Vorwerk Annual Report 2013

Wie schön, Sie zu treffen / Nice to meet you / 很高兴认识你 / Quel plaisir de vous rencontrer / Che piacere incontrarla / Es un placer conocerle / *Hello* …

VORWERK

Report on the 130th business year

Editorial

What would life be without personal encounters? They bring us closer to other countries and cultures, and can turn strangers into acquaintances – perhaps even friends. We meet and say hello, make ourselves understood, get along, fall in love – and part again. And where would Vorwerk be without encounters? Meeting new people is the very essence of our direct sales business; our encounters inspire and change us. In this year's Vorwerk Annual Report, you can learn which signals, rituals, customs and peculiarities apply when people meet. Or perhaps you already know how to impress a Maori, why meetings with Finns can be pretty steamy affairs, and why, in a particular sports encounter with a rubber ball, Mexicans simply never get a grip.

Nice to meet you. / *Hello …*

Contents

A Review of Vorwerk

HEADQUARTERS OF THE VORWERK GROUP (HOLDING COMPANY)

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EXECUTIVE BOARD

Walter Muyres (Managing Partner)
Reiner Strecker (Managing Partner)
Frank van Oers (Managing Partner)

SUPERVISORY BOARD

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Rainer Baule, Überlingen (Chairman)
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Dipl.-Ing. Rainer Christian Genes, Istanbul, Turkey
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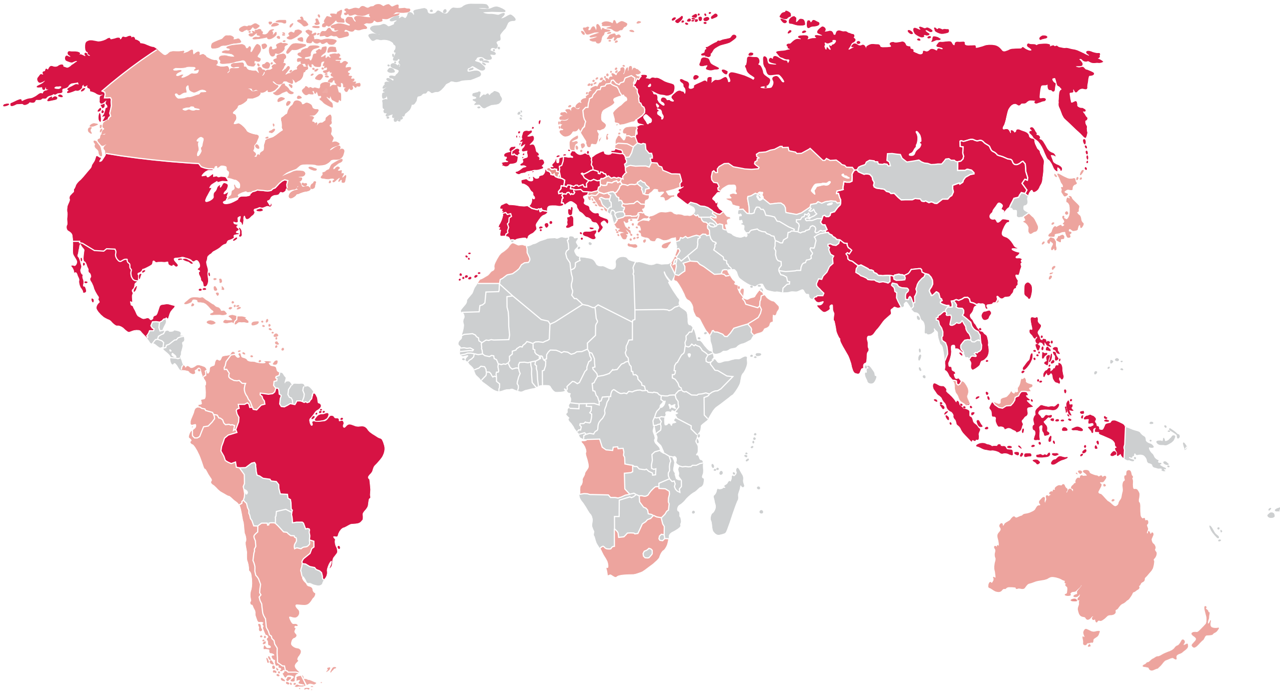
Sabine Schmidt, Waltrop

KEY FIGURES OF THE VORWERK GROUP

in million EUR*	2010	2011	2012	**2013**
Group sales (incl. sales tax)**	2,372	2,367	2,494	**2,639**
New business, akf group	446	675	687	**865**
Balance sheet total	2,720	3,066	3,379	**3,633**
Partners' equity	1,112	1,211	1,329	**1,445**
Partners' equity in % (akf group at equity)	61	65	64	**66**
Partners' equity in % (akf group fully consolidated)	41	39	39	**40**
Financial assets	55	112	209	**987**
Other fixed assets	928	938	918	**994**
Current assets	1,685	1,980	2,195	**1,593**
Cash and cash equivalents	658	709	884	**929**
Capital expenditure***	226	307	281	**364**
Depreciation***	185	183	192	**194**
Personnel costs	480	434	396	**419**
Number of employees*	24,069	17,926	12,342	**12,545**
Self-employed advisers	600,014	589,244	610,516	**609,721**

* HECTAS until June 30, 2011; no longer consolidated in the Vorwerk Group since July 1, 2011
** Sales figures given are gross values unless otherwise indicated
*** Excluding financial assets

INTERNATIONAL PRESENCE



SUBSIDIARIES

Austria, Brazil, China, Czech Republic, France, Germany, India, Indonesia, Ireland, Italy, Mexico, Netherlands, Philippines, Poland, Portugal, Russia, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom, United States of America, Vietnam

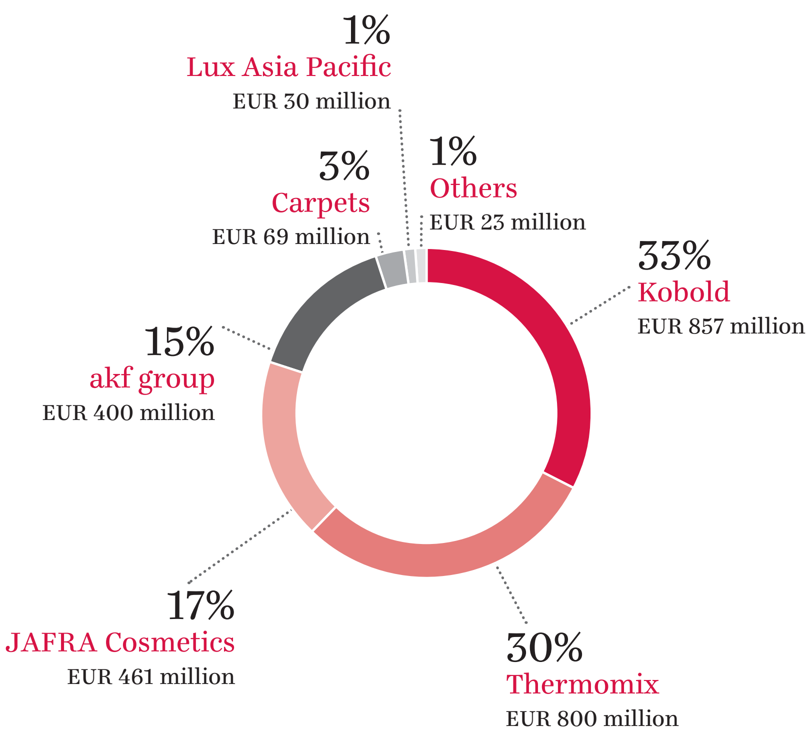
DISTRIBUTORS

Angola, Argentina, Australia, Azerbaijan, Bahrain, Belgium, Brunei, Bulgaria, Canada, Caribbean, Chile, Columbia, Croatia, Cyprus, Denmark, Dominican Republic, Ecuador, Estonia, Finland, Greece, Hong Kong, Hungary, Israel, Japan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macao, Malaysia, Morocco, New Zealand, Norway, Oman, Panama, Peru, Qatar, Romania, Saudi Arabia, Slovakia, Slovenia, South Africa, South Korea, Sweden, Turkey, Ukraine, United Arab Emirates, Venezuela, Zimbabwe

THE VORWERK GROUP COMPRISED THE FOLLOWING DIVISIONS IN 2013:

Direct Sales, Kobold / Direct Sales, Thermomix / Direct Sales, JAFRA Cosmetics / Direct Sales, Lux Asia Pacific / Vorwerk Engineering / akf group / Vorwerk Carpets

VORWERK GROUP / SALES BY DIVISION 2013



Rotorua / Bay of Plenty region

Cool down!

A friendly hello? Hardly! Meeting a Maori can feel rather like being challenged to a fight. “Haka” is the name of the war dance he will perform by way of greeting, stamping his feet, roaring, rolling his eyes and sticking out his tongue at you in an attempt to provoke you. And what do you do? You don’t bat an eyelid. You know that keeping your cool demonstrates strength of character. You can be fairly certain your new Maori acquaintance will then utter the words “haere mai!” – Welcome! But if you hear him say “ō raho!” – Push off! – you know you probably weren’t cool enough.

Management Report / General Section on Business Development

Vorwerk can look back on a good business year in 2013. The Vorwerk Group again set new records in terms of sales and results in the 130th year of the company's history. The total sales achieved was EUR 2.6 billion, an increase of 5.8 percent against the previous year. Earnings growth was similar. Business volume at the Vorwerk Group – including the new business transacted at akf group – reached EUR 3.1 billion, a sharp rise of 11.9 percent.

Vorwerk's core business is the direct sale of high-quality products, a segment that again proved to be the growth driver with a rise in sales of 7.7 percent. Outside of direct sales operations, it was particularly akf group that was successful and significantly increased its level of new business to EUR 865 million (plus 25.9 percent).

The Vorwerk Group was organized into a total of seven divisions at the close of 2013: Kobold, Thermomix, JAFRA Cosmetics, Lux Asia Pacific, Vorwerk Carpets, akf group as well as the Division Engineering. Each division is run by its own Management Board. The Group's strategic leadership is the responsibility of the Holding Company in Wuppertal. The members of the Executive Board are the Managing Partners Walter Muyres, Reiner Strecker and Frank van Oers. One half of the Vorwerk Group's Supervisory Board comprises members from the owner family Mittelsten Scheid and the other half comprises external experts. Dr. Jörg Mittelsten Scheid, the head of the Mittelsten Scheid family, acts as Honorary Chairman of the Supervisory Board. Rainer Baule is Chairman of the Supervisory Board.

The Vorwerk Group has a presence in a total of 75 countries across Europe, Asia, North and South America as well as in parts of Africa, either with its own subsidiaries or through so-called distributors. The Wuppertal-based, family-owned company's international dimension is also reflected in its sales distribution. The proportion of sales generated outside Germany is 65.9 percent. In the Group's core business, direct sales of high-quality products, the international subsidiaries account for an even higher share of sales at 79.4 percent.

Thermomix has once again proved to be the segment with the most dynamic growth. An increase of 17.0 percent meant that the Division even surpassed the outstanding increase in sales reported in the previous year. More than 840,000 appliances were sold for the first time in the history of the Division and sales of EUR 800 million were recorded. In 2013, Germany took top spot with sales of EUR 204 million, followed by France, Italy and Spain. All four continued their course of strong growth.

Even at Kobold, the largest Division of the Vorwerk Group in terms of sales revenues, growth was driven forward across a wide spectrum. Overall, the Division's sales increased by 5.9 percent to EUR 857 million. Once again, Italy maintained its position as the country with the strongest sales. The German Kobold sales organization continued its strong growth (an increase of 12.2 percent), confirming its clear upward trend from the previous year. The positive effect from the multichannel system in the form of shops and online selling made its impact here, whereby the direct sales operations remained the most important pillar. An important impulse for the Division was the launch of a new design line for the Kobold products.

Total sales at JAFRA Cosmetics were slightly below the level of the previous year at EUR 461 million (minus 1 percent).

Vorwerk Carpets reported a drop in sales in a still shrinking market environment (minus 7.3 percent to EUR 69 million), but nevertheless again improved its market share. Negotiations were already underway to take over additional production capacity and the "Nordpfeil" brand in the year under review. They were brought to a successful conclusion at the beginning of 2014.

akf group significantly increased its volume of new business to EUR 865 million and thereby satisfied its own very high demands in the area of investment and vendor finance with a focus on small and medium-sized customers.

The partners' equity capital ratio at the Vorwerk Group amounted to 40 percent, when the full consolidation of akf group is included. A valuation of akf group at equity would result in a partners' equity capital ratio of 66 percent. Cash and cash equivalents are mainly invested in special funds and other short-term realizable assets and totaled EUR 929 million as of balance sheet date. The Vorwerk Group stands for a long-term strategic approach with a distinct focus on sustainable and profitable growth. During the year under review, investment was therefore again targeted at the expansion of the business model, the opening of new sales markets and the development and manufacturing of innovative products.

THANKS AND OUTLOOK

More than 620,000 people are part of the global "Vorwerk Family" – the majority as self-employed advisers in one of the direct sales companies or as employees at the production locations or in administration. It is these people who stand at the center of Vorwerk's success. With unwavering commitment, great creativity and a strong entrepreneurial approach, they ensure the consistent advancement of the Vorwerk Group and thereby play a key role in shaping the profile of an internationally successful family-owned company.

The Executive Board and the owner family would like to sincerely thank all "Vorwerkers" for their outstanding dedication.

The Kobold Division continued to implement the changeover of the vacuum cleaner products to the new design line in the year under review. The Vorwerk umbrella brand identity had already been revised in 2012 and the look of the product brands Kobold and Thermomix harmonized. A combination out of a lot of white, some anthracite and silver as well as the proven "Vorwerk green" set the tone for the Kobold products, and they received numerous awards for design and functionality in the year just ended.

The Vorwerk Group celebrated the 130th year of the company's history in 2013. Founded in 1883, the former "Barmer Teppichfabrik" has developed into a successful, internationally operative and diversified group of companies over the decades. To ensure sustained long-term growth, the Executive Board identified five strategic enablers in 2012. All divisions will need to focus on the issues of "Internationalization", "Business Development", "Talent Management", "Project Management" and "Social Media" in the years ahead as critical success factors in their development.

The Executive Board plans to further increase sales in the current business year. The strategies of the divisions of the Vorwerk Group are geared to growth. These enablers will contribute to realizing the growth objectives.

akf group anticipates a further increase in the level of new business in its financial services operations. The respective outlook of each individual division will be described in more detail in the following sections of the Management Report and that of the entire Vorwerk Group in the Outlook Report.

SALES BY DIVISION

in million EUR (incl. sales tax)	2010	2011	2012	**2013**
Direct sales	1,706.7	1,792.4	1,994.5	**2,147.8**
Kobold	717.9	728.3	809.7	**857.3**
Thermomix	509.6	591.1	683.9	**800.1**
JAFRA Cosmetics	447.5	438.9	465.8	**460.9**
Lux Asia Pacific	31.7	34.1	35.1	**29.5**
akf group	375.7	381.5	408.1	**399.9**
Vorwerk Carpets	69.4	73.9	74.2	**68.8**
HECTAS*	198.9	102.7	–	**–**
Others	21.3	16.6	17.3	**22.6**
Group sales	2,372.0	2,367.1	2,494.1	**2,639.1**

* HECTAS until June 30, 2011; no longer consolidated in the Vorwerk Group since July 1, 2011

Parma / Piazza Ghiaia

Did you know?

Bella Italia's countless mercati are veritable rumor mills. They are where people get together between stalls stacked high with apples and pears to exchange the latest gossip.

"Have you heard? Our mayor is into concrete now, capisce … And the Cavaliere is looking to become Pope now! Incredibile!"

No matter how hot the news, in the end, everyone agrees: Non fa niente! Who cares! As long as there's something to talk about!


COFFEE
MILKY COFFEE
TEA
HOT CHOCOLATE
TOASTED SANDWICH
CHEESE + ONION
HAM, CHEESE + ONION
D. Gores

Management Report / Direct Sales, Kobold

/ DISTINCT SALES INCREASE

/ NEW PRODUCT DESIGN

High energy efficiency, strong suction power and an unmistakably fresh design: the Kobold Division's product range satisfies all the requirements of a modern homecare program. The green color, so typical of Vorwerk over the years, has become an accentuating feature that is selectively applied – the products now sparkle in a brilliant white, combined with silver and anthracite. The new design, together with Vorwerk's proven functionality, is not only something that is very much appreciated by customers, it has also led to a number of awards. Vorwerk was honored as the "Most Innovative Brand 2013" with the "Plus X Award", while the Kobold VK150 vacuum cleaner and the Kobold SP530 hardfloor cleaner numbered among the winners in the category "Best Product of the Year 2013".

The development of business at Kobold was also most encouraging. Sales in 2013 again increased significantly with the Kobold Division reporting a rise of 5.9 percent to EUR 857 million. The productivity and activity of the customer advisers could again be improved so that Kobold remains the largest Division in the Vorwerk Group in terms of sales. It operates with its own entities in a total of eight countries in Europe and Asia and also has a number of distributorships.

* PLAIN AND SIMPLY BEAUTIFUL

Never has vacuuming with a Kobold been so attractive. And that's what the Kobold's new design stands for – simply impressive, it tastefully combines lots of white with silver, anthracite and Vorwerk green. The colors that go into the new Kobold products are blended from some 60 different synthetic granulates, thus ensuring the perfect mix. Purist and modern, they express Kobold's values: cleanliness, quality and innovative strength. That's because what's going on beneath the surface, as ever, is cutting-edge technology. Hundreds of people across different Vorwerk locations and departments worked on the new design and are now delighted with the result, which is turning heads in the design world and winning awards: Plus X Awards and red dot. As we said, simply impressive!

The Kobold sales organization with the highest sales remains the Italian subsidiary, Vorwerk Folletto, which is located in Milan. The oldest foreign subsidiary of the Vorwerk Group was established back in 1938 and celebrated its 75th anniversary in the year under review. Despite the continued difficult economic situation in Italy, the company was able to increase sales to EUR 498 million (a plus of 1.5 percent). This result means that Vorwerk Folletto remains market leader for vacuum cleaners in Italy in terms of value.

Kobold Germany can again look back on a year of double-digit sales growth and achieved an overall volume of EUR 227 million, an increase of 12.2 percent. This underlines that the changes initiated in the German sales model some three years ago have developed well. Not all of the company's objectives have been achieved here, however. Further organizational restructuring measures, such as combining the current service centers into a centralized facility and opening additional shops in good downtown locations are still being implemented. The sales company has adapted to modern consumer requirements and – as a supplement to the existing direct sales system – with its online shop and dedicated, fixed location Vorwerk Shops, has increased the opportunities for customers to come into contact with the Vorwerk brand. In addition, there has been more intensive communication with the target groups through the company's social media channels for the Kobold VR100 robot vacuum cleaner and the Kobold products in general. The company has maintained its clear, strategic focus on direct adviser-driven sales. The particular benefits of Vorwerk products are still best demonstrated in a personal consultation and demonstration at the customer's home and in the personal, after-sales support provided.

Of the somewhat smaller Kobold countries in terms of sales, China, Austria, Spain, France and Switzerland have all taken a distinct step forward with all five subsidiaries reporting double-digit growth. This success was driven by the innovative products and an increase in the number of advisers. China achieved sales of EUR 42 million, an increase of 10.2 percent, and Austria grew by 15.4 percent to EUR 28 million. France expanded business by as much as 74.4 percent to EUR 16 million. Here, a modification of the sales model provided the necessary momentum. Developments in Spain are also quite remarkable: this is a country that again suffered in 2013 from ongoing high levels of national debt and increasing unemployment. An increase of 17.1 percent here resulted in sales of EUR 26 million. Exports at the Kobold Division again recorded a significant increase (20.9 percent against the previous year). Only the Czech Republic reported a drop in sales.

The Kobold Division expects sales to continue to increase in the current year. The prerequisite for achieving this will be to focus on the task of further developing the existing sales models as well as further increasing the activity and productivity of the advisers. Based on the positive experiences of recent years and given an innovative product policy the Division aims to continue pursuing in the future, the groundwork has been laid for the Division's continued positive growth.

New York / 48th Street

Next, please!

The first flirtation takes about as long as it takes to pour a good Pils beer in Germany: seven minutes. That's true in New York, at least, where time is as short as opportunities are rare, which is why sociable singles opt for speed dating. Armed with a checklist, the ladies and gents decide at whirlwind speed whether or not they are suited. Mutual attraction sparks a lightning wedding, but if thunder follows, it won't be long before they are saying "Next, please!" once again.

Management Report / Direct Sales, Thermomix

/ **DIVISION CONTINUES DYNAMIC GROWTH**

/ **INVESTMENTS IN SOCIAL MEDIA**

Thermomix by Vorwerk stands for superior quality, sophisticated design and innovative technology – in short: it brings an air of lightness into the kitchen. It combines the functions of more than twelve kitchen appliances in one. This multitalent simplifies the daily preparation of fresh and healthy meals. Its secret: this kitchen appliance can cook, steam, stir, weigh, chop, mix, grind, knead, blend, beat, emulsify and heat in a controlled manner – and all this in just a single pot without any need to refit. This versatile appliance allows everyone to immediately produce an excellent quality of cuisine. Numerous recipe ideas in the company's own cookbooks as well as in Thermomix Recipe Worlds, which can be accessed worldwide on the Internet or from the Thermomix App, ensure variety in the kitchen, giving an overall package that is convincing more and more representatives and customers.

The Thermomix Division again grew substantially and increased sales to EUR 800 million – a rise of 17.0 percent. This development was mainly thanks to the German sales organization: with record sales of EUR 204 million and an increase of 33.1 percent, Germany took top spot among the Thermomix sales companies. Just how dynamic this growth is becomes clear when recent years are considered: the German organization has more than doubled sales since 2010.

Sales also increased noticeably in France with EUR 180 million being reported, a rise of 15.4 percent. Italy and Spain round off the quartet of the major Thermomix markets. Despite the still difficult economic circumstances in parts of southern Europe, both countries managed to maintain a high level of growth. Italy reached EUR 170 million with an increase of more than 9.2 percent and the Spanish organization also grew by 9.4 percent to report sales of EUR 136 million.

The Polish sales organization was among those subsidiaries reporting double-digit growth in the year under review. Vorwerk Polska increased by 18.5 percent to record sales of more than EUR 30 million. The Portuguese organization managed to generate sales totaling EUR 37 million with growth at 5.5 percent. This was a remarkable development that was quite aptly summed up by the renowned "Wall Street Journal" in a detailed article: "It is a multitasker that outsells high-end iPads in Portugal."

Moreover, the sales companies in Taiwan and the Czech Republic as well as the volume of exports contributed to the growth of the Division. Only in Mexico was a slight decrease in business recorded.

The reasons for the continued positive development of the Division are quite diverse. Besides the excellence and high quality of the product, it is primarily the sustained high level of personnel growth in the sales organizations that makes this success possible. In this respect, the number of representatives working for Thermomix worldwide rose by 9.4 percent to a total of 30,330.

The advantages of working at Thermomix are very obvious for many people: the Division offers an opportunity for additional income with great flexibility and discretion in how people spend their time. Targeted investments in the company's online and social media activities also contributed greatly to its success. In these communities, users and representatives exchange ideas, develop recipes together and express their creativity and enjoyment of cooking.

In the last quarter of 2013, the Division took over the Pinehill Partnership Limited, until then British Thermomix distributor, and will now further expand its presence in United Kingdom and Ireland. Other growth-oriented investments are planned for the future, as is the opening of new markets. Against this background, the Division is looking forward to another increase in sales in the current business year.

* THE COOKING COMMUNITY

Own one and immediately you're hooked! The Thermomix community has so far posted an incredible 84,615 recipes in our online recipe worlds – and the number is growing every day. Everyday meals or gourmet menus fresh on the table – whether you cook them, knead them or blend them – with the Thermomix they are ready in a jiffy. Delicious and absolutely stress-free. Inspirations at: www.recipecommunity.com.au.

Ried im Innkreis / Upper Austria

Strike!

Multiplayer mode on, activate and go. Yeeees! Twelve-year-old Felix raises a triumphant fist. Yet again he has succeeded in capturing a rival's town hall and winning a star. And it cost him not only 127 coins and 15 liters of magic potion, but also 10 brave magicians and 20 archers. But who on earth is that dratted Warrior300, who's just forced him back into his fortress? His classmate Tom, maybe? Or his soccer teammate Jonas? He hasn't a clue that the opponent behind the nickname is someone he knows very well: his Aunt Gertrud.

Management Report / Direct Sales, JAFRA Cosmetics

/ HIGH-QUALITY COSMETICS FROM OWN PRODUCTION
/ MEXICO LARGEST MARKET BY FAR

High-quality cosmetics produced at its own manufacturing facility and more than 50 years' experience in direct selling: JAFRA Cosmetics with its headquarters in the USA (Westlake Village, California) has been a part of the Vorwerk Group since 2004 and operates in a total of eleven countries with its own subsidiaries and in another seven through distributors. The largest market by far is Mexico with almost 500,000 consultants. Other main sales areas are the homeland of JAFRA Cosmetics, the USA, as well as parts of Europe, the emerging market of Brazil and Asia.

The range of products at JAFRA Cosmetics comprises skin and body care, color cosmetics, fragrances and spa products. New articles are developed in the company's own research laboratories in the USA and production takes place in the modern JAFRA Cosmetics manufacturing facility in Querétaro in Mexico.

In the year under review, JAFRA Cosmetics fell just short of the sales figures achieved in the previous year (minus 1.1 percent) and ultimately reported sales totaling EUR 461 million. The main reason for this was the situation in the Mexican market, which recorded a slight drop in sales (minus 1.0 percent to EUR 358 million). This development has to be seen against the background of generally difficult economic conditions in Mexico, where the general level of economic growth reached just 1.3 percent. Additionally, ongoing security concerns in some parts of the country are also having a detrimental effect on the cosmetics consultants.

In the second-largest JAFRA market, the USA, sales revenues were running at EUR 52 million and therefore below the level of the previous year (minus 4.4 percent). Brazil, meanwhile the third-largest market, improved significantly in the local currency (plus 15.1 percent), but in euro only achieved a slight increase to EUR 17 million (plus 0.6 percent). The world's third-largest market for beauty products offers sufficient potential for a continued positive development with a population of 192 million people. Currently, almost 19,000 consultants work for JAFRA Cosmetics in Brazil.

The established European sales companies displayed great stability and together achieved sales of EUR 29.2 million, an increase of 0.9 percent. The sales organizations in Germany, Austria and the Netherlands were the main drivers of this growth, whereas Italy and Switzerland recorded slight drops.

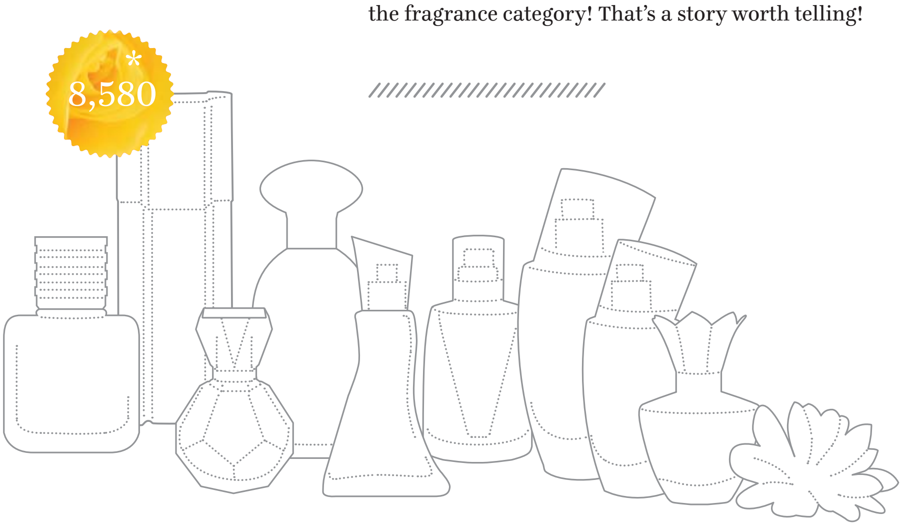
JAFRA Russia continued the positive development of recent years, growing by more than 50 percent and achieving sales of EUR 2.3 million. The sales organization in India is also growing at a substantial double-digit rate: with an increase of 64.4 percent against the previous year, JAFRA in India achieved sales of EUR 1.9 million. With the opening of the company in Indonesia, a second JAFRA sales organization in Asia was started in the year under review.

JAFRA Cosmetics allows predominantly women the opportunity to achieve an income that is self-determined and related to their own performance through the direct sale of high-quality cosmetics. In the year under review, JAFRA developed a host of new products, including the color cosmetic line JAFRA Vibe, which is positioned to cater for the younger age groups of teenagers and people in their early twenties.

JAFRA Cosmetics is looking forward to increasing sales again in the current year. Besides strengthening the sales organization in Mexico, a strategic focus will be on further developing the home USA market and on achieving more growth in the dynamically emerging markets of Brazil, Russia, India and Indonesia.

* BEHIND THE SCENES OF A TRUE JAFRA STORY

A JAFRA fragrance tells a very personal story. It enables you to create memories, to evoke special moments in time and to reflect your unique personality, style and mood. Like any good story, a JAFRA fragrance is composed of many layers of depth and complexity. In fact, a single JAFRA fragrance is comprised of an average of 110 different raw materials. With about 78 fragrances within JAFRA's regular line portfolio, this amounts to approximately 8,580 raw ingredients that make up the fragrance category! That's a story worth telling!



Lathi / Vesijärvi Lake

Kiitos saunasta!

Doing business in Finland can be quite a steamy affair because the Finns like to make the sauna their conference room – just like Mika, Kimi and Jorma here. The meeting might go something like this: Mika starts by throwing water onto the hot stones and outlining his business idea to the others in the ensuing cloud of steam. Kimi first breaks out in beads of sweat, then bursts out with a delighted "brilliant!!" But who will pick up the bill? Expectant glances are directed at Jorma because he's a banker, but a naked man has no pockets.

Kiitos saunasta! – Greetings from the sauna!

Management Report / Direct Sales, Lux Asia Pacific

/ DIFFICULT YEAR IN SOUTHEAST ASIA

/ PRODUCTS WITH HEALTH BENEFITS

The Vorwerk Group operates in Southeast Asia under the brand name of Lux with high-quality water purifiers, air cleaners, vacuum cleaners and washing machines as well as corresponding accessories and consumables. Lux Asia Pacific is thereby one of the few direct sales companies in Southeast Asia that has focused on the sale of high-quality, high-ticket household products.

Some of the articles originate from Vorwerk's own manufacturing facilities in Shanghai. Lux Asia Pacific regards itself as a company that offers products such as water purifiers and air cleaners mainly under the aspect of the health benefits they provide for customers. The Division is reflecting on a difficult year and achieved sales of EUR 30 million – a drop of almost 15.9 percent in comparison to the previous year. Besides an unfavorable exchange rate development, changing social conditions had a particularly noticeable effect. As a consequence of these developments, there was a fall in the number of advisers. In addition, there was political unrest in Thailand, which also had a negative impact. As a result, Lux Royal Thailand generated sales of just under EUR 13 million (minus 10.1 percent), while sales in Indonesia fell by 28.7 percent to some EUR 10 million.

* NOTHING BUT CLEAR PURITY

Every human being is 70 percent water – and that's an impressive indication of just how valuable water is for life. That's why making sure our drinking water is clean is so important for our bodies – especially in regions, where clean drinking water is not necessarily readily available. The LUX ALVA water purifier cleans water efficiently and reliably, thus guaranteeing top-quality drinking water. How can you tell if water is good? By its certain nothing. It has no smell and it has no flavor. If you want to do something good for your family, protect them with LUX ALVA.

Lux Asia Pacific has initiated a host of measures which give cause to the expectation that the Division will develop positively in the future. Parallel to the further development of the existing sales units, a separate organization is also being established for the marketing of water purifiers. Some early success has already been recorded with some initial districts being set up in Thailand using the new model. Specialized customer service centers will maintain regular contact with customers and carry out the task of exchanging the filter materials, which are so important for the functionality of the products.

Lux Asia Pacific will continue the course of consolidation and looks forward to achieving increased sales once again in the years ahead.

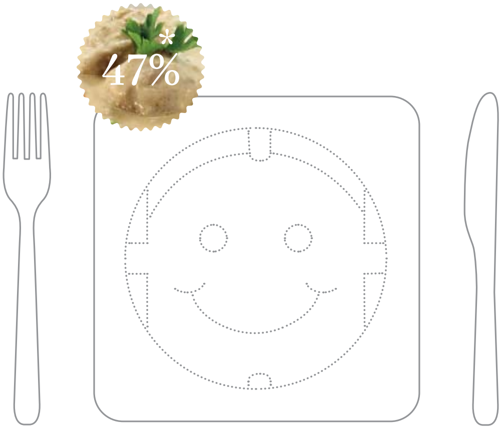
Management Report / Vorwerk Engineering

/ GOOD DEVELOPMENT IN OUTPUT
/ WORKPLACES CREATED

Research, development and manufacturing are all under one roof at Vorwerk: in the year under review, the Engineering Division produced high-quality household appliances exclusively for the Vorwerk direct sales companies Kobold, Thermomix and Lux Asia Pacific at the four production sites in Wuppertal, Cloyes (France), Arcore (Italy) and Shanghai (China). The largest facilities in this network are the production operations in Wuppertal where, for example, the Kobold VK150 vacuum cleaner is manufactured. Research & Development, which has almost 120 staff, is also located in Wuppertal.

Given the Engineering Division's specific alignment, it is particularly dependent on the development of the Vorwerk direct sales organizations. Since the Kobold and Thermomix Divisions clearly surpassed the previous year's results with a clear rise in sales, it was a successful year for the Engineering Division, too. Particularly Vorwerk Elektrowerke in Wuppertal and Vorwerk Semco in the French town of Cloyes were producing in some departments at close to the capacity limit. In this context, 50 new workplaces were created in Wuppertal and additional investment triggered, for example in the motor manufacturing facility. Vorwerk Semco extended its capacity with the completion of a new factory building at the site, in order to be able to cope with the increased demand expected for the Thermomix in the future.

It was already in 2012 that the Engineering Division launched a completely new product onto the market with its Kobold SP530 hardfloor cleaner with sales levels that have exceeded all expectations. With the development and implementation of the new design of the Kobold product range, an important impulse could be



* SAVE ENERGY À LA VORWERK

Close down two power stations by cooking Königsberg meatballs. How? Here at Division Engineering, we did the math. Take Königsberg meatballs along with potatoes and sauce for four. Now use our Thermomix TM31 instead of the classic saucepan and cooker to prepare them. Good deed done! That's because instead of using 1,747Wh, you use only 825Wh of electricity. Based on Germany's current population of 81.7 million, that equals a saving of almost 7TWh a year. Et voilà: That's the amount produced by two power stations.

provided for the sales activities in 2013. The new color code reflects the change process within the Vorwerk Group and clearly underlines the high demands on the design, performance and quality of the products. The innovative strength of the Division is also clearly reflected by the number of patents it holds, the number of which increased by 135 to 1,387. The development activities focus on optimizing existing products as well as creating new ones, particularly in the homecare segment.

The strategic alignment of the Engineering Division is closely linked to the growth strategy of the Vorwerk direct sales organizations. The production plants have an efficient, internationally aligned value chain. Both R&D and manufacturing are therefore oriented towards an allocation of value-creating elements and assignment profiles as well as focusing regionally on competencies. Every plant therefore has a clearly defined task in the international production network. What they all have in common, though, is a clear commitment to Vorwerk's proven quality. Suppliers are also selected according to strict quality criteria.

Generally-speaking, purchasing at the Division faced increasing prices. Plastics and metals were particularly affected in this respect. The costs for energy also increased once again. Both the securing of prices as well as the search for possible alternative suppliers contributed to material prices being held more or less constant on average. The currently-installed risk management measures meant that in the year under review, the Division was not affected by a single insolvency or by other failures of significant suppliers.

For the current business year, the Division anticipates – analogous to the growth prospects of the Vorwerk direct sales organizations – increased demand and thereby an associated increase in output. The Executive Board has approved investments of EUR 85 million for new product launches.

Zhouzhuang / Jiangsu Province

Damn you, you fathead!

Many Chinese people are Buddhists, but it would be a mistake to think they were a quiet and meditative people. Quite the opposite, in fact! That's something you'll discover at the very latest when you encounter a street cusser. Yes, you heard right! The Chinese sometimes spend hours walking through the streets, swearing and cussing like tinkers. The louder, the more embarrassing for the miscreants they are out to publicly shame – for adultery or for petty swindles.

Shǎguā, they cry – you fathead! Or guā – you cucumber, not forgetting *** nǐ mā – M*th**fu**er. What a good job you can't always understand what they're saying.

Management Report / akf group

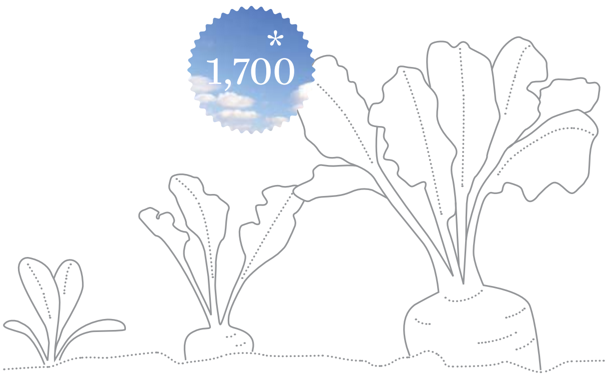
/ **CLEAR INCREASE IN NEW BUSINESS VOLUME**

/ **PLEASING DEVELOPMENT OF ALL SEGMENTS**

akf group is positioned in the market as a traditional finance partner of small and medium-sized companies. For more than four decades now, akf bank, akf leasing and akf servicelease have been offering a product portfolio tailored to the funding requirements of these clients. This ranges from dealer floor finance and vendor finance to the direct funding of assets for small and medium-sized companies. The target customer groups are to be found in the car, boat, commercial vehicle, agricultural technology, plastics, graphics as well as metalworking and processing sectors.

All business segments of akf group developed encouragingly. The volume of new business improved substantially and reached EUR 865 million, an increase of 25.9 percent. The balance sheet total of the bank rose significantly by EUR 110.9 million to EUR 1,326 million. This was mainly due to the higher level of receivables (plus EUR 112.2 million).

In the case of financial services providers, revenue is calculated on the basis of interest that is paid as compensation for the relinquishment of capital. The absolute amount of revenue is therefore directly dependent on the respective market interest rate. Due to the historically low interest rates worldwide, the absolute revenue level at akf group remained below that of the previous year. However, the interest rate margin – the difference between the lending and refinancing rates – is of decisive importance for the earnings situation of the bank. In this respect, an encouraging widening could be achieved. This together with the higher volume of new business transacted resulted in a very pleasing earnings situation.



* A SUGAR-SWEET INVESTMENT

Ever heard of a beet harvester? First it fascinated us, then we financed it. As the name says: a beet harvester harvests beets. The most advanced of these agricultural implements process a fabulous number of beets: Every day of the harvest, they lift, head, leaf and clean 1,700 tons of the precious vegetable. That’s equivalent to a massive 242,500 bags of sugar for the supermarket shelf. Or to put it another way, this is how akf bank helps to make life a little sweeter.

In comparison to the previous financial year, the new level of business generated by the bank increased in 2013 by EUR 113.5 million to EUR 553.4 million with a rise in newly granted investment and installment loans. Business with vehicle finance could be improved by EUR 80 million and continues to play a prominent role with a present volume of EUR 282.5 million and a share of some 51 percent (previous year 46 percent) of total business. The proportion of business stemming from the financing of machinery and other equipment remained unchanged at about 29 percent of total business. The agricultural segment grew particularly strongly and is becoming an increasingly important pillar.

In the year under review, consumer finance for vendor funding of high-quality household appliances from the Vorwerk Group in Germany and Spain was slightly below the level of the previous year, with a figure of EUR 110.0 million being reported. Accounting for 13 percent of total business, it made an important contribution to the success of the business in the year just closed. Besides providing consumer finance for the Vorwerk subsidiaries Thermomix and Kobold in Spain, akf group has been a reliable vendor finance partner for German manufacturers there for some seven years now.

akf group's position in the marine finance sector could also be maintained in 2013 and the institute continues to number among the established market players in this segment.

The deposit-taking business developed most successfully in the year under review and with a volume of EUR 714.8 million (previous year EUR 522.4 million) meanwhile makes a contribution to the refinancing of the business. In this respect, term deposits accounted for EUR 298.4 million and overnight money accounted for EUR 416.4 million.

Through its Polish subsidiary, akf group offers partners the opportunity to make investments and to market their products there with a customized vendor finance solution. This applies in particular to manufacturing industries, but also to German producers of agricultural machinery looking to sell their products in Poland, an agricultural country.

In accordance with the company's strategic alignment, akf bank again has a highly diversified business operation both in terms of sectors and asset categories in the current business year. akf bank will continue to present itself as a reliable and competent partner to potential end customers for funding solutions as well as to manufacturers and dealers. Overall, the expected sustained recovery of the economy will lead to an increase in the volume of new business.

Consumer finance – which akf bank offers in Germany and Spain for Vorwerk products – is expected to exceed the level transacted in the year under review.

To refinance the new business, the general public will also be offered attractive investment options in 2014 through the deposit-taking operations. In view of these general circumstances, business is expected to develop more positively than in the year under review.


An dieser Beule zerschellte ein LKW!
Schutzengel gesucht, meiner ist mit den Nerven am Ende!
Jeden Tag um diese Zeit flippe ich aus!
Ich blinke nicht, weil's dich gar nix angeht, wo ich hin will!

Cologne / Kreuz-Süd

Holy Motors!

You can hardly go anywhere on Germany's highways without encounters that let you know what kind of person is driving the car up ahead – thanks to the wisecracks stickered to the back of his or her car. It doesn't mean anything, though – it's just a bit of fun.

What the stickers say. From left to right:
"This dent was the end of a truck!", "Guardian angel wanted; mine's a nervous wreck!", "This is the time of day I always freak out!", "I'm not indicating because it's none of your business where I'm headed!", "Don't honk! I had a late night yesterday...", "Am I driving too close to your front fender?", "Want to smooch? If so – honk once or smile!", "Man with barbeque seeks woman with charcoal!"

Management Report / Vorwerk Carpets

/ INDUSTRY REMAINS IN DECLINE

/ VORWERK INCREASES MARKET SHARE AGAIN

In a continuing difficult market environment, Vorwerk Carpets could only partially elude the negative trend in the industry. According to the Association of the German Home Textiles Industry (Verband der Deutschen Heimtextilien-Industrie), the associated manufacturers in the tufting segment suffered a 10 percent decline in sales in the year under review. In this context, Vorwerk Carpets also lost sales, but a decline of 7.3 percent to almost EUR 69 million was comparably moderate, although the earnings situation was indeed dissatisfactory.

The market obviously appreciated the target-group-oriented brand policy with higher quality and innovative products. Vorwerk Carpets could again take top spot in a trade survey conducted by BTH Heimtex/B&L-Kundenbarometer.

Vorwerk Carpets launched a number of new products onto the market in the year under review. The RE/COVER green design product means that the Division now has a hard floor line for the first time. The tufting and tile range was extended with the addition of the “Sonic tile”. In the course of this year, the launch of the Evolution collection as well as the continued development of RE/COVER green is planned. The range of hard floors will be supplemented by adhesive planks.

Vorwerk Carpets has been negotiating the purchase of production machinery and brand as well as sales rights with the insolvent Norddeutschen Teppichfabrik GmbH since November 2013 (Nordpfeil brand),

* CARRYING THE LABEL OF HEALTH AND WELL-BEING

Those who value quality of life are best advised to stay on the carpet. That’s because studies conducted by reputable institutes have revealed that carpets gather microscopic dust of just 30.4 $\mu g/m^2$ as compared with the dust that gathers on hard floors, which is 62.9 $\mu g/m^2$. Vorwerk carpets are not only excellent for allergy sufferers, they also meet the tough requirements necessary to bear our new seal of quality: Vorwerk Life Balance. Whenever you see this label in the future, you know you are getting three times the safety: Vorwerk carpets are not only tested for dust and contaminants, they are also recommended for allergy sufferers – and not just by one independent test institute, but by several, all of which apply the toughest criteria. More than ever before, our customers can rest assured that when it comes to health, we sweep nothing under the carpet.

negotiations that could be successfully concluded in February 2014. Vorwerk thereby produces carpeting of the Nordpfeil brand at the site in Geesthacht and primarily serves the wholesale listing business.

Overall, Vorwerk Carpets assumes that the market situation for textile floor coverings will remain difficult. Given the high brand awareness for Vorwerk and the positioning of the company in the hard floor segment, the Division expects to see a growth in sales – even without the extraordinary effects from the takeover of the Nordpfeil brand.

Management Report / Vorwerk Direct Selling Ventures

/ INVESTMENTS IN YOUNG COMPANIES
/ ACCESS TO NOVEL SALES CONCEPTS

By investing in young companies, Vorwerk gains access to innovations and novel concepts in direct selling and thereby advances the process of change and renewal. The Vorwerk Group has been investing since 2007 in companies pursuing innovative, promising direct selling concepts through its investment arm, Vorwerk Direct Selling Ventures. The venture capital unit can invest in completely new business models that promise strong growth and high profitability.

The objective of Vorwerk Ventures is to create the fundamental conditions for a productive know-how transfer between the young innovative entities and the various companies of the Vorwerk Group. Vorwerk Ventures had participations in a total of eleven companies in Germany, Austria and the USA at the end of 2013. The portfolio includes DaWanda, Dinner-for-Dogs, Enjo, HelloFresh, meinauto, Neato Robotics, Pippa&Jean, Ringana, Stowa, Stylefruits and Tennispoint.

Vorwerk Ventures invested exclusively in existing portfolio companies in 2013 as part of a wider, external financial consortia commitment. In the case of the participation in Neato Robotics, the majority of the share capital was taken over as part of a recapitalization. Neato again grew stronger than the market in the year under review, but still remained in the red. However, there are clear indications that the situation will improve significantly in the current business year, particularly in view of the restructuring of the sales and manufacturing processes.

The portfolio companies already number among the leading providers in their specific markets, are mostly internationally aligned and have entrepreneurial management in place. The investment portfolio is managed with a view to the exit potential.

Management Report / Personnel Development

/ FOCUS ON INTERNATIONAL ORIENTATION

/ PROGRAM FOR INTERNAL AND EXTERNAL TALENTS

Vorwerk regards itself as one of the world leaders among the reputable direct selling companies. Thanks to its high-quality products and the convincing sales approaches, Vorwerk was again able to maintain this position internationally. The basis for this is – besides well-trained and motivated advisers, staff and managers – an international management culture that is characterized by fairness and transparency. Vorwerk offers convincing career opportunities for people with commitment as well as scope for professional and personal development. This aspect is also reflected in the corporate principles of the Vorwerk Group, where it is stated: “We offer attractive career opportunities and room for entrepreneurial development. We provide optimum conditions to nurture the growth of our employees and sales partners. Our cooperation is grounded in trust, honesty, fairness and respect.”

The focus of international HR assignments at the Vorwerk Group is coordinated to meet the strategic objectives of the company. In light of the continued internationalization and the good growth opportunities prevailing in South America and Asia, HR concentrated its activities on the extension of cross-divisional career avenues, international management programs and a further enlargement of the worldwide “talent pools”.

Vorwerk therefore continued with the international Strategic Leadership Program for senior management staff. Besides specialist training, it is the express objective that the networking of top management is advanced. The same approach is pursued by Vorwerk with its international Aspiring Leadership Program and High Potential Program. Here, young people with outstanding potential from the different countries are prepared for management assignments.

In the year under review, candidates for various target positions could be acquired for the International Management Trainee Program that commenced in 2012. 18-month training schedules were drafted individually for all trainees, in which they get to know at least two countries and two different divisions and have occasion to prove themselves in everyday situations. Moreover, there were multi-day training formats for all management trainees, focusing particularly on cultural and strategic issues. The first trainees will take up their target positions in the course of 2014.

The annual competency dialogues on the basis of the Vorwerk competence model are among the development instruments that are already well established for all staff at the Vorwerk Group. The measures derived from them ensure an individual advancement and targeted further development of staff. These activities are carried out internationally across all locations at regular intervals.

622,266 people, on average, worked in 2013 for the companies of the Vorwerk Group either as employees or as self-employed sales advisers. The number of employees was 12,545; the number of self-employed sales advisers 609,721.

STAFF (ANNUAL AVERAGE)

	2010	2011	2012	**2013**
Direct sales				
Kobold*	3,232	2,984	2,951	**2,902**
Thermomix*	1,197	1,354	1,528	**1,734**
JAFRA Cosmetics	1,952	2,004	2,013	**2,119**
Lux Asia Pacific*	3,938	3,845	3,927	**3,720**
Vorwerk Engineering	1,132	1,099	1,123	**1,237**
akf group	314	331	344	**362**
Vorwerk Carpets	329	324	330	**328**
HECTAS**	11,848	5,865	0	**0**
Others	127	121	126	**145**
Total*	24,069	17,926	12,342	**12,545**

SELF-EMPLOYED SALES ADVISERS (ANNUAL AVERAGE)

	2010	2011	2012	**2013**
Kobold	8,788	8,486	9,116	**9,552**
Thermomix	21,979	24,428	27,717	**30,330**
Lux Asia Pacific	70	72	155	**146**
Self-employed sales advisers “household appliances”	30,837	32,986	36,988	**40,028**
Self-employed sales advisers JAFRA Cosmetics	569,177	556,258	573,528	**569,693**
Self-employed sales advisers in total	600,014	589,244	610,516	**609,721**
Total Vorwerk workforce	624,083	607,170	622,858	**622,266**
of which sales advisers*	604,519	593,663	614,919	**614,638**

* Including employed sales advisers
** HECTAS until June 30, 2011; no longer consolidated in the Vorwerk Group since July 1, 2011

Xcaret / Yucatán

Clear the Ring!

Pok-ta-Pok (or Ulama) is an ancient Indian ball game played by two teams of players decked out in traditional body painting and costume. The aim of the game is to propel a rubber ball through a ring suspended high above their heads – using any part of the body bar hands and feet. The rules allow contact with any other body parts: hips, thighs, elbows and even butts. The winner ends up in paradise. At least that's how it used to be once upon a time, when the winners would be sacrificed to the gods. It just goes to show that even back then, sports could be murder.

Take a look at our film to see the fun and games. Simply scan the QR code with your smartphone.

Management Report / Assets and Earnings Situation

The consolidated balance sheet total of the Vorwerk Group was EUR 253.7 million higher at EUR 3,632.8 million as of balance sheet date on December 31, 2013, a rise that was mainly attributable to the extension of business at akf group.

The increase of EUR 854.3 million in fixed assets resulted in the amount of EUR 728.5 million from a reclassification of securities (investment fund units, which are exclusively managed within the scope of the financial assets strategy) from the current assets item into the financial assets item. Moreover, EUR 21.3 million of new securities – mainly attributable to akf group – were classified under the financial assets item.

In the tangible fixed assets category, additions of 29.0 percent represented a significant increase as against the previous year. Whereas additions in the area of leasing assets rose by 19.3 percent as a result of the continued favorable development of business, a considerable part of the increase in additions was also attributable to the manufacturing locations of the Vorwerk Group and the training and conference center in Wuppertal. The capital expenditure in the production facilities was mainly accounted for by extension and modernization measures. These substantial investments led to a cash flow that was below that of the previous year.

The investment ratio therefore increased to 26.6 percent (previous year 20.6 percent) and is at a high level (without the investments in the leasing assets). Overall, the fixed assets ratio was thereby at the level of the previous year despite a higher balance sheet total.

There is now a majority participation on account of the acquisition of additional shares in a company of the Vorwerk Direct Selling Ventures entity. The book value of the participation (EUR 20.8 million), previously reported under the participations in associated companies item, was therefore reclassified under the participations in affiliated companies item after the increase in the shareholding.

The current assets decreased on account of the reclassifications already mentioned. Overall, the individual items developed quite differently.

Due to the color change, the launch of new products by the Kobold Division, the need to secure the supply capability and the generally higher business volume, inventory levels again rose by a total of EUR 12.6 million following an increase in the previous year of EUR 16.4 million. The change of the stocks was mainly due to a further increase in the buffer stocks as well as to a balance sheet date-related increase. Overall, however, the frequency of stock rotation continued to be at the level of the previous year.

The increase of 2.5 percent in trade receivables corresponded to the higher revenue that was again achieved by the direct selling companies. The value adjustments ratio increased by 2.3 percentage points as against the previous year due to a worsening in payment practices.

The expansion in the installment loan, investment credit and forfeiting business at akf group led to a rise of EUR 49.7 million in receivables from customers in the banking and leasing business.

The increase in other assets was mainly due to credits for taxation that had already been paid in advance.

The ratio of current assets to total assets fell from 65.0 percent to 43.9 percent, primarily on account of the reclassification of the securities as fixed assets. Without this reclassification, this value would be only slightly below the comparable figure for the previous year (63.9 percent).

The cash ratio – defined as the cash resources available at short notice against current liabilities – amounted to 51.9 percent in the year under review (previous year 54.3 percent) and was thus slightly lower than the previous year. This was primarily due to the higher level of liabilities and, at the same time, to large investments in fixed assets.

The liabilities side was characterized by partners’ equity of EUR 1,444.5 million. This also expresses the slightly higher partners’ equity capital ratio of 39.8 percent (previous year 39.3 percent). Based on an assumed consolidation of akf group at equity, the partners’ equity capital ratio would be only slightly higher than the previous year at 65.7 percent (previous year 63.5 percent). The equity to fixed assets ratio amounted to 72.9 percent and was thereby significantly lower than the previous year (100 percent). This change was mainly attributable to the reclassification of the securities mentioned above. Not taking this reclassification into account, the equity to fixed assets ratio would remain unchanged on the previous year.

Accruals increased by 3.5 percent. The rise in accruals for pensions and similar obligations is primarily attributable to the low discount rate and to the increase in tax accruals due to the new assessment of the taxation risks. In addition to increased accruals for warranty obligations, the rise in the level of other accruals mainly concerned increased accruals for personnel obligations and was associated, inter alia, with a higher number of employees and favorable business development.

Similar to the rise on the assets side, the increase in liabilities of EUR 157.0 million was mainly due to further growth in business at akf group.

Liabilities to banks were almost entirely attributable to akf group after a repayment of EUR 43.1 million.

Liabilities from the deposit-taking business only existed at akf group. They increased by EUR 198.0 million in the year under review due to the successful development of this segment and could be used as planned to refinance the expansion of the business.

Liabilities ensuing from customer advances were likewise in decline analogous to the expiration of the subscription business underlying this item.

Trade payables increased primarily on account of the higher business volume.

Payables to associated companies were mainly attributable in the previous year to one company, which was fully consolidated in the year under review.

The degree of indebtedness was unchanged in comparison with that of the previous year and remained at a high level of 147.2 percent on account of the business activity at akf group.

Deferred income mainly includes accrued net present values for the leasing receivables sold to third party banks, whose scheduled reversal was responsible for the lower value.

Vorwerk achieved Group sales of EUR 2,639.1 (incl. VAT) million in the 2013 business year, an increase of 5.8 percent. The return on sales and the return on equity are both at approximately the previous year's level. The growth in sales was also due to the increase in the number of advisers in the main markets with a simultaneous hike in productivity and activity.

Reference is made to the respective divisional reports regarding detailed explanations of sales developments.

The decline in the level of other operating income was mainly attributable to significantly lower income from the reversal of value adjustments on receivables and accruals. Additionally, income from the sale of securities was lower, as securities held long-term were sold the previous year.

In comparison to the previous year, the cost of materials increased by 3.2 percent and thereby to a lower degree than the rise in sales (without sales at akf group). On the one hand this change was attributable to higher costs from value adjustments in the previous year; on the other hand to modifications to the product mix.

The costs of loan and leasing transactions decreased mainly on account of the lower book values of the leasing assets. However, the interest rate level also had an impact with expenses being lower despite an expansion of the deposit-taking business. The interest rate credited for deposits was partially reduced within the year.

The increase in personnel expenses was particularly attributable to the higher sales in the segment of high-quality household appliances (high-ticket items) as well as to the general increase in wages and salaries. In this respect, the number of staff in this area rose by 3.5 percent.

Depreciation was just above the level of the previous year since the most significant additions to the fixed assets were only capitalized towards the end of the business year.

The other operating expenses item increased to almost the same extent as the corresponding growth in sales. This was mainly the result of higher commission payments made in the direct sales area (high-ticket items). The other sales costs rose to a similar degree. Additionally, expenses increased for warranty work and for consultation services associated with the rollout of the new IT system. The costs for value adjustments on trade receivables were higher in absolute terms, but were below the previous year in relation to the sales. For the reasons mentioned above, the other operating expense item was 8.1 percent higher than the previous year.

The financial result was EUR 8.5 million higher than the previous year. Whereas the interest expense was slightly below that of the previous year, the interest income was much higher. This was because earnings on securities were significantly above those of the previous year, although the income from hire purchase agreements in the Kobold and Thermomix Divisions declined as planned.

On account of the lower expenses – in comparison to the previous year – for the additions to accruals to cover taxation risks, tax on income and earnings fell slightly.

On the whole, the operating result and the development of earnings were good in almost all divisions; they exceeded the previous year's result and surpassed expectations in many areas. As in the previous year, a small loss had to be reported at Vorwerk Carpets and the result situation at the Lux Asia Pacific Division continued to be dissatisfactory with an operating loss (after a small profit in the previous year).

In every corner of the planet

How lovely!

When love strikes you dumb, saying it with flowers can be a wonderful way to woo the object of your desire. But if you haven't yet mastered the language of flowers, you could soon find yourself with a cauliflower ear. To help romance along, we've put together a brief international ABC of flower meanings.

Management Report / Financial Situation

Developments on the global financial markets were accompanied throughout the entire year by announcements about the US central bank retracting quantitative easing. This repeatedly led to uncertainty on the markets. The strategic alignment of the financial assets, which was only slightly adjusted in comparison to the previous year, paid off due to the development in the eurozone. Investments in shares in developed markets and in real estate were the main contributors to the positive development of financial income. In the year under review, earnings could once again be realized and hidden reserves increased. As in recent years, Vorwerk (without akf group) funded itself solely from operative cash flow and no external financial resources needed to be raised.

The policy relating to the investment of the freely available liquidity from the entire Group ensures that 60 percent of the liquidity portfolio can be realized within a three-month period and made available for operative business operations if need be. In the year just closed, liquidity at the Vorwerk Group again developed favorably.

As in previous years, akf group primarily refinanced its lending operations with matching maturities. Besides the classic form of refinancing using deposited funds and bank loans, a revolving ABCP program and a similarly open-ended ABS bond could continue to be used for refinancing purposes in the year under review with new customer receivables being added. The ABCP program had been taken up to a value of EUR 314.9 million as of the balance sheet date leaving a free line of EUR 51.1 million; the ABS bond had been fully utilized with EUR 280 million. akf bank remains responsible for managing these receivables.

Management Report / Opportunities and Risks

Handling the opportunities and risks of future developments is a constituent element of the entrepreneurial leadership function at the Vorwerk Group. The principles relating to risk management have been defined and approved by the Executive Board of Vorwerk & Co. KG.

The Vorwerk risk management process forms an integral part of the controlling and management processes. The risk situation is represented in a risk matrix and evaluated regularly. The process comprises the identification, assessment, communication, monitoring and handling of risks. The overall performance as well as the opportunities and risks associated with current business are discussed at Executive Board and Supervisory Board meetings. In principle, uniform guidelines apply across all divisions. They are defined by the Executive Board of Vorwerk & Co. KG and monitored in the form of a reporting process by the Executive Board to ensure they are adhered to.

The risks are quantified twice a year in a risk inventory, which comprises an assessment of the expected level of damage from the risk and the probability of it occurring. Moreover, the risk situation in the individual divisions is closely monitored during the year.

In the course of business activities, some remote risks may emerge from legal disputes, particularly with regard to competition, patent, taxation or contractual law or product liability. Internal guidelines and, if need be, legal counseling actively address such risks and attempt to limit them from the very outset. Possible future risks may result from tax reform initiatives which could impair financial planning dependability and lead to higher tax burdens than in the past.

Some smaller risks emerge from manufacturing operations, particularly when production equipment breaks down or a central production facility is incapacitated. This would have direct consequences on the capability to supply the products and thereby have a significant impact on revenue. Engineering addresses these risks with more stringent controls, targeted investments in preventive measures and the successive establishment of back-up solutions.

Our individual divisions operate on markets that are characterized by ever-changing customer requirements and by the possible entry of competitors. In order to meet the needs of our customers in these areas and distinguish ourselves from such potential competitors, we need to continually develop new products and services, improve existing products and services, invest in the development of new technologies. The launch of new, innovative products calls for a strong commitment to R&D, for which the investment of considerable financial resources is necessary but may not always produce the desired results. Our revenues and earnings could be negatively impacted by investments in such products should they not be accepted by the market as expected.

The investment strategy at the Vorwerk Group primarily pursues the target of securing assets long-term. The instituted Internal Financial Committee regularly scrutinizes the strategy with the aim of optimizing the opportunity/risk profile. Risks ensuing from exchange rate fluctuations outside akf group are also taken into consideration and hedged as far as possible within the course of operative business activities. The risk from investments and foreign currencies is expressed in terms of the “value at risk” (VaR). This value was EUR 11.9 million for investment and EUR 5 million (without akf) for foreign exchange management at the close of the business year under review.

Vorwerk pursues a fundamental policy of further internationalizing its business segments so as reduce any remote risks resulting from an unbalanced dependency on individual products and on the development of individual subsidiaries. The target is to prevent impact on incoming sales and earnings.

Direct selling is particularly dependent on the recruitment and training of sales advisers and management staff. There are great opportunities to increase the number of advisers working for Vorwerk thanks to a centrally steered Talent Management program and a Group-wide personnel policy that is based on uniform guidelines.

Derivative financial instruments are only 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 resulting exposure and risks. The objective of applying financial derivatives is to reduce the risks identified.

The opportunities and risks as well as the risk management system in place at akf group are described below: As a traditional financier of assets, akf bank runs a limited-risk operation since the transactions are largely secured by the funded asset itself. However, the assumption of risks is an inherent component and significant performance factor for the banking sector. The successful handling of these risks pursues the objective of achieving a well-balanced assessment of opportunities and risks using professional management approaches. The responsible approach to risk management meant that akf bank was again able to reduce the costs for risks in 2013.

In the case of the risks that are to be monitored, a distinction is made between default, market price, liquidity and operational risks, which are described in the overall risk profile as being significant.

Given the structure of the business, the default risk of the bank consists in the main of the lending risk incurred when a client cannot, either fully or partially, fulfil the contractual obligations. Within the scope of the prevailing risk strategy and lending policy, which is based on a wide spread of risk over borrowers and business sectors that require a high level of creditworthiness, the existing credit risk management system encompasses a detailed and structured credit approval process with credit standing analysis, an effective dunning procedure and a suitable escalation process.

Market price risks are understood as being potential losses caused by adverse changes to market prices or price-influencing parameters. The relevant market price risks of akf bank are subdivided according to influencing factors into interest rate fluctuation risks and currency risks – the latter not being regarded as significant. In addition, there is a slight residual value risk in the leasing arm of the business at akf group.

The interest rate fluctuation risk describes the danger of having to accept a lower than planned or expected level of interest rate earnings or narrower interest rate margins due to fluctuations in market interest rates. Those items that cannot be adjusted at any time to modified market interest rates are subject to such risk. Accordingly, 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 market price risks at akf bank are quantified through regular calculation of the value at risk (VaR) by applying a historical simulation and considering prescribed limits. The management is continuously informed about the risks.

The liquidity risk refers to the risk that present or future payment obligations cannot be met on time or in their entirety. The refinancing of akf bank is effected by using deposited funds, loans from third-party banks or through the revolving sale of customer receivables as part of an ABCP program. Moreover, akf bank refinances itself through the KMU ABS bond through the open-ended depositing of customer receivables and purchased leasing receivables. The main purpose is to have a more or less congruent refinancing of the credit transactions. The liquidity risks are subject to regular stress tests.

Like any other company, the bank is also exposed to operational risks. The significant operational risks were identified in a risk inventory on the basis of a risk catalogue using a self-assessment approach. They exist in the form of legal, working, technological and personnel risks. The preconditions for flexible and reliable working procedures are in place 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 centre 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 determine its risk-bearing capacity, akf bank matches its main risks (risk potential) to its existing risk coverage (risk-covering potential) on a quarterly basis. The risk-bearing capacity is deemed as given when the risk-covering potential exceeds the risk potential. The company was capable of bearing its risks at all times in the 2013 business year. The entire risk management process at akf bank, including the methods used and responsibilities assigned, is documented in the risk manual and checked regularly by internal auditing.

From today's point of view, there are no risks for the individual divisions that could prejudice the continuation of business at the entire Vorwerk Group. In recent years, the high equity capital ratio and the worldwide strategic position have led to the creation of higher, risk-covering volumes. At the same time, Vorwerk's diversified base means that the company is generally well-protected against any regional, industry- or product-specific disruption.

Management Report / Outlook Report

The Vorwerk Group is greatly diversified in terms of products and sales systems as well as on account of its international positioning. The Group will also benefit from favorable market developments in the future as a result of this structure. The focus will continue to be on direct selling and thereby on a sales approach that is growing dynamically worldwide. Since Vorwerk combines various forms of direct selling “under one roof” and ensures regular know-how transfer between the product divisions, new growth trends can be recognized at an early stage and utilized to further develop the company. The investments of Vorwerk Direct Selling Ventures in young direct sales companies provide Vorwerk with access to innovations in direct selling, thus fostering the process of change and renewal.

Assuming a stable economic situation, the entire Vorwerk Group is expected to report higher sales in its most important markets in the 2014 business year, an increase that will be similar to the one recorded in the year under review. Growth is generally expected from all divisions, but particularly from the Thermomix Division. In this respect, the number of advisers working for Vorwerk is expected to increase further with a simultaneous enhancement in productivity and activity. The volume of new business at akf group is planned to be at the level of the year under review.

Despite the expected increase in sales, the operative result for the year will be moderately below that achieved in the year under review, mainly due to higher R&D and product launch costs.

There are currently no events of any material significance that have occurred since the 2013 balance sheet date.

Cannes / Hotel Carlton

Time to say goodbye!

There are as many ways to end an encounter as there are hotel rooms – and they cover everything from a smile to a tear. Take a look behind these closed doors to find some of the best goodbyes.

Consolidated Financial Statements 2013

Consolidated Balance Sheet

As at December 31, 2013

Assets	12/31/2013 € 000	12/31/2012 € 000
A. Fixed assets		
I. Intangible assets		
1. Concessions, industrial property and similar rights and assets, and licences in such rights and assets	12,358	12,792
2. Goodwill	228,281	239,181
3. Prepayments	449	294
	241,088	**252,267**
II. Tangible assets		
1. Land, similar rights and buildings including buildings on leasehold land	70,074	53,766
2. Technical equipment and machinery	56,062	46,296
3. Other equipment, factory and office equipment	40,086	32,471
4. Rental assets	557,043	514,079
5. Prepayments and construction in process	30,115	19,160
	753,380	**665,772**
III. Financial assets		
1. Shares in affiliated companies	27,831	–
2. Participations in associated companies	20	10,467
3. Other participations	25,935	22,017
4. Loans to companies in which the company has a participating interest	99	153
5. Long-term securities	897,701	148,045
6. Other loans and other financial assets	35,050	28,068
	986,636	**208,750**
Fixed assets	**1,981,104**	**1,126,789**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	40,305	36,730
2. Work in progress	9,338	10,473
3. Finished goods and merchandise	103,433	93,017
4. Prepayments	326	596
	153,402	**140,816**
II. Receivables and other assets		
1. Trade receivables;	434,721	423,965
of which with a remaining term of more than 1 year:	(486)	(807)
2. Receivables from customers from banking and leasing business;	733,086	683,356
of which with a remaining term of more than 1 year:	(393,546)	(300,296)
3. Receivables from affiliated companies	6,458	–
4. Receivables from companies in which the company has a participating interest	342	291
5. Other assets;	68,438	62,921
of which with a remaining term of more than 1 year:	(1,240)	(5,288)
	1,243,045	**1,170,533**
III. Other securities	**27,910**	**688,775**
IV. Cheques, cash on hand, bank balances	**169,059**	**194,734**
Current assets	**1,593,416**	**2,194,858**
C. Prepaid expenses and deferred charges	**29,765**	**30,226**
D. Deferred tax assets	**28,527**	**27,286**
	3,632,812	**3,379,159**

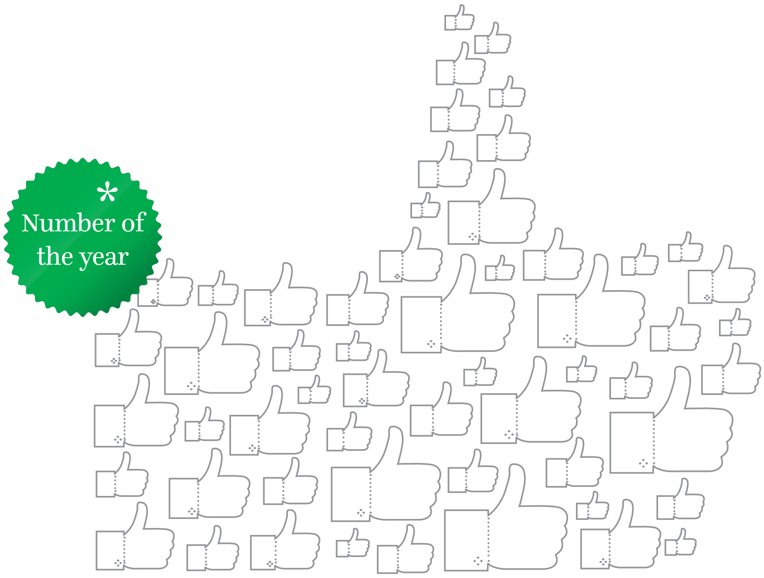
As at December 31, 2013

Equity and Liabilities	12/31/2013 € 000	12/31/2012 € 000
A. Partners' equity		
1. Capital shares, reserves, capital contributions		
of silent partners, net profit share of parent company,		
currency conversion difference	1,445,574	1,329,464
2. Compensating item for minority interests		
in capital and reserves	-642	-228
in profits	-390	-343
	-1,032	**-571**
	1,444,542	**1,328,893**
B. Accruals		
1. Accruals for pensions and similar obligations	141,976	137,842
2. Tax accruals	38,099	36,691
3. Other accruals	197,651	190,282
	377,726	**364,815**
C. Accounts payable		
1. Bank loans and overdrafts	350,861	393,934
2. Liabilities from the deposit-taking business	735,282	537,291
3. Customer advances	15,929	25,484
4. Trade payables	354,747	338,391
5. Drafts and notes payable	9	6
6. Payables to companies in which the company has a participating interest	1,659	5,127
7. Other liabilities;	290,019	291,310
of which taxes:	(29,808)	(29,062)
of which social security payables:	(14,107)	(13,943)
	1,748,506	**1,591,543**
D. Deferred income	**62,038**	**93,908**
E. Deferred tax liabilities	–	–
	3,632,812	**3,379,159**
Contingent liabilities		
1. Bills of exchange	30	76
2. Secondary liability for pension obligations transferred to the provident fund	12,632	11,262
3. Liability for sureties	38	34

Consolidated Profit and Loss Account

For the period January 1 to December 31, 2013

	2013	2012
	€ 000	€ 000
1. Sales		
a) External sales (gross)	2,239,279	2,086,004
b) Income from loan and leasing transactions (gross)	399,869	408,146
	2,639,148	**2,494,150**
less sales tax	390,890	368,279
	2,248,258	**2,125,871**
2. Change in finished goods and work in progress	9,377	5,944
3. Other own work capitalized	649	334
	2,258,284	**2,132,149**
4. Other operating income;	72,894	105,737
of which income from currency translation:	(8,447)	(9,666)
5. Cost of materials:		
a) Cost of raw materials, supplies and merchandise	319,392	305,385
b) Cost of purchased services	14,316	17,933
	333,708	**323,318**
6. Cost of loan and leasing transactions	136,731	155,361
	1,860,739	**1,759,207**
7. Personnel expenses:		
a) Wages and salaries	340,945	321,933
b) Social security,		
pension and other benefits;	77,998	73,576
of which relating to pensions:	(12,869)	(13,433)
	418,943	**395,509**
8. Amortization and depreciation of fixed intangible and tangible assets	194,002	192,010
9. Income from participating interest;	1,110	1,111
of which from associated companies:	(0)	(33)
10. Income from other long-term securities and other loans/financial assets	582	564
11. Other interest and similar income	35,164	30,150
12. Write-down of long-term financial assets and current securities	106	2,310
13. Interest and similar expenses;	17,201	18,480
of which expenditure from accrued interest on provisions:	(7,408)	(8,262)
14. Collective heading;	1,267,343	1,182,723
of which expenditure from currency translation;	(15,481)	(11,439)
Other items not shown separately		
(other operating expenses, taxes, net profit for the year)		



*2,411,255

The Vorwerk Group has 2,411,255 followers on social networks and its own portals. “Thumbs up” for so much active commitment!

Movements in Fixed Assets

From January 1 to December 31, 2013

	Gross values					
	As at 1/1/2013	Currency translation differences	Additions	Disposals	Transfers	As at 12/31/2013
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. Intangible assets						
1. Concessions, industrial property and similar rights and assets, and licences in such rights and assets	51,598	-1,577	3,734	1,083	200	52,872
2. Goodwill	335,039	–	297	–	–	335,336
3. Prepayments	337	-3	276	69	-45	496
	386,974	**-1,580**	**4,307**	**1,152**	**155**	**388,704**
II. Tangible assets						
1. Land, similar rights and buildings, including buildings on leasehold land	126,399	-1,794	13,982	1,737	7,573	144,423
2. Technical equipment and machinery	233,112	-1,307	19,605	7,506	5,039	248,943
3. Other equipment, factory and office equipment	128,978	-2,383	19,020	12,682	2,651	135,584
4. Rental assets	845,067	-2	273,552	249,124	4,706	874,199
5. Prepayments and construction in process	19,160	-139	33,083	1,865	-20,124	30,115
	1,352,716	**-5,625**	**359,242**	**272,914**	**-155**	**1,433,264**
III. Financial assets						
1. Shares in affiliated companies	–	–	7,078	–	20,753	27,831
2. Participations in associated companies	10,467	–	10,619	313	-20,753	20
3. Other participations	22,032	–	7,602	3,684	–	25,950
4. Loans to companies in which the company has a participating interest	153	–	100	154	–	99
5. Long-term securities	148,076	-1	21,335	150	728,510	897,770
6. Other loans and other financial assets	28,068	–	7,437	455	–	35,050
	208,796	**-1**	**54,171**	**4,756**	**728,510**	**986,720**
	1,948,486	**-7,206**	**417,720**	**278,822**	**728,510**	**2,808,688**

Accumulated depreciation/amortization						Net values	
As at 1/1/2013	Currency translation differences	Additions	Disposals	Transfers	As at 12/31/2013	As at 12/31/2013	As at 12/31/2012
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
38,806	-1,123	3,914	1,083	–	40,514	12,358	12,792
95,858	–	11,197	–	–	107,055	228,281	239,181
43	–	35	31	–	47	449	294
134,707	**-1,123**	**15,146**	**1,114**	**–**	**147,616**	**241,088**	**252,267**
72,633	-351	3,400	1,333	–	74,349	70,074	53,766
186,816	-642	14,091	7,034	-350	192,881	56,062	46,296
96,507	-1,895	11,340	10,804	350	95,498	40,086	32,471
330,988	-1	150,025	163,856	–	317,156	557,043	514,079
–	–	–	–	–	–	30,115	19,160
686,944	**-2,889**	**178,856**	**183,027**	**–**	**679,884**	**753,380**	**665,772**
–	–	–	–	–	–	27,831	–
–	–	–	–	–	–	20	10,467
15	–	–	–	–	15	25,935	22,017
–	–	–	–	–	–	99	153
31	–	41	3	–	69	897,701	148,045
–	–	–	–	–	–	35,050	28,068
46	**–**	**41**	**3**	**–**	**84**	**986,636**	**208,750**
821,697	**-4,012**	**194,043**	**184,144**	**–**	**827,584**	**1,981,104**	**1,126,789**

Explanatory Notes to the Consolidated Financial Statements pursuant to §§ 13 par. 3 in association with 5 par. 5 PublG

I. Introductory Remarks

Vorwerk & Co. KG is publicly disclosing its worldwide consolidated financial statements and the Group Management Report for the 2013 business year in accordance with the requirements of the German Publication and Disclosure Law (PublG) and the German Commercial Code (HGB).

For a more transparent presentation, the publication of the information pursuant to § 313 par. 2 HGB, which is an integral component of these explanatory notes, has been omitted. This information will be published under the company's name in the electronic German Federal Gazette.

II. Consolidated Group

The parent company is Vorwerk & Co. KG (Holding Company). The Group companies operate in the following business segments: the manufacture and direct sale of high-quality household appliances, cosmetics, skin and body care products, bank and leasing as well as carpeting.

A company was newly formed during the reporting period and included for the first time in the consolidated financial statements. One company was removed from the scope of consolidation following the sale of all its shares, and one company was merged with another subsidiary. Foreign logistics company CLOSe Logistics GmbH, Wollerau, Switzerland, which was included in the previous year as an associated company, was fully consolidated for the first time during the reporting year as of June 30, 2013, following the purchase of all shares. These changes to the companies included in the consolidated financial statements are insignificant. The consolidated financial statements therefore remain comparable with those for the prior year.

Three (prior year: three) associated companies have not been included in the consolidated financial statements at equity because of their minor importance pursuant to § 311 par. 2 HGB, but instead have been recognized at cost.

Nine (prior year: four) companies were not consolidated due to immateriality pursuant to Section 296 par. 2 HGB. The total assets and sales of the companies not included in the consolidated group account for less than two percent of consolidated total assets and consolidated total sales.

III. Classification, Accounting and Valuation Methods

The classification of the balance sheet and profit and loss account are laid out for preparation purposes in accordance with the classification presentation for corporations as defined under §§ 290 et seq., 266 and 275 HGB.

The taxes and net profit reported in the consolidated profit and loss account (for disclosure and for the purposes of the annual report) have been included with other operating expenses under the collective heading "other items not shown separately" (§ 5 par. 5 PublG).

Due to the full consolidation of the akf group, the balance sheet and profit and loss account include bank- and leasing-specific items, where the akf group's assets, debts, expenses and earnings could not be assigned to the existing items or allow more transparent reporting.

In addition to loans, other loans and other financial assets also contain non-securitized minority interests in closed real estate funds.

The capital contributions of silent partners, which are provided with a subordination clause, are included in partners' equity due to their equity-similar characteristic.

The accounting and valuation principles applied in the annual financial statements of Vorwerk & Co. KG and the domestic subsidiaries also pertain to the consolidated financial statements. The valuation principles of the akf group have been adopted without change pursuant to § 308 par. 2 sentence

2 HGB. The financial statements of non-German subsidiaries drawn up in accordance with national rules and regulations and departing from German legal requirements have been adjusted in line with what is known as the Handelsbilanz II (Type II Commercial Balance Sheet). The valuation methods applied correspond to uniform valuation as defined in § 308 par. 1 HGB. They remained consistent with those applied in the preceding year.

Purchased intangible assets have been capitalized at acquisition cost less straight-line amortization over their estimated useful lives on a pro rata temporis basis.

The period for scheduled straight-line amortization of items of goodwill acquired against payment is 5 or 30 years.

In the case of tangible fixed assets and rental assets (allowing for contractual periods and residual carrying values), where the useful life is definite, the acquisition or manufacturing cost has been depreciated on a straight-line basis over their estimated useful lives. Manufacturing cost includes the direct attributable costs from the consumption of goods and the use of services as well as appropriate proportions of necessary material and manufacturing overheads. Depreciation of additions to the tangible fixed assets is generally effected on a pro rata basis. If the fair value of individual assets is below their net carrying value, impairment charges are also recognized for permanent impairment.

Financial assets (excluding other loans) have been valued at acquisition cost and loans at nominal value. Where the impairment is likely to be permanent, amortization is performed at the lower fair value.

During the current fiscal year, special funds totaling EUR 728.5 million were reclassified from current assets to fixed assets in order to allow a better picture of the group's net assets, financial and earnings situation. The carrying value of the special funds as of December 31, 2012 is EUR 673.3 million.

The development of fixed assets is presented in the "Movements in Fixed Assets" statement.

Inventories have been valued at acquisition or manufacturing cost in accordance with the lower of cost or market principle. The acquisition cost of raw materials, supplies and merchandise is calculated using the average cost method. Apart from direct costs, the manufacturing costs of the finished goods and work in progress include only the adequate portions of the material and manufacturing overheads required and depreciation on the fixed assets caused by manufacturing.

Receivables and other assets have been shown at nominal value less appropriate valuation allowances. Receivables from customers from factoring and hire purchase transactions have been reported at their present value less individual or general valuation allowances.

Marketable securities have been stated at acquisition cost or the lower fair value prevailing as of the balance sheet date. Cash and cash equivalents have been stated at nominal value.

Prepaid expenses and deferred charges include payments that are deemed expenses for a specific period after December 31, 2013.

Business transactions denominated in foreign currencies are generally stated at the historical rate of exchange at the date first recorded. Receivables, other assets, accounts payables and cash and cash equivalents in foreign currencies have been valued at the mean spot exchange rate on the balance sheet date. In the case of foreign currency items with a remaining term of more than one year, the acquisition cost and realization principles have been adopted. The provisions under § 340 h HGB have been applied to the foreign currency translation of the assets and liabilities of the companies of the akf group.

Reversals of impairments are generally recognized in accordance with § 253 par. 5 HGB.

The provisions for pensions – calculated in accordance with the actuarial projected unit credit method – have been generally discounted over an estimated residual term of 15 years using the Heubeck 2005G Mortality Tables at the average market interest rate over the preceding 7 years of 4.90 percent, as published by the German Federal Bank. The trend in pensions has been assumed to be 1.80 percent (prior year: 1.70 percent). Fluctuation has been duly considered on the basis of years of service and age-related probabilities, which are generally between 1.0 percent and 5.0 percent. In line with the pension commitment, the pensionable person receives annual components where future payments are directly linked to the employee's service. Since the earned portion of the obligation therefore corresponds to the balance accrued as of the balance sheet date, a salary trend does not need to be taken into account.

In evaluating anniversary provisions, the same valuation parameters as for pension obligations are generally applied, with the exception of growth in creditable income, which is 3.00 percent. Term-specific interest rates are also used for semi-retirement obligations under semi-retirement provisions.

Other accruals and provisions with a remaining term of more than one year have been discounted – in accordance with their remaining term – at the average market interest rate prevailing over the past seven business years.

Other accruals are calculated in such a way as to account for the recognizable risks and contingent liabilities. They are measured at the settlement amount that is necessary to cover future payment obligations in accordance with prudent business judgment. Allowance is made for future price and cost increases where there are sufficient objective indications of them arising.

Accounts payable have been shown at their settlement amounts. The capital with participating rights – included under other liabilities – has been reported at nominal value.

Deferred income mainly includes special rental payments and rental prepayments attributable to future business years as well as accrued net present cash values from leasing receivables sold to banks. Such amounts will be reversed on a straight-line basis in accordance with the underlying term and pursuant to the principles of loss-free valuation.

To compensate for counteracting cash flows and fluctuations in value, assets, liabilities and anticipated transactions have been combined in financial instruments (valuation unit). To account for the effective portion of the valuation unit, the net hedge presentation method has been applied. Insofar as the preconditions for the creation of valuation units are not satisfied, the items are accounted for in accordance with the general valuation principles.

IV. Foreign Currency Translation

All financial statements of the subsidiary companies of the Group that are included in the consolidated financial statements, but which are located outside the euro zone have been translated into euros from the respective local currency using the modified closing rate method. The items of the balance sheet – with the exception of equity which is translated into euros at historical rates – have been translated at the mean spot exchange rate of the balance sheet date.

Items of income and expense shown in the corresponding profit and loss account have been translated at the average annual rate of exchange for the year 2013. The translation difference of EUR 1.4 million arising therefrom has been included without profit effect within the partners' equity after the reserves in the line item "partners' equity difference from currency translation". The translation differences resulting from exchange rate fluctuations have led to a EUR 17.4 million decrease in the line item "partners' equity difference from currency translation" without an impact on profit or loss.

V. Balance Sheet Date and Consolidation Principles

The subsidiary companies included in the consolidated financial statements all have December 31 as their balance sheet date with the exception of two subsidiaries that have a balance sheet date as of March 31 and November 30, respectively. The companies with a different balance sheet date prepare interim financial statements. Consolidation of the balance sheets and profit and loss accounts of the consolidated subsidiaries has been carried out in accordance with the following principles:

1. Capital Consolidation

Capital consolidation for acquisitions up to December 31, 2009 was effected in accordance with the carrying amount method. Capital consolidation for first-time consolidations starting January 1, 2010 has been carried out pursuant to the revaluation method. In this respect, the carrying values of the holdings have been offset against the allocable equity of the corresponding subsidiary companies at the date of acquisition following a revaluation of the assets and liabilities acquired and realization of hidden reserves and hidden charges.

Capitalized differences from the first-time consolidation of the JAFRA group in the 2004 business year have been recognized as goodwill on the assets side after the reversal of hidden reserves in the assets.

Pursuant to § 253 par. 3 HGB, the goodwill of the JAFRA group is amortized over the individual operating useful life of more than five years. This is derived from the use of the brand and brand-similar benefits which, besides the sales system and the know-how of the staff in R&D, constitute essential elements of the goodwill of the company. The remaining capitalized differences from initial consolidations prior to 2010 have been stated separately within the partners' equity section. Should any credit differences have resulted from this netting in previous years, such amounts have been combined with the reserves in previous years on account of their reserve characteristic. The asset-side difference arising from the initial consolidation of CLOSe Logistics GmbH was capitalized as goodwill. Scheduled amortization is performed over five years.

Minority interests in the equity capital subject to consolidation and in the net results of the subsidiary companies included in consolidation have been shown in the compensating item for minority interests.

2. Debt Consolidation

In accordance with debt consolidation (§ 303 HGB), receivables and payables with companies within the consolidated group are offset against each other.

3. Consolidation of Income and Expenses

The consolidation of income and expenses contained in the items shown in the consolidated profit and loss account comply with § 305 HGB. Intercompany sales and the corresponding expenses as well as other intercompany income and expenses in the profit and loss accounts of the consolidated companies have been offset against each other.

4. Deferred Taxes

Deferred taxes are recognized for differences between the assets and liabilities stated in the commercial balance sheet and the balance sheet drawn up for tax purposes (tax base) to the extent that this will lead to a tax burden or refund in the future. Deferred taxes are also recognized for potential losses and interest carried forward, provided they are expected to be utilized within the next five years.

The election to recognize an excess of deferred tax assets over deferred tax liabilities pursuant to § 274 par. 1 sentence 2 in conjunction with § 300 par. 2 sentence 2 HGB has been exercised in the consolidated financial statements. Deferred tax assets and liabilities are netted against one another when the preconditions for such prevail. For the purposes of the consolidated financial statements, an aggregated figure of the items is reported pursuant to § 274 HGB (§ 306 sentence 6 HGB).

Deferred taxes for tax differences and commercial differences arising from the first-time recognition of goodwill are not reported. Additionally, deferred taxes are not recognized for differences between the tax base of subsidiaries or associated companies and the commercial valuation of the net assets reported in the consolidated financial statements.

As of December 31, 2013, the net balance of the future tax burden/relief calculated on the basis of the different approaches applied to the commercial balance sheet and the tax base balance sheet mainly arose from receivables and payables from/to affiliated companies, inventories, pension and other provisions and tax loss carry-forwards. When calculating taxes for consolidation entries affecting profits pursuant to § 306 HGB, a uniform Group-wide average tax rate of 30 percent has been generally applied to debt consolidation and interim profit elimination; otherwise, company-specific tax rates have been applied. The calculation of deferred taxes in the individual financial statements is based on tax rates applying to the individual companies, which are between 14 percent and 34 percent.

VI. Other Statutory Disclosures Pursuant to § 314 HGB and Explanatory Notes to Various Items in the Consolidated Balance Sheet and Consolidated Profit and Loss Account

1. Receivables

Receivables from affiliated companies amount to EUR 6.5 million (prior year: EUR 0.0 million) and concern financial transactions in the amount of EUR 6.3 million and other assets in the amount of EUR 0.2 million.

2. Liabilities

Remaining Terms for Liabilities (RTL)

	12/31/2013			12/31/2012		
in € 000	RTL < 1 yr	RTL > 5 yrs	Total	RTL < 1 yr	RTL > 5 yrs	Total
Bank loans and overdrafts	215,851	–	350,861	298,702	56,180	393,934
Liabilities from deposit-taking business	569,709	3,873	735,282	417,672	5,869	537,291
Customer advances	15,929	–	15,929	25,484	–	25,484
Trade accounts payable	354,747	–	354,747	338,118	–	338,391
Drafts and notes payable	9	–	9	6	–	6
Payables to companies in which the company has a participating interest	1,659	–	1,659	5,127	–	5,127
Other liabilities	286,659	2,445	290,019	281,405	3,982	291,310
Liabilities	**1,444,563**	**6,318**	**1,748,506**	**1,366,514**	**66,031**	**1,591,543**

Trade accounts payable include akf group liabilities to a special-purpose company of EUR 270.6 million (prior year: EUR 270.0 million).

3. Contingent Liabilities, Other Financial Commitments and Off-Balance-Sheet Transactions

Contingent Liabilities

The risk of recourse from the joint liability for the pension obligations that have been transferred to the provident fund as well as from the joint liability on the basis of the Articles of Association from the participation in the Liquiditäts-Konsortialbank GmbH, Frankfurt/Main, of up to EUR 0.4 million, can more or less be excluded since the provident fund and the aforementioned bank can meet their long-term obligations from their own cash assets with a high probability.

The risk of guarantees being called upon is estimated to be low since it is mostly a case of contract fulfillment guarantees that are limited to the term of the individual agreements.

Other Financial Commitments

Commitments arising from rental, tenancy and lease contracts as of the balance sheet date amounted to EUR 121.4 million for the following years; of which EUR 40.2 million falls due in 2014. Purchase commitments for investments amounted to EUR 6.9 million (prior year: EUR 17.2 million). There are long-term obligations arising from contracts with suppliers in the amount of EUR 14.8 million as of the balance sheet date.

akf bank has irrevocable loan commitments totaling EUR 84.2 million (prior year: EUR 79.7 million).

Off-Balance-Sheet Transactions

Among other things, akf bank uses an asset-backed commercial paper (ABCP) program to refinance its customer receivables and sells customer receivables in this context, thereby transferring all opportunities and risks. The receivables sold are withdrawn from the balance sheet at that point. This program is ongoing and has a volume of EUR 366.0 million, which was fully exhausted on the balance sheet date apart from EUR 51.1 million. This program strengthens the company's liquidity and cash and cash equivalents and extends its funding channels. Nevertheless, risks also arise from the purchaser's termination rights.

4. Profit and Loss Account

Group sales including revenue from the credit and leasing business (incl. sales tax)

Breakdown by Region	2013 EUR m	2012 EUR m
Germany	899.4	813.8
Europe	1,204.8	1,160.0
North and South America	431.7	437.1
Rest of World	103.2	83.2
Total	**2,639.1**	**2,494.1**

Group sales broken down by business division are shown in the Group Management Report.

Other Operating Income

Other operating income includes non-period income from the reversal of provisions and write-downs to receivables in the amount of EUR 27.1 million.

Unscheduled Depreciation

Depreciation of EUR 0.5 million was performed on tangible assets during the reporting year due to permanent reductions in value.

5. Derivative Financial Instruments and Valuation Units

Commodity swaps, currency futures, interest rate futures, currency swaps and interest rate swaps and options are used at the Vorwerk Group for hedging purposes, both for operative business activities as well as in the area of foreign currency financing. The fair value of a derivative financial instrument is the price for which an independent party would acquire the rights and/or obligations of the financial instrument from another independent party. The net carrying values and fair values of the derivative financial instruments of the Vorwerk Group are reported as follows:

Derivative Financial Instruments under Section 285 No. 19 HGB

			Fair value as of December 31, 2013	
in € 000	Nominal value	Net carrying value	Positive	Negative
Currency futures	41,412	-15	957	-15
Interest rate options	30,000	–	–	–
Commodity swaps	1,248	-10	98	-10

Provisions for onerous losses in the amount of EUR 0.03 million have been recognized to cover specific currency futures on account of negative market values which are not combined in a valuation unit.

The nominal value of the derivative financial instruments is determined using the exchange rates on the closing date. The fair value of currency futures and currency swaps is determined according to the closing rate as of the balance sheet date, taking forward discounts and premiums into account. The fair value of currency options is assessed on the basis of option price models pursuant to Black & Scholes. The fair value of interest rate hedging instruments (interest rate swaps and options) as well as commodity swaps is determined on the basis of discounted, anticipated future cash flows with the current market interest rates or market rates for commodities for the remaining term of the financial instruments being applied.

To hedge against payment fluctuations arising from interest and currency risks, the akf group applies micro and portfolio hedges and combines them into valuation units as defined by § 254 HGB.

As of the balance sheet date, akf bank had a total of 16 interest rate swaps with four banks to a total nominal volume of EUR 848.6 million, four caps with a nominal volume of EUR 200.0 million and 2,856 future contracts to a nominal volume of EUR 285.6 million. These transactions are assigned to the banking book, where they provide interest hedging. The credit equivalent amount calculated using the market valuation method totals EUR 10.6 million. The total fair values for these derivative financial instruments were calculated using the mark-to-market method and totaled EUR -1.2 million on the balance sheet date.

Micro valuation units formed for the securities in the liquidity reserves largely hedge against the general interest fluctuation risk. Interest-rate-induced changes in the values of securities are offset as far as possible by the change in the value of the corresponding hedging transactions. Portfolio valuation units are recognized to hedge against the interest fluctuation risk for bank loans and overdrafts, payables due to customers and other liabilities. This combines single and similar hedged items in the portfolio and hedges the total position of the portfolio.

The book value of the total assets hedged with valuation units at akf bank was EUR 176.7 million on the balance sheet date, while the book value of the hedged liabilities was EUR 655.9 million.

At akf leasing, assets denominated in foreign currency of EUR 10.7 million were grouped to hedge against currency risks with currency swaps in micro valuation units to the same value.

As of the balance sheet date, akf servicelease had a total of three interest rate swaps with a total nominal volume of EUR 25.0 million and two caps with a total nominal volume of EUR 30.0 million. The transactions are designed to hedge the interest rate risk and were grouped in a portfolio valuation unit with liabilities to banks in the same amount.

The risk hedged with valuation units at the akf group totals EUR 4.8 million (interest rate risks EUR 4.7 million, currency risks EUR 0.1 million).

Otherwise, the Vorwerk Group includes the following additional valuation unit: A lease transaction gives rise to future payment obligations of EUR 3.6 million, for which financial instruments with a nominal volume of EUR 3.6 million were applied to hedge against payment fluctuations arising from interest rate risks and grouped as a micro valuation unit. Negative market values arose on the financial instruments used as of the balance sheet date in the amount of EUR 0.2 million (hedged risk).

The financial instruments applied to hedge against interest and currency risks, which are grouped into valuation units, have residual maturity terms of one to eleven years. It is assumed that the counteracting hedged item and hedging instrument will offset in the future, because they are exposed to the same type of risk (interest rate and currency rate fluctuations) and correspond to the significant parameters of the hedged item and hedging instrument. The effectiveness of the portfolio hedging relationship is largely determined by means of an appropriate, functioning and documented risk management system. The Vorwerk Group also uses certain analyses, including sensitivity and regression analyses, to verify the effectiveness of the micro valuation units.

6. Information on Shares in Investment Funds

The Vorwerk Group holds 100 percent of the units of the VWUC Fund. The VWUC Fund has mixed fund assets pursuant to German investment law.

The investment policy aims to generate an attractive increase in value in euro with a longer-term strategy. To achieve this investment objective, the assets are invested in fixed-interest securities as well as in money market instruments and liquid funds. Moreover, the Fund can invest in securities on the stock market and in units of open and closed investment funds (stocks, commodities and real estate). To secure as well as to invest and efficiently manage the assets, the Fund may, in addition, also deploy derivatives and other techniques and instruments as well as securities lending.

Value of the Units and Carrying Value Differences

in € 000	Carrying value	Market value	Difference
VWUC Fund	713,026	773,294	60,267

Vorwerk received a gross dividend of EUR 15.222 million (EUR 2.2815 per unit) for the Fund's business year (December 1, 2012 to November 30, 2013).

The Fund's units could be redeemed on any stock exchange trading day in the year. In the year under review, special fund units were sold at a carrying value of EUR 20.5 million. Vorwerk generated profits of EUR 5.2 million from this.

The Fund's units were evaluated throughout the entire year in accordance with the lower of cost or market principle.

7. Other Information

In the year under review, the fees for the auditors amounted to EUR 794,000, the fees for tax advisory EUR 93,000 and for other services EUR 568,000.

Average Annual Number of Personnel

	2013	2012
Employees*	12,545	12,342
Advisers in Direct Sales	609,721	610,516
Kobold	9,552	9,116
Thermomix	30,330	27,717
JAFRA Cosmetics	569,693	573,528
Lux Asia Pacific	146	155

* Including employed sales advisers

Management of the parent company Vorwerk & Co. KG is in the hands of the Managing Partners: Walter Muyres (Mönchengladbach), Reiner Strecker (Wuppertal) and Frank van Oers (Veldhoven, The Netherlands).

Wuppertal, April 11, 2014

Walter Muyres

Reiner Strecker

Frank van Oers

Auditors' Report

The foregoing consolidated balance sheet and profit and loss account, the explanatory notes (without any listing of investment holdings) together with the Group Management Report as intended for publication comply with the legal requirements.

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, expressed the following opinion on the complete set of consolidated financial statements and the Group Management Report:

"Audit opinion

We have audited the consolidated financial statements – prepared by Vorwerk & Co. KG, Wuppertal, comprising the balance sheet, profit and loss account and explanatory notes, together with the Group Management Report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the Group Management Report in accordance with German commercial law is the responsibility of the Managing Partners of the company. Our responsibility is to express an opinion on the consolidated financial statements and the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB (German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Managing Partners as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Essen, April 11, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lutz Granderath	Thomas Hofmann
Auditor	Auditor

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