Vorwerk Annual Report 2014

Lass uns reden / Let’s talk / चलो बात करें। / Discutons ensemble / Parliamo / Hablemos / Vamos falar / *Together …*

VORWERK

Report on the 131st business year

Editorial

Know what we mean? We e-mail and text, chat and skype, post and twitter, but that's not all – we also talk with and about each other, wave and laugh, point and gesticulate, use body and sign language. There are many ways to communicate.

In this year's Vorwerk Annual Report, we bring you some rather unusual forms of communication. After all, for a brand like Vorwerk, it has always been and still is vital to maintain a constant dialogue with our customers and markets.

We think that's an excellent reason to listen in to what's going on out there in the world. Come along, let's explore the multifaceted cosmos of communications. / *Together …*

Contents

A Review of Vorwerk

HEADQUARTERS OF THE VORWERK GROUP (HOLDING COMPANY)

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EXECUTIVE BOARD

Reiner Strecker (Managing Partner)
Frank van Oers (Managing Partner)
Walter Muyres (Managing Partner until December 31, 2014)

SUPERVISORY BOARD

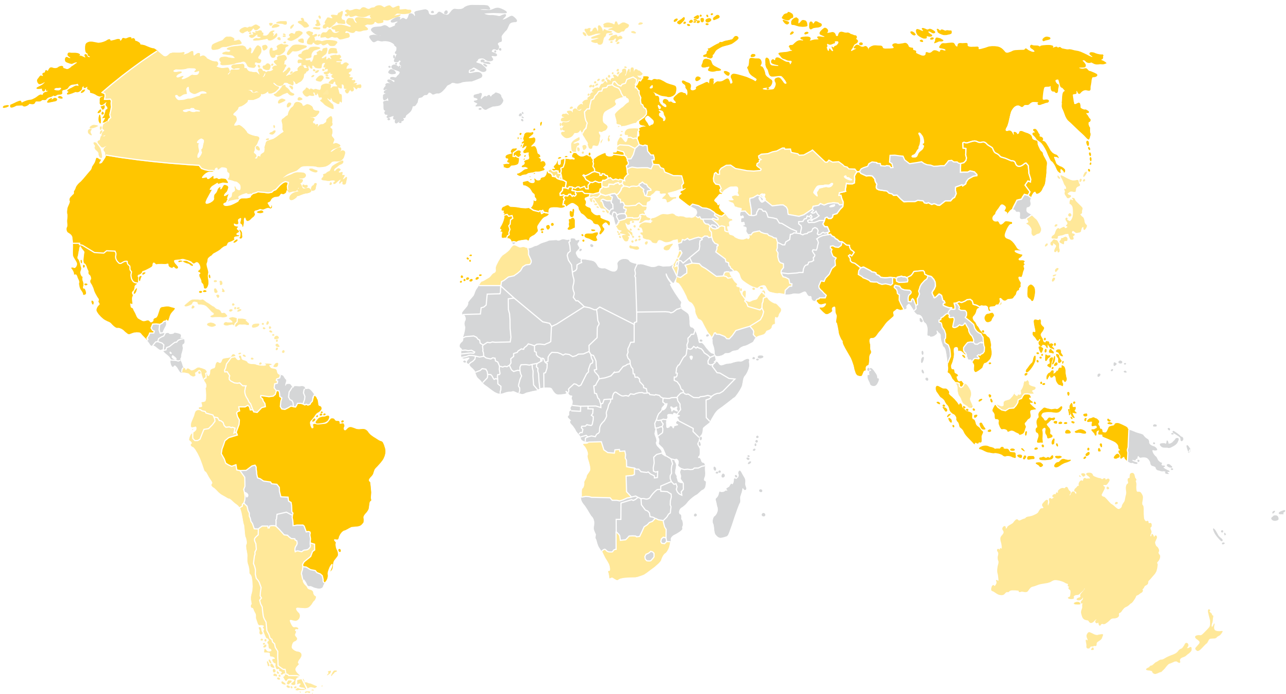
Dr. Jörg Mittelsten Scheid, Wuppertal/Germany (Honorary Chairman)
Rainer Baule, Überlingen/Germany (Chairman)
Prof. Dr. Ing. Pius Baschera, Zurich/Switzerland (Vice Chairman)
Dr. Axel Epe, Düsseldorf/Germany (2nd Vice Chairman)
Dipl.-Ing. Rainer Christian Genes, Istanbul/Turkey
Verena Klüser, Munich/Germany
Dr. Timm Mittelsten Scheid, Munich/Germany
Sabine Schmidt, Waltrop/Germany

KEY FIGURES OF THE VORWERK GROUP

in million EUR*	2011	2012	2013	**2014**
Group sales (incl. sales tax)**	2,367	2,494	2,639	**2,793**
New business, akf group	675	687	865	**925**
Balance sheet total	3,066	3,379	3,633	**4,159**
Partners' equity	1,211	1,329	1,445	**1,575**
Partners' equity in % (akf group at equity)	65	64	66	**65**
Partners' equity in % (akf group fully consolidated)	39	39	40	**38**
Financial assets	112	209	987	**1,147**
Other fixed assets	938	918	994	**1,066**
Current assets	1,980	2,195	1,593	**1,841**
Cash and cash equivalents***	709	884	929	**1,003**
Capital expenditure****	307	281	364	**383**
Depreciation****	183	192	194	**205**
Personnel costs	434	396	419	**454**
Number of employees*	17,926	12,342	12,536	**12,771**
Self-employed advisers	589,244	610,516	609,721	**591,156**

* 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
*** Including short-term realizable assets
**** 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 of Great Britain and Northern Ireland, United States of America, Vietnam

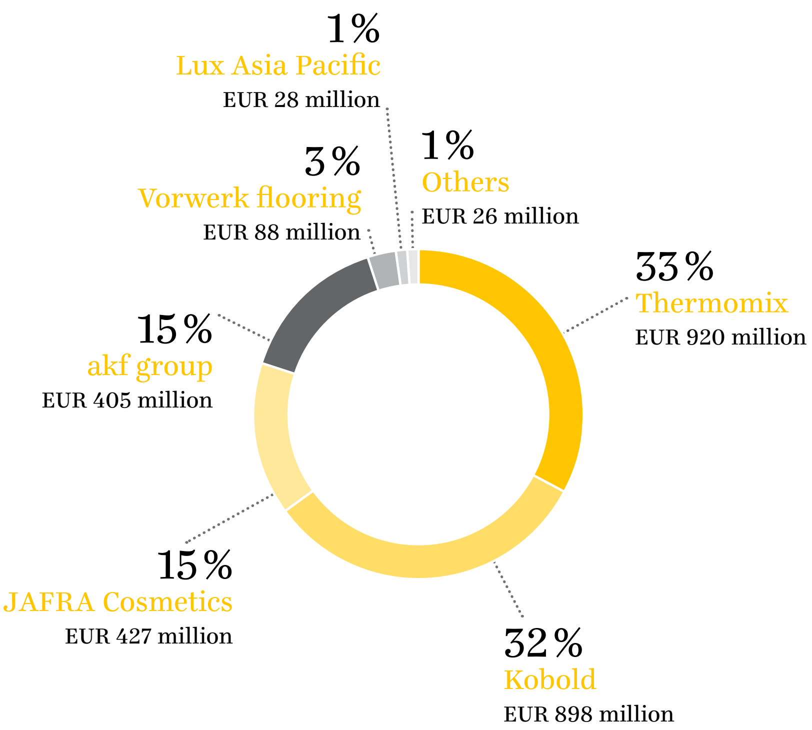
DISTRIBUTORS

Angola, Argentina, Australia, Azerbaijan, Bahrain, Belgium, Brunei, Bulgaria, Canada, Caribbean, Chile, Columbia, Croatia, Cyprus, Denmark, Dominican Republic, Ecuador, Estonia, Finland, Greece, Hong Kong, Hungary, Iran, 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

THE VORWERK GROUP COMPRISED THE FOLLOWING DIVISIONS IN 2014:

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

VORWERK GROUP / SALES BY DIVISION 2014



Whistle for it!

On La Gomera, people take their cue from the birds when communicating – they whistle. Their whistled language, El Silbo, is used to send messages across the deep valleys of the island's mountainous landscape. Listening, you might think you were hearing the chirruping of a cross between a budgerigar and a canary.

These days, the birdsong ABC is even taught at primary school to the island's youngest because El Silbo, their intangible cultural heritage, has been designated a compulsory subject. So you see, people can twitter to each other even without Twitter.

Management Report / General Section on Business Development

The Vorwerk Group can once again look back on a good business year with a new record level of sales being recorded in the 131st year of the company's history. The total sales achieved were EUR 2.8 billion, an increase of 5.8 percent against the previous year.

Also in terms of the overall business volume – which includes the new business transacted at akf group in an amount of EUR 925 million – a significant increase could be recorded. The business volume of EUR 3.3 billion reported represents a 6.8 percent increase when compared with the year 2013.

The operating annual earnings were – as anticipated in the Outlook Report 2013 – slightly below the previous year due primarily to expenditures in the areas of R&D and the product launch of the Thermomix TM5. Nevertheless, earnings remained at a satisfactory level. Sales developed as expected.

The Vorwerk Group was organized into a total of seven divisions at the close of 2014: Thermomix, Kobold, JAFRA Cosmetics, Lux Asia Pacific, Engineering, akf group as well as Vorwerk flooring. Additionally, Vorwerk has a venture capital company – Vorwerk Direct Selling Ventures.

The core business of the Group – the direct sale of high-quality products – again proved to be the growth driver with sales of almost EUR 2.3 billion. The increase in revenue in this segment was 5.9 percent. However, also the divisions outside the direct sales operations developed pleasingly: both akf group, with its new business, as well as Vorwerk flooring were able to record distinct levels of growth.

The Group is managed and steered on the basis of detailed budget plans and subsequent reporting and variance analyses. In this respect, the main performance indicators, sales revenues and operating results, were planned and monitored at the divisional level.

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

Vorwerk has a presence in a total of 75 countries across Europe, Asia, North and South America, as well as in Australia and parts of Africa, either with its own subsidiaries or through trading partners – so-called distributors. The Wuppertal-based, family-owned company therefore has a strong international alignment; something that can be readily seen from the distribution of sales in the year 2014. The share of sales generated outside Germany reached 65.6 percent. This proportion was even higher in the direct sales segment and amounted to 78.8 percent.

The partners' equity capital ratio at the Vorwerk Group amounted to 37.9 percent when the akf group, operational in the area of financial services, is fully consolidated. A valuation of akf group at equity would result in a partners' equity capital ratio of 65.0 percent. Cash and cash equivalents are mainly invested in special funds and other short-term realizable assets and totaled EUR 1,003 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. The good equity capital endowment ensures great entrepreneurial scope for the future, too.

During the year under review, investment was therefore targeted at the expansion of the business model, the opening of additional sales territories and the development and manufacture of new products. In this respect, the special focus of attention was on the launch of the new Thermomix TM5, which was introduced onto the market in September 2014. The demand for this innovative kitchen appliance remains as high as ever, meaning that the production capacities are being further expanded.

The Kobold Division launched two new products with the VG100 window cleaner and the VR200 robot vacuum cleaner. JAFRA Cosmetics, Lux Asia Pacific as well as Vorwerk flooring also presented new product lines.

Each division at the Vorwerk Group is run by its own responsible 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 Reiner Strecker, Frank van Oers and – till December 31, 2014 – Walter Muyres. 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 Vorwerk owner family, acts as Honorary Chairman of the Supervisory Board. Rainer Baule is Chairman of the Supervisory Board.

DEVELOPMENT OF THE INDIVIDUAL DIVISIONS

Thermomix has again proved to be the Division with the most dynamic organic growth. A significant increase of 15.0 percent meant that the Division could achieve a new sales record of EUR 920 million. Thus, for the first time in the history of the company, Thermomix is the Division with the highest level of sales.

The Kobold Division with sales of EUR 898 million (plus 4.8 percent) likewise achieved a new record level.

JAFRA Cosmetics achieved a total sales level of EUR 427 million and was thereby distinctly below the previous year with a decrease of 7.2 percent. Besides unfavorable exchange rates, the economically difficult situation in Mexico – the main market for JAFRA Cosmetics – contributed decisively to this decline.

Vorwerk flooring achieved a sales hike of 28.0 percent and recorded revenue of EUR 88 million. This was primarily due to the purchase of production plant and equipment as well as the assumption of trademark and sales rights from the former Norddeutsche Teppichfabrik GmbH in Geesthacht ("Nordpfeil" brand). However, even without these special effects, Vorwerk flooring could again prevail against the negative market trend in the area of textile floor coverings.

akf group was able to greatly improve its level of new business and achieved a new record of some EUR 925 million (plus 7.0 percent). akf group could also make clear gains in its deposit-taking business for private clients, with the deposited volume increasing to over EUR 1 billion.

THANKS TO THE STAFF

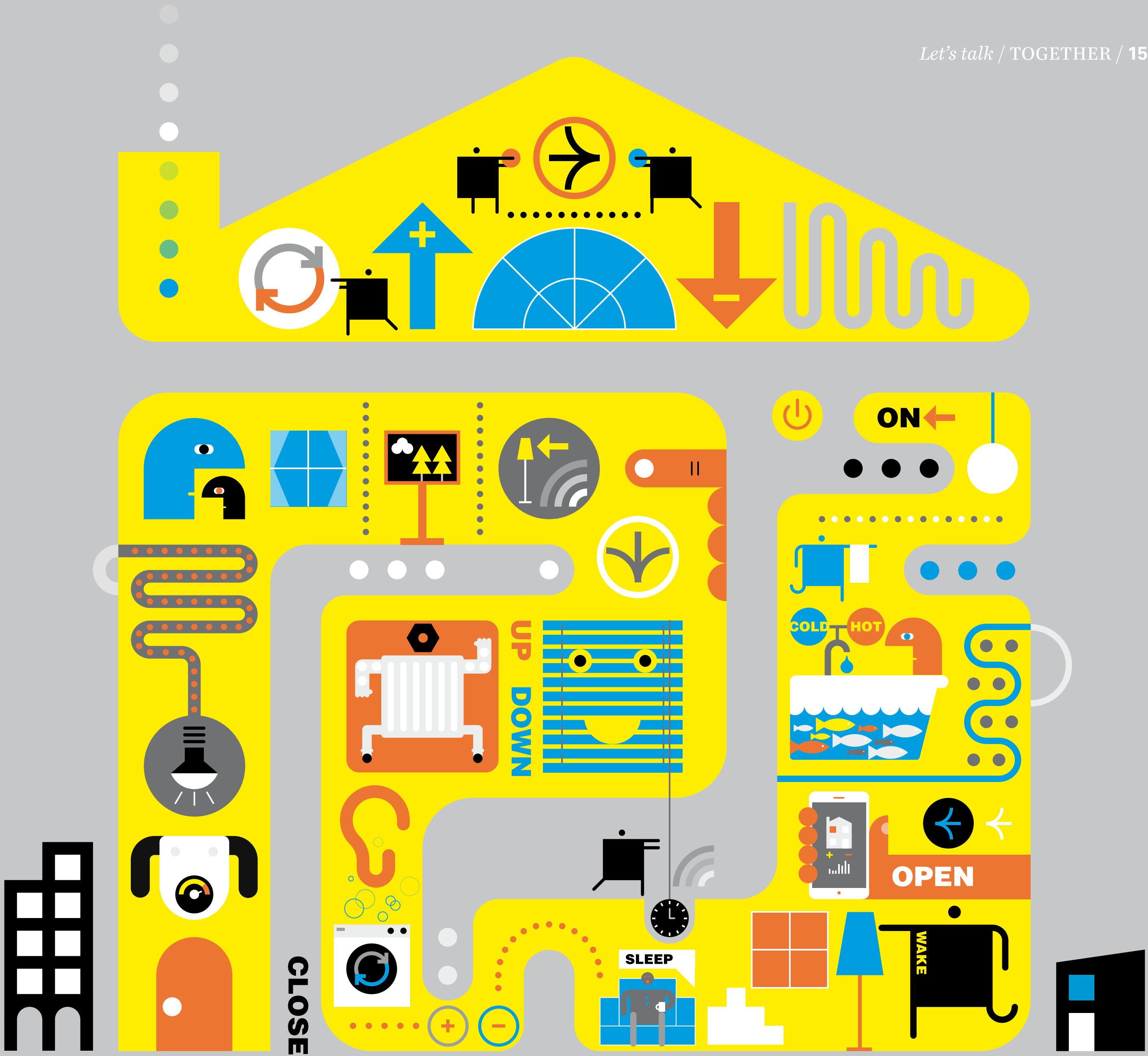
Almost 604,000 people are working for companies of the Vorwerk Group worldwide – the majority as self-employed advisers in the direct sales companies. Moreover, Vorwerk is the employer of the permanent staff in the production locations, as well as in the administrations of the individual divisions and subsidiaries. The profile of an internationally-successful, family-owned company is characterized by creativity and entrepreneurial spirit at all levels.

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

SALES BY DIVISION

in million EUR (incl. sales tax)	2011	2012	2013	**2014**
Direct sales	1,792.4	1,994.5	2,147.8	**2,274.3**
Thermomix	591.1	683.9	800.1	**920.5**
Kobold	728.3	809.7	857.3	**898.4**
JAFRA Cosmetics	438.9	465.8	460.9	**427.5**
Lux Asia Pacific	34.1	35.1	29.5	**27.9**
akf group	381.5	408.1	399.9	**404.6**
Vorwerk flooring	73.9	74.2	68.8	**88.1**
HECTAS*	102.7	–	–	**–**
Others	16.6	17.3	22.6	**26.4**
Group sales	2,367.1	2,494.1	2,639.1	**2,793.4**

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



Switched on!

Smartphone to central heating: economy mode! Central heating to blinds: sunshine level! Blinds to light: turn off! Light to washing machine: 60 °, eco program! Washing machine to light: I don't take orders from you!

Nowadays, even technological devices are fantastic at communicating with each other. Who knows, perhaps we humans will soon be controlled by machines. Smart, new world!

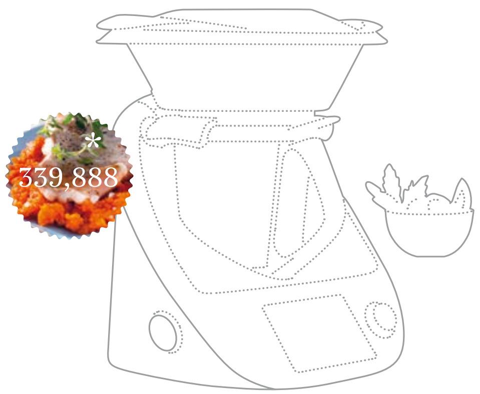
Management Report / Direct Sales, Thermomix

/ AGAIN DOUBLE-DIGIT GROWTH
/ NEW TM5 EMPHATICALLY RECEIVED

One bowl, one knife, twelve functions: the Thermomix by Vorwerk continued the successful development of previous years in 2014. Vorwerk has modernized this classic appliance with its worldwide launch of the new Thermomix TM5. The innovative recipe chips with integrated cookbook, the touch screen for even simpler operation, as well as the guided cooking function with step-by-step instructions have set the standard in the market.

The new Thermomix has been emphatically received by all. So much so that the "Frankfurter Allgemeine Sonntagszeitung" devoted a full-page report to the Thermomix TM5 and entitled the article "The Appliance of the Hour". Thanks to a strengthened communication approach, particularly in the area of customer service and social media, queries surrounding the new launch could be quickly and purposefully handled.

Despite the background of the new product launch, the Thermomix Division continued its consistently high level of growth and achieved sales of EUR 920 million in the year under review. This corresponds to a significant increase of 15.0 percent. Sales developed in advance of expectations. By contrast, the operating result was below the level anticipated due to the product launch. Thermomix is now the Division within the Vorwerk Group with the highest sales revenue for the first time.



* COOKING 2.0

The new Thermomix TM5 is ingeniously digital – thanks to its revolutionary technologies, the recipe chip and the guided cooking function. Simply touch the screen to select your favorite meal, and the TM5 will then take you step by step through its preparation. Add the ingredients – and you're done! Time and temperature are preset for every step along the way. Even the most elaborate recipes turn out perfectly in next to no time. The Thermomix fans are thrilled with the new model! In the first 117 days since its launch, 339,888 people around the world have become proud owners of a Thermomix TM5. But you can still enjoy tasty meals the analogue way.

Due to the high demand for the TM5 and the several-week-long delivery periods in some specific markets, additional customer orders of around EUR 160 million have not been included in the total sales for 2014. This revenue will be realized in the 2015 business year.

To better meet the high customer demand in the future, the existing TM5 manufacturing capacities in the facilities in France (Cloyes) and Germany (Wuppertal) are being further extended.

Germany could once again defend its position as the country with the highest sales volume. An increase of 10.2 percent meant that the German organization achieved record sales of EUR 225 million.

Sales also increased substantially in Italy, and with an increase of 14.2 percent, the organization reported EUR 195 million. Sales in France rose to EUR 193 million (plus 7.0 percent). The quartet of the "largest" Thermomix countries is completed by Spain: an increase of 11.9 percent meant that the subsidiary achieved sales of EUR 152 million.

Yet all other subsidiaries in the Division also contributed to the overall success with double-digit increases in sales. Poland could again improve on the good developments recorded in the previous year and grew by 37.6 percent to sales of EUR 42 million. The Portuguese sales organization likewise recorded a substantial increase with revenue of EUR 41 million, a plus of 12.1 percent.

The sales companies in Taiwan, Great Britain, Czech Republic and Mexico all reported substantial increases, too. Moreover, the Austrian sales organization, taken over from a distributor in the year under review, developed better than expected albeit, unsurprisingly, at a relatively low level.

The export business – i.e. the sale of Thermomix through so-called distributors in smaller markets – likewise achieved record sales levels of almost EUR 46 million with an increase of 41.2 percent.

The reasons for this positive development are quite diverse. More and more people throughout the world are attaching importance to healthy and balanced nutrition and like preparing their own meals. In addition, there are the digital services such as the online recipe platform and the Thermomix communities. At the same time, the Thermomix sales model offers attractive income and career opportunities for an ever-increasing number of representatives. On average, around 34,500 representatives were working for the Division, an increase of 13.5 percent. The average productivity sank slightly, an aspect which was solely attributable to the fact that the TM5 appliances could not be delivered to customers. The activity of the representatives rose by 3.1 percentage points.

The Division also anticipates further significant increases both in sales as well as earnings in the current business year 2015. Given these positive developments, the opening of new sales companies in other countries is being prepared.

Management Report / Direct Sales, Kobold

/ CONTINUED GROWTH
/ INNOVATIVE PRODUCTS LAUNCHED

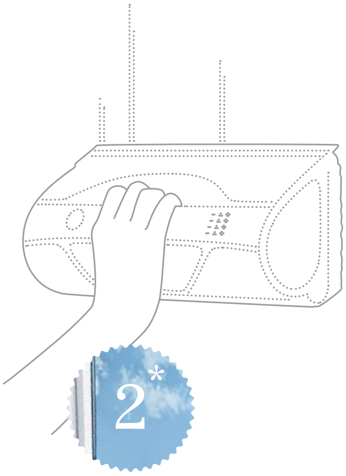
Innovation, quality and durability – that is what the high-grade room care and cleaning solutions from Kobold stand for. The Kobold SP530 hard floor cleaner, the first vacuum cleaner that mops and vacuums at the same time, can be included among the numerous innovations. In the year under review, two new products were launched onto the market: the Kobold VG100 window cleaner and the Kobold VR200 robot vacuum cleaner. In addition, it was particularly the upright vacuum cleaner Kobold VK150 and – in some markets – the canister-type cleaner Kobold VT270 as well as accessories and care products that contributed to the success of the brand. Kobold sells its products worldwide with a direct sales approach, as well as through online shops and company-owned outlets in a few countries.

The Division also continued to grow in 2014: with a significant increase of 4.8 percent, sales reached a total volume of EUR 898 million, thereby satisfying the expectations and surpassing them in terms of planned operating earnings. Both the activity as well as the productivity of the self-employed advisers was slightly above the previous year and, in addition, the overall number could be increased across all subsidiary companies. An important factor for the positive development was the successful launch of the Kobold VG100 window cleaner and the Kobold VR200 robot vacuum cleaner. The VR200 also convinced the consumer watchdog “Stiftung Warentest” and was clearly designated “best in class” in the vacuuming robot category (Test edition 2/2015).

The Kobold Division is operational with its own subsidiaries in a total of nine countries in Europe and Asia and also has many distributors.

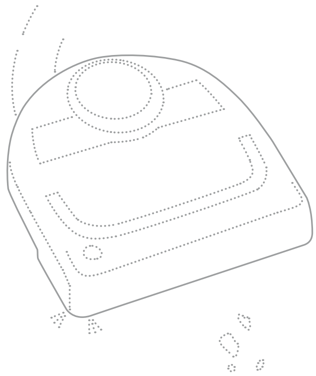
The growth of the Division is spread across a whole host of country entities. In this respect, the company with the strongest sales once again, Vorwerk Folletto in Italy, achieved revenue of almost EUR 504 million. This represented only a small increase of 1.1 percent as against the previous year, something that was mainly due to logistics difficulties at an external warehouse.

The German sales organization was able to continue the positive tendency from the previous years: with sales of EUR 246 million, the country entity achieved an increase of 8.7 percent. It was once again evident that the needs of customers could be satisfied with a multichannel system offering the right mix out of direct sales with customer advisers, the Vorwerk online shop as well as company-owned outlets in good



* EVERY HOUSEHOLD'S DARLING

Cleaning and vacuuming – what was that again? Memories of such chores have begun to fade since the two Kobold highlights of 2014 appeared on the scene. The Kobold VG100 window cleaner leaves windows sparkling clean. It wets the glass, removes the dirt, and vacuums off the water – one swipe and all's crystal clear. And with the Kobold VR200 robot vacuum cleaner, perfect cleanliness is just as simple to achieve. With the help of its laser, ultrasound and infrared sensors, the fully automatic vacuum cleans thoroughly and with the utmost care, even right into corners. It is demonstrably three times more efficient than comparable models. You won't be able to help falling in love with it.



inner-city locations. However, 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. Additionally, there is the direct support of customers after purchase when accessories or consumables are delivered, for example.

Besides Italy and Germany, the somewhat smaller subsidiaries in terms of sales have developed pleasingly. The Kobold sales organization in China was able to increase revenue by 15.0 percent to EUR 48 million. Vorwerk España improved by 12.6 percent to almost EUR 30 million. The biggest hike was managed by the French organization: growth of 42.1 percent meant that Vorwerk France exceeded all expectations and reported revenue of EUR 23 million at the close of the year. The Kobold sales entities in Austria (EUR 29 million) and the Czech Republic (EUR 10 million) also contributed to the overall growth of the Division as did the export business (EUR 7 million).

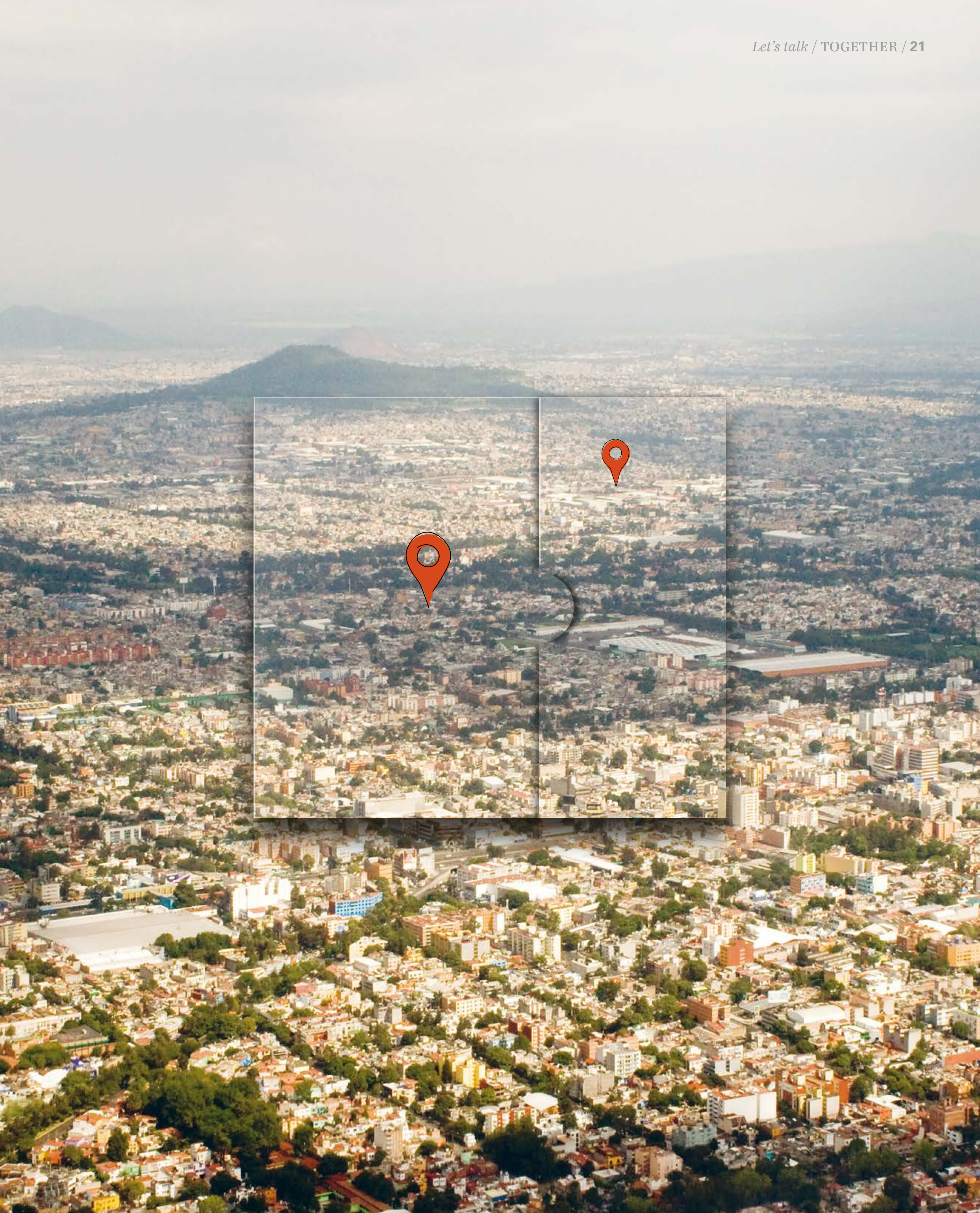
The Kobold Division expects sales to continue to increase significantly in the 2015 business year with operating earnings remaining at the same level. The prerequisites for achieving this were already driven forward in 2014. Besides the extension of the multichannel system and the increase in the numbers of customer advisers, the planned opening of a sales organization in Great Britain should be given particular attention in this respect. The opening-up and development of other countries is scheduled to follow.

Mexico can be a maze(ing)!

As a foreigner asking the way in Mexico, you are sure to receive some very enthusiastic replies. It seems everyone knows the way, but all too often you end up in the middle of nowhere.

Take more notice of your amiable direction giver's signals rather than his words. Any hesitation is a clear indication that he really doesn't have a clue. Still, thank him politely and carry on following your nose.

If you do lose your way, you can always ask someone else ...



Management Report / Direct Sales, JAFRA Cosmetics

/ HIGH-QUALITY COSMETICS FROM OWN PRODUCTION

/ ECONOMIC DEVELOPMENT IN MEXICO LEADS TO SALES DECLINE

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 more than 465,000 self-employed consultants. Other main sales areas are the homeland of JAFRA Cosmetics, the USA, as well as parts of Europe, 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 suffered an unplanned fall in sales of 7.2 percent to around EUR 427 million. Besides exchange rate effects, in absolute numbers it was mainly the Mexican market with sales of EUR 329 million (minus 8.1 percent) that was responsible for this decline. Accordingly, the level of earnings was below expectations.

This development has to be seen against the background of generally dissatisfactory economic circumstances in Mexico. Modified tax legislation meant that Mexican households had less disposable income. Overall, the direct sales market in Mexico also declined by 3 percentage points. Additionally, ongoing security concerns in some parts of the country also had a detrimental effect on the cosmetics consultants.

In the second largest JAFRA market, the USA, sales revenue was running at EUR 51 million and therefore, with a minus of 1.9 percent, slightly below the level of the previous year. However, the sales organization showed a distinctly positive development in the second half of the year.

JAFRA Brazil, meanwhile the third largest market, was able to maintain the sales level in the local currency, but closed with a drop of 8.7 percent (EUR 15 million) when converted into euros. The sustained level of economic growth that characterized Brazil in previous years weakened significantly in 2014 and this had a direct impact on the sales activities. Nevertheless, the third largest market for beauty products in the world with a population of 192 million inhabitants continues to be in the strategic focus of the Division. Currently, almost 19,000 consultants work for JAFRA Cosmetics in Brazil.

The established European sales companies (Germany, Austria, the Netherlands, Switzerland and Italy) also suffered a decline in sales and achieved an overall volume of around EUR 27 million.

It was particularly in the last quarter that JAFRA Russia was unable to continue the positive trend of previous years and closed the year with a drop in sales of 7.3 percent to EUR 2 million. In this case, the geopolitical impact of the Ukraine crisis and the associated drop in the external value of the ruble played a decisive role.

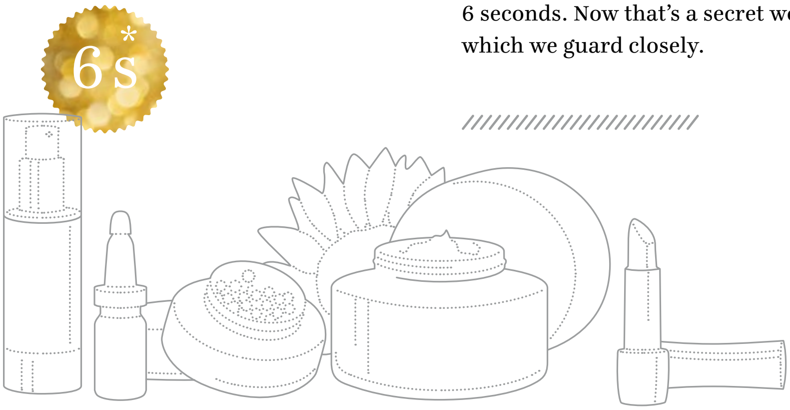
The newly opened sales organization in Indonesia satisfied expectations in its first full business year and achieved sales of EUR 2 million.

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 number of products, including a new “Royal Jelly” lipstick, a fragrance line which is positioned to cater to middle-aged groups, as well as “Ships Ahoy”, a line of care products targeted at three- to eight-year old children.

JAFRA Cosmetics is again looking forward to slightly increased sales volumes in the current business year. Due to planned investments in the brand and in the continued extension of the online shop systems, the operational level of earnings will be slightly lower. 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 new markets.

* THE SECRET OF BEAUTY

Every woman has her very own, unique spirit and JAFRA embraces and emphasizes that spirit. JAFRA lends beauty, individuality and confidence with our signature skin care lines and our immensely popular fragrances, color cosmetics and toiletries, which sell more than six million times per year. In fact, every 9 seconds, a Royal Jelly product is sold, and a JAFRA lipstick is sold every 6 seconds. Now that’s a secret worth sharing – unlike our beauty formulas, which we guard closely.



Management Report / Direct Sales, Lux Asia Pacific

/ REALIGNMENT SHOWS FIRST SUCCESSES
/ NEW WATER PURIFICATION PRODUCTS

Health and well-being are becoming increasingly important for people in the states of Southeast Asia. The Vorwerk Group sells high-quality water purifiers, air cleaners and vacuum cleaners under the Lux brand name in this region. Lux Asia Pacific numbers among the few direct sales companies in Southeast Asia that have focused on the sale of high-quality, high-ticket household products.

Some of the articles originate from Vorwerk's own manufacturing facility in Shanghai. Lux Asia Pacific regards itself as a company that offers products such as water purifiers mainly under the aspect of the health benefits they provide for customers. The strategic alignment envisages a concentration on the themes of "water purification" and "air cleaning".

With a wide range of modular systems and devices, Lux Asia Pacific aims at attaining a significant position in this segment. The required adjustments had already been completed in Thailand at the close of the year under review and are currently being implemented in Indonesia. In the light of these realignments, the Division reported a drop of 5.4 percent in sales and achieved a volume of EUR 28 million, which was slightly below plan. Accordingly, operating earnings were below expectations.

Thailand, the largest market, could maintain sales at the level of the previous year and achieved EUR 13 million – and that despite renewed political unrest. After completion of the adjustments mentioned above, an upward tendency could be discerned towards year-end.

* OUR MOST IMPORTANT SOURCE OF NUTRITION

Where would we humans be without water? We could survive for three days without our most important source of nutrition, but for an entire month without food. We need water in order to be able to process and absorb nutrients from the food we eat. Water circulates constantly through our bloodstream and lymphatic system, carrying oxygen and nutrients to our trillions of cells, flushing away toxins and waste from our body. The best water is pure water. The purest water comes from LUX ALVA.

Fiery relationships!

Volcanoes can talk? Well yes, it seems they can. And sometimes they fly into a stinking rage and what follows is a stormy marital row. This may be news to you, but not to the Puruhá Indians, who believe that the human race has volcanic origins. So when Mama Tungurahua rumbles, she is actually grouching at Papa Chimborazo. "Serves him right," say the Puruhá because they know Papa Chimborazo is an inveterate womanizer, who loves to flirt with other Andean beauties. Typical man: one minute he's having a fling, the next he's putting ashes on his head!

Lux Indonesia experienced a year that was characterized by many changes. As a consequence – but also due to rate of exchange effects – the organization reported a decline in sales (a drop of 18.5 percent to EUR 8 million). The product range is also being modified in Indonesia. Moreover, the company is moving into a new, modern administration building.

Lux Taiwan increased sales by 10.2 percent as against the previous year and reached EUR 6 million. Throughout the course of the year, the focus in one district was again exclusively on products in the water purification segment.

Given the new alignment of the brand and the focus on water purification, Lux Asia Pacific will successfully conclude the realignment process in the year 2015 and is looking forward to slightly increased sales volumes as well as improved earnings.

Management Report / Vorwerk Engineering

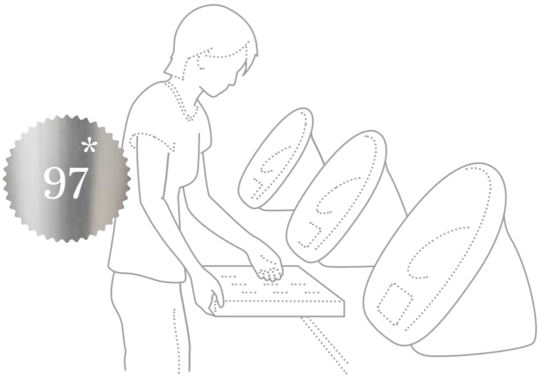
/ CONSIDERABLE INVESTMENT IN PRODUCTS AND INFRASTRUCTURE

/ ADDITIONAL WORKPLACES CREATED

Vorwerk Engineering develops, manufactures and supplies its high-quality household appliances exclusively for the direct sales companies Thermomix, Kobold and Lux Asia Pacific. Vorwerk Engineering is represented at three sites in Wuppertal (Germany), Cloyes (France) and Shanghai (China). The largest facilities in the network are in Wuppertal where, for example, the Kobold VK150 upright vacuum cleaner is manufactured. The sector, Research & Development, which has around 120 staff, is also located in Wuppertal.

The Division has developed a number of innovative products to market maturity in recent years. In the year under review in the Kobold field of activity, the launch of the Kobold VG100 window cleaner as well as the Kobold VR200 robot vacuum cleaner again meant that innovation standards could be set. The now completed modification of the color design lines for the Kobold product family also received very high market acceptance.

However, the year 2014 was essentially characterized by the preparations and implementation of the product change from the Thermomix TM31 to the Thermomix TM5. The parallel product change in all markets as per September 2014 necessitated intensive planning and preparation. Besides challenges for production technology and logistics, considerable investment in infrastructure was required. The success of the TM5 and the demand which is above all expectations will result mid-term in further capital expenditure in capacity and infrastructure.



* HERE'S YOUR NEW WORKPLACE

It's wonderful that we have been able to welcome so many new colleagues in recent years. In Wuppertal alone, we created and filled a total of 97 new jobs in 2014. Our production workforces in Cloyes-sur-le-Loir in France and Shanghai, China, have also been growing fast. Welcome to the Vorwerk family!

There was further investment in future-oriented projects again in the year 2014. This concerns new products which will be launched onto the market in coming years.

The innovative strength is also clearly reflected in the number of patent registrations. Worldwide, Vorwerk registered a total of 1,353 national patents or patent applications in 2014. 151 patents were applied for regarding inventions associated solely with the development of the new Thermomix.

Purchasing at the Division was confronted with increasing prices in significant segments in the year under review. Plastics, metals and energy were particularly affected by this. This development was to a certain extent expected. Both the securing of prices as well as the search for possible alternative suppliers contributed to the Division being able to hold material prices constant overall. The installed risk management measures meant that Vorwerk Engineering was not affected by a single insolvency or other failures of significant suppliers.

Workplaces could be created at the plants of the Vorwerk Engineering Division as a result of this positive development. Almost 100 new staff could be employed in the Wuppertal facility alone. This was due to the good development of the Kobold business and particularly to the strong growth enjoyed by Thermomix. Besides capacity enhancements for the Thermomix motor and cutting unit, an assembly line for the TM5 as well as the corresponding injection molding machines were installed in Wuppertal for the first time. However, the most important production facility for the Thermomix continues to be at Vorwerk Semco at Cloyes, France; three assembly lines with associated injection molding machines are located there.

The strong growth of the Thermomix and Kobold Divisions also led to a significant increase in capital expenditure. Larger infrastructure measures, initiated at all locations, represent just one investment driver. Additionally, the production capacities are being successively extended and further investments made in product innovations.

The Vorwerk Engineering Division anticipates increased demand in the 2015 business year. The Executive Board has approved capital expenditure in the amount of EUR 128 million for the above-mentioned measures.

Yes! Yes!

Crawford Market, Mumbai. The air is fragrant with delectable spices. How much does the black cardamom cost? “Make an offer!” says the resourceful vendor.

“700 rupees?” He shakes his head. “750 rupees?” He shakes his head more vehemently. “800 rupees – my final word!” Suspenseful silence. “Okay, deal!” he says to your great delight, sealing the transaction with a handshake.

In India, however, a shake of the head denotes affirmation. In other words, you have just short-changed yourself!

Management Report / akf group

/ SIGNIFICANT HIKE IN NEW BUSINESS
/ STRONG DEVELOPMENT IN THE DEPOSIT-TAKING OPERATIONS

The Wuppertal-based akf group is positioned as a traditional finance partner of small and medium-sized companies. On the market now for more than four decades, akf bank, akf leasing and akf servicelease have been offering a product portfolio tailored to the funding requirements of these clients. This comprises innovative loan models, capital-friendly leasing alternatives, flexibly structured hire purchase arrangements as well as factoring options to optimize operational liquidity. Safe and simply accessible cash deposit products round off the range of offerings. Customers come from the metal, plastics and wood-processing areas as well as the graphics industry. Further, manufacturers, dealers and buyers of cars, commercial vehicles, yachts and agricultural technology number among the clients.

All areas of akf group developed pleasingly. The new business volume could be distinctly increased with EUR 925 million being reported, a rise of 7.0 percent as against the previous year. Revenue was thus slightly below the level planned; the operating earnings satisfied the expectations.

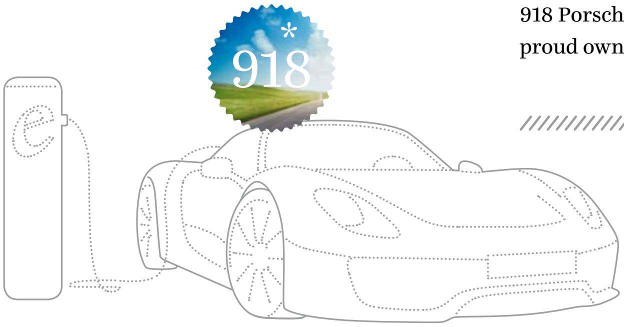
In the case of financial services providers, revenue is calculated on the basis of the interest and the leasing installments that are paid as compensation for the relinquishment of capital or assets. The amount of revenue is therefore directly dependent on the respective market interest rate. Despite the continuingly low interest rates, the absolute revenue level at akf group could be slightly increased. The interest rate margin – the gap between the lending and refinancing rates – is of decisive importance for the earnings situation of akf group. Once again, a significant widening could be achieved in this respect.

In comparison to the previous financial year, the new level of business generated by akf group increased in 2014 by EUR 19 million to EUR 573 million with a rise in investment and installment loans. Business with vehicle finance could be improved by EUR 10 million and plays a prominent role with a volume of EUR 254 million and a share – as in the previous year – of 44.3 percent of total business. Together with the receivables purchased from akf leasing GmbH & Co KG, akf servicelease GmbH, akf equiprent S.A.U., Spain, and akf polska S.A., Poland, in a total amount of EUR 281 million (previous year: EUR 237 million), the total of new loans reached a volume of EUR 854 million (previous year: EUR 790 million).

The proportion of business stemming from the financing of machinery and other equipment for the mainly small- and mid-market segment amounted to 22.0 percent (previous year: 24.1 percent) of total business.

STARTUP FINANCING

There's no catching up with this earthbound rocket: 2.6 seconds are all it takes the Porsche 918 Hybrid to accelerate from 0 to 100 km/h. And yet it burns an incredibly low 3.1 liters per 100 kilometers. Even so, this is not the vehicle for the ordinary driver on the street – not at 768,026 euros just for the basic model. One of the only 918 Porsche 918 Hybrids in the world was financed by akf bank. The identity of the proud owner? That's confidential, of course – a bank secret.



Consumer finance for vendor funding of high-quality household appliances from the Vorwerk Group declined slightly in the year under review by 2.0 percent to EUR 108 million (previous year: EUR 110 million). Accounting for 18.8 percent of total business, it again made its contribution to the success of the operation as it did in the previous year.

The funding of agricultural investments has developed very positively with a proportion of 14.1 percent of total business being reported (previous year: 11.5 percent). The continued concentration prevailing in agriculture is associated with an increasing level of automation and this necessitates not only ever-more demanding environmental protection measures, but a continued willingness for high investment in the future.

The akf group's position in the marine finance sector could also be maintained in 2014 and akf continues to number among the established players in this segment.

The deposit-taking business developed positively in the business year just closed. In total, more than 18,000 clients had entrusted deposits of EUR 1,006 million. As in previous years, business is only transacted on an online basis. In terms of interest payments, akf group handles the various products of all clients in the same manner as a matter of principle and refrains from making any special offers to attract new clients.

In accordance with the company's strategic alignment, akf group has a highly diversified business operation both in terms of sectors and asset categories. akf group 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 and in this respect sees additional opportunities for the planned level of new business.

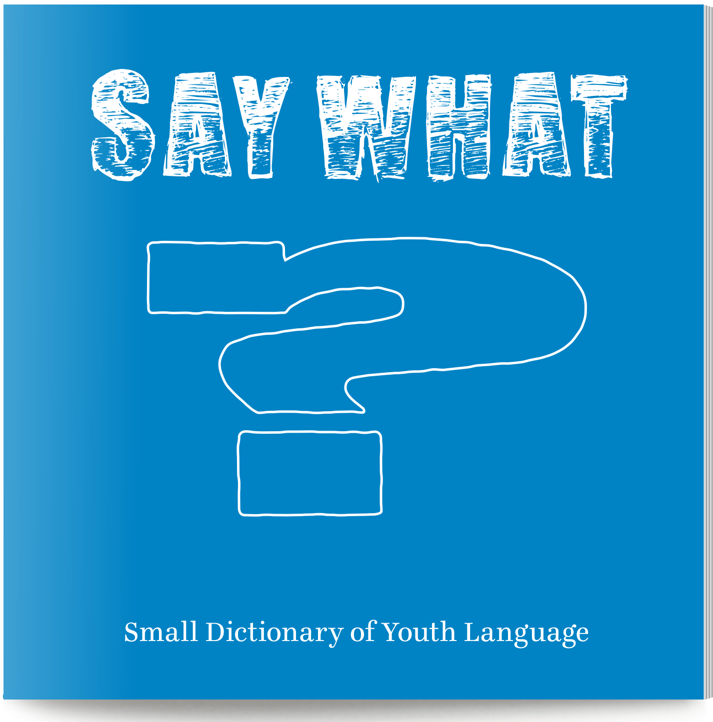
To refinance the new business, the general public was again offered attractive investment options in 2014 through the deposit-taking operations. The potential customer group is going to be extended to cover commercial clients. In view of these general circumstances, business is expected to develop more positively than in the year under review. The volume of new business and earnings for the year 2015 are anticipated to be moderately above the level of the year just closed.


GERARD
JUAN SANCHEZ
Laurie ist geil
God love People! You & me
WILLKOMMEN
LOVE, PEACE, + CHICKEN
MEIN LIEBSTER
ICH WÜNSCHE DIR
ICH DICH!
DENVER, Colorado, USA

Off the hook!

Nowadays, saying something is "bitchin'" is basic, dude. Teen slang changes by the hour. To make sure you're not an epic fail, we're going to help you navigate the maze.

So word up and don't get clocked!



Management Report / Vorwerk flooring

/ SIGNIFICANT INCREASE IN SALES THROUGH TAKEOVER

/ NEW COLLECTION PRESENTED

In the year under review, Vorwerk flooring could again elude the somewhat negative trend in the industry and reported much improved sales – relative to the outlook – of EUR 88 million (an increase of 28.0 percent). Even without the special effect from the takeover of the trademark and sales rights as well as the production facilities of the former Norddeutsche Teppichfabrik GmbH ("Nordpfeil" brand), Vorwerk flooring achieved a slight increase in sales, which was, however, below that originally planned. The earnings situation was also much improved thanks to the takeover of the Norddeutsche Teppichfabrik GmbH.

The overall market for textile floor coverings declined only slightly in the year under review. According to the Association of the German Home Textiles Industry (Verband der Deutschen Heim-Textilien-Industrie), the affiliated manufacturers suffered a 1.4 percent drop in revenue. In contrast to the trend in the industry, the brand "Vorwerk" achieved a moderate increase in sales of 2.4 percent.

Thanks to a target-group-oriented brand policy with higher quality and innovative products, Vorwerk could take top spot for the tenth consecutive time in a trade survey conducted by BTH Heimtex/B&L-Kundenbarometer. In the "Architects' Darling Award 2014", the Division won gold in the "Textile Floor Coverings" category and bronze on each occasion for the categories "Best Company Magazine" and "Elastic Floor Coverings".

Vorwerk flooring launched a number of new products onto the market in the year under review. In this respect, the product range of the hard floor covering RE/COVER green was extended. The carpet collec-

* ARCHITECTS' CHOICE

Who makes the best carpets in all the land? Vorwerk, of course. That's what 900 respected architects told Heinze Marktforschung, the reputable market research company that's the leader in its field for the building industry. Then off we strode down the red carpet to accept the coveted Architects' Darling Award 2014 in Gold. And what are we doing now? We are back weaving away and spinning as usual – not yarns, but good ideas.

tion for the contract business was redesigned. Several significant development projects began in 2014: the new “Fascination” collection by Vorwerk Teppichwerke as well as the new hotel collection from “Nordpfeil” are scheduled to be launched at the beginning of 2016.

Overall, Vorwerk flooring assumes that the market situation for textile floor coverings will continue to be challenging. Given the high brand awareness and the acknowledged good quality of the trademarks “Vorwerk” and “Nordpfeil”, it should be possible to improve the position in the market still further. A core element of this strategy, however, is the extension of business in the hard floor segment.

Against this background, Vorwerk flooring is looking forward to a significant growth in sales in the year 2015, with earnings remaining constant.

Management Report / Vorwerk Direct Selling Ventures

/ FUNDING OF DYNAMICALLY GROWING COMPANIES
/ ACCESS TO NOVEL CONCEPTS AND DEVELOPMENTS

By investing in young companies, Vorwerk gains access to innovations in direct selling and thereby advances the process of change and renewal. The Vorwerk Group has been investing since 2007 in companies pursuing novel and promising sales concepts through its venture capital unit, Vorwerk Direct Selling Ventures.

The objective of Vorwerk Ventures is to create the fundamental conditions for a mutual know-how transfer, from which both the participating entities and Vorwerk benefit equally. The portfolio of the investment arm includes the companies Dinner-for-Dogs Group, ENJO, HelloFresh, Mädchenflohmarkt, MeinAuto, PippaJean, Stowa, stylefruits and Tennis-Point. These companies already number among the leading providers in their specific markets, are mostly internationally aligned and have entrepreneurial management in place. However, in particular they offer great opportunity for increasing in value. The investment portfolio is managed with a view to the exit potential.

The investments in Ringana, DaWanda as well as one half of the shares held by Vorwerk Ventures in another participation were sold in 2014 to a third-party investor at a profit. In addition to investments as part of a wider, external financial consortia commitment in the existing portfolio, a new participation in Mädchenflohmarkt was entered into in 2014. Vorwerk Ventures was able to improve earnings considerably in the year under review and in this way contributed positively to Group earnings.

Management Report / Personnel Development

/ PERSONNEL WORK AT VORWERK GROUP ACCLAIMED
/ FOCUS ON INTERNATIONAL PROGRAMS

Vorwerk regards itself as one of the world leaders among the reputable direct sales 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 career opportunities for committed people and scope for professional and personal development.

A professional and respectful approach towards staff and competitors and a positive, modern external image are constituent elements of the HR work at the Vorwerk Group. This was confirmed in the year under review by two independent awards. In a scientific study “Best Recruiters”, Vorwerk was “best in class” in the “Electrical and Electronic Manufacturers” category and was ranked outstandingly well at position 26 from among all 515 companies tested. Additionally, the international Management Trainee Program was certified by Absolventa GmbH as a career-promoting and fair trainee program.

The focus of HR assignments at Vorwerk is coordinated to meet the strategic objectives of the Group. In view 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 “Strategic Leadership Program” for senior management staff. Besides specialist training, it is the express objective that the international networking of top management be advanced. The same approach is pursued by Vorwerk with its “Aspiring Leadership Program” and “High Potential Program”. Here, young people with very promising potential from the different countries are prepared for international management assignments. The programs receive excellent feedback from participants.

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 individual advancement and targeted further development of staff. These activities are carried out internationally across all locations at regular intervals.

603,927 people, on average, worked in 2014 for the companies of the Vorwerk Group either as self-employed sales advisers or as permanent staff members. The number of permanent employed staff was 12,771; the number of self-employed sales advisers 591,156.

STAFF (ANNUAL AVERAGE)

	2011	2012	2013	**2014**
Direct sales				
Thermomix*	1,354	1,528	1,734	**1,944**
Kobold*	2,984	2,951	2,902	**3,115**
JAFRA Cosmetics	2,004	2,013	2,119	**2,251**
Lux Asia Pacific*	3,845	3,927	3,720	**3,200**
Vorwerk Engineering	1,099	1,123	1,227	**1,307**
akf group	331	344	362	**386**
Vorwerk flooring	324	330	328	**400**
HECTAS**	5,865	0	0	**0**
Others	121	126	144	**168**
Total*	17,926	12,342	12,536	**12,771**

SELF-EMPLOYED SALES ADVISERS (ANNUAL AVERAGE)

	2011	2012	2013	**2014**
Thermomix	24,428	27,717	30,330	**34,417**
Kobold	8,486	9,116	9,552	**9,900**
Lux Asia Pacific	72	155	146	**259**
Self-employed sales advisers "household appliances"	32,986	36,988	40,028	**44,576**
Self-employed sales advisers JAFRA Cosmetics	556,258	573,528	569,693	**546,580**
Self-employed sales advisers in total	589,244	610,516	609,721	**591,156**
Total Vorwerk workforce	607,170	622,858	622,257	**603,927**
of which sales advisers*	593,663	614,919	614,638	**596,014**

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

Anybody there?

Hello out there, it's us, the human race, speaking! Come on over! We live just the other side of the moon.

We rock to Chuck Berry, swing to Louis Armstrong, speak all manner of languages and get along wonderfully with pandas, whales and dolphins – and we've brought you a gold disc, a "Best of Humankind" album. Instructions enclosed. Have a listen!

So long. Peace!

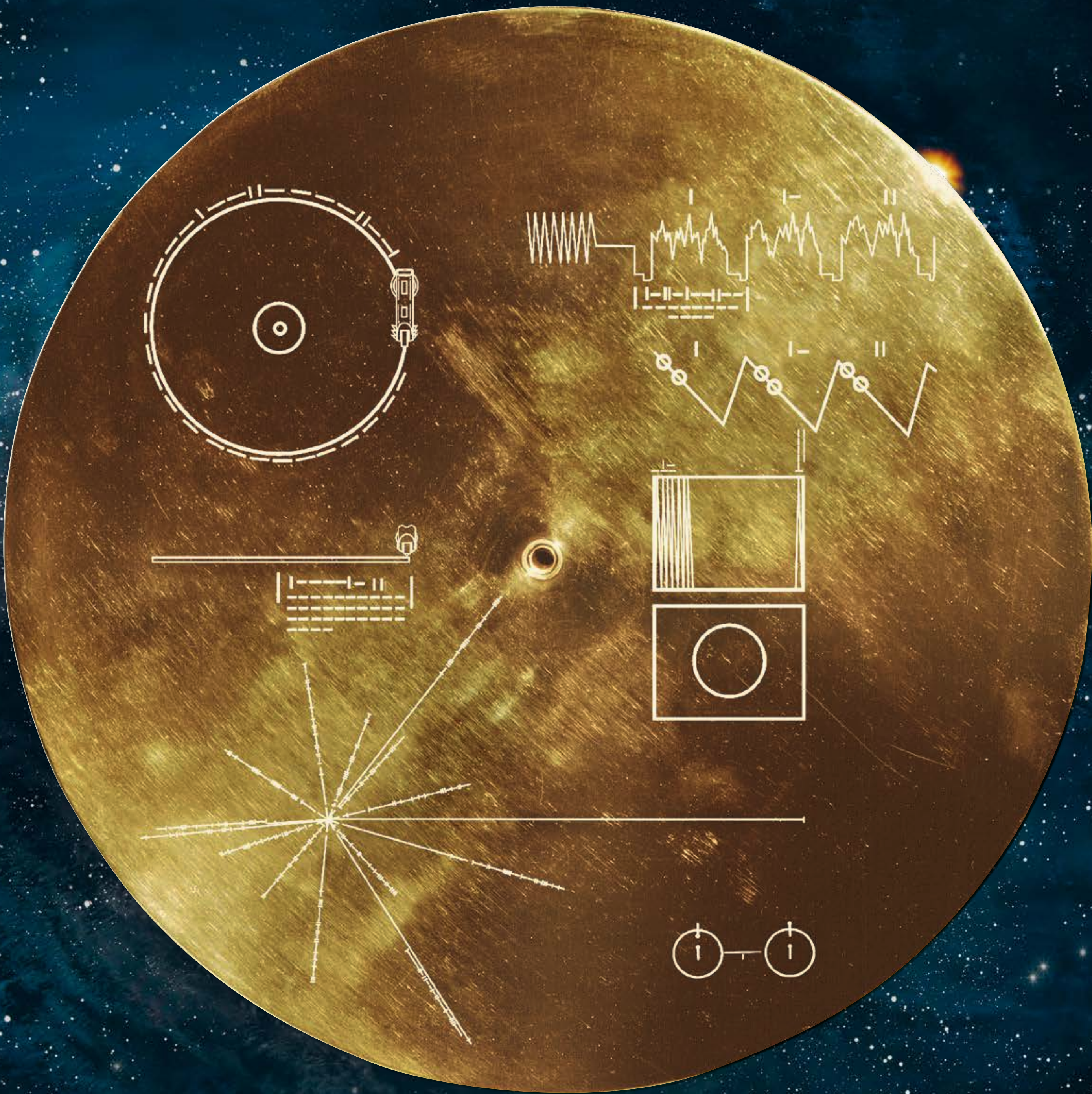
More information at NASA:
Scan in the QR code
on your smartphone to
find out more.

Rpm:
The disc plays at
16 2/3 rpm
Don't forget the stylus!

Picture:
Do you have
PAL or NTSC?

Start button:
Operate scanner.
Off you go.

Video:
Use binary code to open
image. The first thing
you see is a circle.



Playing time:
1 hour of top
entertainment!

Where to find us:
In the Milky Way.
Head for the sun and
turn sharp right.

Basic element:
Everything here is
made of hydrogen. Is
it the same with you
out there?

Management Report / Assets and Earnings Situation

The consolidated balance sheet total of the Vorwerk Group was EUR 526.0 million higher at EUR 4,158.8 million as of balance sheet date on December 31, 2014. The increase of EUR 232.0 million in the fixed assets was mainly attributable to the extension of business at akf group.

In the tangible assets category, additions of 3.6 percent represented an increase as against the previous year. Whereas additions in the area of leasing assets rose by 5.7 percent as a result of the continued favorable development of business, additions to the manufacturing locations of the Vorwerk Group were approximately at the same level as the previous year. The capital expenditure in the production plants was mainly accounted for by product changes and the launch of new models. Cash flow from investment activities was correspondingly encumbered negatively.

The investment ratio of 26.0 percent (previous year: 26.6 percent) was almost at the level of the previous year and continued to be at a high level – without the investments in the leasing assets. Overall, the fixed assets ratio was only some 2 percentage points below the level of the previous year despite a higher balance sheet total.

The overall positive development of business at the Vorwerk Group was reflected in an increase in current assets of 15.5 percent and relates to all the significant items.

Inventory assets increased significantly by EUR 47.0 million. On the one hand stocks of production materials were extended in the light of the high customer demand for the TM5; on the other hand this rise was due to logistics difficulties at an external storage provider. Besides this, the takeover of the stocks at the former Norddeutsche Teppichfabrik GmbH had an impact on the level of stocks at year-end. Despite the high increase in inventory levels, the frequency of stock rotation was slightly above the level of the previous year.

The decrease of 1.1 percent in the trade receivables was the result of the discontinuation of finance promotion deals in the previous year and the dissatisfactory economic situation at JAFRA Mexico and the corresponding decline in business. The value adjustments ratio increased slightly by almost 2 percentage points as against the previous year.

The expansion in the installment loan, investment credit and forfeiting business at akf group led to a correspondingly distinct rise of EUR 138.4 million in the level of receivables from customers in the banking and leasing business. In this area, the value adjustments ratio declined marginally.

The increase in the level of other assets was mainly due to down payments rendered and remaining purchase price receivables.

The ratio of current assets to total assets of 44.3 percent is approximately at the level of the previous year.

The cash ratio – defined as the cash resources available at short notice against current liabilities – amounted to 47.0 percent in the year under review (previous year: 51.9 percent). This decline was significantly influenced by the deposit-taking operations at akf bank.

The increase of EUR 38.5 million in the prepaid expenses and deferred charges item resulted from costs associated with customer orders for the non-performed delivery of the new Thermomix TM5.

The liabilities side was characterized by partners' equity of EUR 1,574.5 million. This also expresses the partners' equity capital ratio of 37.9 percent (previous year: 39.8 percent). The slight decline was the result of the higher balance sheet total due to of the extension of business at akf group. Given an assumed consolidation of akf group at equity, the partners' equity capital ratio would be only slightly lower than previous year at 65.0 percent (previous year: 65.7 percent). The equity to fixed assets ratio amounted to 71.2 percent and was thereby slightly lower than the previous year (72.9 percent).

Accruals increased by 6.7 percent. In particular, the further reduced level of interest rate led to another increase in the provisions for pensions and similar obligations. The rise in other accruals mainly concerned higher provisions for personnel obligations and was associated with the very good development of business in the Thermomix Division. The provisions for warranties were also above the level of the previous year, partly due to a voluntary extension of the warranty obligation period for some of the TM31 appliances supplied.

Similar to the rise on the assets side, the increase in the liabilities of EUR 387.0 million was mainly due to further growth in business at akf group.

Liabilities to banks were almost entirely attributable to akf group. Liabilities from the deposit-taking business exclusively concern akf group. They increased by EUR 294.7 million in the year under review due to the successful development of this segment and were used to refinance the expansion of business across the entire Vorwerk Group.

Trade payables increased primarily on account of the higher business volume in the high-ticket segment and the rise in inventory levels associated with this.

The degree of indebtedness increased by 14.0 percentage points to 161.2 percent as against the previous year, primarily on account of the extension of the deposit-taking activities at akf group. Given an assumed consolidation of akf group at equity, the degree of indebtedness would amount to 53.8 percent (previous year: 52.2 percent).

The deferred income item included, for example, 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 2,793.4 (gross incl. VAT) million in the 2014 business year, an increase of 5.8 percent. The return on sales was slightly higher despite one-off costs associated with product launches. The growth in revenue was due to the launch of new products – especially the TM5 – as well as to the increase in the numbers of advisers in the main markets for high-ticket items.

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

The increase in the level of other operating income was mainly attributable to the sale of participations by Vorwerk Direct Selling Ventures.

In comparison to the previous year, the cost of materials increased by 24.8 percent and thereby to a higher degree than the rise in sales (without revenue at akf group). This was mainly caused by higher production costs for the newly launched products.

The costs of loan and leasing transactions increased slightly, primarily due to the higher book values of the leasing assets. Moreover, expenditure increased on account of the extension of the deposit-taking business despite the declining interest rate levels.

Besides the general increase in wages and salaries, the increase in personnel expenses was mainly due to the higher revenue achieved from the launch of new products in the high-ticket segments. The number of staff and employed advisers in this area increased by 8.6 percent.

Depreciation increased by 5.8 percent as a consequence of the renewed high level of investment in the year under review, which concerned the extension of capacities at the production locations as well as rental assets at akf group.

The successful development of business also resulted in an increase in the other operating expenses item. In particular, the expenses for commission payments made in the direct sales area (high-ticket items) as well as the other sales costs increased proportionately to the increase in sales revenue. Besides this, one-off costs associated with the launch of the new Thermomix needed to be considered. Additionally, expenses for warranty work increased due to the voluntary extension of the warranty period. For the reasons mentioned above, the other operating expense item was 5.8 percent higher than the previous year.

The EUR 2.0 million lower financial result was mainly attributable to increased interest and similar expenditures resulting from a higher discounting of accruals on account of the continually falling interest rate level. Due to the reclassification of fund units from current assets into fixed assets as of December 31, 2013, the income in an amount of EUR 17.4 million from the fund units in the year under review has been shown for the first time under the item “Income from other long-term securities and other loans/ financial assets”. In the previous year, the corresponding income in an amount of EUR 16.3 million was reported under the item “Other interest and similar income”.

The operating result and the development of earnings varied across the divisions. Whereas earnings in the Thermomix Division were below expectations due mainly to some one-off effects from the product launch of the TM5, earnings in the Kobold Division were well ahead of expectations. The earnings situation at Lux Asia Pacific continued to be dissatisfactory with an operating loss being reported.

Management Report / Financial Situation and Development of Financial Assets

The market development in 2014 was mainly characterized by very heterogeneous trends in the levels of economic activity in Europe, America and Asia. In addition, there was great uncertainty stemming from the impact of geopolitical crises. Global economic growth in 2014 also reflected greatly differing developments: whereas the USA could justify its role as the growth driver and its labor market, in particular, could be sustainably stabilized, the dynamism of economic growth in the member countries of the single European currency zone continued to lose momentum and deteriorated continually throughout the course of the year. This repeatedly led to uncertainties on the markets.

Contrary to the previous year, the strategic alignment of the financial assets focused on increasing the investments in shares in “developed markets” (also in local currency) and investments in “absolute return products”. In contrast, the portfolio of interest-bearing products was further reduced. Overall, the very diverse portfolio achieved another positive result in the business year just closed. The level of hidden reserves was increased further.

As in recent years, Vorwerk (without akf group) funded itself solely from operating 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 the operating business if need be. In the year just closed, liquidity at the Vorwerk Group again developed favorably.

As in previous years, akf group refinanced its lending operations mainly with matching maturities using the interbank market, a revolving asset-backed commercial paper (ABCP) program and a similarly open-ended ABS bond. The securitization programs had been taken up to an extent of EUR 596.8 million as of balance sheet date, leaving a free line of EUR 49.1 million.

The deposit-taking operations continued to develop successfully in the year under review. From a total volume of EUR 1,006 million (previous year: EUR 711 million), fixed-term deposits accounted for EUR 556 million and overnight money for EUR 450 million.

Liabilities of akf group to banks amounted to EUR 363.6 million as of balance sheet date compared with EUR 345.3 million in the previous year.

The parameters pursuant to the Liquidity Directive (LiqV) were satisfied in the maturity band 1 with 3.3 percent as of December 31, 2014. The lowest figure in the business year 2014 was 2.4 percent.

akf bank can always cover its short-term liquidity needs from third-party banks and by taking up credit lines made available by the German Central Bank within the scope of open market transactions.

One-upmanship!

Even buildings make a statement. A pretty direct, even blunt, one, in fact. In this case, it's all about who has the longest and biggest … skyscraper, of course. The race for the title of "tallest building in the world" was once run by the Bank of Manhattan and the Chrysler Building. The Bank of Manhattan was leading until Walter Percy Chrysler brought out his secret weapon, a 56-meter spire that was hoisted into place on top of the crown at the last minute. Impressive!

Management Report / Risk Management System, Opportunities and Risks

Handling the opportunities and risks of probable 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 as well as the steering and control of risks. The overall performance as well as the opportunities and risks associated with current business are discussed in 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 within the scope of 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.

RISK ASSESSMENT MATRIX

Possible financial impact	Very low 1–5 %	Low > 5–20 %	Medium > 20–50 %	High > 50 %
Significant > EUR 30 million		Business environment and industry risks		
Moderate > EUR 20–30 million	Legal Risks	Production & supply chain Financial risks		
Insignificant EUR 1–20 million		Risks from pension obligations		

Occurance probability

Within the scope of business activities, some risks with a low occurrence probability and with no significant effect on the earnings and financial situation 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 and taxation planning dependability. The risks from pension obligations are mainly interest rate risks, which have been considered in the planning to the greatest possible extent and would only have minimal impact on the earnings outlook.

Some smaller risks emerge from the 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 incoming revenue and correspondingly also on the earnings and liquidity situation. Engineering addresses these risks with more stringent controls, targeted investments in preventive measures and the successive establishment of back-up solutions.

The risk of losing strategically important suppliers is counteracted by Vorwerk with a sustainable supplier management approach. In this respect, Vorwerk maintains long-term strategic partnerships with its most significant suppliers to stabilize purchase prices and also to obtain competitive conditions for 2015.

The individual divisions operate in markets that are characterized by ever-changing customer requirements and by the possible entry of competitors. To meet the needs of customers in these areas and to differentiate ourselves from potential competitors, new products and services are continually being developed, existing products and services improved and investments made 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 which may not always produce the desired results. Sales 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 are also taken into consideration and hedged as far as possible. The risk from investments and foreign currencies is expressed in terms of the “value at risk” (VaR). This value was EUR 27.2 million for investment management and EUR 2.2 million (without akf group) 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 to reduce the risks resulting from an unbalanced dependency on individual products and on the development of single subsidiaries. The target is to reduce any impact on sales revenues and earnings.

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 exposure and the financial risks thus resulting. The objective of applying financial derivatives is to reduce currency and price risks.

A critical examination of the risk portfolio allows the conclusion that there were no risks that might have jeopardized the existence of the company in the year just closed and that based on current knowledge, such are not identifiable for the 2015 business year.

The opportunities and risks as well as the risk management system installed at akf group are represented below. Since akf bank is closely tied to its sister companies and subsidiaries, both in terms of staffing as well as organization, the bank's risks indicated below also include the risks of akf leasing and akf servicelease.

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

The assumption of risks is an inherent component and significant performance factor for the banking sector. The professional management of these risks allows an appropriate balance of opportunities and risks. A restrictive approval policy combined with a good economic situation meant that in 2014 the institute was able to keep the costs for risks below the level of the previous year.

akf group satisfies the high demands on the management of these risks by permanently further developing its systems. They help in identifying, measuring, controlling and steering expected and unexpected risks. The functional separation defined in the clear organizational structure ensures regulatory compliance and the effectiveness of the risk management process.

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

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

Market price risks are understood as being potential losses from adverse changes to market prices or price-influencing parameters. The relevant market risks are subdivided according to influencing factors into interest rate change risks and currency risks – the latter not being regarded as significant.

Since the akf group is a non-trading book institute, there are no market price risks from shares, foreign exchange and precious metals or from the corresponding derivatives.

The interest rate change 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 adapted at any time to modified market interest rates are subject to such risk. The period for the fixed term interest rate and the number of transactions linked to this interest rate are decisive for the level of risk.

Stress tests are carried out for the default and market price risks on the basis of hypothetical and historical scenarios.

The liquidity risk refers to the risk that present or future payment obligations cannot be met on time or in their entirety. Refinancing of akf bank is effected through loans from third-party banks or through the revolving sale of credit and hire purchase receivables within the scope of an ABCP program. Moreover, akf bank refinances itself through the open-ended sale of credit and hire purchase receivables, as well as leasing receivables purchased from akf leasing within the framework of the KMU ABS bond. Besides this, the deposit-taking activities serve as the most significant refinancing instrument. The main purpose is to have a more or less congruent refinancing of the lending business. The liquidity risks are subject to quarterly stress tests.

Like any other company, akf group 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. Moreover, external events (e. g. fraud) are also relevant.

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

To reduce the risk of fraud, a working group is involved in dealing with fraud cases that arise on the customer-side so as to prevent any continuation or reoccurrence. A fraud indicator report system is designed to help in identifying possible cases of fraud at an early point in time. In principle, there are early-warning systems in place for the general prevention of operational risks. They determine how information that may point to the incidence of a fraud risk can be relayed bank-internally and the measures that are to be initiated. In this respect, every department in the process chain relating to the automotive vendor business and mobile assets is involved.

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

The entire risk management process at akf group, including the methods used and responsibilities, is documented in the risk manual and checked regularly by internal auditing.

From today's point of view, there are no risks that could prejudice the continuation of business at the entire Vorwerk Group. The high equity capital ratio in recent years and the worldwide strategic positioning 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 implications resulting from region, industry or product-specific impairments.

Management Report / Outlook and Supplementary 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 identified at an early point in time and utilized to further develop the company.

Assuming a stable economic situation, the entire Vorwerk Group is expected to report higher revenue in its most important markets in 2015, an increase that will be similar to the one recorded in the year under review. This rise will basically come from all the divisions, but particularly from the Thermomix Division. In this respect, we assume that the number of advisers working for us is going to increase and that there will be a simultaneous enhancement in productivity and activity. The volume of new business at akf group is planned to be approximately at the level of the year under review. The outlook for the individual divisions has been represented in detail in the respective chapters of the Management Report.

The operating result for the year will be affected by high levels of depreciation on capital expenditures, but will still be significantly above that achieved in the year under review.

There have currently been no events of any material significance that have occurred after the 2014 balance sheet date.

Breaking News!

Criminals have been using a secret sign language for centuries. In fact, their shorthand was even one of the first forms of texting. Burglars use a set of lines to leave wall messages for their fellow thieves, letting them know whether a house is worth robbing – or better given a wide berth. An **X** means there's nothing worth taking here. **N** – only at night. An arrow through a circle: Beat it!

Draw a zigzag line on your door to fend off visitors. And to find out what it means, put your hand on the picture on the left.

Consolidated Financial Statements 2014

Consolidated Balance Sheet

As at December 31, 2014

Assets	12/31/2014 € 000	12/31/2013 € 000
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property and similar rights and assets, and licences in such rights and assets	17,141	12,358
2. Goodwill	218,870	228,281
3. Prepayments	491	449
	236,502	**241,088**
II. Tangible assets		
1. Land, similar rights and buildings including buildings on leasehold land	74,443	70,074
2. Technical equipment and machinery	75,018	56,062
3. Other equipment, factory and office equipment	54,583	40,086
4. Rental assets	604,990	557,043
5. Prepayments and construction in process	20,503	30,115
	829,537	**753,380**
III. Financial assets		
1. Shares in affiliated companies	25,806	27,831
2. Loans to affiliated companies	8,339	–
3. Participations in associated companies	20	20
4. Other participations	22,239	25,935
5. Loans to companies in which the company has a participating interest	154	99
6. Long-term securities	1,048,400	897,701
7. Other loans and other financial assets	42,072	35,050
	1,147,030	**986,636**
Fixed assets	**2,213,069**	**1,981,104**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	50,039	40,305
2. Work in progress	14,338	9,338
3. Finished goods and merchandise	134,783	103,433
4. Prepayments	1,272	326
	200,432	**153,402**
II. Receivables and other assets		
1. Trade receivables;	429,799	434,721
of which with a remaining term of more than 1 year	(281)	(486)
2. Receivables from customers from banking and leasing business;	871,534	733,086
of which with a remaining term of more than 1 year	(502,672)	(393,546)
3. Receivables from affiliated companies	16,678	6,458
4. Receivables from companies in which the company has a participating interest	572	342
5. Other assets;	72,815	68,438
of which with a remaining term of more than 1 year	(958)	(1,240)
	1,391,398	**1,243,045**
III. Other securities	**12,293**	**27,910**
IV. Cheques, cash on hand, bank balances	**236,652**	**169,059**
Current assets	**1,840,775**	**1,593,416**
C. Prepaid expenses and deferred charges	**68,280**	**29,765**
D. Deferred tax assets	**36,659**	**28,527**
	4,158,783	**3,632,812**

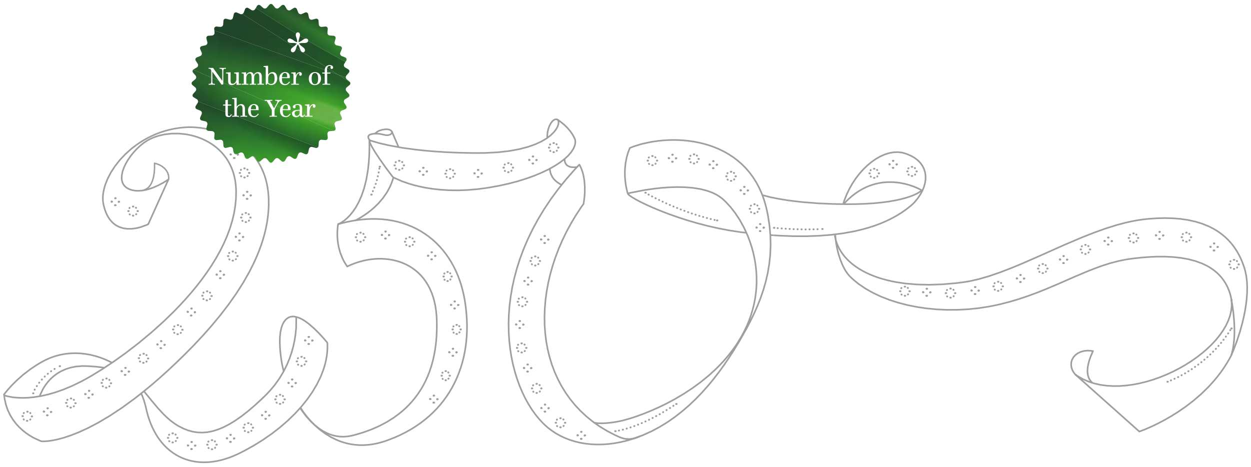
As at December 31, 2014

Equity and Liabilities	12/31/2014 € 000	12/31/2013 € 000
A. Partners' equity		
1. Capital shares, reserves, capital contributions of silent partners, net profit share of parent company, currency conversion difference	1,577,024	1,445,574
2. Compensating item for minority interests		
in capital and reserves	-1,491	-642
in profits	-988	-390
	-2,479	**-1,032**
	1,574,545	**1,444,542**
B. Accruals		
1. Accruals for pensions and similar obligations	148,721	141,976
2. Tax accruals	39,082	38,099
3. Other accruals	215,344	197,651
	403,147	**377,726**
C. Liabilities		
1. Bank loans and overdrafts	373,449	350,861
2. Liabilities from the deposit-taking business	1,035,226	735,282
3. Customer advances	21,265	15,929
4. Trade payables	368,754	354,747
5. Drafts and notes payable	4	9
6. Liabilities to affiliated companies	319	–
7. Liabilities to associates	1,622	1,659
8. Other liabilities;	334,865	290,019
of which taxes	(36,429)	(29,808)
of which social security payables	(17,891)	(14,107)
	2,135,504	**1,748,506**
D. Deferred income	**45,587**	**62,038**
	4,158,783	**3,632,812**
Contingent liabilities		
1. Bills of exchange	–	30
2. Secondary liability for pension obligations transferred to the provident fund	14,424	12,632
3. Contingent liabilities for sureties	13,747	38

Consolidated Profit and Loss Account

For the period January 1 to December 31, 2014

	2014	2013
	€ 000	€ 000
1. Sales		
a) External sales (gross)	2,388,688	2,239,279
b) Income from loan and leasing transactions (gross)	404,723	399,869
	2,793,411	2,639,148
less sales tax	416,984	390,890
	2,376,427	2,248,258
2. Change in finished goods and work in progress inventories	34,716	9,377
3. Other own work capitalized	1,100	649
	2,412,243	2,258,284
4. Other operating income;	116,968	72,894
of which income from currency translation	(4,156)	(8,447)
5. Cost of materials		
a) Cost of raw materials, supplies and merchandise	397,453	319,392
b) Cost of purchased services	18,933	14,316
	416,386	333,708
6. Cost of loan and leasing transactions	139,258	136,731
	1,973,567	1,860,739
7. Personnel expenses:		
a) Wages and salaries	369,497	340,945
b) Social security,		
pension and other benefits;	84,696	77,998
of which relating to pensions	(13,118)	(12,869)
	454,193	418,943
8. Amortization and depreciation of fixed intangible and tangible assets	205,250	194,002
9. Income from participating interest	1,449	1,110
10. Income from other long-term securities and other loans/financial assets	19,850	582
11. Other interest and similar income	15,749	35,164
12. Write-down of long-term financial assets and current securities	–	106
13. Interest and similar expenses;	19,136	17,201
of which expenditure from accrued interest on provisions	(8,927)	(7,408)
14. Collective heading;	1,332,036	1,267,343
of which expenditure from currency translation	(9,087)	(15,481)
Other items not shown separately		
(other operating expenses, taxes, net profit for the year)		



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Two hundred and fifty years, that's how long the Mittelsten Scheid family has been in business – 110 of them with Vorwerk. Today, the eighth generation represents the family on the Supervisory Board of Vorwerk & Co. It all began in 1764 when Johann Peter Mittelsten Scheid opened a lace and ribbons shop. The rest is history – and a success story, too.

Movements in Fixed Assets

From January 1 to December 31, 2014

	Gross values					
	As at 1/1/2014	Currency translation differences	Additions	Disposals	Transfers	As at 12/31/2014
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. Intangible assets						
1. Purchased concessions, industrial property and similar rights and assets, and licences in such rights and assets	52,872	476	8,321	526	891	62,034
2. Goodwill	335,336	–	2,198	–	–	337,534
3. Prepayments	496	12	331	165	-101	573
	388,704	**488**	**10,850**	**691**	**790**	**400,141**
II. Tangible assets						
1. Land, similar rights and buildings, including buildings on leasehold land	144,423	1,977	5,155	1,256	2,181	152,480
2. Technical equipment and machinery	248,943	890	24,552	17,314	11,887	268,958
3. Other equipment, factory and office equipment	135,584	1,343	22,059	7,852	7,111	158,245
4. Rental assets	874,199	-88	291,627	244,533	7,491	928,696
5. Prepayments and construction in process	30,115	240	28,887	9,279	-29,460	20,503
	1,433,264	**4,362**	**372,280**	**280,234**	**-790**	**1,528,882**
III. Financial assets						
1. Shares in affiliated companies	27,831	–	18,729	20,754	–	25,806
2. Loans to affiliated companies	–	–	8,339	–	–	8,339
3. Participations in associated companies	20	–	–	–	–	20
4. Other participations	25,950	–	23,327	27,023	–	22,254
5. Loans to companies in which the company has a participating interest	99	–	125	70	–	154
6. Long-term securities	897,770	–	228,991	78,341	–	1,048,420
7. Other loans and other financial assets	35,050	–	7,445	423	–	42,072
	986,720	**–**	**286,956**	**126,611**	**–**	**1,147,065**
	2,808,688	**4,850**	**670,086**	**407,536**	**–**	**3,076,088**

Accumulated depreciation/amortization					Net values	
As at 1/1/2014	Currency translation differences	Additions	Disposals	As at 12/31/2014	As at 12/31/2014	As at 12/31/2013
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
40,514	432	4,326	379	44,893	17,141	12,358
107,055	–	11,609	–	118,664	218,870	228,281
47	5	30	–	82	491	449
147,616	**437**	**15,965**	**379**	**163,639**	**236,502**	**241,088**
74,349	638	4,069	1,019	78,037	74,443	70,074
192,881	500	16,944	16,385	193,940	75,018	56,062
95,498	1,098	14,227	7,161	103,662	54,583	40,086
317,156	-3	154,045	147,492	323,706	604,990	557,043
–	–	–	–	–	20,503	30,115
679,884	**2,233**	**189,285**	**172,057**	**699,345**	**829,537**	**753,380**
–	–	–	–	–	25,806	27,831
–	–	–	–	–	8,339	–
–	–	–	–	–	20	20
15	–	–	–	15	22,239	25,935
–	–	–	–	–	154	99
69	–	–	49	20	1,048,400	897,701
–	–	–	–	–	42,072	35,050
84	**–**	**–**	**49**	**35**	**1,147,030**	**986,636**
827,584	**2,670**	**205,250**	**172,485**	**863,019**	**2,213,069**	**1,981,104**

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 has prepared worldwide consolidated financial statements and a group management report for financial year 2014 in accordance with the requirements of the German Publication and Disclosure Law (Publizitätsgesetz, PublG) and the German Commercial Code (Handelsgesetzbuch, HGB), in conjunction with the German bank and financial services accounting directive (Verordnung über die Rechnungslegung und Finanzdienstleistungsinstitute, RechKredV).

For a more transparent presentation, the publication of the information pursuant to § 313 (2) HGB, which is an integral component of these consolidated 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, facial and body care products, bank and leasing as well as carpeting.

Vorwerk UK Ltd., Sunningdale, UK, a company acquired in 2013 and not contained in the consolidated financial statements in the previous year pursuant to Section 296 (2) HGB, was incorporated into the consolidated financial statements for the first time by way of full consolidation, as was a company that was newly formed during the reporting period. One company has withdrawn from the scope of consolidation following the sale of all interests, while two companies were liquidated. These changes to the companies included in the consolidated financial statements are collectively and individually insignificant. The consolidated financial statements therefore remain comparable with those for the prior year.

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

Eight (previous year: nine) companies were not included in the consolidated financial statements due to immateriality pursuant to Section 296 (2) HGB. The balance sheet total and sales of the companies not included in the consolidated group collectively and individually account for less than two percent of the consolidated balance sheet total and consolidated 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 Sections 290 et seq., 266 and 275 HGB.

For disclosure and for the preparation of the annual report, the equity in the consolidated balance sheet is shown as a total, while the taxes and net profit reported in the consolidated income statement have been included with other operating expenses under the compound item "Other items not shown separately" (Section 5 (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. Valuation principles of the akf group have been adopted without change pursuant to Section 308 (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 Section 308 (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 five 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 values of individual assets fall below the corresponding carrying amounts of the assets, additional impairments are recognized if the reduction in value is expected to be permanent.

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

The development of fixed assets is presented in the consolidated fixed asset movement schedule.

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, 2014.

Foreign currency transactions are recognized with the historical rate at the time of initial recognition. Receivables, other assets, 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 Section 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 Section 253 (5) HGB.

Provisions are recognized at the settlement amount dictated by prudent business judgment.

Provisions for pensions and similar obligations also allow for surviving dependents' benefits, in addition to payments arising from individual and collective programs. Calculations are based on actuarial calculations using the 2005G mortality tables from Prof. Dr. Heubeck according to the projected unit credit method by applying the market interest rate published by the German Bundesbank for the previous seven years. Based on current interest rate trends, at the end of October an explicit forecast of the actuarial interest rate was conducted over a three-month period for all remaining term durations in order to evaluate the company's pension obligations. This produced an interest rate of 4.55 percent as of December 31, 2014 for the 15-year remaining term. The calculation was based on expected pension increases of 1.80 percent (previous year: 1.80 percent) and an annual fluctuation depending on service and age essentially ranging between 1.00 percent and 5.00 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 the growth in creditable income, which is 4.00 percent or 3.50 percent. Term-specific interest rates of 2.80 percent to 3.07 percent 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 provisions are calculated in such a way as to account for the recognizable risks and contingent liabilities. Allowance is made for future price and cost increases where there are sufficient objective indications of them arising.

Liabilities 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, where applicable, 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 on 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 2014. The resulting translation difference between the net income converted at the average rate and the rate on the balance sheet date of EUR 0.4 million has been included without affecting net income within the consolidated shareholders' equity after the reserves in the line item "Equity difference from currency translation". The translation differences resulting from exchange rate fluctuations have led to a EUR 37.7 million increase in the line item "Equity difference from currency translation" without affecting net income.

V. Balance Sheet Date and Consolidation Principles

The subsidiaries included in the consolidated financial statements all have December 31 as their balance sheet date, with the exception of one subsidiary that has a balance sheet of March 31. The company with a different balance sheet date prepares interim financial statements. Another company has changed its balance sheet date to December 31 by filing a short financial year. 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 Section 253 (3) HGB, the goodwill of the JAFRA group is amortized on a straight-line basis 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 company's goodwill. The remaining capitalized differences from initial consolidations prior to 2010 have been stated separately under equity. 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 Vorwerk UK Ltd. was capitalized as goodwill. Scheduled amortization is performed over five years.

Minority interests in the equity capital and reserves and in the results of the incorporated subsidiaries have been shown under the "Adjustment item for minority interests" item.

2. Debt Consolidation

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

3. Consolidation of Income and Expenses

The consolidation of income and expenses contained in the items shown in the consolidated income statement comply with Section 305 HGB. Intercompany sales and the corresponding expenses as well as other intercompany income and expenses in the income statements 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 option to recognize an excess of deferred tax assets over deferred tax liabilities pursuant to Section 274 (1) Sentence 2 in conjunction with Section 300 (2) Sentence 2 HGB has been exercized in the consolidated financial statements. Deferred tax assets and liabilities are netted against each another when the necessary prerequisites are met. For the purposes of the consolidated financial statements, an aggregated figure is reported for the items pursuant to Section 274 HGB (Section 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 an interest in a subsidiary or in associated companies and the commercial valuation of the net assets reported in the consolidated financial statements.

As of December 31, 2014 the net balance of future tax burden/relief calculated on the basis of the different approaches applied for 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 carryforwards. When calculating taxes for consolidation entries affecting profits pursuant to Section 306 HGB, a uniform Group-wide average tax rate of 30 percent has been generally applied to debt consolidation and the 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 35 percent.

VI. Other statutory disclosures pursuant to Section 314 HGB and explanatory notes to various items in the consolidated balance sheet and consolidated profit and loss account

1. Receivables

Of the receivables from affiliated companies in the amount of EUR 16.7 million (previous year: EUR 6.5 million), EUR 16.6 million (previous year: EUR 6.3 million) apply to financial transactions and EUR 0.1 million (previous year: EUR 0.2 million) to other assets.

2. Liabilities

Remaining Terms for Liabilities (RTL)	12/31/2014			12/31/2013		
in € 000	RTL < 1 Y	RTL > 5 Y	Total	RTL < 1 Y	RTL > 5 Y	Total
Bank loans and overdrafts	211,105	–	373,449	215,851	–	350,861
Liabilities from the deposit-taking business	693,135	2,866	1,035,226	569,709	3,873	735,282
Customer advances	21,255	–	21,265	15,929	–	15,929
Trade payables	368,592	155	368,754	354,747	–	354,747
Drafts and notes payable	4	–	4	9	–	9
Liabilities to affiliated companies	319	–	319	–	–	–
Liabilities to associates	1,622	–	1,622	1,659	–	1,659
Other liabilities	331,528	2,341	334,865	286,659	2,445	290,019
Liabilities	**1,627,560**	**5,362**	**2,135,504**	**1,444,563**	**6,318**	**1,748,506**

Trade payables include akf group liabilities to a special-purpose company of EUR 270.6 million (previous year: EUR 270.6 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 Liquiditäts-Konsortialbank GmbH, Frankfurt am Main of up to EUR 0.4 million, can more or less be excluded since the provident fund and the aforementioned bank are highly likely to be able to meet their long-term obligations from their own cash assets.

The risk of recourse from guarantees to third parties is considered to be low, as this mainly involves the collateralization of a capital loan for an unconsolidated affiliated company that is highly likely to be able to continue to meet its obligations in the future. There are also further security interests for the creditor.

Other Financial Commitments

Commitments arising from rental, tenancy and lease contracts as of the balance sheet date amounted to EUR 47.2 million for the following years, of which EUR 17.8 million falls due in 2015. Purchase commitments for investments amount to EUR 24.1 million (previous year: EUR 6.9 million). There are long-term obligations arising from contracts with suppliers in the amount of EUR 14.6 million as of the balance sheet date.

akf bank has irrevocable loan commitments totalling EUR 104.2 million (previous year: EUR 84.2 million).

akf bank has a binding letter of comfort to the general public arising from an equity participation.

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 49.1 million.

4. Profit and Loss Account

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

Breakdown by Region	2014 EUR m	2013 EUR m
Germany	961.4	899.4
Europe	1,304.2	1,204.8
North and South America	402.5	431.7
Rest of world	125.3	103.2
Total	**2,793.4**	**2,639.1**

Breakdown by Division	2014 EUR m	2013 EUR m
Thermomix	920.5	800.1
Kobold	898.4	857.3
JAFRA Cosmetics	427.5	460.9
Lux Asia Pacific	27.9	29.5
akf group	404.6	399.9
Vorwerk flooring	88.1	68.8
Others	26.4	22.6
Total	**2,793.4**	**2,639.1**

Other Operating Income

Other operating income includes prior-period income from the reversal of provisions and write-downs to receivables in the amount of EUR 31.7 million.

Earnings from other securities and other loans/financial assets

Due to the reclassification of fund shares from the assessment fund into fixed assets as of December 31, 2013, earnings of EUR 17.4 million from these fund interests are reported during the reporting year in the item “Earnings from other securities and other loans/financial assets”. In the previous year, the corresponding earnings of EUR 16.3 million were reported under the “Other interest and similar income” item.

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 operational 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 (excluding the akf group) that are not included in valuation units are reported as follows:

Derivative Financial Instruments under Section 285 No. 19 HGB

(excluding valuation units)

			Fair value as of December 31, 2014	
in € 000	Nominal value	Net carrying value	positive	negative
Currency futures				
Open transactions	61,301	–	1,599	–
Closed transactions	49,529	1,658	3,029	-1,371
Commodity swaps	1,579	-67	–	-67

The closed currency futures are even transactions for which the profits or losses of the corresponding currency futures are realised at the time of evening-up. The overall profits (losses) arising from the transactions for the closed item are carried under other assets in the amount of EUR 1.9 million (other liabilities of EUR 0.2 million).

Provisions for impending losses of EUR 0.1 million have been recognized to cover specific derivatives that 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 on 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.

The Vorwerk Group (excluding the akf group) has the following valuation unit: A lease transaction gives rise to future payment obligations of EUR 1.6 million, for which financial instruments with a nominal volume of EUR 1.6 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 0.1 million (hedged risk).

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 Section 254 HGB.

As of the balance sheet date, akf bank had a total of 18 interest rate swaps with four banks to a total nominal volume of EUR 913.3 million, one currency swap with a nominal volume of EUR 0.4 million, 1 cap with a nominal volume of EUR 100.0 million and 1,974 future contracts with a nominal volume of EUR 197.4 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 7.3 million. The total fair values for these derivative financial instruments were calculated using the mark-to-market method and total EUR -5.8 million on the balance sheet date.

Micro and portfolio valuation units have been formed to even out changes in value in the opposite direction, pursuant to Section 254 HGB, in order to hedge the resulting risks. 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 changes in value of the underlying transactions and the hedging instruments are not balanced by applying the net hedge presentation method. The effectiveness of the valuation units is largely determined by means of an appropriate, functioning and documented risk management system. In addition, the akf group uses sensitivity analyses that are used to establish the effectiveness of the micro valuation units.

The book value of the total assets hedged with valuation units is EUR 291.7 million on the balance sheet date, while the book value of the hedged liabilities is EUR 698.1 million.

At akf leasing, assets denominated in foreign currency of EUR 6.7 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 two interest rate swaps with a total nominal volume of EUR 15.0 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 7.4 million (interest rate risks: EUR 7.4 million, currency risks: EUR 0.0 million).

The financial instruments applied to hedge against interest and currency risks, which are grouped into valuation units, have residual maturity terms of one to ten years.

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 euros 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	754,118	836,551	82,433

Vorwerk received a gross dividend of KEUR 16,092 (EUR 2.29 per unit) for the fund's financial year (December 1, 2013 to November 30, 2014).

The fund's units could be redeemed on any stock exchange trading day in the year. No special fund units were sold during the financial year.

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

7. Other Disclosures

In the year under review, auditing fees amounted to KEUR 832, the fees for tax advisory services came to KEUR 20 and fees for other services totalled KEUR 1,077.

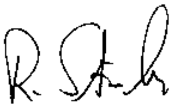
Average Annual Number of Personnel

	2014	2013
Employees*	12,771	12,536
Advisers in Direct Sales	591,156	609,721
Thermomix	34,417	30,330
Kobold	9,900	9,552
JAFRA Cosmetics	546,580	569,693
Lux Asia Pacific	259	146

* Including employed sales advisers

Management of the parent company Vorwerk & Co. KG is in the hands of the following personally-liable partners: Reiner Strecker, Wuppertal, Frank van Oers, Veldhoven, Netherlands, and Walter Muyres, Mönchengladbach (until December 31, 2014).

Wuppertal, April 13, 2015



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, 2014. 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 13, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lutz Granderath
Auditor

Heike Böhle
Auditor

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iStock – pdtnc, page 39;
Sonia Roy, page 45;
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Imprint

Publication: Vorwerk & Co. KG,
Mühlenweg 17 – 37, 42270 Wuppertal
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Editorial staff: Michael Weber (responsibility),
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Corporate Communications of the Vorwerk Group
Concept, Design and Imagetext: OrangeLab, Düsseldorf

Text: Vorwerk & Co. KG, Wuppertal
Pre-press: Die Qualitaner GmbH, Düsseldorf
Translation: Alan Hall, Wuppertal,
Lynda Matschke, Hamburg
Production: Druckhaus Ley + Wiegandt, Wuppertal

Our annual report is published in German and English with a total circulation of 7,700 copies.

Print CO2 compensated Id-No. 1546450 www.bvdm-online.de

FSC www.fsc.org MIX Paper from responsible sources FSC® C017553

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