

Report of the Management

EXTERNAL FINANCIAL SERVICES

A review of 2024 reveals heightening contrasts at a number of different levels. The front lines between democratically and autocratically governed nations are hardening and are a mounting threat to peace around the world. Technological progress through artificial intelligence promises huge growth potential, while the economies of traditionally strong industrialised countries are increasingly faced with a tougher world in which to operate. Climate change is causing major natural disasters with huge amounts of damage, yet insurance companies are posting glittering business performance figures. Würth Financial Services AG (WFS) likewise concluded the year with growth in revenue and profits, although the Würth Group as a whole faced a number of challenges.

Insurance market 2024

Insurance remains one of the global growth markets. An important element in the growth in premiums is inflation-related pricing adjustments, which for some years now have been a feature of annual insurance policy renewals. This trend remains unbroken: in autumn 2024, for example, six of the seven motor vehicle insurers relevant to Switzerland set higher premiums for 2025.

A continuing trend is the ever increasing number of serious natural disasters. According to Swiss Re, insurance claims worldwide exceeded USD 100,000 million in 2024 for the fifth year in succession, with around USD 10,000 million of these claims registered in Europe, making 2024 the second most expensive year. In Switzerland, too, storms caused considerable damage totalling over CHF 160 million. These events are forcing insurers to revise their risk models and develop sustainable insurance products.

Insurers are also confronted with rapid change in terms of technological developments and innovation. Online platforms, chatbots and other technological innovations forming part of the client journey offer opportunities to improve quality and increase productivity. The challenge of these developments is to ensure acceptance of the new tools by clients and employees, to safeguard independence from the big technology providers and to keep under control the risks relating to liability claims and data protection.

Trends in the insurance brokerage market

As intermediaries between clients and insurers, insurance brokers are similarly affected by technological developments. Not only must insurance brokers introduce ever increasing levels of automation into their own process environments, they are also subject to a direct dependency on insurers and on their digitalisation measures.

In general, the aim is to meet client expectations in terms of pricing, the scope of cover, quality and service level by using technology that is tailored to the client. Especially in the event of a claim, professional support, prompt settlement of the claim and coordination between the client and the insurance company play a central role and are often more important for client satisfaction than the amount of their premiums.

In addition to focusing on their range of services and on technology, last year insurance brokers in Switzerland also had to meet new regulatory requirements: the revised Insurance Oversight Act (IOA), which came into force on 1 January 2024, introduces additional requirements for employees and more comprehensive advisory duties.

Focal points in financial year 2024

The focal points that WFS focused on in 2024 concerned its core areas: sales, operations and product innovation.

At the level of sales, WFS can look back on a pleasing year. The branches in Rorschach and Lugano in particular significantly exceeded their targets for new production, while the units in Zurich, Arlesheim and Chur focused more on structural expansion and retaining existing clients. In 2024, many companies in the WFS client portfolio took over other companies or were acquired themselves, which led to considerable additional work on the advisory side.

At the operational level, WFS succeeded in further strengthening its team of technical specialists. This expansion is of great importance for the further growth of WFS in terms of meeting clients' requirements in the individual insurance lines. It is also essential to ensure that sufficient capacity is available to support existing and new clients in the future. Various initiatives were also launched in 2024 to increase the level of automation of operational processes. The focus here was in particular on building up internal expertise in the Microsoft automation and database platforms.

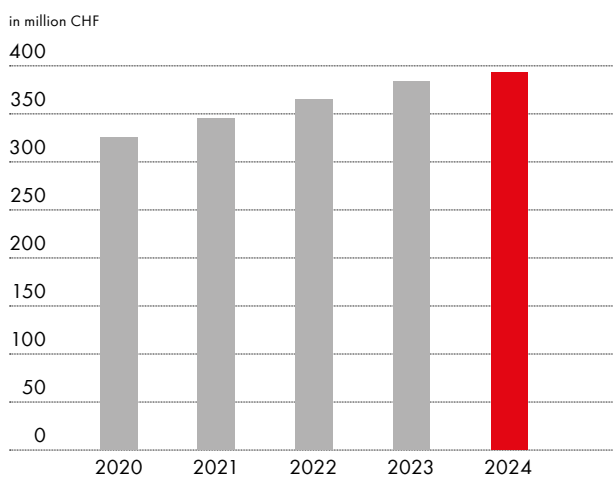
IT remained a significant cost factor in 2024. A key priority was hardening the systems used to defend against external attacks and to provide the best possible protection for client data. The IT infrastructure also needed to be further modernised in order to create a sound basis for future digital projects. The potential of process automation and generative artificial intelligence will change the way WFS works, and the basis for that is a modern infrastructure.

With regard to product innovation, work was done on further developing the InsurHub platform on TWINT. The range of products and the technical capabilities are constantly being extended, and the number of insurance policies taken out is rising steadily. The decisive factor for further scaling in this respect will ultimately be increasing the level of popularity.

Successful course of business in 2024

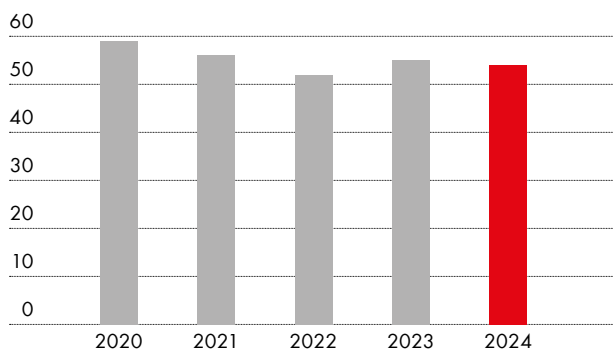
WFS concluded the financial year 2024 with success despite global uncertainty and economic fluctuations. The brokered premium volume increased to CHF 393 million. In line with the increase in premium volume, revenue rose by almost 7%.

Development of premium volume



The number of employees remained unchanged compared to the previous year: the number of sales representatives rose slightly, while the number of support staff fell owing to improved efficiency. Productivity rose slightly compared to the previous year. On the cost side, personnel expenses and IT expenses increased compared to the previous year, while administrative expenses remained constant at the previous year's level. The operating result improved by 6% in financial year 2024.

Number of staff (FTEs)



Outlook for 2025

WFS is cautiously optimistic for 2025. The unclear economic direction that prevails at present and the fact that 2024 was a mixed year in many economies have not yet had an impact on business performance. Nevertheless, it cannot be ruled out that 2025 will bring greater economic challenges. The primary objective for WFS in 2025 is therefore to match the results achieved in 2024. Against this backdrop, pending projects will be scrutinised with a critical eye and capital expenditure decisions in 2025 will be subject to cautious consideration.

With this in mind, the main focus in the coming year will be on sales. With the Würth Group's sales expertise that it has built up over decades and the tools at its disposal, coupled with optimism, commitment and a desire to perform, WFS is looking ahead to 2025 with confidence despite the altered environment.

Thanks to the sales expertise of the Würth Group and the available tools, Würth Financial Services is looking ahead to 2025 with optimism.