WÜRTH GROUP

Annual Report 2021

WÜRTH FINANCE GROUP

WITH CONTINUITY INTO THE FUTURE

KEY EVENTS IN 2021

- Core business records impressive market share gains: the Würth Group increased sales by 18.5% to EUR 17,100 million, simultaneously increasing its market share. At EUR 1,200 million, the operating result surged to a significantly higher level of profitability (based on preliminary figures).

- Robust performance towards the Würth Finance Group's corporate goals: the growth in business volumes and income, as well as the adherence to cost budgets, are testament to the ability of the Management and all employees to adapt rapidly to the sometimes sharp changes in client requirements and in the financial and insurance markets. In financial terms, this resulted in a record-high adjusted pre-tax profit of EUR 55.5 million.

- Successful implementation of forward-looking digital projects: there is a high level of satisfaction with and acceptance of the new systems and digital services in Inhouse Banking among both clients and employees. The potential of these initiatives is far from exhausted and offers promising prospects for the future.

- Capabilities again proven in second pandemic year: with the premium volume up 6%, Würth Financial Services AG clearly exceeded expectations in the still difficult market environment.

- Significantly improved economic efficiency: the digitalisation and centralisation of administrative processes enabled Würth Financial Services AG to significantly improve back-office productivity.

THE WÜRTH FINANCE GROUP AT A GLANCE

The Würth Finance Group is the financial competence centre for the Würth Group. It employs 118 staff 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

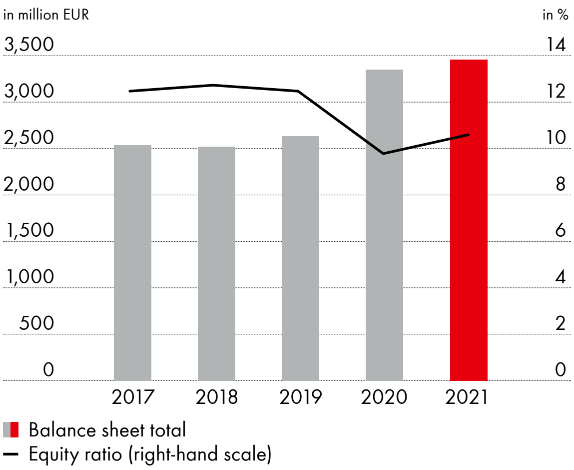
The Inhouse Banking division works with over 400 Group companies in more than 85 countries. The legal entities of the division are Würth Finance International B.V. (NL / CH) and Würth Invest AG.

The External Financial Services division operates as Würth Financial Services AG. More than 7,000 clients in Switzerland are looked after from the five offices in Rorschach (head office), Zurich, Lugano, Arlesheim and Chur.

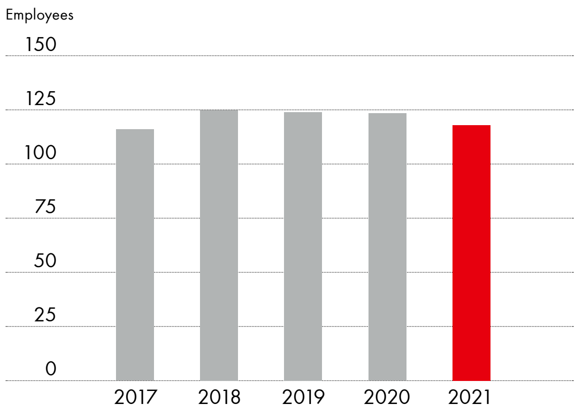
KEY FIGURES OF THE WÜRTH FINANCE GROUP

in TEUR	2017	2018	2019	2020	2021
Key figures from the consolidated income statement					
Net interest income	4,416	9,730	14,284	13,789	14,170
Income from factoring activities	14,755	16,018	16,419	16,275	16,234
Income from commission and service fee activities	32,983	35,272	35,897	37,668	43,725
Income from trading activities and financial instruments	9,553	7,320	14,713	12,376	14,789
Other ordinary income	3,959	3,292	2,870	1,709	797
Expected credit loss (expenses) / recovery	0	-3,698	1,005	-7,886	6,846
Total operating income	65,666	67,934	85,189	73,931	96,561
Total operating expenses	-28,920	-29,418	-32,397	-31,519	-34,031
Profit before taxes	36,746	38,516	52,792	42,412	62,530
Operating income adjustments Inhouse Banking					
Hedge accounting effect management accounting	4,353	3,742	2,993	1,492	-548
Impairment for credit loss	0	3,698	-739	8,558	-6,450
Total operating income (adjusted)	**70,019**	**75,374**	**87,443**	**83,981**	**89,563**
Profit before taxes (adjusted)	**41,099**	**45,956**	**55,046**	**52,462**	**55,532**

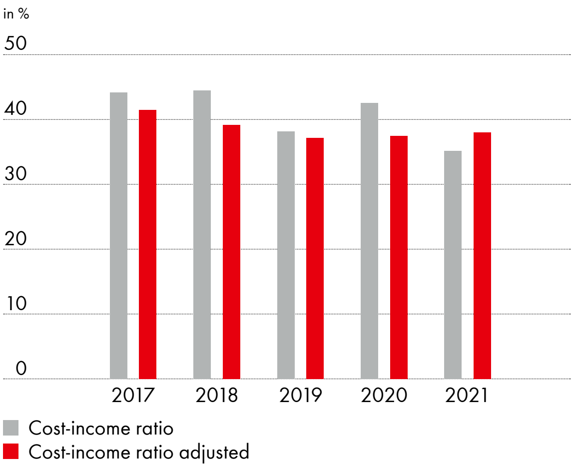
Balance sheet total/equity ratio



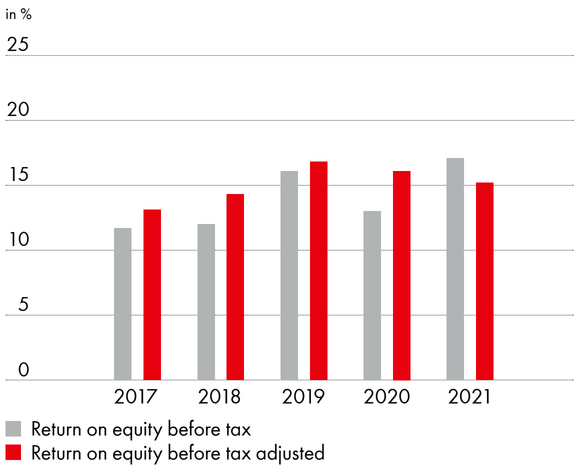
Number of employees



Cost-income ratio



Return on equity before tax



CONTENTS

"Continuity" – the illustration design for the 2021 Annual Report

Continuity and far-sightedness characterise the way we do business and the services through which we assist our clients and partners. These characteristics are discernible in various aspects: in the personal attention we give to long-standing and close client relationships, in the ongoing development of our services and products, and in the high quality standards that guide our day-to-day work.

The foundation for all this was laid by Adolf Würth in 1945 when he established a wholesale business for screws in Künzelsau, Germany. In 1954 his son Reinhold took over the reins. In 1978 Prof. Dr. h.c. mult. Reinhold Würth established Reca Union Finanz AG (since 1994 Würth Finance International B.V.) for the purpose of obtaining additional financial resources to fund further international growth for the Würth Group. This company developed into the finance and treasury competence centre of the Würth Group and, with the establishment of Würth Financial Services AG in 2003, became the parent company of a solidly based financial services group – the Würth Finance Group. We consistently continue with what has been successful, while seizing the new with energy and purpose – now and in the future.

In this Annual Report we illustrate the theme of continuity through the specific services provided by the Würth Finance Group. The bold visuals for this are the work of Swiss illustrator Nino Christen. He has created a many-faceted set of images that give artistic expression to essential aspects of our day-to-day work.

Würth Finance International B.V.

REPORT OF THE BOARD OF DIRECTORS

Dear readers

During financial year 2021, 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. Two of these four meetings took place by way of videoconference, the form of which was legitimised by the temporary Dutch emergency law (Tijdelijke wet COVID-19 Justitie en Veiligheid). This reporting also included the subsidiaries Würth Financial Services AG and Würth Invest AG. All information required as the basis for decision-making was provided in timely fashion and enabled a detailed insight into business operations. The Board of Directors was also informed promptly about 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 year, the audit companies Ernst & Young and KPMG reported to the meetings of the Board of Directors. They reported in connection with risk management on the quarterly audits they performed on selected audit areas, which had been discussed and decided upon beforehand by the Board of Directors. There was a particular emphasis on the reliability of the internal control systems used by the company.

The Würth Group recorded sales growth of 18.5% to EUR 17,100 million in financial year 2021, based on preliminary figures; after adjustment for exchange rate effects the increase was 19.0%. Sales continued to perform remarkably well in the second year of the COVID-19 pandemic: the sales slump between March and May 2020 was more than offset over the same period in 2021. In addition, double-digit year-on-year sales growth was recorded in every month except January and February. Overall, the positive result achieved in 2020 was increased further despite additional waves of the pandemic. The financial year 2021 therefore closed with a record sales figure. Following the huge reduction in the Würth Group's debt in the previous year and amid the successful performance by a number of business areas, net debt was kept at a stable and low level in the year under review. The high level of liquidity and the reduced demand for loans were reflected in declining interest income at Würth Finance International B.V.

The Swiss franc strengthened by around 4% against the euro. Thanks to ongoing hedging, this appreciation and the higher costs for the Swiss branch had only a minor impact on the results of Würth Finance International B.V. In the current negative interest rate environment, the Management placed a high priority on the optimum management of liquidity reserves. Overall, consolidated pre-tax profit rose to a record of EUR 62.5 million.

The 2021 Consolidated Financial Statements, along with the separate 2021 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 for 2021.

Würth Finance International B.V. is aware of the new Dutch legislation on gender diversity in the management of large companies and will determine in 2022 how this diversity can be achieved in the Board of Directors and the Management.

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.

Board of Directors

Prof. Dr. h. c. mult. Reinhold Würth
Chairman of the Supervisory Board of the Würth Group's Family Foundations

Joachim Kaltmaier
Member of the Central Managing Board of the Würth Group and Chairman of the Board of Directors of Würth Finance International B.V.

Dieter Gräter
Vice President Finance, Würth-Verwaltungs-gesellschaft mbH

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

Wolfgang Kirsch
Former Chief Executive Officer of DZ Bank AG, Chairman of the Supervisory Board of Fresenius SE & Co. KGaA

Christoph Raithelhuber

Ralf Schaich
Member of the Supervisory Board of the Würth Group's Family Foundations, Vice President Adolf Würth GmbH & Co. KG

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

Würth Finance Group

REPORT OF THE MANAGEMENT

The world has now been fighting the COVID-19 pandemic for more than two years. According to Johns Hopkins University, 3.5 million people died as the result of a COVID-19 infection in 2021. In 2020, the figure was just under two million people. Major efforts have been made and initiatives implemented by governments, public health authorities, scientists and researchers, the pharmaceutical industry, companies and employers, as well as central and commercial banks to mitigate the negative health, economic and social impact. Given the complexity of such a pandemic, it is not possible to quantify the concrete benefits of the measures and aid programmes initiated. However, it was possible to rapidly develop effective vaccines, which have been widely administered. About half a billion vaccinations are currently given each month, vastly reducing the likelihood of a serious illness and thereby preventing millions more deaths. Nevertheless, more than 5,000 people worldwide continue to die every day, with about 1,000 deaths in the EU alone. Doctors, nursing staff and the entire medical care infrastructure in many places remain massively overstretched. The efforts must continue.

In this environment, the global economic upswing continued, although its momentum slowed during the year. In many OECD countries, production has now surpassed end-2019 levels and is gradually returning to the pre-pandemic trend. The sharp rise in demand for goods led to bottlenecks in production chains. Labour shortages, pandemic-related plant shutdowns, rising energy and raw materials prices, and shortages of some key materials slowed growth and increased cost pressure in 2021. Inflation rose significantly in many regions. In addition to cost pressures due to supply bottlenecks in the manufacturing sector and higher food prices, imbalances on the energy market were a major factor that pushed up inflation in all economies.

Würth Group
Consumers have generally been spending less on services and more on goods since the start of the COVID-19 pandemic. Companies with logistics expertise and a link to the construction industry benefited from the upturn in the trade in goods, which was reflected in the Würth Group’s remarkable sales growth of 18.5% to EUR 17,100 million. This exceeded the expectations of the Central Managing Board. Exceptionally strong growth figures were achieved in the construction-related Würth Line business area, electrical wholesale and the eiSos Group, as well as in the southern European markets in general. By delivering these results, the Würth Group has clearly demonstrated its ability to withstand the pandemic so far and strengthened its competitive position thanks to the broad diversification of its business model. Excellent relationships with a large number of suppliers around the world ensured a relatively high delivery capability.

The strong growth resulted in high capacity utilisation and a corresponding improvement in productivity ratios. Despite rising manufacturing and procurement prices, the operating result of the Würth Group improved to a record level of EUR 1,200 million based on preliminary figures (2020: EUR 775 million).

To ensure the continuous expansion of the business model, investments were increased moderately to approximately EUR 500 million (2020: EUR 473 million). Thanks to the positive cash flow and disciplined investment and working capital management, the Würth Group’s financial position remained very stable. This allowed the company to repay from liquidity the USD 200 million US private placement due in September 2021 and is reflected in Standard & Poor’s “A” rating. Equity as at 31 December 2021 amounted to EUR 6,800 million, corresponding to an equity ratio of 45%. With liquidity of around EUR 1,100 million and undrawn credit lines of EUR 400 million committed until 2023, the Würth Group has very comfortable liquidity reserves available. In the meantime the 1% Eurobond maturing in May 2022 was redeemed early from the company’s own funds on 21 February 2022.

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 2021 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.

Würth Finance Group

The terms “resilience”, “agility” and “sustainability” currently feature prominently in many companies’ mission statements and strategies. They reflect a company’s ability to deal with the risks and opportunities that arise when conditions in the core business change. This may be triggered by strong growth or collapsing demand, by sharp procurement price increases or by persistent supply bottlenecks, for example. In recent months, these themes have dominated consultations with many clients and business partners and ensured a high level of demand for the insurance and financial services solutions offered by the Würth Finance Group, whether in terms of adjusting insurance coverage as part of corporate restructuring, optimising risk insurance for employees, protecting against asset losses due to cyber attacks or hedging against a strong appreciation of the Swiss franc or rapidly rising interest rates for corporate financing. At the same time, the Würth Finance Group acts as an interface connecting its clients with investors, lending banks and insurance companies, ensuring that their increasing transparency requirements with regard to sustainability are met.

In financial year 2021, the Würth Finance Group achieved solid progress in the important area of digitalisation.

In financial year 2021, the Würth Finance Group achieved solid progress in the important area of digitalisation. For example, Würth Financial Services AG deployed new systems that significantly enhance efficiency in the processing of tenders and invoices. With the introduction of a new product called “Powertrader”, Würth Finance International B.V. provided Würth Group companies with a sophisticated and secure electronic trading system that is available around the clock in all time zones for the processing of financial transactions. Significant successes have also been achieved in the further development and introduction of electronic payment services. The strategic partnership with Twint AG makes it possible to instantly insure products purchased online in Switzerland via the Twint payment app. The payment volume processed by the Würth Group’s clients via the Würth Omnichannel Payment Gateway – the e-payment platform of Würth Finance International B.V. – recorded growth of around 25% in the year under review. Value was also created through the introduction of a multibank-compatible e-banking system for Würth Group companies. These initiatives resulted in satisfied clients and will be continued in the coming years.

With an adjusted pre-tax profit of EUR 55.5 million, the Würth Finance Group achieved a record-high result.

Encouragingly, the Würth Finance Group was able to continuously increase its earnings forecasts for the financial year as the year progressed. Growth in the volume of payments processed via the Würth Finance Group remained stable in the double-digit range, for instance. The premium volume in insurance brokerage was also increased in the second half of the year. Successful financial market positions resulted in improved securities investment and trading performance compared with the previous year. At EUR 89.6 million (2020: EUR 84.0 million), the Würth Finance Group’s adjusted operating income therefore significantly exceeded the target despite considerably lower income from Group Financing. Operating expenses increased year on year by around 8%, from EUR 31.5 million to EUR 34.0 million. This is partly due to a catch-up effect following the previous year’s cost savings, including the postponement of IT projects, as well as a general reduction in travel and restraint in filling vacant positions and awarding consulting contracts. With an adjusted pre-tax profit of EUR 55.5 million, the Würth Finance Group achieved a record-high result (2020: EUR 52.5 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 19. The Würth Finance Group's report on risk management and control can be found on pages 20 to 27. The Würth Finance Group does not have its own audit committee and is therefore integrated into the Würth Group's audit process.

Outlook for 2022

The COVID-19 pandemic and the response to it have triggered developments and changes in many respects – with medium- and long-term consequences for politics, the economy and society. Institutions, traditions and values are being questioned and recalibrated. This may be unsettling, but it is also a great opportunity to give the concepts of resilience, sustainability and agility the substance they need to shape the future, including in the area of corporate governance.

These developments and 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 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. This requires significant willingness to learn and adapt on the part of employees. The Würth Finance Group promotes the continuous professional development of its managers and employees throughout their entire working lives as the key to securing the company's future. 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.

At the beginning of 2022 the OECD expected robust growth of around 4% in the euro area and the US in the current year. Inflationary pressures were anticipated to be stronger and more sustained than was expected just a few months ago. Nevertheless, consumer price inflation was expected to gradually abate during the year as supply constraints were expected to ease, production capacity to be increased and disruptions in world trade to normalise.

The escalation of the conflict and the invasion of Ukraine by Russian military forces in February 2022, followed by international economic and financial sanctions against Russia, reduce the value of such forecasts. The further developments of the war are unknown. Hopefully the negative spiral of further escalations can be interrupted soon. The economic outlook for Europe and the world has deteriorated abruptly – at least for the coming quarters – and this is accompanied by a repricing of financial assets, which is underway.

What is clear is that faster, more coordinated global vaccination efforts are critical in the fight against COVID-19 to save lives and prevent the emergence of new variants. They would also help relieve some of the bottlenecks currently stalling recovery, as factories, ports and borders could fully reopen. The removal of government pandemic assistance must be cautious and gradual so as not to weaken the economy.

To stabilise market confidence and public support, it is critical that the fiscal and monetary authorities clearly communicate their strategies.

There is a high level of uncertainty. Nevertheless, the Würth Group intends to take advantage of the current momentum and, as an adaptable and competitive company with a clear customer focus, is confidently aiming for growth once again. Investment, acquisition and development projects are aligned with the relevant markets and the growth targets for the next five years, but will be adjusted to the speed of the economy.

If a recession can be avoided, the Management of the Würth Finance Group anticipates stable income in both the External Financial Services and Inhouse Banking divisions in financial year 2022. The Management is aware of the risk of setbacks from the Ukrainian-Russian war and in the fight against the COVID-19 pandemic, which could put a brake on economic recovery and trigger turbulence on the financial markets. Consequently, growth-oriented investment projects and capacity expansion will be implemented gradually and can be postponed if necessary.

Thanks
The Management of the Würth Finance Group is very satisfied with the results achieved in financial year 2021 and would like to thank all employees for their important contribution to the success achieved. These results were achieved under the sometimes difficult conditions of the remote work environment and while focusing on digital communication channels with clients. 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 2022.

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 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 segment Inhouse Banking, as shown in the table below.

in TEUR	2017	2018	2019	2020	2021
Hedge accounting effect management accounting	4,353	3,742	2,993	1,492	–548
Impairment for credit loss	0	3,698	–739	8,558	–6,450

- 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 Würth Group. This position represents the Würth Finance Group's impairment of the capital relinquishment of EUR 0.4 million and expected credit loss (ECL) on loans and receivables as at the balance sheet date. The ECL calculation is probability-weighted applying a combination of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The LGD is based on the global corporate average of 60% and the PD is based on the Bloomberg default risk of the Würth Group. The PD decreased to 0.44% as at 31 December 2021 (31 December 2020: 1.29%); thus a reduction in ECL of EUR 6.8 million is recognised in the income statement.

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
Other	667	0	0	667
Income from participations	0	0	0	0
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**

2020

in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	32,898	–1,663	–7,886	23,349
Net interest income	14,922	–1,663	0	13,259
Income from factoring activities	16,275	0	0	16,275
Other ordinary income	1,701	0	0	1,701
Other	1,135	0	0	1,135
Income from participations	566	0	0	566
Expected credit loss (expenses) / recovery	0	0	–7,886	–7,886
Central Settlement	24,926	0	0	24,926
Income from trading activities and financial instruments	13,486	171	–672	12,985
Trading	11,415	171	–672	10,914
Securities investments	2,071	0	0	2,071
Total income	**71,310**	**–1,492**	**–8,558**	**61,260**
Total expenses	**–19,413**	**0**	**0**	**–19,413**
Total Inhouse Banking	**51,897**	**–1,492**	**–8,558**	**41,847**

Key events

Group performance
Depending on location and definition, the Würth Group's financial year began in the second COVID-19 wave and ended in the fifth. In the event, the recovery that followed the sharp downturn in the first half of 2020 had a decisive impact on the Würth Group's financial year 2021. The following specific points can be highlighted:

- catch-up effects in consumer behaviour with favourable forecasts
- low interest rates amid rising inflation
- increased materials prices and very good economic activity in the construction sector
- bottlenecks along entire supply chains and in logistics

At times it looked as if some customers were busy stocking up on the C-parts that the Würth Group sells.

The strength of demand and the speed with which suppliers were pushing through price increases prompted the Central Managing Board to focus on securing the company's gross profit and safeguarding its ability to deliver. In order to maintain a high level of service, a certain increase in inventory levels in the Würth Group's warehouses was also tolerated.

As a result, a significant build-up in inventories was reported in the financial figures along with records in terms of sales and the operating result. Nonetheless, operating cash flow was so strong that net debt remained relatively low until the end of the year. All in all, a remarkable year for the Würth Group, with noticeable effects on the performance of the Inhouse Banking division at the Würth Finance Group.

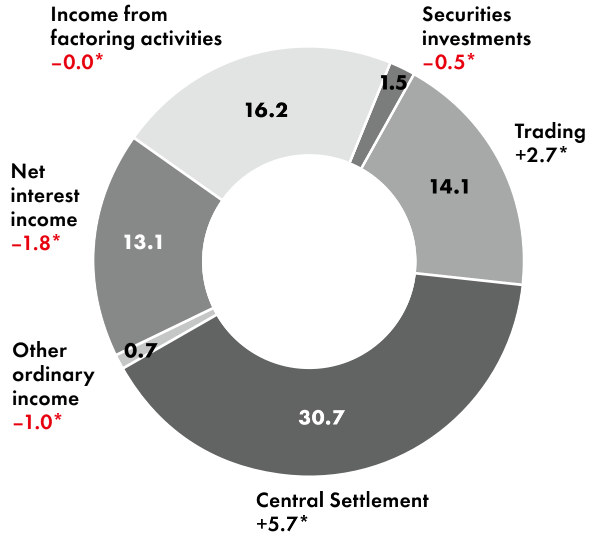
Communications
The integration of the Würth Finance Group into the Würth Group's overall business operation requires close communication and an understanding of the different business models at the Group companies that lie behind the transactions and cash flows that are handled. Close personal contacts with Group companies, suppliers, banks and central Würth Group functions are therefore a prerequisite for the optimisation of the business model and an important success factor for the Würth Group's inhouse bank. Unfortunately, the first sentence of this report makes it clear why, even in 2021, the majority of meetings had to be held via online channels, and it was not uncommon for meetings to be conducted remotely from home.

The "Würth culture" is based on a high degree of freedom, flat hierarchies and a clear customer focus.

For the vast majority of employees, averaging 64 for the year (previous year: 64), working from home became a mode of operation that was highly valued as a supplement to traditional in-office work activity. Not surprisingly, the proverbial "Würth culture", based on a high degree of freedom, flat hierarchies and a clear customer focus, made a noticeable contribution to the company's resilience in the year under review.

Income distribution

in million EUR



*Change vis-à-vis 2020

Business performance

Central settlement of payments to suppliers

Würth Finance International B.V. is the central partner for the companies of the Würth Group with regard to settling supplier invoices. Contractual relationships exist with the respective suppliers for a large part of the payment volume. This means the Würth Group's volume of payments correlates with the income realised in this aspect of Inhouse Banking's business. Thus, in the year under review payment volumes increased by 27.1% to EUR 7,300 million, while record income of EUR 30.7 million was generated.

The degree of automation and the security of the systems have always played an important role in payment transactions. In order to keep pace with the rise in volumes, with the efficiency expectations of the Group companies and also with the increasing threat of cyber attacks, further investments were made and various improvement projects realised in the past 12 months.

Intercompany factoring activities

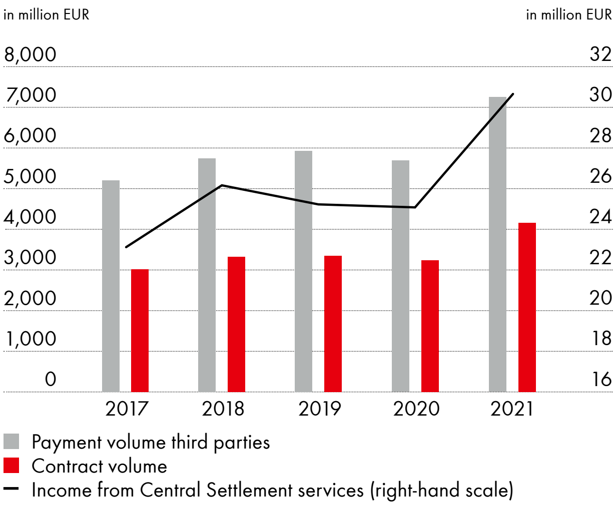
Most of the Group companies procure a large proportion of their merchandise from central purchasing companies of the Würth Group. Settlement of the associated receivables is mainly handled via intra-Group accounts at the Würth Finance Group and includes a pre-financing component. As a result, this leads to savings in bank fees, easier accounts receivable management and more efficient coordination. The purchasing Group companies benefit from a straightforward pre-financing solution and from the fact that, in the event of discrepancies, colleagues at the inhouse bank are there to help. The volumes handled correlate closely with purchasing behaviour within the Würth Group. Falling refinancing costs have repeatedly led to price reductions in recent years, and financial year 2021 was no exception. However, owing to the disproportionate increase in volumes in this business, the contribution to earnings was almost unchanged compared with the previous year.

Net interest income

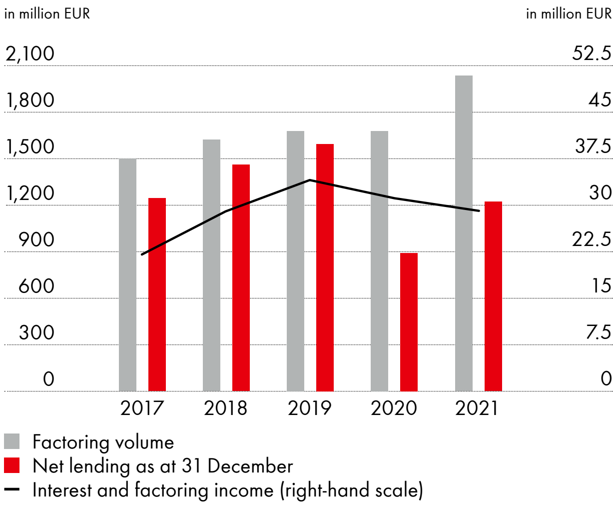
The market environment continued to be characterised by very favourable financing conditions. Despite a significant rise in inflation rates in the euro area, most recently approaching 5%, the central banks kept in place negative reference rates and their various bond-buying programmes.

The Würth Group did not participate in the refinancing markets in the past financial year as there was no need to raise additional funds. Considering the fact that a US private placement dating from 2011 fell due for redemption in September 2021, and that the credo of very conservative financial management continued to prevail, this shows how ample the liquidity reserves were over a number of months.

Central Settlement: payment volume/revenue



Group Financing volume and revenue from intra-Group lendings



The development of earnings in the Group Financing segment is obvious at first glance: high cash inflows from the underlying business, combined with moderate capital expenditure and acquisition activity, led to a decrease in the financial requirements of the Group companies (reduction in average net lendings to related parties from approximately EUR 1,300 million to EUR 900 million) and, in conjunction with higher liquidity holdings, to a decrease in net interest income from EUR 14.9 million to EUR 13.1 million. On closer analysis, this is nevertheless surprising. In the Würth Group's business model, the capital commitment effects in net working capital usually predominate in high-growth years and lead to an increase in financing requirements. This tendency materialised in the year under review only in the second half of the year, which meant that any effect on net interest income remained limited in financial year 2021.

On the assets side of the Würth Finance Group's balance sheet, a higher loan volume to Group companies (in particular to the US subgroup in connection with the redemption of the US private placement) and the corresponding decrease in liquidity are clearly discernible. On the liabilities side, the changes are more marginal. Overall, the total assets of the Würth Finance Group were hardly changed as at 31 December 2021.

Longer-term loans to Group companies continued to be hedged with interest rate swaps in order to secure still low long-term interest rates for the Group. Nevertheless, the interest rate sensitivity of the Würth Finance Group's equity decreased noticeably, as the lower residual term of the outstanding bonds along with a higher equity capital more than offset the effect from these hedging transactions by a wide margin.

> The Würth Finance Group's expertise and credibility in the financial risk management of the Würth Group are based on its track record in managing its own positions in the financial markets.

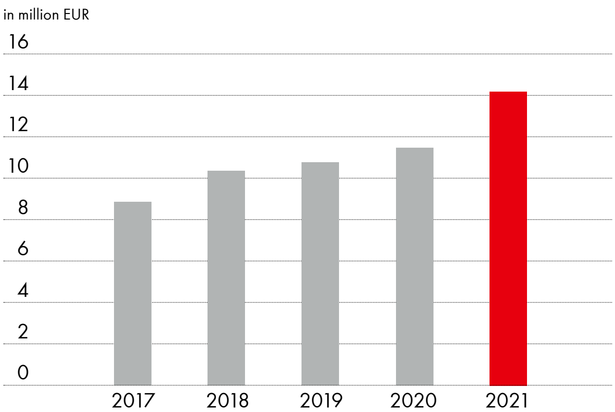
Currency hedging and trading with financial instruments

The Würth Finance Group's expertise and credibility in the financial risk management of the Würth Group are based, among other things, on its track record in managing its own positions in the financial markets. Owing to the broad international basis of the Würth Group's core business, the management of exchange rate risk is the main activity. The volume of currency exchange and exchange rate hedging transactions with Group companies correlates with the volume of transactions in these companies' underlying business, albeit to a much lesser extent than the two sources of revenue for Inhouse Banking mentioned above. The constant flow of funds in different currencies and the knowledge of the needs of the Group companies require ongoing management of currency positions by the traders and offer the opportunity to generate additional income from this within clearly defined limits. In addition, the maturity mismatch of asset and liability items on the balance sheet of the Würth Finance Group gives rise to additional income opportunities. In the year under review net trading income of EUR 14.1 million was recorded, significantly exceeding the record result from the previous year.

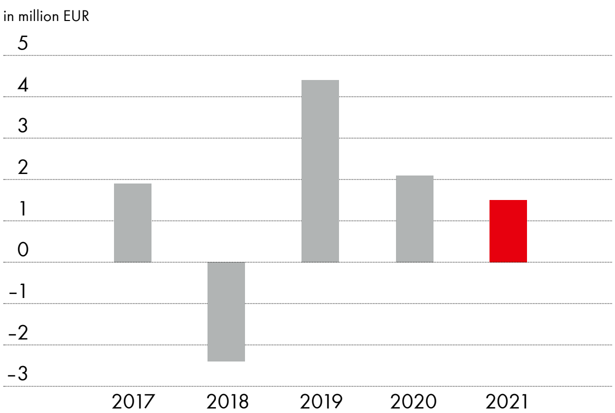
Securities investments

Taking investment risks, especially through positions in bonds, equities and commodities has also made a valuable financial contribution to the success of the Würth Finance Group for many years. However, the benefits of the expertise available here go much further, as the Central Managing Board is keen to draw on this expertise in a variety of ways in the financial management of the Würth Group.

Trading: income development



Securities investments: income development



In hardly any other field of activity is the benefit of hindsight so great:

- The rise in interest rates was moderate, so the basic focus on short durations was fundamentally the right one. However, in retrospect, bond positions were too small.
- Investments in US dollars benefited from a rise in the exchange rate. It seems the US Federal Reserve is thought capable of more than the European Central Bank. In retrospect, that is no surprise.
- Real estate investments generally performed well worldwide, but an overweight in US stocks against German companies would have made more sense, as regulatory fears in the wake of the parliamentary elections and distortions in individual stocks due to large-scale consolidation in Germany were market-dominating factors.
- Equity investments produced extremely good returns as a result of falling real interest rates and solid corporate data. Almost every setback could have been used to increase the equity allocation.

With regard to the long-term investment objective of delivering positive earnings contributions above the risk-free rate of return even at low volatilities, 2021 can nevertheless be considered a successful investment year: the return was 2.2% or EUR 1.5 million. The portfolio shrank slightly in size during the financial year and amounted to EUR 68.5 million at the end of the year.

Management Würth Finance International B.V. and Würth Invest AG

Björn van Odijk
Managing Director

Roman Fust
Managing Director

Philip Guzinski

Alejandro Muñoz

Daniel Ochsner

Jorre van Schipstal

Patrik Imholz
Würth Invest AG

E-payment services
The COVID-19 pandemic continued to drive increasing demand for e-payment services. In cooperation with Group companies, a number of projects for establishing electronic payment options were implemented on new sales channels such as the customer contact centre and sales support applications. The services were optimised on an ongoing basis not only to offer new and efficient payment options in compliance with the highest security standards, but also to automate the entire payment process. With the Würth Omnichannel Payment Gateway (WOPG), the Würth Finance Group offers its clients a global infrastructure for processing electronic payments across all distribution channels. The volume of payments processed via the WOPG platform rose by around 25% in 2021 compared with the previous year.

Operating expenses
In the year under review, operating expenses of the division Inhouse Banking increased by 11% to EUR 21.5 million. Around half of the increase was attributable to higher personnel expenses. In addition, there was a certain base and catch-up effect for operating expenses, following a significant decline in the previous year. The cost-income ratio was thus maintained at almost the same level as in the previous year and the targets were clearly exceeded.

At a Glance

INHOUSE BANKING

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 Managing 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.

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

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

Facts and figures (at 31 December 2021)

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

530,000 payment transactions with a volume of EUR 7,300 million in the year under review

Outstanding capital market funding with a total volume of EUR 1,750 million

Account relationships with over 400 Würth Group companies

3,370 foreign exchange transactions with 280 Group companies and a hedging volume totalling EUR 1,160 million

Outlook for 2022

In Europe, consumer spending is healthy, the savings rate is high, and investment in digitalisation must continue to increase – there is plenty of upside potential for another good financial year. The Central Managing Board is optimistic that the Würth Group will also continue growing, despite bottlenecks in goods and on the labour market. The risks should not be underestimated, however.

The breakout of the Ukrainian-Russian war at the end of February 2022 and the reaction of Western governments have substantially increased the risk for a less dynamic economic development in Europe and the world. The depth and breadth of the economic consequences and the revaluation of financial assets will depend on the further development of the war.

The Management expects that the process for balancing supply and demand in many markets, the normalisation of international trade and the stabilisation of prices will probably not come anytime soon. Also a renewed deterioration in the epidemiological situation could strain market confidence and public support. Thus, to avoid a phase of recession, it will be crucial that the fiscal and monetary authorities manage their strategies carefully and communicate them clearly, at the price of a further increase in government debt and the risk of inflation rates becoming entrenched above the target ranges.

If a recession can be avoided in Europe and a widespread financial crisis can be prevented, stable figures can be expected for income in the Inhouse Banking division. This takes into account the normalisation of liquidity reserves. In order to secure performance in the long term, investments in the digitalisation of business processes will be systematically continued and personnel resources will be gradually strengthened. This is likely to increase the cost base by a single-digit percentage. Overall, the Management currently expects no major deterioration in the operating result of the Inhouse Banking division in financial year 2022.

Report of the Management

EXTERNAL FINANCIAL SERVICES

Supply bottlenecks, rising prices and a focus on sustainability all shaped the business environment in 2021. The COVID-19 pandemic, which has dominated headlines for the past two years, has remained ever-present. In addition, companies still face the challenge of meeting the demands of digitalisation, finding solutions to the shortage of skilled workers, and establishing measures to protect against cyber attacks. Many companies were able to adapt excellently to this environment and can look back on a successful financial year 2021 that significantly exceeded expectations. Würth Financial Services AG ("WFS") also surpassed expectations by a wide margin in 2021 and steadily adjusted its own forecasts upwards over the course of the year.

Würth Financial Services AG surpassed expectations by a wide margin in 2021 and steadily adjusted its own forecasts upwards over the course of the year.

Insurance market situation

Having faced higher claims payments in 2020 due to the COVID-19 pandemic, severe weather dominated the claims picture for the insurance market in 2021. Floods and hailstorms caused massive damage in many places in Switzerland, as well as in Europe, and put a strain on insurance companies' balance sheets. This contrasted with the positive developments on the financial markets, which bolstered insurance companies' results.

The growing number of successful cyber attacks is posing major challenges for the insurance market. Just a few years ago, it was rare for an SME to take out cyber insurance. Clients had to be offered rock-bottom prices to be persuaded. Today, cyber attacks are among the biggest threats on a company's risk map. The claims burdens on insurers' books are rising steeply, and many customers are now facing the question of whether sharp increases in premiums and the reduction of coverage limits are still commercially viable.

The trend towards premium increases in the corporate clients business remains unbroken, while the reduction of limits – especially in the international environment – means that the cover needed can only be found with great effort or is no longer offered at all. Conditions in the insurance market are becoming increasingly tough, and there is no end in sight. Not least due to the COVID-19 pandemic, this is particularly true in the personal insurance market, where higher claims and a lack of competing offers are leading to huge premium hikes.

Continued consolidation of the insurance broker market

A wave of consolidation is still dominating the insurance broker market. A number of national and international mergers occurred again in 2021. The frequent participation of pure financial investors in these transactions is striking. In combination with the current market situation, insurance brokers' business model is highly attractive to investors. A significant example from 2021 comes from the UK, where Howden Group acquired the broker Aston Lark for around USD 1,500 million. However, the competition authorities still need to approve the acquisition. Such approval was denied in the case of the mega-merger between Aon and Willis Towers Watson, with major cost implications for Aon.

This trend can also be seen in the Swiss broker market, which is likewise considered highly attractive and draws investors from outside the industry. It is notable how many international broker organisations are gaining entry to the Swiss broker market through acquisitions. Howden, Gallagher, Verlingue, Burrus and Südvers are examples of international brokerage houses that have recently moved into Switzerland. These market dynamics also resulted in transactions in 2021. The acquisition of IBC by Qualibroker, for example, involved two of Switzerland's largest brokers.

Focal points in the financial year

In terms of sales, 2021 made a rather subdued start. The work-from-home obligation made the efforts to personally introduce WFS to new clients much more difficult. In the first months of 2021, we therefore focused on supporting existing clients and preparing tenders and annual review meetings. Many clients issued invitations to tender for occupational pension plans due to a backlog in 2021. Following the financial market developments in March 2020, companies had postponed their pension scheme tendering projects by one year.

Digital transformation and improving process efficiency were a major theme in 2021.

The tougher conditions on the insurance market were very apparent when tendering for contracts. Risk concepts frequently needed to be revised due to limit reductions and premium increases, and it was not always possible to find satisfactory solutions for clients. From a sales perspective, however, the more difficult environment also gave greater impetus to clients, who were more likely to look for alternatives and seek second opinions from other insurance brokers. WFS benefited from these market movements.

Digital transformation and improving process efficiency were a major theme in 2021. Alongside the integration of new tools in the area of tendering, efforts focused on digital invoicing. Thanks to the new module, the invoice processing time – from incoming mail to dispatch – has been significantly reduced. Through this process, WFS is reaping the benefits of machine learning and artificial intelligence developments for the first time. The potential offered by these developments is enormous and can be transferred to other processes.

Management Würth Financial Services AG

Adrian Parpan
Managing Director

Beat Jordan
Managing Director

Luciano Viotto

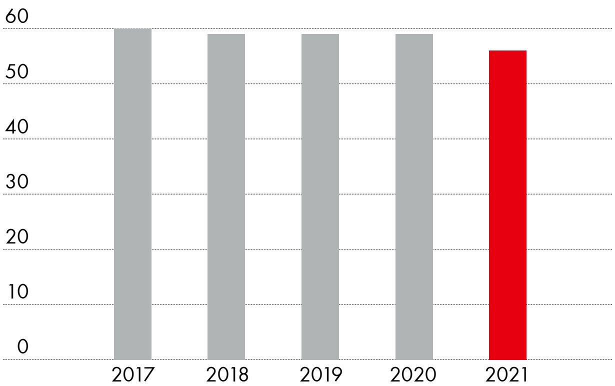
Hans-Jürg Flury

Business performance 2021

Forecasts for 2021 were subject to a high degree of uncertainty due to the COVID-19 pandemic. Despite the limited sales opportunities in the first half of the year and thanks to encouraging new business in the second half, the premium volume in 2021 increased to CHF 345 million. This represents an increase of 6% compared with the previous year. Revenue also rose by almost 5% year on year.

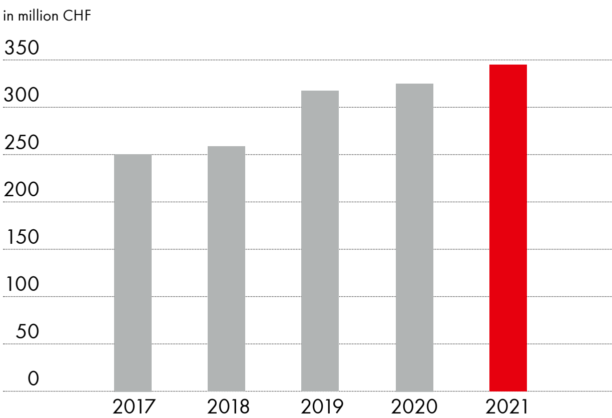
The number of employees declined to 56 from 59 in the previous year. While the number of sales representatives remained unchanged at 32, the number of office staff declined to 24 from 27 in the previous year. This development is attributable to the centralisation of the back office at the Rorschach site. The digitalisation efforts made also meant that the workload could be handled by a smaller number of employees. At the same time, human resources was outsourced to the shared services organisation of Würth Management AG in 2021. The almost 10% rise in office staff productivity should be viewed as a success and shows that the investments in process automation are also paying off financially.

Number of staff



Due to the investment in digitalisation, IT costs rose further. The year-on-year increase amounted to more than 40%, with the use of the new tendering tools and the further development of the policy administration system the main drivers of this development. Other administrative expenses remained constant compared with the previous year, while the operating result rose by 19%.

Development of premium volume



EXTERNAL FINANCIAL SERVICES

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 2021)

Number of corporate clients: 3,600

Premium volume: CHF 345 million

Number of employees: 56

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

Outlook for 2022

WFS intends to continue the growth trend of recent years in 2022. In particular, it aims to further increase the number of sales representatives and broaden the reach of its branches. The number of office staff will remain unchanged, with growth absorbed through more efficient processes. The digitalisation of additional core processes will remain a focal point in 2022.

It is anticipated that the insurance market will remain challenging. Clients will demand a professional service and a high level of advisory expertise, and the competition for specialists will further intensify. Thanks to the Würth Group's stability and the family values that characterise its corporate culture, WFS offers excellent development opportunities for employees in the insurance sector. It is superbly positioned to meet the current challenges over the coming year, as well as in the long term.

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 Managing 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 a functioning and efficient risk management system in its entity. They are supported by the Würth Group risk manager, who reports directly to the Central Managing 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 Managing 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 makes use of the three lines of defence model for a functioning control and monitoring system, in which three independent levels serve to manage corporate risks and ensure that risk and control processes function appropriately.

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 Managing 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 contains a detailed list of the maximum risk exposure approved by the Board of Directors of Würth Finance International B.V. A core aspect of the framework is a system of defined, binding limits and permissible financial instruments.

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

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

3 Financial risk and opportunities

Further information on the risks arising from financial instruments and their management can be found specifically in note 18 and in the notes to the separate financial report on the website (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. During 2021 there were two rating upgrades and two rating downgrades, which did not affect the open positions at the counterparties.

With all external counterparties for financial derivatives transactions, the WFG has concluded ISDA agreements, including a Credit Support Annex that ensures the periodic net present value cash settlement of the outstanding transactions. The counterparty risks relating to delcredere business are transferred in full to insurance companies.

Every Würth Group company is granted a credit limit by the Würth Group's Central Managing 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 Managing Board is obliged to grant a new credit limit. Such credit limit breaches were repeated in 2021. The Central Managing 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).

In its function as the main financing company of the Würth Group, the WFG manages the liquidity risks on the basis of the Central Managing Board's recorded strategic guidelines for action and optimises the financial result through the targeted exploitation of market opportunities.

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 Managing 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 700 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 thousand, 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 Technological risk

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 Personnel risk

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 employee 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 competitive working environment and training tailored to individual roles. Employee training can be internal or external. One focus of personnel management is the targeted continuing professional development and training of employees. 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 has undertaken to publish a Group-wide consolidated sustainability report for the first time in 2022. 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 is examining appropriate adjustments.

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, or with NLdoet, the largest volunteering scheme in the Netherlands.

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.

6 COVID-19

A sustainable containment of the COVID-19 pandemic has not yet been achieved. Health systems are overburdened in many places. There is a continuing need for far-reaching protective measures that severely restrict people's freedom. These measures will continue to place a heavy burden on the global economy in the coming quarters. The restrictions only can be lifted and an economic recovery can be expected, when the majority of the population has been vaccinated against the virus. In view of the existence of pent-up demand in various sectors, this may well turn out to be a very dynamic recovery.

Until then, there may be effects on operations and on the WFG's Consolidated Financial Statements that will not be recorded until the subsequent reporting period. These may, for example, relate to the valuation of current and non-current receivables from related parties, securities and other assets. Weak investment markets, a fall in premium income in insurance brokerage, declining payment volumes in the Payment Factory department and a potential increase in lending volumes will have direct and partially offsetting effects on revenue and thus on the operating result, possibly in the double-digit percentage range.

In view of the existing uncertainties regarding income, the WFG's Management has various packages of measures that can be implemented depending on developments. These include postponing or cancelling discretionary spending, limiting non-essential capital expenditure, imposing short-time working and a hiring freeze. The financial position of the WFG and the Würth Group is good. The company has sufficiently high liquidity reserves to meet its financial obligations in the coming months and can raise new funds on the capital market if necessary thanks to its high credit rating.

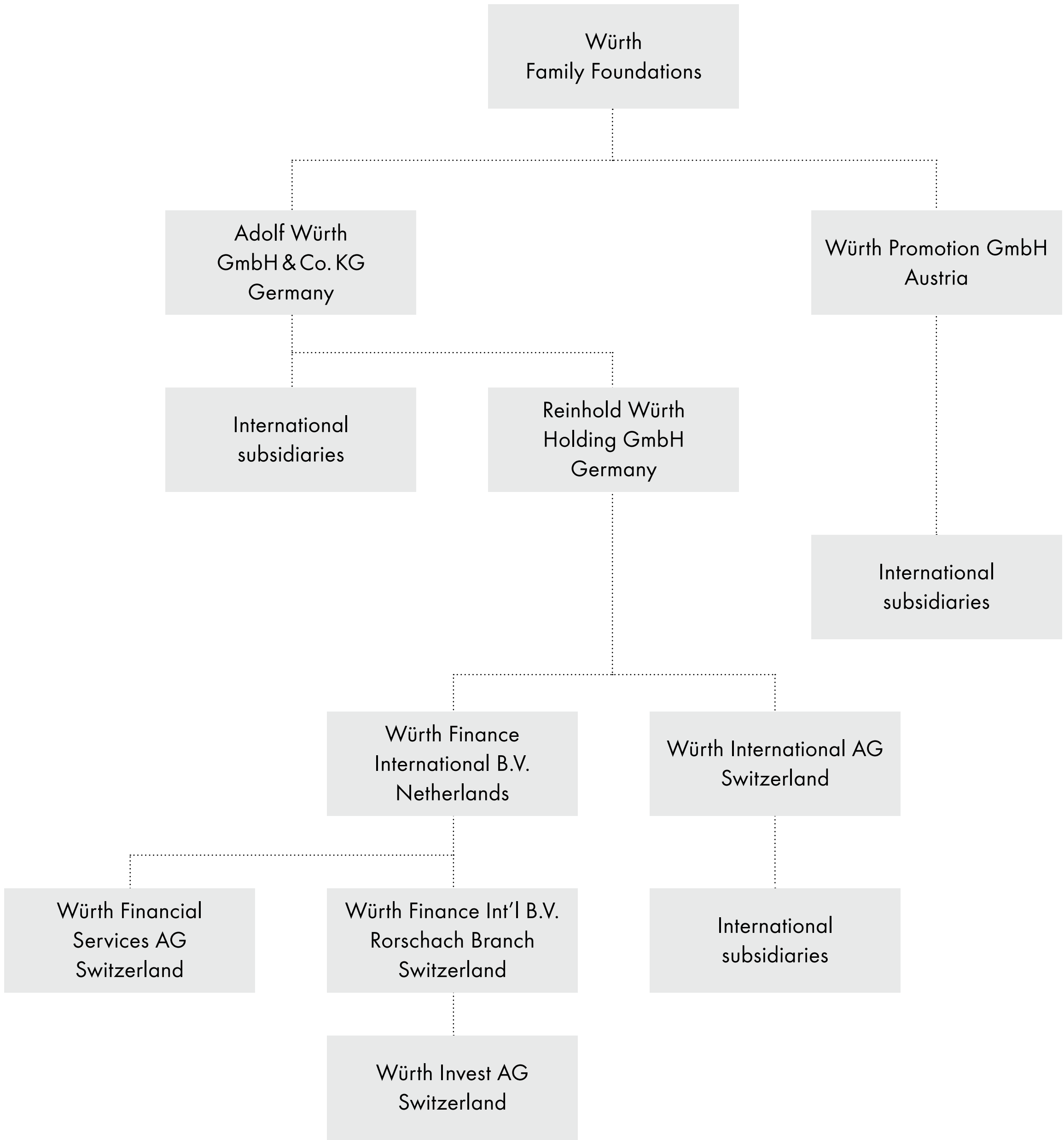
The WFG's Management has concluded that there are no material uncertainties that might cast significant doubt on the company's ability to continue as a going concern.

Basic principles of our risk management system

- The Management bears the responsibility for all risks incurred as a result of the company's business activities and seeks to achieve a healthy balance between risk and returns.
- An independent control process forms an integral part of the corporate structure.
- Employees are familiar with and alert to the principal risks specific to their area of activity. A central element of risk control is the comprehensive, transparent and objective disclosure of risks to the Group and company management, owners, supervisory authorities and other stakeholders.
- Revenue is protected on the basis of risk tolerance – i.e. the maximum risk that the Würth Finance Group can bear given its financial and earning power.
- Ultimately, the Würth Finance Group's reputation depends on effective risk management and control.

Würth Group

LEGAL STRUCTURE (SIMPLIFIED CHART)



Würth Finance Group

EXECUTIVE BODIES

(As at 31 December 2021)

Board of Directors **Würth Finance International B.V.**		Elected until:
Joachim Kaltmaier (Member of the Central Managing Board of the Würth Group)	Chairman	2022
Prof. Dr. h. c. mult. Reinhold Würth (Chairman of the Supervisory Board of the Würth Group's Family Foundations)	Member	2025
Dr. Bernd Thiemann (former Chairman of the Board of Deutsche Genossenschaftsbank AG)	Member	2022
Mag. Michel Haller (Chief Executive Officer of Hypo Vorarlberg Bank AG)	Member	2022
Wolfgang Kirsch (former Chief Executive Officer of DZ Bank AG, Chairman of the Supervisory Board of Fresenius SE & Co. KGaA)	Member	2022
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's Family Foundations, Vice President Adolf Würth GmbH & Co. KG)	Member	2025

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 2021:

Bonds				
Notional amount:	Coupon rate:	Issue yield:	Term:	Listing:
EUR 500 m	1.000%	1.039%	19.05.2015–19.05.2022	Luxembourg Stock Exchange / ISIN: XS1234248919
EUR 500 m	1.000%	1.038%	25.05.2018–25.05.2025	Luxembourg Stock Exchange / ISIN: XS1823518730
EUR 750 m	0.750%	0.782%	21.05.2020–22.11.2027	Luxembourg Stock Exchange / ISIN: XS2176534795

All bonds have been granted an “A” rating by Standard & Poor’s.

For the bond maturing on 19 May 2022, the 3-month par call option was exercised in due time before 14 January 2022. The actual maturity of the EUR 500 million bond is therefore 21 February 2022.

There are also 3-month par call options for the bonds maturing on 25 May 2025 and 22 November 2027.

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 2021

Consolidated income statement
for the year ended at 31 December

in TEUR	2021	2020
Operating income		
Interest income from financial instruments measured at amortised cost	42,665	43,808
Interest income from financial instruments measured at fair value through profit or loss	15,408	15,017
Interest expenses	-43,903	-45,036
Net interest income	**14,170**	**13,789**
Income from factoring activities	16,234	16,275
Income from commission and service fee activities	43,725	37,668
Income from trading activities and financial instruments	14,789	12,376
Other ordinary income from related parties	797	1,709
Expected credit loss (expenses) / recovery	6,846	-7,886
Total operating income	**96,561**	**73,931**
Operating expenses		
Personnel expenses	-20,701	-19,394
Other administrative expenses	-11,485	-10,358
Amortisation expenses	-1,845	-1,767
Total operating expenses	**-34,031**	**-31,519**
Profit before taxes	**62,530**	**42,412**
Income tax expense	-9,587	-9,001
Deferred taxes	-82	-45
Net profit for the year	**52,861**	**33,366**

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

in TEUR Net of tax	2021	2020
Profit for the year	**52,861**	**33,366**
Total items that will be reclassified to the income statement		
Exchange differences on translation of foreign operations	-49	55
Net gain / (loss) on cash flow hedges	3,457	-5,608
Total items that will not be reclassified to the income statement		
Remeasurement gain / (loss) on defined benefit plans	3,080	-418
Deferred taxes on cash flow hedges	2,062	0
Other comprehensive income for the year (OCI)	**8,550**	**-5,971**
Total comprehensive income for the year, net of tax	**61,411**	**27,395**

Consolidated balance sheet
at 31 December before appropriation of profits

in TEUR	2021	2020
ASSETS		
Non-current assets		
Intangible assets	1,477	1,536
Right-of-use assets	1,814	1,687
Property, plant and equipment	428	317
Loans to related companies	1,429,290	1,163,513
Positive fair values of derivative instruments	4,670	9,537
Other financial assets to related parties	0	9,896
Deferred tax assets	2,062	0
Total non-current assets	**1,439,741**	**1,186,486**
Current assets		
Receivables from related companies	1,079,652	951,433
Positive fair values of derivative instruments	985	4,493
Other assets	3,623	3,940
Accrued income and prepaid expenses	6,828	6,612
Securities held for trading	68,479	68,937
Cash and cash equivalents	859,052	1,126,950
Total current assets	**2,018,619**	**2,162,365**
Total assets	**3,458,360**	**3,348,851**
EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	16,000	16,000
Additional paid-in capital	5,000	5,000
Retained earnings	303,345	286,899
Other comprehensive income from cash flow hedges	-8,947	-14,466
Foreign currency translation	-54	-5
Net profit for the year	52,861	33,366
Total shareholders' equity	**368,205**	**326,794**
Non-current liabilities		
Bonds issued	1,250,060	1,752,348
Liabilities for pension plans	3,969	6,816
Lease liabilities	610	662
Payables to banks	0	4,622
Negative fair values of derivative instruments	719	3,070
Deferred tax liabilities	320	400
Total non-current liabilities	**1,255,678**	**1,767,918**
Current liabilities		
Bonds issued	499,843	0
Commercial paper	0	0
Payables to related companies	1,283,002	1,220,451
Lease liabilities	1,220	1,052
Payables to banks	11,988	1,674
Income tax payables	7,020	5,954
Negative fair values of derivative instruments	8,347	5,696
Other liabilities	15,565	12,513
Accrued expenses and deferred income	7,492	6,799
Total current liabilities	**1,834,477**	**1,254,139**
Total equity and liabilities	**3,458,360**	**3,348,851**

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 2020	16,000	5,000	315,317	-8,858	-60	327,399
Net profit for the year	0	0	33,366	0	0	33,366
Foreign currency translation	0	0	0	0	55	55
Cash flow hedge accounting	0	0	0	-5,608	0	-5,608
IAS 19	0	0	-418	0	0	-418
Deferred taxes on cash flow hedges	0	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**32,948**	**-5,608**	**55**	**27,395**
Dividend payments	0	0	-28,000	0	0	-28,000
At 31 December 2020	**16,000**	**5,000**	**320,265**	**-14,466**	**-5**	**326,794**
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
IAS 19	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**

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 2021, a dividend of TEUR 20,000 (EUR 625 per share) was paid for financial year 2020.

Consolidated cash flow statement
for the year ended at 31 December

in TEUR	2021	2020
Net profit for the year	**52,861**	**33,366**
Amortisation and impairments	429	434
Adjustment to provision for taxes	1,065	-120
Deferred tax expense / (benefit)	-2,143	-1,138
Other expenses and revenues without cash flows	-3,618	700
Foreign exchange gains and losses (long-term loans)	-17,213	13,714
Foreign exchange gains and losses (short-term loans)	-942	678
(Increase) / decrease in operating assets		
Redemption of long-term loans to related companies	57,083	60,786
Lending of long-term loans to related companies	-584,111	-368,891
Receivables from related companies	156,959	423,490
Positive fair values of derivative instruments	8,375	-5,876
Other assets, accrued income and prepaid expenses	100	1,479
Increase / (decrease) in operating liabilities		
Payables to related companies	62,551	573,318
Negative fair values of derivative instruments	300	5,110
Other liabilities, accrued expenses and deferred income	3,746	-5,471
Net cash flows from operating activities	**-264,557**	**731,579**
Purchase of property, plant and equipment, and intangible assets	-421	-168
Disposal of property, plant and equipment, and intangible assets	-61	6
Purchase of securities	-28,451	-37,577
Disposal of securities	30,449	31,653
Sales of other financial assets to related parties	9,500	11,068
Net cash flows from investing activities	**11,016**	**4,982**
Proceeds of borrowings	0	746,086
Repayment of borrowings	0	-500,000
Commercial paper	0	-100,000
Dividend payments	-20,000	-28,000
Net cash flows from financing activities	**-20,000**	**118,086**
Net foreign exchange difference	-48	67
Net increase / (decrease) in cash and cash equivalents	**-273,589**	**854,714**
Net cash and cash equivalents at the beginning of the year	**1,120,654**	**265,940**
Net cash and cash equivalents at the end of the year	**847,065**	**1,120,654**
Net increase / (decrease) in cash and cash equivalents	**-273,589**	**854,714**
Increase / (decrease) in taxes paid	**-8,254**	**-10,666**
Interest received	**69,090**	**71,518**
Interest paid	**-37,334**	**-40,870**

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

Statement

This version of the annual financial reporting of Würth Finance Group for the year ended 31 December 2021 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.bundesanzeiger.de

Published by
Würth Finance International B.V.

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

Layout and concept
Wirz Brand Relations AG, Zurich

Photos
René Lamb Fotodesign, Kreuzlingen

Illustrations
Nino Christen, Animation & Illustration,
Zurich/Switzerland

Contact address

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