Würth Finance Group

REPORT OF THE MANAGEMENT

General economic conditions
The modest expectations for economic growth in Europe and the United States in 2024 were more or less confirmed, without any significant improvement in momentum over the course of the year. The lack of any upturn in demand in domestic markets and in key export markets in many manufacturing sectors (the automotive industry, mechanical engineering, housing construction) forced companies affected, particularly in Europe, to adjust capacity and to implement cost saving measures, short-time working and redundancies. The overall geopolitical environment – with a further escalation of Russia's war in Ukraine and the military conflicts and upheavals in the Middle East – hardly improved, and that was not conducive to growth-oriented capital expenditure decisions on the part of the private sector. Moreover, Donald Trump's economic and trade policy programme along with foreseeable shifts in government in Germany and France added further to the prevailing uncertainty towards the end of the year.

Fortunately, the banking and insurance system in Europe is well equipped to deal with any shocks. The latest report from the European Central Bank (ECB), for instance, affirms that the banks it supervises have a sound capital and liquidity position and are highly resilient with respect to potential risks. The banks are very profitable as a result of the change in monetary policy from a low interest rate environment, which has led to sustained gains in net interest income. The results of the 2024 insurance stress test conducted by the European Insurance and Occupational Pensions Authority (EIOPA) also showed that insurers in Europe are well capitalised and are able to meet the Solvency II requirements even in the event of severe shocks. This is necessary, too, given that the number of insolvencies across Europe has risen to its highest level in 10 years and that room for improvement clearly still exists in the financial system's resilience with regard to cyber attacks.

Würth Group
Following a period of around three years with high single-digit or significant double-digit organic sales growth after the Covid-19 pandemic, driven by solid demand from the construction sector and in solutions provided by its electronics business, along with a boom in photovoltaic installations, the Würth Group, like other companies, has been affected by a cyclical decline in sales since the fourth quarter of 2023. Although sentiment in the construction industry improved somewhat over the course of the year, and demand for fastening and assembly materials in the traditional craftsmanship also remained stable, the decline in sales amounted to 3.3% (after adjustment for acquisition effects). This resulted in a decline in the operating result of almost 40%, although operating cash flow was down significantly less thanks to the prompt adjustment of purchasing decisions and inventories in line with the reduced volume of business. Net indebtedness also increased only moderately over the year despite the cash outflow from the acquisition of shares in the TIM Group initiated in financial year 2023. With liquidity held centrally by the Würth Finance Group totalling around EUR 1,400 million and an unutilised credit facility of EUR 500 million that is firmly committed until 2029, the Würth Group has comfortable liquidity reserves available.

Würth Finance Group
Like the commercial banks, the Würth Finance Group's Inhouse Banking division also benefited from the change in interest rates, with record income from the investment of liquidity on the money market. The inverted yield curve made it possible to refinance the 2018-2025 bond maturing in May 2025 early by issuing a EUR 500 million bond in autumn, without impacting net interest income negatively. On the other hand, the Financial Statements reflect the contraction in the Würth Group's core business, in the form of lower income from payment volumes. Würth Financial Services AG maintained the steady growth trajectory of its insurance brokerage business and saw commission income increase by almost 7%.

At EUR 151.5 million, the Würth Finance Group's adjusted income rose by a further EUR 16.7 million compared with the previous year's already high figure. This increase was primarily due to the above-mentioned improvement in net interest income in the Inhouse Banking division. Operating expenses rose by 9.8%, from EUR 41.0 million to EUR 45.0 million. Around 75% of this rise was attributable to higher personnel expenses due to a slight rise in average personnel

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 2024 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.

resources and salary increases. As at 31 December 2024, the Würth Finance Group had 127 employees (FTEs). With an adjusted pre-tax profit of EUR 106.4 million, the company achieved a record result (2023: EUR 93.7 million).

As good as these figures are, the result is not sustainable and will not be repeated at this level. Instead, the interest rate cuts made by the central banks mean that income from cash investments will soon be significantly lower. The sustained success of the Würth Finance Group is based rather on attractive financial and insurance solutions for clients on terms in line with the market. The key to this is having skilled employees, close contact with clients and a consistently high level of process efficiency. In all these respects, significant progress was achieved in financial year 2024.

> The Würth Finance Group's sustained success stems from tailored financial solutions, strong client relationships, skilled employees and efficient processes.

Details on the course of business in the Inhouse Banking and External Financial Services divisions follow on pages 24 to 35. The Würth Finance Group's report on risk management and control can be found on pages 36 to 43. The Würth Finance Group does not have its own audit committee, but is integrated into the Würth Group's audit process.

Outlook for 2025

Economic researchers point out that the global economy will remain resilient overall in the coming quarters despite considerable challenges and the risk of a further escalation in trade tensions. While a slight reduction in GDP growth to between 2.0% and 2.5% is expected for the United States, the Eurozone should experience a gradual recovery in economic activity, supported by rising household incomes, a robust labour market and looser financing conditions.

Thanks to the monetary policy measures taken in recent years, inflation rates in almost half of the advanced economies have abated and are again in line with central bank targets. This trend is likely to continue as cost pressures ease and the monetary policy decisions already made gradually feed through to consumer prices.

With its very high equity ratio, its excellent creditworthiness, its business model and the very granular competitive environment, the Würth Group is ideally positioned in both economic and strategic terms to emerge stronger even from periods of stagnation. In the short and medium term, however, the Würth Group will not escape the effects of the gloomy global economic climate and will therefore continue its efforts to adjust capacities and prevent further erosion of its operating profitability.

The Management of the Würth Finance Group will adhere to its sustainable strategy. This is oriented towards client needs and the constant change in the insurance and financial markets. In particular, work will continue in improving cost efficiency in view of ongoing price pressure in the markets for financial and insurance services. This will be achieved primarily through the further standardisation, automation and digitalisation of business processes and product solutions, which also improve the scalability of the business model.

With the prospect of a slight economic recovery, the Management of the Würth Finance Group expects business volumes to remain stable in the current year. However, because of the repayment of the low-coupon 2018–2025 bond and the significant decline in interest income on cash investments, the operating result is expected to fall by around 30% compared to the record year 2024.

Thanks

The Management of the Würth Finance Group is very satisfied with the results achieved in the financial year 2024 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 2025.

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