

Report on the

135<sup>th</sup>

Business Year

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# A Review of Vorwerk

## Family Business with Tradition and Vision

The courage to implement innovations and the demand for the very highest quality has made Vorwerk into an internationally successful company with a long tradition. Vorwerk was founded in Wuppertal in 1883 and has developed throughout the course of its 135-year corporate history from a carpet producer to a diversified, international group of companies. Yet Vorwerk still remains a family-owned business. Vorwerk stands for continuity, change and a nearness to people. Vorwerk's business model comprises the development, manufacture and sale of high-quality products and services.

## Registered Offices and Management

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### Headquarters of the Vorwerk Group

(Holding Company)

Vorwerk & Co. KG  
Mühlenweg 17 - 37  
42270 Wuppertal  
Germany  
Telephone: +49 202 564-0, Fax -1301  
Email: vorwerk@vorwerk.de  
www.vorwerk.de / www.vorwerk.com

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### Executive Board in 2018

(Managing Partners)

**Rainer Christian Genes**  
**Reiner Strecker**  
**Frank van Oers**

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### Supervisory Board

**Dr. Jörg Mittelsten Scheid**  
(Honorary Chairman)  
**Rainer Baule**  
(Chairman)  
**Prof. Dr. Ing. Pius Baschera**  
(Vice Chairman)  
**Dr. Axel Epe**  
(2<sup>nd</sup> Vice Chairman)  
**Dr. Rainer Hillebrand**  
**Daniel Klüser** (since 1 January 2018)  
**Dr. Timm Mittelsten Scheid**  
**Sabine Schmidt**

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## Thanks to the Staff

In recent years the Vorwerk Group has launched a host of new, innovative products onto the market and has continued to invest in shaping future developments. The challenges presented by digitization are being addressed by the company at all levels. This applies not only to the more than 610,000 people working for the company worldwide, either as self-employed advisors or trading partners,

but also to the almost 13,000 permanent staff at the production locations as well as in the administrations of the individual divisions and subsidiaries. The Executive Board and owner family would like to thank all “Vorwerkers” throughout the world for their outstanding commitment, their creativity and their willingness to continue to take on and meet the challenges arising.

## International Presence

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### Subsidiaries

Austria  
 China  
 Czech Republic  
 France  
 Germany  
 Indonesia  
 Italy  
 Japan  
 Mexico  
 Netherlands  
 Poland  
 Portugal  
 Spain  
 Sweden  
 Switzerland  
 Taiwan  
 Thailand  
 Turkey  
 United Kingdom of Great Britain and Northern Ireland  
 United States of America

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### Major Distributors and Export Countries

Argentina  
 Australia  
 Belgium  
 Brazil  
 Canada  
 Chile  
 Croatia  
 Cyprus  
 Denmark  
 Estonia  
 Finland  
 Greece  
 Hong Kong  
 Hungary  
 Israel  
 Kazakhstan  
 Malaysia  
 Morocco  
 New Zealand  
 Norway  
 Panama  
 Paraguay  
 Romania  
 Russia  
 Saudi Arabia  
 Singapore  
 Slovak Republic  
 Slovenia  
 South Africa  
 South Korea  
 Ukraine  
 United Arab Emirates  
 Vietnam

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## The Vorwerk Group Comprised the Following Business Segments in 2018:

Thermomix / Kobold / Temial / Twerco / Vorwerk flooring / Vorwerk Engineering / Neato Robotics / Lux Asia Pacific (till 30 November 2018) / JAFRA Cosmetics / Vorwerk Direct Selling Ventures / akf group

## Key Figures of the Vorwerk Group

in million EUR	2015	2016	2017	2018
Group sales*	2,938	3,058	2,906	2,791
New business, akf group	1,073	1,167	1,248	1,262
Balance sheet total	4,509	4,924	5,060	5,226
Partners' equity	1,747	1,840	1,702	1,448
Partners' equity in % (akf at equity)	64	63	59	50
Partners' equity in % (akf fully consolidated)	39	37	34	28
Financial assets	1,298	1,440	1,409	1,271
Other fixed assets	1,196	1,293	1,383	1,480
Current assets	1,936	2,107	2,207	2,402
Cash and cash equivalents**	1,113	1,184	1,178	1,031
Capital expenditure***	483	476	460	521
Depreciation***	225	248	270	286
Personnel costs	517	540	574	615
Number of employees	12,612	11,949	12,333	12,972
Self-employed advisors	612,884	637,126	633,128	610,919

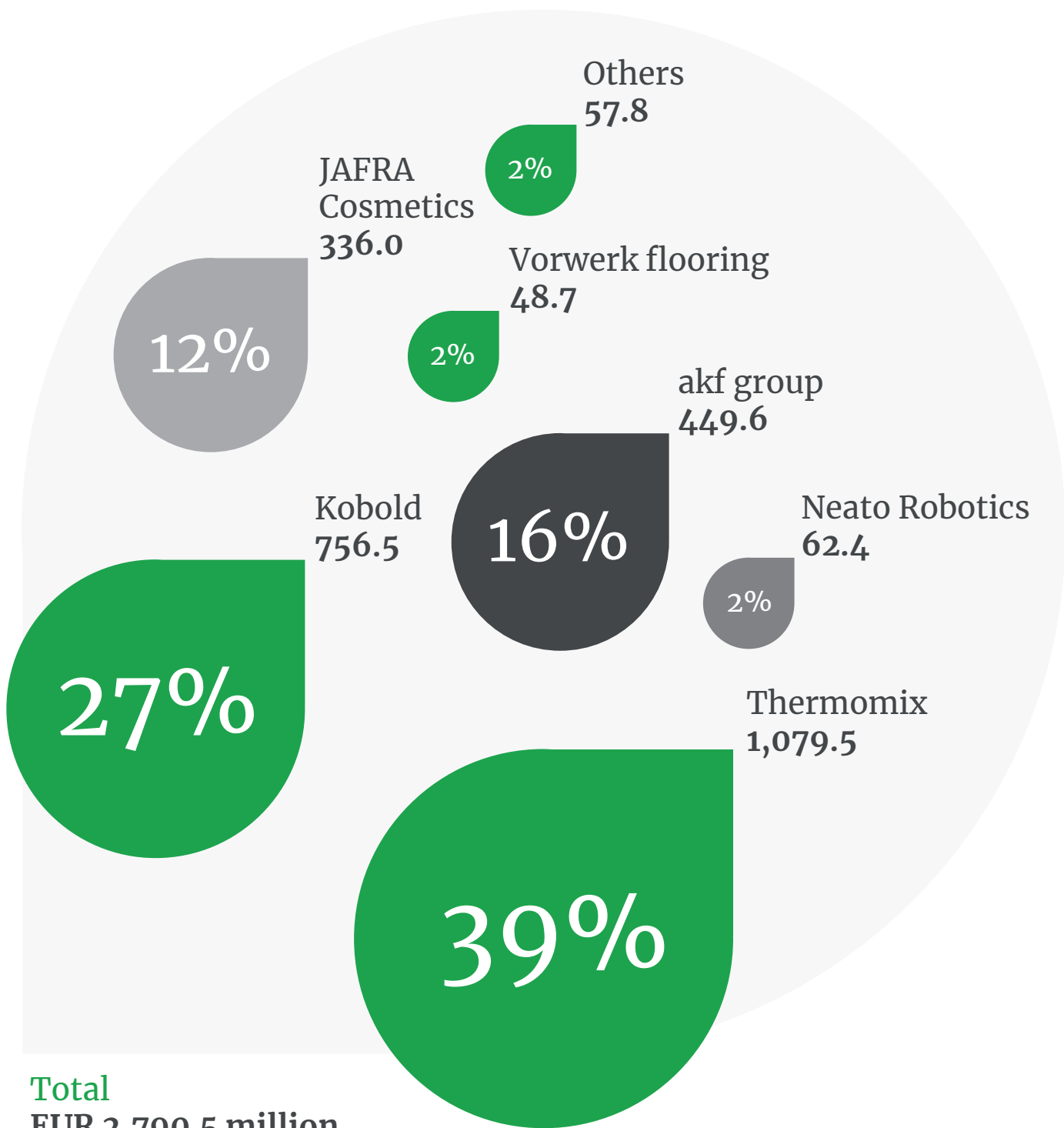
\* Sales figures given are net values. The year 2015 has been correspondingly adjusted.

\*\* Including short-term realizable assets

\*\*\* Excluding financial assets

### Sales by Division 2018

in million EUR



**Total**  
EUR 2,790.5 million

# Milestones 2018

# Jan

**Nutritional trends:** “Grandma’s kitchen” with traditional, regional meals, products with clean label ingredients and organic food, energizing superfoods like chia seeds and fish with healthy omega-3 fatty acids, appetizing dishes that can be successfully shared on Instagram – these are just a few of the European nutritional trends that are reflected in the “Thermomix® Food Trend Report 2018”. How practical that the Thermomix® has a fitting recipe with guaranteed success for every taste.

# Feb

**Cleaner quicker:** Two working steps in one, that is something only the Kobold SP600 can manage. Whether parquet, laminate, stone or tiled floors – in combination with the Kobold VK200 Upright Vacuum Cleaner or the VT300 Cylinder Vacuum Cleaner, it vacuums and wet-cleans hard floors in just a single working step at the push of a button and thereby makes house cleaning much simpler.



# Mar

**Happy Birthday:** JAFRA Cosmetics started its sales activities in Jakarta, Indonesia, in 2013. Five years later the company takes third place in the ranking of JAFRA markets reporting the highest revenue. At a large-scale event in Bandung on 17 March, thousands of cosmetics Consultants, as well as those wishing to become one, celebrate the company’s birthday anniversary.





# Apr

**80 years of Folletto:** On 9 April 1938 Vorwerk established its first foreign subsidiary: Vorwerk Folletto commenced business in Italy and started with the sale of vacuum cleaners under the Folletto brand name. Thanks to the more than 4,300-strong sales force, demonstrating the Folletto vacuum cleaners with great enthusiasm in customer homes, the Milan-based company is today the largest revenue contributor within the Vorwerk Group.



# May

**It's TeaTime:** At a press conference in May, Vorwerk unveils its new Temial business segment. The Temial tea maker fast forwards the traditional way of making tea into the 21<sup>st</sup> century with innovative technology such as a touchscreen and Temial Code. Different types of tea, confectionary and accessories round off the offer.



# Jun

**Worth the money:** Originally, akf was founded in 1968 to finance vacuum cleaners & co. In the meantime, akf group has evolved into a large leasing and financing institution with operations in the industrial, agricultural, IT, yacht, consumer finance, Servicelease and factoring sectors in Germany as well as funding activities in Spain. Staff and their families celebrate the 50<sup>th</sup> birthday anniversary with a company open day on 23 June.

# Jul

**Electric feeling:** A quick business trip from the Wuppertal headquarters to the colleagues in Düsseldorf, Hilden or Wermelskirchen and save on CO<sub>2</sub> in the process? That has been possible since July thanks to two electric cars. The pool vehicles are “refueled” with renewable energy. In this way CO<sub>2</sub> emissions, nitrogen oxides and fine dust are reduced. For a cleaner future!



# Aug

**Winner:** At the international architecture and design competition “ICONIC AWARDS 2018: Innovative Architecture”, the Vorwerk flooring product “EXCLUSIVE 1015” prevails in the “Innovative Architecture – Winner” category. The carpeting stood out on account of its exceptional design and special, iridescent 3-D effects.



# Sep

**Distinction:** Dr. Jörg Mittelsten Scheid, the Honorary Chairman of Vorwerk’s Supervisory Board and head of the Vorwerk family, receives the “German Founder’s Award” in Berlin for his lifetime achievement. Some 400 guests witness the event at ZDF’s television studios in the capital.





# Oct

**Endowed professorship:** Professor Dr.-Ing. Tobias Meisen is the new professor for “Technologies and Management of Digital Transformation” at the Bergische University of Wuppertal. He is thereby the first professor in North Rhine-Westphalia, who in terms of tutoring, research and transfer will be entirely dedicated to the topic of digital transformation. Vorwerk & Co. will support the creation of this professorship till 2021 with a total of EUR 1.5 million.

# Nov

**5 million TM5:** The 5-millionth Thermomix® TM5 rolls off the assembly lines at the French facility in November. The two production locations in Cloyes-sur-le-Loir and Wuppertal have thereby set up a joint record.



# Dec

**Store expansion:** An event at the beginning of December marks the opening of Vorwerk's first store in Great Britain. In Vorwerk's own shop in the Bentall Centre in Kingston upon Thames, near London, customers can test and then also buy the products from the Thermomix and Kobold divisions.





# Group Management Report 2018

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# General Section on Business Development

Vorwerk & Co. KG is a family-owned company that was founded in 1883 with registered offices in Wuppertal (Germany). The core business at Vorwerk is the manufacture and worldwide sale of high-quality household products. In this respect Vorwerk always seeks direct contact to the customer – either through its direct selling operations, its own online shops or Vorwerk stores in good inner city locations. Moreover, cosmetics by JAFRA Cosmetics, the akf bank as well as carpeting, the original business, are a part of the diversified product and service portfolio of the Vorwerk Group.

The Vorwerk Group was operational in the following business segments at the close of 2018: the “Home” entities Thermomix, Kobold, Temial, Twercs, Vorwerk flooring, Vorwerk Engineering and Neato Robotics as well as JAFRA Cosmetics and akf group. Vorwerk Direct Selling Ventures is the Vorwerk Group’s venture capital unit.

Each division of the Vorwerk Group was run by its own responsible management board in the year under review. The Group’s strategic leadership was the responsibility of the Executive Board in Wuppertal. The Managing Partners in 2018 were Rainer Christian Genes, Reiner Strecker and Frank van Oers. Rainer Christian Genes moved to Vorwerk International as Managing Partner on 1 April 2019. One half of the Vorwerk Group’s Supervisory Board comprises members from the entrepreneurial family Mittelsten Scheid and the other half consists of 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.

Vorwerk is operational in more than 80 countries across Europe, Asia, North and South America as well as in Australia and parts of Africa with its own subsidiaries or trading partners. The strong international alignment of the Wuppertal-based, family-owned company can readily be seen from the distribution of sales. The proportion of sales generated outside the company’s domestic market, Germany, reached 64.7 percent. This share amounted to 77.7 percent in the direct sales segment.

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

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 are 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).

The Vorwerk Group closed the 2018 financial year with a business volume of EUR 3.6 billion and was thereby slightly below the level of the previous year. This figure considers the new business volume at akf group in an amount of EUR 1.3 billion.

Revenue at the Vorwerk Group was running at EUR 2.8 billion, a moderate decline of 4.0 percent as against the previous year. Revenue development was substantially below expectations, partially on account of sales targets not being met. As projected, operating earnings for the year were distinctly lower than in the previous year due particularly to expenditure for R&D as well as IT projects.

The partners' equity capital ratio at the Vorwerk Group amounted to 27.7 percent when akf group, operational in the area of financial services, is fully consolidated. Cash and cash equivalents are mainly invested in special funds and other short-term realizable assets and totaled EUR 1,031 million as of balance sheet date.

The Vorwerk Group has pushed ahead with the digitization of its products and processes in recent years and has set standards in the market with its Recipe Platform Cookidoo® for instance. Vorwerk would like to continue to fulfil this role in the future too; new products have already been launched on the market or are in preparation.

In this respect the Temial business segment got underway on 1 July 2016 with sales commencing in Germany and China in the second half of the year under review. Temial offers for sale fully-automatic tea makers, ready-to-use loose tea packs as well as appropriate accessories in direct sales, in online shops and Vorwerk stores. The Vorwerk Engineering division develops and manufactures the tea maker on behalf of Temial.

The innovative strength of Vorwerk is clearly reflected in the number of patent registrations: Vorwerk had 772 patent families registered in 2018 with a total of 3,007 national and international patents or patent applications.

Markets and customer requirements are currently changing very rapidly; this is presenting companies all around the world with enormous challenges. Efficient processes, agile working methods and precise structures are more than ever preconditions for entrepreneurial success. To address this, Vorwerk is focusing on innovative products and on a stringent implementation of the omnichannel sales strategy as an important driver of change. This will have organizational implications. The "Home" divisions Thermomix and Kobold will be managed by a joint management board during the course of 2019 under the umbrella of Vorwerk International.

Vorwerk has systematically addressed the aspect of sustainability since 2016. The sustainability organization created in the same year identifies the main sustainability issues applying across the entire Group. Initial corresponding programs were prepared and implemented. The second cross-divisional sustainability reporting process using relevant quantitative and qualitative data was carried out in the year under review. The results will be included in a future Sustainability Report.

Besides a continuation of the SAP implementation in the "VORward" program for the Thermomix and Kobold divisions and the "ACE" project at JAFRA Cosmetics, the focus of activities in IT was on the spin-off of a German IT organization into its own service company entity. Moreover, all the necessary organizational preparations were made in the year under review to enable the spin-off of other IT departments in 2019.

The Vorwerk Group withdrew from its Lux Asia Pacific commitment as of 30 November 2018 after having firstly created the preconditions for the further development of this entity in a difficult economic environment. Connections between the companies will remain in place since Lux Asia Pacific will continue to act as a distributor of Kobold products in its main markets Indonesia and Thailand in the future.

## Summary of the Development of the Individual Divisions

Thermomix remained the division within the Vorwerk Group with the highest revenue but slightly lost ground compared with the previous year (revenue EUR 1.1 billion, minus 3.6 percent).

Similarly, the Kobold division suffered a moderate decline in revenue, falling by 4.5 percent to a level of EUR 757 million.

JAFRA Cosmetics was substantially below the level of the previous year, recording revenue of EUR 336 million. In this respect exchange rate effects had an impact.

Vorwerk flooring was again unable to escape the negative trend prevailing throughout the industry in the year under review, suffering a decline in revenue of 16.2 percent to EUR 49 million.

akf group (EUR 450 million) reported revenue at the same level as achieved in the previous year and a minor increase in its new business volume to EUR 1.3 billion.

The individual divisions will be described in detail on the following pages.

## Sales by Division

in million EUR	2015	2016	2017	2018
Home	2,104.9	2,191.8	2,032.7	1,947.1
Thermomix	1,158.1	1,285.6	1,120.0	1,079.5
Kobold	869.7	835.8	791.9	756.5
Vorwerk flooring	77.1	70.4	58.1	48.7
Neato Robotics	-	-	62.7	62.4
Diversification	781.7	799.8	809.7	785.6
JAFRA Cosmetics	396.8	369.1	363.6	336.0
akf group	384.9	430.7	446.1	449.6
Others*	51.5	66.6	63.7	57.8
<b>Group sales</b>	<b>2,938.1</b>	<b>3,058.2</b>	<b>2,906.1</b>	<b>2,790.5</b>

\* Lux Asia Pacific has been classified under "Others" in contrast to the previous year's report.

# Thermomix

The digital Recipe Platform Cookidoo® contains more than  
**40,000**  
 recipes.

The multifunctional kitchen appliance Thermomix® has been simplifying everyday cooking for more than 50 years. The Thermomix® TM5 combines twelve functions in one and cannot only mix, grind, chop, blend, whisk, grate and knead, but it can also cook, steam, weigh, emulsify and heat in a controlled manner for meals prepared in water – and all this without any need to refit or reconfigure. Its Guided Cooking function takes users through the recipes step-by-step. This simple, fast alternative therefore supplements manual cooking with the kitchen appliance. All these functions in a single appliance combined with thousands of bespoke Thermomix® recipes with success guaranteed have meanwhile inspired more than five million users worldwide.

The launch of the Cook-Key® in 2016 enabled the Thermomix® TM5 to be connected with the Thermomix® Recipe Platform Cookidoo® by Wi-Fi. Recipes are thereby sent to the Thermomix® TM5 display and then made available there by means of the Guided Cooking function. This Thermomix® accessory is meanwhile bought by a majority of customers along with the Thermomix® TM5. To push this digital business model forward, investment continued throughout the year under review in the development of a digital unit. The Thermomix division sees a substantial competitive advantage in further strengthening its digital offerings. Today, there are already more than 40,000 Guided Cooking-capable recipes available for the Thermomix® TM5 worldwide.

In the year under review, preparations were made for the presentation of the new Thermomix® TM6. This was revealed to the sales organizations in March 2019 and will be progressively launched into the markets from the second quarter of 2019. The new appliance will feature innovative and extended functions such as High Temperature setting, Sous-vide (under vacuum), Fermentation and Slow Cooking.

Subsidiaries are operational for the Thermomix division in a total of 15 countries in Europe, Asia and North America; moreover, Thermomix has more than 40 distributors. The versatile kitchen appliance is sold worldwide in a direct selling system: advisors demonstrate the Thermomix® at customers' homes by providing a cooking experience. Customers also benefit from individual, personal support locally after purchase. Additionally, Thermomix® is displayed in some countries in conventional stores and also sold there in some cases. Further, Thermomix® accessories such as cook books and Cook-Keys® are available worldwide in an online shop: in Austria the kitchen appliance can even be bought through the online shop.

In the year under review, revenue fell slightly to EUR 1.1 billion. Both operative result and revenue were substantially below expectations. This was primarily due to investments in the product launch of the Thermomix® TM6 and on account of sales targets not being achieved. The number of advisors fell negligibly compared to the previous year. On average, more than 44,500 self-employed advisors were working for the division in 2018. The average productivity reflected a minor decrease. Activity was slightly below the level of the previous year.



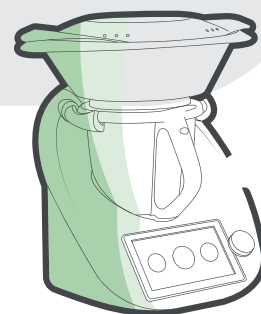
2018 was a challenging year for most Thermomix markets. The strongest sales country was once again Germany with the company achieving revenue of EUR 255 million (minus 14.8 percent). The development was also negative in France (revenue EUR 189 million, minus 21.4 percent), Italy (revenue EUR 122 million, minus 19.7 percent) and Portugal (revenue EUR 43 million, minus 3.2 percent).

In contrast, Spain (revenue EUR 168 million, plus 2.5 percent), Poland (revenue EUR 80 million, plus 13.8 percent) and Great Britain (revenue EUR 13 million, plus 20.6 percent) developed positively.

The USA and China, two of the younger markets, developed most promisingly. The Chinese company achieved revenue of EUR 112 million (plus 138.4 percent) in its sixth year of business and had thereby made further ground on the larger, established European markets. Sales revenue of EUR 10 million (plus 54.4 percent) was generated in the USA in the company's second complete business year after market entry. The export business – i.e. sales through so-called distributors – also reported moderately higher figures (revenue EUR 50 million).

The division is looking forward to a distinctly positive development in terms of revenue for the current business year, mainly due to the launch of the new Thermomix® TM6 model, an increasing number of advisors and a higher level of sales team activity. Moreover, the introduction of the omnichannel strategy, in particular online shops, will have a positive impact on revenue in the business year. At the same time, investments – for example in the product launch of the Thermomix® TM6, the extension of the omnichannel approach and in continued digitization – will be made, meaning that a considerable decline in operating earnings is to be expected.

The Thermomix®  
TM6 was presented  
in March 2019.



# Kobold

The Kobold VR300 Robot Vacuum Cleaner can be controlled using the Kobold Robot App.

Innovation, quality and durability – that is what the high-quality room care and cleaning solutions from the Kobold division stand for. The modularly structured cleaning system includes the Kobold VK200 Upright Vacuum Cleaner and the Kobold VT300 Cylinder Vacuum Cleaner as well as six attachments that are dedicated to the deep-cleaning of various types of surfaces: carpets, hard floors, upholstery, mattresses – and every individual application has its very own specialist. The Kobold SP600, launched in February 2018, is also among the attachments, a product that can vacuum and wet-clean at the same time and which was recognized in the year under review as “Best Product of 2018” by the “Plus X Awards” and was also “best in class” in a test conducted by the “ETM Testmagazin”. The Kobold VG100 Window Cleaner and the Kobold VC100 Handheld Vacuum Cleaner supplement the range. Another innovation is the Kobold VR300 Robot Vacuum Cleaner which can autonomously clean hard and carpeted floors while successfully negotiating obstacles and stairs thanks to its ultrasonic and infrared sensors. The product that has been available since October 2018 can also be controlled remotely using the Kobold Robot App, which contains useful information such as the marking of virtual no-go lines for example – and once again came out on top in a test conducted by the consumer watchdog “Stiftung Warentest”. The latest addition to the overall portfolio is the Kobold VB100 Cordless Handstick, a product that has been available in the first markets since October 2018. Both the Kobold VR300 Robot Vacuum Cleaner as well as the Kobold VB100 Cordless Handstick emerged as winners in the “ICONIC Awards: Innovative Interior”.

The Kobold division is represented with its own subsidiaries in a total of nine countries in Europe and Asia. In addition, more than 20 distributors are engaged in selling the products. Kobold is active worldwide with a direct sales approach as well as with online shops and company-own stores in a growing number of countries. In the year under review, for instance, the first Vorwerk store in Great Britain was opened at Kingston upon Thames, near London. However, the clear strategic focus continues to be on direct selling and the individual consultation provided to customers in their own homes by self-employed advisors. Additionally, there is the support offered to customers after purchase, when accessories are delivered for example.

The Kobold division concluded the year under review moderately below the level of the previous year with revenue of EUR 757 million, a figure that was substantially under expectations. Operating earnings were significantly below expectations. One reason for the decrease in turnover was an 18.5 percent drop in the number of sales staff, an aspect that correspondingly impacted earnings. On average, more than 12,000 self-employed advisors were working for the division. Activity increased considerably with productivity being negligibly above the level of the previous year. However, the costs for product launches and investments in the IT components made available by the VORward Program also impacted the bottom line.

Revenue in Italy was negligibly below the level of the previous year at EUR 413 million. To provide an additional product impulse to mark the company’s 80<sup>th</sup> anniversary, an “S Collection” of the Folletto VK220 S model including accessories was developed especially to meet Italian customer needs and launched in spring 2018.

The German Kobold company with revenue in an amount of EUR 224 million was substantially below the turnover achieved in the previous year. Direct selling continues to be the most important pillar, but the online shop as well as the company's own Vorwerk stores in good inner-city locations are growing in significance – not least of all as an important contact point to customers. The number of Vorwerk stores in Germany has been increased and now encompasses 59 locations.

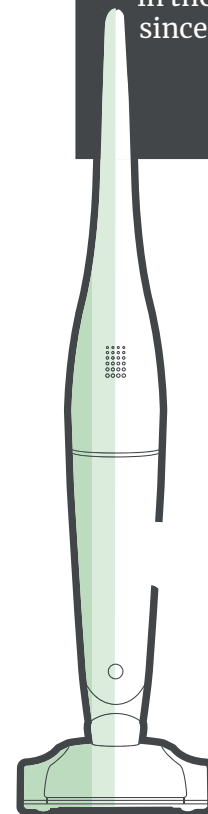
Vorwerk France similarly suffered a drop in revenue of 4.2 percent (EUR 31 million). The Chinese Kobold company with revenue of EUR 24 million also achieved a distinctly lower level of turnover than in the previous year. To restore growth in the Chinese sales organization, a new business model has been developed, one that is to be implemented in the first half of 2019.

Business at Vorwerk España developed satisfactorily. Reporting revenue of EUR 21 million, the Spanish company closed with a minor increase as against the previous year. By contrast, Vorwerk Austria was substantially below the previous year; the Austrian sales organization achieved revenue in an amount of EUR 21 million.

After years of declining revenues, the Kobold sales organization in the Czech Republic finished 2018 substantially above the level of the previous year (revenue EUR 8 million). Sales through distributors were running at just under the 10-million mark (revenue EUR 9 million, minus 3.6 percent).

The Kobold division anticipates a substantial increase in revenue in 2019. This is provided that the Kobold VB100 Cordless Handstick, for example, can be successfully launched in other European markets. A sizeable increase in operating earnings is therefore envisaged.

The Kobold VB100 Cordless Handstick has been available in the first markets since October 2018.



# Vorwerk flooring

Acclaimed: The  
“GOOD DESIGN  
AWARD 2018” goes  
to Vorwerk flooring.

The Vorwerk flooring division has been producing quality floor coverings for more than 130 years. Accolades such as the “German Brand Award 2018”, “DEUTSCHLAND TEST 2018”, “Architects’ Darling Award” and “GOOD DESIGN AWARD 2018” are evidence of the outstanding quality. The floor coverings manufactured in Hamelin are sold in more than 50 countries.

Following Vorwerk flooring’s decision in favor of a strategic change program in 2016, the conceptual work on the new alignment began in 2017 with implementation activities commencing in the national and international markets in the year under review. Based on the company’s premium positioning “Unique floor coverings since 1883”, a portfolio concept was introduced that features both branded as well as white label products. 49 articles were launched either as rolls, tiles or free-form elements and 33 products were withdrawn from the range. The approach of “3 product lines, 3 style worlds, millions of possibilities” has resulted in a distinctly structured system for the branded article segment. In this respect the notion of collections has been renounced, enabling greater flexibility to develop markets given the diverse target groups at home and abroad.

In the fourth quarter of 2018 the division rolled out its new internet presence [www.vorwerk-flooring.de](http://www.vorwerk-flooring.de), thereby signaling the starting point for its digital market approach for the future. The next phase features an integrated product configurator that was introduced in the first quarter of 2019.

According to the Association of the German Home Textiles Industry (Verband der Deutschen Heimtextilien-Industrie), the overall market for textile floor coverings in Germany declined in comparison to the previous year. Unfortunately, Vorwerk flooring was also unable to avoid the negative trend prevailing throughout the industry, reporting a decline in revenue to EUR 49 million (minus 16.2 percent) and was thereby significantly below expectations. Operating earnings were significantly below expectations, partly due to the negative market development, particularly in business with the trade, and the associated loss in sales revenue.

Overall, Vorwerk flooring assumes that the market situation for textile floor coverings in business with the trade will remain difficult. That is why the management team will continue to pursue the course of action commenced with at the beginning of 2016 and will expand the contract-business segment both nationally and internationally. A sound base for the contract business for 2019 could already be established in the year under review with contracts for large projects such as the Bayerische Staatskanzlei (Bavarian State Chancellery) and Velaro high-speed trains by Siemens for Turkey being won. Moreover, business abroad will be strengthened on account of a restructuring of the sales organization.

Vorwerk flooring is therefore looking forward to considerable revenue growth in the 2019 business year despite the challenging market environment. Operating earnings will improve notably against the year under review as further investments in the marketing concept are made.

# Vorwerk Engineering

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

Vorwerk Engineering manufactures its products at three different locations: Wuppertal (Germany), Cloyes-sur-le-Loir (France) and Shanghai (China). The largest facilities in the network are in Wuppertal with more than 1,000 staff. The main Research & Development activities are also focused there. In the year under review the division created the appropriate capacities for product launches such as the Kobold SP600, the Kobold VR300 Robot Vacuum Cleaner, the Kobold VB100 Cordless Handstick, the Temial tea maker CT100 and the Thermomix® TM6. Moreover, R&D extended its competence in the area of software and hardware and intensified its cooperation with the Vorwerk digital team at Vorwerk International, thereby ensuring that groundbreaking smart products like the Thermomix® or the Robot Vacuum Cleaner can also be developed in the future.

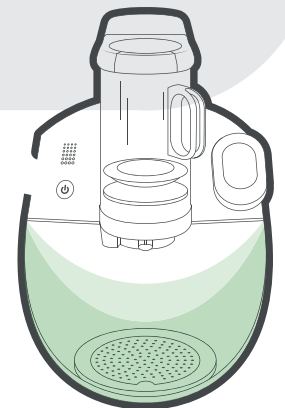
The development of revenue at the Vorwerk Engineering division corresponded to the performance of the sales divisions. Besides these drops in sales, startup costs for new products impacted operating earnings. To counter this negative trend, cost reduction measures were implemented in the area of production and fixed costs for instance. This resulted in the anticipated level of operating earnings being distinctly higher.

There was continued investment in infrastructure at the Wuppertal facilities in 2018: construction of the joint R&D and administration center as well as the new motor manufacturing plant progressed rapidly, enabling the official “topping-out” ceremony to take place in October. The construction work is scheduled to be completed in fall 2019.

The Executive Board has approved capital expenditure of more than EUR 70 million for the current business year for the infrastructure measures described above as well as for product launches and capacity extensions.

Overall, the division envisages a sizeable increase in volume in 2019 – in particular from the Thermomix® TM6, the Kobold VB100 Cordless Handstick and the Temial tea maker CT100. This will be reflected accordingly in terms of revenue as well as in a substantially higher level of operating earnings.

The Temial  
tea maker was  
launched in 2018.



# Neato Robotics

Founded in 2005, Neato Robotics, Inc. with registered offices in Silicon Valley, launched its first series of robot vacuum cleaners in 2010 and is striving to become one of the leading manufacturers of household robots for the smart home. In this respect Neato has introduced an intelligent laser navigation system for instance.

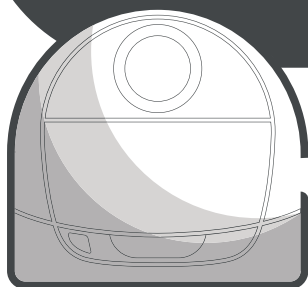
Vorwerk has been a shareholder in the US-based company since 2010. In 2017 Vorwerk ultimately increased its participation to 100 percent. This means that the Vorwerk Group now has a presence in the rapidly growing American market for intelligent robot vacuum cleaners and is enhancing its position as a supplier of innovative, high-quality products for the household and home. At the same time there are considerable synergy effects between the two companies, especially in the areas of R&D and manufacturing. Neato Robotics acts as an independent entity within the Vorwerk Group and has its own brand identity. 2018 was Neato's first full year as a division of the Vorwerk Group.

Neato launched three new robot vacuum cleaners in 2018: Neato Robotics, Inc. launched its flagship Botvac D7 Connected model in February 2018; this product was given a software update in fall – and was awarded the title of “Robot Vacuum Cleaner of the Year” by the British rating portal “Trusted Reviews” under the heading “Smart Home Product of the Year 2018”. Moreover, the models Botvac D4 Connected and Botvac D6 Connected were launched in September 2018. The Botvac D4 Connected won the distinction “Editor’s Choice for Best Midrange Robot” from “PC Magazine” and the title “Best Midrange Favorite” from the technical journal “WIRED”. The products are available both online and through trading partners in North and South America, Europe as well as in some parts of Asia.

2018 was a challenging year for Neato Robotics, Inc. in some markets. Contrary to forecast, Neato Robotics, Inc. reported a distinct drop in revenue and achieved EUR 62 million. Although business through Amazon.com was good and there was also some growth in Europe, in particular Sweden, revenue in North America and Asia did not meet expectations. Neato was dissatisfied with the sales figures at some key trading partners in the USA, an aspect that resulted in a substantial negative effect on the development of business. The performance in North America was disappointing with a decline of 7.2 percent and missed targets. In Asia, and especially China, business did not develop in line with expectations. That is why operating earnings were significantly below target.

Neato Robotics, Inc. is looking forward to a distinct increase in revenue in the current business year on account of a revised sales and marketing strategy. Significantly improved operating earnings are also expected as Neato withdraws from less profitable markets and operational synergy effects kick-in following the integration into the Vorwerk Group. Neato is currently working intensively on developing the next generation of robot vacuum cleaners to capture this large and growing market segment.

The Botvac D4, D6 and D7 Connected were launched in 2018.



# JAFRA Cosmetics

The JAFRA Cosmetics division produces and sells high-quality cosmetics and can look back on more than 60 years' experience in direct selling. The range comprises skin and body care, fragrances, decorative color cosmetics, spa and anti-aging products. JAFRA is market leader in the fragrances segment in Mexico. In the year under review JAFRA Cosmetics launched a new brand JAFRA ROYAL: the range encompasses high-quality skin care products, make-up and nutritional supplements. Moreover, several different fragrances, particularly targeting millennials and men, were introduced to the market.

New articles are developed in the company's own research laboratories in the USA and production takes place in the JAFRA Cosmetics manufacturing facility at Querétaro, Mexico.

JAFRA Cosmetics with its headquarters in the USA (Westlake Village/California) was operational in a total of nine countries in North and South America, Asia as well as Europe in the year under review. Further, the products are sold through numerous distributors. More than 553,000 self-employed consultants are working for JAFRA, of which some 469,800 in Mexico, the largest market by far.

On a euro basis, JAFRA Cosmetics reported a substantial decline in revenue in the year under review and achieved a volume of EUR 336 million, a figure that was however negligibly above expectations. Operating earnings were considerably below expectations as investment in new company offices for the Mexican company and IT costs for the "ACE" project impaired the results.

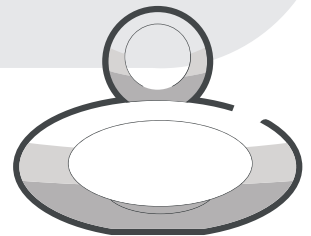
Mexico, traditionally the strongest performer, achieved higher revenue of 2.3 percent in local currency. By contrast, a moderate fall in revenue to EUR 251 million resulted when converted into euros.

In the USA sales revenue was running at EUR 49 million and was thereby 11.0 percent below the amount of the previous year. The sales organization in Indonesia with revenue of EUR 19 million reported a level that was slightly below that of the previous year.

The European sales companies (Germany, the Netherlands, Austria and Switzerland) suffered a decline in revenue. The total revenue of the European sales organizations amounted to EUR 14 million, some 21.9 percent below the previous year due mainly to the sale of the Italian company.

JAFRA Cosmetics expects negligibly lower revenues for the current business year. This forecast presupposes high growth in Indonesia as well as in other markets and an increasing number of consultants. By contrast, operating earnings will increase distinctly due to the market withdrawal from the loss-making entity in Brazil.

JAFRA Cosmetics  
is market leader in  
fragrances in Mexico.



# Vorwerk Direct Selling Ventures

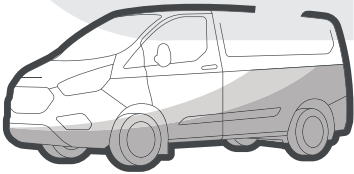
Vorwerk gains access to innovations in direct selling by investing in young companies and this fosters the process of change and renewal. The Vorwerk Group has been investing since 2007 in companies pursuing novel and promising sales concepts through its Vorwerk Direct Selling Ventures unit. The venture capital entity makes its investment decisions without any direct relationship to the strategy of the Vorwerk Group and thereby has the scope to invest in completely new segments that have the potential for strong growth and high profitability.

The objective of Vorwerk Ventures is to create the framework conditions for a productive know-how transfer between the young, innovative entities and the various companies of the Vorwerk Group, from which both the affiliates as well as Vorwerk can mutually benefit. Moreover, the venture capital activities support Vorwerk in identifying groundbreaking developments in direct selling early on as well as in finding potential partner companies.

Vorwerk Ventures had participations in twelve companies in Europe at the end of 2018 e.g. flaschenpost.

Fundamentally, Vorwerk Ventures invests throughout the world and participated in twelve companies in Europe at the end of 2018. The portfolio of the investment arm includes the entities Dinner-for-Dogs Group, CrossEngage, flaschenpost, Horizn Studios, JUNIQE, Lesara, LILLYDOO, Mädchenflohmarkt, ottonova, STOWA, Thermondo and VANIDAY. The companies are already among the leading providers in their specific markets, are mostly positioned internationally and have entrepreneurial management in place – but in particular they generally offer high value growth perspective. The investment portfolio is managed with a view to the exit potential.

The participations in Pippa&Jean and HelloFresh were sold in 2018. In addition to investments in the existing portfolio as part of a wider, external financial consortia commitment, a new investment in the form of a convertible loan was entered into in 2018. Vorwerk Ventures once again contributed positively to Group earnings.





# akf group

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 with its foreign subsidiaries and akf servicelease have been offering a product portfolio tailored to the funding requirements of these clients. This comprises innovative loan models, capital-friendly leasing alternatives, flexibly-structured hire purchase arrangements as well as factoring options to optimize operational liquidity. Dependable and simple investment opportunities round off the range of offerings. The commercial customers come from the metal, plastics and wood-processing areas, the graphics industry and the agricultural sector. Finance is also available for private clients wishing to purchase a car or other consumer goods.

The various business sectors at akf group developed differently in the year under review. The new business volume in the banking and leasing segments could be negligibly increased with EUR 1.3 billion being reported (previous year: EUR 1.2 billion), a rise of 1.1 percent as against the previous year.

Business with the finance of cars, fleets and watercraft (autofinanz, flottenfinanz and marinefinanz) could be improved by EUR 48 million and continues to play a prominent role with a volume of EUR 510 million and a slightly higher share of total business, namely 40.4 percent (previous year: 37.0 percent).

A volume of EUR 375 million (previous year: EUR 442 million) from the funding of machinery and other equipment in the industriefinanz and IT-finanz sectors accounted for 29.7 percent of overall business (previous year: 35.4 percent).

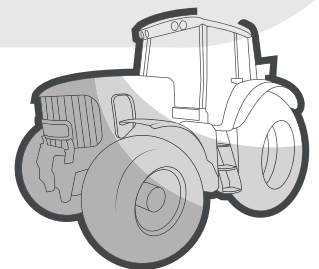
The level of finance for agricultural vehicles and mobile agricultural technology in the agrarfinanz sector could be raised by 13.9 percent to a volume of EUR 176 million, a figure which represents 13.9 percent of total business (previous year: 12.4 percent).

The produktfinanz sales sector was able to increase by EUR 10 million to EUR 201 million. Some EUR 182 million (previous year: EUR 183 million) are included in this figure from consumer finance activities within the scope of the vendor funding of high-quality household appliances from the Vorwerk Group.

The volume of purchased receivables in the factoring sales segment increased from EUR 673 million to EUR 685 million.

In the case of financial services, revenue is calculated on the basis of the interest and leasing income as well as the payments for other services that are received as compensation for the relinquishment of capital or assets. Revenue at akf group remained at the level of the previous year with EUR 450 million (previous year: EUR 446 million) being reported.

agrarfinanz was able to increase business by 13.9 percent compared to the previous year in this rapidly growing market segment.



The development of new business was slightly below and operating earnings within expectations. Revenue in the year under review was substantially above forecast. The interest rate margin – the difference between the lending and refinancing rates – is of decisive importance for the earnings situation of akf group. Due to a slight increase in the interest rate margin of 9 basis points on a year-on-year comparison, interest income could be improved by 12.8 percent. The reason for this was the development of the overall portfolio volume that was in line with expectations, increasing by 8.6 percent as against the previous year.

As in previous years, refinancing of akf group was implemented – mainly with matching maturities – through interbank transactions, revolving ABCP programs, one open-ended ABS bond as well as the deposit-taking arm of the business. A new ABCP program was taken up in 2018 with an initial volume of EUR 100 million. The deposit business again developed in line with expectations in the year just closed. In total, some 20,900 private investors (previous year: around 21,800) had entrusted deposits of EUR 1,292 million (previous year: EUR 1,325 million). As in past years, business was only transacted on an online basis. In terms of interest payments for the various products, akf group handles all private investors in the same manner as a matter of principle and refrains from making any special offers or promotions to attract new clients.

In keeping with the company's strategic alignment, akf group has a highly diversified business operation both in terms of sectors and asset categories. The 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 therefore sees the planned volume of new business to be at a stable level.

Given an almost unchanged volume of new business in comparison to the year under review, a moderate growth in business volume may be assumed for 2019, meaning that a slightly higher interest rate margin is expected to result in slightly higher interest income. The akf group assumes that the costs for risk provisions will be moderately lower in relation to the business portfolio and thereby remain at almost the same level in absolute terms as in the year under review. Operative earnings should therefore increase moderately.

# Personnel Development

The focus of HR activities at the Vorwerk Group in the year under review was on further developing organizational and leadership competence so as to be able to support the long-term growth strategy and to meet the present and future entrepreneurial challenges.

One of the most important aspects was the effective and sustainable implementation of all strategic HR initiatives stemming from a shared, systematic approach in all divisions and countries. A KPI system was introduced to enhance process efficiency. Moreover, guiding principles were defined and applied, thereby ensuring systematic cross-divisional and transnational talent development. As a result, a sustainable talent pipeline for the future has been established.

To create a common framework across the entire Group, the “Vorwerk Academy” was redesigned. The objective: to further develop success-critical business functions, capabilities and competencies and to improve the overall performance of the Group with the help of global standards relating to key issues but also with local fine-tuning modifications. Worldwide leadership programs had already been established in 2017, enabling management staff to lead, advance and support the strategic change initiatives. They were broadened in the year under review so as to accommodate local requirements in the DACH region as well as to address specifics in China, Spain and Italy. During the course of the current business year, a global solution for digital learning will be introduced as part of an overall approach, a system that will encourage and enable self-regulated and needs-oriented learning.

To successfully implement the Vorwerk “Embrace Home” strategy, the initiative “Go for Courage” was initiated in the 2018 business year. This initiative supports Vorwerk’s pursuit of excellence and future viability by incorporating new, relevant core skills and values in the Group’s DNA. To develop ideas, processes and product innovations at short intervals will become increasingly important for Vorwerk. Agile methods such as working in “sprints” across all hierarchical levels provide Vorwerk with an advantage. That is the reason why the initiative targets staff throughout the entire organization, including the self-employed advisors. All the measures are being integrated into business functions and existing development programs.

Several activities got under way in the year under review to further improve learning and development as well as new working procedures. An international project team was created to develop concepts for future approaches to employment, including the office space itself and agile working practices so as to foster a culture of cooperation.

Flexible types of work and employment are also elements of a modern-day working environment. Vorwerk has addressed these challenges and concluded a works agreement pertaining to mobile working in combination with teleworking in the second half of 2018. This company agreement has been effective in Germany since October.

More than  
**623,000**  
 people were working  
 for the Vorwerk Group  
 either as advisors  
 or staff members.

Needs-oriented childcare – particularly for children of preschool age, but also for those in the early years at school – is a fundamental precondition to allow parents to work. As part of the family-friendly corporate policy to support staff and thereby to help reconcile work and family life, two works agreements became effective for the German Vorwerk companies as of 1 January 2018. They include measures that provide for and govern financial support for childcare. The target of applying an anticipatory HR approach is to help in making work and family life compatible with one another.

These themes and issues represent a most significant element in the recruitment and commitment of staff for the company.

623,891 people, on average, worked for the companies of the Vorwerk Group either as self-employed sales advisors or as permanent staff members in 2018. The number of permanent employed staff was 12,972; the number of self-employed sales advisors was 610,919.

### Staff (Annual Average)

	2015	2016	2017	2018
Home				
Thermomix*	2,264	2,762	3,481	4,694
Kobold*	3,336	2,238	1,964	1,808
Vorwerk flooring	422	414	381	366
Vorwerk Engineering	1,519	1,699	1,596	1,602
Neato Robotics	–	–	106	129
Diversification				
JAFRA Cosmetics	2,103	2,153	2,046	1,955
akf group	418	430	451	485
Others**	2,550	2,253	2,308	1,933
<b>Total*</b>	<b>12,612</b>	<b>11,949</b>	<b>12,333</b>	<b>12,972</b>

\* Including employed sales advisors

\*\* Lux Asia Pacific has been classified under "Others" in contrast to the previous year's report.

## Self-Employed Sales Advisors (Annual Average)

	2015	2016	2017	2018
Thermomix	41,884	45,672	45,047	44,574
Kobold	10,739	13,712	14,734	12,004
Others	324	422	740	593
Self-employed sales advisors "Home"	52,947	59,806	60,521	57,171
Self-employed sales advisors JAFRA Cosmetics	559,937	577,320	572,607	553,748
<b>Self-employed sales advisors in total</b>	<b>612,884</b>	<b>637,126</b>	<b>633,128</b>	<b>610,919</b>
<b>Total Vorwerk workforce</b>	<b>625,496</b>	<b>649,075</b>	<b>645,461</b>	<b>623,891</b>
of which sales advisors*	617,514	640,615	637,044	615,219

\* Including employed sales advisors

# Assets and Earnings Situation

The consolidated balance sheet total of the Vorwerk Group had increased by EUR 165.5 million to EUR 5,225.7 million as of balance sheet date on 31 December 2018, a rise that was in part attributable to the continued positive development of business at akf group.

Fixed assets fell by EUR 40.4 million overall, partly due to the scheduled depreciation of goodwill in an amount of EUR 12.5 million. A growth of EUR 108.9 million in tangible fixed assets could be reported, a rise that was mainly attributable to investment of around EUR 70 million in buildings and infrastructure and in leasing assets of some EUR 39.4 million. Consequently, there was a minor increase in the investment ratio to 26.2 percent. The fixed assets ratio slightly exceeded that of the previous year with 29.3 percent despite the moderately increased total capital amount.

Under the financial assets item participations were some EUR 11.1 million lower due to divestments. Long-term securities also decreased by EUR 144.6 million on account of sales activities, whereas EUR 14.0 million were added to the other loans and other financial assets.

There was a substantial increase of 8.8 percent in current assets with varying intensities in the individual items.

Inventory assets rose by EUR 34.9 million, primarily due to the increase in stock levels of production material to ensure delivery capability. The frequency of stock rotation was 5.3 percent below that of the previous year.

The value of trade receivables was 1.8 percent lower overall. This was mainly attributable to companies that were sold and thereby left the Group. Value adjustments were adapted to be in line with the payment conduct of customers. The value adjustment ratio remained almost unaltered as against the previous year (plus 0.1 percentage points).

The expansion in the instalment loan, investment credit and forfeiting business at akf group resulted in an increase in the level of net receivables from customers in the banking and leasing sector of EUR 114.9 million. The value adjustment ratio fell by 0.3 percentage points in this area.

The 46.0 percent ratio of current assets to total assets was moderately above the level of the previous year.

The cash ratio – defined as the cash resources available at short notice against current liabilities – amounted to 34.5 percent in the year under review (previous year: 43.3 percent).

The liabilities side reflected partners' equity of EUR 1,447.8 million. The partners' equity capital ratio was running at 27.7 percent (previous year: 33.6 percent). Given an assumed consolidation of akf group at equity, the partners' equity capital ratio would be lower than previous year at 49.6 percent (previous year: 58.5 percent). The equity to fixed assets ratio amounted to 52.6 percent and was thereby considerably lower than in the previous year (61.0 percent).

Accruals were negligibly higher than in the previous year (plus 1.1 percent). Whereas provisions for pensions and similar obligations rose by 3.2 percent on account of the even slightly lower rate of interest, accruals to cover tax risks fell by 25.5 percent. The substantial increase in other accruals was related to specific effects from restructuring measures and other obligations.

The increase of EUR 312.4 million in liabilities was – just like the rise on the assets side of the balance sheet – partly due to the consistent expansion of business at akf group.

Liabilities to banks were mainly attributable to akf group. Liabilities from the deposit business exclusively related to akf group. They fell by EUR 28.7 million in the year under review and were used to refinance the expansion of business across the entire Vorwerk Group.

The generally higher level of liabilities also had an impact on the degree of indebtedness which increased by 28.9 percentage points to 248.9 percent as against the previous year. Given an assumed consolidation of akf group at equity, the degree of indebtedness would amount to 99.6 percent (previous year: 69.3 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 and subject to scheduled reversal. It was mainly the income accruals that resulted in an increase of EUR 100.9 million in the year under review.

The Vorwerk Group achieved sales of EUR 2,790.5 million in the 2018 business year, a decrease of 4.0 percent. The return on sales was 2.4 percentage points lower. The decline in revenue affected almost all divisions with the exception of akf group. Reference is made to the respective comments on the divisions for detailed explanations on revenue development.

The significant increase in the other operating income item was primarily the result of the sale of participations at Vorwerk Direct Selling Ventures.

The cost of materials (without the bank and leasing operations) fell by 3.8 percent in comparison to the previous year. The cost-of-materials ratio was negligibly higher (0.3 percent) than in the previous year, partly due to up-front production to secure delivery capability across all divisions.

The decline in the costs for loan and leasing transactions of EUR 9.4 million was mainly the result of a reduction in the level of refinancing obligations, but the still falling rate of interest also had an impact on expense.

Besides the generally higher level of wages and salaries, the rise of EUR 41.0 million in personnel expenses could be attributed to an increase in the number of staff working for the Vorwerk Group (plus 5.2 percent).

As a consequence of the high levels of investment in the last three years, depreciation rose by 5.9 percent. The write-downs mainly concerned the leasing assets of akf group, the extension of capacities at the manufacturing locations of the Engineering division as well as the extension of the digital offerings.

The other operating expense item reported reflected a negligible increase overall in comparison to the previous year. The higher level of expense from the change in the scope of consolidation was offset against lower sales-related expenses for commission payments for high-ticket items in the direct sales businesses.

The EUR 8.9 million decrease in the financial result was primarily attributable to depreciation on participations at Vorwerk Direct Selling Ventures.

The operative result and the development of earnings were below expectations across almost all divisions. The negative result situation at the divisions affected is dissatisfactory for Vorwerk.



# Financial Situation and Development of Financial Assets

2018 was a somewhat turbulent year for the financial markets: on the one hand, the good start to the new year on the stock markets came to an abrupt end at the end of January, resulting in price declines that continued into April. A second correction started at the beginning of October and went right through till December. In between, the emerging countries suffered from crises in Venezuela, Argentina and Turkey. The “Brexit drama” similarly put pressure on markets as did the altered trade policy pursued by the US administration. This negative overall impression was confounded by conflicts and unrest in the Middle East, the global refugee flows, the election outcome in Italy and the subsequent budget dispute with the European Commission. All in all, enough reasons to stay well clear of any risky investments.

On the other hand, the US Federal Reserve commenced with a normalization of its monetary policy and the European Central Bank greatly modified its purchasing program. In this respect there will be no further purchases made from 2019 onwards with only expiring bonds already held being replaced.

The level of global growth forecast one year earlier similarly slowed during the course of the year. Many indicators from the larger economic regions suggest that the now 10-year-long business cycle may be in its final phase.

The Vorwerk Group reviewed its strategic asset allocation within the framework of existing processes. Adjustments needed to be made on account of the defined risk profile, whereby the worsening economic data meant that great attention was paid to the inclusion of risk-limiting measures. As in the past, the Vorwerk Group’s widely diversified portfolio could once again make a positive contribution to earnings in the business year just closed.

As in previous years, Vorwerk (without the akf group) financed its investments and activities predominantly from operative cash flow. Additionally, money market facilities were agreed with banks to cover short-term liquidity peaks, facilities that were occasionally taken up.

As part of the policy relating to the investment of freely available capital, the Vorwerk Group ensures that 60 percent of the liquidity portfolio can be realized within a three-month period and made available for operational business if need be.

In the business year just closed, the level of freely available financial resources at the Group was lower due to investments in the extension of production capacities and the modernization of the IT landscape as well as the dissatisfactory development of business (except akf group).

The following describes the development of financial assets at akf group.

Lending operations were mainly refinanced with matching maturities using the deposits from investors, interbank transactions, revolving ABCP programs and one open-ended ABS bond. A new ABCP program was taken up in the year under review with an initial volume of EUR 100 million. The securitization programs had been taken up to an extent of EUR 945 million as of balance sheet date, leaving a free line of EUR 1 million.

The deposit business again developed in line with expectations in the year just closed. In total, some 20,900 private investors had entrusted deposits of EUR 1,292 million. As in past years, business was only transacted on an online basis.

Liabilities of the akf group towards banks amounted to EUR 776 million as of balance sheet date compared with EUR 695 million in the previous year.

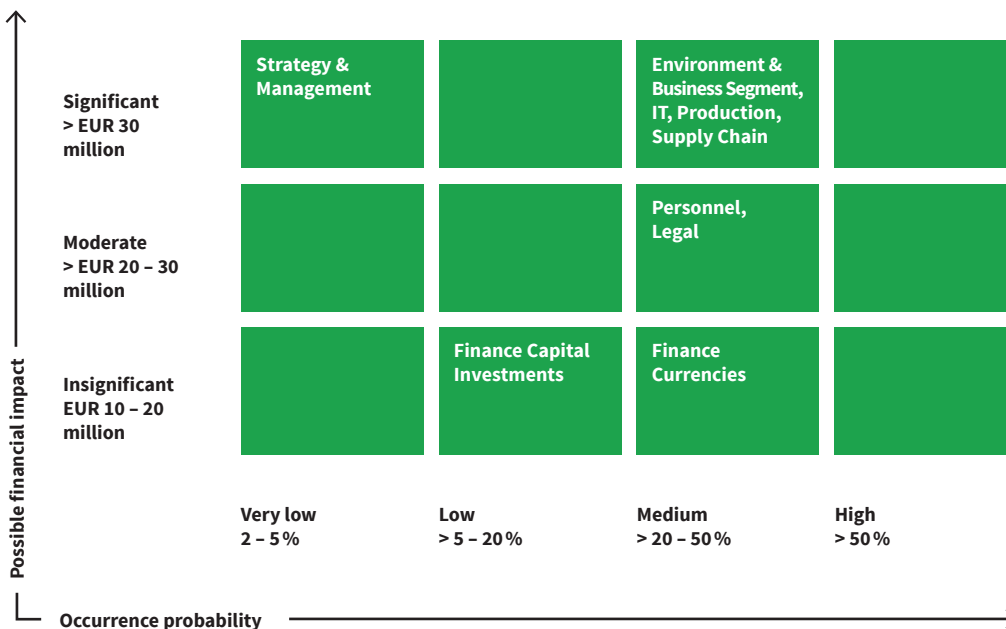
The akf group can always cover its short-term liquidity needs from third-party banks and by taking up credit lines made available by the German Central Bank within the scope of open market transactions.

# 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 only changed negligibly 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 Management Matrix



Vorwerk's risk management is a continual process with risks being identified and quantified at least twice a year. Irrespective of this, the development of risks is constantly monitored by the divisions, which are obliged to immediately report any unfavorable or risk-escalating incidents and to indicate and implement mitigation measures.

Within the scope of business activities, some risks in the "Environment & Business Segment" category with a medium occurrence probability and a significant impact on Group earnings have emerged in specific divisions as a result of a modified market environment due to the entry of new competitors, a change in consumer requirements and an ever-increasing degree of digitization. Vorwerk confronts these risks with product innovations that not only encompass the further development of existing articles but also the creation of new products and services. This process calls for a strong commitment to R&D, for which the investment of extensive financial resources is necessary but without any guarantee that it will produce the desired results. Investments in the development of new products may have a negative impact on sales revenues and earnings should they not be accepted by the market as expected. However, at the same time, successful R&D processes create the preconditions for future corporate growth.

Vorwerk pursues a fundamental policy of further internationalizing its business segments so as to reduce the risks resulting from a dependency on individual products and 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. A main focus in the upcoming years will be on further developing digital offers and services – a segment which offers substantial growth opportunities for the Vorwerk Group.

Given this alignment for the future, the strategic risks for the above-mentioned individual divisions have also been categorized as having a very low probability of occurring and significant impact.

Some risks in the "Production" category with a medium probability of occurrence and significant effect arise when production equipment, for instance, breaks down or a lead production facility is incapacitated. The probability of production-related disruptions occurring in the future may be considered lower on account of the continued investments in the infrastructure at the manufacturing locations. There are also risks in the "Supply Chain" area with the same degree of risk relevance. They emerge on the one hand from the interaction with the above-mentioned production risks as well as from the accepted remaining risk associated with material supply, an aspect that is overcome thanks to our supplier management approach and implemented early-warning system.

The Vorwerk Group regards risks related to "IT" that emerge from the increasingly necessary and demanded digitization of products and services as having the same occurrence probability and the same impact on the liquidity and earnings situation. There is also a correlation here to the personnel and production risks since digital applications necessitate different development and production strategies to those required for mechanical approaches.

The current, still hybrid IT system landscape and structure is presently being consolidated and renewed. Until this process has been completed, our risk assessment has identified a significant risk and medium occurrence probability.

Moderate implications for the earnings situation with a medium occurrence probability emerge from risks resulting from competition, patent, taxation or contractual law, product liability as well as new or modified statutory requirements. Internal guidelines, accompanying (control) measures and, if need be, legal counselling actively address such risks and, to the extent possible, limit them from the very outset.

Personnel risks with a medium occurrence probability and a moderate effect on the earnings situation result especially from the necessity to train and recruit qualified staff for the digitization of our products and services as well as to establish successor planning arrangements for experts and managers so as to further develop the Group.

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. These risks in the “Finance Capital Investments” category have an insignificant effect on the earnings situation and a low probability of occurrence and in the “Finance Currencies” segment a medium probability of occurrence, which is anyway hedged as far as possible.

The risks from capital investments and foreign currencies are expressed in terms of the “conditional value at risk” (CVaR) and “cash flow at risk” (CFaR). The CVaR was EUR 16.9 million for investment management and the CFaR EUR 17.7 million (without the akf group) for foreign exchange management at the close of the business year under review.

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 risks identified.

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 2019 business year.

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

The akf group primarily runs an asset-covered business and therefore 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 risk 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 continuingly good economic situation meant that in 2018 the institute was again able to keep the costs for risks at a low level in relation to the business volume.

The akf group meets the high requirements demanded for the management of these risks by permanently advancing its systems. They help in identifying, measuring, controlling, steering and reporting 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 significant.

The default risk of akf group mainly comprises the lending risk incurred when a customer cannot fulfil 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 in the banking book and the residual value risk (akf leasing group). The akf group is not subject to any market price risks from currency risks nor any market price risks from shares, foreign exchange and precious metals or from their corresponding derivatives as a non-trading book institute. The interest rate change risk describes the danger of having to accept a lower than planned level of interest rate margin or a loss in the net present value of the portfolio. Those items that cannot be adapted at any time to modified market interest rates are subject to such risk. The period for the fixed term interest rate and the number of transactions linked to this interest rate are decisive for the level of risk.

The residual value risk describes the danger of having to accept a reduced level of income or even a loss from the sale of used leasing assets as a result of future changes to the calculated prices.

These risks are steered in the Fullservice business unit through constant monitoring of the used vehicle market and the implementation of adjustment measures as they become necessary in calculating the residual values. The residual value risk is basically reduced at akf leasing GmbH & Co KG as well as at akf servicelease GmbH thanks to the conclusion of take-back or residual value guarantees provided by dealers or manufacturers and on account of disposition rights (put options).

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.

The liquidity risk comprises the maturity transformation risk and the refinancing risk. The maturity transformation risk is understood as meaning the risk that ensues when the commitment period of the capital made available is different to the commitment period of the invested capital. In such cases there is the risk that payment obligations in terms of amount and maturity date cannot be met to the full or punctually. The maturity transformation risk is deemed an insolvency risk and is thereby, strictly speaking, a liquidity risk. The refinancing risk is understood as meaning an inability to raise adequate liquid funds from the market when needed and/or on conditions contrary to those expected.

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

The liquidity risks are subject to monthly stress tests.

Like any other company, the akf group is also exposed to operational risks. The significant operational risks have been identified in a risk inventory on the basis of a 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 handling cases that arise on the customer as well as dealer side so as to prevent any continuation or reoccurrence. 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 identified in the risk inventory are reported to Risk Management quarterly and documented in a loss database.

Stress tests are carried out for operational risks.

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 audit as well as by the external auditors as part of their annual closing procedure.

From today's point of view, there are no risks for the individual divisions that could prejudice the continuation of business at the Vorwerk Group. The high equity capital ratio of recent years and the enhanced 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.

# Outlook Report

The Vorwerk Group is very diversified in terms of products and sales systems as well as on account of its development of new international markets. The Group will also benefit from favorable market trends in the future as a result of this structure. In 2017, the Vorwerk Group defined end customers' households as its strategic focus. The vision adopted in this respect: "Our superior products and services elevate the quality of life everywhere you call home" and the measures resulting from this were implemented in the year under review. This meant that there was continued investment in the extension of the omnichannel strategy, digitization, IT technologies, infrastructure and customer relationship management.

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

Assuming a stable economic development in its most important markets, the Vorwerk Group expects a considerable growth in revenue in the 2019 business year. This rise will mainly come from the Thermomix division. In this respect, it is assumed that there will be an overall increase in the number of advisors working for the company, accompanied by a minor improvement in activity. The volume of new business at akf group is planned to be at about the same level as that 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 may however be assumed that operating earnings will be distinctly below the level of the year under review, not least due to expenditures for R&D, continued digitization as well as for IT projects.



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# Consolidated Balance Sheet

As at December 31, 2018

## Assets

€ 000	12/31/2018	12/31/2017
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
1. Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	68,681	66,304
2. Goodwill	172,786	185,308
3. Prepayments	14,714	16,334
	<b>256,181</b>	<b>267,946</b>
<b>II. Tangible assets</b>		
1. Land, similar rights, and buildings, including buildings on leasehold land	117,011	104,292
2. Technical equipment and machinery	110,313	124,578
3. Other equipment, factory and office equipment	56,370	65,482
4. Rental assets	806,638	767,277
5. Prepayments and construction in process	133,964	53,743
	<b>1,224,296</b>	<b>1,115,372</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	25,241	22,626
2. Participations in associated companies	40	40
3. Other participations	47,149	58,284
4. Loans to companies in which the company has a participating interest	3,432	1,886
5. Long-term securities	1,130,453	1,275,046
6. Other loans and other financial assets	64,698	50,684
	<b>1,271,013</b>	<b>1,408,566</b>
<b>Fixed assets</b>	<b>2,751,490</b>	<b>2,791,884</b>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Raw materials and supplies	78,335	64,301
2. Work in progress	10,669	12,361
3. Finished goods and merchandise	181,671	159,862
4. Prepayments	1,133	406
	<b>271,808</b>	<b>236,930</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables;	449,456	457,578
of which with a remaining term of more than 1 year	(35)	(184)
2. Receivables from customers from banking and leasing business;	1,212,385	1,097,512
of which with a remaining term of more than 1 year	(716,784)	(683,657)
3. Receivables from affiliated companies	-	1
4. Receivables from companies in which the company has a participating interest	1,094	988
5. Other assets;	187,505	137,066
of which with a remaining term of more than 1 year	(4,645)	(8,738)
	<b>1,850,440</b>	<b>1,693,145</b>
<b>III. Other securities</b>	<b>21,157</b>	<b>7,468</b>
<b>IV. Checks, cash on hand, bank balances</b>	<b>258,318</b>	<b>269,250</b>
<b>Current assets</b>	<b>2,401,723</b>	<b>2,206,793</b>
<b>C. Prepaid expenses and deferred charges</b>	<b>22,295</b>	<b>20,884</b>
<b>D. Deferred tax assets</b>	<b>50,186</b>	<b>40,660</b>
	<b>5,225,694</b>	<b>5,060,221</b>

## Equity and Liabilities

€ 000	12/31/2018	12/31/2017
<b>A. Partners' equity</b>		
1. Capital shares, reserves, capital contributions of silent partners, net profit share of parent company, currency conversion difference	1,447,559	1,701,323
2. Noncontrolling interests		
in capital and reserves	-	21
in profits	267	256
	<b>267</b>	<b>277</b>
	<b>1,447,826</b>	<b>1,701,600</b>
<b>B. Accruals</b>		
1. Accruals for pensions and similar obligations	167,389	162,155
2. Tax accruals	50,946	68,404
3. Other accruals	313,270	295,129
	<b>531,605</b>	<b>525,688</b>
<b>C. Liabilities</b>		
1. Bank loans and overdrafts	868,251	752,578
2. Liabilities from the deposit-taking business	1,329,797	1,358,477
3. Customer advances	6,314	5,678
4. Trade payables	155,166	140,669
5. Drafts and notes payable	5	5
6. Other liabilities;	712,200	501,901
of which taxes	(75,637)	(45,771)
of which social security payables	(18,825)	(22,192)
	<b>3,071,733</b>	<b>2,759,308</b>
<b>D. Deferred income</b>	<b>174,530</b>	<b>73,625</b>
	<b>5,225,694</b>	<b>5,060,221</b>

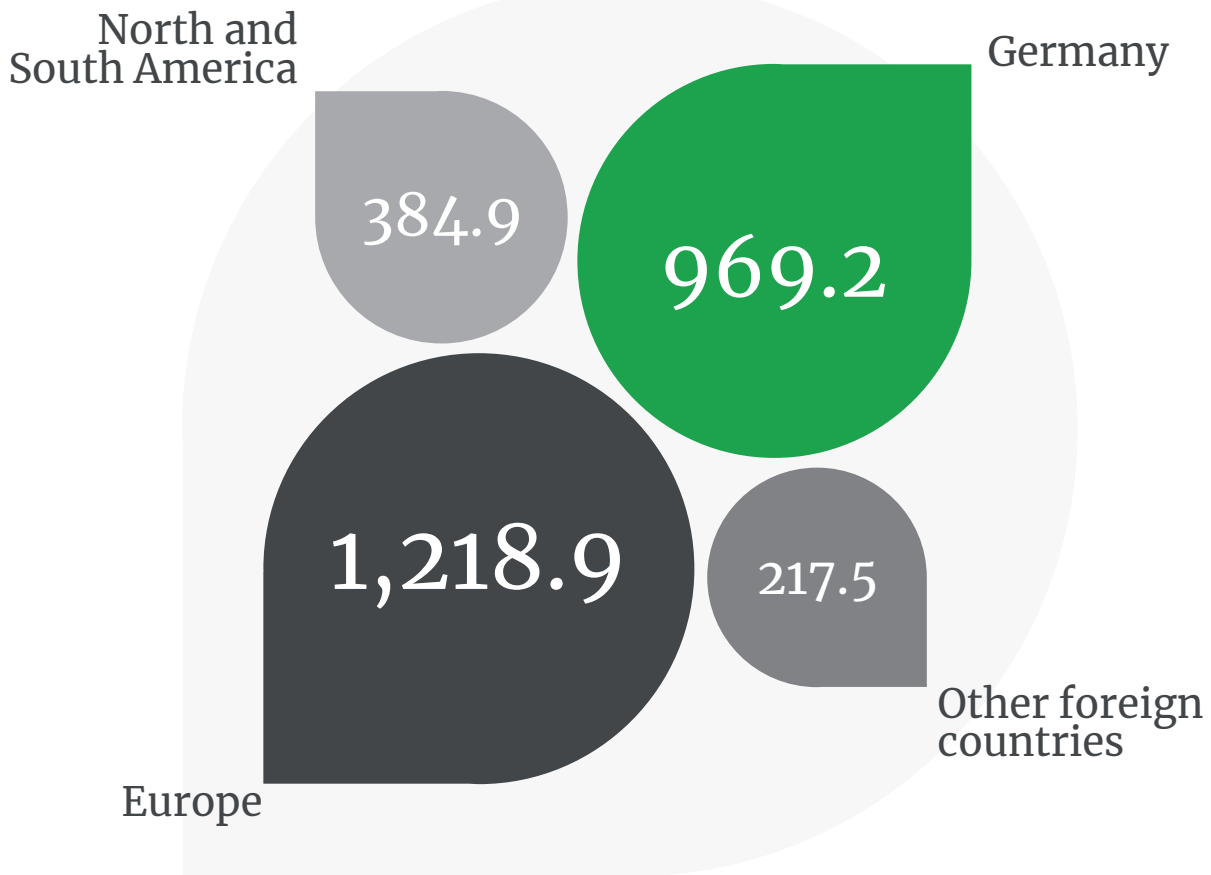
# Consolidated Profit and Loss Account

For the period January 1 to December 31, 2018

€ 000	2018	2017
1. Sales:		
a) External sales	2,340,902	2,460,001
b) Income from loan and leasing transactions	449,619	446,096
	<b>2,790,521</b>	<b>2,906,097</b>
2. Change in finished goods and work in progress inventories	6,124	-16,563
3. Other own work capitalized	513	688
	<b>2,797,158</b>	<b>2,890,222</b>
4. Other operating income;	194,449	129,474
of which income from currency translation	(7,225)	(11,105)
5. Cost of materials:		
a) Cost of raw materials, supplies and merchandise	513,737	536,129
b) Cost of purchased services	29,733	28,621
	<b>543,470</b>	<b>564,750</b>
6. Cost of loan and leasing transactions	163,962	173,349
	<b>2,284,175</b>	<b>2,281,597</b>
7. Personnel expenses:		
a) Wages and salaries	506,285	463,879
b) Social security, pension and other benefits;	108,963	110,323
of which relating to pensions	(22,908)	(23,681)
	<b>615,248</b>	<b>574,202</b>
8. Amortization and depreciation of fixed intangible and tangible assets	286,434	270,381
9. Income from participating interest	1,022	1,021
10. Income from other long-term securities and loans/financial assets	22,938	25,811
11. Other interest and similar income	12,308	13,178
12. Write-down of long-term financial assets and current securities	9,321	128
13. Interest and similar expenses;	23,811	27,893
of which expenditure from accrued interest of provisions	(12,126)	(11,323)
14. Collective heading;	1,385,629	1,449,003
of which expenditure from currency translation	(14,397)	(14,317)
Other items not shown separately (Other operating expenses, taxes, net profit for the year)		

Group Sales by Region

in million EUR



**Total**  
**EUR 2,790.5 million**

# Consolidated Fixed-Asset Movement Schedule

From January 1 to December 31, 2018

	Gross values					As at 12/31/2018
	As at 1/1/2018	Foreign currency dif- ferences and consolidated entity effects	Additions	Disposals	Transfers	
<b>I. Intangible assets</b>						
1. Purchased concessions, industrial property and similar rights and assets, and licenses in such rights and assets	128,866	2,819	9,543	4,303	8,505	145,430
2. Goodwill	340,752	-	-	3,263	-	337,489
3. Prepayments	16,334	560	2,523	3,794	-909	14,714
	<b>485,952</b>	<b>3,379</b>	<b>12,066</b>	<b>11,360</b>	<b>7,596</b>	<b>497,633</b>
<b>II. Tangible assets</b>						
1. Land, similar rights, and buildings, including buildings on leasehold land	185,170	1,756	16,915	2,797	3,963	205,007
2. Technical equipment and machinery	357,762	885	14,467	578	7,172	379,708
3. Other equipment, factory and office equipment	187,781	657	12,615	14,239	1,875	188,689
4. Rental assets	1,160,403	-96	359,442	292,049	4,455	1,232,155
5. Prepayments and construction in process	54,165	319	105,468	212	-25,061	134,679
	<b>1,945,281</b>	<b>3,521</b>	<b>508,907</b>	<b>309,875</b>	<b>-7,596</b>	<b>2,140,238</b>
<b>III. Financial assets</b>						
1. Shares in affiliated companies	22,626	-	3,100	485	-	25,241
2. Participations in associated companies	40	-	-	-	-	40
3. Other participations	58,299	-	6,947	11,258	2,052	56,040
4. Loans to companies in which the company has a participating interest	1,886	-	3,598	-	-2,052	3,432
5. Long-term securities	1,275,105	-	25,530	170,099	-	1,130,536
6. Other loans and other financial assets	50,844	11	21,447	7,604	-	64,698
	<b>1,408,800</b>	<b>11</b>	<b>60,622</b>	<b>189,446</b>	<b>-</b>	<b>1,279,987</b>
	<b>3,840,033</b>	<b>6,911</b>	<b>581,595</b>	<b>510,681</b>	<b>-</b>	<b>3,917,858</b>

Accumulated depreciation/amortization						Net values	
As at 1/1/2018	Foreign currency dif- ferences and consolidated entity effects	Additions	Disposals	Write-ups	As at 12/31/2018	As at 12/31/2018	As at 12/31/2017
62,562	1,229	17,227	4,269	-	76,749	68,681	66,304
155,444	-	12,522	3,263	-	164,703	172,786	185,308
-	-	-	-	-	-	14,714	16,334
<b>218,006</b>	<b>1,229</b>	<b>29,749</b>	<b>7,532</b>	<b>-</b>	<b>241,452</b>	<b>256,181</b>	<b>267,946</b>
80,878	839	7,127	848	-	87,996	117,011	104,292
233,184	417	36,276	482	-	269,395	110,313	124,578
122,299	345	21,994	12,319	-	132,319	56,370	65,482
393,126	-93	190,996	158,512	-	425,517	806,638	767,277
422	1	292	-	-	715	133,964	53,743
<b>829,909</b>	<b>1,509</b>	<b>256,685</b>	<b>172,161</b>	<b>-</b>	<b>915,942</b>	<b>1,224,296</b>	<b>1,115,372</b>
-	-	-	-	-	-	25,241	22,626
-	-	-	-	-	-	40	40
15	-	8,876	-	-	8,891	47,149	58,284
-	-	-	-	-	-	3,432	1,886
59	-	36	-	12	83	1,130,453	1,275,046
160	9	409	578	-	-	64,698	50,684
<b>234</b>	<b>9</b>	<b>9,321</b>	<b>578</b>	<b>12</b>	<b>8,974</b>	<b>1,271,013</b>	<b>1,408,566</b>
<b>1,048,149</b>	<b>2,747</b>	<b>295,755</b>	<b>180,271</b>	<b>12</b>	<b>1,166,368</b>	<b>2,751,490</b>	<b>2,791,884</b>

# Notes to Consolidated Financial Statements

As at December 31, 2018

## I. Introductory Remarks

Vorwerk & Co. KG has prepared consolidated financial statements and a group management report for the financial year 2018 in accordance with the requirements of § 13 (3) in conjunction with § 5 (5) 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). The company that is domiciled in Wuppertal is entered in the register of the District Court of Wuppertal under the number HRA 14658.

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 in the annual report. 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.

The company Vorwerk Commercial Co. Ltd., Shanghai/China, which was not included in the consolidated financial statements of the previous year pursuant to § 296 (2) HGB, has been included in the consolidated financial statements for the first time. Three companies were merged into subsidiaries (each into a different subsidiary) during the financial year 2018 and are no longer part of the consolidated group. Nine companies were sold during the fiscal year and are no longer part of the consolidated group. Two companies were liquidated during fiscal year 2018 and are no longer part of the consolidated group. The change to the companies included in the consolidated financial statements is collectively and individually immaterial. The consolidated financial statements therefore remain comparable with those for the previous year.

Five (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.

Seven (previous year: seven) 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 1 percent of consolidated sales.

## III. Classification, Accounting and Valuation Methods

The classification of the balance sheet and profit and loss account is laid out for preparation purposes in accordance with the classification presentation for corporations defined under §§ 290 et seqq, 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 profit and loss account have been included with other operating expenses under the collective 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 nonsecuritized 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 characteristics.



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 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. With the exception of the changes in valuation of the assets and of the provisions for pensions and anniversaries and provisions for semiretirement explained below, they remained unchanged from the previous year.

Purchased intangible assets have been capitalized at acquisition cost less straight-line amortization over the estimated useful life of each asset on a pro rata temporis basis. The most commonly applied useful life periods range between three and five years.

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

The usual useful life periods in operation of the intangible assets of Neato Robotics, Inc., capitalized during the initial consolidation in 2017 amount to six years for the know-how in development, eight years for patents and applications, and 18 years for brand rights.

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 the estimated useful life. Borrowing costs are not recognized. Manufacturing costs include the directly 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.

The major useful life periods range between ten and 33 years for buildings and outdoor facilities, between three and 17 years for technical equipment and machinery, between six and eight years for motor vehicles, and between three and 13 years for factory and office equipment.

Additions of tangible assets are capitalized at acquisition or manufacturing cost. Borrowing costs are not recognized. Manufacturing costs include the directly attributable costs from the consumption of goods and the use of services as well as appropriate proportions of necessary material and manufacturing overheads.

Additions of low-value assets up to EUR 250 (previous year: EUR 150) are recognized directly as other operating expenses. Low-value assets with acquisition costs between EUR 250 and EUR 800 (previous year: EUR 150 and EUR 410) are capitalized and written off in full and immediately in the month of their addition and disclosed as disposals in the fixed-asset movement schedule in the year of their addition.

Financial assets (excluding loans) were valued at acquisition cost and loans at nominal value. Where impairment is likely to be permanent, amortization is performed at 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 process include only the adequate proportions 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 at 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, 2018.

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 Section 253 (5) HGB.

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

Provisions for pensions and similar obligations also allow for surviving dependants' benefits in addition to payments arising from individual and collective programs. They are formed according to the projected credit on actuarial calculations using the 2018G mortality tables (previous year: mortality tables 2005G) of Prof. Klaus Heubeck, which factor in generation-dependent life expectancies. The effect from the changeover of the mortality tables per December 31, 2018, amounted to EUR -2.1 million. In the context of implementing the directive on residential real estate loans, the legislator decided to apply the average market interest rate of the past ten years published by the Deutsche Bundesbank and calculated on an assumed residual term of 15 years to pension provisions from 2016 onward. The interest rate in December 2018 came to 3.21 percent (previous year: 3.68 percent). Until December 31, 2015, a 7-year annual average interest rate published by the Deutsche Bundesbank had been applied. Based on a 7-year annual average interest rate, the difference calculated as of December 31, 2018, amounts to EUR 12.8 million that is subject to a payout restriction if the free reserves available are insufficient.

The calculation is 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 2.50 percent and 4.50 percent, as well as taking the average market interest rate of the last seven years of 2.32 percent as a basis. Term-specific interest rates of between 0.82 percent and 1.11 percent are also used for semiretirement obligations under semiretirement accruals.

An exception is found in the obligations from time accounts that are treated as pension obligations comparable to obligations due in the long term and to which the regulations for securities-related pension commitments must be applied. In this case, the measurement corresponds to the amount of the fair value of the cover asset pursuant to § 253 (1) sentence 3 HGB.

If there is a cover asset pursuant to § 246 (2) sentence 2 HGB, the disclosed accrual from time accounts corresponds to the balance of the settlement amount determined by prudent business judgment and the fair value of the cover asset. The fair value of the balanced reinsurance claims corresponds to the acquisition costs brought forward (cover capital plus surplus sharing) in accordance with the information from the insurer.

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

Other accruals and provisions are calculated in such a way as to account 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 rent payments and rent 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 transactions anticipated as highly likely 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 eurozone, 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 expenses shown in the corresponding profit and loss accounts have been translated at the average annual rate of exchange for the year 2018. The resulting translation difference between the net income converted at the average rate and the rate on the balance sheet date of EUR 4.0 million has been included without affecting net income within the consolidated shareholders' equity after the reserves under the "Equity difference from currency translation" line item. The translation differences resulting from exchange rate fluctuations have led to an increase of nonoperating results of EUR 36.2 million in the line item "Equity difference from currency translation."

#### 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 statements 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 participations have been offset against the allocable equity of the corresponding subsidiary companies, including reserves and profit/loss brought forward, per the date of acquisition following a revaluation of the various balance sheet items 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 reversal of hidden reserves in the assets.

The goodwill of JAFRA Group reported under fixed assets results from the acquisition of the group in 2004. The goodwill is amortized in accordance with the expected useful operating life over a period of 30 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 character. The asset-side differences arising from the initial consolidation of Vorwerk UK Ltd. in fiscal year 2014 and of CLOSe Logistics GmbH, Freienbach/Switzerland, in fiscal year 2013 were capitalized as goodwill. Scheduled amortization is carried out in each case owing to the use of the customer base and brand names over a period of five years.

The initial consolidation of Neato Robotics, Inc., in fiscal year 2017 led to the realization of hidden reserves attributable to know-how in development, patents and applications, and brand rights. The valuation of the know-how was based on the residual value method and that of the patent and applications and brand rights was based on the relief from royalty method.

Minority interests in the equity capital and reserves and in the results of the incorporated subsidiaries have been shown under the “noncontrolling interests” item.

## 2. Debt Consolidation

In accordance with debt consolidation principles (§ 303 HGB), receivables and payables with companies within the consolidated group have been offset against one another.

## 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 one another.

## 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 relief 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, 2018, the net balance of future tax burden/relief calculated on the basis of the different approaches applied to the commercial balance sheet and the tax base balance sheet mainly arose from receivables and payables from/to affiliated companies, inventories, pension and other provisions, and tax loss 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 specific companies, which are between 16 percent and 34 percent.

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

### 1. Provisions

Other provisions include obligations to company employees from time accounts. The salary components deferred in accordance with the joint works agreement for the establishment of time accounts are vested in a reinsurance policy that serves solely to cover the related obligation and is protected from seizure by other creditors. This cover asset with a fair value per December 31, 2018, of EUR 5.3 million (corresponding to the acquisition costs brought forward) is consequently offset against the obligations from time accounts. Since the obligation is treated like a securities-related cover commitment, the obligation from time accounts corresponds to the fair value of the cover asset. When the two items are offset, the result is a balance sheet recognition of zero.

€ 000	12/31/2018	12/31/2017
Settlement amount from time accounts	-5,256.93	-1,960.40
Fair value of cover asset	5,256.93	1,960.40
Net value of obligations from time accounts	–	–
Acquisition costs of the cover asset	5,256.93	1,960.40

## 2. Liabilities

### Remaining Terms for Liabilities (RTL)

€ 000	12/31/2018				12/31/2017			
	RTL < 1 Y	RTL > 1 Y	of which RTL > 5 Y	Total	RTL < 1 Y	RTL > 1 Y	of which RTL > 5 Y	Total
Bank loans and overdrafts	280,280	587,971	74,270	868,251	213,721	538,857	109,826	752,578
Liabilities from deposit-taking business	891,804	437,993	8,562	1,329,797	905,183	453,294	6,819	1,358,477
Customer advances	6,314	–	–	6,314	5,678	–	–	5,678
Trade payables	154,416	750	858	155,166	140,546	123	–	140,669
Drafts and notes payable	5	–	–	5	5	–	–	5
Other liabilities	708,819	3,381	418	712,200	498,463	3,438	418	501,901
<b>Liabilities</b>	<b>2,041,638</b>	<b>1,030,095</b>	<b>84,108</b>	<b>3,071,733</b>	<b>1,763,596</b>	<b>995,712</b>	<b>117,063</b>	<b>2,759,308</b>

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

### Contingent Liabilities

The following contingent liabilities existed on the balance sheet date:

€ 000	Total 2018	Total 2017
Contingent liabilities for sureties;	1,159.4	7,811.4
of which in favor of affiliated companies	–	5,670.0
Secondary liability for pension obligations transferred to provident fund	27,026.1	21,236.8

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 relating to sureties in favor of third parties is deemed low because it is related essentially to a payment guarantee for the settlement of company credit cards.

### Other Financial Commitments

Commitments arising from rental, tenancy, and lease contracts as of the balance sheet date amounted to EUR 73.5 million for the following years, of which EUR 25.7 million falls due in 2019. Purchase commitments for investments and repairs of tangible assets amount to EUR 64.4 million (previous year: EUR 45.7 million). There are long-term obligations arising from contracts with suppliers in the amount of EUR 14.5 million as of the balance sheet date.

akf bank has irrevocable loan commitments totaling EUR 210.4 million (previous year: EUR 113.5 million).

### Off-Balance-Sheet Transactions

Among other things, akf bank uses an asset-backed commercial paper (ABCP) program to refinance its customer receivables and sells customer receivables in this context, thereby transferring all opportunities and risks. The receivables sold are withdrawn from the balance sheet at that point. This program is ongoing and has a volume of EUR 446.0 million, which was fully utilized on the balance sheet date.

## 4. Profit and Loss Account

### Group Sales Including Revenue from the Credit and Leasing Business

Breakdown by region in EUR m	2018	2017
Germany	969.2	1,042.4
Europe	1,218.9	1,297.6
North and South America	384.9	405.9
Other foreign countries	217.5	160.2
<b>Total</b>	<b>2,790.5</b>	<b>2,906.1</b>

Breakdown by division in EUR m	2018	2017
Home	1,947.1	2,032.7
Thermomix	1,079.5	1,120.0
Kobold	756.5	791.9
Vorwerk flooring	48.7	58.1
Neato Robotics	62.4	62.7
Diversification	785.6	809.7
JAFRA Cosmetics	336.0	363.6
akf group	449.6	446.1
Others*	57.8	63.7
<b>Total</b>	<b>2,790.5</b>	<b>2,906.1</b>

\* Lux Asia Pacific has been classified under "Others" in contrast to the previous year's report.

### 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 66.0 million.

### Amortization and Depreciation of Intangible and Tangible Fixed Assets

Owing to a presumably permanent impairment, there was an unscheduled write-down on tangible assets in the amount of EUR 0.7 million to the lower fair value.

### Write-Down of Financial Assets and Short-Term Investments

Owing to a presumably permanent impairment, there was an unscheduled write-down on financial assets in the amount of EUR 9.3 million to the lower fair value during the reporting year.

## 5. Derivative Financial Instruments and Valuation Units

Commodity swaps and currency futures are used at Vorwerk Group for hedging purposes, both for operational business activities and 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. In the Vorwerk Group (excluding the akf group), all derivative financial instruments were included in valuation units in accordance with § 285 No. 19 HGB per December 31, 2018.

The nominal value of the derivative financial instruments is determined using the closing rate method. The fair value of currency futures and currency swaps is determined according to the closing rates 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 pricing models pursuant to Black & Scholes. The fair value of interest rate hedging instruments (interest rate swaps and options) as well as raw material hedging instruments (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 originally amounting to EUR 25.0 million (owing to repayment, the loan amount is now only EUR 21.9 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 6.1 million (hedged risk).

The Vorwerk Group continues to use portfolio hedges to hedge the currency risks of assets, debts, and standard transactions that are anticipated as highly likely to reoccur and combines them into valuation units as defined by § 254 HGB.

As at the balance sheet date, Vorwerk had 64 currency futures with eight banks in a total nominal volume of EUR 160.1 million. The net fair values of currency futures were calculated using the mark-to-market method and totaled EUR 0.04 million on the balance sheet date.

The total currency risks hedged by means of valuation units (avoided provisions for contingent losses, avoided write-downs of foreign currency receivables, and avoided write-ups on foreign currency liabilities) from assets, debts, and transactions anticipated as highly likely amount to EUR 4.2 million.

The carrying value of the hedged assets and debts in foreign currencies totals EUR 19.0 million and breaks down as shown below:

Trade receivables	EUR 3.9 million
Trade payables	EUR 15.1 million

The scope of the transactions anticipated as highly likely in foreign currencies amounts to EUR 141.1 million. The hedged anticipated transactions are classified as highly likely on the basis of the reliable sales, production, and purchasing planning.

The changes in the value of the underlying transactions and 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 assessed with the aid of the critical term match method.

To hedge against payment fluctuations and value changes 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 at the balance sheet date, akf bank had a total of five interest rate swaps with three banks with a total nominal volume of EUR 215.0 million and four caps with a nominal volume of EUR 200.0 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 4.3 million. The total fair values for these derivative financial instruments were calculated using the mark-to-market method and total EUR -2.5 million on the balance sheet date.

The akf bank applies the regulations of the IDW statement regarding specific questions related to the loss-free valuation of interest-related transactions of the banking book (IDW RS BFA 3). The valuation of the interest-related transactions of the banking book oriented to the P/L account, taking into account administrative expenses, risk costs, and deemed refinancing costs, did not result in the need to create an accrual for contingent losses pursuant to § 340 a HGB in conjunction with § 249 (1) HGB.

## 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 based on 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

€ 000	Carrying value	Market value	Difference
VWUC Fund	740,795	751,820	11,025

Vorwerk received a gross disbursement of EUR 14,542k (EUR 2.02 per share unit) for the fund's fiscal year (December 1, 2017 to November 30, 2018).

Moreover, the Vorwerk Group holds 75,493 units in the Aachener Grund-Invest Fund. This is a special real estate fund with a conservative, long-term investment strategy oriented to sustainable achievement. It concentrates on real estate properties in traditional shopping locations.

### Value of the Units and Carrying Value Differences

€ 000	Carrying value	Market value	Difference
Aachener Grund-Invest Fund	9,071	9,168	97

Vorwerk received a gross disbursement of EUR 310k (EUR 4.10 per share unit) for the fund's fiscal year (October 1, 2017 to September 30, 2018).

All of the fund share units could be returned on any day of trading throughout the entire year and were measured in accordance with the lower of cost or market principle during the entire year.

### 7. Other Disclosures

In the year under review, auditing fees amounted to EUR 1,654k, the fees for tax accountant services stood at EUR 386k, and fees for other services totaled EUR 1,019k.

Material transactions relevant for assessing the net assets, financial position, and results of operations did not arise after the reporting date.

### Average Annual Number of Personnel

	2018	2017
Employees*	12,972	12,333
Advisors in Direct Sales	610,919	633,128
Thermomix	44,574	45,047
Kobold	12,004	14,734
JAFRA Cosmetics	553,748	572,607
Others	593	740

\* Including employed sales advisors

Management of the parent company Vorwerk & Co. KG during the reporting period was in the hands of the personally-liable partners Rainer Christian Genes, Stuttgart/Germany (until March 31, 2019), Reiner Strecker, Wuppertal/Germany, and Frank van Oers, Veldhoven/Netherlands.

Wuppertal, April 16, 2019



Reiner Strecker



Frank van Oers



# Independent Auditor's 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 comply with the legal requirements.

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

## “Independent Auditor’s Report

To Vorwerk & Co. KG, Wuppertal

### Audit Opinions

We have audited the consolidated financial statements of Vorwerk & Co. KG, Wuppertal, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated profit and loss account for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of Vorwerk & Co. KG for the financial year from January 1 to December 31, 2018.

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

- ▶ the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law to be applied according to § [Article] 13 PubLG [Publicitätsgesetz: Public Disclosure Act] and give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018 in compliance with German Legally Required Accounting Principles, and
- ▶ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

### Basis for the Audit Opinions

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

### Other Information

The executive directors are responsible for the other information. The other information comprises the report on the 135<sup>th</sup> business year – excluding crossreferences to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report.

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

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

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

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

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

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

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

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

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

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- ▶ Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- ▶ Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- ▶ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- ▶ Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Essen, April 16, 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

# Imprint

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Vorwerk Group, page 8 (February, March), page 9  
(April, May), page 10 (August), page 11 (December)  
Henrik Wiemer, page 11 (November)

## Production

Druckhaus Ley + Wiegandt, Wuppertal

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Our annual report is published in German and English with a total circulation of 5,110 copies.

Our online annual report is available in German and English at:

**geschaeftsberichte.vorwerk.de and  
annual-reports.vorwerk.com**



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