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Business Partner of  
Würth Industrie Service GmbH & Co. KG

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## Statement on Supply Situation Energy

Dear business partner,

Against the background of the consequential effects of the ongoing conflict in Ukraine, you have asked us to provide a statement on energy supply and the associated risks to supply capability from the perspective of Würth Industrie Service. In general, the situation is very difficult to predict, and we are maintaining an exchange with our energy suppliers, the Würth Group, our goods suppliers and service providers, as well as other sources of information.

Additionally, for the purposes of providing you with feedback, we have to differentiate between the situations at our company headquarters, the European logistics center in Bad Mergentheim, and our upstream suppliers.

With regard to our company headquarters, we maintain an emergency concept, which we can activate at short notice if necessary. In the event of an interruption to the gas supply, we can switch within a few minutes from two gas-fired heating centers to an additional oil heating unit. A central oil tank supplies the oil-heating unit. This ensures heating for the logistical core infrastructure for at least two weeks autonomously.

And even if this emergency operation is accompanied by restrictions on ancillary processes (e.g. bin cleaning), the function of all essential logistics areas for material delivery to our customers can be maintained.

If the power supply should be disrupted as an indirect effect of an insufficient gas supply in Germany, we have permanently installed emergency power generators subject to continuous maintenance. These generators are supplied with fuel via two diesel tanks, whereby it is also possible to switch over to operation using the stock of heating oil held in reserve. In the event of a power failure, the generators automatically switch on and allow the logistics center to continue operating for a period of two to three days.

In addition, we have a gas-fired combined heat and power plant, which can additionally support the power supply, as well as several photovoltaic systems, which can cover up to 20% of the power requirements at the company headquarters on sunny days.

In addition to the above-mentioned technical emergency measures, our IT infrastructure is designed in such a manner and the majority of the commercial and administrative divisions employees are equipped with hardware to such an extent that the respective activities can be moved to home offices at a moment's notice. This offers additional flexibility in the work organization and can additionally reduce the heat, power and energy consumption at the central headquarters.

Irrespective of the above comments on the emergency energy concept at the headquarters, Würth Industrie Service, as a trading company, is dependent on a functioning supply of goods from upstream suppliers and manufacturers. Accordingly, we would like to comment below on the situation on the sourcing side:

As far as our core supply segment of mechanical fasteners is concerned, we access several supply sources in different regions for the particular main product groups. This fundamental multisource strategy in procurement has already proven itself over the sustained period of the Covid 19 pandemic, although it unavoidably involves the acceptance of additional costs for cross-regional volume shifts. Furthermore, and despite the turbulence in the sourcing markets, we have been able to build up our inventory levels for customary goods by over 70 million euros over the last 12 months in order to have more goods available for our customers during the upcoming periods. Independent of this, we are in contact with all upstream suppliers who could be affected by a gas supply stop due to the involved production technology and their geographical and economic positioning.

Nevertheless, across the broad range of our product and supplier portfolio, we cannot exclude the possibility of disruptions in the supply chain over the coming months, including impacts on material availability to our customers. This is particularly the case as the supply chains continue to be disrupted due to the distortions of the procurement and transport markets that have persisted since 2020. In combination with the previous months of very high consumption, we have not been able to maintain material inventories across the entire portfolio as we would normally have been able to do or as agreed with our customers.

Apart from the above, we kindly ask for your understanding that we do not provide more detailed information beyond this letter based on customer document templates - e.g. Excel questionnaires. This is because the individual supplier situations are simply too various and the information provided is too unsteady in its consistency to be able to deduce a reliable factual status from this. For this reason, we are currently focusing our available personnel capacities in purchasing and sales primarily on ongoing and direct contact with our business partners in order to coordinate possible precautionary measures for individual cases and to identify any supply/availability gaps at an early stage.

As far as a problem with the material availability for individual products of your delivery portfolio should become apparent during the upcoming period, we will inform you about the affected products as well as the causes immediately after becoming aware of it. If, as a result, material availability can only be ensured by implementation of extraordinary measures (e.g. interim purchases from alternative suppliers, airfreight, technical alternatives) and the resulting additional costs, we ask for your understanding.

Best regards,

A handwritten signature in blue ink, appearing to read 'M. Jauss'.

Martin Jauss