Report of the Management

INHOUSE BANKING

Alternative Performance Measures (APMs)

In presenting and discussing the Würth Finance Group's financial position, operating results and net profit, Management uses certain alternative performance measures not defined under IFRS. These alternative performance measures (APMs) should not be viewed in isolation as alternatives to the equivalent IFRS measures, and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. APMs do not have a standardised meaning under IFRS, and therefore may not be comparable to similar measures presented by other companies.

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

in TEUR	2020	2021	2022	2023	2024
Hedge accounting effect management accounting	1,492	-548	-619	-203	0
Impairment for credit loss	8,558	-6,450	4,615	-4,273	-1,742

- Hedge accounting effect management accounting refers to the effect of the market valuation of interest rate derivatives to hedge interest rate risk where historically no hedge accounting was applied. As of the implementation of IFRS 9 Hedge Accounting, new hedge relations will be presented as such. In 2023, the last transaction related to this effect expired.
- Impairment for credit loss refers only to related party loss and therefore does not apply to the consolidated financial statements of the Würth Group. This position represents the expected credit loss (ECL) on loans and receivables as at the balance sheet date and until 2021 also the Würth Finance Group's impairment of the capital relinquishment to Internationales Bankhaus Bodensee AG. The ECL calculation is probability-weighted applying a combination of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The LGD is based on the global corporate average of 60% and the PD is based on the Bloomberg default risk of the Würth Group. The PD decreased to 0.33% as at 31 December 2024 (31 December 2023: 0.45%), thus a reduction in ECL of EUR 1.7 million is recognised in the income statement.

2024

in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	76,098	0	1,742	77,840
Net interest income	61,753	0	0	61,753
Income from factoring activities	13,613	0	0	13,613
Other ordinary income	732	0	0	732
Expected credit loss (expenses) / recovery	0	0	1,742	1,742
Central Settlement	31,705	0	0	31,705
Income from trading activities and financial instruments	25,711	0	0	25,711
Trading	20,449	0	0	20,449
Securities investments	5,262	0	0	5,262
Total income	**133,514**	**0**	**1,742**	**135,256**
Total expenses	**–28,449**	**0**	**0**	**–28,449**
Total Inhouse Banking	**105,065**	**0**	**1,742**	**106,807**

2023

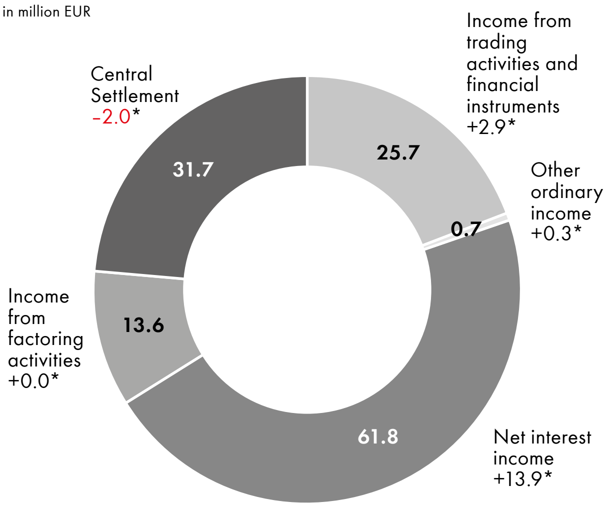
in TEUR	APM Inhouse Banking	Hedge accounting effect management accounting	Impairment for credit loss	Segment Inhouse Banking
Income distribution				
Group Financing	61,929	1,096	4,273	67,298
Net interest income	47,946	1,096	0	49,042
Income from factoring activities	13,573	0	0	13,573
Other ordinary income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

Key events

Record profit
Würth Finance Group's Inhouse Banking division ended the financial year 2024 with a record profit. At EUR 105.1 million, earnings before tax exceeded EUR 100 million for the first time. This milestone is primarily attributable to net interest income, which increased by around one-third compared with the previous year. Similarly, the contribution to earnings from financial market activities (trading and securities investments) again improved year on year, compensating for the slight decline in income components closely correlated to the Würth Group's core business.

Income distribution

in million EUR



*Change vis-à-vis 2023

As pleasing as this development is, it should be noted that it is not sustainable and cannot be maintained in the future. For the second consecutive year, the Würth Group's inhouse bank benefited from high money market interest rates on the assets side of the balance sheet, while interest expenses for bond financing remained low on the liabilities side. These positive effects will come to an end in the near future.

Würth Group financial priorities
The economic conditions for the Würth Group's core business were difficult in most markets. Orders trended down for industrial customers and the construction industry in Germany in particular, leading to reduced demand.

The Würth Group's financial and treasury management priorities in the reporting period were to defend the gross profit margin, adjust working capital in a timely manner to align with the lower level of sales, exercise restraint with regard to growth-oriented investment and acquisition projects, and implement cost-cutting initiatives. Most of the measures are having the desired effect on the Würth Group's financial position, which has remained very solid. Net debt, for example, increased only moderately during the year despite the significantly lower gross cash flow.

Successful financing on the capital market
Based on its conservative financial policy and against the backdrop of the geopolitical uncertainties, the Würth Group in autumn 2024 decided to issue a EUR 500 million bond on the Eurobond market. The purpose of this transaction was to take advantage of the receptive market environment to refinance the bond maturing in May 2025 early. The Würth Group deliberately pursues a conservative financial policy, which is regularly recognised by Standard & Poor's. The agency has awarded the Würth Group an "A" rating twenty-five years in a row (!).

The decision to issue a bond paid off: with offers totalling EUR 2,500 million, the bond was five times oversubscribed.

Since inception, the family-owned company has recognised the importance of maintaining transparency with lending banks and the capital market regarding its performance, and has stepped up its efforts in this regard. Following the expiry of the ECB's bond purchase programme, the bond issue in October clearly demonstrated the advantages of this approach for a successful primary market transaction. The EUR 500 million bond issued by Würth Finance International B.V. with a maturity of just under seven years was five times oversubscribed and was placed with an attractive credit spread and a reoffer yield of 3.05%.

Digitalisation measures

As a central component of the Würth Group's long-term strategy, Würth Finance International B.V. is leading the initiative to centralise and harmonise the Group's treasury system architecture. This includes the technical infrastructure for bank connectivity worldwide. Significant strides were made in this area in 2024. Additionally, significant progress was also made in the extensive project to design the future treasury management system, thanks to the dedicated efforts of all specialist areas.

Business performance

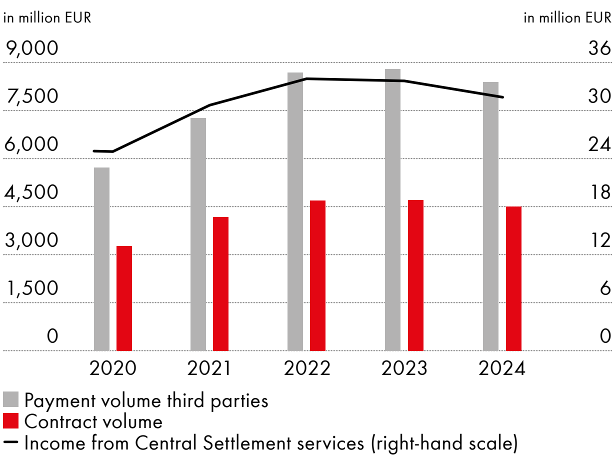
Intercompany factoring activities

Intra-Group receivables are largely settled via a specially developed factoring mechanism. The relevant transfer prices are subject to market changes and were left unchanged in the past financial year. As mentioned before, core business volumes were generally under pressure due to lacklustre sales performance and destocking. This was fully compensated by some individual Group companies with increasing sales. Consequently, the income from factoring activities remained in line with the previous year's level of EUR 13.6 million.

Central settlement of payments to suppliers

On behalf of the Würth Group companies and via its own systems, Würth Finance International B.V. pays a large proportion of the merchandise supplier invoices. For many of these suppliers, Würth Finance International B.V. acts as the central settlement service provider. Accordingly, this source of income is mainly tied to the Group companies' purchasing behaviour and to a lesser extent the volume of new contracts entered into by Würth Finance International B.V. and the price for the services.

Central Settlement: payment volume/income



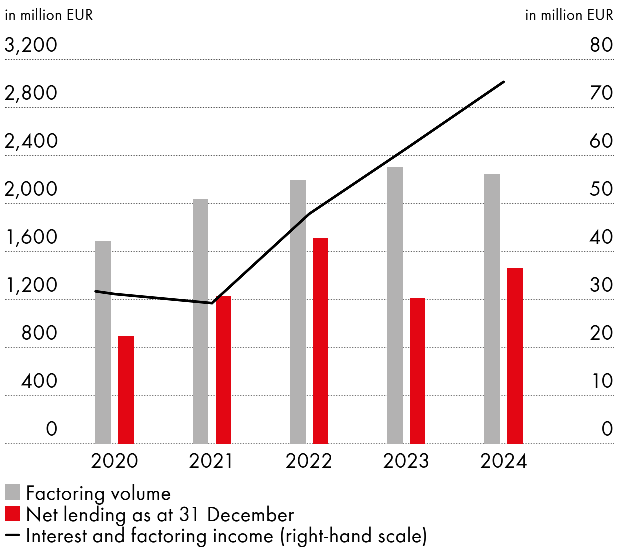
In the past financial year, the number of payments increased by just short of 1% to 544,000. However, the volumes transacted declined by around 4.5% to EUR 8,400 million. This was due to more favourable purchase prices, smaller order items as well as foreign currency effects. Consequently, income from the central settlement of payments to suppliers amounted to EUR 31.7 million, down by 6.0% compared with the previous year.

Net interest income

Although the central banks in Europe and the US decided to cut interest rates for the first time over the course of the year due to significantly lower inflation figures, the Würth Group's inhouse bank continued to benefit, as in the previous year, from the still high money market interest rates. As a result, interest income from the investment of cash reserves – which increased on average from EUR 1,000 million to EUR 1,200 million – rose by around 49.7% from the already high previous year's level to EUR 36.9 million.

Due to the inverted yield curve, it was also possible to invest the funds from the new bond issue with virtually no negative impact on net interest income.

Group Financing volume and income from intra-Group lendings



Thanks to disciplined management of net working capital and a cautious investment approach, the Group companies maintained a relatively stable financial position despite the lower gross cash flow. However, net lendings from Würth Finance International B.V. to Group companies increased by around EUR 280 million to EUR 1,300 million between the end of 2023 and the end of 2024.

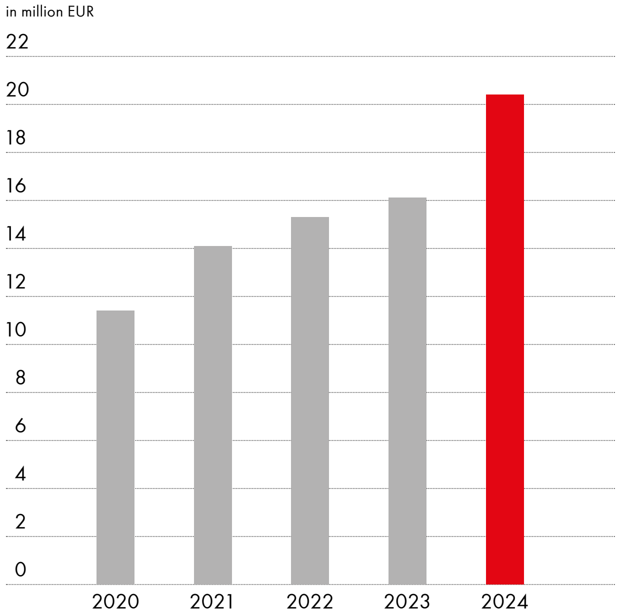
As at the reporting date, total assets had grown to a record high of EUR 4,700 million. Net interest income likewise reached a new record of EUR 61.8 million. This reflects the good positioning of the Würth Group's inhouse bank in the areas of security, return and liquidity according to its own order of priority.

The inhouse bank is well positioned in the areas of security, return and liquidity.

Currency hedging and trading with financial instruments
The inhouse bank's forex experts exchange currencies with the Group companies whenever regulatory requirements allow and favourable prices can be achieved for the counterparties. In addition, consultations and currency hedging are carried out as measures to safeguard the gross profit of Group companies. In the short term, the volumes correlate with the Group companies' purchasing behaviour, meaning that inventory management cycles and hedging transactions over the year-end ultimo can cause volumes to fluctuate significantly year on year.

Trading positions can also lead (within defined ranges) to uncorrelated earnings contributions. In financial year 2024, successful hedges against a rise in the Polish zloty during the acquisition process of the TIM Group was the main reason for the relatively strong 27.2% increase in trading income to EUR 20.4 million.

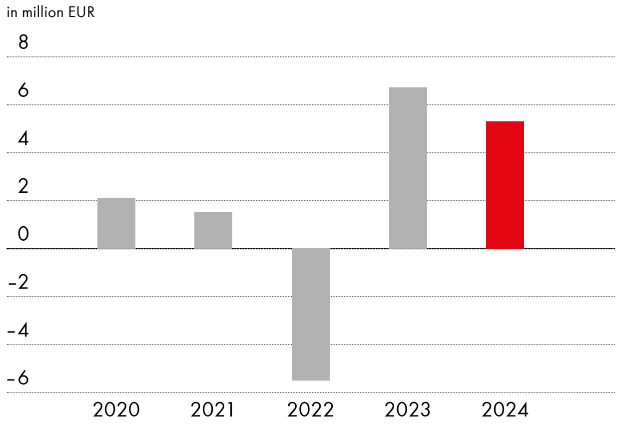
Trading: income development



Securities investments
During the past financial year, part of the strategic liquidity reserve was also managed in-house in a securities portfolio. Following the successive expansion of its size in previous years based on higher expected bond yields, the amount invested remained constant in average at EUR 114 million.

Buoyed by the generally good investment year, with rising stock markets and relatively high EUR interest rates (also on bonds from issuers with strong credit ratings), securities investments again generated above-average income of EUR 5.3 million (previous year: EUR 6.7 million). This represents a return of just under 5%.

Securities investments: income development



E-payment services
Würth Finance International B.V.'s e-payments team, in collaboration with internal stakeholders, has meanwhile rolled out the Würth Group's e-payments solution to more Würth companies. Improvements have also been made to enhance the customer experience of the e-payments solution and to increase the productivity of the Würth companies with initiatives such as the Würth automatic reconciliation process.

Overall, volumes totalling EUR 64 million were processed via Würth Finance International B.V.'s systems in financial year 2024, corresponding to an increase of more than 30% compared with the previous year. This strong growth is expected to continue over the coming years, as the importance of digital sales keeps rising. The ongoing development of e-payment services is geared to this trend.

Operating expenses
The inhouse bank's operating expenses rose by EUR 2.6 million to EUR 28.4 million in the reporting year. Two-thirds of this increase was attributable to higher personnel expenses, primarily due to a higher average number of employees (69.7 FTE, +4.3% compared with the previous year) and certain wage increases. With a focus on IT security, automation and standardisation, IT expenses also remained high.

Outlook for 2025

Supported by the central banks' less restrictive monetary policy, the global economy is likely to remain relatively resilient over the coming quarters despite facing considerable challenges, according to the latest OECD economic outlook. However, at the time this Annual Report went to press, leading business indicators – especially in the Würth Group's main markets – pointed to a still challenging competitive environment without significant growth momentum.

Amid this environment, the Würth Group is focusing on improving capacity utilisation and striking a balance between operating cash flow and growth-oriented investments.

Given the lack of growth impetus in the Würth Group's core business, the Management expects profit to decline by around 30% in financial year 2025. The repayment of the low-coupon 2018–2025 bond and significantly lower interest income on cash investments will contribute to this decline, although the Group companies' net financing requirements are likely to remain relatively stable.