

## Dear Shareholder

### 1.0 STARTING POSITION

In May 2002, against the background of a record annual loss of 18.6 million Euros in 2001, we began the reorganization of the Alno group both strategically and operationally. In order to stabilise our company and improve its net worth we developed an overall programme of measures and specific targets, which, focussing on the successful elements of the business, aimed to improve the performance of ALNO – this was 'FUTURA'

By addressing the issues of planning, personnel and operations FUTURA led to a thorough restructuring in the key areas of sales & marketing, technology, and administration, whilst at the same time rationalising the company's investment portfolio. By the end of 2003 FUTURA had in only 18 months achieved savings of 55.1 m Euros which directly benefited the company's result.

In this way we could not only absorb the effect of the potentially fatal affect of the 39.3% fall in order intake from the domestic market in 2002 but also deal with significant old liabilities and operational mistakes that we had inherited. Against a background of recession in our domestic market we were able to improve our result from a loss of 18.6m Euros in 2001 before the inception of FUTURA, to a loss of 10.2 m Euros in 2002 and then to a loss of only 5.2 m Euro in 2003, an improvement of 45% in each year.

FUTURA 1	2002	2003	2004 Q1
Sales	—	17,5	4,6
Technology	2,7	15,0	2,4
Administration	—	7,4	—
Summe	2,7	39,9	7,0
FUTURA 2			
Portfolio	—	12,5	—
Gesamt	2,7	52,4	7,0

Mio. EUR

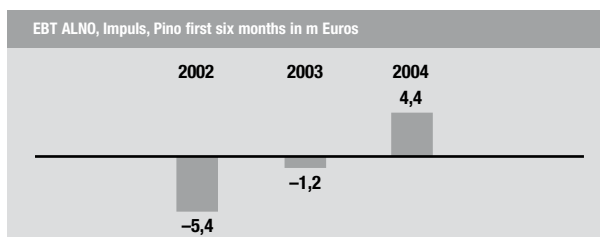
### 2.0 PROGRESS OF THE COMPANY IN THE SIX MONTHS TO 30.06.04

#### 2.1 TRADING RESULTS

Against the background of the improved efficiency of the company we planned a further improvement in our result in 2004.

**At the end of the first six months of 2004 the group has moved into the black for the first time since 1995, showing a profit (EBT) of 3.7m Euros, which represents an improvement of 7.5m Euros compared to the same period in the previous year.**

**The core business in Pfullendorf, and the two subsidiaries IMPULS and PINO have made a significant contribution to this better than expected result with an improvement of 5.5m Euro to a profit (EBT) of 4.4m Euros.**



The overseas subsidiaries have also benefited from the programme of reorganisation and restructuring in the previous year to show an improvement of 2.5m Euros against the same period last year, a performance which is also ahead of budget.

The Casawell Group, a new acquisition last year, achieved its budget target with a positive result for its core WELLMANN business. The progress of the Casawell subsidiary WELLPAC was however not satisfactory.

Group Turnover in the first six months of 2004 was 323.9m Euros which after allowing for the inclusion of Casawell and various disposals in 2003 (PURIS, FORTE and various overseas interests) represents a growth of 78.9% against the same period last year. Particularly pleasing is the progress made by the ALNO, IMPULS and PINO businesses which in some cases have posted double figure percentage improvements against budget and previous year.

Following the cost reductions achieved in 2002 and 2003, which amounted to 73.3m Euros, fixed costs were again reduced in the first six months of 2004 by a further 10.2% against the previous year.

On 30.06.2004 the ALNO Group employed 2923 people (06/2003 1820). The acquisition of the CASAWELL Group in 2003 resulted in an increase of 1179 employees.

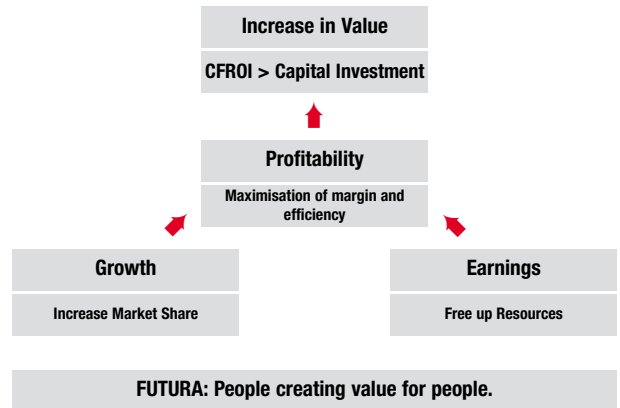
The measures introduced by the FUTURA strategic programme saw 547 new customers acquired in 2003 and a further 251 in the first half of 2004, leading to an increase of 37.8% in order intake from the domestic market against the previous year.

As well as the improvements in volume arising from the implementation of FUTURA 'Sales' the measures

introduced in Pfullendorf within FUTURA 'Administration' and FUTURA 'Technology' have led in the first six months of 2004 to further significant improvements in productivity. The turnover per employee rose by 17% whilst the costs per cupboard fell by 12%.

## 2.2 GROWTH IN VALUE

From the outset the main focus of FUTURA was the improvement of growth as well as productivity and earnings.



The improving health of our company has been reflected in the ALNO share price. Since the beginning of 2004 when it stood at 2.25 Euros per share it had improved by the 30th June to 4.50 Euros per share. When we started the restructuring of the group in 2002 it stood at 1.50 Euros per share.



Source: Wallstreet online

**Through our combined efforts we have brought about a threefold improvement in the value of ALNO in just 2 years! That was exactly the declared aim of FUTURA: People creating value for people**

### 3.0 BALANCE SHEET AND FINANCE.

#### 3.1 FINANCE.

Positive trading results are the major contributor to the satisfactory liquidity of ALNO AG. The Company's liquid position is ahead of budget. Net cash flow from continuing operations in the first half of 2004 was 24.4m Euros, representing an improvement of 22.0m Euros against the same period last year. Capital Investment to 30.06.2004 amounted to 12.5m Euros compared to 8.8m Euros in the first half of 2003.

#### 3.2 BALANCE SHEET

The increase in the Balance Sheet totals from 170.4m Euros to 255.1m Euros (49.7%) and the increases in the individual Balance Sheet items are almost entirely attributable to the acquisition of the Casawell Group as at 30.09.2003.

The disproportionate increase of 96.3% in Shareholders Funds requires comment. The reasons for this are firstly the acquisition by IRE Beteiligungs GmbH, Schorndorf (Whirlpool) of 1.7m shares at a cost of 9.489m Euros, and secondly the 7.5m Euro improvement in earnings compared to the same period last year. The Shareholders Funds ratio improved from 6.8% to 8.9%.

In spite of the addition of the Casawell organisation to the Group, bank borrowings reduced by 6.4% from 84.8m Euros to 79.4m Euros. Net cash flow from earnings and from sales of property was used to repay long term debt and to reduce current account borrowing from 85% to 70%.

### 3.3 INVESTORS

At the AGM in 2003 ALNO AG received approval from the shareholders for a 50% increase in Share Capital. Having used part of this increase to fund the purchase of Casawell, we would like to use the remaining unissued shares to raise additional capital from new investors.

In this regard we have for some time been holding discussions with interested investors. We have a clear idea of the ideal investor profile and are carefully measuring potential investors against this profile, but we do not feel ourselves under any pressure to finalise anything within a set time period. At the moment it is too soon to give any indication of when these new shares will be issued.

### 4.0 ALNO GROUP IN FIGURES

Alno Group Overview	6 months to 30.06.03	6 months to 30.06.04
Turnover ('000 Euros)	181.073	323.873
Profit before tax (EBT)	-3.752	+3.710
Number of employees	1.722	2.797
Cashflow ('000 Euros)	+6.904	+24.370
Capital Investment ('000 Euros)	8.842	12.468
Increase in Shareholders Funds ('000 Euros)	11.607	22.785

### 5.0 OUTLOOK FOR SECOND HALF OF 2004

FUTURA, our strategy for the recovery and reconstruction of ALNO AG has run exactly according to plan so far, and the progress made by the businesses in our group is the clear evidence of this. However the very positive financial result in the first half year is in no sense a guarantee that the full year result will be as good. The current extraordinarily positive trading position of ALNO AG will not necessarily continue; in addition there are a number of external and internal problem areas which need to be tackled:

#### A) EXTERNAL

The market situation in Germany continues to be negatively affected by the uncertainty felt by many sectors of the population, an uncertainty largely attributable to political factors. The kitchen furniture industry has not been spared the effects of the related fall in consumption which has been continuing now for some years, so that we cannot assume that our core business will benefit from any improvement in the domestic market.

The lack of consumer confidence and the extent to which consumer needs have already been satisfied, taken together with the overcapacity in both manufacturing and distribution, mean that aggressive competition will continue in our sector, which cannot therefore be expected to provide good conditions for the growth of our business.

#### B) INTERNAL

Because of the negative and extremely competitive situation in our market we intend to concentrate on those areas where, through our hard work, we can attempt to ensure that the financial improvements of the first half of 2004 are continued into the second half of the year and beyond that into the future. We must continue to improve our performance both in relation to our customers and end consumers, and we must continually check that performance.

Specifically there remain this year a number of tasks

- We must systematically exploit our market opportunities both in Germany and abroad, by further improving the quality and scope of our service to existing customers and our development of new customers.
- We will further develop our marketing in relation to the trade customers and end consumers, high-

lighting the many strengths and competitive advantages which our company is able to offer, with a view to increasing our turnover: our aim will be to ensure continuing commitments to ALNO and its subsidiary companies.

- Within certain important key areas, both in Germany and abroad, there are still opportunities which we can take advantage of by professional management.
- We must by the end of this year complete the job of dealing with old inherited liabilities.

We are pleased with what has been achieved in such a short time, and this gives us the strength and confidence to continue to drive the business forward through the remainder of the year. In this we will be counting on the cooperation not only of our trading partners, but above all of the people who work in the ALNO group. Through their efforts and hard work they have successfully implemented the strategies and measures of FUTURA.

We would like to take this opportunity to thank all those who assisted in the recovery and reorganisation of ALNO

If we continue to work together in a spirit of willing and clearly focussed cooperation, demonstrating our loyalty and capability, we will make further progress along our chosen path.

July 2004

The Board of  
ALNO AG

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## **ALNO AG** **Half Yearly Report 2004**

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