Vorwerk Annual Report 2015

Kommt zusammen / Come together / Rassemblons-nous / 聚会 / Unitevi / Juntémonos / Присоединяйтесь / Kom saam /

From everywhere ...

VORWERK

Report on the 132nd business year

Editorial

We humans are social creatures. We like to gather in all kinds of groups – from small clubs and online communities to large organizations. In those groups, we share with each other the things we love – the craziest hobbies, interests and passions.

Vorwerk is also a group – one with a million fans and followers worldwide. It's a vast community of people, who get together, chat, help each other and enjoy themselves in live demonstrations, forums and on social networks.

That's why communities are the topic of the 2015 Vorwerk Annual Report. See for yourself the kinds of interests people all around the globe love to share with each other – be it the art of bringing time to a standstill or making the memorizing of numbers as easy as pi(e).

Come together / *From everywhere ...*

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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)
Rainer Christian Genes (Managing Partner since August 1, 2015)

SUPERVISORY BOARD

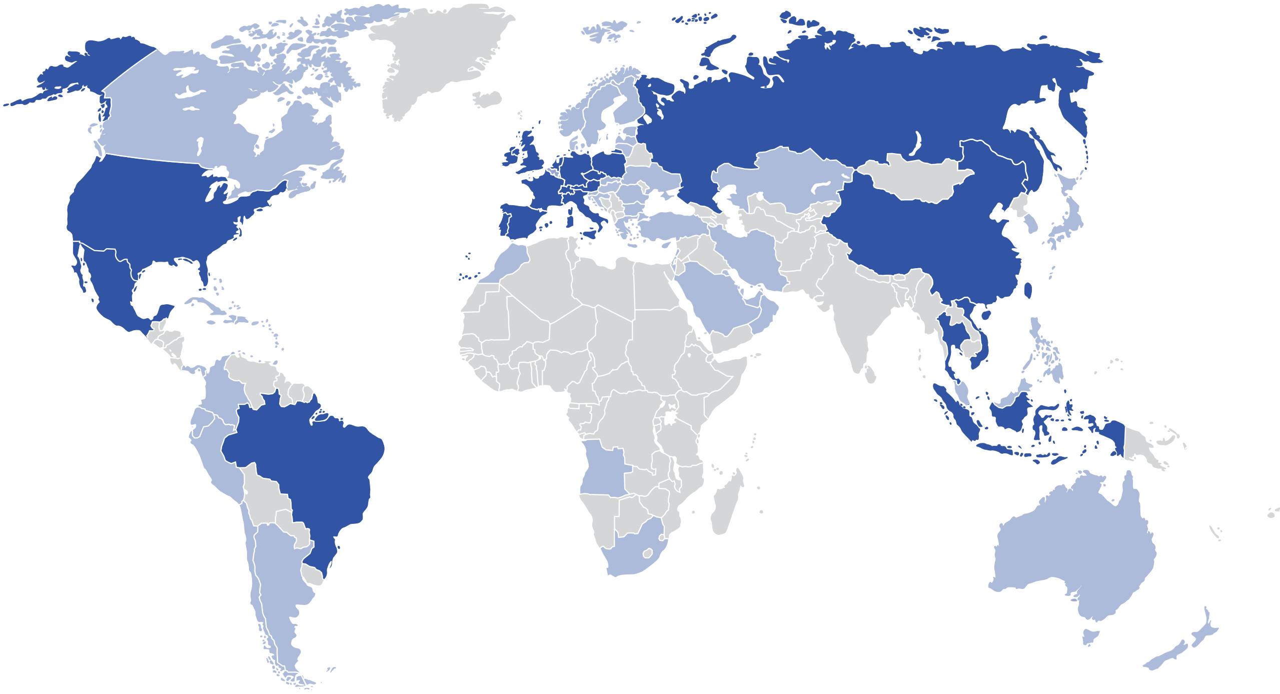
Dr. Jörg Mittelsten Scheid, Wuppertal/Germany (Honorary Chairman)
Rainer Baule, Überlingen/Germany (Chairman)
Prof. Dr. Ing. Pius Baschera, Zurich/Switzerland (Vice Chairman)
Dr. Axel Epe, Düsseldorf/Germany (2nd Vice Chairman)
Dipl.-Ing. Rainer Christian Genes, Istanbul/Turkey (until July 31, 2015)
Dr. Rainer Hillebrand, Hamburg/Germany (since January 1, 2016)
Verena Klüser, Munich/Germany
Dr. Timm Mittelsten Scheid, Munich/Germany
Sabine Schmidt, Waltrop/Germany

KEY FIGURES OF THE VORWERK GROUP

in million EUR	2012	2013	2014	**2015**
Group sales (incl. sales tax)*	2,494	2,639	2,793	**3,461**
New business, akf group	687	865	925	**1,073**
Balance sheet total	3,379	3,633	4,159	**4,509**
Partners' equity	1,329	1,445	1,575	**1,747**
Partners' equity in % (akf group at equity)	64	66	65	**64**
Partners' equity in % (akf group fully consolidated)	39	40	38	**39**
Financial assets	209	987	1,147	**1,298**
Other fixed assets	918	994	1,066	**1,196**
Current assets	2,195	1,593	1,841	**1,936**
Cash and cash equivalents**	884	929	1,003	**1,113**
Capital expenditure***	281	364	383	**483**
Depreciation***	192	194	205	**225**
Personnel costs	396	419	454	**517**
Number of employees	12,342	12,536	12,771	**12,612**
Self-employed advisors	610,516	609,721	591,156	**612,884**

* 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, Indonesia, Ireland, Italy, Mexico, Netherlands, Poland, Portugal, Russia, Singapore, Spain, Switzerland, Taiwan, Thailand, United Kingdom of Great Britain and Northern Ireland, United States of America, Vietnam

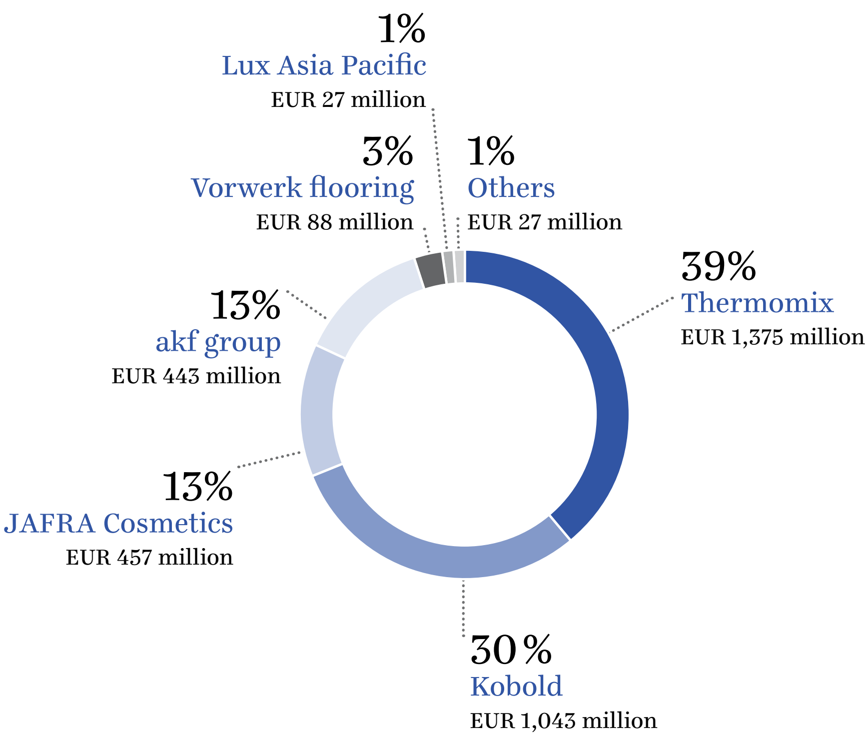
DISTRIBUTORS

Angola, Argentina, Australia, 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, Malaysia, Morocco, New Zealand, Norway, Oman, Panama, Peru, Philippines, Qatar, Romania, Saudi Arabia, Slovakia, Slovenia, South Africa, South Korea, Sweden, Turkey, Ukraine, United Arab Emirates

THE VORWERK GROUP COMPRISED THE FOLLOWING BUSINESS SEGMENTS IN 2015:

Direct Sales, Thermomix / Direct Sales, Kobold / Direct Sales, JAFRA Cosmetics / Direct Sales, Lux Asia Pacific / Direct Sales, Twercs (since July 1, 2015) / Vorwerk Engineering / akf group / Vorwerk flooring

VORWERK GROUP / SALES BY DIVISION 2015



The Crowd

People Power!

“I want to open a ham museum. Do you happen to have 220,000 dollars for me?” or “I have such beautiful blue eyes. For a mere 15,000 dollars, I will turn my gaze on you.”

People really do seriously make such propositions and everyone has the chance to help finance them by contributing a small amount – crowd-funding. Behind this idea is the largest of all groups: the crowd, or to put it another way, all Internet users. In the end, the required sum could perhaps come together.

Every little bit helps.


H
B

Management Report / General Section on Business Development

The Vorwerk Group is again reflecting on a very good business year in the 132nd year of the company's history. The total sales achieved by the Group increased distinctly by 23.9 percent to EUR 3.5 billion (incl. VAT).

Also in terms of the overall business volume – which includes the new business transacted at akf group in an amount of EUR 1.1 billion – a remarkable increase could be recorded. The business volume of EUR 4.1 billion reported represents a pleasing 23.4 percent increase when compared with the previous year.

The operating annual earnings were – as anticipated in the Outlook Report 2014 – significantly above the previous year despite high depreciation on investments and were thereby at a satisfying level. Revenue also developed in line with the high expectations.

The Vorwerk Group was operational in a total of seven divisions at the close of 2015: 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. Since July 2015, Vorwerk has been in the market for high-quality power tools with the new business unit Twercs.

The core business of the Group – the direct sale of high-quality products – again proved to be the growth driver with sales of EUR 2.9 billion. The increase in revenue in this segment was 27.6 percent. Outside the direct sales operations, akf group was able to grow revenue and new business volume distinctly. Vorwerk flooring almost reached the revenue recorded in the previous year.

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 advisor) and the activity – in other words the proportion of active sales advisors in relation to the total number. To enable a better understanding of the development of the company, percentage changes to the previous year will be described in this report with the following adjectives:

negligible/minor (1-2 percent), moderate/slight (3-5 percent), substantial/sizeable (6-10 percent), considerable/notable (11-15 percent), distinct/clear (16-24 percent), significant (more than 25 percent).

Vorwerk has a presence in a total of 71 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 2015. The share of sales generated outside Germany reached 64.1 percent. This proportion was even higher in the direct sales segment and amounted to 74.9 percent.

The partners' equity capital ratio at the Vorwerk Group amounted to 38.7 percent when 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 64.3 percent. Cash and cash equivalents are mainly invested in special funds and other short-term realizable assets and totaled EUR 1,113 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 also ensures great entrepreneurial scope for the future and allows targeted investments.

The Vorwerk Group opened a completely new business unit, Twercs, on July 1, 2015. It concerns a unique charger case that houses four power tools in a high-grade Vorwerk design: Twercs glue gun, Twercs jigsaw, Twercs drill driver and Twercs stapler. Twercs positions itself in the premium sector of the tool industry for end consumers with this product. The market for cordless electrical tools has developed positively in recent years and Vorwerk therefore sees great potential for the future. The strategy envisages offering a wide range of creative materials with guidance instructions in addition to the high quality product as well as establishing a dedicated Twercs community. Besides sales in the company-own Twercs online shop and in the Vorwerk stores, the direct selling operation with its nearness to customers constitutes the most important sales channel.

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 – since August 1, 2015 – Rainer Christian Genes. 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.

SUMMARY OF THE DEVELOPMENT OF THE INDIVIDUAL DIVISIONS

Thermomix again proved to be the Division with the most dynamic organic growth. The notable growth in revenue from the previous year could be increased yet again: With a rise of 49.4 percent, Thermomix achieved a revenue volume of EUR 1.4 billion.

The Kobold Division also increased revenue distinctly with a plus of 16.1 percent to EUR 1.0 billion and thereby confirmed the positive development of recent years.

JAFRA Cosmetics likewise reported a total revenue figure (EUR 457 million) that was substantially above the level of the previous year, a plus of 6.9 percent.

Vorwerk flooring was able to hold its own against the negative market trend in the segment of textile floor coverings with revenue remaining at the level of the previous year at EUR 88 million.

akf group was able to clearly grow revenue and new business and reported a record new business volume of EUR 1.1 billion (a plus of 16.0 percent). Revenue increased substantially by 9.6 percent to EUR 443 million.

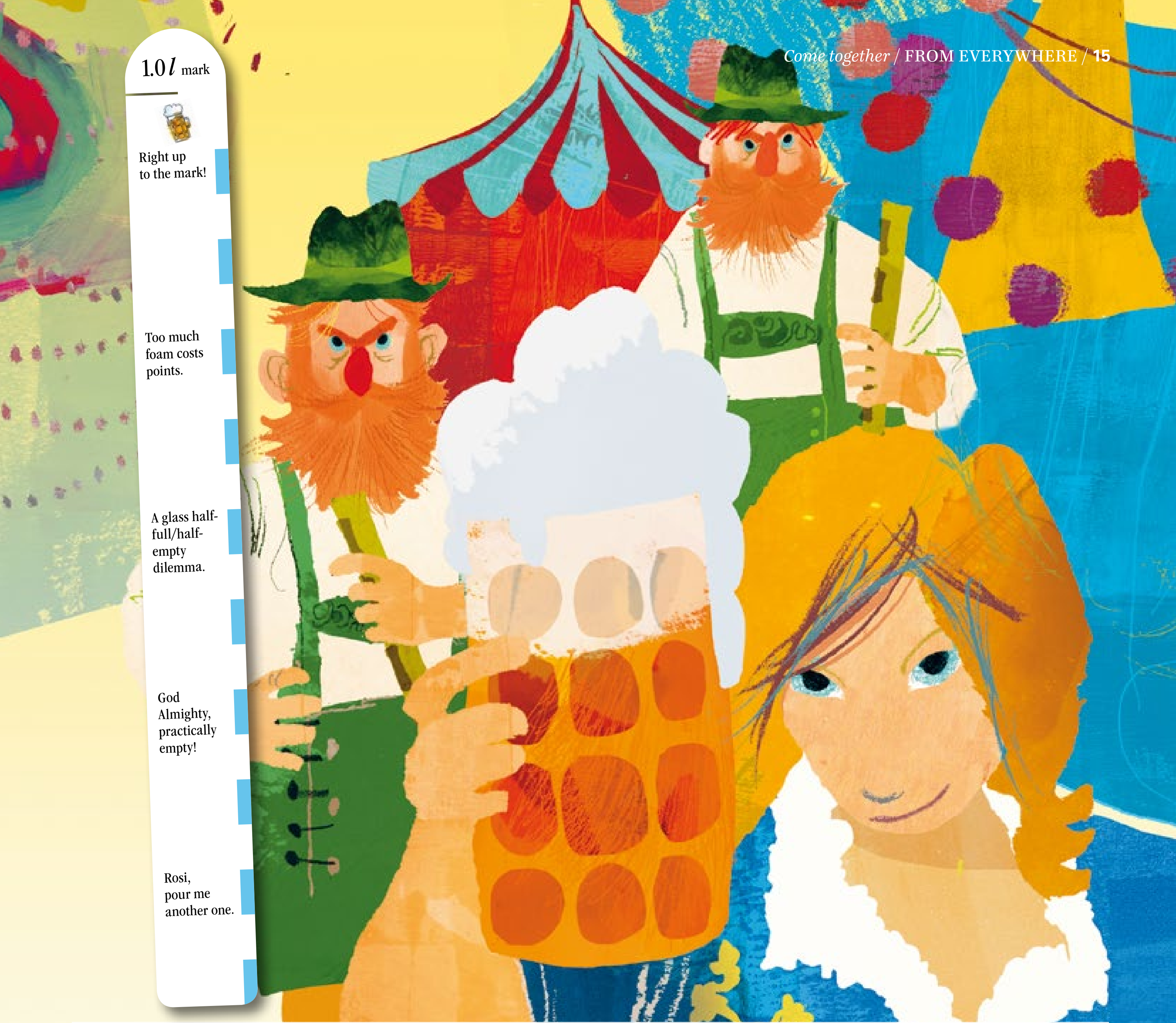
THANKS TO THE STAFF

More than 600,000 people worldwide have established their own professional careers with our products, as self-employed advisors in the direct sales companies. Moreover, Vorwerk is the employer of more than 12,000 permanent staff in the production locations as well as in the administrations of the individual divisions and subsidiaries. The profile of the 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)	2012	2013	2014	**2015**
Direct sales	1,994.5	2,147.8	2,274.3	**2,902.4**
Thermomix	683.9	800.1	920.5	**1,375.0**
Kobold	809.7	857.3	898.4	**1,043.4**
JAFRA Cosmetics	465.8	460.9	427.5	**457.0**
Lux Asia Pacific	35.1	29.5	27.9	**27.0**
akf group	408.1	399.9	404.6	**443.4**
Vorwerk flooring	74.2	68.8	88.1	**87.5**
Others	17.3	22.6	26.4	**27.2**
Group sales	2,494.1	2,639.1	2,793.4	**3,460.5**



Association against Fraudulent Servings

Up to the Mark!

“What the hell!” mutters a very disgruntled Alois. He’s in a beer tent at the “Oktoberfest” in Munich and has just paid 10 Euros for a glass full of foam. This is clearly a case for the “Verein gegen betrügerisches Einschenken”. Woe betide any “innkeepers” here not filling their glasses right up to the calibration mark – they’ll find there’s real trouble brewing for them! After all, when the revelers chant, “One, two, three, and down the hatch!” nothing but a full liter in their traditional Mass tankards will do.

Management Report / Direct Sales, Thermomix

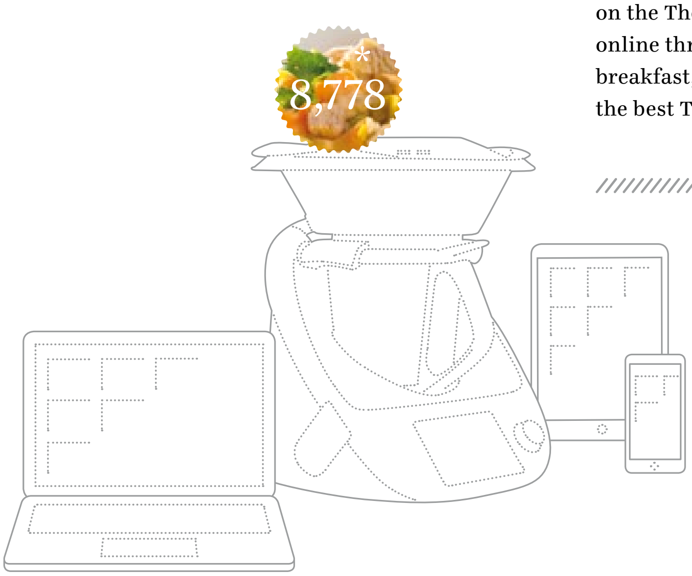
/ JUMP IN SALES OF ALMOST 50 PERCENT
/ MARKED INCREASE IN NUMBER OF ADVISORS

The Thermomix TM5 makes cooking even easier with its innovative recipe chips, touch screen and Guided Cooking function and sets new standards. The Thermomix can be used intuitively. One bowl, one knife, twelve functions – and thousands of delicious cooking and baking ideas with the success-guaranteed feature: The Thermomix cannot only stir, mix, blend and chop, it can also cook, steam, weigh, grind, knead, whisk, emulsify and heat in a controlled manner; and all this without any need to adapt or modify anything, a real multi-talent. The recipe chips are the digital cookbooks for the new Thermomix. Once they have been held against the appliance, all the recipes on the chip will be shown on the display of the Thermomix TM5. This development by the engineers in Wuppertal envisages a pre-set time and temperature mode for each step.

The Thermomix Division is reflecting on a most successful business year. A significant increase of 49.4 percent meant that the Division achieved total sales of EUR 1.4 billion. Revenue and operating result developed in line with expectations.

* ALL RECIPES IN ONE PLACE

With a touchscreen display, recipe chips and the innovative Guided Cooking function, the Thermomix TM5 brings the digital world to the kitchen. With temperature and speed presets for every step, your recipes will turn out perfect every time. Over 8,000 Guided Cooking recipes designed to work perfectly on the Thermomix TM5 are now available to more than 1 million customers online through the official Thermomix Recipe Platform. Whether it's a healthy breakfast, a romantic dinner for two or simply inspiration for daily cooking, the best Thermomix recipe is only a few clicks away.



The Thermomix Division is operational in a total of 13 countries in Europe, Asia and North America with its own subsidiaries and additionally has numerous distributors.

All subsidiaries recorded an increase in the year under review. The strongest sales were again recorded in Germany; with a growth of 90.6 percent and revenue almost doubling to EUR 429 million.

France can also look back on a very good year with growth of 53.0 percent and revenue of EUR 295 million. The sales companies in Spain and Italy also achieved double-digit percentage rises: Vorwerk Contempora, the Italian sales company, reported revenue of EUR 266 million with an increase of 36.7 percent; the Spanish company grew to EUR 178 million, a rise of 16.9 percent.

Yet all other subsidiaries in the Division also contributed to the overall success with a minimum double-digit percentage increase in sales. Poland could again confirm the good developments recorded in the previous years and grew by 29.9 percent to report revenue of EUR 54 million. The Portuguese sales organization likewise recorded a clear increase with revenue of EUR 49 million (plus 18.4 percent).

The sales companies in Taiwan, Great Britain, Czech Republic, Mexico, Austria and China could likewise distinctly grow revenue levels. Moreover, the export business – i.e. the sale of Thermomix TM5 through so-called distributors in smaller markets – achieved record sales of EUR 54 million with an increase of 17.6 percent.

The reasons for this positive development in recent years are quite diverse. More and more people throughout the world are attaching importance to healthy and balanced nutrition. In addition, there are the services offered by Vorwerk around the Thermomix TM5: the personal consultation from the competent advisors as well as the digital offerings such as the Thermomix recipe platform and the Thermomix communities. At the same time, the sales model offers attractive income and career opportunities for an ever-increasing number of advisors. On average, almost 42,000 self-employed advisors were working for the Division in 2015, an increase of 21.7 percent. The average productivity rose by 1.5 percentage points. The activity of the advisors remained at the same level. Worldwide, a Thermomix was sold every 25 seconds in the year 2015.

After the exceptionally high increase in the year under review, the Division again anticipates a clearly positive increase both in sales as well as operating result for the current year of 2016.

The opening of new subsidiaries – among others in the United States – is being prepared. Moreover, the launch of an accessory for the Thermomix TM5 has been announced: The Cook-Key will enable recipes with the success-guaranteed feature to be transmitted per WLAN directly from the online recipe platform to the display of the Thermomix TM5 and then made available with the Guided Cooking function.

Management Report / Direct Sales, Kobold

/ ANOTHER DISTINCT INCREASE IN REVENUE
/ OUTSTANDING QUALITY

Innovation, quality and durability – that is what the high-grade room care and cleaning solutions from Kobold stand for. The Kobold upright vacuum cleaner and – in some markets – the Kobold canister type cleaner as well as a host of other innovative products, accessories and care agents are mainly responsible for the success of the brand. The Division is operational worldwide with a direct sales approach as well as with online shops and company-own stores in some countries.

The Division also continued to grow in 2015: With a clear increase of 16.1 percent, sales at Kobold Division reached a total volume of EUR 1.0 billion and were therefore substantially above expectations. Operating earnings were also distinctly above forecast. Although the activity of the self-employed advisors fell slightly, productivity could be noticeably increased. The number of advisors also increased substantially across all subsidiaries. An important factor continues to be the outstanding quality of the Kobold products: In the year under review, the Kobold VR200 robot vacuum cleaner was "best in class" of those tested in the category by the consumer watchdog "Stiftung Warentest" (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 number of country entities. In this respect, the company with the strongest sales once again, Vorwerk Folletto in Italy, achieved revenue of EUR 586 million. This represented a distinct increase of 16.4 percent as against the previous year.

The German sales organization was able to further continue the positive tendency from the previous years: With sales of EUR 289 million, the country entity achieved an increase of 17.4 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 advisors, an online shop as well as company-own Vorwerk stores in good inner-city locations. The number of stores in Germany has now been increased to 46 locations.

However, the company maintains its clear strategic focus on direct, advisor-driven sales. The particular benefits of Vorwerk products are still best revealed 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.

* EASY ON THE EYE, EASY ON THE ENVIRONMENT.

A trim silhouette in classy gleaming white with subtle green and silver details; the outer design of the Kobold promises high technology within. And the Kobold's suction power fulfills that promise so that the Kobold leaves nothing in its wake but radiant cleanliness and – thanks to Dovina Fragrance Chips – a room that smells pleasantly fresh. And there's more: The powerful Kobold is gentle on the environment and has an "A" rating for energy efficiency to prove it. Thanks to its innovative filter technology, the Kobold is also ideal for allergy sufferers.

Besides Italy and Germany, the somewhat smaller subsidiaries in terms of sales have also developed pleasingly. The Kobold sales organization in China was able to increase revenue by 23.0 percent to EUR 59 million, a result that was also favored by positive exchange rate effects. Vorwerk China obtained a direct selling license in the year under review and will therefore be able to further extend its business.

Vorwerk France again grew by a double-digit percentage amount and the French sales organization achieved revenue of EUR 29 million with a plus of 24.1 percent. The Kobold sales entity in Austria also contributed to growth. Revenue achieved by Vorwerk Austria amounted to EUR 29 million, a growth of 2.9 percent.

The sales companies in Spain (EUR 29 million) and the Czech Republic (EUR 10 million) were each negligibly below the level of the previous year. In contrast, the volume of sales through distributors could again be increased – the export business achieved revenue of EUR 9 million, a plus of 19.2 percent.

The Kobold Division expects sales to grow slightly in 2016 with a moderate rise in operating earnings. Besides the planned increase in the numbers of customer advisors and an improvement in their activity, product innovations across all Kobold markets will make their contribution during the course of the 2016 business year.


Sun City
P
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M
S

Sun City Poms

Hands up!

“Stretch that leg a little higher, Claire!” – “It’s all very well for you, you’re only 64.” There’s no law that says senior citizens can’t still be agile. Take the eternally young Pom Girls from Sun City, Arizona, for instance. To join this troupe of cheerleaders, a lady has to be at least 55 years old. She also needs a good sense of rhythm – and must hold a Recreation Centers of Sun City card.

How else do these gals keep themselves in shape in their leisure time? You don’t want to know!

Management Report / Direct Sales, JAFRA Cosmetics

/ REVENUE INCREASE IN MEXICO AND THE USA
/ INVESTMENTS IN DIGITAL INFRASTRUCTURE AND SALES

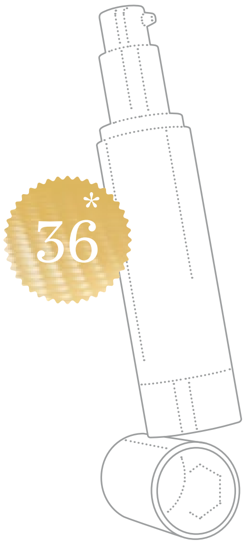
JAFRA Cosmetics, with its headquarters in the USA (Westlake Village/California), operates in a total of ten countries with its own subsidiaries and in another seven through distributors. The largest market by far is Mexico with more than 475,000 self-employed consultants. Other main sales areas are the homeland of JAFRA Cosmetics, the USA, as well as Brazil, parts of Europe and Indonesia. JAFRA Cosmetics produces and sells high quality cosmetics and can look back on 60 years of experience in direct selling.

The range of products at JAFRA Cosmetics comprises skin and body care, decorative 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. The package design of the color cosmetics range was revised and modernized in the year under review and a number of new products have been launched. They include the "Royal Jelly Ritual" skin care series as well as three fragrances in the "Blend" collection which allows customers to create their own individual fragrance at any time.

JAFRA Cosmetics was able to increase revenue substantially by 6.9 percent to EUR 457 million in the year under review and thereby negligibly surpassed the company's own expectations. This development was mainly driven by a slight plus in Mexico as well as a significant increase in the USA. The operating result was even substantially above forecast.

The growth in revenue in Mexico (plus 3.0 percent to EUR 339 million) is all the more remarkable when one considers the generally dissatisfactory economic situation there. Mexican consumer behavior continues to be characterized by the modified tax legislation. Mexican households therefore have less disposable income and this also has an impact on the cosmetics market. Additionally, ongoing security concerns in some parts of the country also have a detrimental effect on the cosmetics consultants.

In the second largest JAFRA market, the USA, sales revenue was running at EUR 69 million and therefore 34.1 percent above the level of the previous year – although part of this growth was due to a positive development in the rate of exchange. This upward trend had already become discernible in the second half of 2014 and it continued throughout the course of the year under review. This revenue growth can be attributed to targeted investments in new technologies and sales-promoting campaigns. The number of self-employed consultants could again be increased.



ROYALTY THAT'S WORTH THE WAIT

All great things take time and are often worth the wait. This is definitely true of JAFRA Cosmetics' revolutionary RoyalActive Peptide, the exclusive ingredient in JAFRA's new Global Longevity Balm. After 36 months of research and development in collaboration with the ingredient house Mibelle Biochemistry in Switzerland, JAFRA recreated, synthesized and concentrated nature's royalactin, the key ingredient in royal jelly. JAFRA was the first to bring the groundbreaking Royal Jelly skin care products to women's daily beauty routines. Now, 60 years later, this innovation has brought the legendary benefits of Royal Jelly products to new beauty lovers everywhere. Royalty is worth the wait after all!

JAFRA Brazil, the third-largest market, suffered a drop in revenue to EUR 14 million. That corresponds to a decline of 11.5 percent, but this was mainly due to negative exchange rate effects. The sustained level of economic growth that had characterized Brazil in previous years again weakened strongly in 2015 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 more than 200 million inhabitants continues to be in the strategic focus of the Division. On average, more than 18,600 self-employed consultants worked for JAFRA Cosmetics in Brazil in 2015.

Some of the European sales companies (Austria, the Netherlands, Switzerland and Italy) likewise suffered a decline in revenue. The German organization, however, was able to successfully set itself apart from this trend and reported an increase in sales, albeit a minor one. The overall volume achieved by the European sales organizations was running at EUR 26 million and thereby 3.1 percent below the level of the previous year.

The sales organization in Indonesia more than satisfied expectations in its second full business year and achieved sales of EUR 8 million, a more than five-fold increase as against the previous year.

JAFRA Russia improved revenue by 7.8 percent in local currency. However, when converted into euro, the collapse in the rate of exchange of the ruble really made itself felt – with a drop of 19.2 percent to EUR 1.7 million being recorded.

JAFRA Cosmetics allows predominantly women the opportunity as self-employed consultants to achieve an income that is self-determined and related to their own performance through the direct sale of high-quality cosmetics. JAFRA Cosmetics is looking forward to moderately increased sales in the current business year. The operational level of earnings will be substantially higher. JAFRA Cosmetics is going to make sizeable investments in the harmonization of its IT systems and will, as in the year under review, spend money in Mexico e.g. on advertising and media campaigns.

Management Report / Direct Sales, Lux Asia Pacific

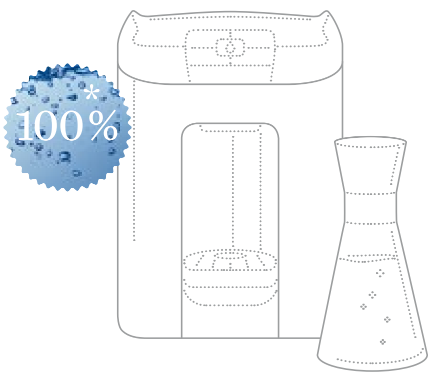
/ HEALTH AND WELL-BEING IN FOCUS
/ NEW MANAGEMENT AT THE TOP

Health and well-being are becoming increasingly important for people in the countries 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 manufacturing facilities 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 appliances, Lux Asia Pacific aims at attaining a notable position in this segment. The required adjustments are still being made in some individual markets. A new management team, installed during the second half of 2015, at the head of the Division should bring these changes to a successful conclusion.

The total sales revenue of EUR 27 million at Lux Asia Pacific was moderately below the level of the previous year and thereby slightly below expectations. The operating result was significantly below forecast. This development was due to the restructuring process that has not yet been fully concluded.



* LUX FOR HEALTHY WATER

Water is everywhere: We drink it and we swim in it. As steam, we inhale it to ease congestion when we have a cold, and as ice, it reduces swelling. Water makes up about two thirds of our body and influences 100 percent of its processes! That's why we feel better when we drink water. For more than a decade, Lux Asia Pacific has enabled people to enjoy clean water. Because our Lux Alva uses UV rays to help kill microorganisms and bacteria, it prevents illnesses and helps you live a healthier life. Lux for life!

Our little memory aid: a symbol for each figure.

Friends of the Number Pi

A Never-Ending Story

Pi is a number with a twist, an endless string of figures coming to roughly 3.141592653589793238 – more or less. But for the Austrian society Friends of the Number Pi, “Freunde der Zahl Pi”, that is way too vague. Each member is required to be able to recite by heart at least one hundred places behind the decimal point – in an esthetically appropriate manner.

But how the devil can anyone remember such a long number? By availing themselves of a trick: assigning a symbol to each figure.

Thailand, the largest market, could maintain sales at the level of the previous year and achieved EUR 13 million.

Lux Taiwan increased sales by 17.5 percent as against the previous year and reached EUR 7 million. The company has thereby displayed a consistent upward development in recent years.

Lux Indonesia experienced a year that was characterized by many changes and as a result suffered a distinct drop in revenue also in local currency. In terms of euro, the decline was more moderate – a drop of 20.1 percent to EUR 6 million.

Given the new alignment of the brand and the focus on water purification, Lux Asia Pacific will successfully conclude the realignment process under new management and is looking forward to clearly increased revenue as well as significantly improved operating earnings in the year 2016.

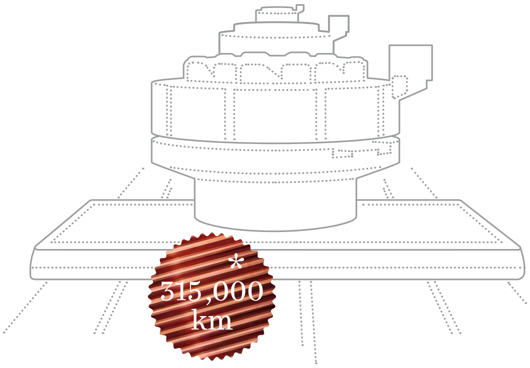
Management Report / Vorwerk Engineering

/ SUCCESSFUL YEAR FOR ENGINEERING
/ SUBSTANTIAL INVESTMENTS, NEW WORKPLACES

Vorwerk Engineering develops, manufactures and supplies its high-quality household appliances exclusively for the Thermomix, Kobold, Twercs and Lux Asia Pacific segments. Vorwerk Engineering is represented at three sites: Wuppertal (Germany), Cloyes-sur-le-Loir (France) and Shanghai (China). The largest facilities in the network are in Wuppertal. The sector, Research & Development, with more than 120 employees, is also located in Wuppertal. The Vorwerk Engineering Division develops its products in close cooperation with the sales divisions.

Since the sales volumes, particularly for Thermomix and Kobold, were clearly above the levels of the previous year and to some extent substantially over forecast, the Division can reflect on a successful 2015.

The Engineering Division has developed a number of innovative products in recent years that have successfully established themselves on the market. This is especially true of the Thermomix TM5, a product which was launched in the autumn of 2014. The appliance met with an unexpectedly high level of acceptance, something which has led to a need for expansion and immediate capital expenditure in infrastructure and machinery. Moreover, the new Twercs business unit was opened in July 2015. This unit offers a set of useful power tools that come in their own charger case.



* ASTRONOMICAL LENGTH

A motor needs copper, or rather copper wire, to conduct electricity. For the SR30 motor that drives the Thermomix TM5, Vorwerk Engineering used an amazing 315,000 kilometers of enameled copper wire in 2015. Considering that the moon is 384,000 km away from the earth, that's an astronomical length of wire. And soon, we should be equaling that distance through the universe with the corresponding length of copper wire since demand for the Thermomix remains unbroken. At the motor facility in Wuppertal, three shifts are currently keeping three SR30 production lines working at full throttle.

There was additional investment in R&D in the year under review. This mainly concerned new products which will be launched in 2016.

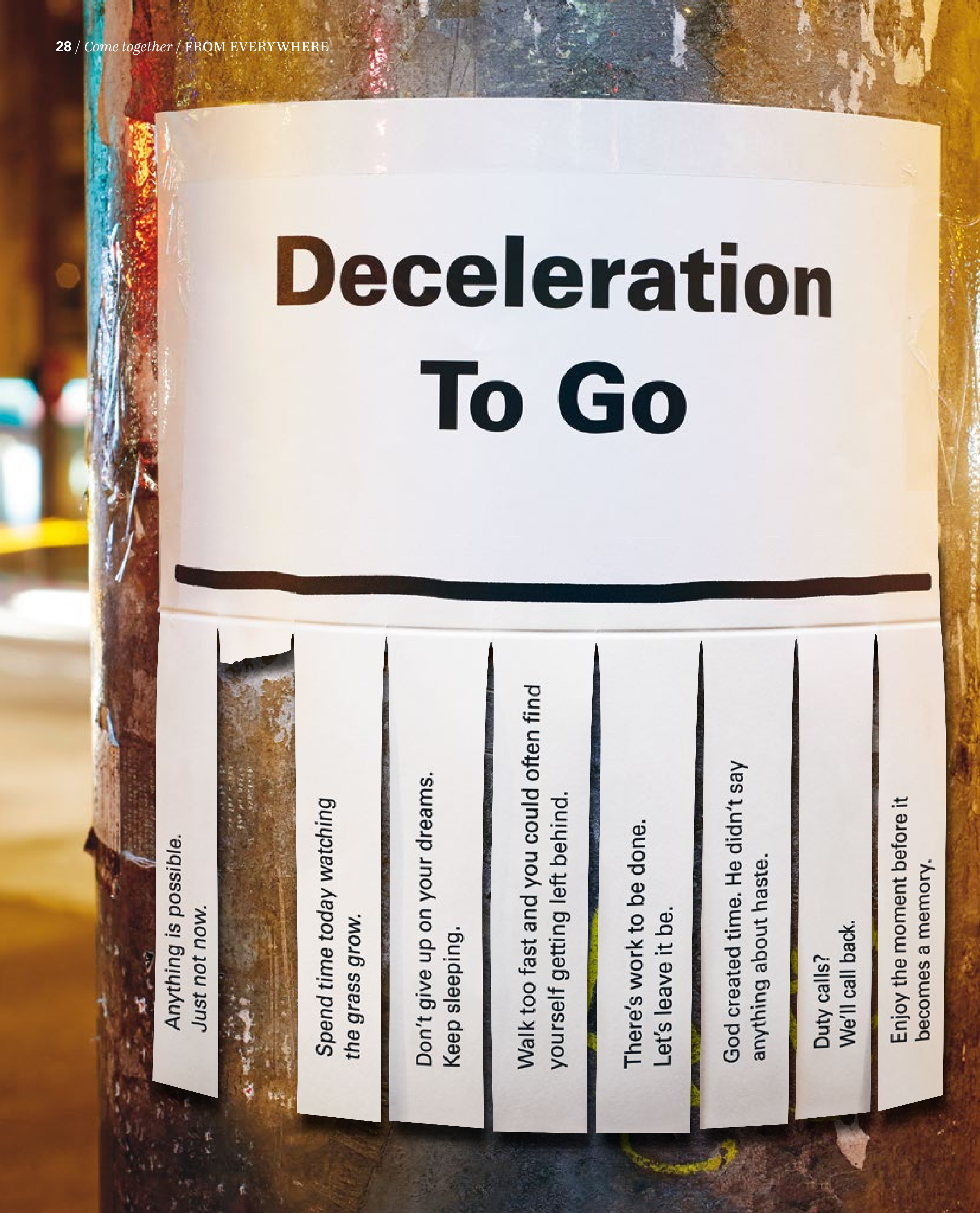
The innovative strength is clearly reflected in the number of patent registrations. Worldwide, Vorwerk registered a total of 1,447 national and international patents or patent applications in 2015.

Purchasing at the Division was partially confronted with increasing prices in significant areas in the year under review. Plastics and metals were particularly affected by this. This development was to a certain extent expected and so the price of copper e.g. could be hedged early enough. Both the securing of prices as well as the search for possible alternative suppliers contributed to the Division being able to maintain material prices at a more or less constant level (without considering any exchange rate effects). The installed risk management measures meant that Vorwerk Engineering was not affected by a single insolvency or other failures of important suppliers.

New workplaces could be created in the facilities of the Vorwerk Engineering Division. In the Wuppertal plant alone, the number of staff increased by 107 to 1,134. 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, a second assembly line for the TM5 as well as the corresponding injection moulding machines were installed in Wuppertal so as to mitigate risk. However, the most important production facility for the Thermomix continues to be at Vorwerk Semco at Cloyes-sur-le-Loir, France; three assembly lines with associated injection moulding machines are located there.

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

The Vorwerk Engineering Division anticipates considerably increased demand in the 2016 business year, analogous to the development of the sales companies. The Executive Board has approved capital expenditure in an amount of EUR 178 million for the measures described above.


Deceleration
To Go
Anything is possible.
Just not now.
Spend time today watching
the grass grow.
Don't give up on your dreams.
Keep sleeping.
Walk too fast and you could often find
yourself getting left behind.
There's work to be done.
Let's leave it be.
God created time. He didn't say
anything about haste.
Duty calls?
We'll call back.
Enjoy the moment before it
becomes a memory.

Society for the Deceleration of Time

Slow Down!

Eating on the move, texting at the wheel of a car, sending e-mails during meetings: The general restlessness of daily life really gets on the nerves of the society for the deceleration of time, or "Verein zur Verzögerung der Zeit". With activities such as the slowest hundred-meter race (latest world record: 1 hour) and calls for photo fasting (as opposed to smartphone power shooting), it appeals to us all to take time out from our busy lives to simply be.

The cap fits? Before you step into your next time trap, we warmly recommend consulting our tear-off notes – containing some valuable deceleration tips.

Management Report / akf group

/ PLEASING DEVELOPMENT IN ALL SECTORS
/ NEW BUSINESS AT RECORD LEVEL

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, akf servicelease and ERNST factoring 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 sectors of akf group developed pleasingly. The new business volume in the banking and leasing segments could be considerably increased with EUR 1.1 billion being reported, a rise of 16.0 percent as against the previous year.

Business with vehicle finance could be improved by EUR 92 million and continues to play a prominent role with a volume of EUR 523 million and a slightly higher share of total business, namely 48.7 percent.

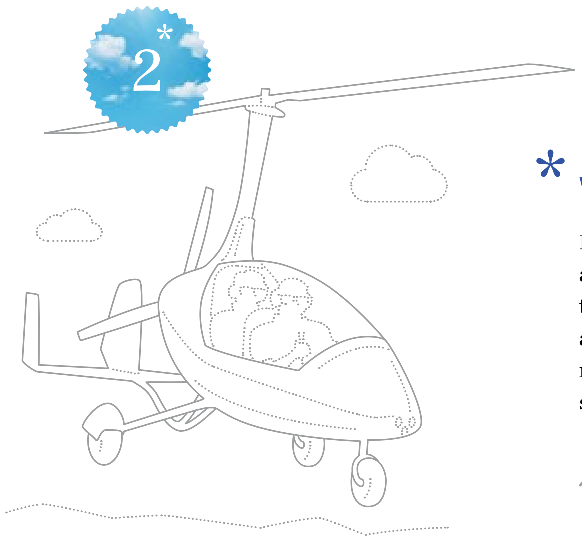
Business stemming from the financing of machinery and other equipment for the mainly small and mid-market segment amounted to EUR 331 million (previous year: EUR 310 million) and accounted for 30.9 percent (previous year: 33.5 percent) of overall business.

The funding of agricultural investments developed positively with a business volume of EUR 112 million being reported (previous year: EUR 77 million), a figure which represented 10.4 percent (previous year: 8.3 percent) of total business.

Consumer finance for vendor funding of high-quality household appliances from the Vorwerk Group remained at the level of the previous year with EUR 108 million.

In the factoring business, the volume of purchased receivables grew from EUR 228 million to EUR 465 million.

In the case of financial services, revenue is calculated on the basis of the interest and leasing income as well as other services that are paid as compensation for the relinquishment of capital or assets. Revenue at akf group increased substantially to EUR 443 million, a rise of 9.6 percent.



* WE'RE UP IN THE AIR ABOUT THIS FINANCING DEAL

Ever heard of gyrocopters? They are miniature helicopters – ultra light and agile. Barely larger than a car, they can speedily transport up to two people through the air – avoiding all traffic congestion down below. akf bank financed a new, cutting-edge processing center for the production of special, safety-relevant components for these snazzy flying objects. We've always had a soft spot for projects that reach for the sky.

The development of new business, revenue and operating earnings exceeded expectations. The interest rate margin – the gap between the lending and refinancing rates – is of decisive importance for the earnings situation of akf group. Despite a slight decrease in interest margins by 28 basis points on a year-on-year comparison, interest income could be increased by 5.6 percent. The reason for this development was the much larger than expected overall portfolio resulting from the increased level of new business.

As in previous years, the refinancing of akf group was implemented – mainly with matching maturities – through interbank transactions, a revolving ABCP programme, two open-ended ABS bonds as well as the deposit-taking arm of the business. One ABS bond went into its scheduled repayment phase in the year under review and another ABS bond with a volume of EUR 250 million was issued. The deposit-taking business developed satisfactorily in the business year just closed. In total, some 17,800 clients had entrusted deposits of EUR 979 million (previous year: EUR 1,006 million). As in previous years, business was 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 addition, the necessary market-driven interest rate cuts in 2015 were made with a time lag to the advantage of our portfolio clients. In the various comparison platforms, the bank is frequently among the frontrunners listed.

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.

In the light of a moderate increase in new business, a distinctly higher average portfolio volume is assumed for the 2016 business year. Slightly higher interest rate income is expected given an interest rate margin which will remain more or less constant, albeit still at a quite healthy level. Following the year 2015 in which a lower level of provisions was reported, akf group expects that costs for loss provisions will again decline moderately in relation to the volume of business, but believes they will still be higher in absolute terms than in the year under review. Naturally, this assessment is subject to certain risks associated with the economic situation.

Amandla EduFootball

Better than a Shootout!

Street soccer is cool! But it's even better when it gets you off the streets – the way the Amandla Football Club in Cape Town does. Amandla offers kids from the townships the chance to shoot goals instead of guns. At the same time, it teaches the children values, like team spirit and respect.

Since Amandla opened, teenage criminality has fallen by over 40 percent in the worst areas – proof of its "offside" success.

Management Report / Vorwerk flooring

/ REVENUE AT PREVIOUS YEAR'S LEVEL

/ FIVE-POINT PROGRAM ANNOUNCED

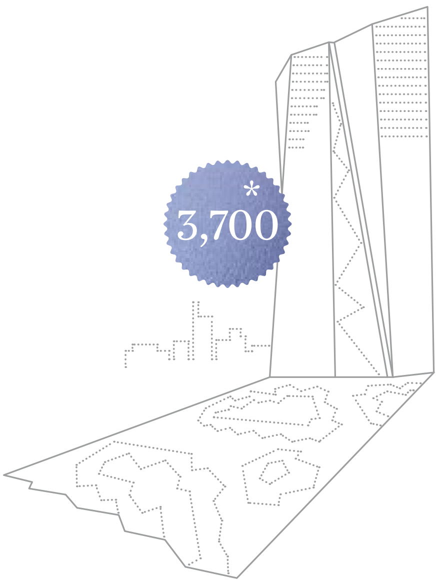
Vorwerk flooring could hold its ground against the negative trend in the textile floor coverings industry and with revenue of EUR 88 million succeeded in keeping business stable as against the previous year. Operating earnings at the Division were, however, substantially below expectations due to some special effects.

According to the Association of the German Home Textiles Industry (Verband der Deutschen Heimtextilien-Industrie), the overall market for textile floor coverings in the year under review reported a decline of around 4 percent in comparison to the previous year. Vorwerk flooring was able to enhance its market share despite the challenging situation in the industry.

The Division was again operational in the 2015 business year with a target-group oriented multi-brand strategy under the Vorwerk and Nordpfeil trademarks. In particular, the continual profiling was the focus of activities; something that was again confirmed through numerous awards.

Vorwerk flooring launched some new products in the year under review to further strengthen its position both in the contract business as well as in the trade.

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, however, it should



* VORWERK AT THE CENTER OF THE INTERNATIONAL FINANCIAL WORLD

Did you know that Vorwerk's tried and trusted FORMA carpeting covers more than 3,700 square meters of floor space in the new building of the European Central Bank in Frankfurt am Main? Many areas of the new building, which opened on March 18, 2015, have been fitted with free-form Crystal L carpet tiles from the new TEXtiles SL collection designed by the renowned architects of Coop Himmelb(l)au in Vienna – and have been giving key financial businesses a new footing ever since.

be possible to further improve the position in the market. A core element of this strategy is also the extension of business in the hard floor segment.

Vorwerk flooring will sustainably strengthen and extend its market position. To this end, a five-point program under new management has been decided upon. This envisages innovative offers e.g. new marketing concepts besides investments in the extension of the market presence. At the same time, the headquarters in Hamelin will be strengthened through substantial capital expenditure and the production facilities enhanced to be among the most innovative in the entire industry. In this respect, the factory locations at Geesthacht and Hamelin will be brought together and combined into the Hamelin headquarters. Essential products and wholesale collections formerly produced in the Geesthacht carpeting facility will be manufactured in Hamelin in the future. The plant at Geesthacht will suspend its production operations at the end of October 2016.

Vorwerk flooring is looking forward to substantial revenue growth in the 2016 business year – in spite of the realignments necessary – and to a significant improvement in operating earnings.

Management Report / Vorwerk Direct Selling Ventures

/ FUNDING OF DYNAMICALLY GROWING COMPANIES
/ EARLY ACCESS TO NEW DEVELOPMENTS

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

In principle, Vorwerk Ventures invests worldwide and at the end of 2015 had participations in 13 companies in Europe. The portfolio of the investment arm includes the entities Dinner-for-Dogs Group, Gestigon, HelloFresh, Horizn, JUNIQE, Lesara, Mädchenflohmarkt, MeinAuto, Pippa&Jean, STOWA, stylefruits, Tennis-Point and VANIDAY. The investment portfolio is managed with a view to the exit potential.

In the 2015 business year, the investment in ENJO was sold at a profit. In addition to investments as part of a wider, external financial consortia commitment in the existing portfolio, new participations in Gestigon, Horizn, JUNIQE, Lesara and VANIDAY were entered into in 2015. Vorwerk Ventures contributed positively to Group earnings in the year under review.

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 advisors, 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 as well as a positive, modern external image are fundamental elements of the HR work at the Vorwerk Group. This was again confirmed through awards in the year under review: Vorwerk was honored with the seal of quality “Excellent Training and Talent Management” in the category “Innovation” as conferred by the Deutscher Bildungspreis (German Education Prize) and for the second time was “best in class” in the “Electrical and Electronic Manufacturers” segment in the scientific study “Best Recruiters”.

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 on the worldwide “talent pool”.

The annual competency dialogues on the basis of the Vorwerk competence model are among the 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.

The regularly recurring staff survey “EAR” (Employees Are Responding) was conducted at an international level in the year under review. The findings document a high degree of overall satisfaction among staff with Vorwerk as an employer. The individual results are presented to staff and if there is any need for change, they are discussed in workshops and action plans are developed.

625,496 people, on average, worked in 2015 for the companies of the Vorwerk Group either as self-employed sales advisors or as permanent staff members. The number of permanent employed staff was 12,612; the number of self-employed sales advisors 612,884.

STAFF (ANNUAL AVERAGE)

	2012	2013	2014	**2015**
Direct sales				
Thermomix*	1,528	1,734	1,944	**2,264**
Kobold*	2,951	2,902	3,115	**3,336**
JAFRA Cosmetics	2,013	2,119	2,251	**2,103**
Lux Asia Pacific*	3,927	3,720	3,200	**2,380**
Vorwerk Engineering	1,123	1,227	1,307	**1,519**
akf group	344	362	386	**418**
Vorwerk flooring	330	328	400	**422**
Others	126	144	168	**170**
Total*	12,342	12,536	12,771	**12,612**

SELF-EMPLOYED SALES ADVISORS (ANNUAL AVERAGE)

	2012	2013	2014	**2015**
Thermomix	27,717	30,330	34,417	**41,884**
Kobold	9,116	9,552	9,900	**10,739**
Others	155	146	259	**324**
Self-employed sales advisors “household appliances”	36,988	40,028	44,576	**52,947**
Self-employed sales advisors JAFRA Cosmetics	573,528	569,693	546,580	**559,937**
Self-employed sales advisors in total	610,516	609,721	591,156	**612,884**
Total Vorwerk workforce	622,858	622,257	603,927	**625,496**
of which sales advisors*	614,919	614,638	596,014	**617,514**

* Including employed sales advisors

Mile High Club

The Height of Interpersonal Relations!

This club does not officially exist because membership involves something that's – well – very intimate. To join the Mile High Club, you have to … at a high altitude in an airplane. Best just see for yourself.

The rest is silence.

Management Report / Assets and Earnings Situation

The consolidated balance sheet total of the Vorwerk Group was EUR 350.5 million higher at EUR 4,509.3 million as of balance sheet date on December 31, 2015. The increase was mainly attributable to the increase in the fixed assets by an amount of EUR 281.2 million. akf group contributed substantially with its extension of business.

In the tangible fixed assets category, additions of 27.6 percent represented an increase as against the previous year. The clear increase in investment by the Engineering Division made itself felt here with an increase of 71.8 percent as a result of extensions to production capacities at all locations and infrastructural measures. The additions to the leasing assets rose by 15.7 percent due to another good development in the level of business. Cash flow from investment activities was correspondingly encumbered negatively.

The investment ratio of 31.1 percent was higher than the level of the previous year (previous year: 26.0 percent) and continued to be at a high level. Similarly, due to the increased balance sheet total, the fixed assets ratio was only negligibly above the level of the previous year with 0.9 percentage points.

Contrary to the fixed assets, the current assets showed only a moderate increase of 5.2 percent with varying intensities in the separate items despite the overall positive development of business.

Inventory assets increased by EUR 14.7 million, primarily due to an increase in stocks of production materials to cope with the sustained, high customer demand for the Thermomix TM5. On account of the increase in inventory levels in comparison to the previous year, the frequency of stock rotation was 8.7 percent above the level of the previous year.

The increase of 11.6 percent in the value of the trade receivables was a consequence of the success of the Thermomix and Kobold Divisions.

At the same time, the value adjustments were adapted to the payment conduct of customers. The value adjustment ratio is approximately unchanged at the same level as the previous year (minus 0.2 percentage points).

Despite the expansion in the installment loan, investment credit and forfeiting business at akf group, the level of receivables from customers in the banking and leasing sector fell by EUR 34.6 million. This development is due to the falling interest rates. In this area, the value adjustments ratio increased marginally.

The increase in the level of other assets was mainly a result of down payments rendered and tax receivables.

The ratio of current assets to total assets of 42.9 percent was negligibly below the level of the previous year.

The cash ratio – defined as the cash resources available at short notice against current liabilities – amounted to 48.9 percent in the year under review (previous year: 47.0 percent).

Towards the end of the 2014 business year, costs associated with customer orders for the Thermomix TM5 – not as of then delivered – were booked under the prepaid expenses and deferred charges item. As a result of the deliveries that were then implemented in the year under review, the prepaid expenses and deferred charges item consequently fell once again.

The liabilities side was characterized by partners' equity of EUR 1,746.6 million. This also expresses the partners' equity capital ratio of 38.7 percent (previous year: 37.9 percent). Given an assumed consolidation of akf group at equity, the partners' equity capital ratio would be only slightly lower than previous year at 64.3 percent (previous year: 65.0 percent). The equity to fixed assets ratio amounted to 70.0 percent and was thereby slightly lower than the previous year (71.2 percent).

Accruals increased by 17.4 percent. In particular, the further reduced level of interest rate led to another increase in the provisions for pensions and similar obligations. Besides higher provisions to cover tax risks, the rise in other accruals mainly concerned higher levels of reserves for warranties, made necessary by the high increase in revenue from the Thermomix Division.

Similar to the rise on the assets side, the increase in the liabilities of EUR 107.3 million was mainly due to further growth in business at akf group.

Liabilities to banks were predominantly attributable to akf group. Liabilities from the deposit-taking business exclusively concern akf group. They fell by EUR 26.2 million due to the lower interest rates in the year under review and were used to refinance the expansion of business across the entire Vorwerk Group.

Trade payables fell by EUR 52.7 million, primarily on account of the repayment of an ABS transaction by akf group. This also had an effect on the degree of indebtedness which decreased by 5.7 percentage points to 155.5 percent as against the previous year. Given an assumed consolidation of akf group at equity, the degree of indebtedness would amount to 55.5 percent (previous year: 53.8 percent).

The deferred income item included besides year-end-related income accruals, accrued net present values for the leasing receivables sold to third party banks which were subject to scheduled reversal.

Vorwerk achieved Group sales of EUR 3,460.5 (gross incl. VAT) million in the 2015 business year, an increase of 23.9 percent. The return on sales was negligibly higher. The growth in revenue was mainly due to the sustained demand for the Thermomix TM5. Additionally, the numbers of advisors in the main markets for high-ticket items could be increased.

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

In comparison to the previous year, the cost of materials (without the bank and leasing operations) increased by 27.7 percent and thereby to a higher degree than the rise in sales (without revenue at akf group). This was a direct consequence of the higher manufacturing costs for the products newly launched in the course of 2014, in particular the new Thermomix TM5.

The increase in the costs of loan and leasing transactions was primarily due to the renewed higher book values of the leasing assets. In contrast, the consistently declining interest rate levels had an impact on the investment behavior of clients, something which led to a drop in expenditure associated with the deposit-taking business.

Besides the general increase in wages and salaries, the increase in personnel expenses was particularly due to the higher revenue achieved in the high-ticket items. The number of staff and employed advisors increased by 10.7 percent in this area.

Depreciation increased by 9.4 percent as a consequence of the renewed higher level of investment in the year under review. It concerned the extension of capacities at the production locations as well as rental assets at akf group.

The continued successful development of business also resulted in an increase in the other operating expenses item. In particular, this concerned the expenses for commission payments made in the direct sales area for high-ticket items as well as the other sales costs, which increased proportionately to the increase in sales revenue. The higher revenues also resulted in an increase in the expense for warranties. For the reasons mentioned above, the other operating expense item was 21.9 percent higher than the previous year.

The EUR 4.3 million lower financial result was mainly attributable to increased interest and similar expenditures resulting from a higher discounting of accruals due to the continually falling interest rate level.

The operating result and the development of earnings were above expectations across most Divisions. However, the earnings situation at Lux Asia Pacific and Vorwerk flooring is dissatisfactory with an operative loss being reported.

Management Report / Financial Situation and Development of Financial Assets

The market development in 2015 was again very much characterized by the activities of the central banks, the commodity prices and the associated slowdown in economic development, in particular in the emerging countries. Macro-economically, one could speak of a fragile economic situation. The world economy has indeed expanded over the past five years but things are still not running smoothly. The US economy is growing consistently, but not as strongly as before the financial crisis; almost all other economies depict less dynamic growth. This only moderate level of global growth had a detrimental effect on commodity markets, something which in turn had a negative economic impact on the producing countries. Moreover, the OPEC production quotas continued to put pressure on oil prices and thereby contributed to keeping the inflation rate at a low level, particularly in developed countries.

As a result of the diverse economic development, the central banks continued to pursue different approaches to monetary policy. Whereas the U.S. Federal Reserve initiated a return to a normalization of monetary policy with the first increase in interest rates in seven years, the European Central Bank again opted for expansion.

Against the background of the dominance of the central banks and the associated enhanced liquidity prevailing in the markets, it came to abrupt value fluctuations across many asset categories and temporarily to a great increase in volatility during the course of 2015 after a long period of low volatility. The development of prices in many bond, share, commodity and currency markets was therefore sometimes quite turbulent in 2015.

In terms of its strategic asset allocation, Vorwerk has further reduced its investments in interest-bearing products and instead increased its investment ratio in real estate and included infrastructure shares as a new asset category. 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 almost exclusively from operative cash flow.

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 operational business if need be. In the year just closed, liquidity at the Vorwerk Group again developed favorably despite investment in the extension of the manufacturing capacities.

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 two similarly open-ended ABS bonds. One ABS bond went into its scheduled amortization phase and a new ABS bond was issued in the year under review. The securitization programs had been taken up to an extent of EUR 812 million as of balance sheet date, leaving a free line of EUR 30 million.

The deposit-taking operations developed relatively consistently in the year under review. From a total volume of EUR 979 million (previous year: EUR 1,006 million), fixed-term deposits accounted for EUR 598 million and overnight money for EUR 381 million.

Liabilities of akf group towards banks amounted to EUR 503 million as of balance sheet date compared with EUR 364 million in the previous year.

The parameters pursuant to the Liquidity Directive (LiqV) were satisfied in the maturity band 1 with 3.1 percent as of December 31, 2015. The lowest figure in the business year 2015 was 1.6 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.

Messenger Community

How’re Things With You?

“We really have to talk!” In messenger communities, people get together to chat and fool around a little. Scroll down to follow our little dialogue.

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 structure and assessment of the risks have not changed considerably in comparison to the previous year.

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.

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 Production & supply chain		
Moderate > EUR 20–30 million		Legal risks Financial risks		
Insignificant EUR 1–20 million		Risks from pension obligations		

Occurence probability

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.

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 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 2016.

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 29.8 million for investment management and EUR 3.9 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 minimize any impact on sales revenues and earnings. On the other hand, the continued internationalization of the Divisions as well as the development and launch of new products provide considerable opportunities for the company. In this respect, a Thermomix sales organization is being opened in the USA, for instance. And in terms of product development, further innovations are already being designed.

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 the identified 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 2016 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 and 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 2015 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 cases that arise on the customer-side so as to prevent any continuation or reoccurrence of fraud. A fraud indicator report system is designed to help in identifying possible cases 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 with modern, multi-channel components 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 2016, an increase that will be below 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 advisors 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 considerably above 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.

Based on the forecasts from the individual divisions, it can be assumed that operating earnings will be substantially above those achieved in the year under review.

There have currently been no events of any material significance that have occurred after the 2015 balance sheet date.


Magliuomini
Niftily knitted!
Italian men – knit? What was quite unthinkable not so long ago, today has a name: Magliuomini. To begin with, the community of needle-wielding ragazzi shamefacedly got together through social networks. Now they are one of the main attractions at markets and fashion fairs – and women worship them.
New men are what we need! Even if they are softies and hooked on the needle.

Consolidated Financial Statements 2015

Consolidated Balance Sheet

As at December 31, 2015

Assets	12/31/2015 € 000	12/31/2014 € 000
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property and similar rights and assets, and licences in such rights and assets	14,811	17,141
2. Goodwill	208,753	218,870
3. Prepayments	978	491
	224,542	**236,502**
II. Tangible assets		
1. Land, similar rights and buildings including buildings on leasehold land	91,400	74,443
2. Technical equipment and machinery	107,090	75,018
3. Other equipment, factory and office equipment	55,582	54,583
4. Rental assets	681,621	604,990
5. Prepayments and construction in process	36,021	20,503
	971,714	**829,537**
III. Financial assets		
1. Shares in affiliated companies	21,102	25,806
2. Loans to affiliated companies	21,913	8,339
3. Participations in associated companies	20	20
4. Other participations	30,479	22,239
5. Loans to companies in which the company has a participating interest	700	154
6. Long-term securities	1,181,292	1,048,400
7. Other loans and other financial assets	42,509	42,072
	1,298,015	**1,147,030**
Fixed assets	**2,494,271**	**2,213,069**
B. Current assets		
I. Inventories		
1. Raw materials and supplies	62,049	50,039
2. Work in progress	13,643	14,338
3. Finished goods and merchandise	139,395	134,783
4. Prepayments	72	1,272
	215,159	**200,432**
II. Receivables and other assets		
1. Trade receivables;	479,789	429,799
of which with a remaining term of more than 1 year	(17)	(281)
2. Receivables from customers from banking and leasing business;	836,941	871,534
of which with a remaining term of more than 1 year	(510,519)	(502,672)
3. Receivables from affiliated companies	2,107	16,678
4. Receivables from companies in which the company has a participating interest	793	572
5. Other assets;	104,768	72,815
of which with a remaining term of more than 1 year	(5,621)	(958)
	1,424,398	**1,391,398**
III. Other securities	**16,546**	**12,293**
IV. Cheques, cash on hand, bank balances	**280,352**	**236,652**
Current assets	**1,936,455**	**1,840,775**
C. Prepaid expenses and deferred charges	**41,465**	**68,280**
D. Deferred tax assets	**37,082**	**36,659**
	4,509,273	**4,158,783**

As at December 31, 2015

Equity and Liabilities

	12/31/2015	12/31/2014
	€ 000	€ 000
A. Partners' equity		
1. Capital shares, reserves, capital contributions of silent partners, net profit share of parent company, currency conversion difference	1,746,311	1,577,024
2. Compensating item for minority interests		
in capital and reserves	5	-1,491
in profits	292	-988
	297	**-2,479**
	1,746,608	**1,574,545**
B. Accruals		
1. Accruals for pensions and similar obligations	156,848	148,721
2. Tax accruals	62,190	39,082
3. Other accruals	254,143	215,344
	473,181	**403,147**
C. Liabilities		
1. Bank loans and overdrafts	532,238	373,449
2. Liabilities from the deposit-taking business	1,009,021	1,035,226
3. Customer advances	12,744	21,265
4. Trade payables	316,011	368,754
5. Drafts and notes payable	5	4
6. Liabilities to affiliated companies	210	319
7. Liabilities to associates	–	1,622
8. Other liabilities;	372,622	334,865
of which taxes	(56,151)	(36,429)
of which social security payables	(20,389)	(17,891)
	2,242,851	**2,135,504**
D. Deferred income	**46,633**	**45,587**
	4,509,273	**4,158,783**
Contingent liabilities		
1. Secondary liability for pension obligations transferred to the provident fund	17,433	14,424
2. Contingent liabilities for sureties	16,234	13,747

Consolidated Profit and Loss Account

For the period January 1 to December 31, 2015

	2015	2014
	€ 000	€ 000
1. Sales		
a) External sales (gross)	3,017,142	2,388,688
b) Income from loan and leasing transactions (gross)	443,402	404,723
	3,460,544	**2,793,411**
less sales tax	522,434	416,984
	2,938,110	**2,376,427**
2. Change in finished goods and work in progress inventories	2,277	34,716
3. Other own work capitalized	1,303	1,100
	2,941,690	**2,412,243**
4. Other operating income;	125,574	116,968
of which income from currency translation	(12,842)	(4,156)
5. Cost of materials		
a) Cost of raw materials, supplies and merchandise	512,445	397,453
b) Cost of purchased services	19,106	18,933
	531,551	**416,386**
6. Cost of loan and leasing transactions	152,866	139,258
	2,382,847	**1,973,567**
7. Personnel expenses:		
a) Wages and salaries	417,714	369,497
b) Social security,		
pension and other benefits;	98,954	84,696
of which relating to pensions	(15,324)	(13,118)
	516,668	**454,193**
8. Amortization and depreciation of fixed intangible and tangible assets	224,510	205,250
9. Income from participating interest	1,453	1,449
10. Income from other long-term securities and other loans/financial assets	20,525	19,850
11. Other interest and similar income	15,702	15,749
12. Write-down of long-term financial assets and current securities	210	–
13. Interest and similar expenses;	23,873	19,136
of which expenditure from accrued interest on provisions	(15,609)	(8,927)
14. Collective heading;	1,655,266	1,332,036
of which expenditure from currency translation	(26,346)	(9,087)
Other items not shown separately		
(other operating expenses, taxes, net profit for the year)		

*7

When Vorwerk brings out a tool line, you can expect it to be an innovative one. Just like Twercs, the smart, elegant do-it-yourself tools. The high-quality cordless tools in plain white – jigsaw, glue gun, drill driver and stapler – come in a unique charger case, which automatically recharges all four tools. Put the tools in empty; take them out again fully charged. The Twercs tool set includes an inspiring book filled with creative ideas and an accessory folder to keep everything tidily in its place. Altogether, that makes seven innovative ideas with which to experience the creative Twercs world!

Movements in Fixed Assets

From January 1 to December 31, 2015

	Gross values					
	As at 1/1/2015	Currency translation differences	Additions	Disposals	Transfers	As at 12/31/2015
	€ 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	62,034	-811	4,798	3,212	689	63,498
2. Goodwill	337,534	–	1,924	–	–	339,458
3. Prepayments	573	10	832	7	-430	978
	400,141	**-801**	**7,554**	**3,219**	**259**	**403,934**
II. Tangible assets						
1. Land, similar rights and buildings, including buildings on leasehold land	152,480	1,145	19,418	1,393	2,135	173,785
2. Technical equipment and machinery	268,958	265	55,560	28,347	9,907	306,343
3. Other equipment, factory and office equipment	158,245	74	21,971	21,967	1,237	159,560
4. Rental assets	928,696	19	339,906	253,272	6,104	1,021,453
5. Prepayments and construction in process	20,503	-13	38,254	3,081	-19,642	36,021
	1,528,882	**1,490**	**475,109**	**308,060**	**-259**	**1,697,162**
III. Financial assets						
1. Shares in affiliated companies	25,806	–	–	4,704	–	21,102
2. Loans to affiliated companies	8,339	–	13,574	–	–	21,913
3. Participations in associated companies	20	–	–	–	–	20
4. Other participations	22,254	–	10,024	2,051	267	30,494
5. Loans to companies in which the company has a participating interest	154	–	842	29	-267	700
6. Long-term securities	1,048,420	–	305,577	172,680	–	1,181,317
7. Other loans and other financial assets	42,072	19	7,752	7,257	–	42,586
	1,147,065	**19**	**337,769**	**186,721**	**–**	**1,298,132**
	3,076,088	**708**	**820,432**	**498,000**	**–**	**3,399,228**

Accumulated depreciation/amortization						Net values	
As at 1/1/2015	Currency translation differences	Additions	Disposals	Transfers	As at 12/31/2015	As at 12/31/2015	As at 12/31/2014
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
44,893	-578	5,811	1,532	93	48,687	14,811	17,141
118,664	–	12,041	–	–	130,705	208,753	218,870
82	5	–	–	-87	–	978	491
163,639	**-573**	**17,852**	**1,532**	**6**	**179,392**	**224,542**	**236,502**
78,037	582	4,836	878	-192	82,385	91,400	74,443
193,940	-19	20,504	15,148	-24	199,253	107,090	75,018
103,662	50	17,388	17,332	210	103,978	55,582	54,583
323,706	1	163,930	147,805	–	339,832	681,621	604,990
–	–	–	–	–	–	36,021	20,503
699,345	**614**	**206,658**	**181,163**	**-6**	**725,448**	**971,714**	**829,537**
–	–	–	–	–	–	21,102	25,806
–	–	–	–	–	–	21,913	8,339
–	–	–	–	–	–	20	20
15	–	–	–	–	15	30,479	22,239
–	–	–	–	–	–	700	154
20	–	5	–	–	25	1,181,292	1,048,400
–	–	77	–	–	77	42,509	42,072
35	**–**	**82**	**–**	**–**	**117**	**1,298,015**	**1,147,030**
863,019	**41**	**224,592**	**182,695**	**–**	**904,957**	**2,494,271**	**2,213,069**

Explanatory Notes to the Consolidated Financial Statements 2015 pursuant to §§ 13 par. 3 in association with par. 5 PublG

I. Introductory Remarks

Vorwerk & Co. KG has prepared consolidated financial statements and a group management report for the financial year 2015 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 the notes to the consolidated financial statements, has been omitted. This information will be published under Vorwerk & Co. KG in the electronic German Federal Gazette.

II. Consolidated Group

The parent company is Vorwerk & Co. KG, Wuppertal (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.

ERNST factoring GmbH based in Hamburg, a company acquired in 2013 and not contained in the consolidated financial statements in the previous year pursuant to § 296 (2) HGB, was incorporated into the consolidated financial statements for the first time by way of full consolidation, as were four companies newly formed during the reporting period. Two companies have withdrawn from the scope of consolidation following the sale of all interests. 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 previous year.

Four (previous year: four) 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.

Nine (previous year: eight) companies have not been included in the consolidated financial statements because of their minor importance pursuant to § 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 2 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 §§ 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” (§ 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 § 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 § 308 (1) HGB. They remained consistent with those applied in the previous 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. Borrowing costs are not recognized. 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 lending) have been valued at acquisition cost and loans at nominal value. Where 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. Borrowing costs are not recognized. 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, 2015.

Foreign currency transactions are recognized at 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 § 340 h HGB have been applied to the foreign currency translation of the assets and liabilities of the companies of the akf group.

Reversals of impairments are generally recognized in accordance with § 253 (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 3.89 percent as of December 31, 2015 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 lies between 2.40 percent and 3.50 percent. Term-specific interest rates of between 2.02 percent and 2.34 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 2015. The resulting translation difference between the net income converted at the average rate and the rate on the balance sheet date of EUR 0.6 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 35.3 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. 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 with January 1, 2010, has been carried out pursuant to the revaluation method. In this respect, the carrying values of the holdings have been offset against the allocable equity of the corresponding subsidiary companies at the date of acquisition following a revaluation of the assets and liabilities acquired and realization of hidden reserves and hidden charges.

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

Pursuant to § 253 (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 ERNST factoring GmbH 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 (§ 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 profit and loss account comply with § 305 HGB. Intercompany sales and the corresponding expenses, as well as other intercompany income and expenses in the profit and loss accounts of the consolidated companies, have been offset against each other.

4. Deferred Taxes

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

The option to recognize an excess of deferred tax assets over deferred tax liabilities pursuant to § 274 (1) sentence 2 in conjunction with § 300 (2) sentence 2 HGB has been exercised in the consolidated financial statements. Deferred tax assets and liabilities are netted against each other when the necessary prerequisites are met. For the purposes of the consolidated financial statements, an aggregated figure is reported for the items pursuant to § 274 HGB (§ 306 sentence 6 HGB).

Deferred taxes for tax differences and commercial differences arising from the first-time recognition of goodwill are not reported. Additionally, deferred taxes are not recognized for differences between the tax base of 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, 2015, 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 § 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 the tax rates applying to the individual companies, which are between 16 percent and 35 percent.

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

1. Receivables

Of the receivables from affiliated companies in the amount of EUR 2.1 million (previous year: EUR 16.7 million), EUR 2.0 million (previous year: EUR 16.6 million) apply to financial transactions and EUR 0.1 million (previous year: EUR 0.1 million) to other assets.

2. Liabilities

Remaining Terms for Liabilities (RTL)	12/31/2015			12/31/2014		
in € 000	RTL < 1 Y	RTL > 5 Y	Total	RTL < 1 Y	RTL > 5 Y	Total
Bank loans and overdrafts	215,981	24,521	532,238	211,105	–	373,449
Liabilities from the deposit-taking business	725,927	3,905	1,009,021	693,135	2,866	1,035,226
Customer advances	12,744	–	12,744	21,255	–	21,265
Trade payables	315,955	–	316,011	368,592	155	368,754
Drafts and notes payable	5	–	5	4	–	4
Liabilities to affiliated companies	210	–	210	319	–	319
Liabilities to associates	–	–	–	1,622	–	1,622
Other liabilities	334,228	676	372,622	331,528	2,341	334,865
Liabilities	**1,605,050**	**29,102**	**2,242,851**	**1,627,560**	**5,362**	**2,135,504**

Trade payables include akf group liabilities to a special-purpose company of EUR 211.8 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 can more or less be excluded since the provident fund is highly likely to be able to meet its long-term obligations from its 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 52.0 million for the following years, of which EUR 17.2 million fall due in 2016. Purchase commitments for investments amount to EUR 17.2 million (previous year: EUR 24.1 million). There are long-term obligations arising from contracts with suppliers in the amount of EUR 15.8 million as of the balance sheet date.

akf bank has irrevocable loan commitments totaling EUR 114.0 million (previous year: EUR 104.2 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.

4. Profit and Loss Account

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

Breakdown by Region	2015 EUR m	2014 EUR m
Germany	1,243.2	961.4
Europe	1,631.5	1,304.2
North and South America	434.0	402.5
Rest of world	151.8	125.3
Total	**3,460.5**	**2,793.4**

Breakdown by Division	2015 EUR m	2014 EUR m
Thermomix	1,375.0	920.5
Kobold	1,043.4	898.4
JAFRA Cosmetics	457.0	427.5
Lux Asia Pacific	27.0	27.9
akf group	443.4	404,6
Vorwerk flooring	87.5	88.1
Others	27.2	26.4
Total	**3,460.5**	**2,793.4**

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 47.7 million.

5 . Derivative Financial Instruments and Valuation Units

Commodity swaps, cross-currency swaps, currency futures, interest rate futures as well as 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 § 285 No. 19 HGB (excluding valuation units)

in € 000	Nominal value	Net carrying value	Fair value as of December 31, 2015 positive	Fair value as of December 31, 2015 negative
Currency futures				
Open transactions	76,026	-556	895	-556
Closed transactions	9,630	237	598	-361
Commodity swaps	705	-352	34	-352

The closed currency futures are even transactions for which the profits or losses of the corresponding currency futures are realized 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 0.3 million (other liabilities of EUR 0.1 million).

Due to the negative market value, provisions for impending losses of EUR 0.9 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 premiums and discounts 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 development loan extended to a Mexican subsidiary amounting to EUR 25.0 million was disbursed in euros. The loan is, however, serviced in Mexican pesos. To hedge against currency risks, a cross-currency swap was concluded and combined together with the loan in a micro valuation unit. As of the balance sheet date, the cross-currency swap was attributed a positive market value of EUR 1.0 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 § 254 HGB.

As of the balance sheet date, akf bank had a total of 16 interest rate swaps with three banks to a total nominal volume of EUR 848.4 million, 1 cap with a nominal volume of EUR 50.0 million and 588 future contracts with a nominal volume of EUR 58.8 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 6.9 million. The total fair values for these derivative financial instruments were calculated using the mark-to-market method and totaled EUR -5.4 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 § 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 rate 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 over a period up until December 2019. The effectiveness of the valuation units is largely proven through an analysis of interest rate sensitivities. On the assets side, underlyings are attributable to loan, hire-purchase and factoring receivables and on the liabilities side to customer payables and bank loans and overdrafts as well as other liabilities.

The book value of the total assets hedged with valuation units is EUR 71.3 million on the balance sheet date, while the book value of the hedged liabilities is EUR 592.5 million.

As of the balance sheet date, akf servicelease disclosed a portfolio of 1 interest rate swap in a nominal volume of EUR 5.0 million used for the purpose of interest rate hedging. The fair value of the interest rate swap is derived using the mark-to-market method and stood at EUR -4.000 on the balance sheet date.

In order to square out opposing changes in value, a portfolio valuation unit pursuant to § 254 HGB was formed for the purpose of hedging the resulting risks. The portfolio valuation unit has been formed for the partial hedging of interest rate risks arising from bank loans and overdrafts. Changes in the value of the underlying transactions and hedging instruments are not accounted for by applying the net hedge presentation method over a period up until February 2016. The effectiveness of the valuation units is largely proven through an analysis of interest rate sensitivities. The hedged item has ceased to exist on the liabilities side in respect of bank loans and overdrafts.

The interest rate risk hedged with valuation units at the akf group totals EUR 6.7 million.

The financial instruments applied to hedge against interest rate risks, which are grouped into valuation units, have residual terms of one to nine 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	799,849	854,677	54,828

Vorwerk received a gross dividend of EUR 17.437 million (EUR 2.863 per unit) for the fund's financial year (December 1, 2014 to November 30, 2015).

The fund's units could be redeemed on any stock exchange trading day in the year. Special fund units with a carrying value of EUR 12.7 million were sold during the financial year. Vorwerk received proceeds of EUR 1.3 million from the transaction.

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 EUR 1.882 million, the fees for tax advisory services came to EUR 191,000 and fees for other services totaled EUR 362,000.

Average Annual Number of Personnel

	2015	2014
Employees*	12,612	12,771
Advisors in Direct Sales	612,884	591,156
Thermomix	41,884	34,417
Kobold	10,739	9,900
JAFRA Cosmetics	559,937	546,580
Others	324	259

* Including employed sales advisors

Management of the parent company Vorwerk & Co. KG is in the hands of the personally-liable partners: Reiner Strecker, Wuppertal/Germany, Frank van Oers, Veldhoven/Netherlands, and Rainer Christian Genes, Düsseldorf/Germany (since August 1, 2015).

Wuppertal, April 15, 2016

Reiner Strecker

Frank van Oers

Rainer Christian Genes

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, 2015. 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 15, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Lutz Granderath	Heike Böhle
Auditor	Auditor

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