

The Vorwerk Annual Report
2007

REPORT ON THE 124TH FINANCIAL YEAR



*They come true for anyone celebrating
a birthday or anniversary, and in the land of Cockaigne
there's not one left to be fulfilled. You get one "free"
if you glimpse a falling star, but if you want it to come true,
you must not speak your wish out loud.*



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Günther Busch, Mülheim/Ruhr

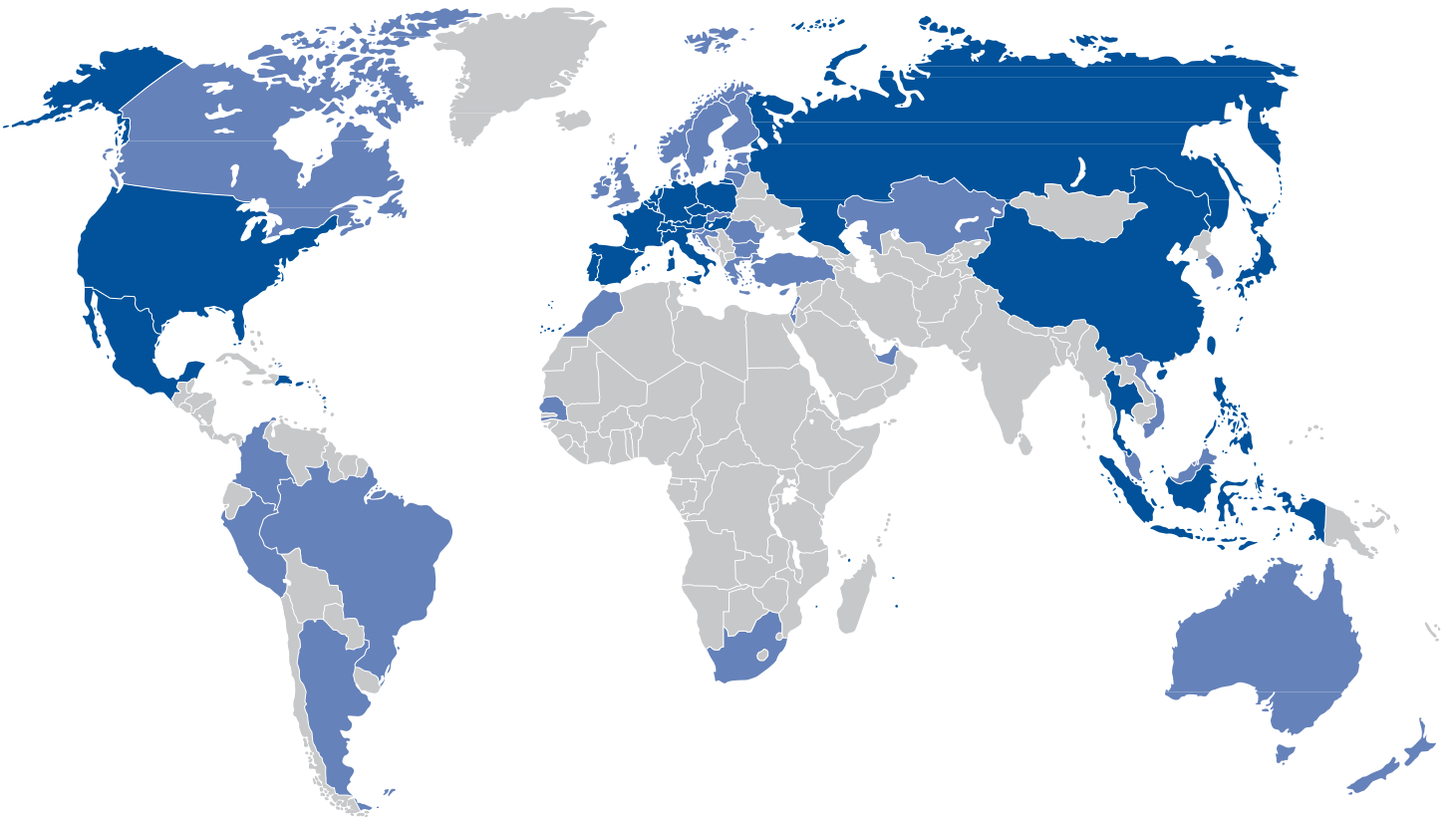
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A REVIEW OF VORWERK

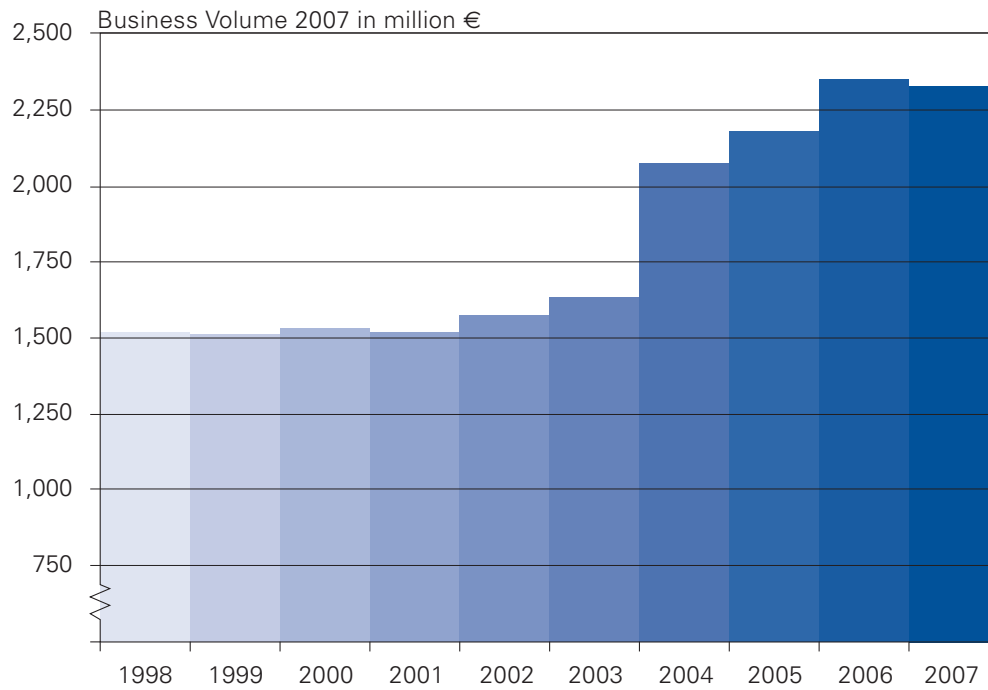
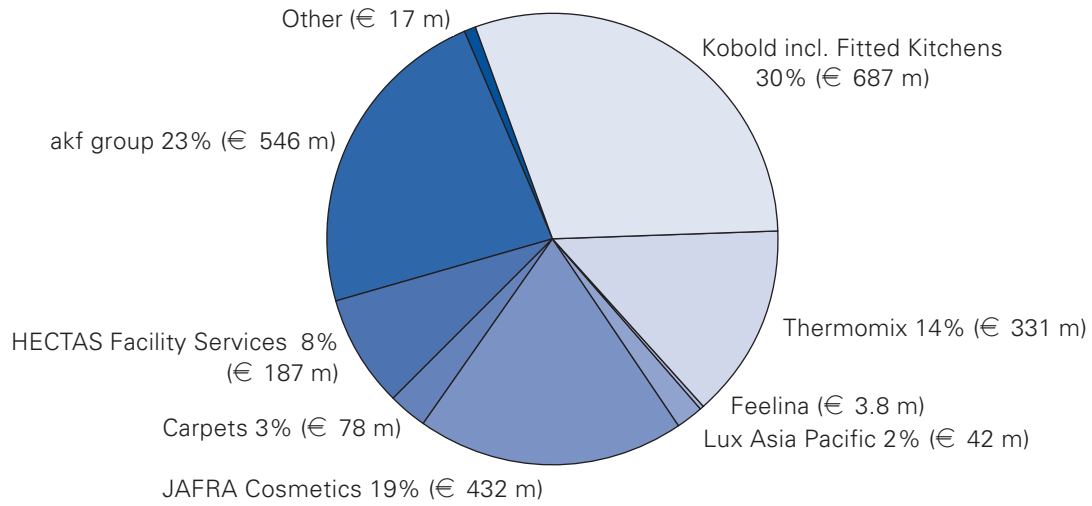
Key Figures for the Vorwerk Group (not including the akf group)

in million €	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Balance-sheet Total	904	964	1,028	1,062	1,150	1,204	1,756	1,693	1,725	1,643
Partners' Equity	507	519	548	547	568	607	686	750	796	809
Partners' Equity in %	56	54	53	52	49	50	39	44	46	49
Financial Assets	26	68	144	146	147	144	144	47	52	27
Other Fixed Assets	83	86	78	73	81	69	465	461	438	418
Current Assets	793	808	804	841	922	985	1,136	1,162	1,218	1,183
Liquid Resources	529	553	542	525	609	666	688	710	723	640
Capital Investments*	31	34	25	27	37	20	33	38	26	27
Depreciation*	29	28	29	26	27	25	35	47	41	39
Personnel Costs	351	349	351	370	405	401	434	448	455	436
Number of Employees	15,730	15,311	15,031	19,458	19,516	20,039	23,011	23,163	22,628	22,570
Self-employed Advisers	21,481	23,015	22,904	25,864	26,695	26,986	463,136	464,342	510,857	543,415
Group Sales (incl. sales tax)	1,301	1,268	1,243	1,218	1,231	1,287	1,594	1,772	1,836	1,777
New Business, akf group**	218	249	289	303	339	348	480	409	507	546
Total Business Volume	1,519	1,517	1,532	1,521	1,570	1,635	2,074	2,181	2,343	2,323

* Without financial investments ** Included in the consolidated statements at equity, 2004 with a 15-month business period

The Vorwerk Group comprised the following business segments in the year 2007:

■ Direct Sales, Vorwerk Kobold, including Fitted Kitchens
 ■ Direct Sales, Vorwerk Thermomix
 ■ Direct Sales, Vorwerk Feelina
 ■ Direct Sales, JAFRA Cosmetics
 ■ Direct Sales, Lux Asia Pacific in Asia
 ■ HECTAS Facility Services
 ■ akf Financial Services
 ■ Vorwerk Carpets for the retail trade and contract business



Overall, 2007 was a year in which the family-owned company Vorwerk continued to develop and achieved a sales volume of 2.323 billion euros. In terms of euros the record level of the previous year was not quite achieved; when measured in the respective local currency, however, the business volume increased in comparison to 2006. The success of Vorwerk's business activities abroad compensated for the drop in sales at Vorwerk Kobold in Germany. The Executive Board is also content with the profit achieved.

In the Vorwerk direct sales business under the Vorwerk, JAFRA and Lux (in Asia) brands, Italy and Mexico are the strongest countries, followed by Germany, Spain, the USA, France, China, Austria and Portugal. Activities abroad are also becoming more and more important for subsidiaries not concerned with direct sales: HECTAS is involved in the Netherlands, Austria, Belgium, Poland, Hungary and the Czech Republic, akf group in Spain and Poland. The proportion of business volume achieved outside Germany again rose and now accounts for more than 57 percent. In terms of direct sales, the share of foreign business is even up to as much as 80 percent. In 2007 more than 566,000 people were working for Vorwerk worldwide. This distinct increase in comparison to the previous year can mainly be attributed to a big rise in the number of consultants at JAFRA Cosmetics. The number of around 23,000 employees worldwide is at the same high level as the previous year. The equity capital ratio of 49 percent is again higher and constitutes a strong basis for the future development of the company.

New products, business start-ups in new markets, restructuring and personnel changes are characteristic features of the Vorwerk company in a permanent change process as it adapts to its new role and greater significance in a world of globalisation. Greater international alignment in all divisions constitutes the company's strategy. Diversification in divisions and markets ensures that Vorwerk benefits from the dynamism of global growth and that it is less affected by regional and segmental fluctuations. In this respect the divisions outside the direct sales activities – HECTAS Facility Services, akf group and Vorwerk Carpets – all make an important contribution.

On the twelfth day of Christmas my true love sent to me



twelve drummers drumming, eleven pipers piping,



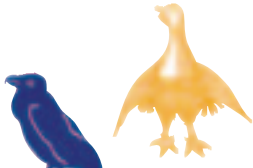
ten lords a-leaping, nine ladies dancing,



eight maids a-milking,



seven swans a-swimming,



six geese a-laying, five golden rings.



Four calling birds, three French hens, two turtle doves



and a partridge in a pear tree.



*If you still have some
wishes your true love
hasn't yet fulfilled:*

└

└

Vorwerk has firmly established itself among the leading group of international direct sales companies, both in the segment for high-quality household goods as well as for cosmetics. The image and public perception of direct selling worldwide is shaped by the companies of the Vorwerk group. Customers may rely on high-quality products and comprehensive consultation, advisers on good training and performance-related compensation with a high degree of independence combined with career opportunities. In view of the key role which advisers and customers play for Vorwerk – even in divisions not involved with direct sales, the company has a particular focus on the human component of its actions.

The Vorwerk group recorded its greatest growth rates in China, Mexico, France and Southern Europe. In this respect, Kobold in China and in Spain, Thermomix in Spain, France, Portugal and Poland as well as JAFRA Cosmetics in Mexico were outstanding. HECTAS Facility Services and Vorwerk Carpets managed to grow significantly in Germany. akf group – consolidated at equity and included in the ascertainment of the business volume – could also increase its level of new business.

Decreases in sales volumes meant that development at Kobold in Germany was typified by a comprehensive restructuring programme. These profound changes will continue well into 2008.

The new strategic alignment of Vorwerk – the five pillars of growth – that was implemented three years ago has proven successful. It provides good orientation for management throughout the group. The separate objectives that can be derived from these pillars for the individual divisions are developed systematically and implemented.

The first strategic objective is to secure and further penetrate existing markets. This was achieved in important markets for Vorwerk like Italy, Mexico, Spain and France. Vorwerk is just as much a market leader in Italy with vacuum cleaners as JAFRA is with cosmetics in Mexico. The versatile kitchen appliance Vorwerk Thermomix is evident in many households in Spain and Italy.

The second strategic objective is to extend business into new markets. Country companies founded by Vorwerk in the recent past and newly established ones have shown good development. This applies for Vorwerk Thermomix Portugal and Vorwerk Kobold China and also for Vorwerk Thermomix in Taiwan as well as for Vorwerk Kobold and JAFRA in Russia and for akf group in Spain.

The third strategic objective is to recruit and develop additional management staff, in particular in direct selling. The proportion of management personnel with an international background and of women in leading positions has again increased. The more intensive cross-border exchanges of managers between divisions have contributed to this as have the human resources development programmes at all levels.

The fourth strategic objective is to innovate both in terms of products and processes to support Vorwerk's high quality demands. A new upright vacuum cleaner was successfully tested and has now been launched on the market. An innovative water purification system and the new Lux canister-type vacuum cleaner 'made by Vorwerk' constitute the basis for the future development of business at Lux Asia Pacific. JAFRA's product ranges were extended to include an innovative care and wellness series. The carpeting company launched four collections on the market, achieved improved delivery capacity and gained a high degree of market acceptance. HECTAS and akf optimised their approaches towards customers.

The fifth strategic objective is to improve operational efficiency so as to ensure 'global fitness'. The capabilities of staff to cooperate more internationally and to be more mobile are being consistently advanced. Vorwerk attaches importance to maintaining cultural characteristics in any optimisation or standardisation of processes.

125 Years of Vorwerk – 125 Years of Change

In 2008 Vorwerk is celebrating the 125th anniversary of its foundation in 1883. A global company has developed from the former 'Barmer Teppichfabrik' with direct sales at the core of its activities. Vorwerk's survival and positive further development throughout the decades has depended mainly on its ability to adapt to changed circumstances and to go new ways whenever new opportunities open up: in 1883 the brothers Carl and Adolf Vorwerk put their trust in innovative carpet weaving methods and invested in new technology from England – a courageous step with a very successful outcome. In the years that followed, they acquired engineering expertise from the continual further development and improvement of weaving technology. This led to a technical branch business that designed high-performance electric motors and innovative applications. The novel Kobold vacuum cleaner equipped in this way was very difficult to sell to customers through retailers. So the successors of Carl Vorwerk, his son-in-law August

Mittelsten Scheid and his sons Erich and Werner Mittelsten Scheid, opted for the then unfamiliar approach of direct selling – with sweeping success. Other outstanding products were added such as the innovative kitchen appliance Thermomix, a product that is quite unique in its function and, therefore, especially well-suited for direct selling. The idea of a special way of approaching customers has since then been decisive for the company's strategy. Vorwerk even focuses on customer proximity and personal contacts in its service-oriented subsidiaries: HECTAS Facility Services and akf group.

Being an expert for direct approaches to customers, Vorwerk could celebrate success abroad at a very early stage. Business already had an international dimension in the 20s and 30s with some branches, for example, in Italy and the USA. There was great expansion in Europe in the 70s. In the 90s, Asia was not only regarded as an export market for carpeting but could be developed as a continent with enormous growth opportunities for direct sales. The Vorwerk companies in China (Kobold), Taiwan (Thermomix) and the direct seller Lux Asia Pacific are today firmly established in the Vorwerk group. Vorwerk opened itself up to the initially unfamiliar world – for the company – of cosmetics with the acquisition of JAFRA Cosmetics in 2004 and secured a strong position for itself on the North and Central American markets – with sustainable success.

Today, Vorwerk represents a global company with business activities in Europe, Asia, North and Central America. The array of products and services is diverse and ranges from high-quality carpeting through household appliances and cosmetics to facility services and loans for company investments. Carpeting and vacuum cleaners continue to characterise the image of the brand but they are merely individual elements in a diversified, differentiated group – in terms

A

B

C

D

E

1

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3

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5



*Try your hand at
dowsing and move the
rod just a little
way above the surface.
Found anything?*

of region and segment – with a business volume of more than 2.3 billion euros. More than half a million people earn an income with Vorwerk worldwide, be it as employee or adviser. Vorwerk, with its direct sales approach, offers women and men of every age attractive earnings and career opportunities. People who are willing to perform and to take their fate into their own hands will find Vorwerk a strong partner for success.

Every step in Vorwerk's success required a willingness on the part of the executive management, the owner family and the staff to bring about change. It was this very willingness to bring about change that has secured the existence and growth of the company. Vorwerk could hardly have maintained its independence and have reached its current size if it had simply remained a textile company. 'Growth through change' is the message to the people working at Vorwerk today, a realisation from a company tradition going back 125 years and one that might well apply for future generations of owners, staff and advisers.

Thanks and Outlook

Vorwerk will continue with its growth strategy in the years to come. Direct selling in its most varied forms is the focus of business activity. There are great opportunities throughout the world for developing the direct approach towards customers, in particular in those countries that do not yet have fully mature economic and trading structures. Besides consolidating and further developing existing business activities, the countries of Asia as well as Russia and Brazil are the focus of the company's interest.

Growth depends greatly upon whether Vorwerk is able to bind sufficient numbers of suitable staff and advisers to the company at all levels. In this respect, additional efforts are being made to improve the image of a career as a direct sales adviser and to make it even more attractive to work for companies within the Vorwerk group than it already is in many countries.

Finding the ideal partner is an important goal in life.



*This little fellow, his feathers preened,
has found a mate – or so it seems.*

The success of Vorwerk would not be possible without the commitment and performance of all staff and advisers. Their will to support the company even in times of great change and to actively contribute to Vorwerk's development are decisive preconditions for success – and will be in future, too. Change offers the possibility for something new and better, but initially it means departing from cherished and supposedly reliable practices. A culture of change helps us recognise the opportunities and to support the change process. The Executive Board would like to thank all staff and advisers for their contribution in 2007 and for their willingness to bring about change.

Turnover according to business segment (incl. sales tax) in million €	2004	2005	2006	2007
Direct Sales	1,316.5	1,497.1	1,555.7	1,495.5
Division Kobold incl. Fitted Kitchens	754.7	758.5	746.9	686.7
Division Thermomix	252.6	261.2	291.1	330.8
Division Feelina	2.4	3.5	3.7	3.8
Division JAFRA Cosmetics*	229.5	399.3	447.2	432.2
Division Lux Asia Pacific	77.3	74.6	66.8	42.0
HECTAS Facility Services	196.2	191.2	187.6	186.6
Vorwerk Carpets	67.8	69.8	74.1	77.9
Others	14.0	13.8	18.2	16.9
Group turnover	1,594.5	1,771.9	1,835.6	1,776.9
New business. akf group**	480.0	409.5	507.0	546.1
Total business volume	2,074.5	2,181.4	2,342.6	2,323.0

*Member of the Vorwerk group since June 2004, included pro rata in 2004 **akf group included in the consolidated statements at equity (2004 with a 15-month business period)

Direct Sales, Vorwerk Kobold

The Kobold room-care system with the vacuum cleaner as the basis and diverse attachment products such as the motorised brush nozzle, the hard-floor cleaning appliance Pulilux and the upholstery cleaner Polsterboy, as well as numerous innovative supplementary products, enable deep-down cleaning. The Vorwerk appliances are suitable for allergy sufferers because they are air-tight and have a reliable four-stage filter system. The filter technology ensures that the user never comes into contact again with dust once it has been vacuumed away. The Vorwerk Kobold is outstanding in terms of cleaning performance, durability, manoeuvrability and environmental-friendliness. Besides the Kobold, the canister-type cleaner Tiger is also available in Germany and Austria.

The appliances manufactured by Vorwerk are constantly being developed further in the company-own research and development facilities in accordance with requirements from customers and sales organisations. A new Kobold (VK 136), combined with an innovative motorised brush nozzle, was launched in individual markets in 2007. This brush automatically regulates the suction power, depending upon the circumstances prevailing on the floor, and is much flatter than its predecessor. Initial experience suggests that this further development has again set standards.

The Vorwerk Kobold Division was 8 percent below the previous year with sales standing at 687 million euros. The main reason for this is the continued poor level of Kobold sales in Germany combined with a drastic plunge in turnover at Vorwerk Fitted Kitchens. The structural problems at the German Kobold direct sales organisation have not been overcome yet. In contrast, the Kobold Division developed most positively in other countries.

Italy is the undisputed leader of the countries in the Kobold Division with sales of 354 million euros and again more than one million appliances sold. The sales organisation there, Vorwerk Folletto, has been successful for many years now at meeting the requirements of the market and of maintaining a high degree of efficiency. The product satisfies consumer needs; the sales concept is oriented very much to customer requirements with high flexibility in terms of time. The profession of the adviser is attractive thanks to high earnings and career opportunities. In this way Vorwerk Folletto has become market leader in room care in Italy with a market share of 20 percent and is well ahead of competitors.

The restructuring process at Kobold Germany has not been concluded yet. The sales figures in 2007 again decreased. Gradually, there is now a positive development in recruiting new advisers and of leading them to sustainable success.

An inevitable step was announced in December 2007: the direct sale of fitted kitchens, an activity only existing in Germany and an additional business to the Kobold sales organisation, was to be ended. Falling turnover, most recently 26 million euros, had to be balanced against many years of high losses. The market for fitted kitchens is very competitive. All the attempts that were made over the past few years to develop new customer groups came to nothing. In a market that is characterised by drastic falls in demand and company insolvencies, there is no realistic perspective for profitability and growth in the fitted kitchen segment.

The development of Kobold in China is outstanding. In the most populous country in the world, Vorwerk has established step-by-step and indigenously a large sales organisation with a direct customer approach, a system that has grown continually. Vorwerk is participating in the dynamic economic development in China. The high-quality vacuum cleaner corresponds to the expectations of the rapidly-increasing numbers of middle-class citizens having increased prosperity and continually improving housing conditions. Sales grew at 18 percent, again double-digit levels. Vorwerk has found a sales model for China that corresponds to the specifics of the market and one which is successfully implemented in the metropolises of Shanghai and Beijing. A third sales region will now be opened in the Southern Chinese province of Guangzhou. There, too, Vorwerk will be able to satisfy the expectations of the market and the desires of the people for income and career opportunities. Thus, Vorwerk is already well established today in the largest growth market in the world.



apture any woman's heart.





Spain is also a growth region. The good development of Vorwerk Kobold continued here as well as in France. In Austria the company seems to be through the worst of the situation – 5 percent growth has opened up good future perspectives again. Likewise, export activities developed positively.

In the short and mid-term Vorwerk has great expectations for Kobold from the growing development of China. Spain, France and Austria, too, are expected to make a greater contribution to sales volumes in the division. However, the mainstay in the foreseeable future will continue to be Italy where the future development can be assessed as positive. Vorwerk wishes to develop another significant growth market of the 21st century through its new business activities in Russia. The extent to which the Kobold Division as a whole will be successful in the future will depend greatly upon whether it is possible to stabilise the business in Germany.

Direct Sales, JAFRA Cosmetics

Cosmetics, facial and body care can be included among the largest growth segments in direct selling. The products are generally consultation-intensive – before any decision to buy is made, questions are asked about whether a cream, colour or fragrance corresponds to the skin and personality of the customer and whether it will be effective. Therefore, it is absolutely imperative that there is a basis of trust between customers on the one hand and consultants/manufacturer on the other. Furthermore, cosmetics and skin-care products represent an affordable luxury that enhances the quality of life. For consultants it is of particular interest that they can prove their competence in direct selling, earn a little extra money and even have career opportunities. JAFRA is therefore developing particularly well in countries where there is no wide-ranging network of retailers for cosmetics and where very many people see a career opportunity in direct selling.

Attractive products developed and manufactured in-house and a well-performing sales system with excellent income and career opportunities targeted to women ensure sustainable success. There is a particularly dynamic development whenever JAFRA focuses on its original, core skin-care segment where it benefits from high levels of customer loyalty. This area in particular was strengthened again with the new line 'JAFRA DYNAMICS', and thus the foundation stone for further growth was laid. Unified through the slogan 'The Power to Transform Lives', which not only refers to customers but also to consultants in terms of the career opportunities, JAFRA is very well positioned for the future.



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Sales of 520 million US dollars (net) at the JAFRA Cosmetics Division were some 5 percent higher than in the previous year.

The most successful country within JAFRA – and thereby the most successful country company of Vorwerk anywhere – is, as in previous years, Mexico. The company there grew at a rate of 12 percent in domestic currency and improved in terms of all the important key performance indicators. JAFRA is the market leader in Mexico for cosmetics. Both the products as well as the income and development possibilities for consultants meet the expectations of the people to the full. Women do not only achieve beauty and well-being with JAFRA: women who decide in favour of working as consultants for JAFRA also attain a degree of personal independence and social recognition. Besides the optimal positioning of product and career in Mexico, growth is further stabilised by targeted personnel development programmes.

The business activities in the USA could not keep pace with the positive development in Mexico. Here, management is putting its trust in the new product lines, new packaging design and optimisation of the demonstration concept.

In Europe it was particularly JAFRA Italy that developed positively. By comparison, in other countries JAFRA has not yet been able to achieve new levels of growth. However, the product impulses generated in the autumn of 2007 will also open up new perspectives here, too.

With the assumption of business in Russia and expansion into Brazil, JAFRA intends to benefit from the special dynamism of these markets. These investments in the future will contribute to spreading JAFRA's business activities more widely over an ever larger number of countries.

Direct Sales, Vorwerk Thermomix

The Vorwerk Thermomix Division underlined its continuing dynamism in all parts of the world with an increase in sales volumes in all countries, sometimes even at double-digit levels. It has become a growth driver for the Vorwerk group and achieved a sales volume of 331 million euros, an increase of 14 percent compared with the previous year.

The Vorwerk Thermomix is an effectively designed combination of the functions of a food processor with the ability to cook, so as preserve aroma and vitamins. The Thermomix weighs, chops, stirs, cooks and prepares meals out of fresh ingredients quickly and easily. It is quite unique on the market and is an invaluable aid in modern kitchens in private households as well as in

restaurants with excellent chefs. In combination with consultation at a Thermomix ‘party’ and thanks to specially developed recipe books, even users with little cooking experience are able to prepare healthy and delicious dishes. The expert will appreciate the Thermomix as a distinct extension to the diversity of possibilities and as a fast, universal kitchen aid, whose features are very difficult to beat thanks to innovative technology from the Vorwerk company. Moreover, the direct sales system for the Thermomix is particularly attractive for women as an additional source of income and offers representatives with ambition interesting career opportunities. The launch of the new Varoma steaming attachment with a larger volume capacity provided the sales organisation with an additional positive impulse.

The two most successful markets – Spain and Italy – contributed significantly to the great success. The sales organisation for Thermomix in Spain achieved an absolute sales record with 109 million euros, closely followed by Italy with 107 million euros. There is a high level of awareness for the Vorwerk Thermomix in Southern Europe and it has an excellent reputation there. Whilst in Spain the focus was on generating additional growth, in Italy staff restructuring processes at all levels of the sales organisation and an improvement in efficiency were the priority in 2007. Both companies are excellently positioned to deal with the year 2008.

The development in the ‘younger’ countries in the Thermomix world is also very satisfactory. A particularly entrepreneurial passion helped almost double the sales volume in Portugal. The success story of Thermomix Portugal shows that where ‘best practice’ is resolutely applied across a division, as is the case in the Vorwerk Thermomix Division, good results will be achieved.

In Germany, Vorwerk Thermomix was able to continue its path of growth from the previous year and established itself as the No. 3 in the Thermomix Division. The far-reaching restructuring of the sales system that has been essential over the past few years, with distinct regionalisation and more intensive professionalism, is now having a sustained effect. With strong growth of 21 percent, the performance of Vorwerk Thermomix in France was a reminder of past years when

this country's business activities could be counted among the best. Strong growth also typified Vorwerk Thermomix in Poland, where business stabilised still more, with sales growing to some 14 million euros, a plus of 40 percent compared with the previous year.

The activities of Vorwerk Thermomix outside Europe are also pleasing. Divisional management sees an enormous untapped potential for growth here. The sales organisation in Taiwan has proven that the appliance is excellently suited to Asian cooking and eating habits and, moreover, that people can be found who are very willing to take the personal development opportunity offered by the direct sale of the Vorwerk Thermomix and who wish to develop themselves together with Vorwerk. The first Latin-American country company was founded in Mexico in 2007. The start was quite successful after some positive tests and with the support of experienced staff from JAFRA Cosmetics. Here, as in other emerging markets, the offer of a career as an independent representative with Vorwerk direct sales is seen as an opportunity that many women and also men would very much like to take.

Besides continually optimising its own successful country companies, Vorwerk will develop further growth potential for the Thermomix Division by intensifying export activities through distributors. In view of the consistent overall concept with an unrivalled, convincing product, an attractive sales model – particularly for women – with income and career opportunities, and the required resolute implementation of 'best practice' across all countries and processes, Vorwerk continues to have high expectations of Thermomix. The great challenge here, as in all other direct sales organisations within the Vorwerk group, is the recruitment and development of suitable management and sales staff.

Direct Sales, Lux Asia Pacific

Vorwerk is active in many parts of Asia with the brand Lux Asia Pacific. In countries with rapidly growing populations and economies, yet without an established retail network and without any great customer know-how in the area of household appliances, direct selling is an excellent way of informing customers, of explaining and selling products and, moreover, of speaking to people about the interesting and lucrative work in direct selling. Direct sales even has a future in established countries such as Japan, in which Lux Asia Pacific can look back on a long tradition in sales.

An old superstition has it that evil spirits often turn good wishes into bad. So trick those evil spirits by wishing exactly the opposite of what you really mean:



Snap a mast (sailor)

Break a spar (aviator)

Break a rowlock (oarsman/oarswoman)

All chlorine (bath attendant)

Nitrogen narcosis and octopus bites (diver)

Smash a prow (balloonist)

Break a leg

The same applies to Lux Asia Pacific as it does to Vorwerk: the adviser is most convincing and successful when concentrating on only one product. The direct sales organisation at Lux Asia Pacific has been restructuring over the past two years with this in mind. The core products continue to be vacuum cleaners, now also from Vorwerk's own production facilities, and water purifiers – likewise produced under the responsibility of Vorwerk. The abandonment of sales activities in other segments leads temporarily to a drop in turnover, but this is justified in view of the improved growth and profit prospects for the future.

The main reason for the drop in sales to 42 million euros at Lux Asia Pacific was, however, not only the concentration efforts already described and the effects resulting from the development of the rate of exchange against the euro, but also an interruption in sales activities in the strongest country Japan, something which was used to entirely restructure the sales organisation there. The sales model there is now sustainable and configured so as to support dependable direct sales activities.

The required changes for the future regarding sales concept, product, structure and management have been carried out. Vorwerk is looking forward to additional, strong growth impulses at Lux Asia Pacific from the new generation of water purifiers under the brand name of Alva as well as from the systematic expansion of sales in other Asian countries such as, for example, Thailand.

Direct Sales, Vorwerk Feelina

The Vorwerk Feelina Ironing System permits the time needed to do the ironing to be cut by half. The patented, scaling-free technology enables perfect results.

Business at Vorwerk Feelina did not grow in 2007. In the middle of the year, steps were taken to sell the Vorwerk Feelina with other direct sales approaches. In this respect, a test was successfully carried out in Austria. The intention for 2008 is to sell the Vorwerk Feelina everywhere using a new concept, one that should ensure even better customer care through Vorwerk. The objective is to have highly content Vorwerk customers.

Lucky escape...



↑ Touch wood!

Haven't put my foot in my mouth for a long time...



Look after yourself...



To drive the devil away – knock on wood

Vorwerk Engineering

All research, development and manufacturing capacities for the direct sale of household appliances worldwide are focused at the Vorwerk Group's Engineering Division. In particular, Vorwerk produces the vacuum cleaner and important attachment appliances as well as the motors for the Thermomix at its main facilities in Wuppertal-Laaken (Germany). The Thermomix is produced at Cloyes (France), the hard-floor attachment appliance Pulilux and the Feelina at Arcore (Italy). The vacuum cleaners for the Asian market are assembled in Shanghai (China). The water filter production for Lux Asia Pacific was also transferred here in 2007, production that had previously been carried out in Manila. The research and development for household appliances is located in Wuppertal (Germany); a 'water filter' competence centre is currently being established in Shanghai. The research and manufacturing facilities for JAFRA Cosmetics in Mexico City and Westlake (California) as well as for carpeting in Hamelin (Germany) are under the responsibility of management in the respective divisions.

It is Vorwerk's strategy to have its own development and manufacturing facilities. In this way it is possible to develop products that are closely oriented to the specific needs of customers and of the direct sales organisations. Numerous unique features of the Vorwerk products can be traced back to the close cooperation between development, production and sales expertise. Reference to German or European manufacturing is also a quality argument towards customers. High productivity at the Vorwerk facilities enables efficient manufacturing even in high-wage countries.

High quality is a constituent element of Vorwerk's image and it is firmly anchored in the minds of both customers and advisers. In 2007 Vorwerk Engineering improved even more the already extremely high quality level, in particular in the case of the Kobold vacuum cleaner. Significant innovations reached market maturity, e.g. the new upright vacuum cleaner Kobold VK 136 with its new motorised brush nozzle and the new Varoma steaming attachment for the Thermomix. Engineering reacted to the increasing lack of skilled workers and engineers with campaigns targeting university graduates during their orientation phase as well as with other continuous recruitment measures.

HECTAS Facility Services

HECTAS Facility Services is a highly-professional provider of services for infrastructural facility management. The company distinguishes itself from low-price providers with optimised quality assurance concepts and innovative services, sometimes rendered in cooperation with external specialists. This means that the company can concentrate on its core competencies and good prospects for growth and earnings thereby result. This was resolutely taken advantage of in 2007.



HECTAS achieved an increase of 8 percent in sales volume in its core facility-services business. On account of the sale of the Austrian subsidiary activia in 2006 and the consequent loss of turnover, in particular from employment services, the HECTAS group managed to achieve the total sales level of previous year with 187 million euros turnover. The path pursued in 2007 of targeted operational process optimisation and resolute rectification of deficit commissions led to a further improvement in efficiency.

HECTAS was able to further improve its market position in Germany. The inclusion of the facility cleaning segment in the Employee Assignment Act with a minimum wage level has created more transparency and fairness on the market and has made things easier for HECTAS to assert itself with its transparent quotations. In the Netherlands, the second largest country in this division, HECTAS could maintain its position and win new customers. The facility management services on offer fit very well to the requirements of the Dutch market. The expansion of business activities in Belgium is progressing very well, with sales being almost doubled. The business in Austria is now concentrating development on the core facility-services segment. Incoming order levels are also good in Hungary, Poland and the Czech Republic. HECTAS regards Eastern Europe as having the greatest potential for the international growth of the group. The continuing consolidation of the market for infrastructural facility management is a great opportunity for HECTAS to develop the company.

Vorwerk Carpets

Carpeting in homes as well as in offices and public buildings generates cosiness and well-being. It is a central element in room design, conveys a cosy atmosphere and has a decisive effect on the room acoustics. Carpeting, as opposed to hard floors, binds dust and with regular cleaning contributes to mitigating allergies. The products from Vorwerk Carpets were the first to receive the TÜV certificate ‘Suitable for Allergy Sufferers’ and are the only ones recommended by the German Allergy and Asthma Association (DAAB).

After going through a consolidation process in recent years, Vorwerk Carpets – the origin of the 125-year old company Vorwerk & Co. KG – continued its path of growth and achieved an increase in sales of 5 percent to 78 million euros, a development that was clearly contrary to the market trend. Five million square metres of carpeting left the facilities in Hamelin. Against this background, the number of employees as well the number of vocational trainees could be slightly increased. At the same time, investment was made in new manufacturing plant and equipment.

Vorwerk Carpets attracted particular attention with the design collection by Ulf Moritz – acclaimed the ‘best design of the year’ by the trade press. The Carpets Division is satisfying the expectations of the market with its newly created product lines for the complementary sales segments – specialised traders and contract business, a market that is again increasingly willing to invest in quality. Moreover, the consistently high quality, long durability and good delivery capability ensured the brand’s good reputation. International certification according to ISO 14001 confirms this high quality standard.

Besides the increasingly strong position of Vorwerk on the German market, exports contributed greatly to growth. Vorwerk will be even more present abroad in the future with its carpets. Expansion in the traditionally important French market will be intensified and the market in Great Britain will be developed in the coming year. Vorwerk Carpets sees other growth prospects in the segment for fitting out hotels and offices. In this respect, the carpet company benefits from its longstanding experience and good reputation as suppliers, e.g. for high-speed trains, both at home and abroad.

Vorwerk intends to extend and consolidate its technological leadership by investing in future-oriented projects such as ecological backing structures for heavy textile carpet tiles.

Heinrich Heine

*I see no temptation in heavenly pastures
In paradise, in the blessed land,
Where I can find no lovelier woman
Than ever on earth I found.*

*No angel there with gleaming wings
Can be a wife to me,
Couched on clouds a-singing psalms
Is not my cup of tea.*

*O Lord, my Lord, I do entreat thee,
Grant my wish in this world to stay
Yet heal me first of all infirmity
And help me, too, to pay my way.*



akf group

Finance deals by granting loans or leasing transactions are the core business at akf group. The company is included in Vorwerk's consolidated financial statements at equity. Besides plant and equipment, such as laboratory apparatus or construction machinery, it is mainly the leasing and financing of motor vehicles that is of most importance for akf group. In this respect, akf offers tailored solutions for key accounts as well as for small and medium-sized companies and ensures optimisation of the processes involving procurement, management and later the remarketing of the vehicle pools.

In 2007 akf group further improved its position on the market. akf was able to increase its new business volume by 8 percent to 546 million euros with German-based and increasingly international activities in Spain and Poland. The reason for this was the higher level of investment finance deals for small and medium-sized companies. Even in the extremely difficult business with motor vehicle dealers, akf was able to hold its ground and almost achieved the level of the previous year despite a massive decrease in the number of sales of automobiles through dealers.

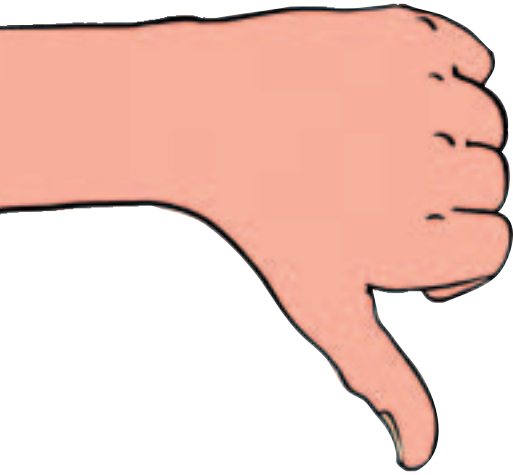
akf's strategy is to approach customers directly, the core competence within the Vorwerk group. Thus, akf group addresses potential customers directly and is represented at significant leading fairs and exhibitions, e.g. at the International Automobile Show in Frankfurt and the Hanover Fair. akf is developing new customer potential in the boat finance segment. Leasing is a very interesting solution in this rapidly growing market. akf takes advantage of the trust it enjoys in the area of automotive finance deals and company car management to initiate customer contacts.

The business in Spain already contributed to growth in its first operative year with some 23 million euros of new business. There is a growing demand for tailored concepts involving the finance and management of vehicle fleets in this country with its rapid development of small and medium-sized businesses, a demand which akf is well prepared to meet with its offerings. The international activities of akf will continue to be extended. After the successful establishment of the business in Spain, another foreign company was set up in Poland.

Pressing thumbs, but properly.



Pollices, cum faveamus, premere etiam proverbio iubemur. Even the ancient Romans wanted people to press their thumbs, just as people do today as a good luck gesture. In those early days, the audience expressed a plea for a gladiator in combat to be granted mercy by wrapping their fingers around their thumb. A down-turned thumb, on the other hand, spelled death for the gladiator.



Human Resources

566,235 people on average were working for Vorwerk worldwide in 2007. The number of employees, including staff at akf group, was at the same level as the previous year at 22,820; at the same time the number of self-employed advisers and consultants active for the Vorwerk companies grew quite distinctly to 543,415 people. This number reflects the entire world of direct selling. It includes, for example, the full-time commercial agents for vacuum cleaners as well as the part-time representatives for Thermomix and the cosmetic consultants at JAFRA. The types of work at Vorwerk companies are quite diverse and thus correspond to the different needs people have regarding income, commitment of time and personal affinity.

A considerable success factor for Vorwerk is the recruitment and development of suitable personalities for implementation and management of the sales organisations. The individual aptitude for the fascinating and lucrative yet quite demanding work within the Vorwerk Group often develops, particularly in sales, after a training and settling-in phase. Vorwerk pays particular attention to this task at the group level as well as in all divisions and countries. Training and development modules, specifically designed for Vorwerk, ensure the provision of qualified young potentials in all areas.

Vorwerk takes the growing degree of internationalisation into account by offering intercultural training for management and staff having a foreign aspect in their work. The exchange of staff across borders and between divisions has again increased. The number of persons of different nationalities in the international teams has risen. The percentage of women in management positions is well above average in sales organisations very much typified by women.

An international staff survey was carried out in 2007 in all divisions. The participation rates of between 63 percent and 100 percent were well above average. The results of the survey reflected a generally high level of satisfaction and identification with the company and its products. In communicating the results, even the few critical points, a constructive approach was taken and activities developed to enable Vorwerk to be represented even more positively as an employer at the next survey in two years.

Staff (annual average)	2004	2005	2006	2007
Direct Sales				
Division Kobold	3,990	4,086	4,413	4,562
Division Thermomix	901	874	914	968
Division Feelina	22	21	27	23
Division Lux Asia Pacific	4,156	4,171	3,701	3,439
Division JAFRA Cosmetics*	1,376	1,411	1,454	1,543
HECTAS Facility Services	12,054	12,130	11,653	11,558
Vorwerk Carpets	395	343	337	342
Others	117	127	129	135
Total**	23,011	23,163	22,628	22,570
Self-employed Sales Advisers (annual average)				
Division Kobold	10,369	10,709	10,398	9,736
Division Thermomix	15,004	15,097	14,614	16,361
Division Feelina	318	263	284	280
Division Lux Asia Pacific	2,748	2,925	3,177	1,887
Self-employed Sales Advisers "household appliances"	28,439	28,994	28,473	28,264
Self-employed Sales Advisers JAFRA Cosmetics	434,697	435,348	482,384	515,151
Self-employed Sales Advisers in total	463,136	464,342	510,857	543,415
akf group***	190	195	212	250
Total Vorwerk Workforce	486,337	487,700	533,697	566,235
of which Sales Advisers	466,443	467,626	514,046	546,897

*Member of the Vorwerk group since June 2004 ** Including employed Sales Advisers ***akf group included in the consolidated statements at equity

Assets and Financial Situation

2007 presented itself as a particularly challenging year from the point of view of the financial-market players. Vorwerk's clearly defined, long-term strategy for financial investments as well as the established risk management process proved themselves once again. In step with the continuing internationalisation of the Vorwerk group, the strategies and systems aimed at protecting cash flow and profitability were further improved and developed.

This resulted again in a positive contribution in terms of value from the financial investments despite the turbulence in the markets. The alignment of financial investments towards highly liquid international bond issues and shares as well as to the money market was maintained. The financial obligations were reduced further by repayment of a high-interest US-dollar bond issue that was assumed for the acquisition of JAFRA. The liquid funds amount to 640 million euros and thus represent 39 percent of balance sheet total. The equity capital ratio once again rose to 49 percent. Vorwerk's investment strategy is well positioned to deal with the challenges presented by the markets.

Vorwerk's Corporate and Brand Culture

Vorwerk's corporate culture is linked to the roots of the family-owned company. The company, in the ownership of the Mittelsten Scheid family, has maintained its character as a family-owned company over centuries and generations. Principles and guidelines apply for management across the entire Vorwerk Group, a philosophy which is experienced by staff as one that is being lived.

Something which is authentically communicated inside the company can also be convincing outside the company to the general public. Vorwerk feels particularly committed to the family. Direct selling opens the doors of people at home. Products from the Vorwerk company are there to make family life easier and better. Vorwerk helps women and men do their jobs around the household and in the home. This provides them with the possibility of carrying out their vocation as a 'Family Manager' optimally, frequently even parallel to a career. Vorwerk's distinct orientation to the well-being of the family and the requirements of the 'Family Manager' is both an obligation for the people working at Vorwerk as well as an opportunity. Moreover, many professional positions at Vorwerk are an excellent possibility, especially for women, to establish their own career besides fulfilling other tasks.

Vorwerk makes a contribution for more recognition of work in the family with its TV commercial 'I'm running a very successful, small family business' and the initiative 'Family Manager of the Year' and thus links the brand firmly with this subject. The 'Vorwerk Family Study' which is carried out annually by the Institut für Demoskopie Allensbach, arouses great public interest. It is a scientific contribution to the current debate on the role of family work in society, illustrates the various aspects of family work, and provides politicians and the general public with the latest findings and sometimes surprising perspectives. Since Vorwerk has been more active in nurturing its brand, both brand awareness and brand image have improved.

An expression of the corporate culture and of the solidarity of the ‘Vorwerk Family’ is reflected in the further developed activities of the ‘Vorwerk Family Fund’. It is financed by donations from staff, the company and the owner family, supports the SOS Children’s Villages and has enabled the construction and running of houses for orphan children in India and Costa Rica. Preparatory work was begun in 2007 on a major project with the SOS Children’s Villages in Vietnam. In the anniversary year 2008 Vorwerkers throughout the world want to carry out collections and donation campaigns for this cause.

Staff and consultants at JAFRA who were badly hit by flooding in the Mexican province of Tabasco were financially supported with funds from Vorwerk companies.

Opportunities and Risks

The more diversified structure both in terms of business segments as well as countries means that Vorwerk has great opportunities to participate in the positive development of the markets. The core business at Vorwerk, direct sales, is a growing, dynamic sector of the economy worldwide and is one in which Vorwerk has a strong and ever-growing position. At the same time the Vorwerk group is subject to a range of diverse risks. To cope with such risks is an essential element of executive management at the Vorwerk group. The principles of risk management are determined and approved by the Executive Board of Vorwerk & Co. KG. Effective planning, reporting and monitoring systems have been put in place for the early recognition, assessment and correct handling of existing business risks. Risk management at the Vorwerk group is ensured by a uniform set of guidelines that may be adapted to suit the various segments of the business. Monthly reporting as well as continual monitoring, particularly of production processes, round off this risk management system. The objective is that the existing risk structure be improved

even more. Exchange rate fluctuations are an unavoidable element of global business activities. As a company operating internationally, the Vorwerk group considers and secures risks from its operative business activities that may ensue from exchange rate fluctuations.


Vorwerk is subject to financial risks for portfolio management investments made on international money and capital markets. However, the company also participates in any profit opportunities. The Finance Committee regularly monitors the respective net currency status and modifies it where necessary within the risk strategy parameters. Vorwerk avails itself of derivative financial instruments in some individual cases to limit the financial risk. Only marketable instruments with adequate market liquidity are used. The utilisation of derivative financial instruments is subject to internal Vorwerk guidelines and control mechanisms.

One risk for the future development of Vorwerk consists in the fact that direct sales is dependent upon general legislative conditions which could, in principle, be amended to the disadvantage of the corporation. The share of direct sales in trade overall is still low despite its over-proportionate growth. There is therefore the latent risk of a lack of awareness among legislative bodies at national and European levels. To make decision-makers more aware of the advantages of direct sales and its positive effects on employment, Vorwerk uses public relations campaigns, is a member of the industry-specific and cross-industry business associations and maintains an information bureau at the European Union in Brussels.

From today's point of view there are no risks that could lead to any impairment to the long-term existence of the Vorwerk group. In recent years the high equity ratio, the improvement in the worldwide strategic position and better operating results have resulted in the creation of high risk-covering volumes. Moreover, Vorwerk is generally well protected against the implications of regional or industry-specific problems for the group on account of its broad base on the global market.

CONSOLIDATED FINANCIAL STATEMENTS 2007

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*Be careful
what you wish for.
You may just get it.*



For a real fairy-tale effect,

give Aladdin's lamp a rub.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Period 1 January to 31 December 2007

	2007	2006
	€ 000	€ 000
1. Gross sales	1,776,942	1,835,611
less sales tax	254,824	253,573
	1,522,118	1,582,038
2. Change in finished goods and work in progress	589	10,147
3. Own work capitalised	334	1,030
	1,523,041	1,593,215
4. Other operating income	65,564	53,874
5. Raw materials and consumables:		
a) Expenditure on materials and purchased merchandise	236,974	252,321
b) Expenditure on purchased services	21,588	19,943
	258,562	272,264
	1,330,043	1,374,825
6. Personnel costs		
a) Wages and salaries	353,196	365,960
b) Social security contributions and pensions; of which for retirement pensions	82,527 (15,419)	88,944 (17,183)
	435,723	454,904
7. Depreciation on tangible and intangible assets	39,479	41,393
8. Result from participations in associated companies	-26,433	-7,542
9. Income from other securities and long-term loans	121	114
10. Interest and similar income	64,657	57,414
11. Write-down of financial assets and marketable securities	2,173	3,108
12. Interest and similar charges	20,615	26,280
13. Collective heading	870,398	899,126
Other items not shown separately (taxes and net profit for the year, other operating costs)		



*Oh, my friend, speak not so wild and curb your foolish tongue.
For each and every wish fulfilled directly begets young.*

Wilhelm Busch

MOVEMENTS IN FIXED ASSETS

From 1 January to 31 December 2007

	As at 1.1.2007	Currency conversion differences	Gross values			As at 31.12.2007
			Additions	Disposals	Book transfers	
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. Intangible Assets						
1. Concessions, patents, trademarks and similar rights as well as licenses thereto	48,725	-3,757	1,000	1,199	11	44,780
2. Goodwill	335,039	—	138	—	—	335,177
3. Payment on account	61	—	269	—	—	330
	383,825	-3,757	1,407	1,199	11	380,287
II. Tangible Assets						
1. Land, land rights and buildings, including buildings on third-party land	105,383	-2,112	1,755	381	—	104,645
2. Technical plants and machinery	187,052	-1,600	8,116	3,574	2,634	192,628
3. Other fixtures, fittings and office equipment	115,329	-1,804	11,753	7,664	191	117,805
4. Payments on account and assets under construction	5,323	-307	4,362	401	-2,836	6,141
	413,087	-5,823	25,986	12,020	-11	421,219
III. Financial Assets						
1. Participations in associated companies	26,417	—	—	4,644	—	21,773
2. Other participations	2,192	—	70	636	—	1,626
3. Long-term investments	22,946	4	1	19,880	—	3,071
4. Other loans	1,313	—	391	186	—	1,518
	52,868	4	462	25,346	—	27,988
	849,780	-9,576	27,855	38,565	—	829,494

Our visions begin with our desires.

Audre Lorde

Accumulated depreciation / Write-offs				Net values		
As at 1.1.2007	Currency conversion differences	Additions	Disposals	As at 31.12.2007	As at 31.12.2007	As at 31.12.2006
€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
26,674	-1,606	3,086	1,134	27,020	17,760	22,051
28,851	—	11,178	—	40,029	295,148	306,188
45	—	9	—	54	276	16
55,570	-1,606	14,273	1,134	67,103	313,184	328,255
60,299	-357	2,880	274	62,548	42,097	45,084
150,643	-720	12,650	3,149	159,424	33,204	36,409
92,376	-1,214	9,676	6,707	94,131	23,674	22,953
—	—	—	—	—	6,141	5,323
303,318	-2,291	25,206	10,130	316,103	105,116	109,769
—	—	—	—	—	21,773	26,417
—	—	15	—	15	1,611	2,192
45	2	4	1	50	3,021	22,901
516	—	149	2	663	855	797
561	2	168	3	728	27,260	52,307
359,449	-3,895	39,647	11,267	383,934	445,560	490,331

*Will may often be the father of thought,
but very rarely the mother of wisdom.*

German saying

I. Introductory Remarks

For the financial year 2007, as in the preceding years, Vorwerk & Co. KG is publicly disclosing its worldwide consolidated financial statements, taking into account the rules and regulations contained in the German Publicity and Disclosure Law and the German Commercial Code governing consolidated financial statements and group annual reports. A list of all holdings in affiliated and associated companies giving the direct or indirect holding quotas (§ 313, Par 2 Nos. 1 and 2 of the German Handelsgesetzbuch) (HGB=German Commercial Code) will be made in a separate listing of the investment holdings (§ 313, Par 4 HGB).

II. Consolidated Group

The parent company is Vorwerk & Co. KG. The group companies are active in the following business segments: production and direct sales of high-quality household appliances and cosmetic, facial and body-care products, facility services and carpets. The principal companies in Germany and abroad included in the consolidated financial statements are listed on pages 50 and 51 of the Annual Report. In the year under review one newly-founded company has been included in the consolidated figures for the first time. Three companies have been removed from the consolidated figures because they were sold or liquidated. The domestic akf companies and a foreign-based logistics company have been included as associated companies in accordance with the equity method of accounting as stipulated in §§ 311 and 312 HGB. Two companies evaluated at equity were sold in the 2007 financial year. Two associated companies

of inferior significance have not been recorded in the consolidated figures pursuant to § 311, Par 2 HGB. They have been included at acquisition cost.

III. Accounting and Valuation Methods

The balance sheet and the profit and loss account are laid out for reporting purposes in accordance with the format stipulated in §§ 290 ff, 266 and 275 HGB for corporate entities. For disclosure purposes, recourse is made to the facilities provided for under the German Publicity and Disclosure Law (capital, reserves and profit shown as partners' equity). In view of the fact that the contributions of the partners which have subordinate ranking are equivalent to partners' equity, these have also been included in partners' equity. In addition, with respect to § 13, Par 3, Clause 2 of the Publicity and Disclosure Law, information as per § 5, Par 5 of the same Publicity and Disclosure Law is also given in the explanatory notes to the consolidated financial statements. Vorwerk has chosen to go further than the statutory minimum requirements and to disclose the consolidated profit and loss account as a constituent part of these explanatory notes in accordance with § 5, Par 5 of the Publicity and Disclosure Law, and laid out in the form stipulated in § 275, Par 2 HGB (as shown on page 42 of the Annual Report). In so doing, taxes and profit for the year have been included with other operating costs under the collective heading "Other items not shown separately".

Vorwerk & Co. KG's accounting and valuation principles also pertain to the consolidated financial statements. The financial statements of non-German

subsidiaries drawn up in accordance with national rules and regulations at variance with German legal requirements have been adjusted in line with what is known as the Handelsbilanz II (Type II Commercial Balance Sheet). The valuation methods applied can be regarded in terms of the result as uniform valuation in the spirit of § 308, Par 1 HGB and remained unchanged from those applied in the previous year. Purchased intangible assets were valued at their cost on acquisition less scheduled straight-line depreciation. In the case of tangible fixed assets, where the period of usefulness is limited in time, the normal rates of depreciation (straight-line or reducing-balance) were deducted from the purchase or manufacturing cost. As a rule, the straight-line method of depreciation was used where this resulted in higher amounts of depreciation. Tax incentives for the depreciation of minor-value assets were claimed. Financial assets were valued at cost or lower attributable value. The developments in fixed assets can be obtained from the table of movements in fixed assets shown on pages 44 and 45 of the Annual Report. Inventory was valued at cost, being the average purchase or manufacturing cost, or lower market value. Apart from direct costs, the manufacturing costs only include the reasonable proportions of necessary material and manufacturing overheads. Receivables and other assets are shown at nominal value less appropriate provisions for bad debts and other write-downs. Marketable securities are assessed at the historical cost or the value at the date of the balance sheet, if lower, plus prorated ancillary acquisition costs. Any reinstatement of original values was effected in accordance

with § 280, Par 1 HGB. Reasonable provisions for all identifiable risks and liabilities have been made. The provisions for pensions shown, which relate primarily to Germany, were valued on the basis of the going-concern value for tax purposes in accordance with § 6a of the Income Tax Law, whereby the guideline tables 2005 G and an interest rate of 6 percent were applied. Liabilities are shown at the amount payable. Deferred income relates primarily to instalment sales contracts.

IV. Foreign Currency Conversion

For the companies based outside the euro zone which are included in the consolidation, the balance-sheet items shown in the individual financial statements were converted into euros from the currency of the country in question at the mean rate of exchange on the date of the balance sheet. Income and expenditure shown in the corresponding profit and loss accounts have, with the exception of depreciation, been converted at the average rate of exchange for the year 2007 (modified closing rate method). The resultant differences after conversion were allocated net with profit effect to other operating costs. The conversion effects resulting from the change in rates between balance sheet dates have led to a 4.6 million decrease in reserves within the context of the development of partners' equity, having no effect on net income.

V. Consolidation Principles

The companies included in the consolidated financial statements all have 31 December as their balance sheet date. Consolidation of the balance sheets and profit and loss accounts of the companies included therein was made in ac-

cordance with the following principles:

1. Capital Consolidation

Capital has been consolidated in accordance with the book value method. In so doing, the book values of the holdings have been set against the amount of equity capital of the corresponding subsidiary companies including reserves and the result brought forward at the date of initial consolidation or at the date of acquisition. Debit differences resulting from the first-time consolidation of the JAFRA group have been stated as goodwill after the release of hidden reserves in assets and liabilities. The goodwill of the JAFRA group will be written off over a period of 30 years using the straight-line method. The remaining debit differences were netted with reserves in previous years. Credit differences resulting in previous years were combined into reserves because they were of reserve character. The participating interests of outside shareholders in the equity capital subject to consolidation and in the results of the subsidiary companies included in the consolidation have been shown in the compensating item for minority interests. The associated companies of akf and the foreign-based logistics company, included under the equity method of accounting, have been consolidated in accordance with the same principles. The valuation principles of the associated companies were adopted without change. Since Vorwerk exercises no uniform direction over the akf companies, they are included in the financial statements at equity. akf leasing Beteiligungs GmbH prepared consolidated financial statements for the companies of the akf leasing division as of 31 December 2007. In accordance

with § 312, Par 6 HGB, these were taken as the basis for the consolidation. Vorwerk's share of the results for the year under review of the companies consolidated under the equity method of accounting is included in the profit and loss account as the result from participations in associated companies.

2. Consolidation of Debt

Amounts due as receivables or payables in respect of companies within the consolidated group have been offset against each other for consolidation purposes (§ 303 HGB).

3. Consolidation of Earnings

Consolidation of the income and expenditure contained in the items shown in the consolidated profit and loss account comply with § 305 HGB. Intercompany sales and the expenditure entailed thereby as well as other normal mutual intercompany income and expenditure from the consolidated companies' profit and loss accounts have been set against each other.

4. Deferred Taxation

After being netted with deferred taxation credit balances, deferred taxation debit balances amounting to 7.4 million resulting from the individual financial statements were reported (§ 306, Clause 3 HGB) in accordance with the option provided for in § 274, Par 2 and § 300, Par 2 HGB. 1.6 million of deferred taxation credit balances resulted from the consolidating entries affecting net income arising from the elimination of unrealised results of intercompany transactions within the group, consolidation of debt and also the consolidation of income and expenditure. When calculating taxes

for consolidating entries affecting net income in accordance with § 306 HGB, the company has proceeded on the basis of an average rate of tax uniform throughout the group. The calculation of the deferred taxation for the individual financial statements was done on the basis of tax rates for individual companies.

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

1. Other Financial Commitments

The expenses arising from rental and leasing contracts amounted to 34.1 million in 2007 (31.3 million in previous year). These expenses are spread over the entire group worldwide and relate to contracts with various terms of duration. Order obligations for investments in tangible fixed assets amounted to 9.1 million (5.0 million at 31.12.2006).

2. Profit and Loss Account

Group Sales (including sales tax)		
Breakdown by	2006	2007
Region	Mio. €	Mio. €
Germany	514.1	461.1
Europe	808.4	832.2
North America	416.4	405.9
Rest of world	96.7	77.7
Total	1,835.6	1,776.9

Group sales broken down by business segment are shown in the group management report.

3. Present Value of Derivative Financial Instruments

To provide security against currency risks, the Vorwerk group uses exchange futures and options as well as interest rate swaps both in its operative business activities as well as in the area of foreign currency financing. The present value of a derivative financial instrument is the price at which a party would acquire the rights and/or obligations arising from this financial instrument from another party. The book and present values of the financial instruments of the Vorwerk group are shown as follows:

Derivative Financial Instruments			
in € 000			
	Nominal value	Book value	Present value
	31. 12. 07		
a) Currency options	67,278	60	172
b) Exchange futures	58,014	0	56,155
c) Interest rate swaps	64,536	0	283

The nominal value of the derivative financial instruments is obtained item by item using the closing rate method. The present values of exchange futures are determined according to the closing rate method taking forward discounts and premiums into account. The present values of currency options are assessed on the basis of option price models. The present values of interest rate hedging instruments (interest rate swaps) are determined on the basis of discounted, anticipated cash flows, whereby the current market interest

rates for the remaining term of the financial instruments are applied. The acquisition costs for currency options amounting to € 60,000 are shown under the item 'Other assets'.

4. Other Information

Average workforce

	2006	2007
Employees*	22,628	22,570
Sales System		
Advisers	510,857	543,415
Kobold	10,398	9,736
Thermomix	14,614	16,361
Feelina	284	280
JAFRA Cosmetics	482,384	515,151
Lux Asia Pacific	3,177	1,887

*Including Sales Advisers in permanent employment

The executive managers of the parent company Vorwerk & Co. KG are the managing partners Achim Schwanitz of Ratingen, Markus von Blomberg of Wuppertal (till 30 November 2007) and Peter Oberegger of Düsseldorf.

Wuppertal, 7 April 2008



Achim Schwanitz



Peter Oberegger

The foregoing consolidated balance sheet with its explanatory notes as intended for publication together with the group management report comply with the legal requirements.

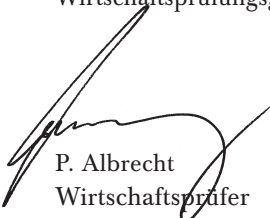
PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, expressed the following opinion on the complete consolidated financial statements and the group management report: "We have audited the consolidated financial statements – consisting of balance sheet, profit and loss account and explanatory notes – and the group management report of Vorwerk & Co. KG, Wuppertal for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with German commercial and accounting practice are the responsibility of the managing partners of the company. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit. We have conducted our audit of the consolida-

ted financial statements in accordance with § 317 of the German HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the audit framework.

The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the managing partners as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations. In our opinion, based on the knowledge gained by way of our audit, the consolidated financial statements were prepared in line with legal regulations and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with German principles of proper accounting. The group management report is in line with the consolidated financial statements and overall provides a suitable understanding of the group's position and appropriately presents the risks and opportunities of future development."

Essen, 7 April 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



P. Albrecht
Wirtschaftsprüfer



Th. Hofmann
Wirtschaftsprüfer

THE MAIN COMPANIES IN THE VORWERK GROUP



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Vorwerk & Co. Beteiligungsgesellschaft mbH

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Sources:

Michael Freeman, "Mensch und Kosmos", GEO, page 2; André Poloczek, page 13, 19, 31, 33, 39, 43; Rudi Hurzlmeier (illustration) und Harry Rowohlt (poem) "Happy Birds-Day", Haffmans Verlag at Zweitausendeins, page 15; from the Kenneth Anger Collection, page 19; Regina Göllner, page 21, 27, 39, 52

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*Whatever fortune another would on us bestow
may God give him the same, yet three times o'er.*

Proverb