

Vorwerk Group Financial Press Conference 2009

## **Vorwerk Reports Growth in 2008 – Strong Position for the Future**

**Wuppertal, May 2009** – The Vorwerk family enterprise set a new company record in 2008 by generating a total business volume of 2.44 billion euros. Thanks to diversification in its direct sales operations, the high quality of its products and its successful international growth strategy, the direct sales specialist is in a strong position and taking an optimistic view of the future despite the widespread financial crisis.

In 2008, the company achieved its growth target with a 5 percent increase over 2007 (2.32 billion euros). If the euro had not been so strong, however, that increase would have been significantly larger. This gratifying result was due in large part to the two-digit growth rates in sales of the multifunctional Thermomix kitchen appliance, the international activities of the Vorwerk Divisions Kobold and JAFRA Cosmetics and to the thriving new business generated by the akf group. The number of people working with Vorwerk worldwide rose by 2 percent to 578,000.

This operating result places Vorwerk in a strong position to cope with the consequences of the global financial crisis. Partners' equity rose to 52 percent and liquidity stands at 600 million euros. "Although we, too, are not completely safe from surprises in this situation, we plan to keep moving and looking optimistically ahead. As an independent family enterprise that focuses on sustainability in all of its activities, we have a very sound financial basis," explains Peter Oberegger, Managing Partner of Vorwerk & Co. KG. "We are strongly placed despite the crisis. There are good reasons for this: By selling direct we use the best way to communicate with our customers and convince them of the high quality of our products. Especially in times of financial market crisis, people tend to favor high-quality products that will last a long time. We operate on a sound international footing and have a diversified portfolio of products and services that helps us to compensate for fluctuations. And finally, we offer attractive jobs with good income and career prospects for men and women in direct sales."

### Press contact

The Vorwerk international growth strategy includes stepping up the group's penetration of existing markets and entering into new ones. This strategy again proved to be an important success factor last year. After entering the Russian market, JAFRA Cosmetics opened a branch in Brazil that was successful from the start, and in May 2009 set up a joint venture with the Ruchi Group, an Indian family enterprise. With annual sales totaling 126 billion rupees (two billion euros), Ruchi is one of the largest food corporations on the Indian subcontinent.

Thermomix and Kobold are also doing very well on the Asian markets. "The Vorwerk family enterprise is now represented in the four largest growth regions of the world – Brazil, Russia, India and China – and this contributes in a material way to our strong long-term position," Mr. Oberegger stresses.

## **Growth Potential in Direct Sales**

The trend in direct sales also gives rise to optimism. The direct line to the customer is Vorwerk's core competence today and accounts for two thirds of the group's total business volume. Direct sales in Germany also boosted growth. By increasing its business volume year on year from 299 million euros to 306 million, Vorwerk defied the negative industry trend in Germany. That is why Managing Partner Walter Muyres continues to see great potential for growth in direct sales. "Just as quality consciousness increases in times of crisis, so, too, do customers expect comprehensive, individual advice and personal service. Since we practice many forms of sound direct selling, we have sales models to meet our customers' needs in every country and for every product."

### **Press contact**

## Divisional Trends

**Thermomix** yet again proved to be the most dynamic division in the Vorwerk group with 17 percent sales growth (totaling 386 million euros). Thermomix produced a sensational operating result in Germany with sales up by 60 percent to 66 million euros. The multifunctional kitchen appliance traditionally sells in countries where greater emphasis is placed on good food, which is why the southern European countries of Italy and Spain still lead the field. However, the Thermomix has also made a promising start on other continents with new operations in Mexico and Taiwan.

**JAFRA Cosmetics** also developed well. Total sales were up by 2 percent to 602 million US dollars despite negative currency effects. Particularly strong growth (6 percent) was generated in Mexico. The new subsidiary in Brazil was a success from the start. Vorwerk has now laid the foundations for further growth by investing 50 million US dollars in the building of a new production facility in Mexico and in the joint venture with the Indian Ruchi Group.

The **Kobold** performance curve also traced an upward trend last year. Sales grew by 3 percent to 683 million euros. In Italy, traditionally the division's strongest market, Vorwerk succeeded in asserting the market leadership of the "Folletto" – as the Kobold is known in Italy – and raising sales by 6 percent to 375 million euros. Sales climbed at the same rate in China.

An encouraging trend also emerged in Germany with sales totaling 213 million euros, roughly the same level as in 2007. And the outlook is also promising: Twelve million households prefer a Vorwerk vacuum cleaner. Vorwerk will be launching a new sales concept this coming fall, placing even greater emphasis on direct contact with the customer and providing a more attentive service while at the same time making the job of sales adviser even more attractive.

## Press contact

The negative market trend for full ironing systems forced Vorwerk to discontinue sales of the **Feelina** in the first quarter of this year. All Feelina staff and representatives have been offered jobs in other divisions.

The **Lux Asia Pacific** direct sales operations in Indonesia, Japan, Taiwan, the Philippines and Thailand generated 36 million euros in total sales, but failed to live up to expectations. Nonetheless, the water purifiers and vacuum cleaners in which the division specializes have a promising future on the Asian market, and Vorwerk still has confidence in the excellent long-term prospects for Lux Asia Pacific.

Despite difficult market conditions, the Vorwerk divisions not engaged in direct sales also contributed to the gratifying consolidated operating result of the Vorwerk group. **Division Carpets** succeeded in boosting sales by 2 percent to 79 million euros. **HECTAS Facility Services** also scored in a tougher market environment to report growth of 8 percent. Sales for the first time topped the 200-million-euro mark. The positive trends in the Benelux states and Eastern Europe more than compensated for the deficits in Germany. HECTAS plans to step up its southern and eastern European expansion.

The **akf group** proved to be one of the group's main growth engines in 2008. It generated new business worth a total of 605 million euros (11 percent up on 2007) and performed well in the vehicle-leasing segment to defy the trend toward falling automobile registration rates. The akf group is now healthy and profitable. Vorwerk has raised the core capital and partners' equity of akf so as to further improve our refinancing options with merchant banks.

### **Coping with the Crisis and Using Opportunities**

Changes are still coming thick and fast this year – and Vorwerk has always seen such developments as opportunities. The consequences of the global economic crisis may be impossible for anyone to predict at present, but “some Vorwerk divisions are likely to increase their sales even in this difficult year of 2009. Others will have to accept a fall in

sales. All in all, for our direct sales business worldwide we expect to see total business volume fall by only a single-digit percent. That's something we can cope with," says Reiner Strecker, Chief Financial Officer of Vorwerk.

Vorwerk is generally well placed: Partners' equity rose last year from 49 to 52 percent, a level well above the norm in German industry. The group's liquid assets total 600 million euros. "This gives us the scope we need more than ever these days – for example to promote the development of our existing divisions and to open up new markets," says Mr. Oberegger.

## Press contact