

# Group Management Report 2022

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# General Section on Business Development

Vorwerk SE & Co. KG is a family-owned company that was founded in 1883 and is headquartered in Wuppertal, Germany. In terms of sales, Vorwerk is the number 1 direct sales company in Europe and the world's leading direct seller of high-quality household appliances. The core business of the Group is the development, production and sale of innovative, premium household appliances. The most important products from Vorwerk are, on the one hand, cleaning devices, from vacuum wipers to vacuum robots, which Vorwerk manufactures and sells under the Kobold/Folletto brand, and, on the other hand, the Thermomix®/Bimby with its digital recipe platform Cookidoo®, which around four million customers are now active on.

**In terms of sales, Vorwerk is the number 1 direct sales company in Europe and the world's leading direct seller of high-quality household appliances.**

Today, the Vorwerk Group is active in direct sales in 60 countries with a focus on Europe, but also in Asia and North and South America. The strong international orientation of the Wuppertal-based, family-owned company is also clearly reflected in the distribution of its sales. The share of sales generated outside the company's domestic market of Germany has now reached 61.5 percent. This share amounted to 71.9 percent in the direct sales segment.

The diversified product and service portfolio also includes financing solutions from the akf group and the venture capital company Vorwerk Ventures.

Vorwerk stands for an active and ever-growing community comprising advisors, customers and employees as well as a modern direct sales approach involving three inter-related channels with outstanding products and services. These main elements of the Strategy 2025 form the foundation for the sustainable and successful development of the Group. Vorwerk can look back on a 140-year history this year, in 2023.

Research & Development, app and software development, quality management and the administrative units are located in the immediate vicinity of the engine and equipment plant at the main production and development site of Vorwerk Engineering in Wuppertal-Laaken. Vorwerk develops and designs its products at its largest site in Wuppertal. The company manufactures according to uniform specifications and strict quality standards via the company's international string of factories located in Germany (Wuppertal), France (Cloyes-les-trois-Rivières) and China (Shanghai).

Vorwerk works hand in hand with a network of specialized production partners where this makes sense.

The Vorwerk Group was active in the following fields of business at the end of 2022: Culinary (Thermomix®/Bimby), Cleaning (Kobold/Folletto) as well as Vorwerk Engineering, Neato Robotics and the akf group. Furthermore, Vorwerk Ventures is the Vorwerk Group's venture capital company. Activities related to JAFRA Cosmetics (with the exception of JAFRA Indonesia) and Temial were sold or discontinued as planned in 2022 and are therefore included only proportionately in the consolidated sales of the reporting year. JAFRA Indonesia was also sold at the beginning of 2023.

Russia's attacks on Ukraine in February changed the framework conditions and required continuous crisis management, especially in the areas of material procurement and energy security. The greatest challenge was to remain capable of taking action despite the lack of planning security and to adapt quickly to any changes in the situation. Significantly rising energy costs, disrupted international supply chains, rising transport costs and significant cost increases in material purchasing quickly made the previous year's forecasts obsolete. Vorwerk has coped with this difficult situation extremely well.

Overall, the Vorwerk Group's sales of EUR 3.2 billion were 6.3 percent down on the previous year due to the companies sold or closed during the year. Expectations were missed by 1.3 percent due to the challenges already mentioned. The sales generated, excluding the discontinued operations in the reporting year, were maintained at the high level of the previous year.

The Group achieved net profit for the year of EUR 45.2 million, while the operating result of the Group was EUR 194.5 million and thus significantly\* below the previous year and planning. This is due to the cost increases in the supply chain, which were not expected at this

high level, the increased energy costs and thus, above all, the burden on the earnings of Vorwerk Engineering, as well as the disappointing earnings of Neato Robotics, which declined again. Basically, the financial result, management results not directly related to sales or production activities and costs attributable to the holding company were deducted from the consolidated net income in order to arrive at the operating result.

The new business of the akf group amounting to EUR 1.2 billion was 14.8 percent above last year's level and 4.3 percent above expectations.

The overall business volume\*\* of the Vorwerk Group amounted to EUR 3.9 billion, a decrease of 1.6 percent, taking the EUR 1.2 billion in new business\*\*\* at akf into account, due to the companies that were sold or closed during the year.

**The overall business volume of the Vorwerk Group amounted to EUR 3.9 billion**

\* To help the reader to better understand the company's development, percentage changes compared with the previous year are described in this report using the following adjectives: insignificant/minor (1 – 2 percent), moderate/slight (3 – 5 percent), considerable/severe (6 – 10 percent), major/significant (11 – 15 percent), substantial (16 – 24 percent), more than significant (over 25 percent).

\*\* Group sales less akf plus the new business of the akf group

\*\*\*Volume of new financing and rental agreements concluded in the fiscal year

The equity capital ratio of the Vorwerk Group, including the fully consolidated akf group that is active in the area of financial services, amounted to 26.4 percent. Liquid funds are mainly invested in special funds, reported under long-term securities, and other short-term realizable current assets and totaled EUR 1,294 million as of balance sheet date.

The Group's strategic leadership is in the hands of Vorwerk SE & Co. KG in Wuppertal. The Group's Executive Board is comprised of Dr. Thomas Stoffmehl (Speaker of the Executive Board), Hauke Paasch (Member of the Executive Board) and Dr. Thomas Rodemann (Member of the Executive Board).

Half of the Vorwerk Group's Supervisory Board is comprised of members from the entrepreneurial family Mittelsten Scheid while the other half consists of external experts. Dr. Rainer Hillebrand is Chairman of the Supervisory Board. Dr. Jörg Mittelsten Scheid, the head of the family that owns Vorwerk, is Honorary Chairman of the Supervisory Board. Daniel Klüser (Deputy Chairman of the Supervisory Board), Wolfgang Kölker and Dr. Timm Mittelsten Scheid are the other members of the Supervisory Board from the entrepreneurial family.

Management of the company is based on detailed annual planning, regular reporting and deviation analyses. For this purpose, sales revenues at the divisional level and the operating result are used as key financial performance indicators.

In the case of specific divisions in the area of direct sales, Vorwerk applies non-pecuniary performance indicators for the purposes of foresighted and sustainable management of the company. They relate to the productivity (= sales per active advisor) and the activity – in other words the proportion of active sales advisors in relation to the total number.

The Vorwerk Group had already defined its future alignment in 2019 as part of its Strategy 2025. Its goal is to become more powerful and modern and to further optimize efficiency in the global Vorwerk organization as well as the specialized and successful direct sales approach. Distinct growth and earnings targets are important elements of this strategy.

In 2021, the Vorwerk Group implemented or prepared to make changes to the structure of the company to create synergies and improve efficiency. The objective is to focus even more on the fields and markets with high potential for success and growth.

Among other topics, these decisions relate to the sale of the American and Mexican company JAFRA Cosmetics to the Mexican company Betterware de Mexico, which was completed in the first quarter of the reporting year. Sales in Europe were discontinued in mid-2022, and the remaining sales in Indonesia were sold at the beginning of 2023.

Another decision related to the business unit Temial. It has not been able to establish a stable and promising market position for the tea machine it launched in 2018. Temial will therefore be gradually withdrawn from active marketing by mid-2022. Of course, customers will continue to be provided with the respective spare parts, service and consumables over the next few years.

Markets and customer needs are currently changing rapidly; this poses major challenges for companies worldwide. Now, more than ever, efficient processes, agile working methods and clear structures are preconditions for entrepreneurial success. In this context, Vorwerk continues to consistently focus on three core elements: its active community of advisors, customers and employees, direct sales comprising three interrelated channels as well as innovative products and services.

Vorwerk's power of innovation is also reflected in the number of patent registrations: the company had several national and international patents or patent applications to report in 2022.

Vorwerk has been systematically addressing the aspect of sustainability since 2016. The sustainability organization created that same year identifies the main sustainability topics for the entire Group, coordinates programs already in progress and develops new projects.

## Vorwerk has been systematically addressing the aspect of sustainability since 2016

The Vorwerk Group is a participant in the UN Global Compact (UNGC), the world's largest and most important initiative for sustainable and responsible corporate management. By signing it, the company commits itself to implementing ten universal sustainability principles on the topics of "Human Rights and Labor Standards," "Environmental and Climate Protection" and "Fighting Corruption" and to promoting the United Nations Sustainable Development Goals (SDGs). Together with over 16,000 other companies and organizations, Vorwerk wants to move closer to the vision of a sustainable and more inclusive economy, step by step, across industries and national borders.

Vorwerk places great importance on the considerate and sustainable use of natural resources. As a family-owned company, it has always thought across generations. The conversion to renewable energies is one of the most important levers in the implementation of the climate protection goal. Photovoltaic systems have been installed at properties where this was structurally possible. Vorwerk also invests in electromobility for its company car fleet. Furthermore, all Vorwerk Group products are developed with a focus on longevity and reparability.

In addition, Vorwerk is socially committed. Acting sustainably also means supporting the disadvantaged people of the world. Accordingly, the company supports many social projects at the international and local level, such as the SOS Children’s Villages or the RTL Foundation “We help children.”

The Group is on its way to making products more sustainable in all phases of its value chain. This includes low energy consumption in production and later during a product’s service life, as well as the use of recyclable materials. Durable technology and a quality finish are equally important.

Among other objectives, the Vorwerk Group has set itself the goal of reducing CO<sub>2</sub> emissions and compensating for the remaining emissions. The reduction share is to be increased to two-thirds by 2025.

Vorwerk places great importance on the considerate and sustainable use of natural resources.

Summary of the Development of the Individual Divisions

Thermomix remains the division of the Vorwerk Group with the highest revenue. This division achieved record sales of EUR 1.7 billion, an increase of 1.6 percent.

The akf group's sales of EUR 497 million were slightly higher than in the previous year. New business rose considerably to EUR 1.2 billion.

The Kobold division recorded sales of EUR 803 million, a 1.9 percent decline.

The individual divisions are described in detail on the following pages.

Sales by Division

in EUR million	2019	2020	2021	2022
Home	2,070.1	2,331.7	2,541.2	2,535.4
Thermomix	1,268.4	1,583.8	1,696.3	1,723.5
Kobold	708.4	703.2	819.0	803.4
Vorwerk flooring*	41.3	17.5	0.0	0.0
Neato Robotics	52.0	27.2	25.9	8.5
Diversification	824.0	814.6	806.9	585.9
JAFRA Cosmetics**	351.7	319.0	313.0	89.2
akf group	472.3	495.6	493.9	496.7
Others	33.9	34.3	34.7	50.0
Group sales	2,928.0	3,180.6	3,382.8	3,171.3

\* Including Vorwerk flooring until 07/31/2020  
\*\* Including JAFRA Mexico and USA until 03/31/2022



## Thermomix/Bimby

Since its invention in 1971, the Thermomix® has matured from being a multifunctional kitchen machine to a digital all-rounder that brings millions of people together worldwide when it comes to cooking.

The Thermomix® TM6 is easy and intuitive to use. The integrated recipe platform Cookidoo® allows direct access to carefully developed and proven Thermomix® recipes. The Thermomix® TM6 with its Guided Cooking function takes users through the recipes step by step. Today, more than 90,000 Guided Cooking-enabled recipes are available for the Thermomix® worldwide. This means that the Thermomix is a highly modern, digital kitchen appliance. At the beginning of the year, Thermomix® caused a stir with its "Black Edition": for the first time in the company's history, the kitchen machine was available in glossy black for a limited time and in a limited edition.

The Thermomix division is active via its subsidiaries in a total of 16 countries in Europe, Asia and North America. In addition, Thermomix has more than 40 distributors.

### More than 90,000 recipes are available in Cookidoo

The multifunctional kitchen machine is sold worldwide via a direct selling system. Advisors demonstrate the Thermomix® at potential customers' homes by providing a cooking experience. They also benefit from the individual, personal service available locally even after the purchase. In some countries, the advisors also have "MySites," which they can use to contact customers online, make appointments and sell products. Moreover, Thermomix® is

presented and occasionally also sold in conventional stores in a few countries. Further, Thermomix® accessories are available worldwide in an online shop.

In the reporting year, the division once again achieved record sales of EUR 1.7 billion, an increase of 1.6 percent over the previous year and thus slightly above expectations. This growth in sales is due in particular to the significant increase in new advisors since the end of 2021. The operating result was slightly below the previous year, but slightly above expectations.

On the other hand, Thermomix experienced a decline in sales in France (sales of EUR 196 million, down 9.8 percent), Spain (sales of EUR 120 million, down 16.2 percent), the UK and Northern Ireland (sales of EUR 44 million, down 4.1 percent) and China (sales of EUR 55 million, down 36.9 percent). In China, there was a persistent reluctance on the part of customers to visit shopping malls and Thermomix® cooking studios throughout the year. The export business – i.e. sales via so-called distributors – recorded a drop in sales of 4.6 percent to EUR 105 million.

### Significant increase in the number of new advisors

The number of advisors increased by 12.4 percent compared to the previous year. Average productivity was considerably and activity substantially below the previous year's level. On average, more than 83,200 advisors were working for the division in 2022.

2022 was another successful year for most Thermomix markets: Germany was the strongest sales country; the company achieved sales of EUR 480 million here, an increase of 3.0 percent. The Polish sales company once again achieved a significant increase, with sales up 13.8 percent to EUR 262 million. Developments in Italy were also clearly positive (EUR 203 million in sales, up 19.2 percent). As in Portugal, the Thermomix® is sold there under the brand name Bimby.

The picture was also positive for the other larger national subsidiaries: Austria (sales of EUR 65 million, up 18.6 percent), Portugal (sales of EUR 54 million, up 3.2 percent), Switzerland (sales of EUR 40 million, up 12.9 percent) Mexico (sales of EUR 30 million, up 9.5 percent), Czech Republic (sales of EUR 17 million, up 23.6 percent), USA (sales of EUR 28 million, up 28.7 percent) and Canada (sales of EUR 13 million, up 17.9 percent).



# Kobold / Folletto

The Kobold VK7 cordless vacuum cleaner system (marketed under the brand name Folletto in Italy), which was newly launched on the market in the reporting year, offers up to 19 cleaning functions with a main unit and various attachments and nozzles. Whether it's vacuuming with the EB7 electric brush, vacuuming and wiping with the SP7 suction wiper attachment, dusting or cleaning upholstery and mattresses: with one click, the VK7 can be transformed into a new device and be individually adapted to the respective needs at home. Kobold markets its products through direct sales, Vorwerk stores in some countries and online.

The Kobold division is represented with its own subsidiaries in a total of twelve countries in Europe and Asia. In addition, more than 29 distributors sell its products.

The Kobold division achieved sales of EUR 803 million in the reporting year, a slight decrease of 1.9 percent compared to the previous year. Expectations were undercut by a considerable margin. The operating result was significantly below the previous year and below expectations. When looking at the figures, it should be taken into consideration that, due to disruptions in the supply chain, not all devices ordered in 2022 could be delivered to customers. This catch-up effect will come into play in the current financial year. The positive effect of the introduction of the new VK7 vacuum cleaner system could clearly be seen in the reporting year.

On average, more than 11,100 advisors worked for the division in the year under review, a marginal decrease compared to the previous year. Activity was considerably and productivity moderately below that of the previous year.

The Italian Kobold company achieved sales of EUR 390 million, an increase of 4.4 percent. The Kobold is sold under the brand name Folletto in Italy. Italy was the first country to introduce the new VK7 vacuum cleaner system in the reporting year and was thus able to benefit from the positive effects of this product impetus.

The German Kobold company recorded a 7.2 percent drop in sales to EUR 254 million. The reason here is mainly the availability of devices due to disruptions in the supply chain. Vacuum cleaners that had already been ordered could only be delivered to customers with a delay.

## The positive effect of the new vacuum cleaner system can be clearly seen.

Of the larger Kobold countries, Vorwerk France also reported lower sales (EUR 51 million, down 6.8 percent), as did the Chinese Kobold company (EUR 29 million, down 12.9 percent), the company in Austria (EUR 23 million, down 4.4 percent), Kobold in Spain (EUR 18 million, down 1.4 percent) as well as the distributor business (EUR 14 million, down 16.9 percent) and the company in the Czech Republic (EUR 9 million in sales, down 4.2 percent).





# Vorwerk Engineering

The Vorwerk Engineering division manufactures its products as commissioned by the "Home" divisions that have successfully conceptualized them over many years now by applying the experience they have gained from the sales organizations and direct customer contacts. The Engineering division is therefore very dependent on and steered by the development of business at the Vorwerk sales companies and their business development.

In the company's own international string of factories located in Germany (Wuppertal), France (Cloyes-les-trois-Rivières) and China (Shanghai), the company manufactures according to uniform specifications and strict quality standards.

The largest production site is located in Wuppertal and has more than 1,200 employees. The Research & Development department is also mainly located there.

Towards the end of the reporting year, the division presented a limited edition model of the Thermomix® – the "Black Edition." This product was received extremely positively internationally.

With the new Kobold VK7 vacuum cleaner, the Engineering division has also successfully brought a powerful cordless vacuum cleaner system to market maturity.

In the first half of the year, the Engineering production facilities struggled with component shortages for both the Thermomix® TM6 and the VK7 system, which at times led to significant backlogs and delivery delays. These shortfalls were resolved over the course of the year.

The development of sales of the Vorwerk Engineering division in 2022 was in line with the development of the sales of the sales divisions. The multiple crises and resulting cost increases prompted the Engineering division to set up a cost-cutting program very early in the year to counteract the negative price trend. Despite the savings, the operating result was significantly below the previous year and expectations. This was entirely due to the high increases in expenses for energy, materials and transportation throughout the course of the year, which could not be fully compensated for.

As part of the bundling of robotics expertise in Wuppertal Laaken, the Vorwerk Group will further strengthen its commitment in Germany and its competitive position in the growth market of vacuum cleaner robotics, both in the consumer and B2B sectors. A robotics competence center is being built at the largest plant in Laaken, where developers and engineers will work centrally and develop both commercial and consumer robot systems. With the Kobold VR7 vacuum robot, the latest product in the Vorwerk vacuum cleaner family will celebrate its market launch in 2023.

**Research & Development is also mainly based in Wuppertal, Germany.**





# Neato Robotics

Founded in 2005, Neato Robotics, Inc. with its registered offices in Silicon Valley launched its first series of robot vacuum cleaners in 2010. It was Neato that introduced an intelligent laser navigation system for robotic cleaners, for example.

Vorwerk has been a shareholder in the US-based company since 2010. Vorwerk finally increased its stake in the company to 100 percent in 2017.

The focus of the Vorwerk Group's Strategy 2025 is on strengthening the key brands Kobold and Thermomix and further developing the Group portfolio in order to be able to optimally develop growth potential.

Vorwerk invests in fields and markets that have this potential, but is also consistently withdrawing from areas in which it has not been able to achieve growth.

The company is now taking a further step towards concentration and strengthening its robotics expertise within the Vorwerk Group by bundling the development capacities centrally at its Research & Development location in Wuppertal-Laaken. In the future, the motto "Engineered in Germany" will apply to its entire vacuum cleaner robotics area.

As part of this bundling of competencies, the Vorwerk Group will be closing its US company Neato Robotics in June 2023. Neato's development team was an important source of inspiration for product development at Vorwerk and contributed valuable experience. Nevertheless, the independent sales department has not been able to develop successfully, therefore the company has been behind the goals it has set for itself for several years.

In 2022, Neato achieved sales of EUR 9 million (– 67.1 percent). Sales were therefore significantly below the previous year and expectations, the operating result significantly below the previous year and significantly below expectations.

During the year under review, Neato made every effort to achieve profitability as part of restructuring. Unfortunately, this has not been as successful as necessary. This step affected 98 employees worldwide – mostly engineers and software developers. A 14-member team in Milan that provides the cloud services for its current products will be taken over by Vorwerk.

The Vorwerk Group intends to guarantee infrastructure security for the Neato cloud for at least five years for all Neato customers. This also applies to the supply of spare and wearing parts as well as the necessary repairs, the availability of which will also be ensured for at least five years.

# Vorwerk Ventures

Through Vorwerk Ventures, the Vorwerk Group makes use of various investment vehicles to invest in companies that are working on novel and promising sales concepts. The venture capital entity makes its investment decisions without any direct connection to the strategy of the Vorwerk Group and thus has the freedom to invest in completely new areas that have the potential for strong growth and high profitability.

Several portfolio companies are already among the leading providers in their specific markets and offer great opportunities for an increase in value. The investment portfolio is managed with a view to the exit potential.

The investment vehicle Vorwerk Direct Selling Ventures has invested in a total of 23 companies since this activity was founded in 2007. Of these, 7 companies were still in the portfolio at the end of 2022. The Vorwerk Direct Selling Ventures portfolio includes the companies Dinner-for-Dogs, CrossEngage, LILLYDOO, Mädchenflohmarkt, OTTONova, smartfrog and Thermondo. Certain investments were made in the current portfolio in 2022 as part of larger external financing consortia.

As part of implementing its own growth strategy, the venture capital unit adopted a customary, asset management organizational structure at the end of 2019 and established a new venture capital fund called Vorwerk Ventures III with a volume of EUR 150 million. The initial investment period of Vorwerk Ventures III ended in mid-2022. Since it was launched, the investment vehicle Vorwerk Ventures III has invested in a total of 20 companies. Since the investment fund is in an early stage of maturity, there have not been any exits worth mentioning yet. From now on, only follow-up investments in companies already in the portfolio will be made from the investment fund. In the financial year that just ended, a few substantial follow-up financing transactions were carried out in the portfolio with the participation of other investors.

Another investment fund called Vorwerk Ventures IV with a target volume of EUR 150 million was set up in mid-2022 to continue with investing. One investment was made by this investment vehicle in 2022.



Heat pump from  
Thermondo



The Wuppertal-based akf group is positioned as a traditional financing partner for small and medium-sized companies. On the market now for more than five decades, akf bank, akf leasing and akf servicelease offer a product portfolio tailored to the funding requirements of these clients. The commercial customers come from the metal, plastics, wood-processing and graphics industries as well as the agricultural sector. Financing is also available for private customers interested in purchasing a car or other consumer goods.

Most areas of sales of the akf group were able to benefit from the increasing investment propensity of companies and private consumers in the financial year. Against this backdrop, new business in the banking and leasing sector increased significantly to EUR 1,178 million (previous year: EUR 1,026 million), an increase of 14.8 percent compared to the previous year.

The share of vehicle financing in the auto and marine finance sales area, with a volume of EUR 312 million (previous year: EUR 292 million), amounted to 26.5 percent (previous year: 28.5 percent) of its total business and thus continues to occupy a notable position despite the considerably lower share.

Funding of machinery and other equipment in the industrial finance sales area was much higher than in the previous year, with a volume of EUR 282 million (previous year: EUR 226 million) and accounted for 23.9 percent of its total business (previous year: 22.1 percent).

At EUR 217 million, the financing volume in the product finance sales area changed only slightly compared to the previous year (EUR 216 million). EUR 154 million (previous year: EUR 153 million) are included in this figure from consumer financing activities as part of financing the sale of high-quality household appliances from the Vorwerk Group.

Financing of agricultural vehicles and mobile agricultural equipment in the agriculture finance sales area increased strongly by 20.0 percent to EUR 214 million, thus accounting for 18.1 percent of the total volume (previous year: 17.4 percent).

In the fleet finance area, which primarily offers full-service leasing and short to medium-term rental of passenger cars, the volume increased significantly from EUR 113 million to EUR 153 million.

The volume of purchased receivables in the factoring business area increased moderately from EUR 1,124 million to EUR 1,166 million.

## The Wuppertal-based akf group positions itself as a classic financing partner for medium-sized companies.

At EUR 497 million (previous year: EUR 494 million), akf group's revenue increased slightly and was thus moderately above expectations. With regard to financing services, revenue is calculated on the basis of the interest and leasing income as well as the payments for other services that are received as compensation for the relinquishment of capital or assets.

The volume of new business has developed significantly compared to the previous year and moderately exceeded expectations. The operating result developed much more positively than in the previous year and significantly exceeded expectations.



The interest rate margin – the difference between the lending and the refinancing interest rates – is of the greatest importance to the earnings situation of akf group. Despite a slight increase in the interest rate margin of 37 basis points on a year-on-year comparison, interest income at akf bank only improved slightly by 1.7 percent. The reason for this was the lower than expected development of the average business volume.

As in previous years, the refinancing of akf group was performed mainly with matching maturities through interbank transactions, two revolving ABCP programs, one open-ended revolving ABS bond as well as the deposit-taking arm of the business. A total of around 22,700 investors (previous year: around 22,400) had entrusted deposits of EUR 1,368 million (previous year:

EUR 1,488 million) at the end of the year. As in past years, business was only transacted on an online basis. Despite the challenging environment in the deposit-taking business, akf group fundamentally handles all private investors in the same manner with regard to interest payments for the various products and refrains from making any special offers or promotions to attract new clients.

# Personnel Development/ People & Culture

The strategic priorities in the area of “People & Culture” were already defined in 2020 and are part of the implementation of Strategy 2025.

A special focus is on attracting and developing talented people, as well as strong succession planning to ensure stability and provide opportunities. Parallel to this, the focus is on building leadership skills and developing management personnel with the goal of combining the growth of the Group with the continuous advancement of employees. The training platform “VORyou” is one

example of this path and the further expansion of digital offerings. The system enables the “People & Culture” division to provide internally created learning content and link it to external content to make learning exciting, relevant and available to all employees, anytime and anywhere.

An average of 222,841 people worked for the Vorwerk Group worldwide in 2022. There were 9,394 permanent employees and 213,447 self-employed sales advisors (including JAFRA Cosmetics US and Mexico until March 31, 2022).

## Average number of employees during the year

	2019	2020	2021	2022
Home				
Thermomix*	5,665	5,914	5,256	4,210
Kobold*	1,963	1,881	1,908	1,884
Vorwerk flooring**	313	180	0	0
Vorwerk Engineering	1,615	1,603	1,748	1,791
Neato Robotics	115	125	151	148
Diversification				
JAFRA Cosmetics***	1,806	1,696	1,760	465
akf group	499	504	512	507
Others	343	357	363	389
<b>Total employees*</b>	<b>12,319</b>	<b>12,260</b>	<b>11,698</b>	<b>9,394</b>

\* Including employed advisors  
\*\* Vorwerk flooring included until 07/31/2020  
\*\*\* Jafra US and Mexico included until 03/31/2022

## Average number of self-employed advisors during the year

	2019	2020	2021	2022
Thermomix	48,231	59,890	74,066	83,267
Kobold	9,623	9,581	11,365	11,116
Others	180	236	510	171
Self-employed advisors with “Home”	58,034	69,707	85,941	94,554
Self-employed advisors with JAFRA Cosmetics**	541,038	508,286	491,151	118,893
<b>Self-employed advisors in total</b>	<b>599,072</b>	<b>577,993</b>	<b>577,092</b>	<b>213,447</b>
<b>Total employees at Vorwerk</b>	<b>611,391</b>	<b>590,253</b>	<b>588,790</b>	<b>222,841</b>
Of which advisors*	603,977	583,044	581,202	216,511

\* Including employed advisors  
\*\* Including Jafra US and Mexico until 03/31/2022

# Assets and Earnings Situation

The consolidated balance sheet total of the Vorwerk Group fell by EUR 172.1 million to EUR 5,313.4 million as of the balance sheet date December 31, 2022. This was caused, among other developments, by the decline in goodwill and bank balances on the assets side and the lower other provisions and liabilities from the deposit business on the liabilities side.

Fixed assets declined by EUR 116.5 million overall.

Intangible assets declined by EUR –138.9 million, primarily due to the derecognition of goodwill in connection with the JAFRA companies in Mexico and the United States, which were sold in April 2022. Tangible assets, on the other hand, increased by EUR 14.5 million, and amounted to EUR 37.2 million, related to rental assets in particular. The investment ratio increased by 2.4 percentage points to 19.6 percent with a lower opening balance and considerably higher investments compared to the previous year. The tangible assets ratio of 24.3 percent was 1.4 percentage points below the level of the previous year with a minor decrease in total capital.

Under the financial assets item, shareholdings increased by EUR 33.0 million, mainly due to the first-time inclusion of a venture capital fund in the Group figures. Other loans and other financial assets were EUR 21.9 million below the previous year due to a loan repayment and the sale of financial investments.

Current assets recorded a slight decrease overall, which is mainly due to the considerable drop in cash and cash equivalents, which include bank balances and marketable securities.

Inventories increased by EUR 2.1 million, whereby the changes in the individual business areas varied. The sale of the main JAFRA companies led to a reduction in inventories of EUR 46.9 million. The Home business division recorded an increase of EUR 53.2 million, primarily to counteract delivery bottlenecks. The inventory turnover rate fell due to the significantly lower cost of materials – excluding the banking and leasing business – accompanied by a significant increase in the average inventory level by 19.3 percent to 2.06.

Overall, trade receivables increased by 10.0 percent. While the disposal of receivables from the JAFRA companies led to a decrease of EUR 20.8 million and Neato also recorded a decrease of EUR 8.5 million due to sales, trade receivables in the Home division increased by EUR 56.6 million due to the strong sales in December of the reporting year. Write-downs were adapted to reflect the payment behavior of customers. The value adjustment ratio declined significantly to 36.9 percent.

The massively disrupted supply chains caused by the pandemic, with drastically extended delivery times for the financed property classes, also led to a slight decline in net receivables from customers from the banking and leasing business by EUR 19.8 million in this reporting year. All discernible risks in the financing business are adequately accounted for by the formation of valuation adjustments.

At 49.6 percent, the current intensity as the ratio of current assets including all liquid funds to total assets, was slightly above the level of the previous year.



The cash ratio – defined as the cash resources available at short notice against current liabilities – amounted to 41.2 percent in the reporting year (previous year: 42.2 percent).

The liabilities side reflected partners' equity of EUR 1,405.0 million. The partners' equity capital ratio was at 26.4 percent (previous year: 26.9 percent). The asset coverage ratio was 53.8 percent and was nearly at the previous year's level (54.1 percent) because equity and fixed assets decreased in the same proportions.

Provisions declined by 8.8 percent compared to the previous year. Provisions for pensions and similar obligations remained at around the same level as the previous year. Provisions to cover tax risks increased by 2.1 percent. The significant decrease in other provisions mainly related to the provisions of the JAFRA companies sold that were removed from the Consolidated Financial Statements, as well as provisions for consultant commissions and outstanding supplier invoices. On the other hand, provisions were made for expenses in connection with the closure of the Neato Robotics division.

Liabilities decreased moderately by 3.0 percent overall. The individual items developed in various directions, however.

Liabilities to banks were mainly attributable to akf group and fell by EUR 11.5 million. The liabilities of the akf group increased by EUR 58.4 million, while loans in other areas of the business of the Vorwerk Group in the amount of EUR 69.9 million were repaid.

Liabilities from the deposit business were solely related to akf group. The online-based deposit business of akf bank fell by EUR 120.4 million in the reporting year due to the difficult environment caused by the massive rise in interest rates. Other customer deposits increased by EUR 9.3 million.

As a result of the slight overall decrease of EUR 148.8 million in borrowed capital and an approximately equal decrease in equity, the gearing ratio of 259.8 percent was 0.8 percent higher than in the previous year.

The deferred income item on the liabilities side of the balance sheet in the amount of EUR 257.8 million included – besides year-end-related income deferrals – deferred net present values for the leasing receivables sold to third party banks and subject to scheduled reversal. Income deferrals in an amount of EUR 39.0 million resulted in an increase in this item in the year under review.

In financial year 2022, the Vorwerk Group achieved 6.3 percent lower Group sales of EUR 3,171.3 million; the return on sales showed a minus of 3.0 percentage points compared to the previous year. The decline in sales is mainly due to the sale of the companies of the JAFRA division in Mexico and the US in April 2022.

Reference is made to the respective comments on the divisions for detailed explanations on the development of sales.

The JAFRA companies that have left the Group account for EUR 36.7 million of the significant decrease in changes in inventories.

Other operating income fell significantly, mainly due to lower reversals of provisions. On the other hand, income in connection with the sale of the JAFRA companies led to an increase of EUR 22.5 million.

Cost of materials (excluding the banking and leasing operations) declined by 8.6 percent compared to the previous year. This decline is mainly related to the sale or discontinuation of JAFRA's business activities. In addition, cost of materials declined due to sales. At 26.9 percent, the cost of materials ratio was nearly at the previous year's level.

Expenses from the lending and leasing business were at the level of the previous year.

Despite general wage and salary increases, the decline in personnel expenses by EUR 31.5 million is largely due to the departure of key companies from JAFRA Cosmetics and the lower number of sales employees in China due to the lockdown situation.

Scheduled depreciation was slightly below the level of the previous year at minus 3.8 percent. In addition, unscheduled depreciation of EUR 13.6 million (previous year: EUR 37.9 million) related to the planned discontinuation of the Neato division.

Other operating expenses declined slightly by EUR 67.2 million, mainly due to the sale of the main JAFRA companies. The decline in various expenses, primarily commissions, sales motivation and delivery costs, is offset by an increase due to the creation of provisions for expenses in connection with the closure of the Neato division.

The increase in the financial result by EUR 3.1 million is due in particular to EUR 8.5 million higher income from financial investments and EUR 4.0 million higher interest income. Depreciation on financial assets accounted for as fixed assets also increased by EUR 8.8 million, however.

The operating result and the development of earnings were below the original plan in most divisions. The forecasts at the beginning of the financial year could not be maintained, mainly due to the increased costs in the area of material and energy procurement and the renewed decline in earnings at Neato Robotics. Due to the partly external influences described above, the overall earnings situation of the Vorwerk Group was not satisfactory.

# Financial Situation and Development of Financial Assets

2022 on the capital markets was marked by the effects of the war in Ukraine and the inflation shock, the severity of which surprised market participants. Linked to the development of inflation is the end of a monetary policy era of extremely low or even negative central bank interest rates. This shift was prompted by central banks' adjustment of their outlook away from a more temporary rise in inflation towards a picture of structurally rising producer and consumer prices including a trend towards deglobalization of the economy.

The stock markets developed negatively to a large extent in 2022. Shares in the developed markets lost around 12.8 percent year-on-year in euro. Shares from the emerging markets lost close to 14.9 percent in currency-adjusted terms over the same period. Interest rates rose significantly worldwide. Euro swaps rose by 376 basis points for one-year maturities and by 290 basis points for ten-year maturities. At +2.57 percent, 10-year German government bonds were 275 basis points higher at the end of the year than a year earlier (–0.18 percent).

The strategic alignment of Vorwerk's investment policy remained virtually unchanged in 2022. The asymmetric instruments to avoid tail risks were also retained, however the effect of these instruments was weakened by the price losses from interest rates. In the realized area, the expectations of the investment portfolio were met and the contributions to the company result were achieved, but there were significant impairments in the unrealized area.

Investments and other operative activities of the Vorwerk Group (excluding akf group) could be financed by the cash flow from the operating business and sales proceeds from divestments. Of the medium-term financing totaling EUR 80 million taken out in 2019 and 2020, EUR 50 million was repaid as planned by the end of 2022. The company only used money trading lines temporarily over the course of the year.

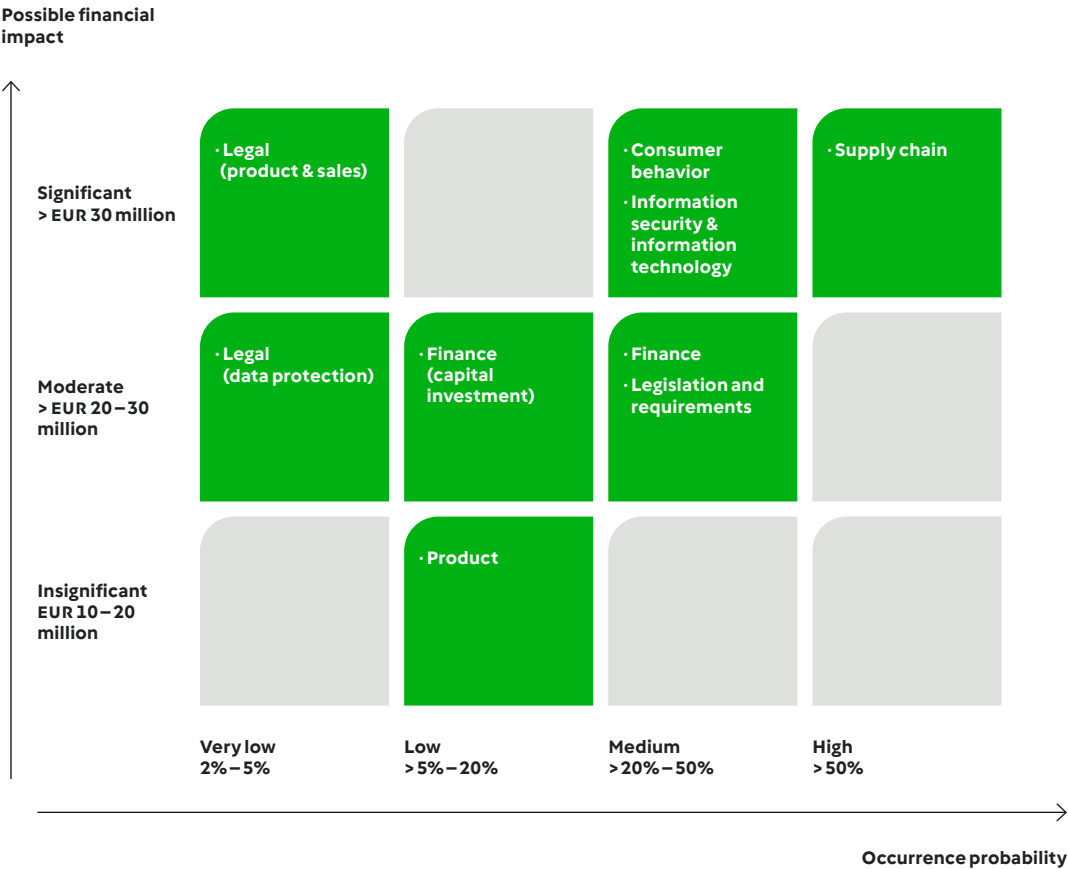
As part of its investment policy, Vorwerk has decided to structure investments in instruments that can be liquidated easily, such as stocks and bonds, and investments with a longer investment horizon, such as real estate, infrastructure and private equity, in separate portfolios. The share of liquid assets at the end of the year was just over 70 percent.

Gross liquidity in the Group (excluding akf) declined by around EUR 99 million in 2022. The main portion of this is due to the decline in market values from investments.

# Risk Management System, Opportunities and Risks

The risk management process comprises the identification, assessment, communication as well as the steering and control of risks. Risk management is a continual process with risks being identified and quantified at least twice a year.

## Risk management matrix





The year 2022 was dominated by the many global challenges and uncertainties, such as the ongoing Ukraine-Russia conflict, ongoing interruptions in the supply chain, the uncertainties that have arisen with regard to energy supply and sharply rising energy prices in Europe, inflation and the rapid rise in interest rates. This had an impact on the business activities of the Vorwerk Group in 2022, especially with regard to the continuous availability of the products and the change in consumer behavior. Under these conditions, the Vorwerk Group has pooled its strengths and concentrated on stabilizing direct sales and production. At the end of 2022, the Vorwerk Group achieved excellent sales results thanks to the consistently high quality of its products, the loyalty of its advisors and customers, and the commitment of its employees.

Overall, the structure and assessment of the top 3 risks changed partly compared to the previous year. The risks related to supply chain disruptions and information security remain of major concern. Consumer behavior has also become a risk for the business success of the Vorwerk Group.

Supply chain disruption remains at the top of the list of global business risks with a high probability of occurrence. Several events have coincided with the pandemic that impacted the supply chain: e.g. drastic price increases or unavailability of vital components and logistical capacity problems (e.g. bottlenecks in container shipping). Although this risk is a top risk for the Vorwerk Group for the third year in a row, the effective measures implemented were able to keep the risk at a stable level.

The risk of being hit by cyber-attacks is increasing worldwide. Ransomware and other types of cyber-attacks are still very relevant, and there are also potential risks and challenges from ongoing digitization and the shift to working from home/mobile working. The measures to reduce the information security risk of the Vorwerk Group will continue to be implemented with high priority. In order to counter the threat scenarios, the internal structures and processes are being further expanded and external specialist expertise is also being consulted. Individual risk reduction measures in terms of prevention have already

been achieved through the ISAVE project in the Vorwerk Group. This includes increasing employee safety awareness, numerous sensitization measures, publications, recorded podcasts, videos and a training platform, for example. The Vorwerk Group continues to work on the implementation of protective and defensive measures for the early detection and effective containment and elimination of cyber security incidents. With an efficient use of resources and the effective cooperation of all stakeholders, a continuous improvement of information security is possible, so that the risks can be continuously reduced within the framework of a medium probability of occurrence.

The risk of consumer behavior is a new risk at Vorwerk that was identified in 2022. As a result of economic and political uncertainties and the aftermath of the pandemic, this was assessed as having a medium probability of occurrence and a high impact on the Vorwerk Group. On the one hand, there is a risk that consumers' lower disposable income due to energy price increases, inflation, interest rate hikes and fears of recession could result in a re-prioritization or reduction in consumption. On the other hand, catch-up effects could occur and consumer projects that have been postponed or cannot be carried out (e.g. long-distance trips) could be given preference over other consumer spending. It is therefore important to continuously monitor this risk and to react in good time. Therefore, various risk mitigation measures have been implemented to maintain or increase sales.

Other risks were also reassessed and therefore repositioned in the matrix. This is based on the current global political and economic situation affecting the company's goals and results.

The sustainability risk was no longer listed as a top business risk in the Vorwerk Matrix in 2022 due to the assessment, but remains the focus of the Vorwerk Group. The responsible sustainability manager records legal requirements, evaluates them together with a Group-wide team and takes all necessary measures with high priority in order to further develop the Vorwerk Group in this regard.

The legal risk (product and sales) is rated as "very low." This is primarily due to the increased monitoring of ongoing legal cases in direct sales and the implementation of best practices for Vorwerk. These risks are related to the legal qualification of the sales force in direct sales, legal product safety regulations and warranty or guarantee claims.

Product risk has been reclassified and its impact has been reduced to immaterial financial impact. The reclassification is related to the remedied risks for non-destructive replacement of batteries.

The impact of other risks (such as Legal (Data Protection), Finance and Legislation & Regulations) has not changed compared to 2021 and the positioning in the matrix remains stable for 2022.

In Vorwerk's business environment, it is necessary to anticipate the risks that occur worldwide and have a negative impact on the company. In principle, these risks also include natural disasters, a shortage of skilled workers and new, disruptive competitors. We counter these risks with a clear Company Strategy 2025. In particular, our continuous product and service innovations deserve to be mentioned here. In addition, other risk-minimizing measures are continuously evaluated in order to minimize the effects of these risks in advance and to keep their probability of occurrence as low as possible.

Due to the continuing dynamic developments surrounding the Ukraine-Russia conflict and the corresponding macroeconomic risk factors described (energy prices, inflation, etc.), the Group-wide "Risk Committee Ukraine" convened regularly to discuss potential direct or indirect effects. As of the reporting date, there was still no direct exposure for a partner based in Russia or Belarus.

The investment strategy at the Vorwerk Group primarily pursues the target of securing assets long-term. The Financial Committee instituted regularly scrutinizes the investment strategy with the objective of optimizing the opportunity/risk profile. Risks from changes in exchange rates are similarly determined and hedged in accordance with treasury guidelines and in agreement with the individual companies. The risks from investments and foreign currencies are expressed in terms of the "Conditional Value at Risk" (CVaR) and "Cash Flow at Risk" (CFaR). The CVaR for investment management was EUR 21.4 million and the CFaR for foreign exchange management was EUR 12.96 million (excluding the akf group) at the close of the financial year. Derivative financial instruments are exclusively used to hedge underlying transactions in the areas of foreign exchange and raw material management. The basis for the use of such instruments is the systematic ascertainment and verification of the exposure and the financial risks thus resulting. The objective of applying financial derivatives is to reduce the risks identified.

The akf group primarily runs an asset-backed business and therefore has a low-risk operation in principle. Besides the secured asset itself, there are additional buy-back guarantees from dealers or manufacturers for some of the funded transactions to reduce the risk of default.

The assumption of risks is an inherent component and significant performance factor for the banking sector. The professional management of these risks allows an appropriate balance of opportunities and risks. From a risk perspective, the year 2022 saw a slight economic recovery despite the ongoing Russia-Ukraine conflict (gross domestic product of the Federal Republic of Germany in 2022: +1.9 percent). The "Jour Fixe interest rate control" was held regularly to discuss the implications of the extreme changes in the interest rate markets. After the costs of risk rose again to the level of the long-term average in 2020 due to the corona crisis, contrary to the downward trend observed since 2010, a slight decrease in the costs of risk compared to the previous year was seen again in 2022 for the second year in a row. In addition, a distinct reduction in the number of non-performing loans was achieved in the course of 2022.

The akf group meets the high requirements demanded for the management of these risks by permanently upgrading its systems. They help in identifying, measuring, monitoring and steering expected and unexpected risks. The risk management project to introduce new state-of-the-art software for the overall management of the bank is running according to plan and will be completed in the course of 2023. The functional separation defined in the clear organizational structure ensures regulatory compliance and the effectiveness of the risk management process.

The risk inventory that is compiled annually identifies default, market price, operational and liquidity risks as being significant risks.

The default risk of the akf group mainly comprises the lending risk incurred when a customer cannot fulfil his contractual obligations either fully or partially. As part of the scope of the annually-reviewed risk strategy, business is conducted across a diverse group of borrowers and business sectors with high credit standing requirements being demanded. The current credit risk management system encompasses a detailed and structured credit approval process with credit standing analysis as well as an effective dunning procedure and escalation process.

Market price risks are understood as being potential losses from adverse changes to market prices or price-influencing parameters. The relevant market risks are subdivided according to influencing factors into interest rate change risks and the residual value risk (akf leasing group). The akf group is not subject to any currency risks or market price risks from shares or precious metals. Interest rate derivatives are only used to hedge the interest rate change risks.

The interest rate change risk describes the danger of having to accept a lower than planned or expected level of interest income or interest rate margin or loss in the present value of the portfolio. Those items that cannot be adapted at any time to modified market interest rates are subject to such risk. The period for the fixed term interest rate and the number of transactions linked to this interest rate are decisive for the level of risk.

The residual value risk describes the danger of having to accept a reduced level of income or even a loss from the sale of used leasing assets as a result of future changes to the calculated prices. These risks are steered in the full-service business division through constant monitoring of the used vehicle market and the implementation of adjustment measures as they become necessary in calculating the residual values. The residual value risk is fundamentally reduced at akf leasing GmbH & Co KG and additionally at akf servicelease GmbH thanks to the conclusion of take-back or residual value guarantees provided by dealers or manufacturers.

The liquidity risk at the akf group comprises the insolvency risk, the maturity transformation risk and the refinancing risk. The insolvency risk is understood to be the risk that present or future payment obligations cannot be met to the full extent or are not rendered punctually. The maturity transformation risk emerges when the refinancing of the lending business is not effected with matching maturities, meaning that there is a liquidity requirement or a surplus at some point in the future. In the case of a positive maturity transformation risk – in other words a future liquidity requirement – there is the necessity of having to refinance this additional demand. The refinancing risk is therefore understood as meaning an inability to raise adequate liquid funds from the market when needed and/or at conditions contrary to those expected.

Refinancing is effected through loans from third-party banks or through the revolving sale of receivables as part of two ABCP programs. Moreover, the akf group refinances itself through the open-ended sale of loan, hire purchase and leasing receivables within the framework of an ABS bond (KMU). Besides this, the deposit-taking activities serve as a notable refinancing instrument. The main purpose is to have a more or less congruent refinancing of the lending and leasing operations.

Like any other company, the akf group is also exposed to operational risks. The significant operational risks have been identified in a risk inventory on the basis of a self-assessment approach. They exist in the form of legal, operational, technological and personnel risks. Moreover, external events (e.g. fraud) are also relevant.

The preconditions for flexible and reliable working procedures have been created in the IT department thanks to the software currently in use and the hardware that is constantly updated to correspond to the latest technical standards. A complete back-up computer center with organizational and spatial separation is operated in addition to the in-house solution, thus ensuring maximum protection against the effects of any acts of God.

To reduce the risk of fraud, a working group deals with customer and dealer-side cases in order to prevent further fraud. In principle, there are early-warning systems in place for the general prevention of operational risks. They determine how information that may point to the incidence of a fraud risk can be relayed bank-internally and the measures that are to be initiated. In this respect, every department in the process chain relating to the automotive vendor business and mobile assets is involved.

To monitor operational risks, the cases of damage are reported to Risk Management quarterly and documented in a loss database.

Business risk represents a negative impairment of business success resulting from unexpected changes in the business environment – e.g. in economic, political, social or technological terms – and which is not already covered by other types of risk. It primarily affects the earnings situation; there is only a negative impact on the asset situation if the business risk exceeds the planned income in the period under review. Business risk is quantified using a VaR calculation based on historical plan/actual differences.

Stress tests are performed regularly for all types of significant risks. Quarterly stress tests are carried out for default, market price and operational risks and monthly tests for liquidity risks. Stress tests are carried out monthly for liquidity risks.

The entire risk management process at the akf group, including the methods used and responsibilities, is documented in the risk manual and checked regularly by internal audit as well as by the external auditors as part of their annual closing procedure.

Given the identified risks and countermeasures, the Executive Board believes the Company to be in an adequate position. There are no recognizable risks endangering the Company's continued existence as a going concern.



# Outlook Report

The Vorwerk Group has already defined its future company alignment as part of its Strategy 2025. The goal is to become more powerful and modern and to further optimize efficiency in the global Vorwerk organization as well as the successful direct sales approach. In particular, distinct growth and earnings targets are important aspects of this. The strategic focus will continue to be on the area of consumer households. The elements of the strategy have been successfully implemented in recent years.

As a family-owned company that thinks and acts long-term, the Vorwerk Group will overcome the future challenges with self-financed, organic growth or even consider acquisitions, should the right opportunity present itself. In this respect, the Group attaches great importance to a broadly diversified portfolio while at the same time wishing to intensify and internationally extend its high degree of expertise in the development, manufacture and sale of high-quality household products.

In its current economic outlook, the EU Commission estimates that the outlook for Europe as a whole is more optimistic than forecast in the fourth quarter of 2022. The economy in the euro zone is expected to grow by 0.7 percent, while Germany's gross domestic product is expected to rise by a modest 0.2 percent. According to the IMF, China's economy is expected to grow stronger and its gross domestic product by 5.2 percent, while the gross domestic product in Taiwan is expected to grow by 2.1 percent, according to estimates from government circles.

External influences such as inflation, the energy crisis, the armed conflict in Ukraine and problems in the supply chain make it extremely difficult to plan the development of sales and earnings with great precision, so that the Vorwerk Group has defined a planning corridor for both sales and the operating result for the forecast for financial year 2023.

In light of the current economic expectations, akf bank is assuming a slight increase in new business and thus a slight increase in the business volume, so that a slight increase in net interest income is expected with a constant interest margin. New business at akf group is budgeted at EUR 1.2 billion.

The development of risk provisioning at akf bank is heavily dependent on further economic developments. Against the backdrop, it is assumed that risk provisions will be below the level of financial year 2022. Overall, net profit for financial year 2023 is expected to be slightly below the level of the previous year.

However, in view of the current framework conditions, especially with regard to the development of energy prices and the resulting effects on inflation and interest rates, a forecast for further business development is subject to significant uncertainties.

As a result, akf bank's business development could also fall significantly short of expectations. In this case, the expected earnings situation could also be adversely affected by the fact that net interest income is below forecast and, at the same time, provisions for losses on loans and advances increase appreciably.

Moderately falling to slightly increasing turnover is planned for the Thermomix area. The number of advisors will increase significantly. As a result, productivity can be expected to be significantly below last year's level. Activity, on the other hand, will increase significantly. The operating result will be considerably to significantly lower than in the previous year, mainly due to the planned expansion of the sales structure. The Kobold division expects a significant increase in sales in 2023. The number of advisors is expected to increase significantly in financial year 2023. Activity will slightly exceed that of last year, with a notable increase in productivity expected. Consequently, the operating result will increase significantly.

Within this planning corridor, the Vorwerk Group expects overall sales for financial year 2023 to be at least at the level of the previous year, up to a moderate increase. This will be mainly driven by the "Home" business division. The focus of sales activities continues to be person-supported direct sales. The operating result is expected to be in a corridor between a clear and significant increase. Taking the management result into account, which will be significantly higher than that of financial year 2022, consolidated net income will increase significantly.