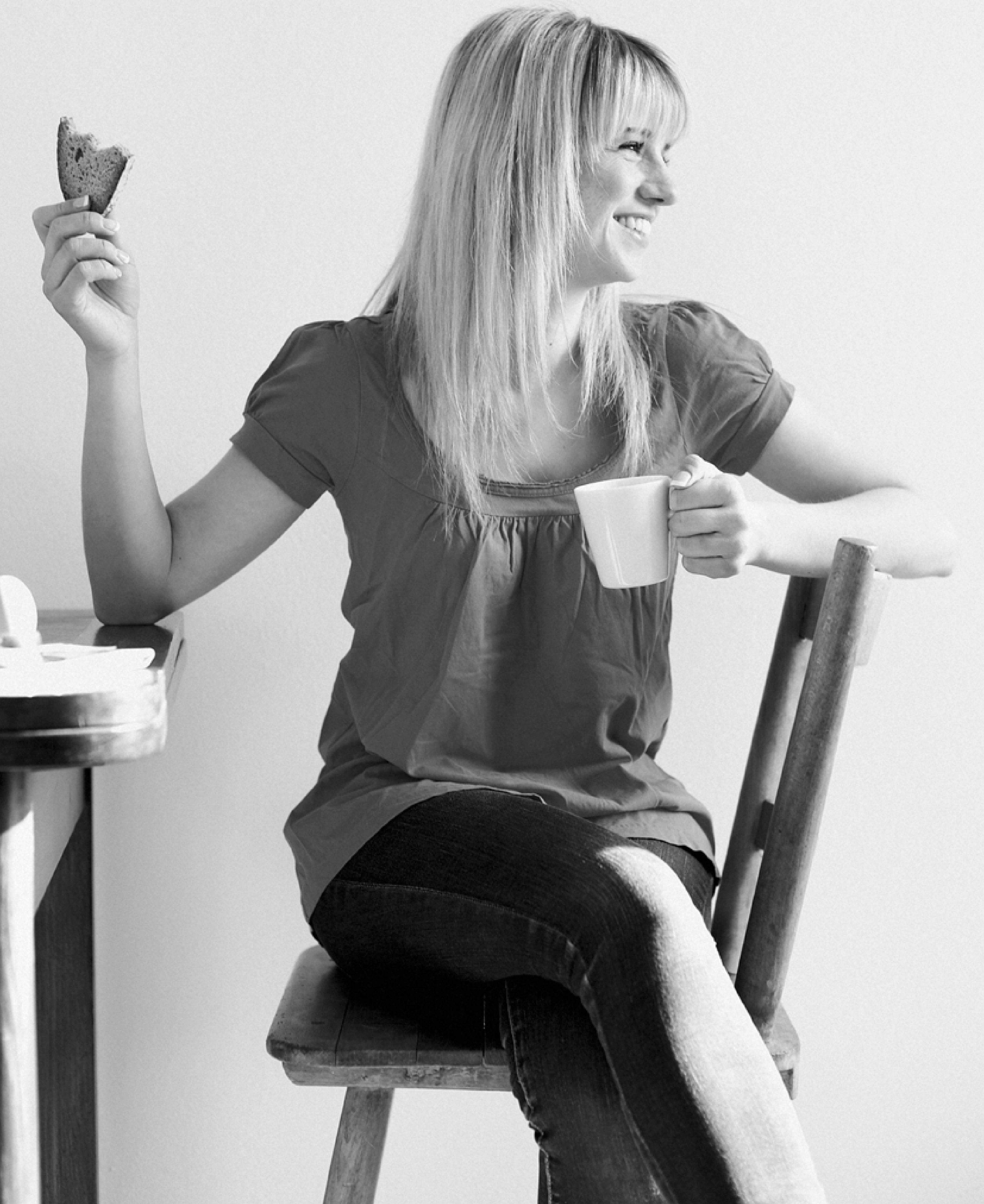
Half-year Financial Report
WMF Group 2010



Management Report

1. Underlying conditions

Global economy recovering faster than expected.

The global economy is growing faster than expected, gaining impetus from the strong upturn in Asia, but at the same time uncertainty regarding the sustainability of the upturn has increased. The International Monetary Fund (IMF) has raised its growth forecast for the global economy to 4.6 % on the basis of the positive development in the first half of the year. In Germany, the quarter-on-quarter increase in the gross domestic product in the second quarter was surprisingly high at 2.2 %. Experts now expect growth for the year as a whole to exceed significantly the previous forecast of 1.4 %. The development in other European countries remains moderate. Overall, the IMF anticipates growth of 1 % for the euro zone.

2. Net assets, financial position and results of operations and cash flows

2.1 Results of operations

In comparison to the previous year, the overall strong performance of the WMF Group again in the first six months of 2010 was influenced by two special issues in the consumer goods business:

- In special customer business, plans are that the majority of sales will be generated only in the second half of the year, whereas in 2009 the sales focus was in the first six months.

- Due to seasonal factors, the company Princess Holding B.V., Breda, which was acquired as at 1 January 2010, did not yet generate positive result in the first half of the year, meaning that the additional sales resulting from the acquisition led to a decline in earnings in the WMF Group as at the reporting date.

As at 30 June, sales in the WMF Group totalled € 389.0 million, 3 % up on the previous year. Sales in Germany fell 10 % to € 208.4 million. There was a 23 % increase in export business to € 180.6 million due to the recovery of the international markets. The foreign proportion of total sales rose from the previous year's figure of 39 % to 46 %.

In consumer business, Group sales as of 30 June were at the previous year's level, totalling € 230.5 million. Adjusted for Princess Holding B.V., Breda, the Netherlands, which was acquired at the beginning of the year (see Point 6), they fell short of the previous year's level by 9 %. This decline in sales is due to special customer business, where existing orders – which are already at the previous year's level – will not be delivered until the second half of the year as planned. Without this shift of sales and without Princess, sales growth of 3 % was achieved in consumer business.

In institutional products business, sales in the first half of the year increased by 7 % to € 158.5 million. This growth was primarily due to a significant recovery in hotel business, which had seen a substantial decline in the previous year as a result of the economic crisis. However, there was also impetus from the return to growth in coffee machine business.

The operating result (EBIT) generated by the WMF Group in the first half of the year amounts to € 13.1 million, down 33 % on the previous year (€ 19.7 million).

This decline in earnings is attributable to special issues in consumer business. The acquisition of Princess resulted in a sales increase of approximately € 21 million at mid-year, although due to the usual seasonal development of earnings at Princess this was accompanied by a negative result. The shift of sales from special customer business in the amount of roughly € 26 million led to an additional decrease in EBIT. As a result of both these issues, the reported EBIT of € –5.5 million in consumer business in the first half of the year was considerably lower than the previous year's figure of € 4.5 million. This trend will see a turnaround in the second half of the year.

In institutional products business, EBIT rose from € 15.2 million to € 18.6 million with sales growth of 7 %. The sales margin was 11.7 % (previous year: 10.3 %).

2.2 Financial position

Cash flow from operating activities fell from € 14.3 million as at 30 June 2009 to € 5.0 million. This decrease was attributable to weaker earnings and the higher amount of funds tied up in working capital. Cash flow from investing activities increased from € 9.1 million to € 13.9 million, primarily due to the acquisition of Princess. With higher payments for investments and dividends, cash flow from financing activities rose from € 0 in the previous year to € 5.4 million. The 127th annual general meeting on 17 June 2010 approved the proposal of the supervisory board and the management board that the net profit of WMF AG (€ 16.8 million) for the 2009 financial year be appropriated for the payment of a dividend of € 1.20 per common and preferred share (previous year: € 1.05 per share).

2.3 Net assets

The WMF Group's net assets position had changed slightly at mid-year 2010 as compared to the end of 2009, particularly due to the acquisition of Princess (for details, see Point 6). Total assets in the Group were increased by € 28.6 million to € 536 million, with current assets rising by € 9.7 million to € 160.8 million while non-current assets rose by € 18.8 million to € 375.2 million. Equity increased by € 6.5 million as against the end of the year to € 290.1 million. The equity ratio dropped from 56 % to 54 %, due particularly to the increase in current financial liabilities.

3. Employees

At 5,963, the number of employees in the WMF Group as of 30 June was 63 higher than the previous year's figure. This increase was chiefly the result of the acquisition of Princess (92 employees) as of 1 January 2010.

4. Risks of expected business development

There have been no significant changes in the WMF Group's risk situation compared with the last Group management report (Group Annual Report 2009, pp. 75 – 77).

5. Outlook for the financial year

Expectations for year as a whole within target corridor.

The surprisingly positive economic development as at mid-year, with significant growth in Germany, a stable labour market and an improved consumer climate, caused economic expectations to increase. However, due to the expiry of stimulus programmes and the measures initiated to consolidate public finances, the pace of the economic recovery and the comparatively high level of growth in the first half of the year are expected to weaken as at the end of the year.

However, the general economic development was only partially decisive for the WMF Group in the first half of 2010. Rather, WMF's performance was strongly impacted by special issues in consumer business.

These special influences in consumer business will disappear in the second half of the year. The shortfall in sales from special customer business will be compensated for in the autumn on the basis of existing orders and the negative earnings development of Princess in the first half of the year will become positive by the end of the year. In institutional products business, current data leads us to anticipate a continuation of the positive sales and earnings trend.

We are therefore maintaining our previous target for 2010 as a whole, and in the WMF Group – including Princess, acquired at the beginning of the year – we anticipate a 10 % increase in sales and an EBIT margin of at least 5 %.

6. Events of major importance

As of 1 January 2010, WMF Württembergische Metallwarenfabrik Aktiengesellschaft, Geislingen / Steige, acquired 51 % of the shares in Princess Holding B.V., Breda, the Netherlands. Princess Holding B.V. distributes small electrical appliances, particularly in the area of household appliances, on a global basis. The purchase price was € 5.5 million in cash. The first-time consolidation of the Dutch company took place as at 1 January 2010. No business units were or will be discontinued or disposed of as part of the company acquisition.

In accordance with IFRS 3 (rev. 2008), all business combinations must be accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed as part of a business combination are recognised at fair value at the date of acquisition, irrespective of the scope of any non-controlling interests. In detail, the following assets and liabilities were a cquired with the takeover of 51 % of Princess Holding B.V.:

Non-current assets (€ 15.2 million), inventories (€ 6.5 million), receivables and other current assets (€ 16.9 million), cash and cash equivalents (€ 1.7 million), provisions (€ 0.5 million), financial liabilities (€ 13.3 million), trade receivables and other liabilities (€ 10.8 million). The acquisition of Princess Holding B.V. results in a positive value from capital consolidation (goodwill) of € 0.4 million, which is included under intangible assets.

7. Information on important transactions with closely associated companies

Transactions with closely associated companies or persons are considered significant when they have a major impact on the WMF Group's financial position, net assets or results of operations. There were no such transactions in the period under review.

Interim Financial Statements

The interim financial statements as of 30 June 2010 were drawn up in accordance with the International Financial Reporting Standards (IFRS), using the same accounting and valuation methods as for the consolidated annual financial statements as of 31 December 2009.

The interim financial statements and the interim management report have neither been audited in pursuance of Article 317 HGB (German Commercial Code) nor been checked by an auditor.

No events which would have had a significant effect on an assessment of the financial position, net assets and results of operations have taken place since the date of the interim report, 30 June 2010.

The annual general meeting on 17 June 2010 approved the proposal of the management that the net profit of WMF Württembergische Metallwarenfabrik Aktiengesellschaft (€ 16.8 million) be appropriated for the distribution of a dividend of € 1.20 per common and preferred share.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Geislingen / Steige, 26 August 2010

The Management Board

Klapproth Dr. Flohr Müller Dr. Wieser

Interim financial statements as at 30 June 2010

Consolidated income statement

Values in € 000	Jan. – June 2010	Jan. – June 2009	% as against previous year
Revenue	388,975	377,605	103
Change in finished goods	13,337	4,613	289
Other own work capitalised	798	710	112
Total operating performance	**403,110**	**382,928**	**105**
Other operating income	12,393	10,286	120
Cost of materials	159,065	144,585	110
Staff costs	137,460	132,236	104
Amortisation and depreciation expense	12,257	11,216	109
Other operating expenses	93,590	85,444	110
Operating result (EBIT)	**13,131**	**19,733**	**67**
Income from associates and other financial assets	275	2	–
Interest income	441	678	65
Interest expense	–1,571	–1,921	82
Other financial income, net	–39	1,538	–
Net finance costs/net financial income	**–894**	**297**	**–**
Net profit before taxes	**12,237**	**20,030**	**61**
Income tax expenses	3,794	8,082	47
Profit for the period after taxes	**8,443**	**11,948**	**71**
of which attributable to:			
Shareholders of the parent	9,669	11,778	82
Minority interests	–1,226	170	–
Basic/diluted earnings per share (in €)	**0.69**	**0.84**	**82**

Consolidated statement of comprehensive income

Values in € 000	Jan. – June 2010	Jan. – June 2009
Profit for the period after taxes	**8,443**	**11,948**
Difference from currency translation (incl. at-equity)	8,311	–815
Derivative financial instruments (after deferred taxes)	1,675	–1,745
Total of income and expenses after taxes recognised directly in equity	**9,986**	**–2,560**
Total of income and expenses after taxes recognised in equity (overall result)	**18,429**	**9,388**
of which attributable to:		
Shareholders of the parent	19,287	9,235
Minority interests	–858	153

Consolidated balance sheet

Values in € 000	30 June 2010	31 Dec. 2009	% as against previous year
ASSETS			
Assets			
Non-current assets			
Intangible assets	20,099	14,679	137
Property, plant and equipment	116,596	112,603	104
Equity-accounted investments	8,359	8,084	103
Other non-current financial assets	2,318	2,320	100
Other non-current assets	2,266	2,266	100
Deferred tax assets	11,133	11,118	100
Total non-current assets	**160,771**	**151,070**	**106**
Current assets			
Inventories	198,686	171,136	116
Trade receivables	106,411	120,950	88
Current tax assets	3,524	1,619	218
Cash and cash equivalents	48,049	49,716	97
Other current assets	18,525	12,935	143
Total current assets	**375,195**	**356,356**	**105**
Total assets	**535,966**	**507,426**	**106**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	35,840	35,840	100
Capital reserves	85,455	85,455	100
Retained earnings	162,510	160,023	102
Equity attributable to shareholders of the parent	**283,805**	**281,318**	**101**
Minority interests	**6,331**	**2,242**	**282**
Total equity	**290,136**	**283,560**	**102**
Liabilities			
Non-current liabilities			
Provisions for pensions	61,778	61,109	101
Provisions	21,340	21,468	99
Non-current financial liabilities	20,000	20,000	100
Other non-current liabilities	173	173	100
Deferred tax liabilities	4,801	2,986	161
Total non-current liabilities	**108,092**	**105,736**	**102**
Current liabilities			
Provisions	11,070	11,158	99
Current tax payables	5,948	10,457	57
Current financial liabilities	35,450	0	–
Trade payables	34,185	34,974	98
Other current liabilities	51,085	61,541	83
Total current liabilities	**137,738**	**118,130**	**117**
Total equity and liabilities	**535,966**	**507,426**	**106**

Consolidated statement of changes in equity

Values in €000										
	Parent company								Minority interests	Group equity
	Subscribed capital		Capital reserve	Retained earnings				Equity	Equity	
				Revenue reserves	Total other Group result					
	Ordinary shares	Prefe-rence shares			Foreign currency translation adjustment	Other neutral transac-tions	Derivative financial instru-ments			
As of 1 January 2009	**23,893**	**11,947**	**85,455**	**151,971**	**–826**	**–1,558**	**2,030**	**272,912**	**2,084**	**274,996**
Income and expenses recognised in equity (overall result)	–	–	–	11,778	–798	–	–1,745	9,235	153	9,388
Dividends paid	–	–	–	–14,700	–	–	–	–14,700	–	–14,700
Changes in the scope of consolidation	–	–	–	–	–	–	–	–	–	
As of 30 June 2009	**23,893**	**11,947**	**85,455**	**149,049**	**–1,624**	**–1,558**	**285**	**267,447**	**2,237**	**269,684**
As of 1 January 2010	**23,893**	**11,947**	**85,455**	**163,018**	**–864**	**–1,558**	**–573**	**281,318**	**2,242**	**283,560**
Income and expenses recognised in equity (overall result)	–	–	–	9,669	7,943	–	1,675	19,287	–858	18,429
Dividends paid	–	–	–	–16,800	–	–	–	–16,800	–	–16,800
Changes in the scope of consolidation	–	–	–	–	–	–	–	–	4,947	4,947
Stand am 30.06.2010	**23,893**	**11,947**	**85,455**	**155,887**	**7,079**	**–1,558**	**1,102**	**283,805**	**6,331**	**290,136**

Consolidated cash flow statement

Values in € million	Jan. – June 2010	Jan. – June 2009
Cash flows from operating activities	5.0	14.3
Cash flows from investing activities	–13.9	–9.1
Cash flows from financing activities	5.4	0.0
Change in cash and cash equivalents affecting cash flow	–3.5	5.2
Changes in cash and cash equivalents due to exchange rate changes and changes in the consolidated Group structure	1.8	–0.5
Cash and cash equivalents at beginning of period	49.7	15.3
Cash and cash equivalents at end of period	48.0	20.0

Segment reporting

Values in € million	Consumer Goods		Institutional Products		WMF Group	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Sales	230.5	229.5	158.5	148.1	389.0	377.6
Segment result	–5.5	4.5	18.6	15.2	13.1	19.7

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Management Board: Thorsten Klapproth, Chairman
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Ulrich Müller
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Registered office: Geislingen / Steige
Form of business organisation: Public limited company
Registry court: Ulm HRB 540215