



Management Report

1. General conditions

Economic recovery continues

The German economy is continuing to grow, but the upswing has slowed. At 0.1%, the rise in gross domestic product in the second quarter was significantly less than the high growth in the first quarter (1.3%). Reasons for the slower growth in the second quarter included the negative foreign demand, a weaker construction sector and more modest private consumer spending. However, the economic recovery is proving robust overall. The unemployment rate has been declining steadily since the end of the year.

Economic research institutes are forecasting growth of 3% for the year as a whole – provided that the debt crisis does not trigger any further distortions. The development in other European countries remains more modest. Overall, the International Monetary Fund (IMF) is anticipating growth of 1.6% for the euro zone.

Driven by the strong upsurge in Asia, the global economy is growing faster than in the euro area. At the same time, however, uncertainty regarding the sustainability of this development is on the rise in the US. Given the positive development at the start of the year, the IMF raised its forecast for the global economy slightly to 4.4%.

2. Net assets, financial position and results of operations

WMF continues to grow with high income

2.1 Result of operations

As at 30 June, sales in the WMF Group totalled € 433.2 million, up 11% on the previous year. Sales in Germany climbed 14% to € 237.7 million. Export business expanded by 8% to € 195.5 million. The international share of sales dropped slightly to 45% (previous year: 46%).

The EBIT generated by the WMF Group in the first half of the year grew strongly to € 22.1 million, outperforming the previous year by a very encouraging 69% (€ 13.1 million). The return on sales therefore improved to 5.1% (previous year: 3.4%).

In the first half of the year, the sales and earnings of the divisions of the WMF Group – which were reorganised as at the start of the year – were as follows:

WMF Retail

In the first half of the year, the WMF Retail division generated sales of € 58.5 million, up 4% on the previous year. Some of this growth is due to the opening of new branches and taking over the Silit outlet centre locations. On a like-for-like basis, the growth trend was again stable at 1% as against the previous year.

As sales by WMF branches are mainly incurred in the second half of the year on account of Christmas business – as is generally the case for similar retail operations – the sales posted in the first half of the year account for only around 40% of the total figure for the year. This seasonal pattern means that the WMF Retail division does not break into positive territory until the late second half of the year. The EBIT reported by Retail for the first half of the year was therefore negative at € –5.6 million (previous year: € –5.7 million). On a like-for-like basis, i.e. adjusted for the new branches opened since the first half of 2010, the loss incurred in the first six months declined to € –5.2 million, thereby showing a positive trend.

We are expecting to see a further revival in business developments in WMF Retail in the second half of the year, leading to positive EBIT on seasonally higher sales and therefore better cost coverage for the year as a whole.

Consumer Goods

The performance in Consumer Goods was characterised by high growth in the first half of the year. Given the delays in project business as against the previous year, sales as at 30 June were up 18% year-on-year at € 182.9 million.

The strong sales performance in Germany in particular (up 28%) drove EBIT to € 9.2 million in the first half of the year (previous year: € 6.7 million). The return on sales therefore rose from 4.3% in the previous year to 5.0%.

The growth effect in the first half of the year from the delay in sales as against the previous year will be neutralised by the end of the year as we will not be handling more project business than last year overall. Based on the year in full, we are forecasting sales growth of 5% for 2011. In spite of this increase, the return on sales will be down slightly on the previous year's figure (8.1%) in 2011. Reasons for the drop in earnings include firstly the measures to further enhance competitive capability, particularly the transition in cooking utensil manufacturing in Geislingen and the ongoing expansion of the manufacture of Cromargan protect® cutlery in our production subsidiary in China, and secondly the global rise in prices for raw materials and commodities.

Consumer electric

In the first half of the year, the business situation of the new consumer electric division consisting of the *petra*, *Princess*, *Nova* and *WMF* brands was dominated mainly by the ongoing restructuring of *wmf consumer electric GmbH* (*wmf c. e.*). Effective 1 January 2011, the existing consumer coffee machines business of *WMF AG* was transferred to *wmf c. e.* and the activities of the *WMF* and *petra* brands were bundled at *wmf c. e.* Furthermore, production at the *Burgau* location is currently being shut down.

The extensive restructuring measures in this regard are not without negative influence on the division. Operating activities were also affected by delivery bottlenecks in all classes of goods. The sales generated in consumer electric in the first half of the year – contrary to the overall development of the *WMF Group* – were therefore down slightly on the previous year at € 37.3 million (down 1%). In light of this, the EBIT generated for the first six months was negative at € –7.6 million and, given the rising restructuring expenses, lower than in the previous year as well (€ –6.6 million).

We are anticipating a slight improvement in the business situation in the second half of the year. However, the shutting down of production in August and the relocation of the remaining parts of the company to a new location will still tie up resources and entail further expenses. The delivery situation will ease to a certain degree which should stimulate sales in the second half of the year, aided by the launch of new and attractive products. The slight overall expansion in sales expected as a result of this for 2011 will add to an improvement in the result of operations, but will not fully offset the heavy losses incurred in the previous year (€ -13.1 million).

Professional Hotel Equipment

The economic recovery and the gradual easing of the investment backlog sparked by the financial crisis resulted in sales growth of 10% to € 40.6 million in the increasingly international operations of the Professional Hotel Equipment division as at 30 June. In the first half of the year, growth was driven by business in Germany, where sales climbed by 17%. International business expanded by 5%. Operating earnings rose from € 0.2 million to € 2.1 million thanks to the sales growth achieved and the long-term effects of the restructuring of recent years. The return on sales therefore improved to 5.2% (previous year: 0.5%).

The high sales growth generated in the first half of the year will wane slightly over the remainder of the year as the economic recovery had already begun to affect hotel business by the middle of last year. Furthermore, to finish rounding off Professional Hotel Equipment in the context of the reorganisation of the Group's divisions, production aspects still assigned to Consumer Goods and previously used jointly will be transferred in the second half of the year. This will lead to further expenses on account of the adjustments this entails, in turn limiting earnings growth in the second half of the year.

Coffee Machines

The positive trend in Coffee Machines will continue, boosted by a further expansion of the service organisation. In the first half of the year the division – like Professional Hotel Equipment – profited from the fact that more was invested in the international catering industry again as the economic recovery gathered pace. As a result, sales increased by 13% to € 137.9 million. International business made a key contribution to this with growth of 16%. An increase of 10% was achieved in Germany. The strong sales growth pushed EBIT to € 23.9 million (previous year: € 18.4 million). The return on sales was 17% after the first six months (previous year: 15%).

The high growth achieved in the first half of the year caused by the lessening of the economic crisis will also contract slightly over the rest of the year. Furthermore, we are anticipating weaker business in Japan given the postponement of orders following its natural and nuclear disasters. There will also be negative effects from the strong appreciation of the Swiss franc, with the result that the EBIT growth for 2011 as a whole – measured against the high figure for the first half of the year – will be slightly lower.

2.2 Financial position

Cash flow from operating activities fell from € 5.0 million as at 30 June 2010 to € 1.0 million. This decrease was due to the higher level of funds tied up in working capital entailed by sales growth and to weaker earnings from currency translation. Cash flow from investing activities declined from € -13.9 million in the previous year to € -12.1 million. The larger amount of cash used for investments in 2010 was due to the acquisition of Princess. With higher payments for the dividend and lower amounts due to banks, cash flow from financing activities decreased € 5.4 million in the previous year to € 1.8 million.

2.3 Net assets

The net assets situation of the WMF Group remained very solid after the first half of 2011.

The Group's total assets declined by € 22.3 million as against the end of 2010 to € 553.4 million. Current assets fell by € 22.5 million to € 393.2 million, non-current assets were largely unchanged at € 160.3 million. Equity decreased by € 5.5 million to € 304.6 million. Thus, the equity ratio improved again as against the end of 2010 to 55% (previous year: 54%).

3. Employees

At 6,025, the number of employees in the WMF Group as at June was 62 higher than the previous year's figure. This increase is essentially due to the growth-driven headcount requirements at our production and sales subsidiaries in China.

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 2010, p. 74 – 76).

5. Outlook for the financial year

Year as a whole within target range

The economic recovery anticipated for the current year will also support the further business performance of the WMF Group. As in the first half of the year, however, the upswing in the second half of 2011 will influence only some aspects of the WMF Group's business performance. In addition to the waning of the upswing effect, developments in the second half of the year will also be influenced by seasonal shifts. As a result, the very strong growth by the WMF Group in the first half of the year will be more moderate over the second half of the year while still remaining positive overall.

We are retaining our existing goal for 2011 as a whole and are forecasting a sales increase in the WMF Group of at least 5% with an EBIT return equal to the previous year's level (6.5%).

6. Significant events

The sales activities of the Group divisions bundled under the WMF Americas subsidiary have been reorganised. Sales for the Consumer Goods and Professional Hotel Equipment divisions previously included in WMF Americas were hived off and transferred to the new sales subsidiary WMF Americas Group effective 30 April 2011. WMF Americas has retained the sales operations for WMF's Coffee Machines business. The reorganisation established the conditions for merging coffee machine sales activities for the WMF and Schaerer brands in the US in order to leverage synergies.

7. Significant related party transactions

There were no transactions with related parties with a significant influence on the WMF Group's financial position, net assets or results of operations in the period under review.

Interim Financial Statements

The interim financial statements as at 30 June 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS), using the same accounting policies as the consolidated annual financial statements as at 31 December 2010.

The interim financial statements and the interim management report have neither been audited in accordance with section 317 of the German Commercial Code nor reviewed 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 2011.

The Annual General Meeting on 1 June 2011 approved the proposal by the management that the unappropriated surplus of WMF Württembergische Metallwarenfabrik Aktiengesellschaft (€ 18.2 million) be used to distribute a dividend of € 1.30 per ordinary 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, 30 August 2011

The Management Board

			
Klapproth	Dr. Flohr	Müller	Dr. Wieser

Interim financial statements as at 30 June 2011

Consolidated income statement

€ thousand	Jan. – June 2011	Jan. – June 2010	% as against the previous year
Sales	433,226	388,975	111
Change in finished goods	14,414	13,337	108
Other own work capitalised	687	798	86
Total operating performance	448,327	403,110	111
Other operating income	12,592	12,393	102
Cost of materials	182,384	159,065	115
Staff costs	143,483	137,460	104
Amortisation and depreciation expense	12,024	12,257	98
Other operating expenses	100,897	93,590	108
Operating earnings (EBIT)	22,131	13,131	169
Income from associates and other financial assets	471	275	171
Interest income	682	441	155
Interest expense	-1,569	-1,571	100
Other net finance costs	-826	-39	-
Net finance costs	-1,242	-894	139
Earnings before taxes	20,889	12,237	171
Income tax expenses	7,064	3,794	186
Earnings after taxes (net profit for the period)	13,825	8,443	164
of which attributable to:			
shareholders of the parent company	13,751	9,669	142
non-controlling interests	74	-1,226	-
Basic/diluted earnings per share (in €)	0.98	0.69	142

Consolidated statement of comprehensive income

€ thousand	Jan. – June 2011	Jan. – June 2010
Earnings after taxes (net profit for the period)	13,825	8,443
Difference from currency translation (including at equity)	-1,355	8,311
Derivative financial instruments (after deferred taxes)	209	1,675
Total other comprehensive income after tax	-1,146	9,986
Total other comprehensive income after tax (comprehensive income)	12,679	18,429
of which attributable to:		
shareholders of the parent company	12,673	19,287
non-controlling interests	6	-858

Consolidated statement of financial position

€ thousand	30 June 2011	31 Dec. 2010	% as against the previous year
ASSETS			
Assets			
Non-current assets			
Intangible assets	16,597	17,930	93
Property, plant and equipment	119,543	118,071	101
Investments carried at equity	9,514	9,477	100
Other financial assets	2,281	2,323	98
Other assets	1,978	1,978	100
Deferred tax assets	10,340	10,311	100
Total non-current assets	160,253	160,090	100
Current assets			
Inventories	231,455	207,231	112
Trade receivables	109,780	149,088	74
Current tax assets	3,909	2,724	144
Cash and cash equivalents	32,821	42,660	77
Other assets	15,219	13,975	109
Total current assets	393,184	415,678	95
Total assets	553,437	575,768	96
EQUITY AND LIABILITIES			
Equity			
Issued capital	35,840	35,840	100
Capital reserves	85,455	85,455	100
Retained earnings	181,366	186,893	97
Equity attributable to shareholders of the parent company	302,661	308,188	98
Non-controlling interests	1,901	1,895	100
Total equity	304,562	310,083	98
Liabilities			
Non-current liabilities			
Provisions for pensions	61,215	60,751	101
Provisions	19,988	20,422	98
Financial liabilities	20,000	20,000	100
Other liabilities	118	118	100
Deferred tax liabilities	4,081	3,862	106
Total non-current liabilities	105,402	105,153	100
Current liabilities			
Provisions	12,976	11,045	117
Current tax liabilities	10,845	9,570	113
Financial liabilities	20,000	0	-
Trade payables	46,011	70,611	65
Other liabilities	53,641	69,306	77
Total current liabilities	143,473	160,532	89
Total equity and liabilities	553,437	575,768	96

Consolidated statement of changes in equity

€ thousand

	Parent company							Equity	Non- con- trolling interests Equity	Consol- idated equity
	Issued capital		Capital reserves	Retained earnings			Revenue reserves			
	Ordi- nary shares	Pre- ferred shares		Foreign currency translation adjustment	Other comprehensive income					
			Derivative financial instru- ments							
As at 1 January 2010	23,893	11,947	85,455	163,018	-864	-1,558	-573	281,318	2,242	283,560
Net profit for the period	-	-	-	9,669	-	-	-	9,669	-1,226	8,443
Total other comprehensive income after tax	-	-	-	-	7,943	-	1,675	9,618	368	9,986
Comprehensive income	-	-	-	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
As at 30 June 2010	23,893	11,947	85,455	155,887	7,079	-1,558	1,102	283,805	6,331	290,136
As at 1 January 2011	23,893	11,947	85,455	184,479	8,063	-3,814	-1,835	308,188	1,895	310,083
Net profit for the period	-	-	-	13,751	-	-	-	13,751	74	13,825
Total other comprehensive income after tax	-	-	-	-	-1,287	-	209	-1,078	-68	-1,146
Comprehensive income	-	-	-	13,751	-1,287	-	209	12,673	6	12,679
Dividends paid	-	-	-	-18,200	-	-	-	-18,200	-	-18,200
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	-
As at 30 June 2011	23,893	11,947	85,455	180,030	6,776	-3,814	-1,626	302,661	1,901	304,562

Consolidated statement of cash flows

€ million	Jan. – June 2011	Jan. – June 2010
Cash flows from operating activities	1.0	5.0
Cash flows from investing activities	-12.1	-13.9
Cash flows from financing activities	1.8	5.4
Change in cash and cash equivalents	-9.3	-3.5
Change in cash and cash equivalents due to exchange rate effects	-0.6	1.8
Cash and cash equivalents at beginning of period	42.7	49.7
Cash and cash equivalents at end of period	32.8	48.0

Segment reporting by division

2011 € million	WMF Retail	Consumer Goods	Consumer Electric	Professional Hotel Equipment	Coffee Machines	Other/Conso- lidation	WMF Group
External sales	58.5	159.6	36.1	40.6	137.9	0.5	433.2
Inter-segment income	0.0	23.3	1.2	0.0	0.0	-24.5	0.0
Segment sales	58.5	182.9	37.3	40.6	137.9	-24.0	433.2
Segment earnings	-5.6	9.2	-7.6	2.1	23.9	0.1	22.1

2010 € million	WMF Retail	Consumer Goods	Consumer Electric	Professional Hotel Equipment	Coffee Machines	Other/Conso- lidation	WMF Group
External sales	56.2	137.1	36.8	36.8	121.6	0.4	389.0
Inter-segment income	0.0	18.0	0.9	0.0	0.0	-18.9	0.0
Segment sales	56.2	155.1	37.6	36.8	121.6	-18.5	389.0
Segment earnings	-5.7	6.7	-6.6	0.2	18.4	0.2	13.1

Owing to rounding differences it is possible that the individual figures do not add up to the exact total shown.

Segment reporting has changed as against the 2010 annual report. By way of a Group reorganisation as at 1 January 2011, five divisions have been formed that constitute independent segments under IFRS 8. The segment reporting of the WMF Group is therefore based on these divisions: WMF retail, consumer goods, consumer electric, professional hotel equipment and coffee machines. The data for the first half of 2010 have been presented in the same way.

The key control factor for the segments is still EBIT in accordance with IFRS. The reconciliation from the segments' internal control factor to consolidated earnings before taxes still consists of the total net finance costs.

WMF
Württembergische Metallwarenfabrik
Aktiengesellschaft

Eberhardstrasse
73312 Geislingen / Steige
Germany
Tel. +49 7331 251
Fax +49 7331 45387

info@wmf.de
www.wmf.de

Chairman of the Supervisory Board: Prof. Stefan Feuerstein
Management Board: Thorsten Klapproth, Chairman
Dr. Bernd Flohr
Ulrich Müller
Dr. Rudolf Wieser

Registered office: Geislingen/Steige
Legal form: Public Limited Company (*Aktiengesellschaft*)
Registered at the local court (*Amtsgericht*) Ulm under HRB 540215