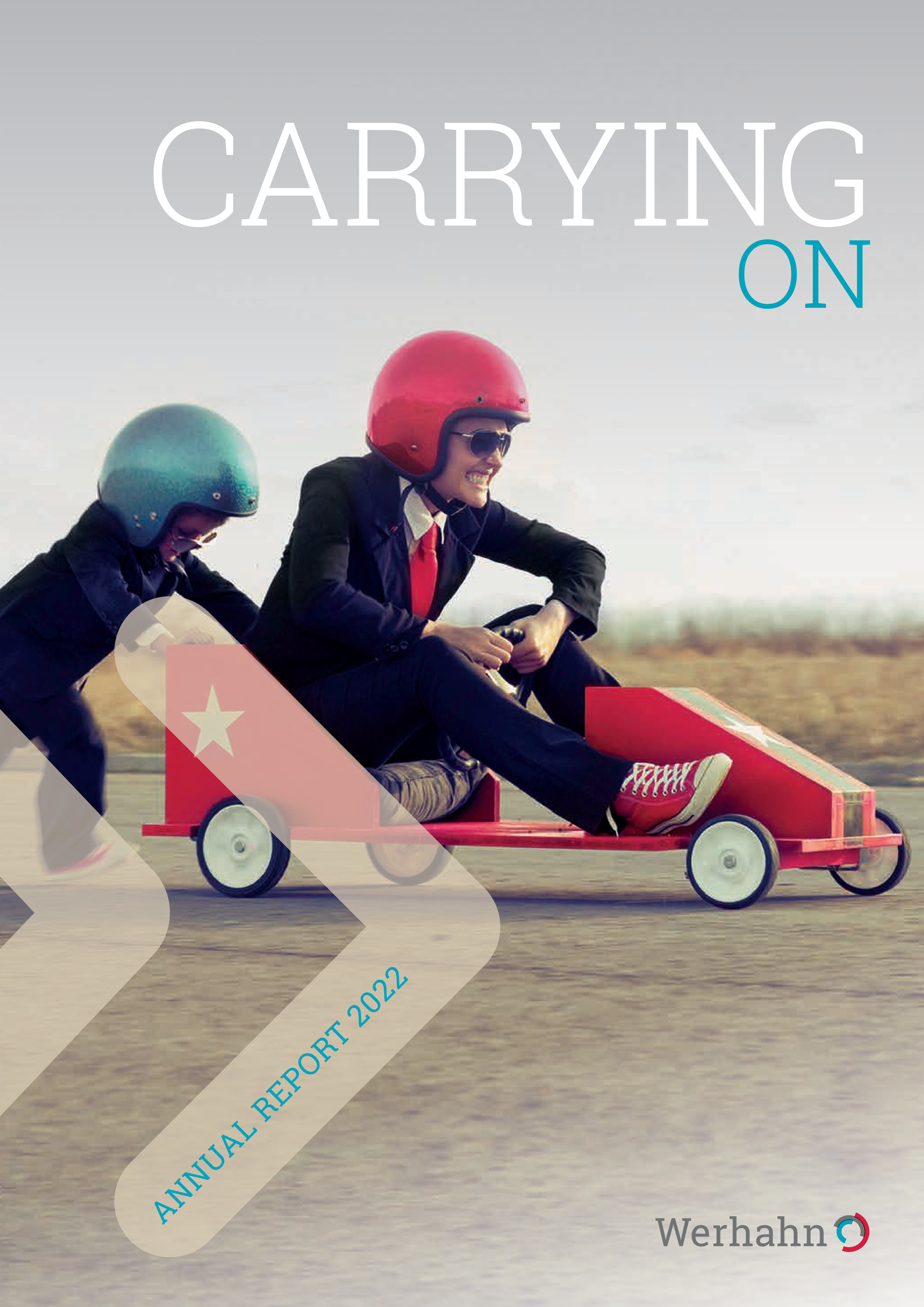
CARRYING ON



ANNUAL REPORT 2022

Werhahn

AT A GLANCE

Selected key figures

in € million	2018	2019	2020	2021	2022
Net sales	3,537	3,606	3,726	3,981	4,282
Earnings before tax	105	116	138	212	156
Equity ratio	23%	21%	19%	18%	16%
Equity ratio excluding financial services	70%	67%	67%	61%	58%

Net sales by corporate division

in € million	2018	2019	2020	2021	2022
Building Materials	1,450	1,417	1,388	1,409	1,581
Consumer Goods	751	741	842	969	1,001
Financial Services	1,305	1,431	1,480	1,585	1,680
Others	48	37	39	41	44
Consolidation	–17	–20	–23	–23	–24
	3,537	**3,606**	**3,726**	**3,981**	**4,282**

Employees by corporate division

	2018	2019	2020	2021	2022
Building Materials	4,548	4,530	4,502	4,546	4,514
Consumer Goods	4,371	4,465	4,374	4,316	4,468
Financial Services	977	1,044	1,069	1,093	1,081
Others	265	174	185	273	288
	10,161	**10,213**	**10,130**	**10,228**	**10,351**

CARRYING ON

Another far from easy year lies behind us. On top of the ongoing challenges of the coronavirus pandemic, 2022 brought multiple, overlapping global crises – largely as a result of the Russian attack on Ukraine. Inflation, disrupted supply chains, energy supply shortages, rapidly rising borrowing costs, fluctuations in demand, and a cooldown of the exceptional coronavirus-induced boom also impacted the Werhahn Group’s business. But thanks to its diversity and resilience, the Group nevertheless proved robust.

As a family-owned company, Werhahn places the generational concept at the heart of all its business activities. In these challenging times, we must focus even more than usual on safeguarding the value and continued existence of the Group for future generations – or preferably even adding to its value.

Both the management and employees of all business units take this task very seriously. With great commitment, innovative strength, and creativity, they find ways to carry on the success of the various business models.

CONTENTS

Werhahn Group

Consolidated Management Report

Consolidated Financial Statements

Aggregates

The Aggregates business unit under the leadership of Basalt-Actien-Gesellschaft comprises the segments mineral raw materials, asphalt mixtures, construction chemicals, and building materials recycling/disposal.

Slate

The Slate business unit offers a wide assortment of cladding for roofs and walls, develops solution systems for innovative façade configurations, and supplies building stone for interiors as well as for gardens and land-scapes.

BUILDING MATERIALS

Zwilling Kitchenware

The high-quality products in the Zwilling Kitchenware business unit include knives, cookware, scissors, and kitchen utensils.

Zwilling Beauty Group

Under the brands ZWILLING, Tweezerman, and QVS, the Zwilling Beauty Group produces and markets tweezers as well as manicure, pedicure, and other beauty tools.

CONSUMER GOODS

CORPORATE **STRUCTURE**

abcfinance

The abcfinance business unit specializes in customized financial services for small and medium-sized businesses (SMEs). With its leasing and factoring segments, it is one of the leading providers among companies operating independently of manufacturers and banks.

Bank11

Bank11 für Privatkunden und Handel GmbH is a credit institution specializing in sales financing. Its main focus is on supporting small and medium-sized automobile dealers by providing mobility and insurance services. For private customers, Bank11 offers attractive financing products, secure investments, and modern online banking.

FINANCIAL SERVICES

"ONLY THAT WHICH CHANGES ENDURES."

Alexander Boldyreff

Paolo Dell' Antonio

Stephan Kühne

The year 2022 was overshadowed by the war in Ukraine. The conflict has not only brought on a humanitarian catastrophe, but also led to economic upheaval on a global scale. In the following interview, the Management Board explains how the Werhahn Group's business units are enduring in the face of this turning point.

With a clear system of values, robust business models, and a long-term orientation, the Werhahn Group has always weathered difficult times well. Is this strategy also effective in the current situation?
Paolo Dell' Antonio: We live in times of disruption and high volatility. At no time in recent history have we been confronted with so many mutually amplifying crises at once. Whether climate change, the Ukraine war, the coronavirus, or cost explosions: No crisis has an easy or quick fix, and they all have the same urgency. One thing we know to be true: The more complex and uncertain the environment, the more important it is to have a clear reference framework and a value-based strategy. But we also know: Only that which changes endures in the long term. The motto "business as usual" is not an option, no matter how successful a business model may be. Given the persistently high crisis and risk levels, we must put every business model to the test, anticipate changes in market conditions and align our value chains appropriately, and then carry on operating them accordingly.

How crisis-resistant have Werhahn's business units proved to be in the face of these challenges?
Stephan Kühne: The year 2022 put our resilience to the test as well. We were not able to escape the negative economic effects entirely. But all in all, we have come through this year of crisis in good shape. An important cornerstone in overcoming the various crises was our carefully considered pricing policy, broken down by region and sector as well as product and customer segment. All business units succeeded in adjusting their prices with a sense of proportion, thus cushioning the cost pressure in the areas of raw materials, energy, and transport without sacrificing any of their competitiveness. The Aggregates business unit, for example, works out

prices decentrally in close cooperation with its regional customers and has variable prices for asphalt products that are linked to the price of bitumen.

Paolo Dell' Antonio: Our Consumer Goods division clearly felt the impact of the high rates of inflation and the associated consumer reticence in Europe. Despite a strong international presence and growing online trade – with Zwilling Kitchenware generating almost half of its net sales via digital sales channels – the division was not quite able to offset the decline in demand. Overall, the division is systematically driving forward its transformation process. To improve its resilience and sharpen its customer focus, it is simplifying overly complex value-added structures and streamlining its product ranges.

Alexander Boldyreff: In addition to massive supply bottlenecks for machinery and vehicles, the dominant topic for the Financial Services division was the interest rate turnaround in the eurozone, with three key interest rate hikes in the space of just a few months. This not only resulted in higher credit risks and write-downs, but also brought a new dynamic to the lending and deposit business. Thanks to its clear emphasis on medium-sized B2B customers and its fast, lean, and efficient credit lines, the division fared well overall in spite of the adverse conditions, strengthening its market position and achieving double-digit percentage growth in terms of both volume and net sales.

Even though forecasts are still subject to much uncertainty – what are your expectations for the current year?
Paolo Dell' Antonio: While the markets appeared to be heading inevitably toward a recession in the fall of 2022, it now looks like the economy will skirt the downturn and get away with stagnation. The mild winter has helped avoid a blackout scenario. However, the mood could darken again in winter 23/24 if the newly established sources of energy fail to make up for the missing Russian gas imports. The Werhahn Group's business units have taken the necessary steps to strengthen their resilience and take advantage of any opportunities that arise when the economy picks up again.

Stephan Kühne: Demand for building materials is suffering due to a significant downturn in the construction industry and, in particular, the tight financial situation of the public sector and sluggish order placements. Our strategy in this situation is to drive by sight and at the same time set a course for the future. That means exercising strict cost and price control, while simultaneously tapping innovation potential and resolutely driving forward the digital and ecological transformation. And in the process, our focus on added value for our customers is always at the forefront.

Alexander Boldyreff: The human factor plays a central role in all change and transformation processes. It is our employees who make the difference in times of great uncertainty and who pave the way for innovation with their expertise and creativity. In permanent crisis mode, we have become significantly more agile, mobile, and collaborative – a mindset that will continue to carry us through turbulent times in the future. In parallel, we are working on refining our business models and making them so attractive and future-proof that they serve as a powerful magnet for motivated and committed employees.

HIGHLIGHTS OF 2022

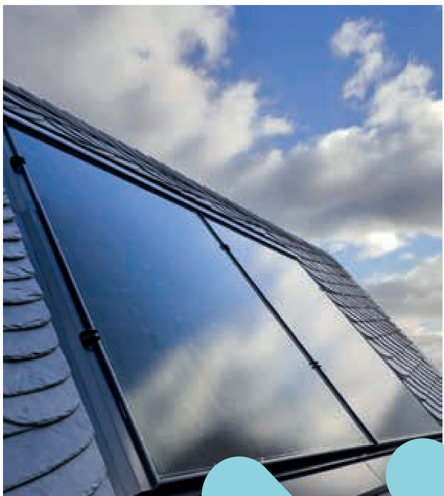
A logistical tour de force: the installation of the multi-tonne shaft rings

ALL FOR SPECIES PROTECTION

Over the past decades, the tunnel system in the former Weinheim quarry of the **Aggregates** business unit has developed into one of the most important habitats for bats in the German state of Baden-Württemberg, enjoying a correspondingly high level of protection. One of the five tunnel entrances was supposed to be backfilled as part of a renaturation project – without impairing the bats' habitat conditions. Batcoders were used to detect the flight movements of all bat species over a prolonged period of time, while data loggers monitored the climatic conditions throughout the tunnel system over the course of the year. From this, experts were able to develop simulation models for future habitat conditions with a high degree of predictive reliability. Ultimately, the solution consisted of a ventilation shaft with a height of 25 meters and a diameter of 3 meters, which connects the tunnel with the ground surface. This also posed a logistical challenge – the shaft rings, each weighing 20 tonnes, had to be transported to the site along very steep roads with 180-degree bends and then installed using two special cranes. But the effort was worth it: The bats have accepted the artificial tunnel very well.

SUNNY PROSPECTS

The **Slate** business unit is expanding its product system portfolio and introducing a new in-roof photovoltaic system. The innovative system, consisting of a substructure, photovoltaic modules, and matching connection plates, offers an aesthetic, intelligent, and easy-to-install all-in-one solution to integrate a photovoltaic system into all types of slate cladding, such as old German-style cladding, scale cladding, or universal cladding – without any negative impact on the overall architectural appearance of the roof and the building.



PRODUCTION ANNIVERSARY

The **Zwilling Kitchenware** business unit celebrated the fifth anniversary of ZWILLING Kitchen India Pvt. Ltd., with the local employees showing great enthusiasm. The location has been producing kitchen knives for the USA and Canada since 2017. With a workforce that now numbers 220, the plant has an annual capacity of 5.5 million knives. The location plays a special role in ensuring the business unit's ability to deliver, since it levels out the global sourcing portfolio and furthermore guarantees compliance with the high social standards applied by ZWILLING.

BRAND STRATEGY: PLASTIC-FREE AND PREMIUM

The **Zwilling Beauty Group** business unit is switching the packaging design of its core ZWILLING brand from blister packs and plastic inlays to cloth bags and high-quality, environmentally friendly folding boxes made of FSC-certified materials. In addition, it thoroughly streamlined its product range, dropping all products that do not meet its premium standards. The result is an overall concept that is both coherent and sustainable, in keeping with the ZWILLING brand's high quality standards.

Attractive display modules for retailers support the premium image of the ZWILLING brand.

Powerful thank-you: Bank11 offered its employees 111 Fiat 500 models during its anniversary year.

STRONG DEPOSIT BUSINESS

The **abcfinance** business unit successfully adapted its refinancing strategy to the new fiscal conditions with its abcbank. After eleven years, the European Central Bank gradually raised key interest rates by a total of 250 basis points in 2022. This made refinancing via private deposits more attractive than using ECB programs or credit lines. Both existing and new customers of the business unit benefited from fair interest rate conditions and the combination of digital and personal support. This enabled abcfinance to increase the number of private investors by almost 10 percent in 2022.

11 NUMBER FOR SUCCESS

The **Bank11** business unit celebrated its eleventh anniversary with a number of campaigns. The “Bank11 Rolling” campaign, designed as a thank-you for the workforce’s commitment, saw more than 111 employees opt for a Fiat 500 with an electric or hybrid drive. During the campaign period, Bank11 will pay for the leasing rate, insurance, and maintenance. Alternatively, the staff could choose between an electric bike and a cash bonus. Bank11 also went on a tour of Germany for its car dealers, inviting those with the highest turnover to an exclusive anniversary roadshow. The focus was on information sessions with personal exchanges.

15,000 affiliate dealers, more than one billion loans financed: Since going live six years ago, the digital business model **Yareto** has become the market-leading loan comparison portal for the automotive trade. To mark its sixth anniversary, the portal treated itself to a refresh with an even clearer look and more intuitive navigation, further improving user convenience.

REFRESH
FOR THE
6TH ANNIVERSARY

MEDICAL AID FOR UKRAINE

In March 2022, **Wilh. Werhahn KG** launched an online donation campaign for the medical aid organization action medeor. More than 250 supporters among the Group's workforce and shareholders participated in the campaign, donating more than 60,000 euros by the end of April. Together with a base amount from Wilh. Werhahn KG and a top-up of the donations, a total of 360,000 euros was raised. This amount enables action medeor to finance many medical aid measures in Ukraine, for example in Kiev or the Mariupol region.

The medical aid shipments are sent directly to Ukraine from action medeor's medical warehouse in Tönisvorst in the Lower Rhine region.

Basalt AG's 74 quarries and 158 mixing plants across Germany operate in local markets.

A QUESTION OF TRANSPARENCY

Even in these turbulent times, the Aggregates business unit is continuing its course of transformation. Clear orientation is provided by the Strategy 2030, through which the Basalt AG corporate group is adapting to changed frame conditions and market requirements. In addition to the development of innovative digital business models and the long-term restructuring of production processes, the strategy focuses above all on market orientation and cost efficiency. Here, the business unit has developed forward-looking solutions that are already proving their worth in view of the latest rapid increases in energy and raw material prices.

As regional as the business: the price structure

The DNA of the Aggregates business unit is decentralized. From Flensburg to Munich, from Saarbrücken to Dresden: The 74 quarries and 158 mixing plants throughout Germany operate in local markets. This strong regional focus is also reflected in heterogeneous cost structures. The individual locations calculate the prices for aggregates, asphalt mixtures, and construction chemicals autonomously, depending on product quality and plant technology as well as on energy and transportation costs.

Mastering challenges together

For all their regional differences, the locations also have to deal with overarching macroeconomic challenges that require a joint course of action. That is why a project team with sales experts from various locations has been formed. Drawing on their wide-ranging local knowledge and experience, they develop strategies and concepts to meet rising customer requirements while at the same time ensuring high cost efficiency throughout the Group. Their aim is to develop uniform guidelines as well as communication and coordination processes for sales management – without, however, interfering with regional pricing sovereignty. They are supported in this task by a steering committee made up of location managers, managing directors, and members of the Basalt AG Management Board.

Initiating a continuous exchange of ideas

The sales experts first obtain an overview of the existing sales, cost, and price structures for each product group and region by means of a comprehensive, digitally supported data analysis. On this basis, they draw up forecasts as to how cost structures and customer needs will develop in the medium and long term. The results are shared with the entire sales organization. This not only creates a transparent database, but also leads to a continuous flow of information via new digital channels and lively exchanges within the Group. The next step will be to optimize sales processes across the Group – from customer contact and the preparation of quotations to order processing and reporting. These harmonized processes will bring significantly greater efficiency and enable a holistic view of the customer.

Capable of operating in a crisis

The new sales management structure had to prove its effectiveness immediately last year under the stresses and strains of the Ukraine war. It is now clear that the new structure puts the Aggregates business unit in a good position to operate and cushion the impact of the crisis. High price hikes for energy and raw materials are making the production of building materials more expensive. For example, the price of bitumen – a crude oil derivative used as a binder for asphalt – shot up by 60 percent in the space of a few weeks. One good thing, though, is that BITUMINA Handel, which coordinates all bitumen activities throughout the Group, is able to ensure a reliable supply. The companies then contact their customers to inform them about the tense situation and to find ways out of the crisis together. In view of the strong fluctuations in raw material costs, the fixed price period is set variably, and any necessary price adjustments are agreed upon individually for each region.

8

Sales experts from different locations are part of the project team. They develop solutions to sustainably increase the customer focus and cost efficiency across all companies.

Material flow management: real added value for customers

To stay competitive and pass on rising costs to construction companies and municipal clients at as moderate a rate as possible, it is essential to have intelligent material flow management and sophisticated freight logistics. Basalt AG's Baustoff-Vertriebs-Gesellschaft (BVG) considers itself a full-range supplier and, in addition to its own aggregates and asphalt products, also sells recycled materials and complementary road construction materials from other manufacturers to complete the product portfolio. Customers can get all the construction materials they need from a single source through the central distribution center in Kirchheimbolanden, Rhineland-Palatinate. This makes it possible to combine orders and coordinate truck transports in such a way that empty runs and cost-intensive unladen mileage are largely avoided.

Higher delivery tonnage – fewer truck trips

The truck tours of the contract carriers are meticulously planned on a daily basis using computer-aided scheduling. For example, a semitrailer truck that delivers concrete chippings to a ready-mix concrete plant will transport gravel and sand to a construction site on the way back and finally load excavated earth for the renaturation of a disused quarry. Without combining tours with corresponding return loads, it would not be possible, for example, to transport goods from the Kirchheimbolanden quarry to the Rhine-Main metropolis of Frankfurt, 80 kilometers away, at competitive prices. A high utilization rate like this eliminates around half of the otherwise empty truck journeys. This not only reduces traffic congestion but also cuts harmful CO_2 emissions, and freight costs per tonne are also lower. Optimized material flow management makes it possible to expand the company's market territory, as the transports from the Kirchheimbolanden quarry to the Rhine-Main area demonstrate.

Combined tours with carefully planned return loads avoid unprofitable empty runs.

DIGITAL SPRINGBOARD FOR NEW SALES MARKETS

In the construction sector, it is not enough to digitalize individual business processes. The only way to achieve greater planning reliability and efficiency is to network all the players involved in the construction process from start to finish. By making virtual 3D object data available, the Slate business unit is creating an important interface with tomorrow's project developers, architects, and building owners and significantly advancing its digital strategy.

400

different roof and façade combinations can be created with the slate configurator. More than 1,200 individual renderings were needed to program the tool. The computer ran continuously for a total of around 250 hours to complete the task.

No other development has had a greater impact on the construction industry in recent years than building information modeling – or BIM for short. This is a cooperative working method that consistently records and manages all relevant information from the planning stage to the finished building. The basis is a virtual 3D model that serves as a digital simulation of all the trades working on the building. All parties involved in the project can access the data via a central platform and thus always have an overview of any changes in planning, construction progress, and cost structures.

Milestone: BIM-compliant product data

Even though construction projects are still often conceived and implemented in analog form, BIM is increasingly becoming an international standard as an effective planning method. In order to adapt to this and position itself on the market as a future-oriented supplier of building materials, Rathscheck Schiefer digitalized a large part of its portfolio in 2022 and presented 25 types of slate cladding in a BIM-compliant format. Using detailed 3D models, it developed constructions that represent the individual layers of a roof or façade structure made of slate. Project planners and architects can download the BIM object data from Rathscheck's website and integrate it directly into their design software for high-quality 2D or 3D renderings. Visual BIM data allows architects to demonstrate the visual effect of slate to their customers as early as the planning process. This makes the business unit part of the growing BIM community and opens up new sales channels in the digital realm. Slate products and the necessary substructures can thus be given consideration at a much earlier stage of planning than before.

Configuring a slate roof on the computer

Another element of the digital transformation and an additional touchpoint on the business unit's website is the web-based slate configurator, which is also based on BIM data modeling. This online tool enables users to experience the wide range of design options offered by slate. Whether detached house or apartment building, pitched roof or flat roof: users can test a total of 400 different slate variants for different building types and configure their dream house on the computer. This gives them a realistic visual impression of the roof and façade. Via the website, they can retrieve information about the selected product in compact PDF format and directly ask for advice regarding their desired product.

»The construction industry is experiencing a major shake-up. In the future, access to the market and to relevant decision-makers will be largely determined by the degree of digitalization and BIM maturity. By switching to BIM data, Rathscheck Schiefer is increasing its presence in the digital cosmos, thus reaching planners and architects who have not yet worked with slate.«

PROFESSOR HAGEN SCHMIDT-BLEKER, CEO of Formitas AG, which developed the BIM object files, the visualization, and the web application for the Slate business unit.

The future of the construction industry: building information modeling. The Slate business unit is part of the community, thus opening up new sales channels in the digital realm.

The Zwilling Kitchenware business unit is reducing the level of complexity wherever it can, thus making its supply chain more agile.

STRENGTHENING RESILIENCE – SHAPING THE FUTURE

Dr. Alexander Gulden,
Chief Technology Officer
at ZWILLING

High rates of inflation for intermediate products and energy coupled with falling consumer demand: The various crisis situations are also challenging the Zwilling Kitchenware business unit. Dr. Alexander Gulden, Chief Technology Officer at ZWILLING, explains how the business unit is preparing itself to be crisis-resistant with the help of a resilience program and how it is carrying on with its digital transformation at an unabated pace.

The economy was hit by several disruptive crises at once last year. What is the situation like for Zwilling Kitchenware?
Dr. Alexander Gulden: The consumer goods sector is feeling the effects directly. This is because consumers are reacting swiftly to the loss of purchasing power and immediately cutting back on their consumer spending. After the exceptional boom caused by the coronavirus, which brought with it above-average growth rates, we, too, have had to accept a drop in sales. At the same time, the costs of energy, materials, and freight are many times higher than before. ZWILLING is countering these challenges with a far-reaching resilience program.

What are you aiming to achieve with this program?
Dr. Alexander Gulden: We want to position ourselves to be crisis-resistant and thus future-proof, while continuing to drive forward our transformation strategy with its clear focus on the end consumer. In recent years, we have expanded our ecosystem with the "ZWILLING. It's a Culinary World" strategy. From omnichannel sales to a data-based, personalized customer address to entering new product categories, all processes are geared toward creating a globally consistent brand experience. However, this also makes our business increasingly complex. This is where our resilience program comes in: Wherever complexity is avoidable, we want to reduce it.

What are the most important levers for more resilience and less complexity?
Dr. Alexander Gulden: We have identified various levers: We will reduce the depth and breadth of our product range across all brands, but without slowing down the pace of innovation. In a volatile market, we are making our supply chain more agile and automating demand planning. And by systematically combing through our existing processes and exploiting potential for improvement, we are creating the necessary scope to move into future-oriented segments and continue on our path toward digitalization and sustainability.

»

AS GLOBAL AS POSSIBLE, AS LOCAL AS NECESSARY

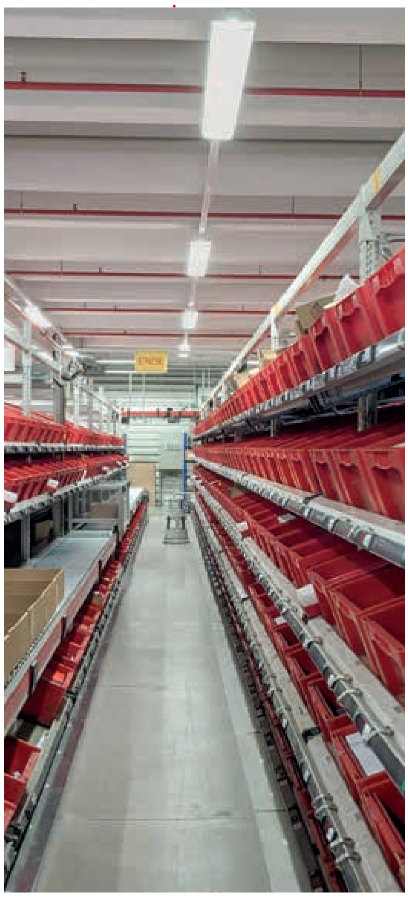
Less assortment depth, optimized logistics and demand planning, and high rates of innovation: The various building blocks of the ZWILLING resilience program interlock and contribute to improving the performance of the Kitchenware business unit.

Project: Reduce assortment depth

The ZWILLING Culinary World is growing. With new business areas in the small electrical appliances, vacuuming system, and BBQ segments, the business unit has successfully expanded its brand portfolio in recent years, but has not yet adjusted the range of variants in the traditional core segments of knives and cookware. In 2022, Zwilling Kitchenware launched a comprehensive assortment analysis to structure the portfolio more clearly and streamline the brand profile. Consumers, with their requirements and needs, and the various sales channels are always the starting point. The entire assortment is screened to determine which products in individual product groups promise sustainable value creation in the future. Almost identical product variants will be standardized and more uniform series will be launched for the global market. At the same time, ZWILLING will remain flexible and continue to adapt its range to local or country-specific consumer wishes.

Project: Build up a European logistics network

From Sweden to Portugal, from Belgium to Greece: Zwilling Kitchenware and its brands are present throughout Europe – in brick-and-mortar stores as well as in online stores and on digital retail platforms. In order to be close to its customers and serve the individual markets reliably, the business unit operates a Europe-wide network of decentralized warehouses. Up to now, each warehouse location has held a wide range of products and adapted them to the needs of the respective region – a task that involves considerable effort to coordinate the flow of goods. In the future, inventories will be concentrated in a small number of state-of-the-art logistics centers from which all customers in Europe will be supplied. This will save warehousing costs while ensuring high distribution performance.



23%

of the net sales in 2022 were generated with B2C business.

The innovation rate in 2022 stood at

21%

45%

of the net sales in 2022 were generated through online business.

Project: Optimize demand planning

When it comes to demand planning, ZWILLING can rely on an experienced purchasing and sales team with many years of market know-how and close contact with all important retail partners. In volatile markets, however, it is becoming increasingly difficult to realistically forecast the development of demand and sales. The challenge lies in matching product call-offs at the plants and from suppliers to fluctuating customer demand without building up unnecessary inventories. With the help of IT-based demand planning, employees will now be able to use valid data sources based on current inventories, past sales, and future sales expectations. The rollout started in Germany with the introduction of SAP S4 HANA, and now the software system is also being implemented in the USA and Canada. By combining AI-based software with a personalized customer address, it is possible to make more accurate forecasts – especially in times of uncertainty.

Project: Maintain a high rate of innovation

Innovations have proven to be a driver of growth in recent years. The business unit intends to continue this momentum and is investing in forward-looking technologies and product ranges. For example, with the aid of a new robot-assisted laser welding system, the Solingen location is now able to flexibly tailor its chef's knives to specific customer requirements and design trends. The modular design principle makes it possible to variably combine different types of steel, blade shapes, handle colors, and materials and produce the knives cost-efficiently, even in small quantities.

At the same time, Zwilling Kitchenware will continue to focus on market innovations. In addition to the ZWILLING World of Coffee with an innovative filter coffee machine, the world of ZWILLING FRESH & SAVE vacuuming and storage systems will be systematically expanded to include additional applications and tools.

BUSINESS GOES TO THOSE WHO CAN DELIVER

High product availability and delivery reliability are key factors in order to remain on course for growth, even under difficult conditions. In 2022, the Zwilling Beauty Group therefore geared the entire organization toward further improving its delivery performance. The business unit benefited from having its own production capacities and from established relationships with regional partners.

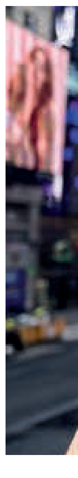
China: More efficiency through direct sourcing

Stable supply chains make all the difference, especially in the price-driven private label segment. Until now, the Zwilling Beauty Group has organized its international private label business via a finely-tuned supplier network of around 160 Chinese partner companies. The beauty tools supplied by them were finished, assembled, packaged, and dispatched for worldwide export at the company's own production plant in Dongguan City. In early 2022, the Zwilling Beauty Group significantly streamlined its supply chain and put it on a new footing through direct sourcing.

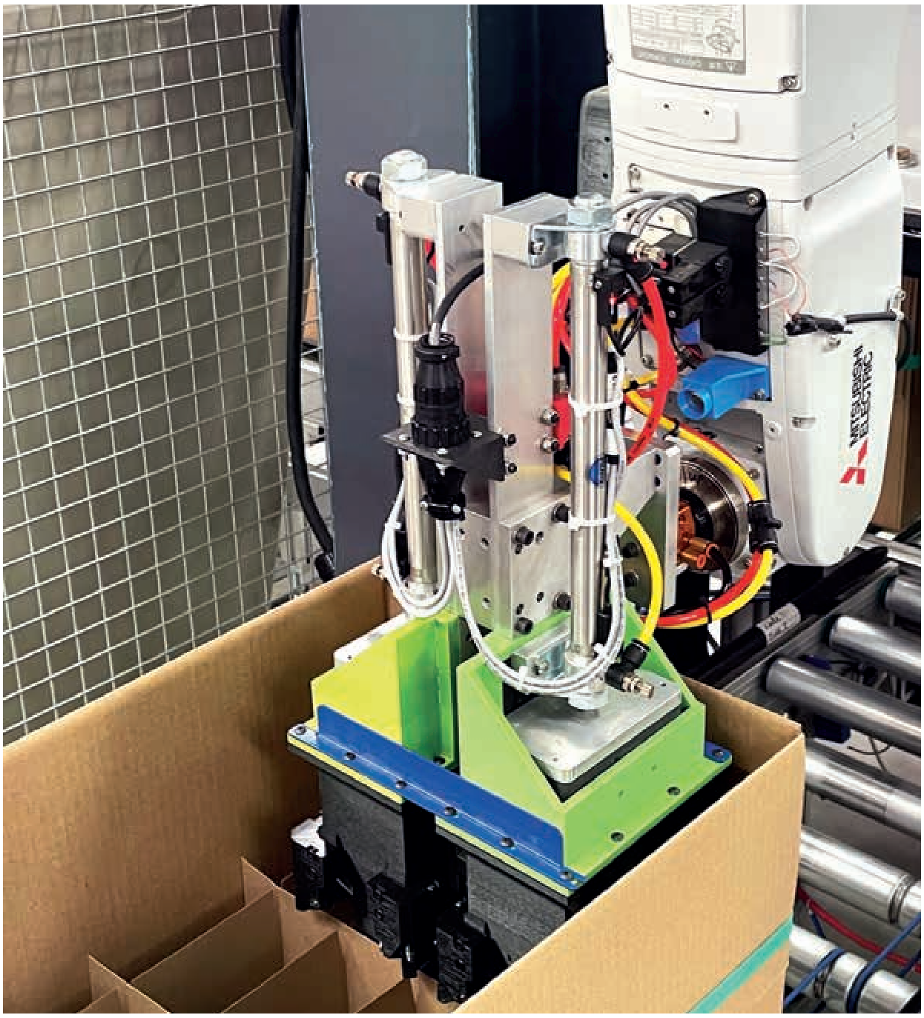
To this end, the supplier network was downsized to a select group of ten core suppliers with whom the business unit has been working in a trustful relationship for years. The project partners will be responsible for all logistics operations in the future – from purchasing the raw materials and putting together product sets to packaging and delivering the products to Zwilling Beauty locations in Germany, Great Britain, and the USA. Regular on-site inspections ensure consistent product quality and smooth processes. This has resulted in considerable time savings: The original delivery times of more than two months have been reduced by an average of 25 days.

50%

shorter delivery times are possible thanks to the introduction of the direct sourcing model in China.



First-class delivery performance: TWEEZERMAN maintains a 98 percent delivery rate in the USA.



India: Increasing personnel capacities – building up know-how

The products of the premium brand TWEEZERMAN are produced at the company's own plant in Pondicherry in southern India. This ensures not only consistent quality but also high delivery capability – thanks to short decision-making channels, the business unit can adapt quickly and flexibly to changing market conditions. To build up buffers for a continuous supply of goods, the capacity in Pondicherry has been significantly increased and 50 new jobs have been created. The employees were recruited locally and completed several months of training to familiarize themselves with the machine-assisted production processes and acquire the necessary skills for the manual finishing of the beauty tools. Overall, TWEEZERMAN has raised its production capacity in India from around 5.9 million to more than 7 million tweezers per year.

USA: By air freight to the packaging robot

The container ships take around 30 days to travel from the Indian production plant to TWEEZERMAN's logistics center in New York State – too long to serve retail partners and consumers reliably when stocks are tight. To avoid out-of-stock situations and the subsequent loss of sales, the business unit shifted transportation from sea to air freight in 2022. The small, lightweight beauty tools take up very little space on the aircraft, so freight costs and CO_2 emissions are minimal. The time saved, however, is considerable: Instead of one month, the supplies take only five days to reach their destination.

Speed is also of the essence in the logistics center. Processes have been further automated with the help of a sensor-based packaging robot. As soon as a delivery arrives by air, production starts and the robot packs the individual products into their respective boxes. The strategy is paying off: While the competition often struggles with significant replenishment problems and store shelves remain empty, TWEEZERMAN achieves a delivery rate of up to 98 percent in the USA.

abcfinance proved to be a reliable partner – even for customers from the hard-hit event industry.

SUCCESSFUL STRESS TEST

First the coronavirus pandemic, then soaring energy prices and inflation: The economy finds itself in permanent crisis mode. Stephan Ninow, managing director of abcfinance, is convinced that difficult times are the best proof of how valuable stable partnerships can be.

From manufacturing to retail through to the service sector: The abcfinance business unit's leasing and factoring customers represent the entire range of German SMEs. How did the companies fare in 2022 in view of the tense situation?
Stephan Ninow: Just as during the financial market and coronavirus crises, SMEs have shown themselves to be robust and resilient. Supply chain problems and high energy prices are, of course, also causing problems for our customers. However, rather than panicking, they once again played to their strengths in the current crisis and adapted their business models to the changed conditions – supported by accompanying government measures.

Nevertheless, some industries, such as the media and event sectors, still have to deal with the consequences of the coronavirus crisis, while others, such as the freight forwarding industry, have been severely affected by the energy price crisis. How does abcfinance help companies in these situations?
Stephan Ninow: Regardless of the industry, liquidity is the decisive factor in times of crisis in order to remain operational and solvent. That is exactly what our business model is built around. We help companies increase their liquidity both in the short term through factoring and in the medium and long term through leasing. As a financing partner, we usually stay at our customers' side for many years, financing their growth and not immediately leaving the scene when they face headwinds. What matters to us is whether the business model is sustainable and the partnership is based on openness, trust, and reliability. If so, we will also get through difficult times together. Instead of pulling out and immediately calling in loans in the event of payment problems, we seek solutions and possible courses of action together during personal consultations. What could be better than seeing our trust pay off and the company recover after a dry spell?

How do you intend to carry on down this road in the face of rising interest rates and unrelentingly high risks?
Stephan Ninow: Our focus is not on short-term business, but on long-term value creation. At the same time, we naturally have to pass on the rise in interest rates. But it is a question of how dynamically we do that. And here, too, we have taken a moderate and measured approach so that our customers are able to shoulder the additional burden and at the same time have the strength to make forward-looking investments in technological progress. As a financing partner for transformation in the SME sector, we intend to continue playing a central role in this process in the future.

Stephan Ninow,
Managing Director of abcfinance

OPEN STAGE

After many months of empty concert halls and deserted stadiums, live concerts and festivals have been taking place again without restrictions since the spring of 2022. The stage construction company Megaforce from Weingarten near the German city of Karlsruhe was also able to ramp up its business again – not least thanks to start-up assistance from the abcfinance business unit.

Large events have only been possible again since 2022. abcfinance helped the stage construction company Megaforce to bridge the gap.

The open-air stages that Megaforce builds for the stadium tours of rock and pop stars such as Metallica, Depeche Mode, Die Toten Hosen, or Helene Fischer are up to 30 meters high, 60 meters wide, and 25 meters deep. Founded in Weingarten, Baden-Württemberg, in 1992, the company is now one of Europe's leading suppliers of stage systems and special constructions for major events and sports ceremonies.

Modular construction system – financed via abcfinance

The stage structures are manufactured on a modular basis from individual steel, aluminum, and wooden modules and assembled individually for each event in line with the customer's specifications. High-quality stage systems for international use can easily cost up to one million euros to manufacture. To accommodate the tightly timed tour schedules, Megaforce is often on the road with three identical stages at the same time.

Investments in new components and systems are largely financed through the leasing offers of abcfinance Media Solutions, which has developed solutions that are tailored specifically to the media and event sector. In almost 20 years of trustful cooperation, the partners have continually expanded the project volume, with financing commitments being made virtually on demand. But then the coronavirus completely paralyzed the concert and event sector. It was one of the first sectors to have to shut down, and in 2022 one of the last to be allowed to resume operations.

78

out of a possible 100 points: The abcfinance business unit's Net Promoter Score remained at a high level in 2022. On a scale of 1 to 10, customers can indicate whether they would recommend the services to others. The score is calculated within a range of –100 to +100. This recommendation rate is regarded as an important indicator of customer satisfaction.

UNSTOPPABLE

Nothing would work without them: Logistics companies transport raw materials and goods, keep the shelves stocked, and provide the basis for online retailing. But due to disrupted supply chains and exorbitant increases in transport costs, the freight transport sector ran out of steam last year. Freight forwarder Westfalen-Lippe Speditions- und Lagerhaus-gesellschaft from Herford is a good example to illustrate just how important resilient partnerships are in this situation.

The long-established company, now in its fourth generation of family ownership, specializes in transport services on behalf of international logistics groups. Its fleet comprises 85 trucks, which regularly travel between Western European package distribution centers. With a view to entering further market segments, Westfalen-Lippe Speditions- und Lagerhausgesellschaft, or WL-Spedition for short, took over a long-established semitrailer forwarding company from Lemgo at the beginning of 2022. The fleet is continually being expanded and modernized, including the addition of natural gas-powered trucks and gigaliners. A large part of the financing is carried out through leasing and lease-purchase contracts with abcfinance, which provides its long-term partner with an investment framework of around one million euros per year.

Months of waiting for new tractor units: abcfinance nevertheless stood by its financing commitment to WL-Spedition.

abcfinance as a source of stability

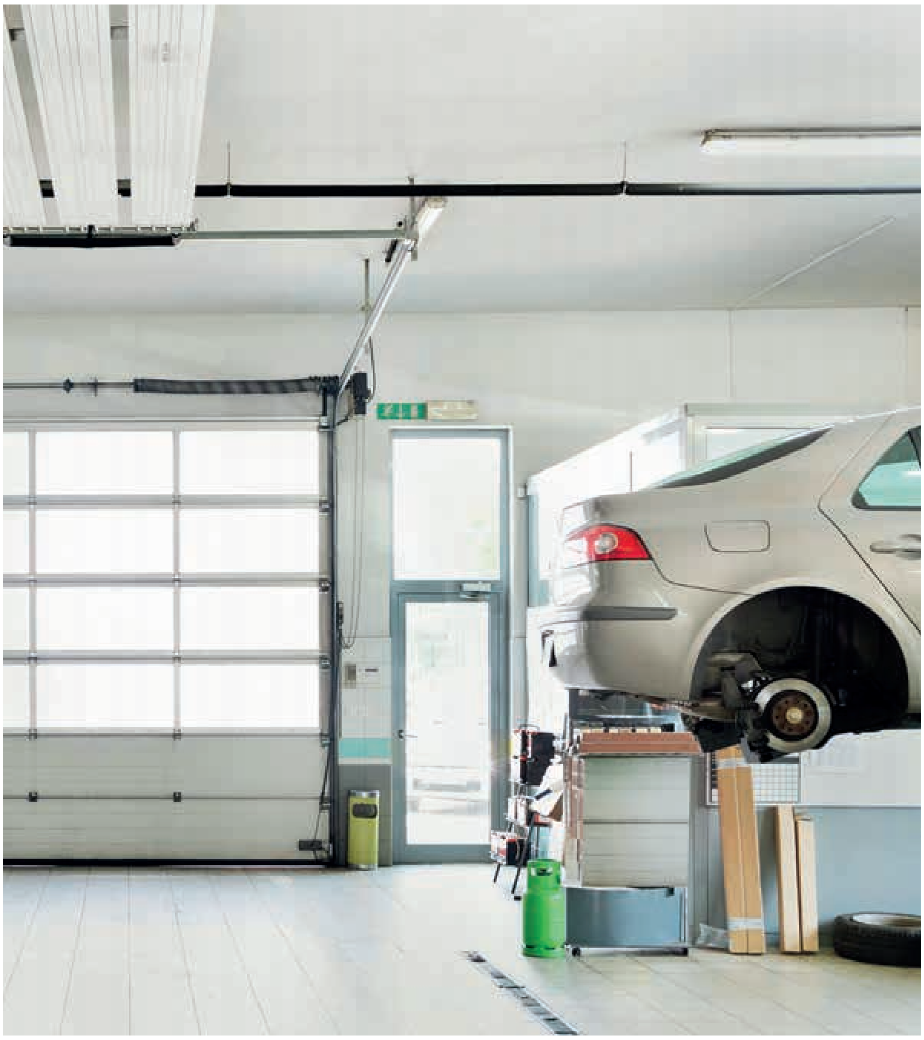
All signs pointed toward growth until the Ukraine war thwarted the company's plans. Ten new tractor units, which were to be delivered in March 2022, took months to arrive. Although a leasing offer is normally only valid for a limited amount of time, abcfinance stood by its financing commitment. When the first new vehicles started arriving in November 2022, their financing was on a solid footing. Thus, the partnership with the abcfinance business unit proved to be an important source of stability in this exceptional situation.

Backing for the restart

With the profitable business model it had built up over many years, Megaforce came through the crisis relatively unscathed – and abcfinance was an important source of support in this situation. In close cooperation with the company, the leasing experts flexibly adjusted the payment schedules and suspended the repayment installments for several months. This created immediate liquidity and helped Megaforce bridge the gap until the restart. The company resumed its operations in 2022 without any major asset erosion. And while many banks are still reluctant to grant loans in the event sector, the leasing volume of the abcfinance business unit has returned to pre-crisis levels.

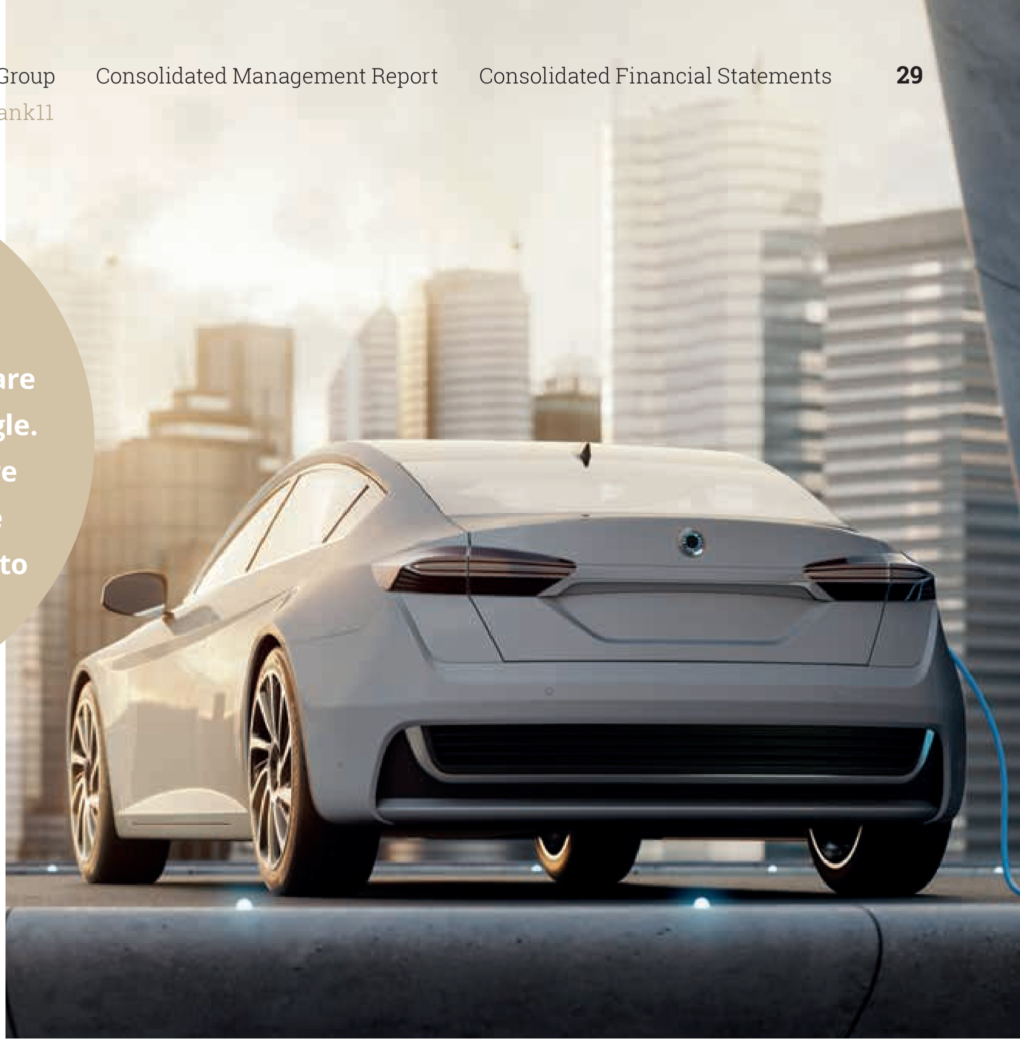
EFFECTIVE
DUAL STRATEGY

Vehicle financing for car dealers on the one hand, partner banking with cooperative banks on the other: During its anniversary year, Bank11 successfully rolled out its unbeatably fast loan processing to other areas of business. The business unit managed to grow and increase the volume of new business across all segments.



Long delivery times, new digital sales channels, changing mobility concepts: The automotive trade is under pressure in many areas. Specializing in sales and purchase financing in the mobility sector, Bank11 has been helping the industry meet challenges like these for more than a decade. In 2022, its 11th anniversary year, the business unit moved even closer to its retail partners. The anniversary roadshow, which included stops in four major German cities, focused on the requirements and needs of car dealers with a view to fostering customer loyalty. This personal exchange provided important momentum for further optimizing the financing products.

The new Bank11 dealer portal provides an overview of all products, application routes, and services, such as the new repair cost insurance.



4.7 ★

out of a possible five stars are awarded to Bank11 on Google. As of the end of 2022, more than 800 customers have submitted mostly positive to enthusiastic reviews.

Next generation: Victor 5.0

Fewer clicks, better overview, improved usability: Bank11 listened to its customers' wishes and relaunched its digital loan assistant. With Victor 5.0, it has established an even simpler and faster process all the way from loan application to disbursement. The tool is integrated into another new addition, the Bank11 dealer portal, which gives car dealers an overview of all products, application routes, and services with just one login. Users can also access new insurance products here, including purchase price insurance for the entire loan term of the financed vehicles and repair cost insurance to cover the dealer against warranty claims, among other things.

Partner banking on the rise

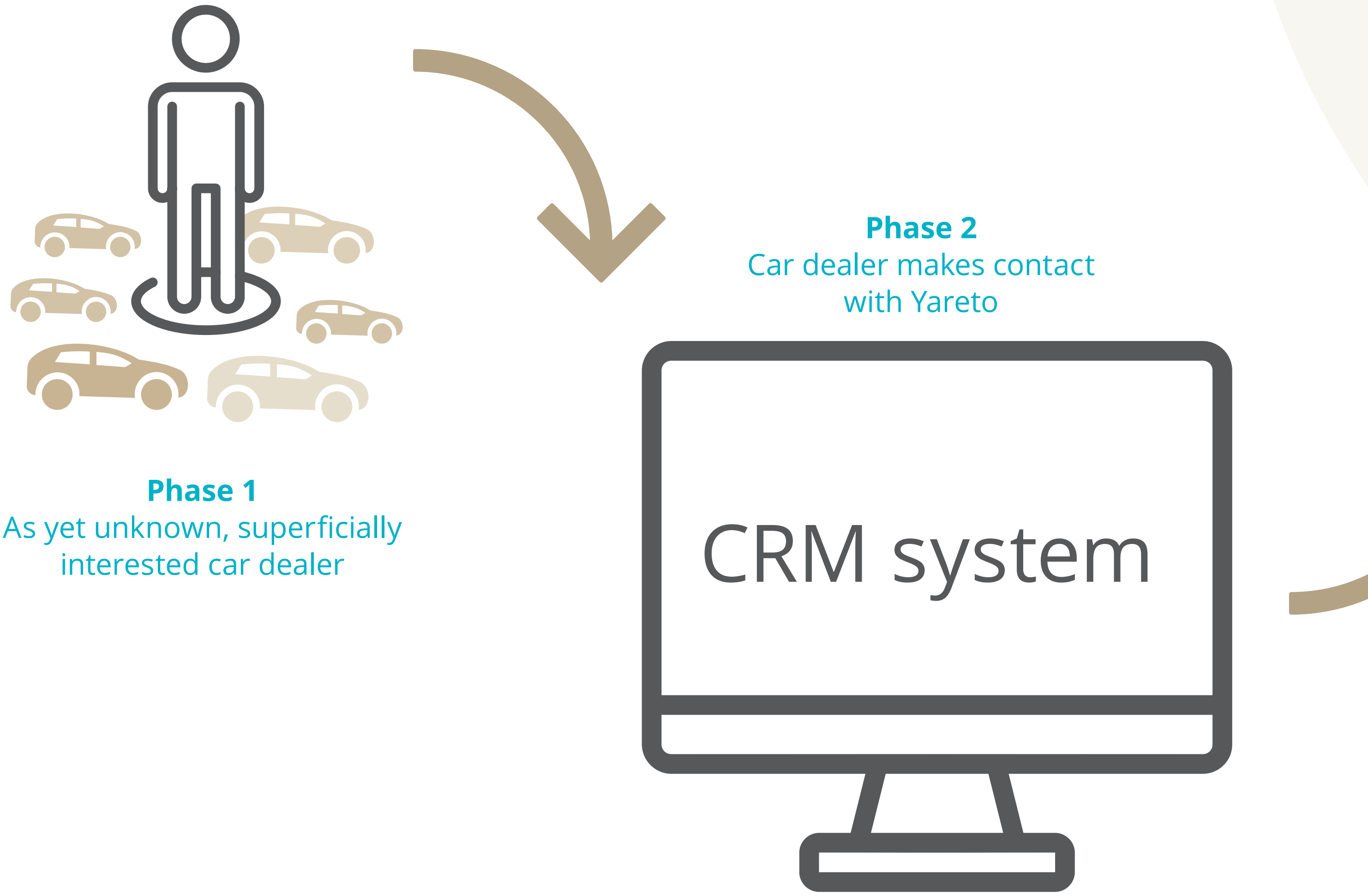
Not only car loans, but also more and more consumer loans are being taken out online. With its sophisticated, fully automated loan application route, Bank11 was able to unlock further growth potential in the partner banking segment in 2022. Affiliated partners can integrate the digital loan assistant into their own corporate banking processes as a white-label solution without having to invest in their own solutions. Besides qualified electronic signatures, the online tool now also includes a digital account check, i.e., a view of the salary account to verify salary information. This service eliminates the need for salary verification by means of a copy of the pay slip. In April 2022, another well-known financial institution was won over: Volksbank Düsseldorf/Neuss. All in all, Bank11 settled around 4,600 consumer loans with a total volume of 73 million euros last year.

Smart bank guarantee instead of cash deposit

More and more tenants who move into a new home are finding it difficult to pay a cash deposit of several months' rent on top of the sharp rise in the cost of living. Bank11 recognized the need for an adequate alternative to a cash deposit and developed a bank guarantee in cooperation with the real estate portal Immomio. Like all Bank11 products, the SmartMietkaution solution is completely digital and paperless, and is directly integrated into Immomio's application system.

Far-sighted risk management

In light of declining purchasing power, it is becoming increasingly important to carry out risk screening in order to avoid loan defaults. Bank11 has always attached importance to high credit quality and therefore introduced its own risk models from the very beginning. Scorecards tailored precisely to the financing transaction in question not only form the basis for the credit rating – they are the key to automated lending decisions in a matter of seconds.



GROWTH ACCELERATOR

One in three car dealers in Germany has already registered with the Yareto loan comparison portal and can use it to obtain quotes from various financial service providers free of charge. An express information service shows users attractive interest rates and terms for their respective customers in a matter of seconds – an advantage in the fiercely competitive automotive trade. The digital business model is now moving even closer to its target group by means of automated and fully networked marketing and sales processes.

10,000 calls

or more are made by Yareto's sales staff every month. These personal conversations with existing and potential customers can be managed, measured, and analyzed using HubSpot. This makes it possible to track which phone calls elicit certain customer reactions, for example.

Phase 4
Car dealer is now a customer and has concluded a financing deal via Yareto

Phase 3
Support from Yareto's sales team

Yareto's sales team serves more than 15,000 car dealers across Germany. Whether initial contact, freshly registered portal user, or long-standing active customer: All dealers can expect individual offers and services tailored to their business and their current needs. To keep the customer dialogue as personal as possible despite the growing number of users, Yareto has taken its customer relationship management (CRM) to a new technological level. The HubSpot CRM platform was used to create an all-in-one solution that centrally controls and largely automates all sales and marketing activities.

Seamless customer journey

A car dealer is interested in Yareto, registers on the portal, is activated, and starts a loan inquiry: Each individual phase of the customer journey is mapped in detail in the new CRM system and linked to specific actions and tasks. Through coordinated automated e-mails and personal sales contacts, dealers get exactly the support they need when they need it. For example, registered users receive a welcome e-mail and an invitation to a webinar plus a flyer by regular mail if required, and are additionally contacted by the sales department by telephone. A cross-departmental team ran through the workflow again and again, continuously optimizing it. The processes can be adjusted flexibly and dynamically at any time in line with changing customer expectations.

Creating cross-channel campaigns

Marketing and sales staff are connected via the uniform platform and have an overview of ongoing interactions at all times. Whether click rates from sent newsletters, likes on social networks, or webinar registrations on the website: The system collates, evaluates, and documents the results of various campaigns across all channels. These real-time insights give the marketing department a chance to adjust its strategies promptly. The sales team can conduct personal sales calls directly via the system, log them, and save them in the customer history of the CRM system.

360-degree customer view

To be able to provide even better service to the individual dealers, they are divided into different groups according to their user activity as well as their current and potential order volume. Lead scoring is used to identify particularly interested and active dealers, and resources can be allocated to where they have the greatest sales potential.

SMALL FIBER – BIG IMPACT

Microfibrillated cellulose (MFC) is a bio-based reinforcement additive produced by mechanically processing virgin or recycled reusable fibers without the use of chemicals. MFC is particularly tensile as well as oxygen- and grease-repellent. Used in industrial processes, it reduces the amount of material required and can replace chemicals or plastics that are harmful to the environment. At the same time, MFC improves product quality, increases process and cost efficiency, and is an important building block in transitioning to a climate- and resource-friendly circular economy. The potential range of uses extends from applications in the paper and packaging industry to the building materials and food sectors, as well as the energy and electronics industries.

On the management team, Enrico De Landerset is responsible for R&D, sales, and business development.

Dr. Axel Weiler, formerly Head of Corporate Development/M&A at Werhahn, has been supporting the management of FiberLean Technologies in the areas of finance, controlling, and governance since 2022.

GREEN LIGHT

FOR THE NEXT STAGE

With FiberLean Technologies, Werhahn KG has added one of the leading suppliers of microfibrillated cellulose to its portfolio. Under the umbrella of the Group, the company intends to expand its market leadership in the paper and packaging industry and at the same time tap into new industrial B2B markets. Enrico De Landerset and Dr. Axel Weiler, both members of the Management Board, explain what progress has been made in this direction.

100%

chemical-free – that's what you get when you use Fiber-Lean® MFC. Natural fibers are incorporated during the production process by purely mechanical means.

After the takeover by Werhahn KG, you set up an independent business unit at the location in Neuss. Where do you stand today?
Dr. Axel Weiler: FiberLean Technologies started out as a technology joint venture without its own central departments. Last year, we set up or realigned all of our functions, such as HR, Controlling, Compliance, and Reporting, and gave our brand identity a complete makeover. We also had to redraft our contracts for different fields of application. Last but not least, we brought the IT infrastructure up to date in terms of IT security and are about to roll out a global ERP system to ensure that the operational units are managed uniformly. We have thus laid the groundwork for future growth.

How do you go about convincing companies to buy your product?
Enrico De Landerset: At the moment, we are mainly focusing on the paper, packaging, and building materials industries, targeting those companies where we know MFC can add significant value. An MFC system allows customers to change their product formulas very flexibly. MFC gives most products the required strength, which means more expensive additives can be reduced – resulting in cost savings. In addition, customers can use the improved properties to create new products of a higher quality. Our sales and engineering teams have in-depth knowledge of our customers' production processes and can help them introduce MFC. We interact with them at both the operational and management levels so that all decision-makers are involved.

Through numerous large-scale trials with various customers, we have demonstrated the benefits of using MFC, while also expanding our expertise. Then the coronavirus put the brakes on our activities. Since the second half of 2022, we have been successfully conducting trials again – specifically in the UK, Sweden, Italy, the USA, the United Arab Emirates and Indonesia – so we expect to receive our first orders soon.

What kind of response do you get when you talk to customers?
Enrico De Landerset: The feedback is consistently positive, especially because our plant technology allows us to flexibly adapt the FiberLean® MFC grades to the customer's requirements. We are constantly working on further developments in close cooperation with our customers, playing with different concentrations and dosages and testing improved formulas based on sustainably cultivated acacia and eucalyptus woods. Up until now, we have developed three different product lines for different fields of application: Pure FiberLean® MFC made from cellulose fibers, FiberLean® MFC enriched with minerals, and a version made from recycled wood pulp.

Dr. Axel Weiler: The latest example from our innovation pipeline is a patented process for the production of white cardboard. Until now, packaging manufacturers have had to convert their systems for this purpose, which was very costly and time-consuming. Now they can simply use an applicator to spray our novel FiberLean® MFC on TOP of the brown base board to obtain perfect white surfaces – a development with high growth potential.

WERHAHN GROUP

Corporate Principles

- Decentralized corporate management
- Independent and flexible business
- Ensuring customer benefits

Over the course of 180 years, Werhahn has developed into a corporate group with diverse activities in Germany and abroad. A close relationship with our markets and customers, reliability and social responsibility are the values which our mid-sized family-owned business has always practiced and maintained.

Wilh. Werhahn KG is decentralized in structure. The Group's companies, which are legally independent for the most part, are organized into three corporate divisions and six business units. Their flat management structure, with short and non-bureaucratic decision-making channels, provides room for maneuver. This enables market requirements to be fulfilled rapidly and flexibly – for the benefit of our customers. For each individual employee, this means a high level of motivation as well as individual responsibility.

Central corporate management functions are performed directly by Wilh. Werhahn KG. These functions include long-term strategic alignment as well as financing the individual companies and reviewing their performance. With the goal of continuously safeguarding and further developing the Group, the aim is to achieve an economic and structural balancing of risks in the interest of risk distribution.

Wilh. Werhahn KG is a company for entrepreneurs, a family-owned business that places great value on a relationship of mutual trust with its customers, business partners and employees. The resulting corporate culture is the vital foundation on which our success is based.

Supervisory Board and Management Board

Supervisory Board

Anton Werhahn
(Chairman)

Gabriela-Maria Baum-D'Ambra
(Vice Chairwoman)

Peter Gerckens

Lambert Goder

Wilhelm Josten

Dr. Wolfgang Klein

Julius Kolb

Clemens Maier

Dr. Katharina Müller-Bardenhewer

Fritz Oidtmann

Wilhelm Straaten

Ruth Werhahn

Management Board

Paolo Dell'Antonio
(Chairman)

Alexander Boldyreff

Stephan Kühne

Report of the Supervisory Board

Dear Shareholders,

The past year once again posed significant challenges for the Werhahn Group's Management Board, managers and employees. In parallel with the ongoing pandemic, the outbreak of the war in Ukraine in February 2022 gave rise to further geopolitical risks with a direct impact on the Werhahn Group's business activities. Thanks to the Group's diversified positioning and the commitment of all involved, business performance remained stable and we achieved satisfactory results. The Supervisory Board would like to express its gratitude to the Management Board, managers and all employees of the Werhahn Group for their dedication and again very successful work during the past year.

In addition, the Supervisory Board would like to thank all employees for the help and support extended to our employees and their families in Ukraine, who have been victims of the Russian invasion. In particular, we would like to mention the joint fundraising campaign organized by employees of the holding company and business units, the shareholders and Wilh. Werhahn KG for the action medeor medicines network, which provides support to those affected in Ukraine, as well as the assistance given to those fleeing Ukraine both personally and in the form of donations. The Supervisory Board and Management Board will address the economic impact of this war on the Werhahn Group over the course of this year and beyond.

During the 2022 business year, the Supervisory Board fulfilled the duties required of it by law and by the articles of association, supervising and advising the Management Board. During this period, the Management Board provided the Supervisory Board with regular written and verbal reports on the situation and development of the entire Group and its corporate divisions, including reports on significant business events.

The Supervisory Board held four regular meetings and three further meetings in person and by video conference in 2022. In addition, the Board visited the Staub and Demeyere sites to learn about the production situation. In addition to the regular discussions about the Group's business situation and development, the topics covered at the Supervisory Board meetings included the situation and position of the individual business units, the status of projects, issues concerning risk management, and the adoption of the operational business plan for 2023. One particular focus of the discussions was the status of the various acquisitions, particularly the acquisition of the existing MFC systems by FiberLean Technologies as well as smaller purchases in the barbecue segment of the Zwilling Kitchenware business unit. During several meetings, the Supervisory Board also addressed the impact of the Ukraine war on business activities, especially with regard to the consequences of the sanctions imposed by the European Union and numerous governments.

The meetings also covered the business performance of FiberLean Technologies and Yareto, the extension of Werhahn Industrieholding SE's syndicated credit line, and the invitation to tender for the audit of the Werhahn Group starting from the 2023 business year. Lastly, at its meetings, the Supervisory Board also made decisions on transactions requiring approval under the articles of association.

Outside of these meetings, the Chairman of the Supervisory Board maintained close contact with the members of the Management Board. Through regular conversations with them and the auditor, he gained a comprehensive overview of the economic, financial and legal situation. The Vice Chairwoman of the Supervisory Board was also closely involved in the preparations for Supervisory Board meetings.

The Supervisory Board was supported in its work by an Accounting Committee and a Personnel Committee. The committees prepared the topics for discussion, reviewed pending decisions in advance and decided upon these if necessary, and made recommendations for resolutions of the Supervisory Board. The topics discussed last year on the Accounting Committee included the 2021 Financial Statements and Consolidated Financial Statements and reports on legal, compliance, information security, data protection and internal audit developments and activities in the Werhahn Group, as well as the tender process for the audit of the Werhahn Group starting from the 2023 business year. The Personnel Committee discussed matters relating to the Management Board in particular. Committee chairpersons informed the members of the Supervisory Board of the content and outcomes of their committee meetings.

At the regular shareholders' meeting on May 14, 2022, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was reappointed as auditor for the Annual Financial Statements and Consolidated Financial Statements. Following a corresponding resolution, the appointment was made by the Supervisory Board, after having confirmed the auditor's independence.

The Consolidated Financial Statements, including the Consolidated Management Report as well as the Financial Statements of Wilh. Werhahn KG for the 2022 business year, were prepared by the Management Board and audited by the auditors, who issued an unqualified auditor's opinion pursuant to section 322 of the German Commercial Code (HGB). Following a preliminary audit by the Accounting Committee, the Supervisory Board approved both sets of financial statements in its meeting on April 18, 2023. The Financial Statements of Wilh. Werhahn KG as of December 31, 2022 were thus adopted. The auditor was present at the discussions of the Financial Statements and the Consolidated Financial Statements as well as at all meetings of the Accounting Committee and answered supplementary questions.

Neuss, April 18, 2023
The Supervisory Board

Anton Werhahn
Chairman of the Supervisory Board

Corporate Governance Report

The Management Board and the Supervisory Board report in conformity with principle 23 of the German Corporate Governance Code (DCGK, as amended on April 28, 2022) on the corporate governance of the Werhahn Group. The Management Board consisted of three non-family members in the period from January 1 to December 31, 2022. The Supervisory Board of Wilh. Werhahn KG comprised nine family members and three non-family members throughout the 2022 business year.

Responsibly dealing with risks is a key component of corporate governance in the Werhahn Group. Therefore, the Management Board and Supervisory Board of Wilh. Werhahn KG place great value on the principle that good corporate governance at all Group levels is a major element of strategic thinking and action. The articles of association of Wilh. Werhahn KG comply to a great extent with the recommendations of the Governance Code for Family Businesses (GKFU, as amended in May 2021).

Responsibly dealing with risks
At the Werhahn Group, good corporate governance involves comprehensive and systematic risk management within the framework of corporate management and comprises three lines of defense.

The first line of defense is situated where the main material risks can arise: in other words, in the respective business units of the Werhahn Group. The risks in the various business units are identified, the resulting risk potential is analyzed and evaluated using quantitative measurement variables, and risk mitigation measures are considered. These measures include controls that the respective management implements in the business processes. This approach helps to ensure that risks are identified at an early stage. Any risks to the going concern status are reported immediately – outside of regular reporting – to the supervisory boards in the business units as well as to Wilh. Werhahn KG and its Supervisory Board.

The second line of defense is exercised by Controlling and by Compliance, among others. It establishes the framework for the risk management and compliance management systems, for example, by setting guidelines and establishing operating procedures. At the same time, these functions monitor the risk situation from a Group perspective. We strive to closely integrate the functions in order to ensure the highest possible degree of efficacy in avoiding and managing risks. The risk management system is described in detail in the Consolidated Management Report.

To create a picture of the Group's overall risk situation, the specific local and general risks as well as the Group effects are evaluated based on the reports prepared by the business units. The Management Board and the Supervisory Board of Wilh. Werhahn KG are informed annually about the resulting current overall risk situation of the Group and the individual business units, as well as on an ad hoc basis regarding exceptional developments. The boards discuss in detail the causes of the current risk situation and measures to be taken.

Beyond its advisory role concerning the annual Financial Statements and the Consolidated Financial Statements, the Accounting Committee of the Supervisory Board dedicates a meeting to the risk management system and risk evaluation, taking into account knowledge from the areas of internal audit, compliance, data protection and information security by creating written reports and conducting personal interviews with the department heads responsible.

The central Internal Audit department functions as the third internal line of defense, conducting independent tests to monitor the appropriateness and efficacy of the processes and risk management systems in the broadest sense that are implemented in the first two lines of defense. The Internal Audit department reports directly to the Chairman of the Management Board.

This model is rounded out by external monitoring by the auditor, who incorporates the results of the Internal Audit department's tests into his audit opinion. The model is continuously updated and adapted to changing circumstances on an ongoing basis.

Cooperation between the Boards

The Management Board and the Supervisory Board work closely together in the interest of the company. The Management Board coordinates the strategic alignment of the company with the Supervisory Board and informs it regularly, promptly and comprehensively about all matters related to strategy, business development relevant to the company, the risk situation, risk management and compliance. Any deviations from the Group's established business development plans and goals are explained and justified.

The articles of association and the Management Board rules of procedure issued by the Supervisory Board require approval by the Supervisory Board for numerous major business transactions, regardless of whether the transaction pertains to Wilh. Werhahn KG itself or to a subordinate Group company.

Avoiding conflicts of interest

The Management Board and the Supervisory Board are obligated to act in the company's interest. In their decisions and in connection with their activities, members of the Management Board and the Supervisory Board may neither pursue personal interests nor personally exploit business opportunities to which the company is entitled. The Management Board has expressly recognized the entire Code of Conduct that applies to the Werhahn Group as binding on the Board itself.

Compliance

The Werhahn Group's business conduct is guided by a Code of Conduct that is applicable worldwide to all Group companies and to all employees. The Code of Conduct, which was updated in 2020, is supplemented by specific guidelines on antitrust law, anti-corruption and anti-money laundering, among other things. The compliance framework is complemented by extensive e-learning programs and additional materials, which are available to all Group companies. The Code of Conduct is currently available in 19 languages.

The Werhahn Group has established a Compliance Committee, which is made up of the business unit compliance officers, the head of the Legal/Compliance/Data Protection/Information Security department and the head of the Internal Audit department. The member of the Management Board responsible for Compliance also participates in the Compliance Committee meetings held several times during the year. The Compliance Committee addresses all matters relating to compliance within the Werhahn Group, analyzes risk and takes steps to ensure improved compliance. Knowledge arising from the discussions and training sessions is used to investigate business processes for preventive purposes.

The compliance officers in the business units report to the head of the Legal/Compliance/Data Protection/Information Security department of Wilh. Werhahn KG, among others, who in turn reports to the Management Board. The head of the Legal/Compliance/Data Protection/Information Security department will contact the Chairman of the Supervisory Board directly if they have reason to suspect that the Management Board has not conducted itself in accordance with the compliance rules.

More than 30 compliance officers in the business units contribute to the ongoing development of the compliance system and ensure the effective implementation of measures in their area of responsibility. Local compliance officers and the central compliance officer are available to answer any questions employees may have regarding compliance. A reporting system has also been set up in the form of the Werhahn Compliance Helpline, which can be accessed free of charge and anonymously (if desired) anywhere in the world to report compliance issues. It is also possible to enter into an anonymous dialogue with the whistleblower. The company has engaged an external ombudsperson for this purpose. This ombudsperson first receives the reports from the whistleblower system, which are then forwarded – in anonymized form if required – to the responsible person in the business units and/or at Wilh. Werhahn KG.

In addition to listing the compliance rules, an at least equally essential component of the compliance management system is to convince the employees required to comply with these rules of the necessity of adhering to the legal and internal requirements. The Group has a comprehensive training program for this purpose. One focus of our compliance activities is antitrust law and anti-corruption training, which is conducted worldwide on site by experienced attorneys or compliance officers as well as through e-learning.

Because an awareness of compliance also crucially depends on how this issue is approached by top-level management, the Code of Conduct e-learning also includes video messages from the members of the Management Board of Wilh. Werhahn KG as well as statements tailored to the individual business units by the relevant chairperson/management representative.

A follow-up audit to the international compliance audit conducted in 2016 by a renowned and experienced German law firm and coordinated by the Chairman of the Supervisory Board concluded that, in terms of content and concept, the current compliance management system is adequate with regard to preventing or substantially impeding infringement and recognizing emerging infringements. Following completion of the follow-up audit, the Werhahn Group was certified for its strong compliance culture. It was emphasized that compliance awareness had further increased, meaning that there is a better-than-average awareness of compliance within the Werhahn Group.

In addition, data protection and information security processes and structures have been enhanced to take account of the significantly increased importance of these areas. In particular, protective measures against the constantly evolving threat of cyber crime were initiated in consultation with specialists and insurers.

Furthermore, there are numerous additional compliance, data protection and information security activities, particularly in the companies regulated by the German Federal Financial Supervisory Authority (BaFin).

Accounting and audit

For the reporting year, it was agreed once again that the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, will inform the Chairman of the Supervisory Board and the Chairman of the Accounting Committee immediately of any material findings or incidents discovered during the audit of the financial statements and the Consolidated Financial Statements.

CONSOLIDATED MANAGEMENT REPORT

Macroeconomic Development

After two years in which global economic developments were largely defined by the coronavirus pandemic and its repercussions, in 2022 the global economy was shaped by Russia's invasion of Ukraine and its far-reaching impact. Sustained supply bottlenecks, climbing raw materials and energy costs and, downstream, the higher price of goods and food resulted in rising inflation worldwide. According to the calculations of the International Monetary Fund (IMF), the global rate of inflation increased from 4.7% in the previous year to 8.8% in 2022. This crisis situation and the increase in subsidies to combat inflation sharply pushed up public debt in many countries. According to the IMF, public debt represented close to 40% of total debt in 2022 – its highest level in six decades. Amid this uncertain global economic situation, the risk of a global recession increased.

The rapid spread of new variants of the coronavirus – particularly in China – also contributed to the slowdown in economic growth. The full lockdowns in economic hubs in China led to a further far-reaching and long-lasting disruption in global supply chains, which negatively impacted trade flows and the global economy as a whole. In the course of the year, many markets recovered as the coronavirus restrictions were somewhat eased. According to the German Federal Statistical Office, global GDP increased by around USD 4.5 trillion on the year to a total of around USD 101.6 trillion in 2022.

Consumer spending bolsters German growth

The impact of the war in Ukraine, supply bottlenecks, skills shortages and sharp energy price rises dominated Germany's macroeconomic picture in 2022. According to the Federal Statistical Office, the German economy grew by just 1.9% in the past year, a slower rate than recorded the previous year. According to the federal government, growth was supported in particular by the strong 4.6% increase in private consumption. Consumer spending thus rose to almost pre-pandemic levels. Private households in Germany again increasingly spent their money on hotel and catering services, as well as on leisure, entertainment and cultural activities.

However, the overall picture was dominated by the economic challenges, which the federal government countered with support packages running into the billions. According to the Federal Ministry for Economic Affairs and Climate Action, the inflation rate in Germany rose to over 10% in the fall of 2022 – this is the highest level since the 1950s. Major inflation drivers included the rise in energy prices and supply disruptions due to the pandemic. For the full year, the Federal Statistical Office calculated an overall inflation rate of 6.9%. The rise in energy prices also negatively impacted industrial output, as it led to lower order intake and curbed production in energy-intensive industries.

Construction investment declined by 1.6% in 2022, according to the Federal Statistical Office. The Leibniz Institute for Economic Research at the University of Munich (Ifo Institute) reported that more than one in two construction companies felt the effects of construction materials shortages at the end of 2022, while more than 40% of companies experienced skills shortages. At the end of the year, almost one in six construction companies was also affected by order cancellations due to the consistently high construction costs and rising interest rates on construction loans.

In contrast, foreign trade developed positively in 2022. Compared with the previous year, exports of goods and services were up 3.2%. In total, Germany exported goods worth just under €1.6 trillion, with an export surplus of €80 billion. However, the 6.7% rise in imports on a price-adjusted basis resulted in slower GDP growth. According to the Federal Ministry for Economic Affairs and Climate Action, this is attributable to the weakening demand for German industrial goods, such as plant and machinery, simultaneously coupled with higher demand for energy imports. Germany's most important export partner in 2022 was still the USA, while China slipped from second to fourth place among the importing countries, mainly due to the coronavirus restrictions. Other major trade partners in 2022 were France (second place) and the Netherlands (third place). The most important export goods were motor vehicles and motor vehicle parts, machinery and chemical products.

On the imports side, the most important goods were computer, electrical, optical and chemical products, as well as oil and natural gas, in particular. According to the Kiel Institute for the World Economy (IfW), in 2022 Germany paid almost €80 billion more to foreign countries for energy than in the previous year.

According to the Federal Statistical Office, government consumption expenditure rose only moderately in 2022 by 1.1%. While government spending to tackle the coronavirus pandemic declined significantly, the government invested in providing food and accommodation to a large number of people fleeing Ukraine and other countries. The statistical office reported that the national budget ended 2022 with a funding deficit of €101.6 billion – just under €33 billion less than in the previous year.

Europe performs better than expected

Europe's economic situation was heavily influenced by the consequences of the war in Ukraine, the energy crisis and the resulting high level of inflation in 2022. The Federal Statistical Office estimates that the inflation rate in the 27 European Union Member States was 9.2% in 2022. However, the annual growth rate – both in the EU and the eurozone as a whole – exceeded expectations. According to the data of the Statistical Office of the European Union, GDP in the eurozone and the EU rose by 3.5% and 3.6%, respectively. In the fall of 2022, the prediction was still 3.3% growth. In light of the looming recession in the eurozone, European countries adopted comprehensive packages of measures.

The Italian economy grew despite the global economic crisis. After easing its pandemic restrictions, Italy benefited from a rise in tourism and air travel. According to the European Commission, Italy's GDP rose by 3.9% in 2022 due to high domestic demand and investment in residential construction, among other factors.

Spain also came out of the 2022 crisis year relatively well thanks to the sharp upturn in tourism and exceeded economic expectations. The country's GDP grew by 5.5% compared with the previous year. The European Commission observed that the slower rate of inflation starting in fall 2022 improved consumer and business sentiment. This resulted in higher consumer spending and rising investments at the end of the year.

France's GDP grew by 2.6% in 2022, which the European Commission primarily attributes to the economic improvements of the previous year. In 2021, this figure was still close to 7%. Parts of the Eastern European economy had to contend with massive inflation. According to the Federal Statistical Office, the highest rates in the Baltic region were just under 20%. Nevertheless, the Vienna Institute for International Economic Studies reported that the Baltic states largely remained robust, for example reducing their gas consumption and thus their reliance on Russian energy imports. Higher military spending also prevented recession. Countries such as the Czech Republic saw bilateral trade reach record levels. The Czech economy benefited from robust investment activity, while consumer spending slowed compared with the previous year and GDP growth amounted to 2.5%. Ukraine was a major outlier in the region, with a more than 30% slump in GDP in 2022 due to the war.

The Polish economy proved very resilient to global economic developments in 2022. According to the European Commission, the country's GDP grew by 4.9%, exceeding forecasts by a clear margin. The Commission attributes this to the expansionary monetary policy, good labor market situation and the economic output of Ukrainians who have found refuge in Poland. The Polish central bank also observed strong growth in foreign direct investment, mostly from Germany. Santander Bank Polska reports that more than €33 billion flowed into Poland from abroad in 2022.

In the UK, the economy continued to recover from the effects of the coronavirus pandemic in 2022. According to British government figures, GDP rose by 4.1%. However, overall the UK economy is experiencing a major crisis. Germany Trade and Invest reports that the country's economic output was actually 0.2% down on pre-pandemic levels in September 2022. At the end of the year, many forecasts were pointing to a recession and a decline in GDP and economic output over the coming years. The primary reason for this was the steep rise in inflation, which reached its highest level in 41 years of 11.1% in October 2022 and curbed consumers' spending power. For the first time, the United Kingdom was no longer among Germany's top ten trading partners in 2022. The impact of Brexit in 2021 is also being felt increasingly strongly: Since leaving the EU, the British pound has declined in value by 10 to 15%, making imports more expensive and pushing up inflation. Even food has become significantly more expensive.

Solid growth in the USA and China

Following the high levels of economic growth in the previous year, the USA recorded growth of 2.1% in 2022, according to Department of Commerce figures. Despite the high inflation and rising interest rates, the US economy remained relatively stable. Although the US economy shrank slightly in the first two quarters, it performed better than forecast in the second half of the year – especially the fourth quarter – and GDP even rose by a slight 2.9% on an annualized basis. At the same time, the Federal Reserve's interest rate hikes to counter the high rate of inflation slowed down economic activity and investment on the corporate side.

Overall, fears of recession are rife in the USA due to the rising interest rates and high inflation. However, the obvious growth in the US economy at the end of the year is reason for cautious optimism that the world's largest economy could avoid recession. Recently, the labor market – as a key indicator – stabilized. In December 2022, the inflation rate declined to 6.5%, which was also helped by lower energy prices.

The fact that US citizens continued to spend throughout the year, despite the decline in real disposable income, was also a contributing factor. According to the Department of Commerce, consumer spending increased by 2.1% in the fourth quarter, after rising 2.3% in the summer, meaning domestic consumption – which is important for the US economy – remained relatively stable.

The USA's foreign trade deficit rose to a record high at the end of the year. It increased by USD 6.4 billion to USD 67.4 billion. The higher deficit is attributable to declining exports alongside simultaneously rising imports. Imports into the USA exceeded exports by USD 948 billion last year.

China's economy grew by just 3% in 2022, falling short of the growth target of 5.5% set by the government for 2022. This shortfall is attributable to the government's strict zero-COVID strategy, which caused major problems for the world's second largest economy.

Alongside the economic cost of curbing the rate of COVID-19 infections, the temporary lockdown of entire cities left its mark on company profits. Other economic issues also hampered growth in China, including the severe real estate crisis, high debt level and weaker domestic demand. The export sector was also impacted by the global economic slowdown. According to National Bureau of Statistics data, Chinese industrial companies initially saw profits shrink by 2.1% on the year in the period from January to August. After a weak second quarter, China's economy again began to record slight growth in August 2022. However, foreign trade declined by 9.5% in 2022 – a sharper drop than experienced at the beginning of the coronavirus pandemic in May 2020, when the decline was 9.3%. As a result, the World Bank estimates that China lost its position as Asia's growth driver, at least for a time.

The zero-COVID strategy meant that millions of Chinese people were temporarily unable to leave their homes. Overall, Chinese household consumption declined in the past year, so Chinese consumers are sitting on significant savings. In December, there was a sudden reversal in the Beijing government's coronavirus policy. However, the country's subsequent COVID wave paralyzed the Chinese economy for part of December. Retail, the service industry and the export sector were the hardest hit and saw sales slump compared with the prior-year period. In contrast, there was slight growth in industrial production.

Japan recovers as Russia declines

Japan, the world's third-largest economy, was slow to recover from the impact of the coronavirus pandemic in 2021. This trend continued in 2022. Japanese economic growth was slower than expected, with the government putting GDP growth at 1.1%. Private consumption, which accounts for more than half of Japan's GDP, rose by 0.5% in the fourth quarter. Although Japan managed to avoid entering into recession in 2022, rising inflation meant that economic recovery was lackluster. In Russia, the economy was weighed down by the cost of the war against Ukraine in 2022 – due both to domestic expenditure and the significant sanctions imposed. In response to Russia's invasion of Ukraine, the USA, Canada and the EU, among others, significantly tightened the economic sanctions against Russia in place since 2014. In 2022, Russia's budget deficit amounted to RUB 3.3 trillion, which corresponds to around €44 billion. This was largely attributable to military spending. According to the Ministry of Finance of the Russian Federation, Russian GDP declined by 2.1% in 2022. Nevertheless, Russia withstood the sanctions better than economists had predicted. In its autumn outlook, the International Monetary Fund (IMF) had forecast a 3.4% decline in GDP in 2022.

Business Development and Results of Operations

Diversity is a defining feature of the Werhahn company. The Group's operations are assigned to three corporate divisions – Building Materials, Consumer Goods, and Financial Services – with six business units and innovative business models.

Key control parameters for the corporate divisions are net sales, EBITA (operating result as earnings before interest, tax and non-operating depreciation and amortization[1]) and EBT (earnings before tax).

In 2022, the Werhahn Group recorded consolidated net sales of €4,282 million (previous year: €3,981 million). At 8%, net sales growth slightly exceeded planning and was significantly up on the prior-year figure.

All corporate divisions contributed to this increase. The Building Materials division recorded clear year-on-year growth, net sales in the Financial Services division were significantly higher than in the previous year, and the Consumer Goods division's net sales were slightly up on the year.

Net sales rose markedly both in Germany and abroad. At 35%, the share of foreign net sales in consolidated net sales remained at the prior-year level. Net sales in euros were positively impacted by exchange rate movements, as well as significant price effects. This trend was driven, in particular, by the US dollar and the renminbi.

Net sales by business unit

in € million	**2022**	2021	Change
Aggregates	1,497	1,333	164
Slate	85	77	8
Zwilling Kitchenware	902	878	24
Zwilling Beauty Group	106	97	9
abcfinance	1,452	1,392	60
Bank11	228	193	35
Others	44	41	3
Consolidation	–32	–30	–2
	4,282	**3,981**	**301**

[1] Non-operating amortization includes write-downs on goodwill and hidden reserves disclosed during the revaluation of acquisitions, as well as differences between straight-line and declining-balance depreciation.

Selected key figures

	2022	2021
Cost of materials ratio[2]	55%	54%
Personnel expenses ratio[3]	14%	14%
Investment rate[4]	113%	147%
Tax rate[5]	40%	33%
Earnings before tax (in € million)	156	212

The Werhahn Group's cost of materials includes expenditures in the Building Materials and Consumer Goods divisions. Furthermore, cost of materials for the Financial Services division includes refinancing costs, residual book values of sold leasing assets, acquisition costs for hire-purchase objects, and commissions from the banking and leasing segment. The cost of materials was up 9% on the previous year due to the higher procurement and raw materials costs and amounted to €2,351 million (previous year: €2,148 million).

The cost of materials[2] ratio increased slightly from 54% to 55%. The Building Materials division, in particular, was able to counter the rise in procurement and raw materials costs through active price management. In the Financial Services division, the significant rise in refinancing costs, higher procurement costs for hire-purchase items and the increase in commission expenses were almost entirely offset by higher revenues, resulting in a slight rise in the cost of materials ratio.

Personnel expenses were noticeably up on the prior-year figure (€564 million), at €606 million, with slightly higher average employee numbers. At 14%, the personnel expenses ratio[3] remained at the prior-year level.

Depreciation of tangible assets and amortization of intangible assets in the business year stood at €165 million, which is considerably up on the previous year's figure of €147 million. This was attributable to the high level of investment activity as well as the goodwill amortization related to the acquisitions in 2021 and 2022. Write-downs of leased assets increased slightly from €547 million to €558 million due to the growth of the leasing business.

[2] The cost of materials ratio is calculated by dividing the cost of materials by net sales.
[3] The personnel expenses ratio is calculated by dividing personnel expenses by net sales.
[4] The investment rate is determined by dividing investments in tangible assets, intangible assets (excluding goodwill), and net investment related to acquisitions by depreciation and amortization.
[5] The tax rate is calculated by dividing the tax expense by earnings before tax.

Other operating income totaled €63 million in 2022, a slight decline of 4% compared with the previous year (€66 million). The decline is primarily attributable to the recognition of nonrecurring income from a subsequent purchase price adjustment related to an earlier company sale in the previous year. Currency exchange gains also rose year on year. Gains on the disposal of fixed assets and income from release of provisions moved in the opposite direction. The most significant individual items of other operating income are currency exchange gains (€16 million, previous year: €12 million), income from the release of provisions (€15 million, previous year: €17 million) and gains on the disposal of fixed assets (€4 million, previous year: €9 million).

Other operating expenses rose by a significant 19% to €575 million (previous year: €483 million). Write-downs on accounts receivable from financial services (€44 million, previous year: €29 million), the cost of external services (€129 million, previous year: €109 million), expenses for recultivation obligations (€26 million, previous year: €8 million) and rental and lease expenses (€55 million, previous year: €47 million) all rose considerably compared with the previous year. Maintenance costs also increased substantially (€93 million, previous year: €85 million). The sharp rise in write-downs on accounts receivable from financial services is attributable to the higher credit default risk due to the general economic developments, as well as to the further growth of the Financial Services division. The other items, such as the cost of external services and the expenses for recultivation obligations, were strongly impacted by inflation-related price rises.

In the business year, investment income increased by €2 million to €32 million. This was primarily due to higher distributions from other participations.

The Werhahn Group's 2022 operating result was significantly down on the prior-year figure and well below expectations. This is largely attributable to the performance of the Consumer Goods division, where the operating result fell considerably short of the prior-year figure and expectations, since it was not possible to fully pass on the rising costs to customers. Although the operating result of the Financial Services division was only slightly lower than planned, it was substantially down on the previous year due to the rise in risk expenses and refinancing costs. The innovative business models also generated much higher start-up losses than in the previous year and than planned. In contrast, the Building Materials division saw its operating result significantly exceed both the prior-year and the planned level thanks to its active pricing policy.

The interest result including income from securities in fixed and current assets amounted to €–11 million (previous year: €–9 million). This change was due to the higher liabilities to banks as well as the general increase in interest rates.

At €156 million, earnings before tax were significantly below the prior-year figure (€212 million) and expectations.

Overall, the Werhahn Group generated net income of €93 million in 2022, a year-on-year decrease of €47 million.

The Management Board would like to thank all employees for their strong commitment and for their contribution to the success of the Werhahn Group in a year marked by exceptional challenges.

Building Materials

The Building Materials division includes the **Aggregates** and **Slate** business units, which are active in Germany and in other European countries. The Aggregates business unit extracts and processes mineral raw materials for the construction industry. As a leading producer of premium slate, the Slate business unit markets high-quality slate for roofs, façades, interiors and landscaping.

Aggregates

The Aggregates business unit comprises four segments under the leadership of Basalt-Actien-Gesellschaft (BAG): mineral raw materials, asphalt mixtures, construction chemicals, and building materials recycling/disposal. In addition to operations in Germany, Sweden and the Benelux countries, the business unit also operates in the Central and Eastern European countries of Poland, Russia, Ukraine, the Czech Republic and Hungary with its own production sites. Customers primarily include road construction, civil engineering, structural engineering, hydraulic engineering and track construction companies, private and public property developers, and rockwool and cement producers.

In the mineral raw materials segment, hard stones are extracted in 90 Group-owned quarries, then processed and marketed regionally. In addition, a significant portion of the raw material is used for the production of asphalt mixtures in 164 mixing plants owned by the Group. The construction chemicals segment mainly produces and markets bituminous sealant materials for structural and roadway construction. The building materials recycling/disposal segment involves processing, marketing and storing non-contaminated recyclable building rubble.

Weaker demand for public road construction

The general conditions for the business unit were heavily impacted by the war in Ukraine, the inflationary effect of energy and input prices and the disruption of international supply chains, particularly in the supply of machinery and replacement parts.

According to figures from the Central Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie), the industry grew nominally by a high 10% in 2022: price-adjusted, this represents a real decline in net sales of 5.8%. Although all three construction segments – residential construction (+11.2%), commercial construction (+10.8%) and public construction (+8%) – recorded price-related growth, on a price-adjusted basis they also declined. In the area of public road construction, a key area for the business unit, price-adjusted net sales were down 5.2% on the previous year (nominal increase of 10.1%). Order intake for public road construction also decreased, with a real decline of 6.1% (nominal increase of 8%). Despite the higher – and partly unused – public budgets, both demand and order intake for public road construction declined further. Alongside the ongoing administrative issues, this was largely attributable to the sharp rise in construction prices. The fixed budgets at federal, state and municipal level only allowed for limited cost-related project overruns. Other reasons included staff shortages, particularly due to the continued skills shortages at planning and licensing authorities, which caused delays in planning, calls for tender and the awarding of contracts. The inadequate level of digitalization at public building authorities, coupled with ongoing difficulties due to the pandemic, also continued to reduce or delay calls for tender activity. The dampening effect of the above factors resulted in market volume growth falling short of both expectations and potential, especially in asphalt road construction.

In the business unit's foreign markets, developments were also shaped by the war in Ukraine and the impact of inflation, which in most cases was even stronger. In Poland, the most important foreign market, investments were lower than expected and infrastructure projects were delayed. This was primarily due to the uncertainties caused by the war, as well as the lack of transport capacities, rising energy costs and high inflation. The Hungarian economy continued its growth trajectory in 2022, despite the unfavorable general conditions caused by the war in Ukraine and rising energy prices. However, given the high level of inflation and interest rates, the construction industry did not perform as well as other sectors. The suspension of EU payments due to the ongoing political

Net sales development Building Materials division

in € million

tensions continued to hamper the economy. The Czech economy grew in 2022, but it also came under pressure due to the consequences of Russia's war against Ukraine and the resulting high inflation. Despite this development, the Czech government further increased the State Fund for Transport Infrastructure. In Russia, the war and sanctions had a significant and lasting negative impact on more and more industries as well as the economy as a whole. Spending on construction and infrastructure projects nevertheless rose considerably due to state investment. The war brought an abrupt end to the positive economic trend in Ukraine. The destruction of key infrastructure, the blockade of ports and the loss of labor resources due to people fleeing and conscription paralyzed business. Investment in new infrastructure will only take place once the war is over. In Sweden, the growth outlook was tarnished by the high rate of inflation, rising interest rates, continued supply bottlenecks and the comparatively high energy prices. In spite of this, the country recorded economic growth.

The rise in fuel and input prices was given further impetus by the war in Ukraine. High crude oil prices, particularly in the first half of 2022, led to a sharp rise in bitumen prices and had a significant negative impact on procurement costs compared with the previous year. The cost of fossil fuels, as well as purchased freight services and other energy-dependent inputs, rose markedly. Expenditure on spare and wear parts also increased significantly, primarily due to inflationary price rises, limited supply capacities and disrupted supply chains.

Strong net sales despite difficult market environment

In 2022, net sales in the Aggregates business unit rose by a considerable 12.3% year on year to €1,497 million, significantly exceeding expectations.

The increase compared with the previous year and the planned level is mainly due to the much higher revenues from mixtures and raw materials. The steep rise in procurement costs meant it was essential to adopt an active and innovative pricing policy to offset the exceptional cost increases through higher revenues.

The nominal net sales growth was actually based on lower sales volumes. Sales of raw materials in Germany were significantly below the prior-year and planned level. Sales of mixtures also fell short of the comparative figures – and were slightly down on the previous year and clearly below the planned level – due to fewer orders and rising prices, while public budgets remained unchanged. Sales of raw materials outside Germany were moderately lower than in the previous year and compared to the planned level. This decline was largely due to the massively curtailed operation of the Ukrainian quarry. Excluding these constraints, foreign business markedly exceeded both the prior-year and planned level.

Despite the difficult environment and lower sales, the operating result significantly exceeded the previous year and planned level. The higher input costs were more than offset by a strict pricing policy and systematic cost management. The Aggregates business unit performed very well in its main foreign markets. However, the significantly higher provisions, particularly for the recultivation of quarries, due to the sharp rise in the building price index had a negative impact. Alongside the considerably higher cost of bitumen and other inputs, the construction chemicals business was negatively impacted by the much weaker building construction trend over the course of the year. In the building materials recycling/disposal segment, the result was reduced by lower crushed tonnages, higher supplies costs and a decline in special construction in particular.

Similarly to the operating result, earnings before tax were significantly up on the prior-year and planned level.

Price rises curb construction industry

The current outlook for the German construction industry is marked by a variety of challenges. The Central Association of the German Construction Industry (Hauptverband der Deutschen Bauindustrie) anticipates a real decline in net sales of 6% overall in 2023, with real declines of 9% and 4% in residential construction and commercial construction, respectively. Public construction in Germany will continue to be negatively impacted by the fact that the nominal construction budget will not keep pace with construction price rises in 2023. As a result, public construction – which is particularly significant for the Aggregates business unit – is expected to experience a further real decline of 5%. Developments in the area of federal highways are particularly problematic, since there is still a considerable backlog of transport network renovation and expansion works, but insufficient funding. At the municipal level, too, the transport infrastructure investment backlog is set to further increase.

The development on foreign markets is to a large degree determined by the uncertain course of the geopolitical situation and the global inflation trend. It is expected that the economies of key markets such as Poland will lose a good deal of momentum, with the war in Ukraine causing great uncertainty. Impetus could come from public bodies, particularly in the development of the motorway and expressway network. However, most projects are reliant on EU support, and the European Commission will not release funding until Poland has reformed its judicial system. Due to its invasion of Ukraine and the sanctions from the West, Russia's economy is expected to shrink in 2023. At the same time, infrastructure investments will likely give a boost to the domestic economy. The outlook remains difficult for Ukraine. Most new infrastructure projects have been postponed until the war is over. As a consequence of the Ukraine war and the resulting economic crisis, it is feared that the Hungarian economy could slide into recession. It is expected that public investment in infrastructure will be significantly curtailed due to the suspension of EU funding and the consolidation of public finances in the national budget. The Czech economy is likely to at best stagnate in 2023. With potential impetus from the new 2021–2027 EU funding period, infrastructure investment will be less of a priority. It is anticipated that Sweden's economy will shrink, accompanied by a negative investment trend.

The Aggregates business unit expects sales of raw materials and asphalt mixtures to remain around the prior-year level in 2023 amid a difficult domestic market environment. Overseas, it is anticipated that sales will decline overall across all foreign countries. The business unit's net sales are expected to almost reach the same level as the previous year. On the costs side, the sharp, inflation-related increase in materials and services prices, as well as the impact of the additions to recultivation provisions, will pose a major challenge. It is currently expected that the operating result will fall well short of the previous year's high level due to both sales volumes as well as significant cost pressure. Earnings before tax are also likely to be significantly below the prior-year figure.

In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Slate

The Slate business unit extracts and produces premium-quality slate and develops products for aesthetically designed living spaces. The product line encompasses a wide variety of cladding types for roofs and façades. System solutions specifically created for modern architecture, which also incorporate solar elements in the overall look, make it possible to realize innovative building designs. The product offering is complemented by ashlar, which can be used for interior applications as well as for gardening and landscaping.

The business unit runs all of its global activities, including development, procurement and sales, from the head office in Mayen, Germany. Slate products are extracted and produced in Galicia in Spain by the locally based companies Cafersa and Castrelos. In addition to its own production, the business unit also sources slate from strategic partners. The products are sold in all major slate markets, particularly in Western and Central Europe and North America.

Earnings trend positive despite construction industry downturn

The Central Association of the German Building Industry recorded a net sales decline of 4.5% in residential construction in 2022. The slowdown in structural construction in the 2022 business year led to a decline in the pitched roofing market. In individual cases, issues with construction material supplies due to supply chain disruptions resulted in production shutdowns and order stoppages. Some construction costs surged. In addition, construction activity was negatively impacted by more stringent finance and eligibility conditions, as well as the general inflationary trend. This, in turn, led to increased uncertainty among building owners from the second half of the year on. Construction projects were postponed or even canceled. Capacity utilization among roofing companies remained at a high level, but the order backlog gradually decreased over the course of the year.

In foreign markets, demand for slate stagnated in 2022. The limited availability of construction materials meant that projects could not be started or continued. In addition, higher prices marred the economy and slowed down demand.

Despite this challenging environment, the Slate business unit performed very well, achieving net sales of €85 million in 2022 – significantly above both the prior-year and the expected level. The order situation in foreign markets – particularly France, the United Kingdom and the Benelux countries – was again very good, although it was impacted by longer lead times and materials shortages. In Germany, the business unit saw a decline in demand. Rising production and procurement costs were offset through a targeted pricing strategy and strict cost management. Consequently, both the operating result and earnings before tax considerably exceeded the prior-year level and expectations.

Slate market supported by foreign demand amid difficult construction environment

Following the good performance of previous years, all major segments of Germany's construction industry shrank in 2022. Given the ongoing supply chain problems, higher interest rates and elevated energy and raw materials prices, this trend is likely to continue in 2023. The skills shortage is still a major issue, and higher wage costs weighed heavily on construction companies. Consequently, new construction is set to remain in decline. The personnel capacities this frees up will have a positive effect on renovation business. The construction sector is not expected to recover until 2024. In the future, construction activities will be supported by the housing shortage and high demand for energy efficiency renovations.

The Slate business unit’s key markets of France, Belgium and the United Kingdom are expected to experience stable demand, although this will not be fully met due to limited resource availability. In light of this, the Slate business unit fore-casts a significant decline in net sales in 2023 due to lower sales volumes in Germany and abroad. Both the operating result and earnings before tax are expected to fall well short of the prior-year level due to the anticipated weak economic outlook and rising costs.

In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Consumer Goods

The Consumer Goods division comprises the **Zwilling Kitchenware** and **Zwilling Beauty Group** business units. These business units produce high-quality brand products for kitchen use and personal care, and their products are present in all the important markets worldwide.

Zwilling Kitchenware

The Zwilling Kitchenware business unit provides premium products for the modern kitchen and the outdoor kitchen segment. The products marketed under the brands ZWILLING, STAUB, BALLARINI, MIYABI, DEMEYERE, SANTOS and FLAMMKRAFT include, in particular, knives, cookware, cutlery, scissors, kitchen utensils, vacuum systems, small electrical kitchen appliances, and grills and barbecue accessories. Apart from the German market and those of other European countries, the most important markets for the business unit are China, North America and Japan.

Change in consumer behavior

Consumers' willingness to spend – which is crucial to the unit's business performance – was reduced in 2022 by the war in Ukraine and the high rate of inflation, among other factors. In particular, the high cost of living, as well as the lifting of coronavirus restrictions, led to a change in consumer behavior. Spending on tableware and kitchenware declined accordingly. This was reflected in the development of the warehouse business, which partly fell into financial difficulties in 2022. In addition, reserve inventories were built up due to the supply chain disruption. This led to lower production volumes at plants. Unlike in other countries, there were still long lockdowns across China, which negatively impacted Chinese business activity. In April and May, there were barely any deliveries from the central warehouse in Shanghai, and production was only possible to a very limited extent. However, the trend in online business was encouraging.

Share of online business continues to grow

The Zwilling Kitchenware business unit's net sales were up slightly on the previous year and the planned level, at €902 million. However, adjusted for acquisitions and currency effects, net sales were slightly lower than in the previous year. Compared with the planning, exchange rate developments had a particularly positive impact on net sales. The core business was slightly down on the previous year, while the special business with customer loyalty programs was unable to match the exceptionally strong prior-year level. The share of online business in the net sales of the core business increased to 45%. At the same time, weaker net sales were recorded by premium retail, the gift items business and brick-and-mortar stores. This was largely driven by consumers' reluctance to spend and the high retail stock levels.

The US market, which generates the strongest net sales by a wide margin, was unable to reach the previous year's disproportionately high growth rates. Net sales declined slightly and were significantly below the planned level. The boost given to net sales by new store openings and online channels was unable to offset the drop in net sales in brick-and-mortar stores. The slump in net sales caused by the insolvency of a major customer had a particularly heavy impact here. Net sales in Canada fell sharply. All major sales channels – with the exception of company-owned stores – were affected by this trend.

China also recorded substantial declines in net sales overall. In brick-and-mortar retail, in particular, these declines resulted from the strict lockdown policy in Shanghai in April and May 2022, as well as the repeated lockdowns imposed in various regions throughout the year. The online business benefited from this situation, with a further rise in net sales. In Japan, Zwilling Kitchenware recorded considerable growth, particularly in brick-and-mortar retail and in the online business.

Adjusted for the effect of the acquisitions in the barbecue segment, net sales in Germany were clearly below the prior-year level, as included in planning. Following the strong growth of the preceding years due to the coronavirus, the net sales generated by online sales channels dropped steeply. The brick-and-mortar business – particularly with furniture stores and company-owned shops – recovered markedly after the previous year's lockdowns. In other European countries, there was a moderate increase in net sales adjusted for acquisitions. The most significant growth was recorded in the United Kingdom, Spain and Turkey.

Net sales development Consumer Goods division

The operating result was significantly lower than the prior-year and planned level. This was primarily attributable to rising costs, which could only be passed on to the market with a delay. Alongside the resulting slight decline in the gross margin, personnel costs rose particularly significantly. In addition, the ongoing digital transformation and the expansion of stores and the online business pushed up operating expenses. Earnings before tax therefore also fell significantly short of the prior-year and expected level.

Slight net sales growth in challenging environment

In light of the current environment, the Zwilling Kitchenware business unit expects to see slight year-on-year net sales growth in 2023. In particular, it forecasts clear net sales growth in the core business. Impetus will mainly come from the strong growth in the new barbecue business areas as well as in the vacuum and electrics product groups. Growth will primarily be generated in the core markets of Germany, the USA and China. In China, the focus will be on online business and company-owned brick-and-mortar stores. In contrast, a sharp decline in special business is anticipated.

The continuing geopolitical tensions, inflation and the associated prices rises remain a challenge for Zwilling Kitchenware and will impact the business unit's performance. Nevertheless, the operating result is expected to be slightly higher and earnings before tax noticeably higher than in the previous year.

In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Zwilling Beauty Group

Under the brands ZWILLING and TWEEZERMAN, the Zwilling Beauty Group business unit produces and markets high-quality tweezers, manicure sets and pedicure tools. The offering is supplemented by the QVS Group, which sells beauty tools under the TruYu and QVS brands, as well as trade and exclusive brands. Apart from the USA and Germany, the most important sales markets for Zwilling Beauty Group are the United Kingdom and China. The business unit has also strengthened its sales activities in Australia, Canada, the Netherlands and Austria in recent years.

Encouraging operating result confirmed

Like the Zwilling Kitchenware business unit, the performance of the Zwilling Beauty Group business unit depends significantly on consumer sentiment in the respective markets.

Primarily thanks to the favorable exchange rate developments, the business unit's net sales significantly exceeded both the prior-year and the planned level, at €106 million. The positive exchange rate trend was particularly apparent in the USA, which is by far the most important market. Despite the emerging weakness in consumption in the second half of the year in particular, net sales in local currency remained broadly the same as in the previous year. Online sales were unable to maintain the trend of the previous years and slightly decreased compared with 2021. In contrast, the positive net sales trend among premium retailers visibly continued.

In Germany, the Zwilling Beauty Group business unit recorded a significant year-on-year rise in net sales, but the figure remained clearly below the planned level. As in the USA, online retailers in Germany were unable to maintain their growth momentum. There was a notable revival in brick-and-mortar business among premium retailers in particular. The recovery in tourism had a positive impact in this area. In the United Kingdom, net sales remained roughly on par with the previous year, but significantly exceeded the planned level. In the spring, the QVS brand was relaunched as TruYu. The Chinese market was marked by repeated lockdowns. Consequently, net sales fell considerably short of the prior-year and planned level. Growth was boosted in 2022 by the Latin American markets, where net sales surged.

Driven by exchange rate developments, both the operating result and earnings before tax were clearly above the planned level. The previous year's encouraging operating result was repeated in 2022. Earnings before tax in 2022 were considerably lower than in 2021, since the prior-year figure was positively impacted by a nonrecurring effect.

High inflation curbs consumer sentiment

In 2023, Zwilling Beauty Group's performance will again be largely dependent on how consumer spending develops in the USA (the core market), Germany and the other relevant markets. After the years marked by the coronavirus pandemic, the main negative influences will be the war in Ukraine and the resulting sustained high energy costs. In addition, inflation is set to remain at the consistently high level of 2022. In the USA, sales to local drugstore chains, which are important to the business unit, are slightly in decline. Positive impacts include the end of the lockdowns in China and the related normalization of supply chains and local demand.

The general conditions described will substantially influence Zwilling Beauty Group's performance in 2023. The business unit expects to see a recovery in the Chinese market and a revival of business with the Zwilling Kitchenware business unit in Europe. Consequently, net sales are expected to be slightly higher and the operating result slightly lower in 2023 than in the previous year. Earnings before tax will decline significantly due to the higher interest rates.

In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Financial Services

The Financial Services division comprises the **abcfinance** business unit and **abcbank**, as a leasing and factoring provider, as well as **Bank11**, a business unit specializing in vehicle financing.

abcfinance

abcfinance provides tailored financial services to more than 80,000 mainly medium-sized companies in Germany, the Netherlands and Austria. In the leasing segment, abcfinance finances mobile assets, including used, low-value and intangible items such as software and licenses. In the factoring segment, abcfinance purchases receivables and thereby provides more financial options for its business partners. In the sales financing segment, abcfinance's special industry teams support the sales activities of manufacturers and dealers with client-specific custom financing solutions.

abcbank, as part of abcfinance, refinances receivables from the leasing and factoring business and conducts securitization transactions for the business unit. The bank also offers investment products for private, commercial and institutional clients. The investment products range from overnight money to savings products with terms of several years and are offered exclusively online.

Leasing market resilient in a fast-moving environment

In its 2022 trend report, the Federal Association of German Leasing Companies (BDL) estimates that the leasing business as a whole grew by a moderate 4% compared with the previous year to €72.2 billion at acquisition cost. Of equipment investments, 28.3% (previous year: 30%) were financed through leases and hire purchase. The new hire purchase business recorded a clear rise of more than 19.3%, and the leasing business grew by a slight 1%. The number of newly agreed leases climbed slightly by 1.4%, while the number of hire purchase agreements rose by a moderate 2.2%.

Net sales development in Financial Services division

in € million

The increase in acquisition costs was partly attributable to the cessation of manufacturer discounts and the knock-on effect of inflationary pressure on prices in certain asset groups.

The picture among the different asset groups was quite mixed. The positive development in new leasing business was attributable to the increase in small transactions entered into, especially for e-scooters and bicycles, the significance of which rose considerably, accounting for more than €1.8 billion and a 3% share of the equipment leasing business. Passenger cars, the most significant asset group, accounting for 62% of the leasing industry, achieved slight growth of 2% in new business in 2022, with a clear 5.5% decline in the number of contracts. The rise in acquisition costs was partly attributable to the cessation of manufacturer discounts, the knock-on effect of inflationary pressure on prices and the higher cost of acquiring electric vehicles relative to cars with combustion engines. Customers also made greater use of contract extension options. Catch-up effects from purchases not made during the coronavirus pandemic resulted in growth of 31% in the aircraft, rolling stock and watercraft asset group. Thanks to investments in digitalization, the IT software and cloud applications segment also put in an encouraging performance, rising by a significant 14%. In addition, renewable energy systems recorded considerable growth of 80%. The production, commercial vehicles, construction machinery and agricultural engineering asset groups registered year-on-year growth of 7% overall. The investment deficit caused in particular by the various crises since 2020, which continued to limit the urgently needed investments in companies' digital and sustainable transformation in 2022, were increasingly cause for concern for the industry association. The share of company investments declined from 13.1% in 2008 to 12.4% in 2022.

Factoring once again proved to be a source of stability and liquidity in 2022 and underscored abcfinance's role as a stable financing partner in times of economic crisis. In terms of total net sales and with a market share of around 16%, Germany's factoring market is now the second largest in Europe. Up until mid-2022, the factoring business was bolstered in particular by catch-up effects after the coronavirus pandemic. However, midway through 2022, the factoring industry had already observed that the impact of the Ukraine war and supply chain issues would probably affect business for the year as a whole. According to the German Factoring Association, net sales in the factoring industry increased to €182.4 billion in the first half of 2022 compared with €146.5 billion in the prior-year period. This was also reflected in the activities of German insurers, who saw their coverage for commercial loans and deposits rise to €588 billion for the first time in 2022. However, credit insurers had to contend with payment defaults of €700 million as economic conditions deteriorated during the year. This represents an increase of 50% compared with the previous year.

The refinancing costs of financial service providers that specialize in leasing and factoring rose noticeably in 2022 due to the significant increase in capital market and loan interest rates.

Leasing and factoring record significant new business growth

The abcfinance business unit generated significant new business growth of 9.8% in the leasing segment in 2022. A considerable increase of 9.7% was also achieved in the factoring segment. The leasing segment saw a sharp decline in margins during the year, which the volume growth was unable to offset. However, a positive reversal of this trend was already apparent at the end of the year. In the factoring segment, the higher volumes more than compensated for a slight decline in margins. Net sales increased moderately compared with the previous year and slightly exceeded the planned level. The commercial result (EBITA) – as defined by the industry association BDL – fell significantly short of both the prior-year and forecast levels. This was due in particular to the sharp rise in market interest rates. Due to the upward trend in gross profit from the lease portfolio, the net sales growth was also reflected in earnings before tax, which significantly exceeded the prior-year figure. The forecast was also exceeded by a wide margin. This is attributable to the much lower than expected risk level and the correspondingly reduced need for risk provisions.

Industry cautiously optimistic for 2023

The industry association BDL anticipates a moderate increase in investment activity, with rising financing costs for investments, declining order backlogs and higher energy costs in 2023. Essential investments for the future, with a focus on digitalization and sustainability, will continue at a subdued pace. Financing projects to improve energy efficiency offer significant potential for the leasing industry. According to the forecasts of the ifo Institute, real equipment investments will increase slightly, with a slight decline in the share accounted for by leasing. In light of this, the expectations for 2023 are cautiously optimistic, depending on tax incentives, the removal of red tape and improved planning certainty for companies.

The performance of the crisis-resistant factoring business is dependent on the growing uncertainty caused by the Ukraine war, as well as on the ongoing supply chain issues and the related negative economic effects. Financing through factoring will remain in demand as a reliable and attractive alternative, particularly among SMEs.

The abcfinance business unit plans to substantially expand its new business volume in the leasing and factoring segments in 2023. Alongside new customer groups, new products and digital solutions should contribute to this development. abcfinance expects net sales to match the prior-year level. The commercial result (EBITA) is expected to be significantly higher year on year. This is due in particular to the forecast trend in market interest rates, alongside the rise in new business volumes. Earnings before tax in 2023 will be sharply down on the prior-year figure due to the follow-on effects of market interest rate developments in 2022 and the planned risk costs.

In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Bank11

Bank11 specializes in sales and purchase financing and consumer lending. It offers simple and cost-effective financing for medium-sized automobile dealers and insurance for its customers. Through purchase financing, Bank11 additionally offers partner dealerships the opportunity to finance their fleet of new and used vehicles. It also operates the smive platform, which offers customers flexible car subscription options. Bank11 also provides consumer loans through partner banks. To refinance its operations, Bank11 offers savings bonds and overnight money, as well as time and notice deposits, to private and institutional investors, and it conducts securitization transactions. In the past business year, Bank11 entered into standardized interest rate swaps for the first time to more effectively mitigate and manage interest rate risk.

German automobile market remains under pressure

The German automobile market recorded slight growth in 2022. According to the Federal Motor Transport Authority (Kraftfahrt-Bundesamt), a total of 2.65 million new vehicles were registered in the year, 1.1% more than in 2021. As in the previous year, new car supply shortages had a major effect on the used car market in 2022. Consumer prices for used cars reached a historic high. Many car manufacturers increased prices multiple times during the year and either raised the price of or completely discontinued cheaper basic versions of their vehicles. This was mainly attributable to the pandemic-related production and supply chain disruptions, which were exacerbated by the war in Ukraine and the resulting energy crisis. With 5.64 million transfers of ownership in 2022, the used car market was 15.9% down on the prior-year level.

In the past year, business for banks specializing in automobile financing again benefited from the large number of private new and used cars financed. According to a survey conducted by the banking association, around 35% of all private cars in Germany were financed through credit or leasing in the past year. The share of financing was around 47% for new vehicles and roughly 27% for used vehicles.

Further rise in new business and customer loans

In a challenging environment, Bank11 once again grew much faster than the industry average in 2022. It benefited from the further expansion of online sales and increased its new business to €3.8 billion. The customer loan volume grew by 22%. The number of trade partners rose by around 1,700 to 17,900. Among other things, the long-standing, successful cooperation with automobile industry associations and automobile dealer associations was further developed. The cooperation with ADAC in vehicle financing continued to provide impetus. Bank11 also benefited from its innovative strength and the fast and competent service provided to automobile dealers and their customers.

In the context of the encouraging growth in new business, Bank11's net sales considerably exceeded those of the previous year and expectations. However, the operating result failed to match the prior-year or planned level. This was primarily attributable to the lower commission income and higher risk expenses, which the clearly improved interest income was unable to make up for. Commission income was negatively impacted by an increase in commission expenses. This was due, in particular, to the strong new business and special campaigns to strengthen the dealer business. In a more difficult economic environment, the strong new business significantly pushed up the costs for credit risk provisioning compared with the previous year, which had been positively impacted by nonrecurring effects. However, due to the targeted risk allocation adjustments and the ongoing process optimizations in the area of credit risk and receivables management, the forecast and budgeted framework was only slightly exceeded. On the refinancing side, a securitization transaction totaling €500 million was entered into despite the difficult market environment. As a result of these developments, earnings before tax were significantly below the prior-year level and forecasts.

German automobile market subdued

According to the German Association of the Motor Trade, the prospects for the automobile market for 2023 are very subdued. Due to the economic situation with price rises across the board, including high vehicle prices and sharply increased energy and fuel costs, customers will be reticent when it comes to making vehicle purchases. Bank11 expects gross profit to decline slightly, with the currently on-schedule portfolio expansion and the expected margin growth. Despite the sustained cost discipline, the cost-to-income ratio is expected to rise significantly. For these reasons, as well as the planned increase in risk provisioning as a precautionary measure, a substantial decline in operating result and earnings before tax is expected.

In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Innovative Business Models

Alongside the six key business units, the Werhahn Group invests in innovative business models to enhance the company's forward-looking positioning and open up new business opportunities.

Yareto
Since its establishment in 2016, Yareto has been the market-leading loan comparison portal for the German car trade. The portal enables automobile dealers to quickly select the right solution for their customers from a large number of financing options. The portal shows the best real-time offer available that day from partner banks.

In the six years since its launch, the look and navigation of the Yareto portal has been upgraded, further enhancing the user experience. Dealers can view all of the relevant credit details at once, and less processing effort is required. Every request is automatically sent to several banks, increasing the rate of approval. In response to numerous requests, a new feature was added with the variable balloon payment. This allows dealers to structure the customers' monthly installments as required by adjusting the down payment or final payment.

abcfinlab
abcfinlab, which was founded in 2018, develops digital products for the processing of financial services transactions in the field of leasing and factoring for business customers. In particular, abcfinlab worked closely with abcfinance on the development of the digital leasing solution Lease Seven (L7), which was successfully launched on the market in 2020. L7 is a web-based application that can be used by sales partners to enter into a legally valid leasing agreement online that meets all regulatory requirements in the space of a few minutes.

In the past year, the L7 digital leasing application was successfully scaled up, and the share of digital L7 contracts in abcfinance's overall portfolio rose considerably. In addition to direct sales, L7 is now also available to abcfinance's brokers, who can customize the lease contracts with their own company logos. The rate of automation for contract billing increased particularly significantly in the past year.

FiberLean Technologies

In 2021, the Werhahn Group acquired FiberLean Technologies (FLT), which was founded in 2016 and is a global leader in the manufacture of an innovative composite material made of microfibrillated cellulose (MFC). The properties of MFC mean that its use in the paper and packaging industry delivers cost and quality benefits in the manufacture of printing and writing paper, as well as transport and retail packaging. In addition, the material's high degree of stability and excellent barrier properties mean that it can be substituted for conventional mineral-oil based additives in various applications. In addition to its place in the paper and packaging industry, the biodegradable material can also be used in the construction and furniture industries. FiberLean Technologies' biobased materials are thus in a position to replace – or at least reduce – the use of more environmentally harmful chemicals and plastics.

Alongside FiberLean Technologies' original area of business – developing MFC products for the paper and packaging industry – further industrial applications are continuously being investigated. The technology platform has some 650 patents in more than 40 countries.

After the lifting of coronavirus restrictions, FiberLean Technologies stepped up its sales activities in the second half of 2022. Numerous on-site tests regarding the use of MFC were carried out at customer plants. In the construction and furniture industries, the use of MFC in the manufacture of ceiling panels and medium density fiberboard were successfully tested with customers. In addition to cost benefits, the use of MFC – which is biodegradable and easier to recycle – makes a major contribution to the circular economy. This is because conventionally produced, formaldehyde-based MDF boards are damaging to health and have limited recyclability.

In addition, FiberLean Technologies developed a patented process for obtaining white surfaces for retail packaging. By using this novel process, customers can avoid the significant expense of changing their paper machines, make production savings and achieve better print images.

High start-up losses

As expected, the innovative models did not reach breakeven in 2022. Due to the inclusion of FiberLean Technologies for a full year for the first time, net sales were clearly up compared with the previous year. However, the figures were significantly below the planned level. Compared with the previous year, the operating result and earnings before tax were also significantly impacted by the effect of FiberLean Technologies on the business year. High start-up losses were expected for 2022. Since net sales fell short of the planned level while costs were considerably higher than planned, the start-up losses were much higher than forecast.

We expect the innovative business models' losses in 2023 to be more or less unchanged compared with 2022. In light of the economic environment, the overall forecast remains marked by considerable uncertainties.

Net Assets and Financial Position

The consolidated balance sheet total increased by €1,067 million in 2022 from €11,452 million to €12,519 million. The individual balance sheet items changed as follows:

Assets

in € million	Dec. 31, 2022	Change
Fixed assets	2,844	16
thereof leasing assets from financial services	*1,682*	*22*
Accounts receivable from financial services	7,853	1,337
Inventories	652	88
Accounts receivable and other assets (including prepaid expenses)	386	–34
Securities and liquid funds	783	–340
Deferred tax assets	1	–
	12,519	1,067

Equity and liabilities

in € million	Dec. 31, 2022	Change
Equity	2,063	28
Provisions	497	31
Liabilities from financial services	9,323	930
Liabilities (including deferred income)	636	78
	12,519	1,067

in %	Dec. 31, 2022	Dec. 31, 2021
Equity ratio	16%	18%
Equity ratio excluding financial services	58%	61%
Ratio of equity to fixed assets	73%	72%
Short-term debt service ratio	74%	81%

The fixed assets of the Werhahn Group rose from €2,828 million in the previous year to €2,844 million as of the closing date. They comprised tangible assets of €889 million (previous year: €870 million), intangible assets of €164 million (previous year: €191 million), financial assets of €108 million (previous year: €107 million) and leasing assets from financial services of €1,682 million (previous year: €1,660 million).

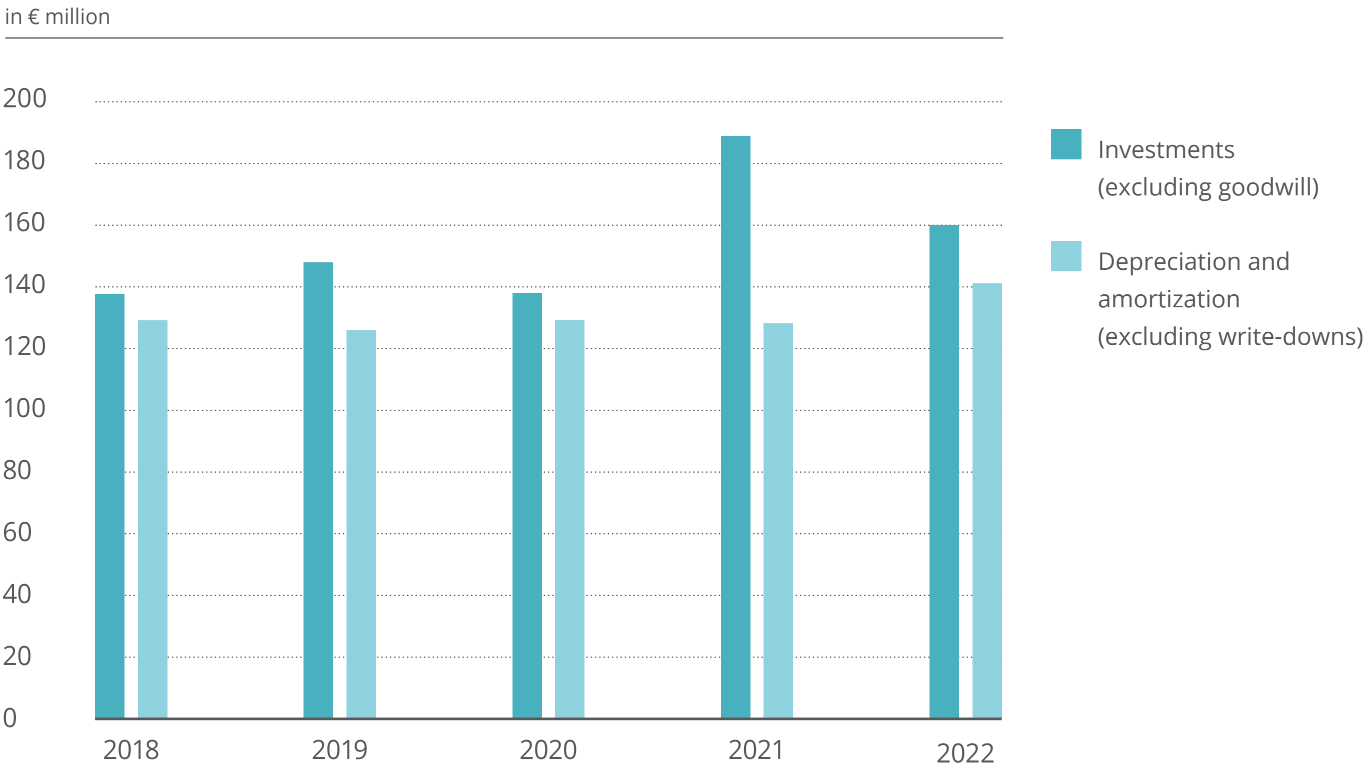
Overall, fixed assets excluding leasing assets declined by €6 million compared with the previous year. Depreciation and net disposals therefore slightly exceeded investments during the business year.

The €27 million decline in intangible assets was largely attributable to the amortization of €53 million in the business year, which surpassed the ongoing investments of €23 million and the additions related to acquisitions of €5 million. Amortization in the business year included goodwill amortization of €22 million.

Tangible assets rose by €20 million compared with the previous year. Business-year investments of €136 million were largely offset by depreciation charges of €113 million.

Financial assets increased by €1 million compared with the previous year. Investments in participations of €9 million were partly offset by net disposals of €7 million.

Investments in tangible assets, intangible assets (excluding goodwill) and net investments related to acquisitions are presented below along with the depreciation and amortization for the respective years:



In 2022, a total of €160 million (prior year: €188 million) was invested in tangible assets, intangible assets (excluding goodwill) and net investments related to acquisitions. Investments exceeded depreciation and amortization. The major portion of investments was made in the investment-heavy Aggregates business unit. While investments in the Aggregates business unit and the Financial Services division were down on the prior-year level, investments in the Consumer Goods division increased.

In the Financial Services division, leasing assets from financial services rose by €22 million. In the reporting year, with depreciation and amortization of €558 million and net disposals of €143 million, an additional €722 million was invested.

Accounts receivable from financial services increased by €1,337 million to €7,853 million as a result of the further growth in new business in the Financial Services division.

Inventories amounted to €652 million as of December 31, 2022 (previous year: €564 million). This sharp rise is primarily attributable to the Consumer Goods division.

Accounts receivable and other assets (including prepaid expenses) totaled €386 million (previous year: €420 million).

Trade accounts receivable remained unchanged on the year at €253 million (previous year: €253 million). In the Aggregates, Zwilling Beauty Group and Slate business units, trade accounts receivable increased. However, trade accounts receivable in the Zwilling Kitchenware business unit declined compared with the previous year. Accounts receivable from companies in which a participating interest is held increased by €1 million to €28 million. This rise was related, in particular, to the Aggregates business unit. Due primarily to lower receivables from tax authorities, other assets decreased by €38 million to €89 million.

At €–300 million, cash flow from operating activities was significantly lower than in the previous year (€391 million). This decline was to a large extent attributable to the sharp rise in accounts receivable from financial services, which the increase in liabilities from financial services was unable to fully offset. The further portfolio expansion, the decline in trade accounts payable and the lower result for the period also had a negative impact.

Cash flow from investing activities (€–117 million; previous year: €–223 million) was attributable, in particular, to investments in tangible assets. The prior-year figure was largely influenced by payments for acquisitions made in the Consumer Goods division and the acquisition of FiberLean Technologies. At €132 million, payments to acquire intangible and tangible assets were higher than in the previous year (€126 million).

At €–76 million, cash flow from operating activities was lower than in the previous year (€–57 million). This decline was primarily due to higher dividends paid to shareholders.

Cash funds at the end of period amounted to €441 million (previous year: €937 million), significantly lower than the figure as of December 31, 2021.

Securities and liquid funds decreased by a substantial €340 million to €783 million. Of this amount, €664 million is tied to financial services institutions. The decline is largely due to a shift in the financial services institutions' deposits from the central bank to banks, which is reflected in cash flow from operating activities. The other companies' assets held at banks increased slightly in 2022.

Due to the provisions of DRS 21 governing the presentation of financing in the Financial Services division, the cash flow statement of the Werhahn Group has only limited informative value.

As of December 31, 2022, net liquidity[6] amounted to €429 million, down €492 million on the prior-year figure.

As of the closing date, there was €1 million in surplus assets from deferred taxes (previous year: €1 million). The Werhahn Group continues to exercise its right not to recognize deferred tax assets from individual companies.

The Group's equity totaled €2,063 million (previous year: €2,035 million). This represents an equity ratio of 16% (previous year: 18%). Without consolidation of the financial services companies, the equity ratio was 58% (previous year: 61%). Non-controlling interest in equity as of the closing date was €67 million (previous year: €67 million). To a limited extent, this amount includes positive currency translation differences. The changes in equity are shown in the Statement of Changes in Equity.

Provisions increased by €31 million in comparison with the previous year to €497 million. These mainly included provisions for pension obligations amounting to €129 million (previous year: €124 million), provisions for recultivation obligations in the Building Materials division amounting to €108 million (previous year: €86 million), other personnel provisions amounting to €77 million (previous year: €76 million), provisions for rebates and discounts of €47 million (previous year: €45 million) and tax provisions of €45 million (previous year: €42 million).

[6] Net liquidity comprises the balance sheet item "Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks" less any existing access restrictions in this balance sheet item and less any liabilities to banks.

The liabilities from the financial services business reflect refinancing of the Financial Services division as well as the liabilities of Bankhaus Werhahn GmbH resulting from its banking business. The €930 million increase in liabilities from financial services to €9,323 million was primarily attributable to the growth in new business in the Financial Services division.

The liabilities (including deferred income) of the Werhahn Group amounted to €636 million, up considerably on the previous year's figure of €558 million. Liabilities to banks increased by €152 million to €354 million. At €121 million, trade accounts receivable were down €16 million on the prior-year figure. The other liabilities decreased by €43 million to €99 million, particularly due to the lower liabilities to tax authorities and lower liabilities to shareholders.

Personnel

In the reporting period, the average number of employees in the Werhahn Group increased by 123 to 10,351.

The trend in the average number of employees differed across the operative corporate divisions. While the average number increased in the Consumer Goods division, the number of employees in the Building Materials division declined. The Financial Services division also recorded a decline. In the 'Others' segment, FiberLean Technologies contributed to the rise in average employee numbers.

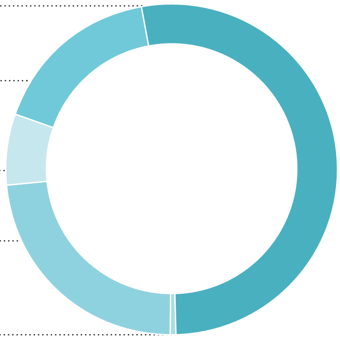
With the exception of the Financial Services division, the development of the average number of employees is also generally reflected in the change in the number of employees as of the closing date. The headcounts in the Consumer Goods and Financial Services divisions and in the 'Others' segment as of the closing date exceeded the average number of employees in the business year.

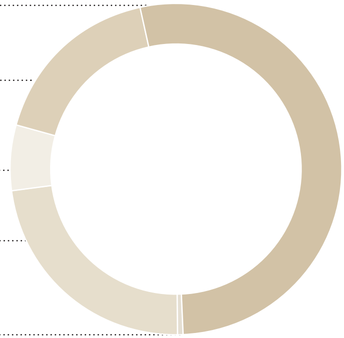
The number of employees is distributed across the individual corporate divisions as follows:

	Average 2022	Average 2021	**Dec. 31, 2022**	Dec. 31, 2021
Building Materials	4,514	4,546	4,476	4,536
Consumer Goods	4,468	4,316	4,563	4,425
Financial Services	1,081	1,093	1,100	1,090
Others	288	273	300	287
Group total	**10,351**	**10,228**	**10,439**	**10,338**
Salaried employees	5,157	4,997	5,247	5,059
Industrial employees	4,996	5,007	4,977	5,030
Employees	**10,153**	**10,004**	**10,224**	**10,089**
Trainees	198	224	215	249

As of the closing date, 5,506 people, or around 53% (previous year: 53%) of the Werhahn Group's workforce, were employed in Germany.

	Dec. 31, 2022	Dec. 31, 2021
Germany	5,506	5,490
Asia	1,755	1,792
North America	707	653
Rest of Europe	2,469	2,400
Rest of world	2	3
Group total	**10,439**	**10,338**





To ensure its long-term success, the Werhahn Group builds on its employees' expertise, dedication and sense of identification with the company. The cornerstones of its forward-looking personnel planning are the continuous training and education of employees, the targeted identification and promotion of top performers, and recruiting and retaining talent. The Werhahn Group remained true to these principles in 2022.

Education and further training

At the end of the year, the Werhahn Group had 215 trainees. This figure represents a decrease of 34 trainees compared with the end of 2021, when 249 young people were receiving training. The Aggregates business unit again had the largest number of trainees (103). The number of trainees in the Zwilling Kitchenware business unit declined from 73 to 55. In the other business units, the number of trainees in 2022 remained broadly the same as in the previous year. Training was provided in 26 professions, including through dual study programs. This reflects the diversity of the qualifications required by the Werhahn Group. The professions in which training is provided changed only slightly. The standard offering includes dual study programs, both for business and technical and for engineering jobs. With dual study programs, initial professional training can either take place alongside academic study, or it can be arranged so that longer practical phases are spent with the companies.

It is essential for knowledge and skills to be continuously updated. The Werhahn Group therefore provides ongoing training to its employees, ensuring they are well prepared for the latest demands. The focus is on product, subject area and technology-related training. This is complemented by the long-standing Werhahn Excellence Program, which takes the form of seminars on subjects such as leadership, communication and work techniques. The program is targeted at all Group managers and employees in Germany. Due to the changing pandemic-related restrictions, organizational flexibility was again required in 2022. Seminars are now held both in person and remotely. Selected content is structured in such a way that participants can choose between in-person and remote formats.

Remuneration

The Werhahn Group companies that are in collective wage sectors are subject to the relevant industry-specific collective wage agreements. Skilled professionals and managers are remunerated independently of these agreements based on performance. This includes both fixed and target-based remuneration components. In the banks belonging to the Werhahn Group, the German Remuneration Regulation for Institutions (InstitutsVergV) forms the basis for the remuneration of employees and managers. Several business units also offer other fringe benefits, such as meal vouchers, company health insurance or e-bike leasing. Increasingly, company-specific portals are being implemented. These enable employees to benefit from company discounts and special conditions when purchasing various products and services.

Almost all business units made one-off payments to employees in response to the sharp rise in inflation in 2022. Under a new legal provision, since October 2022 such payments can be granted as a net bonus of up to €3,000 per employee.

Talent management

The recruitment, development and retention of employees at all levels remains a high priority in the Werhahn Group. The quality of the management has proved to be a key factor in the company’s success, particularly amid a rapidly evolving environment. In the past business year, management development programs in the business units and an offering for managers adapted to the current challenges as part of the Werhahn Excellence Program made a major contribution to the continuing development of the management at all levels.

Attractive employer

In 2022, the Werhahn Group increasingly used social media to recruit employees at all levels. Trainees also participated in these efforts, using their own social media channels to reach out to potential new colleagues. The implementation and modernization of the careers website helped further professionalize the recruitment process. Since the pandemic-related restrictions on social contact were lifted, the Werhahn Group has also used careers fairs and hands-on work experience sessions for trainees to promote itself as an employer. At the Familienunternehmen (family businesses) career day, an event aimed at young professionals, representatives of the business units and head office showcased the Werhahn Group.

Proven concepts based on fostering employee loyalty as early as possible – in the form of training, dual study programs, internships and supporting bachelor's and master's theses, for example – were continued.

Even after the coronavirus pandemic abated last year, employee health remained the top priority for the Werhahn Group. Workplace safety and working conditions were continuously improved through targeted measures. In addition to regular training to raise employee awareness, specific measures to prevent risks were implemented. Just a few examples include the continuous analysis and optimization of working processes and the regular maintenance and inspection of machinery and equipment. The Employee Assistance Program (EAP), which was established several years ago, was implemented in further business units. The EAP provides all employees, managers and their family members with free professional counseling from external experts, either by telephone, in person, or online. Counseling may be sought due to a professional or personal crisis, or other issues ranging from wellbeing to legal advice. Solutions are either reached directly with the counselor, or they may put the person concerned in contact with further appropriate assistance.

In many cases, the measures frequently implemented since the pandemic to allow flexible working hours and remote working for health reasons were made regular working concepts in 2022.

Social engagement is a key pillar of Werhahn's value system and is firmly embedded in the corporate culture across the Group. The business units and shareholders take responsibility outside of the financial results through a wealth of initiatives and projects. In connection with the war in Ukraine, the Werhahn Group and its companies showed – in a unique way – how seriously they take their responsibility as employers.

The Aggregates business unit immediately helped in the evacuation of and provision of ongoing assistance to its employees in Ukraine and organized a highly successful fundraising campaign among its employees.

Offering assistance to those fleeing Ukraine was also the focus of the social activities of the other business units and the Werhahn Group's head office. For example, the Werhahn Group supported the online fundraising campaign of the German medical association action medeor by making an initial donation of €250,000 and pledging to match each additional euro donated up to a total of €50,000. Thanks to the generosity of many Werhahn Group employees and shareholders, the donations to action medeor totaled around €360,000.

Risk Report

The actions of the Werhahn Group are geared towards achieving sustainable growth and upholding and creating values. Due to its diversified structure covering various industries and regions, the Werhahn Group is exposed to many different risks. Active risk management is carried out by means of the Werhahn Group's risk management system and is an integral part of the corporate management and strategy of the Werhahn Group, as well as its corporate governance.

Risk management system

Purpose of the risk management system

The purpose of risk management in the Werhahn Group is to prospectively assess risks with regard to the company's long-term objectives. To this end, risks should be identified at an early stage, appropriately assessed and effectively and efficiently managed. Risks are any events or potential developments that could negatively impact the achievement of the company's objectives or which could arise due to failure to take advantage of a development opportunity or potential. Estimating the probability of occurrence or the extent of future events and developments is, of course, subject to uncertainty.

The aim of the risk management system is to promote a risk culture and to prepare and evaluate Group-wide risk reports. In addition to the business units, the central functions – such as Internal Audit and the Compliance Committee – are involved in the risk management process to ensure efficient risk management in the Werhahn Group.

Risk management organization

Risk management spans the entire Werhahn Group. The financial services companies also take the Minimum Requirements for Risk Management (MaRisk) published by the German Federal Financial Supervisory Authority (BaFin) into consideration.

Binding Group-wide regulations and the regular involvement of the Werhahn Group's highest management bodies ensure that the requirements of the risk management system are adhered to and properly applied. The current risk situation and material individual risks are regularly discussed at meetings of the Management and Supervisory Boards. Newly acquired companies are promptly made aware of the standards set.

The **Financial Risk Management Guideline** sets out the framework and the basic rules on how to deal with financial risks. These include liquidity risks, currency risks and interest rate and raw material price risks. The aim is to limit risks to the extent that the Group would not be jeopardized even in the event of significant negative developments.

The **compliance systems** of the Werhahn Group are continually updated. The Werhahn Group's Compliance Committee is responsible for Group-wide adherence to laws and regulations. The Group's activities are subject to nationally and internationally applicable legal requirements, as well as to the values and rules the company has established for itself. The company's values and the related principles for moral, ethical and legally compliant conduct are set out in a Group-wide Code of Conduct. The Code of Conduct is supplemented by a specific guideline on antitrust law, among other things, as well as electronic training tools for the overall Code of Conduct and other issues relevant to compliance. A total of 35 compliance officers in the business units assist the central compliance officer in developing the compliance system. They implement the measures in their respective areas of responsibility. They also meet regularly with the responsible member of the Management Board, the central compliance officer and the Internal Audit department. Local compliance officers and the Werhahn Group's central compliance officer are available to answer any questions employees may have regarding compliance. In addition, employees all over the world can report relevant issues or violations to the relevant Group company anonymously and free of charge using the whistleblower system, which is available in local languages.

As a further line of defense, the **central Internal Audit department** – together with the internal audit departments of the business units – monitors compliance with legal requirements and internal rules through independent audits. As part of the audits, the business processes and the internal control systems of the audited companies are evaluated. As necessary, the audit also covers assessing the appropriateness and effectiveness of the risk management processes and systems implemented. Internal Audit applies a risk-based audit approach, with the audit procedures geared toward assessing the risk of the relevant audit area.

Beyond its advisory role concerning the annual Financial Statements and the Consolidated Financial Statements, the **Supervisory Board** dedicates a meeting to the risk management system and risk evaluation, taking into account knowledge from the areas of internal audit, compliance, data protection and information security through written and in-person reports from the individuals responsible.

The **Group accounting process** is monitored by means of internal control systems. The accounting-related part of the internal control system, which is relevant to the preparation of financial statements, comprises three measures intended to ensure that the information required for the preparation of the Consolidated Financial Statements and Group management report is complete, accurate and provided in good time. System-based and manual measures are in place to minimize the risk of material misstatements in the Consolidated Financial Statements and Group management report.

The Werhahn Group's Accounting Guideline forms the basis for legally compliant and uniform accounting and consolidation throughout the Group. It is continually updated, approved by the Management Board and must be applied by all consolidated Werhahn Group companies. Updates to the Accounting Guideline are based on an analysis of developments in German commercial law and accounting standards with regard to their implications for the Consolidated Financial Statements and the Group management report. Regular discussions with the Management Board and the business units' financial departments are held for this purpose. Further significant elements of the Group accounting process include the standardized Group chart of accounts and the binding consolidated accounting schedule.

The Consolidated Financial Statements and Group management report are prepared using standardized IT systems for consolidation and preparation of the Notes to the Consolidated Financial Statements and Group management report. The systems are included in the Werhahn Group's IT security strategy. In particular, a detailed authorization concept and defined change management processes are covered.

Supervision of the Group accounting process is supported by the Internal Audit department. A key focal point of the audit is the quality of the accounting-related internal control system. The Werhahn Group's external auditors also report on the results of their audit and any findings regarding the internal control system of the consolidated companies. Where necessary, external experts are also consulted, for example for the valuation of pension and recultivation provisions or when preparing purchase price allocation entries in relation to company acquisitions.

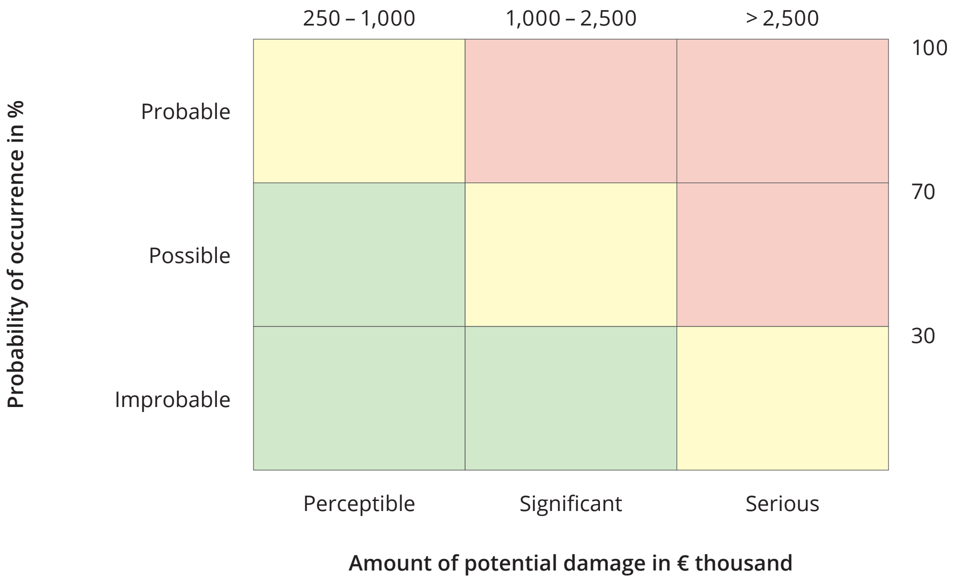
Risk management process

As the first step, an annual inventory of risks and opportunities at business unit level is carried out as part of corporate planning. The risks identified are evaluated based on their maximum potential damage and probability of occurrence as a percentage.

The identified risks are then discussed at Group level, involving the Management Board of Wilh. Werhahn KG, and reviewed with regard to the need for further risk management measures. On the basis of this, an annual Group risk report is prepared. This covers the Werhahn Group's overall risk situation, material individual risks and measures to mitigate these risks.

Alongside the planning of financial figures, material risks and measures for their mitigation are discussed and updated during **planning sessions**. If required, the risks and measures are reevaluated with the participation of the Management Board of Wilh. Werhahn KG, with the planning of the relevant business unit amended accordingly.

The outcome of the risk management process is documented in a **risk control matrix**. This matrix allocates the expected potential damage of the individual risks – with regard to their probability of occurrence and level of impact – to different ranges. Risk mitigation measures are taken into account both in the evaluation and the allocation of the individual risks to the ranges. Within the ranges, the probability of occurrence is classified as improbable, possible or probable. The expected potential damage is defined as perceptible, significant or serious. By combining the criteria of probability of occurrence and expected potential damage, the risks are allocated to risk categories. The chart below shows the assessment of risk categories in the Werhahn Group.



The development of individual risks is continuously monitored by the business units and reported in scheduled meetings of the various executive bodies of the business units as well as the Management Board of Wilh. Werhahn KG. Outside of the scheduled meetings, significant new risks are also communicated to the responsible executive bodies as part of the reporting process or in ad hoc reports.

The effectiveness of risk management is regularly reviewed. If necessary, the risk management system is further developed and improved.

Current risk situation

The key risks identified for the Werhahn Group, which could have a material negative impact on the Group's business, net assets, financial position, results of operations or reputation, are described below. These are risks for which the probability of serious damage is rated as possible or probable, as well as risks for which the probability of significant damage is rated as probable. Appropriate risk mitigation measures have been implemented for all reported risks. Business activities and objectives could also be negatively impacted by other risks that are currently unknown or considered immaterial.

External risks

The Werhahn Group’s economic situation is significantly influenced by general micro- and macroeconomic conditions.

Investments in public infrastructure play a major role in the Aggregates business unit. In particular, the business unit is exposed to the risk that planned infrastructure investments will be postponed, abandoned or carried out with reduced funding due to the economic environment.

The war in Ukraine is also directly affecting business at the sites in Russia and Ukraine. There is a risk that business activity will be limited or prevented or that the site in Ukraine will be destroyed by acts of war. A further material risk arises indirectly through the higher energy prices and possible energy shortages, particularly in oil and gas supplies.

Some of the Werhahn Group’s production sites rely on significant energy consumption for the production process. High temperatures are required to manufacture asphalt or process steel, which consume high levels of energy. Consequently, the business units look into methods to optimize energy consumption and reduce the reliance of production processes on fossil fuels on an ongoing basis.

The high inflation in Western industrialized nations, which is also related to the increase in energy prices, could have a clear impact on demand for the Consumer Goods division's high quality kitchen and personal care products, since consumers’ overall purchasing power is declining.

In the Financial Services division, high inflation influences counterparty default risk. Counterparty default risk represents the credit risk of contractual partners being unable to fulfill their contractual obligations, either in full or in part. In periods of high inflation, the number of defaults among both business and private clients can therefore increase. The companies in the Financial Services division counter this risk through active credit risk management, comprising a credit assessment and an effective dunning process. However, there is a risk that the risk provisions in the accounts will not be adequate in the future.

In addition, financial services providers are exposed to the risk of more stringent regulatory requirements. Meeting higher capital requirements for financial services providers could tie up significant financial resources over the long term.

The effects of the coronavirus pandemic still pose a challenge. Although the related risk situation improved considerably over the course of the 2022 business year, the risk remains that measures to control the pandemic could significantly impair the ability to produce or supply the products and services offered by the business units. The economic cost of measures imposed by public bodies could particularly be felt in the form of postponed or canceled orders or investments by our customers, as well as increased default risk. The rise in public and private debt related to the coronavirus pandemic could also negatively affect sector-specific demand, particularly from the public sector. The spread of the coronavirus and its variants continue to represent a risk to the health and availability of the Werhahn Group's employees. To mitigate this risk, the Werhahn Group has established crisis teams to carefully monitor the varying impact of COVID-19 and implement countermeasures. These measures focus on ensuring the health and safety of our employees and the continuity of business operations. The measures are coordinated at Group level, with the relevant managers in the individual businesses and countries responsible for implementing measures appropriate to the specific circumstances. Examples of important measures to mitigate the consequences described above include the use of remote working and employee-focused health measures.

Obviously, the Werhahn Group is exposed to competition. Intense price competition among market players or new, disruptive competitors entering the market could have a major impact on the profitability of the Werhahn Group's business units. In particular, there is a risk that new technologies or innovative business models will not meet customer expectations and fail to be successfully launched on the market, or that they could become obsolete in the course of constantly evolving market conditions. The challenge here is to remain flexible and adaptable to keep pace with market developments. It is essential to continuously optimize business models and technologies to reinforce our market position. In this context, it is especially important to secure our technological edge through patents.

If patents expire or if patent protection cannot be effectively guaranteed, the barriers to market for competitors will be lower than originally expected.

The diversification of the Werhahn Group's business units significantly reduces the reliance on individual market and industry developments and therefore has a strong risk-mitigating effect.

Performance-related risks

Performance-related risks include risks in the areas of procurement, production and sales.

In procurement, the greatest risks in all business units are posed by possible increases in the cost of or shortages of inputs such as energy, fuel and bitumen, as well as the cost of refinancing. The higher costs could also have a significant negative impact on the Werhahn Group's results of operations, since they are unable to be passed on, or can only be passed on in part or with a delay. Bitumen, in particular, is an extremely important input for the Aggregates business unit and its production of asphalt mixtures for road construction. This is taken into account through measures to mitigate price risk such as fixed-price quotas for bitumen, for example. In the Consumer Goods division, alongside price inflation and availability risks, there is also the risk of default on the part of suppliers, which could lead to production shutdowns. This is counteracted by alternative procurement sources. In the Financial Services division, the procurement risk is largely attributable to refinancing. The interest rate turnaround and the maturity of the European Central Bank's longer-term refinancing operations mean there is a considerable risk of refinancing becoming more expensive. In addition, there is a risk of conditions becoming less favorable or credit lines being discontinued. The Financial Services division counters these market price risks by reviewing refinancing conditions and types and identifying new refinancing sources on an ongoing basis.

Production risks are addressed with preventive maintenance and quality assurance measures as well as with proactive investment planning. This approach ensures that production capacities are reliably available and that damage from production stoppages can be avoided. Environmental protection interests and sustainability are also of high importance.

Sales risks primarily arise from weaker economic developments, as well as changes in consumer behavior. This can cause demand in individual industries and markets to fluctuate or permanently decline. Weak demand carries the additional risk that heavy competitive and price pressure will develop. In the Aggregates business unit, the biggest risk is shrinking demand for road construction products from public budgets. The potentially resulting regional overcapacities could lead to intense price pressure. Alongside the possibility of weaker demand due to the economic environment, the Consumer Goods division faces the challenge of using the right sales channels to meet customer requirements. Developing new sales channels can result in lower margins over the long term. There is also a risk that traditional distribution channels will be unable to sustainably maintain their market position. The Werhahn Group counters this risk by closely observing market and customer behavior and continuously looking into the development of new sales channels. In the Financial Services division, both new business and general competition and price pressure is to a large degree dependent on the availability of the assets to be financed. Shortages due to disrupted supply chains can significantly influence market volume. Due to the fast-paced environment in all business units, there is a general risk of customer insolvency, including in brick-and-mortar retail or the automobile trade, for example. Measures to mitigate this risk include credit insurance, active receivables management, and strongly focusing on risk development, monitoring and provisioning in the area of financial services, among other measures. In addition, it is very clear that the subject of sustainability in particular is playing an increasingly important role in purchasing behavior. This risk is taken into account through a wide range of measures, which are described in greater detail in the section on sustainability.

Internal risks

Internal risks include IT, personnel and compliance risks, in particular.

Numerous technical and organizational measures have been instituted across the Group and reviewed by external audits to protect the IT systems against unauthorized access and data loss as well as the ever-increasing threat of cyberattacks, thereby ensuring smooth handling of the Group’s business processes.

The IT structures in the individual business units are also continually upgraded to the current state of the art, and employee awareness is raised through regular training and provision of information. Special attention is paid to compliance with data protection provisions. In addition, comprehensive measures to ensure compliance with the EU General Data Protection Regulation are ongoing.

The Werhahn Group's employees are crucial to its success. Consequently, recruiting skilled employees, ensuring their professional and personal development, and fostering their long-term loyalty to the company are among the Werhahn Group's priorities. Alongside the performance-based remuneration of skilled professionals and managers, the Werhahn Group continuously invests in extensive training and qualification plans, as well as in measures to generally protect employees. Accidents are avoided and working conditions improved through regular training to raise employee awareness around the issue of workplace safety, as well as through the implementation of measures to reduce risks and hazards. Examples of the measures to reduce workplace risks include the continuous analysis and optimization of working processes and the regular maintenance and inspection of equipment and machinery.
In addition, a range of measures are taken to enhance the Werhahn Group's attractiveness as an employer. These include the Employee Assistance Program (EAP), in particular. This is an independent advisory service available to Werhahn employees for help with professional, personal, family and financial matters.

Even though the Werhahn Group has established a global compliance management system, it is not possible to entirely avoid compliance risks. Within the scope of the Group's business activities, there are circumstances in which risks arise as a result of legal disputes and proceedings. These include, for instance, risks related to patent law, guarantees and product liability, tax law, contract law and competition law. These risks are preemptively mitigated where possible through comprehensive legal advice and the implementation of internal policies. Furthermore, appropriate insurance policies have been taken out for various legal risks. In the case of pending proceedings not fully covered by insurance, the appropriate financial precautions are taken. Tax returns are prepared with great care. Nevertheless, there is a risk of back tax liability as a result of financial audits.

Financial risks

The Werhahn Group is exposed to numerous financial risks. These include liquidity, currency, interest rate and raw material price risks, in particular. As already mentioned, liquidity and interest rate risk for the Financial Services division are included in the procurement category, since refinancing at financial services companies is a distinct business process.

The available liquidity is continuously monitored across the Group to mitigate liquidity risk. Furthermore, adherence to the financial metrics specified in loan agreements is monitored, making it possible to apply any potential countermeasures in a timely manner. Credit limits have been established for intra-Group lending to avoid the concentration of liquidity risk.

Currency risks are reduced by comprehensively hedging contracts and planned cash flows in a set time period. Any limits set for non-hedged currency positions are constantly monitored and managed using external hedging instruments, in which case only conservative financial instruments are used.

Interest risks can take the form of cash flow and net present value risks. Because neither of these two types of risk can be ruled out or completely hedged, each individual transaction leads to a decision on which risk should be taken and, if possible, offset by transferring them to third parties. The limits set as part of the finance strategy are continually monitored and managed using external hedging instruments.

For information on the mitigation of raw material price risk, please refer to the section on performance-related risks above.

Overall risk assessment

Due to the generally more uncertain economic environment, the overall risk for the Werhahn Group has increased sharply compared with the previous year. The individual risks currently assessed to represent the highest expected potential damage are: first, the risk of rising interest rates for refinancing in the Financial Services division; second, the risk of higher raw materials costs for the Construction Materials and Consumer Goods divisions; third, the risk of lower infrastructure investments by the public sector in the Aggregates business unit; and fourth, the risk of a further deterioration in consumer sentiment in the markets relevant to the Werhahn Group, which could impact all divisions.

Despite the higher level of overall risk, based on current information, we do not see any risks to the continued existence of the Werhahn Group as a going concern. The diversification of the Werhahn Group significantly contributes to reducing the potential impact on the Group of individual risks. Most of the risks concern only individual business units or regions. Consequently, although these risks may be material for the business unit, they are of less significance when considered for the Werhahn Group as a whole. We therefore rate the probability of an individual risk with a significant damaging effect similarly affecting all business units as very low. In addition, risks that affect one business unit could also open up opportunities for another business unit.

Research and Development

Research and development drive technological progress and have high priority in the Werhahn Group. Research employees anticipate customer desires, which employees in the development departments then transform into market-ready products. Development employees also continuously work to optimize production processes and promote digitalization.

In the Aggregates business unit, research and development is primarily focused on improving the sustainability of asphalt products. In this context, it continues to test and develop lower-temperature construction methods. In 2022, together with customers and clients, the business unit tested a series of measures that reduced the temperature of asphalt mixtures in production by up to 30 degrees Celsius compared with conventional asphalt mixture temperatures. The test road sections were implemented and evaluated by the BAG TechnologieCentrum in Porz, Cologne, in close cooperation with external partners and associations. The experience gained will enable the Asphalt business unit to deliver asphalt that meets the more stringent future workplace safety requirements with regard to vapors and aerosols from high-temperature asphalt processing. In addition, this asphalt production method emits less carbon dioxide.

The Aggregates business unit is also testing technical processes for producing lower-temperature asphalt in the future. For example, a foamed bitumen production module was installed at the newly established Dortmund mixing plant in 2022. By foaming the bitumen, the volume of the binder is increased to such an extent that the required asphalt density can be achieved at the construction site with lower asphalt mixture temperatures. This technology was first tested in the TechnologieCentrum lab in the business year and will be transferred to practical application at the Dortmund mixing plant in 2023.

A further focus of the Aggregates business unit's research in the business year was the use of alternative binders to fully or partially replace bitumen. Biobased materials, such as lignin, are used. These materials are created as a waste or by-product in paper manufacture and are made of renewable raw materials. Natural asphalt, which does not undergo a refining process, is also being used as a partial replacement, for example. In addition, research is being carried out on the extent to which certain waste plastics are suitable for the partial replacement of bitumen and can be returned to the materials cycle as secondary plastics to improve the eco-balance.

In 2022, the Slate business unit concluded the building information modeling (BIM) project as part of its digitalization strategy. BIM is a working method whereby all data relevant to a building are digitally modeled, combined and recorded. The building can also be geometrically visualized as a virtual model. All major Rathscheck products were digitalized and prepared for use in future BIM processes for construction planning. In addition to the parameterization of the main types of slate cladding, the visualization of the products played a major role.

To give building owners and architects a better idea of the look of a slate roof or façade, the business unit launched a configuration tool to visualize different types of slate cladding on different types of buildings on the Rathscheck website in the business year. The tool makes it possible to clearly illustrate the look of slate in digital form. The 3D product visualizations created for the BIM project are being used for the first time here. The slate configuration tool is a key component of the digital transformation and a crucial factor in enhancing customer interaction and the business unit's forward-looking market positioning.

The research and development activities of the Zwilling Kitchenware business unit take into account the growing role of digital and customized products in the modern home kitchen in particular. Product development always centers on customer benefits. In the past year, the range of small electrical kitchen appliances was expanded to include ZWILLING ENFINIGY digital kitchen scales with an inductive charging function and the ZWILLING air fryer. The product offering of the BALLARNI brand was enhanced with colorful, cast iron Dutch ovens in the Ballarini Bellamonte line.

The Zwilling Kitchenware business unit also implemented measures at the Solingen and Merville production sites to ensure production even in the event of gas and electricity shortages by retrofitting and developing alternative process routes. Digitalization of the sites also progressed. At the end of 2022, the manufacturing execution system (MES) software went live at the Italian production site. This software digitally records machine data and sends it to the ERP system interface. At the Solingen site, implementation of the MES software continued with the connection of further plants and the expansion of the software features.

To meet the high demand for knives manufactured in Japan, a comprehensive supply chain improvement project was launched at the Seki site in Japan to optimize production capacity planning. At the French plant, a further enameling line went into operation in order to continue to serve the market for the highly popular STAUB Cocottes produced there.

Like the Zwilling Kitchenware business unit, the Zwilling Beauty Group business unit also continually enhances its range, embracing trends and adding special touches through innovations. In the past year, the business unit developed several new premium manicure, pedicure and facial care products for the ZWILLING brand. A premium stainless steel facial razor with replaceable precision blades and a precision cap for the removal of downy facial hair, premium nail clippers with a nail catcher, a classic sapphire nail file, and a premium callus remover with replaceable precision blades and an integrated cleaning brush were developed. In addition, a number of popular high-quality nail and cuticle scissors were made available in gold and black for the first time. To achieve this, the business unit applied a wear- and scratch-resistant coating using physical vapor deposition (PVD) technology. An eyebrow razor with replaceable blades and heavy-duty nail clippers were developed for the TWEEZERMAN brand.

abcfinance pressed ahead with the development of digital processes in the past year. Many strategic partners, including both major manufacturers and trading platforms, would like to be able integrate and fully automate abcfinance's leasing processes into their manufacturing and customer systems. In light of this, the abcfinance business unit developed its IT architecture into a rapidly adaptable IT landscape with modern application programming interface (API) management; in 2022, this was enhanced by streamlined Java services. Java services are individual programs that map new functions (for example, money laundering processes) or directly initiate processes in the ERP system (for example, contract creation) without the need to repeat all of the previous process steps in the ERP system when they have already been completed in the customer portal, for example. In particular, larger partners also want to be able to use their own front end to access abcfinance's digital back end. The API management implemented makes it possible to individually combine Java services for each client. The first API connections to partners are now complete.

In 2022, Bank11 extended its tested digital processes to other business areas and rolled out the Vitus digital loan application process at a further partner bank. As a ‘white-label’ solution, Vitus can be customized with the design of the relevant partner. The partner can then offer its customers consumer loans through this application process. Furthermore, Bank11 modernized its established online tool Victor in the past year. A further insurance product was developed in line with customer requirements in the form of EvoFix, which covers all vehicle types in the event of repairs.

Sustainability

Responsible and sustainable business is one of the fundamental principles of the Werhahn Group. Through our sustainability concept, we aim to make a positive contribution to the environment, the economy and society over the long term. This involves conserving resources, reducing environmental damage and taking social responsibility.

The rapidly evolving regulatory environment means that companies are increasingly required to publish non-financial disclosures and implement measures to create transparency around the subject of sustainability. The Werhahn Group is currently developing a uniform understanding of how ambitious we want to be and what sustainability strategy we will pursue. This strategy must ensure regulatory compliance, accelerate the Group's internal transformation and take account of the business opportunities offered by sustainability. The Werhahn Group's sustainability concept covers the five action areas of energy efficiency and climate protection, society, employees, product lines and customers, and suppliers and partners. Together, these action areas form the basis for sustainable business practices and taking responsibility with regard to the environment and the Werhahn Group's stakeholders.

Climate change is one of the biggest challenges of our time. Within its environment and climate protection action area, the Werhahn Group focuses on reducing the Group's impact on the environment and the climate. Measures and initiatives to improve the environmental efficiency of value creation processes are continuously developed. In this way, the carbon emissions generated through production and the provision of services are reduced. Promoting the use of renewable energy is one approach taken by the Werhahn Group. The responsible and economical use of fossil fuels and natural resources is crucial to respecting the environment. The use of sustainable products and production processes, returning valuable raw materials to the materials cycle, and protecting natural habitats also contribute to conserving resources over the long term.

Social engagement is a key pillar of our values. The Werhahn Group takes social responsibility seriously and makes a positive contribution to society. This involves local engagement, promoting education and supporting social projects. In all of the Werhahn Group's business units, initiatives and projects have been launched and carried out to help people in emergency and crisis situations and create opportunities for a better future.

Examples include the relief and fundraising efforts in relation to the war in Ukraine, as well as the activities and sponsorship projects of the Werhahn Foundation and the ZWILLING Foundation.

It is important that employees have a safe and healthy working environment. In light of this, the Werhahn Group contributes by providing suitable safe working conditions and fair pay. Employees' professional development is also supported. In this way, the Werhahn Group aims to offer development and career prospects for the different phases of its employees' lives. The development and acquisition of new skills is motivational for employees and helps foster loyalty to the company. Measures such as regular occupational heath and safety training, the provision of ergonomic workstations, and regular assessments of the working environment are accompanied by a culture that supports employee health and safety.

The product lines and customers action area encompasses the Werhahn Group's responsibility towards its customers and aims to ensure that products and product line components are produced under fair working conditions, among other things. This concerns not only aspects such as workplace safety and pollution prevention, but also involves the respect of fundamental human rights, including preventing child labor and discrimination. It also involves the sustainable design of the products themselves, for example through the use of sustainable packaging materials. In addition, customers are made aware of opportunities to make more environmentally friendly consumer decisions and are informed about the advantages of sustainable products.

Sustainability is also a factor in the Werhahn Group's relationships with its suppliers and partners. This includes the monitoring and assessment of sustainable practices at these companies, including their impact on the environment and people. This can be achieved through the introduction of environmental and social standards for suppliers, the promotion of fair trade, and helping suppliers to improve their sustainable practices.

The business units have carefully examined the sustainability requirements and reporting on sustainability issues. The aim is to translate the mixed sustainability landscape resulting from the Werhahn Group's diversity into standardized Group reporting. An important step in this process is establishing standards that apply to all business units and defining overarching sustainability indicators. This will make it possible to provide a comprehensive picture of the Werhahn Group's sustainability performance in future reports. From this starting point, the breadth and depth of the Werhahn Group's sustainability reporting will be developed over the coming years, particularly to meet the reporting requirements under the Corporate Sustainability Reporting Directive (CSRD) from the 2025 business year. By satisfying these regulatory requirements through strategic initiatives, entrepreneurial thinking and sustainable business practices, the Werhahn Group is making a positive contribution to the Paris climate goals and the ambitions of the German Federal Climate Change Act (Bundesklimaschutzgesetz), with the aim of achieving climate neutrality by 2045.

The Aggregates business unit published a sustainability report for the first time in 2022. As part of this, sustainability initiatives were defined and launched, underpinned by the aim of being environmental market leaders. As a manufacturer of construction materials, the business unit is directly reliant on natural resources. The production of valuable natural stone always involves temporarily disrupting the environment and the landscape. The business unit works with nature conservation organizations and species conservation experts, among others, on the renaturation of quarries. In this way, quarries form refuges for endangered animal and plant species.

With regard to raw materials, the business unit made further progress on its journey to establishing carbon-neutral quarries. The quarries' carbon emissions were reduced through an optimized electricity mix and the commissioning of photovoltaic systems. In addition, site-specific carbon balances were compiled for German quarries. The business unit has also made progress with regard to increasing the recovery rate and targeted marketing of by-products. The rock powder created when crushing rock (filler) can be used in higher value applications in new sectors alongside established customer segments such as asphalt, cement or agriculture.

In the asphalt segment, the Aggregates business unit is working intensively to establish a carbon-neutral mixing plant. Its main focus here is replacement of the primary fuel, pulverized lignite, with alternative fuels. In the past year, several research projects were launched with the aim of reducing the asphalt processing temperature and trialing new fuels. Further increasing the recycling rate is also among the business unit's aims. In addition, carbon balances were compiled for the German production plants in 2022 for the first time.

The Slate business unit began developing a comprehensive sustainability concept in 2022. The carbon footprint of the business unit as a whole was calculated in accordance with the Greenhouse Gas Protocol. Alongside direct and indirect emissions, this also takes into account other indirect upstream and downstream emissions. The main causes of emissions include the operation of machinery for production and extraction, and the transportation of finished goods to customers. In the future, it is planned that the regularly calculated carbon footprint will be compared against the strategic sustainability targets, which are still to be defined.

The Slate business unit also has high standards in the areas of occupational safety and energy consumption. An inventory of all measures at the Spanish and German sites was carried out in 2022. To minimize dust concentrations in the production facilities, the targeted optimization of dedusting systems, manufacturing processes and work organization is regularly carried out. Costs and emissions are also reduced through shorter transport routes for raw slate and landfill for slate residues close to the sites. Photovoltaic systems were ordered and installed, respectively, at the O Barco de Valdeorras site in Spain and the Mayen site in Germany. This will lead to a clear reduction in external electricity purchases.

The Zwilling Kitchenware business unit has set itself the target of operations at all production sites becoming climate neutral by 2030. In the past year, the business unit set interim targets for all areas of the sustainability concept up to 2030 and developed corresponding projects. For example, it set specific energy-saving and decarbonization targets for the production facilities. Wherever possible, unnecessary packaging is avoided or replaced by fully recyclable and biobased packaging. Not using plastic in cutlery and knife packaging can reduce the number of plastic coverings by around 13 million per year.

The Zwilling Kitchenware business unit also sets high environmental standards in the supply chain and joined the amfori Business Environmental Performance Initiative (BEPI) in 2022 in addition to its membership in the amfori Business Social Compliance Initiative (BSCI). As a result, environmental principles are even more strongly embedded in the supply chain. Social engagement is also a key part of sustainability for the Zwilling Kitchenware business unit. Around 30,000 meals have already been donated to people in need in Germany through the ShareTheMeal community.

In 2022, the Zwilling Beauty Group business unit stepped up the Group-wide sustainability project launched in the previous year with great success. The corporate carbon footprints of the company's sites in Germany, the United Kingdom, China and India were calculated, and projects for their improvement were initiated last year. The focus is the development of more sustainable products and packaging. In the USA, the TWEEZERMAN brand completed the final phase of a project to remove plastics from its packaging. The remaining carbon emissions of TWEEZERMAN products are offset by supporting two sustainability projects – “Plastic Bank”, which is committed to ridding the oceans of plastic and promoting plastic recycling, and a reforestation project in India. The packaging relaunch for the ZWILLING brand was completed in the first quarter of 2023. The new packaging is plastic-free, contributing to the achievement of the Zwilling Beauty Group business unit’s sustainability targets. Instead of plastic inlays in the packaging, cloth bags are used to protect the products inside the packaging. The bags are produced by ZWILLING Foundation India, a subsidiary of the Werhahn Foundation, which is committed to sustainably and permanently improving the lives of people with disabilities and people in acute emergency situations. Its activities extend beyond short-term humanitarian aid and are based on the principle of helping people to help themselves.

Alongside the already established finance solution for environmentally friendly energy technologies – the “green energy solutions” industry solution – abcfinance laid strong foundations for meeting the upcoming regulatory requirements, for example by conducting a materiality analysis in the second half of 2022. Against this backdrop, the business unit will launch further sustainability-related projects in 2023.

Bank11 considers sustainability both from a customer viewpoint and its own perspective. On the customer side, the focal points include the numerous special electromobility conditions for automobile dealers, for example through its cooperation partner ADAC. Bank11 is also focusing on e-mobility in its own fleet, creating incentives for the use of electric and hybrid vehicles.

Outlook and Opportunities Report

Macroeconomic forecast

In its January 2023 outlook, the IMF forecast global gross domestic product (GDP) growth of 2.9%, slightly higher than its prediction of 2.7% in October 2022. The cautiously optimistic outlook is largely attributable to the reopening of the Chinese economy after the pandemic. Growth of 5.2% is forecast for China in the coming year. According to the IMF, China's departure from the zero-COVID strategy could make a major contribution to global economic recovery. The IMF forecasts economic growth of 0.7% for the eurozone in 2023, while economic growth in the USA is expected to decline from 2% in 2022 to 1.4% in 2023. In the emerging markets and developing economies, GDP growth is expected to be at the same level as 2022 (4%).

According to IMF and European Commission data, Germany could avoid the feared recession in 2023. The European Commission attributes this to the well-handled energy crisis and the successful measures taken, including diversification of gas supply sources and the sharp decrease in consumption. The IMF forecasts 0.1% GDP growth in Germany, while the European Commission predicts 0.2% growth.

The IMF explains that the low growth forecast for 2023 is due to the central bank rate hikes to fight inflation – particularly in industrialized nations – and the war in Ukraine. Lower growth is predicted for around 90% of industrialized nations in 2023.

According to the IMF, inflation rates peaked in 2022 and should begin to decline in 2023. In 2022, consumer prices rose by 8.8% compared with the previous year; the IMF estimates an inflation rate of 6.6% for 2023. The decreasing inflation rates are attributable to the global economic slowdown and declining energy and raw material prices.

Opportunities for future growth

The Werhahn Group is committed to maintaining and increasing the company's value and attractiveness for future generations. To ensure the Werhahn Group's long-term success, potential and growth prospects need to be identified as opportunities, analyzed and seized at an early stage.

In addition to seizing opportunities in the business units, innovative business models also play a part. The commitment to the sustainability of business activities is also a crucial factor in ensuring long-term value growth. The Werhahn Group's sustainability concept is based on the premise that long-term, sustainable growth is only possible if natural resources are conserved, environmental damage is reduced and social responsibility is taken seriously. A further major theme for the future is advancing digitalization. The Werhahn Group believes there is considerable market potential in the development of digital customer groups, the more efficient design of production, distribution, procurement and other business processes, and the use of vast data volumes.

At the level of the business units, further specific opportunities are also arising; these are discussed in detail below.

For the Aggregates business unit, the condition of the German road network, as well as the increasing traffic volumes continue to offer the opportunity that the federal government, states and municipalities will make additional investments in transport infrastructure. Major infrastructure projects in Eastern European countries could also bolster business performance. Investments in plant modernization, the high level of market penetration and modern logistics operations open up additional opportunities.

For the Slate business unit, opportunities exist in the development of new target groups, particularly in the new build segment and in the growth of the roof renovation market. The inclusion of photovoltaic technology in the Rathscheck slate system also offers considerable growth potential.

The Consumer Goods division's innovative power offers significant opportunities to reach new markets and customers through product innovations. The division is therefore making substantial investments in research and development. Further opportunities are offered by the optimization of online and brick-and-mortar sales channels, as well as through the continuous improvement and expansion of the range of products for the modern home kitchen. Large-scale project business could also positively impact results of operations. In addition, opportunities could arise for the division in the form of favorable currency developments and procurement prices.

In the Financial Services division, growth opportunities arise by consistently aligning the product portfolio with client needs, for example through the car subscription options or company bicycle leasing plans. Furthermore, the Financial Services division aims to continuously improve the efficiency and optimize the cost of contract processing through the use of digital processes and automated decision-making. In addition, the division expands its business areas and thus generates additional growth potential through strategic partnerships and acquisitions. Due to the current economic situation, liquidity management is increasingly important for clients, which offers significant opportunities for the factoring products. Additional opportunities could arise if credit risk proves to be lower than expected or if the rapidly changing interest rate environment settles down.

Outlook 2023

Traditionally, business performance within the Werhahn Group is strongly influenced in the first part of the year by events in the building materials sector, which is highly seasonal and weather-dependent. Performance at the beginning of the year was slightly down on the previous year. The Consumer Goods and Financial Services divisions fell significantly short of the prior-year level. However, the first few months have limited informative value for the entire year.

As things currently stand, the Werhahn Group's revenue is forecast to slightly rise, while its operating result and earnings before tax are expected to decline considerably compared with 2022. All business units expect the economic situation to remain weak in 2023, with a mixed impact across the different divisions.

The Building Materials division expects earnings to be clearly down on the previous year. Given the still weak construction industry, it is unlikely that the rising procurement costs will be able to be fully offset, despite good sales revenues. The results generated abroad are expected to be further negatively impacted by political uncertainties.

Results in the Consumer Goods division are likely to remain at the prior-year level. It is anticipated that the core business of the Zwilling Kitchenware business unit will record growth in the regions of China and North America and in the barbecue, electrics and vacuum product groups, in particular, while special business is expected to decline considerably in 2023. The cost-cutting measures already introduced should help improve the operating result.

Despite the further economic slowdown, the Financial Services division expects new business to remain stable, while risk costs rise and refinancing costs increase – in some cases significantly. Overall, the Financial Services division therefore expects to record a sharp decline in results.

The FiberLean Technologies business, which was acquired in 2021, will post slightly lower start-up losses in its second full business year.

The above estimates regarding the Werhahn Group's expected development were made subject to increased planning uncertainty due to the volatile and hard-to-predict political and economic conditions.

CONSOLIDATED FINANCIAL STATEMENTS

There may be slight rounding differences in the calculated figures.

Consolidated Balance Sheet

Assets

in € thousand	Note	Dec. 31, 2022	Dec. 31, 2021
Intangible assets		164,406	190,988
Tangible assets		889,442	869,605
Financial assets		108,395	107,479
Fixed assets excluding leasing assets from financial services		**1,162,243**	**1,168,072**
Leasing assets from financial services		1,681,962	1,660,315
Fixed assets	(1)	**2,844,205**	**2,828,387**
Accounts receivable from financial services	(2)	7,852,508	6,516,037
Inventories	(3)	651,776	564,131
Accounts receivable and other assets	(4)	373,871	409,764
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	(5)	783,471	1,122,827
Current assets		**9,661,626**	**8,612,759**
Prepaid expenses		12,327	9,452
Deferred tax assets	(6)	1,186	838
Surplus from offsetting		151	141
		12,519,495	**11,451,577**

Equity and liabilities

in € thousand	Note	Dec. 31, 2022	Dec. 31, 2021
Capital shares of Wilh. Werhahn KG		147,790	147,790
Capital reserve		68,273	68,273
Group profit carried forward		1,731,251	1,645,308
Difference in equity from currency conversion		–20,117	–13,353
Net profit		69,051	119,503
Non-controlling interests		66,744	67,340
Equity	(7)	**2,062,992**	**2,034,861**
Difference in amounts from capital consolidation		250	283
Provisions	(8)	497,353	465,924
Liabilities from financial services	(9)	9,323,086	8,393,403
Liabilities	(10)	634,033	555,433
Outside capital		**10,454,472**	**9,414,760**
Deferred income		1,781	1,673
		12,519,495	**11,451,577**

Consolidated Income Statement

in € thousand	Note	2022	2021
Net sales	(11)	4,281,579	3,980,878
Inventory changes		37,537	23,372
Internally produced and capitalized assets		7,792	10,202
Total operating performance		**4,326,908**	**4,014,452**
Other operating income	(12)	63,331	65,651
Cost of materials	(13)	2,350,920	2,148,294
Personnel expenses	(14)	606,416	564,255
Amortization of intangible assets and depreciation of tangible assets		165,412	146,640
Amortization and write-downs of leasing assets from financial services		557,625	546,896
Other operating expenses	(15)	575,117	482,840
Investment income	(16)	32,139	30,102
Amortization and write-downs of financial assets and securities classified as current assets		504	203
Interest result	(17)	–10,508	–9,498
Earnings before tax		**155,876**	**211,579**
Taxes on income and earnings	(18)	63,184	71,456
Earnings after tax/net income		**92,692**	**140,123**
Profit attributable to non-controlling interests		23,641	20,620
Net profit		**69,051**	**119,503**

Statement of Changes in Fixed Assets

(Annex to the Notes to the Consolidated Financial Statements)

	Purchase and manufacturing costs					
in € thousand	Balance as of Jan. 1, 2022	Changes in the basis of consolidation et. al.	Additions	Disposals	Reclassifi-cations	Balance as of Dec. 31, 2022
Internally generated commercial trademarks and similar rights and assets	10,794	–	4,693	1	–	15,486
Concessions acquired against payment, commercial trademarks and similar rights and assets as well as licenses to such rights and assets	298,924	–462	11,034	2,045	3,777	311,228
Goodwill	227,387	5,528	82	5,115	–	227,882
Prepayments	6,476	141	7,017	64	–2,575	10,994
Intangible assets	**543,582**	**5,206**	**22,826**	**7,225**	**1,201**	**565,590**
Land, land rights and buildings including buildings on third-party land	1,001,469	530	15,148	2,304	11,411	1,026,253
Technical facilities and machinery	1,314,091	–214	33,996	27,057	35,218	1,356,034
Other facilities, operating and business equipment	474,972	–82	43,861	23,129	1,261	496,883
Prepayments and facilities under construction	64,456	152	43,018	737	–49,091	57,798
Tangible assets	**2,854,987**	**386**	**136,023**	**53,228**	**–1,201**	**2,936,968**
Interests in affiliated companies	83,216	–385	2,376	–	–	85,207
Interests in associated at-equity companies	36,415	–	431[1]	803[1]	–	36,043
Interests in other associated companies and other participations	102,100	–	5,806	5,771	–	102,135
Loans to affiliated companies	621	–	–	280	96	437
Other loans	1,396	–	46	–	–96	1,346
Financial assets	**223,749**	**–385**	**8,659**	**6,855**	**–**	**225,168**
Fixed assets excluding leasing assets from financial services	**3,622,317**	**5,206**	**167,511**	**67,308**	**–**	**3,727,726**
Leasing assets from financial services	**3,082,595**	**–**	**722,217**	**691,482**	**–**	**3,113,330**
Fixed assets[1]	**6,704,912**	**5,206**	**889,728**	**758,790**	**–**	**6,841,057**
			431	700		

[1] Thereof from equity valuation.

Accumulated depreciation and amortization						Book value	
Balance as of Jan. 1, 2022	Changes in the basis of consolidation et. al.	Additions	Write-ups	Disposals	Balance as of Dec. 31, 2022	Balance as of Dec. 31, 2022	Balance as of Dec. 31, 2021
2,213	–	4,503	–	–	6,715	8,771	8,581
218,051	734	25,691	–	2,020	242,456	68,772	80,873
132,308	325	22,331	–	2,952	152,012	75,870	95,080
22	–1	2	–	22	1	10,993	6,454
352,593	**1,058**	**52,527**	**–**	**4,993**	**401,184**	**164,406**	**190,988**
519,389	–450	27,928	–	1,409	545,458	480,795	482,080
1,092,924	164	47,242	–	26,235	1,114,095	241,939	221,166
372,745	–182	37,671	266	22,228	387,740	109,143	102,227
324	21	44	–	156	233	57,565	64,132
1,985,383	**–447**	**112,885**	**266**	**50,028**	**2,047,526**	**889,442**	**869,605**
78,467	–	–	–	–	78,467	6,740	4,749
15,907	–	45[1]	–	–	15,952	20,091	20,508
21,756	–	402	–	–	22,158	79,977	80,345
–	–	–	–	–	–	437	621
140	–	56	–	–	196	1,150	1,256
116,270	**–**	**504**	**–**	**–**	**116,773**	**108,395**	**107,479**
2,454,246	**609**	**165,916**	**266**	**55,022**	**2,565,483**	**1,162,243**	**1,168,072**
1,422,280	**–**	**557,625**	**–**	**548,537**	**1,431,368**	**1,681,962**	**1,660,315**
3,876,526	**609**	**723,541**	**266**	**603,559**	**3,996,851**	**2,844,205**	**2,828,387**

45

Consolidated Cash Flow Statement

	in € thousand	2022	2021
	Result for the reporting period (Consolidated net profit including non-controlling interests)	92,692	140,123
+/–	Depreciation, amortization and write-downs of fixed assets/reversals of write-downs of fixed assets (excluding leasing assets from financial services)	165,650	146,835
+/–	Increase/decrease in provisions	26,681	32,653
+/–	Other non-cash expenses/income	–8,444	7,308
–/+	Increase/decrease in inventories, trade receivables and other assets not related to investing or financing activities	–76,457	–227,221
+/–	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	–47,275	54,736
–/+	Gain/loss from disposal of fixed assets	–3,535	–7,455
+/–	Interest expenses/income	10,508	9,498
–	Other investment income	–32,139	–30,102
+/–	Expenses/income of exceptional size or incidence	–	–4,000
+/–	Income tax expenses/income	63,184	71,456
–/+	Income taxes paid	–64,129	–63,231
+/–	Amortization and write-downs of leasing assets/reversals of write-downs of leasing assets	557,625	546,896
+	Proceeds from disposals of leasing assets	142,944	153,400
–	Payments to acquire leasing assets	–722,217	–626,956
–/+	Increase/decrease in securities in financial services companies (unless classified as financial assets)	–	10,041
–/+	Increase/decrease in accounts receivable from customers from financial services	–1,156,325	–815,480
–/+	Increase/decrease in accounts receivable from banks from financial services	–177,194	29,818
+/–	Increase/decrease in liabilities to customers from financial services	587,142	632,319
+/–	Increase/decrease in liabilities to banks from financial services	–197	165,660
+/–	Increase/decrease in other liabilities from financial services	341,115	164,353
	Cash flow from operating activities	**–300,371**	**390,651**

	in € thousand	2022	2021
+	Proceeds from disposals of intangible fixed assets	201	162
–	Payments to acquire intangible fixed assets	–20,521	–19,853
+	Proceeds from disposals of tangible fixed assets	6,725	18,188
–	Payments to acquire tangible fixed assets	–129,446	–127,266
+	Proceeds from disposals of long-term financial assets	6,153	3,256
–	Payments to acquire long-term financial assets	–8,229	–18,313
+	Proceeds from the disposal of entities included in the basis of consolidation	–	–2,572
–	Payments to acquire entities included in the basis of consolidation	–6,641	–106,585
+	Payments relating to income of exceptional size or incidence	–	4,000
+	Interest received	1,849	1,552
+	Dividends received	32,427	24,235
	Cash flow from investing activities	**–117,482**	**–223,196**
+/–	Proceeds from the issuance of bonds and from borrowings/cash repayments of bonds and borrowings	–7,224	–6,106
+	Proceeds from subsidies/grants	2,425	2,880
–	Interest paid	–9,500	–3,402
–	Dividends paid to shareholders of the parent entity	–41,752	–29,779
–	Dividends paid to minority shareholders	–20,204	–20,363
	Cash flow from financing activities	**–76,255**	**–56,770**
	Net change in cash funds	**–494,108**	**110,685**
+/–	Effect on cash funds of exchange rate movements and remeasurements	–1,878	3,946
+/–	Effect on cash funds of changes in the basis of consolidation	–431	–1,161
+	**Cash funds at beginning of period**	**937,417**	**823,947**
	Cash funds at end of period	**441,000**	**937,417**

Cash funds are composed of the following items:

in € thousand	2022	2021
Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks	783,471	1,122,827
Liabilities to banks payable on demand and other short-term loans that are part of the disposition of liquid funds	–342,471	–185,410
Cash funds at end of period	**441,000**	**937,417**

Statement of Changes in Equity

	Parent company				
in € thousand	Capital shares of Wilh. Werhahn KG	Capital reserve	Group profit carried forward	Difference in equity from currency conversion	Net profit
Balance as of Jan. 1, 2022	**147,790**	**68,273**	**1,645,308**	**–13,353**	**119,503**
Capital increase	–	–	–	–	–
Distribution	–	–	–33,559	–	–
Currency conversion	–	–	–	–6,764	–
Transfers to/ withdrawals from reserves	–	–	119,503	–	–119,503
Other changes	–	–	–1	–	–
Changes in the basis of consolidation	–	–	–	–	–
Net income	–	–	–	–	69,051
Balance as of Dec. 31, 2022	**147,790**	**68,273**	**1,731,251**	**–20,117**	**69,051**

Non-controlling interests			
Equity attributable to non-controlling interests	Difference in equity from currency conversion attributable to non-controlling interests	Profit attributable to non-controlling interests	Total Group equity
43,272	**3,448**	**20,620**	**2,034,861**
–	–	–	–
–24,482	–	–	–58,041
–	–855	–	–7,619
20,620	–	–20,620	–
–	–	–	–1
1,100	–	–	1,100
–	–	23,641	92,692
40,510	**2,593**	**23,641**	**2,062,992**

Notes to the Consolidated Financial Statements

General Information

The Consolidated Financial Statements of Wilh. Werhahn KG, based in Neuss and entered in the register of companies at the Neuss District Court under the number HRA 4096, were prepared in accordance with the rules set out in sections 13 et seqq. of the German Public Disclosure Act (PublG) – excluding the exemption options in section 13, paragraph 3, sentences 1 and 2 of the PublG – in conjunction with sections 294 et seqq. of the German Commercial Code (HGB) and have been published in the business register.

According to section 297, paragraph 1 of the HGB, the Consolidated Financial Statements comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Notes to the Consolidated Financial Statements, the Cash Flow Statement, and the Statement of Changes in Equity.

German Accounting Standards (DRS) have been applied where legally required and are based on the interpretation of general legal principles.

The Consolidated Financial Statements were prepared in thousands of euros. To provide a better overview, various items on the Balance Sheet and in the Income Statement have been summarized and explained in the Notes. As in previous years, the Balance Sheet has also been expanded to include separate items for the financial services business.

Basis of consolidation

All participations are listed on pages 142 to 151. The Consolidated Financial Statements as of December 31, 2022 include all the companies shown under **1. Consolidated affiliated companies**. Along with the parent company, Wilh. Werhahn KG, the basis of consolidation comprises 94 companies in Germany (previous year: 93) and 51 companies abroad (previous year: 50). In the reporting period, six companies were included for the first time. Three of these companies were newly founded and two were acquired. A former non-consolidated affiliated company was included in the basis of consolidation for the first time this year, as it exceeded the threshold for full consolidation. Of the total of four companies no longer included, three companies were merged and one company was deconsolidated due to its minor significance.

Pursuant to section 296, paragraph 2 of the HGB, 69 affiliated companies were not consolidated, as their impact on the net assets, financial position and results of operations of the Group was also of minor significance overall. In addition, no equity valuation was conducted for these companies due to their minor significance. The combined net sales of these companies account for less than 4% of net Group sales, and their combined assets equal less than 2% of the Consolidated Balance Sheet total. There are no peculiarities about the Group’s legal and commercial relationships with these companies.

All 14 companies listed under **2. Associated at-equity companies** were consolidated using the equity method. There are additional associated companies that have not been included at equity in the financial statements because they are, overall, of minor significance with regard to net sales and balance sheet totals and with regard to their impact on the net assets, financial position and results of operations.

Principles of consolidation

The **consolidated affiliated companies** are included in the Consolidated Financial Statements as of the date on which control was acquired, the date they were established, or, if they were previously not consolidated due to their minor significance, the date on which they were consolidated because they surpassed the size criteria for consolidation. The capital of the companies was consolidated using the purchase method by offsetting the purchase costs against the Group's share in their revalued equity. Any remaining difference on the asset side after the disclosure of hidden reserves is shown as goodwill.

Goodwill is amortized using the straight-line method over the respective individual useful life. The amortization periods for the Group's material goodwill items are summarized and outlined in groups in the following table:

Useful life of goodwill

	Useful life	Explanation
Aggregates business unit	15 years	Long-term availability of locations in conjunction with long-term usability of fixed assets and long-established customer relationships in regionally limited markets
Zwilling Kitchenware business unit (Staub Group and Demeyere G.C.V.)	15 years	High degree of stability and long-term duration of the industry, brand stability and long product life cycles
Zwilling Kitchenware business unit (Ballarini Group)	7 years	Relatively high degree of stability and long-term duration of the industry, moderate duration of product life cycles
Zwilling Beauty Group business unit	5 years	Corresponds to the relatively short product life cycles
abcfinance business unit	5 years	Corresponds to the average duration of lease agreements and customer relationships

If, after acquiring control, other interests in consolidated affiliated companies are acquired or sold without a change in status, these transactions are consolidated using the purchase method.

Associated companies are valued at equity using the book value method. The difference resulting from at-equity consolidation is calculated at the time the company became an associated company or at the time of initial consolidation if the company was not previously consolidated due to its minor significance. Any goodwill arising from initial at-equity valuation is recognized under interests in associated at-equity companies and amortized over 15 years. Goodwill from at-equity consolidation totaled €203 thousand as of the closing date, with amortization of €40 thousand. Prior to at-equity consolidation, there was a difference between the book values of the participations and the proportional equity of the associated at-equity companies of €9,144 thousand or €–2,120 thousand.

The financial statements of fully consolidated subsidiaries in Germany and abroad were uniformly prepared in accordance with the accounting and valuation methods stipulated in the Werhahn accounting guidelines.

Accounts receivable and liabilities, net sales, expenses, income, and intercompany profits and losses between consolidated companies are eliminated on consolidation. In the case of companies consolidated at equity, intercompany profits and losses in fixed and current assets have also been eliminated.

Currency conversion

The reporting currency for the Werhahn Group is the euro. Balance sheet items for financial statements of consolidated subsidiaries prepared in foreign currencies are valued at the mean euro spot exchange rate on the closing date. The exception to this is equity, which is reported at the historical rate. Items on the Income Statement are converted into euros at the average rate for the year.

Differences due to currency conversion are reported, without affecting profit or loss, under total Group equity in the difference in equity from currency conversion.

According to the criteria of the German Accounting Standards (DRS) and the pronouncements of the International Practices Task Force (IPTF), Turkey is considered a highly inflationary country. Within the Werhahn Group this concerns ZWILLING J A Henckels MUTFAK VE GÜZELLİK ÜRÜNLERİ LİMİTED ŞİRKETİ. Inflation is adjusted for by preparing hard currency financial statements. The conversion date is December 31, 2022.

The most important exchange rates for the Werhahn Group are:

	Average rate		Closing rate	
1 € =	**2022**	2021	**2022**	2021
US dollar	**1,0541**	1,1832	**1,0666**	1,1326
Canadian dollar	**1,3704**	1,4834	**1,4440**	1,4393
Polish złoty	**4,6844**	4,5651	**4,6808**	4,5969
Chinese renminbi	**7,0791**	7,6335	**7,3582**	7,1947
Japanese yen	**137,9279**	129,8459	**140,6600**	130,3800

Exemption from compulsory disclosure

For the following subsidiaries, use has been made of the exemption provided under section 264, paragraph 3 of the HGB in conjunction with section 264, paragraph 4 of the HGB due to their inclusion in the Consolidated Financial Statements:

- abcfinance advise GmbH, Cologne
- Bank11 Holding GmbH, Neuss
- Charlie Acquisition GmbH, Monheim am Rhein
- C.O.I.N. Lease + Rent Leasing und Miete GmbH, Cologne
- Delta Acquisition GmbH, Monheim am Rhein
- Golf Acquisition GmbH, Neuss

- Sechste Werhahn Beteiligungen GmbH, Neuss
- Stuart VV GmbH, Monheim am Rhein
- Werhahn Beteiligungs- und Projektgesellschaft mbH, Neuss
- Werhahn International Schiefer GmbH, Mayen[7]
- WW Achtzehnte Acquisition GmbH, Monheim am Rhein
- WW Siebte Acquisition GmbH, Monheim am Rhein
- WW Zehnte Acquisition GmbH, Monheim am Rhein
- Yareto GmbH, Neuss
- Zweite Werhahn Projekte GmbH, Neuss

Accounting and valuation principles

The accounting and valuation principles of Wilh. Werhahn KG also apply to the Consolidated Financial Statements. Financial statements for consolidated subsidiaries whose accounts are prepared using diverging accounting principles have been adjusted. Only in insignificant cases has an adjustment not been made. The option to capitalize is predominantly not exercised.

Intangible assets, including goodwill from capital consolidation, are valued at purchase cost less amortization and write-downs. These assets were amortized using the straight-line method pro rata temporis over a useful life of 5 to 15 years. Internally generated intangible fixed assets have been capitalized in accordance with the option provided under section 248, paragraph 2 of the HGB since 2020. These include internally generated software, which is recognized in the balance sheet due to its particular importance with regard to reflecting a true and fair view of the net assets, financial position and results of operations. The manufacturing costs for internally generated intangible fixed assets include an appropriate proportion of the necessary overheads alongside any decline in the value of the fixed assets, and material and production costs. Borrowing costs are not taken into account. Development costs are included in the manufacturing costs when the recognition criteria are met.

Tangible assets are valued at purchase or manufacturing cost, in the case of depreciable items less scheduled depreciation based on the usual useful life of 2 to 50 years. As far as the Consolidated Financial Statements permit, depreciation of assets acquired before January 1, 2010, is based on the maximum amounts under tax law. Assets acquired after this date are depreciated using the straight-line method pro rata temporis. Write-downs are carried out wherever the asset must be measured at a lower value. If the reason for the write-down no longer applies, reversals of write-downs are carried out up to the amortized cost of the asset. Interest on borrowed capital is not reflected in manufacturing costs.

Interests in non-consolidated affiliated companies, other associated companies and **other participations** are measured at purchase cost or lower carried-over book values. Significant interests in **associated companies** are included at equity in the Consolidated Financial Statements, using the book value method.

[7] The company also exercises the consolidation exemption options provided by section 291, paragraph 2 of the HGB.

Loans are measured at face value or lower net present value. **Long-term securities** are measured at purchase cost. Write-downs are carried out wherever the asset must be measured at a lower value.

Leasing assets from financial services are reflected at acquisition cost less depreciation and write-downs. Leasing assets are depreciated using the straight-line method over the usual useful life of the asset. Depreciation of leasing assets acquired before 2015 is based on the term of contract.

Accounts receivable from financial services are measured at their face value. Individual risk and general credit risk have been accounted for through appropriate mark-downs.

In **Inventories**, raw materials and supplies as well as merchandise are measured at their purchase or manufacturing cost. Finished and unfinished goods are measured at manufacturing cost. Manufacturing costs comprise direct material and production costs and the separate direct costs of production. In addition, appropriate material and production overheads as well as any decline in the value of fixed assets caused by the manufacture of the item are included. Inventory risks arising from time in storage and from diminished usability have been accounted for through appropriate mark-downs. This is done in accordance with the principle of loss-free valuation.

Accounts receivable and **other assets** are shown at their respective face values. Allowances have been recognized for potential risks through specific amortization amounts and general bad debt provisions. Long-term receivables in foreign currencies have been converted at the rate on the date of entry or at the less favorable rate on the closing date. Short-term receivables in foreign currencies are primarily converted at the mean spot rate on the closing date.

Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks are shown at face value. Holdings in foreign currencies are primarily converted at the mean spot rate on the closing date.

Deferred taxes are recognized for temporary differences between the commercial and tax value of assets, liabilities, and prepaid and deferred items. Deferred taxes on tax losses and interest amounts that may be utilized within the next five years are also recognized. The option to offset deferred tax assets and deferred tax liabilities is exercised. Subsequently, if a net asset position remains from the annual financial statements, this is not recognized in the Consolidated Financial Statements. Insofar as there is a debt carryover, and further tax losses and interest amounts exist which can be offset and carried forward without limitation, further deferred taxes up to the amount of the excess of deferred tax liabilities are then recognized.

No deferred tax liabilities are recognized on goodwill resulting only from capital consolidation. Deferred taxes are also not recognized on differences resulting from the taxable measured value of a consolidated affiliated or associated at-equity company and the commercial value of the net assets recognized in the Consolidated Financial Statements. Deferred taxes under section 306 of the HGB are combined with those from the individual financial statements under section 274 of the HGB.

The company-specific tax rates expected to be valid at the time when timing differences will be reserved are applicable. They range from 9.0% to 34.5%.

Provisions are measured at the settlement amount required in accordance with sound business practices and, where they have a remaining maturity of more than one year, discounted at the market interest rate determined by the German Federal Bank for the respective term.

The settlement amount of **pension provisions** is calculated based on expected future salary and pension increases of 0.0% to 5.0%, as well as assumptions concerning future employee turnover. Where permitted, the entry age normal method based on the 2018 G tables created by Prof. Dr. Heubeck is used. Pension provisions are discounted using the average market interest rate of the last ten years, determined by the German Federal Bank, over a fixed remaining term of 15 years. An interest rate of 1.78% was used for the valuation of pension provisions as of December 31, 2022. Effects from the discounting of pension provisions and from changes in the discount rate are included in the interest result. Any assets to which no other creditors have access and which are to be used solely for the fulfillment of pensions or other similar non-current obligations (cover assets) were offset against provisions. The fair value of the covered assets is determined by means of external valuation reports or listed market prices. The pension provisions item also includes obligations on the part of US subsidiaries to provide medical insurance to their employees following retirement.

The separate **liabilities from financial services** item shows the liabilities of the financial services companies at their respective settlement amounts. It also includes deferrals from the financial services business.

Liabilities are shown at their settlement value. Long-term liabilities in foreign currencies have been converted at their entry date rate or at the less favorable rate on the closing date. However, short-term liabilities are generally valued at the mean spot rate on the closing date.

Closing date for companies included in the Consolidated Financial Statements

Fully consolidated subsidiaries included in the Consolidated Financial Statements generally close their accounts on December 31. The exceptions are the companies Tweezerman (India) Pvt. Ltd., Ital Beauty Nippers (India) Pvt. Ltd., ZWILLING Kitchen India Pvt. Ltd., and FiberLean Technologies India Pvt. Ltd., which close their accounts on March 31. These companies are included in the Consolidated Financial Statements of the Werhahn Group using interim financial statements.

The closing date for the associated at-equity companies is December 31.

Notes to the Balance Sheet

1 Fixed assets

The breakdown of and changes in intangible and tangible assets, financial assets, and leasing assets from financial services are shown on pages 120/121.

Research and development costs amounted to €19,215 thousand in the business year. Of this amount, internally generated intangible assets of €4,693 thousand were recognized.

Goodwill is derived primarily from capital consolidation. The acquisitions in the business year resulted in additions to goodwill of €4,851 thousand.

Fixed assets include leasing assets from financial services in the amount of €1,681,962 thousand (previous year: €1,660,315 thousand).

Depreciation and amortization includes write-downs totaling €72,670 thousand (previous year: €69,785 thousand). Of this amount, €70,246 thousand was attributable to leasing assets from financial services.

2 Accounts receivable from financial services

in € thousand	Dec. 31, 2022	thereof due in more than 1 year	Dec. 31, 2021	thereof due in more than 1 year
Receivables from banks from financial services	597,039	11,521	419,855	4,875
Purchased accounts receivable	206	–	391	–
Accounts receivable from banking business	5,788,877	4,152,129	4,748,139	3,457,960
Accounts receivable from factoring business	335,332	–	326,419	–
Hire-purchase receivables	1,050,862	716,323	954,116	642,563
Other accounts receivable from financial services	71,246	7,224	67,088	5,880
Deferrals	8,946	6,628	29	–
	7,852,508		**6,516,037**	

3 Inventories

in € thousand	Dec. 31, 2022	Dec. 31, 2021
Raw materials and supplies	121,365	105,896
Unfinished goods and services	78,540	70,344
Finished goods and merchandise	447,464	381,047
Prepayments	4,407	6,844
	651,776	**564,131**

4 Accounts receivable and other assets

in € thousand	Dec. 31, 2022	thereof due in more than 1 year	Dec. 31, 2021	thereof due in more than 1 year
Trade accounts receivable	252,820	109	253,053	475
Accounts receivable from affiliated companies	3,671	–	2,547	–
Accounts receivable from companies in which a participating interest is held	28,437	–	27,087	–
Other assets	88,943	9,694	127,077	4,869
	373,871		**409,764**	

Accounts receivable from affiliated companies of €385 thousand and receivables from companies in which a participating interest is held of €2,012 thousand are attributable to supply and service transactions.

5 Cash on hand, cash deposited with the German Federal Bank, bank deposits and checks

Of the cash on hand, cash deposited with the German Federal Bank, bank deposits and checks in the amount of €783,471 thousand, €1,073 thousand is subject to restrictions on use.

This item includes cash on hand and cash deposited with the German Federal Bank by the Financial Services division and Bankhaus Werhahn GmbH of €664,281 thousand.

6 Deferred tax assets

After offsetting against deferred tax liabilities, there was a surplus of deferred tax assets of €1,186 thousand in the Consolidated Financial Statements. Debt carryover from the subsidiaries amounting to €4,098 thousand was more than offset by deferred tax assets from consolidation adjustments.

Without offsetting, this resulted in deferred tax liabilities of €13,589 thousand and deferred tax assets of €14,775 thousand. In the business year, deferred tax assets and deferred tax liabilities decreased by €622 thousand and €970 thousand, respectively.

Deferred tax liabilities resulted mainly from tangible assets and intangible assets, while deferred tax assets relate primarily to inventories and accounts receivable from financial services. This includes only a minimum amount of deferred taxes on loss carryovers. Net asset positions of individual financial statements are not recognized.

The capitalization of internally generated intangible assets resulted in deferred tax liabilities of €2,421 thousand.

7 Equity

Equity in the Consolidated Financial Statements includes the reported net equity of Wilh. Werhahn KG, the Group profit carried forward, the net profit of the Group, as well as non-controlling interests in the equity of the subsidiaries incorporated in the Consolidated Financial Statements. Group profit carried forward is composed of other retained earnings and the consolidated profit and loss carried forward. Non-controlling interests in equity relate primarily to outside shareholders in the Building Materials and Consumer Goods divisions. Profit and loss attributable to non-controlling interests totaled €24,907 thousand and €1,266 thousand, respectively.

The changes in total Group equity are shown in the Statement of Changes in Equity.

As of the closing date, there were restrictions on distribution amounting to €16,327 thousand under German law and €2,449 thousand under local law.

8 Provisions

in € thousand	Balance as of Jan. 1, 2022	Used	Released	Addition	Other changes	Balance as of Dec. 31, 2022
Pensions and similar obligations	124,100	7,700	2,272	11,981	2,495	128,604
Tax provisions	42,042	16,019	2,689	21,285	–10	44,609
Other provisions						
Personnel expenses	76,189	61,514	4,046	66,614	150	77,392
Recultivation	86,406	2,698	1,307	25,702	–503	107,602
Sureties and guarantees	11,120	2,051	600	4,317	43	12,829
Outstanding and missing invoices	30,744	26,869	2,516	33,932	37	35,327
Discounts and bonuses	44,836	41,199	2,507	45,316	851	47,297
Miscellaneous other provisions	50,487	25,802	4,123	23,315	–184	43,693
	465,924	**183,852**	**20,060**	**232,462**	**2,879**	**497,353**

Assets to cover pensions and similar obligations with fair values totaling €1,063 thousand and €617 thousand were offset against pension provisions and provisions for personnel costs, respectively. The historical acquisition costs of the cover assets amount to €761 thousand and €768 thousand, respectively. Without offsetting, the pension provisions would have totaled €129,666 thousand and the provisions for personnel costs €78,009 thousand.

As of the closing date, the difference between the valuation of pension provisions using the ten-year average interest rate and the seven-year average interest rate amounts to €5,198 thousand.

9 Liabilities from financial services

in € thousand	Dec. 31, 2022	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	1,046,556	91,280	955,276
Liabilities to banks from financial services	2,706,918	1,251,543	1,455,375
Liabilities to customers from financial services	5,523,485	4,267,883	1,255,602
Deferrals	46,127	16,305	29,822
	9,323,086		

in € thousand	Dec. 31, 2021	thereof due within 1 year	thereof due in more than 1 year
Bonds from financial services	706,902	170,160	536,742
Liabilities to banks from financial services	2,705,776	904,316	1,801,460
Liabilities to customers from financial services	4,936,060	3,678,138	1,257,922
Deferrals	44,665	15,804	28,861
	8,393,403		

Liabilities from financial services relate to the refinancing of the companies in the Financial Services division. Deferrals consist predominantly of deferred items for income from leasing business not yet due.

As of the closing date, liabilities from financial services with a remaining term of more than five years totaled €161,327 thousand (previous year: €293,139 thousand).

10 Liabilities

in € thousand	Dec. 31, 2022	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	353,773	344,022	9,751
Payments received on account of orders	6,513	6,514	–1
Trade accounts payable	121,388	121,388	–
Liabilities to affiliated companies	6,657	6,657	–
Liabilities to companies in which a participating interest is held	47,185	39,552	7,633
Other liabilities	98,517	96,171	2,346
thereof from taxes	*41,176*		
thereof for social security payments	*5,122*		
	634.033		

in € thousand	Dec. 31, 2021	thereof due within 1 year	thereof due in more than 1 year
Liabilities to banks	201,343	189,676	11,667
Payments received on account of orders	5,418	5,418	–
Trade accounts payable	137,172	137,172	–
Liabilities to affiliated companies	6,220	6,220	–
Liabilities to companies in which a participating interest is held	64,072	58,689	5,383
Other liabilities	141,208	137,220	3,988
thereof from taxes	*77,529*		
thereof for social security payments	*4,438*		
	555,433		

As of the closing date, liabilities with a remaining term of more than five years totaled €5,957 thousand (previous year: €6,790 thousand). For liabilities amounting to €10,891 thousand, security has been provided in the form of mortgages, title transfers by way of security, and other rights.

Liabilities to affiliated companies in the amount of €1,754 thousand and €7,627 thousand of the liabilities to companies in which a participating interest is held are due to supply and service transactions.

Notes to the Income Statement

The income statement was drawn up using the total cost method.

11 Net sales

Net sales include revenues from product sales, less discounts and price reductions, as well as revenues from renting or leasing and the provision of services. Sales from the banking and leasing business are also reported.

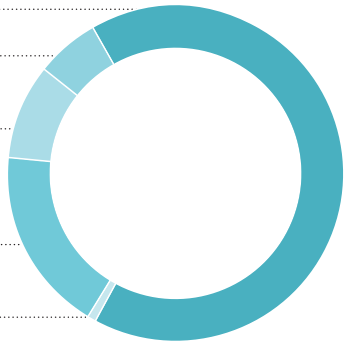
By corporate division

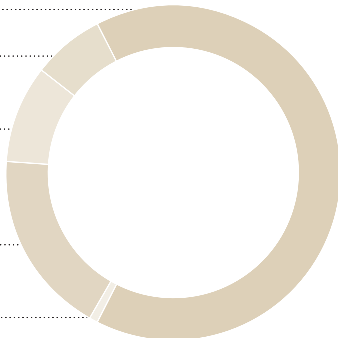
in € thousand	2022	2021
Building Materials	1,581,494	1,408,982
Consumer Goods	1,000,502	969,080
Financial Services	1,679,549	1,585,419
Others	44,059	40,515
Consolidation	–24,025	–23,118
	4,281,579	3,980,878

By region

in € thousand

	2022	2021
Germany	2,803,536	2,601,078
Asia	274,336	279,610
North America	392,110	373,403
Rest of Europe	799,344	716,785
Rest of world	12,253	10,002
Group total	4,281,579	3,980,878





12 Other operating income

This item comprises mainly non-periodic income from the release of provisions (€15,104 thousand), income from the receipt of receivables that had already been written off (€5,216 thousand), gains on the disposal of fixed assets (€4,184 thousand), and income from reversals of allowances (€1,536 thousand) and reversals of write-downs on fixed and current assets (€266 thousand).

Other operating income also includes currency exchange gains (€15,809 thousand; previous year: €11,536 thousand).

13 Cost of materials

Cost of materials totaled €2,350,920 thousand (previous year: €2,148,294 thousand), thereof €1,001,155 thousand (previous year: €911,090 thousand) for raw materials, supplies and merchandise and €501,464 thousand (previous year: €453,725 thousand) for purchased services. In addition, the cost of materials item particularly includes refinancing costs from the banking and leasing business, acquisition costs for hire-purchase items, disposed residual book values of sold leasing assets, as well as commissions from the banking and leasing business.

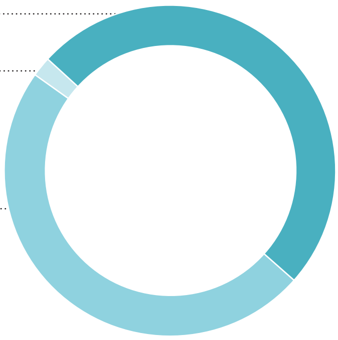
14 Personnel expenses

in € thousand	**2022**	2021
Wages and salaries	493,354	456,675
Social security contributions and staff welfare costs	101,611	94,471
Pension costs	11,451	13,109
	606,416	**564,255**

The average number of employees over the business year was as follows:

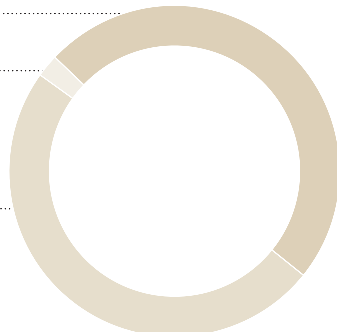
2022

Salaried employees	5,157
Trainees	198
Industrial employees	4,996
Group total	**10,351**



2021

Salaried employees	4,997
Trainees	224
Industrial employees	5,007
Group total	**10,228**



Remuneration paid to the Supervisory Board in the reporting period totaled €0.9 million (previous year: €0.9 million). Provisions for pensions for former members of the Management Board or their surviving dependents amounted to €59.9 million (previous year: €55.0 million). Remuneration and pensions paid to former members of the Management Board and their surviving dependents totaled €2.2 million (previous year: €1.9 million).

In accordance with section 314, paragraph 3 in conjunction with section 286, paragraph 4 of the HGB, total Management Board remuneration is not disclosed.

15 Other operating expenses

Other operating expenses include, among other things, external services (€129,074 thousand), maintenance costs (€93,336 thousand), marketing expenses (€66,969 thousand) and leasing and rental costs (€55,348 thousand). In addition, the figure includes allowances on accounts receivable (€48,567 thousand), expenses for recultivation obligations (€26,464 thousand), currency exchange losses (€14,723 thousand; previous year: €12,571 thousand) and insurance expenses (€13,208 thousand). Other taxes totaling €6,542 thousand (previous year: €6,351 thousand) are also reported in other operating expenses.

Non-periodic expenses for write-downs on accounts receivable and other assets as well as for losses on the disposal of fixed assets totaled €49,257 thousand.

Domestic fees to the auditors of the Consolidated Financial Statements, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, totaled €2,636 thousand in the reporting period. This includes fees for auditing services of €2,351 thousand, €138 thousand for other assurance services, €9 thousand for tax advisory services and €138 thousand for miscellaneous services.

16 Investment income

This item includes income from affiliated companies (€380 thousand, previous year: €722 thousand), income from associated equity-accounted companies (€15,268 thousand, previous year: €15,791 thousand) and income from other associated companies and other participations (€16,491 thousand, previous year: €13,589 thousand).

The result from associated at-equity companies generally represents the Group’s share of the profit or loss from these companies for the year. This item also takes account of the elimination of intercompany profits and losses.

17 Interest result

in € thousand	2022	2021
Income from other securities and loans of financial assets	440	569
thereof from affiliated companies	*14*	*12*
Other interest and similar income	2,807	1,819
thereof from affiliated companies	*126*	*126*
Interest and similar expenses	13,755	11,886
thereof from affiliated companies	*27*	*49*
	–10,508	**–9,498**

The interest result includes expenses from the accumulation of provisions totaling €3,302 thousand (previous year: €8,021 thousand) and income from discounting provisions in the amount of €1,217 thousand (previous year: €265 thousand). Interest income (€26 thousand) from covered assets was offset against expenses from accumulated interest.

18 Taxes on income and earnings

Taxes on income and earnings comprise mainly domestic and foreign corporation tax as well as domestic trade tax. The item also includes deferred tax income of €1,124 thousand (previous year: €3,305 thousand).

19 Income and expenses of exceptional size or incidence

There were no transactions of exceptional size or incidence during the business year with a material impact with regard to the amounts of the net assets, financial position or results of operations.

List of Shareholdings as of December 31, 2022

1. Consolidated affiliated companies

Building Materials Aggregates	Registered office	Share in %
Basalt-Actien-Gesellschaft	Linz am Rhein	100
AK Asphaltmischwerke Kaiserslautern GmbH	Ramstein-Miesenbach	75
Allgemeine Baustoff-Handels-Contor GmbH	Erfurt	100
AMB Asphalt-Mischwerk Bischofsheim GmbH & Co. KG	Bischofsheim	80
AME Asphalt-Mischwerk Eging GmbH	Eging am See	82
AML-Asphaltmischwerke GmbH Leipzig	Taucha	80
AMW Asphalt-Mischwerke Würzburg GmbH & Co. KG	Würzburg	87
AO KP-Gabbro	Petrazavodsk, Russian Federation	100
Asphalt-Mischwerke Osnabrück GmbH. & Co.KG.	Osnabrück	53
Asphalt-Mischwerke Rhein-Pfalz GmbH & Co. KG	Albersweiler	52
Atlas Industriebeteiligungsgesellschaft mbH	Linz am Rhein	83
AWE Asphaltmischwerk GmbH	Cappeln-Nutteln	77
AWE Asphaltmischwerk Walschleben GmbH & Co. KG	Walschleben	80
BASALT CZ s.r.o.	Zabrušany, Czech Republic	100
Basalt Eastern Europe GmbH	Linz am Rhein	100
Basalt International GmbH	Linz am Rhein	100
Basalt Minerals GmbH	Linz am Rhein	100
Basalt s.r.o.	Zabrušany, Czech Republic	97
BASALTKER Építőanyag Kereskedelmi Kft.	Uzsa, Hungary	100
Basalt-Középkő Kőbányák Kft.	Uzsa, Hungary	75
Basalt-Union Gesellschaft mit beschränkter Haftung	Linz am Rhein	76
Basaltwerk Pechbrunn, Gesellschaft mit beschränkter Haftung	Pechbrunn	76
Bayerische Asphaltmischwerke GmbH & Co. Kommanditgesellschaft für Straßenbaustoffe	Hofolding	52
Bergisch-Westerwälder Hartsteinwerke, Zweigniederlassung der Basalt-Actien-Gesellschaft	Linz am Rhein	100
BITUMINA Handel GmbH & Co. KG	Linz am Rhein	100
BITUMINA Spedition GmbH & Co. KG	Linz am Rhein	100
BMH - Basalt - und Mischwerk Herschbach GmbH & Co. Kommanditgesellschaft	Herschbach	51
BORNIT-Werk Aschenborn GmbH	Zwickau	62
BVG Baustoff-Vertriebs-Gesellschaft mbH & Co. KG	Kirn	100
BWH Basaltwerk Mittelherwigsdorf GmbH & Co. KG	Mittelherwigsdorf	51
DEUMA Mischwerke GmbH & Co. KG	Taucha	70
DEUTAG Zweigniederlassung der Basalt-Actien-Gesellschaft	Berlin	100
Diabaswerk Hirzenhain GmbH & Co. KG	Linz am Rhein	55
Diabaswerk Nesselgrund GmbH & Co. KG	Floh-Seligenthal	80

Building Materials **Aggregates**	Registered office	Share in %
Dortmunder Gussasphalt GmbH & Co. KG	Dortmund	70
Ems-Jade-Mischwerke GmbH KG. für Straßenbaustoffe	Cappeln	81
GAB Gesellschaft zur Aufbereitung von Baustoffen mbH	Berlin	100
GBH-Gesellschaft für Baustoff-Aufbereitung und Handel mit beschränkter Haftung	Brunnthal	100
GbR Asphaltmischwerk Karlsruhe	Karlsruhe	75
Hartsteinwerke Bayern-Mitteldeutschland Zweigniederlassung der Basalt-Actien-Gesellschaft	Erfurt	100
Hollweg, Kümpers & Comp., Zweigniederlassung der Basalt-Actien-Gesellschaft	Rheine	100
HWR Hartsteinwerk Rattenberg GmbH	Brunnthal	100
Isoliererzeugnisse Großröhrsdorf GmbH	Großröhrsdorf	100
Kopalnie Surowców Skalnych w Bartnicy Sp. z o.o.	Świerki, Poland	100
Mischwerke Lautzenbrücken GmbH & Co. KG	Lautzenbrücken	100
Mischwerke Mühlhausen GmbH	Mühlhausen	76
Norddeutsche Naturstein GmbH	Flechtingen	100
ODRA-ASFALT Sp. z o.o.	Szczecin, Poland	67
OOO "Basalt"	St. Petersburg, Russian Federation	100
OOO "Karjer Sheleiki"	Podporozhskiy rajon, Russian Federation	100
Porphyrwerke Weinheim-Schriesheim Aktiengesellschaft	Weinheim	100
Sauerländer Asphaltmischwerke GmbH. & Co., Kommanditgesellschaft	Brilon	73
Schweden Splitt AB	Karlshamn, Sweden	100
Śląskie Kruszywa Naturalne Sp. z o.o.	Krapkowice, Poland	100
Südhessische Asphalt-Mischwerke GmbH & Co. KG für Straßenbaustoffe	Hanau	100
Südwestdeutsche Hartsteinwerke Zweigniederlassung der Basalt-Actien-Gesellschaft	Kirn	100
SWA Südwest Asphalt GmbH & Co. KG	Iffezheim	65
T E W E Bauchemiegesellschaft mbH	Vierlinden	100
TOV Vyrivskyj Karjer	Granitne, Ukraine	100
V D Mischwerk und Recycling GmbH.	Offenburg	100
Werhahn & Nauen SE & Co. OHG	Neuss	100
Westdeutsche Grauwacke-Union Gesellschaft mit beschränkter Haftung	Linz am Rhein	100
Wm. Hilgers GmbH & Co. KG	Düsseldorf	100

Building Materials

Slate	Registered office	Share in %
Rathscheck Schiefer und Dach-Systeme Zweigniederlassung der Wilh. Werhahn KG in Neuss	Mayen	100
Canteras Fernandez S.L. Elaboracion S.COM	El Barco, Spain	100
Canteras Fernandez S.L. Extracción S.COM	El Barco, Spain	100
Castrelos Elaboración S.L.S.COM.	El Barco, Spain	100
I.B. Rathscheck Söhne KG Moselschiefer-Bergwerke	Mayen	100
North American Slate LLC	Dover, USA	100
Werhahn International Schiefer GmbH	Mayen	100
Werhahn International Schiefer GmbH Sucursal en España	El Barco, Spain	100

Consumer Goods

Zwilling Kitchenware	Registered office	Share in %
ZWILLING J. A. Henckels Aktiengesellschaft	Solingen	100
BBQ Rocket GmbH	Bergheim	51
Demeyere CommV	Herentals, Belgium	100
Demeyere Zwilling Nederland B.V.	Roermond, Netherlands	100
Flammkraft GmbH	Münster	51
Grill Heaven GmbH	Vösendorf, Austria	85
JV ZWILLING-RM GmbH	Solingen	90
OOO "ZWILLING J.A. HENCKELS Rus“	Moscow, Russian Federation	100
Santos Grills GmbH	Cologne	80
Staub Fonderie SARL	Merville, France	100
ZWILLING BALLARINI ITALIA S.R.L.	Rivarolo Mantovano, Italy	100
Zwilling Demeyere Belgium BVBA	Herentals, Belgium	100
ZWILLING International GmbH	Solingen	100
ZWILLING International Trading Shanghai Ltd.	Shanghai, China	100
ZWILLING J A Henckels MUTFAK VE GÜZELLİK ÜRÜNLERİ LİMİTED ŞİRKETİ	Istanbul, Turkey	100
ZWILLING J.A. HENCKELS (UK) Limited	Hitchin, United Kingdom	100
ZWILLING J.A. HENCKELS Canada Ltd.	Markham, Ontario, Canada	100
ZWILLING J.A. Henckels Deutschland GmbH	Solingen	100
ZWILLING J.A. HENCKELS Iberia S.A.	Cornellá de Llobregat, Spain	100
ZWILLING J.A. HENCKELS Japan Ltd.	Seki-shi, Japan	100
ZWILLING J.A. HENCKELS Kitchenware (Shanghai) Ltd.	Minhang, Shanghai, China	70
ZWILLING J.A. HENCKELS LLC	Wilmington, USA	100
ZWILLING J.A. HENCKELS Scandinavia A/S	Ballerup, Denmark	100

Consumer Goods Zwilling Kitchenware	Registered office	Share in %
ZWILLING J.A. HENCKELS Shanghai Ltd.	Pudong, Shanghai, China	70
ZWILLING J.A. HENCKELS Taiwan Ltd.	Taipei, Taiwan	100
ZWILLING Kitchen India Pvt. Ltd.	Chennai, India	80
ZWILLING STAUB FRANCE SAS	Paris, France	100
ZWILLING Trading GmbH	Solingen	100

Consumer Goods Zwilling Beauty Group	Registered office	Share in %
ZWILLING Beauty Group GmbH	Solingen	100
Ital Beauty Nippers (India) Pvt. Ltd.	Puducherry, India	90
QVS Global China	Dongguan, China	100
Tweezerman (India) Pvt. Ltd.	Puducherry, India	90
Tweezerman International, LLC	Wilmington, USA	100
Tweezerman Minority LLC	Wilmington, USA	100
Tweezerman UK Ltd.	Nottingham, United Kingdom	75
Zwilling Beauty Trading (Shenzhen) Ltd.	Shenzhen, China	100

Financial Services abcfinance	Registered office	Share in %
abcfinance GmbH	Cologne	100
abc Holding GmbH	Neuss	100
abc SME Lease Germany SA[1]	Luxemburg, Luxembourg	0
abcbank GmbH	Cologne	100
abcfinance advise GmbH	Cologne	100
abcfinance B.V.	Eindhoven, Netherlands	100
abcfinance GmbH	Wien, Austria	100
abcfinance Holding GmbH	Neuss	100
C.O.I.N. Lease + Rent Leasing und Miete GmbH	Cologne	100
DeTeWe Finance GmbH	Cologne	100
ETL Finance GmbH & Co. KG	Cologne	55
ETL Finance Verwaltungsgesellschaft mbH	Cologne	56
Hako Finance GmbH	Cologne	100
milon financial services GmbH	Cologne	69
Schneidereit Finance GmbH	Cologne	100

[1] These companies are special purpose entities.

Financial Services Bank11	Registered office	Share in %
Bank11 für Privatkunden und Handel GmbH	Neuss	100
Bank11 Holding GmbH	Neuss	100
RevoCar 2019 UG (haftungsbeschränkt)[1]	Frankfurt am Main	0
RevoCar 2019-2 UG (haftungsbeschränkt)[1]	Frankfurt am Main	0
RevoCar 2020 UG (haftungsbeschränkt)[1]	Frankfurt am Main	0
RevoCar 2021-1 UG (haftungsbeschränkt)[1]	Frankfurt am Main	0
RevoCar 2021-2 UG (haftungsbeschränkt)[1]	Frankfurt am Main	0
RevoCar 2022 UG (haftungsbeschränkt)[1]	Frankfurt am Main	0

Others	Registered office	Share in %
Wilh. Werhahn KG	Neuss	
abcfinlab GmbH	Cologne	100
Bankhaus Werhahn GmbH	Neuss	100
Charlie Acquisition GmbH	Monheim am Rhein	100
Delta Acquisition GmbH	Monheim am Rhein	100
FiberLean Technologies France SAS	Paris, France	100
FiberLean Technologies GmbH	Neuss	100
Fiberlean Technologies India Private Limited	Pune, India	100
FiberLean Technologies Limited	Par, United Kingdom	100
FiberLean Technologies NA Inc.	Dover, USA	100
FiberLean Tecnologia e Solucoes EIRELI	Piracicaba, Brazil	100
Golf 2 Acquisition GmbH	Neuss	100
Golf Acquisition GmbH	Neuss	100
Sechste Werhahn Beteiligungen GmbH	Neuss	100
Stuart VV GmbH	Monheim am Rhein	100
Werhahn Beteiligungs- und Projektgesellschaft mbH	Neuss	100
Werhahn Industrieholding SE	Neuss	100
Wilh. Werhahn KG Zweigniederlassung Haus & Grund	Neuss	100
WW Achtzehnte Acquisition GmbH	Monheim am Rhein	100
WW Holding KG	Neuss	100
WW Siebte Acquisition GmbH	Monheim am Rhein	100
WW Zehnte Acquisition GmbH	Monheim am Rhein	100
Yareto GmbH	Neuss	100
Zweite Werhahn Projekte GmbH	Neuss	100

[1] These companies are special purpose entities.

2. Associated at-equity companies

	Registered office	Share in %
AEL-Abfallentsorgungsanlage Lösenbach GmbH	Lüdenscheid	49
amb Asphalt- und Bitumen-Mischwerke GmbH	Augsburg	50
AMH Asphaltmischwerk Hauneck GmbH & Co. KG	Hauneck	50
AMK Asphalt-Mischwerk Kirchheimbolanden GmbH & Co. KG	Kirchheimbolanden	50
AMK Asphalt-Mischwerke Kraichgau GmbH	Gemmingen	45
AMM Asphalt-Mischwerke-Mosel GmbH & Co.KG	Neumagen-Dhron	50
Arcos Hermanos S.A.	Albacete, Spain	49
DAM Deutzer Asphaltmischwerke GmbH & Co. KG	Cologne	60
H&B Grondstoffen C.V.	Capelle aan den Ijssel, Netherlands	48
Natursteinwerke im Nordschwarzwald NSN GmbH & Co.KG	Mühlacker-Enzberg	50
NHB Nahe-Hunsrück Baustoffe GmbH & Co. KG.	Kirn	50
Rheinische Provinzial-Basalt- und Lavawerke GmbH & Co. oHG	Sinzig	50
Trapobet Transportbeton GmbH Kaiserslautern Kommanditgesellschaft	Kaiserslautern	50
VAMA Vereinigte Asphalt- Mischwerke Aachen GmbH & Co. Kommanditgesellschaft	Alsdorf	45

3. Non-consolidated affiliated companies

	Registered office	Share in %
AML Asphaltmischwerk Langenthal GmbH & Co. KG	Langenthal	70
AML Asphaltmischwerk Langenthal Verwaltungs-GmbH	Langenthal	70
AMM Asphalt-Mischwerke Münsterland GmbH & Co.KG	Cappeln	100
AMW Asphalt-Mischwerke Würzburg Verwaltungs-GmbH	Würzburg	87
Asphalt - Mischwerke Rhein-Pfalz Beteiligungs-GmbH	Albersweiler	52
Asphalt-Mischwerk Bischofsheim Verwaltung GmbH	Bischofsheim	86
Asphalt-Mischwerke Münsterland Verwaltungs-GmbH	Ladbergen	100
AWE Asphaltmischwerk Walschleben Verwaltung GmbH	Walschleben	80
B V G Baustoff-Vertriebs- u. Verwaltungsgesellschaft mbH	Kirn	100
Ballarini North America Inc. i.L.	Horsham, USA	100
Basalt Ukraine TOV i.L.	Kyiv, Ukraine	100
Basalt- und Mischwerk Herschbach GmbH	Herschbach	51
Bayerische Asphaltmischwerke Gesellschaft mit beschränkter Haftung	Hofolding	52
Beteiligungsgesellschaft Asphalt-Mischwerke Osnabrück mit beschränkter Haftung	Osnabrück	53
BITUMINA Handel Verwaltungs GmbH	Linz am Rhein	100
BITUMINA Spedition Verwaltungs GmbH	Linz am Rhein	100
BRP-Baustoffaufbereitungs- und Recycling-Gesellschaft in Pforzheim mbH	Pforzheim	100
BWH Basaltwerk Mittelherwigsdorf Verwaltungs-GmbH	Mittelherwigsdorf	51
Canteras Fernandez S.L.	El Barco, Spain	100
Canteras Fernandez S.L. Geologia S.COM	El Barco, Spain	75
Castrelos Elaboración S.L.	El Barco, Spain	100
DEUMA Beteiligungs-GmbH	Taucha	70
Diabaswerk Hirzenhain Verwaltungs-GmbH	Linz am Rhein	55
Diabaswerk Nesselgrund Verwaltungs-GmbH	Floh-Seligenthal	80
Dortmunder Gußasphalt Gesellschaft mit beschränkter Haftung	Dortmund	70
Dritte Werhahn Projekte GmbH	Neuss	100
Ems-Jade-Mischwerke GmbH	Cappeln	81
Fünfte Werhahn Beteiligungen GmbH	Neuss	100
Fünfte Werhahn Projekte GmbH	Neuss	100
GfR-Gesellschaft für Rekultivierung mbH	Linz am Rhein	100
Hessentor Gesellschaft für Unternehmensbeteiligungen mbH	Neuss	100
Hilgers Beteiligungsgesellschaft mbH	Düsseldorf	100
Inn-Asphalt-Mischwerke GmbH.	Nußdorf am Inn	75
Knife Aid Inc.	Agoura Hills, USA	100
LAJTA-KAVICS Bányászati Kft.	Darnózseli, Hungary	100
Marsdorfer Asphaltwerke Gesellschaft mit beschränkter Haftung i. L.	Linz am Rhein	57

	Registered office	Share in %
MAW-Marsdorfer Asphaltwerke Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft i. L.	Linz am Rhein	57
Mischwerke Lautzenbrücken Verwaltungsgesellschaft mbH	Lautzenbrücken	100
Mühle Cottbus GmbH i.L.	Neuss	100
N 2 SRG GmbH	Linz am Rhein	100
Norddeutsche Naturstein Rail GmbH	Flechtingen	100
Obertor Immobilien GmbH	Neuss	100
OOO "Basalt Management"	St. Petersburg, Russian Federation	100
Rathscheck Schiefer und Dach-Systeme Verwaltungs GmbH	Mayen	100
Rheintor Immobilienholding GmbH	Neuss	100
Santos Nord GmbH	Norderstedt	51
Sauerländer Asphaltmischwerke GmbH	Brilon	72
Secato Style GmbH	Solingen	100
Senftenberger Kohlenwerke GmbH	Neuss	100
Siebte Werhahn Projekte GmbH	Neuss	100
Stephan Beratungs-GmbH	Linz am Rhein	70
Stichting Derdengelden ABC finance	Eindhoven, Netherlands	0
Südhessische Asphalt-Mischwerke Gesellschaft mit beschränkter Haftung	Hanau	100
Südwest Asphalt Verwaltungs GmbH	Iffezheim	65
Thaler Baustoff-Betriebe Gesellschaft mit beschränkter Haftung	Falkenstein/Harz	100
Verwaltungsgesellschaft Wilh. Werhahn mit beschränkter Haftung	Neuss	100
Vierte Werhahn Projekte GmbH	Neuss	100
VV Eins Verwaltungs-GmbH i.L.	Neuss	100
WAW Asphalt GmbH	Linz am Rhein	100
Werhahn Flour Mills GmbH i.L.	Neuss	100
WMW GmbH	Linz am Rhein	100
ZWILLING Cooking Studio LLC	Wilmington, USA	100
ZWILLING Cooking Studio Minority LLC	Wilmington, USA	100
ZWILLING J.A. HENCKELS (Vietnam) Ltd.	Ho Chi Minh City, Vietnam	100
ZWILLING J.A. Henckels Austria GmbH	Parndorf, Austria	100
ZWILLING J.A. HENCKELS Brasil Produtos de Cozinha e Beleza Ltda.	São Paulo, Brazil	100
ZWILLING J.A. Henckels Ireland Ltd.	Dublin, Ireland	100
ZWILLING J.A. Henckels Portugal, Lda.	Alcochete, Portugal	100
ZWILLING J.A. Henckels Schweiz AG	Zurich, Switzerland	100

4. Other associated companies

	Registered office	Share in %
”RKS“ Kies- und Splittwerke Eckelsheim GmbH & Co. KG	Eckelsheim	50
”RKS“ Kies- und Splittwerke GmbH	Eckelsheim	50
Adrian Basalt GmbH & Co. KG	Enspel	50
Adrian Basalt Verwaltungsgesellschaft mbH	Enspel	50
AMH Asphaltmischwerk Hauneck Verwaltungs GmbH	Hauneck	50
AMH Asphaltmischwerk Hellweg Gesellschaft mit beschränkter Haftung i. L.	Erwitte	50
AMK Asphalt-Mischwerk Kirchheimbolanden Verwaltungs-GmbH	Kirchheimbolanden	50
AMM Asphalt-Mischwerke-Mosel Verwaltungs-GmbH	Neumagen-Dhron	50
DAM Deutzer Asphaltmischwerke Verwaltungs-GmbH	Cologne	60
H&B Grondstoffen B.V.	Capelle aan den Ijssel, Netherlands	50
Herbert Willersinn Steinbruch- Verwaltungs GmbH	Heßheim	50
J. u. G. Giro Nachf. Willersinn GmbH & Co KG Steinbruchbetrieb	Bolanden	50
Natursteinwerke im Nordschwarzwald NSN Verwaltungsgesellschaft mit beschränkter Haftung	Mühlacker	50
NHB Nahe-Hunsrück Baustoffe und Verwaltungsgesellschaft mbH	Kirn	50
Plattform Dach.de Gesellschaft des bürgerlichen Rechts	Hamburg	20
Rheinische Provinzial-Basalt- und Lavawerke Verwaltungs-GmbH	Sinzig	50
SC Diabas Bata s.r.l.	Timisoara, Romania	50
Schillathöhle GmbH	Hessisch Oldendorf-Langenfeld	49
Schuhmacher & Heuser GmbH	Katzenelnbogen	50
STA Asphaltmischwerk Strahlungen GmbH	Strahlungen	25
Steinbruch Breidenbach Verfüllungsgesellschaft mbH	Breidenbach	50
Steinbruch Spittergrund GmbH	Erfurt	50
VAMA Vereinigte-Asphalt-Mischwerke Aachen, Verwaltungsgesellschaft mit beschränkter Haftung	Alsdorf	45
Verwaltungsgesellschaft mit beschränkter Haftung TRAPOBET Transportbeton Kaiserslautern	Kaiserslautern	50

5. Other participations

	Registered office	Share in %	Equity in € thousand	Annual result in € thousand
AME Asphalt-Mischwerke Eifel GmbH & Co. KG	Sinzig	33	465[2]	–66[2]
Asphalt-Mischwerke Eifel Verwaltungsgesellschaft mbH	Sinzig	33	46[2]	1[2]
DEBUS Naturstein GmbH & Co. KG	Untersiemau	49	1,924[2]	310[2]
Debus Naturstein Verwaltungs-GmbH	Untersiemau	49	29[2]	3[2]
Escombrera Sobredo S.L.	Carballeda de Valdeorras, Spain	22	107[2]	29[2]
Hartsteinwerke Burgk GmbH & Co. KG	Schleiz	27	4,892[2]	826[2]
HWB Hartsteinwerke Burgk Verwaltungs-GmbH	Schleiz	27	78[2]	2[2]
INTERASPHALT Sp. z o.o.	Obornik, Poland	48	754[2]	36[2]
ThyssenKrupp MillServices & Systems GmbH	Duisburg	32	41,112[2]	6,327[2]

[2] Figures from previous years.

For other companies, use is made of the exemption provision of section 313, paragraph 3, sentence 1 of the German Commercial Code (HGB).

Notes to the Cash Flow Statement

The Cash Flow Statement is prepared in accordance with DRS 21 and shows how funds held by the Werhahn Group have changed during the reporting year through the inflow and outflow of cash. The minimum classification scheme was expanded to include items for the financial services business.

For information on the access restrictions within cash funds, please see note 5 of the Notes to the Consolidated Financial Statements.

A brief presentation of the Cash Flow Statement is given below:

in € thousand	**2022**	2021
Cash flow from operating activities	–300,371	390,651
Cash flow from investing activities	–117,482	–223,196
Cash flow from financing activities	–76,255	–56,770
Net change in cash funds	**–494,108**	**110,685**
Other changes in cash funds	–2,309	2,785
Cash funds at beginning of period	937,417	823,947
Cash funds at end of period	**441,000**	**937,417**

Other Information

Transactions with related companies and persons

Transactions with related companies and persons are generally conducted under customary market conditions. Employees and shareholders are entitled to standard discounts on specific Werhahn products in some business units. Transactions with related companies primarily involve the normal exchange of goods and services.

Subsequent events

In March 2023, a further slate deposit in Spain and a local production company were acquired. This will enable the Werhahn Group to secure the production of premium-quality slate and the related production capacities in the Slate business unit in the long term. Completion of the transaction is scheduled for April 2023.

After the closing date, no further events expected to be of material significance for the net assets, financial position and results of operations of the Werhahn Group occurred in any Werhahn Group companies.

Transactions not included in the Consolidated Balance Sheet

in € thousand	**2022**	2021
Liabilities from sureties, bills and check guarantees	98,856	2,334
thereof to affiliated companies	*418*	*418*
thereof to associated companies	*1,101*	*1,211*
Liabilities from warranties	–	80
Commitments from open purchase orders	93,819	129,782
thereof to associated companies	*–*	*520*
Cash value of non-current commitments from rent, tenancy and leasing agreements	126,240	107,404
thereof to affiliated companies	*1,556*	*20*
thereof to associated companies	*175*	*175*
Commitments from loan undertakings	411,639	402,591
thereof to affiliated companies	*2,074*	*1,289*
Other financial obligations	10,268	11,876
thereof to affiliated companies	*1,927*	*1,357*

There are no off-balance sheet transactions beyond the contingent liabilities and other financial commitments that are necessary for the assessment of the Group's financial position. Sufficient provisions have been established for all identifiable risks from claims under sureties. Moreover, no claims are expected, since no borrowers are expected to default.

Derivative financial instruments

The Werhahn Group applies hedge accounting in accordance with section 254 of the HGB. In accordance with the net hedge presentation method, changes in the value of underlying transactions and hedging instruments are not recognized.

The effectiveness of the valuation units is assessed using the critical terms match method, and this assessment is made as a forecast at every closing date. Derivative financial instruments are valued using the mark-to-market method.

Foreign currency loans in the local currency are extended to foreign subsidiaries for refinancing. The currency risk from the Group's point of view that arises from payments of principal and interest is hedged using forward exchange contracts.

The regular procurement of goods in the course of regular business that takes place in a foreign currency is planned with a certain buffer prior to the actual transaction. The net currency position that arises from these highly probable forecast transactions is also hedged against currency risk using portfolio hedges.

Raw materials needed for the production process for sales transactions already contracted for are procured using forward supply contracts. If the supply contracts contain variable prices, commodity swaps are used to avoid price risks from these transactions. This mainly involves portfolio hedges with a residual maturity of up to one year.

As part of securitization transactions, special purpose vehicles issued variable-rate bonds for refinancing a fixed-rate loan portfolio. To reduce the interest rate risk, amortizing interest rate swaps were arranged as a micro hedge with a residual maturity of up to three years.

Interest rate swaps are used to manage interest rate risk in the context of banking book management. This involves portfolio hedges with a residual maturity of up to three years.

The majority of the micro hedges and portfolio hedges provide 100% hedging of underlying transactions. Only partial hedging is used for banking book management.

The following underlying transactions are included in the valuation units:

Type of underlying transaction	Type of hedged risk	Hedged amount of underlying transaction in € thousand (book value, expected value)	Hedged risk in € thousand	Positive fair value in € thousand	Negative fair value in € thousand
Intragroup refinancing	Currency risk	281,367	7,502	4,610	–2,892
Highly probable forecast transactions	Currency risk	191,819	1,321	618	–703
Pending transactions	Procurement price risks	2,725	229	154	–75
Variable-rate bonds	Interest rate risk	954,000	50,687	50,687	–
Receivables from customers	Interest rate risk	276,000	1,577	1,577	–

Neuss, April 18, 2023

Wilh. Werhahn KG

Paolo Dell'Antonio Alexander Boldyreff Stephan Kühne

Independent Auditor’s Report

To Wilh. Werhahn KG, Neuss

Audit Opinions

We have audited the consolidated financial statements of Wilh. Werhahn KG, Neuss, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. We have also audited the group management report of Wilh. Werhahn KG for the financial year from 1 January to 31 December 2022.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law to be applied according to § [Article] 13 PublG [Publizitätsgesetz: Public Disclosure Act] and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Generally Accepted Accounting Principles,

- and the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 14 PublG in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report“ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information.

The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law to be applied to § 13 PublG, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Generally Accepted Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Generally Accepted Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement due to fraud (i.e., the manipulation of the accounts or misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 14 PublG and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the presentation, structure and content of the consolidated financial statements as a whole, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Generally Accepted Accounting Principles.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, April 18, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Uwe Rittmann	ppa. Christa Mommsen
Wirtschaftsprüfer	Wirtschaftsprüferin
(German public auditor)	(German public auditor)

Addresses

Aggregates

Basalt-Actien-Gesellschaft
Linzhausenstraße 20, DE-53545 Linz am Rhein
Tel.: +49 (0)2644 563-0
Fax: +49 (0)2644 563-165
Email: info@basalt.de
www.basalt.de

Business activities/products
Production and sale of aggregates consisting of natural products and bituminous mixtures, logistics services, receipt and recycling of recyclable building rubble, inert excavated earth for landfills

Slate

Rathscheck Schiefer und Dach-Systeme
ZN der Wilh. Werhahn KG
St.-Barbara-Straße 3, 56727 DE-Mayen-Katzenberg
Tel.: +49 (0)2651 955-0
Fax: +49 (0)2651 955-100
Email: info@rathscheck.de
www.rathscheck.de

Business activities/products
Slate for roofs, façades and interiors, rafter insulation systems, roofing tools and roofing equipment

Zwilling Kitchenware

ZWILLING J.A. Henckels AG
Grünewalder Straße 14-22, DE-42657 Solingen
Tel.: +49 (0)212 882-0
Fax: +49 (0)212 882-347
Email: info@zwilling.com
www.zwilling.com

Business activities/products
Knives, scissors, cookware, kitchen utensils, cutlery

Zwilling Beauty Group

ZWILLING Beauty Group GmbH
Am Schönenkamp 45, DE-40599 Düsseldorf
Tel.: +49 (0)211 5380-3300
Fax: +49 (0)211 9991-7937
Email: info@ZwillingBeautyGroup.de
www.zwilling-beauty.com

Business activities/products
Manicure, pedicure, tweezers and other beauty tools

abcfinance

abcfinance GmbH
Kamekestraße 2-8, DE-50672 Köln
Tel.: +49 (0)221 57908-0
Fax: +49 (0)221 57908-126
Email: info@abcfinance.de
www.abcfinance.de

Business activities/products
Lease finance for mobile goods, rental agreements and leases, factoring

Bank11

Bank11 für Privatkunden und Handel GmbH
Hammer Landstraße 91, DE-41460 Neuss
Tel.: +49 (0)2131 6098-0
Fax: +49 (0)2131 6098-133
Email: mail@bank11.de
www.bank11.de

Business activities/products
Sales and purchase financing for mid-size vehicle trade in Germany

Wilh. Werhahn KG

Wilh. Werhahn KG
Königstraße 1
DE-41460 Neuss
Postfach 10 16 38
41416 Neuss

Tel.: +49 (0)2131 916-0
Fax: +49 (0)2131 916-400
Email: info@werhahn.de
www.werhahn.de

Publishing information

Publisher
Wilh. Werhahn KG
Königstraße 1
41460 Neuss, Germany

Usage
For the sake of readability, the masculine form is primarily used in the texts of the report and includes the feminine form.

Rounding
Slight variations can occur when using amounts and percentages rounded in accordance with commercial conventions.

Production
Edelman GmbH, Cologne, Germany

Print Production
Das Druckhaus Print und Medien GmbH

Photography
Cover: Getty Images/RichVintage
p. 6: Martin Langhorst Fotografie
p. 8: Basalt-Actien-Gesellschaft
p. 9: Rathscheck Schiefer und Dach-Systeme ZN;
ZWILLING Kitchen India Pvt. Ltd.; ZWILLING Beauty Group GmbH
p. 10: Bank11 für Privatkunden und Handel GmbH
p. 11: Deutsches Medikamenten-Hilfswerk action medeor e. V.
p. 12: Basalt-Actien-Gesellschaft
p. 14/15: Basalt-Actien-Gesellschaft
p. 16: Rathscheck Schiefer und Dach-Systeme ZN
p. 17: Rathscheck Schiefer und Dach-Systeme ZN;
photo Hagen Schmidt-Bleker: Formitas AG
p. 18: ZWILLING J. A. Henckels Aktiengesellschaft
p. 19: photo Alexander Gulden
p. 20: Santos Grills GmbH; ZWILLING J. A. Henckels Aktiengesellschaft
p. 21: ZWILLING J. A. Henckels Aktiengesellschaft
p. 22/23: ZWILLING Beauty Group GmbH
p. 24: Megaforce Bühnen- und Veranstaltungstechnik GmbH
p. 25: photo Stephan Ninow; Getty Images/Josh Hawley
p. 26: Megaforce Bühnen- und Veranstaltungstechnik GmbH
p. 27: Westfalen-Lippe Speditions- und Lagerhaus GmbH
p. 28: Getty Images/spooh
p. 29: Getty Images/Viaframe
p. 32: FiberLean Technologies GmbH; photo Enrico De Landerset;
photo Axel Weiler

Publisher
Wilh. Werhahn KG
Königstraße 1
41460 Neuss, Germany