ANNUAL REPORT 2013

→ KEY GROUP FIGURES

(€ million)	2013	2012	2011	2010 (restated)	2009	2008
Revenues	25.9	27.1	26.3	20.7	19.4	21.4
EBIT	-5.8	0.8	-1.3	-1.5	-3.8	-0.5
EBITDA	-3.5	2.0	1.0	0.6	-1.4	1.4
Earnings per share	-1.16	0.10	-0.30	-0.29	-0.71	-0.12
Operational Cashflow	-0.3	0.2	1.7	-0.2	-0.8	1.9
Equity ratio (in %)	42	60	60	56	58	70

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Dear Shareholders,

Alphaform AG has had a very disappointing financial year. After turning the company around in 2012 and getting back into the black, we made it our stated aim for 2013 to better the previous year's figures. Unfortunately, we were unable to do this. Instead, we suffered both a decline in revenue and a slump in earnings. This led to Alphaform reporting a loss for 2013 of € 6.2 million, € 2.9 million of which relating to operating activities and € 3.3 million to non-recurring accounting effects.

There were two main reasons for the poor performance: Firstly, our medical technology subsidiary MediMet had considerable management problems. On a cautious market, these had a direct impact on sales and caused orders to dry up. Secondly, some aspects of production in our core business, 3D printing, were overly expensive. It was seen here that we were often able to meet the sharp rise in customer requirements – particularly in terms of delivery times – with only limited use of machinery. This led to increases in materials and labour costs, and is a direct consequence of our investment restraint in recent years and the rapid technical progress in our industry.

Our performance was additionally held back by the fact that developments on the medical technology market were highly conservative, and the automotive segment was dominated by strong price pressure owing to the state of the economy in the first half of the year.

In 2013, we recognised extensive non-recurring, non-cash impairment losses in both business areas; in MediMet as a result of the correction of the carrying amount in particular and, in core business, as a result of the reassessment of the technological standing of equipment and inventories.

We responded to this poor development with a reorientation of our company. This includes significant corrective action, such as the optimisation of operating processes, the replacement of machinery, reaching out to new target groups and, in association with this, expanding sales activities to increase revenue. In addition, we will broaden our in-house engineering expertise to leverage growth opportunities in 3D printing.

Specifically, we will establish a broader positioning than in the past, especially in 3D printing and 3D laser sintering. There is no question that we have the technical expertise needed for this, which is why responsibility falls above all to sales. Accordingly, we will be expanding this department. We will also start with sales in particular at MediMet. We have already implemented some of the planned measures. The success of these can also already be clearly seen in incoming orders.

Part of the new strategy is also our joint venture Artshapes, which went live in December and which sells art we produce on the Internet. Artshapes is, above all, a test for us to see how much we can utilise the Internet as an additional sales channel for our services. We then intend to implement further web applications on the basis of the lessons learned here.

And finally, we will be increasing our management capacity. We are delighted to report that we have already recruited Dr. Hanns-Dieter Aberle, a highly experienced expert in lasers, as an operational consultant. Dr. Aberle has been working in industrial manufacturing using laser systems and in the world of 3D printing for many years. He will mainly be assisting the optimisation of processes in sales and at the plants, including all interfaces.

These measures do not mean that we are questioning our past business model. Our strategy is still right. However, we are adding to it and expanding it to give Alphaform a broader base. And we are not just responding to our difficulties by making cutbacks, rather we are also spending money to invest in the future.

In the medium term, 3D printing – and this is a belief held not just by us at Alphaform but by many independent experts as well – will be one of the major growth markets of the future. Accordingly, we also see Alphaform as a high-growth enterprise, with all the risks and opportunities such companies entail.

That our investors and creditors trust in this is shown by both the rise in the price of our shares by around 60% in the past year and the capital measures that we successfully implemented in February 2014. Baden-Württembergische Versorgungsanstalt für Ärzte invested in Alphaform as part of our 10% capital increase. This capital increase generated proceeds of € 1.8 million. Parallel to this, our original anchor shareholders provided us with a loan of € 1.5 million. Alphaform therefore now has € 3.3 million in fresh funding at its disposal.

We are confident that we can use this to put Alphaform on the right track. At the same time, we have to understand that the measures connected with the reorientation will first cost money. So while we are assuming that Alphaform will perform significantly better in 2014 than in 2013, we do not expect to pull out of the red. It is also certain that these measures will not be a one-off. We are facing a continuous process of change and improvement that will require substantial investment moving ahead as well. When we want to leverage the growth potential of our business areas, we will procure further capital.

We will take efforts to achieve a significant operating improvement in 2014, thereby validating the trust that our shareholders have in us.

Regards,

Dr. Thomas Vetter
Chairman of the Management Board

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board monitored and advised the Management Board in the 2013 financial year and performed the duties required of it in accordance with the law and the Articles of Association. In addition, it was directly involved in all decisions of fundamental importance to the Alphaform Group. The Management Board also informed the Supervisory Board of the ongoing activities of the Group at all times in written and verbal reports outside its meetings. In addition to the latest financial and order details for the Group, the detailed monthly reports also covered the current earnings situation of the individual Group companies and a rolling estimate for the year as a whole. The Supervisory Board was regularly informed on the status of the implementation of the resolved strategy, planning, business performance, the risk situation and risk management.

There were five meetings of the Supervisory Board in the 2013 financial year on 26 March 2013, 6 June 2013, 23 July 2013, 1 October 2013 and 13 December 2013. The meeting on 26 March 2013 dealt mainly with activities in connection with the 2012 annual financial statements. The extraordinary meeting on 23 July 2013 focused on the strategy of the company and the Group. The meetings focused on the current position of the company and the general development of the market. Other topics such as the organisation of the company, long-term remuneration systems, the new provisions of the German Corporate Governance Code and individual transactions were reviewed and discussed in detail. In its meeting on 1 October, the Supervisory Board dealt with measures for the accelerated implementation of strategy and possible changes to the strategic direction of the company. All members of the Supervisory Board took place in all its meetings in the 2013 financial year.

In addition, the Chairman of the Supervisory Board, Mr. Matti Paasila, held monthly talks with the Management Board. These meetings included intensive discussion of deviations in business performance from planning and as against the previous year based on the monthly reports, and the discussion of aspects of the future orientation of the Group. The main subjects were:

- organisation and restructuring measures at MediMet
- improving productivity
- analysis of the cost structure of 3D printing business and measures for improvement
- reviewing new emerging markets with a view to profitable growth
- reviewing the strategy and medium-term planning of the Alphaform Group for further discussion of the strategic options available within the Supervisory Board
- prioritising measures to increase the profitability of the company's two core business areas
- reviewing and developing the risk recognition and monitoring system set up
- advising the Management Board with additional external consulting mandates on the accelerated implementation of strategy.

Corporate Governance Code

As in past years, the recommendations and proposals of the German Corporate Governance Code were discussed in detail by the Management Board and Supervisory Board, with both bodies declaring that the recommendations as currently amended were largely complied with in the past and will also be complied with in future – since the publication of the current version on 13 May 2013 that came into effect on 10 June 2013. For further details, please refer to the separate corporate governance report of the Management Board and Supervisory Board.

The auditor submitted a declaration of independence to the Supervisory Board as required by item 7.2.1 of the German Corporate Governance Code and disclosed to the Supervisory Board its auditing and consulting fees for the respective financial year.

Annual and consolidated financial statements and other disclosures

The annual financial statements as at 31 December 2013 of Alphaform AG, the consolidated financial statements as at 31 December 2013 prepared in accordance with International Accounting Standards and the exemption regulation of section 292 of the Handelsgesetzbuch (HGB – German Commercial Code) and the combined management report of Alphaform AG and the Group were audited by Häckl Schmidt Lichtenstern GmbH, Wirtschaftsprüfungsgesellschaft, Munich, and issued with an unqualified audit opinion.

The auditor's reports on the audit of the annual financial statements of Alphaform AG and consolidated financial statements were made available to all members of the Supervisory Board in good time prior to the accounts meeting and were discussed in detail in the presence of the auditor at the meeting held on 25 March 2014. The auditor reported on the key findings of his audit and was available to the Supervisory Board to answer questions and provide additional information. In this meeting the Management Board also reported on the scope, focus and costs of the audit, the progress in transactions and profitability, namely the return on equity. We raised no objections based on the findings of our own audit and therefore concur with the audit's findings. The Supervisory Board endorsed the annual and consolidated financial statements prepared by the Management Board. The financial statements have therefore been adopted in accordance with section 172 of the Aktiengesetz (AktG – German Stock Corporation Act).

The Supervisory Board and the Management Board also discussed the respective quarterly reports for the 2013 financial year in detail in accordance with item 7.1.1 of the Code prior to their publication.

In accordance with section 317(4) HGB, the auditor performed a review and concluded that the Management Board has established a monitoring system that meets the legal requirements for the early detection of risks that jeopardise the future of the company as a going concern and that the Management Board has taken appropriate measures to identify developments early on and to avert risks.

Members of the Supervisory Board/personnel information

There were no changes in the members of the Supervisory Board in the past financial year. The terms for dissolving the contract with the former CFO were agreed by mutual consent in the 2013 reporting year.

The Supervisory Board would like to thank the Management Board and all the employees of the Alphaform Group for their hard work and commitment in the challenging 2013 financial year. In addition, the Supervisory Board would like to express its gratitude to Alphaform AG's shareholders for the trust they have placed in the company.

Feldkirchen, March 2014

Matti Paasila
Chairman of the Supervisory Board

New optimism after a disappointing year

Interview with Alphaform's CEO Dr. Thomas Vetter and the Head of Operations Dr. Hanns-Dieter Aberle

Mr. Vetter, Alphaform performed less well in 2013 than planned and reported a significant loss rather than the profit anticipated at the start of the year. What was the reason for this?

Vetter: One factor that contributed to this considerably was that the performance of our subsidiary MediMet was worse than expected. We were also dealing with various problems in our core business. Above all, we had difficulties with the technical positioning.

MediMet has already fallen short of expectation in previous years. So you carried out substantial restructuring measures and optimised processes. Did these measures have no effect?

Vetter: Yes, they had an effect. We mainly optimised processes and now have a fully computer-controlled production process at MediMet. We no longer have the "manual" processes that we used to, so we also no longer have the considerable inefficiencies that were associated with them.

So what were the reasons for the problems?

Vetter: The problems were mainly at the management level. MediMet's founder withdrew from operating activities in 2012. It had been agreed that way and we had taken this into account in our personnel planning. Unfortunately, since the founder left we feel that we have not yet found the right management personality. This affected sales in particular and unsettled our customers – and in turn this led to a slump in orders. If there's a drop in orders then we can't run the factory at full capacity – even the best processes can't help you there. Internally, the new management also did not advance processes and workflows as we had expected. We responded to this in the summer of 2013 with a change in management and also initiated further measures in sales especially.

Were these the only problems that MediMet was dealing with?

Vetter: At the very least we believe it was the main problem. The market for medical implants in which MediMet operates was also highly restrained in 2013. To our knowledge competitors also had problems, but we know that customers shifted product orders to competitors on account of the issues described. Certainty and trust now play such a big role in medical technology that customers react very sensitively to nerves.

Aberle: MediMet's sales are very much influenced by its management. That's why the poor leadership of the company had a direct impact on its sales. That was the real reason for the drop in orders. The fact that the market was a little more restrained further exacerbated this effect.

Why didn't you respond to the slump in orders with more extensive personnel measures?

Vetter: We were basically faced with the question of do we hold on or do we let people go, running the risk of not being able to process orders when the market picks up again. In actual fact, we were on the verge of an extensive restructuring and changing the factory over to single-shift operations at the end of autumn. But then we didn't have to go through with it as orders recovered literally at the last minute.

Aberle: We were really on the razor's edge. But that's off the table now, and MediMet is on the mend. The measures that we initiated at the start of the second half of the year, especially in sales, have been taking effect since the fourth quarter. At the very least we are pleased with the company's current development.

Dr. Hanns-Dieter Aberle

Dr. Thomas Vetter

You said that there were also problems in your core business. What were they?

Vetter: To reduce them to a common denominator, they were technical issues. Massive progress has been made in 3D printing. For years we have been offering our customers a very high standard of quality in the products we produce. However, our customers' requirements have been rising all the time recently. This mainly relates to the ever shorter response speeds and delivery times they expect. Precisely this has become a substantial problem for us as it had a direct impact on our production workflows and so we had to run our machinery at past peak cost efficiency more frequently than in the past. In real terms, this meant higher machinery costs, significantly higher consumption of materials and higher staff costs in some cases as well. This had a huge bearing on our results.

How do you intend to solve this problem? You have to expect customer demands to continue to rise.

Vetter: The experience of the past year has clearly shown that we have invested too little in new machinery recently. So we will be greatly modernising our equipment.

Over the past year you also named price pressure in the automotive sector as a reason for the worse results.

Vetter: Price pressure was mainly an issue in the first half of the year on account of the developments in the economy. At the end of 2012 Germany's economy was in decline, which continued in the first quarter of 2013. We noticed that in our prices. But the market broadly picked up again in the second half of the year because the economy found its footing again. That reduced price pressure significantly. But there is one exception: we had concluded master agreements with major customers in 2012. These run for around two years. Considerable price concessions were necessary. Naturally these agreements still apply.

Alphaform did not just post a loss of earnings but significantly lower revenue as well. How do you rate this revenue performance?

Vetter: Revenue performance was quite simply disappointing. This was primarily due to the business developments at MediMet. We suffered a substantial loss of revenue here on account of the circumstances that have already been described. Moreover, revenue in 3D printing did not rise by as much as we had expected. In part this was because of price concessions, but it was also largely to do with our technical positioning.

Last year you had identified medical laser sintering above all as a growth market for Alphaform's future. What was the development like in this area where your subsidiary Alphaform CLAHO operates?

Vetter: We used a new metal laser sintering machine for the first time at Alphaform CLAHO in 2013. What we expected from this machine and the technology was roughly accurate. This is also true of the contribution to earnings. However, we had assumed that we would receive a first series order for laser sintering for medical technology implants in the course of the second half of the year. That was not the case. We are working flat out to get the series orders, and are assuming that we will be successful. But the admissions hurdles and validation requirements for medical technology laser sintering series orders are higher than expected. We will make faster progress in other market segments where possible.

What other areas do you mean?

Aberle: We are in the process of sounding out markets and have not yet conclusively quantified our additional segments. But in future Alphaform CLAHO will be focusing on industrial areas requiring lightweight construction in addition to medical technology. We are thinking of industry and aerospace applications, for instance.

But you still consider laser sintering for medical technology to be a growth market?

Aberle: Yes, absolutely, it is a future market. But we need to sit tight here just because of the very long registration periods. Which is why we intend to and will expand into additional business areas where we can tap growth potential in the short to medium term.

Is Artshapes one of these future markets as well? At the end of 2013 you launched this art website so that customers can buy high-priced sculptures printed by Alphaform.

Vetter: We currently have two main objectives with Artshapes. Firstly, we can demonstrate our strengths in high-quality production in the high end art segment. This is by all means a future market. But, above all, Artshapes is a way for us to test the extent to which online shops offer additional sales potential. ps zusätzliche Absatzpotenziale eröffnet.

Aberle: In Artshapes we have created the infrastructure to be able to use the Internet as a sales channel. There is without a doubt a lot of growth potential for 3D printed items here. What matters to us at the moment is learning how the market reacts and develops. Building on this, I can imagine that we will move into further segments, such as industrial design, model making or architecture.

Alphaform has announced a reorientation of the Group for 2014. What specifically does that mean?

Aberle: The reorientation is built on three pillars. Firstly, we are expanding our target groups. Secondly we will expand our technology and thirdly our sales channels. I just described how we will be expanding our target groups taking Alphaform CLAHO as an example. And this applies not just to Alphaform CLAHO, but to our core business as well. At the moment we are mainly at home in the automotive sector for 3D printing. We know this market. There are also a lot of plastics applications in aviation; we're thinking plastic components needed in relatively small quantities for which 3D printing is the ideal production technology. We want to get into that.

Vetter: We have already stepped up our sales activities in recent months so as to reach the new target groups and tap the new segments. We are also still planning further measures. And technologically we will be focusing on where Alphaform began, 3D printing, and expanding this. Moving on from prototyping we also want to better exploit the opportunities afforded by 3D printing in direct parts manufacturing. The key concept here is small series production or industrial manufacturing. We expect the general technical development to aid us in this. According to the latest studies, the production costs of 3D printed components will fall by between 60% and 70% over the next ten years. So we are constantly and gradually getting more competitive in industrial production as well.

Aberle: We are not just broadening our sales activities, we are also deliberately expanding our second level management capacity so as to be able to implement our new strategy. In the past we just didn't have the people to do this.

Shouldn't you be downsizing given the state of the company?

Aberle: No. That's a clear message. We're not downsizing, in fact we are recruiting instead.

Alphaform carried out a capital increase in February 2014, and secured a loan from its core shareholders. This brought you € 3.3 million. That should make it easier to implement the new strategy.

Vetter: There can be no doubt that the new funding is a key requirement for implementing our new strategy. Our problems have shown that we need to invest significantly in order to be able to achieve our goals and crucially improve our competitive capability. And you just can't do that without the right money. The fact that our investors have given us € 3.3 million shows that our reorientation has them convinced. They have sent a clear signal as well.

Is it enough to put your plans into action?

Vetter: What matters most at the moment is that we achieve our projected figures for 2014, thereby justifying the confidence that our major shareholders – and our smaller shareholders – have shown in our company. That's our top priority after the disappointing previous year. When we have delivered that we will certainly have to talk about further capital measures, and we will do that. In the final analysis, Alphaform is a company operating on a growth market with a great deal of potential. If we want to have a chance of utilising this potential in the long term, we will have to invest significantly larger sums than we have at our disposal now.

Aberle: Based on our planning, Alphaform is sufficiently financed for the whole of 2014. I am confident that we will be able to achieve our projected figures. Then at the end of the year, based on this, we will also have to talk about more extensive capital measures to be able to implement our strategy.

What exactly does that mean?

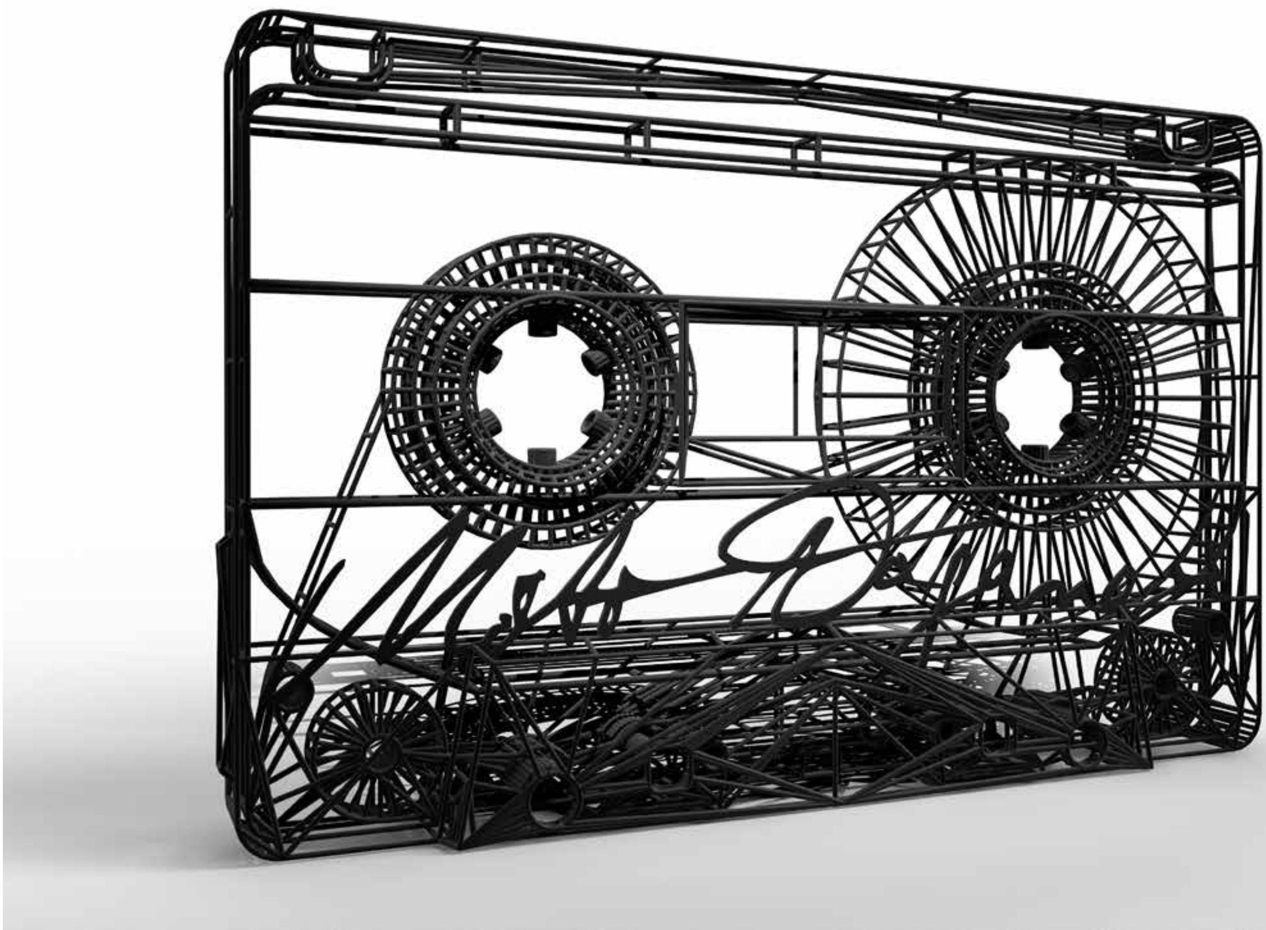
Vetter: We will probably need at least € 10 million in the next two years. These figures have already been printed in the press. We now have a little more than the first € 3 million of this.

And the rest of the money?

Vetter: I can imagine a capital increase with preemption rights for all shareholders for some of it. After all, we haven't used the stock market for more financing for the company for more than a decade. More of it could then come from loans.

So what are your business forecasts for 2014?

Vetter: We will definitely significantly improve our figures compared to 2013, for both revenue and earnings. However, we do not expect to return to positive territory in 2014. Because the restructuring expenses will cost money first. If the restructuring has the planned effect and there are no outside factors that we cannot influence, we should deliver a decent profit again in the medium term – so from 2015.



The many benefits of 3D printing

US President Barack Obama has not necessarily seemed like a pioneer of technology in the past. But he is one of the people whose words carry weight. His State of the Union address at the start of 2013 drew even more attention, in which he explicitly described 3D printing as a revolutionary technology key to the future growth of the American economy. The fact that the US government went on to announce the establishment of several research institutes in the 3D segment has also been met with a broad response beyond the industry. Since then the subject has also increasingly been covered by major non-specialist media in Germany, such as Spiegel or FAZ. As a result, 3D printing is slowly but surely trickling through to the public consciousness. In addition to a basic explanation of what 3D printing can already do and what will be possible in the future, the discussion is also about the big picture – so mainly the question of whether this technology will really lead to a third industrial revolution, as some are claiming.

"We will really only be able to judge that a few decades from now," emphasises Thomas Vetter, CEO of Alphaform. "But there is definitely enormous potential in 3D printing, even if the market is still relatively small at this time." Experts estimate the total global market volume at around € 1.7 million in 2012. Meanwhile, the field is highly fragmented and characterised by SMEs. Alphaform is therefore one of the big players in Europe. Its market share in Europe is estimated at around 7%.

In a report by US investment bank Morgan Stanley, analysts forecast that the world market volume could rise to USD 9 billion by 2020, and therefore by 20% per year. These are deliberately conservative estimates, and the analysts state that in their opinion the technology will not fundamentally change the processes of industrial production. "We don't see 3-D printing as an industrial game changer," they write. Nonetheless, they also describe a more optimistic scenario in their study. If this is accurate, the volume of the 3D market could soar to USD 21 billion by 2020.

In any case, the advantages of additive manufacturing processes, commonly referred to as 3D printing, compared to conventional methods are obvious. They can be summarised in five points:

- fewer steps to a finished product: while injection moulding first requires the painstaking manufacture of moulds, which also wear over time, these interim steps are skipped with additive manufacturing processes. Instead, the construction data are sent straight to production – the 3D printer. This saves time and costs, which is why this method is already the first choice in prototyping for the automotive industry, for example.

- more complex products: Classic production techniques such as casting, milling and forging involve restrictions, some of which considerable. They can therefore only be used to make certain shapes. By contrast, 3D printing means almost no restrictions on the shape of the items being produced.

- more individual products: 3D prints come directly from a file. The data can be delivered by, for example, scanners, cameras and typically CAD programmes. If the data delivered are amended, this changes the product that comes out of the 3D printer as well. The best example for this is again the production of industrial prototypes, and medical technology implants that it will be possible to adjust individually in future. Or to put in in terms of domestic use: If you make your own drinking glasses using a 3D process, each one can be made slightly different if that's what you want.

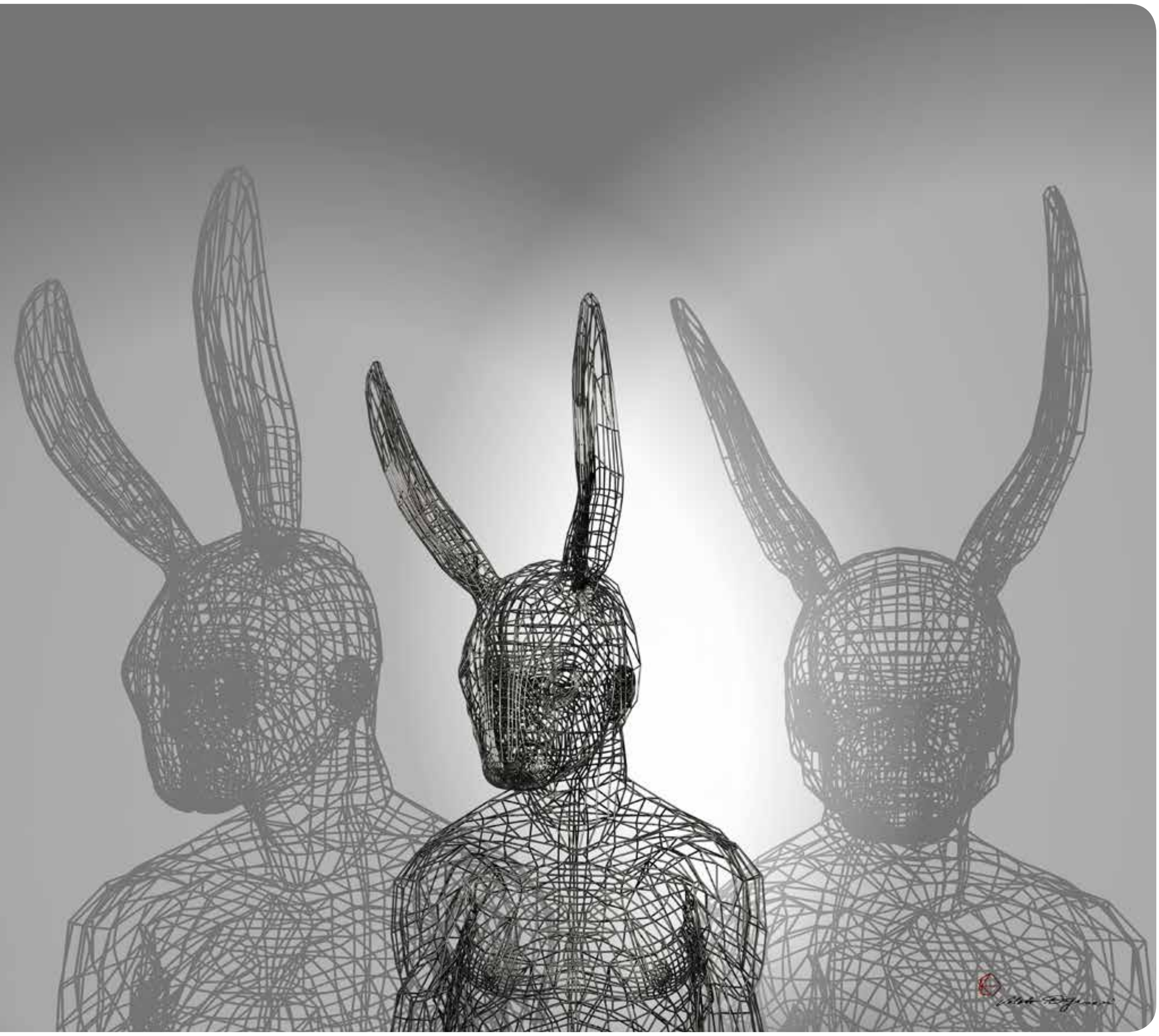
- can be printed, it will no longer be necessary to make products with large numbers of individual parts like in the past. This saves on machinery, operations and controls.

- lighter products: Another argument resulting from the fact of almost infinite shapes. Because this enables the manufacture of complex bionic structures with hollow spaces. This means maximum stability combined with minimum weight.

This last point can also mean substantial savings even on a small scale. The management consultancy Roland Berger calculated this in a study using safety belt buckles as an example. A conventional steel buckle weighs 155 grams. But if it were made using 3D printing lightweight construction and printed with titanium it would only weigh 70 grams. That doesn't sound like a lot, but it adds up. According to Roland Berger, using 3D printed buckles would reduce the weight of an Airbus A 380 with 853 economy class seats by 72.5 kg. Over the aircraft's lifetime, this would save 3.3 million litres of fuel and therefore € 2 million in costs.

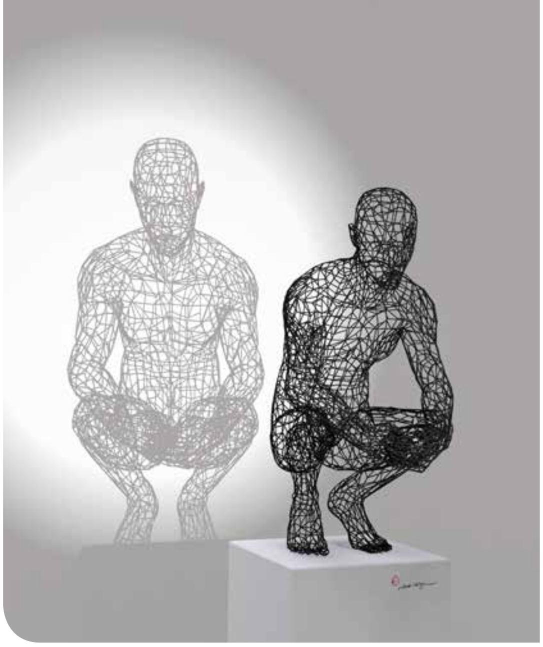
So there are plenty of arguments for 3D printing. But there are still some obstacles to its development as a mass market technology. These include, for example, production speed for larger series and the costs of machinery and materials. The combination of these factors means that 3D methods are currently not competitive for large series products, and often not for smaller series either. They are simply still too expensive. Higher levels of detail are also possible today with injection moulding. There is at least some question to whether all this will still be the case at the end of this decade. Because technological progress in additive procedures is advancing very rapidly. The costs of materials could also come down significantly by then. All this is expected to greatly improve the competitive capability of additive production methods in the coming years. And even if this still doesn't amount to a third industrial revolution, additive production methods could very well be a key to economic growth. And then Barack Obama will have been right.

Artshapes: Art and, in future, more



Many art lovers interested in modern sculpture will have heard of Moto Waganari. This is because his transparent, grid-like sculptures have a certain something: style, class and a certain "wow" effect. While that description may not sit well with some critics, it gets to the heart of the matter. If you don't know Waganari yet, you can take a close look at some of his works on the website www.artshapes.de – and even order them if you like. Since the site launched in the middle of December 2013, it has been selling sculptures by the Eschborn-based artist, who was represented at art Karlsruhe in 2014.

Artshapes is a 56:44 joint venture between Alphaform and Tiburon Unternehmensaufbau GmbH, to which both partners have contributed their expertise. The marketing and web design are handled by Ecommerce Alliance AG, whose CEO is the Tiburon shareholder Daniel Wild. As an art expert, Wild also brokers contact with artists. In turn, Alphaform is above all responsible for producing the works of art, and can bring its entire expertise as a 3D printing manufacturer to bear in this field, which even enables it to reproduce highly complex structures perfectly. If a customer orders one of Waganari's roughly 20 sculptures that can currently be found on the Artshapes website, the order is automatically sent to Alphaform and manufactured there using 3D printing. And customers can be sure that they are not buying mass-produced goods. Because all the sculptures are produced in very small numbers only.



“Our companies complement each other very well, so we decided to work together after an extensive get-to-know-you phase,” said Thomas Vetter, CEO of Alphaform, of the cooperation with Tiburon. This was preceded by extensive preparations lasting around two years, especially at a technical level, before the joint venture was officially announced in October 2013. The Artshapes website then went online around two months later.

After launching with Waganari’s works, the website added a sculpture by Jan Davidoff to its range in March 2014. Artshapes’ managing director Tobias Kupke hopes to gradually increase the number of artists represented. The 28-year-old mechanical engineering graduate joined the company at the end of October. Prior to that he had been with the rapidly expanding Internet jewellery start-up 21Diamonds as its CFO and in its marketing department. “We expect to add five to ten artists this year,” says Kupke, stating his goal.

He will have to contend with some resistance to achieve this. “Artists are very careful about how they allow themselves to be seen. For them this type of exposure on the Internet and the open communication of prices often takes some getting used to,” he says. However, Alphaform is generally used to handling production orders for artists. The company has already produced sculptures for the art market in the past. But these were then sold only through conventional channels.

Meanwhile, US firms are demonstrating the potential that generally lies in Internet sales of 3D printed objects. The market leader there recently announced that he had received more than a million print orders through his Internet shop last year. However, some critics feel that this site is more like a bric-a-brac shop full of low priced trinkets and gimmicks. Kupke is must more pragmatic about it: “While the competition has come up from the bottom, we are first trying to occupy the niche for high-quality printed items,” he says. In turn, this is more in line with Aphaform’s skills and positioning.

Nevertheless, Alphaform does not wish to focus solely on Internet sales on the art market. “Artshapes is a pilot application for us. We intend to expand into other areas based on the experience we gather here,” says Thomas Vetter in summary. Work is already underway on some of this. For example, Kupke is already speaking to designers. The production of architectural models is also a possibility.

Furthermore, Artshapes today already has a function that is forging contacts with new target groups. Because anyone who develops items with the right software can upload their data via Artshapes. In just a short time he will then get a response on whether and, if yes, at what price Alphaform can turn it into a 3D printed item. Artshapes is already fulfilling its role as an opener of doors today – doors that open in both directions. For while Alphaform is gaining access to new potential customers this way, it is also opening up the possibility for designers, artists, product developers, engineers and other interest parties to learn about high-quality 3D printing and its potential.

This potential is already substantial, and will continue to grow as the technology advances. This means that Alphaform can now apply ten professional production methods, from stereolithography to selective laser sintering. At the same time, it can offer 40 different materials from plastic to titanium and surface treatments from painting to stabilising metal plating. Anyone who wants to see what outstanding products this enables need only go to the Artshapes website and peruse Moto Waganari’s sculptures.

Alphaform Shares

Share price performance

Alphaform's shares continued the price increase of the previous year and expanded on it significantly in the 2013 financial year. They closed on Xetra at € 3.04 per share on the last trading day of the year. This marks an increase of 59.2% as against the 2012 closing price of € 1.91. And the rising trend continued in the opening months of 2014 as well. Alphaform's shares were quoted at € 3.24 on 24 March 2014, meaning further growth of 6.6% compared to the end of 2013.

Market capitalisation as at the end of 2013 was € 16.17 million after € 10.14 million at the end of the previous year. The number of shares was unchanged in 2013, with the increase in market capitalisation reflecting that in the price of shares.

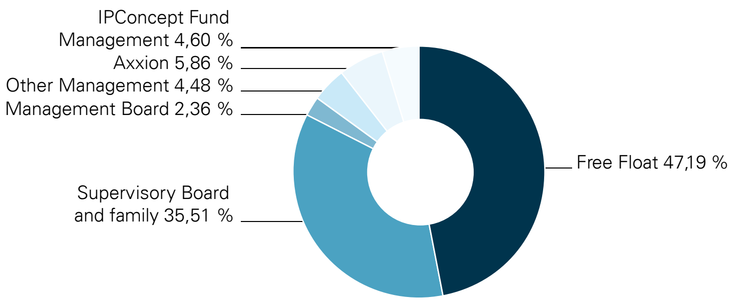
Alphaform again maintained an intensive dialogue with investors in 2013 and dedicated a high level of attention to capital market communications. For example, the Group held an Investors' Conference in Eschenlohe at the end of January 2013. Here Alphaform received both institutional investors and representatives from the financial press. In April the company was represented at the 5th Prior Capital Market Conference in Frankfurt, in November it took part in the Equity Forum, also in Frankfurt. Alphaform's dedicated capital market communications were rounded off by a large number of one-on-one talks with investors and press representatives, reporting on company events and general press relations activities. In addition to Alphaform's own activities, studies on the company by Close Brothers Seydler Research provided the capital markets with further information. Communications with the capital markets continued with undiminished intensity in the opening months of 2014, including the 2014 Investors' Conference organised by Alphaform in February at its corporate headquarters in Feldkirchen near Munich.

Price data on Alphaform shares

Closing price on last trading day in 2012	€ 1.91
Closing price on first trading day in 2013	€ 1.97
Closing price on last trading day in 2013	€ 3.04
Closing price on 24. March 2014	€ 3.24
Year low 2013 (04 April 2013)	€ 1.94
Year high 2013 (06 November 2013)	€ 3.90

Shareholder structure

Alphaform has a very balanced shareholder structure. More than a third of its shares were in family hands as at 31 December 2013, with almost 50% in free float and the remainder held by institutional investors and employees.



Price performance of Alphaform shares in 2013

Key data on Alphaform shares in 2013

Class of shares	Ordinary bearer shares
Share capital	€ 5.318.209
Number of shares outstanding	5,318,209
Market capitalisation at 31 December 2013	€ 16.17 million
Market listing	Frankfurt Stock Exchange
Trading segment	Prime Standard
Ticker symbol	ATF
ISIN	DE0005487953
WKN	584 795
First day of trading	28 June 2000
Designated Sponsor	CloseBrothersSeydler Bank AG

Corporate Governance

Corporate Governance

Corporate governance refers to the standards applied in ensuring the good, responsible management of a company. This includes the entire company. Thus, corporate governance means respecting the interests of shareholders as much as it does efficient cooperation between the Management Board and the Supervisory Board in addition to transparency in corporate communications.

International institutional investors in particular are increasingly taking companies' corporate governance into account along with their accounts when making investment decisions.

Transparency and financial disclosure

The Annual General Meeting gives shareholders the opportunity to exercise their voting rights themselves or, alternatively, through a proxy of their choice or the company representative, who exercises shareholders' voting rights as instructed. In line with regulations, Alphaform discloses information on the development of the company in its financial publications.

Internet support for shareholders

Shareholders are informed of current developments at the company by ad hoc disclosures and press releases that can be found on the Alphaform website. They are regularly informed about key dates affecting the company by a financial calendar.

Annual General Meeting

The Annual General Meeting was held in Munich on 6 June 2013. 44.83% (previous year: 42.16%) of the voting share capital was represented at the Annual General Meeting. Alphaform assisted its shareholders in granting proxies and helped them by appointing a representative to exercise voting rights in accordance with their instructions. This representative was available until the end of voting at the Annual General Meeting. All the items on the agenda were approved by the shareholders present. Alphaform published all the voting results on its website immediately after the Annual General Meeting.

Risk management

The Management Board ensures that risks are dealt with in a responsible manner at all times and keeps the Supervisory Board informed regarding existing risks and changes in these risks. This aspect of the company's corporate governance incorporates an appropriate system for managing and monitoring risk. Detailed information on opportunities and risks to the company can be found in the management report. Systematic risk management activities as part of value-oriented management enable us to identify and assess potential risks at an early stage and thus to minimise them. Opportunity and risk management is subject to constant ongoing development due to changing conditions.

Management Board and Supervisory Board

The Management Board reports to the Supervisory Board regularly, comprehensively and in a timely manner on all relevant issues relating to corporate planning and strategic development, the course of business and the financial position of the Group. Any deviations from plans and targets in the course of business are explained in detail. The company's strategic orientation is coordinated with the Supervisory Board. The Management Board is responsible for managing the company and ensuring an appropriate risk management framework within the Group.

Our objective is to further reinforce the cooperation between the Management Board and the Supervisory Board.

The members of the Management Board are subject to a non-competition clause when working for Alphaform AG. In connection with their work, Management Board members and employees must not demand or accept from third parties any payments or other advantages for themselves or any other person, or grant unreasonable advantages to third parties.

All members of the Supervisory Board have an obligation to act in the company's best interests. In making decisions, they must not pursue personal interests or take advantage of business opportunities intended for the company.

The company has taken out directors' and officers' liability insurance for the sole member of the Management Board and all officers. The deductible recommended in section 161 AktG has been in place for the Management Board since 1 July 2010.

Remuneration of the Management Board and the Supervisory Board

The Management Board's remuneration for the 2013 and 2012 financial years comprised a fixed and a variable component. The Supervisory Board's remuneration for the 2013 and 2012 financial years consisted solely of a fixed component. The total remuneration for the Management Board amounted to € 240 thousand in 2013 (previous year: € 220 thousand). The total remuneration for the Supervisory Board, not including the reimbursement of travel expenses, amounted to € 26.3 thousand in 2013 (previous year: € 26.3 thousand). The following tables show the remuneration of the Management Board and Supervisory Board in detail and for each individual member:

Management Board	Fixed remuneration		Variable remuneration		Total remuneration	
T€	2013	2012	2013	2012	2013	2012
Dr. Thomas Vetter	240	220	0	0	240	220
Total	**240**	**220**	**0**	**0**	**240**	**220**

Supervisory Board	Fixed remuneration		Variable remuneration		Total remuneration	
T€	2013	2012	2013	2012	2013	2012
Matti Paasila (Vorsitzender)	11.3	11.3	0	0	11.3	11.3
Falk Strascheg	7.5	7.5	0	0	7.5	7.5
Dr. Hans J. Langer	7.5	7.5	0	0	7.5	7.5
Total	**26.3**	**26.3**	**0.0**	**0.0**	**26.3**	**26.3**

Shareholdings of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board held the following shares in Alphaform as at the end of the 2013 financial year:

Number of shares	01.01.2013	Additions	Sales	31.12.2013	% of capital [1]
Management Board					
Dr. Thomas Vetter [2]	125,321	0	0	125,321	2.36%
Total	**125,321**	**0**	**0**	**125,321**	**2.36%**
Supervisory Board					
Falk Strascheg [3]	852,317	0	0	852,317	16.03%
Dr. Hans. J. Langer [4]	976,659	0	0	976,659	18.36%
Matti Paasila	60,000	0	0	60,000	1.13%
Total	**1,888,976**	**0**	**0**	**1,888,976**	**35.52%**
Total	**2,014,297**	**0**	**0**	**2,014,297**	**37.88%**

1) 5.318.209 shares
2) of which 53.180 shares held by Juana Parra
3) of which 433.583 shares held in Renate Strascheg Holding GmbH; of which 418.734 shares held in Falk Strascheg Holding GmbH
4) of which 976.659 shares held by LHUM Vermögensverwaltungs GmbH

No stock options were issued to the Management Board or the Supervisory Board in 2013 or 2012.

Financial reporting and auditing

Shareholders and third parties are primarily informed by the consolidated financial statements. During the financial year, they are informed of company developments in the half-year interim report and the quarterly reports. The consolidated financial statements, half-year interim report and the quarterly reports are compiled in accordance with internationally recognised financial reporting methods.

The consolidated financial statements are prepared by the Management Board and audited by the auditor and the Supervisory Board. The consolidated financial statements are published within 90 days of the end of the financial year, while the interim reports are published within 45 days of the end of the period under review.

It was agreed with the audit firm, Häckl Schmidt Lichtenstern GmbH, Wirtschaftsprüfungsgesellschaft, Munich, to issue a report on all material findings and events arising during the performance of the audit of relevance to the duties of the Supervisory Board.

Declaration of compliance with the German Corporate Governance Code

At the beginning of 2002, the Government Commission set up by the German Federal Government completed the German Corporate Governance Code. The German Corporate Governance Code consists of material statutory regulations for the management and monitoring of listed German companies and contains internationally and nationally recognized standards for corporate governance. The German Corporate Governance Code contains three different standards, namely regulations that describe current law, the recommendations of the Government Commission and suggestions of the Government Commission.

Enterprises must obey the legal regulations described in the German Corporate Governance Code under applicable law. Companies can deviate from the recommendations, but they are then required to disclose this deviation annually. Section 161 AktG stipulates that the Management Board and Supervisory Board of listed German companies must submit an annual declaration of compliance with the recommendations of the Government Commission. Companies can also deviate from the suggestions of the German Corporate Governance Code without disclosure.

Corporate governance is a matter of great importance to Alphaform. The Management Board and the Supervisory Board work together closely for the good of the company. The intensive and continuous dialogue between the two executive bodies is the basis for the efficient management of the company.

Alphaform AG intends to foster the trust of shareholders, business partners and employees through conscientious corporate governance. Alphaform AG complies with the recommendations of the German Corporate Governance Code, as amended 13 May 2013, with the following exceptions:

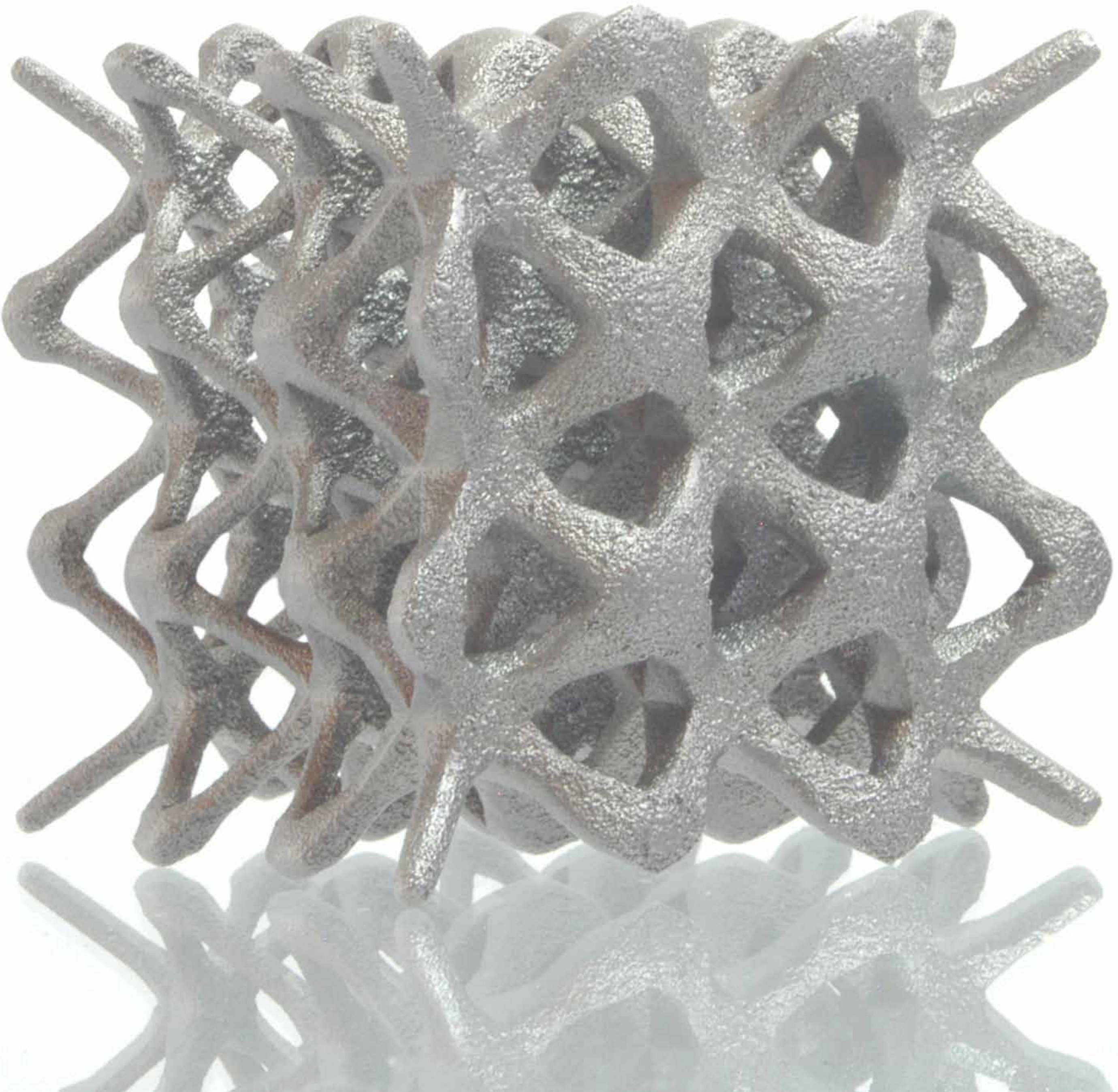
- In deviation from the recommendation of item 3.8, there is still no deductible in the D&O liability insurance policy for the Supervisory Board. The Management Board and the Supervisory Board are of the opinion that the executive body performs its duties responsibly and with the appropriate motivation and diligence even without such a deductible.

- In deviation from the recommendation of item 5.1.2, there are no fixed age limits for members of the Management Board as the Management Board and Supervisory Board do not consider this recommendation appropriate.

- In deviation from the recommendation of item 5.3, the Supervisory Board has not formed any committees (in particular, there is no Audit Committee or Nomination Committee) on account of the size of the company and the fact that the Supervisory Board itself has only three members. The Supervisory Board as a whole takes responsibility for all matters.

- In deviation from the recommendation of item 5.4.1, there are no fixed age limits for members of the Supervisory Board as the Management Board and Supervisory Board do not consider this recommendation appropriate.

- In deviation from the recommendation of item 5.4.1, the Supervisory Board (which also supports the recommendations of the Code regarding setting targets for selecting Supervisory Board candidates) has resolved to continue to make decisions concerning the members of the Board individually in each situation (considering in particular their relevant qualifications and personal suitability). The Supervisory Board prefers not to limit itself by setting concrete targets or quotas.
- In deviation from the recommendation of item 6.6, in our annual report we essentially refer to our website www.alphaform.de, where the disclosures required by law and the Code can be viewed under "Investor Relations". In the opinion of the management, publishing disclosures on the Internet, especially for directors' dealings, is more important than presenting them in the annual report. The Management Board and the Supervisory Board have therefore decided to place greater emphasis on the Internet as regards publications.



GROUP MANAGEMENT REPORT 2013

1. Business and economic conditions

Alphaform AG, founded in 1996 and based in Feldkirchen near Munich, is a manufacturing company for complex components and products produced in small batch sizes. It is one of the European market leaders in prototyping – manufacturing close-to-production prototypes – for the automotive and capital goods industries in particular. The company has a leading position in Europe in the manufacture of orthopaedic implants and instruments. Alphaform's shares are listed in the Prime Standard segment of the Frankfurt stock exchange (code: ATF).

Alphaform's core competence lies in its extensive application expertise for processes and materials for additive manufacturing of complex prototypes, tools, individual components and small series made of plastics and metals. The company's work focuses on the automotive, orthopaedic and medical technology, lightweight construction aerospace industries. Alphaform has subsidiaries in Germany, Finland, Sweden and the UK.

General business environment

In 2013 the German economy posted its weakest growth since 2009. Gross domestic product increased by only 0.4% after 0.7% in the previous year (source: German Federal Statistical Office). The situation would have been even worse without the high consumer spending. Exports climbed by only 0.6% after a rise of 3.2% in 2012. Many companies were restrained in their investments on account of uncertainty. The economy invested 2.2% less in machinery and equipment. Prospects are significantly better for 2014. The Bundesbank is forecasting a recovery with growth of 1.9%.

Prototyping activities are driven by customers' development projects. Product developers are facing growing pressure from global competition to have their products on the market first. Furthermore, new technologies and customer demands for the very latest products are shortening the product lifecycle in many industries. This is increasingly demanding the rapid availability of prototype parts in order to identify problems early on in the product design process to minimise delays.

As a result of the economic downturn in the fourth quarter of 2012 and the first quarter of 2013, demand initially cooled significantly in the opening months of the reporting year. Over the course of the first half of the year, we were forced to accept lower prices to keep our major customers, and still received project orders despite a high level of customer restraint. Demand and prices picked up again from the third quarter of 2013 and led to improved capacity utilisation of production facilities. Capacity utilisation declined again somewhat towards the end of the year as a result of seasonal effects, but was still above the average for the first half of the year.

The rising market penetration of industrial 3D printing is aiding the expansion of our customer base, and leading to actual project inquiries for series production using additive manufacturing. The Alphaform business model is increasing changing from that of a production company that exclusively manufactures one-off projects and demanding short production runs to that of a longer-term supplier of complex components for small to medium-size production batches – a transformation process entailing major challenges for the company. Nonetheless, the majority of the business volume is characterised by short lead times, especially in project-based one-off production for the automotive and consumer goods industries (prototyping). This makes planning on an individual customer basis more difficult, although not at portfolio level.

The market for medical implants and instruments is continuing to grow by a mid-single-figure percentage each year, with this growth being driven by small implants (spinal column and extremities) in particular. Demand for large implants (knee and hip joints), which are still important to Alphaform, has generally stagnated in the past two years. However, the factors driving the market in the long term – primarily demographic change in the population – are still ongoing.

The Management Board considers the business and general conditions to be conducive to the company's development.

Group development 2013

The 2013 financial year was not satisfactory for Alphaform. After roughly breaking even in the first quarter, the result of operations deteriorated significantly as the year progressed. This was mainly due to our larger production locations in Germany, while the international companies performed well overall.

The 3D printing business suffered from restraint in demand in the first half of the year and the price pressure this entailed. In addition, there were higher production costs on account of the partially outdated technological standard of the 3D printing machinery, which dates back to the founding years of the company in stereolithography. Modern facilities now offer better production times and quality, which means that we are now competing under limited, non-optimal production conditions. As a result, materials and staff productivity have fallen in the areas concerned. While demand improved again in the second half of the year, the technological challenges in production remained. Materials input therefore deteriorated significantly by more than 20% year-on-year at the Feldkirchen production location affected. There was also a sharp drop in staff productivity. The location therefore underwent a comprehensive analysis at the end of the reporting year and an extensive restructuring was initiated. This centres on an excellence programme, which includes the modernisation of equipment and the reorientation of sales in addition to optimising production processes. We have therefore decided to recognise write-downs totalling € 1.7 million in inventories for outdated technologies.

Demand declined steadily in the medical division in the first half of the year, only stabilising at a low level by the middle for the year. There was a constant rising trend in demand from the third quarter with mounting momentum towards the end of the year. Initially only Alphaform CLAHO benefited from this, where overall performance including profitability had already been positive throughout the entire financial year. Total volumes at MediMet were again significantly below the values needed for profitable business in the third quarter. From October we then experienced a surge in incoming orders here as well, which has since consolidated and continued in the first quarter of 2014.

The decline in demand was due less to external market forces, and much more to the unfortunate personnel measures taken following the departure of the founding managing director of MediMet due to age. MediMet's organisational structure underwent a shake-up in the third quarter and a greater emphasis was placed on sales in particular. These measures are expected to aid the success of our ongoing efforts to leverage the earnings power of the company in the long term. As before, the market trend in orthopaedic implants is intact, hence we are confident of returning MediMet to profitability.

As a result of the decline in demand in the first half of the year, the medical division's revenue fell by 14.7% from € 11.6 million to € 9.9 million in the year under review. The cost of materials ratio was slightly below the previous year's level, while the staff costs ratio deteriorated by around 15% on account of the low capacity utilisation at MediMet. Further increasing the flexibility of staff costs would have detracted from structures and business processes, which in turn would have significantly limited our growth potential for the future. The successes since achieved in the reorganisation, particularly the management shake-up, and the significant rise in the company's incoming orders corroborate these measures. MediMet now has fully integrated, ERP-based business processes and therefore has a considerably better foundation from which to respond flexibly and proactively to future growth or fluctuations in demand.

Overall, the results of the medical division segment decreased significantly from € 304 thousand in 2012 to € -1,836 thousand in the reporting year, mainly as a result of the weak capacity utilisation at MediMet. We have therefore also recognised non-recurring impairment losses at MediMet totalling € 1.6 million, € 1.0 million of which on the company's goodwill.

An application centre for 3D printing of titanium implants was set up at the Eschenlohe location in cooperation with EOS in the reporting year. This site has full medical technology certification and already produces implants in association with MediMet GmbH on a regular basis. In the first twelve months since the centre's launch, extensive application and validation tests were performed and various product redesigns were implemented for our customers for the economic implementation of and preparation for industrial 3D printing technology. Even though there has not been a breakthrough in series production as yet, we are confident of the long-range market possibilities and the potential of the technology.

As at the end of the financial year, Alphaform and its seed investor Tiburon began online sales and the additive manufacture of high-quality art and design items with its Artshapes joint venture. Artshapes is an online shop through which private customers can acquire 3D objects from renowned artists and designers. What Artshapes offers goes far beyond what is generally understood as 3D printing, and therefore enables the production of high-quality items. In total, as the majority shareholder and production partner for this, Alphaform has more than ten professional production methods at its disposal, from stereolithography to selective laser sintering. Artshapes is not actually a new business area for Alphaform – the company has already been producing items and models for artists, designers, architects and even development departments for many years. However, handling such projects via the Internet is new. For the first time with Artshapes, we have implemented largely fully automated project processing, from item testing and construction feasibility to production planning including possible materials options. If the business model works smoothly, automated and therefore effective handling can be applied to core prototype business processes.

Markets and competitive position

Our markets can be divided into two areas:

1. Services for additive manufacturing processes (rapid technologies)

2. Contract manufacturing for medical technology

With an average CAGR, global annual growth in the 25-year history of the additive manufacturing industry was 25.4% – and 27.4% in the past three years. The market has recovered rapidly from the slump during the 2009 financial market crisis. According to estimates by Morgan Stanley, this market will grow by between 20% and 34% annually in the coming years. Depending on the forecast model, the global market volume for 2020 is estimated at between USD 9 and USD 21 billion. According to a report by Roland Berger Strategy Consultants, a key growth driver will be the transition of 3D printing technology from prototyping to industrial series production. 3D printed products can therefore be made lighter, with greater recycling viability and with a higher level of integration (fewer parts), enabling far-reaching opportunities due to lifecycle benefits. Productivity advancements in printing facilities and economies of scale in the raw materials used give reason to expect reductions in units costs in the coming years of 50% (by 2018) and then by a further 32% (by 2023), thereby further promoting the penetration of series production. Berger identified aerospace and medical technology as the lead industries.

There has been a significant reduction in the cyclical nature of sales markets for medical contract manufacturing and their volume is currently around ten times that of the rapid technology market. The market for orthopaedic contract manufacturing relevant to Alphaform has a volume of around € 2.5 billion p.a. and will grow sustainably in the coming years. Both demographic effects and the imminent structural changes in the market itself are factors driving this growth. The orthopaedic OEMs are increasingly concentrating on product development and marketing, as was the case in earlier years in the automotive industry. Value-adding activities are increasingly being outsourced to the supplier industry. At present, seven global OEMs dominate around 60% of the world market; 1,700 companies jostle for a share of the remaining market; around 70 of these companies are listed. With its broadly based production expertise, Alphaform is excellently positioned and, as a system provider of prototypes, can cover large sections of the value chain from tool making to series production of complete implants. Alphaform can apply "rapid manufacturing" to the medical technology industry like virtually no other provider; with a combination of state-of-the-art manufacturing technologies, medical licensing and customer access, Alphaform can take complex components and products made of plastic and metal through to the series production stage and manufacture them in short production runs.

Environmental protection and sustainability

Alphaform is committed to ensuring high quality and safety standards and to sustainability. All key factors for the sustainable use of resources are regularly monitored and appraised. The company's entire waste disposal system is reviewed on an ongoing basis and possibilities for improvement are examined.

Alphaform is not subject to any special regulations apart from those that generally apply to its business activities. These comprise various laws and rules for the relevant areas in which the company operates, including the laws and regulations for environmental protection such as handling and disposing of hazardous waste.

Efficiency improvements are also examined with regard to conserving valuable resources. This enhances the company's competitive capability and thereby helps to safeguard jobs. The aim is to increase the company's energy efficiency and its working and materials efficiency in production.

Improvements in distribution logistics reduce the need for storage space, shorten transport distances and increase the quality of service for customers.

Quality management

All working processes are continuously examined and improved as part of the quality management system. Continuous improvement processes are a component of all working processes in the company. Alphaform AG is ISO 9001:2008 certified. MediMet Precision Casting and Implants Technology GmbH and Alphaform CLAHO GmbH are certified under ISO 9001:2008, ISO 13485:2003 and AC:2007 for the "Development and Production of Implants and Medical Precision-casted Parts and the Manufacturing of Dental Compositions".

Occupational health and safety

It is very important that Alphaform employees can work in a healthy and safe working environment. The employees are given the opportunity to participate in any planned inspections undertaken by the Employer's Liability Insurance Association (Berufsgenossenschaft) with regard to our business activities every one to two years. The company offers regular analysis of monitor screens and sight tests for the sales and administration areas.

Meetings on the subject of occupational safety and fire protection take place at least twice a year and are attended by the external safety officer and external company doctor. Within Alphaform, there are regular training and refresher courses for staff to keep them up-to-date on the latest regulations. Alphaform employees are familiar with all requirements in relation to occupational safety, handling dangerous materials and accident and fire protection. All machinery, production facilities and tools are regularly maintained by in-house and third-party experts and are kept in the safest possible condition.

Group management and control

Alphaform AG is a German stock corporation and is run by a Management Board that consisted of one member in the 2013 financial year. Within the context of the dual management and supervision system, the members of the Management Board are appointed by the Supervisory Board. The Supervisory Board advises the Management Board and monitors it in the performance of its duties. Further details of Group management and control in addition to corporate governance are outlined in the corporate governance report.

In accordance with Article 6 of the company's Articles of Association, the Management Board comprises one or more people, whereby the Supervisory Board stipulates the number of members of the Management Board in accordance with the statutory regulations. The Supervisory Board can appoint a member of the Management Board as Chairman of the Management Board and a Deputy Chairman. The Supervisory Board appoints the members of the Management Board for a maximum period of five years. It is permissible to appoint the same person more than once, or to extend the term of office, for a maximum period of five years in each case.

In accordance with Article 16 of the company's Articles of Association, the Supervisory Board is authorised to resolve amendments to the Articles of Association. The resolutions of the Annual General Meeting are adopted with a simple majority of the votes cast, provided that the law does not require a larger majority of voting rights. If the German Stock Corporation Act also stipulates that a resolution requires a majority of the share capital represented when adopting the resolution, a simple majority of the share capital represented shall suffice, provided that this is legally permitted.

Performance management

Core elements of the Alphaform management system include an integrated management concept as well as financial and non-financial performance indicators, together with measures to enhance productivity and growth.

Financial performance indicators

The company's operating performance is measured on the basis of revenue, EBITDA and operating earnings. The performance of each company area is reported monthly and compared against budget planning.

The company is currently examining other key figures in addition to the above indicators.

T€	2009	2010 Restated	2011	2012	2013
Group revenues	19,431	20,748	26,309	27,103	25,869
Group EBITDA	-1,419	594	952	2,044	-3,534
Group operating result	-3,768	-1,478	-1,288	766	-5,787
Group net profit	**-3,797**	**-1,545**	**-1,579**	**537**	**-6,171**

Non-financial performance indicators

The management uses various non-financial indicators in order to assess the degree to which it has achieved its corporate objectives.

The main indicator by which Alphaform assessed the success of its strategy in the 2013 financial year was the increased focus on sales and the financial reorientation of the company.

Corporate governance declaration as per section 289a HGB for the 2013 financial year

The declaration on corporate governance and the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG have been published on the company's website. Further details can be found in a separate part of the annual report under "Corporate Governance Code".

Internal monitoring

Introduction

The consolidated financial statements and the financial statements of the German subsidiaries are prepared centrally at Alphaform AG in Feldkirchen. This ensures that the financial statements of the companies are prepared in accordance with uniform guidelines and standards. The financial statements of the two small foreign subsidiaries are prepared locally by local accounting and tax consultancy offices in close coordination with the Group headquarters.

The control system in use at the Alphaform Group headquarters comprises the following elements:

- General directives and guidelines for employees
- Organisational plans and job descriptions for the most important accounting procedures

Risk assessment

The company considers risk management to be a measure for identifying, assessing and, where possible, reducing risks to an acceptable level in addition to monitoring the risks identified. Risk management requires organised action in order to deal with uncertainty and threats in a suitable manner.

Alphaform has a system that identifies and assesses risks, particularly those business risks that could jeopardise the company's existence.

Information and communication

Alphaform uses an enterprise resource planning (ERP) system in conjunction with state-of-the-art analysis and presentation software in order to make information available for operational processes, internal monitoring and reporting purposes. In addition, regular communication takes place between the financial managers of the foreign locations and the central Group finance department.

In view of the importance of its information systems, the company has issued IT guidelines for the use of information technology and means of communication in order to limit external risks. Wherever possible, application and system parameters are set up in such a way as to improve information security.

Control measures

The company has implemented control measures based on the following general principles:

- Control measures are based on guidelines and procedural specifications, including a general regulation on authorities and signatures that applies to all processes and defines levels of authority and approval.
- Wherever possible, responsibilities are kept separate (principle of dual control).
- Business transactions must be documented as far as possible.
- Information systems are protected by access rights at different levels.

Control measures exist both in the form of advance controls to prevent errors and misrepresentations and retrospective monitoring to detect errors that have already occurred. The departmental and divisional heads are responsible for ensuring compliance with the prescribed monitoring measures within their respective areas of responsibility.

2. Segment reporting

Details of segment reporting are presented in the notes to the consolidated financial statements under item 3.

3. Report on results of operations, financial position and net assets

General information

The consolidated financial statements as at 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, taking into account the recommendations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). Accordingly, these annual financial statements were prepared in accordance with IASs/IFRSs effective as at 31 December 2013.

Revenue development and order situation

Overall, the development in the 2013 financial year was not satisfactory for the Alphaform Group.

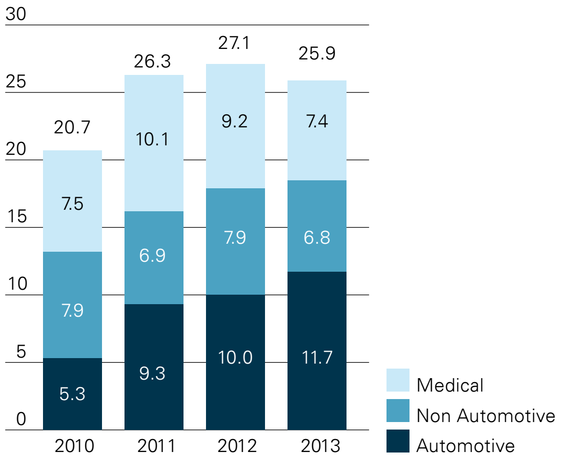
Revenue fell by € 1,234 thousand to € 25,869 thousand in 2013 as against € 27,103 thousand in the previous year. This represents a decline in revenue of 4.6%. The main reasons for this were lower demand on the part of manufacturers of medical implants and price reductions in 3D printing business in the first half of the year.

In the 2013 reporting year, 45.1% of total revenue was generated in the automotive industry and its partners, an increase from the previous year's figure of 36.9%).

The cumulative order backlog as at the end of 2013 amounted to € 3.6 million (previous year: € 3.0 million).

Development of revenues by sector

€ million



Revenue generated in Germany fell slightly by 0.3% year-on-year from € 13,563 thousand in 2012 to € 13,520 thousand in 2013.

Revenue generated abroad amounted to € 12,349 thousand in the 2013 financial year, accounting for 47.7% of total revenue (previous year: 50.0%). The main reason for this was the lower demand from MediMet GmbH customers, a large share of which are located in other European countries.

Development of revenues by areas

T€	2013	2012
Germany	13,520	13,563
Finland	2,043	2,136
Great Britain	3,160	2,848
Rest of Europe	2,417	2,672
Outside Europe	4,729	5,884
Total	**25,869**	**27,103**

Prices were volatile in the first half of the year, but largely stabilised from the middle of the year. The product mix is virtually the same as in the previous year.

Cost of materials and gross profit

The cost of materials increased by € 2,913 thousand year-on-year from € 8,713 thousand in 2012 to € 11,626 thousand in 2013. The gross profit generated of € 14,135 thousand in 2013 was less than the 2012 gross profit of € 18,919 thousand, due in part to high non-recurring expenses in the cost of materials. The gross profit margin of 54.6% in 2013 was below the prior-year level of 69.8% for 2012.

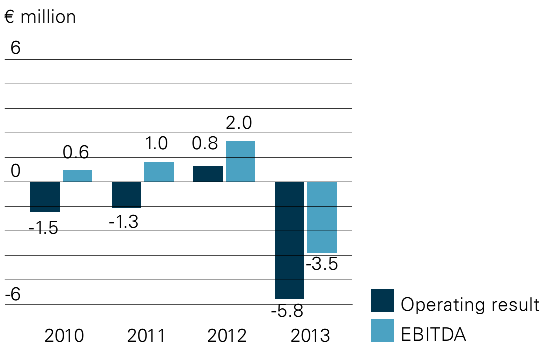
Results of operations

The company ended the 2013 financial year with a loss of € 6,171 thousand (previous year: profit of € 537 thousand). The company was unable to deliver its forecast of a profit of around € 1 million. In addition to the unsatisfactory business performance in 2013, this is also due to the following individual expenses.

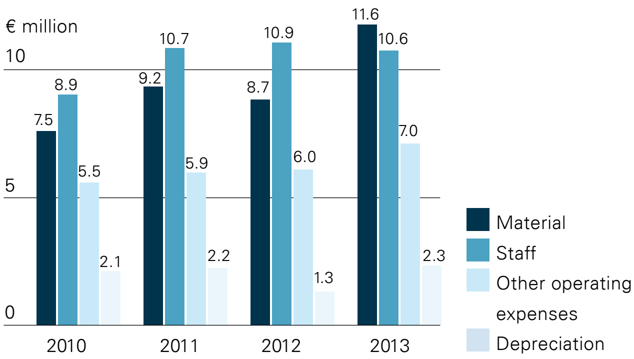
The non-recurring effects in costs of materials of € 1,584 thousand essentially result from impairment on materials and supplies on account of obsolete technologies, changes in supplier relationships, market price adjustments and write-downs on spare parts no longer in use.

T€	operational 2013	One-timer 2013	Total 2013
Revenues	25,869	0	25,869
Changes in inventories	-663	0	-663
Own work capitalised	15	0	15
Other operating income	540	0	540
Cost of materials	-10,042	-1,584	-11,626
Gross profit	**15,719**	**-1,584**	**14,135**
Personnel expenses	-10,645	0	-10,645
Depreciation and amortisation costs	-1,252	0	-1,252
Amortisation of goodwill	0	-1,000	-1,000
Other operating expenses	-6,346	-679	-7,025
Operating result	**-2,524**	**-3,263**	**-5,787**
Other interest and similar income	3	0	3
Interest and similar expenses	-355	0	-355
Result before tax	**-2,876**	**-3,263**	**-6,139**
Taxes on income	-24	0	-24
Deferred taxes	-4	0	-4
Other taxes	-4	0	-4
Loss	**-2,908**	**-3,263**	**-6,171**
Other comprehensive income			
Currency translation difference economically independent foreign entities	4	0	4
Gross profit/loss	**-2,904**	**-3,263**	**-6,167**

EBITDA and operating result



Operating costs



The total depreciation and amortisation expense of € 2,252 thousand for 2013 (previous year: € 1,278 thousand) includes impairment on the goodwill of Alphaform MediMet of € 1,000 thousand.

There were non-recurring effects in other operating expenses from an increase in specific valuation allowances due to negative developments in receivables in the financial year and the derecognition of non-current assets on account of obsolete technologies.

Without the above non-recurring effects, total earnings in the reporting year would have amounted to € -2,904 thousand after € 528 thousand in the previous year.

The deterioration in results is due in particular to the sharp rise in the cost of goods used of € 2,913 thousand. The rise in cost of materials to € 11,626 thousand (previous year: € 8,713 thousand) had a particularly negative impact on the operating result. Earnings were also reduced by staff costs of € 10,645 thousand (previous year: € 10,848 thousand) and other operating expenses of € 7,025 thousand (previous year: € 6,027 thousand).

Other operating income climbed by € 273 thousand from € 267 thousand in 2012 to € 540 thousand in 2013. In the reporting year this included € 152 thousand (previous year: € 122 thousand) from the reversal of unutilised provisions.

Staff costs

Staff costs amounted to € 10,645 thousand as at 31 December 2013, down by € 203 thousand or 1.9% as against 2012.

Depreciation and amortisation expense

Depreciation and amortisation expense declined by € 26 thousand in the 2013 financial year to € 1,252 thousand (previous year: € 1,278 thousand). Furthermore, an impairment loss of € 1,000 thousand was recognised on the goodwill of MediMet GmbH (previous year: € 0 thousand).

Other operating expenses

Other operating expenses increased by 16-6% year-on-year in 2013 (2012: € 6,027 thousand, 2013: € 7,025 thousand). The largest individual items within other operating expenses are € 1,619 thousand for premises, € 831 thousand repairs and maintenance, € 585 thousand for consulting, € 493 thousand for accessories, machinery and tools, € 473 thousand for freight and packaging, € 315 thousand for vehicle costs, € 214 thousand for travel costs, € 175 thousand for telephone, postage and IT costs and € 91 thousand for advertising costs.

Other interest and similar income/interest and similar expenses

Other interest and similar income fell from € 11 thousand in 2012 to € 3 thousand in the 2013 financial year. Interest and similar expenses rose to € 355 thousand in 2013 (previous year: € 247 thousand).

Income tax expense/deferred taxes/other taxes

Other taxes of € 4 thousand were incurred in the 2013 financial year (previous year: € 5 thousand). In addition, deferred taxes of € 4 thousand were recognised (previous year: € -12 thousand). Further details on this are presented in the notes.

Research and development

Alphaform's research and development focuses on continuously improving its processes and materials for prototype production and advancing new developments. Activities centred on developing new materials in the area of rapid prototyping and the further optimisation of the metal coating process. Tests for other areas of application for rapid manufacturing play an increasingly important role in the area of material development. Materials must be found that enable product properties suitable for series production. Other activities are concentrated on cost savings through improved material and process parameters.

Development activities in medical technology primarily support 3D printing technologies for titanium implants and lightweight construction concepts. In this area, 2013 saw progress in validation preparations for medical approval and product developments for the use in series of lightweight construction concepts. At the end of the financial year we secured the results of our development work for the latter by filing a patent.

Dividend

As the parent company of the Alphaform Group, Alphaform AG reported a net loss of € 10,019 thousand (previous year: net loss of € 3,861 thousand) in its financial statements prepared in accordance with commercial law for the 2013 financial year. It therefore does not intend to pay a dividend for the 2013 financial year. At the Annual General Meeting on 5 June 2014, the Management Board, with the approval of the Supervisory Board, will propose carrying the net loss forward to new account. No dividend was paid in the 2013 reporting year for the 2012 financial year either.

Financing and cash flow

The statement of cash flows shows the origin and usage of funds in the reporting periods. It is therefore a key instrument in assessing the company's financial situation.

At € -336 thousand, net cash flow from operating activities is only slightly negative (previous year: € 241 thousand) and essentially resulted from the operating losses and the significant improvements in working capital.

Investments in property, plant and equipment in 2013 increased by € 343 thousand as against the previous year from € 652 thousand in 2012 to € 995 thousand in 2013 (not including additional investments in finance leases of € 35 thousand; previous year: € 477 thousand). In order to meet the rising demand in 3D printing (including in the area of metals), the Group further expanded its capacity in additive manufacturing at the locations concerned in the reporting year.

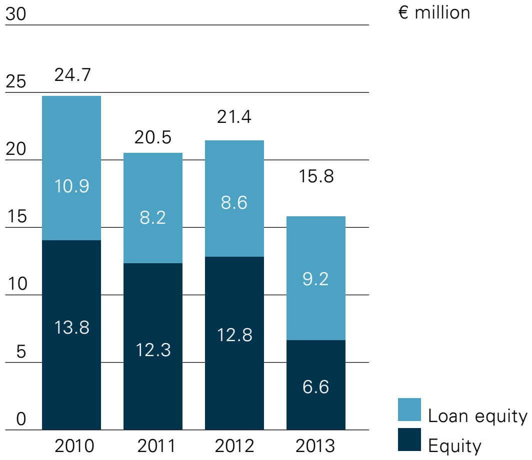
For 2014 we are primarily planning investments for the modernisation of our production facilities at the Feldkirchen, Stade and Eschenlohe locations. Furthermore, equipment capacity is to be boosted in 3D printing.

Current cash and cash equivalents amounted to € 1,152 thousand in total as at 31 December 2013 (previous year: € 1,633 thousand).

The company has current account facilities of € 2,350 thousand as its disposal, € 432 thousand of which was freely available as at the end of the reporting period.

Cash flow from financing activities amounted to € 775 thousand (previous year: € 527 thousand). This is primarily attributable to the cash inflow from borrowing on new current account lines at BayernLB.

Change in total assets and equity



The company's financing for the 2014 financial year, particularly the funds necessary for its reorientation, has been secured by the capital measures carried out in February 2014. These measures generated net additional cash and cash equivalents of € 3.2 million.

Current liabilities to banks increased from € 445 thousand at the end of 2012 to € 2,323 thousand as at the end of 2013. Non-current liabilities to banks declined from € 1,257 thousand as at end of the 2012 reporting period to € 347 thousand as at the end of the 2013 reporting period.

Statement of financial position

Total assets declined from € 21,385 thousand in 2012 to € 15,765 thousand in the 2013 financial year.

Bank balances decreased from € 2,565 thousand in 2012 to € 1,990 thousand in 2013. Bank balances comprise a readily available portion amounting to € 1,152 thousand and a current and non-current portion with restricted availability totalling € 938 thousand. This amount is classified as having restricted availability as amounts were deposited as security for financial obligations.

The € 2,311 thousand decline in inventories from € 4,593 thousand as at the end of the 2012 reporting period to € 2,282 thousand as at the end of 2013 mainly results from a change in the market assessment and the technologies used, which led to a partial impairment loss on materials and supplies.

The reduction in receivables of € 2,068 thousand from € 3,526 thousand as at the end of 2012 to € 1,458 thousand as at the end of 2013 mainly results from the improvement in factoring and the decline in non-factored receivables as against the previous year. The Group financed trade receivables of € 2,197 thousand as at 31 December 2013 and € 2,352 thousand as at 31 December 2012 with a factoring line of € 5,000 thousand extended by GE Capital Bank AG. The Group uses this factoring instrument to realise the advantages of a more favourable capital lock-up. Equity amounted to € 6,626 thousand in the year under review as against € 12,782 thousand in 2012. The ratio of equity to total assets was down on the previous year at 42.0%.

Investments

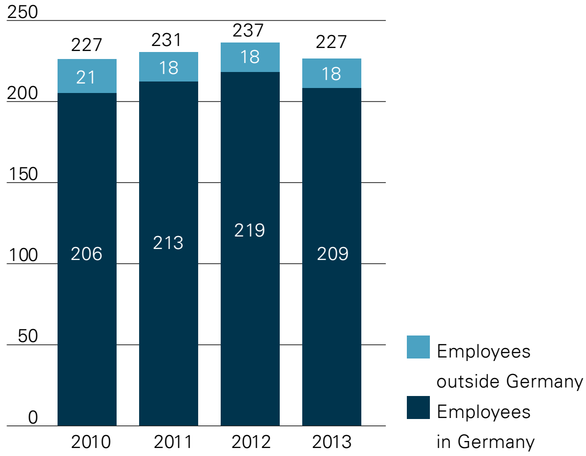
In 2013 the Group invested € 995 thousand in non-current assets (previous year: € 1,075 thousand), primarily through finance leases. In order to meet the logistical requirements and the increased output, the Group expanded its capacity in additive manufacturing in the year under review. Our equipment is technologically state-of-the-art in many areas.

Employees

The quality of Alphaform's products and services is largely dependent on the high standards placed by its employees on their own performance. Alphaform and its employees consider their primary task to be finding the optimum product and service solution in cooperation with customers and partners.

The Alphaform Group employed 227 people including trainees – rounded up to full-time equivalents – at 31 December 2013. The average number of employees for the year as a whole was 236. Based on this average figure, the total workforce decreased by 7.1% or 18 people as against the previous year. In particular, this change was due to the deterioration in the order situation at MediMet GmbH. The number of employees at the other companies remained virtually the same. More than 75% of employees worked in production as at the end of the reporting period. The company offered varied and practical training to nine trainees (commercial and industrial) at three locations. As at 31 December 2013, 209 employees or 92.1% of the total workforce work in Germany, with 18 people employed in the rest of Europe. The employee structure is as follows:

Change in employee numbers



Full time posts	31.12.2013	31.12.2012
Segment Central Europe		
Alphaform AG	84	87
Alphaform CLAHO GmbH	41	41
Alphaform-Projekt GmbH	0	0
MediMet GmbH	84	91
Tital	209	219
Segment North Europe		
Alphaform RPI Oy, Finland	16	16
Alphaform Ltd., UK	2	2
Total	18	18
Total	**227**	**237**

4. Remuneration report

The remuneration report takes into account the stipulations of the Vorstandsvergütungsoffenlegungsgesetz (VorstOG – German Management Board Remuneration Disclosure Act) and the requirements of the German Corporate Governance Code.

Management Board remuneration

The total remuneration for members of the Management Board comprises a fixed and a variable component. The remuneration is reviewed annually in terms of amount and appropriateness. In particular, remuneration is geared to the duties of the respective member of the Management Board, his personal achievements, the economic situation and the success and economic prospects of the company. All resolutions relating to the adjustment of remuneration are resolved by the entire Supervisory Board.

The annual salaries for members of the Management Board comprise fixed remuneration components and additional benefits that primarily consist of the use of company cars, the reimbursement of travel expenses and allowances for health insurance, social security and accident insurance.

In addition, each member of the Management Board receives a performance-based bonus payment. This is dependent on the achievement of corporate targets that are established by the Supervisory Board at the start of each financial year. The corporate targets mainly relate to the growth of the company as measured by EBITDA. At the end of the year, the Supervisory Board appraises the degree to which corporate objectives have been met and determines the bonus on the basis of the company's business performance.

The variable remuneration components are measured as a graduated percentage of the fixed salary depending on the degree of target achievement. If variable remuneration is payable, 60% of the respective amount is granted in the form of virtual shares (stock appreciation rights). In 2013, target achievement was based on 100% achievement of corporate objectives. Hence, no performance-based bonus payments were granted.

The total remuneration for the Management Board amounted to € 240 thousand for the 2013 financial year (previous year: € 220 thousand). The following summary shows the remuneration of the Management Board in detail and on an individualised basis:

T€	Fixed remuneration		Variable remuneration		Total remuneration	
	2013	2012	2013	2012	2013	2012
Dr. Thomas Vetter	240	220	0	0	240	220
Total	**240**	**220**	**0**	**0**	**240**	**220**

Alphaform AG has not granted any loans or similar compensation to members of the Management Board, but it has assumed a bank guarantee at the bank Donner & Reuschel, Munich, for a loan to Dr. Vetter amounting to € 400 thousand. In the period under review, the members of the Management Board also received no benefits from third parties which were offered or provided in relation to their position as a member of the Management Board.

The remuneration of the former member of the Management Board Dr. Gordon Guth amounted to € 212 thousand in the financial year, including severance pay.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is subject to the stipulations of the Articles of Association, the current version of which was adopted at the Annual General Meeting of 9 July 2009. The remuneration of the Supervisory Board comprises a fixed and a variable component. In the past, the variable component was not paid out on account of the cumulative loss.

In the 2013 financial year, the members of the Supervisory Board received total remuneration of € 26.3 thousand (previous year: € 26.3 thousand), not including the reimbursement of travel expenses.

The following overview shows the remuneration of the Supervisory Board:

T€	Fixed remuneration		Variable remuneration		Total remuneration	
	2013	2012	2013	2012	2013	2012
Matti Paasila (Chairman)	11.3	11.3	0	0	11.3	11.3
Falk Strascheg	7.5	7.5	0	0	7.5	7.5
Dr. Hans J. Langer	7.5	7.5	0	0	7.5	7.5
Total	**26.3**	**26.3**	**0**	**0**	**26.3**	**26.3**

There is a consultancy agreement between Alphaform AG and Mr. Matti Paasila independently of his position as the Chairman of the Supervisory Board of Alphaform AG. Mr. Paasila supports the company in the implementation of its strategic reorientation with his particular expertise and his access to an international network on approximately 10 to 15 compensated consulting days per year for a daily fee of € 1.5 thousand. In particular, Mr. Paasila plays an active role in generating leads, analysing and assessing businesses (due diligence) and in transaction pricing negotiations. Mr. Paasila also advises the company on the operational integration of acquired companies into the Alphaform Group.

Other than this, there are currently no further consulting agreements with current or former members of the Supervisory Board.

The company did not grant any loans to members of the Supervisory Board.

Stock option plans

There are currently no stock options granted to members of the Management Board or Supervisory Board.

5. Disclosures in accordance with the German Securities Acquisition and Takeover Act

The following disclosures are made in accordance with section 315(4) HGB.

Composition of share capital

On 31 December 2013 the share capital of the company amounted to € 5,318,209, divided into 5,318,209 ordinary voting bearer shares, each with a nominal value of € 1.00. The Management Board is not aware of any restrictions on voting rights or the transfer of shares, even if they result from an agreement between shareholders.

There are no shares with special rights that grant any control or special control over voting rights.

The Management Board is authorised to buy back shares in the amount of 10% of the share capital in accordance with section 71 AktG.

Share capital exceeding 3% of voting rights

In accordance with section 21 of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), the company has been notified of the following direct and indirect equity investments in its share capital that exceed 3% of the voting rights:

LHUM Vermögensverwaltungs GmbH	18.36 %	non-attributable equity participation
Falk und Renate Strascheg	16.03 %	non-attributable equity participation
Axxion S.A., Luxemburg-Munsbach	5.86%	attributable equity participation
Peter Sem	3.58%	attributable equity participation

Changes in the total number of voting rights after the disclosure in accordance with section 21(1) sentence 1 and (1a) WpHG are not taken into account in the stated capital shares.

Authorisation of the Management Board to issue shares

The Annual General Meeting on 27 May 2010 resolved to create new Authorised Capital of up to € 2,659,104 and to amend Article 5(2) of the Articles of Association (amount of share capital). In line with this, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a total of € 2,659,104 by issuing new no-par-value bearer shares on one or more occasions against cash or non-cash contributions by 26 May 2015, whereby the pre-emption rights of shareholders can be disapplied in full or in part under certain conditions (Authorised Capital 2010). The Management Board shall stipulate the conditions of the share issue with the approval of the Supervisory Board. Shareholders are to be granted pre-emption rights. Pre-emption rights can also be granted in such a way that the new shares can be assumed by a bank or by a company operating in accordance with section 53(1) sentence 1 or section 53b(1) sentence 1 or (7) of the Kreditwesengesetz (KWG – German Banking Act) with the obligation to offer them for subscription by shareholders. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights in part or in full. However, the disapplication of shareholders' pre-emption rights is only permitted

a) to eliminate fractional amounts;

b) for capital increases in against non-cash contributions with the aim of granting shares for the acquisition of companies, parts of companies and equity interests in companies, if the acquisition of the respective company, part of a company or equity interest is in the company's best interests;

c) for capital increases against cash contributions, if the issue price of the new shares issued with shareholders' pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG is not substantially lower than the stock market price and the new shares issued with shareholders' pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG do not exceed 10% of the share capital in total, either when this authorisation comes into effect or when it is exercised. This restriction includes shares that were sold or issued or that are to be issued during the term of this authorisation under other authorisations in direct or corresponding application of section 186(3) sentence 4 AktG with shareholders' pre-emption rights disapplied;

d) to issue new shares up to € 531,820 against cash contributions to members of the company's Management Board and to senior managers. Insofar as the new shares are issued to senior managers, the contribution to be made in accordance with section 204(3) sentence 1 AktG can be covered by the portion of the net profit for the period that the Management Board and Supervisory Board can transfer to other revenue reserves in accordance with section 58(2) AktG.

The Management Board decides the content of the respective share rights and the other conditions of the share issue with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association to reflect the extent of the capital increase from Authorised Capital.

This authorisation was entered in the commercial register on 6 July 2010.

Conditions in the event of a change of control

In the event of a change-of-control transaction, the Management Board is not aware of any regulations or obstacles that could impede the takeover and exercising of control over Alphaform AG.

In the event of a takeover bid there are no compensation agreements in place at Alphaform AG with members of the Management Board or employees.

Composition of the Management Board

In accordance with Article 6 of the Articles of Association of the company, the Management Board comprises one or more people, whereby the Supervisory Board stipulates the number of members of the Management Board in accordance with the statutory regulations. The Supervisory Board can appoint a member of the Management Board as Chairman of the Management Board and a Deputy Chairman.

The Supervisory Board appoints the members of the Management Board for a maximum period of five years. It is permissible to appoint the same person more than once, or to extend the term of office, for a maximum period of five years in each case.

Amendments to the Articles of Association

In accordance with Article 16 of the Articles of Association of the company, the Supervisory Board is authorised to resolve amendments to the Articles of Association. The resolutions of the Annual General Meeting are adopted with a simple majority of the votes cast, provided that the law does not require a larger majority of voting rights. If the German Stock Corporation Act also stipulates that a resolution requires a majority of the share capital represented when adopting the resolution, a simple majority of the share capital represented shall suffice, provided that this is legally permitted.

6. Risks and opportunities

Risk management and controlling

The purpose of risk management is to identify risks as early as possible, to use suitable measures to keep operational losses to a minimum and to prevent risks that jeopardise the company's existence as a going concern. Risk assessments take place at least once a year as part of a systematic process that ensures that all the material risks in the various Alphaform operating segments are included. Risks are assessed according to their quantifiable impact on the Alphaform Group had no monitoring measures already been taken or had the process for minimising the risk not already been initiated. In addition to the customary risk management process, unforeseen risks are discussed and countermeasures introduced promptly.

Risks

Alphaform is a company with global operations. The company is exposed to a wide range of risks in its project and series production business. The structure of its sectors makes it impossible for Alphaform to avoid risks completely. The company selects the industries in which it operates carefully and only takes risks that are compatible with its corporate strategy. Each of these risks could have a considerable negative impact on the company's business activities, net assets, financial position and results of operations in addition to its future prospects. In order to identify these risks in a timely manner and take appropriate action to counter them, various measures have been implemented, including the establishment of a risk management system. However, it cannot be guaranteed that all risks will be identified and neutralised. This is due in part to the fact that certain elements of these risks lie outside Alphaform's influence. The occurrence of risks can lead to changes in or the non-occurrence of assumptions on which the Management Board's forecasts for future business development are based. Risks can lead to actual results deviating substantially from forecasts.

Market risks

The risks and uncertainties affecting the company's business activities include:

- A material deterioration in or continuation of difficult overall economic conditions can have an adverse effect on Alphaform's revenue and earnings development. Launching non-cyclical series business as medical equipment supplier has significantly reduced this risk for Alphaform in recent years.

- Alphaform's activities in the area of rapid prototyping are geared towards the project-based production of one-off parts and small-series production, and are therefore subject to the typical risks of a manufacturing company regarding the availability of production capacities. This risk is countered by a dual approach to market development: a) key account management for selected customers in the automotive industry and b) market segment management for the non-automotive market. The company today has more than 2,000 customers thanks to this approach and individual project risks have therefore been reduced.

- Alphaform's activities in the field of medical technology are aimed at series production orders and are thus subject to the risk that customers could reduce such orders or cancel them in full. In order to reduce this risk, the customer base has been continuously expanded in recent years, thereby further reducing dependence on the series production of individual customers. Existing customer relationships are reinforced by customer orientation (key account management) and constant extension of the range of services with new production processes (one-stop shopping).

- To ensure the future success of Alphaform, the company must identify industry-specific trends early on. To this end, customer behaviour in the respective industries is analysed on an ongoing basis. The sectors that are relevant to the company include automotive, medical technology, electronics and telecommunications.

- Technological developments in our key area of 3D printing progress unusually quickly. Experts are forecasting significant surges in productivity in future equipment technology in the coming years and considerable economies of scale in the costs of the materials used. A late response in investment projects can have a negative effect on the competitive capability of the company.

- Alphaform generates a proportion of its revenue from services for Formula 1 racing. Should there be any further changes to the regulations in this area, or changes within the racing series, this would affect Alphaform's results.

- A significant portion of revenue is still generated with the automotive industry. Germany is currently the main market for the company's business activities. Fluctuations in the automotive sector, particularly those affecting the German automotive market, can have a material effect on the economic development of Alphaform. Alphaform has therefore reinforced its positioning in the premium segment of the German market. The development activities of these customers are not are directed at the domestic market but at the world market as a whole. Furthermore, access to these customers has made it possible to acquire additional orders for short production runs of niche or luxury vehicles.

- Like all companies, Alphaform is exposed to management risk. Measures to counter this risk include an internal reporting system with planning and control processes. In addition, the public is kept regularly informed of developments. The monitoring system also includes a Supervisory Board that oversees the work of the company's management.

- Alphaform has taken out insurance policies to protect itself against potential claims for damages and liability risks. To ensure that financial consequences of any risks that may arise are ruled out, or at least restricted, the scope of insurance cover is regularly reviewed and adjusted where necessary.

- Alphaform's subsidiary MediMet generates a small portion of its revenue from the sale of precision casting implants in the United States. As product liability risk is considered to be substantially higher on the US market than in Europe, the company has concluded an additional insurance policy especially for the US so as to limit the financial consequences of any risks that arise.

Currency risks and interest rate risks

Alphaform's consolidated financial statements are prepared in euro. A small proportion of revenue and expenses is incurred in currencies other than the euro. Although the euro is the prevalent currency, other currencies, such as the US dollar and pound sterling in particular, could be exposed to exchange rate fluctuations against the euro and therefore influence the financial result.

Interest income on Alphaform's available-for-sale financial assets is subject to changes in the respective market-related interest rates and is therefore exposed to constant interest rate and reinvestment risk. Cash, cash equivalents and marketable securities are held at financial institutions in Germany (with the exception of the normal business accounts of foreign subsidiaries). Alphaform continuously monitors its positions at the banks and the banks' credit quality and sees no risk of non-performance at this time.

Dependence on key employees

As a technology company, Alphaform will continue to be dependent on qualified employees in future. By implementing ongoing measures, Alphaform endeavours to maintain and further increase its attractiveness as an employer. The company's success is largely dependent on its continued ability to recruit and integrate highly qualified specialists, establish a culture of long-term employee loyalty, and adapt employee expertise to reflect changing market requirements.

Effective 28 March 2012 Alphaform recalled its CFO Dr. Gordon Guth. The terms for dissolving his contract were agreed by mutual consent in the 2013 reporting year. Provisions for the financial risks resulting from this were largely recognised in the 2012 financial year.

Financing risks

Alphaform will continue to have capital requirements to finance its planned growth in future. Capital requirements will depend on many factors, including the further implementation of the strategic reorientation.

If the company does not achieve is planning for the result of operations, net assets and liquidity, the company could find itself needing to borrow funding but cannot ensure that sufficient financing will be available at acceptable conditions or even available at all. If sufficient financing is not available or not available at acceptable conditions, this could have significant effects on the implementation of the planned strategy and net assets, financial position and results of operations, extending to jeopardising Alphaform as a going concern.

If Alphaform acquires additional capital by issuing new shares, existing shareholders might suffer a dilution of their shares.

Acquisition risks

In 2008 Alphaform acquired MediMet Precision Casting and Implants Technology GmbH, thereby giving it access to new markets – in this case medical technology – and sales channels. Alphaform could acquire other companies or technologies in future to increase its market share and supplement its existing business. Acquiring companies can expose Alphaform to risks with regard to integrating new locations, business units, technologies and staff, and to the risk that revenue does not offset the cost of acquisition, that equity instruments will be issued and this will dilute shares, that the good relationship between customers and employees cannot be maintained and that additional costs in the form of future write-downs or impairment losses on acquired intangible assets or possible transactions will be incurred. If the risks named here are not counteracted, this could lead to the company not achieving the expected benefits from the acquisitions within an appropriate timeframe.

Other risks

In addition to the risks above, Alphaform constantly monitors its compliance with the applicable regulations on environmental protection, health and safety, operational guidelines and all other legal regulations that must be complied with. In order to reduce the many risks in the areas of tax law, corporate law, labour law, competition law and other legislation to a minimum, the company's management makes its decisions and formulates regulations and working processes after consulting with internal and external experts. In addition to the risks described here, there could be other risks that Alphaform either assesses as immaterial or of which it has no knowledge at the time of this annual report going to press.

General evaluation of the risk situation

Alphaform's Management Board constantly analyses possible risks that are partially or completely beyond the company's control, such as the overall development of national economies. Potential risks also include factors that the company can influence. These include operational risks that can be recognised at an early stage and analysed as part of a risk management system. Countermeasures can be taken as needed.

Accounting-related internal control system

The Management Board discloses the following in accordance with section 289(5) and section 315(2) no. 5 HGB.

The structure of Alphaform's internal control system (ICS) is based on the internationally accepted Internal Control Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The effectiveness of the ICS is monitored by the Supervisory Board of Alphaform AG in accordance with the requirements of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act) that came into effect in May 2009. The scope and form of the specific requirements of Alphaform are at the discretion and responsibility of the Management Board. It is not possible to provide absolute assurance that any ICS, regardless of its specific form, will fulfil its objectives. The accounting-related ICS can only provide relative as opposed to absolute assurance that material misstatements in the accounts are prevented or identified. The accounting-related ICS contains the principles, procedures and activities to ensure the integrity of the consolidated accounts and is developed on an ongoing basis. The Group accounting processes and the preparation of management reports are coordinated at Alphaform AG by the Accounting department. Laws, accounting standards and other pronouncements are analysed on an ongoing basis for their relevance and impact on the consolidated financial statements. Relevant requirements are communicated and, together with the Group-wide financial statement calendar, forms the basis for the process of preparing financial statements. Furthermore, the process of uniform and proper Group financial reporting is also supported by supplementary procedural instructions, standardised reporting formats, IT systems and IT-based reporting and consolidation processes. If necessary, Alphaform AG also draws on the services of external service providers. The Accounting department ensures the uniform implementation of these requirements across the Group by means of suitable processes. Employees involved in the Group financial reporting process receive regular training. The Group subsidiaries are responsible for complying with the guidelines and procedures that apply to the Group as a whole and for the proper and timely operation of their accounting-related processes and systems and are supported and monitored by the Accounting department in this regard. Defined, internal checks are embedded in the financial reporting process according to risk aspects. The accounting-related ICS covers both preventative and investigative checks, which include IT-based and manual coordination, the separation of functions, the dual control principle and general IT checks such as assignment of access rights to IT systems, change management and its monitoring. Alphaform maintains a Group-wide process for monitoring the efficacy of the accounting-related ICS. This process is geared towards managing the risks of incorrect reporting in the consolidated financial statements.

Opportunities

Our revised business model offers us the opportunity of evolving our business in the medium-term to create a better blend of prototype and small-series production. Even now our business procedures and processes correspond more closely to those of an industrial production company offering series production than those of a prototype maker. Focusing on extremely small series for niche products or specialist applications, as demanded in the field of medical technology for example, will help us to improve planning and smooth out the utilisation of our production capacity. The required production resources are the same for both prototype and small-series production.

In the expanding field of medical technology, Alphaform has entered a market with great potential and healthy growth. By combining established and new production technologies, Alphaform is uniquely positioned in the medical technology and orthopaedics industry. As a contract manufacturer for orthopaedics, Alphaform has a new quality of access to its customers. The medical technology supplier industry is undergoing structural change: Large areas of the value chain are increasingly being outsourced by OEMs to suppliers. The combination of complementary production technologies between Alphaform and MediMet allows Alphaform to benefit greatly from this change.

Tool-free additive manufacturing processes are currently used by Alphaform in all market segments. An extension of this business model to the developing markets of tomorrow in additive production, such as medical technology or aerospace, opens up further growth prospects that can be exploited with the existing expertise.

In many markets there has been an increase in the number of models and customised versions in order to occupy niches and to better serve customers. Additive manufacturing is a cutting edge technology for such individualised products and small production runs. Furthermore, it enables almost unlimited geometrical complexity and hence unrestricted freedom of design for highly requirement-optimised products. In addition, tool costs and the number of components per product are reduced, thus saving costs.

According to various studies by banks (e.g. Morgan Stanley, PiperJaffray, Credit Swiss), strategy consultants (Roland Berger) and industry experts (Wohlers), the global 3D printing market will grow by between 20% and 34% in the next decade. Among other things, this growth is being driven by the anticipated transition in additive manufacturing for purely prototype applications to industrial series production. This development is aided by the technological advancement in industrial 3D printers and clear declines in the costs of materials as a result of greater competition and economies of scale. The expertise and application knowledge that it has acquired in almost 20 years gives Alphaform the unique opportunity to participate in these growth opportunities. Furthermore, Alphaform is currently one of the few listed companies in the world on this market, which allows it to procure the necessary funding directly from the capital market.

As part of the company's strategic process, measures are being identified that will enable increases in revenue and at the same enhance the planning for the established business. We are also examining the scope for both vertical and horizontal integration through cooperations with or the acquisition of attractive companies. In addition to the reorganisation and the more intensive sales, the reorientation of the company revised in the spring of 2014 focuses mainly on the modernisation of its machinery and the growth prospects in 3D printing.

All significant events of key importance affecting the net assets, financial position and results of operations, including after the end of the reporting period, were mentioned in this report.

7. Outlook

Medium-term outlook

According to the ifo analysis, total economic production in Germany will accelerate in 2014. The global economic environment will also improve. Conditions on the domestic economy are favourable as well. The uncertainty at companies has waned while still being sufficiently high for investors considering an international investment to maintain interest in a relatively safe investment in Germany. The income prospects for private households are good. Against this backdrop, business expansion is expected to be driven by the domestic economy. ifo experts are forecasting average GDP growth over 2014 of 1.9%. Experts are also predicting moderate economic growth of 0.7% for the euro zone as a whole in 2014.

The internationally positioned German car makers must continue to invest in new models and technologies to maintain their market position. Premium manufacturers in particular are likely to benefit from the continued positive growth prospects in Asia and the US. World market growth for orthopaedic implants is estimated by analysts at between 4.0% and 7.0% from 2014 to 2017. However, a general trend towards falling prices here will be countered by a strong increase in volumes.

The 3D printing market is expected to gain momentum in the years after 2014, opening the possibility of strong growth for Alphaform.

General statement on expected developments

The year 2014 at Alphaform will be dominated by the reorientation of business towards the extensive growth potential in the 3D printing market and the structural adjustment needed for this.

The medium-term forecast for the next few years assumes strong growth for the company, aided by the development in the 3D printing market and the general economic conditions. For 2014 we are anticipating tangible growth in the business area of 3D printing. We plan to modernise and expand our capacity in additive manufacturing for this.
The Alphaform Excellence Programme initiated in the second half of 2013, which included a boost to our sales activities, is expected to generate additional growth impetus. We are already seeing initial successes with business picking up in medical technology. Traditional implant manufacturing at MediMet GmbH is being supplemented by CNC-based processing at the Alphaform CLAHO metal centre, offering a range of one-stop shopping solutions for orthopaedic customers. At the application centre for additive metal manufacturing, the production range was extended to include 3D printers for complex small medical implants. According to extensive studies and validation trials, we are expecting a breakthrough in series production using titanium 3D printing in 2014.

The capital increase in February 2014 was a successful test for Alphaform after not having been active on the capital market since 2000. We are carefully considering using this channel to finance other growth opportunities.

Our company is well equipped in the medium term. With a series of recent and planned investments in promising market segments and past acquisitions, we are well-placed to benefit from the opportunities and developments in the fields of medical technology and 3D printing. We have a sound financial basis and a clear corporate strategy. We will continue to develop our company and endeavour to add interesting technologies to our portfolio. The goal of all activities is to further hone the focus of our two core business areas.

Alphaform is forecasting revenue of around € 30 million for the 2014 financial year and a significant earnings improvement as against the previous year. Given the necessary restructuring expenses, we are still anticipating an operating loss for 2014 of around € 1.0 million.

8. Supplementary report

In February 2014 Alphaform AG carried out a capital increase by issuing 531,791 shares at a price of € 3.40 per share. The company therefore generated total gross proceeds of € 1,808 thousand. The company also received loans from key investors of € 1,500 thousand. There were no other further significant events between the end of the reporting period and the preparation of the annual financial statements with a material effect on the future financial statements of the company.

Feldkirchen, 25 March 2014

Dr. Thomas Vetter
CEO

CONSOLIDATED FINANCIAL STATEMENTS 2013

Consolidated Statement of Comprehensive Income

In T€, with the exception of earnings per share and number of shares	Notes	01.01. - 31.12. 2013	01.01. - 31.12. 2012
Revenues	18	25,869	27,103
Changes in inventories		-663	158
Own work capitalised		15	104
Other operating income		540	267
Cost of materials	18	-11,626	-8,713
Gross profit		**14,135**	**18,919**
Personnel expenses	18	-10,645	-10,848
Depreciation and amortisation costs and other write-offs	18	-1,252	-1,278
Amortization of goodwill		-1,000	0
Other operating expenses	18	-7,025	-6,027
Operating result		**-5,787**	**766**
Other interest and similar income	18	3	11
Interest and similar expenses	18	-355	-247
Result before tax		**-6,139**	**530**
Taxes on income	12	-24	0
Deferred taxes	12	-4	12
Other taxes	12	-4	-5
Result after tax	18	**-6,171**	**537**
Attributable to			
Shareholders of Alphaform		-6,158	537
Minority interest		-13	0
Other comprehensive income			
Currency translation difference economically independent foreign entities		4	-9
Gross profit / loss		**-6,167**	**528**
Attributable to			
Shareholders of Alphaform		-6,154	528
Minority interest		-13	0
Profit/loss per share			
Profit/loss per share (basic)		-1.16	0.10
Profit/loss per share (diluted)		-1.16	0.10
Weighted average number of shares outstanding (basic)		5,318,209	5,318,209
Weighted average number of shares outstanding (diluted)		5,318,209	5,318,209

Consolidated Statement of Financial Position

AKTIVA

T€	Notes	31,12,2013	31,12,2012
Assets			
Cash and cash Equivalents	3	1,252	1,733
free cash		1,152	1,633
resticted cash		100	100
Trade accounts receivable	4	1,458	3,526
Inventories	5	2,282	4,593
Other current assets	8	1,645	958
other current tax assets		76	17
other current assets		1,399	748
prepaid expenses		170	193
Total current assets		**6,637**	**10,810**
Property and equipment, net	6	3,846	4,193
Cash and cash Equivalents		838	932
resticted cash		838	932
Intangible assets, net	7	4,409	5,430
Concessions, Licences		130	86
Capitalised development costs		102	167
Goodwill, net		4,177	5,177
Deferred Tax asset		8	12
Other non-current assets		27	8
Total noncurrent assets		**9,128**	**10,575**
Total Assets		**15,765**	**21,385**

PASSIVA

T€	Notes	31,12,2013	31,12,2012
Liabilities and shareholders' equity			
Common stock, € 1 par value [1]		5,318	5,318
Additional paid-in capital		11,325	11,325
Accumulated other comprehensive loss CTA		4 4	0 0
Accumulated profit/loss of which minority shares		-10,019 -11	-3,861 0
Total equity of Alphaform shareholders Minority shares		6,628 -2	12,782 0
Total shareholders' equity	**14**	**6,626**	**12,782**
Noncurrent liabilities			
Liabilities due to banks	**9**	347	804
Other liabilities		1,003	1,207
Finance lease obligations	**16**	251	454
Current liabilities			
Current finance lease obligations	**16**	234	235
Liabilities due to banks	**9**	2,323	898
Trade accounts payable	**10**	2,994	2,428
Other provisions/liabilities Provisons Other liabilities Liabilities due to MediMet acquisition (short term) Advance payments received on account of orders	**11**	1,987 531 883 570 3	2,577 988 1,009 570 10
Total liabilities		**9,139**	**8,603**
Total liabilities and shareholders' equity		**15,765**	**21,385**

[1] 2012 and 2013: 5,318,209 shares per € 1 par value; € 2,659,104 authorised capital stock
2012 und 2013 € 531,820 conditional capital

Consolidated Statement of Cash Flow

T€	Notes	1.1. - 31.12. 2013	1.1. - 31.12. 2012
Result after taxes		-6,171	537
Adjustments reconcile net profit/loss to net cash from/ used in operating activities			
Depreciation of property, plant and equipment	6	1,135	1,278
Depreciation of intangible assets	7	118	0
Goodwill amortisation		1,000	0
Sale of property, plant and equipment at residual value		110	22
Currency translation differences		4	-10
Bad debt allowances	4	0	-17
Deferred taxes	12	4	-12
Changes in operating assets and liabilities:			
Trade receivables		2,068	-711
Inventories		2,311	-723
Other current assets		-687	515
Liabilities		566	-288
Other provisions and liabilities		-794	-350
Net cash from operating activities		**-336**	**241**
Acquisition of property, plant and equipment, excl. finance leases		-995	-652
Proceeds from the sale of property, plant and equipment, excl. finance leases		0	1
Expenses for other loans		-19	15
Net cash used in investing activities		**-1,014**	**-636**

T€	1,1, - 31,12, 2013	1,1, - 31,12, 2012
New Bank Loans	1,425	1,484
Principal payments on bank loans	-457	-683
Principals payments under finance leases	-204	-274
Transactions with non-controlling interests	11	0
Net cash used in financing activities	**775**	**527**
Net reduction in cash and cash equivalents	-575	132
Restricted cash	94	-382
Transactions with non-controlling interests	1,633	1,883
Net cash used in financing activities	**1,152**	**1,633**
Cash and cash equivalents includung short-term investments at the end of the period	**1,152**	**1,633**
Additional cash flow statement disclosures		
Cash paid for interest	355	247
Revenue for interest	3	11
Taxes on income	24	0
Non-cash transactions:		
Property, plant and equipment acquired under finance leases	35	477

Consolidated Statement of Shareholders' Equity 2013

All figures in € thousand exept number of shares	Notes	Common Stock Number of shares	Common Stock Amount
IAS/IFRS shareholders´equity as of December 31, 2011		5,318,209	5,318
Result	18		
Foreign currency translation			
IAS/IFRS shareholders´equity as of December 31, 2012		5,318,209	5,318
Result	18		
Foreign currency translation			
Transactions with non-controlling interests			
IAS/IFRS shareholders´equity as of December 31, 2013		5,318,209	5,318

Additional paid-in-capital	Accumulated other comprehensive income	Accumulated profit / deficit	Total equity of Alphaform shareholders	Minority shares	Total shareholders´ equity
11,325	9	-4,398	12,254	0	12,254
	0	537	537	0	537
	-9	0	-9	0	-9
11,325	0	-3,861	12,782	0	12,782
	0	-6,158	-6,158	-13	-6,171
	4	0	4	0	4
	0	0	0	11	11
11,325	4	-10,019	6,628	-2	6,626

Fixed Assets Movement Schedule 2013

	Acquisition Costs				
T€	01.01.13	Additions	Disposals	Adjusting	31.12.13
Intangible Assets					
Concesssions, industrial and similar rights and assets and licenses in such rights and assets	1,306	97	0	0	1,403
Internally generated intangible assets	260	0	0	0	260
Goodwill	11,289	0	0	0	11,289
Customer base and Know-how	1,779	0	0	0	1,779
	14,634	**97**	**0**	**0**	**14,731**
Property, Plant and Equipment					
Land rights and buildings including buildings on third party land	2,626	91	0	0	2,717
Technical equipment and machinery	13,040	538	429	52	13,201
Other equipment, factory and office equipment	2,306	243	16	0	2,532
Advance payments and construction in progress	74	27	0	-52	49
	18,046	**898**	**445**	**0**	**18,499**
	32,680	**995**	**445**	**0**	**33,231**

Accumulated Depeciation and Amortization						Net Book Value	
01.01.13	Additions	Disposals	Exchange diff.	Adjusting	31.12.13	31.12.13	31.12.12
1,220	52	0	0	0	1,273	131	86
92	65	0	0	0	158	102	167
6,112	1,000	0	0	0	7,112	4,177	5,177
1,779	0	0	0	0	1,779	0	0
9,204	**1,118**	**0**	**0**	**0**	**10,322**	**4,409**	**5,430**
1,450	100	0	0	0	1,550	1,167	1,176
10,630	832	321	0	0	11,142	2,059	2,409
1,771	203	14	1	0	1,961	571	534
0	0	0	0	0	0	49	74
13,852	**1,135**	**335**	**1**	**0**	**14,653**	**3,846**	**4,193**
23,057	**2,252**	**335**	**1**	**0**	**24,975**	**8,255**	**9,623**

Fixed Assets Movement Schedule 2012

	Acquisition Costs				
T€	01.01.12	Additions	Disposals	Adjusting	31.12.12
Intangible Assets					
Concesssions, industrial and similar rights and assets and licenses in such rights and assets	1,231	75	0	0	1,306
Internally generated intangible assets	156	104	0	0	260
Goodwill	11,289	0	0	0	11,289
Customer base and Know-how	1,779	0	0	0	1,779
	14,455	**179**	**0**	**0**	**14,634**
Property, Plant and Equipment					
Land rights and buildings including buildings on third party land	2,571	55	0	0	2,626
Technical equipment and machinery	12,330	818	181	74	13,040
Other equipment, factory and office equipment	2,351	104	164	14	2,306
Advance payments and construction in progress	64	98	0	-88	74
	17,316	**1,075**	**345**	**0**	**18,046**
	31,771	**1,254**	**345**	**0**	**32,680**

Accumulated Depeciation and Amortization						Net Book Value	
01.01.12	Additions	Disposals	differences	Adjusting	31.12.12	31.12.12	31.12.11
1,184	36	0	0	0	1,220	86	46
47	45	0	0	0	92	167	109
6,112	0	0	0	0	6,112	5,177	5,177
1,779	0	0	0	0	1,779	0	0
9,123	**81**	**0**	**0**	**0**	**9,204**	**5,430**	**5,332**
1,356	94	0	0	0	1,450	1,176	1,215
9,913	899	181	0	0	10,630	2,409	2,417
1,709	204	141	-1	0	1,771	534	641
0	0	0	0	0	0	74	64
12,979	**1,197**	**322**	**-1**	**0**	**13,852**	**4,193**	**4,337**
22,102	**1,278**	**322**	**-1**	**0**	**23,057**	**9,623**	**9,669**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and key accounting policies

Business and company

The company was founded on 14 December 1995 and is entered in the commercial register of the Munich Local Court under HRB 129 842.

The company provides its customers with services to support their product development process. These services comprise consulting on the content and planning of the product development process and manufacturing virtual or real prototypes and small series of products that later enter large-scale production with the aim of persuading customers as to the benefits of fully outsourcing their related processes. The medical technology segment was added on 1 December 2008 as a result of an acquisition in the area of precision implant casting.

The majority of the company's customers operate in the medical technology and automotive industries, but the company also has customers in the aerospace and aviation, household appliance and telecommunications sectors. Its revenue is mainly generated with customers in Germany, the rest of Europe – particularly the UK, Switzerland, Italy and Scandinavia – Turkey and the US.

The company has been listed on the Frankfurt Stock Exchange since June 2000. It has been included in the prime standard segment since the start of 2003. The company is based at Kapellenstrasse 10, 85622 Feldkirchen near Munich, Germany, and had 256 employees as at the end of the 2013 financial year (227 full time equivalents).

Consolidated companies

The company directly or indirectly held all shares in the following subsidiaries as at 31 December 2013:

- Alphaform CLAHO GmbH, Eschenlohe, Germany
- Alphaform-Projekt GmbH, Feldkirchen, Germany
- Alphaform RPI Oy, Rusko, Finland
- Alphaform Sweden AB, Stockholm, Sweden
- Alphaform Limited, Newbury, UK
- MediMet Precision Casting and Implants Technology GmbH, Stade, Germany

It also has an equity investment of 56% in the joint venture founded in 2013:

- Artshapes GmbH, Feldkirchen, Germany.

General information

The consolidated financial statements as at 31 December 2013 were approved by way of resolution of the Management Board on 25 March 2014. The CEO and only member of the Management Board of the company is Dr. Thomas Vetter. The Supervisory Board consists of Matti Paasila (Chairman of the Supervisory Board), Dr. Hans J. Langer and Falk Strascheg. The Supervisory Board can amend the consolidated financial statements approved by the Management Board.

Summary of key accounting policies

(A) Principles and methods of adoption

All IFRSs issued by the IASB that were effective at the time of these consolidated financial statements being prepared and adopted by Alphaform AG have been endorsed by the European Commission for application in the EU. These consolidated financial statements of Alphaform AG are therefore consistent with IFRS as effective in the EU.

The preparation of the annual financial statements in accordance with IAS/IFRS requires the Management Board to make estimates and assumptions concerning the recognition of assets and liabilities, the disclosure of contingent liabilities at the end of the reporting period, forecasts for impairment testing and the reporting of revenue and expenses during the reporting period. This primarily relates to estimated useful lives, write-downs on receivables and inventories, estimated amounts for provisions and estimated forecasts, growth rates, etc. Actual results may differ from these forecasts. Estimates and their underlying assumptions are examined on an ongoing basis. Estimates are recognised in the period in which the change occurs and each future period affected.

The accounting policies applied are the same as in the previous year with the following exceptions:

Alphaform AG applied the following revised IFRS standards in the 2013 financial year. The adoption of these standards had no effect on the net assets, financial position or results of operations of the Group. However, they have resulted in additional disclosures in some cases.

IFRS 7 "Financial Instruments: Disclosures": IFRS 7 regulates disclosure requirements for financial instruments

This amendment concerns the offsetting of financial assets and liabilities. This applies to all recognised financial instruments netted in accordance with IAS 32.42. Under the new disclosure regulations of IFRS 7, both gross amounts before offsetting and net amounts after offsetting in accordance with IAS 32.42 must be disclosed. Furthermore, financial instruments whose settlement is subject to legally enforceable global offsetting arrangements or similar liabilities must also be disclosed to guarantee better comprehension of netting activities.

IFRS 13 "Fair Value Measurement":

The aim of this standard endorsed by the EU is to increase consistency in the measurement of fair value and to reduce complexity by providing a uniform definition of the term for all IFRSs for the first time and creating a single source for the measurement of fair value and disclosure requirements. The subject of the amendment is the question of how to measure at fair value. The individual IFRS standards relevant to the respective issue or items themselves regulate which items have to be measured at fair value.

IAS 1 "Presentation of Financial Statements":

The main impact of the amendments to IAS 1 is the regulation that, in future, enterprises must group items reported in other comprehensive income according to whether they can be reclassified to profit or loss at a later date (reclassification adjustments). These amendments do not concern when items are included in other comprehensive income. Components of OCI that can be reclassified to profit or loss at a later date and components that will not be reclassified must now be reported separately. The same principle must be applied to the income taxes incurred in the event of pre-tax reporting. Income taxes must also be broken down according to items that can and cannot be reclassified. The option of reporting components of OCI either before or after taxes remains. The amendments to IAS 1 are effective for financial years beginning on or after 1 July 2012.

IAS 12 "Income Taxes":

With few exceptions, an enterprise must recognise deferred tax assets/liabilities when recovering the carrying amount of the asset or liability would result in higher/lower tax payments in future. The amendment offers a practical solution for the problem of whether the carrying amount of an asset can only be recovered by its use or sale. It also established the rebuttable presumption that the carrying amount is normally only recovered by sale.

IAS 19 "Employee Benefits":
The most significant change in IAS 19 is that unexpected fluctuations in pension obligations and any plan assets, referred to as actuarial gains and losses, must be immediately recognised in other comprehensive income in future. The previous option of immediate recognition in other comprehensive income or subsequent recognition in line with the corridor method was therefore abolished.

IMPROVEMENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (MAY 2012):

The amendments published on 28 March 2013 are effective for financial years beginning on or after 1 January 2013.

Amendment to IFRS 1 "First-time Adoption" – Government Loans:
The amendments published in the Official Journal of the European Union on 5 March 2013 are effective for financial years beginning on or after 1 January 2013. The Group has examined the impact of IFRS 1. The implementation of this standard has no effect for the Group.

IFRS 1 "First-time Adoption"
The intention of the amendments to IFRS 1 is to introduce a new exception to the scope of IFRS 1: enterprises that were subject to hyperinflation can use the fair value of their assets and liabilities instead of cost in their opening IFRS accounts. In addition, the amendments replaced previous references to 1 January 2004 as a fixed transition date with the general formulation "date of transition to IFRSs". The Group has examined the impact of IFRS 1. The implementation of this standard has no effect for the Group.

From the amendments to IFRS 7 "Financial Instruments: Disclosures"
The additional disclosure requirements for the offsetting of financial assets and financial liabilities have no effect on the Group.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine":
The new regulations are effective for financial years beginning on or after 1 January 2013. The interpretation deals with the issue of the recognition and measurement of stripping costs in the production phase of a surface mine.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS PUBLISHED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2013 AND NOT ADOPTED EARLY

IFRS 10 "Consolidated Financial Statements":
The standard replaces the consolidation guidance of IAS 27 and SIC 12 by introducing a single consolidation model for all enterprises on the basis of control regardless of the type of investee (i.e. independently of whether the enterprise is controlled by the voting rights of investors or other contractual arrangements, as is normally the case for special purpose entities). The standard replaces the provisions of IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". In future IAS 27 will therefore only cover regulations for separate financial statements and has therefore been renamed "Separate Financial Statements". IFRS 10 focuses on the introduction of a uniform consolidation model for all companies based on the control of the subsidiary. A new feature is the concept of a uniform definition for the term control, which will determine whether or not an enterprise is included in consolidation in future. This definition contains details of how a reporting enterprise (investor) can control another enterprise (investee) and must therefore include it in consolidation. The Group is currently still analysing the full impact of IFRS 10 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

IFRS 11 "Joint Arrangements":
IFRS 11 introduces new accounting regulations for joint arrangements to replace IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The standard establishes new requirements for the identification, classification and recognition of jointly controlled activities. The option of applying the pro rata consolidation method for accounting for jointly controlled enterprises has been deleted. Furthermore, IFRS 11 removes jointly controlled assets, leaving just joint operations and joint ventures. They are now classified based on an approach that looks at the rights and obligations arising from the agreement. The Group is currently still analysing the full impact of IFRS 11 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

IFRS 12 "Disclosure of Interests in Other Entities":
IFRS 12 introduces the revised disclosure requirements for all forms of an interest in other entities, including joint arrangements, associates, special-purpose entities and other equity interests not included in consolidation. IFRS 12 requires improved disclosures for entities both included and not included in consolidation in which an enterprise has an investment. IFRS 12 demands more extensive but also more informative disclosures in the notes than IAS 27. For example, in future disclosures will be required on the type, size and significance of relationships with other companies, including structured companies (special-purpose entities) included or not included in consolidation. The Group is currently still analysing the full impact of IFRS 12 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – investment entities:
The amendments published on 21 November 2013 are effective for financial years beginning on or after 1 January 2014.

Amendments to the transition provisions of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities":
The amendments published on 5 April 2013 are expected to be effective for financial years beginning on or after 1 January 2014.

IAS 27 "Separate Financial Statements":
IAS 27 (revised 2011) contains the regulations applicable to separate financial statements that remain now that the consolidation regulations previously in IAS 27 are in the new IFRS 10 "Consolidated Financial Statements". Amendments in IFRS 12 also affect IAS 27. The Group is currently still analysing the full impact of IAS 27 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

IAS 28 "Investments in Associates":
IAS 28 (revised 2011) contains the provisions for investments in associates and joint ventures measured using the equity method in accordance with IFRS 11. In future, joint ventures will always be accounted for using the equity method in accordance with IAS 28 as proportionate consolidation for joint ventures was eliminated in IFRS 11. Additional amendments in IAS 28 now regulate for the first time that in the event of the planned partial disposal of an associate or joint venture, the share held for sale must be accounted for in accordance with IFRS 5 " Non-Current Assets Held for Sale and Discontinued Operations", provided that the classification criteria of this standard are satisfied. The Group is currently still analysing the full impact of IAS 28 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

IAS 32 "Financial Instruments – Presentation":
IAS 32 regulates the presentation and information to be disclosed for all types of financial instruments. As an aid to comparability with the US regulations, additional disclosure requirements added to IFRS 7 will come into effect. The established netting model will be retained. The amendment concerns the two offsetting requirements of IAS 32.42:

- For the netting of a financial asset and a financial liability, the claim must not be contingent on a future event and must continue to apply in the event of the default, insolvency or bankruptcy of the partner.

- If financial instrument transactions are settled via settlement systems (e.g. a clearing house), the offsetting of financial assets and financial liabilities requires that the transaction occurs without giving rise to credit or liquidity risks and within a settlement process or cycle.

The amendments to IAS 32 are effective retrospectively, with the restatement of comparative figures, for financial years from 1 January 2014. The Group is currently still analysing the full impact of IAS 32 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

NEW AND AMENDED STANDARDS PUBLISHED BUT NOT YET ENDORSED BY THE EUROPEAN UNION

IFRS 9 "Financial Instruments", amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – mandatory effective date and transition disclosures:
The amendments are expected to be effective for financial years beginning on or after 1 January 2015. The Group is currently still analysing the full impact of IFRS 9 and its amendments.

IFRS 9 "Financial Instruments":
Classification and Measurement: Financial Assets (November 2009) and "Financial Instruments": Classification and Measurement: Financial Liabilities (October 2010): The additions to IFRS 9 contain new regulations on hedge accounting in the form of a new general model for hedge accounting. The addition was included in IFRS 9 as section 6 and replaces the corresponding hedge accounting regulations in IAS 39. However, when applying the new hedge accounting regulations in IFRS 9 there is the option of continuing to apply the special rules for portfolio fair value hedges to interest risks in IAS 39. The new model introduced by the IASB offers enterprises more flexibility in presenting their risk management activities. The additions to IFRS 9 also create the option for the early implementation of reporting outside profit or loss of fair value changes due to credit quality for liabilities measured at fair value, without applying the full regulations of IFRS 9. Furthermore, the IASB has lifted the effective date previously included in IFRS 9 (1 January 2015). A new effective date will not be decided until the standard is complete. EU endorsement is also not intended until this time.

Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets":
In developing IFRS 13 "Fair Value Measurement" the IASB had decided to adapt IAS 36 so that disclosures on impaired assets are required. However, it was found that the amendments to IAS 36 resulted in such disclosures being required for all cash-generating units if they include a material share of goodwill, regardless of whether or not they are impaired. Moreover, the amendments further specify the disclosures if an asset is impaired and its recoverable amount was determined on the basis of its fair value less costs to sell. For example, disclosures are intended on the measurement methods applied and the level of the IFRS 13 fair value hierarchy at which the fair value was determined. The amendments are effective for financial years beginning on or after 1 January 2014. Earlier adoption is permitted if IFRS 13 is already applied. The Group is currently still analysing the full impact of IAS 32 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement":
The IASB approved "Novation of Derivatives and Continuation of Hedge Accounting" on 27 June 2013. In line with this, derivatives remain designated as hedging instruments in continuing hedges despite novation. Novation refers to instances in which the original counterparties to a derivative agree that a central counterparty will replace one of the respective counterparties. A basic requirement for this is that the central counterparty is engaged as a result of legal or regulatory requirements. The amendments are effective for financial years beginning on or after 1 January 2014, though early adoption is permitted. The Group is currently still analysing the full impact of IAS 39 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

IFRIC 21 "Levies":
Regarding levies charged by governments and not included in the scope of another IFRS, this interpretation clarifies how and, in particular, when such obligations must be recognised in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". One example of such a levy in the German legal space is the bank levy. Under this interpretation, an obligation must be recognised in the financial statements as soon as the obligating event on which the levy is legally based occurs. The interpretation is effective for financial years beginning on or after 1 January 2014. The Group is currently still analysing the full impact of IFRIC 21 and intends to adopt it for reporting periods that begin on or after 1 January 2014 at the latest.

(B) Declaration of compliance
The consolidated financial statements as at 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, taking into account the recommendations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) and the IFRSs endorsed by the European Commission. Accordingly, these annual financial statements were prepared in accordance with the IASs/IFRSs effective as at 31 December 2013.

(C) Principles of presentation
The consolidated financial statements were prepared in euro, the functional currency of the Group. They are based on historical acquisition costs. All amounts stated in this report have been rounded to full amounts in euro (€) or thousands of euro (€ thousand).

In accordance with IAS 27.24, the Group companies applied uniform accounting policies.

(D) Principles of consolidation
The consolidated financial statements include Alphaform AG and all its subsidiaries in accordance with the method of full consolidation. All assets and liabilities between the companies included in consolidation are offset; intragroup transactions are eliminated. The key accounting policies of subsidiaries were amended as required to establish uniformity with the principles applied at Group level. For more information, see 1(A) of the notes to the consolidated financial statements and IFRS 3 "Business Combinations", IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets".

(E) Currency translation
IAS 21 "The Effects of Changes in Foreign Exchange Rates" prescribes accounting for transactions and balances denominated in foreign currencies. The functional currency of all of the company's subsidiaries is the local currency of the country in which the respective subsidiary is domiciled. Accordingly, foreign currency assets and liabilities reported in the accounts of foreign subsidiaries (except equity) are translated into euro at the respective rate at the end of the reporting period. Income and expenses are translated at the average rate for the respective financial year. Cumulative gains and losses from currency translation are reported in equity as a separate item. € 4 thousand was recognised in profit or loss in the 2013 financial statements (previous year: € -9 thousand).

The following exchange rates were used for currency translation:

Country	Currency	Balance sheet date (representing € 1)	Average rate (representing € 1)
Great Britain	GBP	0.83310	0.8490
Sweden	SEK	8.82620	8.5680

(F) Cash and cash equivalents
All current liquid financial assets with original maturities of three months or less are classified as cash and cash equivalents. Cash and cash equivalents are carried at fair value. The company invests its cash and cash equivalents at three major German banks – Deutsche Bank, BayernLB and DZ Bank – Münchner Bank and at local savings banks.

(G) Credit risk
Financial instruments that may expose the Group to credit risk primarily consist of cash and cash equivalents and current financial assets. The Group invests its cash equivalents, current financial assets and restricted cash with issuers of excellent credit quality. Group investments are managed in Germany. The maximum credit risk is the total cash and cash equivalents and current financial assets reported in the statement of financial position.

(H) Recognition and measurement of inventories
Inventories are carried at cost less necessary allowances. Finished goods and work in progress are carried at cost. This includes all directly attributable costs of materials and production in addition to overheads incurred in bringing inventories to their present location and condition. Inventories are broken down into materials and supplies, work in progress, finished products and goods for resale and advance payments.

(I) Intangible assets and property, plant and equipment
Intangible assets are recognised at amortised cost. All intangible assets, with the exception of goodwill, have a definite useful life and are therefore amortised on a straight-line basis.

Development costs are capitalised as an intangible asset if a newly developed product or process can be clearly delineated, is technically feasible and is either intended for own use or for marketing purposes. Other conditions for capitalisation include the expected realisation of future economic benefits and the reliable measurement of the asset.

Property, plant and equipment include leasehold improvements, machinery, equipment, purchased software and internally generated intangible assets. Property, plant and equipment are carried at cost less cumulative depreciation and impairment losses.

Non-current assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Office equipment	2 to 13 years
Machinery	3 to 10 years
Software	3 years
Leasehold improvements	3 to 10 years
Internally generated intangible assets	3 to 5 years

The historical cost of assets that are sold or scrapped is eliminated net of cumulative depreciation. Gains and losses on the disposal of property, plant and equipment are reported in other operating income or expenses. Replacement acquisitions, building alterations and leasehold improvements are capitalised, whereas repair and maintenance expenses are expensed as occurred. Low-value assets (less than € 150) are written off in full in the year of acquisition. For reasons of simplification, assets worth more than € 150 but less than € 1,000 are recognised as an omnibus item. This omnibus item is written down on a straight-line basis over a period of five years.

(J) Recognition and measurement of receivables

Trade receivables are carried at their nominal amount. Identifiable individual risks are taken into account using specific valuation allowances.

Valuation allowances for bad debts are based on management estimates of the collectability of certain receivables from customers and the maturity structure of trade receivables. If the credit rating of a major customer deteriorates or the actual level of default is higher than in the past, this may have an adverse effect on management estimates of the collectability of receivables. Based on these estimates, valuation allowances of € 722 thousand were recognised as at 31 December 2013 and € 198 thousand as at 31 December 2012. The company does not agree the retention of ownership of receivables with its customers.

(K) Accounting for long-lived and identifiable intangible assets (goodwill)

Since the start of the 2004 financial year, the company has applied IAS 36 "Impairment of Assets" in testing purchased goodwill for impairment. At the end of each reporting period or whenever there are indications that a carrying amount may no longer be recoverable, the management examines the carrying amounts of the Group's assets for potential impairment. Under impairment testing, the value in use of the acquired subsidiary is compared with the corresponding carrying amount (including goodwill). Impairment losses of € 1,000 thousand were recognised in the 2013 financial year (previous year: impairment losses of € 0 thousand).

(L) Accounting for long-lived and identifiable intangible assets (not including goodwill)

At the end of each reporting period or whenever there are indications that a carrying amount may no longer be recoverable, the management examines the carrying amounts of the Group's financial and non-financial assets for potential impairment. If there is an indication of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised if the recoverable amount is lower than the carrying amount of the asset. Impairment losses are reported in the income statement.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. To estimate the value in use, the expected future cash flows are discounted against the present value using an interest rate before taxes that reflects the present market assessment of the interest effect and the specific risks relating to the asset. If the asset does not generate an independent cash flow, the recoverable amount is calculated for the cash-generating unit containing the asset. No such impairment losses were recognised in the 2013 and 2012 financial years.

(M) Research and development

Research costs are expensed in full in the year in which they are incurred; development costs that meet the conditions for capitalisation are capitalised and amortised over a period of 3 to 5 years.

(N) Fair value of financial instruments

The carrying amounts for cash and cash equivalents, current financial assets, receivables, other assets, liabilities and provisions in the statement of financial position are roughly equivalent to their fair values.

The carrying amounts of lease obligations are also roughly equivalent to their fair values as determined by comparing the market prices for identical and similar loan arrangements and the conditions offered to the company.

(O) Trade payables and other liabilities
Trade payables and other liabilities are measured at the repayment amount. Liabilities with a maturity of more than one year are discounted to their present value. Liabilities with uncertain timing or amount are reported as provisions.

(P) Revenue recognition
The company generates revenue from the timely performance of services for its customers in the area of prototype production. Alphaform AG uses CAD (computer-aided design) product descriptions developed by its customers in producing these prototypes. The company uploads the CAD data it receives from customers to its own production software, which manages and controls the production machinery.

Revenue from the sale of these products is generally recognised when, among other things, a contractual basis exists, the price is fixed or can be determined, the product or service has been provided and receipt of payment is assured. The company has no repurchase obligation after delivering the products.

Depending on the order size and complexity and the number of prototypes or orthopaedic implants to be developed, production time may range from one day to between three and four months.

(Q) Amendments to accounting policies
The PoC method is no longer used in the Group from this financial year as the effort involved in calculating it would be disproportionately high. Furthermore, given the low volume of finished goods and work in progress of € 0 thousand at Alphaform RPI (previous year: € 11 thousand) and € 0 thousand at Alphaform Ltd. (previous year: € 0 thousand), applying the PoC method would not lead to significant changes in revenue. The PoC method cannot be applied at MediMet Precision Casting and Implants Technology GmbH due to its entirely different order and manufacturing structure.

(R) Payments for operating leases
Payments made in connection with operating leases are reported in the income statement on a straight-line basis over the lease term.

(S) Interest income
Interest income is recognised in profit and loss as it occurs, taking into account the effective interest rate of the respective asset.

(T) Interest expense
Borrowing costs are not capitalised, but instead are expensed in full as interest expense in the period in which they are incurred.

(U) Taxes on income
Current income taxes are the expected taxes due on taxable income for the year based on the tax rates effective, or predominantly in force, at the end of the reporting period.

Deferred taxes are calculated on the basis of the liability method, which addresses temporary differences between the carrying amounts for assets and liabilities shown in the IFRS statement of financial position and their amounts in the tax base. Deferred taxes are calculated depending on the manner in which the carrying amounts of the assets are expected to be realised and the liabilities are expected to be fulfilled based on the tax rates effective, or predominantly in force, at the end of the reporting period.

Deferred tax claims and deferred tax due are offset if there is a legally enforceable right to set off a current tax asset against a current tax liability, and if deferred tax claims and tax due relates to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets can only be recognised as assets in the amount in which it is probable that future taxable earnings will be available in order to realise the claim. Deferred tax assets are reduced by the extent to which the tax claim can probably no longer be realised.

(V) Earnings per share

The Group reports basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the company's ordinary shares by the weighted average number of ordinary shares outstanding in the period under review. Diluted earnings per share are calculated in the same way, with the net profit or loss for the year attributable to ordinary shareholders and the weighted average number of ordinary shares in outstanding being adjusted for the possible dilutive effects of all dilutive ordinary shares issued to management and employees as stock options.

(W) Capital management

Capital management concerns the management of equity and liabilities in addition to the management of financial assets.

The conditions for optimum capital management are established through the strategic alignment of the Alphaform Group, which focuses on a long-term increase in value in the interests of investors, employees and customers. This value development is driven by a continuous improvement in results through organic growth and improvements in efficiency. In order to achieve this, there is a need for a balance between business and financial risks on the one hand and financial flexibility to achieve growth targets on the other. This balance is ensured by the strong financial profile to which Alphaform is committed. Short-term liquidity management has a planning horizon of three months.

The share capital of € 5,318 thousand and the capital reserves of € 11,325 thousand – totalling € 16,643 thousand – are considered as capital to be managed.

Alphaform AG is not subject to any capital requirements on the basis of its Articles of Association.

2. Segment reporting

A business segment is a distinguishable component of a group that is engaged in providing products or services and that is subject to risks and returns that are different to those of other business segments.

Segment information is provided on the Group's business and geographical segments. The basis for the primary segment reporting format is the Group's management structure and its internal financial reporting system. Segment earnings and segment assets contain components that are directly attributable to the individual segment or that can be allocated to the segments on a reasonable basis. The price used when transferring between segments is determined in accordance with a Group directive on an arm's-length basis.

Segment investments represent the total costs incurred in the period under review for the acquisition of property, plant and equipment and intangible assets (not including goodwill).

The revenue in the business segments relates to the generative 3D layering (a. additive manufacturing (AM)/3D printing) and the manufacture of medical products (b. medical division).

The segment information meets the requirements of IFRS 8. The assets within the meaning of IFRS 8 amounted to € 15,765 thousand (previous year: € 21,385 thousand). € 7,178 thousand of this (previous year: € 11,492 thousand) relates to AM/3D printing and € 4,533 thousand (previous year: € 6,705 thousand) to the medical division.

Segment reporting 2013

T€	AG, UK, RPI, Spacecast, Artshapes AM / 3D Printing 2013	CLAHO, MediMet Medical Division 2013	Consolidated 2013	Group 2013
External revenues	17,193	8,676	0	25,869
Intersegmental revenues	26	1,222	-1,248	0
Revenues	**17,219**	**9,898**	**-1,248**	**25,869**
Change in inventories	-54	-609	0	-663
Own work capitalised	0	15	0	15
Other operating income	1,281	202	-943	540
Cost of materials	-10,077	-2,795	1,246	-11,626
Personnel expenses	-5,784	-4,861	0	-10,645
Depreciation and amortisation costs	-825	-441	14	-1,252
Amortisation of goodwill	0	0	-1,000	-1,000
Other operating expenses	-4,723	-3,245	943	-7,025
Segment result	**-2,963**	**-1,836**	**-988**	**-5,787**
Interest income	30	2	-29	3
Interest expenses	-272	-112	29	-355
Other income, net	0	0	0	0
Results from continuing operations before tax	**-3,205**	**-1,946**	**-988**	**-6,139**
Income taxes	-24	0	0	-24
Deferred taxes	-4	0	0	-4
Other taxes	0	-4	0	-4
Net result	**-3,233**	**-1,950**	**-988**	**-6,171**
Cash	1,946	144	0	2,090
free cash	1,110	42	0	1,152
restricted cash	836	102	0	938
trade receivables	1,039	561	-142	1,458
Inventories	1,060	1,222	0	2,282
Other current asstes	866	779	0	1,645
Property and equipment, net	2,110	1,717	19	3,846
Intangible assets, net	105	25	0	130
Internally generated intangible assets	17	85	0	102
Goodwill, net	0	0	4,177	4,177
Deferred taxes	8	0	0	8
Other non-current asstes	27	0	0	27
Total segment assets	**7,178**	**4,533**	**4,054**	**15,765**
Trade payables	1,994	1,000	0	2,994
Loans from banks	1,916	754	0	2,670
Other provisions/liabilities	3,009	295	-314	2,990
Finance leasing	282	203	0	485
Deferred taxes	0	0	0	0
Total segment liabilities	**7,201**	**2,252**	**-314**	**9,139**
Investments	693	302	0	995
Scheduled depreciations and amortisations	825	441	-14	1,252
Unscheduled depreciations and amortisations	0	0	1,000	1,000

Segment reporting 2012

T€	AG, UK, RPI, Spacecast, Artshapes AM / 3D Printing 2012	CLAHO, MediMet Medical Division 2012	Consolidated 2012	Group 2012
External revenues	16,654	10,449	0	27,103
Intersegmental revenues	159	1,156	-1,315	0
Revenues	**16,813**	**11,605**	**-1,315**	**27,103**
Change in inventories	188	-30	0	158
Own work capitalised	26	78	0	104
Other operating income	1,469	346	-1,548	267
Cost of materials	-6,759	-3,269	1,315	-8,713
Personnel expenses	-5,780	-5,068	0	-10,848
Depreciation and amortisation costs	-836	-448	6	-1,278
Amortisation of goodwill	0	0	0	0
Other operating expenses	-4,622	-2,910	1,505	-6,027
Segment result	**499**	**304**	**-37**	**766**
Interest income	60	1	-50	11
Interest expenses	-170	-127	50	-247
Other income	0	0	0	0
Results from continuing operations before tax	**389**	**178**	**-37**	**530**
Income taxes	0	0	0	0
Deferred taxes	12	0	0	12
Other taxes	0	-5	0	-5
Net result	**401**	**173**	**-37**	**537**
Cash	2,433	232	0	2,665
free cash	1,503	130	0	1,633
restricted cash	930	102	0	1,032
Trade receivables	3,108	2,412	-1,994	3,526
Inventories	2,897	1,695	1	4,593
Other current assets	559	399	0	958
Property and equipment, net	2,372	1,817	4	4,193
Intangible assets, net	72	14	0	86
Internally generated intangible assets	31	136	0	167
Goodwill, net	0	0	5,177	5,177
Deferred taxes	12	0	0	12
Other non-current assets	8	0	0	8
Total segment assets	**11,492**	**6,705**	**3,188**	**21,385**
Trade payables	1,691	737	0	2,428
Loans from banks	1,029	673	0	1,702
Other provisions/liabilities	3,673	430	-319	3,784
Finance leasing	370	319	0	689
Deferred taxes	0	0	0	0
Total segment liabilities	**6,763**	**2,159**	**-319**	**8,603**
Investments	1,169	240	-155	1,254
Scheduled depreciations and amortisations	836	448	-6	1,278
Unscheduled depreciations and amortisations	0	0	0	0

AM/3D printing

The AM/3D printing segment consists of Alphaform AG (including the holding company), Artshapes GmbH, Alphaform RPI Oy, Finland, Alphaform Sweden AB, Stockholm, Sweden, and Alphaform (UK) Ltd, Newbury, UK.

AM/3D printing

T€	2013	2012	Change
Revenues	17,219	16,813	2%
Result	-3,233	401	-906%
Investments	693	1,169	-41%

Revenue in the AM/3D printing segment increased by 2% year-on-year from € 16,813 thousand in 2012 to € 17,219 thousand in 2013. Earnings fell by € 3,634 thousand from € 401 thousand in 2012 to € -3,233 thousand in 2013.

Investments in the AM/3D printing segment were down by € 476 thousand as against the previous year in 2013.

Medical division

The medical division segment comprises MediMet GmbH and Alphaform CLAHO GmbH.

Medical division

T€	2013	2012	Change
Revenues	9,898	11,605	-15%
Result	-1,950	173	-1,227%
Investments	302	240	26%

Revenue in the medical division declined from € 11,605 thousand in 2012 to € 9,898 thousand in 2013, a decrease of 15%. Earnings fell by € 2,123 thousand from € 173 thousand in 2012 to € -1,950 thousand in 2013.

Investments in the medical division were up by € 62 thousand year-on-year in 2013.

The secondary segments are broken down according to geographical location.

Central Europe

The Central Europe segment comprises Alphaform AG, Feldkirchen; Alphaform CLAHO GmbH, Eschenlohe, Artshapes GmbH, Feldkirchen, and MediMet Precision Casting and Implants Technology GmbH, Stade.

North Europe

The North Europe business segment comprises Alphaform RPI Oy, Rusko Finland, Alphaform Sweden AB, Stockholm, Sweden, and Alphaform Ltd, Newbury, UK.

Segment revenue information is presented on the basis of the domicile of the respective customer. The figures for segment assets relate to the location of the respective assets.

Consolidated revenue	Central Europe		North Europe		Consolidated		Total	
T€	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Germany	13,520	13,563	0	0	0	0	13,520	13,563
Finland	40	0	2,003	2,136	0	0	2,043	2,136
Great Britain	194	131	2,966	2,717	0	0	3,160	2,848
Rest of Europe	2,379	2,672	38	0	0	0	2,417	2,672
Outside Europe	4,729	5,884	0	0	0	0	4,729	5,884
Total	**20,862**	**22,250**	**5,007**	**4,853**	**0**	**0**	**25,869**	**27,103**

Group assets	Central Europe		North Europe		Consolidated		Total	
T€	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Germany	20,588	13,896	0	0	-7,544	5,182	13,044	19,078
Finland	0	0	1,282	1,229	0	0	1,282	1,229
Great Britain	0	0	1,439	1,078	0	0	1,439	1,078
Total	**20,588**	**13,896**	**2,721**	**2,307**	**-7,544**	**5,182**	**15,765**	**21,385**

Group investments	Central Europe		North Europe		Consolidated		Total	
T€	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Germany	796	1,254	0	0	0	-155	796	1,099
Finland	0	0	187	154	0	0	187	154
Great Britain	0	0	12	1	0	0	12	1
Total	**796**	**1,254**	**199**	**155**	**0**	**-155**	**995**	**1,254**

A further breakdown of income from external customers at the level of products and services would entail a disproportionate amount of effort and has therefore not been provided.

3. Cash and cash equivalents

As at 31 December 2013 the company had bank balances totalling € 2,090 thousand (31 December 2012: € 2,665 thousand). € 1,152 thousand of this amount was freely available and € 938 thousand had restricted availability, including € 100 thousand with short-term and € 838 thousand with long-term restrictions on availability.

Cash and cash equivalents

T€	31.12.2013	31.12.2012
Free cash	1,152	1,633
Restricted cash	100	100
Cash and cash equivalents, current	**1,252**	**1,733**
Restricted cash	838	932
Cash and cash equivalents, non-current	**838**	**932**
Total cash and cash equivalents	**2,090**	**2,665**

4. Trade receivables and percentage of completion

All trade receivables are non-interest-bearing and are generally due between 10 and 90 days. This may be extended to 180 days in special cases at MediMet.

Trade receivables

T€	31.12.2013	31.12.2012
Trade receivables	2,180	3,496
Receivables from percentage-of-completion	0	228
Total	**2,180**	**3,724**
Valuation allowances	-722	-198
Total	**1,458**	**3,526**

T€	2013 0 - 30 Days	2013 30 - 60 Tage	2013 60+ Days	2013 Total
Trade receivables	417	364	1.399	2,180
Receivables from PoC	0	0	0	0
Valuation allowances	0	0	-722	-722
Receivables after decuction of value allowances	**417**	**364**	**677**	**1,458**

The largest single receivable as at 31 December 2013 was € 740 thousand or 15.05% of total receivables. The company's management considers this receivable to be low-risk. € 308 thousand of this receivable had been settled 60 days after the end of the 2013 financial year. The largest single receivable as at 31 December 2012 was € 506 thousand or 14.4% of total receivables and was considered by the company's management to be low-risk. € 100 thousand of this receivable had been settled 40 days after the end of the 2012 financial year.

5. Inventories

Inventories are composed as follows:

Inventories

T€	31.12.2013	31.12.2012
Raw materials and consumables	1,188	3,063
Unfinished goods	759	913
Finished goods	335	617
Advance payments	0	0
Total	**2,282**	**4,593**

Inventories are carried at the lower of cost or market. The cost of raw materials is calculated using the weighted average method. The inventories in 2013 and 2012 contained no currency translation differences.

The cost of inventories includes all directly attributable costs of materials and production in addition to overheads incurred in bringing the inventories to their present location and condition.

The manufacturing contracts performed by Alphaform are generally short-term in nature, i.e. they are not reported at the end of two consecutive reporting periods.

6. Property, plant and equipment

Details of non-current assets can be found in the statement of changes in non-current assets for 2013 and 2012. Property, plant and equipment include leased machinery with a cost of € 371 thousand (previous year: € 477 thousand). As at 31 December 2013, the cumulative depreciation attributable to these leased assets totalled € 376 thousand (previous year: € 300 thousand). The residual carrying amount of the leased assets is € 371 thousand. There are options to extend the lease terms that are not linked to specific conditions.

The total depreciation of property, plant and equipment recognised in the period under review was € 1,135 thousand (previous year: € 1,197 thousand).

Property, plant and equipment

T€	31.12.2013	31.12.2012
Property and plant	1,335	1,201
Leasehold improvements	1,382	1,425
Machinery	13,201	13,040
Operating and office equipment	2,532	2,305
Construction in progress	49	74
Total	**18,499**	**18,045**
Less cumulative depreciation	-14,653	-13,852
Total	**3,846**	**4,193**

Leased assets are capitalised as a capital lease in accordance with IAS 17 "Leases". Under IAS 17, the economic ownership of leased assets is transferred to the lessee if the lessee bears a substantial portion of the risks and rewards of owning the leased asset. Where economic ownership is assigned to Alphaform, the asset is capitalised at the time the agreement is signed, either at fair value or at the present value of the minimum leasing payments if this is lower than the fair value. Amortisation methods and estimated useful lives are the same as for comparable acquired assets. There is a purchase option at the end of the lease term for almost all leases. Legal ownership of the leased assets lies with the lessor, hence that the company cannot freely dispose of the leased assets.

A security assignment agreement was concluded on 30 November 2012 to provide security for the loan granted by NordLeasing GmbH. The net carrying amount of the items of non-current assets assigned as security was € 733 thousand as at 31 December 2013 (previous year: € 942 thousand).

7. Intangible assets

Intangible assets

T€	31.12.2013	31.12.2012
Intangible assets	260	260
Software	1,403	1,306
Goodwill	11,290	11,290
Customer base and know-how	1,779	1,779
Total	**14,732**	**14,635**
Less intangible assets	-10,323	-9,205
Total	**4,409**	**5,430**

The carrying amount of goodwill is taken from the historical cost of € 11,290 thousand less cumulative impairment of € 7,112 thousand and amounts to € 4,177 thousand as at the end of the reporting period. It includes goodwill capitalised in the acquisition of MediMet Precision Casting and Implants Technology GmbH of € 3,858 thousand (carrying amount as at 31 December 2013) and goodwill from the acquisition of CLAHO GmbH of € 319 thousand (carrying amount as at 31 December 2013). Goodwill is tested for impairment annually rather than being amortised.

The company has applied IAS 36 "Impairment of Assets" in testing purchased goodwill for impairment since the start of the 2004 financial year. Under impairment testing, the value in use of the acquired subsidiary is compared with the corresponding carrying amount (including goodwill).

The value in use is determined on the basis of the respective detailed plans for the 2014 financial year. These detailed plans were prepared prudently on the basis of the best possible estimates of overall economic development in the respective regions and factoring in the specific potential of the given market environment over a period of four years. An average country-specific growth rate – adjusted to company-specific conditions – and a risk-free interest rate of 10.8% (previous year: 14.0%) was used for Alphaform CLAHO GmbH and 9.7% (previous year: 12.9%) for MediMet Precision Casting and Implants Technology GmbH. A perpetual growth rate of 1.0% for Alphaform CLAHO GmbH and 1.0% for MediMet Precision Casting and Implants Technology GmbH was used from the beginning of the sixth year. The assumptions made reflect management estimates of future performance and are based on internal budget calculations and external sources. The sensitivity analysis was performed with different assumptions for the achievement of planned EBIT.

In determining the value in use of Alphaform CLAHO GmbH, Eschenlohe, the management is also forecasting an extremely moderate expansion in the rapid tooling business of 2% to 3% per year over the next two years based on past experience. Alphaform CLAHO GmbH's business model is to be modified gradually over the next few years and will move away from its established prototyping business towards series production for medical products. This change was taken into account in the calculation of value in use on the basis of the detailed planning available for the financial years from the 2015 financial year, resulting in a total rate of increase of 11% to 14% for the planned revenue of Alphaform CLAHO for the next two years. No impairment was required at Alphaform CLAHO in the 2013 financial year (previous year: no impairment).

In calculating the value in use of MediMet Precision Casting and Implants Technology GmbH, Stade, given the catch-up effect due to the low starting base in 2013, the management is assuming an expansion in orthopaedic implant activities of 18% in 2014 and, on the basis of further anticipated market growth, a further increase in revenue from 9% to 11% in 2015 to 2017. The most sensitive item on the expenses side is the estimate of increases in revenue-related costs, particularly costs of materials. On the basis of the general economic situation with materials prices generally in decline, a rise of 16% in costs of materials was assumed for 2014 and of 4% to 8% in 2015 to 2017. Based on past experience, a discount of 15% was recognised on planned income to calculate value in use. Impairment testing identified an impairment loss of € 1,000 thousand for MediMet in the financial year (previous year: € 0 thousand).

8. Other assets

Other assets primarily consist of the following items: receivables from tax authorities in the amount of € 76 thousand (previous year: € 17 thousand), prepaid expenses in the amount of € 170 thousand (previous year: € 193 thousand and receivables from GE factoring in the amount of € 928 thousand (previous year: € 198 thousand). The management considers the risk of default to be low.

9. Liabilities to banks

On 12 May 2009, Alphaform AG entered into a KfW loan agreement for € 2.5 million with DZ Bank. The term of the loan is seven years. The loan bears interest at 5.5% p.a. and is free from repayments for one year. The loan was paid out on 15 May 2009. As security for the loan, a security assignment agreement was concluded for elements of Alphaform AG's production machinery and 100% of shares in MediMet Precision Casting and Implants Technology GmbH were pledged to DZ Bank under a notarised agreement dated 17 February 2009. In 2012 the production machinery assigned as collateral was replaced by a pledged term deposit account of € 500 thousand, € 400 thousand of which was still pledged as at the end of the reporting period .

In 2012, the loan from KfW Bank was reduced by an unscheduled repayment of € 328 thousand. The remaining liability of the KfW loan amounted to € 609 thousand as at 31 December 2013.

Liabilities				**on date**		
T€		**31.12.2013**	**31.12.2014**	**31.12.2015**	**31.12.2016**	**31.12.2017**
Loans from banks - non-current	**Term**					
Annuity payments of T€ 2.5 Quarterly interest rate 4.35 %	Mar 15	13	3	0	0	0
Annuity payments of T€ 0.5 Quarterly interest rate 4.35 %	Dec 15	3	1	0	0	0
Annuity payments of T€ 1.9 Monthly interest rate 5.00 %	Dec 19	178	151	123	94	64
Annuity payments of T€ 104.2 Quarterly interest rate 6.55 %	Jun 15	609	192	0	0	0
Total		**803**	**347**	**123**	**94**	**64**
thereof due up to 1 year		456				
thereof due up over 1 year		347				
		803				

T€		31.12.2013	31.12.2012
Loans from banks - current	**Term**		
Current share of non-current loans		456	454
Bayern LB München open account, interest rate 4.95 %	unlimited	989	0
Münchner Bank eG München open account, interest rate 7.15 %	unlimited	318	0
Sparkasse Garmisch-Partenkichen open account, interest rate 6.40 %	unlimited	76	0
Sparkasse Stade-Altes Land open account, interest rate 7.75 %	unlimited	484	442
Sampo Bank Finland open account, interes rate 6.75 %	unlimited	0	2
Total		**2,323**	**898**

As at 31 December 2013, the company had credit facilities totalling € 2,300 thousand at its disposal (previous year: € 750 thousand). € 1,870 thousand of this had been utilised as at the end of the reporting period. Materials and supplies, technical equipment at the Feldkirchen site and receivables from deliveries of goods (not including receivables ceded by way of factoring) of Alphaform AG serve as collateral for these credit facilities.

As at 31 December 2013, the Group had sold trade receivables amounting to € 2,352 thousand (previous year: € 4,122 thousand) as part of a factoring line extended by GE Capital Bank AG with a total volume of € 5,000 thousand. The Group uses this factoring instrument to realise the advantages of a more favourable capital lockup. The factored receivables serve as collateral.

10. Liabilities

Trade payables do not bear interest and are generally due within 30 days, or within 90 days in individual cases.

Liabilities

in T€	31.12.2013	31.12.2012
Trade liabilities	2,994	2,428
Total	**2,994**	**2,428**

11. Other provisions and liabilities

Other provisions and liabilities primarily relate to the following items:

Other provisions:

The following table provides an overview of the development of provisions in 2013:

T€	1.1.2013	Utilisation	Reversals	Additions	31.12.2013
Provision for vacation not taken	174	174	0	246	246
Bonus payment management	23	23	0	5	5
Bonus payment employees	65	65	0	39	39
Warranties	16	0	16	22	22
Consulting expenses	45	45	0	51	51
Invoices outstanding	90	79	0	123	134
Restructuring	0	0	0	0	0
Others	575	432	136	27	34
Total	**988**	**818**	**152**	**513**	**531**

All provisions are current.

Other liabilities:

T€	31.12.2013	31.12.2012
Advance payments received	3	10
Tax liabilities	383	42
Social security liabilities	10	7
Other liabilities	235	683
NordLeasing liabilities	1,258	1,484
Deferred income	0	0
Liabilities due to MediMet acquisition (short term)	570	570
Total	**2,459**	**2,796**

A security assignment agreement was concluded on 30 November 2012 to provide security for the loan granted by NordLeasing GmbH. The net carrying amount of the items of non-current assets assigned as security was € 733 thousand as at 31 December 2013 (previous year: € 942 thousand).

12. Tax expense

General

The company and its German subsidiaries are subject to corporation tax, the solidarity surcharge and trade tax. The applicable tax rates in Germany amount to 28%. This figure is composed of corporation tax of 15%, the solidarity surcharge of 5.5% and trade tax of approximately 12.2%. Alphaform's foreign subsidiaries are subject to income tax rates of 23% in the UK and 25% in Finland.

Due to the losses incurred by the Group companies since their formation, only a low level of income taxes was charged. As at 31 December 2013, the Group companies had cumulative tax loss carryforwards in Germany and Finland of approximately € 18,127 thousand and € 69 thousand respectively. Since 2004, German tax law has limited offsetting taxable income against existing tax loss carryforwards to an amount of € 1 million plus 60% of the amount by which the taxable income exceeds € 1 million. In accordance with the Körperschaftsteuergesetz

(KStG – German Corporation Tax Act), losses can be carried forward indefinitely. However, tax loss carryforwards cannot be deducted if an entity loses its economic identity. An entity's economic identity is considered lost if both of the following criteria are met:

a. more than 50% of the entity's shares have been transferred and

b. the entity's business operations are continued or restarted with predominantly new working capital.

In line with the corporation tax reform, this regulation is superseded by section 8c KStG with respect to the transfer of equity. Each transfer of between 25% and 50% of the share capital means that tax loss carryforwards are partially extinguished, while each transfer of more than 50% means that all tax loss carryforwards are extinguished. Continued business operations with predominantly new working capital are no longer relevant. The legal conditions for tax loss carryforwards (in accordance with both section 8(4) and section 8c KStG) are generally deemed to be uncertain for companies that are subject to taxation in Germany. Tax loss carryforwards can be subject to tax audits under German, British and Finnish tax law. The tax loss carryforwards in Finland have a life of ten years and can be offset against the company's future taxable income during the next ten years. The tax losses in the UK can be carried forward indefinitely.

Deferred tax assets

Deferred taxes are only recognised to the extent that the corresponding tax benefits are highly likely to be realised. As at 31 December 2013, the company reported deferred tax assets of € 8 thousand (previous year: € 12 thousand) based on the forecast business development in the 2013 financial year.

The following overview provides a reconciliation of statutory income tax expense to effective income tax expense as reported in the consolidated financial statements. In determining statutory income tax for the 2013 financial year, the combined income tax rate of 28.0% (previous year: 28.0%) was applied to earnings before taxes. The tax rate applied in the reconciliation contains corporation tax and the solidarity surcharge of 15.83% (previous year: 15.83%) together, plus the effective trade tax of 12.0% (previous year: 12.0%) based on an assessment rate of 345% for municipal trade tax, taking into account the fact that trade tax is no longer deductible when determining corporation tax.

Deferred tax assets

T€	2013	2012
Result before income tax	**-6,143**	**526**
Anticipated tax rate in Germany	28%	28%
Expected income tax	**0**	**-147**
Cause of tax effects		
Tax effects due to use of tax	-24	0
Loss carryforwards for which no deferred tax claims exist	-4	0
Adjustments to the deferred taxes formed in the previous year	0	163
Other tax effects	0	12
Effects to lower tax rate	0	-16
Effective income taxes	**-28**	**12**
from income tax expense from deferred taxes	-24 -4	0 12

The Group's deferred taxes as at 31 December 2013 and 2012 can be broken down as follows:

	Consolidated balance		Consolidated income statements	
T€	2013	2012	2013	2012
Deferred tax assets				
Temporary differences				
Valuation differences in the accruals	6	16	-10	14
Valuation differences in the trade receivables	0	0	0	0
Finance leasing	125	172	-47	42
Higher depreciation potential of tangible fixed assets (valuation for tax purposes)	10	0	10	0
Losses that can be offset against future income	5,095	3,632	1,463	-369
Valuation allowances	-5,095	-3,612	-1,483	397
	141	**208**	**-67**	**84**
Deferred tax liabilities				
Temporary differences				
Adjustment of the carrying value for fair value less cumulative depreciation for intangible assets	-29	-47	18	-47
Valuation differences due to the percentage of completion method (not accepted for tax purposes)	0	-5	5	15
Low amortisation potential for property, plant & equipment in relation to taxes	-104	-144	40	-40
Differences from consolidation	0	0	0	0
	-133	**-196**	**63**	**-72**
Deferred tax income/tax expenses			**-4**	**12**
Net deferred tax assets	**8**	**12**		
Recognition in the balance sheet as follows Deferred tax assets	8	12	-4	12
Deferred tax liabilities	0	0	0	0
Net deferred taxes	**8**	**12**	**-4**	**12**

Deferred tax expenses

Deferred tax expenses amounted to € -4 thousand in 2013 (previous year: € 12 thousand).

Other taxes

In the 2013 financial year, the company had expenses from other taxes amounting to € 4 thousand (previous year: € 5 thousand).

13. Financial instruments and risk management

In addition to the risks disclosed in the management report, the Group has identified the following risks:

Default and liquidity risk

Financial instruments that may cause a concentration of default and liquidity risk for the company primarily take the form of cash and cash equivalents, marketable current financial assets and trade receivables. The company's cash and cash equivalents are primarily denominated in euro, US dollars and pound sterling. Its marketable current financial assets are high-quality investments. Cash and cash equivalents are held with prestigious financial institutions in Germany. The company continuously monitors its holdings with banks and invests solely in securities and money market funds which are protected or that have a capital value guarantee.

The liquidity risk of the Alphaform Group consists of the possibility that the company could find itself in the position of being unable to fulfil its financial commitments, e.g. extinguishing financial liabilities and settling purchase commitments and commitments arising from lease agreements. To prevent this risk from becoming a reality and to ensure the solvency and financial flexibility of the Alphaform Group at all times, a liquidity reserve is maintained in the form of cash and credit facilities. Furthermore, the Group's liquidity is continuously monitored so that solvency is guaranteed even in the case of any departures from budget.

Owing to the negative earnings development, it was not possible to comply with the requirements defined by the creditors concerning the key performance indicators (financial covenants) for the loans from DZ Bank and KfW with terms until 2015 for the first time as at 31 December 2009. The banks waived examining the financial covenants as at 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012 and 31 December 2013.

It is company policy to check its customers' credit rating. Nevertheless, the company's revenue and trade receivables are subject to a default risk. Receivables from the company's most important customers amounted to € 740 thousand as at 31 December 2013 (previous year: € 506 thousand). Around 15.1% of the Group's trade receivables were attributable to one individual customer at the end of 2013. Moreover, three of the company's individual customers accounted for around 25.5% of total revenue in 2013. The carrying amounts of the financial assets correspond to the maximum risk of default.

Based on management estimates, valuation allowances were recognised in the amount of € 722 thousand as at 31 December 2013 and € 198 thousand as at 31 December 2012.

The maximum risk of default for trade receivables by geographical area is as follows:

Default and liquidity risk

T€	31.12.2013	31.12.2012
Germany	1,455	2,864
Finland	163	270
Great Britain	562	590
Total	**2,180**	**3,724**
Valuation adjustment	-722	-198
Total	**1,458**	**3,526**

Market risk

Market risk describes the risk of changes in market prices such as currency exchange rates, interest rates and valuations of shareholdings with an effect on the Group's results of operations or the value of the financial instruments held. The company is exposed to currency and interest risks.

Alphaform's financing consists of short and medium-term bank loans with a volume of around € 803 thousand (as at 31 December 2013) and a fixed interest rate (between 4.3% and 7.75%), another loan of € 1,258 thousand with an interest rate of 11.43%, several variable short-term cash facilities totalling € 2,350 thousand and a factoring arrangement that is also financed with floating interest rates.

Currency risk

The consolidated financial statements are prepared in euro. The majority of revenue generated and expenses incurred are in euro, with smaller amounts in GBP, USD and SEK.

Based on the respective carrying amounts, the Group's currency risk is broken down as follows:

Currency risk

T€ - as at 31 December 2013	2013 EUR	2013 GBP	2013 USD	2013 SKR	Total 2013 EUR
Cash and cash equivalents (current)	592	519	2	139	1,252
Cash and cash equivalents (non-current)	838	0	0	0	838
Trade receivables	875	561	0	22	1,458
Receivables from PoC	0	0	0	0	0
Trade payables	-2,502	-462	0	-30	-2,994
Liabilities due to banks (current)	-2,323	0	0	0	-2,323
Liabilities due to banks (non-current)	-347	0	0	0	-347
Finance leasing	-485	0	0	0	-485
Total	**-3,352**	**618**	**2**	**131**	**-2,601**

Currency risk

T€ - as at 31 December 2012	2012 EUR	2012 GBP	2012 USD	2012 SKR	Total 2012 EUR
Cash and cash equivalents (current)	1,124	450	2	157	1,733
Cash and cash equivalents (non-current)	932	0	0	0	932
Trade receivables	2,657	590	0	51	3,298
Receivables from PoC	228	0	0	0	228
Trade payables	-1,891	-525	0	-12	-2,428
Liabilities due to banks (current)	-898	0	0	0	-898
Liabilities due to banks (non-current)	-804	0	0	0	-804
Finance leasing	-689	0	0	0	-689
Total	**659**	**515**	**2**	**196**	**1,372**

Interest risk

No financial instruments were utilised by the Group in the 2013 financial year.

Fair values

On account of their short maturities, the fair values of financial assets and liabilities such as cash and cash equivalents, marketable current financial assets and trade receivables and payables correspond roughly to their fair values. The fair value of marketable current financial assets is determined on the basis of the listed market prices for the respective assets (hierarchy level 1, listed prices on active markets). None of the financial assets and liabilities were allocated to hierarchy levels 2 and 3. The fair values of lease liabilities are determined using the effective interest method.

14. Equity

Issued capital

There was no change in the company's share capital in the 2013 and 2012 financial years. Issued capital amounts to € 5,318,209 divided into 5,318,209 ordinary voting bearer shares with a notional interest in the share capital of € 1.00 each and is fully paid out.

Authorised capital

The Annual General Meeting on 27 May 2010 resolved to create new Authorised Capital of up to € 2,659,104 and to amend Article 5(2) of the Articles of Association (amount of share capital). In line with this, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a total of € 2,659,104 by issuing new no-par-value bearer shares on one or more occasions against cash or non-cash contributions by 26 May 2015, whereby the pre-emption rights of shareholders can be disapplied in full or in part under certain conditions (Authorised Capital 2010). The Management Board shall stipulate the conditions of the share issue with the approval of the Supervisory Board. Shareholders are to be granted pre-emption rights. Pre-emption rights can also be granted in such a way that the new shares can be assumed by a bank or by a company operating in accordance with section 53(1) sentence 1 or section 53b(1) sentence 1 or (7) of the Kreditwesengesetz (KWG – German Banking Act) with the obligation to offer them for subscription by shareholders. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' pre-emption rights in part or in full. However, the disapplication of shareholders' pre-emption rights is only permitted

a) to eliminate fractional amounts;

b) for capital increases in exchange for non-cash contributions with the aim of granting shares for the acquisition of companies, parts of companies and equity interests in companies, if the acquisition of the respective company, part of a company or equity interest is in the company's best interests;

c) for capital increases against cash contributions, if the issue price of the new shares issued with shareholders' pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG is not substantially lower than the stock market price and the new shares issued with shareholders' pre-emption rights disapplied in accordance with section 186(3) sentence 4 AktG do not exceed 10% of the share capital in total, either when this authorisation comes into effect or when it is exercised. This restriction includes shares that were sold or issued or that are to be issued during the term of this authorisation under other authorisations in direct or corresponding application of section 186(3) sentence 4 AktG with shareholders' pre-emption rights disapplied;

d) to issue new shares up to € 531,820 against cash contributions to members of the company's Management Board and to managers. Insofar as the new shares are issued to senior managers, the contribution to be made in accordance with section 204(3) sentence 1 AktG can be covered by the portion of the net profit for the period that the Management Board and Supervisory Board can transfer to other revenue reserves in accordance with section 58(2) AktG.

The Management Board decides the content of the respective share rights and the other conditions of the share issue with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association to reflect the extent of the capital increase from Authorised Capital.

This authorisation was entered in the commercial register on 6 July 2010.

Contingent capital

The Annual General Meeting on 25 May 2001 resolved a contingent increase in issued capital of € 172,500. This contingent capital increase relates to the potential exercise of 172,500 options that can be granted to executives and employees of the company and its subsidiaries. The contingent capital increase was entered in the commercial register on 9 August 2001. Total contingent capital amounted to € 531,820 as at 31 December 2013.

Acquisition of treasury shares by the company

The Annual General Meeting of Alphaform AG on 27 May 2010 authorised the company to acquire treasury shares totalling up to 10% of the company's current share capital in accordance with section 71(1) no. 8 AktG by 26 May 2015. The company has not yet utilised this authorisation to acquire treasury shares.

Capital reserves

Capital reserves amounted to € 11,325 thousand as at 31 December 2013 and 31 December 2012. There is no obligation under the company's Articles of Association to recognise any additional capital reserves other than those prescribed by law.

Dividends

Dividends may only be resolved and distributed on the basis of the unappropriated surplus in the company's German separate financial statements (after deduction of certain reserves). This amount differs from the unappropriated surplus in the consolidated financial statements due to the adaptation of the consolidated financial statements to IFRS requirements. The company reported has net accumulated losses of € 10,019 thousand in its separate financial statements (previous year: € 3,813 thousand), hence a dividend cannot be distributed for the 2013 financial year. At the Annual General Meeting on 5 June 2014, the Management Board, with the approval of the Supervisory Board, will propose carrying the net loss forward to new account. No dividend was paid in the 2013 reporting year for the 2012 financial year either.

Stock option plans for 2000 and 2001

All of the options issued to date under the stock option plans have lapsed.

15. Earnings per share

In the 2013 and 2012 financial years, basic and diluted earnings per share based on an average of 5,318,209 (previous year: 5,318,209) ordinary shares outstanding amounted to € -1.16 (previous year: € 0.10).

16. Other financial obligations

The company operates in part in rented premises with some leased fixtures, fittings and other equipment.

The company's rental agreements for its production and office space have various terms and renewal options. The current rental agreements are scheduled to expire between 2015 and 2029.

The following table provides an overview of the company's rental and lease obligations as at 31 December 2013.

Other financial obligations

T€		2014	2015	2016	2017	later
Rental obligations		930	969	563	359	2,946
Lease agreements	252	30	15	0	0	
Total		**1,182**	**999**	**578**	**359**	**2,946**

T€	Finance leasing	Rental obligations
2014	252	930
2015	30	969
2016	15	563
2017	0	359
thereafter	0	2,946
Total	**297**	**5,767**
Less interest	35	
Present value of leasing	**262**	
Less current leasing liabilities	252	
Non-current leasing liabilities	10	

17. Contingent liabilities and litigation

In the course of its normal business operations, the company can be subject to litigation, claims for damages or court proceedings including product liability issues and commercial disputes.

Alphaform AG assumed a bank guarantee at the bank Donner & Reuschel, Munich, for a loan to Dr. Vetter of € 400 thousand.

Beyond this, the management is not aware of any events that could lead to a significant obligation for the company with a significant adverse effect on its net assets, financial position and results of operations.

18. Income statement disclosures

Revenue

Revenue fell by € 1,234 thousand or 4.55% to € 25,869 thousand in 2013 as against € 27,103 thousand in 2012.

Cost of materials and gross profit

The cost of materials increased by € 2,913 thousand year-on-year from € 8,713 thousand in 2012 to € 11,626 thousand in 2013. Gross profit was down on 2012 at € 14,135 thousand (€ 18,919 thousand). The gross profit margin fell to 54.6% after 71.1% in the previous year.

Results of operations

The company closed the 2013 financial year with a net loss of € 6,171 thousand (previous year: net income of € 537 thousand).

The operating result amounted to € 5,787 thousand in the year under review after € 766 thousand in the 2012 financial year.

Staff costs

Staff costs amounted to € 10,645 thousand as at 31 December 2013, down by € 203 thousand or 1.9% as against 2012 (€ 10,848 thousand). In 2013 and 2012, some positions were filled by temporary staff, the costs for which are reported under other operating expenses.

Depreciation and amortisation expense

At € 1,252 thousand, depreciation and expense was down by € 26 thousand in the 2013 financial year after € 1,278 thousand in the previous financial year.

Research and development

Research and development expenses in the 2013 financial year were at the same level as in 2012.

Other operating expenses

Other operating expenses increased by 16.6% year-on-year in 2013 to € 7,025 thousand (2012: € 6,027 thousand). The largest individual items within other operating expenses are € 1,619 thousand for premises, € 831 thousand repairs and maintenance, € 752 thousand for purchased services, €585 thousand for consulting, € 493 thousand for accessories, machinery and tools, € 473 thousand for freight and packaging, € 315 thousand for vehicle costs, € 214 thousand for travel costs, € 175 thousand for telephone, postage and IT costs and € 91 thousand for advertising costs. Other operating expenses include currency translation differences of € 28 thousand.

Other interest and similar income/interest and similar expenses

Other interest and similar income declined from € 11 thousand in the 2012 financial year to € 3 thousand in the 2013 financial year. Interest and similar expenses rose to € 355 thousand in 2013 as a result of the borrowing of new credit facilities (previous year: € 247 thousand).

19. Notes on the statement of cash flows

A statement of cash flows has been included with these consolidated financial statements as a separate annex. Liquid funds consist of the available cash and cash equivalents.

20. Staff costs

In the 2013 financial year, the company employed an average of 236 people (previous year: 254) measured as full-time equivalents. The number of employees at the end of each financial year (including management) was as follows:

Full time posts	31.12.2013	31.12.2012
Segment Central Europe		
Alphaform AG	84	87
Alphaform CLAHO GmbH	41	41
Alphaform-Projekt GmbH	0	0
MediMet GmbH	84	91
Total	**209**	**219**
Segment North Europe		
Alphaform RPI Oy, Finland	16	16
Alphaform Ltd., UK	2	2
Total	**18**	**18**
Total	**227**	**237**

Full time posts	31.12.2013	31.12.2012
Production incl. R+D	178	184
Sales	20	22
Administration	29	31
Total	**227**	**237**

Full time posts	31.12.2013	31.12.2012
Commercial employees	169	174
Non-commercial employees	49	53
Trainees	9	10
Total	**227**	**237**

Total remuneration was composed as follows:

T€	31.12.2013	31.12.2012
Wages and salaries	8,869	9,069
Social expenses	1,776	1,779
Total	**10,645**	**10,848**

21. Non-operating income and expenses

Non-operating income and expenses can be broken down as follows:

Non-operating income and expenses

T€	31.12.2013	31.12.2012
Interest income	3	11
Finance income	**3**	**11**
Interest expenses	-355	-247
Finance expenses	**-355**	**-247**
Deferred Taxes	-4	12
Deferred Taxes	**-4**	**12**
Total	**-356**	**-224**

22. Related party disclosures

Remuneration of the Management Board in 2013 and 2012 financial years consisted solely of fixed components. To the extent that they are not reappointed and their contracts are not extended, the members of the Management Board do not have the right to payment of a severance package. The Supervisory Board's remuneration for the 2013 and 2012 financial years consisted solely of a fixed component. In 2013, the total remuneration for the Management Board amounted to € 240 thousand (previous year: € 220 thousand). The total remuneration for the Supervisory Board, not including the reimbursement of travel expenses, amounted to € 26.3 thousand in 2013 (previous year: € 26.3 thousand). The following tables show the remuneration of the Management Board and Supervisory Board in detail and for each individual member:

CEO	Fixed remuneration		Variable remuneration		Total remuneration	
T€	2013	2012	2013	2012	2013	2012
Dr. Thomas Vetter	240	220	0	0	240	220
Total	**240**	**220**	**0**	**0**	**240**	**220**

Pre-emption rights to shares were not granted in 2013 or 2012.

The remuneration of the former member of the Management Board Dr. Gordon Guth amounted to € 212 thousand in the financial year, including severance pay.

Supervisory Board	Fixed remuneration		Variable remuneration		Total remuneration	
T€	2013	2012	2013	2012	2013	2012
Matti Paasila (Chairman)	11.3	11.3	0	0	11.3	11.3
Falk Strascheg	7.5	7.5	0	0	7.5	7.5
Dr. Hans J. Langer	7.5	7.5	0	0	7.5	7.5
Total	**26.3**	**26.3**	**0**	**0**	**26.3**	**26.3**

The company has not granted any loans to members of the Management Board or Supervisory Board, but it has assumed a bank guarantee at the bank Donner & Reuschel, Munich, for a loan to Dr. Vetter amounting to € 400 thousand.

The variable remuneration components are measured as a graduated percentage of the fixed salary depending on the degree of target achievement. If variable remuneration is payable, 60% of the respective amount is granted in the form of virtual shares (stock appreciation rights). In 2013, target achievement was based on 100% achievement of corporate objectives. As a result, no performance-related bonus payments were granted.

No provisions for performance-based bonuses for the Management Board and Supervisory Board were recognised in the 2013 financial year.

The following table provides an overview of the shares and stock options held by the members of the Management Board and the Supervisory Board over the 2013 financial year and the change in their shareholdings:

Number of shares	2013 01.01.2013	2013 Additions	2013 Sales	2013 31.12.2013	2013 % of capital [1]
Management Board					
Dr. Thomas Vetter [2]	125,321	0	0	125,321	2.36%
Total	**125,321**	**0**	**0**	**125,321**	2.36%
Supervisory Board					
Falk Strascheg [3]	852,317	0	0	852,317	16.03%
Dr. Hans. J. Langer [4]	976,659	0	0	976,659	18.36%
Matti Paasila	60,000	0	0	60,000	1.13%
Total	**1,888,976**	**0**	**0**	**1,888,976**	35.52%
Total	**2,014,297**	**0**	**0**	**2,014,297**	37.88%

[1] 5,318,209 shares
[2] of which 53,180 shares held by Juana Parra
[3] of which 433,583 shares held in Renate Strascheg Holding GmbH; of which 418,734 shares held in Falk Strascheg Holding GmbH
[4] of which 976,659 shares held by LHUM Vermögensverwaltungs GmbH

Stock options:

No stock options were issued to the Management Board or the Supervisory Board in 2013 or 2012.

There is a consultancy agreement between Alphaform AG and Mr. Matti Paasila independently of his position as the Chairman of the Supervisory Board of Alphaform AG. Mr. Paasila supports the company in the implementation of its strategic reorientation with his particular expertise and his access to an international network on approximately 10 to 15 compensated consulting days per year for a daily fee of € 1.5 thousand. In particular, Mr. Paasila plays an active role in generating leads, analysing and assessing businesses (due diligence) and in transaction pricing negotiations. Mr. Paasila also advises the company on the operational integration of acquired companies into the Alphaform Group.

Dr. Hans J. Langer, a member of the Supervisory Board of Alphaform AG, is also the Chairman of the Management Board of EOS Holding AG, Krailling. EOS GmbH, a wholly owned subsidiary of EOS Holding AG, is one of the largest suppliers of raw materials to Alphaform AG and is also a supplier of machinery for selective laser sintering. The purchasing volume was € 845 thousand in the 2013 financial year (previous year: € 618 thousand), including € 671 thousand (previous year: € 467 thousand) for raw materials, € 43 thousand (previous year: € 0 thousand) for machinery leases and € 131 thousand (previous year: € 151 thousand) for miscellaneous expenses. As at 31 December 2013, the company had liabilities to EOS GmbH in the amount of € 125 thousand (previous year: € 119 thousand). The liabilities to EOS GmbH are due within 30 days and are not subject to any further retention of ownership.

23. Corporate governance

On 14 February 2014, the Supervisory Board and the Management Board submitted a declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG and made this declaration available to shareholders in the investor relations section of the company's website at www.alphaform.de.

24. Events after the end of the reporting period

In February 2014 Alphaform AG carried out a capital increase by issuing 531,791 shares at a price of € 3.40 per share. The company therefore generated total gross proceeds of € 1,808 thousand. The company also received loans from key investors of € 1,500 thousand.

There were no other further significant events between the end of the reporting period and the preparation of the annual financial statements with a material effect on the future financial statements of the company.

25. Additional local disclosure requirements

Exemption from the obligation to prepare consolidated financial statements in accordance with section 315a HGB

In accordance with section 315a HGB, the company is exempt from the obligation to prepare consolidated financial statements in accordance with the accounting standards of the German Commercial Code. These financial statements are consistent with the European Union requirements for consolidated financial statements (Directive 83/349/EEC).

The financial statements of the company were prepared in accordance with the International Financial Reporting Standards (IFRSs), which differ in some respects from the financial reporting framework of the HGB.

Basis of consolidation

The consolidated financial statements of Alphaform AG contain all subsidiaries in which the parent company holds a direct or indirect majority of the voting rights.

Basis of consolidation

T€	Stake in %	Shareholders' equity 31.12.2013	31.12.2012
Direct investments			
Alphaform-Claho GmbH, Eschenlohe	100%	1,059	1,087
Alphaform-Projekt GmbH, Feldkirchen	100%	27	26
MediMet Precision Casting and Implants Technologie GmbH, Stade	100%	1,607	1,607
Alphaform Ltd., Newbury, Great Britain	100%	-33	-144
Alphaform RPI Oy, Rusko, Finland	100%	803	651
Artshapes GmbH, Feldkirchen	56%	10	0
Indirect investments			
Alphaform Sweden AB, Stockholm, Sweden	100%	36	36

The company has applied section 264(3) HGB since the 2009 financial year. Accordingly, Alphaform CLAHO GmbH and MediMet Precision Casting and Implants Technology GmbH will not publish separate financial statements for 2012 in the German Federal Gazette (Bundesanzeiger).

Breakdown of employees by group as at the end of the reporting period:

Full time posts	31.12.2013	31.12.2012
Commercial employees	169	174
Non-commercial employees	49	53
Trainees	9	10
Total	**227**	**237**

Cost of materials

T€	31.12.2013	31.12.2012
Cost of raw materials and supplies	9,168	6,209
Cost of purchased services	2,458	2,504
Total	**11,626**	**8,713**

Reconciliation of net accumulated loss (IFRS)

T€	2013	2012
1 January	-3,861	-4,398
Release of capital reserves	0	0
Dividends paid	0	0
Financial year result	-6,158	537
Accumulated surplus/deficit as at 31 December	**-10,019**	**-3,861**

A loss share of € 13 thousand of the total of € -10,019 thousand relates to non-controlling interests.

Equity

The issued capital consists of 5,318,209 bearer shares with a nominal value of € 1. There was also authorised capital as at the end of the year of € 2,659,104. Contingent capital of € 531,820 was available for the issue of stock options.

Auditor of the consolidated financial statements

Häckl Schmidt Lichtenstern GmbH, Wirtschaftsprüfungsgesellschaft, Munich, was appointed as the auditor for the 2013 financial year. In 2013, the auditor fees recognised as expenses consisted of fees for audits of financial statements in the amount of € 45 thousand (previous year: € 48 thousand), for tax advisory services in the amount of € 3 thousand (previous year: € 2 thousand) and for other assurance and valuation services in the amount of € 0 thousand (previous year: € 0 thousand).

The three members of the Supervisory Board of Alphaform AG also held the following functions and mandates in 2013:

Supervisory Board mandates

Matti Paasila
creatrade Holding GmbH, Wedel (Chairman of the Supervisory Board)
EcoStream Oy, Espoo, Finland (member of the Supervisory Board)

Chairman of the **Supervisory Board**

Dr. Hans J. Langer
Chairman of the Management Board of EOS Holding AG
Additional mandates:
SCANLAB AG, Puchheim (Chairman of the Supervisory Board)
3T RPD Ltd., Newbury, UK (Chairman of the Administrative Board)
Microbeads AS, Skedsmokorset, Norway (Chairman of the Administrative Board)
Raylase AG, Wessling, Germany (member of the Supervisory Board)

Member of the Supervisory Board

Falk F. Strascheg
Managing Partner of Extorel GmbH
Additional mandates:
EOS Holding AG, Krailling (Chairman of the Supervisory Board)
Going Public Media AG, Munich (Deputy Chairman of the Supervisory Board)
Microbeads AS, Skedsmokorset, Norway (member of the Administrative Board)
Albis Optoelectronics AG, Rüschlikon, Switzerland, (member of the Administrative Board)

Deputy Chairman of the **Supervisory Board**

Feldkirchen, 25 March 2014

Dr. Thomas Vetter
CEO

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Alphaform AG, comprising the statement of financial position, the income statement, statement of changes in equity, the statement of cash flows and the notes, together with the Group management report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a(1) HGB are the responsibility of the officers of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315 a(1) HGB and the provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we duly refer to the comments in the management report of the company. It is stated there in the section "Financing risks" in the "Risks and opportunities" that the company could find itself in a position in which it has to borrow funding if the plans made are not achieved. If sufficient financing is not available, this could have significant effects extending to jeopardising the company as a going concern.

Taking into account and including the above addition, the preparation of the annual financial statements under the premise of a going concern is considered appropriate."

Munich, 25 March 2014

Häckl Schmidt Lichtenstern GmbH
Wirtschaftsprüfungsgesellschaft

→ FINANCIAL CALENDAR

Wednesday, 5 February 2014	Investors' Conference
Friday, 28 March 2014	Annual Report 2013
Monday, 5 May 2014	Interim Report Q1 2014
Thursday, 5 June 2014	14^{th} Annual General Meeting
Friday, 8 August 2014	Interim Report Q2 2014
Monday, 10 November 2014	Interim Report Q3 2014

IMPRINT

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