ALNO AG

Annual Report 2013

Group key figures

of ALNO Aktiengesellschaft, Pfullendorf, as at 31 December 2013

in € 000	2013	2012	2011	2010	2009
Consolidated income statement					
Sales revenue	395,056	446,258	452,810	467,297	493,373
Total operating performance	407,111	456,452	459,962	472,366	496,109
EBITDA	5,502	13,959	5,204	986	17,272
EBIT	1,175	877	–10,698	–11,118	–22,914
EBT	–7,241	–1,217	–25,216	–12,178	–39,201
Consolidated net profit or loss	–10,718	–1,420	–25,561	–13,084	–38,964
Profit per share (diluted and undiluted) in EUR	–0.15	–0.05	–1.04	–0.78	–2.46
Consolidated statement of financial position					
Non-current assets	99,830	89,213	86,455	86,598	85,295
Investments in property, plant and equipment	13,556	12,997	16,660	15,220	15,117
Liquid funds	3,266	5,402	2,243	3,041	2,857
Equity	–18,381	–7,462	–73,344	–69,722	–71,132
Subscribed capital	70,095	70,095	67,847	45,231	41,124
Balance sheet total	181,469	168,252	159,670	157,698	165,026
Consolidated cash flow statement					
Cash flow from operating activities	–29,522	25,471	–3,261	11,540	21,210
Cash flow from investment activities	–13,677	–14,737	–17,138	–14,300	–15,967
Cash flow from financing activities	41,634	–7,052	20,051	2,488	–5,303
Cash change in cash and cash equivalents	–1,565	3,682	–348	–272	–60
Employees					
Employees as at 31 December	1,875	1,926	1,845	1,787	1,900
Yearly average number of employees	1,897	1,856	1,806	1,840	1,885
Personnel expenses	95,263	97,204	98,529	97,900	98,539
Yearly average personnel costs per employee	50	52	55	53	52
Yearly average sales volume per employee	208	240	251	254	262

Company profile

The ALNO Group is the second-largest manufacturer of fitted kitchens in Germany and the fifth-largest in Europe. As well as the company's headquarters in Pfullendorf (Baden-Württemberg), the company also produces at sites in Brilon (North Rhine-Westphalia), Coswig (Saxony-Anhalt) and Enger (North Rhine-Westphalia) as well as in Dubai in the United Arab Emirates. The ALNO Group has subsidiaries in the UK, France, Switzerland and the USA. Worldwide, the company employs just under 1900 people.

Started on a small scale in the German town of Wangen in 1927 as the "Selbständige Schreinerei Albert Nothdurft", the company has developed into what is today a globally active kitchen furniture group. From 1960 onwards, the company focused on the development, production and sale of kitchen furniture as well as on selling electrical appliances and accessories. In 1969, ALNO started expanding into other European countries, and later made a move into the wider world. Today, the company has about 6000 sales partners in 64 countries. The foreign portion of sales currently amounts to about 42%.

ALNO offers kitchens in all price segments – based on its internationally known and diversified brand structure with ALNO, WELLMANN, IMPULS and PINO. The focus in this is on quality, design and innovation. Also, an excellent price / performance relationship and high customer benefit are critical features. Sales are conducted through retail partners in the segments of self-service and RTA stores, furniture stores, kitchen specialists as well as real estate project developers. Due to its long tradition, ALNO enjoys an extremely high level of brand recognition and popularity.

The ALNO brand world

The ALNO Group combines four high-profile, independent brands under one roof. Each individual brand successfully appeals to very different customers. We have revised our brand portfolio in order to safeguard our shared success. For us, it is important always to offer innovative products to customers and consumers through different sales channels and in various price segments. The awards we have won in this process give us the motivation for continuous improvements.

ALNO

stands equally for 85 years of tradition and innovation. ALNO is also the premium brand in the Group. It combines maximum quality with award-winning design. ALNO bespoke kitchens offer customers an enormous variety of design options, including floating and handleless kitchens, with top class service.

wellmann

is characterised by variety, modern design and planning flexibility. The focus is on elegant, classically modern and individual style. With the new kitchen generation, WELLMANN serves trend-oriented consumers in the medium-to-upper price segment, and is characterised by an excellent price/performance ratio.

impuls

is the brand for fast kitchens; the kitchen will be ready within only a few working days – anywhere in the country. It offers a fresh and minimalist design for attractive prices, with clear points of emphasis in logistics, distribution and punctuality. IMPULS serves the lower-to-medium price segment.

pino

is the entry-level brand with its compact all-inclusive kitchens. The assortment is characterised by a fresh, modern and uncomplicated design, with the appeal of powerful colours. The focus in Pino kitchens is directed towards the DIY market, and the brand serves the lower price segment.

Production sites of ALNO AG

ALNO AG headquarters   Brand branch   Cities

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Letter from the Chief Executive Officer

Dear share holders, employees, partners and friends of ALNO AG,

The former US President Woodrow Wilson once said: “No man that does not see visions will ever realize any high hope or undertake any high enterprise.”

At ALNO, we have visions. And we have the courage to put them into practice. That is not always easy, and we still have a great deal of work to do. But we are on course in all areas of our company – in worldwide sales, in our production facilities and in our products. We have been able to achieve successes across the board in 2013. And although we are still far from our objective, I can say to you today with complete conviction: ALNO is back on course!

This is shown in this annual report for 2013. Over the following pages, you can find all relevant information about our financial data, activities and plans. To sum it up: good successes are visible, the order books have improved significantly, the financing is sound, considerable progress has been made in inorganic growth and optimised production capacity utilisation. The change in the prospects of ALNO AG is continuing without interruption.

It is also clear that: We still have a lot of structural work to do. We have got to continue gaining the trust of customers and the capital market. The Board of Management and company management have put this at the top of their to-do list as one of the most important goals for 2014. And even if we have not yet reached the position in which a normal company should find itself – we have once again taken a significant step towards it. For example, during all financial activities (such as the issue of our convertible bond in May 2013), we have observed that: the capital market is once again taking a positive view of the development at ALNO.

This success is only possible because we are an effective, indeed highly effective team. ALNO is packed with knowledge, energy and drive. We have a competent management team and the right people are in the right jobs. We have highly motivated employees who have always believed in the company, and thus represent the most important basis for our success.

As well as this, we have become better equipped technically of late. During recent months, we have spent significant financial sums on our sites, thereby already investing yesterday in tomorrow’s access. That is paying off today.

Of course, however, we are aware that there is still a lot to do here. And we have already put important aspects in place. These include introducing lean management, optimising the supply chain, increasing productivity and efficiency as well as improving customer service.

Max Müller, Chief Executive Officer of ALNO AG

I know that this is not rocket science, it is just daily business. But, in the past, the situation at ALNO was not like this. Earlier, we always had to think how we could make ends meet. Today, however, we can concentrate on our core business. And that remains the manufacture and sale of kitchens.

As a result, one of the most important focuses of our work in 2013 was on national and international sales activities. The course that we embarked upon in 2012 – moving away from a high-volume policy towards one of increased value – was also pursued consistently in 2013. On the basis of this stance, the market share of ALNO AG in Germany is expected to move back above the 20% mark over the next few years. By way of comparison: according to the GfK consumer research association, the market share of the ALNO Group in the 4th quarter of 2013 was 14%. This means we have moved ahead of our competitors Häcker, Nolte and Schüller in this regard, taking 2nd place in Germany.

Exclusive customer projects have been completed during the concluded financial year. Here, the ALNO Group brought its product expertise to bear in order to create a unique differentiation criterion for its customers. In future, this partnership approach will be pursued with greater intensity so as to generate additional sales quotas.

Geographically speaking, Germany, Switzerland and Austria remain the core markets of the ALNO Group. We see the greatest growth opportunities as existing in key markets such as the USA, Russia, China, the UK and France. At the same time, the business in Asia is very exciting for us, above all. And we were able to notch up some successes here in 2013. We were successful in some very interesting invitations to tender, in countries including India, Taiwan, South Korea and the People's Republic of China.

On 1 December 2013, Arno Hopfensperger was appointed the CEO of ALNO China Holding Ltd., which controls our sales activities in one of the largest growth markets in the world. He brings with him the best qualities and in-depth knowledge for putting our Asian growth strategy into effect. His appointment has been made at the right time, because our joint ventures are developing very pleasingly.

Back in May 2013, ALNO China Holding, Hong Kong, People's Republic of China, entered into a partnership with the Shun Hing Group which exclusively sells ALNO products in Hong Kong. The Shun Hing Group has many years of experience in the project business, and is the market leader in the area of climate technology. In June 2013, ALNO China Holding Limited together with the Nature Vanessa Holding Company from Hong Kong founded a further joint-venture, the Wellmann China Company Limited. This company is intended to support the recruitment of franchisees to run kitchen shops in the People's Republic of China under the name “Wellmann”. The goal is for about 100 new kitchen shops to be opened by mid-2015.

"WE MUST NOT SLACKEN OUR EFFORTS NOW, BUT MUST ROLL UP OUR SLEEVES AND KEEP WORKING HARD."

We are also expanding our position further in the US market. For example, ALNO USA is now presenting its designer kitchens in Miami, Florida as well on premises covering more than 1000 square metres. Overall, the ALNO Group in the USA has eleven independent partner stores and two subsidiaries, as well as an additional kitchen studio in New York. All in all, the higher margins earned in foreign business allow us to increase the overall profitability of the Group further.

As well as the existing and established sales channels, the ALNO Group is also developing new ones. For example, in 2013, we embarked on a partnership with Kiveda, the first kitchen retailer on the Internet. We are planning to expand our business relationships further with this rapidly growing company from Berlin. The minority interest in tielsa GmbH has opened the door to a new and highly exciting business area – the moving kitchen. You can be certain: In the future too, the ALNO Group will rely on innovative concepts, thus bringing new business opportunities within reach.

I am particularly proud of one achievement that we started during the course of the previous year and concluded on 25 March 2014: the greatest takeover in our recent company history. The Swiss kitchen manufacturer AFG Küchen AG – market leader in Switzerland – is now a member of the ALNO Group.

The AFG kitchen business represents an important boost for the ALNO Group. In association with its two well-known brands, Piatti and Forster Schweizer Stahlküchen, we are the market leader in Switzerland. As a result, ALNO has secured the leading position in a stable environment with a high price level, which is one of the fastest growing markets in Europe with an annual increase in excess of 3%. At the same time, we are strengthening our growth strategy with this step. We are creating a broader basis for greater sales and revenues, as well as increasing our product range. In addition, it is decisive that through this takeover we have made ourselves more independent from the German market with its intensive levels of competition; furthermore, we have increased our foreign share of sales to more than 40% and have taken a step into new market segments.

Piatti has represented the epitome of Swiss kitchen tradition for over 50 years with its wooden kitchens. We at ALNO want to extend this market position even further in our role as strategic partner by introducing new product programmes and new materials. With its unique selling point, Forster Schweizer Stahlküchen has been successfully catering to a niche segment in Switzerland for more than 60 years. Our priority now will be to drive forward the internationalisation of steel kitchens. ALNO AG will make its entire international sales network available for this purpose. This provides us with a product that clearly differentiates us from the competition and gives us access to new international markets.

By making this acquisition we also gain the valuable expertise of around 500 employees. AFG Küchen AG has a very successful business model, which includes independent distribution as well as direct sales via its own kitchen centres and exclusive professional retailers. It also has a high number of orders on hand and attractive margins.

We are particularly pleased about the fact that the management of AFG Küchen AG is backing this merger unanimously. The decision makers will all remain on-board. They see this step as an opportunity to ensure the long-term growth of the AFG kitchen business. The future President of the Administrative Council of AFG Küchen AG, Werner J. Rellstab, also agrees with this. He is the former long-standing CEO and Administrative Council member of V-Zug AG, the Swiss market leader for household appliances, and a member of the Supervisory Board of ALNO AG. He has thorough knowledge of the Swiss market. I am very proud that Mr. Rellstab has come out of retirement to support us in our new venture.

ALNO is simply a very special brand. People are happy to commit themselves to it. After all, it is the best-known and most likeable kitchen brand in Germany. Eight out of ten Germans know ALNO.

All of us at ALNO have given our blood, sweat and tears in 2013. Primarily, we owe our success to our employees. During all the difficult years, our employees have not only shown great endurance, but also loyalty. Their commitment, cooperation and readiness to do without enabled us to achieve the turnaround. They are our most important capital. Perhaps this is why ALNO is the best employer of 2013 amongst all German kitchen furniture manufacturers. In the nationwide study “Best employers” conducted by the German news magazine FOCUS in conjunction with the XING career network, we were also chosen amongst the TOP 15 in the wider area of “consumer goods”. We were all delighted to win this award. Above all, this award shows is that we are doing many things right – in spite of the tight financial position.

Finally, I would like to express my heartfelt thanks to the representatives of the works council, banks, suppliers and customers, as well as you, our esteemed shareholders. Please take away this message from me: We have already achieved a great deal, and we still have much to do. But even when we can see the summit, it doesn’t mean that we have climbed the mountain. We must not slacken our efforts now, but must roll up our sleeves and keep working hard. This calls for efforts from everyone. Continue supporting us with your trust and your loyalty.

I would like to thank you for this on behalf of all ALNO employees.

Pfullendorf, 31 March 2014

The Board of Management

Thank you all for your great support.

Best regards
Max Müller

Max Müller
Chief Executive Officer of ALNO AG

The Board of Management

From l. to r.: Ralph Bestgen, Ipek Demirtas, Manfred Scholz and Max Müller

MAX MÜLLER
Chief Executive Officer (CEO)
Appointed on 6 April 2011

Max Müller was formerly sales and marketing manager of a company in the clockmaking industry, as well as managing director of a medium-sized company group specializing in business with Eastern Europe and the USSR. As founder of various enterprises and member of several corporations in a whole variety of sectors, Max Müller can draw on considerable business experience. In addition to his position as Chief Executive Officer of ALNO AG, he has been President of the Administrative Council of two Swiss investment companies, Comco Holding AG and Starlet Investment AG, since 1993. Before then, Max Müller was CEO of the Comco Group and Chairman of the Board of Adler Bekleidungswerke AG & Co. KG. Both companies belonged to ASKO / Metro AG. Within the space of two years, he restored the ailing Adler Bekleidungswerke AG & Co. KG to the black and made it one of the most profitable mainstays of the ASKO Group. At ALNO AG, Max Müller is responsible for the areas of auditing, legal, restructuring / acquisitions, corporate communication as well as the international activities of the ALNO Group.

IPEK DEMIRTAS
Chief Financial Officer (CFO)
Appointed on 13 July 2011

After graduating in business administration, Ipek Demirtas first worked for the STINNES Group, then spent over ten years at PricewaterhouseCoopers and seven years as managing director of Petroplus Mineralölprodukte Deutschland GmbH and Marimpex Mineralöl-Handelsgesellschaft mbH. She subsequently became Chief Financial Officer of Environmental Solutions Europe Holding B. V. (OTTO Group), Maastricht, and managing director of several subsidiaries of the OTTO Group, where she was able to restructure strategic fields of business with great success. Ipek Demirtas joined ALNO AG in January 2010 as manager of Group finance. Since July 2011, Ipek Demirtas has been Chief Financial Officer responsible for finance / accounting, controlling, human resources / organisation, IT and capital markets / special projects.

RALPH BESTGEN
Chief Sales and Marketing Officer (CSO)
Appointed on 1 February 2013

Mr. Bestgen obtained a degree in business administration from Wiesbaden Technical College before joining the Electrolux Group and the Brandt Group Hausgeräte GmbH, where he was responsible for the sales and market divisions. Mr. Bestgen also spent many years as a member of the executive management of Bauknecht Hausgeräte GmbH, a member of the Whirlpool Group, most recently as chairman of the executive management. He can draw on extensive experience acquired in the course of many years in German trade and industry, as well as in the development and enlargement of national and international sales organisations. At ALNO AG, Ralph Bestgen is responsible for the Sales, Marketing and Product Development business units.

MANFRED SCHOLZ
Chief Operating Officer (COO)
Appointed on 29 April 2013

After graduating with diplomas in business engineering and wood technology engineering, Manfred Scholz started his career at 3F Möbel unserer Zeit GmbH and Werndl AG, before joining the Steelcase Group in 2000. There, he ultimately rose to the position of Managing Director of Steelcase GmbH and was a member of the Board of Management at Steelcase-Werndl AG, Rosenheim, as well as a member of the company management of Steelcase SA, Strasbourg. In these posts, his responsibilities included all order-to-cash processes including order handling, logistics, quality and production in five plants in Europe and the Middle East. His most important projects included integrating Europe-wide decentralised structures into a central overall organisation with uniform standards for aspects such as product and process quality as well as supply chain, amongst others. At ALNO AG, Manfred Scholz is responsible for production, customer service, purchasing, quality / environment / energy and logistics.

Report of the Supervisory Board

During the 2013 year under review, the Supervisory Board of ALNO Aktiengesellschaft (ALNO AG) carefully undertook the tasks and duties required of it according to the law, articles of association and internal governance procedures. Within this context, it dealt in detail with the position of the company, continuously monitoring and advising the Board of Management.

The Board of Management kept the Supervisory Board informed on a regular, prompt and extensive basis about all aspects of fundamental importance to the Group, in the form of written and verbal reports. In particular, discussions were held regarding corporate planning, ongoing business development, company strategy, liquidity forecasts, capital and financing measures, the risk position, risk management as well as important Group projects. If the course of business deviated from planning, such situations were indicated by the Board of Management in detail and explained. The Board of Management coordinated the strategic alignment of the company with the Supervisory Board, and reported at regular intervals about the status of implementation of the strategy. The Supervisory Board was involved in decisions at an early stage.

Even outside Supervisory Board meetings, the Chairman of the Supervisory Board ensured that he was kept regularly informed by the Chief Executive Officer regarding current developments in the business position, strategy, risk position, risk management, compliance by the company and significant business transactions.

All business transactions requiring approval by the Supervisory Board according to the law, articles of association or internal governance procedures were examined and decided by the Supervisory Board. Furthermore, important individual business transactions were mentioned. In addition, in 2013, the Supervisory Board or the Chairman of the Supervisory Board submitted enquiries to the Board of Management and the auditor, and also conducted various discussions and meetings, regarding any risks to the net assets, financial position and results of operations of the individual companies in the ALNO Group, and received explanations about the measures taken. In addition, second tier management was also involved in specific topics.

The cooperation between the Supervisory Board and the Board of Management was characterised by an intensive and open exchange.

Meetings of the Supervisory Board

The Supervisory Board held seventeen meetings in the financial year 2013. Seven of these were a face-to-face meetings, and ten took the form of teleconferences. All members of the Supervisory Board were able to take part in more than half of the meetings.

There were no conflicts of interest needing to be disclosed to the Supervisory Board or the handling of which must be notified to the annual general meeting.

Main aspects of deliberations in the full Supervisory Board meeting

Regular deliberations were conducted in the Supervisory Board regarding the market situation and development, examination and monitoring of profit and loss accounts, balance sheets, net assets, financial and liquidity position of the company as well as the restructuring and strategic orientation of the Group.

During the Supervisory Board meeting on 11 January 2013, the Board of Management presented the company plan for the financial year 2013. Following intensive discussion, the Supervisory Board agreed with the Board of Management that the company plan would be revised for the financial year 2013. Furthermore, the Supervisory Board was informed about the status of medium-term planning. Following discussion of several candidates for the Board of Management position with responsibility for sales during this meeting, the Supervisory Board subsequently met on 13 January 2013 and, by circularisation, appointed Ralph Bestgen as the Board of Management member of ALNO AG responsible for the Sales, Marketing and Product Development business units, effective 1 February 2013.

Henning Giesecke, Chairman of the Supervisory Board

The Supervisory Board meeting held by telephone on 21 January 2013 dealt with the approval of the revised company plan for the financial year 2013. Following detailed discussion and examination, the Supervisory Board approved the updated company plan for the financial year 2013.

The Supervisory Board meeting held by telephone on 28 January 2013 dealt with decisions relating to securing company liquidity in the short term.

The Supervisory Board meeting held on 21 February 2013 involved the Supervisory Board being informed about the provisional annual financial statements for 2012. Other topics discussed during this Supervisory Board meeting included the status of financing in 2013, current restructuring measures, an action plan for sales, medium-term planning 2014–2016, risk management in ALNO AG as well as reports about the status of significant Group projects. A decision was taken regarding the redefinition of a new business distribution plan.

The Supervisory Board meeting held by telephone on 10 April 2013 dealt with decisions relating to securing Group liquidity in the long term. Mr. Manfred Scholz was appointed as a Board of Management member of ALNO AG with responsibility for the Production, Purchasing and Logistics business units, effective 29 April 2013.

On 15 April 2013, the Supervisory Board held a teleconference and passed resolutions. Mainly, the Supervisory Board discussed the annual financial statements of ALNO AG as at 31 December 2012 as well as the consolidated financial statements of the ALNO Group as at 31 December 2012 together with the auditors from Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Ravensburg, and discussed these statements in detail. All the documents of the annual financial statements were examined for legal compliance and usefulness. The Board of Management and auditors answered all questions in detail and satisfactorily. Furthermore, the audit commission reported on the results of its audit and proposed approving the prepared and presented annual financial statements of ALNO AG and the consolidated financial statements of the ALNO Group. Following that, both the annual financial statements and the consolidated financial statements of ALNO AG were approved by the Supervisory Board. The annual financial statements were thus adopted. Furthermore, the report by the Supervisory Board for the financial year 2012 was finalised and adopted. Equally, the declaration on corporate governance / corporate governance report was approved. At the recommendation of the audit commission, the Supervisory Board decided to propose to the annual general meeting that the annual financial statements for the financial year 2013 should also be audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Ravensburg. Another agenda item included a decision to approve the issue of a company bond in the amount of € 45 million by ALNO AG.

On 25 April 2013, the Supervisory Board held a face-to-face meeting. Discussions dealt with the business development in 2013 and the status of financing measures in 2013. The agenda for the annual general meeting 2013 was presented and discussed. Other topics included a presentation of the Sales business units as well as deliberations on the status of important Group projects. In view of the high workload and the fact that compensation was no longer keeping pace with other companies, the

Supervisory Board approved supplementing the agenda for the annual general meeting 2013 with a proposal on adjusting the Supervisory Board compensation.

In the Supervisory Board meeting held by telephone on 8 May 2013, the results of placing the company bond were presented and other financing measures were discussed. The status of the agenda for the annual general meeting 2013 was discussed.

In the Supervisory Board meeting held by telephone on 15 May 2013, the final agenda for the annual general meeting 2013 was approved. Furthermore, the appointment of Chief Executive Officer Max Müller as CEO of ALNO AG was confirmed for a further two-year period in office starting on 26 June 2013 until 26 June 2015. On the same day, Mr. Elmar Duffner informed the company of his decision to leave ALNO AG in order to pursue other professional challenges.

In the Supervisory Board meeting held by telephone on 23 May 2013, the current price development of the company share and the ALNO share were discussed.

The proceedings of the annual general meeting were assessed and appreciated during the meeting held immediately after the annual general meeting on 26 June 2013. The Board of Management presented the business development in 2013 and the status of financing measures. Other topics discussed included the presentation of the personnel area by the head of Group human resources as well as reports by Mr. Bestgen about his Board of Management area CSO (Chief Sales Officer, responsibility for the Sales, Marketing and Product Development business units) and by Mr. Scholz about his Board of Management area COO (Chief Operations Officer, responsible for the Production, Purchasing and Logistics business units). Mr. Norbert Orth was elected to the Strategy and Executive Committee as the successor to Dr. Jürgen Diegruber who left the Strategy and Executive Committee following the annual general meeting 2013. Mr. Hubertus Krossa was elected to the Audit Committee as the successor to Dr. Jürgen Diegruber who left the Audit Committee following the annual general meeting 2013. Decisions were taken regarding the profit-sharing arrangements for the Board of Management for 2012, on conducting an investigation into the appropriateness of the Board of Management compensation, on a new business distribution plan as well as on a formal adaptation to the articles of association of ALNO AG.

In the Supervisory Board meeting held by telephone on 29 July 2013, the business development up to June 2013 was presented and discussed, as was a forecast for the remainder of the year up to December 2013. Furthermore, the status of two important Group projects was discussed.

On 5 September 2013, the Supervisory Board held a face-to-face meeting. This meeting focused on the presentation of the Purchasing business unit by the head of Group purchasing, the presentation of the market situation and the sales measures of the CSO area, the presentation of the operations strategy of the COO area, the half-year results 2013 as well as reports on the status of four important Group projects, and including passing a resolution on a Group project. Furthermore, the Supervisory Board discussed the results of the investigation into the appropriateness of Board of Management compensation, and appointed the Financial Executive Ms. Ipek Demirtas to another three-year period in office.

In the Supervisory Board meeting held by telephone on 30 September 2013, the results of the in-house show 2013 were assessed and appreciated, the business development up to August 2013 was presented and discussed, as were a forecast for the remainder of the year up to December 2013 and an initial outlook to 2014. The status of two important Group projects was discussed. Furthermore, the joint declaration by the Board of Management and the Supervisory Board was discussed and approved concerning the recommendations in the German Corporate Governance Code according to Article 161 of the Stock Corporation Act.

On 17 October 2013, the Supervisory Board held an extraordinary face-to-face meeting. The topic for this meeting was the Group project for taking over 100% of the shares in AFG Küchen AG from the Swiss AFG Arbonia-Forster-Holding AG, the Swiss market leader and owner of the two brands Piatti and Forster Schweizer Stahlküchen. The main aspects discussed and deliberated during this meeting concerned defining an appropriate purchase price, achieving synergy effects, the business plan and financing. Furthermore, a resolution was taken on further procedure.

In the Supervisory Board meeting on 6 November 2013, a resolution was discussed and deliberated regarding the further procedure in the takeover of AFG Küchen AG and on financing the takeover. Further topics included the status of the projects in the COO area, the general parameters for planning in 2014, the results for the 3rd quarter 2013, the forecast for the remainder of the year up to December 2013 as well as an outlook to 2014.

In the Supervisory Board meeting held by telephone on 18 November 2013, a resolution was taken on the general parameters of the purchase contract to take over 100% of the shares in AFG Küchen AG from the Swiss AFG Arbonia-Forster-Holding AG.

Work in the committees

In order to carry out its tasks efficiently, the Supervisory Board has established the Audit Committee and the Strategy and Executive Committee.

The Audit Committee held a meeting on 12 April 2013. The meeting was concerned with stating, explaining and discussing the annual financial statements and management report of ALNO AG, the consolidated annual financial statements and management report of ALNO AG and the report on controlled companies of ALNO AG, in each case with the key date 31 December 2012. A resolution was proposed for the Supervisory Board regarding the annual financial statements 2012. Furthermore, a resolution was proposed for the Supervisory Board regarding the choice of auditor in 2013. As well as this, the members of the Audit Committee voted by e-mail or telephone on individual issues relating to the accounting process, preparation of the annual and consolidated financial statements, the management report process as well as the half-yearly financial report.

The Strategy and Executive Committee held four meetings in the financial year 2013.

In the first teleconference of the Strategy and Executive Committee on 28 March 2013, the issue of a bond was discussed and deliberated, as well as further financing measures. A resolution was passed regarding the further procedure in placing the bond.

In the teleconference of the Strategy and Executive Committee on 27 May 2013, the business development and status of financing in 2013 were presented and discussed, as were the status of the CSO and COO Board of Management areas and the status of an important Group project.

The meeting of the Strategy and Executive Committee held by telephone on 2 December 2013 focused on the presentation and discussion of the purchase contract, financing, communication planning and scheduling for the Group project to take over 100% of the shares in AFG Küchen AG from the Swiss AFG Arbonia-Forster-Holding AG.

In the last teleconference of the Strategy and Executive Committee on 5 December 2013, the preconditions for concluding the purchase contract to take over 100% of the shares in AFG Küchen AG from the Swiss AFG Arbonia-Forster-Holding AG were discussed and defined with the Board of Management.

Annual and consolidated financial statements

Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Ravensburg, audited the 2013 annual financial statements of ALNO AG according to the rules of the German Commercial Code (HGB), as well as the consolidated financial statements of ALNO AG according to International Financial Reporting Standards, and the single-entity and group management report; they consequently met with the full approval of the auditors.

The auditors confirmed that the Board of Management has established an efficient risk management system in compliance with the statutory requirements, as well as an internal control system.

The statements to be audited and the auditor's report were received by all members of the Supervisory Board in good time. The statements to be audited and the auditor's report were considered in detail at the meeting of the Audit Committee on 31 March 2014. The Supervisory Board received detailed information on the financial statements of ALNO AG and on the consolidated financial statements of the ALNO Group at a telephone conference on 31 March 2014. At both meetings, the auditors reported on the main findings of their audit, answered the Board's questions and provided any additional information required. After detailed consideration and on the basis of its own checks, the Supervisory Board concurred with the auditors' findings on the annual and consolidated financial statements. Following the conclusive outcome of its own checks, the Supervisory Board has no complaints against either the separate annual financial statements or the consolidated financial statements. The Supervisory Board approved the annual financial statements prepared by the Board of Management, as well as the single-entity and group management report for the financial year 2013 at its meeting on 31 March 2014. The Supervisory Board also approved the consolidated financial statements and Group management report prepared by the Board of Management according to International Financial Reporting Standards for the financial year 2013.

Report on controlled companies

On 30 January 2012, the voting agreement between IRE Beteiligungs GmbH and Küchen Holding GmbH came to an end. As a result, the dependency ended on 30 January 2012. This means ALNO AG has no longer been a controlled company since 30 January 2012. As a result, there was no longer any need to prepare a controlled company reports for the financial year 2013.

Corporate governance

In the financial year 2013, the Supervisory Board also considered the further development of corporate governance principles in the ALNO Group, with due regard for the German Corporate Governance Code in the version dated 13 May 2013.

The report of the Board of Management and Supervisory Board on corporate governance by ALNO AG can be found in conjunction with the declaration on corporate governance on page 61 onwards. On 30 September 2013, the Board of Management and Supervisory Board of ALNO AG published a new declaration of compliance in respect of the recommendations of the "Government Commission on the German Corporate Governance Code" as required by Article 161 of the Stock Corporation Act (AktG). This declaration can be found on pages 61 onwards in this Annual Report and is permanently accessible to shareholders via the website *www.alno.de*.

Changes in the Board of Management and Supervisory Board

The following changes occurred in the Supervisory Board in the financial year 2013:

The Supervisory Board member elected by the annual general meeting, Mr. Werner Devinck, resigned his mandate as a Supervisory Board member of the company effective 31 October 2012. Dr. Marc Robert Bitzer was appointed a Supervisory Board member of the company under a court order on 27 November 2012. Instead of being appointed under a court order, Dr. Marc Robert Bitzer was elected by the annual general meeting 2013 on 26 June 2013.

The Supervisory Board members Dr. Jürgen Diegruber and Ms. Ruth Falise-Grauer each resigned their mandates at the end of the ordinary general meeting 2013 of ALNO AG on 26 June 2013. The supervisory Board wishes to thank Dr. Jürgen Diegruber and Ms. Ruth Falise-Grauer for the work that they have done and for their commitment. Mr. Hubertus Krossa and Mr. Werner Rellstab were elected as successors to Dr. Jürgen Diegruber and Ms. Ruth Falise-Grauer by the annual general meeting 2013 on 26 June 2013.

The following changes occurred in the Board of Management in 2013:

On 13 January 2013, Mr. Ralph Bestgen was appointed to the Board of Management of ALNO AG effective 1 February 2013. Mr. Ralph Bestgen is responsible for the Sales, Marketing and Product Development business units.

On 10 April 2013, Mr. Manfred Scholz was appointed to the Board of Management of ALNO AG effective 29 April 2013. Mr. Manfred Scholz is in charge of the Production, Purchasing and Logistics business units.

On 15 May 2013, Mr. Elmar Duffner gave notice that he was leaving the company at his own request in order to take up new professional challenges. Mr. Elmar Duffner resigned his mandate as a Board of Management member effective 31 May 2013.

The Supervisory Board wishes to thank the Board of Management and all employees of the ALNO Group companies for their efforts and great personal commitment in the financial year 2013.

Pfullendorf, 31 March 2014

For the Supervisory Board

Henning Giesecke
Chairman of the Supervisory Board

The ALNO share

Overall, the stock exchange year 2013 was extremely satisfactory, and was thus one of the ten most successful stock exchange years in the 25-year history of the DAX. The DAX increased by 1940 points over the course of the year. The stock exchange year 2013 started at 7612 points, meaning that this gain represented an increase of 25%.

The ALNO AG share price was highly volatile in 2013. After a cautious start, the rate increased following the successfully undertaken capital increase for cash in November 2012 and the announcement that a convertible bond would be issued in April 2013, reaching the high point for the year of € 1.61. On 23 April, the share price increased again to € 1.57 when the convertible bond was issued. The rate then declined continuously over the further course of the year. On 30 December 2013, the share price closed at € 0.94.

Capitalisation and shareholder structure

The shareholder structure of ALNO AG remained stable in 2013. Whirlpool Germany GmbH continues to be the most important shareholder, with 30.58%.

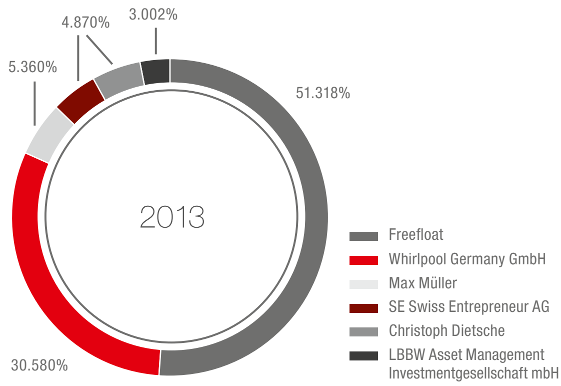
On 1 July 2013, SE Swiss Entrepreneur AG, Zug, Switzerland, announced in accordance with Article 21 para. 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG had fallen below the 5% threshold on 26 June 2013 and, on the day of the announcement, was 4.87% (3,413,066 voting rights). On 1 July 2013, Mr. Christoph Dietsche, Zug, Switzerland, notified ALNO AG in accordance with Article 21 para. 1 sentence 1 of the Securities Trading Act (WpHG) that his voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% threshold on 26 June 2013 and, on the day of the notification, was 4.87% (3,413,066 voting rights). Of these, 4.87% (3,413,066 voting rights) are to be allocated to Mr. Christoph Dietsche in accordance with Article 22 para. 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) via SE Swiss Entrepreneur AG, Zug, Switzerland, a subsidiary of Mr. Christoph Dietsche, whose voting share in ALNO AG amounted to 3% or more.

On 5 August 2013, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, notified ALNO AG in accordance with Article 21 para. 1 of the Securities Trading Act (WpHG) that it had exceeded the reporting threshold of 3%. Since then, the company has held 3.002% of the shares in ALNO AG.

Mr. Max Müller, CEO of ALNO AG, together with his family members, increased their shares in ALNO AG in 2013 to 5.36% in the course of director's dealings.

On 29 April 2013, ALNO AG issued a company bond (ISIN: DE000A1R1BR4, securities identification number: A1R1BR) with an issue volume of € 45 million, thus creating the basis for extensive investments. The bond with a volume of € 45 million and an interest rate of 8.5% p.a. will mature in five years. Only shortly after the subscription period opened, there was already significant oversubscription. The issue proceeds of the bond have largely been used for financing the growth strategy, especially abroad. The bond will also be used for financing future investments at sites in Germany, small to medium acquisitions and reducing liabilities.

SHAREHOLDER STRUCTURE OF ALNO AG
AS AT 31 DECEMBER 2013



Director's dealings

The following notifiable share dealings by executives were reported in the financial year 2013, as required by Article 15a of the Securities Trading Act (WpHG):

DATE	NOTIFYING PERSON	NUMBER OF SHARES	TYPE OF TRANSACTION	VOLUME IN €
5 August 2013	Starlet Investment AG	150,000	Purchase	141,000
5 August 2013	Max Müller & Partner AG	50,000	Purchase	45,000
29 May 2013	Ralph Bestgen	50,000	Purchase	65,000
29 May 2013	Ipek Demirtas	100,000	Purchase	130,000
29 May 2013	Manfred Scholz	50,000	Purchase	65,000
29 May 2013	Starlet Investment AG	200,000	Purchase	260,000
12 February 2013	Starlet Investment AG	65,000	Purchase	84,095
8 January 2013	Starlet Investment AG	45,000	Purchase	47,250

Investor relations

The primary objective of ALNO AG's investor relations work is to ensure a continuous dialogue with all capital market participants. In addition to the ad-hoc bulletins prescribed by law, the company also published additional corporate news in the 2013 financial year, above all to provide institutional and private investors, as well as analysts, with timely and detailed information on all current events and operational developments. Furthermore, a shareholder letter was introduced offering further information about certain company topics, which is sent to shareholders and investors along with the quarterly and annual figures, as well as on particularly important occasions (e.g. takeover of AFG Küchen AG). The company management additionally spoke with representatives of the press, particularly in conjunction with publication of the detailed financial reports and interim statements for the individual calendar quarters. In addition, ALNO AG gave presentations for existing and potential investors at various capital market conferences and roadshows in 2013.

All the main details relating to the ALNO share and current company developments are available to investors on the company's website *www.alno.de* in the section ALNO AG / Investor Relations. All previously published shareholder letters are available at *www.alno-ag.de*.

ALNO AG SHARE PRICE
FROM 2 JANUARY 2013–27 DECEMBER 2013 IN €

Corporate social responsibility

Corporate social responsibility

Diversity management

In 2013 at a ceremony in Berlin, ALNO AG was presented with the "Logib-D tested" label by Secretary of State Lutz Stroppe, making it one of the first 200 companies in Germany to obtain this distinction from the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. The label acknowledges companies which commit themselves to equal opportunities in personnel and remuneration policy.

ALNO AG performed highly successfully in the Group-wide analysis of its remuneration structures, explaining why the label was awarded. The object of the investigation was to establish the status of existing remuneration structures with regard to age, gender, education and management structures in the ALNO Group as a basis for identifying areas in which to implement a forward-looking company personnel policy. The focus is on aspects such as work/life balance, women in management positions and flexible working hours, amongst others. Finally, the label indicates a value-oriented company culture within the ALNO Group which gives women and men a fair opportunity to exploit their abilities and contribute their experience in order to strengthen the company as a whole.

ALNO AG regards the award as encouragement and motivation to pay even more attention to the topic of equal opportunities in future, as well as to make more progress with diversity management within the company, specifically with regard to the demographic change which all companies are going to have to face.

Company healthcare management

Active company healthcare management is an immensely important pillar of the human resources strategy in the ALNO Group, and also demonstrates that a value-oriented company policy has been established. ALNO AG regards maintaining the health of its employees as highly important – particularly with regard to demographic change – and is increasingly committed to all kinds of company healthcare management.

As a result, healthcare management in the Group was redefined back in 2012 as part of a pilot project: A two-year project under the slogan of "Pino Fit – You can do It" was started in cooperation with the ICC Health Plus campaign. As a pioneer of comprehensive and sustainable healthcare management in the ALNO Group, the pilot project at Pino Küchen GmbH provided valuable impulses for the other sites.

In October 2013, this was picked up at Impuls Küchen GmbH in Brilon which started its company healthcare management in cooperation with the Techniker health insurance company, and on the basis of the results obtained at Pino. Following the concept phase up to the end of 2013, further stages are planned for 2014 at ALNO AG in Pfullendorf and at Gustav Wellmann GmbH & Co. KG in Enger. "ALNO is on the Move" – this was the slogan used throughout the Group in early summer 2014 for participation in a global movement and health project entitled "Global Corporate Challenge". Staying healthy, maintaining performance and encouraging job satisfaction for all employees in the ALNO Group is thus a firm feature of human resources and company policy.

Further progress with implementation of the corporate mission statement

The cultural change already instigated in 2011 was pursued further in the ALNO Group during the previous financial year.

In 2011, the ALNO Group set out to develop a new corporate mission statement and management principles actively incorporating our employees. In 2012, the Board of Management approved the management principles and the new corporate mission statement for the ALNO Group. Following that, the results were communicated throughout the Group.

After the development, approval and communication of the mission statement and management principles of the ALNO Group, further progress was made in implementing the new company culture in 2013. First of all, the management principles were integrated into management development. Alongside that, an extensive concept for implementing the mission statements and management principles was worked out across all hierarchical levels throughout the ALNO Group, and is to be implemented further during the coming years. In a total of four rounds, all employees can participate in the implementation workshops according to the top-down principle, thus making a valuable contribution to changing the company culture. This is because all employees occupying a position of importance in the mission statement of the ALNO Group. They represent the third pillar alongside the tradition and experience of the company, and thus lay the foundation for the success of the ALNO Group.

Training

In-house training is a fixed element of the ALNO Group's forward-looking personnel policy. Since requirements change constantly, the ALNO Group relies strongly on in-house training in order to build up its own pool of young job starters.

As in previous years, the training quota has remained stable in the ALNO Group. In the financial year 2013, the company had 109 trainees (previous year: 93) at its four locations in Germany. In the financial year 2013, 27 trainees passed their qualifying examinations and 37 new trainees were taken on.

Training is essentially provided for industrial clerks in administration and for woodworking mechanics in production. Furthermore, training is provided for industrial mechanics, electronics technicians for company technology, technical logistics operatives and technical product designers. In addition, the ALNO Group also offers jobs to students of business administration, economic science and mechanical engineering (production and management) at the University of Cooperative Education within the framework of the dual system of vocational training. The range of vocational training offered also includes the opportunity to earn a degree in business administration at Academies of Business Administration and Public Management (VWA).

The technical training is rounded off by projects and such team-oriented measures as a joint, Group-wide kick-off for trainees when commencing their training. In 2013, trainees at the Coswig site took part in a joint geocoaching activity to learn the basics of successful teamwork through play, which involved being confronted with demanding projects and tasks relating to the topic of communication.

ALNO AG regards contact with technical colleges and parents as important during training. During parents' days in the company and on-site learning cooperations in technical colleges, there is an exchange of information about the performance level of and trainees. In the event of any problems during the training, these can be overcome more effectively if everyone involved in the professional training provides support.

Women are traditionally under-represented in technical vocations. Our aim is to increase the proportion of women in the medium term. For several years now, ALNO has organised events in conjunction with "Girls' Day". The "Girls' Day Academy" was also held at ALNO for the first time in 2013. In this, girls interested in technology gained an even deeper insight into technology and different companies over the course of a year. ALNO hopes to make technical vocations more attractive to young women and consequently to receive more job applications from women.

Since September 2012, ALNO AG's trainees have additionally been able to get involved in management processes in a very real and practical manner. From a very early stage, trainees can learn to make decisions in their own training company and to think and act in entrepreneurial terms. With the support of their vocational training officers, they are thrown in "at the deep end" and run their company as if it were real.

The training company has proved very successful right from its first year of existence. The trainees built their own CNC machine and used it for manufacturing products to be sold in various campaigns. As well as this, trainees established a bicycle repair service for the company's bicycles. Through implementing its offer and sale ideas, the training company was able to post a profit of about € 2000 after its first year. This was donated to regional aid organisations – the Pfullendorf-based "Gegen Not" charity and "Radio 7 Drachenkinder". On 1 September 2013, the baton was passed to the new training year.

Learning a vocation is also the focal aspect of a social education project undertaken by the ALNO Group together with the Sechslinden School in Pfullendorf. Educational partnerships are a model for success. The project seeks to intensify the collaboration between schools and businesses. On the one hand, it prepares the students for the transition to a working life. At the same time, however, the company uses the project to attract young people from the region to training at ALNO. The educational partnership was set up as a long-term project in early 2012. It includes class programmes as well as multi-disciplinary and extra-curricular measures, such as a two-week vocational practical, introduction to different vocations and job application training.

As a means of providing expert and authentic advice in schools, ALNO AG engaged the ICC to train educational ambassadors from its own ranks of trainees in 2013. The trainees report on their career choice, anxieties and expectations about the training in classrooms.

Establishment of Group-wide personnel development

Back in 2012, the ALNO Group started a Group-wide initiative for sustainable personnel development and continued with this with even more emphasis in 2013. Personnel development in the ALNO Group has a strategic and demand orientation, and covers the following key processes:

- Employee qualification
- Succession and talent management
- Competence and performance management
- Organisational development and cultural management
- Company healthcare management
- Knowledge management

In the financial year 2013, a total of 650 employees were invited to take part in personnel development measures. Of these, 556 employees (85.5%) took part in the events. Of the total of 58 measures, 46 (79.3%) were carried out using in-house resources. These included a management workshop as well as product training for employees.

The management workshop involved a modular development concept for managers. The first module, communication, concentrated on the principles of communication and employee leadership, the preparation and conduct of meetings with employees as well as the management principles of the ALNO Group. Nine workshops were held at four sites for more than 100 managers. The next module, employment law, is planned to be completed in 2014.

In addition, product training was offered for employees in 2013. About 130 participants were informed about the principles of products and ranges from the ALNO Group, as well as the materials and surfaces used.

Twelve events were held externally, involving various individual measures. In particular, these involved language training which was promoted further as part of the growth strategy and will be continued in 2014. The main emphasis in this was on English.

Feedback regarding the various personnel development measures was very positive. The recommendation quota indicated on the returned feedback sheets was 97.8%. On average, the events were given a score of 1.6 on a scale from 1 (very good) to 6 (very bad).

The main points in the financial year 2014 will involve management development, continuing to implement the mission statements and management principles as well as on succession and talent management.

Best employer

ALNO AG is one of Germany's 15 top employers in the consumer goods sector. Indeed, ALNO is the undisputed number 1 among manufacturers of kitchen furniture. This is the result of the independent study "Best employers" undertaken by the news journal FOCUS in collaboration with the career network XING. Around 13,000 employees in a total of 17 different sectors were interviewed for this study. They were asked to assess such categories as development opportunities, salary, job and working hours. The survey included employees of all age groups, sectors and hierarchy levels.

The major contribution and untiring efforts made by employees of the ALNO Group once again proved the most important factor in the turnaround process at ALNO AG in 2013. The entire management is extremely proud of the workforce's loyalty, and would like to express its gratitude for their extraordinary motivation.

Brand communication

Clear and unambiguous positioning of the individual brands is an integral element of the ALNO Group's business strategy. Particularly the ALNO brand is exceedingly well known among consumers. Flanked by suitable marketing measures, the ALNO Group will continue to use and develop this brand recognition sustainably.

The brand and product campaign "One thing's for sure: ALNO.", which started for the ALNO brand back in October 2012, was continued in 2013 in terms of content, although its concept was extended to other communications channels. It addresses the consumer directly and underscores the good feeling of having made the right decision when buying a kitchen.

In the kitchen industry, this comprehensive relaunch attracted a great deal of attention and caused a stir. The campaign emphasizes ALNO's strengths in respect of quality and innovation, while underscoring the "lighthouse function" of the traditional brand in the kitchen market.

In 2013 as well, the new brand image consistently pursued a nationwide advertising campaign in high-circulation living, lifestyle and news magazines such as AD, Schöner Wohnen, Stern, BUNTE, GALA, SPIEGEL and FOCUS. At the heart of the campaign, there are three exceedingly distinctive advertising motifs and an image trailer which communicate the core values of outstanding quality, award-winning design and practical innovations. ALNO presents the kitchens in unfinished building shells. The new image was aided by the brand claim "Now that's a kitchen", the revised company logo, completely new product brochures and various campaigns and activities for our trading partners at the point of sale.

A shop concept in line with CI principles followed in 2013 as a logical building block in the ALNO realignment after the advertising campaign and completely re-orientated tradeshow appearances. The overarching aim is to establish a logical overall concept with a uniform brand image based on the new brand platform across all brand points of contact – through to the POS – and to back this up in future with clear design guidelines.

At the "Kitchen Mile A30" (DESIGN-TOUR 2013), ALNO presented a concept study for the new generation of the ALNO shop concept, and showed the first prototypes. The future aims are as follows:

- Strengthening ALNO at the POS through independence/recognition level
- To differentiate ALNO more clearly from the competition
- To make the central brand values of the ALNO brand more clearly apparent

The key design features of the new shop concept are derived from the new brand image and the interplay between architectural, material and visual elements:

- Defined branding: Outside and inside – defined use of the new brand logo: ALNO – Now that's a kitchen
- Loft character in shell structure
- Independent and meaningful visual identity
- Effect: the unfinished (shell = concrete) meets the finished (kitchen)
- Clear use of communication tools (campaign, etc.)
- Defined choice of materials and staging ideas (floor/wall/ceiling/light)
- Independent, brand-typical furniture (consulting/reception/model table)

Concrete walls, windows down to floor level and steel girders define the limits of the space and endow it with the required loft character. The focus is on specially developed, new shop furniture developed according to the special requirements of the retail business. The model table represents a real highlight both in terms of function and design. For the first time, all 108 fronts, a large number of different worktops and a wide selection of handles are attractively presented in a completely unique way. In future, all topics will be summarised in a shop manual. In advance of the shop planning, this provides retail partners with design & cost orientation.

Trade fairs and exhibitions

Presentation of the ALNO, WELLMANN, IMPULS and PINO brands at national and international trade fairs and exhibitions is an important marketing tool in order to represent the product, brand and design claim of ALNO AG. For communication with the trade public, ALNO presented itself at established trade shows such as the "LivingKitchen" in Cologne in January 2013 or the annual "Kitchen Mile A30" show held in North Rhine-Westphalia.

The new brand image by the traditional ALNO brand was also a feature in the tradeshow presentation at the LivingKitchen 2013. For example, the stand architecture was built in the style of a shell and the walls and floor of the exhibition area featured a concrete-like surface. A band of "concrete" described the form of a building structure and turns the wall, floor and ceiling into a building/room. The cement-like impression in the exhibition area is created by the typical shell construction character – the stage on which the kitchens appear. This show stand won the "Bronze Apple" at this year's "ADAM Award".

Taking the slogan "Kitchen history that is still to be made. In a new guide." the ALNO Group presented itself in September on its DESIGN TOUR 2013 in the context of the "Kitchen Mile A30", with lots of new ideas in the fully redesigned customer centre in Enger. Over about 3,500 square metres, the company showed off more than 60 fascinating kitchen ideas from its four brands ALNO, WELLMANN, IMPULS and PINO, as well as its ALNO shop concept study. The presentation of new products was also impressive: the brand and product campaign that started in 2012 was revealed here as well in the consistent redesign of the customer centre. The overall impression clearly draws attention to ALNO's strengths in terms of quality and innovation. It underlines the "lighthouse effect" of the traditional brand.

The presentation of different kitchen concepts in combination with uniform marketing instruments, such as the consistent booth design, use of the same decorative elements or POS articles, was applied in identical form at individual association fairs following the LivingKitchen in Cologne in order to ensure an independent and uniform brand image for ALNO. This consistent and uniform presentation is constantly being enhanced and will be anchored more strongly in the market in future. The large number of visitors at exhibition booths and the considerable interest displayed in ALNO confirm the positive echo aroused by the new brand strategy.

Awards and distinctions

In early 2013, a prominent jury of blue-chip brand experts chose ALNO as one of the "brands of the century", as a brand leader in the "kitchen" area. With this, ALNO gives its customers clear orientation in the German kitchen market, and clearly underlines the brand value compared to the competition.

For its VINTUCINA product line, ALNO one the "Interior Innovation Award 2013", while ALNOSTAR Cera carried away the "Interior Innovation Award 2013 – Selection". The world-renowned award is presented by the German Design Council in recognition of special design quality and innovative ideas. The "Interior Innovation Award" is regarded as one of the most renowned design prizes in the furnishing sector.

Furthermore, VINTUCINA was chosen by "Initiative LifeCare" as the "Kitchen innovation of the year 2013" in the "Kitchen furniture and fittings" category. Initiative LifeCare is an independent organisation and, according to its announcement, the prize sets the seal of quality on particularly consumer-friendly products.

ALNO employs a real-wood panel as an important design element in the VINTUCINA concept. The interplay of smooth glass surfaces provides a high quality and yet contradictory effect (high-gloss ultra-white and heavily structured wood with a panel look in vintage grey).

In this year's "ADAM Award", ALNO AG won the Bronze Apple (category up to 500 square metres) for its exhibition booths at the "LivingKitchen" in January 2013 in Cologne. The ADAM Award is presented by FAMAB (Verband Direkte Wirtschaftskommunikation e.V.) in recognition of outstanding exhibition booths and brand images outside the context of exhibitions and trade show appearances.

The jury was particularly impressed by ALNO's unusual booth at the "LivingKitchen" 2013 which allowed visitors to experience the new advertising campaign in the third dimension. The motifs of the campaign, in which various kitchen models were presented against the background of building shells, formed the starting point and guiding principle for the booth architecture. The concrete-like appearance of the exhibition surface generated the familiar shell character in the exhibition hall as well. At the same time, the static design of the advertisement motifs was broken up and assisted by multimedia installations. Tracking codes, scanners and HD beamers made it possible to experience creation of a kitchen live – starting from the first ideas and pencil drawings through to 3D models. In this way, guests at the exhibition not only experienced insights into the newly designed brand world of ALNO but were also given a foretaste of future models from the think tank at the kitchen manufacturer.

The jury judged that the exhibition booth successfully communicated the marketing and company objectives through its architecture and design.

At the "German Design Award 2014", ALNOSTAR Cera obtained a "Special Mention". This means ALNO is amongst the best in the design business within its competitive environment. In the "Home Interior", well-known manufacturers of furniture, home textiles and bathroom equipment went shoulder to shoulder with one another.

The international premium prize is awarded annually by the "German Design Council". It is given in recognition of top-quality products and projects in product and communication design, all of which are ground-breaking in their own way within the German and international design landscape.

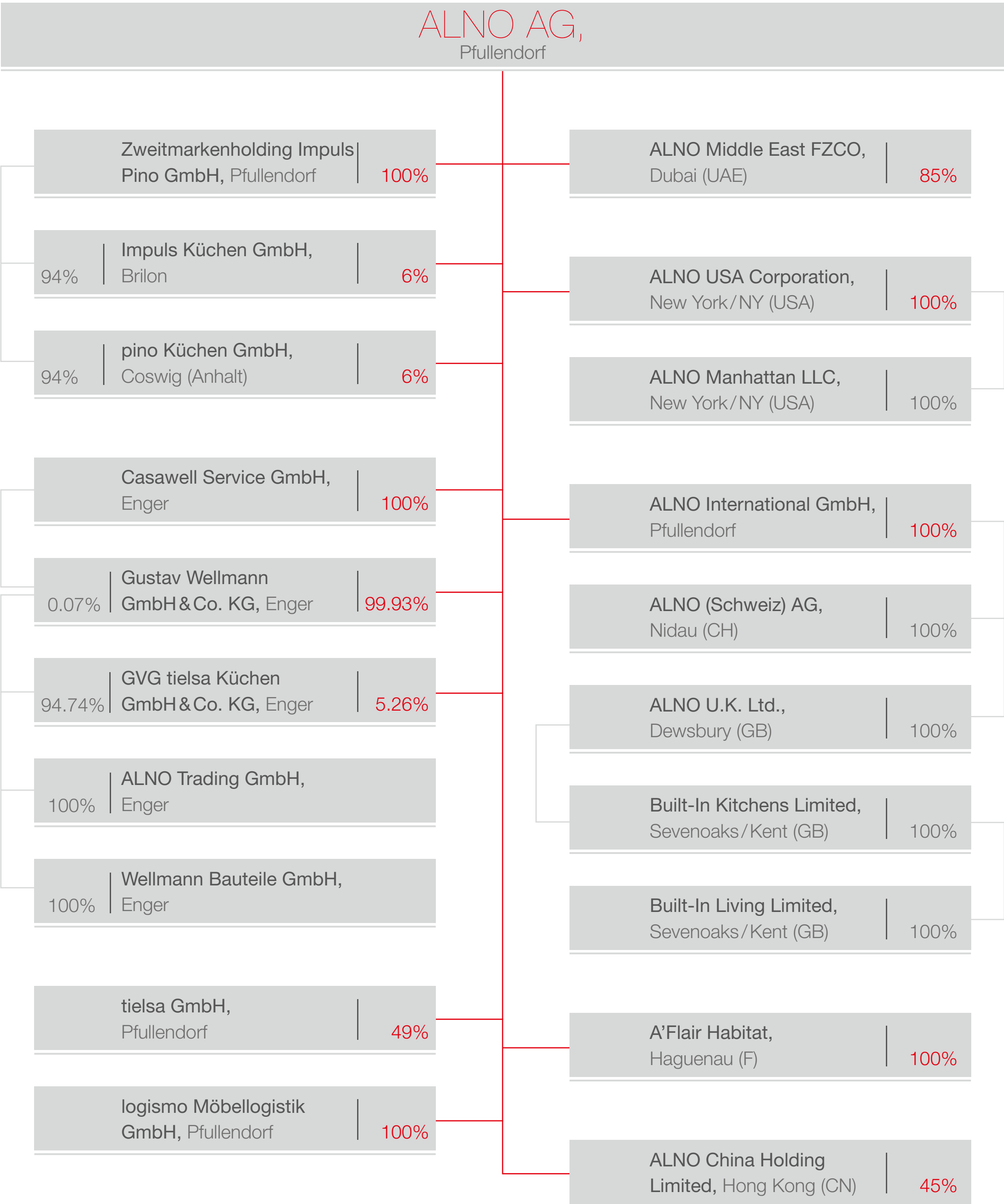
Group management report

1. Fundamentals of the Group

Business model of the Group

Organisational structure of the Group

The ALNO Group develops, builds and sells kitchen furniture and accessories for the German market and for export worldwide. The parent company ALNO AG, Pfullendorf, acts as holding company with central administration functions and operates the production facility in Pfullendorf, as well as the sales division. The ALNO Group comprises 21 active individual companies altogether. The Group's headquarters is located in Pfullendorf (Baden-Württemberg).



As at 31 December 2013, the ALNO Group combines four high-profile, independent brands under one roof: ALNO, WELLMANN, IMPULS and PINO. This makes it possible to service all price segments from the entry-level model through to premium products. The ALNO Group is one of the world's largest kitchen furniture manufacturers; is the second largest manufacturer in Germany and currently ranks fifth in Europe.

On 1 January 2013, ALNO AG sold its 50% stake in mkc Mega Küchencenter Rothrist AG, Rothrist, Switzerland, which had previously been held by its subsidiary in Switzerland.

In June 2013, the joint-venture ALNO China Holding Ltd., Hong Kong, People's Republic of China (in which ALNO holds 45% of the shares) together with the Nature Vanessa Holding Company from Hong Kong founded a further joint-venture, the "Wellmann China Company Limited". This company is intended to support the recruitment of franchisees to run kitchen shops in the People's Republic of China under the name "Wellmann". Nature Vanessa Holding Company is a wholly owned subsidiary of the publicly listed China Flooring Holding Company Limited. The company produces and sells floor coverings, and trades in wood and floor coverings. China Flooring employs about 2,300 people. Its "Nature" brand is one of the market leaders in the Chinese floor covering market, and the company operates well above 3,000 stores.

Furthermore, ALNO China Holding Ltd. additionally founded Impuls China Company Limited, British Virgin Islands, as well as Pino China Company Limited, British Virgin Islands.

Locations

Each of the total of four German production facilities has its own product portfolio. In Pfullendorf (Baden-Württemberg), ALNO AG develops and manufactures kitchens under the ALNO brand. The plant in Enger (North Rhine-Westphalia), Gustav Wellmann GmbH & Co. KG, produces the WELLMANN assortment. The IMPULS and PINO brands are manufactured in Brilon (North Rhine-Westphalia) at Impuls Küchen GmbH and in Coswig (Anhalt) at pino Küchen GmbH, respectively. At the production facility in Dubai, UAE, ALNO Middle East FZCO produces and sells kitchen furniture specifically for the local project business in the Gulf region, under the name AK-5.

Pfullendorf location

The Pfullendorf location, the headquarters of the ALNO Group, employs 686 people. In the production facility, kitchens are individually manufactured for the high-quality ALNO brand, sometimes in two-shift working. The facility also produces carcase elements for the Group's other plants. Output averaged 330,000 units per year in 2013, corresponding to capacity utilisation of about 67%. Delivery periods for the kitchen ranges manufactured in Pfullendorf for the ALNO brand equal four weeks. This does not apply for ranges with high-gloss lacquered fronts. These models have a delivery period of six weeks.

In production, ALNO also uses laser technology. There is a wide range of benefits: no glue is used any longer, which means the machine is available immediately. Also, significantly less cleaning agents are consumed, the connection between the front and surface is much cleaner, mechanical strength is increased, paintable substrates can be painted without waiting time and the throughput times are significantly shorter because laser-bonded parts can be dried at higher temperatures. Furthermore, the material is significantly denser, leading to a significantly better look overall. Above all, however, the quality is higher. As a result, a machine for format and edge processing with laser technology was purchased for the Pfullendorf site, and will be delivered and taken into operation in early 2014. This increases expertise in the production of components for materials such as glass, melamine or lacquer, as well as for individual unit batches. Consequently, ALNO can respond even more effectively to individual customer requirements.

An expansion in glass production will enable metal frames to be cut as well in future. This has made it possible to increase the level of in-house production for glass where strategically important components are involved.

Improved management of the production process for carcase components has made it possible to boost output by 75% from formerly four million components per year to seven million components per year today. The PINO and IMPULS factories account for four million of these seven million components in total.

Enger location

The Enger location produces kitchens for the WELLMANN brand which are characterised by high flexibility in planning. WELLMANN kitchens are located in the middle price segment. In the market, the brand stands out through its excellent value for money.

With a workforce of 563 men and women, the plant in Enger in the eastern part of Westphalia is the ALNO Group's second largest production location. Working in two shifts, the facility has an effective production capacity of more than 600,000 units per year. Capacity utilisation equalled 92% as a result of the job cuts in early 2013.

The exhibition centre in Enger was completely converted and modernised for the "Kitchen Mile A30". At the same time, product expansions in the higher-value range were presented at the exhibition. THIS MEANS WELLMANN now also delivers glass fronts and handleless kitchens. There have also been additions to the assortment of paints and a new, high-quality drawer system which give WELLMANN a unique selling point in the market.

Production of the two exclusive ranges, "Culineo" and "Altano", for the two largest purchasing associations in Germany, VME and MHK, from 2013 onwards is increasing capacity utilisation at the Enger location. Investments in 2013 included the purchase of a horizontal automatic drilling machine for special production. At the same time, there was a changeover to cut part logic and insourcing of louvre unit production, integrating these in the existing warehouse and assembly procedures. The variance of articles was reduced at WELLMANN. The standardisation of cornices and light strips at ALNO and WELLMANN with the associated concentration of production areas at the Pfullendorf location means that just-in-time delivery is possible from 2014 onwards. These measures also allowed warehouse inventories to be reduced by more than 20%.

Brilon location

At the Brilon production site, 242 men and women build kitchens for the IMPULS brand in two shifts. In terms of price, the brand is positioned in the lower middle segment. This plant is characterised above all by extremely short throughput times. Not more than ten working days pass between receipt of the customer's order, production and delivery of the kitchen. In this way, the plant in Brilon sets standards as regards delivery and service quality. Furthermore, the site achieves the highest production capacity in the ALNO Group with more than 850,000 units per year, amounting to an 85% capacity utilisation in 2013.

In 2013 as well, IMPULS once again made specific investments in various assembly areas such as a new carcase press for corner wall units making it possible to change over to different carcase sizes at the push of a button. A spark detection and extinguishing device was installed in the extraction system in April 2013. This prevents smouldering fires in the pipes or dust explosions in the filters. During the company shut down in 2013, a new machine for drilling and setting hardware was successfully taken into operation for one assembly line, allowing two sides of a unit to be processed in parallel. By linking the existing control system of the assembly line to the control system of the new machine, it was possible to achieve a significant increase in flexibility of the assembly line with regard to special versions. This makes it much quicker and easier to adapt to new requirements as well. As a result of this measure, productivity in this area of the assembly line has increased by 5–10%, depending on the unit type. All carcase drilling data is now generated using the graphical IMOS system, which means flexibility for short-term modification requests has increased significantly for the fronts as well, allowing changes to be introduced even shortly before the start of production.

A surface-mounted front handle strip was introduced in the course of product development. In October 2013, the first machines for preparing and installing this handle strip were successfully taken into operation. Also, an investment was made in an edge glueing machine. In the course of introducing the handle strip, significant adaptations have also been made to the organisation of all the production processes involved in prefabrication of the fronts.

IMPULS is expanding its training capacity in order to meet future demand for specialist production workers. The number of training places available for woodworking mechanics was increased. This was achieved by relocating the training workshop within the plant. At the same time, the layout of the workshop was optimised and adapted to the new requirements.

Coswig location

Founded in 1994, the Coswig facility with a workforce of 214 is one of the biggest employers in Saxony-Anhalt. The PINO brand produced by the company is intended primarily for a young public and located in the entry-level price segment. These low-budget kitchens in fresh, modern colours are sold through self-service and RTA departments in discount markets, as well as in large furniture stores. The PINO brand's streamlined range rounds off the ALNO Group's large product range at the bottom end of the price scale.

The ultramodern lean assembly plant with low vertical range of manufacture operates in two shifts. Components from Pfullendorf and Enger are also used in the kitchens produced in Coswig. The main series produced by the PINO brand are kitchen fronts with direct coating and rounded edges, fronts finished with glossy direct coating and fronts finished with high-gloss foil coating.

Capacity utilisation at the location was just under 90% in 2013, at more than 700,000 units per year. 80% of the kitchens produced in Coswig are sold on the German market. End-to-end organisation of the supply chain makes for extremely short delivery periods in nationwide sales. As a result, the company can guarantee extremely short delivery periods of ten working days for its trading partners. To further optimise the production process and modernise the machinery and plant, the company additionally invested € 410 thousand in a new front of machining centre in 2013, with the objectives of clearly improving efficiency and expanding flexibility in the front assembly area. Investments were also made to increase the intrinsic value of PINO products. For example, clip hinges and drawers with complete pull-out were defined as standard.

Cooperation with the new trading partner Kiveda got underway successfully. The Berlin company started operations in 2013 as the first online kitchen seller. PINO is an important supplier of kitchens to Kiveda.

Products

In the financial year 2013, the ALNO Group had numerous product innovations, additions to the range and technical highlights to present to the general public and the trade. Particularly striking: the ALNO Group is becoming more elegant, stylish, colourful and on-trend, and stands out with all kinds of new colours and paint variations, whether in high gloss, matt or structured finish. All brands have technical refinements and innovations to be discovered.

New painting processes and mixtures were developed for the **ALNO brand** for creating kitchens with high intrinsic value and trendy variations. 32 new front colours and 28 new paint variations were presented by the company at the “Kitchen Mile A30” in September 2013. New lines were also presented in the ALNO kitchen range with “ALNOPRIME”, “ALNOSHAPE”, “ALNOSUND” and “ALNOBRIT”. These new ranges are available in classic or bright colours, and in high-gloss, with wood decor, matt or structured paint. What is more, accessories for the kitchen fronts can also be exhibited in a new design on request by customers.

ALNOPLAN and ALNOSUND focus in particular on colouring and geometry. With a table that is integrated into the kitchen island, it perfectly unites living and cooking areas. The interplay between wood decor and colour accents in structured paint creates a pleasant atmosphere. Whether you go for classic white or robust structured paint available in 14 colours, this isn't just a place for cooking, it's a place for living.

As for ALNOSHAPE, the name says it all: clear shapes and a timeless, classic frame front dominate here. The open shelf design provides not only a lot of storage space but also room for decoration, thereby creating a more homely atmosphere. For kitchen owners who know what they want, this is a kitchen that meets the highest of demands, every day.

ALNOBRIT combines classic country house style with modern design. The frame front with its inner profile and the handiwork details are reminiscent of this kitchen's predecessors. The material combination of wood, paint and metal makes you feel at home right from the start. What is more, there are also ranges such as ALNOPRIME, which offer a high-gloss painted kitchen front at the price of a front with high-gloss foil. And ALNOFINE, which has eight different matt paints and seven new trendy colours to choose from.

Kitchens from the **WELLMANN brand** have always embodied understated elegance, modern design and high quality in the medium price segment. Now, the product range is even more varied, not least because of its new handleless kitchen the surfaces of which provide an impressive backdrop for high-quality materials such as glass.

22 colours for front panels – from light ultra white through to umbra black – and various materials such as glass, varnish or melamine guarantee variety and set accents – both in the broad sense and in detail. In addition, for example, there are high-quality side trims, curved handle strips or stainless steel recessed grips, UV high-gloss painted fronts, on-trend colours or glass. With the new VITUS range, WELLMANN is presenting a kitchen with real glass doors for the first time. Coloured in light white, the door panels set entirely new accents in terms of appearance. The curved grip rails made from stainless steel mounted on the surface represent a beautiful detail.

With its broad assortment featuring many variations (more than 780 articles), WELLMANN turns kitchen design into an experience and continues to pursue its philosophy of a flexible and functional kitchen with freedom of planning, intended for a trend-oriented target group.

With its own interpretation of the kitchen without handles, the **IMPULSE BRAND** has once again succeeded in achieving a really special innovation. Fruity and fresh colours set new accepts, painted panels impress with their hard-wearing properties and great look, while the new 40 cm cabinet width opens up the possibility for totally different planning ideas. For example, with highly expressive decors for the front and structure. Whether caruba elm, silva beech or stone structure in Vesuvius white – each material used by IMPULS will fascinate with its own, unmistakable character. And with its own interpretation of a kitchen without handles, Impuls has not only polished the kitchen front panels to a high-gloss finish.

It is be possible for the insides of drawers and pull-outs to be equipped in line with personal expectations down to the last detail. Flexible organisation systems make it possible. With glass, light and stainless steel, refreshing and impressively designed accents can be set while contemporary lighting systems create an atmosphere and cast the right light on working surfaces. Irrespective of whether a modern or classic country house style is called for. With IMPULS, everyone will find the kitchen they want.

Impuls kitchens have been setting new standards in delivery and service quality for many years now. Germany's fastest kitchen is ready for use within a few days. This means the kitchen is a response to society's increasing mobility and the fast pace of life. No more than ten working days will elapse between the order being accepted and the kitchen being built.

As varied as life itself is the presentation of kitchen ideas from **PINO**, the entry-level brand from the ALNO Group. There are new, trendy colours, just like the new look of front panels without handles, wood decor or fully encased gloss wood foils. Above all, there are new technical ideas that turn an entry-level kitchen into a comfort kitchen without it having to cost more. Colourful, trendy and young: that is how the new kitchen ranges present themselves, such as Pino 100 (in lively colours), Pino 260 (fully encased) or Pino 300 (without handles). And thanks to the development of technical details with no effect on price, PINO now offers kitchens with entry-level price tags but high-tech functions. Fully extending units offer access to the maximum storage space, new clip hinges with optionally integrated damping mean that drawers and doors close almost silently.

Sales markets

According to the GfK consumer research association, the market is stagnating with a sales growth of 0.1% and a decline of –0.8% in quantity; nevertheless, there has been an improvement in prices. This is chiefly due to a shift in the mix offered by the sales channel of specialist kitchen and furniture stores, as well as in the product mix (paint and glass).

Germany is the most important sales market for the ALNO Group. Through the acquisition of AFG Küchen AG, Arbon, Switzerland, completed on 25 March 2014, ALNO AG has successfully pushed ahead with its strategy of internationalisation, making it the clear market leader in the attractive Swiss kitchen market with the brands Piatti and Forster. Other target markets are China, the USA, France and the UK. The ALNO Group has about 6,000 commercial partners in 64 countries. The ALNO Group has its own sales companies in the UK, the USA and Switzerland.

Sales

Domestic sales

In Germany, the kitchens produced by the ALNO Group are marketed through kitchen and furniture studios, SELF-SERVICE and RTA stores, furniture stores, as well as through architects and building companies especially in the case of real estate projects. Most of the German trading partners are members of purchasing associations.

Kitchen and furniture stores are served by a trained team of field service staff in Germany, while merchandisers specialising in this field of business look after the SELF-SERVICE and RTA stores; the associations are specifically handled by our key account managers.

The company tielsa GmbH, Pfullendorf was established as a joint-venture in November 2012 by ALNO AG (ALNO's shareholding 49%); in future, it will sell kitchens based on the "moving kitchen" concept. The "moving kitchen" concept is characterised by unique functionality based on ergonomics and technology, as well as by modern design. The "moving kitchen" concept was introduced as a product innovation at the international furniture fair "imm cologne" in January 2013 where it attracted a very high level of interest among trade visitors and the media. The first tielsa showroom was opened at the Pfullendorf location in July 2013.

Foreign sales

The ALNO Group has commercial partners in 64 countries. Foreign growth was one of the main aspects of our sales activities in 2013.

On 25 March 2014, ALNO AG completed its takeover of AFG Küchen AG, Switzerland, which will significantly increase its export share.

ALNO AG is continuously expanding its business in Asia above all. For example, ALNO has won three calls for tenders for major projects in India. Up to 2016, the kitchen manufacturer will be supplying well in excess of 1000 kitchens for exclusive building projects including the Estancia project in Chennai, the ITC Green Towers project in Kolkata and the Sattva Luxuria project in Bangalore.

In Taiwan, ALNO is going to supply a total of 2180 kitchens for 36 projects through its local distributor HBI Co. Ltd. by 2015; of these 1,530 kitchens are from the ALNO brand and 650 from the IMPULS brand. ALNO is handling two projects in China with a volume of 270 high-grade kitchens. For a third project that is still underway in Hangzhou, the Chinese joint-venture partner of ALNO has signed a contract for 585 kitchens, which will be delivered by the end of 2013. In the South Korean capital, Seoul, ALNO was able to win a major order for 110 particularly high-grade kitchens in high-gloss varnish and veneer.

ALNO China Holding was founded in November 2012 as a joint-venture. It controls the sales activities in one of the largest growth markets in the world.

Back in May 2013, ALNO China Holding, entered into a partnership with the Shun Hing Group. It exclusively sells ALNO products in Hong Kong. In addition, an ALNO flagship store is also being opened there. The Shun Hing Group has many years of experience in the project business, and is the market leader in the area of climate technology. With about 1,800 employees, the Group sells world-famous brands such as Panasonic or products from Teka Küchentechnik and Küppersbusch.

Wellmann China Company Limited, British Virgin Islands, is intended to support the recruitment of franchisees to run kitchen shops in the People's Republic of China under the name "Wellmann". The goal is for about 100 new kitchen shops to be opened by mid-2015. ALNO AG is expecting that this will generate a sales volume in the tens of millions.

ALNO AG is expanding its presence in the US market, and is now also presenting its designer kitchens in a facility of more than 1000 square metres in Miami, Florida. With its new showroom, ALNO AG is presenting its customers innovative kitchens with a European appeal. In addition to laminated and wood fronts, ALNO is also displaying fronts made from ceramic, glass and structured wood/laminated materials as well as exclusive 3D fronts. ALNO's award-winning Marecucina, a homage to the maritime lifestyle, is a real eye-catcher in the centre of the exhibition with worktops crafted from solid walnut and teak.

As a result, ALNO is continuing its investment activities in America, and now has eleven independent partner stores and two subsidiaries in the United States.

In August 2013, ALNO UK received an order amounting to about € 4.8 million for delivery of 405 ALNO kitchens for a luxury apartment complex in Woodberry Park, London. The first kitchens were delivered in 2013, while the entire order is planned to be completed by the end of 2014. The residential complex is operated by the renowned British company The Berkeley Group. This contract is the biggest yet for ALNO in the United Kingdom.

ALNO also achieved export successes in Poland and Turkey. 262 ALNO kitchens form the ALNO Class, Satina, Fine and Vertina lines were supplied for the Cosmopolitan Twarda project in Warsaw in 2013. In the rapidly growing Turkish market, ALNO together with its local partner Innovist Ltd., Istanbul, Turkey, has landed another major project. The “AkAsya” building complex in Istanbul accommodates, amongst other things, the largest and most luxurious shopping mall on the Asian side of the metropolis, exclusive office spaces and 422 luxury apartments. Since June 2013, high-quality ALNO kitchens have been installed in the residential units.

Objectives and strategy

In 2012, a process was started with the involvement of all business units to work out a strategy for the ALNO Group. This process was successfully completed in 2013.

It involved formulating the vision for designing living spaces in which people would feel at home, made possible by a globally leading kitchen manufacturer offering innovative products and intelligent solutions. ALNO’s vision is based on a tradition of kitchen manufacture going back more than 85 years. The kitchen is the central living space which is playing an increasingly central role in life. To take account of this, the ALNO Group offers innovative products that deliver added value and stand apart from the competition. At the same time, the company’s intelligent solutions serve the entire process sequence in order to achieve an advantage for customers. At the same time, the unique design ensures that kitchens from the ALNO Group make a flowing transition between the kitchen and adjacent living areas.

The strategic goals for the individual areas have been derived from this vision. The goal is to generate sustainable values through profitable growth and further process optimisations.

Market objectives

The course that we embarked upon in 2012 – moving away from a high-volume policy towards one of increased value – will be pursued consistently. It includes profitable sales growth, an increase in the export share and opening up new sales channels. On the basis of this stance, the market share in Germany is expected to move back above the 20% mark over the next few years.

It proved possible to win back customers’ confidence in the financial year 2013. This delivered exclusive customer projects in which the ALNO Group was able to input its product expertise as a means of establishing a unique differentiating criterion for its customers. In future, this partnership approach will be expanded and pursued with greater intensity so as to build up additional sales quotas.

According to the GfK consumer research association, the share held by kitchen specialists (in relation to the market share in €) and the self-service/RTA (in relation to the sales volume) increased in 2013. WITH ITS BRANDS AND ITS PRODUCT RANGE, ALNO can cover about 80% of the price segments. In view of the development in the sales channels, more attention will be paid in future towards kitchen specialists with an optimised product and service offering and the self-service/RTA segment in order to make a contribution to increasing the plants’ capacity utilisation with quantity increases.

Geographically speaking, the D-A-CH remains the core market for the ALNO Group. However, the greatest opportunities for growth can be found abroad. The objective remains to increase further the foreign proportion of overall sales from its current level of about 33%. The USA, China, the UK, Switzerland and France have been identified as key markets. The higher margins in the export business should further increase overall profitability. Also, it opens the opportunity for increased vertical integration.

The takeover of the Swiss company, AFG Küchen AG, Arbon, Switzerland, at the beginning of 2014 (see section “3. Report on events subsequent to the reporting date”) offers the ALNO additional sales opportunities in the growth market of Switzerland, as well as internationally through steel kitchens for customers. In future, further acquisitions are planned with the intentions of reducing dependency on the German market with its intensive levels of competition, as well as securing competitive advantages over competing companies. At the same time, sales growth – and hand-in-hand with that better capacity utilisation of existing facilities – ought to be achieved.

As well as the existing and established sales channels, the ALNO Group is also developing new ones. For example, a new business unit was opened up in 2013 with the 49% investment in tielsa GmbH, Pfullendorf. In the future too, the ALNO Group will rely on innovative concepts, thus bringing new business opportunities within reach.

Objectives for production

Competence centres are being organised at the production locations, taking as their starting point the strategy for the ALNO Group. This takes further account of changing market requirements. At the Pfullendorf location, for example, expertise is being expanded further in high-quality front materials such as paint, glass and ceramic. Corresponding investments are planned. Other competence centres will be created in the areas of order-related component production. Assembly expertise will be retained in its current structure.

Lean management principles will be introduced throughout production. The objective is to further optimise production processes, thereby laying the foundations for profitable growth. Furthermore, the basis will be established for integrating further acquisitions.

Customer service areas will also undergo further process optimisation. The process sequence here will be consistently brought into line with customers' requirements. This will optimise existing activities and open up new service offers.

Objectives for distribution

Distribution and logistic services are also being reorganised in conjunction with the ALNO Group's reorientation. The main emphasis here is on introducing innovative systems and processes with the objective of increasing delivery frequency, thus improving service for the customer. The three operating companies purchased in 2012 from the previous external logistics provider, logismo GmbH, were merged into logismo Möbellogistik GmbH, Pfullendorf, in 2013. Insourcing logistics services has expanded and combined expertise in tour planning and distribution.

Objective for the administrative areas

The administrative areas include accounting, controlling, IT and human resources. In the course of the strategy, these areas will be expanded into high-performance service areas. The functions are going to be centralised increasingly for this purpose. For one thing, this will have the effect of reducing costs by avoiding duplication of functions, while for another it is intended to combine expertise so as to act as a business partner for the operational areas. As a first step, the processes are being harmonised and merged.

Further progress is being made with introducing SAP at the Pfullendorf location. Its introduction is intended to replace the existing host system and integrate the process sequence from order input through to production and logistics within the system. In addition, systems covering more than one location are being designed and built up. IT services are also being configured for use across all sites.

Group management

The Group's business activities are measured on the basis of sales and value metrics. Within the year, the individual Group entities are managed on a monthly basis, but also on a weekly and daily basis, through continual variance analyses to determine any divergence from budgeted figures and previous year's values in all key operational areas.

In addition to ratios measuring the efficiency of sales, production, quality and specific functions, the most important individual indicators used at the segment level include EBITDA and EBIT, contribution accounting, unit performance accounting and sales figures expressed in numbers of cabinet units. Cost centres and cost categories are monitored and analysed separately at a higher level of aggregation.

The quality of the product range and business processes is monitored and assured by quality management based on DIN EN ISO 9001. All production companies in the ALNO Group are certified companies subject to continuous external auditing by various institutes.

Research and development

Product development by the ALNO Group is centrally located in Pfullendorf. Development focuses on product innovations and new applications which are systematically developed across all product lines for specific target groups. Characterised by its large breadth, advanced technologies and the high quality of the equipment, functionality and design, the range of products and services is enhanced continually. Year after year, the ALNO Group's product design and brand management win distinctions in international competitions.

Eleven employees work in product development. The total costs of product development amount to € 1,186 thousand (previous year: € 1,272 thousand).

Since the ALNO brand is to be positioned more clearly in the upper brand segment in future, the company intends to systematically develop corresponding product innovations and new applications based on market requirements and the consumers' needs. The aim of product development is to consistently develop ALNO as the company's core brand with product and design innovations and thus document its superior market position. To this end, the company will further develop its competence in the material groups of paint, glass and ceramics with new surface options and functional elements. Competence in special products for individual customers is another hallmark of the ALNO brand.

With handleless kitchens, modernised basic front ranges, newly developed unit systems, opening systems and functional systems for the standard ranges of the PINO, IMPULS and WELLMANN brands, the company meets customers' needs in these entry-level and mid-level segments. New technical standards in the price segments of the IMPULS and PINO brands, as well as extremely short delivery periods, are special characteristics of these brands: The industry's customary delivery period of three to five weeks is definitely undershot at five to ten days.

The collection from tielsa GmbH focuses on the moving kitchen. This gives the brand a unique selling point by networking digital technology with modern kitchen design. tielsa is the platform for future living in which living areas blend into one another, and link together to make a living space. This kitchen can be ergonomically adapted to the size of any family member.

In July 2013, tielsa opened the first showroom for moving kitchens at the Pfullendorf site, in a showroom with a total area of 220 square metres. It is presenting its exhibition in a completely new lifestyle and living concept focusing on a kitchen that thinks and grows with its owners.

2. Economic report

Overall economic and sector-specific conditions

Economic environment

According to the Institute for the World Economy (IfW), the situation of the German economy improved further during the course of 2013. However, the expected economic upturn has not materialised yet. The mood indicators during the past months of 2013 have been indicating very favourable prospects. For example, according to the IfW, the business climate has noticeably brightened, supported by improvements in the corresponding figures for the remainder of the eurozone. However, economic activity has not yet firmed up. A study by the IfW indicates that incoming orders and industrial production remain on a fairly weak trend. This discrepancy between mood and hard facts is not unusual for economic developments over the past few years. The IfW estimates it is probable that the upswing will gain traction and production will noticeably pick up. Above all, extremely low interest rates ought to invigorate the economy. However, uncertainty continues to cloud the financial policy of many countries which are relevant for the ALNO Group because state debt is not under control in many cases and it is unclear when the central banks will curtail their extremely expansive policies. The IfW estimates that there is still a danger of a renewed downturn in the economy, even in Germany, in the short term. Medium-term prospects might be impaired by the policy of the new German government, according to the IfW. Implementing important measures stated in the Coalition Agreement would reduce the rise in production potential.

The mood in Germany is one of positive expectation in terms of income and the economy. Consumer spending continues to outstrip saving by far. The GfK consumer research association has calculated that more money was spent on holidays, leisure and entertainment electronics in 2013 again. Considerable sums were also expended on purchasing and renovating apartments and houses. These effects were also felt in the furniture trade.

According to information from the GfK, the first few weeks of 2013 were still characterised by the favourable consumer mood from 2012, although this boost tailed off significantly towards the end of the first quarter, as a result of which, by the end of March 2013, the GfK had already recorded the first negative figure for the year, at 0.7%. From April 2013 onwards, retailers experienced more of a boost and consumer mood picked up. Consequently, the second quarter of 2013 closed with a gain of 1.7% compared to the previous year's quarter.

Summer, with the main holiday period, is traditionally difficult. Summer 2013 came late, but it brought high temperatures as a result of which footfall in retail outlets was down. According to the IfW, the result of the third quarter was negative by 4.3% – hardly surprisingly, a poor performance.

According to figures provided by the Federal Statistical Office, the German economy continued its moderate growth towards the end of the year: In the fourth quarter of 2013, gross domestic product (GDP) – adjusted for price, season and calendar – was 0.4% higher than in the third quarter of 2013. Positive impulses were felt in the export trade above all else. According to provisional calculations, exports of goods and services increased much more strongly than imports. The signals from within Germany were mixed, however.

Developments in the furniture retail business

The German Furniture Industry Association (VDM) describes the furniture and kitchen sector as a typical retail trade sector featuring small and medium enterprises. It involves competition between all kinds of selling. The range is highly diverse, from self-service markets through to specialised kitchen shops as well as large-scale interior design stores and online trading. Consumers have a free choice according to where they feel they are best advised and served, and according to whether they regard price or a good selection and expert advice to be of primary importance.

In 2013, according to the VDM, the furniture, kitchen and interior design business underwent a 1.2% decline in sales compared to 2012 which was a good one for the furniture trade. Based on figures from the VDM, the aggregate sales result for 2013 amounts to € 30.8 billion, which is the sum that consumers spent on furniture, kitchen and interior design items. This also includes specialist assortments also sold by furniture stores such as carpets, home textiles, dining room and kitchen accessories, accounting for a volume of € 6 billion. This accounts for per capita spending of about € 375 on furniture and kitchens in Germany, which is a peak value in international comparison and also represents a sign of the performance capability of the German furniture industry as well as the German furniture and kitchen retail trade, according to the VDM in its 2013 market study.

The VDM believes that the new sales format of ordering furniture online is becoming increasingly important. More than € 1.2 billion, i.e. almost 4% of total sales were accounted for in 2013 by the online furniture and kitchen business, according to figures from the VDM. This is dominated by companies specialised in remote trading, and less so by established, stationary retailers.

The retail trade is undergoing ongoing concentration: In 2013, the top ten German furniture retailers earned sales of about € 14 billion – this being 44% of sales in the sector – which means they increased their market share, according to the VDM. Rankings 1 to 10 are stable, whereas there are movements amongst rankings 11 to 20 in particular. This is the domain of subsidiaries on course for expansion, which are pushing their way further up the rankings.

According to the German Federal Statistical Office, the furniture, kitchen and interior design business comprised about 9,000 companies in 2013. This is comparable to the 2012 figure. Considering the assortment areas, the strongest goods group remains that of kitchen furniture with a 28% sales share, followed by upholstered furniture with 18% and then bedrooms and living rooms, each with 12%. As well as the major interior design stores, the sector winners also include specialist outlets. In the kitchen business, more than 40% of kitchen sales are achieved by specialist kitchen shops and large kitchen stores. In no other assortment range is this effect so pronounced.

A look at the European market indicates that in spite of the currently negative market development, most EU countries have recorded sales share gains in many cases, according to the VDM. German furniture is particularly popular in the neighbouring countries of Luxembourg and Austria, where it enjoys the highest market share at 68% and 59% respectively, with a rising trend. In France, market share increased to 13% and in Spain to 6%. The market share in the UK remained unchanged at 5%. In Italy too, the German furniture industry has been able to record a slight increase in its market presence, to about 3%. The market share in Belgium and the Netherlands remains high as before at 22% and 20% respectively, although it is declining slowly as a result of the difficult market situation and increased furniture imports from Asia.

Only at first glance does the VDM put a positive spin on the decline in furniture imports by 5.8% to € 4.95 billion. What is particularly striking here is that imports from the People's Republic of China declined by 9.2% in the 1st half of 2013. This may indicate a shift in purchasing behaviour by furniture retailers. After all, manufacturing in China has become significantly more expensive over recent months, and it is clear that it can no longer completely satisfy the lowest price segment. Initial shifts towards imports from India and Thailand might indicate new purchasing sources, although it remains to be seen whether this trend will continue.

According to the VDM, there are still signs that imports are continuing to cause problems to the furniture industry in that more than one in every two pieces of furniture sold in Germany continues to be derived from abroad. The import penetration quota remains at a high level, and is currently at a worrying 58%.

Developments in the kitchen furniture industry

The kitchen industry underwent a difficult year in 2013. According to the GfK consumer research association, the German kitchen market stagnated in 2013 with growth of +0.1% (sales in €) compared to 2012. At the same time, sales in Germany increased by 0.5% compared to the previous year, reaching € 2.73 billion while export sales fell by € 1.47 billion, 0.9% below the level of the previous year. The Board of Management of ALNO AG is expecting further consolidation amongst small and medium kitchen producers both in Germany and other European countries, and regards this development as an opportunity for further inorganic growth. According to information from the German Federal Statistical Office, exports to the most important market, France, increased by 2.5% to € 357.4 million during the previous year. There were more significant increases in exports to the UK (+9.2%), the People's Republic of China (+7.7%) and Italy (+6.6%). Furthermore, exports to Austria were slightly up (+1.9%). Exports with double-digit growth rates include those to the USA (+22.2%), Denmark (+24.7%), Sweden (+64.5%) and Taiwan (+27.7%). In contrast to this, fewer items of kitchen furniture were delivered to the Netherlands (–8.6%), the second most important consumer country, as well as to Switzerland (–4.6%) and Belgium (–4.7%). Exports also decreased to Russia (–3.8%) and Luxembourg (–2.4%). The steepest drops occurred in deliveries to Hong Kong (–24.9%) and the United Arab Emirates (–31.3%).

General development of business

The ALNO Group came under pressure in its home market of Germany during the first three quarters of 2013. However, the company was able to stabilise the position again in the fourth quarter of 2013 and achieve a market share of 14% by means of a clear change in trend at the WELLMANN and ALNO brands. The ALNO Group succeeded in strengthening its position in other European countries.

Net assets, financial position and results of operations

Sales and earnings

The income statement for the ALNO Group (according to International Financial Reporting Standards) is based on the nature of expense method.

During the reporting period, the ALNO Group was able to increase its EBIT slightly compared to the previous year. Sales declined compared to the previous year as a result of consistent pursuit of the policy to avoid low-margin sales, resulting in increasing revenue quality. Over the course of 2013, customers were attracted back to the brands of the ALNO Group, as a result of which sales increased slightly as the year progressed.

The gross profit margin identifier is calculated in the ALNO Group by dividing gross yield by sales revenues.

The following table sets out the key figures for the years 2011 to 2013.

in € 000	2013	2012	2011
Sales revenue	395,056	446,258	452,810
Changes in inventories and capitalised goods and services for own account	2,603	396	882
Cost of materials	222,031	257,948	286,398
Gross yield	**175,628**	**188,706**	**167,294**
GROSS PROFIT MARGIN (IN % OF SALES REVENUE)	**44.5**	**42.3**	**36.9**
Other operating income	9,452	9,798	6,270
Personnel expenses	95,263	97,204	98,529
Other operating expenses	82,153	84,376	94,169
Result from reorganisation (+ = expense/– = revenue)	2,162	2,965	–24,338
EBITDA	**5,502**	**13,959**	**5,204**
Write-downs	12,173	15,850	15,902
Write-ups	7,846	2,768	0
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**1,175**	**877**	**–10,698**
Financial result	–8,416	–2,094	–14,518
Earnings before taxes (EBT)	**–7,241**	**–1,217**	**–25,216**

Consolidated sales in the financial year 2013 amounted to € 395.1 million, corresponding to a decline of 11.5% compared to € 446.3 million in the previous year. This means the sales increase forecast in 2012 for 2013 was not achieved.

Revenues in Germany declined by 16.5% to € 265.9 million. In a weak and slightly recessive market environment, the continued deliberate avoidance of low-margin sales resulted in a decline in sales volume.

It proved possible to grow the export business in 2013. Sales rose by 1.1% to € 129.2 million. Accordingly, the export quota rose by 28.6% overall to 32.7%.

Sales revenues in Germany and abroad developed as follows:

Year	Domestic € 000	Change in € 000	Change in %	Foreign € 000	Change in € 000	Change in %	Export share	Total € 000
2011	326,397			126,413			27.9	452,810
2012	318,458	–7,939	–2.4	127,800	1,387	1.1	28.6	446,258
2013	265,854	–52,604	–16.5	129,202	1,402	1.1	32.7	395,056

The foreign business is divided up as follows overall ("ATG" = foreign subsidiaries):

Year	Total exports € 000	Total Europe € 000	Change in € 000	in %	thereof ATG	Change € 000	in %
2011	126,413	105,456			25,098		
2012	127,800	107,306	1,850	1.8	31,850	6,752	26.9
2013	129,202	109,170	1,864	1.7	36,673	4,823	15.1

Year	Total exports € 000	Total other foreign countries € 000	Change in € 000	in %	thereof ATG	Change € 000	in %
2011	126,413	20,957					
2012	127,800	20,494	–463	–2.2			
2013	129,202	20,032	–462	–2.3	4,381	4,381	n/a

The development in cabinet unit numbers was as follows:

Year	Sales volume in thousands of units	Incoming orders in thousands of units	Orders on hand 31 December in thousands of units
2012	2,717	2,649	189
2013	2,383	2,365	177

Changes in inventories and capitalised goods and services for own account amounted to € 2.6 million, following € 0.4 million in the previous year's period. The rise is due above all to higher inventories of finished products in the course of the project business at the foreign companies which could not yet be delivered due to delays in projects, for example.

The cost of materials declined due to lower sales as well as price reductions negotiated with suppliers, falling from € 257.9 million to € 222.0 million. At 55.8%, the cost of materials quota was thus below the previous year's level of 57.8%. Considering the Group as a whole, gross yield declined from € 188.7 million to € 175.6 million, although this nevertheless resulted in a higher gross profit margin of 44.5% following on from 42.3% in the previous year. This development was in particular due to the price increase at the ALNO and WELLMANN brands in autumn 2012.

Other operating income was slightly down from € 9.8 million to € 9.5 million. Personnel costs fell to € 95.3 million after € 97.2 million in the previous year, due above all to retrenchment at Wellmann (Enger location).

The decline in other operating expenses from € 84.4 million to € 82.2 million predominantly results from the fall in sales commissions and transport costs due to the lower sales volume.

The negative restructuring result amounting to € 2.2 million chiefly results from redundancy payments. The negative restructuring result of the previous year amounting to € 3.0 million was largely based on setting up a social plan provision for the staff reductions at the Enger location (Wellmann).

As a result, the previous year's forecast of a significant EBITDA improvement did not prove possible to achieve. EBITDA decreased from € 14.0 million in the previous year to € 5.5 million.

Depreciation on intangible assets and property, plant and equipment fell from € 15.9 million in the previous year to € 12.2 million. This decline resulted from the previous year's impairment losses amounting to € 3.4 million. As a result of reversals undertaken as part of the impairment test in accordance with IAS 36 on 31 December 2013, there were write-ups on intangible assets at the Pfullendorf location amounting to € 0.3 million and on property, plant and equipment amounting to € 7.5 million.

This means the forecast made in the previous year of an improvement in Group EBIT compared to the previous year was achieved. EBIT increased from € 0.9 million in the previous year to € 1.2 million.

The financial result decreased year-on year from –€ 2.1 million to –€ 8.4 million. At the same time, financial income fell from € 9.0 million to € 0.2 million as a result of including the waiver of repayment by banks in accordance with restructuring agreement III of 11 July 2012 in net income in the previous year, as well as including the associated earn-out certificate at a netted value of € 8.9 million. Revenues from the cash capital increase in November 2012 were entirely used for repaying interest-bearing financial liabilities with a nominal value of € 55 million, leading to a significant reduction in financial expenses from € 10.8 million to € 7.9 million. The expense from investments measured at equity which increased from € 0.3 million to € 0.7 million is largely attributable to the joint-venture, ALNO China Holding Ltd.

As a consequence, this produced a decline in EBT of –€ 1.2 million in the previous year to the current –€ 7.2 million.

The Group result for the period decreased from –€ 1.4 million to –€ 10.7 million compared to the previous year. As a result, the earnings per share is –€ 0.15 following –€ 0.05 in the previous year.

Segment results

The results of operations for the individual segments of the ALNO Group (before consolidation) are explained below.

ALNO segment

	2013 € m	2012 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	94.2	107.2	–13.0	–12.1
Gross yield	44.0	48.6	–4.6	–9.5
Gross yield in %	46.7	45.3		
EBITDA	–8.8	–10.3	1.5	14.6
EBIT	–2.6	–11.8	9.2	78.0

The ALNO segment comprises ALNO AG which produces brand-name kitchens for the upper and middle price range at the Pfullendorf location.

Compared to the previous year, the sales volume of ALNO AG fell by € 13.0 million (–12.1%).

Due to the extraordinary price increase in autumn 2012, some customers reduced their orders with the ALNO brand in the year under review 2013.

It was possible to reduce the cost of materials by € 8.2 million, which is due not only to price reductions negotiated with suppliers but also, amongst other factors, to the changeover from external to in-house production of components such as glass. Personnel expenses increased by € 1.3 million to € 40.2 million as a result of a slight reduction in the workforce and the increase in wages negotiated through collective bargaining in 2013. At € 36.6 million, other operating expenses were € 10.8 million below the previous year's value. On the one hand, this is due to reduced transport costs and commission payments as a result of lower sales, while on the other, and above all, it can be explained by significantly lower specific valuation allowances and bad debts with affiliated companies.

As a result, the EBITDA improved from –€ 10.3 million to –€ 8.8 million, an increase of 14.6%.

It was above all write-ups amounting to € 7.8 million resulting from reversals of impairment losses as a result of the impairment test according to IAS 36 that led to an improvement in the EBIT from –€ 11.8 million to –€ 2.6 million, an increase of 78.0%.

Wellmann segment

	2013 € m	2012 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	101.4	127.5	–26.1	–20.5
Gross yield	45.9	54.8	–8.9	–16.2
Gross yield in %	45.3	43.0		
EBITDA	–2.0	35.0	–37.0	–
EBIT	–6.8	28.7	–35.5	–

The Wellmann segment, which primarily comprises Gustav Wellmann GmbH & Co. KG, produces kitchens in the medium price segment at the Enger site. In terms of sales, the company recorded a decline by € 26.1 million or 20.5% to € 101.4 million. The gross profit margin increased from 43.0% to 45.3%, above all because of the price increase introduced in the course of the year and because of the € 16.6 million fall in the cost of materials, this being due above all to price reductions negotiated with suppliers. Other operating income declined significantly by € 44.6 million to € 5.1 million, above all because of revenue gained from the waiver of repayment by ALNO AG in the previous year. Personnel expenses declined because of the reduction in workforce numbers at the Enger location by € 5.5 million to € 26.2 million. At € 27.1 million, other operating expenses were € 8.6 million below the previous year's value. This is due to lower transport costs and commission resulting from lower sales on the one hand, while on the other hand it can be ascribed to expenses from customer accounts sold within the Group.

As a result, the EBITDA fell by € 37.0 million to –€ 2.0 million. The € 1.5 million fall in depreciation led to a decline in EBIT by € 35.5 million to –€ 6.8 million.

Impuls segment

	2013 € m	2012 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	97.7	111.3	–13.6	–12.2
Gross yield	39.5	42.6	–3.1	–7.3
Gross yield in %	40.4	38.3		
EBITDA	7.7	11.5	–3.8	–33.0
EBIT	5.0	8.8	–3.8	–43.2

The subsidiary Impuls Küchen GmbH, Brilon, is positioned in the lower medium segment, and posted a decline in sales of € 13.6 million or 12.2% to € 97.7 million. At the same time, the gross yield fell by € 3.1 million or 7.3%, although the gross profit margin was 2.1 percentage points up on the previous year at 40.4%. The cost of material was able to be reduced by € 10.6 million, above all because of price reductions negotiated with suppliers. Other operating income fell by € 1.4 million to € 2.1 million, chiefly because of lower revenues due to passing on costs to affiliated companies. Personnel expenses decreased by € 0.7 million to € 12.2 million. At € 21.7 million, other operating expenses were exactly at the previous year's value.

This means the EBITDA fell by € 3.8 million to € 7.7 million. Depreciation was almost unchanged with regard to the previous year's level at € 2.7 million, leading to a € 3.8 million decline in EBIT.

pino segment

	2013 € m	2012 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	83.5	89.3	–5.8	–6.5
Gross yield	30.3	32.0	–1.7	–5.3
Gross yield in %	36.3	35.8		
EBITDA	6.5	7.7	–1.2	–15.6
EBIT	4.4	5.4	–1.0	–18.5

The pino segment comprises pino Küchen GmbH, Coswig (Anhalt), which produces kitchens in the lower price segment. In the financial year 2013, PINO recorded a decline in sales by € 5.8 million or 6.5% to € 83.5 million. At the same time, gross yield fell by 5.3% to € 30.3 million. The relative improvement in gross yield is largely due to the reduction in material costs of € 4.1 million, primarily due to price reductions negotiated with suppliers. Personnel expenditure at € 8.5 million was almost unchanged compared to the previous year's level. At € 16.0 million, other operating expenses were € 0.9 million below the previous year's value. Amongst other things, this is due to lower transport costs and commissions because of lower sales.

This means the EBITDA fell by € 1.2 million to € 6.5 million. Depreciation was € 0.2 million below the previous year's level at € 2.1 million, leading to a € 1.0 million decline in EBIT.

ATG segment

The ATG segment comprises the subsidiaries in the UK, Switzerland, the USA and the United Arab Emirates. Sales rose from € 31.9 million in the previous year to € 41.1 million. The principal factors in this were the first-time full consolidation of the income statement for ALNO Middle East, Dubai, UAE, in the ALNO Group as well as the complete changeover to double invoicing at ALNO Switzerland. EBITDA improved from –€ 5.1 million in the previous year to –€ 0.5 million as a result of the change over to double invoicing undertaken in the previous year and the selling of customer accounts within the Group associated with this, resulting in expenses for the foreign subsidiaries.

Net assets

As at 31 December 2013, the total assets of the ALNO Group increased by 7.9% from € 168.3 million to € 181.5 million.

On the assets side, non-current assets worth € 99.8 million are € 10.6 million higher than in the previous year. Intangible assets increased by € 1.0 million to € 9.7 million principally because of increases in down-payments and construction in progress as well as write-ups undertaken as part of the impairment test. Property, plant and equipment increased by € 8.8 million, above all because of write-ups on properties and buildings. Equity-accounted investments as well as non-current financial accounts receivable increased by € 1.9 million in total.

Current assets increased by 3.3% to € 81.6 million. Inventories were able to be reduced slightly to € 24.0 million. Current trade receivables fell by € 2.1 million to € 42.7 million, due to the newly agreed factoring volume at ALNO AG. Current other assets increased by € 5.2 million to € 9.6 million chiefly because of higher end-of-period turnover tax refunds, higher receivables from employees (time accounts) and third parties as well as higher capitalised accrued and deferred items.

On the liabilities side, Group equity was –€ 18.4 million compared to –€ 7.5 million as at 31 December 2012. The decline is largely due to the negative Group result for the period.

Non-current liabilities at the end of 2013 amounted to € 90.7 million following € 27.6 million in the previous year. This increase is largely due to the successful issue of the small and medium enterprise bond in May 2013 amounting to € 42.8 million (less costs, nominal amount € 45 million) as well as the conversion of trade payables towards Bauknecht Hausgeräte GmbH amounting to € 30.0 million into a loan, some of which is non-current.

Current liabilities fell from € 148.1 million to € 109.1 million. This is largely due to the reduction in current trade payables by € 44.3 million, which was achieved by, amongst other factors, the conversion of trade payables towards Bauknecht Hausgeräte GmbH into a loan, some of which is non-current.

Liquidity and financial position

The net cash flow for operating activities shows a cash outflow of € 29.5 million in the year under review (previous year: cash inflow of € 25.5 million). This reduction is mainly due to the "change in trade accounts payable and other debts" which results above all from the decline trade accounts payable amounting to € 44.3 million.

Investment activities resulted in an overall cash outflow of € 13.7 million in the year under review, as compared to € 14.7 million in the previous year. This decrease is essentially attributable to payments for company purchases in the previous year.

Payments to acquire intangible assets, property and equipment per segment were as follows, expressed in € 000:

in € 000	ALNO	Wellmann	Impuls	pino	ATG	Others	Total
2012	5,189	3,328	2,078	2,395	1,184	35	14,209
2013	4,536	3,409	3,611	2,066	1,246	16	14,884

The € 48.7 million increase in cash flow from financing activities compared to the previous year is essentially due to the bond issued in May 2013. The decrease in repayments of financial liabilities amounting to € 33.7 million chiefly results from the repayment of financial liabilities towards banks in the previous year. Revenue from the change in current accounts and factoring liabilities increased by € 13.9 million compared to the previous year. Conversely, the capital increase undertaken in 2012 amounting to € 46.2 million led to a lower inflow of cash from financing activities in 2013. Cash flow from the current account and factoring liabilities amounting to € 2.0 million chiefly resulted from the new factoring agreement of ALNO AG. In August 2013, new factoring financing was agreed for ALNO AG with a fracturing framework amounting to € 8.0 million.

With regard to the measures for safeguarding the company as a going concern and ensuring liquidity, we refer to the “Forecast, risk and opportunity report” and “Report on events subsequent to the reporting date” sections as well as the information provided in section B.1 “Basis for preparation of the financial statements”.

Development in net indebtedness

The net indebtedness of the ALNO Group (other financial liabilities and shareholder loans less liquid assets) increased by € 75.7 million as at 31 December 2013 compared to the balance sheet date of the previous year. It was € 89.6 million, following € 13.9 million as at 31 December 2012. A small portion of the revenue from the bond issued in May 2013 was used for reducing due trade payables.

Non-current liabilities increased due to the bond issued in May 2013 amounting to € 42.8 million less costs (nominal amount € 45 million). The bond has a term of five years and an annual interest rate of 8.5%. Furthermore, trade payables to Bauknecht Hausgeräte GmbH amounting to € 30.0 million were restructured into a shareholder loan of the same amount in 2013, with an interest rate of 6.5% p.a. The non-current portion amounting to € 20.0 million has a term until June 2017. The remaining tranche is reported under current shareholder loans.

	31 December 2013 in € 000	31 December 2012 in € 000	Change in € 000	Change in %
Shareholder loans and other financial liabilities				
non-current	65,217	4,027	61,190	> 100
current	27,649	15,284	12,365	80.9
	92,866	**19,311**	**73,555**	**> 100**
Less liquid assets	–3,266	–5,402	2,136	39.5
	89,600	**13,909**	**75,691**	**> 100**

Annual financial statements for ALNO AG in accordance with the German Commercial Code (HGB)

Income statement for ALNO AG in accordance with the annual financial statements pursuant to the German Commercial Code (HGB) for 2013

in € 000	2013	2012
Sales revenue	94,231	107,172
Changes in inventories and capitalised goods and services for own account	636	571
Other operating income	33,235	32,019
Total operating performance	**128,102**	**139,762**
Cost of materials	50,881	59,192
Personnel expenses	41,491	39,380
Other operating expenses and other taxes	44,158	53,640
EBITDA	**–8,428**	**–12,450**
Write-downs	5,358	11,783
EBIT	**–13,786**	**–24,233**
Financial result	3,646	35,406
EBT	**–10,140**	**11,173**
Extraordinary result	0	–924
Taxes on income	–6	–55
NET LOSS (PREVIOUS YEAR: NET PROFIT)	**–10,146**	**10,194**

In the financial year 2013, ALNO AG recorded a decline in sales by 12.1%. In Germany, sales revenues decreased by 14.4%, while the decline abroad was less pronounced, at 7.2%. It was possible to increase net revenues per unit by about € 238, to € 254.

The gross profit quota in the annual financial statements of ALNO AG in accordance with the German Commercial Code (HGB) increased in the financial year 2013 by 1.3 percentage points to 46.4% (previous year: 45.1%). This is chiefly due to an improved range and customer mix in sales as well as avoidance of low-margin sales.

Other operating income rose by 3.8% to € 33.2 million. Personnel expenses increased by 5.4% to € 41.5 million. The main reason for the rise is the inclusion of employee termination payments amounting to € 0.9 million. At € 44.2 million, other operating expenses and other taxes are down by € 9.4 million or 17.5% compared to the previous year. This is mainly due to much lower write-downs and bad debts on accounts receivable from affiliated companies in the amount of € 4.6 million (previous year: € 9.0 million) and the cessation of rental expenses for two administration buildings (€ 1.9 million) which returned to the ownership of ALNO AG at the end of 2012. Another reason concerns the capital increase costs amounting to € 1.9 million which were only included in the previous year.

The financial result decreased significantly by € 31.8 million compared to the previous year. The main cause of this is the waiver granted by a major shareholder in the amount of € 25.0 million which came into effect in 2012 according to the restructuring agreement II reached in early 2011 as well as the waiver of repayment by banks amounting to € 9.1 million in accordance with restructuring agreement III of 11 July 2012. This is offset by a € 5.0 million decrease in revenues from profit transfer agreements with subsidiaries.

Balance sheet of ALNO AG in accordance with the annual financial statements pursuant to the German Commercial Code (HGB) as at 31 December 2013

in € 000	31 December 2013	31 December 2012
ASSETS		
Fixed assets		
Intangible assets	5,523	5,667
Property, plant and equipment	16,729	16,769
Financial investments	104,179	101,479
	126,431	**123,915**
Current assets		
Inventories	8,768	8,821
Receivables and other assets	63,612	28,959
Cash in hand, bank balances	996	1,723
	73,376	**39,503**
Deferred items	2,884	627
Excess of plan assets over pension liabilities	148	197
	202,839	**164,242**
LIABILITIES		
Equity		
Subscribed capital	70,095	70,095
Capital reserve	3,258	3,258
Legal reserve	462	462
Net loss (previous year: net profit) for the year	–1,359	8,787
	72,456	**82,602**
Provisions	22,920	24,556
Liabilities	107,463	57,084
	202,839	**164,242**

Intangible assets, property, plant and equipment remain largely at the previous year's level.

The change in financial assets is essentially due to the increase in the investment (45%) in ALNO China Holding Ltd., in the amount of € 2.7 million.

Inventories are at the previous year's level overall. The significant increase in receivables and other assets compared to the previous year is largely due to increased accounts receivable from affiliated companies (+ € 34.2 million), higher receivables from other long-term investees and investors (+ € 4.0 million) as well as a € 3.5 million rise in other assets. Trade receivables, on the other hand, declined by € 7.1 million due to the introduction of factoring in autumn 2013.

The capital ratio fell from 50.3% in the previous year to 35.7%. Equity declined by € 10.1 million to € 72.5 million, exclusively due to the net loss for the financial year 2013.

Provisions declined by € 1.7 million to € 22.9 million, due above all to the reversal of provisions totalling. The major increase in liabilities is essentially due to the acceptance of new financial liabilities in 2013 (issue of a bond amounting to € 45.0 million in May 2013 as well as a loan granted by a major shareholder in the form of restructuring trade payables amounting to € 30.0 million).

Overall assessment

The Board of Management of ALNO AG assesses the business development in 2013 as unsatisfactory despite the positive trend in EBIT, due to the failure to meet forecast targets for sales and EBITDA.

Financial and non-financial performance indicators

Human resources

The total number of employees declined. On the closing date 31 December 2013, the ALNO Group employed 1,875 men and women. This compares to 1,926 in the previous year. At year-end, 1,216 worked in production (previous year: 1,251), while 129 (previous year: 117) were employed in administration. Marketing and sales employed 399 (previous year: 416) men and women, and 131 (previous year: 142) worked in the other areas.

In terms of distribution among the individual production locations, at the end of the financial year, 694 individuals were employed in Pfullendorf (previous year: 669), 540 in Enger (previous year: 607), 240 in Brilon (previous year: 247), 211 in Coswig (previous year: 212) and 167 at subsidiaries abroad (previous year: 169). The logismo Group employed 23 people (previous year: 22).

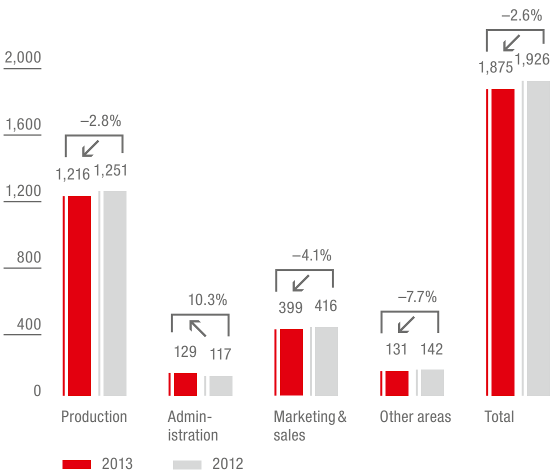
The ALNO Group needs highly qualified and motivated employees in order to realise its strategy and growth targets. The organisation of work is based on a spirit of openness and mutual respect and fairness. Performance is rewarded through profit-oriented remuneration systems and opportunities for personal development.

Personnel activities

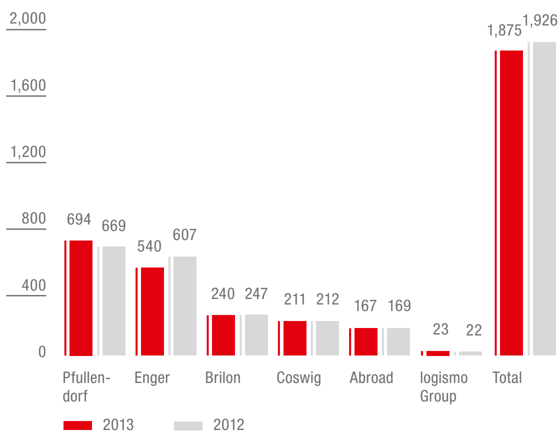
The difficult situation still facing the ALNO Group, reorganisation measures and periods of short-time working were decisive events for the employees in the financial year just ended. Inadequate capacity utilisation at the plants in Enger and Pfullendorf was compensated by working short-time. This was implemented unanimously at both locations, in a flexible manner according to capacity utilisation. The management presumes that cyclical fluctuations in the world economy, particularly in the European markets of importance to the kitchen furniture industry, will influence demand for our products. Optimising cost structures throughout the company and ensuring flexibility at the production locations in Germany are therefore matters of top priority for ALNO AG.

Under the terms of an agreement for the rehabilitation of ALNO AG which was concluded with the Metalworkers' Union for North Rhine-Westphalia and Baden-Württemberg on 10 July 2012, the personnel costs negotiated and implemented at company level are to be significantly reduced from 2013 onwards in the companies ALNO and Wellmann. Negotiations for the Pfullendorf location were concluded in December 2012 and provide for waivers of remuneration and an increase in working hours up to the end of 2014. In March 2013, negotiations with the employees' representatives and Metalworkers Union for North Rhine-Westphalia resulted in agreement on the

WORKFORCE STRUCTURE/CHANGE
BY AREA



WORKFORCE DISTRIBUTION
BY LOCATION



elimination of 85 jobs and a waiver of remuneration for the Enger location.

Employees of ALNO AG, Impuls Küchen GmbH and Gustav Wellmann GmbH & Co. KG are governed by the respective collective-bargaining agreements for the woodworking and plastics processing industry in the Westphalia-Lippe region and for the woodworking and plastics processing industry in Baden-Württemberg, as well as various collective agreements on remuneration. pino Küchen GmbH is not tied by any collective agreements.

In 2013, initial discussions on the topic of long-term accounts were embarked upon with the Group works council, together with the involvement of external partners. Basically, the parties are in agreement that a corresponding model is one of the approaches for solving the problems associated with demographic challenges. A Group model is to be worked out by mid-2014 in several workshops.

The corporate mission statement for the ALNO Group agreed in 2012 and also applicable in 2013 emphasises the importance of the workforce. Our employees represent the third pillar alongside the tradition and experience of the company, and thus lay the foundation for the success of the ALNO Group.

The corporate mission statement of the ALNO Group contains the following aspects:

- Our employees contribute to our success. Each individual counts.
- They are qualified, motivated, and distinguish themselves by their high degree of self-initiative.
- Targeted professional development strengthens our employees for the future.
- Within an attractive working environment, we challenge and encourage the skills and motivation of our employees.
- We provide them with prospects and opportunities for development.

3. Report on events subsequent to the reporting date

Takeover of AFG Küchen AG

ALNO AG took over 100% of the shares in AFG Küchen AG, Arbon, Switzerland, from AFG Arbonia-Forster-Holding AG, Switzerland, backdated to 1 January 2014. The company is the market leader in Switzerland. AFG Küchen AG owns the two brands, Piatti and Forster Schweizer Stahlküchen. AFG Küchen AG produces wood and steel kitchens for private use and for project business with both its brands Piatti and Forster Schweizer Stahlküchen. The company currently employs about 500 people and is the leader in the Swiss kitchen market by a wide margin. As a result, ALNO AG has secured the leading position in a stable environment with a high price level, which is one of the fastest growing markets in Europe with an annual increase in excess of 3%. As a result of efficiency programmes embarked upon at Piatti and Forster Schweizer Stahlküchen at the end of 2012 as well as the purchasing advantages resulting from the merger, ALNO AG is expecting significant synergy effects to come into play from 2015 onwards. The contract was signed on 17 January 2014, closing took place on 25 March 2014. Financing for the acquisition is provided by loans from Swiss banks and through the issue of a convertible bond as part of a placement with qualified investors on 20 March 2014.

Judgement of the Regional Court of Düsseldorf in the legal dispute with the former Chief Executive Officer Jörg Deisel

On 9 January 2014, the Regional Court of Düsseldorf announced two judgements in the course of subsequent hearings for the proceedings restricted to documentary evidence and for the first time also in what is referred to as the declaratory process (reference: 32 O 88/11): in both the judgements by the court of first instance, the applications by Mr. Deisel were upheld and the plaintiff was awarded a further € 1,122 thousand in total, plus interest. In the subsequent hearings for the period from 1 January to 30 September, € 319 thousand of this is for fixed remunerations and € 310 thousand for retirement benefits. In addition, Mr. Deisel was awarded variable remuneration elements for the financial year 2010 amounting to € 493 thousand, in each case plus interest.

Neither of the judgements is legally binding, and the Supervisory Board and the Board of Management of ALNO AG remain of the opinion that the likelihood of success in both proceedings is greater than 50%, as a result of which no reserve was formed as at the balance sheet date on 31 December 2013. On 14 February 2014, the Supervisory Board of ALNO AG lodged an appeal with the Düsseldorf Higher Regional Court against both first-instance judgements of 9 January 2014.

In the event of failure, the maximum risk to which ALNO AG is exposed based on the current claim by Mr. Deisel amounts to € 1,122 plus interest and court costs (claim period up to 30 September 2013).

Shareholder loans

The loan granted to the ALNO Group by Bauknecht Hausgeräte GmbH by converting due trade payables in the total amount of € 30,000 thousand has been reported as current in the amount of € 10,000 thousand as at the balance sheet date on 31 December 2013, because this tranche would be due in September 2014. As a supplement to the loan agreement dated March 2014, it was agreed that the € 10,000 thousand would only be due in September 2015, if arranging additional funding from banks proved to be delayed. The term of the remaining € 20,000 thousand remains unchanged at 2017.

The loans granted to the ALNO Group by Comco Holding AG, Nidau, Switzerland, amounting to € 8,525 thousand in total had a remaining term of less than one year as at the balance sheet date on 31 December 2013. Part of the loans was granted by converting existing liabilities. As a supplement to the loan agreement dated March 2014, it was agreed that the originally intended repayment in April 2014 will be postponed by one year to April 2015, if arranging additional funding from banks proved to be delayed.

Insolvency of Wellmann Bauteile GmbH

In the course of the wide-ranging organisational, structural and strategic measures started in 2013, Gustav Wellmann GmbH & Co. KG, the parent company of Wellmann Bauteile GmbH, decided to concentrate production of accessories at the Group's own locations in Enger and Pfullendorf in future. These locations were already covering well above 90% of accessory production, and have corresponding capacities. This change has no effects on the customers of Gustav Wellmann GmbH & Co. KG. Once the production orders had been placed with other locations, Wellmann Bauteile GmbH at its Bad Salzuflen location no longer had any orders, because Gustav Wellmann GmbH & Co. was its only customer. As a result, the Board of Management decided to close the Bad Salzuflen location.

The employer offered a package of measures including establishing a transfer company with a term of up to eight months and an extensive training budget associated with this, as well as professional support in finding new jobs. On 13 February 2014, Wellmann Bauteile GmbH, Bad Salzuflen, applied to the District Court of Bielefeld for insolvency proceedings to be instigated as there was no realistic economic prospect of continuing the business as a going concern, and no agreement had been reached with the works council regarding a social plan.

Convertible bond 2014

On 20 March 2014, ALNO AG issued a compulsory convertible bond amounting to € 14,000 thousand for financing the acquisition of AFG Küchen AG. The compulsory convertible bonds with a denomination of € 1,000 were subscribed by a limited number of qualified investors.

The compulsory convertible bond has a term of five years and an interest rate of 8% p.a.; the conversion price per share is € 2.00. The holders of the compulsory convertible bonds are obliged to convert if the ALNO share price exceeds the conversion price of € 2.00 by 20% on 15 consecutive trading days. In the event of compulsory conversion at a price of € 2.40, the convertible bonds will have to be converted into up to 7 million ordinary shares in ALNO AG (corresponding to 9.986% of the company's current share capital), excluding the subscription right.

On subscribing to a compulsory convertible bond with the nominal value of € 1000, each investor will also receive the right to acquire a warrant free of charge entitling them to purchase 350 ALNO shares. ALNO AG has issued 14,000 warrants, representing the entitlement to purchase a total of 4.9 million shares in the company. The shares are irrevocably issued by a trustee from the portfolio of ALNO AG shares held by Nordic Kitchen Holding AG, Zug, Switzerland. Two versions of the warrants have been offered: Warrant A grants the entitlement to purchase 350 ALNO shares with a strike price of € 367.50, and has a term up to 30 June 2015. Warrant B grants the entitlement to purchase 350 ALNO shares with a strike price of € 455.00, and has a term of up to 30 June 2017. The associated issuing bank is Close Brothers Seydler Bank AG, which will also undertake the trustee function in the event that option rights are exercised. The option handling and paying office function is undertaken by Bankhaus Neelmeyer, Bremen.

Not only the compulsory convertible bonds but also the warrants were placed on the open market of Deutsche Börse AG (regulated unofficial market of the Frankfurt Stock Exchange) on 24 March 2014.

Other financing activities

As another tranche of the acquisition finance for AFG Küchen AG, two Swiss banks provided loans in March 2014 amounting to CHF 31.0 million, as well as providing the purchased company with a factoring line amounting to CHF 4.0 million.

In order to cover any possible liquidity shortage during the summer months of 2014, Comco Holding AG, Nidau, Switzerland, has undertaken to provide ALNO AG with additional funding up to the amount of € 8.0 million for the period from 1 June to 30 September 2014 if ALNO AG proves unable to meet its liquidity requirements during this period through other finance.

Development of sales and new orders January to February 2014

During the first two months of 2014, incoming orders in thousands of euros recorded in the ALNO Group were 6% up compared to the previous year. However, incoming orders as at February 2014 are slightly below plan, at 5% throughout the Group. The below-plan performance is affecting the domestic market above all; exports on the other hand are on schedule, thereby confirming the aimed-for growth abroad. During the first two months of 2014, this meant net sales revenues were running at the level of the previous year, although 4% below plan. However, the Board of Management confidently expects that the planned sales and revenue targets for the 2014 business year will be achieved.

Going concern/risks threatening the existence of the Group

Operationally, the corporate strategy of ALNO AG involves pursuing the structural improvement of the organisation and more efficient market development. For this purpose, ALNO AG will be investing much more in IT, machinery and marketing than in previous years. ALNO AG is planning to meet the financing required due to these investments and other operational topics amounting to € 10.0 million by means of new bank financing.

ALNO as a going concern is significantly dependent on the aforementioned new bank finance amounting to € 10.0 million being made available in full and on schedule, as well as continuation of a stringent liquidity management policy. In order to cover the liquidity shortfall that will otherwise arise in the summer months of 2014 in the ALNO Group, Comco Holding AG, Nidau, Switzerland will have to discharge its obligation to pay up to a volume of € 8.0 million, and investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to sales and revenue targets, will have to be accurate as planned.

4. Forecast, risk and opportunity report

Forecast report

Development of the market and in the ALNO Group

The kitchen industry underwent a difficult year in 2013. According to the GfK consumer research association, the German kitchen market stagnated in 2013 with growth of +0.1% (sales in €) compared to 2012. In terms of quantity sold, the market shrank by –0.8%. It was possible to identify two trends which are also relevant for the ALNO Group:

- Glass and painted fronts increased further in 2013. The proportion of painted fronts was 19.3% compared to 14.0% in 2012. When it comes to painted fronts, high-gloss fronts are proving more popular than matt ones in terms of share. The ALNO Group has reacted to this trend and introduced UV painted fronts for IMPULS in 2013. Glass fronts were introduced into the Wellmann product range in 2013. Glass fronts are of growing importance for the specialist kitchen store sales channel in particular.

- The sales channel through specialist kitchen retailers is becoming more and more important with regard to sales in €. For example, the share of the total market increased by 1.1 percentage points to 39.2%. In terms of quantity, the sales channel through self-service/RTA gained a further 0.8 percentage points, and is running at 27.0% in 2013. The ALNO and WELLMANN product ranges were expanded especially for the kitchen specialist segment. At IMPULS, the performance of the product range was broadened, as a result of which the ALNO Group is excellently placed to enjoy further sales increases in these two growing segments.

ALNO has succeeded in growing its market share again since the second quarter of 2013, thereby reversing the negative trend of the past few years. According to the GfK, ALNO's market share expressed in terms of € sales amounted to 14% in the 4th quarter of 2013 (4th quarter of 2012: 13.4%). ALNO won out in this respect over its main competitors Häcker, Nolte and Schüller with a market share of 13.1% for the entire year 2013, putting it in 2nd place in Germany.

At the "Kitchen Mile A30" exhibition in September 2013, it was possible to place more show kitchens than in previous years. Wellmann emerged as the clear winner with up to 30% more show kitchens. This is explained by the expanded product range. Glass fronts and the handleless kitchen were introduced here in 2013. Furthermore, in the form of "Culineo" and "Altano", two exclusive brands were presented for VME and MHK which together represent the largest purchasing association in the kitchen sector. These two brands have been produced exclusively in the ALNO Group since autumn 2013.

Growth

To achieve greater independence from the highly competitive German market, subsidiaries have been established or expanded further in the USA, the UK and Switzerland, and a joint-venture has been founded in the People's Republic of China, over the past two financial years. The ALNO Group is expecting further sales growth from these foreign companies in 2014.

Additional growth is expected from new customers gained during 2013. This concerns above all ixina in France as well as the tielsa GmbH joint-venture in Germany.

These initiatives are currently becoming apparent in the order books of the ALNO Group as well. During the first two months of 2014, these were 6% up compared to the previous year in € 000. However, incoming orders as at February 2014 are slightly below plan, at 5% throughout the Group. The below-plan performance is affecting the domestic market above all; exports on the other hand are on schedule, thereby confirming the aimed-for growth abroad.

Business development 2014

The signs for an improvement in the economy in 2014 are positive. The International Monetary Fund (IMF) is forecasting global economic growth of 3.7% in 2014, compared to 3.0% in 2013. For the eurozone, the IMF is expecting growth of 1.0% following a decline of 0.4% in 2013. The German Council of Economic Experts is now assuming that German GDP will grow by 1.6% in 2014, following a 0.4% in 2013. Other indicators are also pointing towards a moderately optimistic picture for 2014. Accordingly, private consumer spending is expected to rise by 1.4% (previous year: 1.0%), with building investment even achieving 4.1% following a decline of 0.2% in 2013. The GfK's consumer climate index also achieved its highest figure for six years, at 7.4 points in December 2013.

The general conditions and perspectives for the kitchen market in 2014 are thus basically optimistic. According to the German Kitchen Furniture Industry Association (VdDK), incoming orders improved by 0.2% in 2013 compared to the previous year, which will play out in increased turnover in 2014. This trend is being driven above all by a significant invigoration of foreign markets at about 4% compared to 2012, with significant growth in the key export markets of France, the Benelux countries, Switzerland, the UK and China in particular.

The purchase of AFG Küchen AG, Arbon, Switzerland, with the Piatti and Forster Schweizer Stahlküchen brands will have a significant influence on business development in 2014. This will deliver sales growth of at least € 130 million in the ALNO Group from 2015 onwards. Once the merger has reached its final stage, potential synergy effects of about € 10–€ 15 million should be achieved – above all in expanding the product range at Piatti, through sales benefits in association with Germany, expansion in the export business for steel kitchens as well as optimising processes throughout the entire Group.

Higher sales volumes will have a positive effect on production by increasing capacity utilisation. This improved fixed cost coverage will also significantly improve the operating result. The component production formerly carried out at Wellmann Bauteile GmbH will be continued in future at the plants in Pfullendorf and Enger, on a more cost-effective basis.

Optimisation of manufacturing towards lean production will be at the centre of various Group projects in 2014. To this end, additional investments amounting to about € 5 million will be required. The Board of Management is expecting that the initiated projects will lead to savings of about € 10 million in the ALNO Group throughout the whole of 2014.

The end of the collective-bargaining agreement for restructuring in Pfullendorf will have a negative effect, as will the forecast wage increase from the collective-bargaining round in 2014. These will lead to an increase in personnel costs in the ALNO Group in 2014.

Against this background, the Board of Management is expecting sales in the ALNO Group to increase significantly in 2014, to the region of € 580–€ 600 million, with EBITDA rising markedly to a level of € 20–€ 25 million. Sales and results will ramp up slowly during the first and part of the second quarters of 2014, indicating that the effects will be revealed in the second half of 2014 above all.

For the ALNO, WELLMANN, IMPULS, PINO and FOREIGN SUBSIDIARY (ATG) segments (not including AFG Küchen AG), 2014 is expected to deliver a slight increase in sales together with a corresponding slight growth in EBITDA.

During the first two months of 2014, net sales revenues were running at the level of the previous year, although 4% below plan. However, based on current order books, the Board of Management confidently expects that the planned sales and revenue targets for the 2014 business year will be achieved.

The risks and opportunities inherent in the aforementioned forecast are explained in the following risk and opportunity report.

Risk report

Risk management system

To undertake and safeguard its business operations, the ALNO Group has developed systems and procedures, as well as setting up committees allowing the Board of Management to recognise risks jeopardising the company's existence at an early stage. Risks are identified, evaluated, managed and monitored in the ALNO Group on the basis of a Group-wide system ensuring timely detection and monitoring of risks with the elements of controlling risks on an operational level, an internal monitoring system for timely detection of risks jeopardising its survival, strategic controlling of the participating interests and controlling of all reorganisation measures and Group projects. Dealing with risks successfully is based on the objective of achieving a fair balance between opportunities and risks.

All risks are described in a well structured manner within the framework of the ALNO Group's risk controlling, and are evaluated according to their economic impact and probability of occurrence.

Each of the economic effects as well as the probability of occurrence are divided into five areas of harm. Risks are divided into A, B and C risks based on the total of the level of economic effects and the level of probability of occurrence. A-risks are a high risk posed by the combination of economic effects and probability of occurrence. B-risks represent moderate risks and C-risks low risks from this combination.

For management of the risks, plans of action are defined for all risks. The implementation of these measures is monitored by an ongoing operational controlling process. Risks and measures are updated permanently. This places all risk data throughout the Group on the same quality level, making them transparent and reproducible for the management and for the employees affected.

Operational risk controlling is accompanied by a comprehensive reporting system ensuring a continuous supply of information for the Board of Management. If required for timely detection of risks, the Board of Management receives corresponding ad-hoc information through this reporting system.

Operational risk controlling does not record any risks which have been transferred to third parties (e.g. insurance companies, subcontractors) by means of risk transfer measures.

Strategic controlling of participating interests takes account of risks and opportunities on the basis of the market analyses and benchmarking against competitors as the basis for decisions by the management. In addition, controlling of participating interests also monitors the achievement of business targets and manages the Group companies on the basis of standard indicators. In this way, this system establishes a basis permitting the timely detection and initiation of measures to minimise risks.

All M&A and reorganisation measures as well as Group projects are planned with regard to the activities for implementation, deadlines, effort and benefits, and monitored by an ongoing controlling process.

Risks due to redundancies, inefficiencies or bottlenecks in the flow of operations must be made identifiable within the ALNO Group by means of the risk management system. Measures must then be initiated with due regard for their effect on our most important partner, i.e. the customer.

Particularly the ALNO Group's trade receivables are protected through trade credit insurance; adequate liquidity management is assured within the framework of an integrated Group receivables management system taking into account customers' needs and security considerations. Development of the cash flow is monitored by a Group-based liquidity controlling process which simultaneously provides relevant parameters for timely decisions by the management. To protect commitments associated with employees' pre-retirement part-time working against insolvency, the ALNO Group has invested in securities of corresponding value which are recognised at their market value on the closing date.

In the following descriptions of the individual risks, the risks have been sorted by risk class and, within a risk class, by their possible effects on achievement of the aimed-for goals (economic effects), and then by probability of occurrence.

The risks are represented and assessed according to the risk limitation measures (overall consideration).

Following the risk limitation measures, only risks in risk classes B and C remain.

Financial risks (B-risks)

Monitoring of liquidity reserves

In the ALNO Group, financial risks are hedged with the aid of planning and management instruments permitting timely detection of liquidity risks. ALNO AG essentially acts as financial coordinator for all Group companies in order to ensure that the financing required for the operational business is always adequate and as cost-efficient as possible. The information potential required for this purpose is updated on a monthly basis through roll-over financial planning and subjected to variance analyses. This financial planning with a horizon of one year is supplemented by daily cash flow development planning which is constantly compared to the actual payment flows. Available liquidity reserves are monitored constantly by the ALNO Group.

Safeguarding liquidity in the ALNO Group in 2014 and 2015

For complete financing of the company, the Board of Management prepared a capital and financing concept in early 2013 comprising three main pillars: issuing a bond, increasing the volume of factoring in the ALNO Group as well as raising new current account lines of credit or other financing possibilities.

Bond:
In May 2013, a small and medium enterprise bond was successfully issued with a fixed term of five years, and a nominal volume amounting to € 45 million.

Factoring:
In August 2013, the ALNO Group concluded a further factoring agreement at ALNO AG with a framework of € 8.0 million. Factoring is used extensively in the ALNO Group as a source of finance. The provision of finance by the factoring company is dependent on the existence of corresponding receivables. A change in the factoring agreements used by the ALNO Group could place significant pressure on the liquidity of the ALNO Group. Through an agreement reached on 25 February 2014, the existing factoring lines at Wellmann, Impuls and pino have been extended until 31 December 2015.

Other financing:
Other financing took place in April 2013 in the form of a moratorium and loan agreement signed with Bauknecht Hausgeräte GmbH, Stuttgart, and Comco Holding AG, Nidau / Switzerland. The repayment agreements contained in this agreement were extended by one year each in February 2014 in the event that it does not prove possible to obtain new funding from banks in 2014.

Current liquidity situation:
At the moment, the ALNO Group operates predominantly on the basis of credit balances with banking institutes. The two investment loans that are still extended to pino in the total amount of € 0.8 million could be terminated without notice, amongst other possibilities, if there were to be an actual or threatened significant impairment in economic conditions or of the fair value of collateral, thus endangering the repayment of the loans. If the two existing investment loans were to be called in or subjected to extraordinary termination, the ALNO Group would be reliant on additional capital in the form of external capital or equity.

In 2014 and 2015, furthermore, the Board of Management of ALNO AG will focus significantly on securing the short and medium-term liquidity situation in the Group by raising new current account lines of credit or using other financing possibilities, as well as through ongoing liquidity-oriented control of the investment project and managing current assets. If the development in the operational business were to lead to a cash flow significantly below the planned level, this might also place a strain on liquidity. With regard to risks for the company as a going concern, we refer to the information in the notes relating to the going concern subject in section B.1. "Basis for preparation of the financial statements" as well as section "3. Report on events subsequent to the reporting date".

Securing the liquidity requirement from the acquisition of AFG Küchen

On 17 January 2014, ALNO AG signed the purchase contract for the acquisition of 100% of the shares in AFG Küchen AG from the Swiss AFG Arbonia-Forster-Holding AG. The takeover has been financed by loans already confirmed to AFG Küchen AG from two Swiss banks as well as by an ALNO AG convertible bond placed with qualified private investors on 20 March 2014. Please also refer to the comments made in section "3. Report on events subsequent to the reporting date" for further details.

Risks from legal disputes (B risks)

In the ongoing lawsuit with Mr. Jörg Deisel in conjunction with his dismissal on 6 April 2011, the Düsseldorf Higher Regional Court made a "provisional judgement" on 20 December 2012 in proceedings restricted to documentary evidence (reference: 32 O 86 / 11), awarding him € 1,654 thousand in total for the period from 6 April 2011 to 31 December 2012. Of this, € 1,246 thousand was paid to Mr. Deisel in January 2013. A portion amounting to € 408 had already been paid to Mr. Deisel in June 2012 as the result of a judgement of the court of first instance. Of the amounted paid in January 2013, € 515 thousand was for fixed remuneration, € 196 thousand for variable remuneration, € 500 for retirement benefits and € 35 for interest claims. No remuneration elements were paid to Mr. Deisel in the financial year 2013 beyond that. The payments are subject to what is referred to as subsequent hearings before the Regional Court of Düsseldorf, as a result of which all amounted were disbursed in exchange for a security (bank guarantee).

On 9 January 2014, the Regional Court of Düsseldorf announced two judgements in the course of subsequent hearings for the proceedings restricted to documentary evidence and for the first time also in what is referred to as the declaratory process (reference: 32 O 88/11): in both the judgements by the court of first instance, the applications by Mr. Deisel were upheld and the plaintiff was awarded a further € 1,122 thousand in total, plus interest. In the subsequent hearing for the period from 1 January to 30 September 2013, € 319 thousand of this is for fixed remunerations and € 310 thousand for retirement benefits. In addition, Mr. Deisel was awarded variable remuneration elements for the financial year 2010 amounting to € 493 thousand, in each case plus interest. These awarded amounts have not been paid yet.

Neither of the judgements is legally binding, and the Supervisory Board and the Board of Management of ALNO AG remain of the opinion that the likelihood of success in both proceedings is greater than 50%, as a result of which no reserve was formed as at the balance sheet date on 31 December 2013. On 14 February 2014, the Supervisory Board of ALNO AG lodged an appeal with the Düsseldorf Higher Regional Court against both first-instance judgements of 9 January 2014.

In the event of failure, the maximum risk to which ALNO AG is exposed based on the current claim by Mr. Deisel amounts to € 1,122 plus interest and court costs (claim period up to 30 September 2013). In the event of failure, the maximum risk exposure amounts to € 4,300 (including interest and court costs).

Market risks (B-risks)

In the kitchen furniture sector, the ALNO Group operates in a market characterised by fierce competition. The pressure on margins is increasing constantly due to fiercely competitive prices, especially in the lower price segments, and this could simultaneously squeeze manufacturers out of the market; at the same time, market shares could be lost. The activities of competitors and the trade could lead to distinctly lower sales revenue and earnings for the ALNO Group.

The ALNO Group's customers are primarily retailers, the vast majority of whom belong to purchasing associations. If major purchasing associations were to reduce their order volumes or terminate blanket agreements, and if the ALNO Group were unable to win new customers of comparable magnitude or were unable to obtain a commensurate increase in the volumes ordered by existing customers, this could lead to a reduction in capacity utilisation and sales revenue for the ALNO Group.

In 2014, it will be necessary to integrate ALNO AG's expanded business due to the purchase of AFG Küchen AG from the Swiss AFG Arbonia-Forster-Holding AG with the new brands Piatti and Forster. Typical project risks are associated with this with regard to target achievement, costs and deadlines, and there are also risks and opportunities in terms of losing or winning new customers.

Germany is the ALNO Group's main market, accounting for more than 70% of the total sales revenue. Other sales markets in Europe outside Germany include the United Kingdom, France, Austria, Switzerland, Spain, Italy and the Benelux countries in particular. These markets have developed differently in the past. ALNO AG presumes that the individual markets will continue to develop differently in the future too, depending on the influence of economic factors. To minimise these risks, the ALNO Group will therefore continue the efforts launched in 2012 and intensify its sales activities in selected overseas markets, such as the USA, China and the Middle East, in 2014.

Supplier risks (B-risks)

The ALNO Group purchases the raw materials and supplies needed to manufacture its products from a variety of suppliers. The elimination of one or more these major suppliers could therefore significantly impair the ALNO Group's business activities.

The risk of delivery squeezes by essential suppliers temporarily impairing the production process cannot be excluded. Such a disruption in production could make it more difficult for the ALNO Group to discharge its delivery obligations to customers; if delivery is incomplete or delayed, this could give rise to claims by the customers (especially claims for damages).

To improve delivery performance, a uniform evaluation system is currently being set up throughout the Group, and a correspondingly high priority is being allocated to delivery performance. The objective is to develop suppliers according to need.

Production and quality risks (B-risks)

The products manufactured by the ALNO Group could be faulty or defective. This could impair sales of the products and services by customers or give rise to corresponding claims for replacement.

A higher incidence of defects or serious individual defects can additionally damage the reputation of the ALNO Group's products, leading to considerable loss of sales. Furthermore, even in the case of faulty materials which were defective when purchased by the ALNO Group, or in the case of faulty transport or installation, it is by no means certain that the ALNO Group can obtain recourse to the full extent from the third-party companies responsible. Quality risks are reduced by ongoing quality controlling, quality control loops as well as by recourse agreements with suppliers.

Strategic risks (B-risks)

To stabilise the net assets, financial position and results of operations of the ALNO Group, the company decided in 2013 to implement strategic initiatives and projects in the areas of organic growth, inorganic growth, operational excellence, leadership and organisation, personal excellence and communication. These strategic initiatives and projects require investments and capacity. Delayed availability of these resources could delay realisation of the corporate strategy. To reduce these risks, a project controlling system has been established which provides an ongoing overview of existing and required resources, providing the basis for taking a decision at an early stage on resource adaptations.

IT risks (B-risks)

A large part of the ALNO Group's order handling, production, warehouse management and accounting is based on computers. ALNO AG has outsourced part of its IT systems and services. Failure of the computer systems or problems with the contractual relationships regarding provision of services could bring production to a halt and thus lead to a dislocation in working procedures and, associated with that, financial loss for the company. These risks are reduced by emergency plans and backup measures.

Price risks (C-risks)

Wood, metal, plastics, glass and ceramics are the most important raw materials for ALNO. Changes in the market price of these materials could have a corresponding impact on development of the Group's margins.

With regard to the wood materials used by ALNO, capacity adaptations and the raw material situation have led to slight price rises since the 4th quarter of 2013, and prices remain under considerable pressure. The raw material situation for plastics is also difficult. The other raw materials are largely stable with regard to 2013.

There are further risks, in particular in the development of transport costs due to significant fuel price rises, scarcity of haulage capacity and the general increase in service costs.

What is more, individual manufacturers could increase their prices for certain parts or enforce contractual terms with other disadvantages. To a very large extent, the ALNO Group would be unable to pass on higher costs to its customers, or only after a delay. This could have a negative impact on margins and earnings.

These risks are reduced through ongoing controlling of prices for materials and services as well as negotiations on price rise moratoriums with suppliers.

Default / credit risks (C-risks)

In conjunction with Group receivables management, minimum requirements as regards creditworthiness and maximum exposure limits are defined for all business partners of the ALNO Group. These are based on a system of defined limits for which compliance is constantly monitored.

In addition, the ALNO Group safeguards its trade receivables through trade credit insurance which, if an account receivable is not paid, will indemnify the loss incurred in the contractually agreed pro rata amount, subject to a deductible.

Currency risks (C-risks)

Deliveries to countries outside the eurozone, especially Switzerland, the United Kingdom, the USA and the United Arab Emirates are associated with currency risks, unless the invoice is issued in euros. The development of exchange rates is monitored constantly. There was one forward exchange deal effective on the closing date for the subsidiary in the United Kingdom as a currency hedging measure against the pound sterling, amounting to € 1.0 million. Should new currency risks arise in conjunction with ALNO's further international expansion, corresponding hedging options will be exercised as and when required. Currency risks also exist on the purchasing side, particularly for metal goods, as these raw materials are primarily traded in US dollars.

Overall risk assessment

From the current perspective, the Board of Management regards the overall risk situation as manageable, taking account of the aforementioned risks. At present, no further significant risks are apparent which could weaken the net assets, financial position and results of operations sustainably.

4.3 Opportunities report

Earnings and debt situation

The capital market and restructuring measures undertaken in 2012 allowed significant bank liabilities to be repaid, thereby freeing up the majority of collateral which had been placed. This collateral has a total value of about € 200 million, and is to a large extent available for new financing as at the end of 2013. Furthermore, the ALNO Group achieved an EBIT in 2013 amounting to € 1.2 million, representing a positive result as in the previous year. Consequently, the ALNO Group is well placed to expand its financing.

Market development

According to the GfK consumer research association, the German kitchen market stagnated in 2013, although it grew at 6.6% on average during the period 2010–2013. Should the kitchen market continue to grow at this level in 2014, the ALNO Group can participate in this growth because its product offering was improved in 2013. Furthermore, there is the opportunity of accessing additional sales potential in Germany through an improved start-up curve of the customer projects that have been initiated.

For the ALNO Group, there is significant potential for increasing sales in foreign markets. The measures to increase organic growth through new branches in the UK, the USA and Switzerland will play a significant part in this. Market-oriented sales concepts for existing markets such as France on the one hand or growth markets such as China on the other are leading to ALNO increasingly participating in the potential offered by these markets.

Furthermore, it was possible to win new foreign customers in 2013 in the countries which are key for the ALNO Group. The focus in 2014 will also be on winning new customers. There is further potential to do this through additional growth with newly gained customers.

Inorganic growth

The growth targets of the ALNO Group include the strategy of inorganic growth. Further takeover opportunities are being examined on an ongoing basis through permanent, systematic screening of the market. The focus in this is directed not only towards a product fit and improving the utilisation of existing resources, but also a match-up with the company values of the ALNO Group. By integrating possible takeover candidates into the ALNO Group, it is intended for growth and synergy potential to be leveraged and profitability improved further.

Processes

There are additional opportunities in further optimising the range of electrical appliances offered. A project has been initiated to this effect with the main supplier, Whirlpool. In the medium term, this should improve the range of customer choice and exploit additional sales potential.

Quality

The ALNO Group consistently works to improve quality further. Thus, defect ratios for customers should be reduced further by considering the entire wealth-creation chain from customer back to supplier, as a means of building further on our existing top position in the German kitchen market. For example, quality improvement projects with retailers as well as training for salespersons in furniture stores and our own field force should provide a means of reducing complaints and the costs that arise from them. The same applies for consistent quality audits at suppliers, with the possibility of more targeted regress.

Product innovations

The ALNO Group has regularly won distinctions for its innovative product developments and designs in the past and intends to do so in the future, too. Product development focuses on product innovations and new applications which are systematically developed across all product lines for specific target groups. The range of products and services will continuously be revised in the future, too. For example, in September 2013, new private-label brands were presented with very great success: Culineo for the VME association and Altano for the MHK association. These brands are registered, and belong to the associations. The aim of product development is to supply the brands of the ALNO Group with product and design innovations appropriate to the particular brand, and thus position the brands optimally on the market.

5. Significant features

of the accounting-related internal control and risk management system pursuant to Sections 289 subsection 5 and 315 subsection 2, no. 5, of the German Commercial Code (HGB)

According to the reasoning of the German Act to Modernise Accounting Law (BilMoG) which came into force on 29 May 2009, the internal system of controls encompasses principles, methods and measures to assure the effectiveness and cost-efficiency of accounting, to assure the due and proper nature of the accounting and to ensure compliance with the relevant legal regulations. This also includes Group controlling insofar as it relates to the accounting. As part of the internal system of controls and like the latter, the risk management system in conjunction with the accounting process refers to processes controlling and monitoring the accounting, especially in the case of items in the commercial account which serve to hedge the company's risks.

Presentation and explanation of the main features of the internal system of controls and of the risk management system in conjunction with the accounting process

The main features of the internal system of controls and risk management system used by ALNO AG can be described as follows in conjunction with the (Group) accounting process:

- The ALNO Group is characterised by a clear organisational, corporate, controlling and monitoring structure;
- Coordinated planning, reporting, controlling and early warning systems and processes are in place throughout the Group to ensure all-embracing analysis and management of risk factors affecting earnings, as well as of risks jeopardising the company's survival;
- Functions are clearly assigned in all areas of the accounting process (e.g. financial accounting and controlling);
- The computer systems used in accounting are protected against unauthorised access;

- Standard software is predominantly used in conjunction with the financial systems used;
- An adequate internal system of guidelines (including Group-wide risk management guidelines) is in place and is adjusted when necessary;
- The departments involved in the accounting process meet with the quantitative and qualitative requirements;
- The complete and correct nature of data in the accounting system is regularly verified with the aid of spot checks and plausibility checks, using both manual controls and the installed software. On the segment level, a risk controller is established to accompany the risk management process on the segment level and to verify the plausibility of the data;
- For the consolidation, ALNO AG has set up processes to reconcile intra-Group receivables and liabilities, as well as income and expenses;
- External services (e.g. actuaries, experts, etc.) are consulted in the case of essential, complex and discretionary accounting issues;
- Essential processes relating to the accounting are subjected to regular analytical checks;
- The double-checking principle is consistently applied in all accounting-related processes;
- Accounting-related processes are checked by Group controlling;
- Among other things, the Supervisory Board also addresses essential issues concerning the accounting, risk management, the audit mandate and its main aspects.

In conjunction with the accounting process, the internal system of controls and risk management assists the Board of Management and Supervisory Board in ensuring compliance with the statutory regulations.

6. Reporting

acc. to Sections 289 subsection 4 and 315 subsection 4 of the German Commercial Code (HGB)

As the ALNO Group's parent, ALNO AG uses an organised market within the meaning of Section 2 subsection 7 of the German Securities Acquisition and Takeover Act (WpÜG) for its issued voting shares and therefore reports in accordance with Sections 289 subsection 4 and 315 subsection 4 of the German Commercial Code (HGB).

Composition of the subscribed capital

The subscribed capital is unchanged in total at € 70,094,979.00 as at 31 December 2013 and is divided into 70,094,979 no-par-value shares. The shares are issued as bearer shares and fully paid up.

Restrictions on voting rights or the transfer of shares

The Board of Management does not know of any restrictions on voting rights or the transfer of shares, even when they may be associated with agreements between shareholders. Each share grants one vote in accordance with Article 22 of the articles of association.

Direct or indirect equity interests

For holdings of more than 10% of the capital in ALNO AG, the equity interests applicable as at 31 December 2013 are summarised below on the basis of the last figures reported to ALNO AG in accordance with the German Securities Trading Act (WpHG):

Affiliated company	Share of voting rights	Notification/ publication date
Whirlpool Germany GmbH, Stuttgart [1]	30.58%	6/7 December 2012
Whirlpool Corporation, Wilmington, DE/USA [1]	30.58%	6/7 December 2012

[1] Pursuant to Section 22 subsection 1, sentence 1, no. 1, para. 3, of the Securities Trading Act (WpHG), the 30.58% held by Whirlpool Germany GmbH are ascribed to Whirlpool Corporation.

Holders of shares with special rights

There are no shares with special rights authorising control.

Type of voting control in the case of employee holdings

The Board of Management does not know of any voting control in the event that employees hold a share of the capital and do not exercise their right of control directly.

Statutory regulations and provisions in the articles of association concerning the appointment and dismissal of members of the Board of Management and amendments to the articles of association

Members of the Board of Management are appointed and dismissed in accordance with Section 84 of the Stock Corporation Act (AktG). Amendments to the articles of association are decided by the annual general meeting in accordance with Sections 133 and 179 of the Stock Corporation Act (AktG). In Section 12 subsection 2 in combination with Section 12 subsection 1 of the articles of association, the annual general meeting has exercised the option pursuant to Section 179 subsection 1, sentence 2, of the Stock Corporation Act (AktG) and authorised the Supervisory Board to undertake changes which merely concern the version of the articles of association.

Power of the Board of Management to issue and buy back shares

By resolution of the ordinary general meeting of ALNO AG on 26 June 2013, the Board of Management was authorised to increase the company's share capital once or several times until 25 June 2018 by up to € 35,047,489.00 through issuing up to 35,047,489 no-par-value ordinary shares in return for cash and/or non-cash contributions (authorised capital 2013). The entry in the commercial register was made on 9 August 2013.

The Board of Management is authorised to undertake the following actions with the consent of the Supervisory Board

- to exclude shareholders' subscription rights for fractional amounts;
- to exclude the shareholders' subscription rights as a whole in order to offer the company's new shares to third parties in return for non-cash contributions in conjunction with business combinations or the acquisition of companies or parts thereof, as well as with the acquisition of other assets, including loans and other liabilities;
- to exclude the shareholders' subscription rights if the cash capital increase does not exceed 10% of the share capital and the issuing price is not significantly lower than the market price of correspondingly endowed shares which are already listed on the stock market;
- to exclude the shareholders' subscription rights if necessary in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its subordinate Group companies a subscription right to the new shares commensurate with that accruing after exercising their option or conversion rights or following the discharge of conversion obligations.

The approved capital was not utilised as at 31 December 2013, and thus remained € 35,047,489.00.

The annual general meeting held on 26 June 2013 decided to realise a contingent capital increase. The Board of Management was authorised to issue, once or several times until 25 June 2018, cum-warrant and/or convertible bonds, participatory rights and/or participating bonds (or combinations of these instruments) (referred to jointly as "bonds") in the total amount of up to € 100,000,000.00 with or without limitation of maturities, and to grant the owners or creditors of the bonds option or conversion rights (also with conversion or option obligation) to a total of 35,047,489 no-par-value ordinary shares of the company with a pro rata amount of the capital stock of up to € 35,047,489.00 in accordance with the more detailed provisions of the bond terms (contingent capital 2013). The entry in the commercial register was made on 9 August 2013.

The contingent capital increase may only be undertaken insofar as option or conversion rights are utilised or insofar as the holders with conversion or option obligation also discharge their conversion/option obligation, and the contingent capital in 2013 is needed in accordance with the terms and conditions of the cum-warrant or convertible bond. The new shares issued on the basis of the option or conversion right exercised or through discharge of the conversion or option obligation share in profits as from the beginning of the financial year in which they are created.

The Board of Management was authorised to specify further details, with the consent of the Supervisory Board, concerning the realisation of this contingent capital increase (contingent capital 2013). The contingent capital was not utilised as at 31 December 2013.

By resolution of the annual general meeting on 23 June 2010 and effective 24 June 2010, the Board of Management was authorised to acquire own shares in accordance with Section 71 subsection 1, no. 8, of the Stock Corporation Act (AktG). The authority to acquire shares up to 10% of the share capital on the balance sheet at the time of the annual general meeting remains valid until 22 June 2015.

Major changes subject to a change of control following a takeover bid

There were no such agreements as at the closing date.

Compensation agreements

Compensation agreements which would apply in the event of a takeover agreement have not been concluded between the company and members of the Board of Management or employees.

7. Declaration on corporate governance

(Section 289a of the German Commercial Code (HGB)) and report on corporate governance

Declaration pursuant to Section 161 of the Stock Corporation Act (AktG)

Corporate governance stands for responsible, transparent and orderly management and control of companies. The purpose of the German Corporate Governance Code (hereinafter referred to as “the Code”) is to ensure that the rules accepted in Germany for managing and controlling companies are standardised for national and international investors and systematically implemented to strengthen confidence in the management of German companies. Section 161 of the Stock Corporation Act (AktG) obliges listed companies to declare every year that the company has been, and is, in compliance with the recommendations or to advise of any recommendations that have not been, or are not being, applied and the reasons for this.

The Code’s annual review and amendment was undertaken by the “Government Commission on the German Corporate Governance Code” in May 2013. The changes concern the Board of Management and its remuneration in particular, as well as streamlining the Code and improving its legibility. With these changes, the “Government Commission on the German Corporate Governance Code” aims to strengthen the Supervisory Board as an independent body.

The Board of Management and Supervisory Board of ALNO AG explicitly welcome the Code’s recommendations and their objectives. Both boards have once again devoted intensive attention to the Code’s recommendations and their implementation this year and complied with these recommendations with only a few exceptions. The joint declaration of compliance by the Board of Management and Supervisory Board is set out below and is also publicly accessible on the Internet at *www.alno.ag*.

Declaration pursuant to Section 161 of the Stock Corporation Act (AktG) by the Board of Management and Supervisory Board of ALNO AG concerning the recommendations of the German Corporate Governance Code:

The Board of Management and Supervisory Board of ALNO AG issued the last declaration of compliance on 2 October 2012. For the period from publication of the last declaration of compliance until 10 June 2013, the following declaration refers to the German Corporate Governance Code in the version dated 15 May 2012 (published on 15 June 2012). For the period from 11 June 2013 up to the date of this declaration, the following declaration refers to the German Corporate Governance Code in the version dated 13 May 2013, which was published in the Federal Gazette on 10 June 2013.

The Board of Management and Supervisory Board of ALNO AG declare that the company has been, and is, in compliance with the recommendations of the German Corporate Governance Code, with the following exceptions:

- *The German Corporate Governance Code recommends D&O insurance with deductible for members of the Supervisory Board. ALNO AG believes that a deductible is not required in view of the Supervisory Board members' responsibility and motivation in discharging their duties. Contrary to the requirements in Section 3.8 of the Code, the D&O insurance in force for members of the Supervisory Board of ALNO AG therefore does not include a deductible.*

- *Section 5.3.3 of the Code requires the establishment of a nomination committee by the Supervisory Board to propose suitable candidates whom the Supervisory Board can then recommend for election by the annual general meeting. The company's Supervisory Board has not set up such a committee, as experience to date has not made it appear necessary in order to identify suitable candidates.*

- *According to Section 5.4.1 subsections 2 and 3 of the Code, the Supervisory Board is required to define specific objectives with regard to its membership which, with due regard for the company's specific situation, take account of its international activities, potential conflicts of interest, the number of independent Supervisory Board members as defined by Section 5.4.2 of the Code, an age limit to be defined for the members of the Supervisory Board and diversity. In particular, these specific objectives should provide for a reasonable number of women. These objectives should be taken into account in the Supervisory Board's nominations to the relevant election committees. Establishment of the objectives and their implementation are to be published in the report on corporate governance.*
- *The recommendations in Section 5.4.1 subsections 2 and 3 of the Code are not complied with. There is an age limit for members of the Supervisory Board, as required in Section 5.4.1 subsection 2 of the Code. The Supervisory Board has formulated in its rules of procedure that diversity and an international character should be considered amongst the factors determining the composition of the Supervisory Board. Beyond that, the Supervisory Board has not defined any specific targets with regard to the criteria recommended in the Code. In the opinion of the Supervisory Board, setting specific targets would not be in the company's interests, but would instead restrict the choice of suitable members available. In advance of its decision on the choice of Supervisory Board members to propose to the annual general meeting, the Supervisory Board takes account of the composition of the board and selects the candidates primarily on the basis of technical expertise and experience. The Supervisory Board as well as the Board of Management do however expressly welcome all efforts to oppose sexual discrimination and discrimination on any other grounds, as well as efforts which promote diversity.*

- *The consolidated financial statements are not yet published within 90 days of the end of the financial year and the interim report is not yet published within 45 days of the end of the reporting period (Section 7.1.2 of the Code, sentence 3). It is planned to bring both the consolidated financial statements and the interim report more into line with the required deadlines.*

Pfullendorf, 30 September 2013

For the	*For the*
Board of Management	*Supervisory Board*
Max Müller	*Henning Giesecke*

Relevant disclosures concerning management duties and activities which go beyond the statutory requirements

Mission statement of ALNO AG

It is the declared aim of ALNO AG to undertake all business dealings in an ethically and legally irreproachable manner. On the basis of its “one company” concept, ALNO AG has developed a mission statement which sets out the basis of its corporate culture for employees and partners, represents the company’s corporate identity and describes the principles for sustainable and socially responsible action.

Group guidelines on conduct in business life

ALNO AG has adopted internal Group guidelines defining its conduct in business life. For all employees of the ALNO Group (including the executive management level and Board of Management), these guidelines not only specify basic behavioural requirements, but also define relations with business partners and third parties, the use of company facilities and the use of data. In addition, the Group guidelines also address such issues as the environment, occupational safety and health, and the right to make complaints and receive information. Compliance with the Group guidelines on conduct in business life is regularly checked in all the Group’s companies. This is undertaken in compliance with the respective national procedures and statutory requirements.

Transparency and accounting

ALNO AG prepares regular annual and interim reports, ad-hoc bulletins and press releases for its shareholders and the interested public, informing them of the company’s position and essential changes in its business operations. The corporate information published by the company is also posted on the company’s website and is publicly accessible on *www.alno.ag*.

Accounting is in accordance with the International Financial Reporting Standards (IFRS).

Duties and activities of the Board of Management and Supervisory Board; membership, duties and activities of their committees

The Board of Management

On 31 December 2013, the Board of Management of ALNO AG was made up of four members. The Board of Management runs the company on its own responsibility. It is bound by the company’s interests and committed to sustainably increasing the company’s enterprise value. The members of the Board of Management are appointed by the Supervisory Board. The precise number of members making up the Board of Management and, if necessary, its chairman and the chairman’s deputy are likewise designated by the Supervisory Board.

According to the articles of association of ALNO AG, the Board of Management must draw up rules of procedure in consultation with the Supervisory Board. These rules of procedure define management of the business as a whole and of individual business areas, the allocation of duties, the duties of the Chief Executive Officer, the board’s duties as regards informing the Supervisory Board and the manner in which it deals with conflicts of interest. The Board of Management meets regularly at short intervals to discuss the development of business and adopt its resolutions. In addition, the Board of Management regularly reports to the Supervisory Board, with timely and comprehensive information on all aspects of relevance to the company and its planning, business development, ongoing projects, risk position and risk management, and coordinates the company’s strategic orientation with the Supervisory Board.

Total remuneration for the members of the Board of Management is in compliance with the statutory requirements of the Stock Corporation Act (AktG). The members of the Board of Management receive a fixed remuneration which also includes non-cash elements, especially the provision of a company car. The fixed elements assure a basic level of remuneration allowing each member of the Board of Management to perform his or her duties in accordance with the company’s well-understood interests and the obligations of a prudent business person, without becoming dependent on the achievement of merely short-term targets. In addition, their service contracts also include a variable premium element which depends on the company’s economic performance.

Further details including the personal emoluments are set out in the report on remuneration, which can be found in the notes to the annual financial statements prepared according to the German Commercial Code (HGB) and in the notes according to IFRS.

The Supervisory Board

The Supervisory Board of ALNO AG monitors and advises the Board of Management in its running of the company and participates in decisions of fundamental importance for the company. As required by the German One-Third Participation Act (DrittelbG), the Supervisory Board of ALNO AG comprises six shareholder representatives and three employee representatives.

The Supervisory Board is also required by the articles of association to draw up its own rules of procedure. These govern, in particular, the convocation of meetings, the formation and duties of the committees and the requirements to be met by the members of the Supervisory Board. The Supervisory Board meets at least twice per half-year. The chairman of the Supervisory Board decides whether the members of the Board of Management are to attend its meetings. Meetings are convened with at least 14 days' notice. The agenda topics and proposed resolutions are communicated together with the invitation. In individual cases, the Supervisory Board also adopts resolutions in a written circulating procedure or through telephone conferences. The Supervisory Board does not include any former members of the company's Board of Management.

Each member of the Supervisory Board is obliged to disclose any conflicts of interest immediately. Members of the Supervisory Board are required to resign their position in the event of significant and not merely temporary personal conflicting interests.

The chairman of the Supervisory Board remains in regular contact with the Board of Management and particularly with the Chief Executive Officer, with whom the chairman consults on the company's strategy, business development and risk management.

In the report of the Supervisory Board and at the annual general meeting, the chairman of the Supervisory Board gives a detailed annual report on the activities of the Supervisory Board and its committees.

The Supervisory Board has set up the following two committees: Strategy and Executive Committee and Audit Committee.

The Strategy and Executive Committee prepares the meetings of the Supervisory Board, monitors the resolutions adopted, is responsible for the employment contracts signed with members of the Board of Management and their remuneration, and represents the company in dealings with former members of the Board of Management, insofar as this is not the responsibility of the Board of Management itself. In addition, the Strategy and Executive Committee analyses the company's ongoing business, advises the Board of Management with regard to the strategic orientation of the ALNO Group and Group companies, verifies its implementation and prepares papers on the strategic orientation to be adopted by the Supervisory Board, insofar as the activity concerned requires the consent of the Supervisory Board.

The Strategy and Executive Committee comprised or comprises the following members:

- Mr. Henning Giesecke (chairman)
- Dr. Jürgen Diegruber (up to 26 June 2013)
- Dr. Marc Bitzer
- Mr. Norbert Orth (as from 26 June 2013)

The Audit Committee is mainly concerned with the preparation of negotiations and resolutions by the Supervisory Board on matters relating to the company's accounting, risk management and compliance, the necessary independence of the auditors, retaining the auditors, defining the focal points of the audit and reaching agreement with the auditors on their fee for the audit.

The Audit Committee has the following three members:

- Mr. Anton Walther (chairman)
- Dr. Jürgen Diegruber (up to 26 June 2013)
- Mr. Jörg Kespohl
- Mr. Hubertus Krossa (as from 26 June 2013)

Further information on the members of the Board of Management and Supervisory Board and on the remuneration paid to the Board of Management can be found in Section J. “Supervisory Board and Board of Management” of the notes to this annual report.

For their activities, the members of the Supervisory Board received total remuneration in the amount of € 460,000.00 in the financial year 2013. This is made up as follows:

	2013 in €
Henning Giesecke (chairman)	90,000
Rudolf Wisser (vice-chairman)	60,000
Dr. Jürgen Diegruber (up to 26 June 2013)	25,000
Anton Walther	50,000
Jörg Kespohl	45,000
Gerhard Meyer	40,000
Ruth Falise-Grauer (up to 26 June 2013)	20,000
Norbert Orth	42,500
Dr. Marc Bitzer	45,000
Hubertus Krossa (as from 26 June 2013)	22,500
Werner J. Rellstab (as from 26 June 2013)	20,000

The fees paid to members of the Supervisory Board for their advisory activities are set out in Section J. “Supervisory Board and Board of Management” of the notes to this annual report.

As at 31 December 2013, the Chief Executive Officer Max Müller and his family directly and indirectly held 3,760,000 shares in the company, corresponding to 5.36% of the share capital of ALNO AG. All other members of the Board of Management held fewer than 1% of the shares in ALNO AG both at the end of 2013 and at the end of the previous year 2012. In total, the members of the Board of Management held 4,117,000 shares on 31 December 2013. The members of the Supervisory Board held 345,333 shares on 31 December 2013.

Further information on the company’s management can be found in the articles of association of ALNO AG, which are also publicly accessible on the company’s website at *www.alno.ag*.

Pfullendorf, 31 March 2014

ALNO Aktiengesellschaft

The Board of Management

Max Müller
Chief Executive Officer of ALNO AG

Ipek Demirtas
Chief Financial Officer

Manfred Scholz
Chief Operations Officer

Ralph Bestgen
Chief Sales Officer, Marketing and Product Development

Consolidated financial statements

Consolidated income statement

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2013

in € 000	Notes	2013	2012
Sales revenue	C. 1	395,056	446,258
Changes in inventories and capitalised goods and services for own account	C. 2	2,603	396
Other operating income	C. 3	9,452	9,798
Total operating performance		**407,111**	**456,452**
Cost of materials	C. 4	222,031	257,948
Personnel expenses	C. 5	95,263	97,204
Other operating expenses	C. 6	82,153	84,376
Result from reorganisation (+ = expense/– = revenue)	C. 7	2,162	2,965
EBITDA		**5,502**	**13,959**
Write-ups on intangible assets and property, plant and equipment	C. 8	7,846	2,768
Depreciation on intangible assets and property, plant and equipment	C. 9	12,173	15,850
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		**1,175**	**877**
Income from investments measured at equity	C. 10/D. 4	–723	–276
Financial income	C. 10	205	9,004
Financial expenses	C. 10	7,898	10,822
Financial result		**–8,416**	**–2,094**
EARNINGS BEFORE TAXES (EBT)		**–7,241**	**–1,217**
Taxes on income (+ = expense/– = income)	C. 11	3,477	203
GROUP PROFIT FOR THE PERIOD		**–10,718**	**–1,420**
of which non-controlling interests		–89	0
of which shareholders of ALNO AG		–10,629	–1,420
Earnings in € per share (diluted and undiluted)	P.	–0.15	–0.05

Group statement of income and accumulated earnings

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2013

in € 000	Notes	2013	2012
GROUP PROFIT FOR THE PERIOD		**–10,718**	**–1,420**
Items transferred to the income statement in subsequent periods:			
Change in the difference resulting from currency conversion		91	–121
Changes in the value of securities recognised outside profit or loss		–17	–32
Deferred taxes on the change in value of securities recognised outside profit or loss	C. 11	5	0
Total of items transferred to the income statement in subsequent periods:		**79**	**–153**
Items not transferred to the income statement in subsequent periods:			
Actuarial gains and losses from pension provisions	D. 11	–764	–2,634
Deferred taxes on actuarial gains and losses from pension provisions	C. 11	573	566
Total of items not transferred to the income statement in subsequent periods:		**–191**	**–2,068**
OTHER GROUP PROFIT FOR THE PERIOD		**–112**	**–2,221**
GROUP OVERALL RESULT		**–10,830**	**–3,641**
of which non-controlling interests		–89	0
of which shareholders of ALNO AG		–10,741	–3,641

Consolidated statement of financial position

of ALNO Aktiengesellschaft, Pfullendorf, as at 31 December 2013

in € 000	Notes	2013	2012
ASSETS			
Intangible assets	D. 1	9,731	8,685
Property, plant and equipment	D. 2	84,492	75,668
Financial investments	D. 3	1,550	2,595
At-equity investments	D. 4	848	0
Financial accounts receivable	D. 5	2,074	1,057
Deferred tax assets	C. 11	195	408
Trade accounts receivable	D. 6	591	563
Other assets	D. 8	349	237
A. Non-current assets		**99,830**	**89,213**
Inventories	D. 7	24,028	24,452
Financial accounts receivable	D. 5	2,000	0
Trade accounts receivable	D. 6	42,655	44,773
Other assets	D. 8	9,632	4,395
Income tax refund entitlements	C. 11	58	17
Liquid assets	D. 9	3,266	5,402
B. Current assets		**81,639**	**79,039**
TOTAL ASSETS		**181,469**	**168,252**

in € 000	Notes	2013	2012
LIABILITIES			
Subscribed capital	D. 10. a	70,095	70,095
Capital reserve	D. 10. b	3,258	3,258
Legal reserve	D. 10. c	462	462
Accumulated net income	D. 10. d	–92,337	–81,507
Shareholders' equity attributable to ALNO AG		–18,522	–7,692
Non-controlling interest portion of equity		141	230
A. Equity		**–18,381**	**–7,462**
Provisions for pensions	D. 11	20,570	20,284
Deferred tax liabilities	C. 11	2,763	201
Other provisions	D. 12	1,442	2,298
Shareholder loans	D. 13	20,000	0
Other financial liabilities	D. 14	45,217	4,027
Deferred grants and subsidies from public authorities	D. 15	704	730
Trade accounts payable and other financial liabilities	D. 16	13	34
B. Non-current liabilities		**90,709**	**27,574**
Other provisions	D. 12	2,729	5,505
Shareholder loans	D. 13	10,445	365
Other financial liabilities	D. 14	17,204	14,919
Trade accounts payable and other financial liabilities	D. 16	70,828	118,190
Remaining other liabilities	D. 17	7,841	8,770
Liabilities from income taxes	C. 11	94	391
C. Current liabilities		**109,141**	**148,140**
TOTAL LIABILITIES		**181,469**	**168,252**

Consolidated cash flow statement

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2013

in € 000	Notes	2013	2012
Cash flow from operating activities			
Group profit for the period		–10,718	–1,420
Income taxes		3,477	203
Financial result		8,416	2,094
Depreciation on intangible assets and property, plant and equipment		12,173	15,850
Write-ups on property, plant and equipment		–7,846	–2,768
Retained income taxes		17	48
Paid income taxes		–462	–159
Loss from disposal of property, plant and equipment and intangible assets		365	523
Interest received		94	68
Interest paid		–5,148	–7,072
Elimination of non-cash items			
Change in other provisions, pension provisions and deferred investment grants from public funds		738	2,430
Other non-cash earnings/expenditure		–125	–9,465*
Cash-effective change in other provisions		–5,633	–4,804
Cash flow from operating activities before working capital changes		**–4,652**	**–4,472**
Change in working capitals			
Change in inventories		380	1,982
Change in accounts receivable trade and other assets		–6,984	3,775
Change in accounts payable trade and other debts		–18,266	24,186
Net cash and cash equivalents applied (previous year: received) for operating activities		**–29,522**	**25,471**

*Adaptation see B. 4. in the notes

in € 000	Notes	2013	2012
Cash flow from investment activities			
Outpayments for investments in			
Intangible assets		–1,328	–1,212
Property, plant and equipment		–13,556	–12,997
Financial investments		0	–459
Outpayments for company purchases		0	–1,190
Inpayments from disposals			
Property, plant and equipment		188	121
Financial investments		1,019	1,000
NET CASH AND CASH EQUIVALENTS APPLIED FOR INVESTMENT ACTIVITIES		**–13,677**	**–14,737**
Cash flow from financing activities			
New borrowings		50,233	2,400
Repayment of loans		–8,184	–41,876
Change in current account and factoring liabilities		2,010	–11,869*
Inpayments from capital increases		0	46,200
Outpayments for financing costs		–2,425	–1,907
NET CASH AND CASH EQUIVALENTS RECEIVED (PREVIOUS YEAR: APPLIED) FOR FINANCING ACTIVITIES		**41,634**	**–7,052**
Cash change in cash and cash equivalents		–1,565	3,682
Cash and cash equivalents at the start of the financial year		4,317	634
Changes in cash and cash equivalents due to exchange rate		–32	1
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**D. 9**	**2,720**	**4,317**

* Adaptation see B. 4. in the notes

Consolidated statement of changes in equity

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2013

in € 000	Subscribed capital	Capital reserve	Legal reserve	Generated Group equity
Notes	D. 10. a	D. 10. b	D. 10. c	D. 10. d
1 January 2012	**67,847**	**45,916**		**–184,741**
Group profit for the period				–1,420
Other Group profit for the period				
Group overall result				–1,420
Capital increase	44,000	2,200		
Transaction costs				–1,907
Capital reduction	–41,752	–44,858		86,610
Waiver of receivables by shareholders		25,000		
Withdrawal from capital reserve to compensate the losses		–25,000		25,000
Allocation to legal reserve			462	–462
Change in scope of consolidation				
31 December 2012	**70,095**	**3,258**	**462**	**–76,920**
Group profit for the period				–10,718
Other Group profit for the period				
Group overall result				–10,718
Allocation to legal reserve				
31 DECEMBER 2013	**70,095**	**3,258**	**462**	**–87,638**

Accumulated net income						
		Other transactions not affecting net income				
	Reserve from foreign currency translation	Change in pension provisions	Change in value securities	Equity attributable to the shareholders of ALNO AG	Minority shares	Group equity
	D. 10. d	D. 10. d	D. 10. d	D. 10. d		
	–634	**–1,727**	**–5**	**–73,344**		**–73,344**
				–1,420		–1,420
	–121	–2,068	–32	–2,221		–2,221
	–121	–2,068	–32	–3,641		–3,641
				46,200		46,200
				–1,907		–1,907
				0		0
				25,000		25,000
				0		0
				0		0
				0	230	230
	–755	**–3,795**	**–37**	**–7,692**	**230**	**–7,462**
				–10,718		–10,718
	91	–191	–12	–112		–112
	91	–191	–12	–10,830	–89	–10,919
	–664	**–3,986**	**–49**	**–18,522**	**141**	**–18,381**

Notes

A. Company purpose

ALNO Aktiengesellschaft, Pfullendorf (hereinafter referred to in brief as “ALNO AG”), a listed company under German law, and its subsidiaries (hereinafter referred to in brief as the “ALNO Group”) produce and sell fitted kitchens for the global market, mostly under the ALNO, IMPULSE, PINO and WELLMANN brands. With regard to the group structure and the main activities of the ALNO Group, we refer to the information we provide in the management report and group management report. The Group’s ultimate parent company is ALNO AG, which has its registered offices in Heiligenberger Strasse 47, 88630 Pfullendorf, Germany.

B. Accounting policies

1. Basis for preparation of the financial statements

The consolidated financial statements 2013 of ALNO AG are in accordance with the standards and interpretations of the International Accounting Standards Board (IASB), London, valid on the balance sheet date and applicable in the EU, and the regulations to be applied in addition according to Section 315a of the German Commercial Code (HGB).

The Group currency is the euro. All amounts are stated in thousands of euros (€ 000) unless there is a note to the contrary.

The consolidated financial statements and group management report summarised in the management report of ALNO AG were approved by the Board of Management for submission to the Supervisory Board on 29 March 2014.

The consolidated financial statements are prepared under the assumption that the company will continue to operate on the basis of the ongoing historical procurement and manufacturing costs, with the exception of the financial assets that are to be valued at the fair value. With regard to the structure of the balance sheet, a classification has been made according to current and non-current assets and liabilities. Items not due within one year are recorded as non-current assets or non-current liabilities. Furthermore, deferred taxes are recorded as non-current assets and liabilities in each case.

The Board of Management and all company units are continuing to pursue the objective of putting the company on a financially healthy, competitive and sustainably profitable footing.

In 2013, the Board of Management of ALNO AG successfully implemented the financing and capital concept. Largely, this included the company loan granted in May 2013 with a total volume of € 45.0 million, a fixed term of five years and an annual interest rate of 8.5%. As a further significant milestone in the capital and financing concept 2013, ALNO AG succeeded in arranging new factoring finance in August 2013, in the extent of € 8 million. Furthermore, the main shareholder Bauknecht Hausgeräte GmbH, Stuttgart, converted a short-term supplier credit amounting to € 30 million into a loan under a framework agreement dated 11 April 2013; € 20 million of this has a term until 2017. Comco Holding AG, Nidau, Switzerland, provided an additional financing contribution by extending a loan liability that has existed since 2012. By means of these measures, it was possible to ensure Group liquidity in 2013, thereby giving the Board of Management the opportunity to pursue operational and strategic company objectives.

In a strategic move, on 17 January 2014, ALNO AG took over 100% of the shares in AFG Küchen AG, Arbon, Switzerland, from AFG Arbonia-Forster-Holding AG, Switzerland. The closing of the deal was on 25 March 2014. AFG Küchen AG is the market leader in Switzerland. It includes both well-known brands Piatti and Forster Schweizer Stahlküchen. By making this acquisition, the largest in the company’s recent history, ALNO AG is driving its international growth strategy forwards and ensuring additional turnover and revenue. At the same time, ALNO AG will become more independent of the competitive German market and benefit from an established sales network in a growing market for kitchens in Europe. The purchase price for 100% of the shares in AFG Küchen AG and the operational business was financed by loans raised from Swiss banks as well as by issuing a convertible bond on 20 March 2014, which was placed with qualified investors.

Operationally, the corporate strategy of ALNO AG involves pursuing the structural improvement of the organisation and more efficient market development. For this purpose, ALNO AG will be investing much more in IT, machinery and marketing than in previous years. ALNO AG is planning to meet the financing required due to these investments and other operational topics amounting to € 10.0 million by means of new bank financing.

As in previous years, 2014 will once again see Group liquidity under severe stress during the summer months because of the company holidays at the production sites. In order to cover any possible liquidity shortage arising from this, Comco Holding AG, Nidau, Switzerland, has undertaken to provide ALNO AG with additional funding up to the amount of € 8 million for the period from 1 June to 30 September 2014 if ALNO AG proves unable to meet its liquidity requirements during this period through other finance.

During the first two months of 2014, incoming orders in thousands of euros recorded in the ALNO Group were 6% up compared to the previous year. However, incoming orders as at February 2014 are slightly below plan, at 5% throughout the Group. The below-plan performance is affecting the domestic market above all; exports on the other hand are on schedule, thereby confirming the aimed-for growth abroad. During the first two months of 2014, this meant net sales revenues were running at the level of the previous year, although 4% below plan. However, the Board of Management confidently expects that the planned sales and revenue targets for the 2014 business year will be achieved.

Against this background and the background of the takeover of AFG Küchen AG, the Board of Management is expecting sales in the ALNO Group to increase significantly in 2014, to the region of € 580–€ 600 million, with EBITDA rising markedly to a level of € 20–€ 25 million. Sales and results will ramp up slowly during the first and part of the second quarters of 2014, indicating that the effects will be revealed in the second half of 2014 above all.

ALNO as a going concern is significantly dependent on the aforementioned new bank finance amounting to € 10.0 million being made available in full and on schedule, as well as continuation of a stringent liquidity management policy. In order to cover the liquidity shortfall that will otherwise arise in the summer months of 2014 in the ALNO Group, Comco Holding AG, Nidau, Switzerland will have to discharge its obligation to pay up to a volume of € 8.0 million, and investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to sales and revenue targets, will have to be accurate as planned.

2. Change in accounting policies

New standards to be applied

The ALNO Group observes the amended or new standards in interpretations from the IASB, for which application is mandatory in 2013 to the extent that these were adopted by the EU. In detail, the following new aspects arose:

- Amendment of IFRS 7 – Notes: Offsetting financial assets and financial liabilities

The amendment did not have any effects on the accounting policies used by the Group, although it has entailed additional notes.

- IFRS 13 – Fair value measurement

The new standard rounds off the project to establish a uniform, all-embracing standard for measurement. IFRS 13 defines the procedure to be applied for measurement at fair value insofar as fair value measurement (or fair value disclosure) is stipulated by another IFRS. According to the new definition of fair value, fair value is characterised as being the selling price of an actual or hypothetical transaction between any two independent market-players under standard market conditions. The standard is almost all-embracing, only IAS 17 and IFRS 2 are excluded. While the scope of these requirements remains almost unchanged for financial instruments, it is now defined more comprehensively and more precisely for other assets (e.g. investment property, intangible assets, property, plant and equipment). Where financial instruments are concerned, the effect of market and credit risks can now be included in the fair value of a portfolio on balance, insofar as a relationship between such effects can be proved. The 3-stage fair value hierarchy familiar from IFRS 7 must be applied throughout.

Two checks must now be performed for "declining market activities" (previously "inactive markets"), namely (a) whether trade activities have declined and (b) whether subsequent transactions actually undertaken were not in conformity with the market – a price deviating from the market price is only permitted if both are affirmed. IFRS 13 also defines additional mandatory notes. The amendments influenced the consolidated financial statements and the information in the notes.

- Amendment to IAS 1 – Presentation of elements making up the other operating result

This amended standard introduces new requirements as regards the presentation and development of other operating results. The individual elements making up the other operating result must consequently be classified according to whether or not they are subsequently reclassified in the income statement (so-called recycling process). Compliance with this requirement results in changed presentation of the statement of comprehensive income. The amendment solely affects presentation of the statement of comprehensive income and has no effect on the ALNO Group's net assets, financial position and results of operations.

- Amendment to IAS 12 – Deferred taxes: Realisation of underlying assets

The amendment to IAS 12 basically concerns the calculation of deferred taxes for real estate held as financial investments, which must be valued at fair value as required by IAS 40. Since the ALNO Group does not report such assets, this amendment will have no effect on the calculation of deferred taxes.

- Amendment to IAS 19 – Employee benefits

IAS 19 has been comprehensively revised by the IASB. The adjustments made range from fundamental changes, such as calculation of expected gains from plan assets and cancellation of the corridor method, to mere clarifications and changes in the wording. Since actuarial gains and losses were already recognised in equity in the past, the changed balance sheet accounting did not have any material impact on the net assets, financial position and results of operations of the ALNO Group; consequently, no change in the opening inventories as at 1 January 2012 was necessary.

The changed accounting requirements for employee termination payments under the revised IAS 19 will primarily affect the recognition and measurement of additional sums to top up pre-retirement part-time working arrangements. Overall, the resulting amounts did not have any significant effect on the ALNO Group's net assets, financial position and results of operations, as a result of which no adaptation has been made.

- Improvements to IFRS 2009–2011

This is a collective standard which was published in May 2012 and relates to changes in the various standards. Except for the rulings specifically mentioned below, these changes are without effect for the consolidated financial statements of ALNO AG:

IAS 1 – Presentation of financial statements: Comparative information: The proposed amendment establishes that, above and beyond the comparative period for which disclosure is mandatory, only individual items of comparative information need be disclosed voluntarily without at the same time creating an obligation to disclose a complete comparative financial statement. In addition, it also establishes that, when accounting policies are changed retroactively or when balance sheet items are adjusted or reclassified retroactively, the third balance sheet for which disclosure is mandatory must always be prepared at the start of the comparative period for which disclosure is mandatory. Notes to this balance sheet are no longer mandatory.

IAS 16 – Property, plant and equipment: Classification of maintenance equipment: The amendment clarifies that the application rules for inventories do not apply to essential spare parts and maintenance equipment qualifying as property, plant and equipment.

IAS 32 – Financial instruments: Presentation: The proposed amendment eliminates the conflict between IAS 32 and IAS 12 "Income taxes" with regard to recognition of the tax consequences of dividend payments and transaction costs resulting from the issue and retirement of equity instruments. These must be reported in compliance with IAS 12.

IAS 34 – Interim financial reporting: Segment assets and segment liabilities need only be disclosed in the interim report if the disclosure forms the subject of regular reporting to the main decision-making body of the entity and if there would be a significant change in segment assets and segment liabilities compared to the value reported in the previous annual financial statements. This proposed amendment brings the disclosure requirements of IAS 34 into line with those of IFRS 8 “Operating segments”.

First-time compliance with the other standards and interpretations had no effect on presentation of the ALNO Group’s net assets, financial position and results of operations, as such circumstances did not apply in the financial year.

Published accounting standards that are not yet applied

The following standards and interpretations have additionally been adopted or amended by the IASB and endorsed by the European Union, but their application is not yet mandatory and they have not been applied prematurely. They must be applied for reporting periods beginning on or after the amendment concerned comes into force.

- IFRS 10, 11 and 12 – New rules on consolidation (effective date: 1 January 2014; retrospective)
- Amendments to IFRS 10, IFRS 11 and IAS 12 – transitional provisions (effective date: 1 January 2014; retrospective)
- Revision of IAS 27 – Separate financial statements (effective date: 1 January 2014; retrospective)
- Revision of IAS 28 – Investments in associates and joint ventures (effective date: 1 January 2014; retrospective)
- Amendment of IAS 32 – Financial instruments: Offsetting financial assets and financial liabilities (effective date: 1 January 2014; retrospective)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment companies (effective date: 1 January 2014; retrospective)
- Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (effective date: 1 January 2014; retrospective)
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting (effective date: 1 January 2014; retrospective)

Only the new regulations and their consequences which are relevant to the ALNO Group are outlined below. The remainder of the new regulations are not applicable to the ALNO Group, and consequently do not have any effects on the Group’s net assets, financial position and results of operations.

- IFRS 10, 11 and 12 – New rules on consolidation

With IFRS 10, 11 and 12, the IASB has published three new standards, as well as two revised standards – IAS 27 and 28 – for reporting business combinations.

IFRS 10 is the result of the “Consolidation” project and will replace the consolidation guidelines in IAS 27 and SIC-12. The standards to be applied to IFRS single-entity financial statements remain unchanged in IAS 27. IFRS 10 focuses on the introduction of a uniform consolidation model for all entities, based on control of the subsidiary by the parent. The concept of control must consequently be applied not only to parent-subsidiary relations based on voting rights, but also to parent-subsidiary relations based on other contractual agreements. The concept of control must therefore be applied in future to special purpose entities which are currently consolidated according to the concept of risks and rewards.

IFRS 11 was developed from the “Joint Ventures” project and will replace IAS 31 and SIC-13. Quota consolidation will be abolished when IAS 31 becomes ineffective. Parallel changes in terminology and classification must be taken into account, with the result that not all joint ventures which are currently included in the scope of quota consolidation need be reported at equity in future. The equity method is applied in accordance with the requirements of IAS 28 incorporating subsequent amendments.

IFRS 12 combines the revised disclosure requirements of IAS 27, IFRS 10, IAS 31 or IFRS 11 and IAS 28 in a single standard. It also introduces new requirements, such as disclosures relating to major subsidiaries which are included in the consolidated financial statements.

These changes have no relevance for the ALNO Group, because it currently has no special purpose entities. This has not given rise to any change in the ALNO Group as far as associated companies are concerned, because to date these have already been reported according to the equity method. Since IFRS 12 makes new disclosure requirements in addition to existing disclosure requirements, the Group notes on this group of entities will be more comprehensive in future.

- IAS 28 – Investments in associates (revised 2011)

The revised standard IAS 28 was published in May 2011 and must be applied for the first time in the financial year beginning on or after 1 January 2014. Through the adoption of IFRS 11 and IFRS 12, the scope of IAS 28 has been extended to application of the equity method for investments in joint ventures – as well as associates. With regard to the effects, the reader is referred to our explanatory notes on IFRS 10, 11 and 12.

- Amendment to IAS 32 – Offsetting financial assets and financial liabilities

The IASB has additionally published supplements to IAS 32 and IFRS 7. With these, the IASB has clarified a number of details concerning the offsetting of financial assets and liabilities, and calls for supplementary disclosures relating to these. It does not, however, change the existing principle of offsetting pursuant to IAS 32. Clarification of the criteria “simultaneous settlement” and “currently has a legally enforceable right to set-off” will only lead to a change in accounting conventions if IAS 32 was formerly interpreted differently. In future, gross and net sums resulting on balance and sums for existing set-off rights which, however, do not meet with the criteria for setting off in the balance sheet, must also be reported in tabular form as a supplementary, mandatory disclosure. This clarification will not lead to any change in accounting practice by the ALNO Group.

- Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets

In this, the IASB proposes a restriction on disclosures of the recoverable amount. Furthermore, the IASB clarifies disclosures of impaired assets. The adoption of IFRS 13 (Fair value measurement) entailed a concomitant amendment in IAS 36. According to this, the recoverable amounts of cash-generating units (even if there is no decrease in value in the current period) must be disclosed if the book value of the goodwill or the intangible assets of this unit with indefinite useful lives are significant compared to the total book value of the goodwill or intangible assets with indefinite useful lives. With the amendment to IAS 36, this regulation was only limited to those cases in which there is actually a decrease in value in the current period.

Furthermore, there was a clarification regarding the information to be provided if the recoverable amount was calculated in the case of a decrease in value on the basis of the fair value less costs to sell. According to IAS 36.130, the following disclosures should now be made:

- valuation methods used as well as changes in the valuation methods;
- the level of the fair value hierarchy according to IFRS 13 within which the fair value measurement is categorised;
- In Level 2 and Level 3 valuations: key assumptions used in the measurement of fair value measurements including explicit, mandatory statement of the discounting rate applied when using a cash value method.

The amendment solely leads to supplementary or modified disclosures and has no effect on the ALNO Group’s net assets, financial position and results of operations.

The following new standards issued by the IASB have not yet been endorsed by the European Union. Their application is not yet mandatory and they are not applied prematurely on a voluntary basis.

- IFRS 9 – Financial instruments: Classification and measurement (effective date: 1 January 2015; retrospective)
- IFRS 9 – Financial instruments: hedge accounting (effective date: permission for immediate application; retrospective)
- Amendments to IFRS 7 and IFRS 9 – Disclosures: Time-frame for application and transition rules (effective date: 1 January 2015; retrospective)
- Amendment to IAS 19 – Employee benefits: accounting for employee contributions (effective date: 1 July 2014; retrospective)

- Improvements to IFRS 2010–2012 (effective date: 1 July 2014; retrospective)
- Improvements to IFRS 2011–2013 (effective date: 1 July 2014; retrospective)
- Interpretation IFRIC 21 – Levies (effective date: 1 January 2014; retrospective)
- IFRS 14 – Regulatory deferral accounts (effective date: 1 January 2016; retrospective)

The amendments apply for financial years beginning on or after the amendments come into force. Only the standards of relevance to the ALNO Group and their consequences for the consolidated financial statements are outlined below. The remainder of the new regulations are not applicable to the ALNO Group, and consequently do not have any effects on the Group's net assets, financial position and results of operations.

- IFRS 9 – Financial instruments: Classification and measurement / hedge accounting

This standard was issued by the IASB as the first part of a project fundamentally revising the accounting treatment of financial instruments and contains new requirements for the classification and measurement of financial assets and liabilities. It is intended to supersede the former IAS 39. Financial assets must now be reported either at amortised cost of acquisition or recognised through profit and loss at fair value, depending on their respective characteristics and with due regard for the business model or models. Equity instruments must always be measured at fair value, in contrast to the requirements currently in force. Fluctuations in the value of equity instruments may, however, also be recognised directly in equity. For equity instruments, only certain income from shareholdings will be recognised as income in this case. At present, changes in the value of securities recognised at fair value (debt instruments) are recognised in equity outside profit or loss in the consolidated financial statements. As a result of the changes introduced by IFRS 9, these changes in value will be posted in the income statement when IFRS 9 comes into effect.

On 28 October 2010, the IASB published the revised standard IFRS 9 which has been extended to include financial liabilities. The former requirements of IAS 39 were to a large extent retained. One change concerns the recognition of financial liabilities, which are measured at fair value and treated as income through application of the fair value option. In future, the change in fair value resulting from the change in own credit risk must be recognised under other operating results and not in the consolidated income statement. A second change relates to liabilities from derivative financial instruments which are linked to unlisted equity instruments. These liabilities must in future always be reported at fair value, while the currently applicable requirements permit measurement at the amortised cost of acquisition.

In November 2013, IASB published provisions on hedge accounting. The standard, which is intended as an addendum to or amendment of the previously published version of IFRS 9, contains, in particular, new provisions which amend the previous legal position with respect to the designation of instruments and risks, the requirements for effectiveness, the adjustment and reversal of hedging relations and, to some extent, the reporting of hedging relations on the balance sheet. The standard replaces the IFRIC Interpretation 9 Reassessment of Embedded Derivatives and it also amends some of the existing standards, including IFRS 7 governing the disclosure requirement of financial instruments, as well as the provisions of versions of the IFRS 9 already published in 2009 and 2010. The standard is applicable from the date of its publication; however, this is subject to the application of IFRS 9 in its entirety and stipulates extensive transitional provisions.

The IFRS 9 Financial instruments project is expected to be completed in 2014. The application of the first part of phase I will have consequences on the classification and measurement of the financial assets of the Group. No material effect on the Group's net assets, financial position and results of operations is expected from the second part of this project phase. The third phase of the project, completed in November 2013, is related to hedge accounting. In order to present a comprehensive picture of potential consequences, the Group will quantify the effect only in connection with the other phases once they have been published.

- Amendment to IAS 19 – Employee benefits: accounting for employee contributions

On 21 November 2013 the IASB amended IAS 19 with regard to accounting for contributions by employees or third parties under defined benefit plans. An amendment to IAS 19.93 now clarifies the accounting policies to be used for contributions from employees or third parties set out in the formal terms of the plan if these are linked to service.

Following the amendment to IAS 19, contributions from employees or third parties may also be recognised as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period. This is possible in particular with contributions that are a fixed percentage of an employee's salary, so the percentage of the employee's salary does not depend on the employee's number of years of service to the company.

If the contributions depend on the years of service, they must be allocated to the service periods using the method which must also be applied for the gross income as in IAS 19.70.

The changes will not have any effect in the ALNO Group, because no contributions from employees or third parties are paid.

- Improvements to IFRS 2010–2012

This is a collective standard which was published in December 2013 and relates to changes in the various standards. It is not expected that these changes will have any significant influence on the consolidated financial statements of ALNO AG:

IFRS 2 – Share-based payment: Definition of "vesting conditions" is clarified.

IFRS 3 – Business combinations: Recognition of conditional purchase price payments at fair value.

IFRS 8 – Operating segments: Disclosure of discretionary decisions taken to merge segments. The total assets to be reported only have to be reconciled with the assets of the company if there is regular reporting on the assets of the segment.

IFRS 13 – Fair value measurement: Clarification that it remains possible for assets and liabilities not to be discounted as long as the effects are not significant.

IAS 16 – Property, plant and equipment: Adaptation of the gross carrying amount on revaluation of property, plant and equipment so that this corresponds to the revaluation of the carrying amount.

IAS 24 – Related party disclosures: A company that provides services in the area of corporate governance for the reporting unit or the parent company of the reporting unit represents a related company for the reporting unit.

IAS 38 – Intangible assets: Adaptation of the gross carrying amount on revaluation of an intangible asset so that this corresponds to the revaluation of the carrying amount.

- Improvements to IFRS 2011–2013

This is a collective standard which was published in December 2013 and relates to changes in the various standards. It is not expected that these changes will have any significant influence on the consolidated financial statements of ALNO AG:

IFRS 3 – Business combinations: Exclusion of associates companies from the scope of application of IFRS 3.

IFRS 13 – Fair value measurement: The exception stated in IFRS 13.52 for portfolios contains all contracts recognised according to IAS 39 or IFRS 9, irrespective of whether they meet the definition of a financial asset or financial liability according to IAS 32.

IAS 40 – Investment property: The purchase of investment property can meet both the precondition for purchase of an individual asset, a group of assets and a business combination according to IFRS 3. If the preconditions of IFRS 3 are met for a business combination involving an investment property, it is clarified that both IFRS 3 and IAS 40 must be used.

3. Consolidation principles

Scope of consolidation

Group parent is the company ALNO AG which is entered in the Register of Companies of Ulm Local Court (HRB 727041). In accordance with the principles of full consolidation, the consolidated financial statements as at 31 December 2013 include not only ALNO AG, but also ten (previous year: twelve) German and six (previous year: six) foreign companies in which ALNO AG directly or indirectly holds a majority of the share capital.

The Group's composition (excluding ALNO AG) is set out below:

in € 000	1 January 2013	Initial consolidations	Legal changes	Deconsolidation	31 December 2013
Fully consolidated subsidiaries	18				16
of which domestic	12	0	–2	0	10
of which foreign	6	0	0	0	6
Companies valued at equity	0	2	0	0	2

logismo Möbellogistik Spedition S.I.G. GmbH, Pfullendorf, was renamed to logismo Möbellogistik GmbH, Pfullendorf. logismo Möbellogistik Spedition H.S.K. GmbH, Brilon, and logismo Möbellogistik Spedition A.Z.E, Coswig (Anhalt), were merged on 30 July 2013 to create logismo Möbellogistik GmbH, Pfullendorf.

The enlargement in the scope of consolidation for the company is valued at equity is due to the two companies tielsa GmbH, Pfullendorf, with an investment quota of 49% and ALNO China Holding Limited, Hong Kong, People's Republic of China, with an investment quota of 45%. Both companies were re-established in 2012, and included in the consolidated financial statements using the equity method for the first time in 2013.

Company acquisitions in 2014

Purchase of AFG Küchen AG, Arbon/Switzerland
Under the contract dated 17 January 2014, ALNO AG takes over 100% of the shares in AFG Küchen AG, Arbon/Switzerland from the Swiss AFG Arbonia-Forster-Holding AG, Arbon/Switzerland, backdated to 1 January 2014. The company is the market leader in Switzerland. AFG Küchen AG owns the two brands, Piatti and Forster Schweizer Stahlküchen. AFG Küchen AG produces wood and steel kitchens for private use and for project business with both its brands Piatti and Forster Schweizer Stahlküchen. The company currently employs about 500 people and is the leader in the Swiss kitchen market by a wide margin. As a result, ALNO AG has secured the leading position in a stable environment with a high price level, which is one of the fastest growing markets in Europe with an annual increase in excess of 3%. As a result of efficiency programmes embarked upon at Piatti and Forster Schweizer Stahlküchen at the end of 2012 as well as the purchasing advantages resulting from the merger, ALNO AG is expecting significant synergy effects to come into play from 2015 onwards. The total consideration transferred is expected to be approximately CHF 46 million. The acquisition was financed by approved loans from Swiss banks and through the issue of a convertible bond as part of a placement with qualified investors. The information according to B64 e–q required under IFRS 3.59b in conjunction with B66 of the application guidelines has not been given because the closing only took place on 25 March 2014. As a result of this, no data was available from a provisional purchase price allocation either.

Company acquisitions in 2012

logismo Möbellogistik Spedition S.I.G. GmbH, logismo Möbellogistik Spedition H.S.K. GmbH as well as logismo Möbellogistik Spedition A.Z.E. GmbH (jointly referred to as the "logismo Group")
Effective 1 July 2012, the Group acquired 100% of the capital and voting shares of its former logistic service-provider's three operating companies logismo GmbH internationale Spedition, Pfullendorf, logismo Möbellogistik Spedition S.I.G. GmbH, Pfullendorf, logismo Möbellogistik Spedition H.S.K. GmbH, Brilon, as well as logismo Möbellogistik Spedition A.Z.E. GmbH, Coswig (Anhalt). Competitiveness will be enhanced as a result of this organisational restructuring, by integrating logistics into the sales and order handling process.

The provisional purchase price for the logismo Group totalled € 420 thousand altogether. In order to calculate the final purchase price, the respective companies' current assets at the time of acquisition were added to their purchase price, and the sum of their respective provisions and liabilities deducted. On the basis of interim accounts prepared at the time of acquisition, the purchase price was increased by € 47 thousand in the current financial year. The purchase price was paid in cash.

The fair value of the logismo Group's identifiable assets and liabilities at the time of acquisition is listed below:

Balance sheet item	€ 000
Intangible assets	93
Property, plant and equipment	75
Trade accounts receivable	1,440
Other assets	116
Liquid assets	816
Provisions	–74
Trade accounts payable	–2,024
Other accounts payable	–216
Acquired net assets	**226**
Purchase price	467
Goodwill	**241**

The contractually agreed gross value of the acquired trade receivables matches their fair value.

The goodwill generated in conjunction with the takeover was ascribed to the cash generating unit logismo. The additional price was paid for existing know-how in the logistics sector.

Since being taken over and its inclusion in the consolidated financial statements in 2012, the logismo Group has reported sales before consolidation entries in the amount of € 10,036 thousand and a result after taxes on income in the amount of € 177 thousand. Sales revenue before consolidation entries in 2012 totalled € 22,379 thousand and the result after taxes on income € 383 thousand.

Had the logismo Group been fully consolidated for the first time as per 1 January 2012, this would have resulted in an increase of € 0 thousand in consolidated sales revenue and an increase of € 207 thousand in the consolidated result after taxes on income.

Transaction costs in the amount of € 83 thousand were recorded as expense in the previous year and reported under other operating expenses.

Built-In Kitchens Ltd., Built-In Living Ltd. (Built-In Group)
The provisional purchase price of the Built-In Group in 2012 totalled € 4,253 thousand. Part of this purchase price was agreed as a variable purchase price. The amount of the variable purchase price depends on the amount of sales revenue in the period 2012 to 2014. This is a contingent counter-performance obliging ALNO AG to transfer additional assets to the former proprietors of the acquired company as part of the exchange of control over the acquired company if certain future events occur or conditions are met. ALNO AG must recognize the fair value of the contingent counter-performance at the time of acquisition as part of the counter-performance transferred for the acquired company. At the time of acquisition, it was assumed that the set conditions would be met to such an extent as to produce a provisional value of € 1,502 thousand for the contingent counter-performance.

As at 31 December 2012 and 2013, the provisional value of the contingent counter-performance was retroactively corrected with effect from the time of acquisition following new information concerning the sales forecasts for the years 2012–2014 which, had it been known at the time, would already have applied at the time of acquisition and would have influenced measurement of the sums applied on the closing date. All relevant factors were taken into account by ALNO AG when determining whether information received after the acquisition date should result in correction of the provisional sums reported or whether such information related to events occurring after the acquisition date.

This new information resulted in 2013 to a reduction in the contingent counter-performance by € 122 thousand (previous year: € 213 thousand increase). Taking account of the payments made in cash, this results in a value of € 906 thousand (previous year: € 1,742 thousand) as at the reporting date.

The development in the contingent counter-performance is as follows:

in € 000	2013	2012
As at 1 January 2013 or 1 April 2012	**1,742**	**0**
Additions (+)	0	1,502
Payments (–)	–679	0
Exchange rate gains (–)/losses (+)	–35	27
Revaluation (+/–)	–122	213
As at 31 December	**906**	**1,742**

€ 597 thousand (previous year: € 795 thousand) of the contingent counter-performance is due within one year.

The purchased assets and liabilities were recorded with the following fair values at the acquisition date in 2012.

Balance sheet item	€ 000
Intangible assets	224
Property, plant and equipment	132
Inventories	3
Trade accounts receivable	1,201
Other assets	22
Liquid assets	1,501
Trade accounts payable	–39
Other accounts payable	–159
Liabilities from income taxes	–430
Acquired net assets	**2,455**
Purchase price	4,456
Goodwill	**2,001**

Subsequent value adjustments in the provisional first-time consolidation reduced the acquired net assets by € 127 thousand in 2012. Goodwill increased accordingly.

The contractually agreed gross value of the acquired trade receivables matches their fair value.

The goodwill generated in conjunction with the takeover has been ascribed to the cash generating unit ALNO UK, which also includes the two newly acquired companies. The additional price was paid for existing know-how in the field of kitchen design in project business, as well as for the business model's possible extension to other regions.

Since being taken over, Built-In Kitchens Ltd. and its subsidiary have reported sales before consolidation entries in the amount of € 2,353 thousand and a result after taxes on income in the amount of € 239 thousand. Sales revenue before consolidation entries in 2012 totalled € 3,018 thousand and the result after taxes on income € 176 thousand.

Had Built-In Kitchens Ltd. and its subsidiary been fully consolidated for the first time as per 1 January 2012, this would have resulted in an increase of € 100 thousand in consolidated sales revenue and an decrease of € 64 thousand in the consolidated result after taxes on income.

Transaction costs in the amount of € 121 thousand were recorded as expense and are under other operating expenses.

ALNO Middle East FZCO, Dubai/UAE

As per 30 December 2012, ALNO AG acquired a further 35% of the shares and voting rights in ALNO Middle East, thus increasing its total voting share to 85%. The company produces kitchen furniture in Dubai and sells this in growth markets in the Gulf region, as well as in Jordan, Oman, Pakistan and India.

The Group has decided to measure the shares without a controlling influence in the company in accordance with the prorated identifiable net assets. At the time of acquisition, these shares were worth € 230 thousand.

The purchase price amounts to € 406 thousand in total. Of this, € 300 thousand were paid in 2012. The remaining € 106 thousand was paid in 2013.

Together with the takeover, ALNO AG acquired accounts payable by ALNO Middle East in the amount of € 2,294 thousand from the seller. The liabilities remaining from the purchase as at 31 December 2013 amounted to € 1,200 thousand and are reported under other non-current financial liabilities.

The fair value of the shares already held at the time of acquiring the company totalled € 580 thousand. Impairment losses recognised in the mid-year financial statements as at 30 June 2012 were consequently reversed in the amount of the fair value of € 580 thousand and are reported in the financial result (result from shares measured at equity).

On the basis of a provisional purchase price allocation, the acquired assets and liabilities were recognised at the following fair values at the time of acquisition:

Balance sheet item	€ 000
Intangible assets	6
Property, plant and equipment	1,611
Inventories	516
Trade accounts receivable	3,098
Other assets	245
Liquid assets	59
Trade accounts payable	–1,106
Other accounts payable	–2,896
Fair value of the net assets (100%)	**1,533**
thereof accruing to ALNO (85%)	1,303
Purchase price	406
Fair value of shares held to date	**580**
Purchase price below market value	**317**

The contractually agreed gross value of the acquired trade receivables amounted to € 4,228 thousand. The contractual and presumably irrecoverable cash flows existing at the time of acquisition total € 1,130 thousand.

The shares in ALNO Middle East were acquired on account of the advantageous purchase price which was below their market value. The resultant gain totalled € 317 thousand and has been reported under other operating income. The advantageous purchase price is attributable to the fact that ALNO AG acquired the seller's accounts receivable from ALNO Middle East, with the result that the seller agreed to a lower selling price. Had this not been the case, special circumstances might have made it possible to liquidate ALNO Middle East, with the result that the seller's accounts receivable from ALNO Middle East would have been worthless.

Since being taken over and its inclusion in the consolidated financial statements in 2012, ALNO Middle East has reported sales before consolidation entries in the amount of € 0 thousand and a result after taxes on income in the amount of € 0 thousand. Sales revenue before consolidation entries in 2012 totalled € 2,493 thousand and the result after taxes on income –€ 179 thousand.

Had ALNO Middle East been fully consolidated for the first time as per 1 January 2012, this would have resulted in an increase of € 2,493 thousand in consolidated sales revenue and an increase of € 20 thousand in the consolidated result after taxes on income.

Transaction costs in the amount of € 61 thousand were recorded as expense and are under other operating expenses.

Consolidation policies

All companies included in the consolidated financial statements prepare their annual financial statements as per the closing date of the single-entity financial statements of ALNO AG, i.e. as per the closing date of the consolidated financial statements. The consolidated financial statements are prepared on the basis of uniform recognition and measurement policies in compliance with the IFRS requirements to be applied in the EU.

Capital consolidation is effected in accordance with IFRS 3 using the acquisition method. At the time of acquiring control, the subsidiary's new measured assets and liabilities, as well as contingent liabilities insofar as they are not contingent on a future event, are offset at the fair value of the consideration paid for the asset or liability. Contingent purchase price payments are included in the fair value of the consideration to be paid in the expected amount and carried as liabilities. Subsequent adjustments in contingent purchase price payments are recognised as profit or loss. Incidental costs associated with the acquisition are carried as expenses at the time incurred.

A remaining asset-side balancing item is recognised as goodwill. The unimpaired status of capitalised goodwill is checked within the framework of an impairment test as at the closing date. Negative differences resulting from capital consolidation are recognised as income in the consolidated income statement.

Income and expenses and accounts receivable and payable between consolidated companies are eliminated, as are provisions. Interim results in the fixed assets and inventories from intra-Group deliveries are eliminated. Deferred taxes are recognised on consolidation measures with impact on profit or loss. Intra-Group guarantees are eliminated. Pro rata intercompany profits with associates to be eliminated as part of the consolidation of intracompany results are deducted from the proportions of the associates according to IAS 28.22 in conjunction with SIC-13 or IAS 28R.30.

Entities are no longer included in the consolidated financial statements when the parent's control ends.

Currency translation

The consolidated financial statements are prepared in euros, the functional currency of ALNO AG.

The annual financial statements of foreign subsidiaries are translated into euros according to the functional currency concept pursuant to IAS 21. Since all consolidated companies pursue their business independently, the functional currency is always the currency of the country concerned. Assets and liabilities are therefore translated at the exchange rate on the closing date; items in the consolidated income statement are translated at the average exchange rate of the year; equity is recognised at historical rates. Differences resulting from application of the different foreign exchange rates are recognised outside profit or loss.

Differences due to currency translation of intra-Group accounts receivable and payable in foreign currency, which are neither scheduled nor expected to be settled within a foreseeable period of time, are recognised in the consolidated financial statements outside profit or loss under the provision from currency translation in accordance with IAS 21.32.

Monetary assets and liabilities in foreign currency are posted in the single-entity financial statements at the exchange rate on the transaction date and translated at the closing rate on each closing date. Currency differences are recognised as income and reported under other operating income and expenses. Non-monetary foreign currency items are translated at the exchange rate on the transaction date.

Exchange losses are set off against exchange gains for presentation in the consolidated income statement.

The following exchange rates to the euro were used:

	31 December 2013	31 December 2012	Average rate 2013	Average rate 2012
	per €	per €	per €	per €
GBP	0.83488	0.81787	0.84928	0.81149
CHF	1.22576	1.20754	1.23091	1.20548
AED	5.05651	4.85432	4.87974	4.72488
USD	1.37670	1.32164	1.32826	1.28608

4. Summary of main accounting policies

Consideration of earnings

Sales are posted at the date on which risk is transferred following delivery on the basis of the terms of sale, minus returns, volume and price discounts and value-added tax. Only the product sales resulting from ordinary business activities and the associated accessory services are recognised as sales.

Earnings from services rendered are recognised in accordance with the degree of completion, if the amount of income can be reliably determined and receipt of the economic benefit can be expected.

Other earnings are realised in accordance with the contractual agreements and on completion of the service.

Financial result

The financial result essentially comprises interest income from cash investments and interest expenses for loans.

Interest received and paid is recognised as income at the time of creation.

Cost of financing is capitalised as part of the cost of acquisition or production, insofar as it can be assigned to a qualified asset. In all other cases, it is immediately recognised as an expense.

Income taxes

As required by IAS 12, income tax refunds and liabilities for the current and prior periods are measured in the expected amount of the refund from, or payment to, the tax authorities. Amounts are calculated on the basis of the tax rates and tax laws in force on the balance sheet date.

In addition, the deferred income tax reliefs or burdens to be calculated in compliance with IAS 12 from temporary differences between the carrying values recognised in the consolidated financial statements prepared according to IFRS and their local tax bases, as well as from consolidation measures, are recognised as either deferred tax assets or deferred tax liabilities. Deferred tax assets are additionally recognised on tax loss carryforwards if it is sufficiently probable that the resultant tax reliefs will actually occur in the future. The soundness of deferred tax assets on tax loss carryforwards is assessed on the basis of the tax planning for the next five years. Recognition of deferred tax assets also takes account of the existence of temporary differences to be taxed in conjunction with the same tax authorities and the same tax subject.

Deferred taxes are calculated on the basis of the tax rates in force in the various countries at the time of realisation or to be expected with reasonable probability according to the present legal situation.

The carrying amount of deferred tax assets is checked on each closing date and reduced to the extent that adequate taxable income which can at least partly be set off against the deferred tax entitlement no longer appears probable. Unrecognised deferred tax entitlements are checked on each closing date and recognised to the extent that future taxable income makes realisation of the deferred tax entitlement probable.

Deferred tax assets and liabilities are netted when the conditions have been met for setting off taxes receivable against taxes payable.

In addition, deferred tax assets and liabilities are not recognised when they result from first-time recognition of goodwill or of an asset or liability associated with a transaction not relating to a business combination, and when such first-time recognition impacts neither the reported profit/loss before income taxes nor the taxable income.

Deferred taxes relating to items which are directly recognised in equity are reported in equity and not in the consolidated income statement.

Turnover tax

Income, expenses, intangible assets and property, plant and equipment are recognised after deduction of turnover tax, insofar as the turnover tax can be collected or is refunded by a tax authority. Accounts receivable and payable are recognised inclusive of turnover tax. Provisions are carried as liabilities without considering turnover tax.

The amount of turnover tax refunded by, or payable to, a tax authority is reported under other assets and other liabilities.

Intangible assets

Purchased and self-generated intangible assets are capitalised in compliance with IAS 38 at their acquisition or production cost if use of the asset is probably associated with future economic benefit and the costs of the asset can be reliably determined.

The self-created intangible assets are significant expansions to the standard SAP software in the form of various functions and modules specifically for kitchen manufacturers. These developments go far beyond classic customizing of standard SAP software. The six activation criteria of IAS 38.57 are cumulatively met. The self-created intangible assets are written down on a straight-line basis in accordance with their useful life of five years.

The cost of production of intangible assets exclusively comprises directly attributable costs.

Development costs which cannot be capitalised were recognised as income in the amount of € 1,186 (previous year: € 1,272).

With regard to the reporting and measurement of goodwill, we refer to the information provided on consolidation policies, as well as to the information in the “Impairment test for goodwill” section.

Other intangible assets – predominantly software and other industrial property rights – are recognised at acquisition cost and amortised in accordance with their useful life of two to ten years.

Carrying amounts, useful life and amortisation methods are reviewed at the end of each financial year and adjusted if required.

Research costs and development costs which cannot be capitalised are recognised as expense items at the time incurred.

An intangible asset is derecognised either on disposal or when further use or sale of the asset is not expected to yield any further economic benefit. Gains or losses resulting from the disposal of assets are calculated as the difference between net proceeds from sale and carrying amount of the asset and recognised as income in the income statement in the period in which the asset is derecognised.

Property, plant and equipment

Property, plant and equipment is measured at acquisition or production cost in compliance with IAS 16, minus amortisation, depreciation and impairment losses.

They are written down on a straight-line basis and pro rata temporis in accordance with the following estimated useful economic life:

	Years
Buildings	25–60
Machinery, factory and office equipment	2–25
IT systems	3–7

Property, plant or equipment is derecognised either on disposal or when further use or sale of the asset is not expected to yield any further economic benefit. Gains or losses resulting from the disposal of assets are calculated as the difference between net proceeds from sale and carrying amount of the asset and recognised as income in the income statement in the period in which the asset is derecognised.

Carrying amounts, useful life and amortisation methods are reviewed at the end of each financial year and adjusted if required.

Government grants and subsidies do not lead to a reduction in the cost of acquisition of the relevant assets, but are instead carried as deferred liabilities in compliance with IAS 20.24 and reversed as income over the useful life of the subsidised assets.

Finance leases

In compliance with IAS 17, economic ownership of the leased assets must be attributed to the lessee if the latter acquires all the main risks and rewards associated with the asset (finance lease). All leased assets which are classified as belonging to a finance lease are capitalised in the consolidated financial statements at the lower of the fair value and present value of the lease payments. Leased assets are depreciated by the straight-line method over the shorter of their useful life or the lease term.

Impairment tests

Impairment test for goodwill

Goodwill from business combinations is attributed to the cash generating units benefiting from the combinations. For this purpose, the Group identified the following cash generating units: ALNO AG, Wellmann (still under the name Casawell in the previous year), logismo and ALNO UK. ALNO AG corresponds to the ALNO segment, Wellmann corresponds to the Wellmann segment. logismo is a separate business unit which, as a logistics service provider, is to be considered separately from the core business of the ALNO Group, and forms part of the others segment. ALNO UK is a foreign sales company which is allocated to the ATG segment.

The change in the goodwill is as follows:

2013	ALNO AG	Wellmann	logismo	ALNO UK	Total
Gross amount of goodwill	2,607	1,483	241	2,001	6,332
Cumulative depreciation					
of which in 2009	–2,607	0	0	0	–2,607
of which in 2013	0	0	0	0	0
Currency translation differences					
of which in previous years	–	–	–	1	1
of which in 2013	–	–	–	–43	–43
Carrying amounts	0	1,483	241	1,959	3,683

The Wellmann Group comprises Gustav Wellmann GmbH & Co. KG and its subsidiaries. The goodwill created in conjunction with acquisition of the logismo Group is ascribed to the cash generating unit logismo which only comprises one company following the merger. The cash generating unit ALNO UK, to which the Built-In Group's goodwill has been ascribed, comprises ALNO UK and its subsidiaries.

The unimpaired status of goodwill is determined on the basis of impairment tests at year-end and also during the year if there are any signs of an impairment.

When performing impairments tests to IAS 36, the recoverable amount is determined for the cash generating unit concerned.

The recoverable amount is the higher of the fair value of the cash generating unit minus costs to sell or value in use.

The value in use is equal to the present value of future cash flows expected from continued use of the cash generating unit and its disposal at the end of its useful life. The value in use is determined in compliance with IAS 36 using the discounted cash flow method based on data from the authorised corporate planning after correction for investment in expansion and planned reorganisation. The planning horizon in 2012 was five years for ALNO and four years for Wellmann, logismo and ALNO UK. In 2013, corporate planning was changed over to a standard 5-year planning horizon as part of the restructuring of the Group planning process. Cash flows are discounted using the weighted average capital cost (WACC) for a group of comparable entities, taking into account the risk-free base rate, premium for market risks (multiplied by the beta-factor), growth discount in the perpetual annuity, cost of borrowing and capital structure. Forecasting of the cash flows is based on the results calculated for the individual Group companies within the context of a detailed planning process using internal empirical values and external economic figures.

The fair values after deduction of the costs to sell for the individual cash generating units are also calculated on the basis of the discounted cash flow method based on corporate planning. If the approved corporate planning does not contain any expansion investments or planning restructuring, the value in use largely corresponds to the fair value following deduction of the costs to sell.

An impairment is recognised when the recoverable amount is lower than the carrying amount of the cash generating unit. A reversal of goodwill impairment is not undertaken, in compliance with IAS 36.

Corporate planning for the years 2014 to 2018 is essentially based on the following assumptions. In the following explanation, the two cash generating units in Germany, ALNO AG and the Wellmann Group, have been grouped together because they are German-based production plants of the same type.

A change in sales between 5.2% and 25.9% p.a. (previous year: –5.3% and 24.6% p.a.) was assumed for ALNO AG and Wellmann. This assumption is based on a change in the volume of sales of between 2.2% and 16.8% p.a. (previous year: –16.6% and 25.7% p.a.) in Germany and between 4.6% and 82.2% p.a. (previous year: 2.8% and 20.4% p.a.) abroad, as well as on adjustments in prices between –6.4% and 6.3% p.a. (previous year: 0.3% and 8.7% p.a.) in Germany and between –25.3% and 6.2% p.a. (previous year: –5.2% and 5.4% p.a.) abroad. In the case of purchasing prices, material costs are expected to change by between –6.3% and 0.1% p.a. per cabinet (previous year: –0.7% and 1.2% p.a.). When planning personnel costs, an annual increase between 1.9% p.a. and 8.7% p.a. (previous year: –2.6% to 5.3% p.a.) is assumed with a constant number of employees.

In the case of ALNO UK, sales revenue is expected to increase by 22.9% in 2014 and to increase by 7.0% p.a. (previous year: between 4.0% and 4.9% p.a.) from 2015 onwards. The cost of purchased material is expected to rise by 18.9% in 2014 and to increase by between 6.2% and 6.6% p.a. (previous year: 3.7% and 4.1% p.a.) from 2015 onwards. An increase of 30.8% with a growing number of employees has been assumed for 2014 when planning personnel costs. From 2015 onwards, an annual rise of 5.1% p.a. (previous year: between 1.7% and 2.0% p.a.) with a constant number of employees is assumed in conjunction with personnel costs.

Safety margins in the amount of 10% to 20% were deducted from the free cash flows calculated during the planning process for each of the individual planning years. The EBIT margin in the perpetual annuity was reduced to an average amount that can be achieved within the detailed planning horizon, instead of continuing with the high EBIT margin of the last detailed planning year.

A change in other operating income of between 5.6% and 18.0% p.a. (previous year: 0.2% and 6.8% p.a.) has been assumed in the case of logismo. An annual increase of between 5.4% and 17.9% p.a. (previous year: 2.6% and 7.2% p.a.) was assumed when planning forwarding expenses. Personnel costs are assumed to rise by 51.6% with an increasing number of employees in 2014 and to increase by between 1.1% and 1.9% p.a. (previous year: 0.0% and 2.0% p.a.) with a constant number of employees from 2015 onwards.

On the basis of these cash flow prognoses, the value in use was determined for the cash generating units with the aid of the following valuation parameters:

2013	ALNO AG	Wellmann	logismo	ALNO UK
Capital cost before income taxes	11.72%	10.79%	12.30%	12.25%
Capital cost after income taxes	8.83%	8.83%	8.83%	9.68%
Risk-free interest rate	2.75%	2.75%	2.75%	3.35%
Market risk premium	6.00%	6.00%	6.00%	6.20%
Beta factor	1.15	1.15	1.15	1.16

2012	ALNO AG	Wellmann	logismo	ALNO UK
Capital cost before income taxes	1.98%	9.28%	11.05%	13.05%
Capital cost after income taxes	8.54%	8.54%	8.54%	9.80%
Risk-free interest rate	2.25%	2.25%	2.25%	3.08%
Market risk premium	6.00%	6.00%	6.00%	6.33%
Beta factor	1.2	1.2	1.2	1.2

Based on the average for comparable companies, the cost of borrowed capital before taxes on income equalled 4.01% (previous year: 4.03%). At 86% to 14% (previous year: 84% to 16%), the ratio of equity to borrowed capital is in keeping with the average capital structure of comparable companies. An effective tax rate of 28.0% (previous year: 28.0%) was assumed in the applied consideration of input tax.

A growth rate of 1% is assumed for the following cash flows after the end of the four or five-year planning horizon. This growth rate matches the long-term average growth rate in the kitchen furniture industry.

Summary of cash generating units:

2013 (in € 000)	ALNO AG	Wellmann	logismo	ALNO UK
Carrying amount	30,471	16,270	609	9,594
Value in use	40,048	127,870	675	26,284

2012 (in € 000)	ALNO AG	Wellmann	logismo	ALNO UK
Carrying amount	49,465	13,063	648	8,543
Value in use	–43,357	134,822	4,885	22,993

The recoverable amount for the Wellmann Group, the logismo Group and ALNO UK was based on the value in use both in 2012 and 2013. The value in use was also used as the basis for ALNO AG in 2013. In this case, each of the values in use also corresponds to the fair value less costs to sell. In 2012, there were both a negative value in use and a negative fair value less costs to sell for the cash generating unit ALNO AG. As a result of this, in 2012 the fair values less costs to sell were used on the level of the individual assets of ALNO AG. The calculation was performed on the basis of the market value-oriented process based on reports for properties and buildings or based on the best-possible internal estimates of selling prices which could realistically be expected. In one case, the cost-oriented process was also used for prepayments on intangible assets. The planning assumptions for ALNO AG over the years 2014 to 2018 are significantly improved because of higher capacity utilisation levels, meaning that based on the impairment test performed when preparing the annual financial statements as at 31 December 2013, increases in the total amount of € 7,846 thousand (previous year: unscheduled depreciation € 3,379 thousand) were recognised on intangible assets and property, plant and equipment for the year 2013 (see C.9. “Write-downs on intangible assets and property, plant and equipment”).

As outlined above, the forward-looking assumptions underlying the calculations are based on various uncertain estimates. These uncertainties can have a significant effect on the result of the calculations. The effect of different planning scenarios on the value in use of the cash generating units ALNO AG, Wellmann, logismo and ALNO UK is outlined below (referred only to the change in value of the perpetual annuity as value-driving factor).

ALNO AG:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	44,282	32,362	23,622	16,977	11,783
–10%	55,188	41,722	31,835	24,306	18,410
0%	66,094	51,082	40,048	31,634	25,036
10%	77,000	60,442	48,260	38,962	31,663
20%	87,906	69,802	56,473	46,290	38,289

Wellmann:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	136,215	113,977	97,390	84,540	74,290
–10%	156,366	131,318	112,630	98,146	86,587
0%	176,516	148,660	127,870	111,751	98,884
10%	196,667	166,001	143,109	125,357	111,181
20%	216,817	183,343	158,349	138,963	123,478

logismo:

in € 000	WACC				
Free cash flow	–2%	–1%	0%	1%	2%
–20%	647	375	176	25	–93
–10%	959	651	426	253	119
0%	1,271	928	675	482	330
10%	1,584	1,204	924	710	542
20%	1,896	1,480	1,173	938	753

ALNO UK:

in € 000	WACC				
Free cash flow	–2%	–1%	0%	1%	2%
–20%	27,537	23,857	21,027	18,784	16,962
–10%	30,979	26,839	23,656	21,132	19,083
0%	34,421	29,821	26,284	23,480	21,203
10%	37,863	32,804	28,913	25,828	23,323
20%	41,305	35,786	31,541	28,176	25,444

Impairment test for other intangible assets, property, plant and equipment

Other intangible assets, property, plant and equipment were scrutinised at the closing date to determine whether there were any indications of a possible impairment. An impairment test in accordance with IAS 36 is performed if such indications are found.

Impairment testing involves determining the recoverable amount for each individual asset or, if cash inflows cannot be allocated to the individual asset, for a cash generating unit. Cash generating units are defined as being the smallest units capable of generating cash flows independently. In the ALNO Group, these are the individual companies.

The recoverable amount is the higher of the fair value of the asset or cash generating unit minus costs to sell or value in use.

An impairment is recognised when the recoverable amount is lower than the carrying amount of the asset or cash generating unit. If the reasons for a previously recognised impairment loss no longer apply, the impairment loss is reversed provided that the reversal does not cause the carrying amount to exceed the amortised cost of acquisition or production.

Reporting of interests in joint ventures

Interests in joint ventures are included in the consolidated financial statements using the equity method in compliance with IAS 31.38.

Acquisition costs are increased or decreased by the pro-rated profit / loss for the year. Disbursements reduce, and capital increases increase, the carrying amount of the interest. Changes in equity outside profit or loss are likewise recognised in Group equity on a pro rata basis. If there is any indication of an impairment, an impairment test is performed in compliance with IAS 36.

Interests in associated companies

Associated companies are always included in the consolidated financial statements using the equity method in compliance with IAS 28.13.

Acquisition costs are increased or decreased by the pro-rated profit / loss for the year. Disbursements reduce, and capital increases increase, the carrying amount of the interest. Changes in equity outside profit or loss are likewise recognised in Group equity on a pro rata basis. If there is any indication of an impairment, an impairment test is performed in compliance with IAS 36.

Inventories

Raw materials and supplies, as well as goods purchased for resale, are always measured at the lower of average cost of acquisition including incidental acquisition expenses or net proceeds from sale, as required by IAS 2.

In compliance with IAS 2, work in process and finished goods / services are measured at the cost of production, provided that this does not exceed the expected net proceeds from sale. Production costs include all direct costs attributable to the production process, as well as a reasonable portion of production-related overheads.

The net revenue value is equal to the estimated proceeds from sale that can be realised in the ordinary course of business, minus the estimated costs up to completion and the estimated costs required for distribution.

Financial and other assets

Financial assets essentially comprise liquid assets, securities, financial receivables and trade accounts receivable.

The option of classifying financial assets as financial assets to be measured at fair value through profit or loss when recognised for the first time is not exercised.

In compliance with IAS 39, trade accounts receivable are classified as "loans and receivables issued by the company" and recognised at the amortised cost of acquisition using the effective interest rate method. Reasonable specific valuation allowances equal to the difference between the carrying amount of the asset and the present value of expected future cash flows are made for doubtful accounts receivable. The specific valuation allowances are recognised in a value adjustment account as soon as there are significant impairments. If the impairment decreases in subsequent periods, the valuation allowance is reversed, provided that the carrying amount does not exceed the amortised cost of acquisition following reversal. Impairment losses and their reversals are recognised as income in the consolidated income statement. Accounts receivable are derecognised when their irrecoverability is established.

Securities and interests held in associated companies are classified as "available-for-sale financial assets". After first-time recognition, they are always measured at fair value. In the case of securities, this is equal to the current price. Gains and losses from changes in fair value are recognised outside profit or loss in equity until the financial asset is disposed of or until an impairment loss is established. In the event of an impairment loss, the accumulated net loss is removed from equity and posted in the income statement.

Interests held in associated companies are measured at acquisition cost, as there is no active market and the fair values cannot be reliably determined due to the absence of corporate planning. Indicated impairment losses are recognised through profit or loss. At present, it is not intended for these interests to be disposed of.

First-time recognition of financial assets is always posted on the settlement date.

A financial asset is derecognised when the contractual right to cash inflows from the asset is satisfied, expires or all risks and rewards have essentially been transferred. Derecognition is also posted on the settlement date.

Financial assets are also derecognised if the essential risks and rewards associated with ownership are neither transferred to the acquirer nor retained as a result of transferring financial assets, and the power to dispose of the financial assets passes to the acquirer. The rights and duties arising or remaining after such transfer are recognised separately as an asset or liability. However, if the power to dispose of the transferred financial assets remains with the ALNO Group, the sold assets are still recognised in the amount of the continuing commitment. An associated liability is simultaneously posted under other liabilities. Differences between the assets and liabilities posted are recognised in the financial result.

Other assets are recognised at acquisition cost, liquid assets at their nominal value.

Provisions for pensions

The ALNO Group operates a defined benefit plan for former members of the Board of Management and executive employees in Germany and abroad.

ALNO's benefit plan is a defined benefit plan in compliance with IAS 19.27 directly obligating the company to pay agreed benefits to past and present employees; actuarial risks and investment risks are basically borne by the company. The provision is calculated using the method of regular lump-sum premiums (projected unit credit method) defined by IAS 19 insofar as it is not covered by existing plan assets.

The actuarial interest rate is set on the basis of rates of return achieved on the balance sheet date for first-class, fixed-income corporate bonds.

The net interest cost is reported under the financial expenses. Current and past service costs are reported under personnel costs.

The Group nets all actuarial gains and losses accruing in the financial year as well as deferred tax liabilities incurred on these with equity outside profit or loss. Dissolution recognised as income in subsequent periods is not carried out, in accordance with IAS 19. The amounts recorded in the year under review are represented separately in the statement of comprehensive income.

The net interest costs result from multiplying the discount interest rate calculated at the start of the financial year by the performance obligation less the product of the discount rate and plan assets. The discount rates used for the performance obligation and plan assets match one another.

Other provisions

Other provisions are set up in compliance with IAS 37 if a current – legal and constructive – obligation towards third parties is probable and can lead to a reliably estimated outflow of resources. Provision for expenditure is generally not formed.

Measurement is performed in the amount of the best estimate of the expenditure required to settle the obligation on the balance sheet date. Non-current provisions are recognised at their settlement value discounted to the balance sheet date in accordance with IAS 37, insofar as the effect is substantial. In the event of discounting, the increase in the provision due to the passage of time is recognised as a financial expense.

Financial liabilities

The option of classifying financial liabilities as financial liabilities to be measured at fair value through profit or loss when recognised for the first time is not exercised.

Financial liabilities essentially comprise shareholder loans, accounts payable to banks and other financial liabilities. In compliance with IAS 39, all financial liabilities are basically accounted for at their amortised cost of acquisition (financial liabilities measured at cost), which corresponds to the fair value of the consideration received, including transaction costs. Current financial liabilities regularly also include those non-current loans which have a remaining term of not more than one year. The accounts payable to banks which were derecognised in 2012 following a waiver of repayment are derecognised through profit or loss in the financial result. The financial liabilities derecognised in 2012 following a waiver of repayment by the shareholders were recognised outside profit or loss under the accumulated other consolidated net profit/loss.

Trade accounts payable and other liabilities

Trade accounts payable are recognised in the amount invoiced by the supplier.

The deferred liabilities are carried as liabilities in the amount owed, sometimes in the amount estimated, and recognised under other liabilities.

Liabilities under finance leases are likewise recognised under other liabilities and carried at the present value of the future leasing instalments. Liabilities are broken down into current and non-current liabilities in accordance with the term of the lease. Lease payments are divided into interest and principal in such a way as to yield a constant rate of interest on the remaining lease payment owed over the period. The interest portion is recorded under financial expenses.

Lease payments under operating leases are recognised in the consolidated income statement as an expense by the straight-line method over the term of the lease.

The other liabilities are shown at their repayment amounts.

A trade account payable or other liability is derecognised when the obligation underlying the liability is discharged, terminated or extinguished.

Correction of consolidated cash flow statement

The derecognition of accounts payable to banks without impact on the cash flow after offsetting against expenses from the agreed earn-out certificate was reported in the previous year's consolidated cash flow statement in the total item "Net cash used for investment activities". The previous year's presentation was adapted as follows: The "Change in current account liabilities" improved by +€ 8,907 thousand from –€ 20,776 thousand to –€ 11,869 thousand, and thus the total item "Net cash used for investment activities" improved by +€ 8,907 thousand from –€ 15,959 thousand to –€ 7,052 thousand. Accordingly, the item "Other income/expenditure without impact on cash flow" changed by –€ 8,907 thousand from –€ 558 thousand to –€ 9,465 thousand. As a consequence, the total item "Cash flow from operating activities before change in working capital" decreased by –€ 8,907 thousand from € 4,435 thousand to –€ 4,472 thousand. Also, the total item "Net cash and cash equivalents received for operating activities" decreased by –€ 8,907 thousand from € 34,378 thousand to € 25,471 thousand.

5. Assumptions and estimates

When preparing the consolidated financial statements, assumptions and estimates have been made with impact on recognition and the amount of the assets, liabilities, income, expenses and contingent liabilities reported.

When assuming a going concern, the assumptions and estimates essentially concern the corporate planning, as well as the occurrence and implementation of various conditions (see B.1. "Basis for preparation of the financial statements").

The assumptions and estimates made in conjunction with impairment testing of the goodwill and fixed assets essentially concern the forecast cash flows and discounting factors (see B.4. "Impairment test for goodwill" and C.9. "Depreciation on intangible assets and property, plant and equipment").

Further uncertainties exist in conjunction with the capitalisation of future tax reliefs, due to the assumptions made with regard to the expected date of occurrence and amount of future taxable income in the next five years. Future tax reliefs have also been calculated on the assumption that there will be no harmful change of ownership in the future eliminating the tax loss carryforwards in accordance with Section 8c of the Corporation Tax Act (KStG) (see C.11. "Income taxes").

Assumptions and estimates are also made when determining the economic useful life of the fixed assets (see B.4. "Intangible assets" and "Property, plant and equipment"), as well as when determining the parameters for calculating the provisions for pensions (see D.11. "Provisions for pensions") and pre-retirement part-time working arrangements (see D.12. "Other provisions"). The provision for warranty claims has been calculated on the basis of assumptions and estimates concerning the period of time between delivery date and warranty period, as well as on the future warranty encumbrances (see D.12. "Other provisions"). Valuation allowances on trade accounts receivable are likewise based on estimates concerning, in particular, the cash inflow expected in the future (see D.6. "Trade accounts receivable").

The discount factors for determining the present values of defined-benefit pension obligations are based on the returns achieved for high-quality, fixed-interest corporate bonds on the respective markets at the balance sheet date. The portfolio was expanded in the course of 2012 as a result of market changes in the high-value corporate bonds used as the basis for calculating the actual interest rate. Since that point, bonds rated AA by at least one rating agency have been included. The minimum volume for consideration was also reduced to € 50 million and information from corporate bonds with a rating of A was also taken into account following deduction of the spread between AA and A.

These estimates and assumptions are based on premises that reflect the knowledge available on the date when the consolidated financial statements are prepared. Although these assumptions and estimates are to the best of the management's knowledge, the actual results may deviate from these.

C. Notes to the consolidated income statement

The consolidated income statement has been prepared using the nature of expense method.

1. Sales revenue

in € 000	2013	2012
Revenue from the sale of goods	388,378	439,293
Other revenue	6,678	6,965
TOTAL	**395,056**	**446,258**

Other revenue is essentially the result of product-related incidental sales to the Group's usual customers or to other third parties, such as the sale of materials that are no longer required.

2. Changes in inventories and capitalised goods and services for own account

in € 000	2013	2012
Changes in inventories	1,851	–693
Other capitalised goods and services for own account	752	1,089
TOTAL	**2,603**	**396**

The rise is due above all to higher inventories of finished products in the course of the project business at the foreign companies which could not yet be delivered due to delays in projects, for example.

3. Other operating income

Other operating income is made up as follows:

in € 000	2013	2012
Income from the disposal of assets	91	108
Income relating to other periods	2,034	4,360
Income from the reversal of specific valuation allowances	240	1,325
Insurance benefits received	171	303
Rental income	838	511
Currency gains	0	141
Other income	6,078	3,050
TOTAL	**9,452**	**9,798**

Income relating to other periods mainly comprises income from the reversal of provisions, as well as from derecognition of liabilities. The other income primarily comprises book profits from the sale of non-activated customer bases (€ 1,546) and expertise (€ 1,500) as well as income from social services, refunds from the Federal Employment Agency, income from payments received on derecognised accounts receivable and grants or subsidies on advertising costs.

Rental income primarily comprises the income received from letting office and business premises to various tenants at the Bad Salzuflen location as well as rents from interchangeable truck bodies.

4. Cost of materials

in € 000	2013	2012
Cost of raw materials and supplies	217,358	253,414
Purchased services	4,673	4,534
TOTAL	**222,031**	**257,948**

5. Personnel expenses

in € 000	2013	2012
Wages and salaries	79,131	80,660
Social security costs	16,050	16,448
Retirement benefits	82	96
TOTAL	**95,263**	**97,204**

Social security costs include the employer's contributions to state pension funds for employees in the amount of € 7,011 thousand (previous year: € 7,275 thousand). In addition, wages and salaries include employee termination payments in the amount of € 160 thousand (previous year: € 634 thousand) which are not associated with the reorganisation.

€ 51 thousand (previous year: € 45 thousand) were recognised in the financial year as retirement benefit expenses on the basis of defined-contribution benefit obligations assumed by the employer for the company pension scheme.

In March 2013, negotiations with the employees' representatives and Metalworkers Union for North Rhine-Westphalia resulted in agreement on the elimination of 85 jobs and a waiver of remuneration for the Enger location. 75 of these jobs had already been eliminated by 31 December 2013. The merger between logismo Möbellogistik Spedition H.S.K. GmbH, Brilon, and logismo Möbellogistik Spedition A.Z.E, Coswig, to form logismo Möbellogistik GmbH, Pfullendorf, resulted in 12 jobs being fully consolidated from 2013 onwards (in the previous year, for only half a year). New kitchen studios were opened in Switzerland and the USA as part of the international growth strategy of ALNO AG. Together with the UK (following the takeover of the Built-In Group), these foreign companies account for 34 new employees in total. In addition, the ALNO Middle East subsidiary with 64 employees was fully consolidated for the first time following its complete takeover by ALNO AG at the end of 2012.

1,897 men and women were employed on average over the year (previous year: 1,856):

Number of employees	2013	2012
Industrial employees	1,099	1,098
Office employees	798	758
Total	**1,897**	**1,856**
Germany	1,729	1,786
Abroad	168	70

6. Other operating expenses

in € 000	2013	2012
Cost of sales	44,420	44,814
Administration costs	22,947	24,256
Rent and leasing	4,970	5,031
Maintenance	6,121	6,255
Expenses relating to other periods	728	834
Allocation to specific valuation allowances for trade accounts receivable	418	734
Bad debts	560	498
Other taxes	614	613
Losses from the disposal of assets	456	631
Exchange rate losses	506	0
Other expenses	413	710
TOTAL	**82,153**	**84,376**

Other expenses mainly comprise expenses from the allocation to provisions.

The netting against currency gains included in the currency losses amounts to € 694 thousand. Currency gains were reported in the previous year, and were netted against currency losses amounting to € 949 thousand.

7. Result from reorganisation (+ = expense / – = revenue)

Due to the unsatisfactory earnings situation of the ALNO Group, reorganisation of the German companies commenced in 2007, followed by the foreign subsidiaries in late 2008. A comprehensive reorganisation concept was approved by the Supervisory Board of ALNO AG on 15 January 2010. The primary aim of this concept is to sustainably improve the Group's earnings and competitiveness. The associated all-embracing structural changes focus above all on introducing efficient administrative processes and manufacturing structures throughout the Group.

In 2013, reorganisation yielded a negative result of € 2,162 thousand (previous year: € 2,965 thousand). Personnel expenses in the amount of € 917 thousand (previous year: € 2,439 thousand) concern employee termination payments. The other operating expenses in 2013 result from advance payments to a former member of the Board of Management arising from the litigation explained in J.

in € 000	2013	Reorga-nisation	2013 acc. to income statement
Personnel expenses	96,180	–917	95,263
Other operating expenses	83,398	–1,245	82,153

in € 000	2012	Reorga-nisation	2013 acc. to income statement
Personnel expenses	99,643	–2,439	97,204
Other operating expenses	84,902	–526	84,376

The other operating expenses in 2012 in the amount of € 526 relate to consulting costs.

8. Write-ups on intangible assets and property, plant and equipment

Following an expert appraisal of real estate, properties and buildings at the Pfullendorf location were devalued in the course of the impairment test to their fair value less costs to sell in 2009. It was assumed that some of the buildings would no longer be used for production. Due to the change in corporate strategy and following a further expert appraisal of real estate in 2012, a partial write-up for properties and buildings was undertaken in the amount of € 2,488 thousand for the ALNO segment. The write-ups on factory and office equipment made in 2012 were performed as the result of the positive impairment test for a foreign subsidiary, which permitted a reversal of impairment losses.

The impairment test in 2013 gives rise to the following write-ups or reversals of impairment losses according to IAS 36 for the cash generating unit ALNO AG.

in € 000	2013	2012
Intangible assets	312	0
Land and buildings	3,814	2,488
Technical equipment and machinery	2,742	0
Factory and office equipment	978	280
TOTAL	**7,846**	**2,768**

9. Depreciation on intangible assets and property, plant and equipment

These write-downs result from the development of fixed assets.

in € 000	2013	2012
Intangible assets	685	860
Property, plant and equipment	11,488	11,611
Scheduled write-downs	**12,173**	**12,471**
Impairment losses	**0**	**3,379**
TOTAL	**12,173**	**15,850**

All in all, the following asset groups are affected by impairment losses:

in € 000	2013	2012
Intangible assets	0	221
Technical equipment and machinery	0	260
Factory and office equipment	0	2,898
TOTAL	**0**	**3,379**

In 2012, due to the negative impairment tests, impairment losses totalling € 221 thousand were required on intangible assets, as well as € 3,158 thousand on property, plant and equipment. There was no need for devaluations in 2012 beyond this.

The impairment tests performed in 2013 did not yield any further need for devaluation of the German and foreign subsidiaries.

There were no further events or circumstances leading to the recognition of income or expenses from impairment losses on the balance sheet date.

10. Financial result

in € 000	2013	2012
Interest expense from loans as well as credit and factoring lines	–4,484	–9,803
Interest expense from the bond	–2,655	0
Interest expense from unwinding of discount on provisions	–759	–983
Costs of raising capital	0	–36
Financial expenses	**–7,898**	**–10,822**
Income from debt waiver	0	8,907
Income from investments in securities	0	61
Interest income from financial assets	205	36
Financial income	**205**	**9,004**
Income from investments measured at equity	–723	–276
TOTAL	**–8,416**	**–2,094**

11. Income taxes

Breakdown of income taxes:

in € 000	2013	2012
Consolidated income statement		
Actual income tax expense:		
Deferred income tax expense	120	144
Adjustments of income tax actually incurred in the previous year	16	55
Deferred taxes:		
Tax loss carryforwards	–1,369	–417
Creation and reversal of temporary differences	4,710	421
INCOME TAXES EXPENSED IN THE CONSOLIDATED INCOME STATEMENT	**3,477**	**203**

in € 000	2013	2012
Consolidated statement of changes in equity		
Deferred taxes directly recognised in equity:		
Changes in value of securities recognised outside profit or loss	5	0
Actuarial losses from pension provisions	573	566
INCOME TAXES RECOGNISED IN EQUITY	**578**	**566**

Deferred taxes comprise the following items:

	Consolidated statement of financial position		Consolidated income statement	
in € 000	2013	2012	2013	2012
Deferred tax liabilities				
Intangible assets	1,275	0	1,275	0
Property, plant and equipment	5,893	4,802	1,091	824
Inventories	257	266	–9	115
Accounts receivable and other assets	122	125	–3	–19
Other provisions	52	30	22	–69
Other accounts payable	0	0	0	–9
Differences from currency translation	–1	0	–1	–2
Subtotal	**7,598**	**5,223**	**2,375**	**840**
Balance	–4,835	–5,022	–	–
	2,763	**201**	**2,375**	**840**
Deferred tax assets				
Intangible assets	265	757	–492	–724
Property, plant and equipment	28	2,463	–2,435	–2,139
Financial investments	5	0	0	0
Provisions for pensions	1,830	1,744	–129	–46
Other provisions	76	586	–510	–28
Other financial liabilities	502	510	–8	510
Other accounts payable	116	106	10	25
Loss carryforwards	2,206	837	1,369	417
Differences from currency translation	2	–3	17	0
Subtotal	**5,030**	**7,000**	**–2,178**	**–1,985**
Valuation allowance	0	–1,570	1,212	2,821
Subtotal	**5,030**	**5,430**	**–966**	**836**
Balance	4,835	5,022	–	–
	195	**408**	**–966**	**836**
DEFERRED TAX LIABILITIES			**3,341**	**4**

The valuation allowances on deferred tax assets exclusively comprises temporary differences in the previous year.

Expected and actual taxes on income are reconciled as follows:

in € 000	2013	2012
Result before income taxes	**–7,241**	**–1,217**
Expected income taxes	–2,027	–341
Effects of different assessment bases/tax rates	21	2,878
Unrecognised losses in the financial year	4,251	1,554
Write-down or non-recognition of deferred tax assets on temporary differences	–230	257
Change in deferred tax assets on loss carryforwards	–1,582	–417
Non-tax-deductible operating expenses		
Other non-tax-deductible operating expenses	3,057	2,080
Tax effects due to circumstances in prior periods	16	–5,831
Other differences	–29	23
Actual income taxes	**3,477**	**203**
Income taxes recognised in the consolidated income statement	3,477	203

The effective income tax rate – defined as 28% (previous year: 28%) in the ALNO Group – is obtained by applying a corporation tax rate of 15% (previous year: 15%) plus the solidarity surcharge of 5.5% of corporation tax and a weighted trade earnings tax to the profit/loss before income taxes.

For this reason, the deferred taxes of the German companies are calculated with the future income tax rate of 28%.

Foreign currency translation yields a change of –€ 1 thousand (previous year: € 2 thousand) in deferred tax liabilities. In the deferred tax assets, there is a change of € 17 thousand (previous year: € 0 thousand) from foreign currency translation.

The corporation tax loss carryforwards in Germany for which deferred tax assets were not formed amount to € 160,406 thousand (previous year: € 142,775 thousand). Unrecognised German trade tax loss carryforwards total € 214,692 thousand as at the balance sheet date (previous year: € 181,078 thousand). Deferred taxes have not been capitalised for foreign loss carryforwards in the amount of € 4,821 thousand (previous year: € 1,299 thousand). Of these, € 4,543 thousand (previous year: € 905 thousand) can be used for a limited period of time.

The interest carried forward on the basis of interest restrictions in Germany for which deferred tax assets were not formed amounts to € 20,789 thousand as at the balance sheet date (previous year: € 9,483 thousand).

The income tax result recognised has been improved by € 0 thousand (previous year: € 3,664 thousand) by using previously unrecognised tax loss carryforwards in the amount of € 0 thousand (previous year: € 26,044 thousand), and by € 0 thousand (previous year: € 2,222 thousand) as a result of using an interest carryforward in the amount of € 0 thousand (previous year: € 7,935 thousand) which was previously not recognised on account of the limited tax deductibility of interest expenses.

Deferred tax assets were formed on loss carryforwards amounting to € 1,450 thousand (previous year: € 0 thousand) for the tax group of ALNO AG. In this case, it was assumed that the deferred tax assets are recoverable to the extent that there is an accumulation of deferred tax liabilities from temporary differences and the accumulation of temporary differences leading to deferred tax liabilities will be reversed in the next three years.

Deductible temporary differences for which deferred tax assets were not recognised due to impairment totalled € 0 thousand (previous year: € 5,608 thousand).

Deferred tax assets are reinstated when the loss-making history of the tax group of ALNO AG has sustainably been broken through. The amount of this reversal depends on the expected tax gains based on the four-year tax budgeting.

Due to the prolonged history of loss, trade tax loss carryforwards of Gustav Wellmann GmbH & Co. KG, Enger, are only formed on temporary differences to the extent that deferred tax liabilities exceed deferred tax assets. This consequently increases the deferred tax assets recognised on loss carryforwards by € 132 thousand to € 561 thousand (previous year: € 429 thousand).

In the previous year, deferred tax assets on loss carryforwards of ALNO UK Ltd., Dewsbury, United Kingdom, were formed for the first time in the amount of € 408 thousand; on the basis of positive budgetary accounting, these are used for the subsequent years and therefore considered to be unimpaired. In 2013, these loss carryforwards were used for tax reductions, meaning that € 213 thousand in deferred tax assets were utilised and recognised as income.

Tax deferrals in the amount of € 752 thousand (previous year: € 1,001 thousand) were not recognised on taxable temporary differences from interests held in subsidiaries and interests held in associated companies in the total amount of € 53,704 thousand (previous year: € 53,700 thousand), as the time at which the temporary difference is reversed can be influenced by the parent company and the temporary difference will probably not be reversed within the foreseeable future.

Income taxes payable amount to € 94 thousand (previous year: € 391 thousand), while € 58 thousand (previous year: € 17 thousand) can be collected in income tax refunds.

D. Notes to the consolidated balance sheet

1. Intangible assets

in € 000	Industrial property rights and similar rights	Self-generated intangible assets	Goodwill	Down-payments and construction in progress	Total
Accumulated cost of acquisition					
Total as at 1 January 2012	25,079	0	4,090	3,308	32,477
Currency translation differences	–1	0	1	0	0
Additions	361	0	0	851	1,212
Additions, scope of consolidation	268	0	2,242	55	2,565
Transfers	34	0	0	0	34
Disposals	–186	0	0	0	–186
Total as at 31 December 2012	**25,555**	**0**	**6,333**	**4,214**	**36,102**
Currency translation differences	–11	0	–43	0	–54
Additions	677	0	0	651	1,328
Transfers	139	1,902	0	–1,902	139
Disposals	–64	0	0	0	–64
TOTAL AS AT 31 DECEMBER 2013	**26,296**	**1,902**	**6,290**	**2,963**	**37,451**
Cumulative depreciation					
Total as at 1 January 2012	23,881	0	2,607	0	26,488
Currency translation differences	0	0	0	0	0
Additions					
Amortisation	860	0	0	0	860
Impairment losses	221	0	0	0	221
Transfers	34	0	0	0	34
Disposals	–186	0	0	0	–186
Total as at 31 December 2012	**24,810**	**0**	**2,607**	**0**	**27,417**
Currency translation differences	–6	0	0	0	–6
Additions					
Amortisation	432	253	0	0	685
Write-ups	–312	0	0	0	–312
Disposals	–64	0	0	0	–64
TOTAL AS AT 31 DECEMBER 2013	**24,860**	**253**	**2,607**	**0**	**27,720**
Carrying amounts					
31 December 2013	1,436	1,649	3,683	2,963	**9,731**
31 December 2012	745	0	3,726	4,214	**8,685**
1 January 2012	1,198	0	1,483	3,308	**5,989**

2. Property, plant and equipment

in € 000	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Down-payments and construction in progress	Total
Accumulated cost of acquisition					
Total as at 1 January 2012	113,875	124,878	68,502	3,780	311,035
Currency translation differences	0	0	26	0	26
Additions	535	1,982	9,788	692	12,997
Additions, scope of consolidation	1,325	273	220	0	1,818
Transfers	0	3,777	–31	–3,780	–34
Disposals	–5	–1,982	–8,051	0	–10,038
Total as at 31 December 2012	**115,730**	**128,928**	**70,454**	**692**	**315,804**
Currency translation differences	–71	–42	–60	0	–173
Additions	219	2,033	9,736	1,568	13,556
Transfers	4	645	–139	–649	–139
Disposals	0	–2,939	–10,091	0	–13,030
TOTAL AS AT 31 DECEMBER 2012	**115,882**	**128,625**	**69,900**	**1,611**	**316,018**
Cumulative depreciation					
Total as at 1 January 2012	69,248	109,919	58,378	0	237,545
Currency translation differences	0	0	18	0	18
Additions					
Amortisation	1,284	2,297	8,030	0	11,611
Impairment losses	0	260	2,898	0	3,158
Write-ups	–2,488	0	–280	0	–2,768
Transfers	0	0	–34	0	–34
Disposals	–5	–1,948	–7,441	0	–9,394
Total as at 31 December 2012	**68,039**	**110,528**	**61,569**	**0**	**240,136**
Currency translation differences	–20	–36	–31	0	–87
Additions					
Amortisation	1,401	2,458	7,629	0	11,488
Write-ups	–3,814	–2,742	–978	0	–7,534
Disposals	0	–2,877	–9,600	0	–12,477
TOTAL AS AT 31 DECEMBER 2013	**65,606**	**107,331**	**58,589**	**0**	**231,526**
Carrying amounts					
31 December 2013	50,276	21,294	11,311	1,611	**84,492**
31 December 2012	47,691	18,400	8,885	692	**75,668**
1 January 2012	44,627	14,959	10,124	3,780	**73,490**

3. Financial investments

As at 31 December 2013, financial assets totalled € 1,550 thousand (previous year: € 2,595 thousand).

The financial assets comprise non-current securities to protect commitments associated with employees' pre-retirement part-time working against insolvency, in the amount of € 1,519 (previous year: € 2,456 thousand), which were pledged to the employees, as well as interests in associated companies. Compared to the previous year, the interests held in associated companies have decreased by € 83 thousand due to the sales of the interest in mkc Mega Küchencenter Rothrist AG, Rothrist, Switzerland. The interest in tielsa GmbH, Pfullendorf, (previous year: € 25 thousand) is now reported under investments accounted for using the equity method (carrying amount: € 0 thousand), as a result of which the total value of the investments reported in the balance sheet as financial assets has decreased to € 31 thousand (previous year: € 139 thousand) in total.

4. At-equity investments

As at 31 December 2013, ALNO China Holding Limited and tielsa GmbH reported the following assets and liabilities in its balance sheet; these were attributable to ALNO AG in accordance with its holding of 45% or 49%.

in € 000	ALNO China	tielsa GmbH
Assets	**4,436**	**854**
thereof non-current	3,373	747
thereof current	1,063	107
Liabilities	**2,433**	**1,578**
thereof non-current	1,574	313
thereof current	859	1,265

In 2013, the two companies report the following amounts in their income statement which were to be allocated to ALNO AG in accordance with its holding:

in € 000	ALNO China	tielsa GmbH
Income	881	7
Expenses	1,573	1,000

As at 31 December 2012, the consolidated financial statements did not contain any at-equity investments.

As the result of sale of a customer base, the valuation of the investment in ALNO China Holding Limited increased by € 1,546 thousand (balance after eliminating intercompany profits). The loss from ALNO China Holding Limited attributable to ALNO AG in 2013 amounting to € 698 thousand reduced the carrying amount of the investment affecting net income, as a result of which the investment was valued at € 848 thousand at the year end.

The loss from tielsa GmbH attributable to ALNO AG in 2013 led to a complete write-down of the carrying amount of the investment affecting net income in the amount of € 25 thousand. No losses beyond the carrying amount were considered.

5. Financial accounts receivable

		Remaining term		
in € 000	Total	< 1 year	1 to 5 years	> 5 years
31 December 2013	4,074	2,000	2,074	0
31 December 2012	1,057	0	1,057	0

The item contains loans amounting to € 3,350 (previous year: € 0 thousand) to associated companies. Furthermore, non-current financial accounts receivable comprise security for a provider of IT services in the amount of € 250 thousand (previous year: € 583 thousand) and earmarked credit balances with banks in the amount of € 474 thousand (previous year: € 474 thousand) for future investments. There were no indications at the closing date that these payment obligations would not be discharged.

		Remaining term		
in € 000	Total	< 1 year	1 to 5 years	> 5 years
31 December 2013	43,246	42,655	591	0
31 December 2012	45,336	44,773	563	0

The ALNO Group sells accounts receivable which do not meet the criteria for complete derecognition. The total carrying amount of the original accounts receivable before transfer amounts to € 14,501 thousand (previous year: € 8,209 thousand), the amount after transfer is € 4,002 thousand (€ 389 thousand). To an extent, there is a risk of late payment or default. The accounts receivable that were transferred but not yet derecognised are offset by accounts payable amounting to € 4,042 thousand (previous year: € 521 thousand) which are reported under other financial liabilities. Inpayments deriving from these accounts receivable must be passed on to the accounts receivable purchaser. The account payable is eliminated in this way. The transferred accounts receivable function as collateral for the purchase price received in consideration of them. To a large extent, the fair values of these assets and liabilities correspond to their carrying amounts.

As at the balance sheet date, the age structure of the trade accounts receivable is as follows:

				Not impaired and overdue within the following periods		
in € 000	Carrying amount	Net amount of adjusted accounts receivable	Neither overdue nor impaired	Less than 30 days	Between 30 and 365 days	More than 365 days
31 December 2013	43,246	1,691	34,063	4,611	2,576	305
31 December 2012	45,336	3,380	35,442	3,876	2,567	71

The adjusted accounts receivable have a gross value of € 9,183 thousand (previous year: € 11,522 thousand).

Write-downs on trade accounts receivable developed as follows:

in € 000	2013	2012
1 January	8,142	7,655
Currency differences	–44	6
Consumption	784	58
Reversal	240	1,325
Allocation	418	734
Addition, scope of consolidation	0	1,130
31 December	**7,492**	**8,142**

With regard to the unimpaired trade accounts receivable, there were no indications at the closing date that these payment obligations would not be discharged.

Trade receivables amounting to € 30,338 thousand (previous year: € 34,220 thousand) were netted in the amount of € 6,053 thousand (previous year: € 5,581 thousand) against trade payables (accounting deduction) amounting to € 6,053 thousand (previous year: € 5,581 thousand). The balance sheet values of the trade receivables after netting amount to € 24,285 thousand (previous year: € 28,639 thousand), and the corresponding trade payables amount to € 0 thousand (previous year: € 0 thousand).

7. Inventories

in € 000	31 December 2013	31 December 2012
Raw materials and supplies	16,174	16,881
Work in progress	3,981	2,627
Finished goods and services	5,478	5,661
Down-payments received	–1,605	–717
TOTAL	**24,028**	**24,452**

The aforementioned figures contain impairments which decreased by € 995 thousand (previous year: € 38 thousand) to € 1,361 thousand (previous year: € 2,356 thousand) in 2013 (previous year: increase).

8. Other assets

in € 000	Total	Remaining term < 1 year	1 to 5 years	> 5 years
31 December 2013	9,981	9,632	349	0
31 December 2012	4,632	4,395	237	0

Other current assets essentially comprise turnover tax refunds, accounts receivable from employees from time accounts and customers and prepaid expenses.

Other non-current assets primarily comprise accounts receivable from the Federal Employment Agency in conjunction with pre-retirement part-time working.

Write-downs on other assets developed as follows:

in € 000	2013	2012
1 January	95	51
Currency differences	0	0
Consumption	0	0
Reversal	0	3
Allocation	16	47
31 December	**111**	**95**

The adjusted other assets have a gross value of € 148 thousand (previous year: € 115 thousand).

The unimpaired accounts receivable include overdue items amounting to € 1,000 thousand, for which there was however no need to undertake a valuation allowance because payment was received in the course of preparing the financial statements in 2014.

9. Liquid assets

Liquid assets comprise the cash in hand and credit balances with banks. Non-disposable liquid assets principally comprise pledged bank deposits to secure bank credit lines.

As at the balance sheet date, the cash fund (cash and cash equivalents) is made up as follows:

in € 000	31 December 2013	31 December 2012
Liquid assets	3,266	5,402
Not freely disposable liquid assets	–546	–1,085
TOTAL	**2,720**	**4,317**

10. Equity

a. Subscribed capital

The subscribed capital is unchanged in total at € 70,095 thousand as at 31 December 2013 and is divided into 70,094,979 (previous year: 70,094,979) no-par-value shares. The shares are issued as bearer shares and fully paid up. Each no-par-value share accounts for € 1.00 of the subscribed capital.

in € 000	
Total as at 1 January 2012	67,847
Changes in 2012	2,248
Total as at 31 December 2012	70,095
Changes in 2013	0
Total as at 31 December 2013	**70,095**

In accordance with the draft resolution of the Board of Management and Supervisory Board of 13 July 2012, a simplified reduction in the company's share capital was undertaken within the scope of the measures adopted by the ordinary general meeting of ALNO AG on 21 August 2012. The company’s share capital in the amount of € 67,846,945.40, comprising 26,094,979 no-par-value bearer shares each with a prorated share of € 2.60 in the company’s share capital, was reduced by € 41,751,966.40 to € 26,094,979.00. This reduction in share capital was undertaken in compliance with the regulations governing the simplified capital reduction pursuant to Sections 229 et seq. of the Stock Corporation Act (AktG), without changing the number of individual shares, so that each no-par-value share accounted for € 1.00 of the share capital following the capital reduction. The capital reduction was undertaken entirely in order to cover losses. The capital reduction was entered in the Register of Companies on 12 October 2012.

By resolution of the Board of Management and with the approval of the Supervisory Board on 2 November 2012, it was decided to increase the company's share capital within the scope of the measures adopted by the ordinary general meeting of ALNO AG on 21 August 2012. The capital increase was realised on 21 November 2012 with the issue of 44,000,000 no-par-value ordinary shares, each corresponding to a share of € 1.00 in the share capital. The subscription price per no-par-value ordinary share equalled € 1.05. This increased the share capital by € 44,000,000.00 to € 70,094,979.00. The surplus cash contribution in the amount of € 2,200,000.00 was allocated to the capital reserve which subsequently totalled € 3,258,275.93. The capital increase was entered in the Register of Companies on 21 November 2012.

The most recent statutory notifications by shareholders pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG) and their respective voting shares at the time of reaching, exceeding or undershooting the reporting thresholds pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG) are set out below. Actual voting shares held at the balance sheet date may differ as a result of non-notifiable acquisitions and/or disposals.

In accordance with Section 21 subsection 1 sentence 1 of the German Securities Trading Act (WpHG), Mr. Alexander Nothdurft, Munich, informed us on 31 March 2006 that his voting share in ALNO AG fell below the threshold of 5% on 28 March 2006 and totalled 3.38% on that date.

In accordance with Section 21 subsection 1 sentence 1 of the German Securities Trading Act (WpHG), Mr. Oliver Nothdurft, Munich, informed us on 31 March 2006 that his voting share in ALNO AG fell below the threshold of 5% on 28 March 2006 and totalled 3.24% on that date.

The aforementioned notifications were published in the Frankfurter Allgemeine Zeitung on 5 April 2006.

In accordance with Section 21 subsection 1 of the German Securities Trading Act (WpHG), SE Swiss Entrepreneur AG, Zug, Switzerland, informed ALNO AG on 29 November 2012 that the voting share of SE Swiss Entrepreneur AG, Zug, Switzerland, in ALNO AG, Pfullendorf, Germany, had exceeded the thresholds of 3% and 5% on 26 November 2012 and totalled 8.086% (5,668,000 votes) on that date.

In accordance with Section 21 subsection 1 of the German Securities Trading Act (WpHG), Christoph Dietsche, Zug, Switzerland, informed ALNO AG on 29 November 2012 that his voting share in ALNO AG, Pfullendorf, Germany, had exceeded the thresholds of 3% and 5% on 26 November 2012 and totalled 8.143% (5,708,000 votes) on that date.

Of these, 8.086% (5,668,000 voting rights) are to be allocated to Mr. Christoph Dietsche in accordance with Section 22 subsection 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) via SE Swiss Entrepreneur AG, Zug, Switzerland, a subsidiary of Mr. Christoph Dietsche, whose voting share in ALNO AG amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 30 November 2012.

In accordance with Sections 21 subsection 1, 25a and 24 of the German Securities Trading Act (WpHG), Whirlpool Corporation, Benton Harbour, USA, informed ALNO AG on 6 December 2012 that the following voting shares in ALNO AG (securities identification number: 778 840/ISIN: DE 0007788408), Pfullendorf, Germany accrue to the following persons:

1. Whirlpool Germany GmbH

a) Notification pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG)

The voting shares in ALNO AG held by Whirlpool Germany GmbH, Stuttgart, Germany, exceeded the voting thresholds of 25% and 30% on 4 December 2012 and totalled 30.58% (corresponding to 21,437,821 votes) on that date.

b) Notification pursuant to Section 25a of the German Securities Trading Act (WpHG)

Moreover, the voting share in ALNO AG held by Whirlpool Germany GmbH, Stuttgart, Germany, as a result of the financial instrument held by the company within the meaning of Section 25a of the German Securities Trading Act (WpHG) fell below the voting thresholds of 30%, 25%, 20%, 15%, 10% and 5% on 3 December 2012 and totalled 0% (corresponding to 0 votes) on that date. At the same time, the voting share of Whirlpool Germany GmbH in ALNO AG in accordance with Section 21 subsection 1 of the German Securities Trading Act (WpHG) amounted to 30.58% (corresponding to 21,437,821 votes)

2. Whirlpool Corporation

a) Notification pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG)

The voting shares in ALNO AG held by Whirlpool Corporation, Wilmington, Delaware, USA, exceeded the voting thresholds of 25% and 30% on 4 December 2012 and totalled 30.58% (corresponding to 21,437,821 votes) on that date. Of these, 30.58% (corresponding to 21,437,821 voting rights) are to be allocated to Whirlpool Corporation in accordance with Section 22 subsection 1 sentence 1 no. 1, subsection 3 of the Securities Trading Act (WpHG) via Whirlpool Germany GmbH, a subsidiary of Whirlpool Corporation, the voting share in ALNO AG of which amounted to 3% or more.

b) Notification pursuant to Section 25a of the German Securities Trading Act (WpHG)

Moreover, the voting share in ALNO AG held by Whirlpool Corporation, Wilmington, Delaware, USA, as a result of the financial instrument held by the company within the meaning of Section 25a of the German Securities Trading Act (WpHG) fell below the voting thresholds of 30%, 25%, 20%, 15%, 10% and 5% on 3 December 2012 and totalled 0% (corresponding to 0 votes) on that date. At the same time, the voting share of Whirlpool Corporation in ALNO AG in accordance with Section 21 subsection 1 of the German Securities Trading Act (WpHG) amounted to 30.58% (corresponding to 21,437,821 votes).

The 30.58% (corresponding to 21,437,821 voting rights) accruing to Whirlpool Corporation in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) are to be allocated to the company in accordance with Section 22 subsection 1 sentence 1 no. 1, subsection 3 of the Securities Trading Act (WpHG) via Whirlpool Germany GmbH, a subsidiary of Whirlpool Corporation, the voting share in ALNO AG of which amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 07 December 2012.

On 19 December 2012, Küchen Holding GmbH, Munich, Germany, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% and 3% thresholds on 17 December 2012 and, on the day of the notification, was 2.55% (1,787,908 voting rights).

On 19 December 2012, Milano Investments S.à.r.l., Esch-sur-Alzette, Luxembourg, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% and 3% thresholds on 17 December 2012 and, on the day of the notification, was 2.55% (1,787,908 voting rights).

Of these, 2.55% (1,787,908 voting rights) are to be allocated to Milano Investments S.à.r.l. in accordance with Section 22 subsection 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) via Küchen Holding GmbH, Munich, Germany, a subsidiary of Milano Investments S.à.r.l., the voting shares in ALNO AG of which amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 20 December 2012.

The following changes took place in 2013:

On 1 July 2013, SE Swiss Entrepreneur AG, Zug, Switzerland, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% threshold on 26 June 2013 and, on the day of the notification, was 4.87% (3,413,066 voting rights).

On 1 July 2013, Mr. Christoph Dietsche, Zug, Switzerland, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that his voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% threshold on 26 June 2013 and, on the day of the notification, was 4.87% (3,413,066 voting rights).

Of these, 4.87% (3,413,066 voting rights) are to be allocated to Mr. Christoph Dietsche in accordance with Section 22 subsection 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) via SE Swiss Entrepreneur AG, Zug, Switzerland, a subsidiary of Mr. Christoph Dietsche, whose voting share in ALNO AG amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 1 July 2013.

On 5 August 2013, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had exceeded the 3% threshold on 1 August 2013 and, on the day of the notification, was 3.002% (2,104,000 voting rights). 2.960% of the voting rights (corresponding to 2,075,000 voting rights) are to be allocated to the company in accordance with Section 22 subsection 1, sentence 1, no. 6 of the Securities Trading Act (WpHG).

The aforementioned notification was published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 6 August 2013.

Authorised capital

By resolution of the ordinary general meeting of ALNO AG on 14 July 2011, the Board of Management was authorised to increase the company's share capital once or several times until 13 July 2016 by up to € 33,923,471.40 through issuing up to 13,047,489 no-par-value ordinary shares in return for cash and/or non-cash contributions (authorised capital 2011). It was entered in the Register of Companies on 17 August 2011.

The shareholders can exercise their statutory subscription right. The new shares can also be taken over by one or more banking institutes subject to the proviso that they be offered to the shareholders (indirect subscription right).

The Board of Management is authorised to undertake the following actions with the consent of the Supervisory Board

- to exclude shareholders' subscription rights for fractional amounts;

- to exclude the shareholders' subscription rights as a whole in order to offer the company's new shares to third parties in return for non-cash contributions in conjunction with business combinations or the acquisition of companies or parts thereof, as well as with the acquisition of other assets, including loans and other liabilities;

- to exclude the shareholders' subscription rights if the cash capital increase does not exceed 10% of the share capital and the issuing price is not significantly lower than the market price of correspondingly endowed shares which are already listed on the stock market;

- to exclude the shareholders' subscription rights if necessary in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its subordinate Group companies a subscription right to the new shares commensurate with that accruing after exercising their option or conversion rights or following the discharge of conversion obligations.

At the ordinary shareholders' general meeting of ALNO AG on 26 June 2013, the existing authorised capital was cancelled and replaced by a new authorised capital. The Board of Management was authorised by the Supervisory Board to increase the company's share capital once or several times until 25 June 2018 by € 35,047,489.00 through issuing up to 35,047,489 no-par-value ordinary shares in return for cash and/or non-cash contributions (authorised capital 2013). The entry in the commercial register was made on 9 August 2013.

The shareholders can exercise their statutory subscription right. The new shares can also be taken over by one or more banking institutes subject to the proviso that they be offered to the shareholders (indirect subscription right).

The Board of Management is authorised to undertake the following actions with the consent of the Supervisory Board

- to exclude shareholders' subscription rights for fractional amounts;

- to exclude the shareholders' subscription rights as a whole in order to offer the company's new shares to third parties in return for non-cash contributions in conjunction with business combinations or the acquisition of companies or parts thereof, as well as with the acquisition of other assets, including loans and other liabilities;

- to exclude the shareholders' subscription rights if the cash capital increase does not exceed 10% of the share capital and the issuing price is not significantly lower than the market price of correspondingly endowed shares which are already listed on the stock market;

- to exclude the shareholders' subscription rights if necessary in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its subordinate Group companies a subscription right to the new shares commensurate with that accruing after exercising their option or conversion rights or following the discharge of conversion obligations.

Contingent capital

By resolution of the annual general meeting on 14 July 2011, the Board of Management was authorised to issue, on one or more occasions until 13 July 2016, cum-warrant and/or convertible bonds in a total nominal amount of up to € 100,000,000.00 with a term of up to 20 years either through the company or through companies in which the company has a direct or indirect majority holding ("subordinate Group companies") and to guarantee such cum-warrant and/or convertible bonds issued by the company's subordinate Group companies. The holders of cum-warrant and/or convertible bonds must be granted option and/or conversion rights for up to 13,047,489 no-par-value ordinary shares in the company with a prorated share of up to € 33,923,471.40 in the company's share capital in accordance with the respective terms and conditions of the cum-warrant and/or convertible bonds ("conditions").

This contingent capital increase may only be undertaken if option and/or conversion rights are issued and only insofar as the holders of the warrants or convertible bonds exercise their option or conversion rights, or insofar as the holders with conversion or option obligation also discharge their conversion/option obligation, and the contingent capital is needed in accordance with the terms and conditions of the cum-warrant or convertible bond. The new shares issued on the basis of the option or conversion right exercised or through discharge of the conversion or option obligation share in profits as from the beginning of the financial year in which they are created.

The Board of Management was authorised to specify further details, with the consent of the Supervisory Board, concerning the realisation of this contingent capital increase (contingent capital 2011).

By resolution of the Ordinary Shareholders' General Meeting of ALNO AG on 26 June 2013, the existing authorisation to issue cum-warrant and/or convertible bonds and the contingent capital 2011 was cancelled and replaced by a new authorisation. The Board of Management was authorised to issue, once or several times until 25 June 2018, cum-warrant and/or convertible bonds, participatory rights and/or participating bonds (or combinations of these instruments) (referred to jointly as "bonds") in the total amount of up to € 100,000,000.00 with or without limitation of maturities, and to grant the owners or creditors of the bonds option or conversion rights (also with conversion or option obligation) to a total of 35,047,489 no-par-value ordinary shares of the company with a pro rata amount of the capital stock of up to € 35,047,489.00 in accordance with the more detailed provisions of the bond terms (contingent capital 2013). The entry in the commercial register was made on 9 August 2013.

The contingent capital increase may only be undertaken insofar as option or conversion rights are utilised or insofar as the holders with conversion or option obligation also discharge their conversion/option obligation, and the contingent capital in 2013 is needed in accordance with the terms and conditions of the cum-warrant or convertible bond. The new shares issued on the basis of the option or conversion right exercised or through discharge of the conversion or option obligation share in profits as from the beginning of the financial year in which they are created.

The Board of Management was authorised to specify further details, with the consent of the Supervisory Board, concerning the realisation of this contingent capital increase.

Acquisition of own shares

By resolution of the annual general meeting on 23 June 2010, the Board of Management was authorised to buy own shares up to 10% of the share capital existing at the time of adopting the resolution, as permitted by Section 71 subsection 1, no. 8, of the Stock Corporation Act (AktG). This authority can be exercised in the full amount or part-amounts, on one or more occasions and in pursuit of one or more objectives by the company or by third parties for account of the company. At no point may the acquired shares together with other own shares account for more than 10% of the capital stock. This authorisation became effective on 24 June 2010 and remains valid until 22 June 2015.

The shares can be purchased through the stock exchange or through a public offer to buy addressed to all the company's shareholders, as preferred by the Board of Management.

If shares are purchased through the stock exchange, the consideration paid by the company per share (excluding incidental expenses) must be not more than 10% higher or lower than the stock exchange price quoted for the company's stock on the XETRA electronic trading platform (or an equivalent subsequent system) when the Frankfurt stock exchange opens for trading on the date of purchase.

If they are purchased through a public offer to buy addressed to all the company's shareholders, the purchase price offered or the limits of the price range offered per share (excluding incidental expenses) must not be more than 20% higher or lower than the average closing price for the company's stock on the XETRA electronic trading platform (or an equivalent subsequent system) quoted on the Frankfurt stock exchange on the last three trading days before publication of the offer. The offer can be adjusted if the price deviates significantly following publication of the offer. In this case, the price will be based on the corresponding average closing price on the last three trading days before publication of the adjusted offer. The volume offered can be limited. If the offer is oversubscribed, acceptance must be prorated in accordance with the shares offered in each case. Priority may be given to accepting smaller numbers of up to 100 of the shares offered for sale per shareholder.

The Board of Management is authorised, with the consent of the Supervisory Board, to use the company shares acquired on the basis of this or a previous authority for the following purposes:

The shares may also be sold by other means than through the stock exchange or by offer to all shareholders if they are sold in return for cash payment at a price not significantly lower than the stock exchange price quoted for the company's stock at the time of sale. However, this authority applies subject to the proviso that the shares sold on the basis of this authority do not exceed a prorated amount equal to 10% of the share capital, neither at the time of becoming effective nor at the time of exercising this authority. The maximum limit of 10% is reduced by the prorated amount of share capital corresponding to the shares issued within the framework of a capital increase during the term of this authority for which subscription rights are excluded in accordance with Section 186 subsection 3, sentence 4 of the Stock Corporation Act (AktG). The maximum limit of 10% is also reduced by the prorated amount of share capital corresponding to the shares issued or to be issued in order to service bonds with conversion or option rights, insofar as the bonds have been issued during the term of this authority with exclusion of subscription rights in accordance with Section 186 subsection 3, sentence 4 of the Stock Corporation Act.

Shares can be sold in return for non-cash consideration, in particular in conjunction with business combinations and the acquisition of companies, company parts and holdings in companies.

The shares can be offered to persons employed by the company or one of its affiliated companies.

The shares can be used to discharge the company's obligation under cum-warrant and / or convertible bonds issued or guaranteed by the company in the future.

This authority can be exercised in the full amount or part-amounts, on one or more occasions and in pursuit of one or more objectives. The shareholders' right of subscription to these own shares is excluded to this extent. In addition, the Board of Management may, with the consent of the Supervisory Board, exclude the right of subscription for fractional amounts, with the consent of the Supervisory Board, when own shares are sold within the context of an offer to all the company's shareholders.

The Board of Management is also authorised to collect the acquired own shares with the consent of the Supervisory Board without requiring a further resolution of the annual general meeting.

b. Capital reserve

The capital reserve developed as follows in the year under review:

in € 000	
Total as at 1 January 2012	45,916
Changes in 2012	–42,658
Total as at 31 December 2012	3,258
Changes in 2013	0
Total as at 31 December 2013	**3,258**

In conjunction with the simplified capital reduction of 12 October 2012, up to € 1,058 thousand from the existing capital reserve were used to cover losses. In conjunction with the capital increase effected on 21 November 2012, the surplus of € 2,200 thousand exceeding the nominal amount was allocated to the capital reserve. The capital reserve now totals € 3,258 thousand.

c. Legal reserve

In the single-entity financial statements of ALNO AG, 5% of the balance sheet profit of € 9,249 thousand (€ 462 thousand) were allocated to the legal reserve as permitted by Section 150 subsection 2 of the Stock Corporation Act (AktG). No transfer to the legal reserve was made in the year under review, due to the net accumulated losses.

d. Accumulated net income

With regard to the development of accumulated net income, we refer to the figures presented in the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

The accumulated net income includes generated Group equity, the reserve from currency translation and the other transactions recognised outside profit or loss.

Generated Group equity comprises the accumulated consolidated income of the reporting periods, the waivers of repayment given by the shareholders in 2012, transaction expenses for capital increases in 2012 and the reserve from remeasurements when IFRS standards were applied for the first time.

The other transactions recognised outside profit or loss concern actuarial gains and losses from the provisions for pensions, changes in the fair value of securities and the deferred taxes associated with these in each case. The amounts recognised in the financial year 2013 are presented in the consolidated statement of comprehensive income.

e. Capital management

Group equity has changed from –€ 7,462 thousand as at 31 December 2012 to –€ 18,381 thousand as at 31 December 2013 and is now made up as follows:

in € 000	31 December 2013	31 December 2012
Subscribed capital	70,095	70,095
Capital reserve	3,258	3,258
Legal reserve	462	462
Accumulated net income	–92,337	–81,507
Minority shares	141	230
TOTAL	**–18,381**	**–7,462**

Implementation of the restructuring agreement II signed in spring 2011 and of the restructuring agreement III signed on 11 July 2012 improved Group equity in 2012 by € 69,293 thousand altogether (capital increase of € 46,200 thousand less transaction costs of € 1,907 thousand, as well as a waiver of repayment by a shareholder in the amount of € 25,000 thousand); these effects are offset by the negative consolidated comprehensive income.

The ALNO Group's net financial liabilities are as follows:

in € 000	31 December 2013 in € 000	31 December 2012 in € 000	Change in € 000	Change in percent
Shareholder loans and other financial liabilities				
non-current	65,217	4,027	61,190	> 100%
current	27,649	15,284	12,365	80.9%
	92,866	**19,311**	**73,555**	**> 100%**
Less liquid assets	–3,266	–5,402	2,136	39.5%
NET FINANCIAL LIABILITIES	**89,600**	**13,909**	**75,691**	**> 100%**
Balance sheet total	181,469	168,252	13,217	7.9%
Net financial liabilities in % of total assets	49.4%	8.3%		

A small portion of the revenue from the bond issued in May 2013 was used for reducing due trade payables.

Non-current liabilities increased principally because of the bond issued in May 2013 in the amount of € 42,825 thousand (nominal amount € 45,000 thousand), as well as due to a restructuring of current trade payables to Bauknecht Hausgeräte GmbH into a loan in the amount of € 30,000 thousand in total. € 20,000 thousand of this loan is due to be repaid by 30 June 2017; the other € 10,000 thousand is due in 2014, which means it is current.

The non-current financial liabilities also include the earn-out certificate in the amount of € 1,790 thousand granted as part of the bank waiver, which is due on 30 June 2015.

The reduction in liquid assets results from utilisation in relation to the balance sheet date, because no bank credit lines are available and all liabilities are settled using the liquid assets.

The increase in total assets is largely due to the increased non-current liabilities and write-ups in the non-current assets.

Overall, net financial liabilities in relation to total assets increased from 8.3% to 49.4%.

The shareholders' equity for ALNO AG presented in the annual financial statements as at 31 December 2013 in accordance with the German Commercial Code (HGB) totals € 72,456 thousand (previous year: € 82,602 thousand). The reduction in equity by € 10,146 thousand is entirely due to the loss for the year. Changes in equity are monitored by ALNO AG on a monthly basis.

11. Provisions for pensions

The ALNO Group's company pension scheme is essentially based on direct, defined-benefit pension commitments. As a rule, pensions are calculated according to the employee's period of service and pensionable earnings. The aforementioned commitments are measured on the basis of actuarial assessments. These assessments are based on the applicable legal, economic and tax conditions in the country concerned. Valuation parameters were specifically applied for the countries concerned.

Provisions are measured according to the present value of entitlement (projected unit credit method) in compliance with the revised version of IAS 19, taking into account the future development. A discount rate of 3.5% (previous year: 3.7%) is applied in Germany, which accounts for the lion's share of this provision, with 99.7% (previous year: 99.7%). The discount rate abroad equals 4.4% (previous year: 4.2%). The expected revenues from plan assets are based on the same interest rates.

In Germany, existing commitments are measured with a rise of 0.0% and 1.0% (previous year: 0.0% and 1.0%) in wages and salaries and an average pension trend of 1.5% (previous year: 1.5%). The trend in loans and salaries abroad is assumed to be 3.3% (previous year: 2.7%). Pensions abroad are assumed to increase by 2.6% (previous year: 2.0%) on average. Average staff fluctuation is calculated for each specific plant and is set at 5.0% (previous year: 5.0%) in Germany. A fluctuation rate of 2.6% (previous year: 2.0%) is expected abroad.

Abroad, the plan assets comprise non-current investments in life insurance; in Germany, the plan assets are centrally invested through Allianz Global Investors. The precise composition as at the balance sheet dates is shown in the following table:

in € 000	2013	2012
Cash and cash equivalents	5	12
Equity instruments	52	45
Corporate bonds	325	876
Government bonds	496	0
Property	50	42
Reinsurance	530	539
	1,458	**1,514**

The plan assets are not used by the company.

In fact, the revenue from plan assets amounted to € 22 thousand (previous year: € 138 thousand).

The following figures have been recognised in the consolidated income statement:

in € 000	2013	2012
Current service costs	12	10
Net interest expense		
Interest expense	786	902
Expected return on assets	–47	–48
TOTAL NET INTEREST EXPENSE	**739**	**854**
	751	864

The current service cost is recognised as retirement benefit expenses. The net interest cost is reported under the financial expenses.

The present value of entitlement is reconciled with the reported provision as follows:

in € 000	2013	2012
Present value of entitlement, benefit obligations financed from provisions	20,502	20,187
Present value of entitlement, fund-financed benefit obligations	1,526	1,610
Present value of entitlement, direct benefit obligations (DBO)	22,028	21,798
Fair value of plan assets	–1,458	–1,514
Provisions for pensions	**20,570**	**20,284**

The present value of defined benefit obligations has changed as follows:

in € 000	2013	2012
Commitment at the start of each financial year	**21,798**	**19,305**
Interest expense	786	902
Current service costs	12	10
Pension payments in the period	–1,285	–1,214
Revaluations		
Actuarial gains (–) or losses (+) from the amendment	398	2,398
Financial assumptions		
Experience adjustments	340	375
TOTAL REVALUATION (OTHER OPERATING RESULT)	**738**	**2,773**
Currency translation differences	–21	22
Commitment at the end of each financial year	**22,028**	**21,798**

The fair value of plan assets has developed as follows:

in € 000	2013	2012
Plan assets at the start of each financial year	**1,514**	**1,306**
Expected return on plan assets (interest income)	47	48
Employer's contributions	57	59
Pension payments made from plan assets	–115	–59
Revaluations		
Actuarial gains (–) or losses (+) from the amendment Financial assumptions	–25	91
Change in the effect of the limit on the plan assets on the asset ceiling, excluding the amounts from plan assets contained in the expected revenue	0	48
TOTAL REVALUATION (OTHER OPERATING RESULT)	**–25**	**139**
Currency translation differences	–20	21
Plan assets at the end of each financial year	**1,458**	**1,514**

The transfer of the effect of applying the upper asset limit is as follows:

in € 000	2013	2012
Effect of applying the upper asset limit at the beginning of the financial year in question	**0**	**–48**
Interest on the effect of applying the upper asset limit	0	0
Change of the effect of applying the upper asset limit	0	48
Effect of applying the upper asset limit at the end of the financial year in question	**0**	**0**

On the balance sheet date, the actuarial losses were € 5,423 thousand (previous year: € 4,660 thousand).

The following table shows the effects of the changes in significant actuarial assumptions on the present value of entitlement. In this case, each of the remaining parameters remains unchanged as a result of which any interactions between the assumptions made are not taken into account. The calculations were also carried out by experts on the basis of actuarial principles.

in € 000	2013
Discount interest rate	
Increase by 0.5%	–1,190
Decrease by 0.5%	1,308
Pension trend	
Increase by 0.5%	1,180
Decrease by 0.5%	–1,115

The weighted duration as at the balance sheet date is 11.9 (previous year: 11.7) years.

In 2014, it is expected that € 1.4 million of the retirement benefit payments will be due from the pension commitments.

The risks resulting from defined-benefit pension obligations include actuarial risks such as the life expectancy on which the assumptions are based, and financial risk. Financial risks arise, for example, from market price risks which may have effects on the discount interest rate or inflation risks which may affect wage and salary increases. The Group does not insure risks of this type.

12. Other provisions

in € 000	1 January 2013	Utilisation	Reversal	Transfer	Allocation	Accrued interest	31 December 2013
Non-current provisions							
Personnel costs	1,972	–48	–209	–663	44	20	1,116
Storage	326	0	0	0	0	0	326
	2,298	**–48**	**–209**	**–663**	**44**	**20**	**1,442**
Current provisions							
Warranties, damages and contingent losses	1,343	–933	–138	0	813	0	1,085
Reorganisation	2,501	–2,192	0	0	10	0	319
Personnel costs	1,590	–1,268	0	663	291	0	1,276
Taxes	71	–22	0	0	0	0	49
	5,505	**–4,415**	**–138**	**663**	**1,114**	**0**	**2,729**

The provisions for personnel costs essentially comprise provisions for the pre-retirement part-time working arrangements customary in Germany. The provision for pre-retirement part-time working encompasses expenses for wage and salary payments to employees in the off-work phase (settlement backlog) and the additional increases required for the entire remaining duration of pre-retirement part-time working. It also includes employee termination payments in the amount of € 110 thousand (previous year: € 172 thousand) in conjunction with pre-retirement part-time working. A discount rate of 1.0% (previous year: 1.5%) is taken into account when calculating the provision. An amount of € 340 thousand (previous year: € 185 thousand) is posted under other non-current assets for the refunds to be expected from the Federal Employment Agency in conjunction with rights under the German Act on Pre-retirement Part-time Working (AltTZG).

The provision for warranties, damages and contingent losses encompasses free deliveries on account of faulty goods, missing parts and other defects which are measured at production cost. At the same time, the provision also covers risks in conjunction with claims for damages by customers and suppliers; these are recognised at their expected value. Provisions are also formed for contingent losses from delivery obligations, for which the unavoidable costs for discharging the obligation will exceed the expected economic benefit.

The reorganisation provision includes the payments still outstanding in conjunction with the employment and qualification company at the Enger location.

The non-current provisions relating to pre-retirement part-time working arrangements will for the most part be consumed within the next two years. The other non-current personnel provisions and the provision for safe storage will be consumed within the next ten years.

13. Shareholder loans

Financial liabilities in the amount of € 30,445 thousand (previous year: € 365 thousand) existed in the financial year, in the form of loans granted by the shareholders of ALNO AG. The increase is due to current trade payables to Bauknecht Hausgeräte GmbH having been restructured into a loan totalling € 30,000 thousand.

14. Other financial liabilities

in € 000	31 December 2013 Total	Remaining term < 1 year	1 to 5 years	> 5 years
Accounts payable to banks	2,588	505	2,083	0
Other financial liabilities	59,833	16,699	43,134	0
TOTAL	**62,421**	**17,204**	**45,217**	**0**

in € 000	31 December 2012 Total	Remaining term < 1 year	1 to 5 years	> 5 years
Accounts payable to banks	3,713	1,532	2,181	0
Other financial liabilities	15,233	13,387	1,846	0
TOTAL	**18,946**	**14,919**	**4,027**	**0**

The accounts payable to banks include an earn-out certificate in the amount of € 1,790 thousand and two investment loans in the total amount of € 798 thousand. The earn-out certificate must be paid under certain conditions in the amount of € 2,000 thousand, and the interest rate is discounted to 7.5% as at the balance sheet date. The interest rates for the investment loans are 8.1% and 5.4%, respectively. Repayments are made quarterly.

Covenants (loan terms) have been agreed for the loan extended by a subsidiary. These relate to the equity ratio and upper limit for cost allocations charged by the Group. As at the balance sheet date, the agreed loan terms were not met insofar as the equity ratio was concerned. The loan valued at € 375 thousand as per 31 December 2013 is therefore completely reclassified as a current financial liability.

The other financial liabilities include € 42,825 thousand for the bond issued in May 2013 as well as liabilities from factoring with € 4,042 thousand and loans granted by related parties in the amount of € 8,525 thousand.

The accounts payable to banks are secured through the transfer of machinery and technical equipment by way of security. Furthermore, intangible assets, inventories, trade receivables and other assets were pledged for ALNO UK's factoring. Bank sureties and insurance guarantees were secured with bank deposits amounting to € 402 thousand. As at the balance sheet date, the assets serving as collateral are posted in the consolidated balance sheet with the following carrying amounts:

in € 000	31 December 2013	31 December 2012
Intangible assets	3,065	0
Land and buildings	0	12,478
Machinery and technical equipment	2,668	5,382
Inventories	903	4,119
Trade accounts receivable	6,279	0
Other assets	823	0
Liquid assets	402	399

15. Deferred grants and subsidies from public authorities

Deferred grants and subsidies from public authorities in the amount of € 704 thousand (previous year: € 730 thousand) comprise investment grants for a subsidiary in the new German states. In the financial year, € 26 thousand (previous year: € 26 thousand) were reversed and recognised as income.

16. Trade accounts payable and other financial liabilities

in € 000	31 December 2013 Total	Remaining term < 1 year	1 to 5 years	> 5 years
Trade accounts payable	55,395	55,393	2	0
Other financial liabilities	15,446	15,435	11	0
thereof customer discounts	9,563	9,563	0	0
thereof unpaid invoices	2,197	2,197	0	0
thereof customer accounts with credit balances	2,938	2,938	0	0
TOTAL	**70,841**	**70,828**	**13**	**0**

in € 000	31 December 2012 Total	Remaining term < 1 year	1 to 5 years	> 5 years
Trade accounts payable	99,696	99,694	2	0
Other financial liabilities	18,528	18,496	32	0
thereof customer discounts	13,797	13,797	0	0
thereof unpaid invoices	1,728	1,728	0	0
thereof customer accounts with credit balances	2,301	2,301	0	0
TOTAL	**118,224**	**118,190**	**34**	**0**

17. Remaining other liabilities

in € 000	31 December 2013 Total	Remaining term < 1 year	1 to 5 years	> 5 years
Personnel	4,929	4,929	0	0
Other	568	568	0	0
Other taxes	2,149	2,149	0	0
Social security	195	195	0	0
TOTAL	**7,841**	**7,841**	**0**	**0**

in € 000	31 December 2012 Total	Remaining term < 1 year	1 to 5 years	> 5 years
Personnel	5,479	5,479	0	0
Other	482	482	0	0
Other taxes	2,701	2,701	0	0
Social security	108	108	0	0
TOTAL	**8,770**	**8,770**	**0**	**0**

E. Notes to the consolidated cash flow statement

General information

In compliance with IAS 7 (Cash Flow Statements), the consolidated cash flow statement shows the change in cash and cash equivalents in the Group due to payment flows from operating activities, investment activities and financing activities, as well as through the change in exchange rates during the year under review.

The net cash flow for operating activities shows a cash outflow of € 29.5 million in the year under review (previous year: cash inflow of € 25.5 million). This major reduction is mainly due to the "change in trade accounts payable and other debts" which results above all from the decline trade accounts payable amounting to € 44.3 million. Investment activities resulted in a cash outflow of € 13.7 million in the year under review, as compared to € 14.7 million in the previous year. This decrease is essentially attributable to payments for company purchases in the previous year. The € 48.7 million increase in cash flow from financing activities is essentially due to the bond issued in May 2013. The decrease in repayments of financial liabilities amounting to € 33.7 million chiefly results from the repayment of financial liabilities towards banks in the previous year. The change in current account and factoring liabilities increased by € 13.9 million. In return, the capital increase undertaken in 2012 amounting to € 46.2 million led to a reduction in cash receipts from financing activities in 2013.

The composition of the cash and cash equivalents as at the particular financial year end can be seen in D. 9.

F. Notes to the segment reports

In conjunction with segment reporting, the activities of the ALNO Group were defined according to business segments in compliance with the rules of IFRS 8. Segments which reported to the Board of Management are not combined. This breakdown is based on the internal management and reporting, and encompasses the segments ALNO, Wellmann, Impuls, pino, the foreign subsidiaries (ATG) and other companies.

The ALNO segment comprises ALNO AG in Pfullendorf, which builds brand name kitchens in the upper and middle price group at the Pfullendorf location; the Wellmann segment produces kitchens in the middle price group at the Enger location. The Impuls segment comprises Impuls Küchen GmbH in Brilon, while the pino segment comprises pino Küchen GmbH in Coswig (Anhalt); both produce kitchens in the lower price range. The foreign subsidiaries encompass the marketing companies abroad as well as the production company in Dubai, UAE. The logismo Group and sub-holding are reported under other companies.

The segment reports are based, as a matter of principle, on the same reporting, recognition and measurement policies as the consolidated financial statements. At-equity investments were reported at cost. Internal sales reflect the value of sales between Group companies; these were effected at market prices.

Decisions concerning the allocation of resources and assessment of the reportable segments' performance are made by the full Board of Management.

The segment data is presented below according to business units:

2013 According to segments in € 000	ALNO	Wellmann	Impuls	pino	ATG	Others	Consoli-dation	Total
Sales revenue								
Foreign sales	77,044	97,760	96,040	83,158	41,054	0	0	395,056
Domestic sales	17,188	3,665	1,650	339	0	0	–22,842	0
Total sales	94,232	101,425	97,690	83,497	41,054	0	–22,842	395,056
Earnings								
Segment EBITDA	–8,816	–1,972	7,650	6,505	–484	351	2,268	5,502
Segment EBIT (operating profit)	–2,592	–6,784	4,979	4,416	–1,325	284	2,197	1,175
Segment profit/loss before income taxes (EBT)	–6,962	–9,398	4,860	4,505	–2,007	284	1,477	–7,241
Income taxes	–2,726	–332	–101	–84	–243	–12	21	–3,477
Income for the period	–9,688	–9,730	4,759	4,421	–2,250	272	1,498	–10,718
Scheduled write-downs	1,621	4,811	2,670	2,089	840	66	76	12,173
Impairment losses	0	0	0	0	0	0	0	0
Write-ups	7,846	0	0	0	0	0	0	7,846
Financial income	2,619	3	448	1,013	0	0	–3,878	205
Financial expenses	6,989	2,617	567	924	682	0	–3,881	7,898
Income from investments measured at equity	0	0	0	0	0	0	–723	–723
Assets and liabilities								
Segment assets	218,627	55,904	30,703	28,886	23,115	63,069	–238,835	181,469
Segment liabilities	141,997	63,212	22,991	23,338	23,206	1,583	–76,477	199,850
At-equity investments	2,725	0	0	0	0	0	–1,877	848
Other segment information								
Investments	4,536	3,409	3,611	2,066	1,246	16	0	14,884

2012 According to segments in € 000	ALNO	Wellmann	Impuls	pino	ATG	Others	Consoli- dation	Total
Sales revenue								
Foreign sales	92,266	123,800	109,106	89,236	31,850	0	0	446,258
Domestic sales	14,906	3,681	2,168	39	0	1,732	–22,526	0
Total sales	107,172	127,481	111,274	89,275	31,850	1,732	–22,526	446,258
Earnings								
Segment EBITDA	–10,255	34,963	11,522	7,668	–5,143	1,855	–26,651	13,959
Segment EBIT (operating profit)	–11,842	28,654	8,768	5,383	–5,459	1,745	–26,372	877
Segment profit/loss before income taxes (EBT)	–16,808	26,559	9,013	5,575	–5,991	1,119	–20,684	–1,217
Income taxes	–507	–27	–96	–110	422	94	21	–203
Income for the period	–17,315	26,532	8,917	5,465	–5,569	1,213	–20,663	–1,420
Scheduled write-downs	696	6,309	2,754	2,285	241	110	76	12,471
Impairment losses	3,379	0	0	0	75	0	–75	3,379
Write-ups	2,488	0	0	0	0	0	280	2,768
Financial income	8,767	1,150	1,774	1,780	0	2	–4,469	9,004
Financial expenses	13,733	3,245	1,529	1,588	532	628	–10,433	10,822
Income from investments measured at equity	0	0	0	0	0	0	–276	–276
Assets and liabilities								
Segment assets	129,985	60,619	52,479	48,283	20,124	62,982	–206,220	168,252
Segment liabilities	104,319	55,864	45,043	42,955	18,396	1,507	–92,370	175,714
At-equity investments	0	0	0	0	0	0	0	0
Other segment information								
Investments	5,189	3,328	2,078	2,395	1,184	35	0	14,209

Internal sales within the ALNO Group have been eliminated in the consolidated sales revenue.

The consolidation entries posted in the line “Segment profit/loss before income taxes” are comprised as follows:

in € 000	2013	2012
Capital consolidation	–343	6,168
Debt consolidation	3,363	–26,632
Other consolidation entries	–1,543	–220
TOTAL	**1,477**	**–20,684**

The other consolidation entries concern the elimination of interim results from the at-equity measurement, in the miscellaneous assets and in the inventories as well as the effect of at-equity measurement on results.

The consolidation entries in conjunction with segment assets are made up as follows:

in € 000	2013	2012
Capital consolidation	–166,442	–111,438
Debt consolidation	–65,510	–84,257
At-equity measurement	–723	–5,000
Other consolidation entries	–6,160	–5,525
TOTAL	**–238,835**	**–206,220**

The other consolidation entries refer to deferred taxes in the amount of € 4,835 thousand (previous year: € 5,022 thousand) and the elimination of interim results from the at-equity measurement, in the miscellaneous assets and in the inventories which are all netted at Group level.

The consolidation entries in conjunction with segment liabilities comprise the elimination of intra-Group liabilities and offsetting deferred taxes.

Regional sales are determined according to the place of delivery. There is no external customer in the ALNO Group with whom 10% or more of the total sales revenue is generated.

Total sales according to regions in € 000	2013	2012
Germany	265,854	318,458
Rest of Europe	109,170	107,306
Other foreign countries	20,032	20,494
TOTAL	**395,056**	**446,258**

Intangible assets, property, plant and equipment and investments measured at equity in € 000	2013	2012
Germany	89,628	79,144
Rest of Europe	3,729	3,397
Other foreign countries	1,714	1,812
TOTAL	**95,071**	**84,353**

G. Management of financial risks

1. Risk management principles

The basic principles of financial policy are defined annually by the Board of Management and monitored by the Supervisory Board. Group Treasury is responsible for implementing the financial policy, as well as for the ongoing risk management. Certain transactions require prior approval by the Board of Management, which is also regularly informed of the scope and magnitude of the current risk appraisal. Effective management of the market risks is one of the main Treasury responsibilities. Simulations using various worst case and market scenarios are performed to assess the impacts of different conditions in the marketplace.

The Group is exposed to financial risks from financial assets and liabilities, as well as from planned transactions. Financial assets, such as trade accounts receivable and liquid assets, are the direct result of operating activities. Financial assets also include securities which serve as hedges for claims from pre-retirement part-time working arrangements. The financial liabilities primarily comprise bank loans, other financial liabilities and loans on current account, as well as trade accounts payable. The main purpose of financial liabilities is to finance the Group's business operations.

The main risks arising for the Group from the financial assets and liabilities comprise interest rate risks, liquidity risks, currency risks and risk of default.

Due to the Group's low-risk investment strategy, the risk of changes in the fair value of securities (price risk) is not a material risk from a Group vantage.

2. Currency risks

The currency risk refers to the risk of changes in the fair value or future cash flows of monetary items on account of fluctuations in exchange rates.

Currency risks basically arise from investments, financing activities and operating activities which are undertaken in a currency other than the company's functional currency. However, currency risks without impact on the Group's cash flows, e.g. due to translating foreign corporate entities' assets and liabilities into the Group currency, are never considered in further detail by Group Treasury.

There was no material risk in the investment sector as at the balance sheet date.

Currency risks in the financing sector mainly arise from foreign currency loans which are extended to Group companies for financing purposes as well as from trade payables within the Group.

Since 1 August 2012, the ALNO plant has restored double invoicing (euro and local currency) for the United Kingdom, thus giving rise to currency risks. In 2013, the other German plants likewise changed over to double invoicing. This concerns internal Group deliveries to the foreign sales companies in the United Kingdom, Switzerland and the USA.

In 2013, the subsidiary in the United Kingdom concluded a single forward exchange transaction involving the purchase of € 1,000 thousand with a term until 28 February 2014. The negative market value at the balance sheet date amounts to € 5 thousand. There are no derivative financial instruments beyond that.

The following table shows the effect of changes in the fair value of monetary foreign currency items on Group profit/loss before income taxes. There are no effects on equity outside profit and loss.

2013	Development of exchange rate		Effect on result in € 000 Income (+)/ Expense (–)	
GBP	+10.0%	–10.0%	+464	–464
CHF	+10.0%	–10.0%	+411	–411
USD	+10.0%	–10.0%	+164	–164
AED	+10.0%	–10.0%	+298	–298

2012	Development of exchange rate		Effect on result in € 000 Income (+)/ Expense (–)	
GBP	+10.0%	–10.0%	+486	–486
CHF	+10.0%	–10.0%	+116	–116
USD	+10.0%	–10.0%	+76	–76
AED	+10.0%	–10.0%	+229	–229

3. Interest rate risks

The interest rate risk refers to the risk of changes in the fair value or future cash flows of financial assets and liabilities on account of changes in current interest rates.

The Group is primarily exposed to interest rate risks in the eurozone. To minimize the effect of fluctuations in interest rates in these regions, the interest rate risk for net financial liabilities made out in euros is managed by ALNO AG. Financial liabilities in foreign currencies only exist to a subordinate extent. There are no financial derivatives as at the balance sheet date.

Financial liabilities and the variable-interest factoring volume have been taken into account in the following analysis of sensitivity to interest rate movements. Only financial liabilities with variable interest rates have been included in the analysis. The analysis is also based on the assumption that the principal amounts and the ratio of fixed to variable interest rates remain unchanged. Assets with a floating interest rate are of subsidiary importance and are not included in this analysis.

If the average interest rate were to be increased by 100 (previous year: 100) basis points, the result before taxes on income would decrease by € 214 thousand (previous year: € 249 thousand). A reduction of 100 (previous year: 100) basis points would lead to an increase by € 214 thousand (previous year: € 249 thousand) in profit / loss before income taxes.

4. Risk of default

The risk of default refers to the risk that a contractual partner fails to discharge its payment obligations in conjunction with financial assets. The maximum risk of default corresponds to the carrying amounts of the assets plus financial guarantees and / or warranty obligations.

Accounts receivable in operating business are continuously monitored at segment level, i.e. decentralised. In conjunction with Group receivables management, minimum requirements as regards creditworthiness and maximum exposure limits are defined for all business partners of the ALNO Group. These are based on a system of specified limits for which compliance is constantly monitored. In addition, the ALNO Group safeguards its trade receivables through trade credit insurance which, if an account receivable is not paid, will indemnify the loss incurred in the contractually agreed amount. Specific valuation allowances are used to take account of the risk of default. Trade receivables are secured through trade credit insurers and the del credere liability of the central regulatory offices in the overall amount of 90% (previous year: 90%). The ALNO Group companies decide in each individual case whether or not to make use of the credit insurance.

In Germany, the kitchens produced by the ALNO Group are mainly sold through furniture stores and specialised kitchen retailers, as well as self-service and RTA stores, most of which are members of purchasing associations. Due to these market structures, the ALNO Group is dependent on a limited number of customers on the sales side. However, the receivables are from the individual affiliates or furniture stores in each case, as a result of which there is ultimately no risk concentration. The risk of default by individual key accounts, however, is met through trade credit insurance or del credere liability by central regulatory offices.

The risk of default for unimpaired financial assets and the development of specific valuation allowances are summarised in section D.6. “Trade accounts receivable”.

5. Liquidity risks

The liquidity risk refers to the risk that the Group is unable to meet its contractual obligations in settling its financial liabilities.

ALNO AG acts as financial coordinator for all Group companies in order to ensure that the financing required for the operational business is always adequate and as cost-efficient as possible. The information required for this purpose is updated on a monthly basis through rollover financial planning with a planning horizon of one year and subjected to variance analyses.

This financial planning is supplemented by daily cash flow development planning for the German companies which is constantly reconciled with the actual payment flows. The foreign subsidiaries are updated on a monthly basis. Available liquidity reserves are monitored constantly by ALNO AG.

Accounts receivable by ALNO AG as well as Impuls Küchen GmbH, pino Küchen GmbH, Wellmann GmbH & Co. KG and ALNO U.K. Ltd. are assigned within the scope of factoring agreements in order to extend the liquidity margin needed by the ALNO Group. The five (previous year: 3) companies can make variable use of total factoring commitments in the amount of € 46,000 thousand (previous year: € 35,000 thousand). Of this total, € 24,069 thousand (previous year: € 18,714 thousand) was used on average over the year.

The table below presents the contractually agreed interest payments and principal payments of the financial liabilities. All liabilities which were included in the portfolio on the closing date and for which payments had already been contractually agreed have been included. The waiver of repayment which was contractually agreed with a major shareholder in 2011 and realised in early 2012 with regard to accounts payable to banks in the amount of € 25 million was already included in the calculation below for the previous year. Budgeted figures for new liabilities in the future are not included in the calculation. Amounts in foreign currency have been translated at the rate prevailing on the reporting date. Variable interest payments have been calculated on the basis of the last interest rates fixed prior to the balance sheet date. Financial liabilities which can be repaid at any time are always assigned to the earliest possible time frame.

in € 000	Carrying amount 31 December 2013	Due in 2014	2015–2018	2019 or later
Other financial liabilities				
Accounts payable to banks	2,588	551	2,322	0
Other financial liabilities	59,833	19,014	60,609	0
Trade accounts payable and other financial liabilities	70,841	70,828	13	0
Shareholder loans	30,445	12,276	23,250	0
Warranty obligations	0	402	0	0
Derivatives	5	5	0	0

in € 000	Carrying amount 31 December 2012	Due in 2013	2014–2017	2018 or later
Other financial liabilities				
Accounts payable to banks	3,713	1,645	2,384	0
Other financial liabilities	15,233	14,108	1,846	0
Trade accounts payable and other financial liabilities	118,224	118,190	34	0
Shareholder loans	365	455	0	0
Warranty obligations	0	399	0	0

With regard to the measures taken to assure the company's continuation as a going concern and to assure its liquidity, we refer to the information provided in sections B.1. "Basis for preparation of the financial statements" and N. "Events after the balance sheet date".

6. Other information on financial assets and liabilities

The following table presents the carrying amounts and fair values of all financial assets and liabilities recognised in the Group. Current financial assets and liabilities valued at amortised costs are not presented because in that case the carrying value and fair value correspond to one another. They are divided into various categories according to IAS 39. This are loans and receivables (LaR), available-for-sale financial assets (AfS), financial liabilities measured at cost (FLaC) as well as assets or liabilities held for trading (HfT).

in € 000		31 December 2013 Carrying amount	31 December 2013 Fair value	31 December 2012 Carrying amount	31 December 2012 Fair value
Financial assets					
Trade accounts receivable	LaR	591	591	563	563
Financial accounts receivable	LaR	2,074	2,074	1,057	1,057
Securities	AfS	1,519	1,519	2,456	2,456
Investments in associated companies	AfS	31	*	139	*
Financial liabilities					
Shareholder loans	FLaC	20,000	20,000	–	–
Other financial liabilities	FLaC	45,217	33,967	4,027	4,027
Derivatives	HfT	5	5	–	–

* Fair value cannot be determined reliably.

The following table presents the carrying amount of the financial assets and liabilities for each evaluation category according to IAS 39.

in € 000	31 December 2013 Fair value	31 December 2012 Fair value
Loans and receivables (LaR)	50,586	51,795
Available for sale (AfS)		
measured at fair value	1,519	2,456
measured at amortised cost of acquisition	31	139
Financial liabilities measured at cost (FLaC)	163,707	137,535
Held for trading (HfT)	5	–

The posted securities are recognised at fair value in their full amount.

Shares held in associated companies are capitalised at the amortised cost of acquisition, as there is no active market for these. Also, the fair value cannot be reliably determined in any other way.

The carrying amounts of current financial assets and liabilities correspond to their fair value on account of the short term to maturity.

The following hierarchy is used to measure and recognize the fair value of financial instruments:

- Stage 1: Fair values determined with the aid of prices quoted in active markets.
- Stage 2: Fair values determined with the aid of measurement policies for which the input factors of significance for the fair value are based on observable market data.
- Stage 3: Fair values determined with the aid of measurement policies for which the input factors of significance for the fair value are not based on observable market data.

At the end of each reporting period, an investigation is performed into whether reallocations need to be performed between the hierarchical levels.

The current values of the non-current financial assets and liabilities have been calculated by discounting their future payment flows. This is based on current discount rates under standard market conditions with the same due date and creditworthiness requirement (hierarchical level 2). The current values, with the exception of the issued bond, correspond to the carrying amounts because the interest rate is in accordance with the market.

The securities valued in the ALNO Group at fair value amounting to € 1,519 (previous year: € 2,456) are on hierarchical level 1.

The current value of the exchange-quoted bond reported under other financial liabilities amounting to € 31,575 (previous year € 0 thousand) is calculated using the stock exchange price as at 30 December 2013 in the amount of 75% (hierarchical level 1). The remaining other financial liabilities are bank liabilities with an interest rate in conformity with the market (hierarchical level 2).

This resulted in the following net gains and losses for the financial assets and liabilities, classified according to categories:

2013 in € 000	Interest	Interest according to the effective interest method	Impairment	Other net gains/losses	Net gains/losses not affecting net income	Total
LaR	205	0	–418	–283	0	–496
AfS	0	0	0	0	–17	–17
FLaC	–4,484	–2,655	0	652	0	–6,487
HfT	0	0	0	–5	0	–5

2012 in € 000	Interest	Interest according to the effective interest method	Impairment	Other net gains/losses	Net gains/losses not affecting net income	Total
LaR	2	0	–734	842	0	110
AfS	0	0	0	61	–32	29
FLaC	–9,803	0	0	10,504	0	701

Impairments of the “Loans and receivables” relates to the allocation to specific valuation allowance for trade accounts receivable. The other net gains and losses include income from the receipt of derecognised accounts receivable and from the reversal of specific valuation allowances, expenses from derecognised accounts receivable, and gains and losses from currency translation.

The other net gains and losses recognised in the category “Available for sale – measured at fair value” include income from investments in securities and the unrealised changes in value recognised in equity.

Income from derecognised liabilities, expenses from measurement of foreign currency loans on the closing date, adaptation from the contingent counter-performance at ALNO UK, income from its foreign currency translation and income from realised waivers of repayment are recognised under the other net gains and losses of “Financial liabilities measured at cost”.

The net losses reported in the “Held for trading” category result from the change in market values of derivatives.

H. Contingent liabilities and other financial commitments

As at 31 December 2013, contingent liabilities under non-recognised warranty agreements exist in the amount of € 402 thousand (previous year: € 399 thousand).

The other financial commitments are as follows:

2013 in € 000	Due in 2014	Due in 2015–2018	Due in 2019 and later	Total
Accounts payable under lease arrangements with third parties	3,772	9,045	2,872	15,689
Other contractual arrangements with third parties	10,994	26,767	8,502	46,263
Ongoing investment projects	3,904	0	0	3,904
Supply contracts	2,750	6,200	700	9,650
TOTAL	**21,420**	**42,012**	**12,074**	**75,506**

2012 in € 000	Due in 2013	Due in 2014–2017	Due in 2018 and later	Total
Accounts payable under lease arrangements with third parties	3,141	6,430	1,630	11,201
Other contractual arrangements with third parties	12,190	28,422	9,875	50,487
Ongoing investment projects	499	243	91	833
Supply contracts	2,700	3,900	800	7,400
TOTAL	**18,530**	**38,995**	**12,396**	**69,921**

Rental and leasing agreements with third parties primarily concern leased vehicles and factory and office equipment. Some of these agreements have extension and purchase options. The other contractual agreements with third parties concern maintenance, service and power supply contracts.

Ongoing investment projects in the amount of € 3,904 thousand (previous year: € 833 thousand) relate to intangible assets totalling € 865 thousand (previous year: € 15 thousand) and property, plant and equipment totalling € 3,039 thousand (previous year: € 818 thousand).

I. Related persons and companies

Related persons or companies are defined as persons or business entities which can be controlled by the reporting company, insofar as they are not already included in the consolidated financial statements as consolidated companies, or which can directly or indirectly exercise control over the reporting company.

In detail, business relations are as follows:

Persons concerned	Major shareholders		Associates		Other related companies	
Business relationships	2013 in € 000	2012 in € 000	2013 in € 000	2012 in € 000	2013 in € 000	2012 in € 000
Sales revenue	0	0	2,632	0	0	0
Purchased goods and services	63,757	75,846	0	0	47	24
Interest expense	3,259	3,231	0	0	637	1,707
Interest received	0	0	176	0	0	0
Other expense	0	8	0	0	430	416
Other income	0	0	184	0	0	0
Financial accounts receivable	0	0	3,350	0	0	0
Trade accounts receivable	0	0	796	0	0	0
Financial liabilities	30,063	2,841	0	0	8,525	8,525
Trade accounts payable and other liabilities	20,438	70,172	0	0	28	53
Interest rate	6.5% p.a.	6.5% p.a. or 9% p.a. or Euribor +9% p.a.	6.5% p.a.		6.5% p.a.	6.5% p.a.

Major shareholders with whom business relations are directly maintained are Whirlpool Germany GmbH, Stuttgart, and SE Swiss Entrepreneur AG, Zug, Switzerland, as well as indirectly Bauknecht Hausgeräte GmbH, Stuttgart, and Whirlpool Corporation, Wilmington, Delaware, USA.

Küchen Holding GmbH, Munich, was also one of the major shareholders in the previous year. Indirectly, RCG International Opportunities S.à.r.l., Luxembourg, and Cognis S.à.r.l., Luxembourg, also used to be major shareholders.

The associates are ALNO China Holding Limited, Hong Kong, People's Republic of China, and tielsa GmbH, Pfullendorf.

The other related companies with which business relations exist comprise Comco Holding AG, Nidau, Switzerland, Comco Finanz AG, Nidau, Switzerland, Comco Management GmbH, Stuttgart, Max Müller + Partner AG, Biel, Switzerland, as well as Ludmilla and Max Müller, Magglingen, Switzerland.

The figure reported for purchased goods and services and for trade payables and other liabilities essentially relates to the contract for delivery between ALNO AG and Bauknecht Hausgeräte GmbH, Stuttgart (subsequently Whirlpool). This contract governs the supply of electrical appliances from Bauknecht/Whirlpool to ALNO, Impuls, Wellmann and Pino and runs until 30 June 2017.

Under the contract, the ALNO Group must obtain the majority of its requirement for electrical appliances (with the exception of some articles such as microwave ovens and built-in refrigerators) from Whirlpool. Whirlpool is only liable to ALNO within the scope of the manufacturer's warranty. As far as possible, customer service is handled via Whirlpool. The net invoice prices are negotiated annually on the basis of overall market and economic developments.

For 2013, ALNO received a restructuring bonus of € 2250 thousand, divided into three credit notes of € 750 thousand due at the end of each quarter, which are offset against outstanding liabilities. In the previous year, the credit note amounted to € 4000 thousand divided into two tranches of € 2000 thousand each, which were able to be offset on 30 September 2012 and 31 December 2012. Bonus agreements for the following years are negotiated in the last quarter of the previous year in each case. Whirlpool has not yet confirmed that bonus payments will be made in each case. The ALNO Group received similar restructuring bonuses from other suppliers in the previous year.

The accounts payable towards Whirlpool must be settled within 60 days of the invoice date. Overdue accounts payable are subjected to interest at 6.5% p.a.

ALNO grants Whirlpool a first-class right of lien in the form of shares in pino Küchen GmbH in order to secure all rights and claims of Whirlpool against the ALNO Group. The contract contains a simple reservation of title by Whirlpool.

The contract was concluded subject to usual market conditions.

In the financial year, the postponement of trade payables resulted in interest amounting to € 1,829 thousand (previous year: € 3,197 thousand) due to Bauknecht Hausgeräte GmbH.

Bauknecht Hausgeräte GmbH granted the ALNO Group a loan amounting to € 30,000 thousand in 2013 in order to cover the latter's financing requirement, in the form of restructuring current trade payables. As at the balance sheet date, the loan has a term until 30 June 2017, although € 10,000 thousand is due in September 2014. In 2013, interest at the rate of 6.5% p.a. in the total amount of € 1,416 thousand was due for the loan.

Küchen Holding GmbH charged fees totalling € 150 thousand in the previous year for consulting services within the framework of its service contract. In addition, in 2012 the travel costs for a shareholder in Küchen Holding GmbH were charged in the amount of € 5 thousand. In 2013, no services were purchased from Küchen Holding GmbH, nor were payments made to it.

In the previous year, the major shareholder Küchen Holding GmbH granted a waiver of repayment in the amount of € 25,000 thousand. In 2012, this was recognised outside profit or loss in the accumulated net income.

ALNO AG sold intellectual property and brand rights in the amount of € 1,800 thousand to tielsa GmbH in the financial year. The receivable for the purchase price was converted into a current purchase price loan of the same amount. Furthermore, an additional € 200 thousand was granted to tielsa GmbH as a short-term loan in order to cover its financing requirement. In the financial year, the interest income from both loans amounted to € 100 thousand. The loans are due in December 2014, and have an interest rate of 6.5% p.a. In addition, ALNO AG granted ALNO China Holding Limited a loan amounting to € 1,350 thousand to cover its financing requirement. Interest derived from this during the financial year amounted to € 76 thousand. The loan is due in December 2015, and has an interest rate of 6.5% p.a.

Comco Holding AG, Nidau, Switzerland, received remunerations of € 47 thousand in total for consulting services provided. In the previous year, Comco Management GmbH, Stuttgart, received remunerations of € 24 thousand in total for consulting services provided.

As at the year end 2011, Comco Holding AG, Nidau, Switzerland, had granted ALNO AG and Wellmann GmbH & Co. KG loans through converting existing accounts payable, which were valued at € 8,525 thousand as at 31 December 2012. These ran until the end of April 2013, as at the balance sheet date. Interest in the amount of 6.5% p.a. plus a once-only risk premium of 3.5% in the total amount of € 1,707 thousand became due for these loans in the previous year. Whereas the tranche granted to Wellmann GmbH & Co. KG had been fully repaid in June 2013, the loans granted to ALNO AG were extended and additional loans issued by Comco Holding AG which increased the carrying amount again to € 8,525 thousand, as a result of which the amount appears unchanged in relation to the previous year. The loans have a term until April 2014 as at the balance sheet date. In 2013, interest at the rate of 6.5% p.a. in the total amount of € 637 thousand was due for the aforementioned loans, of which € 507 thousand applies to the loans outstanding at ALNO AG as at the balance sheet date. The remaining amount of € 130 thousand applies to the loans repaid by Wellmann GmbH & Co. KG in June.

Motor vehicle expenses and telecommunications charges in the amount of € 36 thousand (previous year: € 36 thousand) were invoiced by Comco Holding AG, Nidau, Switzerland. Comco Holding AG also charged out travel expenses in the amount of € 13 thousand (previous year: € 34 thousand). Comco Finanz AG, Nidau, Switzerland, received € 38 thousand (previous year: € 18 thousand) for rents and € 0 thousand (previous year: € 20 thousand) for other expenses. Comco Holding AG, Nidau, Switzerland, received € 152 thousand (previous year: € 144 thousand) for the provision of personnel. Remuneration of the Administrative Council of ALNO (Switzerland) AG, Nidau, Switzerland, is accounted for by Comco Holding AG, Nidau, Switzerland, as a corporate borrowing in the amount of € 174 thousand (previous year: € 164 thousand).

The table above does not provide any information about any shares which may have been purchased and held by the aforementioned persons in the bond issued in May 2013, which can be freely purchased on the market and have an interest rate of 8.5% p.a.

All the above expenses and services were charged at customary market rates.

Business transactions and the emoluments of corporate officers are listed in section J.

J. Supervisory Board and Board of Management

Members of the Supervisory Board:

Shareholder representatives:

- **Henning Giesecke**, Zell (chairman)
  - Managing director of GSW Capital Management GmbH, Munich
  - Managing director of HBconbet GmbH, Zell

- **Dr. oec. HSG Marc Bitzer**, Stevensville, USA
  - President Whirlpool Corporation, Benton Harbor / MI, USA

- **Anton Walther**, Sulzbach / Taunus
  - Lawyer, chartered accountant, tax consultant

- **Norbert J. Orth**, Monaco, Monaco
  - Investor

- **Hubertus Krossa**, Wiesbaden (as from 26 June 2013)
  - Freelance company consultant

- **Werner Rellstab**, Uetikon Waldegg, Switzerland (as from 26 June 2013)
  - President of the Administrative Council

- **Dr. oec. Jürgen Diegruber**, Gräfelfing (up to 26 June 2013)
  - Managing director of German Capital GmbH, Munich
  - Partner in Partners Group AG, Baar-Zug, Switzerland
  - Managing director and shareholder of Imacon GmbH, Munich
  - Managing director and shareholder of GiVermögensverwaltungs GbR, Munich
  - Managing director and shareholder of German Capital Partners GbR, Munich
  - Managing director and shareholder of Germanincubator Erste Beteiligungs mbH, Munich (up to 23 January 2013)
  - Managing director and shareholder of Felicitas GmbH, Munich (up to 1 March 2013)

- **Ruth Falise-Grauer**, Genthod, Switzerland (up to 26 June 2013)
  - Freelance industrial and interior designer

Employee representatives:

- **Rudolf Wisser**, Meßkirch (vice-chairman)
  - Freed for full-time works council activity at ALNO AG, Pfullendorf

- **Jörg Kespohl**, Löhne
  - Commercial clerk at Gustav Wellmann GmbH & Co. KG, Enger

- **Gerhard Meyer**, Brilon
  - Member of the works council at Impuls Küchen GmbH, Brilon

Further mandates held by members of the Supervisory Board in Supervisory Boards and other controlling bodies within the meaning of Section 125 subsection 1, sentence 5 of the Stock Corporation Act (AktG):

- **Henning Giesecke**, Zell
  - Chairman of the Supervisory Board of First International Bank AG, Frankfurt (since 6 August 2013)
  - Vice-chairman of the Supervisory Board of Endurance Capital AG, Munich
  - Vice-chairman of the Supervisory Board of Valovis Bank, Essen
  - Member of the Administrative Council of Erste Abwicklungsanstalt, Düsseldorf
  - Member of the Supervisory Board of Maillefer International Oy, Helsinki, Finland
  - Member of the Supervisory Board of Maillefer SA, Ecublens, Switzerland
  - Member of the Supervisory Board of Maillefer Extrusion Oy, Helsinki, Finland
  - Member of the Supervisory Board of Rothenberger AG, Kelkheim (up to 31 July 2013)

- **Dr. oec. HSG Marc Bitzer**, Stevensville, USA
  - Member of the Administrative Council of Simex Trading AG, Appenzell, Switzerland

- **Norbert J. Orth**, Monaco, Monaco
  - Member of the Board of Directors of Frieden Ltd, Thun, Switzerland
  - Vice-president of Smaragd AG, Thun, Switzerland

- **Hubertus Krossa**, Wiesbaden
  - Chairman of the Supervisory Board of Balfour Beatty Rail GmbH, Munich
  - Chairman of the Supervisory Board of Eckelmann AG, Wiesbaden
  - Vice-chairman of the Supervisory Board of United Power Technology AG, Eschborn
  - Non-executive director of Balfour Beatty plc, London, UK (up to June 2013)
  - Chairman of the Supervisory Board of Bauknecht Hausgeräte GmbH, Stuttgart (up to June 2013)

- **Werner Rellstab**, Uetikon Waldegg, Switzerland (as from 26 June 2013)
  - Member of the Advisory Council of Initiative Management Partner Unternehmensberatungs-GmbH, Innsbruck, Austria
  - President and member of the Administrative Council of Fraumünster Holding AG, Zurich, Switzerland
  - Member of the Administrative Council of Swiss Immoconsult AG, Zurich, Switzerland

- **Dr. oec. Jürgen Diegruber**, Gräfelfing (up to 26 June 2013)
  - President of the Administrative Council of Caldergroup Swiss AG, St. Gallen, Switzerland
  - Director at Calder Finco UK Ltd., Chester, UK
  - Member of the Board of Directors, Calder Group Limited, Chester, UK
  - Chairman of the Advisory Council of Küchen Holding GmbH, Munich

For their activities, the members of the Supervisory Board received total remuneration in the amount of € 460 thousand in the financial year 2013 (previous year: € 228 thousand).

As in the previous year, members of the Supervisory Board did not receive any fees for consulting services. Küchen Holding GmbH charged fees totalling € 0 thousand (previous year: € 150 thousand) for consulting services within the framework of its service contract. HBconbet GmbH, Zell, of which Mr. Giesecke is managing director, has concluded a commission agreement with ALNO AG regarding the arrangement of transactions. In the financial year 2013, the remuneration amounted to € 16 thousand (previous year: € 0 thousand).

As at 31 December 2013 the members of the Supervisory Board held a total of 345,333 (previous year: 325,333) no-par-value shares.

Members of the Board of Management:

- Max Müller, Magglingen, Switzerland (CEO)
- Ipek Demirtas, Überlingen (CFO)
- Ralph Bestgen, Hagen (CSO) (as from 1 February 2013)
- Manfred Scholz (COO), Rosenheim, (as from 29 April 2013)
- Elmar Duffner, Constance (COO) (up to 31 May 2013)

Further mandates held by members of the Board of Management in Supervisory Boards and other controlling bodies within the meaning of Section 125 subsection 1, sentence 5 of the Stock Corporation Act (AktG):

- **Max Müller**, Magglingen, Switzerland
  - President of the Administrative Council of ALNO (Schweiz) AG, Nidau, Switzerland
  - Director of ALNO UK Ltd, Dewsbury, UK
  - Director of ALNO Middle East FZCO, Dubai, UAE
  - Board of Directors of ALNO China Holding Ltd, Hong Kong, People's Republic of China
  - President of the Administrative Council of Comco Holding AG, Nidau, Switzerland
  - Administrative Council of Comco Finanz AG, Nidau, Switzerland
  - Director of Comco Fashion Ltd., Hong Kong, People's Republic of China
  - President of the Administrative Council of Starlet Investment AG, Nidau, Switzerland
  - Member of the Administrative Council of Max Müller + Partner AG, Biel, Switzerland
  - Director of East West Finance Ltd., Jersey, Channel Islands
  - President of the Administrative Council of Schaerer Mayfield Holding AG, Nidau, Switzerland
  - Member of the Administrative Council of Renishaw Mayfield AG, Nyon, Switzerland
  - President of the Administrative Council of Smaragd Holding AG, Thun, Switzerland
  - Member of the Administrative Council of Frieden Creative Design AG, Thun, Switzerland
  - Administrator of Helvetansa S.r.l., Bucharest, Rumania

- **Ralph Bestgen**, Hagen
  - Member of the Advisory Board of Severin Elektrogeräte GmbH, Sundern
  - Board of Directors of ALNO China Holding Ltd., Hong Kong, People's Republic of China (as from 5 July 2013)

- **Elmar Duffner**, Constance (up to 31 May 2013)
  - Member of the Economic Advisory Board, Cologne Trade Fair and Exhibition Centre (Messe Köln), Cologne (advisory)
  - President of the German Furniture Industry Association (Verband der Deutschen Möbelindustrie e.V.), Bad Honnef (honorary post)
  - Member of the Executive Board "Arbeitsgemeinschaft Die Moderne Küche e.V.", Mannheim (honorary post)

As at the balance sheet date, the active members of the Board of Management held 4,117,000 (previous year: 3,730,050) no-par-value shares.

Remuneration report

Responsibility, objective and structure of remuneration for the Board of Management

The Supervisory Board is responsible for defining the structure and amount of remuneration for the Board of Management of ALNO AG. The structure of the remuneration system for the Board of Management is also regularly discussed and reviewed by the Supervisory Board.

The purpose of the system of remuneration for the Board of Management is to reasonably compensate the members of the Board of Management in accordance with their activities and responsibilities while at the same time clearly and directly taking account of the Board members' joint and personal performance as well as that of the company through a high level of variability.

To this end, the remuneration system includes both a fixed basic element and a variable risk-like element as incentive for the medium and long term. In order to ensure that the Board members' remuneration is both competitive and reasonable, this structure, the individual components and the complete remuneration are reviewed each year.

At ALNO AG, as an exchange-quoted company, the remuneration structure is oriented towards sustainable development of the company (Section 87 subsection 1 sentence 2 and sentence 3 of the Stock Corporation Act (AktG)). As a result, the remuneration elements for the Board members have a multi-year assessment basis and, for the most part, are structured in such a way that the disbursement of the profit-sharing bonuses agreed in each case extends over three years, while disbursement in the two following years depends on other success targets.

The remuneration paid to the Board of Management in 2013 therefore comprised the following elements as outlined in detail below.

A fixed basic remuneration including non-cash emoluments is paid out in twelve monthly instalments and is based on each Board member's area of responsibility.

A variable element based on the company's medium and long-term development is always based on consolidated revenues and operational Group EBITDA, as well as on individual agreements on targets. The variable element is paid out following appropriation of the profit by the annual general meeting.

Amount of remuneration paid to the Board of Management in 2013

The following figures include payments promised or paid to individual Board members by ALNO AG in conjunction with their respective activities as a member of the Board of Management. Total emoluments for the Board of Management comprise the sum of all remuneration paid in cash and all non-cash benefits. The latter essentially comprise the provision of company cars.

€ 1,749 thousand (previous year: € 1,642 thousand) were expensed altogether in 2013. Of this total, the fixed element unrelated to performance accounted for € 1,372 thousand (previous year: € 1,102 thousand) and the performance-related variable element in the nature of a medium-term incentive payment accounted for € 377 thousand (previous year: € 540 thousand).

Of the total expensed in 2013, Mr. Müller received € 605 thousand (previous year: € 774 thousand), of which € 420 thousand (previous year: € 420 thousand) comprised fixed remuneration elements and € 185 thousand (previous year: € 354 thousand) comprised variable remuneration elements (of which € 266 thousand for the profit-sharing bonus in 2013 and –€ 81 thousand from the reversal of the profit-sharing bonus provision in 2012).

Ms. Demirtas received € 284 thousand (previous year: € 376 thousand), of which € 254 thousand (previous year: € 255 thousand) comprised fixed remuneration elements and € 30 thousand (previous year: € 121 thousand) comprised variable remuneration elements (of which € 40 thousand for the profit-sharing bonus in 2013 and –€ 10 thousand from the reversal of the profit-sharing bonus provision in 2012).

Mr. Bestgen (who joined the Board of Management on 1 February 2013) received € 355 thousand for 2013, of which € 282 thousand comprised fixed remuneration elements and € 73 thousand comprised variable remuneration elements.

Mr. Scholz (who joined the Board of Management on 1 May 2013) received € 294 thousand for 2013, of which € 240 thousand comprised fixed remuneration elements and € 54 thousand comprised variable remuneration elements.

Mr. Duffner received € 176 thousand (previous year € 385 thousand) in fixed remuneration elements up to his departure from the company on 31 May 2013 and € 35 thousand (previous year: € 65 thousand) in variable remuneration elements.

Substantial commitments to a member of the Board of Management following premature termination of his service

A termination payment was agreed for 2013 with the Board member Mr. Elmar Duffner in the event of premature termination of his service contract. The service contract concluded with Mr. Duffner was terminated prematurely as per 31 May 2013 at Mr. Duffner's request and a contractually agreed amount of € 917 thousand remitted in lieu of all the remuneration payable had the contract remained in force until 31 March 2015.

Lawsuit with Mr. Jörg Deisel

In the ongoing lawsuit with Mr. Jörg Deisel in conjunction with his dismissal on 6 April 2011, the Düsseldorf Higher Regional Court made a "provisional judgement" on 20 December 2012 in proceedings restricted to documentary evidence (reference: 32 O 86/11), awarding him € 1,654 thousand in total for the period from 6 April 2011 to 31 December 2012. Of this, € 1,246 thousand was paid to Mr. Deisel in January 2013. A portion amounting to € 408 had already been paid to Mr. Deisel in June 2012 as the result of a judgement of the court of first instance. Of the amounted paid in January 2013, € 515 thousand was for fixed remuneration, € 196 thousand for variable remuneration, € 500 for retirement benefits and € 35 for interest claims. No remuneration elements were paid to Mr. Deisel in the financial year 2013 beyond that. The payments are subject to what is referred to as subsequent hearings before the Regional Court of Düsseldorf, as a result of which all amounted were disbursed in exchange for a security (bank guarantee).

On 9 January 2014, the Regional Court of Düsseldorf announced two judgements in the course of subsequent hearings for the proceedings restricted to documentary evidence and for the first time also in what is referred to as the declaratory process (reference: 32 O 88/11): in both the judgements by the court of first instance, the applications by Mr. Deisel were upheld and the plaintiff was awarded a further € 1,122 thousand in total, plus interest. In the subsequent hearing for the period from 1 January to 30 September 2013, € 319 thousand of this is for fixed remunerations and € 310 thousand for retirement benefits. In addition, Mr. Deisel was awarded variable remuneration elements for the financial year 2010 amounting to € 493 thousand, in each case plus interest. These awarded amounts have not been paid yet.

Neither of the judgements is legally binding, and the Supervisory Board and the Board of Management of ALNO AG remain of the opinion that the likelihood of success in both proceedings is greater than 50%, as a result of which no reserve was formed as at the balance sheet date on 31 December 2013. On 14 February 2014, the Supervisory Board of ALNO AG lodged an appeal with the Düsseldorf Higher Regional Court against both first-instance judgements of 9 January 2014.

In the event of failure, the maximum risk to which ALNO AG is exposed based on the current claim by Mr. Deisel amounts to € 1,122 plus interest and court costs (claim period up to 30 September 2013).

Remuneration of former members of the Board of Management of ALNO AG and their surviving dependants

Emoluments paid to former members of the Board of Management of ALNO AG and their surviving dependants totalled € 557 thousand in the financial year.

Provisions for pension commitments for former members of the Board of Management and their surviving dependants totalled € 9,018 thousand in 2013 (previous year: € 8,892 thousand).

Provision for retirement benefits

There are no pension commitments or similar retirement benefit obligations for active members of the Board of Management in 2013.

K. Companies

utilizing the exemption pursuant to Section 264 subsection 3 and Section 264 b of the German Commercial Code (HGB)

The subsidiaries Impuls Küchen GmbH, Brilon, pino Küchen GmbH, Coswig (Anhalt), Zweitmarkenholding Impuls Pino GmbH, Pfullendorf, ALNO International GmbH, Pfullendorf, Gustav Wellmann GmbH & Co. KG, Enger, and the property management company tielsa Küchen GmbH & Co. KG, Enger, have made use of the reliefs pursuant to Section 264 subsection 3 and Section 264 b of the German Commercial Code (HGB). The consolidated financial statements and Group management report are published in the electronic Federal Gazette.

L. Shareholdings

Name and head office	Share of capital in %	Currency	Equity [1] in thousands (local currency)	Profit/loss for the year [1] in thousands (local currency)
Shares held in subsidiaries				
Germany				
Impuls Küchen GmbH, Brilon	100	€	5,214	0 [2]
pino Küchen GmbH, Coswig (Anhalt)	100	€	5,205	0 [2]
Zweitmarkenholding Impuls Pino GmbH, Pfullendorf	100	€	61,072	0 [2]
Gustav Wellmann GmbH & Co. KG, Enger	100	€	–11,268	–8,858
Casawell Service GmbH, Enger	100	€	30	–1
ALNO Trading GmbH, Enger	100	€	37	0
Grundstücksverwaltungsgesellschaft tielsa Küchen GmbH & Co. KG, Enger	100	€	10	0 [3]
Wellmann Bauteile GmbH, Enger	100	€	235	–116
ALNO International GmbH, Pfullendorf	100	€	80	0 [2]
logismo Möbellogistik GmbH, Pfullendorf	100	€	414	277
Abroad				
ALNO (Schweiz) AG, Nidau/Switzerland	100	CHF	–2,804	–2,961
ALNO U.K. Ltd., Dewsbury/UK	100	GBP	5,515	586
Built-In Living Limited, Sevenoaks/UK	100	GBP	392	36
Built-In Kitchen Limited, Sevenoaks/UK	100	GBP	162	0
ALNO USA Corporation, New York/USA	100	USD	–1,567	–943
ALNO Manhattan LLC, New York/USA [4]	100	USD	0	0
ALNO Middle East FZCO, Dubai/UAE	85	AED	5,495	–1,945
A'Flair Habitat, Haguenau/France [4]	100	€	6	8
Interests in associated companies				
ALNO China Holding Limited, Hong Kong/ People's Republic of China [5]	45	€	4,449	–1,538
tielsa GmbH, Pfullendorf	49	€	–1,478	–2,028

[1] Values for companies in Germany according to national code (trade balance I). Values for foreign companies according to IFRS code, unless indicated otherwise.
[2] After transfer of profit or acceptance of loss based on the profit/loss transfer agreement with ALNO AG.
[3] After distribution of profits to the investors.
[4] Company is not included in the consolidated financial statements.
[5] The figures are from the sub-group financial statements as at 31 December 2013. The company holds 100% of the shares in the as yet dormant companies Wellmann China Company Ltd., British Virgin Islands, Impuls China Company Ltd., British Virgin Islands as well as Pino China Company Ltd., British Virgin Islands.

M. Auditors' fees

The following fees were expensed for the auditors of the consolidated financial statements:

in € 000	2013	2012
Audit of financial statements	360	407
Other consulting services	178	368
Tax consulting services	91	166
Other services	137	5
TOTAL	**766**	**946**

The item Audit of financial statements encompasses fees for the statutory final audit of the separate and consolidated financial statements of ALNO AG as at 31 December 2013 amounting to € 345 thousand as well as additional charges for auditing the separate and consolidated financial statements of ALNO AG as at 31 December 2012 amounting to € 15 thousand.

In the previous year, this item also included a component for checking the report on controlled companies in accordance with Section 313 of the Stock Corporation Act (AktG) for the period 1 to 30 January 2012 in the total amount of € 385 thousand, as well as additional charges for auditing the separate and consolidated financial statements of ALNO AG as at 31 December 2011 in the amount of € 22 thousand.

The "Other consulting services" comprise expenses associated with preparing a comfort letter in conjunction with the bond issued in early 2013.

In the previous year, the "Other consulting services" essentially comprised expenses associated with preparing a comfort letter in conjunction with the capital increase undertaken in November 2012.

Tax consulting costs comprise the fees charged for ongoing tax consulting activities.

The "Other services" essentially comprise expenses associated with due diligence procedures and the like in preparation for the acquisition of AFG Küchen AG.

N. Events after the balance sheet date

Takeover of AFG Küchen AG

ALNO AG took over 100% of the shares in AFG Küchen AG, Arbon, Switzerland, from AFG Arbonia-Forster-Holding AG, Switzerland, backdated to 1 January 2014. The company is the market leader in Switzerland. AFG Küchen AG owns the two brands, Piatti and Forster Schweizer Stahlküchen. AFG Küchen AG produces wood and steel kitchens for private use and for project business with both its brands Piatti and Forster Schweizer Stahlküchen. The company currently employs about 500 people and is the leader in the Swiss kitchen market by a wide margin. As a result, ALNO AG has secured the leading position in a stable environment with a high price level, which is one of the fastest growing markets in Europe with an annual increase in excess of 3%. As a result of efficiency programmes embarked upon at Piatti and Forster Schweizer Stahlküchen at the end of 2012 as well as the purchasing advantages resulting from the merger, ALNO AG is expecting significant synergy effects to come into play from 2015 onwards. The contract was signed on 17 January 2014, closing took place on 25 March 2014. The acquisition was financed by approved loans from Swiss banks and through the issue of a convertible bond as part of a placement with qualified investors on 20 March 2014.

Judgement of the Regional Court of Düsseldorf in the legal dispute with the former Chief Executive Officer Jörg Deisel

On 9 January 2014, the Regional Court of Düsseldorf announced two judgements in the course of subsequent hearings for the proceedings restricted to documentary evidence and for the first time also in what is referred to as the declaratory process (reference: 32 O 88/11): in both the judgements by the court of first instance, the applications by Mr. Deisel were upheld and the plaintiff was awarded a further € 1,122 thousand in total, plus interest. In the subsequent hearings for the period from 1 January to 30 September, € 319 thousand of this is for fixed remunerations and € 310 thousand for retirement benefits. In addition, Mr. Deisel was awarded variable remuneration elements for the financial year 2010 amounting to € 493 thousand, in each case plus interest.

Neither of the judgements is legally binding, and the Supervisory Board and the Board of Management of ALNO AG remain of the opinion that the likelihood of success in both proceedings is greater than 50%, as a result of which no reserve was formed as at the balance sheet date on 31 December 2013. On 14 February 2014, the Supervisory Board of ALNO AG lodged an appeal with the Düsseldorf Higher Regional Court against both first-instance judgements of 9 January 2014.

In the event of failure, the maximum risk to which ALNO AG is exposed based on the current claim by Mr. Deisel amounts to € 1,122 plus interest and court costs (claim period up to 30 September 2013).

Shareholder loans

The loan granted to the ALNO Group by Bauknecht Hausgeräte GmbH by converting due trade payables in the total amount of € 30,000 thousand has been reported as current in the amount of € 10,000 thousand as at the balance sheet date on 31 December 2013, because this tranche would be due in September 2014. As a supplement to the loan agreement dated March 2014, it was agreed that the € 10,000 thousand would only be due in September 2015, if arranging additional funding from banks proved to be delayed. The term of the remaining € 20,000 thousand remains unchanged at 2017.

The loans granted to the ALNO Group by Comco Holding AG, Nidau, Switzerland, amounting to € 8,525 thousand in total had a remaining term of less than one year as at the balance sheet date on 31 December 2013. Part of the loans was granted by converting existing liabilities. As a supplement to the loan agreement dated March 2014, it was agreed that the originally intended repayment in April 2014 will be postponed by one year to April 2015, if arranging additional funding from banks proved to be delayed.

Insolvency of Wellmann Bauteile GmbH

In the course of the wide-ranging organisational, structural and strategic measures started in 2013, Gustav Wellmann GmbH & Co. KG, the parent company of Wellmann Bauteile GmbH, decided to concentrate production of accessories at the Group's own locations in Enger and Pfullendorf in future. These locations were already covering well above 90% of accessory production, and have corresponding capacities. This change has no effects on the customers of Gustav Wellmann GmbH & Co. KG. Once the production orders had been placed with other locations, Wellmann Bauteile GmbH at its Bad Salzuflen location no longer had any orders, because Gustav Wellmann GmbH & Co. was its only customer. As a result, the Board of Management decided to close the Bad Salzuflen location.

The employer offered a package of measures including establishing a transfer company with a term of up to eight months and an extensive training budget associated with this, as well as professional support in finding new jobs. On 13 February 2014, Wellmann Bauteile GmbH, Bad Salzuflen, applied to the District Court of Bielefeld for insolvency proceedings to be instigated as there was no realistic economic prospect of continuing the business as a going concern, and no agreement had been reached with the works council regarding a social plan.

Convertible bond 2014

On 20 March 2014, ALNO AG issued a compulsory convertible bond amounting to € 14,000 thousand for financing the acquisition of AFG Küchen AG. The compulsory convertible bonds with a denomination of € 1000 were subscribed by a limited number of qualified investors.

The compulsory convertible bond has a term of five years and an interest rate of 8% p.a.; the conversion price per share is € 2.00. The holders of the compulsory convertible bonds are obliged to convert if the ALNO share price exceeds the conversion price of € 2.00 by 20% on 15 consecutive trading days. In the event of compulsory conversion at a price of € 2.40, the convertible bonds will have to be converted into up to 7 million ordinary shares in ALNO AG (corresponding to 9.986% of the company's current share capital), excluding the subscription right.

On subscribing to a compulsory convertible bond with the nominal value of € 1000, each investor will also receive the right to acquire a warrant free of charge entitling them to purchase 350 ALNO shares. ALNO AG has issued 14,000 warrants, representing the entitlement to purchase a total of 4.9 million shares in the company. The shares are irrevocably issued by a trustee from the portfolio of ALNO shares held by Nordic Kitchen Holding AG, Zug, Switzerland. Two versions of the warrants have been offered: Warrant A grants the entitlement to purchase 350 ALNO shares with a strike price of € 367.50, and has a term up to 30 June 2015. Warrant B grants the entitlement to purchase 350 ALNO shares with a strike price of € 455.00, and has a term of up to 30 June 2017. The associated issuing bank is Close Brothers Seydler Bank AG, which will also undertake the trustee function in the event that option rights are exercised. The option handling and paying office function is undertaken by Bankhaus Neelmeyer, Bremen.

Not only the compulsory convertible bonds but also the warrants were placed on the open market of Deutsche Börse AG (regulated unofficial market of the Frankfurt Stock Exchange) on 24 March 2014.

Other financing activities

As another tranche of the acquisition finance for AFG Küchen AG, two Swiss banks provided loans in March 2014 amounting to CHF 31.0 million, as well as providing the purchased company with a factoring line amounting to CHF 4.0 million.

In order to cover any possible liquidity shortage arising during the summer months of 2014, Comco Holding AG, Nidau, Switzerland, has undertaken to provide ALNO AG with additional funding up to the amount of € 8.0 million for the period from 1 June to 30 September 2014 should there be a delay in arranging additional funding from financial institutions.

Development of sales and new orders January to February 2014

During the first two months of 2014, incoming orders in thousands of euros recorded in the ALNO Group were 6% up compared to the previous year. However, incoming orders as at February 2014 are slightly below plan, at 5% throughout the Group. The below-plan performance is affecting the domestic market above all; exports on the other hand are on schedule, thereby confirming the aimed-for growth abroad. During the first two months of 2014, this meant net sales revenues were running at the level of the previous year, although 4% below plan. However, the Board of Management confidently expects that the planned sales and revenue targets for the 2014 business year will be achieved.

Going concern

Operationally, the corporate strategy of ALNO AG involves pursuing the structural improvement of the organisation and more efficient market development. For this purpose, ALNO AG will be investing much more in IT, machinery and marketing than in previous years. ALNO AG is planning to meet the financing required due to these investments and other operational topics amounting to € 10.0 million by means of new bank financing.

ALNO as a going concern is significantly dependent on the aforementioned new bank finance amounting to € 10.0 million being made available in full and on schedule, as well as continuation of a stringent liquidity management policy. In order to cover the liquidity shortfall that will otherwise arise in the summer months of 2014 in the ALNO Group, Comco Holding AG, Nidau, Switzerland will have to discharge its obligation to pay up to a volume of € 8.0 million, and investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to sales and revenue targets, will have to be accurate as planned.

O. Declaration of compliance pursuant to Section 161 of the Stock Corporation Act (AktG)

The declaration of compliance with the recommendations of the “Government Commission on the German Corporate Governance Code” and Section 161 of the Stock Corporation Act (AktG) was reviewed and re-issued by the Board of Management and Supervisory Board on 30 September 2013. The declaration is permanently accessible to shareholders on the company’s website and reprinted in the single-entity and group management report of ALNO AG for the financial year 2013.

In accordance with Section 3.10 of the German Corporate Governance Code, the Board of Management and Supervisory Board of ALNO AG report on the ALNO Group’s corporate governance in the annual report for the financial year ending 31 December 2013. Information on the basic principles of the system of remuneration for the Board of Management can be found in Section J. “Supervisory Board and Board of Management”.

P. Earnings per share

The earnings per share are obtained by dividing the net consolidated income accruing to the shareholders by a weighted number of issued shares. There was no diluting effect due to so-called potential shares in either the year under review or the previous year.

in € 000	2013	2012
Group profit for the period	**–10,718**	**–1,420**
Minority shares	–89	0
Number of shares in thd. (weighted average)	70,095	30,904
Earnings per share in €	**–0.15**	**–0.05**

Pfullendorf, 31 March 2014

ALNO Aktiengesellschaft

The Board of Management

Max Müller
Chief Executive Officer of ALNO AG

Ipek Demirtas
Chief Financial Officer

Manfred Scholz
Chief Operations Officer

Ralph Bestgen
Chief Sales Officer, Marketing and Product Development

Auditor's report

We have issued the following opinion on the consolidated financial statements and the Group management report, which was combined with the management report of the company:

"We have audited the consolidated financial statements prepared by ALNO Aktiengesellschaft, Pfullendorf – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and the notes – and the Group management report, which was combined with the management report of the company, for the financial year from 1 January to 31 December 2013. The company's statutory representatives are responsible for preparing the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a subsection 1 of the German Commercial Code (HGB). Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for auditing financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We are therefore required to plan and perform the audit in such a way that errors and violations significantly affecting presentation of the company's net assets, financial position and results of operations as conveyed by the consolidated financial statements in compliance with the applicable accounting standards and by the Group management report can be detected with reasonable assurance. Knowledge of the Group's business activities, its economic and legal environment and expectations in respect of possible misstatements have been taken into account when defining the audit procedures. The effectiveness of the internal control system relevant for accounting and evidence supporting the disclosures in the consolidated financial statements and Group management report is primarily assessed on the basis of spot checks during the audit. The audit also includes evaluating the annual financial statements of the companies included in the consolidated financial statements, the defined scope of consolidation, the recognition and consolidation principles applied and the main accounting estimates made by the Group's statutory representatives, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit provides a sufficiently sound basis for our evaluation.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a subsection 1 of the German Commercial Code (HGB) and give a true and fair view of the Group's net assets, financial position and results of operations. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without restricting this assessment, attention is also drawn to the information in the Group management report, which has been combined with the separate management report for the company. In the sections 'Report on events subsequent to the reporting date' and 'Forecast, risk and opportunity report', it states that continuation of the business activities of the ALNO Group presupposes that the new bank financing mentioned in the Group management report amounting to € 10.0 million, can be provided in full and in good time, and that strict liquidity management continues to apply. In order to cover the liquidity shortfall that will otherwise arise in the summer months of 2014 in the ALNO Group, Comco Holding AG, Nidau, Switzerland will have to discharge its obligation to pay up to a volume of € 8.0 million, and investments will have to be postponed or reduced. Furthermore, the assumptions made in corporate planning, particularly with regard to sales and profit targets, must also apply as planned."

Ravensburg, 31 March 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bürkle Prüsse
Auditor Auditor

Declaration by the statutory representatives of ALNO AG

IN COMPLIANCE WITH Section 297 SUBSECTION 2, SENTENCE 4 OF THE GERMAN COMMERCIAL CODE (HGB), CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS AND SINGLE-ENTITY AND GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2013:

“We confirm that, to the best of our knowledge and on the basis of the accounting standards to be applied, the consolidated financial statements convey a true and fair picture of the Group’s net assets, financial position and results of operations, and that the Group management report presents the development of business and the Group's position in such as way as to convey a true and fair picture of actual conditions, and that it sets out the essential opportunities and risks associated with the Group's probable development.”

Pfullendorf, 31 March 2014

ALNO Aktiengesellschaft

The Board of Management

Max Müller
Chief Executive Officer of ALNO AG

Demirtas

Ipek Demirtas
Chief Financial Officer

Manfred Scholz
Chief Operations Officer

Ralph Bestgen
Chief Sales Officer, Marketing and Product Development

Financial calendar 2014

Date	Event
31 March 2014	Publication of the annual financial statements 2013
8 April 2014	Publication of the financial report 2013
14 May 2014	Start of the interest term for the ALNO bond (ISIN DE000A1R1BR4)
15 May 2014	Interim report on the 1st quarter 2014
28 May 2014	Annual general meeting
29 August 2014	Half-yearly financial report 2014
14 November 2014	Interim report on the 3rd quarter 2014

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