

Balance Press Conference

Fiscal Year **2016**



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1. Total market for furniture and kitchens 2016

On the occasion of the International Furniture Fair in Cologne in January 2017, the furniture industry looks back on 2016 with much satisfaction. A favourable employment situation and low capital market yields led to a high buying propensity for consumer durables on the part of end consumers again in the past year. Germany's furniture manufacturers also benefitted greatly from this.

Although the buying propensity of end consumers declined somewhat in the 4th quarter of last year, the industry associations are anticipating a sales increase of roughly 3.5 percent for the entire furniture market in 2016 over the figures from the previous year. It is notable that export sales can be credited with a stronger growth impulse than domestic business, which made a positive contribution of 2.5 percent to industry growth as per the end of November 2016.

The kitchen furniture industry can also look back on 2016 as a successful year. According to the most recent reports of the trade association, overall growth in the German kitchen furniture industry as of the end of November 2016 was 4.2 percent. Once again, the kitchen furniture segment proved to be more successful than the furniture industry as a whole. Strong international sales proved to be a main growth driver here as well with a gain of 8.7 percent. The sales growth in the export sector was uniformly distributed between countries both inside and outside the Euro zone, according to information by the VdDK (the German Kitchen Furniture Industry Association). Thus, the industry is now well-positioned in foreign markets.

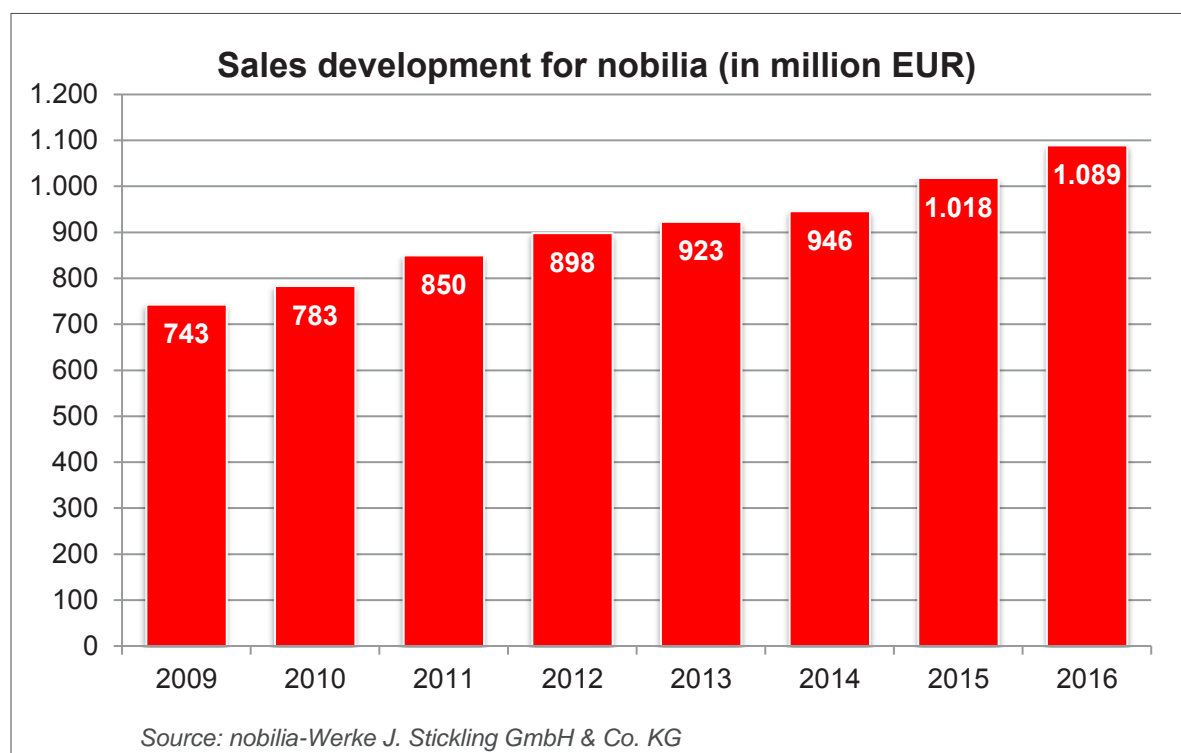
According to statements by the industry association, domestic sales made only a moderate contribution to the overall growth with a gain of 1.5 percent as per the end of November 2016. As a result, the export quota for the kitchen furniture industry rose to 38.5 percent.

2. Sales development for nobilia 2016

2.1. nobilia overall

Again in 2016 nobilia was able to disconnect from the sales trend of the industry with continued growth above the kitchen industry average.

With sales of 1.089 billion EUR in 2016, the billion mark in sales was not only achieved, but significantly exceeded. Export sales totalling 1.018 billion EUR in 2015 were exceeded in 2016 by 70.4 million EUR. The resulting growth represents a sales increase of 6.9 percent as compared to the previous year.



In short, nobilia continued its steady sales growth. Consequently, nobilia once again confirmed its outstanding position as market leader in Germany and further strengthened its dominating presence throughout Europe.

Roughly 660,000 kitchen commissions over the course of a year, or nearly 3,000 commissions per working day, means that an unprecedented standard in terms of physical scale was realised yet again.

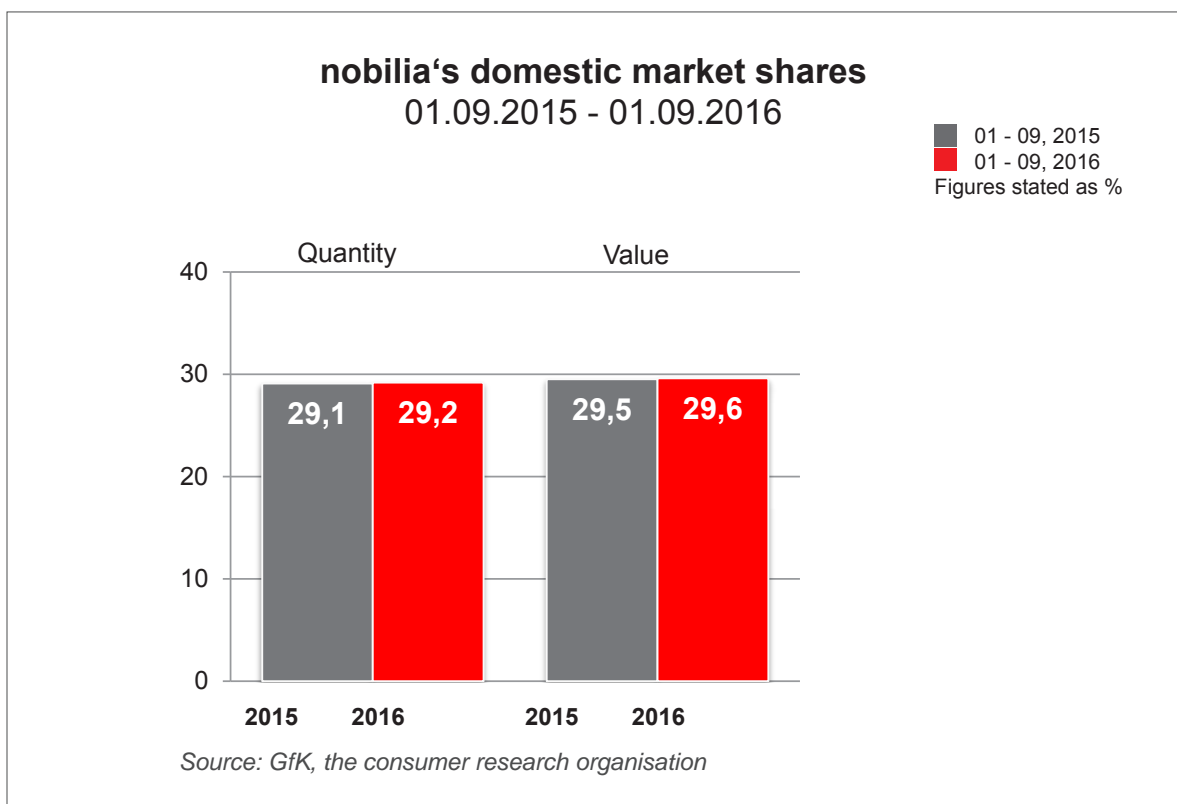
As in previous years, the sales increase was primarily due to business with wooden parts. Customers both domestically and abroad have expressed the desire for customised alternatives to the nobilia brand – for various reasons – and this was accomplished through the concept of marketing various “private labels,” which has meanwhile grown to include more than 100 brands.

nobilia still ranks as one of the leading providers in the so-called complete marketing business with kitchens, and thus offers trade partners kitchens that include electrical appliances and accessories all from a single source. Twelve electrical appliance brands – including four exclusive brands – cover the various price segments from the introductory price level to the high end level. Nearly half of the produced commissions are delivered with the respective electrical appliances.

Compared to the previous year, the sales figures for electrical appliances remained more or less constant and thus could not keep pace with the volume increase in wooden parts. This was caused in part by the private label strategy of various retail groups in the domestic market, and in part by nobilia’s ever-increasing volume of export sales. Even though the concept of complete marketing gained increasing approval in the export business over the past years due to the numerous logistical advantages, the range of appliances also reached its limit in individual export markets – primarily new ones – because of divergent technical standards, but also because of regional unfamiliarity with this type of marketing. With increasing penetration of these new markets it is important to continue intensifying efforts to communicate the advantages of complete marketing. The quick and easy processing of orders, the great value for money and the Internetfreedom with the private label brands offered by nobilia are proving to be important sales factors even abroad. Thanks to the range of brands offered and the increasing number of private label brands, the complete marketing quotas in many core export markets have already reached the same level as those of the domestic market.

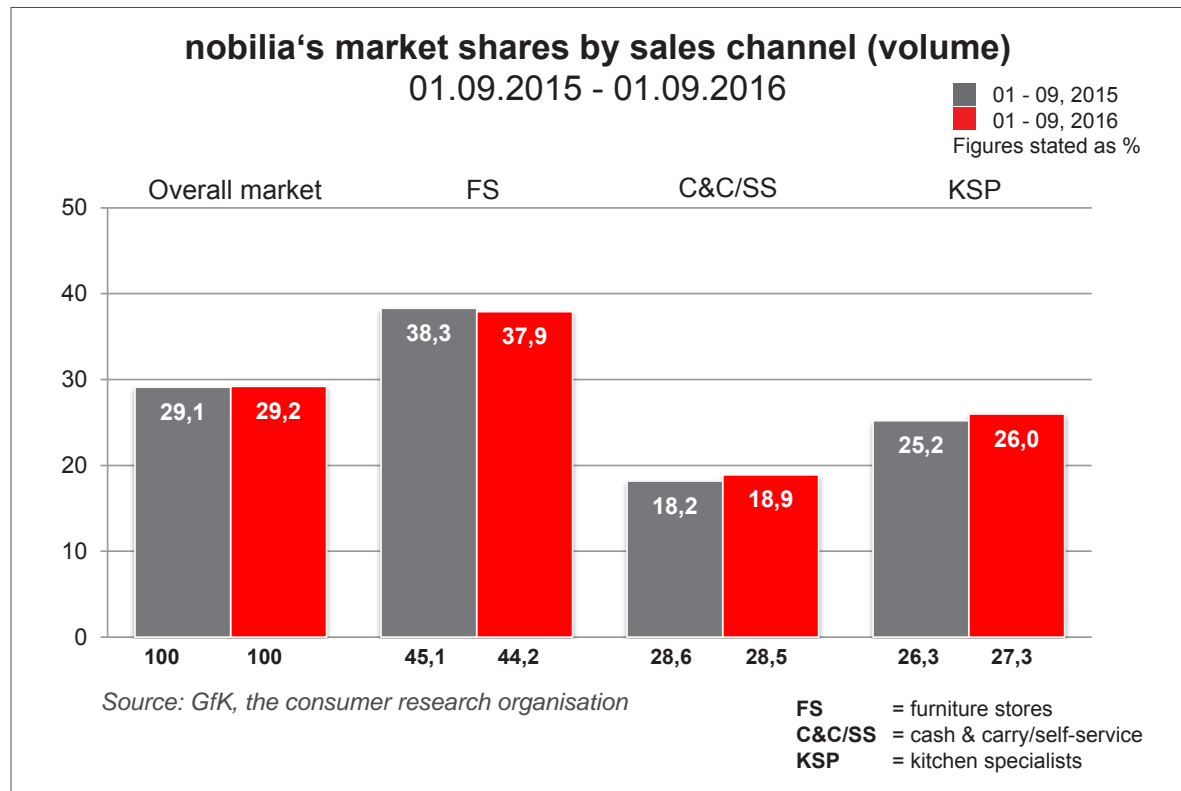
2.2. nobilia domestic

Domestic sales for 2016 reached 604.5 million EUR, which is an increase of 13.4 million EUR over last year's 591.1 million EUR. With a growth rate of 2.3 percent, this development also lies above the growth expectations of the kitchen furniture industry. Therefore, domestic sales contributed roughly one fifth of the absolute sales growth of 70.4 million EUR.



According to the studies of the GfK (consumer research association), the domestic market shares increased moderately in comparison to the previous year and are thus – in terms of both quantity and value – roughly at the same level as last year, nearly 30 percent. Thus, the assertion still holds true that almost every third kitchen sold in Germany comes from Verl.

In addition to considering the total market, the GfK also differentiates between three different sales channels: furniture stores, cash and carry/self-service and kitchen specialists.

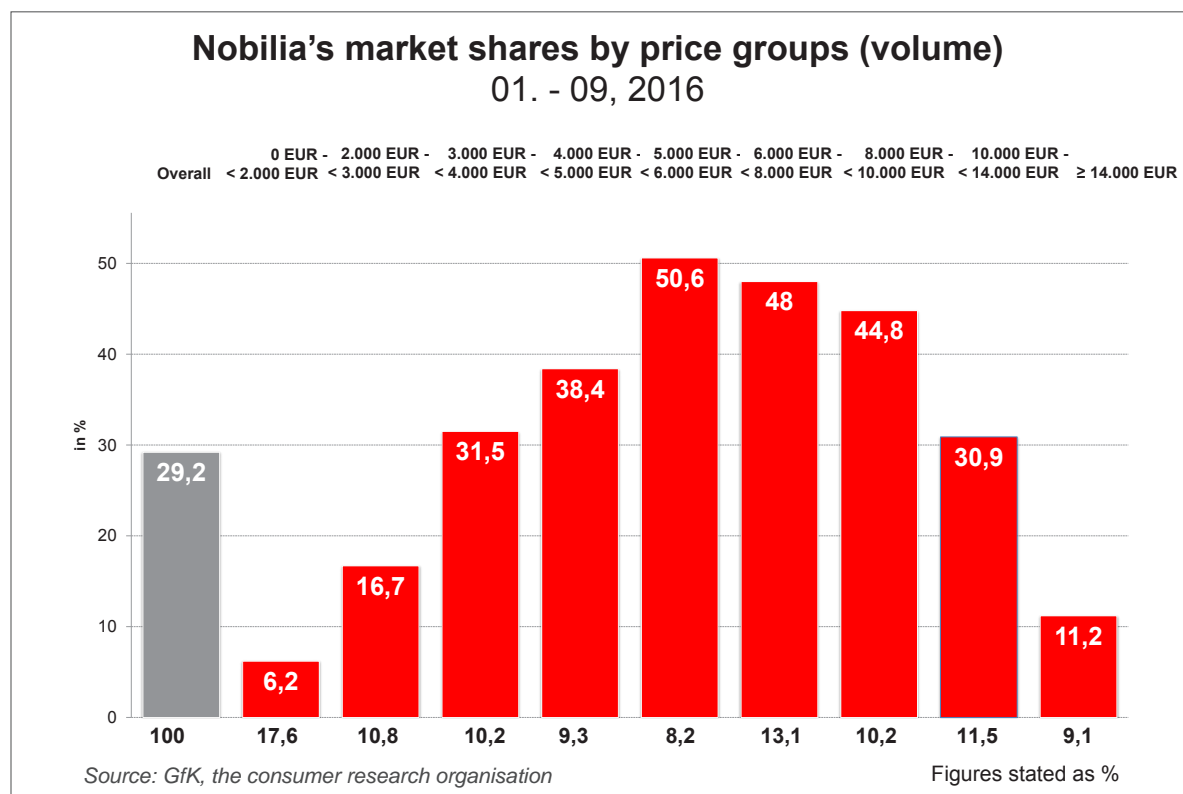


According to the findings of the GfK, 44.2 percent, or roughly viewed, almost half of the kitchens sold in Germany, are sold through furniture stores. At the same time, this largest sales channel – in terms of quantity – represents the most important sales channel for nobilia: nobilia reaches a market share of roughly 38 percent through furniture stores.

Just under 30 percent of kitchens sold in Germany are sold through the sales channel of cash & carry/self-service – considerably fewer than through the sales channel of furniture stores. Parallel to this development, nobilia's market share of 18.9 percent is also considerably lower than the sales channel of furniture stores. The smaller market share in this sales channel is in part due to the fact that the lower price segments in cash & carry/self-service are increasingly dominated by a not inconsiderable amount of so-called "disassembled products". As is well-known, nobilia does not offer these products. Compared to the same period in the previous year, however, nobilia did achieve a moderate increase in the market share in this area.

The GfK estimates that the market share of kitchen specialists has risen – compared to last year – to 27.3 percent. Nobilia again achieved moderate growth in its market share for this sales channel – parallel to the growth of the overall market – from 25.2 percent to 26.0 percent. Consequently, now every fourth kitchen purchased from a kitchen specialist in Germany is manufactured by nobilia.

Breaking down the market shares by price groups is also insightful for an evaluation of nobilia's domestic market position.

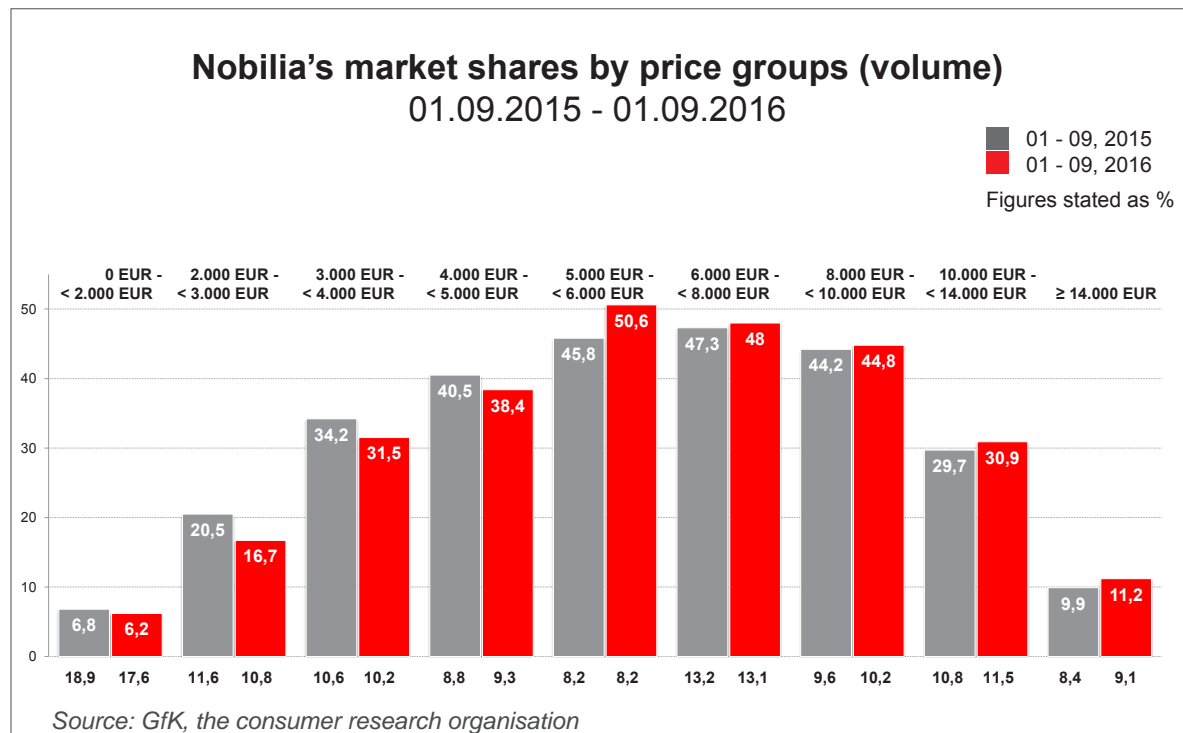


According to the findings of the GfK, 62.5 percent of all kitchens sold are in a price range between 3,000 and 14,000 EUR.

And 17.6 percent of kitchens are sold in the so-called entry price level – in which a kitchen with electrical appliances costs the end customer less than 2,000 EUR. Here, nobilia's market share is only 6.2 percent. In this regard, it is important to note that this price group is primarily determined by disassembled products, which, as is well-known, nobilia does not offer.

nobilia records significantly higher market shares in the range between 3,000 and 4,000 EUR. Here, nobilia's market share is 31.5 percent. In the wide mid-range of the market – in the price range between 4,000 and 10,000 EUR, in which over 40 percent of German kitchens are sold – nobilia's market share is between 38.4 and 50.6 percent. In fact, in the price segment from 5,000 to 6,000 EUR more than every second kitchen comes from nobilia in Verl.

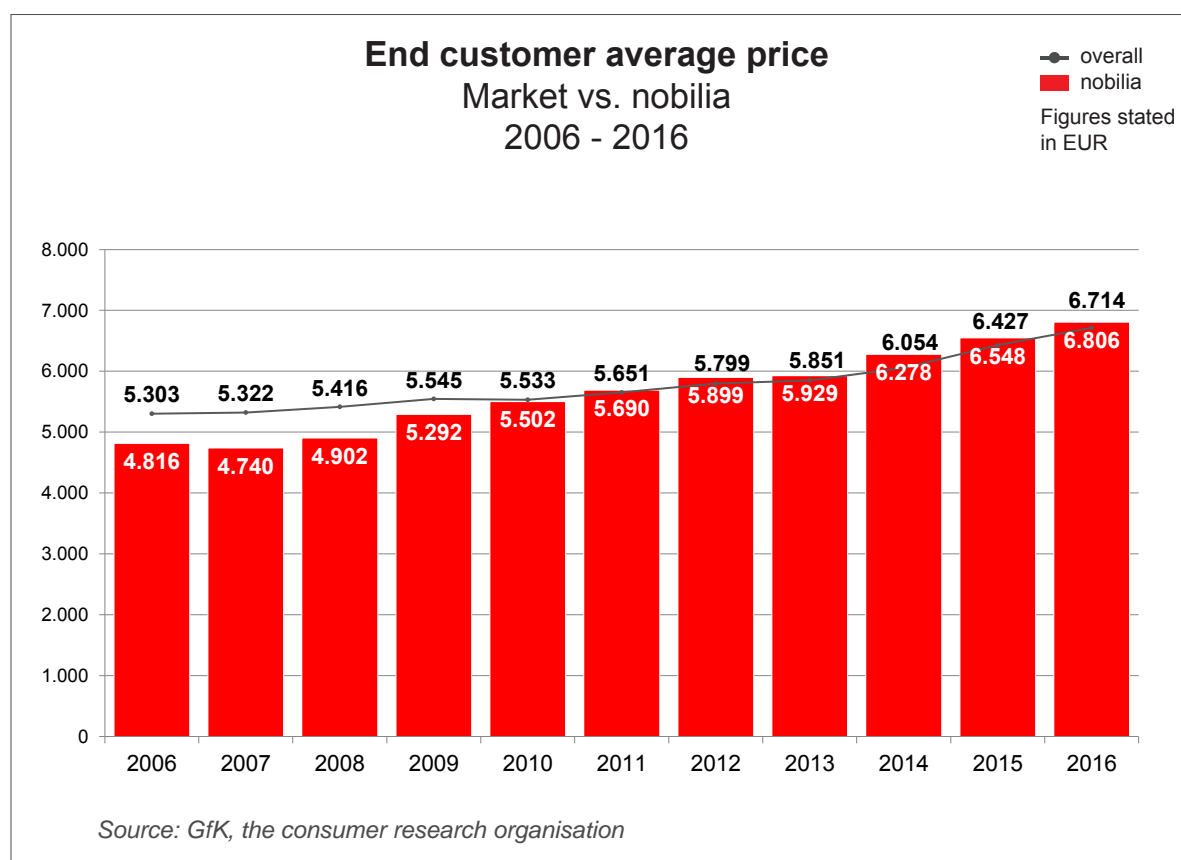
With these market shares, nobilia is the market leader within the price groups which make up the wide middle range of the market. This development confirms yet again the lasting dominance at the midway point of the market.



The change in market shares compared to this period in the previous year shows nobilia's ongoing positive development in the market's upper price segments. nobilia did not gain any market shares in the lower price segments. In an annual comparison of all price segments of the market from 5,000 EUR – and thus the segment of the market in which over 52 percent of the kitchens in Germany are sold – nobilia was able to win market shares.

The overall impression is one of a tendency toward the higher end of the market – nobilia has now achieved a market share of over 11 percent, even in the top price segment of the market – above 14,000 EUR.

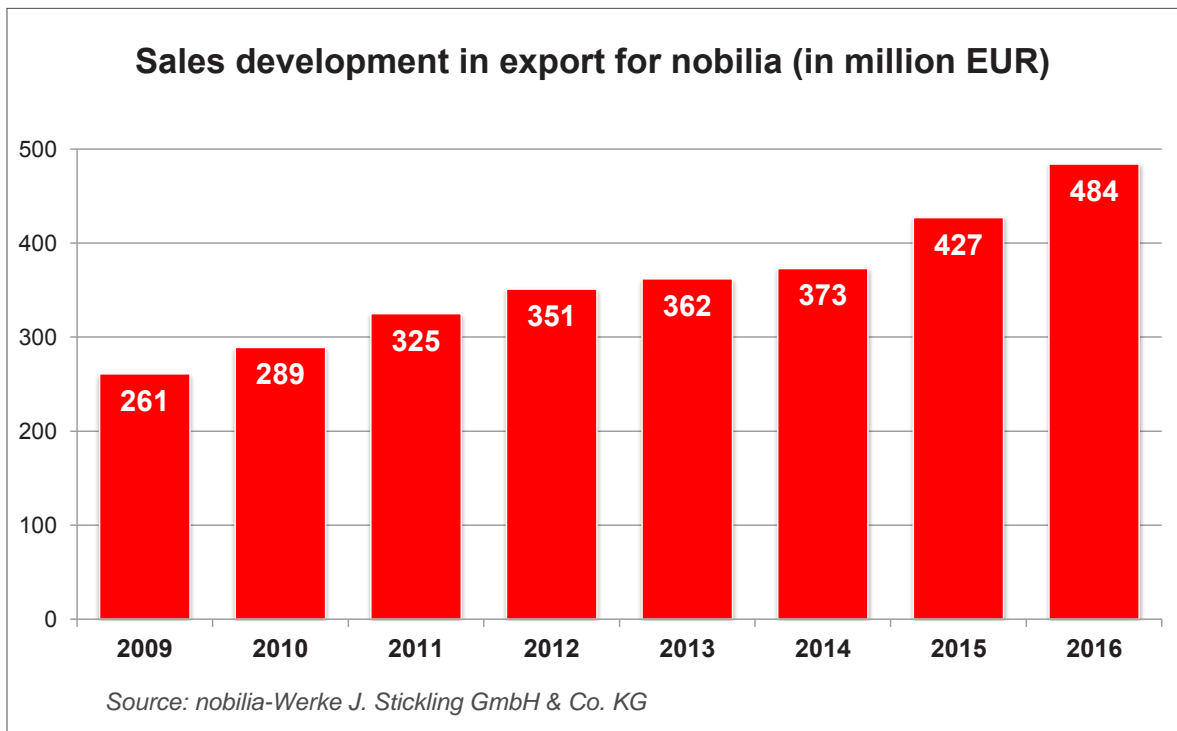
The long-term trend toward trading-up – a development in the higher end market segments – appears not only with nobilia, but also in the general market development. The following graphic documents the development of the average prices for end customers.



The average price end customers paid on the market increased from 5,303 EUR in 2006 to 6,714 EUR in 2016. The average price level at nobilia increased during this time period from 4,816 EUR to 6,806 EUR and has thus been above that of the market level since 2011. It should be noted here that with a market share of nearly 30 percent, nobilia was ultimately able to have a decisive influence on the increasing market price trend.

2.3. nobilia Export

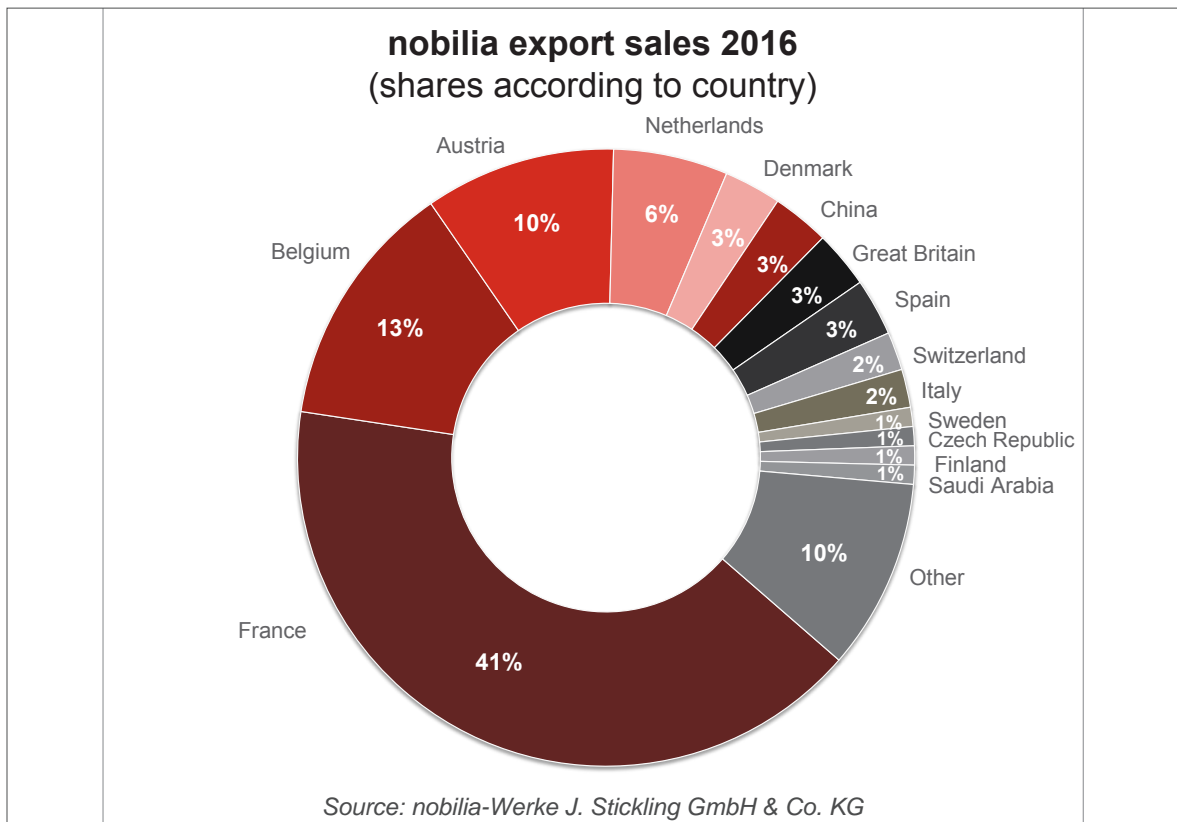
Export sales totalling 484.3 million EUR in 2016 exceeded figures from the previous year by 57.0 million EUR – equivalent to a 13.3 percent increase.



Export sales in 2016 proved once again to be a significant impetus for growth. The export ratio is now 44.5 percent and exceeds the previous year's figure of 42.0 percent, as well as the industry average of 38.5 percent.

The allocation of export sales by country shows no significant changes compared to the previous year.

The main focus of the relevant export sales is in the neighbouring European countries. Sales in France continued to dominate with a share of 41 percent of the overall export sales. The markets in Belgium followed with 13 percent and Austria with 10 percent share of the overall export.



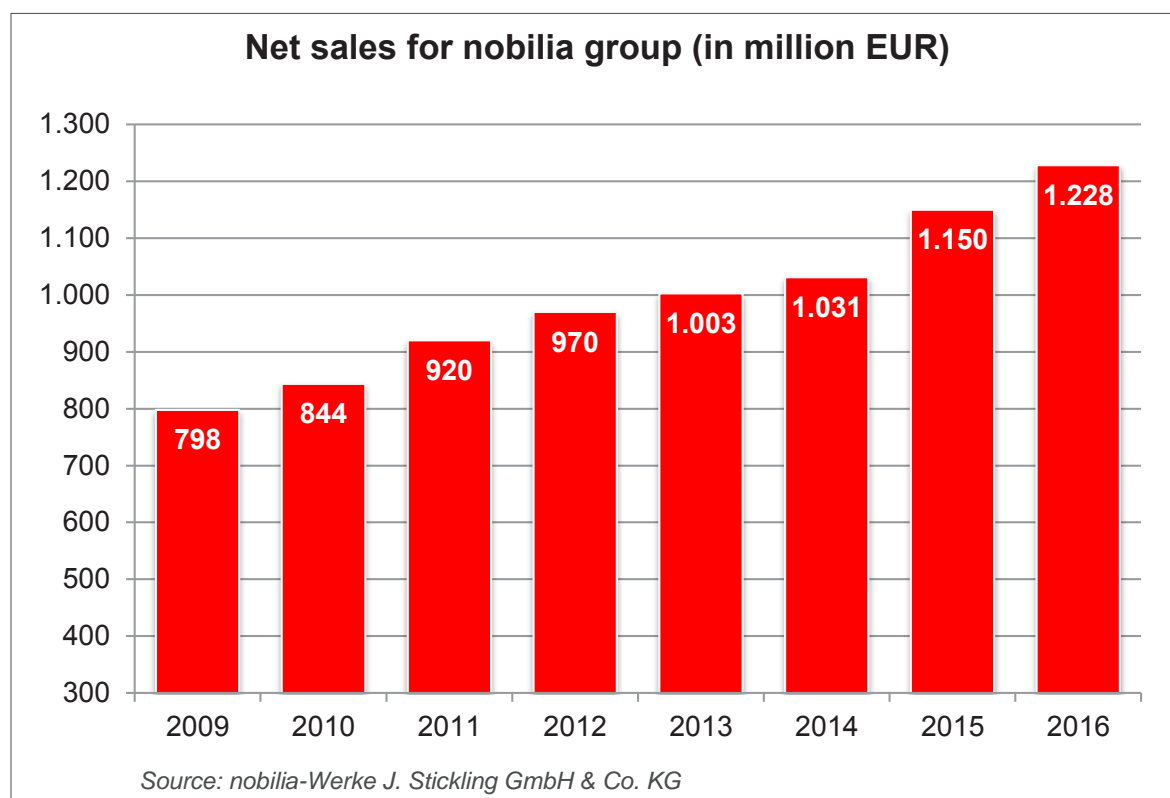
Growth drivers here were not only the large export markets such as France, Belgium or the Netherlands, but increasingly also more distant markets such as Saudi Arabia or China. In addition, many smaller export markets were further developed in 2016, which taken together, also contributed a not insignificant amount to the export sales growth.

3. nobilia Company Group

The core business of nobilia is the production of kitchens in Germany at its headquarters in Verl. The sale of these kitchens takes place through trade partners in more than 80 countries around the world. In recent years, this business abroad has been supplemented with various forms of retail sales. The goal of these additions was and still is to expand or secure additional distribution channels – exclusively abroad – for the production capacities at the two production sites in Verl.

In Sweden and England nobilia operates kitchen studios on its own responsibility under the names Noblessa Sverige and K tchenhaus respectively. In addition, nobilia has a minority interest in a retail chain in Belgium, which operates on the market with studios of the sales line  ggo. Furthermore, nobilia is the majority shareholder in the Franchise Organisation FBD (Franchise Business Division), which is currently active with some 400 studios from the sales channels Ixina, Cuisine Plus, Cuisines R f rences and Vanden Borre Kitchen. FBD is represented through its studios in France and Belgium as well as increasingly in markets worldwide.

To calculate the group sales, firstly the internal sales must be eliminated (consolidated) and secondly, the ownership structure must be taken into account (apportioned). It was also taken into account that only the franchise fees and not the sales revenues are included in the determination for the franchise organisation.



Including these activities, the nobilia Company Group's export sales increased to 1.228 billion EUR. This represents an increase of 78 million EUR – or 6.8 percent – over last year's 1.150 billion EUR.

4. In-house exhibition 2016 and Collection 2017

About some 12,800 industry professionals from 54 countries visited the in-house exhibition in September 2016. The new 2017 collection, which was presented there for the first time, was well-received by both industry professionals and the market.

The doors opened on the nobilia in-house exhibition to reveal a completely new design and a restructured layout concept. In addition to the new features presentation area which boasts a total of 67 kitchens, the 4,000 m² exhibition now also houses an elaborately designed area to showcase cottage style. Additionally, an independent Noblessa showroom was also integrated into the overall presentation.

True to the motto “nobilia accentuates,” the 2017 nobilia collection is dedicated in large part to a defining trend of our time, namely the consumer’s desire for extensive individualisation of products. With its Color Concept approach and extensive enhancements to the assortment of elements and décors, nobilia opens up totally customisable freedom of design – from small pops of colour to large-scale application. Seven new digitally printed motifs enable creative accents in niche cladding. The décor palette ranges from retro style tile motifs to the popular patchwork design and to brickwork and steel-like appearances with industrial charm.

20 new fronts not only allow designs in all price segments, but also in the most relevant interior designs and material trends. These include the industrial look, the new cosiness, urban chic, finishes in lacquer and lacquered laminate and the old favourite, cottage style. Handleless kitchens remain a hot trend in the industry. Here, nobilia sets the standard with its LINE N range. The wealth of variations in handleless kitchen design has been further expanded in the 2017 collection with the addition of twelve new fronts.

Concrete has increasingly established itself in home interiors as a material with a lasting stylistic influence. In fact, concrete-look finishes are the ultimate design tip for kitchens with industrial charm. Last year nobilia made industrial chic attainable for everyone with the front Riva in Concrete grey reproduction. Now there is a sequel to this successful front, in White concrete reproduction. The warm and subtle colouring adds an inviting ambience to the industrial style in concrete-look kitchens.

What's more, the Color Concept range also offers a slate grey concrete décor. Ferro bronze is the décor highlight for trendsetting designs with a metallic glamour factor. Ferro bronze takes its inspiration from the latest trend toward copper, bronze and rose gold, which has its origins in fashion, and now lends a touch of luxury to home interiors.

The trend toward lacquer and lacquered laminate with a matt finish continues unabated. Along with the top seller – Alpine white – three new colours, Savannah, Black and Aqua, expand the palette of popular solid colours.

The desire for naturalness and comfort in one's own home continues as strong as ever. nobilia supports this trend with the new décor Sherwood oak reproduction. Thanks to unusually deep embossing, the Sherwood oak reproduction looks and feels beautifully authentic.

The framed doors segment was also supplemented by three additional models. They round off the range in a modern classic style as well as kitchens in the modern cottage style.

The borders between interior spaces for cooking, eating and living are becoming increasingly blurred. The new Boulevard wall unit with glass doors follows the trend toward opening up living spaces. It brings cosiness to the kitchen with its glass cabinet character, and is an ideal display area for art and collectibles.

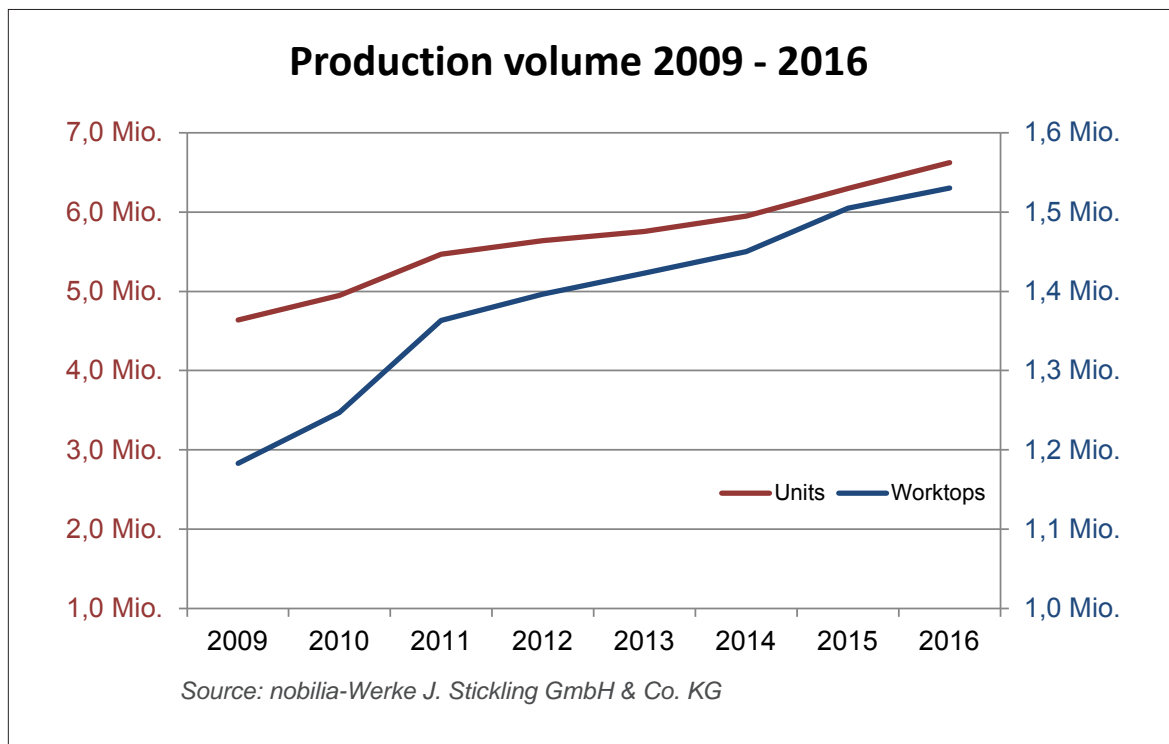
nobilia offers new, integrated LED lighting systems for shelves and niche claddings. Equipped with Emotion technology, they bring a pleasant ambience to the kitchen.

In the area of electrical appliances, the trend toward downdraft extractor fans continues unabated. To accommodate this trend, nobilia has integrated downdraft extractor fans from Airforce and Elica into its selection of appliances. Together with a self-contained range of models for hot plate units with downdraft extractor fans, retailers benefit from yet another complete solution from a single source.

The retail market received the new features of the collection with very positive feedback. The high number of orders for showroom kitchens received following the in-house exhibition is a reliable indicator that the 2017 collection was well-received by the market.

5. Production and investments

With roughly 660,000 kitchen commissions, approx. 6.6 million units and more than 1.5 million worktops – based on sales growth – production volumes reached new peak values.



At the end of the year, daily production volume was roughly 29,700 units, of which 13,500 units were produced in the Verl-Kaunitz plant. With the above-mentioned 16,200 units, the plant in Verl-Sürenheide has already been operating near maximum capacity for several years now. Accordingly, the volume increase in 2016 – just as in previous years – was only achieved in the Kaunitz plant.

In 2016 investments totalled more than 51 million EUR. The main focus of investments remained the two plants in Sürenheide and Kaunitz. At the Sürenheide plant this primarily consisted of replacing old systems/equipment and improving production flows.

At the Kaunitz plant we invested further in the expansion of our production capacities. In this context, the components and worktop production were further expanded. Moreover, the existing production flows here were optimised due to the continuously increasing complexity of the product.

Another focus of investment at the Kaunitz plant is the realisation of a highly automated logistics centre for accessory materials, which is set to be put into service in the first half of 2017.

The remaining investments are related to the area of EDP/IT and the vehicle fleet, for the 20 new trucks and 72 new semi-trailers that were purchased.

6. Environment and sustainability

For nobilia, growth and change are inseparable from sustainability and continuity. As a company rooted in the region, nobilia feels a certain long-term responsibility to these special values and has thus committed itself equally to economical, ecological, and social issues.

nobilia sees itself as having a high degree of responsibility for customers and employees, products and production methods. The quality of our products and the respective accompanying service is our main objective. To this end, nobilia uses its “integrated management system for quality and the environment” as an instrument for continual improvement of all services and processes. The quality of products and production processes, as well as focussing on customer benefit, count among the company’s key success factors. To this end, nobilia has had its management systems evaluated by neutral authorities for many years. The external certification in accordance with the international standards for quality, environmental protection and energy management was successfully renewed in 2016.

As a manufacturer of nearly 3,000 kitchens per day, nobilia has a correspondingly high resource consumption. nobilia utilises predominantly wood and thus natural materials, so that a sustainable and forward-looking stewardship of raw materials and resources is compulsory. nobilia proves its strong commitment with its environmental management system that is ISO certified as well as the PEFC certification for the use of wood materials from sustainable forestry.

In 2016, nobilia was the first kitchen manufacturer to join the “climate agreement for the furniture industry” of the Deutsche Gütegemeinschaft Möbel (DGM) – the German Furniture Quality Association – which was founded at the beginning of last year. With this, nobilia once again underscores its sense of responsibility to the environment and to the climate goals of the German government as well as those of the United Nations. The basis for the DGM climate agreement is the determination of a company’s carbon footprint. This footprint is continually analysed in cooperation with a climate protection consulting service.

Supplementary to the energy management system introduced in 2013 in accordance with DIN EN ISO 5001:2011, the carbon footprint audit for nobilia also serves to identify additional starting points for the conservation of energy resources and to define company-specific climate protection measures.

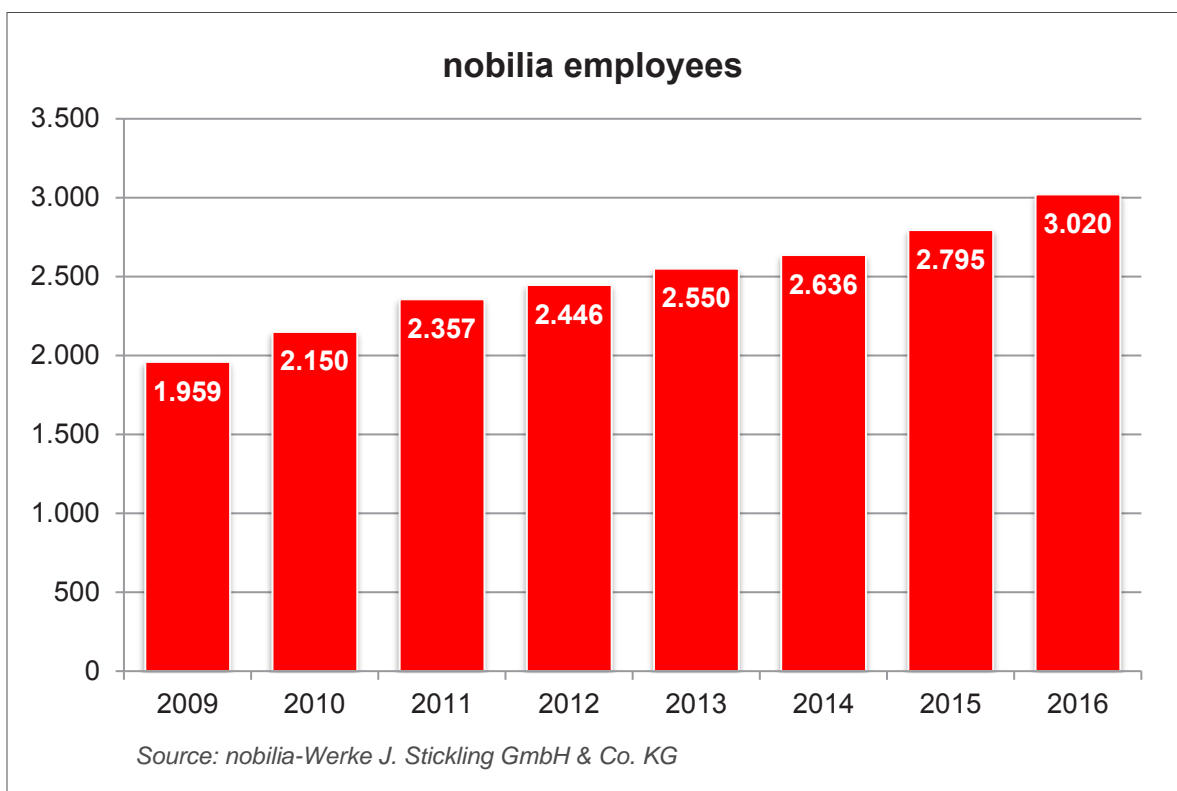
In the framework of the above-mentioned energy management system, 2016 saw additional savings in energy consumption. Consequently, electricity consumption in the company sank by 1 percent per unit produced. These savings were realised through various methods such as, for instance, expansion of LED lighting in the production hall, heat recovery from compressors and the expansion of the energy measurement system. The reduction of electricity consumption should be valued even higher in light of the fact that the degree of automation in the production process was increased simultaneously, which is fundamentally accompanied by higher electricity use.

nobilia has maintained its own fleet of vehicles for many years now, in order to guarantee that its high quality standards are also met in the delivery of the products. In order to keep CO₂ emissions as low as possible, two-thirds of the vehicle fleet has already been converted to trucks compliant with the EURO 6 exhaust emission standard. ECO driver training and the use of a telematic system also encourage an ecologically and economically intelligent driving style. In this way, diesel consumption was reduced last year by 1.2 percent per every 100 kilometres driven. This adds up to overall savings of nearly 60,000 litres of diesel fuel.

Against this backdrop of responsible use of resources, the optimisation of the materials recycling counts among the other components of the sustainable corporate strategy. In 2016 the successful continued development of the nobilia waste management concept led to an additional reduction of 5 percent in the residual waste per unit produced, as compared to the previous year. This saving was achieved through numerous individual measures. Among these, a waste disposal concept for better separation of recyclables and packaging deserves special mention. This concept makes provisions for targeted separation of reusable materials, so that raw materials can be purposefully sent to further processing or recycling.

7. Mitarbeiter und Ausbildung

The number of employees increased from 2,795 at the end of 2015 to 3,020 at present. More than 350 people were hired in order to replenish 225 employees lost in consideration of normal fluctuations. The majority of new hires took the form of a capacity-related personnel increase of the staff at the VerlKaunitz plant, as well as in the areas of sales and the company vehicle fleet.



The company currently has 119 young people learning one of ten business or technical occupations. This represents an increase in the number of training positions available compared to last year. Due to the increasing automation of our production processes, nobilia has added a new dual course of studies for industrial engineering to its portfolio of apprenticeship trades. We presently have ten students working toward one of three dual courses of study. Through a combination of an in-company training and a Bachelor's degree programme, the dual-studies students are extensively prepared for their future careers in the subjects of business administration, wood technology or industrial engineering and management.

Essential to our training programme is a balanced combination of theory, practice and training. The range of offerings is rounded off with foreign language instruction and the opportunity to stay in a foreign country as part of the training programme. Our trainees and dual-training students in both technical and commercial areas made use of the additional in-house education to successfully complete their vocational final examinations. Again in 2016, following the successful final examinations, we offered all of the trainees a job with the company.

Due to our increasing export sales, we already communicate currently with our customers around the globe in some 20 languages. With increasing globalisation, a solid knowledge of foreign languages is becoming more important day by day, not only in the sales department, but in virtually all areas of the business. With this in mind, nobilia introduced an independent concept for intensive language training in 2016.

In addition to traditional learning formats such as seminars or language training, development of professional and personal skills primarily takes place as part of the daily work routine. A large part of the knowledge is imparted through practical experience and direct collaboration with colleagues and supervisors. To this end, extensive internal educational programmes have been implemented, in which our employees learn, among other things, to further improve our high standards for quality.

In response to demographic change, the existing concept for age-equitable workplaces was further expanded in individual departments. Furthermore, our work-from-home positions were increased, to enable more employees to better integrate their family and work life.

At the end of 2016, in addition to the standard Christmas bonus, every employee received a special bonus in the amount of 1,550 EUR (gross). Company expenses totalled approx. 4.5 million EUR.

8. Expectations and plans for 2017

In 2016, for the 16th time in a row, nobilia achieved steady sales growth. The goal for 2017 is to continue on this path of steady growth.

Generally speaking, we are looking toward 2017 with cautious optimism. Leading economic research institutes are predicting economic growth of roughly 1.3 to 1.7 percent in Germany. The continued high level of buying propensity, minimal capital market returns and a good employment situation will presumably have a positive influence on domestic sales. This growth is facilitated by a lasting high demand for “affordable” housing, which will again strengthen construction activity. The German kitchen furniture industry will thus continue to profit from this again in 2017. It should be noted here that the mid- to long-term potential for growth on the domestic market is not unlimited, due to the already large market share achieved.

Whereas foreign markets still offer differentiated prospects. As a result, the prognosis for individual European markets is quite positive, even though some turmoil can be detected in a few export markets due to international political developments, and the effects of this on the overall market trends cannot be foreseen at this time. The same holds true, for instance, for the future political and economic orientation of the USA following the presidential election or also for the repercussions of the announced departure of Great Britain from the European Union.

The good news however, is that to date the uncertainty in some segments of the population caused by the above-mentioned events has been scarcely reflected in the economic statistics. Economic forecasts are also predicting continued growth for the global economy, which is expected to be sustained primarily by private consumption.

In such a diverse economic environment, independence from individual countries and markets is paramount. With our widely diversified export sales, we feel we are well-equipped for continued growth in our export segment, even against this backdrop.

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