

Dortmund, 15 March 2020

WILO – CEO letter on the coronavirus crisis

Dear colleagues,

Coronavirus continues to strengthen its hold on the world. In Europe too, we have now reached a point in the crisis at which our private and professional routines are turned upside down. Nurseries, schools and universities have shut their doors. Public life is being restricted.

What is unmistakable is that with each new day and new measures and countermeasures, uncertainty and with it the strain on the global economy continues to grow. The virus has by now spread to all continents and all countries in Europe. We also have to assume that there are a large number of unreported cases. Even regions where drastic measures have been adopted to stop the virus will not be immune to new infections once the restrictions are lifted.

Effectively combatting the virus through solidarity and cooperation

At the Wilo Group, we are also making drastic decisions – to protect our colleagues worldwide but also as part of our corporate responsibility.

People's health is always the utmost priority.

It is therefore important for all of us at the Wilo Group to show an increased willingness to tackle things pragmatically and flexibly in the face of this adversity. We are making sure that we are not paralysed by the virus, but rather become creative and, most importantly, more united.

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We will mutually support one another and show more compassion and empathy. We will help each other and think more in teams than in hierarchies. We must pay particular attention to our colleagues and protect those particularly at risk, such as elderly people or colleagues with pre-existing health conditions.

The virus can only be effectively combatted on a global level through solidarity and cooperation, not by undercutting competition with isolated provisions.

Therefore, at the Wilo Group, we are doing everything to ensure a seamless, worldwide coordination of the framework conditions. These framework conditions support our directors and managers in implementing appropriate measures on the ground at an international, national, and regional level.

Thereby, we are providing you with clear reference lines for meeting your duty of care. It is important to have coordinated action within the Wilo Group – on all levels. We are doing everything necessary at a central level so that you can act responsibly and thoughtfully at a local level.

We are minimising health risks

We have launched a global Wilo Task Force for this purpose. This Task Force initially focused on mitigating negative effects of the coronavirus in China. The Wilo Task Force has therefore already been up and running since January 2020 with the result that there have been no cases of coronavirus at Wilo in China up to now. Moreover, our value chain has been kept operating efficiently, minimising economic damage.

The positive experiences with the Wilo Task Force in China have led us to expand their area of responsibility to the whole Wilo world a few weeks ago. The aim is to minimise the negative health impacts as well as the economic shocks as much as possible.

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We are therefore well equipped to tackle coronavirus.

We are very well prepared for economic turmoil

As well as the health aspects, it is important to maintain the efficiency of our business operations as much as possible. This is also part of our responsible behaviour.

Our products, systems, and solutions are used for applications which are vital for keeping everyday life going. In contrast to lifestyle companies, we at the Wilo Group therefore have a corporate responsibility especially in times of crisis to provide our goods to water management, important buildings such as hospitals as well as key industries.

Moreover, it is particularly important in times of crisis to continue to efficiently serve customers and to maintain business activities as much as possible and thus ensure the employment of our colleagues.

Coronavirus will not leave the global economy unscathed. Initially, the real economy will be hit hard, but I also assume that the financial and capital markets will continue to face very turbulent times. This will result in liquidity problems for some companies.

We are well equipped to meet both the challenges of the real economy and the financial sector

We benefit from our "local for local" approach particularly in times of external shocks. Our organisation is steered to permit as much decentralisation as possible and as much centralisation as necessary. This enables us to tackle coronavirus responsibly on a local level and with global and centralised coordination thanks to our Task Force.

Despite difficult conditions, as of now, we have not recorded any restrictions at all in the supply of components, or any impact along our value chain.

We have also been able to avoid any cancellations or delays in deliveries to clients up until now. The Wilo Task Force is doing an excellent job here by maintaining an extensive risk management of suppliers and logistics.

Still, there is the risk that during the progression of the crisis our supply chain may be partially interrupted or compromised as suppliers could be lost. It is therefore important for us to promote close, supportive, and international cooperation along our value chain. This applies in particular to the replacement of critical components as well as incomplete and finished goods, i.e. the whole inventory management.

An essential component of our risk management is meeting the liquidity and capital needs of the Wilo Group cost-effectively at any time and in the long term. Thanks to our profitable growth over many years, we have built up appropriate reserves which offer us security even in very long-lasting times of crisis. We also have sufficient financial capacity to provide for our subsidiaries who operate globally. Thanks to this liquidity safety net, no subsidiary needs fear financial ruin. Wilo is therefore also acting in financial solidarity: every subsidiary will be helped.

At the same time, we are now asking all of you to maintain an extreme cost discipline and to use the available resources with particular prudence. This means that all previously approved budgets will no longer be valid. Every expense and investment will need to be subjected to scrutiny and reduced to the strict minimum. All of us at the Wilo Group – every subsidiary, every group function, every single one – must remain flexible in our spending and adapt it to the individual local conditions. In this matter, we rely on your sound judgment as well as your solidarity and support.

We remain independent

The coronavirus pandemic ruthlessly lays bare to us the weaknesses of the

current global economic order with all its interconnected value chains. Forward-looking companies will scrutinise their corporate strategies, and the risk aspects will become increasingly important.

One of our fundamental objectives set out in the Ambition 2025 is to remain an independent group of companies. Independent of individual customers, suppliers, and also investors.

Coronavirus is making us scrutinise in particular our “make or buy” strategy. This will lead to a tendency of increasing the added value in the future, i.e. producing more ourselves and, in addition, activities becoming in-house.

We are concentrating all our efforts on dealing with the coronavirus crisis

The pandemic shows that although there are hundreds of states and thousands of regions, there is just one single society. Such fundamental problems cannot be solved on a national level, they can only be brought under control globally.

At Wilo Group, we are faced with the largely unknown task of focusing our strength and energy on a single problem, or at least prioritising it above just about everything else. In this regard, speed of action is key. We must free ourselves from the position that every detail has to be perfect. Instead, we now require a large part of pragmatism in our actions.

Dealing with the coronavirus will ask of us all. We are responding to this challenge with discipline, objectivity, and modesty, but most of all with kindness and a willingness to help.

Please stay informed. The Wilo Task Force is providing detailed information via the teamOne portal.

In addition, our Wilo TV will soon be launched to share further background information on the coronavirus crisis in a special broadcast.

Take care of yourself!

Yours,



Oliver Hermes

President & CEO of the Wilo Group

Chairman of the Board of Trustees of the Wilo-Foundation

Sources: Own research, Die Welt, Frankfurter Allgemeine Zeitung, Süddeutsche Zeitung, Handelsblatt, Spiegel, Gabor Steingart, Wilo Sustainability Report, German Eastern Business Association, Robert Koch Institut, German Federal Government