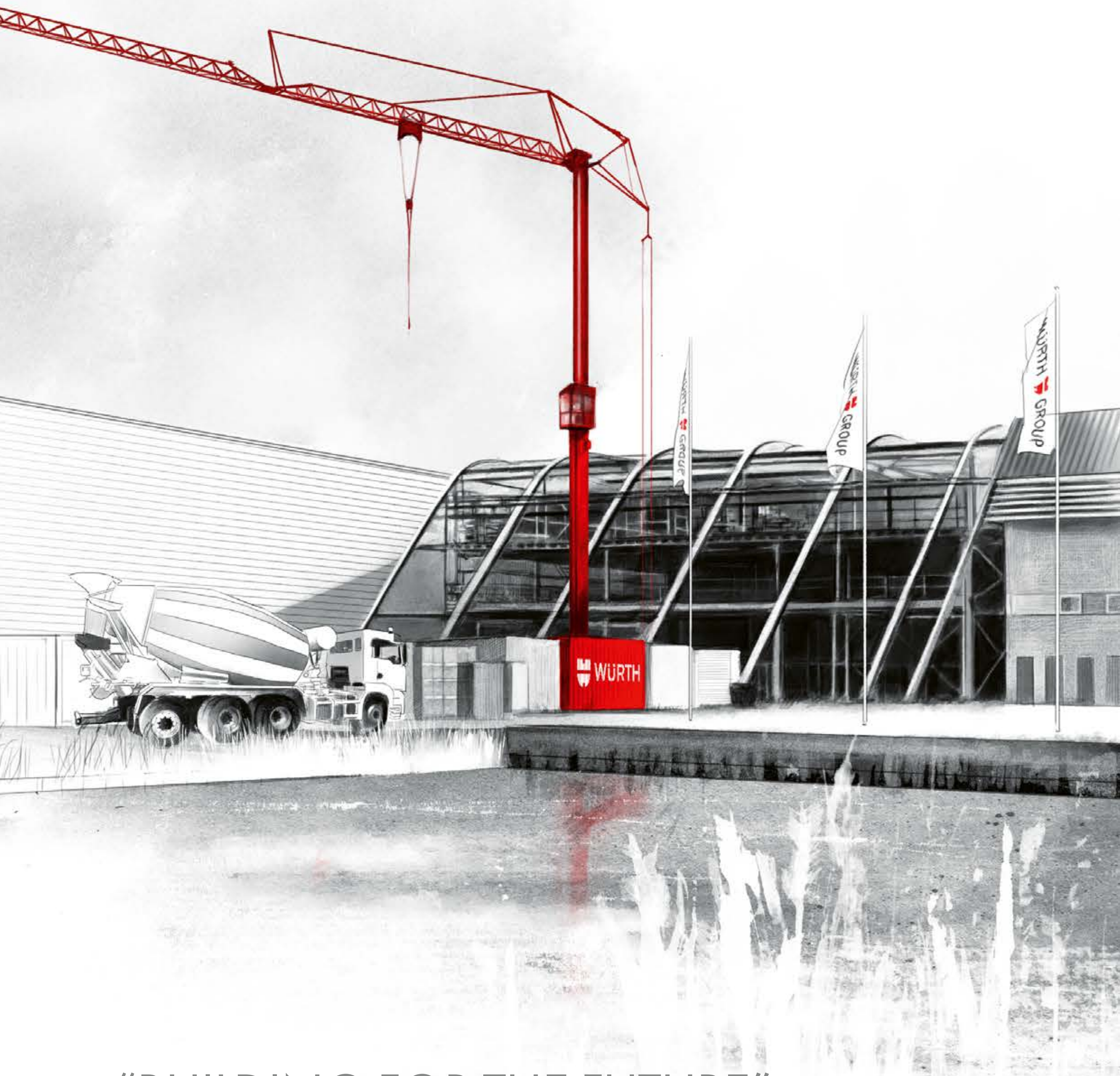
WÜRTH GROUP

Annual Report 2020

WÜRTH FINANCE GROUP



"BUILDING FOR THE FUTURE"

KEY EVENTS IN 2020

- COVID-19 pandemic defied: the Würth Group generated a record result with sales of EUR 14,410 million and a preliminary operating profit of EUR 770 million.

- Expectations more than met: supported by its robust business model, the adaptability of the organisation and effective risk management, the Würth Finance Group achieved the second-best result in its history with adjusted pre-tax profit of EUR 52.5 million.

- Successful raising of funds on the capital market in the midst of the pandemic: in May, Würth Finance International B.V. successfully placed the largest bond in the company's history on the Euromarket with a volume of EUR 750 million.

- Growth course maintained: despite the difficult situation due to the pandemic, Würth Financial Services AG achieved an increase in both sales and its operating profit in 2020.

- Successful completion of the acquisition project: the integration of Optima Versicherungsbroker AG into Würth Financial Services AG was a priority in 2020 and was successfully completed.

THE WÜRTH FINANCE GROUP AT A GLANCE

The Würth Finance Group is the financial competence centre for the Würth Group. It employs 123 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.

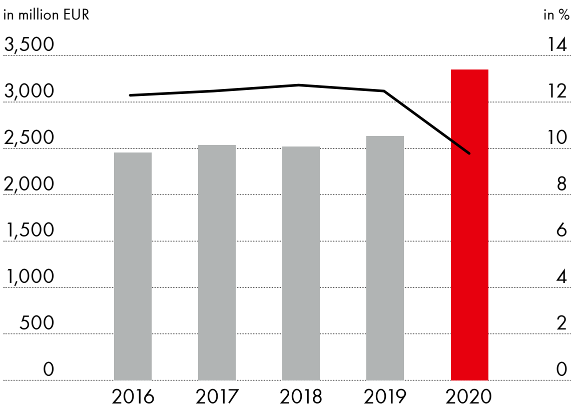
The External Financial Services division operates as Würth Financial Services AG. More than 7,000 clients in Switzerland, are looked after from the five offices in Rorschach (head office), Zurich, Lugano, Arlesheim and Chur.

KEY FIGURES
OF THE WÜRTH FINANCE GROUP

Key figures from the consolidated income statement in TEUR	2016	2017	2018	2019	2020
Interest income	4,521	4,416	9,730	14,284	13,789
Income from factoring activities	12,899	14,755	16,018	16,419	16,275
Income from commission and service fee activities	29,880	32,983	35,272	35,897	37,668
Income from trading activities and financial instruments	8,837	9,553	7,320	14,713	12,376
Other ordinary income	4,858	3,959	3,292	2,870	1,709
Credit loss (expenses) / recovery	0	0	–3,698	1,005	–7,886
Total operating income	60,995	65,666	67,934	85,189	73,931
Total operating expenses	–29,183	–28,920	–29,418	–32,397	–31,519
Profit before taxes	31,812	36,746	38,516	52,792	42,412

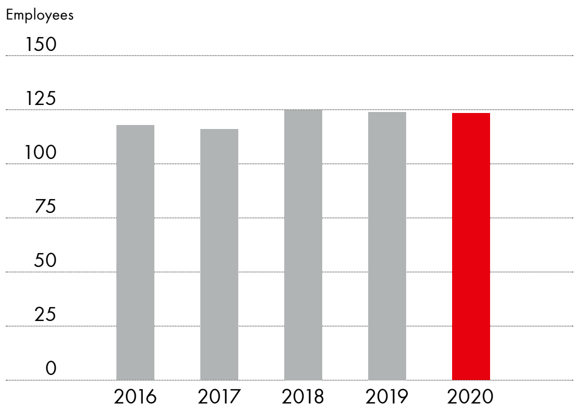
Operating income adjustments Inhouse Banking					
Hedge accounting effect management accounting	4,297	4,353	3,742	2,993	1,492
Impairment for credit loss	0	0	3,698	–739	8,558
Total operating income (adjusted)	**65,292**	**70,019**	**75,374**	**87,443**	**83,981**
Profit before taxes (adjusted)	36,109	41,099	45,956	55,046	52,462

Balance sheet total/equity ratio

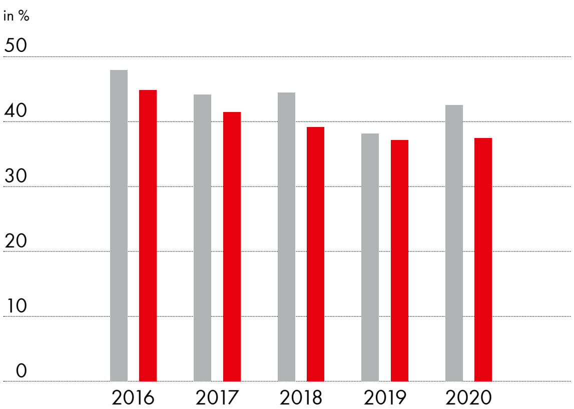


Balance sheet total
Equity ratio (right-hand scale)

Number of employees

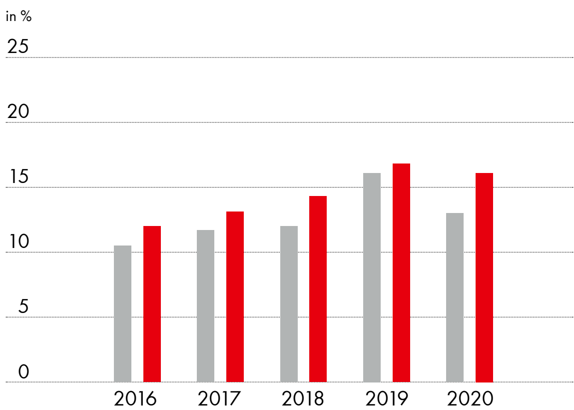


Cost-income ratio



Cost-income ratio
Cost-income ratio adjusted

Return on equity before tax



Return on equity before tax
Return on equity before tax adjusted

CONTENTS

"Building for the Future" – the illustration design for the 2020 Annual Report

Using the example of our current construction project in 's-Hertogenbosch (NL), this Annual Report illustrates how we at the Würth Finance Group are building for the future: by investing in our locations and infrastructure, in our jobs and therefore also in our employees.
The special situation caused by the COVID-19 pandemic meant that a photo shoot involving lots of people would not be the right choice for the year under review. Instead, we decided to translate and illustrate the theme of "Building for the Future" in a different way. The drawings of English illustrator Dave Merrell therefore also represent a willingness to always find opportunities for renewal amid the crisis.
This is just as important for sustainable growth as a sound risk and investment culture, prudent financial planning and cooperation based on trust – aspects illustrated by the pictures in our report.

Würth Finance International B.V.

REPORT OF THE BOARD OF DIRECTORS

Dear readers

During financial year 2020, the Board of Directors of Würth Finance International B.V. performed its duties in accordance with the law and the company's articles of association, monitored the performance of the company and advised the Management.

Four meetings were held in 's-Hertogenbosch and Rorschach, during which the Management informed the Board of Directors verbally and in writing about the general situation of the company, the course of business and the principal issues relating to its business policy. 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 of all potential opportunities and risks. In this context, the Board of Directors advised the Management on strategic measures and issues relating to the company's future. The cooperation between the Management and the Board of Directors was highly constructive and fully complied with the principles of good corporate governance.

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

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

The Würth Group recorded sales growth of 0.9% to EUR 14,410 million in financial year 2020, based on preliminary figures. Sales developed surprisingly positively – after a massive 21% year-on-year slump in April caused by COVID-19. In the second half of the year, this shortfall was made up despite a second wave of the pandemic, so that total sales were slightly above their 2019 level. Thanks to immediate measures on the cost side, the operating result was also on a par with the previous year. The measures taken also led to a huge reduction in the Würth Group's net debt. This reduction in debt and the build-up of liquidity, also as a result of the successful issue of a new EUR 750 million bond in May 2020, were also reflected in declining interest income at Würth Finance International B.V.

In a financial market environment that remained challenging, the company performed its duties effectively as the Würth Group's competence centre for financing and cash management. In the current negative interest rate environment, the Management placed a high priority on the optimum management of liquidity reserves in euros and Swiss francs.
Taking into consideration an impairment for credit losses on loans and receivables to related parties of EUR 8.6 million in accordance with IFRS 9, consolidated profit before taxes of the Würth Finance Group amounted to EUR 42.4 million.

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-Verwaltungsgesellschaft mbH

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

Wolfgang Kirsch
Former Chief Executive Officer of DZ Bank AG

Christoph Raithelhuber

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

The additional challenges of staff working from home were also successfully overcome. This was thanks to the technical prerequisites that were already in place, also with regard to safety requirements. In this way, the company remained operational at all times.

The 2020 consolidated Financial Statements, along with the separate 2020 Financial Statements of Würth Finance International B.V., have been prepared in accordance with International Financial Reporting Standards (IFRS). The auditor Ernst & Young audited the annual accounts and issued an unqualified audit opinion. The Financial Statements and the audit report by Ernst & Young were examined by the Board of Directors and discussed in detail with both the Management and the auditors. Following the final result of the audit, the Board of Directors raised no objections, agreed with the audit report and approved the Financial Statements for 2020.

Dutch corporate governance law (Wet Bestuur en Toezicht) stipulates that at least 30% of the members of boards of directors should be women. Würth Finance International B.V. does not currently meet this requirement. The company will take the prescribed gender quota into account as far as possible when making new appointments.

Following the unexpected death of Jürg Michel, Ralf Schaich was elected as his successor with effect from 1 January 2021 at the extraordinary shareholders' meeting on 17 December 2020.

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.

In memory of Jürg Michel

Jürg Michel, member of the Board of Directors, sadly passed away at the age of 69 on 11 October 2020.

Jürg Michel joined Würth Finanz AG in 1991 (since 1994 Würth Finance International B.V., headquartered in 's-Hertogenbosch, with a branch in Switzerland) and, as Managing Director, helped bring the company to its present size with his incredible expertise, prudence and foresight.

He was a constant supporter and visionary pioneer for Würth Financial Services AG and Würth Invest AG – the two other companies of the Würth Finance Group – since their foundation in 2003.

Jürg Michel was a member of the Central Managing Board of the Würth Group from January 2010 to June 2013. He made a valuable contribution to the Board with his great expertise in strategic financial matters and was responsible for the business operations of the Würth Line in China during this period. After leaving the Central Managing Board, the Supervisory Board of the Würth Group's Family Trusts appointed him to the Advisory Board of the Würth Group in 2014. He also held various Supervisory Board and Board of Directors mandates within the Würth Group. In particular, he intensively supported Würth Management AG, Internationales Bankhaus Bodensee AG and all Würth Group companies in Switzerland.

With great respect for his achievements and deep gratitude for his loyalty to the Würth family as well as to the entire Würth Group, we remember Jürg Michel and recall his friendliness, modesty and humour. His high level of professionalism – embodying the Würth values in everything he did – made him a role model for the entire Würth Group. Jürg Michel was not just an esteemed colleague, many of us have also lost a friend.

We will honour his memory.

J. Kaltmaier

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

Würth Finance Group

REPORT OF THE MANAGEMENT

"COVID-19 is the worst health and economic crisis since WWII, disrupting health, well-being and jobs, and creating extraordinary uncertainty. The economic impact will be felt everywhere, the recovery will be slow and the crisis will have long-lasting effects." This is how the OECD summarised the situation in the second quarter of 2020. Most countries were completely unprepared for the outbreak of the COVID-19 pandemic, which saw the global economy plunge into its deepest recession in decades in the spring of 2020. For several weeks, social and economic life came to a virtual standstill all over the world and economic forecasts turned bleak: for example, the OECD revised its 2020 GDP forecasts for the euro area and the USA from their previously positive figures to –10% and –8%, respectively.

These estimates proved to be too pessimistic, at least in part. The population learned to live with the new coronavirus, with most people adhering to the key protective and hygiene measures and accepting the restrictions imposed by their governments. Home working, video conferencing, online shopping, digital learning and take-away food became the norm worldwide. As a result, the supply of essential products and system-relevant services to the population, as well as an impressively large part of economic life in both industrialised and emerging countries, continued to function fairly well. Many governments around the world introduced financial assistance programmes to alleviate the economic hardship of those most affected. And orchestrated by the central banks, generous funds were made available to the private sector through the international financial markets and the banking system to bridge liquidity shortages. This prevented an even more severe slump in the global economy; GDP fell by around 7% in the euro area and by about 4% in the USA. But it has come at a high price: according to John Hopkins University, the COVID-19 pandemic has resulted in nearly 120 million infections and 2.6 million deaths (as at 15 March 2021). Doctors, nursing staff and the entire medical care infrastructure in many places have been massively overstretched for months. And despite short-time working compensation and other support measures in the job market, many employees, particularly in the catering, tourism, and culture and leisure industries, are suffering wage losses and unemployment.

Würth Group

The COVID-19 pandemic also negatively impacted the business development of the Würth Group. Sales in April were down by more than 20% compared with the previous year. However, by May this shortfall had been reduced to 5%, and the previous year's sales were continuously exceeded from July on. Ultimately, the Würth Group ended financial year 2020 with a 0.9% increase in sales, driven in particular by the German market, where growth of 2.8% was achieved, as well as the construction-related Würth Line business area and the Electrical Wholesale business unit. By delivering this result, the Würth Group has clearly demonstrated its ability to withstand the COVID-19 pandemic so far and strengthened its competitive position thanks to the broad diversification of its business model. Excellent relationships with numerous suppliers worldwide made it possible to quickly expand the product portfolio to include hygiene products and personal protective equipment, which saw a spike in demand.

Based on preliminary figures, the operating result of the Würth Group developed in step with sales and reached EUR 770 million (2019: EUR 770 million). Gross profit margins remained relatively stable, while at the same time the use of digital communication and distribution channels made it possible to considerably increase productivity.

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 2020 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.

To ensure the continuous expansion of the business model was not neglected, investments were moderately reduced to EUR 470 million (2019: EUR 710 million); there was no reduction in personnel capacity. Thanks to the positive cash flow and disciplined investment and working capital management, the Würth Group's solid financial position continued to improve. This is reflected both in its financial metrics and in the confirmed rating from Standard & Poor's (A, outlook stable). This was welcomed by the capital market, with the EUR 750 million benchmark bond issued in May 2020 significantly oversubscribed. Shareholders' equity as at 31 December 2020 was EUR 5,900 million, corresponding to an equity ratio of 44%. With liquidity of around EUR 1,386 million and undrawn credit lines of EUR 400 million committed until 2023, the Würth Group has very comfortable liquidity reserves available.

Würth Finance Group

Adjusting the organisation of the Würth Finance Group's operations amid the COVID-19 pandemic challenged management and employees alike. They needed not only to adapt to the reduced personal contact with clients and business partners, but also to implement a home working system and focus on digital communication. The company's business continuity management system worked, although it was not specifically designed to deal with a pandemic of this sort. Both Würth Financial Services AG and the Inhouse Banking division were able to provide their clients and business partners with their services at all times, and operations continued uninterrupted. In these circumstances, the Würth Finance Group's investments in business process digitalisation paid off.

As in previous crises and times of major uncertainty, the Würth Finance Group's core competencies in the area of risk management were again in high demand – to secure the necessary financial resources and liquidity management for the Würth Group companies, as well as to handle claims due to cancelled travel, or optimise insurance cover for many customers in Switzerland. In addition, the legal and organisational integration of Optima Versicherungsbroker AG was completed on schedule.

To date, the COVID-19 pandemic has barely affected the Würth Finance Group's financial results: as expected, revenue from Group Financing declined slightly in the Inhouse Banking division and the performance of securities investments failed to match the previous year's result. However, the adjusted operating income of the Würth Finance Group was well ahead of the target, at EUR 84 million. Operating expenses fell year on year by around 3%, from EUR 32.4 million to EUR 31.5 million. This reduction was achieved through a number of different measures, such as the postponement of non-urgent IT projects, a general reduction in travel, and restraint in filling vacant positions and awarding consulting contracts. With an adjusted profit before taxes of EUR 52.5 million, the Würth Finance Group achieved the second-best result in the company's history (2019: EUR 55.0 million) and made a key contribution to the operating result of the Würth Group.

Details on the course of business in the Inhouse Banking and External Financial Services divisions follow on pages 12 to 25. The Würth Finance Group's report on risk management and control can be found on pages 28 to 33. The Würth Finance Group does not have its own audit committee and is therefore integrated into the Würth Group's audit process.

Outlook for 2021

Fortunately, effective COVID-19 vaccines became available earlier than expected and started to be injected in early 2021. Experts anticipate that it will be possible to quickly control the spread of COVID-19 and bring an end to the pandemic. The gradual easing of restrictions and safeguards should allow for a robust economic recovery and GDP growth in the range of 3 to 4% in industrialised countries in 2021. The Würth Group would like to benefit from this trend and, as an adaptable and competitive company focused fully on serving its customers, is confidently striving for significant growth. Investment, acquisition and development projects are aligned with the relevant markets and the growth targets for the next five years.

The Würth Finance Group focuses on the long-term growth opportunities offered by the transformation of the insurance and financial markets. 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 the 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.

In financial year 2021, the Management of the Würth Finance Group anticipates stagnating revenue and a decline in the operating result in the high single-digit percentage range. Insurance premium volumes with Würth Financial Services AG clients will be lower due to last year's recession, and in the Inhouse Banking division the record-low interest rates for extensions on loans to Würth Group companies as well as on liquidity investments will significantly detract from interest income. The Management of the Würth Finance Group is aware of the risk of setbacks in the fight against the 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 2020 and would like to thank all employees for their important contribution to the success achieved. Thanks also go to our clients and business partners, whose trust in the Würth Finance Group has made our success possible in the first place. We look forward to continuing to work with them in 2021.

Roman Fust
Managing Director
Würth Finance International B.V.

Adrian Parpan
Managing Director
Würth Financial Services AG

Play it safe

"The golden rule for construction sites also applies to payment transactions: safety is top priority. We ensure this through professional risk management, clearly defined processes and extensive expertise in dealing with potential hazards."

Andrea Lütolf and Joep Gertzen
Payment Factory, Würth Finance International B.V., 's-Hertogenbosch

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 by 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 afford a better overview of the development of the Inhouse Banking activities and their added value for the Würth Group, APM adjustments are made that impact the operating income and the net profit of the Inhouse Banking division, which can be specified as follows:

in TEUR	2016	2017	2018	2019	2020
Hedge accounting effect management accounting	4,297	4,353	3,742	2,993	1,492
Impairment for credit loss	0	0	3,698	-739	8,558

- Hedge accounting effect management accounting refers to the effect of the market valuation of interest rate derivatives to hedge the interest rate risk where historically no hedge accounting was applied. As of the implementation of 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 0.7 million and expected credit loss (ECL) on loans and receivables as at the balance sheet date. The ECL calculation is probability-weighted using a combination of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The LGD is based on the global corporate average of 60% and the PD is based on the Bloomberg default risk of the Würth Group. The PD increased to 1.29% as per 31.12.2020 (31.12.2019: 0.39%); therefore an additional impairment for credit loss of EUR 7.9 million is recognised in the income statement.

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
Credit loss (expenses)/recovery	0	0	–7,886	–7,886
Income from factoring activities	16,275	0	0	16,275
Interest income	14,922	–1,663	0	13,259
Other ordinary income	1,701	0	0	1,701
Other	1,135	0	0	1,135
Income from participations	566	0	0	566
Central Settlement	24,926	0	0	24,926
Income from trading activities and financial instruments	13,486	171	–672	12,985
Securities investments	2,071	0	0	2,071
Trading	11,415	171	–672	10,914
Total income	**71,310**	**–1,492**	**–8,558**	**61,260**
Total expenses	**–19,413**	**0**	**0**	**–19,413**
Profit Inhouse Banking	**51,897**	**–1,492**	**–8,558**	**41,847**

	Segment Inhouse Banking	Segment External Financial Services	Eliminations	Total Würth Finance Group
Segment profit before taxes (adjusted)	41,847	620	–55	42,412

2019

in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	36,157	–3,062	1,005	34,100
Credit loss (expenses)/recovery	0	0	1,005	1,005
Income from factoring activities	16,419	0	0	16,419
Interest income	16,872	–3,062	0	13,810
Other ordinary income	2,866	0	0	2,866
Other	1,513	0	0	1,513
Income from participations	1,353	0	0	1,353
Central Settlement	25,220	0	0	25,220
Income from trading activities and financial instruments	15,174	69	–266	14,977
Securities investments	4,447	0	0	4,447
Trading	10,727	69	–266	10,530
Total income	**76,551**	**–2,993**	**739**	**74,297**
Total expenses	**–22,018**			**–22,018**
Profit Inhouse Banking	**54,533**	**–2,993**	**739**	**52,279**

	Segment Inhouse Banking	Segment External Financial Services	Eliminations	Total Würth Finance Group
Segment profit before taxes (adjusted)	52,279	385	128	52,792

Key events

Coronavirus pandemic and Würth Group performance

The year 2020 will probably forever be remembered as the "year of the pandemic" or the "COVID-19 crisis". In retrospect, the effects on the Würth Group and its inhouse bank were quite noteworthy. The parent company's sales performance quickly recovered after a dramatic slump from March to May. At the end of the year, the Würth Group actually reported sales and an operating result that were level with the previous year's.

In addition, strict cost management, prudent inventory management, and adjusted capital expenditure and acquisition targets led to record high net cash flow and consequently to a sharp decline in net debt. Overall, the Würth Group has emerged from the pandemic stronger than before.

Management of liquidity reserves

During this period, Würth Finance International B.V. assisted the parent company primarily as a financing unit. At the height of the pandemic, preparations were made to repay the EUR 500 million bond maturing in May 2020 by means of a new issue and to increase the stock of liquidity by a further EUR 250 million in the process. In order to provide a safety net in advance, bridge-to-bond financing was temporarily arranged with the four lead banks. Active management of liquidity reserves remained of central importance in the months that followed.

Stakeholder management at the inhouse bank

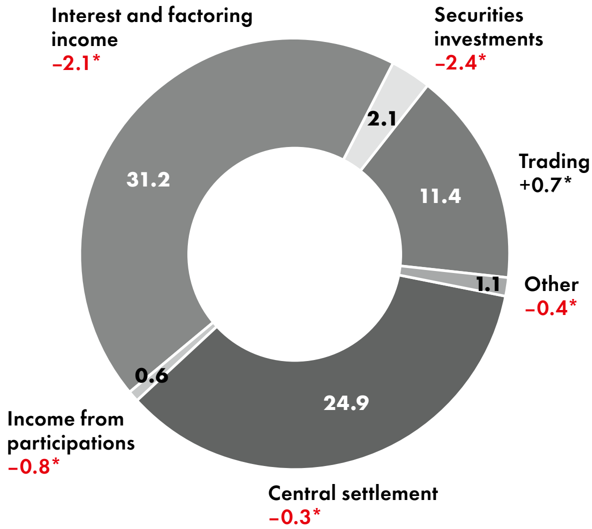
The inhouse bank acted not just as a point of contact with Würth Group head office. There was also an increased need for communication with the Group companies, as the entire financial management operation was subject to closer scrutiny, in particular accounts receivable and accounts payable management, liquidity provision including credit limit management, external communication with banks and currency hedging. The proximity of Würth Finance International B.V. to the relevant decision-makers at both the Würth Group companies and the headquarters proved to be helpful in this respect. As a result, communication paths were short, the level of information provision was good and decisions were always focused.

New working methods

In addition to the requirement to ensure employees' safety, the business operations of Würth Finance International B.V. had to be maintained in full at all times. There was a great deal of reliance on staff working at home. Fortunately, no major problems occurred in the process. The IT environment proved to be crisis-proof. Our greatest gratitude goes to the employees at the 's-Hertogenbosch and Rorschach sites, who ensured the continuity of business operations at all times from their home offices, as well as to those employees who continued to carry out necessary work at the office premises, but had to tolerate restrictions in this respect owing to the various protective measures at their place of work and during their commute. Thus, these special circumstances also proved to be a touchstone for the corporate culture.

Income distribution

in million EUR



*Change vis-à-vis 2019

"'Cash is king.' The Central Managing Board of the Würth Group and the 400 Group companies trust us to provide them with solutions and means to ensure solvency at all times – even in times of crisis. We did that very well in 2020."

Roman Fust
Managing Director, Würth Finance International B.V.

Business performance

Group Financing
For several weeks in the run-up to the maturity of the bond, it was not clear whether and on what terms refinancing would be possible. As a safety measure, the aforementioned bridge-to-bond financing was therefore set up in advance, the first time this had been used. However, the maturing bond was easily refinanced in May by a new issue in the amount of EUR 750 million with a term of 7.5 years. This gave a boost of EUR 250 million to liquidity reserves in the context of the economic and health crisis. At that time, the capital markets were characterised by low market interest rates, heavy involvement of state institutions, declining credit risk premiums and very high demand for refinancing on the part of corporates.

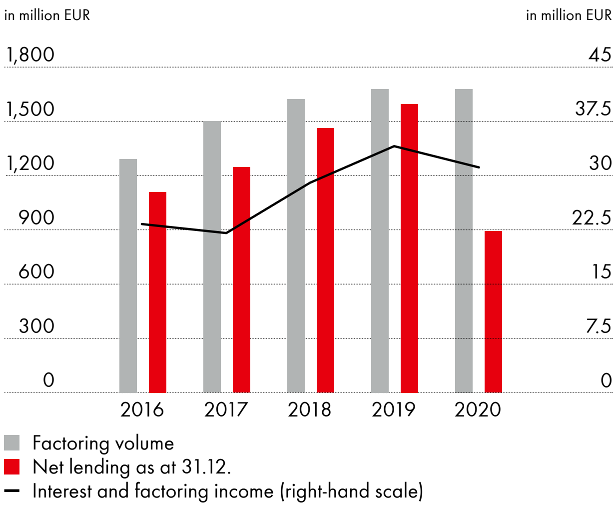
In the months that followed, the Würth Group's balance sheet displayed similar effects to those seen during the financial crisis more than 10 years ago: the company reacted swiftly to the drop in sales caused by the crisis, and the measures taken (especially with regard to capital expenditure, acquisitions, inventories and cost savings) acted to free up liquidity given stable gross cash flows. As a result, Group net debt fell by EUR 750 million to EUR 600 million. The effects were also reflected in the balance sheet of the Würth Finance Group, in the form of lower financing requirements on the part of Group companies.

The stock of liquidity grew rapidly and amounted to EUR 1,127 million as at the end of the year – a record in the company's history. This figure exceeded the previous year's level by EUR 855 million.

Net interest income in the Inhouse Banking division was heavily affected by the measures taken against the pandemic. The bridge-to-bond financing involved costs that were fully recognised in the 2020 annual results. The reduced funding requirements of the Würth Group companies from the second half of the year onwards had a dampening effect on income. Negative interest rates on liquidity investments also played a significant role for the first time. A positive counter-effect was the lower coupon on the new bond, which reduced the refinancing costs of the Würth Group overall.

The interest rate sensitivity of the shareholders' equity of Würth Finance International B.V. increased significantly with the bond issue and most recently amounted to 12% (as of 31 December 2020). The flatness of the yield curve and the conviction that rising interest rates represent a greater risk for the Group than the missed opportunity of a further fall in interest rates led to this conservative positioning.

Group Financing volume and revenue from intra-group lendings



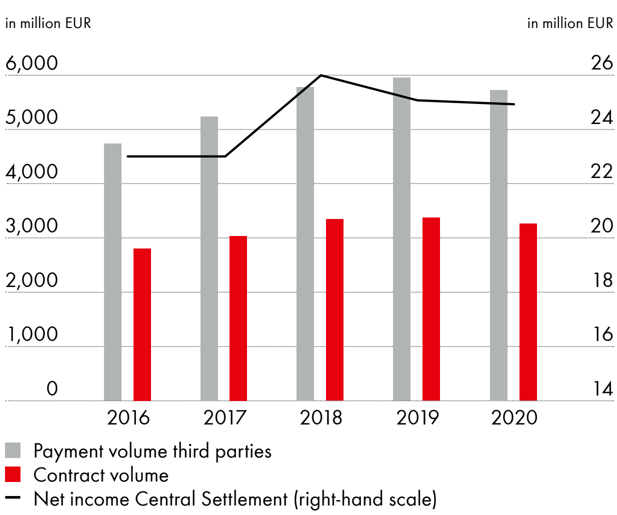
The Intercompany Factoring business area deals with the settlement and pre-financing of internal payment flows between the Würth Group companies. Volumes and income in this business area were somewhat below the performance of the Würth Group sales.

Central settlement of payments to suppliers
With a slight time lag, the volume of supplier payments moved in step with the Würth Group's sales. Thus, the slump in sales between March and May led to a slightly delayed decline in purchasing volumes. While the Würth Group sales were already up year on year in July, the volume of payments processed via the Inhouse Banking division did not exceed the previous year's figure until December. Overall, the decline in volumes in the central settlement of payments to suppliers in the 2020 financial year was 3%. Income dropped by only 1% to EUR 24.9 million, even though the acquisition of new central settlement agreements was somewhat difficult due to the ongoing travel restrictions.

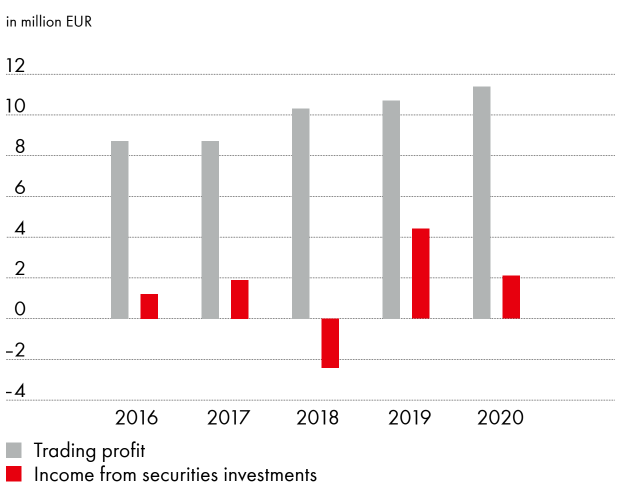
The processing of 500,000 payments with a volume of EUR 5,700 million in the Payment Factory of the Würth Finance Group was carried out under difficult conditions during the crisis months and partly from home offices. The successful launch of the new Global Payment System in 2019 proved to be a stroke of luck in this regard. The end-to-end digitalisation of all process steps achieved through this brought a significant improvement in efficiency and security. And it made error-free processing possible with reduced personal interaction of the employees involved.

Currency hedging and trading with financial instruments
The currency experts in the Group treasury unit are available to the Würth Group companies at all times for foreign currency trading in all common currencies and for prior advice. The most important objective is to stabilise the gross profit of the Würth Group companies with respect to exchange rate fluctuations by means of individual hedging strategies. During the stress phases of the pandemic, sales and purchasing volumes changed, while fluctuations on the foreign exchange market were large. As the year progressed, the core business stabilised and exchange rate volatility decreased. In some cases, favourable rates were deliberately used for disproportionate hedging into 2021. The high hedging volume and successful management of risk positions in proprietary trading resulted in income of EUR 11.4 million, the highest contribution to earnings in the company's history.

Central Settlement: payment volume/revenue



Trading/securities investments: income development



"Volume growth of 40% in the year of the coronavirus crisis proved the relevance of electronic payment options. That is why we continue to expand our WOPG services for efficient and secure access."

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

Securities investments
The investment year 2020 was also significantly influenced by the coronavirus crisis. In mid-March, prices plummeted on the financial markets. Even prices of relatively low-risk asset classes such as top-class bonds, gold and defensive stocks fell dramatically. "Cash is king" was the order of the day.

In this environment, the very defensive orientation of the securities portfolio paid off. In the absence of attractive investment opportunities, the investment volume at the beginning of the year amounted to only EUR 63 million, with by far the largest share being attributable to investment grade corporate bonds of medium duration. This risk-averse management of investments with a low equity allocation paid off in the spring. Nevertheless, the plunge in share prices in March 2020 led to a significant decline in the performance.

The subsequent stock market upswing was largely supported by the large-scale monetary policy measures taken by central banks and the record fiscal stimulus provided by all industrialised nations. Moreover, following the news that a vaccine against this new sort of virus had been successfully tested, the stock market gained momentum later in the year. During this phase, the investment volume was continually increased and amounted to EUR 69 million as at 31 December 2020, although in retrospect the allocation to shares in the Würth Finance Group's securities portfolio remained too low.

Nevertheless, the annual performance of EUR 2.1 million or 3.5% is good for an absolute return portfolio with benchmarks in the negative interest rate range.

Würth Omnichannel Payment Gateway (WOPG)

Closed shops and nationwide contact restrictions led to a sharp increase in online shopping, including at the Würth Group. Customers made significantly more purchases using the online shops, the Würth app and e-procurement solutions. E-business sales rose disproportionately by 5.8% to EUR 2,800 million, almost 20% of total sales.

With the Würth Omnichannel Payment Gateway (WOPG), the Würth Finance Group offers its clients a global infrastructure for processing electronic payments at the point of sale (POS). The pandemic led to a sharp increase in demand for WOPG services.

The volume of payments processed via the WOPG platform rose by around 40% in 2020 compared with the previous year. In collaboration with the Group companies, a range of projects were implemented, from setting up high-performance POS solutions in the sales branches to the establishment of contactless payment options via smartphones and the implementation of e-payment solutions in Europe and Asia. In the further development of such products it was ensured that all solutions met the relevant compliance regulations regarding electronic payment transactions (e.g. compliance with the Payment Card Industry Data Security Standard and two-factor authentication in accordance with the EU Payment Services Directive).

Partnerships with leading service providers were also further expanded, so that the Würth Finance Group can now offer its WOPG services to the Würth Group companies in Europe, North America and various countries in the Asia-Pacific region.

Income from participations
Reduced income from participations of EUR 0.6 million reflects the sale of the shares held in Internationales Bankhaus Bodensee AG to another company in the Würth Group.

Outlook for 2021

Forecasts are difficult – especially when they concern the future. So goes a well-known bon mot. This is because the outlook for the Würth Finance Group's Inhouse Banking division in 2021 will depend on macroeconomic developments more than in almost any other year.

As this Annual Report goes to press, the COVID-19 pandemic still holds the world in its grip. Reports of virus mutations and new lockdowns tend to make the pessimists heard. And yet: the facts that effective vaccines were found, that new working methods were quickly established and that monetary and fiscal policy measures proved to be effective give cause for hope. Stock prices are anticipating this. Meanwhile, the Central Managing Board is also optimistic for the Würth Group.

The volume-dependent activities of the Inhouse Banking division are expected to perform positively, though a reduction in fees will have a countervailing effect in Intercompany Factoring. In the business areas of trading and securities investments, planning is as conservative as usual. No forecasts can be made in this respect at present. Revenue from Group Financing is expected to decline. Negative interest rates, reduced financing requirements on the part of the Würth Group companies and other effects will have a negative impact. Slightly higher IT expenses and filling vacant positions are expected to increase the cost base to a level comparable to 2019. It is still unclear what effect a possible increase in capital expenditure and acquisition activity in the Würth Group's core business will have.

In order to ensure performance in the long term as well, investments in the digitalisation of business processes will be consistently continued, including in the IT-supported deepening of stakeholder management and the further development of the system environment for the expansion of the Payment Factory's payment transaction services. Overall, Management expects a decline in the operating result in the high single-digit percentage range in the Inhouse Banking division.

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


Björn van Odijk


Roman Fust


Philip Guzinski


Alejandro Muñoz


Daniel Ochsner


Jorre van Schipstal


Patrik Imholz
Würth Invest AG

INHOUSE BANKING AT A GLANCE

Core business

The Inhouse Banking division of the Würth Finance Group monitors the financial risks incurred by the Würth Group and takes the necessary measures to retain its financial stability.

In close collaboration with the Central 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 9,500 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 2020)

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

500,000 payment transactions with a volume of EUR 5,700 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

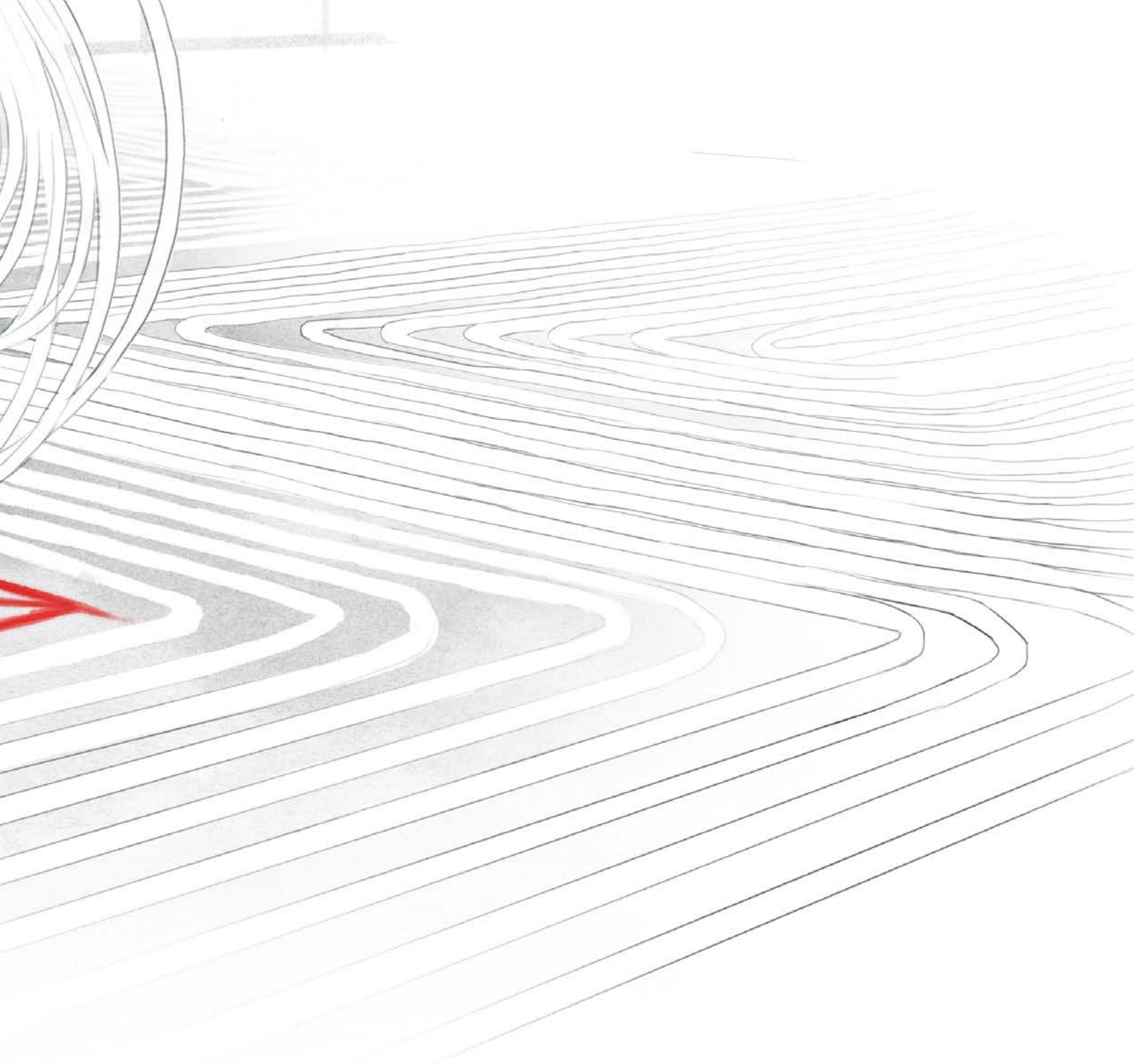
3,250 foreign exchange transactions with 280 Group companies and a hedging volume totalling EUR 1,090 million

11,565 treasury transactions with external counterparties (banks)

Keeping an eye on the big picture

"Würth Omnichannel Payment Gateway provides electronic payment solutions for the Würth Group's sales shops, call centres, e-commerce and m-commerce. We help our clients find the right channel for them to enable global payments."

Shyam Sreenivasan
Würth Omnichannel Payment Gateway, Würth Finance International B.V., 's-Hertogenbosch



Report of the Management

EXTERNAL FINANCIAL SERVICES

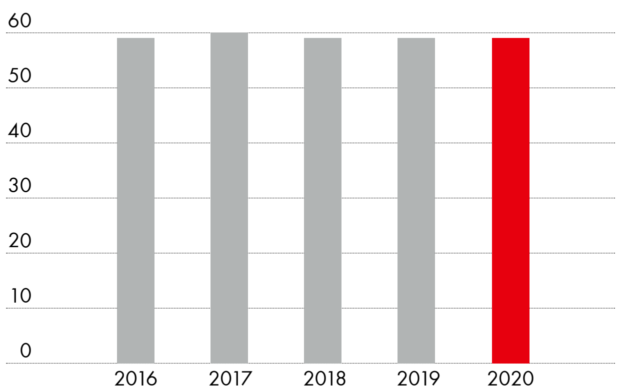
Despite the difficult situation caused by the pandemic, Würth Financial Services AG ("WFS") saw an increase in both sales and operating result in 2020. WFS can look back on a successful year, during which the unique circumstances demanded a high degree of flexibility from clients, employees and partner organisations.

Market situation

The public discussion regarding the coverage of SMEs in the event of a pandemic increased the pressure on insurance brokers last year in their role as intermediaries between clients and insurers. Explanations for the restrained positions and the unwillingness of insurance carriers to pay were difficult to find and revealed the extent to which underwriters had underestimated the risk of a global pandemic. Providers with exposure to the travel insurance sector suffered additionally at the hands of the pandemic, and the cancellation of major events (the Summer Olympics, Wimbledon, Weltklasse Zurich, among others) also led to high insurance payouts.

Under the pretext of COVID-19, some insurers reacted with massive premium hikes, especially in sectors that had already experienced high claims rates over the past few years. The coronavirus pandemic disrupted the downward trend in premiums, with higher premiums resulting in a change of circumstances for many clients. Despite intensive negotiations with insurers, in many cases insurance brokers could not prevent rising premiums for their clients.

Number of staff



The trend towards the consolidation of the insurance broker market continues unabated. A number of acquisitions and mergers were again announced in Switzerland, as well as internationally, in 2020. The most significant such transaction is Aon's acquisition of Willis Towers Watson. Nationally, the merger of many smaller insurance brokers with larger partners demonstrates that going it alone is becoming increasingly difficult and that the critical size in the broker market is growing. A broad base of services provided by specialist teams, an international network providing global client solutions, and major investment in digitalisation and processes are key elements in broker organisations' long-term success.

"Würth Financial Services AG is well placed to cushion the impact of the pandemic and its possible knock-on effects for the economy as a whole, and is moving into the future stronger."

Adrian Parpan
Managing Director, Würth Financial Services AG

Focal points in the financial year

Dealing with the pandemic tied up our resources last year. In addition to protecting employees and ensuring business operations continued, credit card insurance was a particularly demanding area for WFS. As Switzerland's leading credit card insurance broker, WFS normally handles an average of around 15 travel insurance-related claims each day. In 2020, peak days saw more than 500 such claims reported as a result of the COVID-19 travel restrictions. It was possible to handle this extraordinarily high number of claims only thanks to the organisational changes implemented and the flexibility shown by employees.

With regard to sales, the lockdown meant that many business development projects had to be postponed from March onwards. In the corporate client business, the servicing of existing clients via digital channels worked very well. Personal contact is still crucial for the successful acquisition of new clients. Fortunately, sales activity was able to start making a comeback in June. The results in the following weeks exceeded expectations. It was certainly helpful that there had been somewhat of a shift in companies' risk assessments: against the backdrop of a global pandemic, other risks such as cyber attacks suddenly seemed like a more realistic scenario, leading to an increase in demand for coverage.

WFS also reached a number of process milestones in 2020. The integration of Optima Versicherungsbroker AG ("Optima") was the main focus: Optima was integrated into the WFS IT infrastructure as early as March, and the centralisation of the back office was completed in June with the relocation of non-field employees from Chur to Rorschach. The legal merger of WFS and Optima was completed in June, with retrospective effect from 1 January 2020. The completion of Optima's technical and organisational integration took place soon after, with the migration of client data to the WFS management system at the end of July.

WFS reached the next phase in its digitalisation when its new client portal went live in August: the client portal is an electronic communication channel between clients and WFS. It enables not only the electronic dispatch of invoices, insurance policies and general information, but also the direct entry of claims notifications. Thanks to the client portal, process steps can be streamlined and cycle times massively reduced.

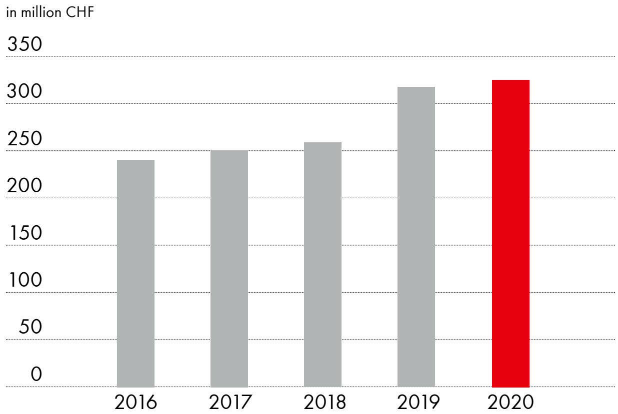
Business performance 2020

The business performance of WFS in 2020 was very encouraging. The division realised above-average revenue growth of nearly 13%, in part due to the takeover of Optima (net of acquisitions: growth of 3%). This positive development is also reflected in the number of clients and the volume of insurance premiums: in the corporate clients business line, the number of clients served totalled nearly 3,500. The premium volumes under management at the end of 2020 reached CHF 325 million.

The headcount as at the end of December 2020, which consisted of 32 sales consultants and 27 office staff, remained stable on the previous year. As a result, productivity improved significantly. The centralisation of the specialist pool had an especially positive effect on the office staff's productivity. It rose by more than 10%. WFS was cautious about increasing the number of sales representatives in 2020 due to the economic uncertainty caused by the COVID-19 pandemic. However, the expansion of human resources at all locations remains the stated goal.

Administrative expenses were maintained at the previous year's level in 2020. Investments in digitalisation led to a significant increase in IT expenses compared with the previous year. This higher expense is deliberate and likely to continue in the future: increasing the degree of automation is a defined objective for WFS and an essential prerequisite for successful business development over the long term.

Development of premium volume



Outlook for 2021

Although WFS can report a very successful 2020, there are some uncertainties ahead in 2021. Clients' sales and wage reports will be lower, directly impacting premium volumes. In addition, it is to be expected that business closures and bankruptcies will increase, particularly in sectors more severely affected by the pandemic.

The degree to which this development will impact key figures is hard to predict. As the most important measure, WFS will place a strong focus on sales activities. Thanks to its strong positioning in the Swiss broker market, the continued development of its business model, its valuable integration into the Würth Group with its exceptional corporate culture and high level of financial stability, WFS is in an excellent position. WFS is well placed to cushion the impact of the pandemic and its possible knock-on effects for the economy as a whole, and is moving into the future stronger.

Management Würth Financial Services AG

Adrian Parpan
Managing Director

Beat Jordan
Managing Director

Luciano Viotto

Hans-Jürg Flury

EXTERNAL FINANCIAL SERVICES AT A GLANCE

Core business

The External Financial Services division operates under the legal entity of Würth Financial Services AG, one of the leading independent providers of pension and insurance services to corporate clients and private persons in Switzerland.

Experienced consultants and highly qualified specialists draw up tailor-made solutions and advise clients on the best choice of pension and insurance products.

Services

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

Facts and figures (at 31 December 2020)

Number of corporate clients: 3,500

Premium volume: CHF 325 million

Number of employees: 59

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

Shining a light

"Our insurance services illuminate every corner of our clients' individual construction projects. Many unforeseen events can occur during such projects. Construction insurance protects our clients from legal and financial damages resulting from construction accidents or liability claims."

Maurizio Gilardi, Head of Sales, Würth Financial Services AG, Lugano
Brian Bickel, Account Manager, Würth Financial Services AG, Zurich

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 clients 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 is 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 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 2020 there were four 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 2020. 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 Würth Group Management 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 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 clients, suppliers and other individuals 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. The WFG complied with the Swiss and Dutch tax legislation during 2020.

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 itself support any employee training as promoting lifelong learning.

5 COVID-19

A sustainable containment of the COVID-19 pandemic has not yet been achieved. Global health systems are overburdened and 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. On the other hand, there is no need to raise new funds from investors or banks given the excellent liquidity position of the WFG and the Würth Group, and the fact that no major financing is due for repayment in financial year 2021.

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.

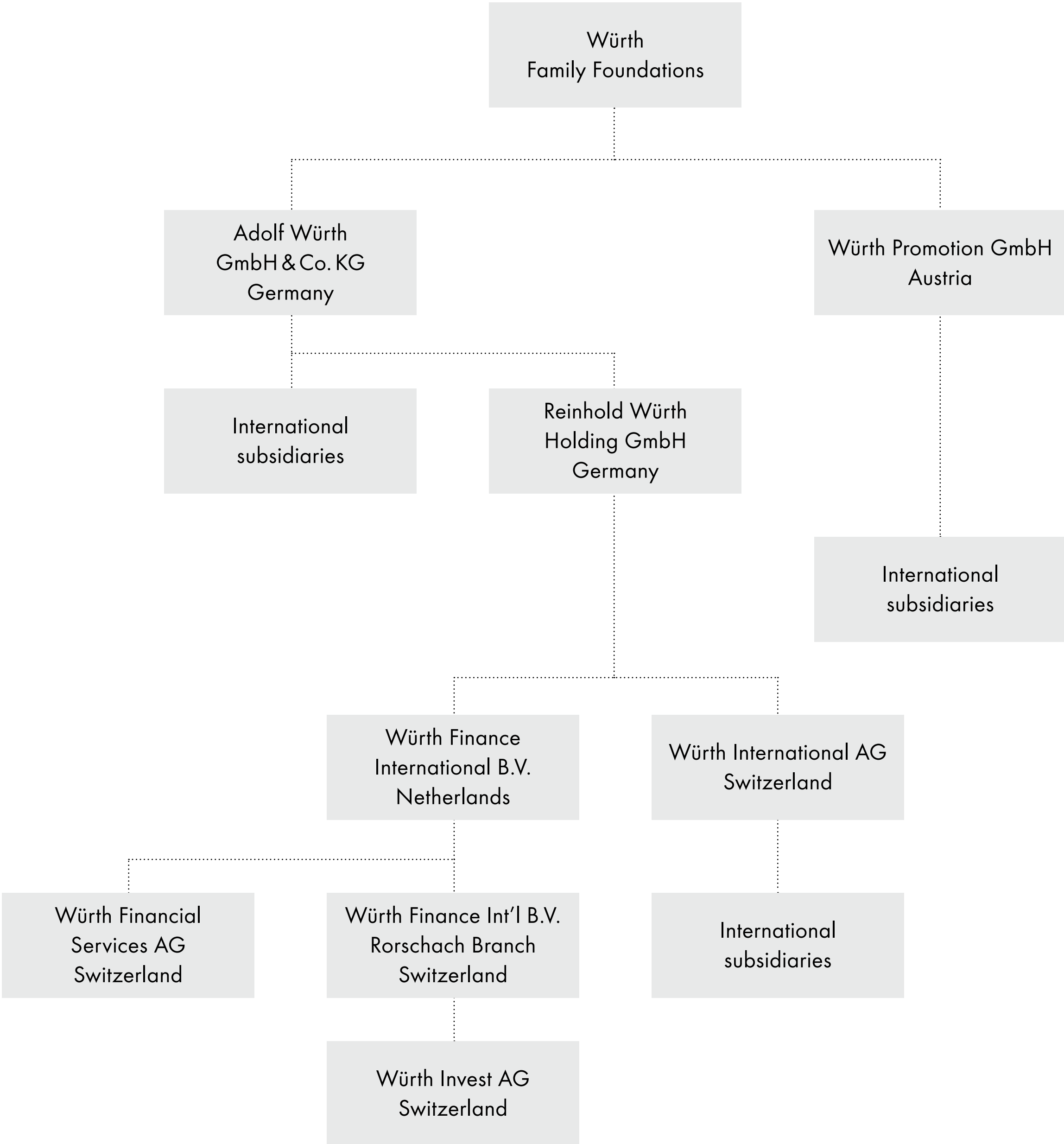
Building on a solid foundation

"All business relationships with Würth Finance International B.V. are founded on accounts with solid authorisation management for the settlement of all transactions. As a service centre, we are the point of contact for Würth Group companies. We aim to provide a high-quality service. This requires personal commitment, international understanding as well as a high level of professionalism."

Stan van Lokven and Bas van Poppel
Account Management, Würth Finance International B.V., 's-Hertogenbosch

Würth Group

LEGAL STRUCTURE (SIMPLIFIED CHART)



EXECUTIVE BODIES

(As at 31 December 2020)

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	2021
Dieter Gräter (Vice President Finance, Würth-Verwaltungsgesellschaft mbH)	Member	2021
Christoph Raithelhuber	Member	2021
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)	Member	2022

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

Managing Directors Würth Financial Services AG
Adrian Parpan
Beat Jordan

Managing Directors Würth Invest AG
Roman Fust (Delegate of the Board of Directors)
Patrik Imholz

Auditors	
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.
Caminada Treuhand AG, Zurich:	Würth Financial Services AG

Würth Finance Group

INFORMATION FOR INVESTORS

Outstanding Capital Market Transactions by Würth Finance International B.V. at 31 December 2020:

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.

Multi Currency Commercial Paper Programme		
Notional amount:	Coupon rate:	Maturity period:
EUR 500 m	variable	7 days – 2 years

Under this programme, in addition to Würth Finance International B.V., Adolf Würth GmbH & Co. KG can also issue short-term commercial paper for up to a cumulative total of EUR 500 million.

The primary objective of the Management of the Würth Finance Group is to create continuous value added for the Würth Group. The Management is responsible for generating adequate risk-adjusted returns. In order to be successful in the long term, the Würth Finance Group needs to generate an overall return that is higher than the risk-adjusted cost of capital.

To this end, the Group has determined the value added generated during the year under review using the Economic Value Added method[1] (EVA®). The EVA® calculation was based on the audited Financial Statements of the Group for 2020 and 2019.

In 2020, the Group posted a net operating profit after taxes (NOPAT) of EUR 58.5 million (2019: EUR 64.1 million), representing a decrease of approximately 8.8% compared to the previous year. The average invested capital decreased by 0.8% from EUR 2,318 million in 2019 to EUR 2,299 million in 2020, the return on invested capital (ROIC) was at 2.54% (2019: 2.76%).

The risk-free cost of debt capital decreased from –0.21% (2019) to –0.47% (2020). The market risk premium increased from its 2019 level of 10.22% to 11.16% in 2020. Overall this resulted in an increase of the cost of equity capital to 12.19% (2019: 11.50%).

The cost of debt capital also fell from 0.76% (2019) to 0.53% (2020), reducing the WACC from 2.19% in 2019 to 1.84% in 2020. As a result, the ROIC-WACC spread amounted to 0.70% (2019: 0.57%). Consequently, the Economic Value Added increased from EUR 13.3 million (2019) to EUR 16.3 million (2020).

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

Economic Value Added (EVA©)

in TEUR	2020	2019
Net profit for the year	33,366	40,157
+ Tax expenses	9,046	12,634
+ Interest expenses	24,856	29,670
Earnings before Interest and Taxes (EBIT)	**67,268**	**82,461**
+ Conversion depreciation of property, plant and equipment	646	737
+ Conversion hedge accounting	1,492	2,993
+ Conversion credit loss (expenses) / recovery	8,558	–739
EBIT EVA©	**77,964**	**85,452**
– Normalised tax expense (2020: 25% / 2019: 25%)	19,491	21,363
Net Operating Profit After Taxes (NOPAT)	**58,473**	**64,089**
Average current assets (EVA©)	1,829,949	1,455,844
+ Average non-current assets	1,162,377	1,120,137
– Average cash	693,297	257,966
Average invested capital	**2,299,029**	**2,318,015**
Return on Invested Capital (ROIC)	**2.54%**	**2.76%**
Average cost of debt capital [1]	0.71%	1.01%
– Normalised tax rate (2020: 25% / 2019: 25%)	0.18%	0.25%
Cost of debt capital after tax	**0.53%**	**0.76%**
Risk free cost of debt capital[2]	–0.47%	–0.21%
+ Risk premium market[3]	11.16%	10.22%
+ Risk premium Würth Finance International B.V.	1.50%	1.50%
Cost of equity capital	**12.19%**	**11.50%**
Weighted Average Cost of Capital ($WACC_T$)	**1.84%**	**2.19%**
ROIC-$WACC_T$- Spread	**0.70%**	**0.57%**
Economic Value Added (EVA©)	**16,254**	**13,343**

EVA© Economic Value Added
EBIT Earnings Before Interest and Taxes
NOPAT Net Operating Profit After Taxes
ROIC Return on Invested Capital
$WACC_T$ Weighted Average Cost of Capital

[1] Effective cost of capital according to the "amortised cost" method
[2] 10-year German government bonds (source: Bloomberg; country risk premium CRP evaluation)
[3] Implied anticipated market return euro area minus risk-free cost of debt capital (data: IBES International Inc.; source: Bloomberg; country risk premium CRP evaluation/corresponding index: Dow Jones EURO STOXX)

Würth Finance Group

EXCERPT FROM THE FINANCIAL STATEMENTS 2020

Consolidated income statement
for the year ended at 31 December

in TEUR	2020	2019
Operating income		
Interest income from financial instruments measured at amortised cost	43,808	48,248
Interest income from financial instruments measured at fair value through profit or loss	15,017	12,665
Interest expenses	-45,036	-46,629
Net interest income	**13,789**	**14,284**
Income from factoring activities	16,275	16,419
Income from commission and service fee activities	37,668	35,897
Income from trading activities and financial instruments	12,376	14,713
Other ordinary income from related parties	1,709	2,870
Credit loss (expenses) / recovery	-7,886	1,005
Total operating income	**73,931**	**85,189**
Operating expenses		
Personnel expenses	-19,394	-18,426
Other administrative expenses	-10,358	-11,953
Amortisation expenses	-1,767	-2,018
Total operating expenses	**-31,519**	**-32,397**
Profit before taxes	**42,412**	**52,792**
Income tax expense	-9,001	-11,349
Deferred taxes	-45	-1,285
Net profit for the year	**33,366**	**40,157**

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

in TEUR Net of tax	2020	2019
Profit for the year	**33,366**	**40,157**
Total items that will be reclassified to the income statement		
Exchange differences on translation of foreign operations	55	-11
Net gain / (loss) on cash flow hedges	-5,608	-7,606
Total items that will not be reclassified to the income statement		
Remeasurement gain / (loss) on defined benefit plans	-418	-868
Other comprehensive income for the year (OCI)	**-5,971**	**-8,484**
Total comprehensive income for the year, net of tax	**27,395**	**31,673**

Consolidated balance sheet
at 31 December before appropriation of profits

in TEUR	2020	2019
ASSETS		
Non-current assets		
Intangible assets	1,536	1,681
Property, plant and equipment	2,004	2,172
Loans to related companies	1,163,513	1,113,594
Other financial assets to related parties	9,896	20,568
Total non-current assets	**1,176,949**	**1,138,015**
Current assets		
Receivables from related companies	951,433	1,130,334
Loans to family foundation	0	4,988
Positive fair values of derivative instruments	14,030	8,154
Other assets	3,940	3,874
Income tax receivables	0	0
Accrued income and prepaid expenses	6,612	8,009
Securities held for trading	68,937	62,759
Cash and cash equivalents	1,126,950	272,268
Total current assets	**2,171,902**	**1,490,386**
Total assets	**3,348,851**	**2,628,401**
EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	16,000	16,000
Additional paid-in capital	5,000	5,000
Retained earnings	286,899	275,160
Other comprehensive income	-14,466	-8,859
Foreign currency translation	-5	-60
Net profit for the year	33,366	40,157
Total shareholders' equity	**326,794**	**327,399**
Non-current liabilities		
Bonds issued	1,752,348	1,003,797
Liabilities for pension plans	6,816	6,232
Lease liabilities	662	629
Payables to banks	4,622	4,608
Deferred tax liabilities	400	598
Total non-current liabilities	**1,764,848**	**1,015,863**
Current liabilities		
Bonds issued	0	499,879
Commercial paper	0	100,000
Payables to related companies	1,220,451	647,133
Lease liabilities	1,052	1,100
Payables to banks	1,674	1,720
Income tax payables	5,954	6,868
Negative fair values of derivative instruments	8,766	3,657
Other liabilities	12,513	13,194
Accrued expenses and deferred income	6,799	11,589
Total current liabilities	**1,257,209**	**1,285,139**
Total equity and liabilities	**3,348,851**	**2,628,401**

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 2019	16,000	5,000	301,027	-1,252	-49	320,726
Net profit for the year	0	0	40,157	0	0	40,157
Other comprehensive income	0	0	0	0	-11	-11
IAS 19	0	0	-868	0	0	-868
Cash flow hedge accounting	0	0	0	-7,606	0	-7,606
Total comprehensive income for the year	**0**	**0**	**39,290**	**-7,606**	**-11**	**31,673**
Dividend payments	0	0	-25,000	0	0	-25,000
At 31 December 2019	**16,000**	**5,000**	**315,317**	**-8,858**	**-60**	**327,399**
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
Other comprehensive income	0	0	0	0	55	55
IAS 19	0	0	-418	0	0	-418
Cash flow hedge accounting	0	0	0	-5,608	0	-5,608
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**

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 2020, a dividend of TEUR 28,000 (EUR 875 per share) was paid for the 2019 financial year.

Consolidated cash flow statement
for the year ended at 31 December

in TEUR	2020	2019
Net profit for the year	**33,366**	**40,157**
Amortisation and impairments	434	807
Adjustment to provision for taxes	-120	-521
Deferred tax expense / (benefit)	-1,138	397
Other expenses and revenues without cash flows	700	-9,470
Foreign exchange gains and losses (long-term loans)	13,714	-5,578
Foreign exchange gains and losses (short-term loans)	678	-5,884
(Increase) / decrease in operating assets		
Redemption of long-term loans to related companies	60,786	61,240
Lending of long-term loans to related companies	-368,891	-408,721
Receivables from related companies	423,490	230,358
Positive fair values of derivative instruments	-5,876	-4,327
Income tax receivables	0	2,243
Other assets, accrued income and prepaid expenses	1,479	-242
Increase / (decrease) in operating liabilities	0	0
Payables to related companies	573,318	746
Negative fair values of derivative instruments	5,110	-2,333
Other liabilities, accrued expenses and deferred income	-5,471	1,309
Net cash flows from operating activities	**731,579**	**-99,818**
Purchase of property, plant and equipment, and intangible assets	-168	-1,934
Disposal of property, plant and equipment, and intangible assets	6	-2
Purchase of securities	-37,577	-28,425
Disposal of securities	31,653	54,807
Sales of other financial assets to related parties	11,068	16,334
Net cash flows from investing activities	**4,982**	**40,781**
Proceeds of borrowings	746,086	0
Repayment of borrowings	-500,000	0
Commercial paper	-100,000	100,000
Dividend payments	-28,000	-25,000
Net cash flows from financing activities	**118,086**	**75,000**
Net foreign exchange difference	67	-15
Net increase / (decrease) in cash and cash equivalents	**854,714**	**15,948**
Net cash and cash equivalents at the beginning of the year	**265,940**	**249,991**
Net cash and cash equivalents at the end of the year	**1,120,654**	**265,940**
Net increase / (decrease) in cash and cash equivalents	**854,714**	**15,948**
Increase / (decrease) in taxes paid	**-10,666**	**-10,860**
Interest received	**71,518**	**73,109**
Interest paid	**-40,870**	**-39,136**

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

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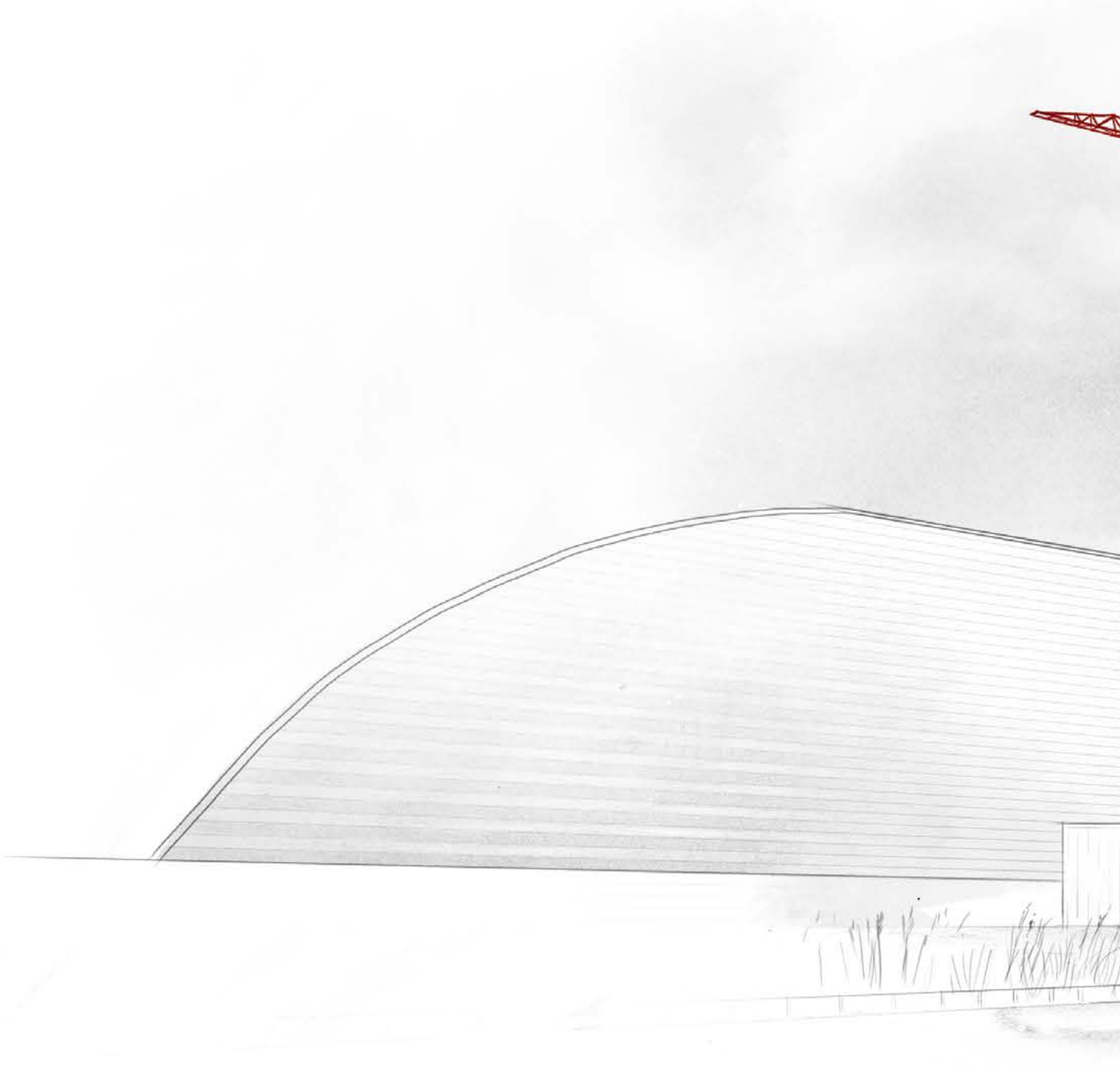

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