for fairness.

We will honour his memory.

J. Kaltmaier

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

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

In its role as the competence centre for the financing and liquidity management of the Würth Group, Würth Finance International B.V. issued bonds for EUR 600 million in May and CHF 300 million in November; through these transactions it successfully completed the refinancing of the US private placement of USD 200 million maturing in September 2021 and the early repayment of a EUR 500 million bond in February 2022. Buoyed by strong growth in the Würth Group's core business, 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 70.3 million in financial year 2022.

The 2022 Consolidated Financial Statements, along with the separate 2022 Financial Statements of Würth Finance International B.V., were prepared in accordance with International Financial Reporting Standards (IFRS). 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 over the next three years. Various specific measures are in place to achieve this goal (see page 30). 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 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.

J. Kaltmaier

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

Würth Finance Group

REPORT OF THE MANAGEMENT

The world is paying a high price for Russia's war in Ukraine. It is a humanitarian disaster. The war, together with China's zero-COVID policy, has also set the global economy on a course for much slower growth coupled with high inflation – a situation last seen in the 1970s. GDP growth slowed to around 2% in the US and 3% in the euro area in 2022. Many of the hardest hit countries are in Europe, which is being heavily impacted by the war due to energy imports. The war has also dashed hopes of a quick end to the rising inflation caused by the COVID-19-related supply shortages in 2021 and early 2022. High food and energy prices and supply bottlenecks mean that consumer price inflation will peak later and at a higher level than anticipated. In a stagnating economy, this forced central banks to tighten monetary policy rapidly and significantly.

Würth Group

Despite the unstable economic environment, the Würth Group was able to maintain its growth momentum in financial year 2022 and record a 16.9% rise in sales to EUR 19,950 million (based on preliminary figures). The individual regions performed well across the board. With regard to the different divisions, the Electronics and Electrical Wholesale units recorded above-average growth. Although the strong sales growth needs to be adjusted for inflation, it still represents a milestone in the family-owned company's history.

The steps taken to improve performance in the digital field bore fruit. As a robust addition to the classic sales force and the branch network, sales from e-business rose by around 21% to EUR 4,100 million in 2022.

The drastic rise in energy and raw materials prices resulted in significantly higher purchase prices, which were passed on to customers only partly. However, thanks to high capacity utilisation and additional measures to improve productivity, the operating result increased by 18.1% to EUR 1,500 million based on preliminary figures, maintaining the profit margin of 7.5%. A remarkable achievement.

Given the supply bottlenecks for many product groups, supplying our customers was even more important than in normal times. Thanks to numerous long-standing relationships and the massive efforts made in the areas of purchasing and logistics, the service level – as a measure of timely delivery to customers – improved during financial year 2022 from under 94% to over 96%. The strategy of maintaining higher levels of safety stocks contributed to this improvement. Accordingly, net working capital increased at an above-average rate compared with sales.

The Würth Group's financial position nonetheless remains very solid. This is reflected both in its financial metrics and in the confirmed rating from Standard & Poor's (A, outlook stable). This was also appreciated by the capital markets, as reflected in two successful bond issues with respective volumes of EUR 600 million and CHF 300 million. As at 31 December 2022, shareholders' equity amounted to EUR 7,900 million, with an equity ratio of 46.0% (preliminary figures). With liquidity of around EUR 1,000 million and an undrawn credit facility of EUR 500 million committed until 2027, the Würth Group has comfortable liquidity reserves available.

Würth Finance Group

In 2022 also the Würth Finance Group proved its ability to act and adapt to changing market conditions. The Inhouse Banking division successfully completed an extensive refinancing phase despite the sometimes considerable turbulence on the capital markets, and Würth Financial Services AG took advantage of the opportunities offered by the digital distribution of insurance products with its InsurHub platform.

The 2022 year under review was also very successful for the Würth Finance Group in financial terms. At EUR 107.0 million, adjusted operating income exceeded the EUR 100 million mark for the first time in the company's history – and by a significant margin. The year-on-year rise amounts to EUR 17.4 million (19.4%) and is mainly attributable to a doubling of net interest income in the Inhouse Banking division, driven by increased lending volumes and higher interest

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 2022 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.

income on cash investments. Operating expenses increased by 7.7%, rising from EUR 34.0 to EUR 36.7 million. Around half of this rise is due to exchange rate effects from the translation of operating expenses at the Swiss locations. The average number of employees remained stable; as at 31 December 2022, the Würth Finance Group had 121 employees (FTEs). Accordingly, productivity improved significantly. With an adjusted pre-tax profit of EUR 70.3 million, the company achieved a record-high result (2021: EUR 55.5 million) and made a significant contribution to the consolidated result of the Würth Group.

Details on the course of business in the Inhouse Banking and External Financial Services divisions follow on pages 8 to 21. The Würth Finance Group's report on risk management and control can be found on pages 24 to 31. The Würth Finance Group does not have its own audit committee and is therefore integrated into the Würth Group's audit process.

Outlook for 2023

Combating inflation will rightly remain the top political priority. In many countries where inflation remains high and is impacting large parts of the economy, central banks will continue to raise key interest rates. Borrowing is becoming more expensive, posing major challenges and risks for companies and households. At the same time, the room for monetary policy manoeuvre is shrinking. In many places, governments have exhausted their financial options for providing families and businesses with targeted temporary protection against the energy shock. Furthermore, it is already becoming apparent that the gas supply in Europa in winter 2023/2024 will be difficult.

There is no doubt that the economic outlook is troubled. The OECD forecasts minimal economic growth of around 0.5% in the US and the euro area in 2023. However, the Ukraine war has prompted numerous changes that would have been impossible until recently. These include the sharp rise in investments in energy security, energy supply diversification and the promotion of renewable energy. The current crisis is therefore also accelerating the transformation of society and the economy, while also opening up opportunities. In addition, the materials shortages in industry and bottlenecks in many sectors began to gradually ease in the first quarter 2023.

How consumer behaviour and energy prices will develop and the impact of China's abandoned zero-COVID strategy on supply chains remain to be seen. Adapting to these fragile conditions remains the central task of the Würth Group. It is possible that the peak of inflation has been seen and economic growth will bottom out by the end of the first quarter of 2023. The company therefore remains cautious, keeping market opportunities in sight and carrying the momentum from the past year into financial year 2023. Investment, acquisition and development projects are aligned with the relevant markets and the growth targets for the coming years, but will be adjusted to the speed of the economy.

For the Würth Finance Group, intense competition on the insurance and financial services market means margins are constantly under pressure and continuous operational efficiency improvements are required. At the same time, the changes on the insurance and financial markets are creating long-term growth opportunities, which the Würth Finance Group is focusing on. Consequently, investments are continuously being made in the further development and digitalisation of the business model in the Inhouse Banking and External Financial Services divisions – while keeping in mind the scope and quality of client services. Protecting assets – against cyber attacks, for example – and fulfilling regulatory requirements are important prerequisites for financial and insurance service providers to conduct their business successfully over the long term. The Würth Finance Group has the necessary critical mass and organisational structure to ensure effective and efficient IT risk and compliance management.

Overall, the Management of the Würth Finance Group expects business volumes to remain stable in the current year, but income to be lower than in the record year 2022, with the operating result on a par with 2019 to 2021.

Thanks

The Management of the Würth Finance Group is very satisfied with the results achieved in financial year 2022 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 2023.

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	2018	2019	2020	2021	2022
Hedge accounting effect management accounting	3,742	2,993	1,492	–548	–619
Impairment for credit loss	3,698	–739	8,558	–6,450	4,615

- 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 increased to 0.79% as at 31 December 2022 (31 December 2021: 0.44%), thus an additional ECL of EUR 4.6 million is recognised in the income statement.

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**

2021

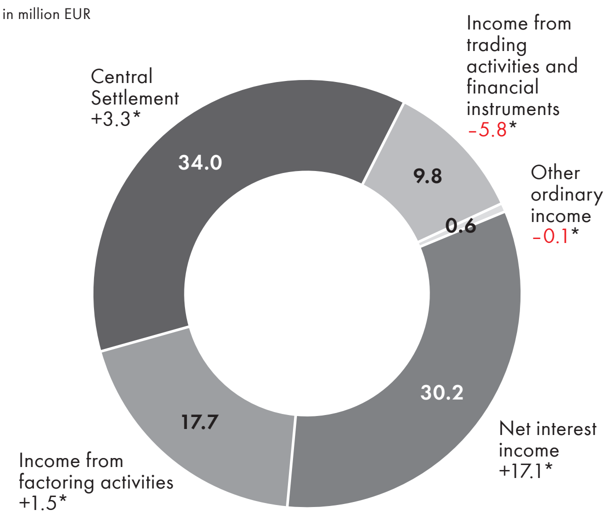
in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	30,015	596	6,846	37,457
Net interest income	13,114	596	0	13,710
Income from factoring activities	16,234	0	0	16,234
Other ordinary income	667	0	0	667
Expected credit loss (expenses) / recovery	0	0	6,846	6,846
Central Settlement	30,653	0	0	30,653
Income from trading activities and financial instruments	15,640	–48	–396	15,196
Trading	14,104	–48	–396	13,660
Securities investments	1,536	0	0	1,536
Total income	**76,308**	**548**	**6,450**	**83,306**
Total expenses	**–21,541**	**0**	**0**	**–21,541**
Total Inhouse Banking	**54,767**	**548**	**6,450**	**61,765**

Key events

Record profit

The stars aligned for the Inhouse Banking division in financial year 2022. At EUR 69.5 million, the adjusted pre-tax profit hugely exceeded the previous year's record level, rising by 27% or EUR 14.8 million. This is largely attributable to the doubling of net interest income, which was bolstered by the higher financing requirements of Würth Group companies and substantially higher interest income on the investment of liquidity reserves during the year. The other segments that correlate strongly with the Würth Group's core business (central settlement of payments to suppliers, factoring, currency hedging) posted double-digit growth and compensated for the significant negative performance of securities investments.

Income distribution



*Change vis-à-vis 2021

Economic environment and Group performance

The year 2022 will be remembered as a year of multiple – sometimes overlapping – crises. The COVID-19 pandemic, the Ukraine war, disrupted supply chains, looming energy shortages and soaring inflation preoccupied almost all players in the real economy and on the financial markets. The global political situation, which increasingly indicated a return to the East-West bloc that had long been considered resolved, and, at times, even the threat of potential nuclear strikes dominated the news flow and occupied many companies worldwide – including the Würth Group.

However, the family-owned business had already demonstrated its ability to deal with uncertainty during the COVID-19 pandemic in 2020 and 2021. The escalation of the threat situation further intensified the challenges faced. Ultimately, what was needed to address these challenges included scenario planning, developing an adaptable organisational structure and – especially in financial management – lending greater weight to security aspects than in less uncertain times. With its diversified business model and flat hierarchical levels, the Würth Group was very successful in this respect. A 17% rise in sales and a record operating profit of EUR 1,500 million are an impressive result.

Financial resources successfully raised on the bond and credit markets

To safeguard its ability to act, the Würth Group consciously increased its safety stocks and strengthened its liquidity reserves. To this end, Würth Finance International B.V. raised long-term fixed-interest funds on the capital market. The relevant decisions were taken in close consultation with the Management of the Würth Finance Group, taking into account the significant change in the interest rate and financial market environment.

The uncertain times and financial market turbulence increased the general need for discussion and advice on treasury issues among the Group's management committees and within the Group companies. The outbreak of war in Ukraine further intensified this dialogue. As already demonstrated during the pandemic, the importance of the inhouse bank's integration into the Group's overall business operations along the entire value chain, as well as the network built up over the past few years with personal contact between Würth Finance International B.V. and local colleagues, again became apparent.

Never before has Würth Finance raised such extensive financial resources within a single financial year.

The issue of two bonds and the early extension of the committed credit line with a total volume of more than EUR 1,400 million – never before has Würth Finance International B.V. raised such extensive financial resources within a single financial year. For the coming years, the Würth Group is well protected against potential further interest rate increases.

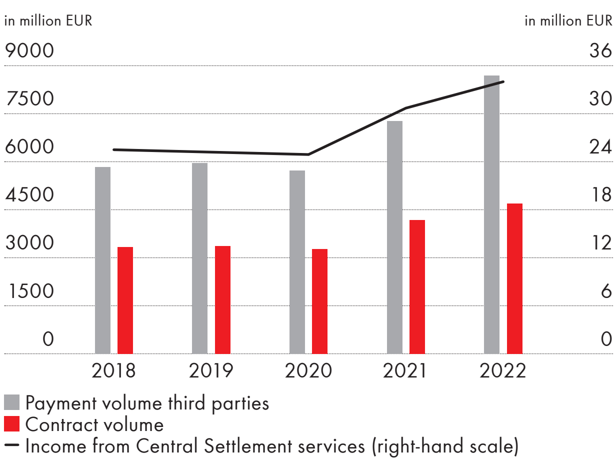
These major transactions unjustifiably overshadow the clear double-digit growth in the inhouse bank's payment volumes in parallel with the Group's growth. It is also notable that the financial year 2022 was tackled with a virtually unchanged average number of employees compared with the previous year.

Business performance

Intercompany factoring activities
Most of the Group companies procure a large proportion of their merchandise from central purchasing companies of the Würth Group. Settlement of the associated receivables is mainly handled by a factoring system via accounts at the Würth Finance Group. The main advantages of the system are the avoidance of bank transactions and the corresponding fees, the pre-financing component, the easier accounts receivable management and the efficient Group reconciliation. Even after many years, this internally developed service is still proving extremely beneficial for the Würth Group companies. The transaction volumes handled correlate closely with purchasing behaviour within the Würth Group. In financial year 2022, these volumes increased by 8% to EUR 2,200 million.

Central settlement of payments to suppliers
Würth Finance International B.V. benefited from the significantly increased purchasing volumes in the Würth Group. Due to the predominantly central processing of payments to Group suppliers on behalf of the Group companies, 530,000 payments totalling EUR 8,700 million were processed through the inhouse bank. Payment settlement agreements are in place with the majority of the Group's strategic suppliers, resulting in income of EUR 34.0 million, up 11% on the previous year.

Central Settlement: payment volume/income



Net interest income
At the beginning of the year, inflation rates had already increased worldwide. But the outbreak of war in Ukraine prompted a massive energy price shock, the like of which had not been seen since the 1970s. As the year progressed, prices for a broad basket of goods and services rose, forcing central banks to tighten monetary policy rapidly and significantly. In the US, key interest rates were raised by 425 basis points in seven stages, while in the euro area rates were raised by 250 basis points in four steps. Long-term interest rates increased to the same extent.

The rise in interest rates affects the Würth Group's financing costs with a time lag, since the company primarily finances itself through long-term bonds issued by Würth Finance International B.V.

The Würth Group is committed to sustainable corporate governance and Würth Finance also plays its part.

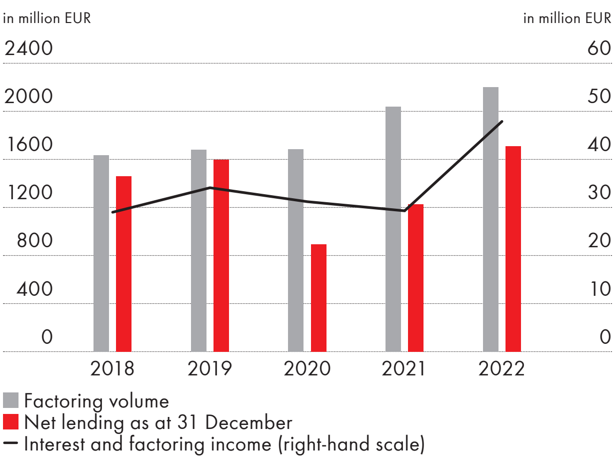
The focus on safeguarding high delivery capabilities and holding higher stock levels resulted in a substantial increase in financial requirements during 2022. Consequently, Würth Finance International B.V.'s net lending to Group companies increased by an average of more than EUR 600 million – from EUR 730 million to EUR 1,340 million.

In order to maintain liquidity reserves at an adequate level, a EUR 600 million bond with a term of 8.25 years and an interest coupon of 2.125% was issued in May. In addition, after a 13-year break, a CHF 300 million bond with a four-year term and an annual coupon of 2.1% was very successfully issued on the Swiss capital market in November. These transactions also refinanced the EUR 500 million bond (2015 - 2022), which was repaid early in February.

The significant increase in net lending and the relatively sharp rise in interest rates on cash investments resulted in record net interest income of EUR 30.2 million (previous year: EUR 13.1 million).

The Würth Group is committed to sustainable corporate governance and the finance segment also plays its part. In this regard, Würth Finance International B.V. used the early extension of the committed credit facility due in summer 2023 to include several sustainability targets as pricing components. Closing took place in September 2022. The pricing on the "sustainability-linked" syndicated loan provided by 13 core banks, which has a volume of EUR 500 million and a term to September 2027, is based on the target achievement of gradually reducing carbon emissions (scope 1 and 2) and increasing the proportion of recyclable packaging material at Adolf Würth GmbH & Co. KG, the largest single company within the Würth Group.

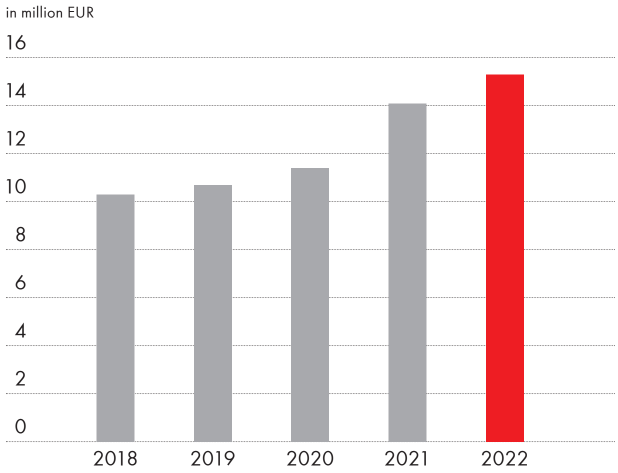
Group Financing volume and revenue from intra-Group lendings



Currency hedging and trading with financial instruments
Due to the above-mentioned sharp rise in interest rates and the prospect of stagflation, the financial markets also experienced a high degree of volatility and significant corrections in currencies, commodities, energy and all asset classes. For example, the euro declined by around 10% against the US dollar during the year. This development hints at the content of the discussions with those responsible at Würth Group companies with large dollar-based purchasing volumes.

The major stock market indices recorded double-digit price declines in an often nervous market environment – quite frequently with implied volatility of more than 30%. Oil price fluctuations even reached around 50% during the year. Encouragingly, the traders at Würth Finance International B.V. once again made a record contribution to earnings of EUR 15.3 million (previous year: EUR 14.1 million) through trading with financial instruments within tight trading limits.

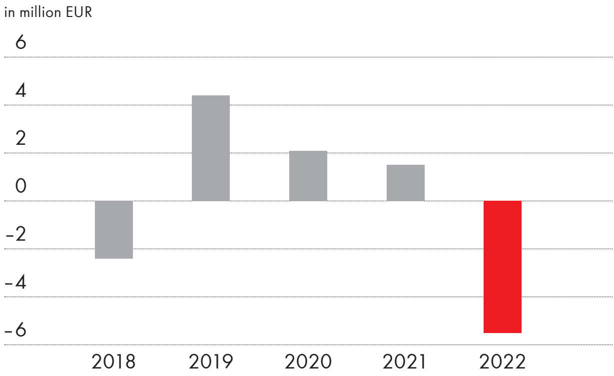
Trading: income development



Securities investments
Based on a strategic ratio of 80% investment grade bonds with a three-year duration, the Würth Finance Group aims to achieve a long-term return on its securities investments that is 200 basis points higher than the return on an ESTR money market investment. Following the above-average cumulative returns of 11.7% in the years 2019 to 2021, the value of securities investments fell by EUR 5.5 million in financial year 2022, causing a performance of –7.3% despite the relatively conservative investment strategy. This also reduced the annualised average return for 2019 to 2022 to 0.9%, 0.7 percentage points below the benchmark.

Equities, real estate and bonds – all major asset classes experienced losses in 2022, with 80% of the negative performance due to lower valuations in the investment grade bond portfolio. As a result, its yield to maturity improved to more than 3% p.a., with correspondingly positive earnings prospects for the future. Based on the assessment that yields had meanwhile probably reached an attractive level, the bond portfolio was increased to EUR 81.7 million in the course of the year.

Securities investments: income development



E-payment services
Absolutely no decline in transaction volumes was experienced in 2022 when the COVID-19 measures, which had pushed up demand for e-payment services, came to an end in almost all regions. Quite the opposite: the use of alternative payment methods to speed up cash receipts, reduce risk and increase the efficiency of processing incoming payments remains an unbroken global trend. The technical and organisational standards for integrating electronic payment methods, which were established in close cooperation with the Würth Group's internal IT service providers, were expanded and proved successful. This success took the form of more connected Group companies, an expansion of the payment methods into new sales channels (e.g. call centres and sales-enabling apps), and new functionalities that further support payment via electronic payment instruments for the benefit of Group companies and their customers.

The payment volumes processed via the WOPG (Würth Omnichannel Payment Gateway) platform again increased by well over 25% year on year in 2022.

Operating expenses
Operating expenses in the Inhouse Banking division increased by 5.6% year on year to EUR 22.8 million. The additional expense compared with the previous year amounted to EUR 1.2 million, of which around 60% is attributable to higher IT costs (mostly for planned projects) and the stronger Swiss franc. The latter increased operating costs at the Swiss branch.

Outlook for 2023

The EU and North American economies are expected to experience slow growth and a high rate of inflation over the coming quarters. There is still no end in sight to central bank monetary policy tightening, meaning that it is probably still too early for a trend reversal on the interest rate markets or a recovery of equity prices.

In light of this, the Würth Group remains relatively cautious with regard to growth-oriented investments. However, the company intends to continue to focus on the opportunities still available, such as those arising from the increasingly rapid sustainable transformation of the economy.

The Würth Group's inhouse bank filled vacant positions in the second half of 2022. The Management therefore expects operating expenses to rise in financial year 2023. At the same time, stagnating income and, consequently, a slightly lower operating result are anticipated. The flattening out of inventories is expected to lead to a slightly below-average performance in the central settlement of payments to suppliers and in factoring volumes. In 2023, the interest expenses on the two new bonds will be incurred across the entire12-month period and will therefore negatively impact net interest income. For securities investments, the Management believes that the current valuations now offer a more attractive profile of opportunities and risks, though ensuring the right timing will be crucial. Numerous risks and uncertainties could affect this outlook: an escalation of the war in Ukraine, electricity or gas shortages, a sharp recession or a widespread debt crisis.

Management Würth Finance International B.V. and Würth Invest AG
from left to right: **Daniel Ochsner** | **Alejandro Muñoz** | **Philip Guzinski** (Managing Director as of 1 January 2023) | **Björn van Odijk** (Managing Director) | **Roman Fust** (Managing Director) | **Jorre van Schipstal** | **Patrik Imholz** (Würth Invest AG)

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 10,000 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 2022)

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

530,000 payment transactions with a volume of EUR 8,700 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

4,210 foreign exchange transactions with 340 Group companies and a hedging volume totalling EUR 1,300 million

265,000 customer e-payments with a volume increase of 25% compared to previous year

Report of the Management

EXTERNAL FINANCIAL SERVICES

Innovation was the watchword at Würth Financial Services AG (WFS) in 2022. Thanks to InsurHub, insurance policies can now be taken out in entirely digital fashion with just a few clicks, using the Twint payment app on a smartphone. Through this project WFS has established a foothold in digital insurance sales, and it was awarded second place out of 35 competing projects at the 2022 Swiss insurance industry innovation awards. A milestone in the history of WFS and affirmation of InsurHub's potential!

Würth Financial Services pushed forward in all key areas – in sales, organisation and digitalisation.

In the core business, 2022 was marked by an increasingly challenging insurance market and by the ongoing wave of consolidation among insurance brokers. Despite this environment, WFS pushed forward in all key areas – in sales, organisation and digitalisation – and can look back on a successful financial year 2022.

The challenges in the insurance market are growing

While in previous years insurers were feeling the effects primarily of climate risks and of the pandemic, in 2022 additional challenges had to be faced as a result of the war in Ukraine and rising inflation. Negative trends on the financial markets also put further pressure on insurers and are likely to have a negative impact on their results.

The consequences of inflation and supply difficulties are exemplified in motor vehicle insurance, which is an important area of business for the industry. Prices for spare parts have risen across the board, which makes repairs more expensive. As a result, the cost of processing claims has risen significantly, and this increase will be passed on to consumers through higher premiums in subsequent years.

The issue of sustainability is also increasingly dominating the agenda of the insurance industry. The direct connection between climate change and losses from environmental events impacts insurers' results. Given the rise in global warming, calculation models show that if the climate policy target of 1.5 degrees is rapidly exceeded, a point of no return could soon be reached, beyond which certain risks are no longer insurable. In response, insurers are beginning to apply environmental, social and governance (ESG) criteria in assessing the risks they insure and to classify them by means of premium adjustments. The extension of risk analysis to include sustainability, diversity and social responsibility will have an increasing impact on insurance premiums.

The battle for critical size in the brokerage market

The challenges in the insurance market mean that brokers are working on an altered basis. Increasingly, customers have to be confronted with premiums going up even though they have made no claims. After many years in which a soft market and steadily lower premiums prevailed, the current environment requires a great deal of tact on the part of advisors. In addition, brokers face other complex issues in risk management besides sustainability and supply chain challenges: the severe energy crisis, integral corporate security, increased compliance requirements, ubiquitous cyber threats or even corporate health management are examples of such issues. The resulting demands made by clients require in-depth expertise and present brokers with the challenge of investing in the appropriate specialists despite a very tight labour market. The shortage of skilled staff remains a constant difficulty and requires investment in the training of brokers' own employees to ensure ongoing growth.

A second critical area of investment for lasting growth is digitalisation. Whether in sales, advising, risk analysis and assessment or the claims process, digital support tools with automated data analysis and processing are gaining in importance in terms of providing clients with a high-quality service. The industry is only just getting started in this regard, and the potential for using digital solutions is far from exhausted.

The current consolidation in the brokerage market must also be seen against the backdrop of these varied challenges. Without the requisite critical size, a broker may be able at present to survive in the marketplace through its close client relationships and sound expertise, but in the medium term it is likely to be difficult for a relatively small operator to compete with the service offerings of the large brokers. The investment needed in people and technology is considerable, and, with the market remaining a very attractive one, many brokers are choosing to join forces with a larger provider.

InsurHub: an innovative mainstay for WFS

Unveiling and enhancing InsurHub was a key initiative for WFS in 2022. Combining an insurance product structured in full digital fashion with the payment app Twint, which has almost five million active users, opens up previously unavailable market potential for the digital sale of insurance. Clients are provided with an insurance offer via their smartphone, which can be taken up and paid for directly via InsurHub. The process of taking out the insurance policy is greatly simplified through the immediate visibility of the policy and of the general insurance conditions in the app.

> Unveiling and enhancing InsurHub was a key initiative for Würth Financial Services in 2022.

Additional products and functionalities, as well as suitable marketing measures, are intended to achieve the further scaling of the plattform. InsurHub will become increasingly significant both for clients and for WFS as an additional mainstay of its business.

Enhanced efficiency through progress in digitalising core processes

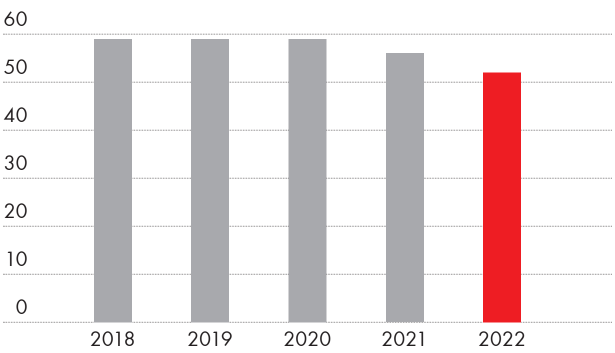
In modernising the process landscape, the focus in 2022 was on the core processes of client communication, claims notification and contract tendering. A switch was made to deploying Brokerbusiness and Sobrado, both tools commonly used in the marketplace for the purpose of contract tenders, and the results in terms of process quality and efficiency were very positive. The use of artificial intelligence, which began in 2021, was extended last year to include the new communications module and ensures significantly reduced cycle times for written communications with clients. The client portal for the notification of claims was optimised to allow claims to be submitted digitally from end to end. This shortens the individual process steps and reduces potential sources of error.

The continuous improvement in the process landscape through digitalisation measures will continue to be a high priority within WFS.

Successful course of business in 2022

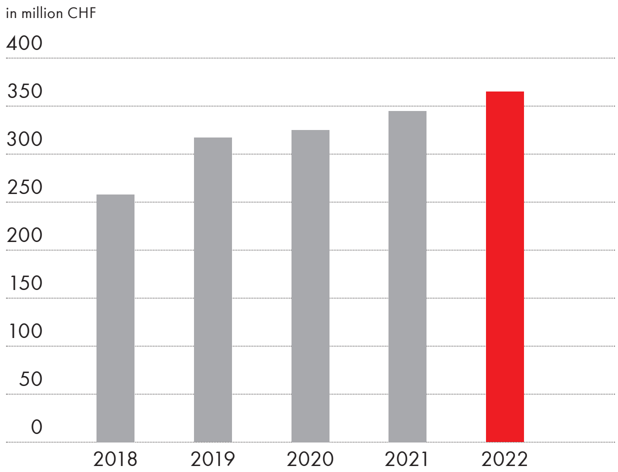
WFS can also look back on a successful financial year in terms of its key figures. The number of corporate clients increased year on year from 3,600 to just under 3,700 and the volume of brokered premiums expanded to CHF 365 million, representing growth of 6%. The number of private clients also rose in 2022 to a total of 5,600. This increase needs to be seen in the context of the InsurHub digital sales channel. Over the last 10 years, WFS has been able to increase its premium volume by an average of 7%. With the exception of the acquisition of Optima Versicherungsbroker AG, this growth was achieved organically.

Number of staff (FTEs)



As a result of the expansion in premium volume, revenue also increased by just under 5% in 2022, which equates to a new revenue record for WFS. At the same time, the number of sales representatives remained constant compared with the previous year at 32 employees (FTEs). The number of office employees was reduced from 24 to 20, which shows a direct effect from the digitalisation measures taken to increase efficiency. Administrative expenses rose by 1%, while IT expenses were up by 15%. All these effects brought growth in the operating result of 7%, which means a new record result in 2022.

Development of premium volume



Outlook for 2023

WFS expects growth in 2023 will be similar to what it was in previous years. While growth in the core brokerage business is to be generated primarily through traditional sales operations, the course is being set with regard to InsurHub such that substantial scaling can be achieved in subsequent years. The further development of functionalities, connecting up new insurance companies and the launch of new digital insurance products will be the focus in the next financial year.

Even though the overall economic outlook is characterised by many unknowns and major uncertainties, WFS is very well positioned, despite these challenges, to continue on its growth path.

Management Würth Financial Services AG
from left to right: **Luciano Viotto** | **Adrian Parpan** (Managing Director) | **Beat Jordan** (Managing Director)
Hans-Jürg Flury is not shown

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 2022)

Number of corporate clients: around 3,700

Premium volume: CHF 365 million

Number of employees: 52 (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 17 and in the notes to the separate financial report on the website (www.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 2022 there were one rating upgrade and two rating downgrades. The two rating downgrades related to Credit Suisse (Schweiz) AG and resulted in the counterparty limit being exceeded because of an open transaction. The transaction was a term deposit with a final maturity of 27 April 2023. In this context, the Board of Directors granted special approval for the continuation of the transaction.

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. Employee training can be internal or external. 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 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 training 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 injustice 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.

Thus, sustainability risks, also known as environmental, social and governance (ESG) risks, also influence the level of capital costs 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. Considering sustainability risks therefore requires their systematic integration along the three lines of defence in the company's risk framework. The basis for this is reliable and transparent information.

To ensure this transparency, the Würth Group plans to publish a Group-wide sustainability report for the first time in 2023. This will be based on the guidelines and standards of the Global Reporting Initiative (GRI) with a view to recording the diverse social, economic and environmental activities of the Würth Group. Derived from this and based on consistent data and metrics, the WFG also intends to establish its own sustainability reporting. The aim is to create a system that makes the progress achieved with regard to sustainability-oriented corporate governance transparent and comparable.

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 carbon-neutral 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. To this end, metrics have been put in place in line with the standards of the GRI and initial data collected. At the same time, the work of the Task Force on Climate-related Financial Disclosures (TCFD) will be kept under review and the latest developments in IFRS standards will be followed. 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 responsibility

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 regards a fair remuneration system as a self-evident requirement.

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.

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 31.12.2022

Composition male/female per relevant corporate body	Male	Female
Board of Directors	7	0
Management: Managing Directors	2	0
Management: other members	4	0
Company	54	22

Note: The Management consist 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 in the next three years. 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 more gender diverse teams is included as an objective for senior management.
- All employees are educated on the value of diversity.
- 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).

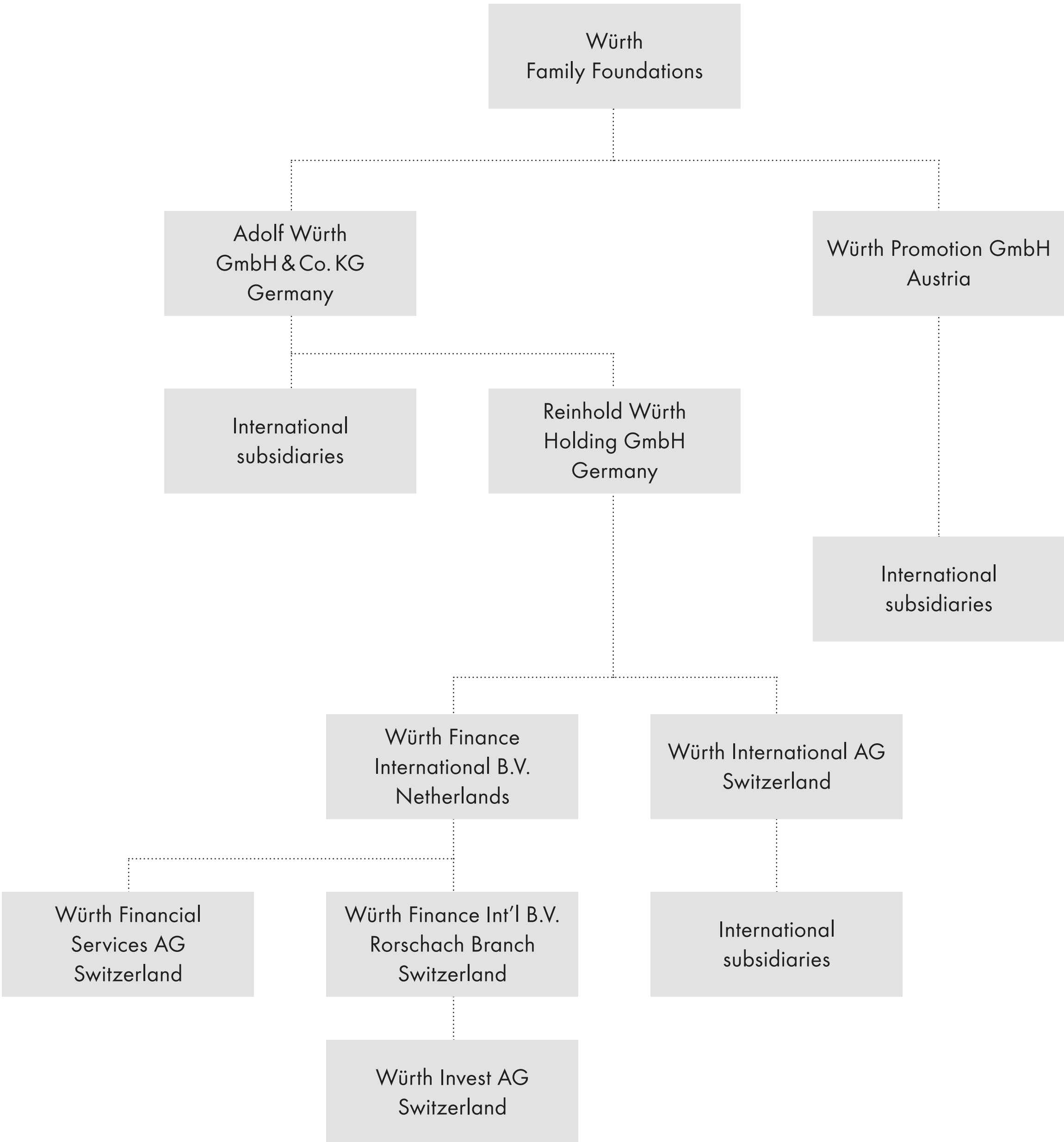
The current composition of the management reflects the fact that the company, with its male-dominated employee base, has traditionally supported the promotion of internal candidates. While the company will continue to invest in the development and promotion of its people, it recognises the importance 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 CHART)



EXECUTIVE BODIES

(As at 31 December 2022)

Board of Directors Würth Finance International B.V.		Elected until:
Joachim Kaltmaier (Member of the Central Management Board of the Würth Group)	Chairman	2026
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
Ralf Schaich (Member of the Supervisory Board of the Würth Group, Vice President Adolf Würth GmbH & Co. KG)	Member	2025
Mag. Michel Haller (Chief Executive Officer of Hypo Vorarlberg Bank AG)	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

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 2022:

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 2022

Consolidated income statement
for the year ended at 31 December

in TEUR	2022	2021
Operating income		
Interest income from financial instruments measured at amortised cost	72,136	42,665
Interest income from financial instruments measured at fair value through profit or loss	16,290	15,408
Interest expenses	-58,850	-43,903
Net interest income	**29,576**	**14,170**
Income from factoring activities	17,733	16,234
Income from commission and service fee activities	48,348	43,725
Income from trading activities and financial instruments	11,289	14,789
Other ordinary income from related parties	653	797
Expected credit loss (expenses) / recovery	-4,615	6,846
Total operating income	**102,984**	**96,561**
Operating expenses		
Personnel expenses	-21,991	-20,701
Other administrative expenses	-12,682	-11,485
Amortisation expenses	-1,968	-1,845
Other ordinary expenses	-15	0
Total operating expenses	**-36,656**	**-34,031**
Profit before taxes	**66,328**	**62,530**
Income tax expense	-12,673	-9,587
Deferred taxes	749	-82
Net profit for the year	**54,404**	**52,861**

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

in TEUR Net of tax	2022	2021
Profit for the year	**54,404**	**52,861**
Total items that will be reclassified to the income statement		
Exchange differences on translation of foreign operations	92	-49
Net gain / (loss) on cash flow hedges	2,031	3,457
Total items that will not be reclassified to the income statement		
Remeasurement gain / (loss) on defined benefit plans	1,893	3,080
Deferred taxes on cash flow hedges	-411	2,062
Other comprehensive income for the year (OCI)	**3,605**	**8,550**
Total comprehensive income for the year, net of tax	**58,009**	**61,411**

Consolidated balance sheet
at 31 December before appropriation of profits

in TEUR	2022	2021
ASSETS		
Non-current assets		
Intangible assets	1,441	1,477
Right-of-use assets	1,749	1,814
Property, plant and equipment	431	428
Loans to related companies	1,554,992	1,429,290
Positive fair values of derivative instruments	14,894	4,670
Deferred tax assets	2,507	2,062
Total non-current assets	**1,576,014**	**1,439,741**
Current assets		
Receivables from related companies	1,348,390	1,079,652
Positive fair values of derivative instruments	6,634	985
Other assets	2,949	3,623
Income tax receivables	52	0
Accrued income and prepaid expenses	12,248	6,828
Securities held for trading	95,473	68,479
Cash and cash equivalents	804,952	859,052
Total current assets	**2,270,698**	**2,018,619**
Total assets	**3,846,712**	**3,458,360**
EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	16,000	16,000
Additional paid-in capital	5,000	5,000
Retained earnings	333,099	303,345
Other comprehensive income from cash flow hedges	-7,327	-8,947
Foreign currency translation	38	-54
Net profit for the year	54,404	52,861
Total shareholders' equity	**401,214**	**368,205**
Non-current liabilities		
Bonds issued	2,109,593	1,250,060
Liabilities for pension plans	2,160	3,969
Lease liabilities	480	610
Negative fair values of derivative instruments	12,442	719
Deferred tax liabilities	342	320
Total non-current liabilities	**2,125,017**	**1,255,678**
Current liabilities		
Bonds issued	0	499,843
Commercial paper	75,000	0
Payables to related companies	1,194,662	1,283,002
Lease liabilities	1,287	1,220
Payables to banks	6,589	11,988
Income tax payables	9,310	7,020
Negative fair values of derivative instruments	7,565	8,347
Other liabilities	15,612	15,565
Accrued expenses and deferred income	10,456	7,492
Total current liabilities	**1,320,481**	**1,834,477**
Total equity and liabilities	**3,846,712**	**3,458,360**

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 2021	16,000	5,000	320,265	–14,466	–5	326,794
Net profit for the year	0	0	52,861	0	0	52,861
Foreign currency translation	0	0	0	0	–49	–49
Cash flow hedge accounting	0	0	0	3,457	0	3,457
Remeasurement gain / (loss) on defined benefit plans	0	0	3,080	0	0	3,080
Deferred taxes on cash flow hedges	0	0	0	2,062	0	2,062
Total comprehensive income for the year	**0**	**0**	**55,941**	**5,519**	**–49**	**61,411**
Dividend payments	0	0	–20,000	0	0	–20,000
At 31 December 2021	**16,000**	**5,000**	**356,206**	**–8,947**	**–54**	**368,205**
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**

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 2022, a dividend of TEUR 25,000 (EUR 781 per share) was paid for financial year 2021.

Consolidated cash flow statement
for the year ended at 31 December

in TEUR	2022	2021
Net profit for the year	**54,404**	**52,861**
Amortisation and impairments	508	429
Adjustment to provision for taxes	2,290	1,065
Deferred tax expense / (benefit)	-423	-2,143
Other expenses and revenues without cash flows	-33,619	-3,618
Foreign exchange gains and losses (long-term loans)	-25,165	-17,213
Foreign exchange gains and losses (short-term loans)	1,331	-942
(Increase) / decrease in operating assets		
Redemption of long-term loans to related companies	60,744	57,083
Lending of long-term loans to related companies	-496,979	-584,111
Receivables from related companies	62,945	156,959
Positive fair values of derivative instruments	-15,873	8,375
Income tax receivables	-52	0
Other assets, accrued income and prepaid expenses	-4,746	100
Increase / (decrease) in operating liabilities		
Payables to related companies	-88,340	62,551
Negative fair values of derivative instruments	10,941	300
Other liabilities, accrued expenses and deferred income	3,011	3,746
Net cash flows from operating activities	**-469,023**	**-264,557**
Purchase of property, plant and equipment, and intangible assets	-405	-421
Disposal of property, plant and equipment, and intangible assets	0	-61
Purchase of securities	-60,139	-28,451
Disposal of securities	28,180	30,449
Sales of other financial assets to related parties	0	9,500
Net cash flows from investing activities	**-32,364**	**11,016**
Proceeds of borrowings	902,649	0
Repayment of borrowings	-500,000	0
Commercial paper	75,000	0
Dividend payments	-25,000	-20,000
Net cash flows from financing activities	**452,649**	**-20,000**
Net foreign exchange difference	36	-48
Net increase / (decrease) in cash and cash equivalents	**-48,702**	**-273,589**
Net cash and cash equivalents at the beginning of the year	**847,065**	**1,120,654**
Net cash and cash equivalents at the end of the year	**798,363**	**847,065**
Net increase / (decrease) in cash and cash equivalents	**-48,702**	**-273,589**
Increase / (decrease) in taxes paid	**-10,031**	**-8,254**
Interest received	**101,167**	**69,090**
Interest paid	**-49,464**	**-37,334**

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 2022 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

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René Lamb Fotodesign, Kreuzlingen
Jürg Dummermuth, Ploy Studio GmbH, Zurich

Contact

Würth Finance International B.V., Amsterdam
Het Sterrenbeeld 35
NL-5215 MK 's-Hertogenbosch
Postal address:
P.O. Box 344
NL-5201 AH 's-Hertogenbosch
Phone +31 73 681 49 00
communications@wuerthfinance.net
wuerthfinance.net