ALNO

(CDAX, Personal & Household Goods)

WARBURG RESEARCH

Hold	
EUR **1.05**	
Price	EUR 0.76
Upside	**39.1 %**

Value Indicators:	EUR
DCF:	1.05
Peer Group 17e:	2.31

Share data:	
Bloomberg:	ANO GR
Reuters:	ANOG.DE
ISIN:	DE0007788408

Description:

Produces and distributes kitchen and kitchen furniture in wood and steel

Market Snapshot:	EUR m
Market cap:	57.1
No. of shares (m):	75.6
EV:	224.4
Freefloat MC:	31.6
Ø Trad. Vol. (30d):	13.34 th

Shareholders:	
Freefloat	55.3 %
Max Müller & Family	6.6 %
Whirlpool Germany	14.1 %
Nature Home Holding	9.1 %
NORDIC Kitchen Holding	9.1 %

Risk Profile (WRe):	2015e
Beta:	1.9
Price / Book:	1.5 x
Equity Ratio:	11 %
Net Fin. Debt / EBITDA:	5.3 x
Net Debt / EBITDA:	6.5 x

Successful turnaround reveals growth potential - Initiate with Hold

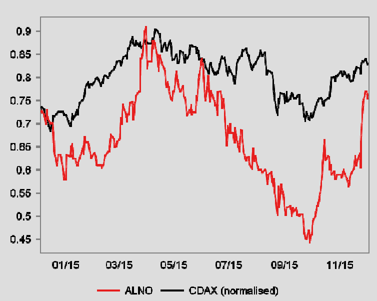
ALNO AG, which recorded a turnover of EUR 545.8m in 2014, is the second-largest producer of kitchens in the German-speaking region and the fifth-largest in Europe. The company was exposed to considerable market pressure in the last decade amid a stagnating market and high competitive pressure. In 2012, the company managed to lay the financial foundations for company restructuring, which has now made a successful turnaround possible.

In January 2014, ALNO AG announced the takeover of AFP Küchen AG (EUR 140m revenue in 2014). With the takeover of the Swiss market leader AFP (including the brands Piatti and Forster Schweizer Stahlküchen) and the sale of the ALNO subsidiary Impuls Küchen (selling price EUR 40m WRe) in May 2015 (EUR 94m, revenue 2014 WRe), ALNO considerably reduced its dependence on the domestic market with its weak margins and competitive intensity. The comprehensive measures offer substantial synergy potential, of which the essential aspects include:

- Enhancing the value of the Piatti product portfolio with high-quality materials (e.g. glass and ceramic)
- Relocation of Piatti production to increase capacity utilisation within the company, especially at the main production site in Pfullendorf.
- Revenue expansion with the internationalisation of the Forster Schweizer Stahlküchen under the ALNOINOX brand.
- Purchasing advantages with the combination of the purchasing volumes from the brands ALNO, Wellmann, Pino and Piatti.
- Increasing company margins with the acquisition of direct sales in Switzerland and the company's own direct sales e.g. in the UK, China and the US.
- Streamlining the brand portfolio and elimination of overlap between the Pino and Impuls brands.
- Centralisation of administrative areas.

In light of the synergy potential as outlined, a clear improvement is expected in the company's earnings situation. The company plans to be able to fully leverage the synergy effects in 2016. In our model, the full earnings effect of all mentioned aspects is anticipated within the next two years. The valuation of the company adopts above-average risk parameters (beta: 1.9; WACC: 11%) based on the operative and financial situation. On this basis, the DCF model derives a fair value of EUR 1.05 per share.

The initial assessment of the share is Hold against the backdrop of the uncertainty of the restructuring. With a gradual implementation of the measures mentioned however, a turnaround would seem achievable. Further restructuring milestones are the essential points that could lead to a more positive stance.



Rel. Performance vs CDAX:	
1 month:	27.4 %
6 months:	-4.3 %
Year to date:	15.0 %
Trailing 12 months:	-5.5 %

Company events:

FY End: 31.12. in EUR m	CAGR (14-17e)	2011	2012	2013	2014	2015e	2016e	2017e
Sales	4.2 %	452.8	446.3	395.1	545.8	520.6	550.5	618.2
Change Sales yoy		-3.1 %	-1.4 %	-11.5 %	38.2 %	-4.6 %	5.7 %	12.3 %
Gross profit margin		*36.9 %*	*42.3 %*	*44.5 %*	*42.2 %*	*45.1 %*	*44.1 %*	*45.5 %*
EBITDA	-3.0 %	5.2	14.0	6.7	40.0	25.9	16.0	36.5
Margin		*1.1 %*	*3.1 %*	*1.7 %*	*7.3 %*	*5.0 %*	*2.9 %*	*5.9 %*
EBITDA adj.	-	5.2	11.2	6.7	-37.1	3.2	16.0	36.5
EBIT	41.4 %	-10.7	0.9	-5.4	6.2	8.8	-1.0	17.7
Margin		*-2.4 %*	*0.2 %*	*-1.4 %*	*1.1 %*	*1.7 %*	*-0.2 %*	*2.9 %*
EBIT adj.		-10.7	-1.9	2.4	-70.8	-13.9	-1.0	17.7
Net income	-	-25.6	-1.4	-17.3	-4.1	54.1	-16.1	3.1
Net inc. adj.		-25.6	-1.4	-17.3	-81.2	-29.1	-16.1	3.1
EPS	-	-1.04	-0.05	-0.25	-0.06	0.72	-0.21	0.04
EPS adj.	-	-1.04	-0.05	-0.25	-1.16	-0.39	-0.21	0.04
DPS	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Yield		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
FCFPS		-0.89	0.36	-0.63	-0.02	-0.73	-0.14	0.01
FCF / Market cap		-39.0 %	28.4 %	-53.0 %	-2.5 %	-96.8 %	-18.9 %	1.3 %
EV / Sales		0.4 x	0.2 x	0.4 x	0.4 x	0.4 x	0.4 x	0.4 x
EV / EBITDA		34.9 x	5.3 x	26.3 x	5.4 x	8.7 x	14.7 x	6.4 x
EV / EBIT		n.a.	84.2 x	n.a.	34.5 x	25.5 x	n.a.	13.3 x
P / E		n.a.	n.a.	n.a.	n.a.	1.0 x	n.a.	18.9 x
P / E adj.		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.9 x
FCF Yield Potential		2.7 %	18.6 %	1.8 %	19.5 %	38.3 %	6.6 %	15.0 %
Net Debt		125.7	34.2	93.8	157.6	167.3	178.1	177.4
ROCE (NOPAT)		n.a.	2.6 %	n.a.	4.0 %	n.a.	n.a.	6.3 %
Guidance:	Improving sales and EBITDA							

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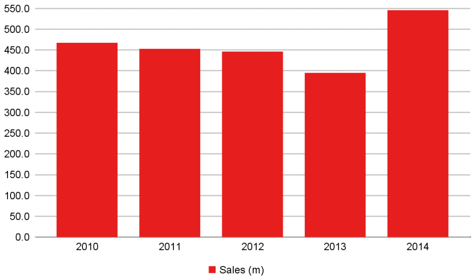
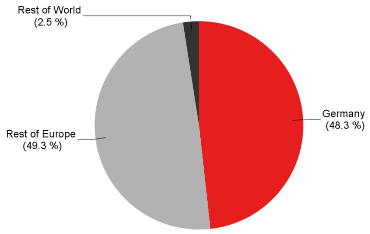
Sales development
in EUR m



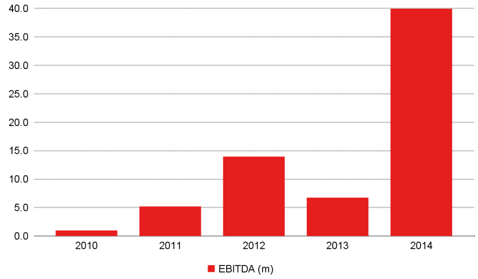
Source: Warburg Research

Sales by regions
2014; in %



Source: Warburg Research

EBITDA development
in EUR m



Source: Warburg Research

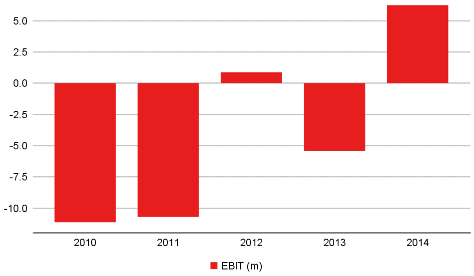
Company Background

- ALNO AG was found in 1927. Since 1957 the company's headquarters have been in Pfullendorf in Baden-Württemberg, Germany. ALNO produces kitchen furniture at four locations throughout Germany and Switzerland.
- ALNO designs, produces and distributes kitchen fittings and fixtures made of wood and steel. 90% of revenues are generated in Germany via purchasing associations while export takes place via subsidiaries and partners.
- In Germany, the brand portfolio consists of three core brands: ALNO, Wellmann and Pino. In January 2014, the two traditional Swiss brands Piatti and Forster Schweizer Stahlküchen (ALNOINOX) were also incorporated.
- In an attempt to reduce its dependence on the German kitchen market, the company formed subsidiaries in Switzerland, Great Britain and the USA as well as three joint ventures in China and Russia.

Competitive Quality

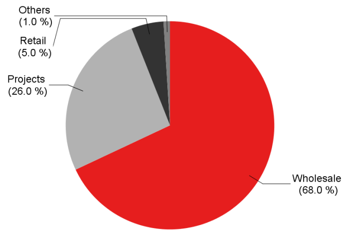
- ALNO is the second-largest kitchen manufacturer in Germany and the fifth-largest in Europe.
- A positioning of products within respective price segments and distribution channels is achieved with the company's various brands. ALNO covers 80% of all market segments.
- The acquisition of AFP Küchen AG could lead to the utilisation of any spare capacity. Furthermore, a margin increase could close the gap to competitors.
- As the domestic market is dominated by powerful purchasing organisations and lower margins, the focus lies on internationalisation. With the acquisition of AFP Küchen AG the foreign revenue share rose to over 50%.
- It is expected that market consolidation will result in competitors withdrawing from the market. This offers the chance for ALNO AG to grow by acquisition.

EBIT development
in EUR m



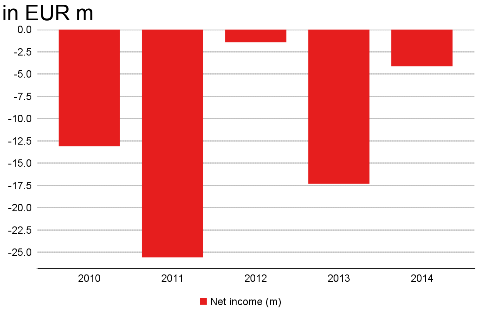
Source: Warburg Research

Sales by segments
2014; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

ALNO at a glance: 5 brands – 4 locations



Brands	ALNO	Wellmann	Pino	Piatti	Forster / ALNOINOX
Employees	686	563	214	340	150
Sites	Pfullendorf	Enger	Costwig	Dietlikon	Arbon
Year of foundation	1927	1953	1994	1948	1953
Average selling price (Retail)	€ 12.000	€ 5.500	€ 2.000	€ 9.000	€ 15.000
Price segment	Upper to luxury	Mid-range to upper	Lower	Upper to luxury	luxury
Competition per segment	Leicht Schüller Nolte Häcker	Nobilia Nolte Brigitte	Burger Express Artego	Veriset Sanitas IKEA	n.a.
Variations	23	25	10	13	2
Colours	80	94	43	102	12
Distribution canal	Furniture shop and kitchen studio	Furniture shop and kitchen studio	Furniture shop and DIY	Own retail stores, wholesale	Own retail stores, wholesale

Transactions facilitate turnaround

Investment Case

Company profile

ALNO AG is an established producer of kitchen fittings and furnishings with the main sales markets in Germany, Switzerland and Austria. With a wide product portfolio and a multi-brand strategy, the company caters for more than 80% of the market segments from basic entry-level kitchens up to the highest premium segment.

The five brands ALNO, Piatti, Wellmann, Forster Stahlküchen (ALNOINOX) and Pino are positioned in the relevant segments and niches with a clear customer communication strategy, making individual and customer-specific marketing possible.

ALNO and Piatti are the best-known of the company's brands in Germany and in Switzerland and are most positively perceived by end-customers. Craftsmen describe ALNO as the quality kitchen (WR). The outstanding customer perception is the company's greatest asset.

ALNO employs about 2,100 people in a total of five locations and generated consolidated revenue of about EUR 545.8m in FY 2014.

Restructuring makes turnaround possible

Looking back, ALNO has been restructuring for more than eight years and has suffered from numerous negative developments, namely:

- Ongoing fluctuation of those in leadership roles and
- the corresponding changes in strategy, which have caused the company considerable harm.
- Especially the steady deterioration of the financial situation has damaged the company's reputation among large customers and financing banks.
- As a consequence of this development, the financing banks have only conditionally agreed to further financing measures, despite overcollateralization.
- In light of the uncertainty in terms of a threat of insolvency, the company receives fewer contracts and has seen a decline in revenues.

CEO Max Müller and CFO Ipek Demirtas were appointed to the board in 2011 and since then have introduced and implemented critical measures, which enabled the company to make a successful takeover of AFP Küchen AG. A significant managerial success was the restructuring of the balance sheet to bank-independent financing.

Individual restructuring measures included:

- A capital reduction with subsequent capital increase. Restructuring contributions from shareholders, large suppliers and banks led to a reduction in the negative equity from EUR -73.3m in 2011 to EUR -7.5m in 2012. In 2013 the equity amounted to EUR -18.4m. With the AFP takeover, the equity rose by EUR 37.7m, but renewed losses saw equity decline to EUR -28.0m in 2014. In the first half of 2015, a capital increase (5.5m shares) as well as the capitalisation of deferred taxes led to a return to positive equity for the first time in more than eight years of EUR 40.7m.
- With the cash from the capital increase in 2012 (EUR 44.0m), all bank debt was repaid. As a result, all securities were released again by the banks.
- Issue of a Mittelstand bond with a nominal value of EUR 45.0m (coupon 8.5% p.a.) maturity April 2018. The funds were invested in internationalisation, fixed assets and working capital.
- Supplier and major shareholder Whirlpool converted accounts payable of EUR 30m into a long-term corporate loan (coupon 4.5% p.a.). A moratorium was agreed until the end

of 2016. In January 2015, the loan was extended to EUR 35.0m

- Comco Holding AG (company of Max Müller CEO), granted ALNO AG a loan of EUR 30m at the end of 2011, which currently stands at about EUR 8.1m (coupon 6.5% p.a.).
- A capital increase was subscribed by the Chinese Joint Venture Partner Nature One Holding. The funds raised, about EUR 5.8m, were used for short-term company financing.
- The subsidiary Impuls Küchen was sold to the Steinhoff Group. The proceeds from the sale of EUR 40m (WRe) was used to repay debt to suppliers.
- In November a convertible bond was issued to a Chinese joint venture partner and ALNO AG received EUR 5.7m.

Operating measures were:

- Social plan in Enger (85 employees were laid off) and restructuring contributions from employees (e.g. waiving 50% of holiday and Christmas pay).
- Price increases implemented for the ALNO and Wellmann brands.
- Gross margins increased significantly by way of improved purchasing conditions from 36.9% in 2011 to 42.2% in 2014. In H1 2015, the gross margin was 43.5%.
- With the acquisition of AFP Küchen, foreign revenues increased considerably from 28% (in 2012) to more than 50% of the total revenue (in 2014). AFP Küchen, which operates almost exclusively in Austria and Switzerland, accounted for about 26% of the company's total revenue in 2014.
- Relocation of the Dietlikon site in order to made better use of capacity at the headquarters in Pfullendorf.
- The modern plant in Dietlikon (Piatti production) was sold to a joint venture with a Russian furniture producer (AFP Küchen AG holds a 49%-stake in the JV). This facilitated access to the Russian market and further reduced the dependence on the German furniture market.

The following measures are currently being implemented

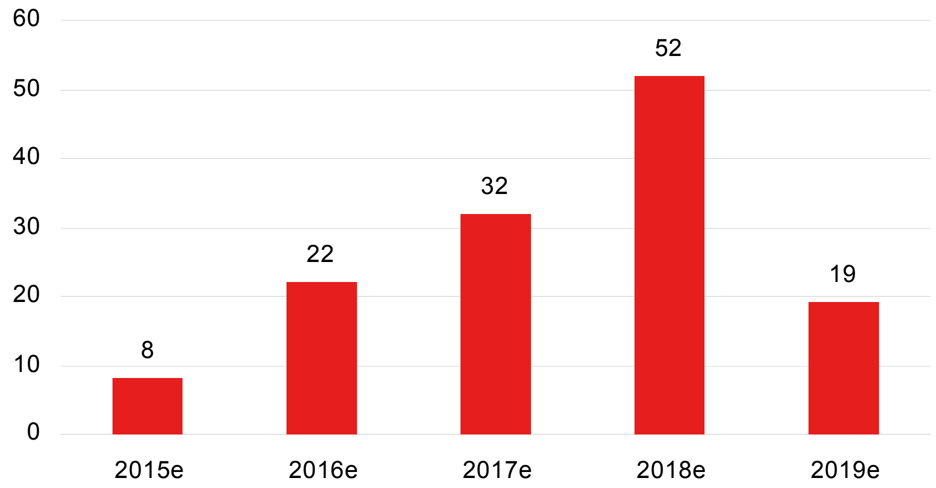
- Flexibilisation of Germany-wide production
- The optimisation of the brand and product portfolio (sale of the subsidiary Impuls as well as the repositioning of the subsidiary Pino) and
- The centralisation of administration units.
- Implementation of job cuts.
- Restructuring of corporate financing.

Risks for the investment case

Problems remain and these include:

- Underutilisation of capacity at the Pfullendorf site, which despite an increase in contract volume and the relocation of the Piatti production, still remains below the target capacity utilisation (two shifts are normal for the sector – to a certain extent, three shifts are possible at the Pfullendorf site)
- The dominance of the purchasing companies in Germany.
- The company's precarious financial situation: Debt of EUR 138.3m and accounts payable of EUR 127.3m (EUR 265.6m or 72% of the balance sheet total) compared to liquid funds of EUR 2.2m on the balance sheet cut-off date June 30, 2015.

Maturity of diverse debt (in EURm)



Source: ALNO AG, Warburg Research

Despite the expected positive operating development of the company, further financing measures would seem necessary in order to guarantee the turnaround in the long term.

ALNO AG remains in a phase of restructuring. After further measures are introduced and the company has announced a comprehensive centralisation strategy, a sustainable turnaround situation can be assumed. The company anticipates the complete implementation of all measures in 2016. At the current point in time, this seems possible. However, uncertainties remain which could lead to delays.

Main driver of the investment case: synergies following AFP takeover

With the acquisition of AFP Küchen AG, the company expects total synergies of EUR 15-20m, mainly as a result of declining material costs, the cessation of holding structure costs, the expansion of the product offering, and internationalisation. An increase in efficiency based on production synergies is also specified as an important driver. In 2014, the expected synergies had still not become apparent in the figures. The relocation of the Dietlikon site was completed in Q4 2014 but the mentioned synergies should only become evident in 2015e at the earliest but more likely in 2016e.

Relocation of Dietlikon production

With the relocation of Piatti production to the ALNO site, the capacity utilisation can be raised from one-shift 70% to 1-shift 100%. With an additional 120,000 cabinets for Piatti (annual production in 2015e), the production in Pfullendorf was raised by 37% from ca. 320,000 cabinets (WRe) in 2014 to more than 440,000 cabinets (WRe 2015) without generating an expansion in the fixed-cost base.

Even if the relocation does not represent the final solution for ALNO AG, one of the company's core problems is moving decisively in the right direction towards resolution. The relocation of the Dietlikon site can lead to cost-saving potential of EUR 5.0-8.0m (WRe). Because of the uncertainty of the realisation of synergies from the production relocation from Dietlikon to Pfullendorf, our assumption for synergy potential is up to 15% lower than the corporate planning of ALNO AG. However the development so far this year shows a clear positive tendency towards achieving the operative targets.

Internationalisation as a leap forward

The Swiss brand Piatti and Forster Schweizer Stahlküchen will continue to be sold

Revenue guidance 2015: Slight revenue increase expected

exclusively in Switzerland. AFP Küchen AG maintains a sales network in Switzerland with 14 own kitchen studios, 60 sales assistants and 70 exclusive specialist retailers. With direct sales, higher margins are achieved as there aren't any intermediary traders like in Germany.

After the relocation, the above-mentioned sales network will be supplied with wooden kitchen fittings from Pfullendorf, where production costs are significantly lower than the Swiss level and from which a margin improvement can be expected (personnel -14% WRe; purchasing -8% WRe).

The international expansion of the product portfolio should be extended and upgraded with existing competence (e.g. ceramic, glass) within ALNO AG. ALNO puts the revenue potential from the product expansion programme at about EUR 17m.

Additionally, the steel kitchens will be offered globally by ALNO AG under the ALNOINOX brand. With about 3,000 kitchens per year that are exclusively sold in Switzerland, this represents an innovative and robust niche product. In the medium term, the additional revenue potential of ALNOINOX is put at about EUR 40m (WRe by 2017e), which would represent double. In the long term, ALNO AG believes triple is possible which would represent additional revenue of EUR 80m.

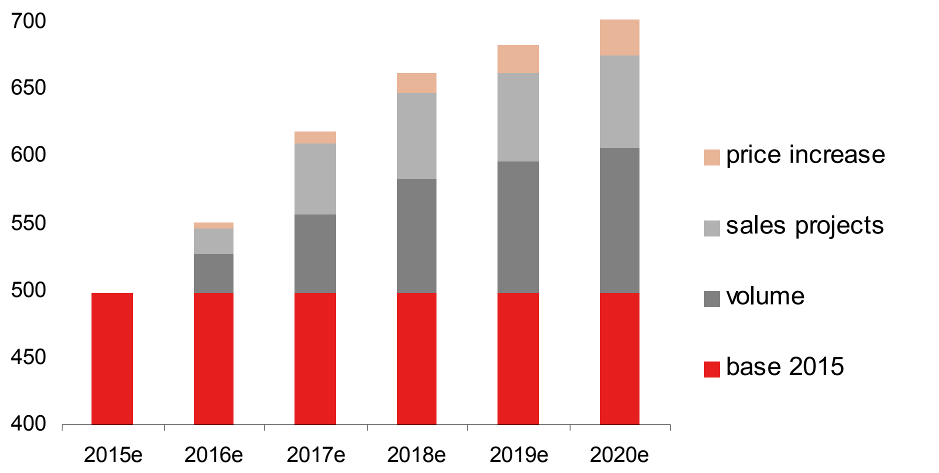
Despite these seemingly extreme assumptions (revenue +200% in Forster Schweizer Stahlküchen/ALNOINOX), this is put into context when considering that the size of Swiss market is equivalent to just a quarter of the German kitchen market. Incorporating ALNOINOX in the domestic sales structures could thus be sufficient to achieve the revenue target

Positive revenue development expected

Worthy of particular mention is the consolidation of AFP, which recorded revenues of EUR 144.9m in 2013. From a revenue of EUR 395.1m achieved by ALNO in 2013, the revenue in 2014 rose by 38% following the acquisition to EUR 545.8m (pro forma). In 2015e, a revenue decline of EUR 50m is expected from the sale of Impuls (Impuls annual turnover 2014: EUR 94m WRe), as the first six months were still consolidated. With the divestment of Impuls, in 2016 a further revenue decline of a total of ca. EUR 50m is expected, which however should be offset by various sales measures. Additionally, since the Hausmesse trade fair in September 2015, there are indications that some large Impuls customers plan to continue to place their orders with ALNO (especially Pino). This effect additionally compensates for the revenue decline that is expected from the sale of the subsidiary Impuls.

For the coming years higher revenues with existing ALNO customers is expected. Further components of the revenue increase are the expansion of the product range and sales of Forster Schweizer Stahlküchen under the ALNO brand ALNOINOX (EUR 28.0m by 2017e) as well as the qualitative upgrade of the Piatti brand with ALNO products (EUR 12.0m by 2017e). Price increases will also have a positive effect on the revenue. Overall, the following revenue planning until 2020e emerges.

Revenue development until 2020 (in EURm)



Source: ALNO AG, AFP, Warburg Research

Positive business development continues in the third quarter

Revenue in Q3 15 rises by +7% yoy – revenue 9M

Also in the third quarter, ALNO recorded a positive development, continuing the trend of the earlier quarters of the current year. Here it becomes clear that the comprehensive measures taken by management are paying off, confirming the turnaround. With the last quarter, the company managed to improve revenue and earnings for the third time in a row. In the first nine months, the company improved the revenue by 3.7% compared to the same period a year earlier and achieved a total revenue of EUR 378.9m (already adjusted for the revenues of the divested subsidiary Impuls).

Development of the quarters 2015

in EUR m	Q1/15	yoy	Q2/15	yoy	Q3/15	yoy	9M/15	yoy
Sales	123.7	0.9%	149.3	3.5%	119.9	6.9%	392.9	3.7%
EBITDA	-5.5		3.6		-0.3		-2.2	
margin	*-4.5%*		*2.4%*		*-0.3%*		*-0.6%*	
EBIT	-10.2		-1.1		-4.4		-15.6	
margin	*-8.2%*		*-0.7%*		*-3.6%*		*-4.0%*	
EBT	-13.71		-4.06		-7.36		-25.14	
margin	*-11.1%*		*-2.7%*		*-6.1%*		*-6.4%*	

Source: ALNO AG, Warburg Research

In particular, the momentum of the revenue growth has clearly accelerated in the course of the business year. While Q1 was only 0.9% higher than the year before, by the second quarter there was an improvement of 3.5%. In the third quarter, thanks to various sales activities and the company's own furniture trade fair, the strongest growth was recorded. In an annual comparison, the revenue rose by almost 7% compared to the year before, which meant that development at ALNO was clearly better than the overall market. For Germany, stagnation is currently anticipated. Against this background, the ALNO group most recently regained market share in the hard-fought market for fitted kitchens in Germany.

The positive development can also be seen in the earnings figures for the first nine months of 2015. Operating EBITDA improved by EUR 20.2m from EUR -22.4m in the same period a year earlier, which means that the company is nearing break-even. Including positive special effects the result could end up at EUR 22.5m.

Overall the efforts of management and efficiency increases are beginning to show in the figures. ALNO AG has embarked on a good course, which in the coming quarters should facilitate a sustained positive development as well as lasting presence in the profit zone.

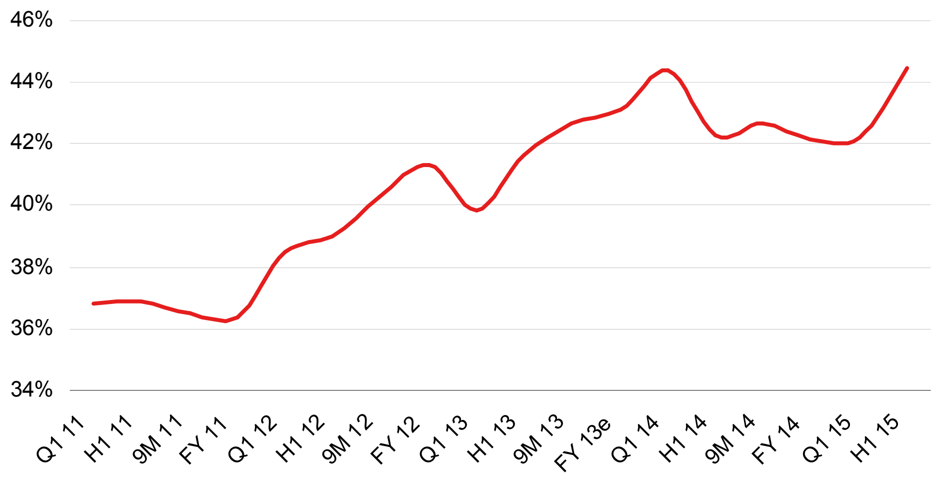
Improved profitability expected

Rising gross margin and improved profitability

Gross profit margin rises to over 44%

ALNO AG's gross profit margin has improved steadily in the recent past and the profitability should continue to be positively impacted by rising purchasing volumes for timber, runners, hinges and handles.

Development of the gross profit margin since 2011



Source: ALNO AG, Warburg Research

Based on a high level of overlap among suppliers to ALNO and Piatti, raw materials were sourced from the same suppliers even before the acquisition. This however does not apply to electrical appliances which were delivered by Swiss suppliers to Piatti and Forster Schweizer Stahlküchen. With materials sourcing of EUR 316.2m for the entire company in 2014, the expected savings potential after many years of restructuring of at least EUR 2.5m would seem very realistic. The revenue decline resulting from the divestment of the subsidiary Impuls could however limit the improved negotiating power.

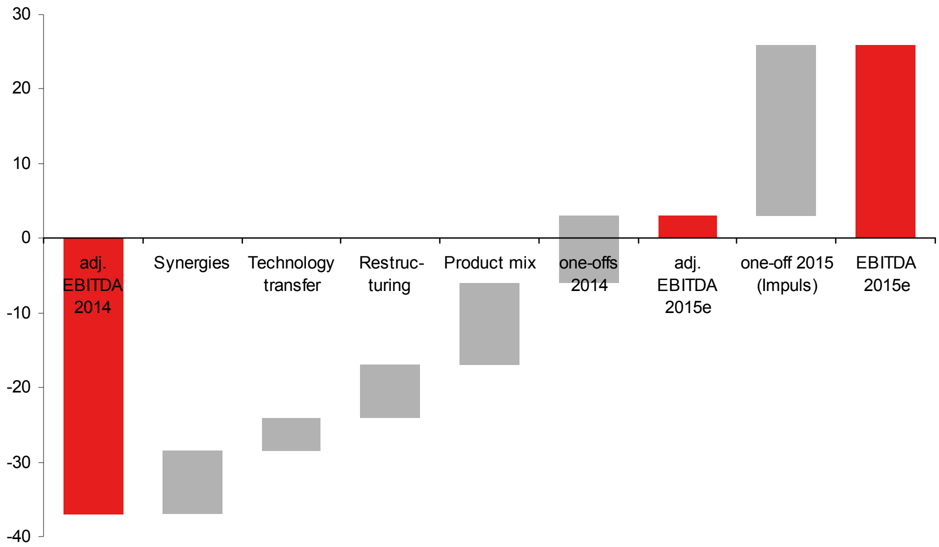
EBITDA development is explained by synergies and price-product mix

From the acquisition and the most recent efficiency increases, the following effects were identified as essentially contributing to the positive earnings development:

- purchasing synergies of up to EUR 2.5m.
- relocation of Piatti Production with up to EUR 6.0m.
- upgrade of the Piatti product portfolio up to EUR 4.5m.
- changed holding structures in pure-play company EUR 2.0m.
- centralisation of administrative corporate areas EUR 5.0m as of 2016e
- improved price product mix and sales promotion in the company EUR 7m.

In addition, the negative one-off effects which burdened the 2014 result by EUR 9m will not reoccur. As a result, an adjusted EBITDA of EUR 3m is expected for 2015e. Over and above that, the sale of the subsidiary Impuls will lead to a positive one-time effect of EUR 22.9m based on the deconsolidation.

EBITDA bridge 2015 (in EURm)

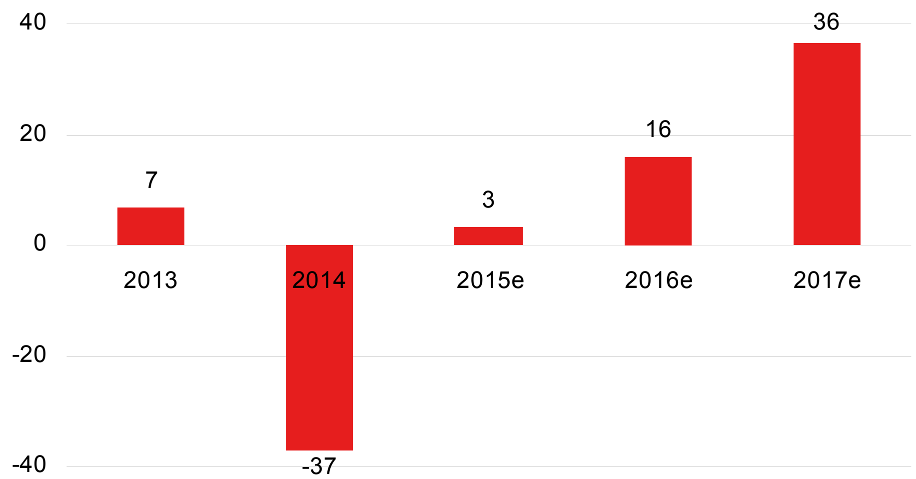


Source: ALNO AG, AFP, Warburg Research

In 2014, a clearly negative adjusted EBITDA of EUR 37m was reported. The reported EBITDA of EUR 40m includes a positive impact of EUR 77.1m. Following the acquisition of AFP, badwill of EUR 71.3m led to a positive one-off effect.

In 2015 further positive as well as negative one-off effects are anticipated from the integration of AFP and the further restructuring of the company. For the development of the adjusted EBITDA including the synergies (until 2017e) but excluding one-off effects from the sale of the subsidiary Impuls, the following picture emerges:

adj. EBITDA development until 2017e (in EURm)



Source: Warburg Research

Milestone AFP acquisition

Milestones 2015

Brand portfolio in Germany streamlined

Up to now, ALNO AG was represented by four brands in Germany: ALNO, Impuls, Pino and Wellmann. The brands Piatti and Forster Schweizer Stahlküchen were added with the takeover of AFP Küchen in 2014. While the Piatti brand is not available in Germany, ALNOINOX was developed for the international marketing of Forster Schweizer Stahlküchen. With the sale of the subsidiary Impuls, three brands remain in the domestic market, ALNO, Wellmann and Pino. These will now be more clearly positioned and overlap in the product portfolio will be eliminated. This leads to a strategic realignment of the company.

Overall, these transactions make the restructuring simpler and the complexity of many initiatives is reduced. A positive side effect is that ALNO has further reduced its dependence on the highly competitive German market.

Impuls was acquired by the globally-active Steinhoff Group, which up to now did not have its own production facilities. In future, ALNO will work in close cooperation with the Steinhoff Group, by way of finalised service contracts (preliminary contracts which are only valid in 2015) and a strategic cooperation. In this sales cooperation Impuls kitchens, which will now be produced by Steinhoff, will serve the lower price segment of the fitted-kitchens market. The cooperation with ALNO also provides for the sale of ALNO's Wellmann kitchens to serve the middle and higher price segment in the sales channels of the Steinhoff Group. In 2016e the cooperation is expected to result in a revenue increase of EUR 15m.

Additionally, the divestment resulted in the freeing up of cash. This was mainly used to finance the ongoing working capital (repayment of supplier debt). In total, the sale price should have been about EUR 40-45m (WRe). This would correspond to a purchase price multiple EV/EBITDA of ca. 7x.

New in the product portfolio: ALNOINOX

At the beginning of April 2014, the company started to advertise Forster Schweizer Stahlküchen at the international kitchen trade fair EUROCUCINA in Milan, Italy. In international sales, the steel kitchens are marketed under the ALNOINOX brand. Steel as a robust and low maintenance material is particularly suited to ALNO customers in the Middle East (e.g. Dubai) and in Asia. The medium-term revenue potential of ALNOINOX is estimated at EUR 40m (WRe).

Summary of the investment case

The investment case of ALNO AG is based on the following essential pillars:

- Use of the synergies from the acquisition of AFP Küchen AG.
- Much improved gross profit margin
- Internationalisation associated with far higher margins (markets: UK; France, Switzerland, Asia, US and Russia). Targeted export share of 60%.
- Access to the Russian market by way of a joint venture (ALNO AG holds 49%) with the "Pervaya Mebel'naya Fabrica" ("1mf"), St. Petersburg
- Streamlining the product portfolio with the sale of Impuls and the repositioning of the subsidiary Pino.
- Cost savings from 2016 with the centralisation of the administration
- Further personnel cuts in production and administration
- Gaining new customers and regaining former customers and raising the market share in Germany based on the targeted turnaround.

The company's various restructuring measures should result in significant savings potential for the entire group, making a successful turnaround possible.

Valuation

DCF model reflects turnaround and synergies

The DCF model is composed of detailed planning until 2017, a transition phase until 2027 and in perpetuity.

The detailed planning is essentially driven by the consolidation of AFP Küchen AG (pro forma revenue 2013 EUR 144.9m) as well as the deconsolidation of Impuls (revenue 2014: EUR 94m). After more than eight years of revenue decline and many years of restructuring, risk discounts of up to 15% below the company planning, are factored in.

A beta of 1.9 as well as a resulting WACC of 11% reflect the increased risk anticipated in the valuation.

With debt totalling EUR 131.4m by the end of 2014 as well as the extension of the debt in 2015, even slight transgressions from the planned figures could burden the company's financial situation again and cause liquidity shortages. While the sale of the subsidiary Impuls generated a cash inflow of EUR 40-45m (WRe), this cash served to repay debt to suppliers.

The terminal value is calculated with revenue growth of 1.5% and a moderate EBIT margin of 6.1%. This anticipates a further risk discount as the listed peer group companies achieve considerably higher EBIT margins of 7-8%. (It is believed that the unlisted Nobilia achieves far higher margins.)

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	
Sales	520.6	550.5	618.2	662.7	682.9	701.6	715.6	729.9	744.5	759.4	774.6	786.2	798.0	
Sales change	*-4.6 %*	*5.7 %*	*12.3 %*	*7.2 %*	*3.0 %*	*2.7 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*1.5 %*	*1.5 %*	*1.5 %*
EBIT	8.8	-1.0	17.7	24.3	34.7	41.2	43.9	44.8	45.7	46.6	47.5	48.2	49.0	
EBIT-margin	*1.7 %*	*-0.2 %*	*2.9 %*	*3.7 %*	*5.1 %*	*5.9 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	
Tax rate (EBT)	*4.2 %*	*-38.3 %*	*6.9 %*	*16.0 %*	*16.0 %*	*16.0 %*	*16.0 %*	*16.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	
NOPAT	8.4	-1.3	16.4	20.4	29.1	34.6	36.9	37.6	32.0	32.6	33.3	33.8	34.3	
Depreciation	17.1	16.9	18.8	18.6	19.1	17.5	17.9	18.2	18.6	19.0	19.4	19.7	20.0	
in % of Sales	*3.3 %*	*3.1 %*	*3.0 %*	*2.8 %*	*2.8 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	
Changes in provisions	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	10.3	-5.6	4.0	3.9	5.0	5.3	5.6	5.8	9.0	0.3	0.3	0.2	0.2	
- Capex	17.2	17.2	17.2	19.9	20.5	21.0	21.5	21.9	22.3	22.8	23.2	23.6	20.0	
Capex in % of Sales	*3.3 %*	*3.1 %*	*2.8 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*2.5 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	-1.3	4.0	14.1	15.2	22.8	25.8	27.7	28.1	19.3	28.5	29.1	29.6	34.0	35
PV of FCF	-1.3	3.7	11.8	11.6	15.6	15.9	15.4	14.1	8.7	11.6	10.7	9.8	10.1	109
share of PVs	**5.76 %**			**50.03 %**										**44.21 %**

Model parameter			
Derivation of WACC:		Derivation of Beta:	
Debt ratio	30.00 %	Financial Strength	2.20
Cost of debt (after tax)	8.6 %	Liquidity (share)	1.60
Market return	7.00 %	Cyclicality	1.50
Risk free rate	1.50 %	Transparency	2.20
		Others	2.00
WACC	**10.94 %**	**Beta**	**1.90**

Valuation (m)			
Present values 2027e	138		
Terminal Value	109		
Financial liabilities	144		
Pension liabilities	29		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	6	No. of shares (m)	75.6
Equity Value	**79**	**Value per share (EUR)**	**1.05**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	0.75 %	1.00 %	1.25 %	**1.50 %**	1.75 %	2.00 %	2.25 %
2.16	11.9 %	0.60	0.63	0.66	0.68	0.71	0.74	0.77
2.03	11.4 %	0.77	0.79	0.82	0.86	0.89	0.93	0.96
1.96	11.2 %	0.85	0.88	0.92	0.95	0.99	1.02	1.07
1.90	10.9 %	0.94	0.98	1.01	**1.05**	1.09	1.13	1.17
1.84	10.7 %	1.04	1.08	1.11	1.15	1.20	1.24	1.29
1.77	10.4 %	1.14	1.18	1.22	1.26	1.31	1.36	1.41
1.64	9.9 %	1.36	1.41	1.45	1.51	1.56	1.62	1.68

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
2.16	11.9 %	-0.47	-0.09	0.30	0.68	1.07	1.45	1.84
2.03	11.4 %	-0.35	0.06	0.46	0.86	1.26	1.66	2.06
1.96	11.2 %	-0.28	0.13	0.54	0.95	1.36	1.77	2.18
1.90	10.9 %	-0.20	0.21	0.63	**1.05**	1.47	1.88	2.30
1.84	10.7 %	-0.13	0.30	0.73	1.15	1.58	2.01	2.44
1.77	10.4 %	-0.05	0.39	0.83	1.26	1.70	2.14	2.58
1.64	9.9 %	0.13	0.59	1.05	1.51	1.96	2.42	2.88

- Customers are already raising order volumes in response to the furniture trade fair 2015 and the turnaround
- A sales cooperation was agreed with the Steinhoff Group (revenue volume of up to EUR 30m as of 2016 -WRe)
- Commitments have been made (EUR 16m WRe) by Impuls customers to order from Pino as of 2016e
- Including ALNOINOX and an improved price-product mix a clear rise in revenues is expected by 2017e
- Terminal value with 6.1% EBIT margin; Peers achieve on average 7-8% (best peer Nobia SA: 4.6%).

Alternative valuation approach

Peer group analysis

While there are many participants in the intensely competitive and fragmented market, few are capital-market oriented. Furthermore, the majority of competitors with revenues of EUR 50-150m are considerably smaller than ALNO AG. Of the six largest companies in Germany, only ALNO is listed on the stock market. At European level, the competitor AFP Küchen AG was recently taken over by ALNO, leaving the Swedish Nobia AB and the British Howden Joinery Group which can be considered as nearest comparables.

Additionally, the following internationally-active kitchen fittings and furniture manufacturers can be drawn upon for the peer group comparison:

American Woodmark Corp. (US) – EBITDA margin 8.1% 2015e

American Woodmark is a US producer of kitchen and bathroom furniture headquartered in Winchester, Virginia. The company operates several production facilities in the US and employs about 4,400 people. The products are marketed under more than five own-brands mainly in the domestic market via furniture dealers, DIY stores, developers or construction companies.

Nobia AB (SWE) – EBITDA margin 12.3% 2015e

Nobia covers the entire value chain of the kitchen market. The company divides its business into two segments for the target groups “image strivers” (premium/luxury) and “caring connectors” (mid price segment). The kitchen furniture and complete kitchens are sold across Europe, but with a focus on the UK and Scandinavia. Nobia is headquartered in Stockholm, Sweden and employs about 6,900 staff.

Hermann Miller Inc (US) – EBITDA margin 10.7% 2015e

The company produces furniture and interior fittings for office, healthcare, education and residential purposes. Numerous product groups are offered under a variety of brands like e.g. modular structured office landscapes or anatomically healing-oriented ergonomically optimised seating. Further product groups include Accessorize and Storage. With production facilities in the US, China, Italy and the UK, the company employs about 5,700 people. The company’s headquarters is in Zeeland, Michigan, US.

Howden Joinery Group (UK)– EBITDA margin 19.8% 2015e

The group is a producer and supplier of complete kitchens, cabinets, wooden doors and household appliances as well as carpentry needs. Some 98% of the revenues are generated in the domestic market. The target group is made up exclusively of commercial customers and craftsmen, who can access the company’s entire product range in 530 warehouses. Owing to its wide product range, only a fraction of the revenue is generated with the sale of kitchens, which makes a comparison more difficult. Howden’s headquarters are in London, and it employs about 6,500 people.

Peergroup - Key Figures

Company	LC	Price	MC	EV	EPS			Sales			EBITDA			EBIT		
		in LC	in LC m	in LC m	15e	16e	17e	15e	16e	17e	15e	16e	17e	15e	16e	17e
American Woodmark	USD	85.71	1,395.1	1,223.4	2.02	3.29	3.83	828.3	934.3	1,034.5	67.0	102.0	117.5	49.1	87.8	104.0
Fabryki Mebli Forte	PLN	54.95	1,313.4	1,390.8	3.56	4.19	4.45	939.8	1,068.3	1,136.5	123.0	145.0	152.8	104.5	122.8	129.8
Hermann Miller	USD	31.98	1,914.7	2,157.1	1.74	2.04	2.26	2,137.2	2,269.7	2,391.7	228.7	245.0	266.0	n.a.	n.a.	n.a.
Howden Joinery	GBp	530.50	341,233.9	3,189.6	0.26	0.29	0.31	1,217.8	1,321.2	1,414.8	240.7	266.4	290.7	215.7	237.2	259.1
Nobia	SEK	107.90	18,914.2	18,870.2	5.56	6.36	6.92	13,382.6	14,199.5	14,752.9	1,643.2	1,822.1	1,942.4	1,279.4	1,460.0	1,576.2
ALNO	**EUR**	**0.77**	**57.9**	**237.6**	**-0.39**	**-0.21**	**0.04**	**520.6**	**550.5**	**618.2**	**3.2**	**16.0**	**36.5**	**8.8**	**-1.0**	**17.7**

Sources: Warburg Research, Bloomberg

Peergroup - Valuation Multiples

Company	LC	Price	MC	EV	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
		in LC	in LC m	in LC m	15e	16e	17e	15e	16e	17e	15e	16e	17e	15e	16e	17e
American Woodmark	USD	85.71	1,395.1	1,223.4	42.5 x	26.1 x	22.4 x	1.5 x	1.3 x	1.2 x	18.3 x	12.0 x	10.4 x	24.9 x	13.9 x	11.8 x
Fabryki Mebli Forte	PLN	54.95	1,313.4	1,390.8	15.4 x	13.1 x	12.4 x	1.5 x	1.3 x	1.2 x	11.3 x	9.6 x	9.1 x	13.3 x	11.3 x	10.7 x
Hermann Miller	USD	31.98	1,914.7	2,157.1	18.4 x	15.7 x	14.2 x	1.0 x	1.0 x	0.9 x	9.4 x	8.8 x	8.1 x	n.a.	n.a.	n.a.
Howden Joinery	GBp	530.50	341,233.9	3,189.6	20.3 x	18.4 x	16.9 x	2.6 x	2.4 x	2.3 x	13.3 x	12.0 x	11.0 x	14.8 x	13.4 x	12.3 x
Nobia	SEK	107.90	18,914.2	18,870.2	19.4 x	17.0 x	15.6 x	1.4 x	1.3 x	1.3 x	11.5 x	10.4 x	9.7 x	14.7 x	12.9 x	12.0 x
Average					23.2 x	18.0 x	16.3 x	1.6 x	1.5 x	1.4 x	12.7 x	10.5 x	9.7 x	16.9 x	12.9 x	11.7 x
Median					19.4 x	17.0 x	15.6 x	1.5 x	1.3 x	1.2 x	11.5 x	10.4 x	9.7 x	14.8 x	13.2 x	11.9 x
ALNO	**EUR**	**0.77**	**57.9**	**237.6**	**neg.**	**neg.**	**19.2 x**	**0.5 x**	**0.4 x**	**0.4 x**	**74.8 x**	**14.9 x**	**6.5 x**	**27.0 x**	**neg.**	**13.5 x**
Valuation difference to Median					n.a.	n.a.	-19%	224%	203%	218%	-85%	-30%	49%	-45%	n.a.	-12%
Fair value per share based on Median					n.a.	n.a.	0.62	7.79	7.16	7.63	n.a.	n.a.	2.31	n.a.	n.a.	0.40

Sources: Warburg Research, Bloomberg

- Significance of peer group comparison is limited as the most comparable peers are not listed on a stock exchange.
- Nobia AB has the largest overlap with ALNO AG.
- Revenue at Howden Joinery Group is only partly achieved with kitchens.
- The regional focus of the presented companies varies greatly.
- As a turnaround company, the extent of possible comparison between ALNO and profitable peers is limited.

As the peer group comparison is only meaningful to a certain extent, the multiple comparisons are only of indicative significance. Overall, no clear picture emerges as ALNO AG’s special situation as a turnaround company limits its comparability.

As a result, the focus of the assessment is on the EBITDA margins of the peers, some of which are clearly above the level of ALNO AG, owing to the still ongoing restructuring. These comparison margins of the peers are used as orientation for the definition of the target margin for ALNO AG.

Markets, Competition and Growth

Kitchen market in the German-speaking regions (Germany, Austria, Switzerland DACH)

Like many other sectors, the furniture trade is also undergoing fundamental structural change. As well as globalisation, area expansion and verticalisation, other important key words here are the issues of technology and online shopping. The markets for fitted kitchens in the German-speaking regions are comparable because of the cultural similarities between Germany, Austria and Switzerland and because of the similar orientation in design trends. However, the market structures of the Alpine states are very different from those in ALNO's domestic market. In Germany, sales are almost exclusively steered by purchasing organisations while in Austria and Switzerland, direct sales predominate.

90% of revenue is generated with purchasing organisations

Germany – dominated by purchasing associations

The furniture market in Germany is strongly influenced by purchasing associations which bundle together goods orders for independent retailers. The bundled orders from many small and medium-sized traders results in dominant purchasing power which steadily builds up margin pressure on the furniture producers. According to estimates, the largest 20 organisations control ca. 60% of the total furniture market. The purchasing associations listed below command a revenue volume of EUR 29.3bn, which however, is generated both in the domestic market and abroad. More exact data are not available.

Additionally, there are numerous smaller purchasing companies which do not exceed a revenue volume of EUR 1.0bn. Among the largest purchasing associations are:

Purchasing association- in order of revenues (domestic and abroad 2013)

Association	Revenues '12 in EUR Mio	Revenues '13 in EUR Mio	Growth rate '12 (yoy)	Growth rate '13 (yoy)	Point of sales	Members
Begros	5,500	5,800	5.8%	5.5%	400	9
EMV	4,300	4,200	2.4%	-2.3%	1,556	585
MHK	3,547	3,717	7.5%	4.8%	2,471	2,039
Atlas	2,160	3,500	0.0%	62.0%	117	10
Union	3,380	3,450	0.0%	2.1%	238	51
Einrichtungs-partnerring	3,000	3,000	0.0%	0.0%	350	176
Alliance	2,880	n.a.	2.9%	n.a.	831	429
Der Kreis	2,646	2,809	0.8%	6.2%	2,746	2,746
GfM	1,470	1,470	3.5%	0.0%	756	694
Garant	1,350	1,350	n.a.	0.0%	3,840	3,300
TTL	30,233	29,296	2.8%	-3.1%	13,305	10,039

Source: Möbelmarkt 07/13, Warburg Research

The associations also coordinate among themselves and maintain close relationships to partner and subsidiary associations, which strengthen their purchasing power further. In the past, some vertical acquisitions have been made, for example when purchasing associations bought individual producers.

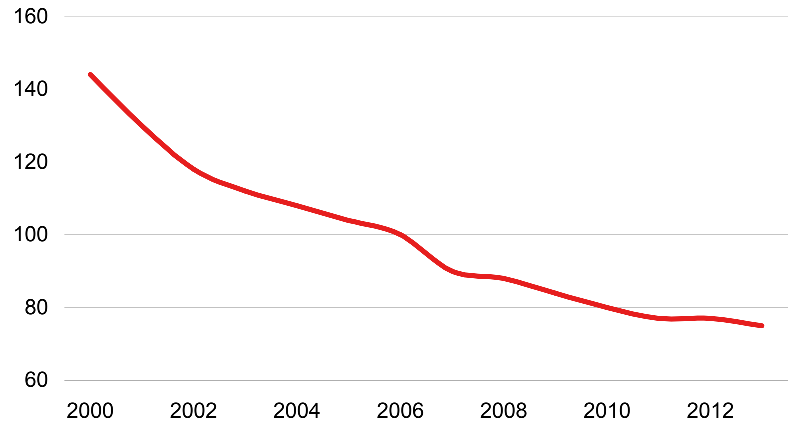
According to Germany's Federal Statistics Bureau, the value of furniture produced in Germany rose by just 0.6% in 2012 while the revenue of the largest purchasing associations rose by an average of 2.8%. This highlights the pressure exercised on the furniture producers and their efforts to access alternative sales channels and regions. However in 2013, producers and purchasing organisations both showed declines of

3.0%. In 2014, the German furniture industry grew by a stable 2.5%. In Germany, furniture with a total value of EUR 16.4bn was produced.

Consolidation with strong momentum

One effect of the bundling of purchasing is the pronounced consolidation on the part of the kitchen producers. While about 150 kitchen producers were registered in Germany at the end of the 1990s, there are about 75 kitchen manufacturers still active there today. With the purchasing power of the furniture associations, the push-out is expected to continue, especially of the smaller producers, with total revenue of up to EUR 50m. Since the year 2000, about four, mostly smaller family-run companies, file for insolvency every year as they cannot compete with the automated mass production of large companies.

Steady consolidation of German kitchen producers (in units)



Source: Destatis, Warburg Research

Sometimes the consolidation can benefit the producers that have a large export share or who have their own kitchen studios and sales channels. Only in this way is it possible to avoid the dominance of the purchasing associations.

High entry barriers in a stagnating market

The consolidation will continue even for large companies because of the market concentration. Also for this reason additional competitors are not expected to enter the market. The entry of new competitors should be prevented on an enduring basis by:

- high capital intensity of kitchen production,
- intensive competition between the producers,
- the margin pressure exercised by the purchasing organisations,
- the necessary expertise and,
- the extensive infrastructure for custom-made production in the order quantity of one.

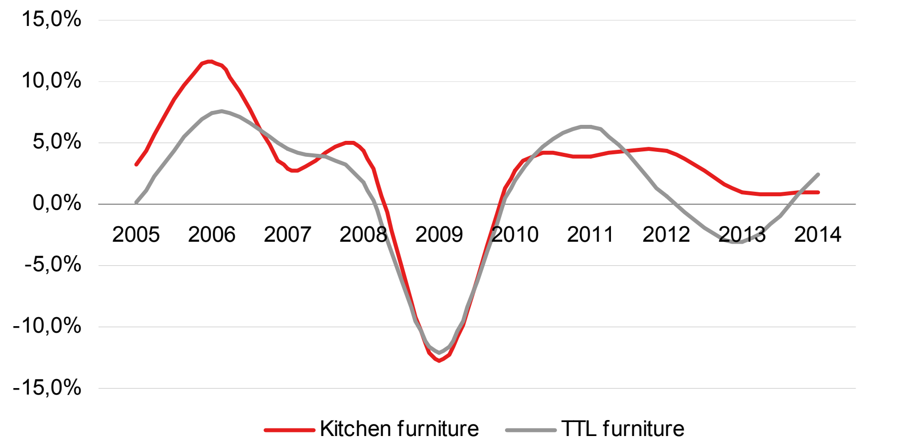
Additionally, new producers would hardly be successful in breaking the rigid sales structures.

Market growth and development in Germany

According to Germany's Federal Statistics Office, furniture to the value of about EUR 16.2bn was manufactured (-3.0% yoy) in 2013. The kitchen furniture area was the only area of growth, albeit moderate, and accounted for about a 24% share of total production, which corresponds to about EUR 4bn (+1.0% yoy).

Despite strong growth rates after the financial crisis in 2008, furniture production has still not returned to the pre-crisis level, which can primarily be explained by weaker export revenues in the neighbouring European countries. Recently, a significant decrease in the growth momentum has been recorded.

Annual growth rates of furniture production in Germany

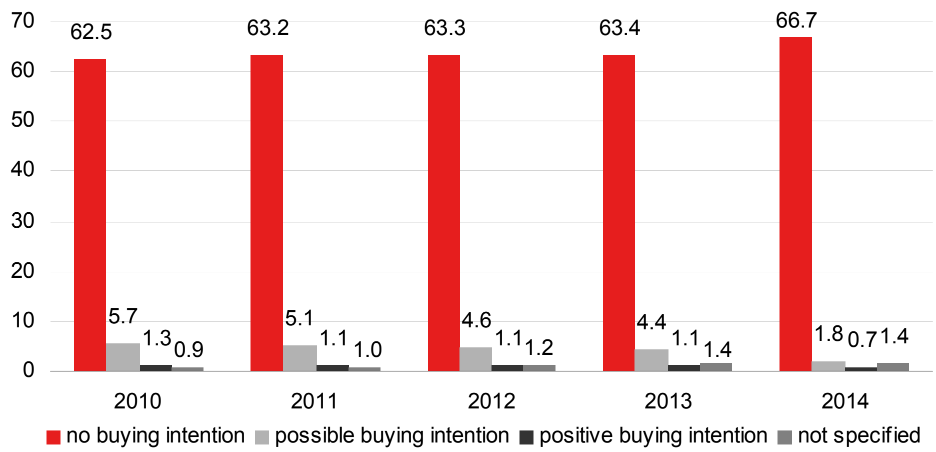


Source: Warburg Research, Statistisches Bundesamt

Currently, furniture and kitchen manufacturers continue to anticipate a tendency towards stagnation in the German market. The individual expectations of revenue increases are a result of passing on price increases on the procurement side.

An increase in revenue as a result of a higher sales volume is not anticipated. Data on planned purchases of kitchen furniture in the next two years in Germany do not allow any conclusions to be drawn about a medium-term market recovery. The decreasing number of planned purchases therefore supports market expectations of stagnation.

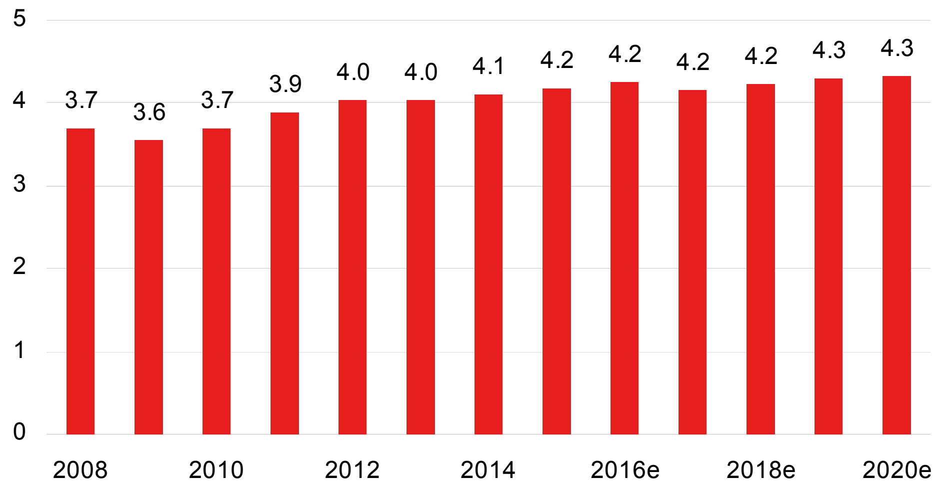
Planned purchases of kitchens in the next two years (in million)



Source: Ifak Institut, Statista, Warburg Research

The annual revenue of the German kitchen industry in 2015 is estimated to be about EUR 4.1bn by the Federal Statistics Office. This represents only a moderate increase in comparison to the previous year. Until 2020e, stagnation is assumed.

Revenue of the German kitchen industry 2008 to 2013e (in EUR bn)



Source: Statistisches Bundesamt, Warburg Research

Longer kitchen life-cycle expected

With a revenue share of 80-90%, the renovation business is the main driver for the kitchen business. The nature of a kitchen as an investment purchase is dependent on a high employment rate and an attractive interest rate level. In light of the positive German economic climate, a similarly positive market development was to be expected in the last years. The reasons for the lack of a recovery are to be found in the trend towards the longer life-cycles of kitchens. Estimates by the VDM, the German furniture industry association, assume that more than 10 million kitchens in Germany are already more than 15 years old, which would apparently describe an investment backlog. However, the kitchen sector (especially ALNO AG) calculates an average life-cycle of about 18 years while the kitchen trade association AMK estimates more than 20 years pass before a new kitchen is purchased. Therefore, we do not share the opinion that there is an investment backlog and as consequence, we do not expect a comprehensive recovery in the short term.

Conclusion: Germany

Despite the positive economic situation and attractive interest rates in Germany, a medium-term and sustainable recovery in ALNO AG's domestic market is not expected. Potential gains in revenue and market share are expected with advancing consolidation, the return of the purchasing associations to ALNO AG as well as a higher quality product mix.

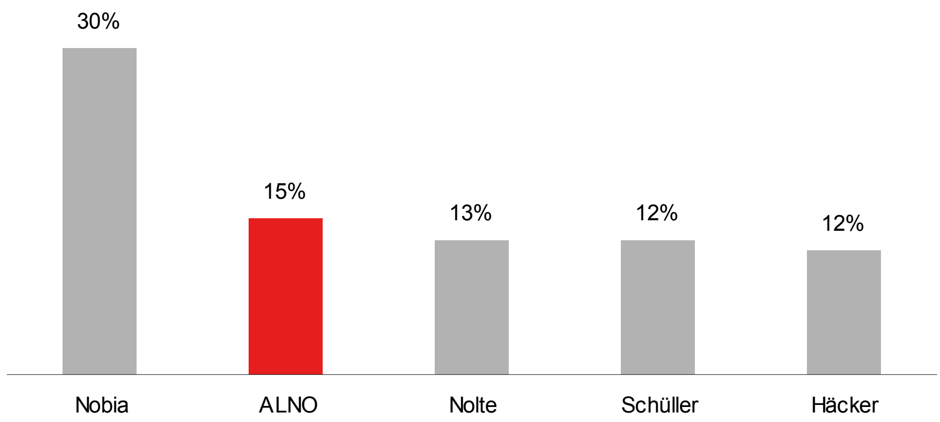
Competitive quality: No. 2 in Germany

The five largest producers of fitted kitchens in Germany share a total of about 80% of the overall market. This share should rise further with advancing consolidation which should lead to market share gains among the largest producers.

In particular, the sale of Forster Schweizer Stahlküchen under the ALNOINOX brand represents a revenue driver for ALNO AG. With price points in excess of EUR 15,000, this attractive luxury product is particularly suitable to considerably improve the international competitive positioning compared to other premium producers like Bulthaup, Poggenpohl or Siematic. The total revenue however at less than EUR 150m is of little significance for the top 5 ranking.

On a national level, ALNO AG is the second-largest producer. Nolte, Häcker and Schüller follow in third, fourth and fifth place.

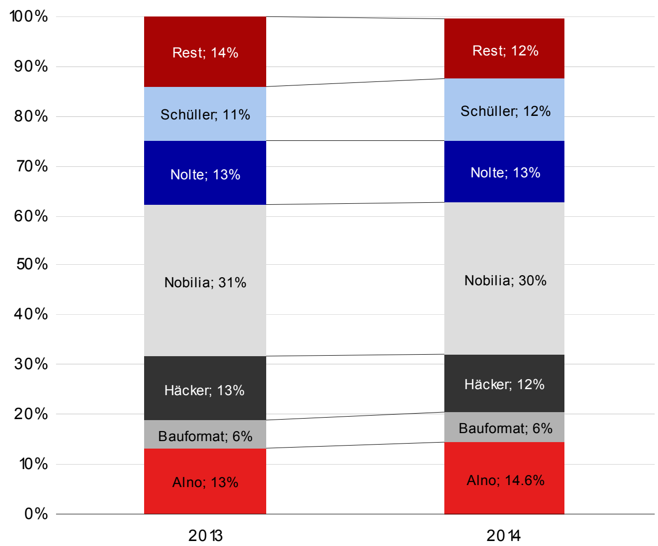
Market share of ALNO AG in Germany (in %)



Source: GFK, Warburg Research

Despite a revenue decline following the extraordinary price increase, ALNO AG can mostly maintain its market share. The six established market participants however are proceeding with the push-out at the expense of smaller competitors (included in "Rest" below).

Market share of kitchen furniture in Germany (in %)



Source: GFK, Warburg Research

A comparison of competitiveness

AFG considerably expands competitiveness

With the acquisition of AFP and the sale of the subsidiary Impuls, ALNO AG repositioned itself, which led to strengthening of competitiveness. Producers are only considered to be competitive at national and international level if they

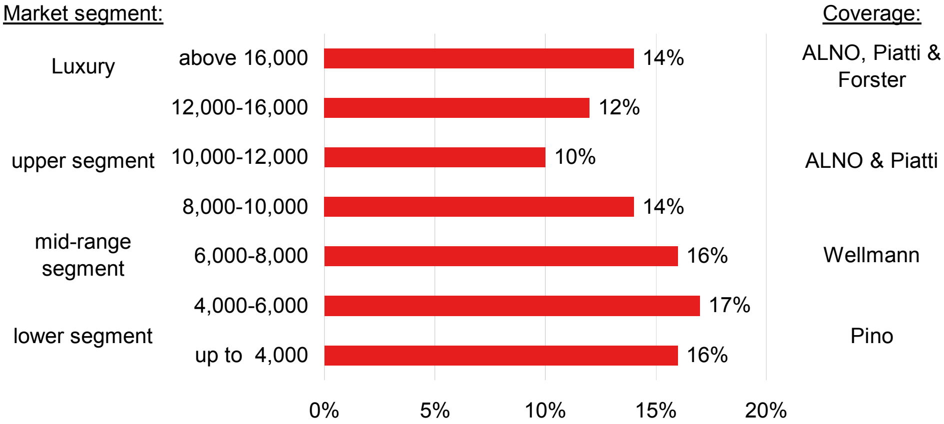
- generate foreign revenues of more than 40%,
- generate intensive benefits of scale with automated mass production,
- are among the luxury/premium suppliers,
- enjoy high customer recognition and regard and/or
- operate a sales network to cut out the purchasing organisations, which is almost impossible in Germany.

Since the takeover of AFG Küchen AG at the latest, ALNO AG fulfils all of the requirements to assert itself as a German producer and to transfer the favourable benefits of location to the Alpine countries. This allows it to secure an export share of more than 50%, which to a great extent is generated by its own sales network.

A significant competitive advantage of ALNO AG is however its wide presence and public recognition in all price segments. The multi-brand strategy enables the customer-specific communication in each sales channel without resulting in the brands having a negative effect on one another. This is of high significance as even if the average kitchen in Germany is bought for EUR 7,000, the individual price segments are very balanced. With the sale of Impuls Küchen, a streamlining of the company's brand portfolio was additionally achieved.

In such a market, a mono-brand strategy is also successful, albeit only in the luxury segment. In terms of brand- and product-portfolio, we regard ALNO AG to be the best positioned.

Kitchen sales by value – average kitchen costs EUR 7,000



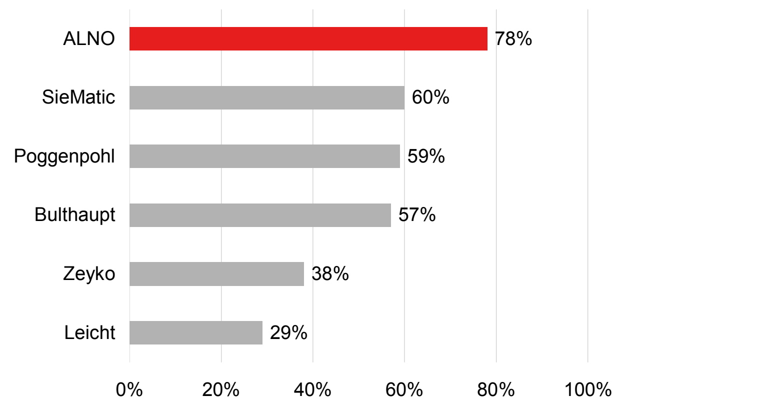
Source: Warburg Research; GFK 2012

ALNO dominates in terms of public awareness, esteem and preference

ALNO is the strongest brand

In Germany, the ALNO brand is already the leader in terms of public recognition and is primarily associated with the luxury and premium manufacturers. In comparison to the brands listed below, ALNO uses its advantage of being a classic and well-known brand, which enjoys a good reputation among customers for its long history and consistent quality. In terms of brand awareness and esteem, ALNO is named ahead of premium and luxury manufacturers such as Poggenpohl and Bulthaup, which offer their kitchens for an average of EUR 35,000. These brands beside ALNO achieve a market share of less than 4% in the domestic market of Germany and are therefore only comparable to a certain extent with ALNO.

Brand awareness in Germany

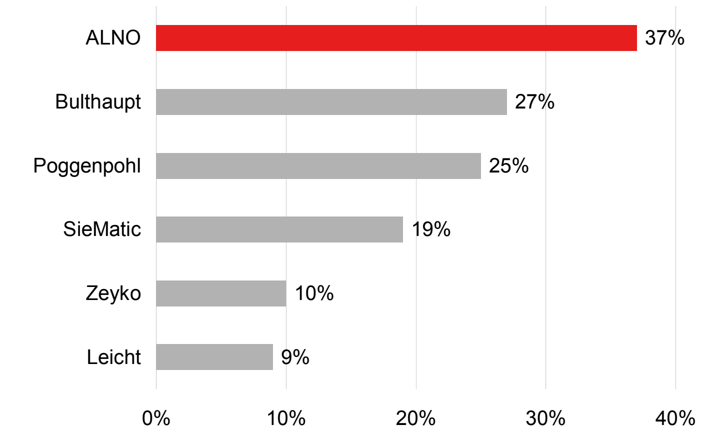


Source: CSIL 2012, Warburg Research

ALNO distinguished as brand of the century

The ALNO brand represented a decisive asset in the context of the turnaround. With the recurring acceptance of ALNO AG on the part of purchasing organisations and the associated presence in the sales floors of furniture dealers and kitchen studios, end customers are expected to return to the tradition-steeped brand.

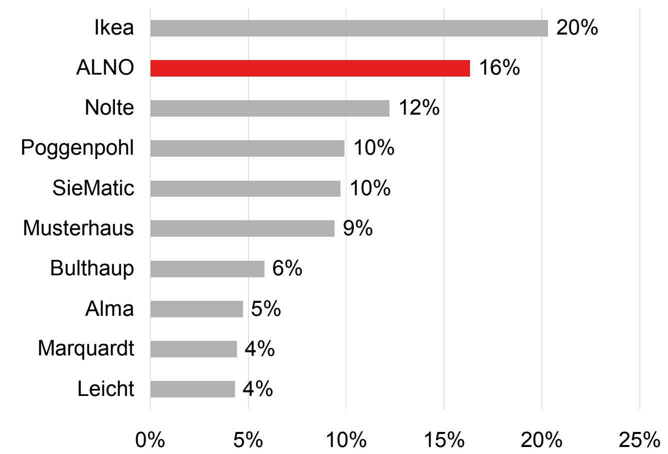
Brand affinity in Germany



Source: CSIL 2012, Warburg Research

Long term, this is a very good starting base to gain back market share from the competition. Despite the insolvency speculation surrounding ALNO AG, about 16% of consumers express a preference for the brand when purchasing a kitchen. Only IKEA is mentioned more often, which however should essentially be explained by the general popularity of the Swedish company. A comparison between IKEA (furniture retailer) and the pure kitchen brands (producers) is misleading. Even a comparison with the other brands is only possible to a certain degree as these suppliers only serve the very small luxury market.

Brand preference when buying kitchen fittings in Germany (in 2013)



Source: GIK, Statista, Warburg Research

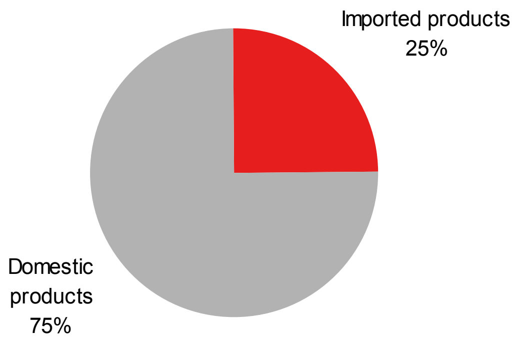
It is striking that the industry leader Nobilia is not mentioned in any of the surveys. This is the consequence of the lack of brand awareness of Nobilia. Even if the company sells kitchens under the Nobilia brand, it mainly produces white-label kitchens which, during the sales process, are branded by the relevant retailer (e.g. IKEA).

AFG Küchen AG has a strong presence in Switzerland

Switzerland: ALNO expands its market leadership with AFG Küchen

The Swiss kitchen market is characterised by small operations and joineries from trades people, which use kitchens as a key product to offer customers coordinated interior design. They offer kitchens at comparably favourable conditions to sell higher-margin cross-selling products such as flooring, furniture, stairs etc. Often however, the trades people do not build the kitchens themselves but rely on industrially-manufactured products. Because of the Swiss standard kitchen size (depth of the furniture is just 55cm – the European norm is 60cm), the import share is low. For importers, the market is simply too small. ALNO has the ability to produce at a standard size of 55cm at its production facility in Pfullendorf.

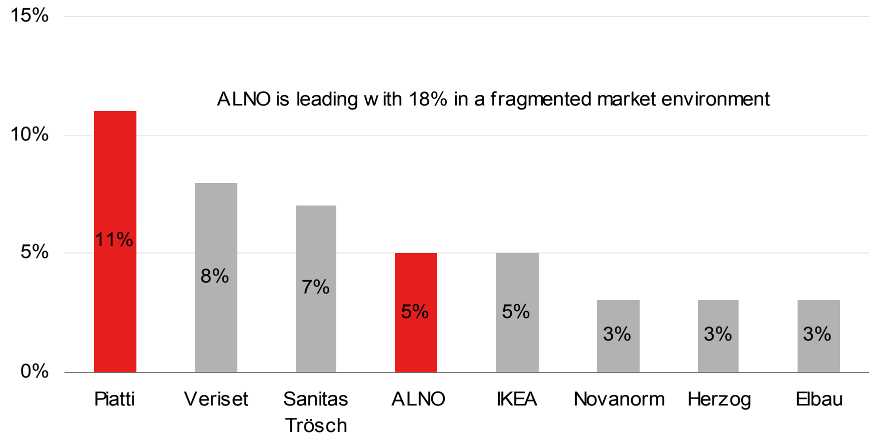
Switzerland: dominated by local producers



Source: ALNO, AFP, Warburg Research

The total market volume is estimated at about EUR 1.1bn and thus represents about a quarter of the German kitchen market. The acquired brand Piatti has been the market leader since 1980. Together with ForsterSchweizer Stahlküchen and Piatti, ALNO is expanding its market leadership to a market share of more than 18%.

AFG Küchen and ALNO hold 18% market share in Switzerland



Source: ALNO, AFP, Warburg Research

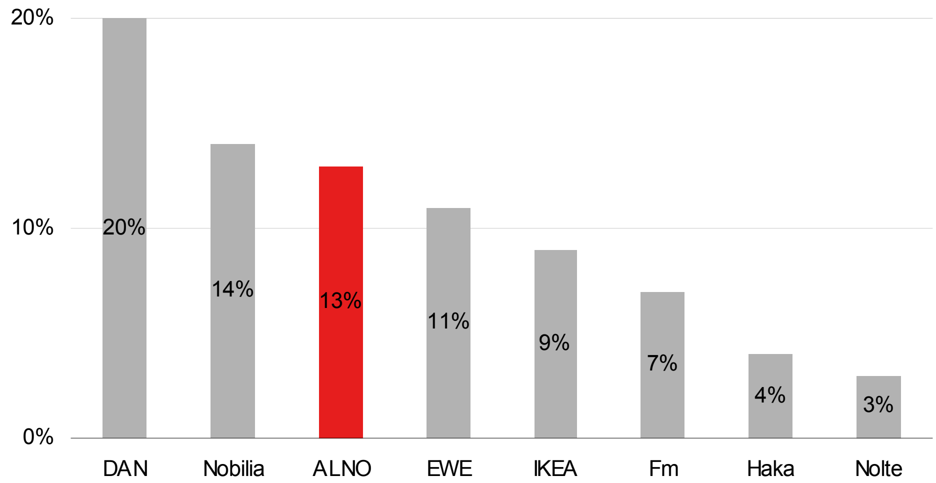
In contrast to Germany, purchasing organisations do not have the same significance in Switzerland. In light of the current distribution network of AFG Küchen AG, Piatti and Forster Schweizer Stahlküchen are sold at 80% in its own direct trade. Revenue from own studios will predominantly be reached in the project business with owner-occupied flats and rented properties (70%). Around 30% of direct distribution will be generated by private clients. The remaining 20% of the total revenue will be reached with exclusive traders who primarily aim at private clients.

Import rate rises – ALNO gains in significance

Austria – ALNO AG is No. 3

ALNO AG is the third-largest kitchen producer in Austria and holds a market share of about 13%. It is No. 3 in the market after the domestic competitor DAN (20%) and Nobilia (14%). More than 10 further producers are represented in the market, with market shares of at least 3%. Accordingly, ALNO AG can also assert its competitive qualities in this market and dominate the numerous regional competitors.

ALNO AG with 13% market share in Austria



Source: Kreutzer Fischer & Partner, Warburg Research

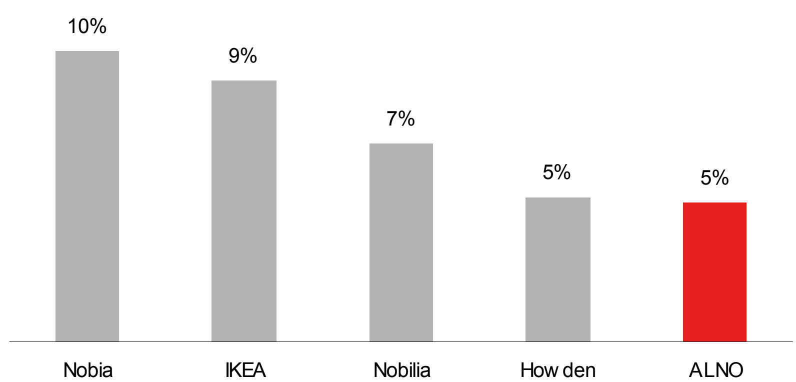
Like in Switzerland, the German kitchen producers also show their strength in Austria. The superior production conditions make it possible to offer competitive products, which in turn provides for increasing market share gains. According to market analysts Kreutzer, Fischer & Partner, 50% of kitchens were imported in 2013. Five years ago the import rate was 45% and in the 1990s, the import rate was just 35%. The main winners in terms of market share are the two producers ALNO and Nobilia.

European kitchen market

From 2013 to 2014, ALNO AG raised its export share from 32.7% to 51.7%. Of the EUR 282.4m export revenue, 95.2% is attributable to Europe. The remaining EUR 13.4m is generated in other overseas markets (mainly US and China). Among the most important sales markets are France (revenue volume 2011: EUR 1.5bn), the UK (revenue volume 2011 EUR 1.5bn) and the Netherlands (revenue volume 2011: EUR 0.8bn).

On a European level, ALNO AG is in fifth position in terms of revenue. A rise to fourth position would seem impossible in the medium term as the revenue decline following the divestment of Impuls should have widened the gap to the British competitor Howden Joinery.

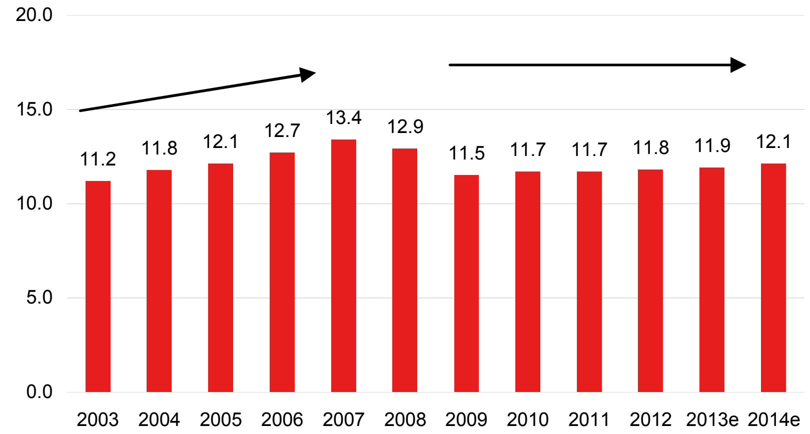
Market share by revenue in Europe



Source: CSIL, Warburg Research

Kitchens are private investment goods and revenue primarily corresponds to the employment rate of a country and the relevant interest rate structure. Even if a broad recovery sets in for the European neighbours, the kitchen market should feel a revival downstream. In the short to medium term, a recovery of the European kitchen market is not expected.

Market growth in Europe (in EUR bn)



Source: CSIL 2011, Warburg Research (estimates)

AFP Küchen AG at a glance

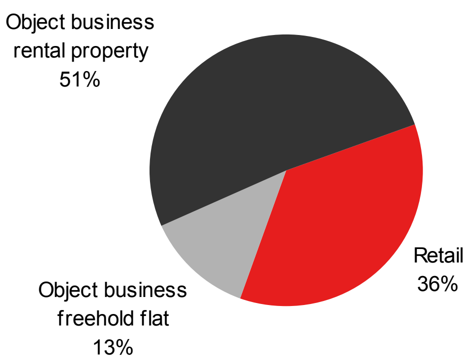
Finances

In the past, the dependence on the Germany kitchen market prevented ALNO AG from returning to profitability. With the expansion of the revenue share in neighbouring European countries as well as the internationalisation of activities, ALNO AG is increasingly moving away from the low-margin domestic market.

The AFP acquisition in detail

AFP Küchen AG comprises the two brands Piatti and Forster Schweizer Stahlküchen, which almost exclusively (99% in 2014) supply the Swiss market. AFG Arbonia Forster Holding AG is responsible for the sales and marketing side of AFP Küchen AG. Some 80% of the revenue is generated over 14 own shops and a further 20% is generated by exclusive specialist retailers. AFP Küchen AG thus maintained direct contact to customers, which is more difficult in Germany owing to the purchasing organisations. The revenue according to business fields is divided as follows:

Total revenue by business field of AFP Küchen AG (in 2014)



Source: Warburg Research, ALNO AG

In the area of wooden kitchens, Piatti is the market leader and, with an average end-customer price per kitchen of EUR 9,000, generates revenue of ca. EUR 110m (WRe). In the same period, Forster Schweizer Stahlküchen generated revenues of about EUR 35m (WRe). In total, AFP Küchen AG sold about 3,500 (WRe) steel kitchens at an average end-customer price of EUR 15,000.

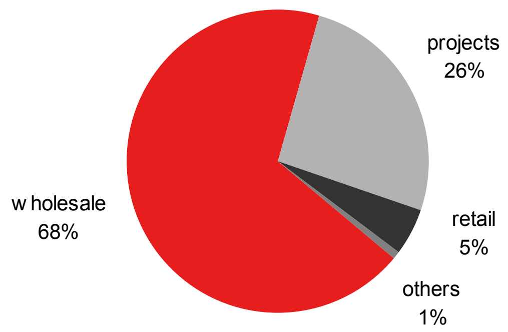
With the purchase price of EUR 30-35m (WRe), ALNO AG acquired the land and buildings of Forster production. As regards Piatti production, only the plant was taken over. The kitchen centres of the Piatti brand and customer base were also taken over. The company acquired usage rights for the brand Forster Schweizer Stahlküchen for five years with an option to extend for two years.

Revenue split

Revenue according to distribution channels

After the takeover of AFP Küchen AG the revenue of ALNO AG rose by about EUR 144.9m, solely as a result of the consolidation of the Swiss company. The former revenue split of ALNO AG was distributed along the lines of the brand-oriented segments ALNO, Wellmann and Pino. The internationally-active companies, the foreign subsidiaries (ATG) are separately reported. As AFP Küchen AG will probably be reported as an independent segment, the extended revenue split would look something like this:

AFP revenue by distribution channel (2014)



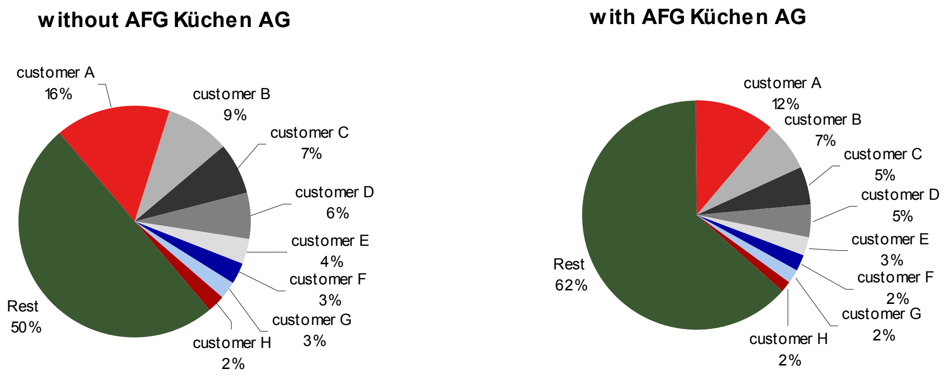
Source: Warburg Research, ALNO AG

Effect of the AFP acquisition on the ALNO group

Revenue by customer – diversified picture

In Germany, the most important market for ALNO AG (ca. 48% revenue share in 2014), more than 90% of the revenue is generated with purchasing organisations. These organise and bundle the orders for the points of sale like furniture showrooms or kitchen studios. In foreign markets, the revenue is similarly generated via sales companies or own subsidiaries. With the acquisition of AFP, the dependency on individual customers was clearly reduced. Further diversification is expected from the sale of Impuls.

Diversification of the customer structure excluding (left) and including (right) AFP Küchen AG (2013)



Source: ALNO, Warburg Research

Revenue by region – export share rises substantially

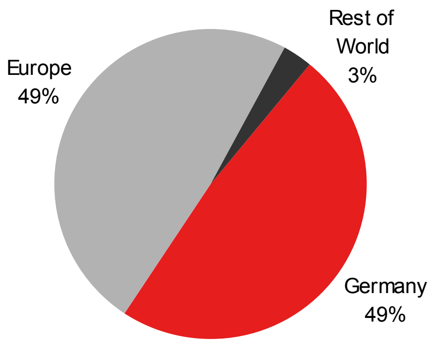
Revenue by region has changed considerably since the acquisition in Switzerland as the pie chart below shows. In 2013, ALNO AG's export share amounted to just 33%. The sector average is well in excess of 40% - in some cases, more than 70% (Poggenpohl) or 80% (Bulthaup) of revenue is generated in foreign markets. In ALNO AG, other European markets represent 24% of the revenue and the rest of the world for a further 5%.

With the takeover of AFP Küchen AG, Switzerland is the second-largest market for ALNO AG. As of 2014e about 27% of the total revenue will be generated here. Before the acquisition, ca. 8% (WRe) was generated by ALNO AG in this market. In total about 45% of the revenues should stem from the export business, which would put ALNO AG above the sector average in terms of export business.

The foreign revenue rises further with the cooperation with the French Franchise Chain

Ixina with whom ALNO AG won a contract worth a low double-digit million amount (WRe).

Total revenue by region (ALNO Group 2014)



Source: Warburg Research, ALNO AG

Numerous qualitative and quantitative synergies

Revenue and synergy potential

High-quality fronts also from Piatti

The Piatti brand is undergoing a clear qualitative upgrade. The merger with ALNO AG also puts Piatti in the position to offer higher priced components like glass and ceramics. This synergy effect was made possible by the relocation of the Piatti production from Dietlikon to Pfullendorf, as the relevant production plant (lacquering, glass and ceramic manufacturing) is already installed in Pfullendorf. The company puts the revenue potential at about EUR 17m, derived solely from the upgrade of the Piatti product portfolio. This revenue potential is reflected as accounting for a gradually rising share in the revenue estimates as the new products must first of all be synchronised with the existing sales infrastructure and points of sale.

Internationalisation of Forster Schweizer Stahlküchen

AFP Küchen AG generated EBITDA of EUR -3.0m in 2013. This was comprised of a positive contribution from the Piatti brand as well as a clearly negative contribution from the Forster brand.

The luxury product Forster Schweizer Stahlküchen is produced in Arbon, Switzerland. With 3,500 steel kitchens sold and revenue of ca. EUR 36m (2013), the Arbon location fully utilises its one-shift capacity. The target is to expand the factory's capacity to two shifts and to further optimise the work process.

A significant problem for the niche product is the lack of internationalisation. The steel kitchens are sold exclusively in Switzerland and Lichtenstein. Under the ALNOINOX brand, the humidity-resistant stainless steel product can be especially well sold in areas of Asia, where the climate is tropical and humid. However there should also be potential to sell steel kitchens in the European market. ALNO has the necessary sales structures to achieve greater economies of scale at the site. The average price of such a kitchen is EUR 15,000, which puts it in the premium segment. Internationalisation would make a doubling of unit sales in this niche market is possible.

Direct sales provide for the targeting of customers

The company's own trader network in Switzerland is another distinct advantage. With the acquisition, ALNO AG received data for about 500,000 customers (WRe). It frees itself somewhat from its dependence on the German furniture market and now has a direct sales channel. This allows ALNO AG to inform customers about new products and lines in a timely manner. Based on the greater choice provided in a wider product portfolio, higher returning-customer rates among project managers in the property business should follow.

Based on the mentioned synergies, the targeted internationalisation of the marketing and returning customers, we expect the following revenue potential for the newly-formed group.

Revenue to increase with new and old customers…

Revenue drivers of the ALNO group

Assuming base revenue of EUR 498m with loyal customers of many years' standing, positive revenue development is assumed based on the following aspects. The revenue drivers in the short and medium-term horizon include:

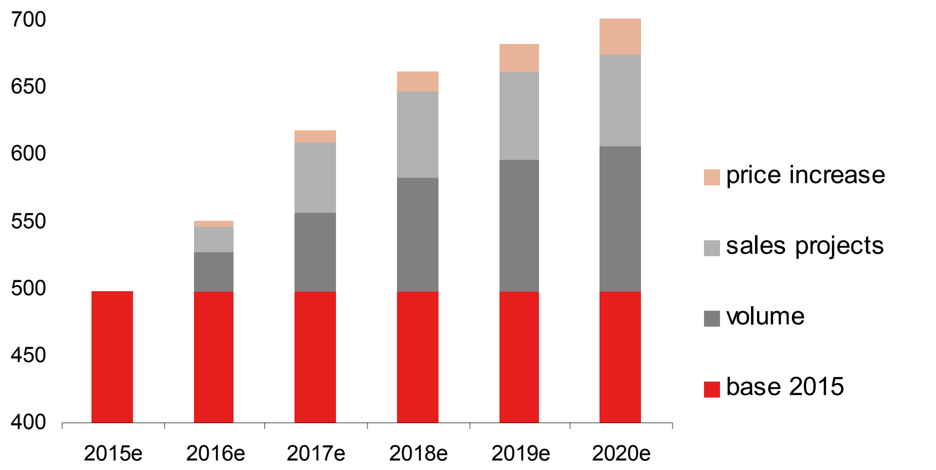
- Regaining consumer confidence – short-term revenue potential in 2015e – about EUR 15m; by 2016e EUR 35m (WRe)
- The sales project with the Steinhoff Group, which will include Wellmann kitchens in its product assortment
- Slight price increases
- A new cooperation with the French franchise chain Ixina – short term EUR 5m (WRe); by 2016e revenue potential of EUR 10m (WRe)
- Expansion of overseas exports – mid single-digit million volume
- Online sales over Kiveda – low single-digit million amount

……as well as the upgrade of the product portfolio

- The international sales of Forster Schweizer Stahlküchen over the sales structures of ALNO AG – in 2015e about EUR 5m; medium-term revenue potential of up to EUR 25-30m (WRe)
- The expansion of the variety of Piatti products with the surface materials of ALNO (e.g. glass and ceramics) – full revenue potential of about EUR 17m; assumptions include about EUR 4-5m annually as of 2015 (WRe)

In summary, the following revenue planning emerges for ALNO AG after the takeover of AFP Küchen AG:

Revenue development until 2016 after the takeover (in EURm)



Basis 2015: ALNO (old) inclusive AFP but without Impuls

Source: ALNO AG, AFP, Warburg Research

Greatest synergies from improvement in capacity utilisation

Profit and loss synergy potential

Rising order volumes solve main problem of capacity utilisation

A lack of orders, especially for the ALNO and Wellmann brands, meant that in the past production was sometimes limited to just one shift. In the ALNO factory in Pfullendorf, this is still the case. With the relocation of Piatti production, the facility is 90%-utilised with one shift. To operate the factory profitably, a two-shift operation is necessary. This is expected in the course of the fiscal year 2016.

Only production relocation will resolve underutilisation

EBITDA synergies with the Piatti relocation

With the relocation of Piatti production from Switzerland to Pfullendorf, about 90-100 employees were laid off. With annual costs of ca. CHF 74,000 per employee this results in a savings potential of CHF 6.9-7m, which corresponds to about EUR 5.8-6m. Sufficient capacity is already available at the Pfullendorf site to process the Piatti orders on time.

Improved capacity utilisation and lower personnel costs

In recent years, there were massive job cuts as the ongoing sales decline resulted in increasing overcapacity. In the context of restructuring, further personnel measures were implemented in 2013 (56 employees of Wellmann) and in January 2014 (72 employees at Wellmann Bauteile GmbH).

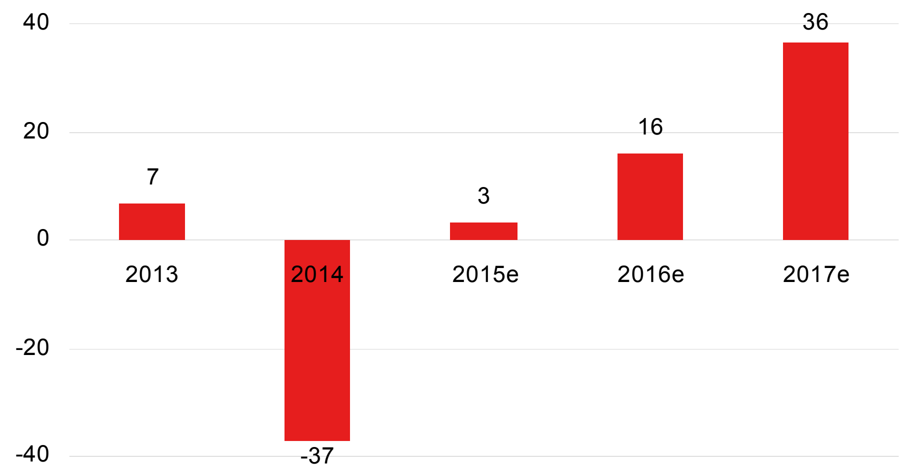
Reduction of the purchasing costs at Piatti

Piatti and ALNO sourced their raw materials and primary products from the same suppliers. With the combination of the purchasing volumes, management calculates with a cost reduction in materials purchasing of EUR 2.5-2.7m.

Higher margins abroad

With an export share of more than 50%, the company closes the gap to its domestic competitors, which have already been operating with export ratios of more than 40% for many years. With this, the company achieves greater revenue volumes with higher marginal returns. In contrast, ALNO achieves far lower margins in the domestic market because of the involvement of German purchasing associations. With a greater export share, a core problem of the company is resolved. Additionally, the higher price points in foreign markets mean that a significant improvement in the EBITDA margin is expected. The outlined effects show up as follows in the EBITDA (2013 and 2014 without special effects):

Adjusted EBITDA development (in EURm)



Source: ALNO AG, AFP, Warburg Research

60-65% variable costs

P&L cost structure

Despite the six locations, the company records a comparatively low amortisation rate of 2-3% or about EUR 15m. This is remarkable because of the high capital intensity of the business and, to a certain extent, can be explained by relatively old machinery and plant. Following massive special amortisation in the course of the restructuring, the depreciation base, especially in the Pfullendorf and Enger sites, was combined. In contrast in 2012 and 2013, appreciation on company buildings totalling EUR 8.3m (ca.

10% WRe) was undertaken.

In future, depreciation should fluctuate between EUR 18-22m annually. This includes depreciation on property plant and equipment and on the acquired intangible capital assets of AFP Küchen AG. The acquired customer base and the brands Piatti and Forster Schweizer Stahlküchen is associated with an expansion of depreciation on intangible capital goods, which accounted for less than EUR 1m in terms of total depreciation in the past. Before the acquisition, intangible assets amounted to a mere EUR 9.7m (2.5% of the balance sheet total). With the takeover and the targeted badwill, the intangible asset values (particularly with the acquisition of the Piatti brand and the existing customer base) rise to ca. EUR 50m.

Balance sheet analysis – active and passive corporate financing

ALNO AG uses numerous financing options which are presented below.

ALNO AG financing

Active Financing Total: EUR 55m.	▪ Factoring amounting to a total volume of EUR 55m.
Passive Financing Total: EUR 138m	▪ Loan from CEO Müller: EUR 8.1m – maturity July 2016 ▪ Loan from major shareholder Whirlpool: EUR 35m – maturity June 2017 ▪ Mittelstand bond – nominal value EUR 45m – maturity 2018 ▪ Convertible bond – nominal value EUR 14m – maturity March 2019 ▪ Convertible bond – nominal value EUR 5.7m – maturity November 2018 ▪ Bank loans and other : EUR 29m – various maturities

Source: Warburg Research

Active financing by selling receivables

In three cases, ALNO AG uses factoring as a means of corporate financing:

- Since 2010 Impuls Küchen GmbH, Pino Küchen GmbH and Wellmann GmbH & Co. KG have been using a factoring contract with GE Capital Bank. The original amount of EUR 45m was gradually reduced to EUR 35m by January 2014. The overall framework was extended in January 2015 by EUR 5m to EUR 40m and the contract renewed with a duration of two years
- Additionally, factoring of EUR 10m has been in existence since 01.08.2013 with Coface Finanz GmbH.
- The British subsidiary ALNO UK Ltd in Dewsbury entered a factoring agreement to finance the company. In total a factoring framework of GBP 4m over a duration of 36 months was agreed.

The individual conditions of the factoring agreements have not been made known.

Comprehensive passive financing

Following two restructuring agreements in April 2010 and February 2011 to secure loan debts, a third restructuring agreement followed in July 2012 with the aim of restructuring the equity, which amounted to a negative figure of EUR -73.3m on December 31, 2011 after many years of negative company results.

In 2012, the company equity was reduced and subsequently increased by way of a capital increase of EUR 44m. From the gross proceeds of EUR 46.2m, the debts from loans (EUR 54m) were completely repaid and, to a certain extent, waived. As a result, the equity improved to EUR -18.4m by year-end 2013. With the takeover of AFP, badwill was realised which had a clearly positive effect on the equity in Q1 2014. With this effect, positive equity of EUR 10.6m was recorded in H1 2014. By 31.12.2014, the equity had returned to the red with a value of EUR -28m. The causes of this development were renewed operating losses as well as one-off write-downs on the badwill capitalised in H1. Following a capital increase and the capitalisation of deferred taxes, positive equity of EUR 40.7m was recorded in H1 2015.

Capital and financing concept 2013

The debt financing of the company requires further explanation. Here, numerous measures were undertaken in close cooperation with people closely linked to the company.

CEO Müller gives loan of EUR 8.1m via Comco

With Comco Holding GmbH, Nidau/Switzerland, which is owned by CFO Max Müller, a moratorium was agreed. This is related to two loans totalling EUR 8.1m (EUR 3.7m to ALNO AG and EUR 4.8m to Gustav Wellmann GmbH & Co. KG), which CEO Müller granted the company. The total loan was originally EUR 30m in December 2011 and was partly repaid in 2012. The remaining debt of EUR 8.1m was due in April 2015 but owing to the continuously challenging corporate financial situation, an extension of the loan until July 2016 was agreed. The loan comes with an interest rate of 6.5%, which is lower than the bond coupon.

Whirlpool grants loan of EUR 35m until June 30, 2017

A comparable moratorium was agreed with Bauknecht Hausgeräte GmbH, Stuttgart, which is part of the Whirlpool group, which generates revenues of ca. EUR 90m (WRe) with ALNO AG. Bauknecht restructured debt from accounts payable to a long-term loan of EUR 30m in the context of the financing concept. An initial repayment of EUR 10m was planned for September 2014. However a moratorium was agreed until July 2017. The loan with 4.5% interest has a lower interest rate than the loan from Max Müller. The interest rate is about 4pp lower than the Mittelstand bond.

On several occasions, Bauknecht Hausgeräte GmbH has made the necessary funds available to ALNO AG in challenging financial situations. In this way the payment targets of supplier loans were sometimes much extended. In return, the Whirlpool Group was granted a senior loan on the parts of the business of Pino Küchen GmbH that are held by ALNO AG.

Bauknecht Hausgeräte GmbH has special rights to terminate the contract if the financial situation of the company or its subsidiary deteriorates, if an insolvency process starts, if there is any infringement of the contract obligations or a competitor of Bauknecht Hausgeräte GmbH acquires more than 10% of the equity.

Over an above that, in an exclusive supply contract ALNO AG has pledged to source at least 75% of the household and kitchen appliances for the group’s brands from Bauknecht Hausgeräte GmbH. Further details are provided in the Corporate Governance section.

ALNO AG bonds

Mittelstand bond

With a Mittelstand bond, ALNO AG raised EUR 45m with a maturity of five years. From April 2013 to May 2018, the bond bears a coupon of 8.5% interest. The first interest payment was made in May 2014.

Convertible bond 2014

The takeover of AFP Küchen AG was financed with two measures. EUR 14m was financed with a mandatory convertible bond of ALNO AG. The convertible bond provides for the subscription of 7 million shares at a subscription price of EUR 2. The bond will be converted to equity as soon as the share price exceeds EUR 2.40 for 15 days in a row. The bond bears a coupon of 8% and was placed with investors.

With two additional option tranches on 4.9m deposited shares (covered warrants), the average subscription price drops to EUR 1.6088/ share (Option A) or EUR 1.7117/share (Option B). This can be understood as a bonus for the bond subscriber.

Convertible bond 2015

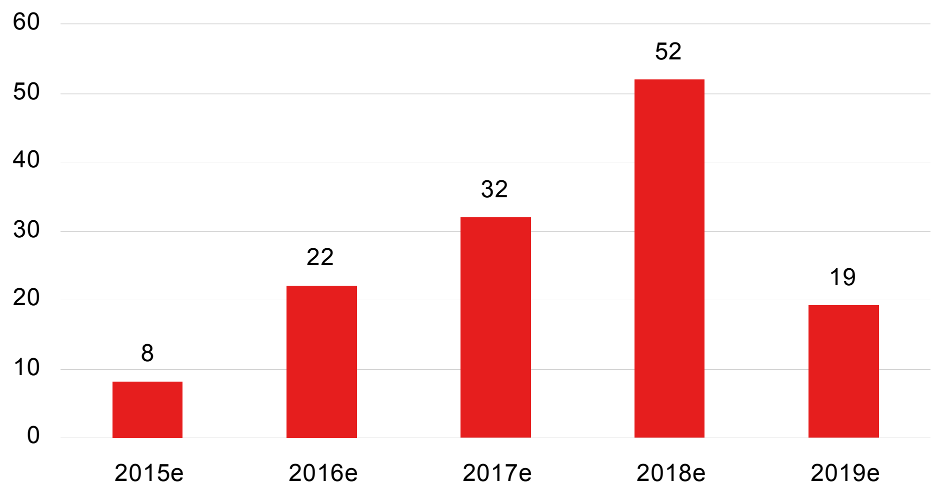
In November, another convertible bond was issued. The investor Shun Hing subscribed the bond fully for a nominal value of EUR 5.67m. The bond has a maturity of three years and bears interest of 6% p.a. If the share price trades at above EUR 1.20 for 20 days in a row, the bond will be converted at the subscription price of EUR 1.05.

Summary of the financing to balance sheet cut-off date 2014

On 31.12. 2014, ALNO AG had taken on interest-bearing debt of about EUR 131.4m. Additionally, it had accounts payable of EUR 122.5m. Including provisions of EUR 28.5m and negative equity of EUR -28m, the balance sheet totals up to EUR 284m. This is the result of many years of cost intensive corporate restructuring.

While the company raised EUR 40m (WRe) with the sale of the subsidiary Impuls on 30.06.2015, however, these funds were mainly used to repay supplier debt (after the balance sheet cut-off date H1 2015). In H1 2015, the debt amounted to EUR 138.3m. The accounts payable amounted to EUR 127.3 on the balance sheet cut-off date.

Maturity of debt (in EURm)



Source: ALNO AG, Warburg Research

Despite the expected positive operating development of the company, further financing measures seem necessary to accomplish the turnaround. It is assumed that positive free cash flow will only be generated as of 2018e.

Imbalanced financing structure still remains

Management has already had some success, which has staved off potential insolvency and led to a more stable financing of ALNO AG.

- All bank debt (with the exception of current account credit lines) was repaid.
- Deposited securities were released.
- A five-year Mittelstand bond was placed.
- With Whirlpool Inc. a significant stakeholder (supplier) became an anchor investor (20% equity stake).
- An intimate network of further investors including the CEO was created.
- Two convertible bonds were placed and
- in Q1 2015 a capital increase was successfully carried out.

Nevertheless the financial situation remains challenging owing to the considerable debt financing. Further financial measures seem necessary in light of the high level of debt financing and lack of liquidity. Positive free cash flow is not expected before 2018. A strengthening of the equity with a capital increase could thus be necessary.

Company & Products

ALNO AG - Background

ALNO AG develops, manufactures and sells wooden and steel kitchen furniture. The business model also includes trading electronic appliances and kitchen equipment. With the four core brands, ALNO, Wellmann, Impuls (divested in H1 2015) and Pino, the company achieved revenue of ca. EUR 395.1m in 2013.

In January 2014, the Swiss market leader AFG Küchen AG, with the two classic brands Forster Schweizer Stahlküchen and Piatti, was taken over. AFG Küchen AG generated revenues of about EUR 144.9m in 2013. Before the takeover, ALNO was already Germany's second-largest kitchen producer. With the acquisition, the gap to the market leader Nobilia was narrowed.

The group has its headquarters in the facility in Pfullendorf, Baden-Württemberg, where the company has been producing since 1958. Additionally, the company produces at three other locations in Germany as well as at two locations in Switzerland and one production facility in Dubai, UAE. The company also operates marketing and sales operations in the United Kingdom, the US and two joint ventures in China (Hong Kong and Shanghai). Internationally, the company works with a network of 7,000 sales partners in 64 countries.

The company's multi-brand strategy provides for a clear and distinctive positioning of the products with end customers. While entry-level models can be bought for prices starting at ca. EUR 2,000, high-value design kitchens can cost several tens of thousands of Euro and up to EUR 100,000. As the degree of brand individualisation rises, so too do the requirements on the processing of raw materials, which is why the company holds on to the relevant production sites. For historical reasons, the various brands and models are manufactured at different locations.

Diversifiziertes Markenportfolio bietet jedem etwas

Five brands – three concepts

Individualisation

In the high-price brands (ALNO, Piatti and Wellmann) the company's value creation lies in the individual design of a kitchen and customisation in terms of shape, colour and equipment. The products are planned and agreed in close cooperation with the customer based on the existing dimensions of the building and produced according to the wishes of the customer. Added value is achieved with the use of high-value materials like solid wood, steel, glass and ceramics, which are individually produced as a one-off for the customer. The facility in Pfullendorf provides for the maximum of production flexibility with the target of a "made to measure" kitchen.

Mass production

The entry-level brand Pino is produced in Costwig. The factory is distinguished by its high degree of automatization and efficient production. With the mass products, rather than achieving margins with individual customisation, the company puts the emphasis on generating economies of scale.

Additionally, trade margins are generated with the sale of electronic appliances. With Pino the level of equipping with electronic appliances is 100%.

The niche market

For fans of original kitchens, the Forster Schweizer Stahlküchen offers an alternative. The furniture of the Swiss producer is manufactured 100% from stainless steel and therefore offers the feeling of a particular lifestyle, which is especially popular among designers and creative people. Additionally, steel offers the stability which is particularly suitable for export to damp tropical regions. Purely from an optical perspective, the kitchens hardly differ at all from a wooden kitchen and should not be confused with an industrial stainless steel kitchen.

Production locations: capacity, utilisation, and brand per location

Pfullendorf (D)	Enger (D)	Coswig (D)	Arbon (CH)
ALNO & Piatti	wellmann	pino	forster Die Stahlküche, ALNOINOX
▪ Production of cabinets for all sites ▪ Mass production and assembly of ALNO and Piatti kitchen ▪ 677 FTEs ▪ Capacity: 1m cabinets p.a. in two shifts	▪ Production/assembly of Wellmann kitchens ▪ Bad Salzuflen: varnishing and tailor-made services for Wellmann ▪ 638 FTEs ▪ Capacity: ~1m cabinets p.a.	▪ Production/assembly of Pino kitchens ▪ Coswig supplied with components by Pfullendorf and Enger ▪ 212 FTEs ▪ Capacity: 1m cabinets p.a.	▪ Production/assembly of Forster steel kitchens ▪ 212 FTEs ▪ Capacity: ca. 7,000 kitchen p.a.

Source: Warburg Research, ALNO

Overview and explanation of the brands

ALNO is the group's oldest and most tradition-steeped brand. It has a first-class reputation among customers in terms of affinity and brand awareness, as the CSIL study in 2012 confirmed. ALNO is the company's premium brand and therefore also positioned in the top price segment. The brand offers the widest choice of usable shapes, materials, designs and colours. ALNO kitchens are sold by furniture stores, kitchen studios and contract negotiators.

Piatti has only been part of the ALNO corporation since January 2014 and was taken over by the Swiss company AFG Küchen AG. In quality, design and price, the brand is positioned between ALNO and Wellmann. However because of the first-class image, it is exclusively geared towards the Swiss market. Piatti is proving to perfectly round off the brand strategy as the regional distinctions mean that there is no fear of cannibalisation of the existing products. The production requirements are also ideal for the Pfullendorf site. More than 80% of the revenue is generated in Switzerland by its own sales team. The remaining 20% is generated by exclusive kitchen studios.

Wellmann is the brand which generates the strongest revenue for the company. It is widely diversified and is positioned in the lower to mid price segment. With an above-average number of design and colour options, the kitchen can cover a wide range of designs according to individual customer requirements. Wellmann distinguishes itself with modern design. The brand was acquired with the takeover of the company of the same name in 2003. As well as within the furniture and kitchen studios business, Wellmann kitchens are sold in the property business. Wellmann is especially relevant for export to China.

Pino is the simple starter kitchen in the lower price segment. As well as sophisticated designs, the kitchens are primarily functional and satisfy the basic requirements of a kitchen. The models are normally fully equipped with Whirlpool electric appliances and with few variations on form, they meet the standard needs. Pino kitchens are sold in furniture stores, discounters and DIY outlets.

Forster Schweizer Stahlküchen was, like Piatti, acquired with the takeover of AFG Küchen AG. Forster Schweizer Stahlküchen is a traditional Swiss brand, which concentrates exclusively on the production of steel kitchens and sells these (and Piatti) exclusively in the domestic Swiss market, in its own studios. An internationalisation of the steel kitchen is planned under the ALNOINOX brand.

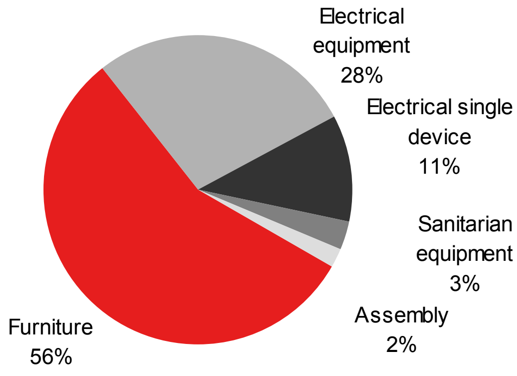
ALNO covers the entire value chain

Value Chain

Assembly of a kitchen

The scales as well as the built-in elements of a kitchen can vary vastly, and this impacts the selling price accordingly. Essentially, the materials used, the degree of individualisation for the customer as well as the degree to which the kitchen is fitted with built-in electronic equipment are decisive for the end price. At 56% of kitchen price however, the furniture is the largest element of a kitchen followed by built-in electronic equipment, which accounts for 28% of the price.

Elements of a kitchen in Germany



Source: BBE-Markt:Monitor, Warburg Research

In the so-called block business, starter models and almost complete kitchenettes are manufactured for the lower price segment. There is little scope for individualisation in terms of form and colour to allow for extensive mass production. These kitchens are supplied with electronic equipment after production and are then made available for sale. The Pino brand kitchens are 80% supplied with electronic equipment at production level. Impuls kitchens are 60% equipped. For both brands, 90%-95% of the built-in products are from the Whirlpool Corporation.

In contrast, the value creation in the Wellmann and ALNO brands are not in the scaling of mass production. These brands offer the customer a one-off product, i.e. complete individualisation. With the intricate processing of high-value raw materials like glass, ceramics and steel, the kitchen furniture is produced in the interests of the customer. Electronic equipment is built into 25% of Wellmann kitchens while no electronic equipment is supplied with the ALNO brand kitchens. The degree of equipping is, in this case, zero.

Purchasing with the trend towards in-sourcing

ALNO AG conducts systematic and regular “make-or-buy” analyses, which form the basis of the purchasing strategy. As well as minimising the risk from price increases from suppliers, it offers the opportunity to reduce costs. Most recently, in-sourcing was successfully implemented at the Pfullendorf location. Individual component parts are now produced in the company’s own lacquering facility. Special production requests and special lacquers for customised surface design in very small amounts are therefore no longer sourced externally but are produced under more efficient conditions on-site. The same holds true for the company’s own glass and ceramic processing. As well as lower costs, the delivery time is shortened by a week.

Also at the Pfullendorf site, component parts and groups of components are produced for the manufacturing facilities in Brilon and Coswig. Generally however, an external sourcing strategy dominates, especially for mass items like rails, hinges and handles.

Production at four locations

In 2012, a new production strategy was implemented. With centralised production, the manufacturing capacities are better utilised to make the most of the benefits of mass production. Additionally, supplier costs are reduced by in-sourcing measures and the exchange of experience and practices among the four factories are used to improve competence. With improved process management in corpus component production, the production output increased from four million component parts to more than 10 million component parts.

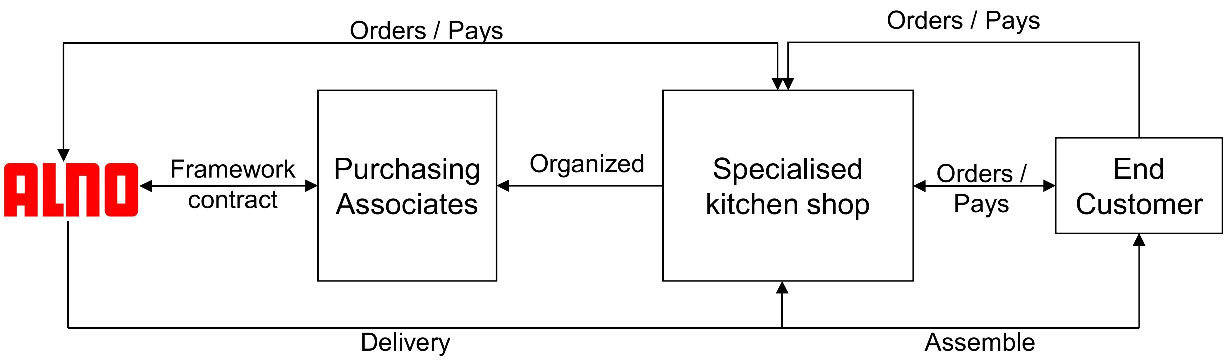
The production facilities are very different. The brands ALNO, Wellmann, Piatti and

Forster Schweizer Stahlküchen are produced and assembled on site while the production of certain groups of components also takes place directly on site. In contrast, the facility for Pino brands is a pure assembly facility, with a high degree of automatization and is geared towards the generation of economies of scale.

Direct sales in Switzerland releases potential

In the domestic market, ALNO AG sells its kitchens in furniture and kitchen studios, self-service and DIY markets, as well as furniture stores. A distinct disadvantage for all furniture producers is that dominant purchasing companies have established themselves between producers and points of sale. With the bundling of purchasing contracts, the influence of these purchasing organisations has risen so much over the past 20 years that the production companies are increasingly coming under margin pressure and many have already been pushed out of the market. In Germany, ALNO AG generates ca. 90% of its revenue over purchasing associations. The largest customer of ALNO accounts for ca. EUR 60m net revenue (WRe).

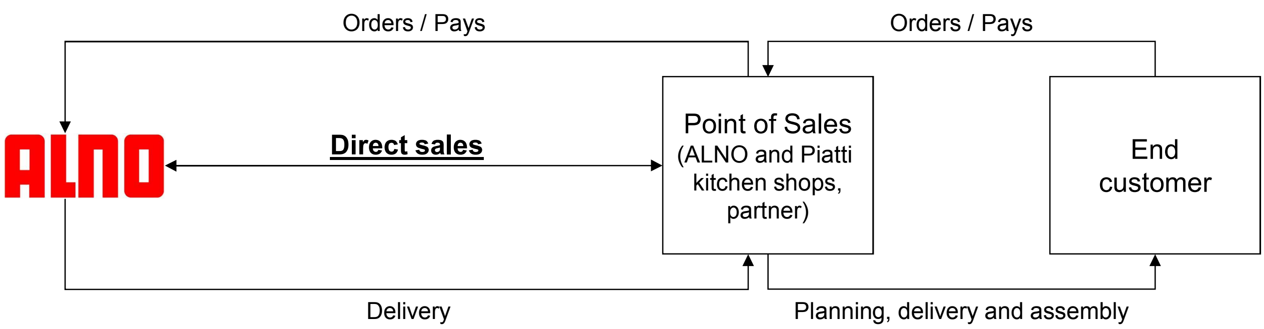
Sales channel Germany: 90% of revenue generated with purchasing associations



Source: Warburg Research

The obligatory sale through purchasing organisations is a German phenomenon. Direct sales in the company's own kitchen studios in Switzerland as well as the far higher price points in Switzerland is seen as a solution to the margin pressure.

Foreign sales channel: Direct sales in the foreign subsidiaries (ATG)



Source: Warburg Research

Additionally, the company is active in the property business mainly with the Wellmann brand. In the property business, i.e. both new builds and renovation projects, kitchens are sold directly over architects and property developers. In Germany about 3% of revenue is generated in the property business. In China and the USA, almost 100% of revenue is generated in this area.

Management and Supervisory Board

The management of ALNO AG has changed several times since restructuring began in 2007. With the appointment of Max Müller (CEO) and Ipek Demirtas (CFO) in 2011 however, two experienced leaders were established. The entire leadership team has invested in the company. Additionally, Mr. Müller is a creditor of the company. The CEO has made a volume of EUR 8.1m available to ALNO AG via his investment company Comco Holding AG.

Management of ALNO AG

Max Müller, CEO

- CEO since April 2011
- 1993 – today: President of the governing board of Comco Holding AG and Starlet Investment AG
- 1987 – 1992: CEO of Adler Bekleidungswerke AG (Adler fashion business)
- 1986 – 1992: CEO of the Comco Group (subsidiary of ASKO Deutsche Kaufhaus AG)

Ipek Demirtas, CFO

- Responsible for Finance at ALNO AG since July 2011
- 2008 – 2009: OTTO Group
  - Chief Financial Officer of Environmental Solutions Europe Holding B.V and
  - Managing Director of ESE Industrie GmbH and ESE Dienstleistungen GmbH
- 2002 – 2008: Managing Director of Petroplus Mineralölprodukte Deutschland GmbH
- 1992 – 2002: Management role at PricewaterhouseCoopers, auditors and tax advisors

Source: Warburg Research

Shareholder structure and corporate governance

The largest single shareholder of ALNO is Whirlpool Germany GmbH (previously Bauknecht GmbH). Whirlpool is also the largest supplier of electronic appliances which are used in Pino and Impuls kitchens in particular. With EUR 90m, ALNO is Whirlpool's third-largest customer in Europe.

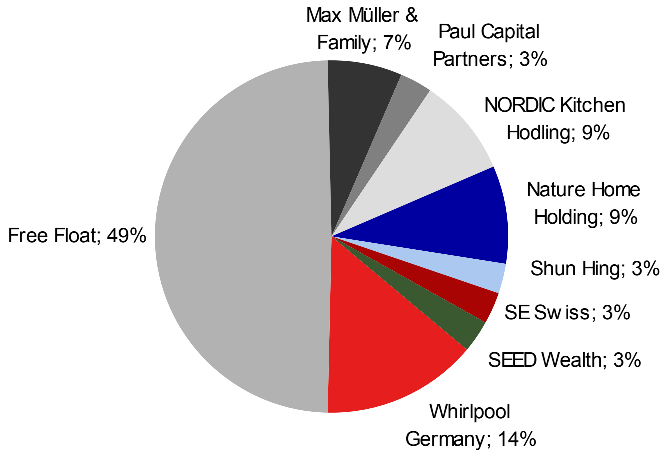
CEO Max Müller owns 6.7% of the outstanding shares. Additionally through his holding company Comco Holding AG as well as through Star Capital, Müller serves as an ALNO AG creditor.

The majority of the free float is made up of Müller's network which in total owns around 30% of ALNO's 70m shares.

Beside Mr. Müller, Mrs. Demirtas (CFO) owns 250,000 shares.

ALNO's approximately 75.6m shares are listed on the General Standard segment of the Frankfurt Stock Exchange and on the Stuttgart Stock Exchange.

Shareholder structure



Source: Warburg Research

Potential conflicts of interest

Corporate Governance

In ALNO AG, there are potential conflicts of interest. The reason for these conflicts lies with Max Müller's personal network and with the Whirlpool Corporation's anchor share. Whirlpool is the largest supplier of ALNO AG and is represented on the supervisory board.

Corporate Governance an overview

Whirlpool Inc. (Subsidiary is Bauknecht Hausgeräte GmbH)	▪ Holds 14.1% of shares ▪ Is the largest supplier with revenue volume of EUR 90m ▪ Delivers 95% of electronic appliances (in particular block trades for Pino) ▪ Member of the supervisory board ▪ Lender of EUR 35m – Coswig site stands as collateral security ▪ Has outstanding receivables for accounts payable
Max Müller, CEO	▪ Holds 6.7% of shares ▪ Granted a loan of EUR 8.1m at 6.5% to ALNO AG ▪ Müller's investor network holds around a further 30% of the free float (e.g. Nordic Kitchen Holding AG, Zug, Swiss holds 9.8%) ▪ The network and Müller himself acquired parts of the convertible bond and the bond (Mittelstandsanleihe) via private placement ▪ The network is represented on the supervisory board
Ipek Demirtas, CFO	▪ Holds an insignificant number of shares (250,000)

Source: Warburg Research

Albert Nothdurft (ALNO) builds kitchens since 1927

History

- 1927: **AL**bert **NO**thdurft (ALNO) forms a carpentry workshop in Göppingen, Germany
- 1957: Production facility in Pfullendorf, Germany opened
- 1958: ALNO Möbelwerke GmbH & Co. KG was formed
- 1960-1970: The company enjoyed strong growth. Revenues grew from EUR 2.5m to over EUR 35.2m. Three new locations were opened and employee rate grew from 95 to 677.
- 1970: AEG Möbelwerke GmbH & Co. KG takes over 51% of ALNO
- 1969-1974: Locations opened in France Belgium, Italy and Switzerland. Further subsidiaries followed.
- 1982: AEG ended its involvement
- 1990: Founding of Impuls Küchen GmbH in Brilon
- 1994: Founding of Pino Küchen GmbH in Klieken
- 1995: IPO
- 2003: Merger with Casawell Service Gruppe (Wellmann, Geba, Wellpac) and takeover of Gustav Wellmann KG
- 2004: The group ends its involvement and concentrates on core business
- 2005: Foundation of ALNO Middle East in Dubai
- 2007: Start of a comprehensive restructuring programme
- 2013: Balance sheet restructuring throughout a capital increase and an issued bond in the amount of EUR 45m
- 2014: Acquisition of Swiss kitchen manufacture AFG Küchen AG including the brands Piatti and Forster Schweizer Stahlküchen
- 2015: Sale of subsidiary Impuls

DCF model

Figures in EUR m	Detailed forecast period 2015e	2016e	2017e	Transitional period 2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	Term. Value
Sales	520.6	550.5	618.2	662.7	682.9	701.6	715.6	729.9	744.5	759.4	774.6	786.2	798.0	
Sales change	*-4.6 %*	*5.7 %*	*12.3 %*	*7.2 %*	*3.0 %*	*2.7 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*2.0 %*	*1.5 %*	*1.5 %*	*1.5 %*
EBIT	8.8	-1.0	17.7	24.3	34.7	41.2	43.9	44.8	45.7	46.6	47.5	48.2	49.0	
EBIT-margin	*1.7 %*	*-0.2 %*	*2.9 %*	*3.7 %*	*5.1 %*	*5.9 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	*6.1 %*	
Tax rate (EBT)	*4.2 %*	*-38.3 %*	*6.9 %*	*16.0 %*	*16.0 %*	*16.0 %*	*16.0 %*	*16.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	
NOPAT	8.4	-1.3	16.4	20.4	29.1	34.6	36.9	37.6	32.0	32.6	33.3	33.8	34.3	
Depreciation	17.1	16.9	18.8	18.6	19.1	17.5	17.9	18.2	18.6	19.0	19.4	19.7	20.0	
in % of Sales	*3.3 %*	*3.1 %*	*3.0 %*	*2.8 %*	*2.8 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	*2.5 %*	
Changes in provisions	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	10.3	-5.6	4.0	3.9	5.0	5.3	5.6	5.8	9.0	0.3	0.3	0.2	0.2	
- Capex	17.2	17.2	17.2	19.9	20.5	21.0	21.5	21.9	22.3	22.8	23.2	23.6	20.0	
Capex in % of Sales	*3.3 %*	*3.1 %*	*2.8 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*3.0 %*	*2.5 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	-1.3	4.0	14.1	15.2	22.8	25.8	27.7	28.1	19.3	28.5	29.1	29.6	34.0	35
PV of FCF	-1.3	3.7	11.8	11.6	15.6	15.9	15.4	14.1	8.7	11.6	10.7	9.8	10.1	109
share of PVs	5.76 %			50.03 %										44.21 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	30.00 %	Financial Strength	2.20
Cost of debt (after tax)	8.6 %	Liquidity (share)	1.60
Market return	7.00 %	Cyclicality	1.50
Risk free rate	1.50 %	Transparency	2.20
		Others	2.00
WACC	**10.94 %**	**Beta**	**1.90**

Valuation (m)

Present values 2027e	138		
Terminal Value	109		
Financial liabilities	144		
Pension liabilities	29		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	6	No. of shares (m)	75.6
Equity Value	**79**	**Value per share (EUR)**	**1.05**

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth 0.75 %	1.00 %	1.25 %	**1.50 %**	1.75 %	2.00 %	2.25 %
2.16	11.9 %	0.60	0.63	0.66	0.68	0.71	0.74	0.77
2.03	11.4 %	0.77	0.79	0.82	0.86	0.89	0.93	0.96
1.96	11.2 %	0.85	0.88	0.92	0.95	0.99	1.02	1.07
1.90	10.9 %	0.94	0.98	1.01	**1.05**	1.09	1.13	1.17
1.84	10.7 %	1.04	1.08	1.11	1.15	1.20	1.24	1.29
1.77	10.4 %	1.14	1.18	1.22	1.26	1.31	1.36	1.41
1.64	9.9 %	1.36	1.41	1.45	1.51	1.56	1.62	1.68

Beta	WACC	Delta EBIT-margin -1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
2.16	11.9 %	-0.47	-0.09	0.30	0.68	1.07	1.45	1.84
2.03	11.4 %	-0.35	0.06	0.46	0.86	1.26	1.66	2.06
1.96	11.2 %	-0.28	0.13	0.54	0.95	1.36	1.77	2.18
1.90	10.9 %	-0.20	0.21	0.63	**1.05**	1.47	1.88	2.30
1.84	10.7 %	-0.13	0.30	0.73	1.15	1.58	2.01	2.44
1.77	10.4 %	-0.05	0.39	0.83	1.26	1.70	2.14	2.58
1.64	9.9 %	0.13	0.59	1.05	1.51	1.96	2.42	2.88

- Customers are already raising order volumes in response to the furniture trade fair 2015 and the turnaround
- A sales cooperation was agreed with the Steinhoff Group (revenue volume of up to EUR 30m as of 2016 -WRe)
- Commitments have been made (EUR 16m WRe) by Impuls customers to order from Pino as of 2016e
- Including ALNOINOX and an improved price-product mix a clear rise in revenues is expected by 2017e
- Terminal value with 6.1% EBIT margin; Peers achieve on average 7-8% (best peer Nobia SA: 4.6%).

Peer Group

Peergroup - Key Figures

Company	LC	Price in LC	MC in LC m	EV in LC m	EPS 15e	EPS 16e	EPS 17e	Sales 15e	Sales 16e	Sales 17e	EBITDA 15e	EBITDA 16e	EBITDA 17e	EBIT 15e	EBIT 16e	EBIT 17e
American Woodmark	USD	85.71	1,395.1	1,223.4	2.02	3.29	3.83	828.3	934.3	1,034.5	67.0	102.0	117.5	49.1	87.8	104.0
Fabryki Mebli Forte	PLN	54.95	1,313.4	1,390.8	3.56	4.19	4.45	939.8	1,068.3	1,136.5	123.0	145.0	152.8	104.5	122.8	129.8
Hermann Miller	USD	31.98	1,914.7	2,157.1	1.74	2.04	2.26	2,137.2	2,269.7	2,391.7	228.7	245.0	266.0	n.a.	n.a.	n.a.
Howden Joinery	GBp	530.50	341,233.9	3,189.6	0.26	0.29	0.31	1,217.8	1,321.2	1,414.8	240.7	266.4	290.7	215.7	237.2	259.1
Nobia	SEK	107.90	18,914.2	18,870.2	5.56	6.36	6.92	13,382.6	14,199.5	14,752.9	1,643.2	1,822.1	1,942.4	1,279.4	1,460.0	1,576.2
ALNO	**EUR**	**0.77**	**57.9**	**237.6**	**-0.39**	**-0.21**	**0.04**	**520.6**	**550.5**	**618.2**	**3.2**	**16.0**	**36.5**	**8.8**	**-1.0**	**17.7**

Sources: Warburg Research, Bloomberg

Peergroup - Valuation Multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E 15e	P / E 16e	P / E 17e	EV / Sales 15e	EV / Sales 16e	EV / Sales 17e	EV / EBITDA 15e	EV / EBITDA 16e	EV / EBITDA 17e	EV / EBIT 15e	EV / EBIT 16e	EV / EBIT 17e
American Woodmark	USD	85.71	1,395.1	1,223.4	42.5 x	26.1 x	22.4 x	1.5 x	1.3 x	1.2 x	18.3 x	12.0 x	10.4 x	24.9 x	13.9 x	11.8 x
Fabryki Mebli Forte	PLN	54.95	1,313.4	1,390.8	15.4 x	13.1 x	12.4 x	1.5 x	1.3 x	1.2 x	11.3 x	9.6 x	9.1 x	13.3 x	11.3 x	10.7 x
Hermann Miller	USD	31.98	1,914.7	2,157.1	18.4 x	15.7 x	14.2 x	1.0 x	1.0 x	0.9 x	9.4 x	8.8 x	8.1 x	n.a.	n.a.	n.a.
Howden Joinery	GBp	530.50	341,233.9	3,189.6	20.3 x	18.4 x	16.9 x	2.6 x	2.4 x	2.3 x	13.3 x	12.0 x	11.0 x	14.8 x	13.4 x	12.3 x
Nobia	SEK	107.90	18,914.2	18,870.2	19.4 x	17.0 x	15.6 x	1.4 x	1.3 x	1.3 x	11.5 x	10.4 x	9.7 x	14.7 x	12.9 x	12.0 x
Average					23.2 x	18.0 x	16.3 x	1.6 x	1.5 x	1.4 x	12.7 x	10.5 x	9.7 x	16.9 x	12.9 x	11.7 x
Median					19.4 x	17.0 x	15.6 x	1.5 x	1.3 x	1.2 x	11.5 x	10.4 x	9.7 x	14.8 x	13.2 x	11.9 x
ALNO	**EUR**	**0.77**	**57.9**	**237.6**	**neg.**	**neg.**	**19.2 x**	**0.5 x**	**0.4 x**	**0.4 x**	**74.8 x**	**14.9 x**	**6.5 x**	**27.0 x**	**neg.**	**13.5 x**
Valuation difference to Median					n.a.	n.a.	-19%	224%	203%	218%	-85%	-30%	49%	-45%	n.a.	-12%
Fair value per share based on Median					n.a.	n.a.	0.62	7.79	7.16	7.63	n.a.	n.a.	2.31	n.a.	n.a.	0.40

Sources: Warburg Research, Bloomberg

- Significance of peer group comparison is limited as the most comparable peers are not listed on a stock exchange.
- Nobia AB has the largest overlap with ALNO AG.
- Revenue at Howden Joinery Group is only partly achieved with kitchens.
- The regional focus of the presented companies varies greatly.
- As a turnaround company, the extent of possible comparison between ALNO and profitable peers is limited.

Valuation

	2011	2012	2013	2014	2015e	2016e	2017e
Price / Book	n.a.	n.a.	n.a.	n.a.	1.5 x	2.5 x	2.2 x
Book value per share ex intangibles	-3.22	-0.57	-0.40	-1.18	-0.21	-0.42	-0.37
EV / Sales	0.4 x	0.2 x	0.4 x	0.4 x	0.4 x	0.4 x	0.4 x
EV / EBITDA	34.9 x	5.3 x	26.3 x	5.4 x	8.7 x	14.7 x	6.4 x
EV / EBIT	n.a.	84.2 x	n.a.	34.5 x	25.5 x	n.a.	13.3 x
EV / EBIT adj.*	n.a.	n.a.	73.4 x	n.a.	n.a.	n.a.	13.3 x
P / FCF	n.a.	3.5 x	n.a.	n.a.	n.a.	n.a.	76.1 x
P / E	n.a.	n.a.	n.a.	n.a.	1.0 x	n.a.	18.9 x
P / E adj.*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.9 x
Dividend Yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Free Cash Flow Yield Potential	2.7 %	18.6 %	1.8 %	19.5 %	38.3 %	6.6 %	15.0 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Sales	**452.8**	**446.3**	**395.1**	**545.8**	**520.6**	**550.5**	**618.2**
Change Sales yoy	-3.1 %	-1.4 %	-11.5 %	38.2 %	-4.6 %	5.7 %	12.3 %
Increase / decrease in inventory	0.9	0.4	2.6	0.6	2.9	0.6	0.6
Own work capitalised	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Sales	**453.7**	**446.7**	**397.7**	**546.4**	**523.5**	**551.0**	**618.8**
Material Expenses	286.4	257.9	222.0	316.2	288.9	308.3	337.5
Gross profit	**167.3**	**188.7**	**175.6**	**230.1**	**234.6**	**242.8**	**281.3**
Gross profit margin	*36.9 %*	*42.3 %*	*44.5 %*	*42.2 %*	*45.1 %*	*44.1 %*	*45.5 %*
Personnel expenses	98.5	97.2	95.3	138.3	136.9	121.1	137.9
Other operating income	6.3	9.8	9.5	78.2	39.0	9.9	11.1
Other operating expenses	94.2	84.4	82.2	121.2	106.4	111.7	118.1
Unfrequent items	24.3	-3.0	-0.9	-8.9	-4.3	-3.9	0.0
EBITDA	**5.2**	**14.0**	**6.7**	**40.0**	**25.9**	**16.0**	**36.5**
Margin	*1.1 %*	*3.1 %*	*1.7 %*	*7.3 %*	*5.0 %*	*2.9 %*	*5.9 %*
Depreciation of fixed assets	14.9	12.0	11.5	16.9	15.6	15.4	17.3
EBITA	**-9.7**	**2.0**	**-4.7**	**23.1**	**10.3**	**0.5**	**19.2**
Amortisation of intangible assets	1.0	1.1	0.7	16.9	1.5	1.5	1.5
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**-10.7**	**0.9**	**-5.4**	**6.2**	**8.8**	**-1.0**	**17.7**
Margin	*-2.4 %*	*0.2 %*	*-1.4 %*	*1.1 %*	*1.7 %*	*-0.2 %*	*2.9 %*
EBIT adj.	**-10.7**	**-1.9**	**2.4**	**-70.8**	**-13.9**	**-1.0**	**17.7**
Interest income	0.1	9.0	0.2	2.7	0.1	0.1	0.1
Interest expenses	11.2	10.8	7.9	12.3	15.0	15.0	13.5
Other financial income (loss)	-3.4	-0.3	-0.7	-2.9	0.1	0.1	0.1
EBT	**-25.2**	**-1.2**	**-13.8**	**-6.3**	**-6.0**	**-15.8**	**4.4**
Margin	*-5.6 %*	*-0.3 %*	*-3.5 %*	*-1.2 %*	*-1.2 %*	*-2.9 %*	*0.7 %*
Total taxes	0.3	0.2	3.5	-2.2	-60.1	0.4	1.2
Net income from continuing operations	**-25.6**	**-1.4**	**-17.3**	**-4.1**	**54.1**	**-16.1**	**3.1**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**-25.6**	**-1.4**	**-17.3**	**-4.1**	**54.1**	**-16.1**	**3.1**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**-25.6**	**-1.4**	**-17.3**	**-4.1**	**54.1**	**-16.1**	**3.1**
Margin	*-5.6 %*	*-0.3 %*	*-4.4 %*	*-0.8 %*	*10.4 %*	*-2.9 %*	*0.5 %*
Number of shares, average	24.6	30.9	70.1	70.1	75.6	75.6	75.6
EPS	**-1.04**	**-0.05**	**-0.25**	**-0.06**	**0.72**	**-0.21**	**0.04**
EPS adj.	-1.04	-0.05	-0.25	-1.16	-0.39	-0.21	0.04

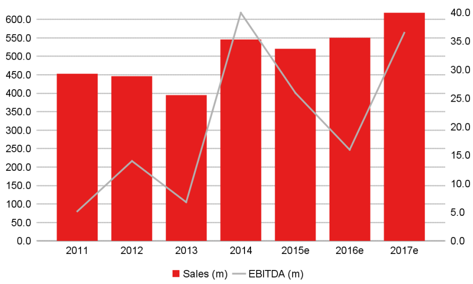
*Adjustments made for:

Guidance: Improving sales and EBITDA

Financial Ratios

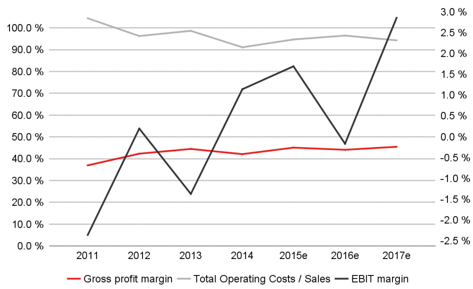
	2011	2012	2013	2014	2015e	2016e	2017e
Total Operating Costs / Sales	104.4 %	96.3 %	98.7 %	91.2 %	94.7 %	96.5 %	94.2 %
Operating Leverage	1.2 x	n.a.	n.a.	n.a.	-8.9 x	n.a.	n.a.
EBITDA / Interest expenses	0.5 x	1.3 x	0.9 x	3.3 x	1.7 x	1.1 x	2.7 x
Tax rate (EBT)	-1.4 %	-16.7 %	-25.1 %	34.7 %	1003.0 %	-2.3 %	28.0 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Sales per Employee	250,725	240,441	208,253	237,190	226,237	239,231	268,653

Sales, EBITDA
in EUR m



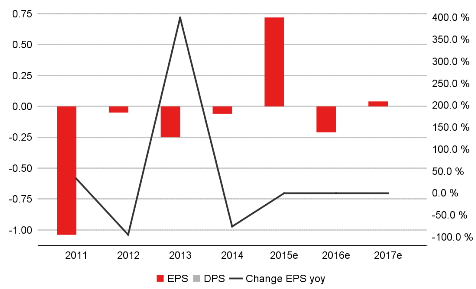
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

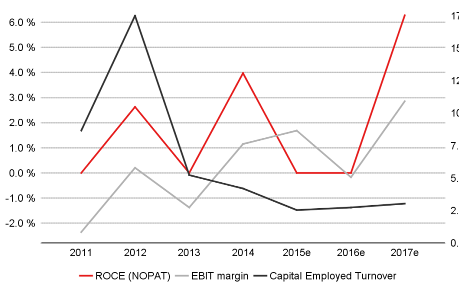
Consolidated balance sheet

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Assets							
Goodwill and other intangible assets	6.0	8.7	9.7	55.0	54.7	54.4	54.1
thereof other intangible assets	4.5	5.0	6.0	49.5	49.2	48.9	48.6
thereof Goodwill	1.5	3.7	3.7	5.5	5.5	5.5	5.5
Property, plant and equipment	73.5	75.7	84.5	111.0	111.4	112.0	110.7
Financial assets	4.0	2.6	2.4	1.0	1.0	1.0	1.0
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**83.5**	**86.9**	**96.6**	**167.0**	**167.1**	**167.4**	**165.8**
Inventories	25.9	24.5	24.0	34.8	33.2	35.1	39.5
Accounts receivable	41.3	45.3	43.2	59.2	62.8	57.3	64.4
Liquid assets	2.2	5.4	3.3	2.3	5.5	4.7	5.5
Other short-term assets	6.7	6.1	14.3	21.2	90.3	90.3	90.3
Current assets	**76.2**	**81.3**	**84.8**	**117.5**	**191.8**	**187.4**	**199.7**
Total Assets	**159.7**	**168.3**	**181.5**	**284.5**	**358.9**	**354.8**	**365.4**
Liabilities and shareholders' equity							
Subscribed capital	67.8	70.1	70.1	70.1	75.6	75.6	75.6
Capital reserve	45.9	3.3	3.3	3.3	3.3	3.3	3.3
Retained earnings	-187.1	-82.3	-91.9	-101.4	-38.4	-54.6	-51.4
Other equity components	0.0	0.0	0.0	0.0	-1.4	-1.3	-1.3
Shareholders' equity	-73.3	-8.9	-18.5	-28.0	39.0	23.0	26.1
Minority interest	0.0	0.2	0.1	0.0	0.0	0.0	0.0
Total equity	**-73.3**	**-8.7**	**-18.4**	**-28.0**	**39.0**	**23.0**	**26.1**
Provisions	26.8	29.3	24.7	37.8	37.3	37.3	37.3
thereof provisions for pensions and similar obligations	18.0	20.3	20.6	28.5	29.1	29.1	29.1
Financial liabilities (total)	109.9	19.3	76.5	131.4	143.7	153.7	153.7
thereof short-term financial liabilities	69.3	1.5	0.0	12.0	9.4	9.4	9.4
Accounts payable	86.9	118.2	70.8	122.5	114.1	116.1	123.6
Other liabilities	9.4	10.1	27.8	21.0	24.7	24.6	24.6
Liabilities	**233.0**	**177.0**	**199.9**	**312.6**	**319.9**	**331.8**	**339.3**
Total liabilities and shareholders' equity	**159.7**	**168.3**	**181.5**	**284.5**	**358.9**	**354.8**	**365.4**

Financial Ratios

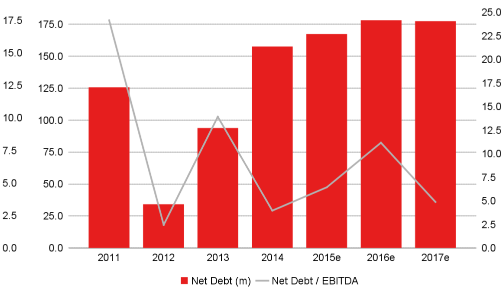
	2011	2012	2013	2014	2015e	2016e	2017e
Efficiency of Capital Employment							
Operating Assets Turnover	8.4 x	16.4 x	4.9 x	6.6 x	5.6 x	6.2 x	6.8 x
Capital Employed Turnover	8.7 x	17.5 x	5.2 x	4.2 x	2.5 x	2.7 x	3.0 x
ROA	-30.6 %	-1.6 %	-17.9 %	-2.5 %	32.4 %	-9.6 %	1.9 %
Return on Capital							
ROCE (NOPAT)	n.a.	2.6 %	n.a.	4.0 %	n.a.	n.a.	6.3 %
ROE	35.7 %	3.5 %	126.1 %	17.7 %	983.0 %	-52.0 %	12.8 %
Adj. ROE	35.7 %	3.5 %	126.1 %	349.0 %	-528.7 %	-52.0 %	12.8 %
Balance sheet quality							
Net Debt	125.7	34.2	93.8	157.6	167.3	178.1	177.4
Net Financial Debt	107.7	13.9	73.3	129.1	138.2	149.0	148.3
Net Gearing	-171.4 %	-392.7 %	-510.5 %	-562.6 %	428.9 %	774.7 %	678.7 %
Net Fin. Debt / EBITDA	2069.3 %	99.6 %	1085.8 %	323.1 %	533.1 %	933.7 %	406.5 %
Book Value / Share	-3.0	-0.3	-0.3	-0.4	0.5	0.3	0.3
Book value per share ex intangibles	-3.2	-0.6	-0.4	-1.2	-0.2	-0.4	-0.4

ROCE Development



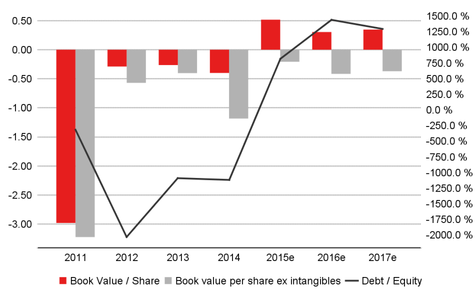
Source: Warburg Research

Net debt
in EUR m



Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

Consolidated cash flow statement

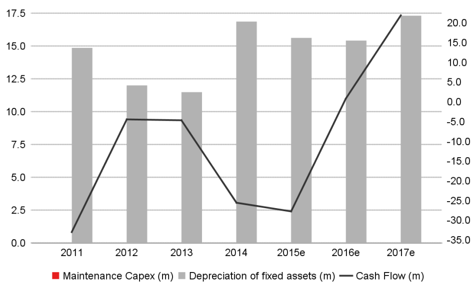
In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Net income	-25.6	-1.4	-17.3	-4.1	54.1	-16.1	3.1
Depreciation of fixed assets	14.9	12.0	11.5	16.9	15.6	15.4	17.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.0	1.1	0.7	16.9	1.5	1.5	1.5
Increase/decrease in long-term provisions	-5.2	-4.8	-6.1	3.5	0.6	0.0	0.0
Other non-cash income and expenses	-18.1	-11.3	6.6	-58.6	-99.7	0.0	0.0
Cash Flow	**-33.0**	**-4.5**	**-4.7**	**-25.6**	**-27.8**	**0.8**	**22.0**
Increase / decrease in inventory	2.3	2.0	0.4	1.2	1.6	-1.9	-4.4
Increase / decrease in accounts receivable	-9.2	3.8	-7.0	0.3	-3.6	5.5	-7.1
Increase / decrease in accounts payable	36.6	24.2	-18.3	39.2	-8.4	2.0	7.5
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	29.8	29.9	-24.9	40.8	-10.3	5.6	-4.0
Net cash provided by operating activities	**-3.3**	**25.5**	**-29.5**	**15.2**	**-38.1**	**6.4**	**18.0**
Investments in intangible assets	-1.9	-1.2	-1.3	-1.1	-1.2	-1.2	-1.2
Investments in property, plant and equipment	-16.7	-13.0	-13.6	-15.5	-16.0	-16.0	-16.0
Payments for acquisitions	0.0	0.0	0.0	-37.0	0.0	0.0	0.0
Financial investments	0.1	0.5	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	1.5	-0.1	1.2	0.8	40.4	0.0	0.0
Net cash provided by investing activities	**-17.1**	**-14.7**	**-13.7**	**-52.7**	**23.2**	**-17.2**	**-17.2**
Change in financial liabilities	-4.1	-51.3	42.0	33.8	12.4	10.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	26.1	46.2	0.0	0.0	5.8	0.0	0.0
Other	-1.9	-1.9	-0.4	2.8	0.0	0.0	0.0
Net cash provided by financing activities	**20.1**	**-7.1**	**41.6**	**36.6**	**18.2**	**10.0**	**0.0**
Change in liquid funds	-0.4	3.7	-1.6	-1.0	3.3	-0.8	0.8
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	**0.6**	**4.3**	**2.7**	**1.7**	**5.5**	**4.7**	**5.5**

Financial Ratios

	2011	2012	2013	2014	2015e	2016e	2017e
Cash Flow							
FCF	-21.9	11.3	-44.4	-1.4	-55.3	-10.8	0.8
Free Cash Flow / Sales	-4.8 %	2.5 %	-11.2 %	-0.3 %	-10.6 %	-2.0 %	0.1 %
Free Cash Flow Potential	4.9	13.8	3.3	42.1	86.0	15.6	35.3
Free Cash Flow / Sales	-4.8 %	2.5 %	-11.2 %	-0.3 %	-10.6 %	-2.0 %	0.1 %
Free Cash Flow / Net Profit	85.5 %	-793.1 %	256.4 %	34.7 %	-102.1 %	67.0 %	23.9 %
Interest Received / Avg. Cash	2.7 %	235.6 %	4.7 %	96.0 %	2.6 %	1.9 %	2.0 %
Interest Paid / Avg. Debt	11.4 %	16.7 %	16.5 %	11.8 %	10.9 %	10.1 %	8.8 %
Management of Funds							
Investment ratio	4.1 %	3.2 %	3.8 %	3.0 %	3.3 %	3.1 %	2.8 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	116.9 %	108.6 %	122.3 %	49.2 %	100.5 %	101.7 %	91.4 %
Avg. Working Capital / Sales	-6.6 %	-7.6 %	-6.6 %	-2.9 %	-4.5 %	-3.8 %	-3.5 %
Trade Debtors / Trade Creditors	47.6 %	38.3 %	61.1 %	48.4 %	55.0 %	49.4 %	52.1 %
Inventory Turnover	11.1 x	10.5 x	9.2 x	9.1 x	8.7 x	8.8 x	8.5 x
Receivables collection period (days)	33	37	40	40	44	38	38
Payables payment period (days)	111	167	116	141	144	137	134
Cash conversion cycle (Days)	-75	-129	-73	-97	-97	-92	-86

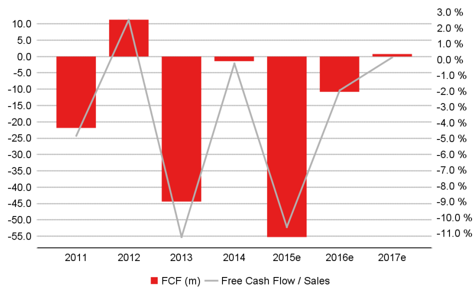
CAPEX and Cash Flow

in EUR m



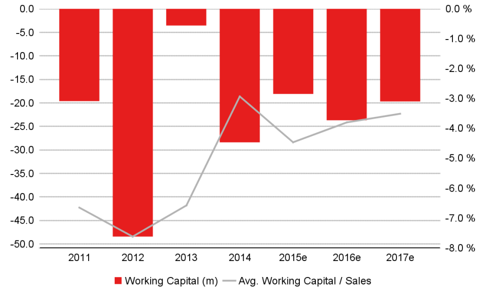
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
ALNO	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007788408.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	114	62
Hold	58	32
Sell	6	3
Rating suspended	5	3
Total	**183**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment banking services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	20	69
Hold	7	24
Sell	1	3
Rating suspended	1	3
Total	**29**	**100**

PRICE AND RATING HISTORY ALNO AS OF 03.12.2015

The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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