

## Half-year Financial Report WMF Group 2009

### Management Report

#### Stable business development continues at WMF

Sales growth in Germany makes up for decline in foreign business.

#### 1. General economic conditions

According to economic institutes and the German government, the global economic decline has now reached its lowest point. A year and a half after the start of the major recession in the USA, the world's largest economy stabilised, with a contraction of only one per cent in the second quarter of 2009. German gross domestic product, after a sharp downturn in the first quarter (-3.5 per cent), even achieved a slight rise in the second quarter (+0.3 per cent). A low inflation rate and the prospect of improved business development have so far kept the consumer climate stable. The German retail trade, however, according to the provisional figures published by the Federal Statistical Office, really felt the effects of the economic crisis for the first time in the first half of 2009, with sales 2.1 per cent lower in real terms than in the same period of the previous year. Wholesale business with consumer goods was 6.6 per cent below the 2008 level. The extent to which private consumption – which, according to the GfK's figures, accounts for just under 60 per cent of German gross domestic product – will be a major bedrock of the economy depends on the further development of the labour market. Due to the increase in short time work there was only a moderate rise in the unemployment rate by the end of the first half of the year (8.1 per cent) compared with the end of 2008 (7.4 per cent).

#### 2. Net assets, financial position and results of operations

##### 2.1 Results of operations and cash flows

WMF Group's business development continued to be stable in the first half of 2009. With no change in the difficult global economic situation, it was possible to achieve a sales result at the previous year's level of € 377.6 million for the first half year.

When divided into regions and segments, however, business trends were, in certain respects, strikingly heterogeneous

The highly positive development of sales in Germany during the first quarter continued, with sales increasing by 12 per cent to € 231.4 million. Exports, on the other hand, were harder hit by the uncertainties of international markets, falling by 17 per cent to € 146.2 million.

This meant that the foreign proportion of total sales fell from the previous year's figure of 46 per cent to 39 per cent.

In the consumer business segment, Group sales as of June 30 were, at a total of € 229.5 million, 5 per cent above the previous year's figure. Adjusted to include petra-electric, acquired in the previous year and initially consolidated as of May 1, 2008, this means a growth of 1 per cent was achieved. In the institutional products division, sales, at € 148.1 million, were 10 per cent below the level of the previous year – particularly because of the decline in hotel business with the WMF Hotel and HEPP brands.

The WMF Group yield on sales, at 5.2 per cent in the first half-year, was at the level that had been forecast. The operating result (EBIT) was € 19.7 million, which was 76 per cent of the amount achieved in the previous year (€ 26.1 million). The main reason for the decrease in the Group result was the poor development of business in the institutional products division. With a 10 per cent fall in sales, EBIT in the institutional products division went down from € 25.4 million to € 15.2 million (10.3 per cent yield on sales). The consumer goods business saw a 5 per cent growth in sales, which meant that EBIT rose from € 0.7 million to € 4.5 million (a 2 per cent yield on sales).

## 2.2 Financial position

Cash flow from operating activity was improved from –€ 4.8 million in the previous year to € 14.3 million (in spite of the Group lower result after taxes). The freezing of funds in working capital was significantly decreased and the net cash flow used by investment activities was, in the context of the economic crisis, reduced from € 11.3 million to € 9.1 million compared with the same period of the previous year. Cash flow from financing activity fell from the previous year's figure of € 23.2 million to € zero on account of the higher cash flow from current business activity compared with the previous year and the lower level of payments made on investments and dividends.

The 126th annual general meeting on June 16, 2009 approved the proposal of the supervisory board and the management board that the net profit of WMF AG (€ 14.7 million) for the 2008 financial year be appropriated for the payment of a dividend of € 1.05 per common and preferred share (previous year: € 1,20 per share). Payment was made on June 17, 2009.

### 2.3 Net assets

The WMF Group's sound net assets position changed only slightly over the first half year compared with the position at the end of 2008. Total assets were decreased by € 15.8 million to € 505.5 million through the reduction of short-term assets (in particular trade receivables). Long-term assets, at € 151.2 million, are at very nearly the same level as at the end of 2008. The equity ratio is unchanged at 53 per cent. On the liabilities side, the total of short-term debts used to guard against credit risks was reduced by € 31.7 million to € 127.8 million compared with the end of 2008, and superseded by long-term loans to € 20.0 million.

### 2.4 Workforce

The number of employees in the WMF Group was, at 5,900 as of June 30, 11 lower than the previous year's figure. The decline resulted chiefly from an adjustment to employee capacity in the technical divisions of WMF AG.

## 3. 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 2008, pp. 61–63).

## 4. Outlook for the financial year

International institutes are viewing the recovery of the global economy with cautious optimism. The German economy, however, is lagging behind the stabilisation expected for the global economy. Whilst worldwide economic performance figures in 2009 are only expected to decline slightly from 1 to 2 per cent, a decline of about 6 per cent is expected in Germany for the current year. The first indicators at mid-year do suggest a revival in business activity, but the recovery is at a historically low level. The main risk for the consumption climate, which is of great importance for WMF too and has been gratifyingly robust so far, lies in the impact of the expected rise in unemployment. Growing problems associated with obtaining credit are also hampering the recovery of the German economy.

The further course of the economic crisis therefore entails uncertainties for the development of WMF. This applies to the degree in which consumer business, which is geared towards the private consumer, is dependent on the general consumption climate. It applies even more so to the institutional products segment, which is dependent on international demand from the hotel and restaurant trade.

In the first half of 2009, WMF's business situation was determined by the decline in the institutional products division. There was gratifying growth in the consumer goods business, particularly in our own German and in the international WMF subsidiaries. The EBIT improvement in the consumer goods sector was only partly able to make up for the decline in the institutional products sector. Whether we achieve our objective of holding WMF Group sales and net income for 2009 at the level of 2008, will therefore largely depend on our success in stabilising our institutional products business, which has been hit hard by the recession in the international markets over the rest of the year.

We are working intensively on reaching our targets. Clearly defined sales projects will help to stabilise sales trends. Additional cost-cutting measures are being implemented with a view to achieving our net income target. There are however limits to the extent to which we can counterbalance the negative influences coming from the global economy.

#### **5. Events of major importance**

None.

#### **6. 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 Statement**

The Interim Statement as of at June 30, 2009 was drawn up in accordance with the International Financial Reporting Standards (IFRS), using the same accounting and valuation methods as for the Group Annual Financial Statements as of December 31, 2008.

The Interim Statement and the Interim Management Report have neither been audited in pursuance of Article 317 HGB (German Commercial Code) nor been checked by an auditor.

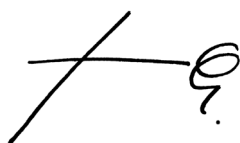
No events which would have had a significant effect on an assessment of the financial position, net assets and results of operations have taken place since the date the Interim Report, June 30, 2009.

## Assurance given by legal representatives

We herewith give the assurance that, to the best of our knowledge and in pursuance of the accounting principles to be applied to the compiling of interim reports, the interim Group financial statements convey a realistic picture of the Group's financial position, net assets and results of operations; that in the Group interim report, the development of business, including financial results and the situation of the Group, is presented in such a way that a realistic picture is conveyed; and that there is a statement of the significant opportunities and risks for the expected development of the Group in the rest of the financial year.

Geislingen/Steige, August 2009

The Management Board



Thorsten Klapproth  
Vorsitzender



Dr. Bernd Flohr



Ulrich Müller



Dr. Rudolf Wieser

## Interim Statement as at June 30, 2009

### Group Profit and Loss Account

thousand €	1-6/2009	1-6/2008	% previous year
<b>Sales</b>	377,605	382,829	99
Changes in inventories	4,613	5,704	81
Other company-produced additions to assets	710	707	100
<b>Total operating output</b>	<b>382,928</b>	<b>389,240</b>	<b>98</b>
Other operating income	10,286	9,627	107
Cost of materials	144,585	149,098	97
Staff expenses	132,236	129,508	102
Depreciation	11,216	10,880	103
Other operating expenses	85,444	83,283	103
<b>Operating result (EBIT)</b>	<b>19,733</b>	<b>26,098</b>	<b>76</b>
Income from associated companies and financial investment	2	842	0
Interest income	678	1,140	59
Interest expense	-1,921	-1,532	125
Other financial result	1,538	0	
<b>Financial result</b>	<b>297</b>	<b>450</b>	<b>66</b>
<b>Result before tax</b>	<b>20,030</b>	<b>26,548</b>	<b>75</b>
Tax on earnings	8,082	8,365	97
<b>Result after tax (net income for the period)</b>	<b>11,948</b>	<b>18,183</b>	<b>66</b>
Thereof attributable to:			
The shareholders of the parent company	11,778	17,843	66
Minority partners	170	340	50
<b>Undiluted / Diluted net earnings per share (in €)</b>	<b>0.84</b>	<b>1.27</b>	<b>66</b>

## Group Balance Sheet

thousand €	30.06.2009	31.12.2008	% previous year
<b>ASSETS</b>			
<b>Assets</b>			
<b>Long-term assets</b>			
Intangible assets	13,350	14,054	95
Tangible assets	114,311	115,548	99
Participations valued At-Equity	9,196	9,628	96
Other financial assets	2,346	2,408	97
Other assets	2,539	2,539	100
Deferred tax claims	9,440	8,954	105
<b>Total long-term assets</b>	<b>151,182</b>	<b>153,131</b>	<b>99</b>
<b>Short-term assets</b>			
Inventories	212,532	204,769	104
Trade receivables	104,260	126,454	82
Current earnings tax claims	2,402	2,078	116
Cash and cash equivalents	19,999	15,316	131
Other assets	15,127	19,587	77
<b>Total short-term assets</b>	<b>354,320</b>	<b>368,204</b>	<b>96</b>
<b>Balance sheet total</b>	<b>505,502</b>	<b>521,335</b>	<b>97</b>

thousand €	30.06.2009	31.12.2008	% previous year
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Subscribed capital	35,840	35,840	100
Capital reserves	85,455	85,455	100
Revenue reserves	146,152	151,617	96
<b>Portion of shareholders' equity attributable to shareholders of the parent company</b>	<b>267,447</b>	<b>272,912</b>	<b>98</b>
Minority interests	2,237	2,084	107
<b>Total shareholders' equity</b>	<b>269,684</b>	<b>274,996</b>	<b>98</b>
<b>Debts</b>			
<b>Long-term debts</b>			
Pension provisions	59,935	59,509	101
Provisions	24,860	24,598	101
Financial liabilities	20,000	0	
Other liabilities	6	6	100
Deferred tax liabilities	3,261	2,724	120
<b>Total long-term debts</b>	<b>108,062</b>	<b>86,837</b>	<b>124</b>
<b>Short-term debts</b>			
Provisions	11,604	11,900	98
Current earnings tax liabilities	11,363	9,112	125
Financial liabilities	31,690	37,013	86
Trade payables	22,633	41,476	55
Other liabilities	50,466	60,001	84
<b>Total short-term debts</b>	<b>127,756</b>	<b>159,502</b>	<b>80</b>
<b>Balance sheet total</b>	<b>505,502</b>	<b>521,335</b>	<b>97</b>

## Development of Group Equity

	Parent Company							Shareholders' equity	Minority shareholders' equity	Group equity
	Subscribed capital		Capital reserve	Revenue reserves			Shareholders' equity			
	Ordinary shares	Preference shares		Generated Group equity	Accumulated residual Group result					
thousand €				Currency conversion adjustment	Other un-committed transactions	Derivative Financial instruments				
As at 01.01.2008	23,893	11,947	85,455	147,517	-4,978	-1,558	0	262,276	1,652	263,928
Dividends paid	-	-	-	-16,800	-	-	-	-16,800	-	-16,800
Other changes	-	-	-	-	461	124	-	585	-62	523
Group net income for the period	-	-	-	17,843	-	-	-	17,843	340	18,183
As at 30.06.2008	23,893	11,947	85,455	148,560	-4,517	-1,434	0	263,904	1,930	265,834
As at 01.01.2009	23,893	11,947	85,455	151,971	-826	-1,558	2,030	272,912	2,084	274,996
Dividends paid	-	-	-	-14,700	-	-	-	-14,700	-	-14,700
Other changes	-	-	-	-	-798	0	-1,745	-2,543	-17	-2,560
Group net income for the period	-	-	-	11,778	-	-	-	11,778	170	11,948
As at 30.06.2009	23,893	11,947	85,455	149,049	-1,624	-1,558	285	267,447	2,237	269,684

## Cash Flow Statement

million €	1 – 6 / 2009	1 – 6 / 2008
Cash flow from operating activities	14.3	-4.8
Cash flow from investment activities	-9.1	-11.3
Cash flow from financing activities	0.0	23.2
Changes in financial resources affecting payments	5.2	7.1
Changes in financial resources due to currency conversion	-0.5	0.1
Financial resources at outset of accounting period	15.3	15.4
Financial resources at end of accounting period	20.0	22.6

## Segmental Report

million €	Consumer goods		Institutional products		WMF Group	
	30.06.09	30.06.08	30.06.09	30.06.08	30.06.09	30.06.08
Sales	229.5	217.8	148.1	165.0	377.6	382.8
Segmental results	4.5	0.7	15.2	25.4	19.7	26.1

### WMF

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Board of Management: Thorsten Klapproth, Vorsitzender  
Dr. Bernd Flohr  
Ulrich Müller  
Dr. Rudolf Wieser

Registered Office: Geislingen/Steige  
Form of Business Organisation: Public Limited Company  
Registry Court: Ulm HRB 540215