Interim Financial Report of the wmf group

WMF remains on track for growth

The economy is losing momentum

The debt crisis in the euro zone is continuing to put a great strain on the German economy. The economic outlook has become much less promising for the German economy. After an expected rise in the gross domestic product (GDP) of 3 per cent in the current year, growth for 2012 will be a modest 0.9 per cent according to the latest reports from the Council of Economic Experts. However, the outlook is uncertain due to the unresolved euro crisis. If the crisis and global instability worsen, the Council of Economic Experts is not ruling out a slight drop in the GDP.

The wmf group has fared well in this uncertain environment and continues to grow profitably.

WMF boosts sales and earnings

The wmf group achieved year-on-year sales growth of 12 per cent to 670.7 million euro as at 30.09.2011, and thus growth lies at slightly over that of the 1st half year at 11 per cent. Domestic sales increased by 14 per cent, international business by 10 per cent and the foreign share of sales remained unchanged at 46 per cent.

The operating income (EBIT) at the end of September 2011 for the wmf group increased disproportionately at 42.8 million euro, at an increase of 85 per cent on the previous year (23.2 million euro). The return on sales improved from 3.9 per cent in the previous year to a heartening 6.4 per cent (1st half year 2011, 5.1 per cent).

Sales and earnings of the individual **divisions of the wmf group** were as follows:

For the ***WMF retail*** division, the further revival in business development planned for 2011 has been well implemented up to now. The sales revenue achieved by the branches as at September amounted to 91.9 million euro, around 6 per cent up on the previous year (1st half of the year up 4 per cent). As in the first half year, a significant part of the growth was achieved through the opening of new branches and taking over the Silit outlet centre locations. The EBIT generated in the first nine months amounted to 7.5 million euro which on a like-for-like basis showed a growth trend on last year (-7.8 million euro). As already discussed in the half-yearly financial report, the seasonal pattern for the branches was predominantly focused on Christmas trade, which means that the break-even point will not be achieved until the later part of the second half-year.

The development in the ***consumer goods*** division was characterised by continuing high growth as at September. As at 30.09.2011, the sales posted amounted to 288.4 million euro - already up 18 per cent on the previous year by the mid-year point. The EBIT increased by 77 per cent to 20.9 million euro (previous year 11.8 million euro). The return on sales rose from 4.8 per cent in the previous year to 7.3 per cent. The double digit growth in sales will weaken in the remaining months of 2011 in comparison to the previous year driven by the temporary transition of project business. Based on the very positive business performance, the growth in sales predicted for the full year will exceed the previous forecast of 5 per cent. In spite of this growth, the return on sales detailed in the half-yearly financial report will be down on the previous year's figure of 8.1 per cent.

The sales and earnings performance in the ***consumer electric*** division fell under expectations. Sales in the newly established division came in at 3 per cent lower than the previous year at 58.3 million euro; the EBIT also dropped below the previous year's figure (-9.8% million euro) at 10.5 million euro. The shutting down of production planned for the Burgau location went ahead in August in order to improve the cost position of the division. The slight improvement to the business situation expected in the 2nd half year did not occur at the end of the 3rd quarter despite the newly introduced products presented at the IFA. Defined by the weaker business performance, the start-up of series production of the new coffee machine models defined the weaker business performance which will also slow down improvement of the business situation in the remaining months of the 4th quarter. The slight expansion in sales which had been expected for

2011 can thus not be realised and the planned reduction in the previous year's losses (-13.1 %) will not be achieved.

The ***professional hotel equipment*** division was able to continue the positive growth achieved mid-year. As at 30.09, sales had increased by 9 per cent to 59.7 million euro; the EBIT rose 88 per cent on the previous year's figure of 1.7 million euro to 3.2 million euro. Thus, the return on sales improved to 5.4 per cent (previous year 3.1 per cent). In the remainder of the year, the sales and earnings performance of this business division will wane slightly as planned.

The positive trend in the ***coffee machines*** division will likewise continue. This business division has gained a slight increase on the growth achieved at the mid-year point (plus 13 per cent) and sales increased 14 per cent to 208.5 million euro. Continued strong sales growth pushed EBIT to 36.5 million euro (previous year 27.1 million euro). The return on sales rose from 14.8 per cent in the previous year to 17.5 per cent. As already highlighted in the half-yearly financial report, the increase in sales and earnings at the year-end will weaken somewhat due to the postponement of orders in the Japanese market.

Outlook for the total year is still on target

As the end of the 3rd quarter, the business situation of the wmf group has improved on the half-yearly figure. The sales and earnings performance in the consumer electric division which decreased on the previous year's figure contrary to overall development was balanced by the high-revenue growth of the other divisions. Development will wane slightly in the 4th quarter as planned. If no economic problems occur due to the debt crisis, which could influence the Christmas trade, we confirm our previous target for the full 2011 year and forecast sales growth of at least 5 per cent with an EBIT return at the same level as the previous year (6.5 per cent).

Geislingen, 16 November 2011

The Executive Board