



HALF-YEAR REPORT 2006

WKN 778840 / ISIN DE0007788408

ALNO AG

Alno | Geba | Impuls | Pino | Wellmann

DEAR SHAREHOLDERS,

General external conditions showed an improvement in the first six months of 2006 for the first time for a considerable period of time:

- The climate in the domestic kitchen market developed in a positive manner with average growth of around +8% in the first six months as compared with the same period of the previous year.
- The company was largely able to offset the threat of price rises in its sourcing markets by the middle of the year.

As far as the company itself is concerned, business developed in a generally positive way, intermingled however with certain less pleasing developments.

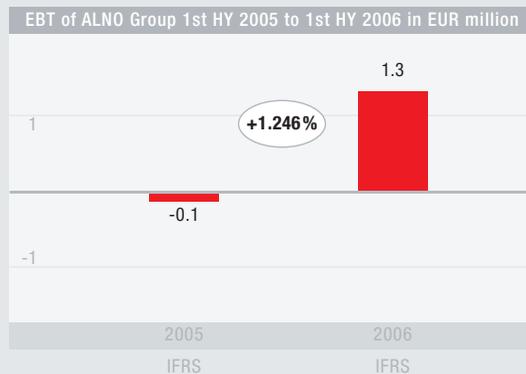
- The income generated by ALNO Group improved significantly over that of the previous year. The forecast made that earnings as at the end of 2006 would rise over those of the same period of the previous year seems ever more likely to prove correct in view of the company's development in the first half-year of 2006. The individual member companies of the group are making differing contributions to the group's good earnings performance.
- Group sales experienced moderate growth with revenue generated by the two core companies ALNO AG und Gustav Wellmann GmbH & Co. KG as well as by export operations contributing to a disproportionately large extent. The development in domestic sales, above all in the operations positioned in the medium and lower price segments, is clear testimony to the cut-throat nature of the competitive environment with both sales volume and margins under severe pressure.
- ALNO Group's situation in terms of operating costs and, as such, efficiency showed significant further improvement over that of the first half-year of 2005 with all group member companies undercutting their respective budgets.
- With liquidity at an adequate level, the group increased its investment in show kitchens by 73.5% over the level of the previous year on behalf of its trading partners and consumers to thus bolster the course for growth it has embarked on.
- ALNO Group's strategic and operational further development based on its FUTURA III programme of value generation is underway.

Following this brief introductory overview, let us now move on to the individual items impacting on ALNO Group's business development.

1.0 CORPORATE DEVELOPMENT

1.1 Earnings

ALNO Group generated earnings before tax of EUR 1.3 million in the first six months of 2006, an improvement of EUR +1.4 million over those reported in the previous year (1st half-year 2005: EUR -0.1 million as per IFRS).

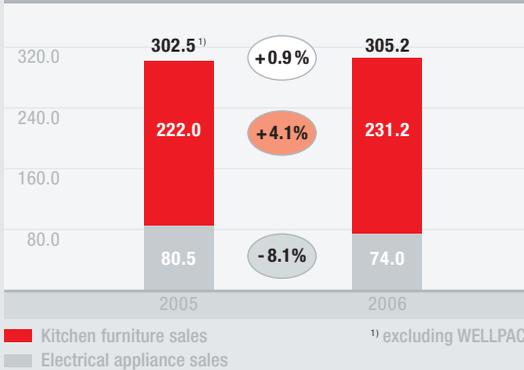


The group's core business, ALNO AG, Pfullendorf (without participating interests), highly unprofitable over many years prior to the launch of the company's realignment, has become a solid cornerstone of the Group's business. ALNO AG was able to further improve its pre-tax earnings by +78.0% over those generated in the same period of the previous year.

1.2 Sales

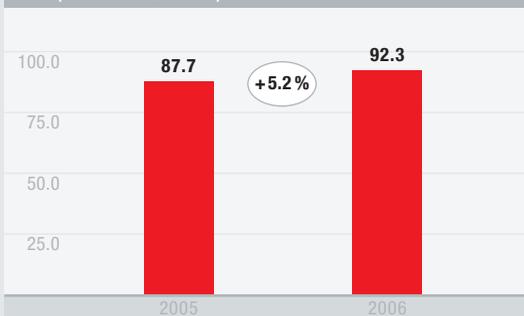
Adjusted to take divestments into account, ALNO Group sales rose by +0.9% to EUR 305.2 million (1st half-year 2005: EUR 310.1 million; adjusted to take divestments into account: EUR 302.5 million), whereby the kitchen furniture business (excluding sales from electrical appliances) increased by +4.1%.

Net sales of ALNO Group 1st HY 2005 to 1st HY 2006 in EUR million



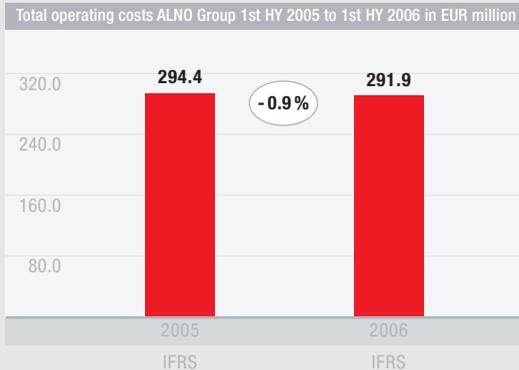
The above-average growth in sales generated by ALNO AG, the group's main company, should be highlighted at this point. However, the group's subsidiary company Gustav Wellmann GmbH & Co. KG also enjoyed pleasing growth as compared with the -19.8% decline in sales reported at the end of the first half-year in 2005. Sales generated via export operations improved by +5.2% over those of the previous year and were able to exceed the 30% mark in the group for the first time ever at 30.2%.

Net export sales of ALNO Group 1st HY 2005 to 1st HY 2006 in EUR million



1.3 Operating costs

Total operating costs (materials, personnel and other) were cut by 0.9% to EUR 291.9 million (first half-year 2005: EUR 294.4 million) despite the growth in sales and the level of general external pressure on costs. All individual group member companies were significantly under budget in this respect.



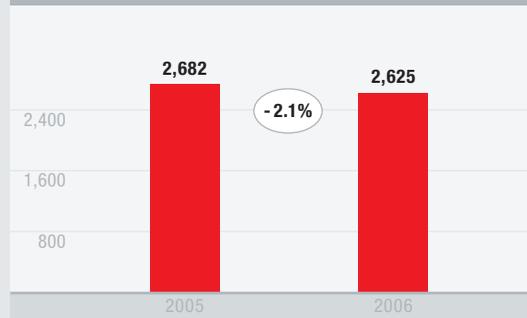
The positive development in total costs is the result of the optimisation programmes within the group strategy project FUTURA and is impressive testimony to the company's progress in efficiency terms.

1.4 Personnel

ALNO Group employed a workforce numbering 2,625 employees excluding special staff groups* in the first half-year of 2006, in all 2.1% fewer employees than in the comparable period of the previous year (1st half-year 2005 excluding special staff groups*: 2,682 employees). Overall, productivity within the group (cabinet units per employee) as at the end of the first six months of 2006 improved by +2.8% as compared with the same period of the previous year.

*ALNO MIDDLE EAST and divestments

Employees at ALNO Group (excluding special staff groups*) 1st HY 2005 to 1st HY 2006 in EUR million

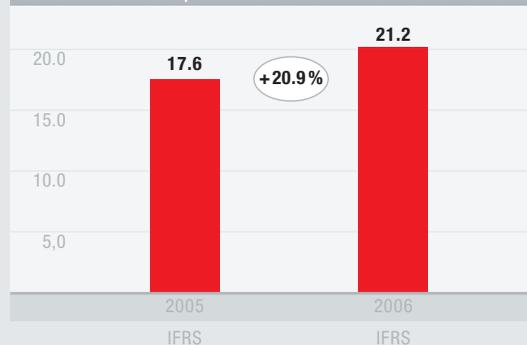


2.0 FINANCE AND CAPITAL

2.1 Finance

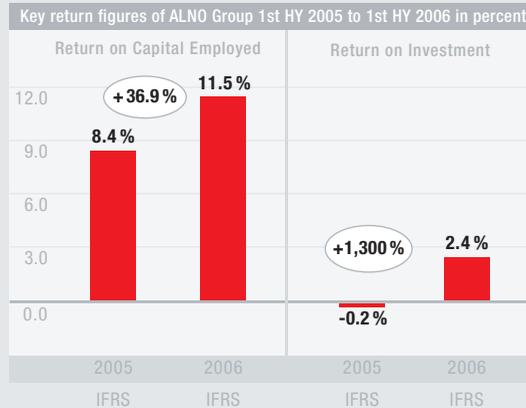
The company's EBITDA performance in the first half-year of 2006 amounted to EUR 21.2 million, an increase of +20.9% over that of the previous year (first half-year 2005: EUR 17.6 million.).

EBITDA of ALNO Group 1st HY 2005 to 1st HY 2006 in EUR million



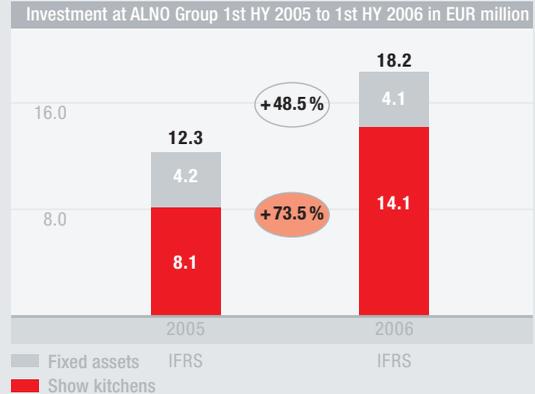
The improvement in EBITDA is the key requirement enabling the company to pursue its policy of the market- and/or growth-oriented expansion of investment at ALNO Group (see below.).

Other key financial figures also reflect the positive development at ALNO Group.



2.2 Investment

Investment activities at ALNO Group increased by +48.5% in the first half-year of 2006 as compared with the previous year to total EUR 18.2 million (first half-year 2005, IFRS: EUR 12.3 million). The largest area of investment focuses on show kitchens, which are supplied at low cost to trade partners for the purposes of providing consumers with the best possible sales advice. Investment in show kitchens grew disproportionately by +73.5%, thus reflecting ALNO Group's policy of customer-oriented growth.

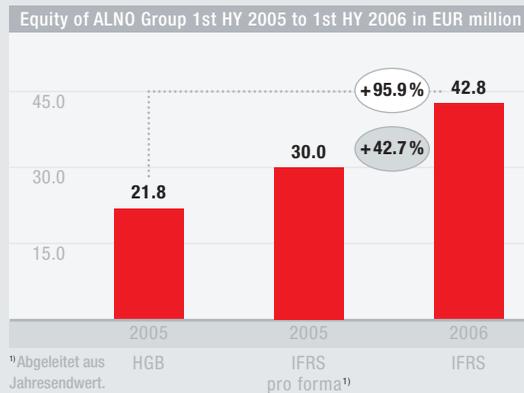


The investment area “show kitchens”, key to future business development, experienced positive and highly promising growth above all at the main group companies ALNO AG and Gustav Wellman GmbH & Co KG with increases in the placement of show kitchens of +33.4% and +67.3% respectively as compared with the same period of the previous year.

2.3 Balance sheet

The company's balance sheet total improved by +17.5% to EUR 286.5 million as per IFRS in the first six months of 2006 due in part to the switch in accounting methods from HGB (German Commercial Code) to IFRS (first half-year 2005, HGB: EUR 243.8 million), whereby bank liabilities rose by +40.5% to a total of EUR 103.5 million (first half-year 2005, HGB: EUR 73.7 million) also due in part to the accounting switch, but for growth-driven reasons too.

At EUR 42.8 million, group equity reached its highest level of recent years in the first six months of 2006. As at the end of the 2005 half-year, equity amounted to EUR 21.8 million (HGB), such that the increase in equity was +95.9% on the basis of this comparison.



3.0 VALUE DEVELOPMENT

The price of the ALNO share reflects the value-generating nature of the company's development since the launch of restructuring/realignment activities:

- As at mid-2002, the price stood at EUR 1.65 while it rose to around EUR 4.80 in the 2005 financial year with top levels of max. EUR 8.10.

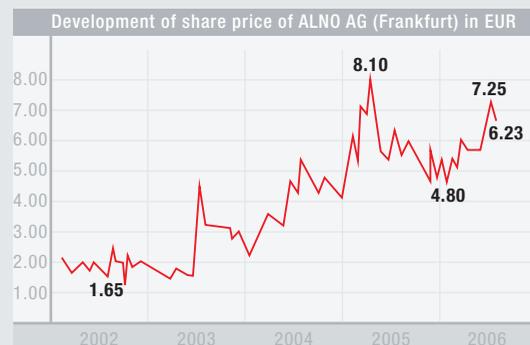
Taking the market capitalisation of ALNO AG as a yardstick for the company's value, this had reached EUR 50.3 million by the end of 2005. At the time of the launch of the company's realignment activities in the 2002 financial year, market capitalisation

stood at EUR 14.8 million. This equates to an increase in value amounting to EUR +35.5 million in around 2 1/2 years.

- As at the end of the 2006 financial half-year, the price of the ALNO share had risen by a further +29.8% to EUR 6.23 as compared with that prevailing at the end of 2005. Market capitalisation thus stood at EUR 65.3 million as at 30 June 2006.

Taking market capitalisation as a value indicator, the company's value rose by a further EUR +15.0 million in the course of the first six months of the current financial year as compared with that prevailing at the end of 2005. Moreover, this equates to an increase in value of EUR +50.5 million over the company's value at the start of its realignment programme.

In view of this development, it is fair to say that, so far, our strategy programme FUTURA has met the upper value enhancement target set for it in an impressive manner year by year.



We are pleased about the additional value generated for the company and the rising price of ALNO shares. Following on from years spent deep in the valley of deficits and losses, we are grateful that our fortunes have turned the corner, that a certain stability has been achieved and that profits are again being produced, albeit still at a low level.

At this point, allow me to make it clear that the valuation of ALNO AG must also take into account the company's profitability in absolute terms including our old problem concerning the level of company indebtedness. In view of the thin nature of our profit situation and risky external environment in terms of sourcing options, there is a threat of price rises. Our sales market is subject to cut-throat competition and action must be taken over the coming years to further improve the economic viability of the group. Much work still needs to be done in order to enhance the company's value in a stable, sustainable manner.

4.0 CORPORATE DEVELOPMENT

4.1 FUTURA III

The past 2005 financial year saw us draw up our medium-term strategy FUTURA III as the company's orientation platform for the next five years. The success of the past has given us confidence in the value enhancement logic underpinning FUTURA, which is why FUTURA III has been built on the same strategic principles with a dynamic focus on the future. FUTURA III is based on two key guiding strategic principles:

- Tapping of existing growth and efficiency potential both at home and abroad.

Taking advantage of the ever more sophisticated management tools at our disposal, our ongoing endeavours to enhance growth and efficiency have unearthed new potential that must now be tapped.

- Further structural development with particular focus on exports.

Our further structural development involves the optimisation of current group structures in terms of enhanced efficiency and transparency while also focusing on our reinforced participation in international growth markets.

FUTURA III is already being implemented in respect of both its strategic and operations modules:

- New growth and efficiency potential has been identified and will be harnessed step by step via appropriate target and action programmes.
- The expansion of our export business is developing well. Our activities in Dubai are outperforming our expectations (see below).
- As far as capital market activities are concerned, the chances of winning a new investor for ALNO Group in the course of the current year are becoming increasingly concrete (see below).

4.1.1 ALNO MIDDLE EAST (AME)

At this point, we would like to draw your attention to the fact that a new group subsidiary company was set up in one of the most attractive growth regions in the world during the 2005 financial year: ALNO MIDDLE EAST, Dubai.

ALNO MIDDLE EAST (AME) is the first foreign production facility to have been set up in the history of ALNO Group. In future, our aim is to focus with greater intensity on global growth potential and, as such, our commitment in Dubai is just the first important step along the road towards the internationalisation of the company.

We systematically prepared our AME venture over a period of just under two years to then implement it step by step during the second half of 2005. In the meantime, both the market and production organisations have been set up, sales and sourcing markets are being serviced intensively and the necessary control routines have been installed locally. We have been continuously supervising operations from Pfullendorf based on the logic of the existing matrix organisation with the result that systematic working relationships assure the transfer of know-how between the persons responsible in Dubai and Pfullendorf.

In the course of its first few months of operations, AME has already won contracts for seven major projects and is producing kitchens for

construction projects such as “The Palm“. As at the end of June, total order value was already up by +40.0% over that budgeted for 2006 as a whole. Our monitoring work currently encompasses total construction work worth USD 114.5 billion, equating to a market valued at USD 1.2 billion in terms of kitchens and/or cabinets.

Operations have made a highly promising start. We are pleased about our initial success, but are fully aware that we have much to learn in what is for us an unfamiliar cultural and business environment before we can be confident of the sustainably successful nature of corporate development here.

4.1.2 Investors

Within the framework of the FUTURA III programme, capital management plays a key role in view of

- our high level of indebtedness, on the one hand, and
- the necessity for growth in the further developed structures, on the other hand.

In this connection, I would like to deal briefly with the subject of investors.

The 2005 financial year clearly showed the importance of obtaining increased financial resources from investors. The development in equity alone is a clear reflection of this.

One year ago, we launched a process with the aim ideally of finding a major new investor for our company. What is key to us in this connection:

- The liabilities side of our balance sheet is a burden due to our loss-making past and must be restructured.
- Our company must grow into new structures, to which end support in terms of content and financial resources is required. The potential partner must support FUTURA III and the operating milestones associated with it.
- We need stable shareholder structures with a long-term focus, enabling us to implement FUTURA III in a rigorous manner.

As far as the subject of "investor" is concerned, it is primarily a matter of providing long-term support to us in our corporate strategy, and not about obtaining money in the short term. We have no need to engage in situation-related activities, but instead aim to tap our opportunities and potential with a view to the future.

Based on all my recent discussions, I am confident that we will be able to announce a successful conclusion to this process by the end of the year.

5.0 OUTLOOK

The current year has so far seen consumer behaviour developing in a positive manner; we therefore anticipate the market improving in the second half of the year as compared with the previous year.

Nevertheless, the cut-throat nature of the competitive environment of the past years seems set to persist at an undiminished level. Business risks are also a threat in terms of sourcing activities, in the case of which price increases of between 3 % and 4 % have been announced for the coming 18 months. In view of the thin nature of profit level, such increases are almost impossible to offset on the manufacturing side.

In spite of this, we anticipate improving our profit situation overall in the 2006 financial year as compared with that of the previous year, before one-off, extraordinary charges are taken into account.

6.0 CONCLUDING COMMENTS

Our statement concerning the corporate development of ALNO Group has hopefully made it clear

- that our company has been developing in a positive manner year by year and has withstood a large number of negative factors,

- that the concepts and measures set out in FUTURA are being implemented down to the last detail with far-sightedness, great commitment and systematic control and
- that further value enhancement potential can be tapped by pursuing a strategy with a long-term focus.

We would like to take this opportunity of thanking all the staff and colleagues at ALNO AG who have committed themselves to the good of the company in order to survive the difficult years of the past and secure our mutual future. We would also like to thank our external partners for their positive help. Our wish for the future is that the support from and for us all remains motivated and constructive.

July 2006

The Management Board
ALNO AG

ALNO AG
88629 Pfullendorf, Germany
Tel.: +49(0)7552/21-0
Fax: +49(0)7552/21-3789
www.alno.de
mail@alno.de

ALNO AG

Alno | Geba | Impuls | Pino | Wellmann