ANNUAL REPORT 2003

ALPHAFORM

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ANNUAL REPORT 2003

ALPHAFORM

Foreword by the Management Board

Ladies and gentleman,
Dear Stockholders,

The year 2003 was a very challenging time for Alphaform AG owing to the extremely difficult economic situation. On the one hand, the company had to withstand a tough market environment; on the other, it had to play to its strengths and vigorously pursue its strategic targets while nurturing its resources. We remain convinced that those who waver in response to the unexpectedly long slump and sacrifice their strategic aims to current requirements will be abandoning future commercial rewards. Short-sighted management is no alternative to adhering to the course that has been charted. Indeed, it can be realistically assumed that this year Alphaform's core markets will experience a modest improvement.

Despite the difficult market, Alphaform underwent organic growth in Germany in 2003. Domestic turnover reached € 17.58 million, up 5.3pc on 2002. Then again, overall group turnover declined by € 3.65 million to € 22.4 million. In 2002 we decided to streamline the group by dispensing with three loss-making ventures in Italy, Switzerland and Austria. One of the reasons for the smaller group turnover in 2003 was that this was the first complete year to cover the new, smaller portfolio.

Although the group pressed ahead with the aim of cutting costs and generating intra-group synergies, it ran up a loss of € 1.494 million. Nevertheless, the company's financial situation remains positive. Total short-term cash and cash equivalents amounted to € 10.95 million by the end of the year. As a result, the Alphaform Group has sufficient financial resources to fund its organic growth.

We therefore resolved as of the start of 2003 to consistently seek to identify and exploit additional potentials to cut costs, save resources and boost synergies. Naturally, all such measures must be compatible with the company's strategic objectives - in fact, they must be milestones of change on the road to profitability.

The fact that there is no call for pessimistic predictions is documented by this new annual report. Its description of our business model is permeated by a term that moves and spurs us on product passion.

The quality of our work and hence our success ultimately depends on our employees. It is their experience, their openness and their passion for innovation that make our client projects successful. The Management Board would therefore like to sincerely thank all Alphaform's personnel for their hard work and commitment.

Our efforts are continuously geared towards raising Alphaform's corporate value to the benefit of its shareholders. Although this may not seem to be reflected in the figures for 2003, we are in no doubt that we are continuing to create a good basis for the years to come.

We would like to thank you for your confidence and your support for our development so far. We hope very much that you will continue to place your trust in us.

Feldkirchen, March 2004

Andreas Daunderer
CEO

Dr. Christian Wilkening

Areas of business and corporate vision of the Alphaform Group

Areas of business

Alphaform blends consulting with technological expertise to create an integrated service for the development process – hence boosting product quality while saving clients time and money.

Alphaform at a glance

	Applications	Nature of business
Alphaform Group	Alphaform Enabling Technologies and Services, a system supplier for prototypes, was founded in 1996. Its head office is in Feldkirchen, just outside Munich. Alphaform has been listed on the German Stock Exchange in the Prime Standard segment under the ticker symbol ATF since 28 June 2000. Alphaform has redefined prototyping. It operates on the basis of a complete, innovative technology portfolio, consisting of laser technology, high-tech materials and IT. Alphaform develops and produces prototypes for all stages of the product development process for its customers ranging from design to pre-manufacture product testing.	
Automotive	• Complete ready-to-install modules and small batches in final look for interior and exterior • Design of kniematic modules • Engineering expertise for serial processes	**In-house nature:** • client relationships based on partnership • Focuses on entire modules • Small number of large contracts; • projects last a matter of years; **Market nature:** By serving the automotive industry and its suppliers, Alphaform's turnover largely depends on the car industry's investment in new and enhanced product developments. **Potential markets:** Expansion into electronics (already accomplished in northern Europe) and taking on new clients in the aerospace industry
Rapid Tooling	• Rapid die construction for injection moulding • Series-equivalent prototypes using original materials • Small series • Support for design suitable for dies/tools and selection of materials	**In-house nature:** • Focus on product testing • projects last a matter of weeks • Medium order volume per project **Market nature:** Suitable for all types of product development
Rapid Prototyping	• Concept models (batch sizes: 1-5) • Materials used similar to final series • Rapidly available plastic and metal components for prototypes, geometry testing and function tests	**In-house nature:** Mainly used in the early phase of product development Projects last a matter of days Comparatively low turnover per job **Market nature:** Suitable for all types of product development

- Alphaform operates throughout Europe. Apart from its headquarters in Feldkirchen it maintains three other German branches in Aachen, Garmisch-Partenkirchen and Weilburg. The company also owns a production and sales unit in Finland, and a distribution centre in the UK.
- On certain projects, parts of the final products are also made in individual manufacture and very small batches. These solutions are mainly developed by the company for the automotive industry, including Formula 1, as well as for the telecoms and electrical engineering sectors.

Market position	Example products	Customer portfolio (excerpt examples listed alphabetically)
Specialists in the know how • of the products • of complete projects with complexity expertise of the production process (high profile project management)	Complete vehicle interiors: • Controlled instruments such as air conditioning • Audio systems • Door linings Exteriors, e.g.: • Headlights • Dashboards	About 20 active clients, e.g. • Audi • BMW • DaimlerChrysler • Delphi • Faurecia • Johnson Controls • Opel • Porsche • Volkswagen • et. al.
Maximum flexibility in large-scale projects geared towards complete modules (which necessitates being able to use a large number of specially produced dies)	Product range of Quality consumer and capital investment items and their components – usually durable products in test series (the original materials are used for demanding product tests so that any alterations necessary can be identified early on; test products are made using injection moulding or dies for small batches)	About 100 active clients, e.g. • also Automotive Customers • Bosch • Dräxlmeier • Hilti • et. al.
Technology leader, Europe's biggest manufacturing facilities	Very broad product development range (e.g. besides automotive parts: domestic items, toys, lawnmowers, refrigerators, computer keyboards, mobile phone housing, etc, etc)	About 500 active clients, e.g. • EADS • Electrolux • Ericsson • Kärcher • Lego • Nokia • Philips • et. al.

Areas of business and corporate vision of the Alphaform Group

We make prototypes matching the 21st-century state of the art. Our technological lead enables us to build prototype solutions for the evolution of the most advanced products of tomorrow.

Our core competencies and our vision clearly demonstrate to our teams, our clients and our investors what keeps our company a cut above the rest:

- We design, produce and sell the latest prototype solutions, and provide project management services to assist our clients throughout the development of their products.
- We build on our competencies and innovation. We aim to offer our clients a fully comprehensive portfolio of prototype development, deploying our entire technological competence and outstanding innovation in the materials sector.
- Being a system supplier, we work together with our clients in relationships based on partnership. We have continuously nurtured these ties, allowing us to provide far more than a mere outsourcing contractor ever can.
- We are building up future potential - by extending our core competencies from our current areas of business, especially the automotive industry, to other fields such as aerospace.

Product - Passion

Automotive dreams made true faster

Cars fire the human imagination. An automobile with an eye-catching design, high functionality and superb quality is bound to set pulses racing. But how can today's increasingly intricate models possibly be developed faster and more inexpensively? Product development for these highly complex items relies on test models - prototypes. Working to the highest standards of reliability, Alphaform makes for the fastest possible creation of tomorrow's cars - turning dreams into reality.

Alphaform. For customers. Streamlined Thinking.

Corporate governance code and shares

At Alphaform, enormous importance is attached to good, conscientious management.

The integrated strategy includes corporate values, processes and aims.

Corporate governance: a comprehensive, integrated approach

The term 'corporate governance' applies to a set of standards for good, responsible company management. Our corporate governance system covers the entire company.

Comprehensive corporate governance does not come from merely observing rules, however important they may be. The rules can only provide the framework within which good, responsible company management can exist. Ultimately, the main thing is to create trust both within and in the company.

The Management Board and Supervisory Board of Alphaform regard its corporate governance programme as comprehensive and integrated because it takes account of the corporate values, processes and aims serving both its commercial mission and hence real net output for its shareholders and clients.

Transparency and financial publicity

The Annual General Meeting gives shareholders an opportunity to exercise their voting rights themselves or alternatively through a proxy of their own choice or the company represen-tative exercising shareholders' voting rights in accordance with instructions.

Internet support for shareholders

Shareholders are kept abreast of important dates by a financial calendar published in the annual report and on the company website.

Close cooperation between the Management Board and the Supervisory Board
The Management Board reports regularly to the Supervisory Board, keeping it up-to-date about all the relevant issues of corporate planning and strategic further development, the course of business and the state of the group. Deviations during the course of business from planning and targets are explained in detail. The company's strategic alignment is discussed and agreed with the Supervisory Board. The Management Board is responsible for steering the company and ensures a suitable level of risk management.

We intend to further consolidate the cooperation between the Management Board and the Supervisory Board. We are satisfied that the German dual board system, in which the management of a company is separated from its supervision, provides the best possible basis for good corporate governance. We therefore intend to nurture the positive climate of open, respectful discussion.

During their period of employment for Alphaform AG, the members of the Management Board are subject to a comprehensive non-competition obligation. Members of the Management Board and employees may not, in connection with their work, demand or accept from third parties payments or other advantages for themselves or any other person or grant third parties unlawful advantages.

The members of the Supervisory Board are bound by the company's best interests. They may not pursue personal interests in their decisions or take advantage of business opportunities intended for the company. The company has taken out directors' and officers' liability insurance for the members of the Management Board and the Supervisory Board.

Performance-related remuneration of the Management Board and Supervisory Board

In 2003 the members of the Management Board were paid a total of € 284,000 (2002: € 470,000). They also received subscription rights to a total of 138,000 shares (previous year: 0).

Fixed rules are in place governing the board members' remuneration.

The members of the Supervisory Board received total remuneration for 2003 of € 28,000 (2002: T€ 18; see annex to group accounts, no. 18).

Financial reporting and audit

Shareholders and third parties are mainly kept informed through the consolidated financial statements. During the financial year, information is provided in the form of interim reports. The group financial statements and interim reports are drawn up in accordance with internationally accepted accounting principles.

The consolidated financial statements are drawn up by the Management Board and reviewed 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. We aim to speed up publication in future.

The auditors, Häckl und Partner, Landsberg and Munich, were tasked to report without delay on all facts and events arising during the performance of the audit which were relevant to the Supervisory Board's responsibilities.

The annual accounts were audited by Häckl und Partner.

Corporate governance code

Declaration of compliance with the German Corporate Governance Code for 2004 pursuant to Section 161 German Corporation Act

Alphaform meets significant code's high standards

The company has adopted almost all the rules recommended by the German Corporate Governance Code Commission.

“Since last giving a declaration of compliance pursuant to Section 161 of the German Corporation Act, Alphaform AG has met all the recommendations of the commission responsible for the German Corporate Governance Code. It meets all the commission's recommendations with the following exceptions:

- The total remuneration of the members of the Management Board is published, rather than details of their individual remuneration.
- The total remuneration of the members of the Supervisory Board is published, rather than details of their individual remuneration.
- Alphaform AG's current directors' and officers' insurance does not provide for any deductibles to be paid by members of the Management Board or the Supervisory Board”.

Feldkirchen, March 2004

Signed

The Management Board The Supervisory Board

Shares

In 2003 the mood on the stock market increasingly perked up. Alphaform's share price increased by 28.4%, whereas the Prime Industrial and CDAX indexes rose by just 34% and 49% respectively.

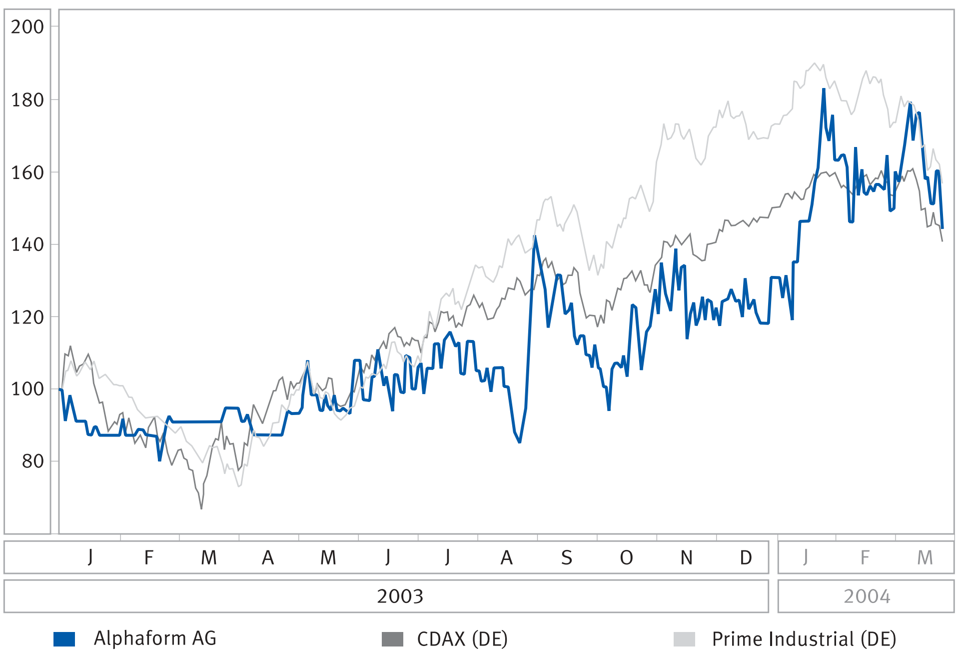
Positive share price development

Alphaform AG's share price developed positively in 2003 in response to the company's efforts to further improve its cost structure. After remaining below € 2 in QI 2003, during the course of the year it rose to a peak of € 2.60, reflecting the general buoyancy of the share market which began in QII 2003.

The share price rose even faster in QI 2004, reaching € 3.35.

Maximum share price in 2003 of €2,60 reached on 29. August

Relative development of the Alphaform share **(index-linked, from 2 January 2003 until 22 March 2004)**



Source: JCF

Growth in market capitalisation

At the end of 2003 market capitalisation was € 13 million, 21,5% up on the previous year. This increase is solely attributable to the rising share price. The number of outstanding shares remained unchanged.

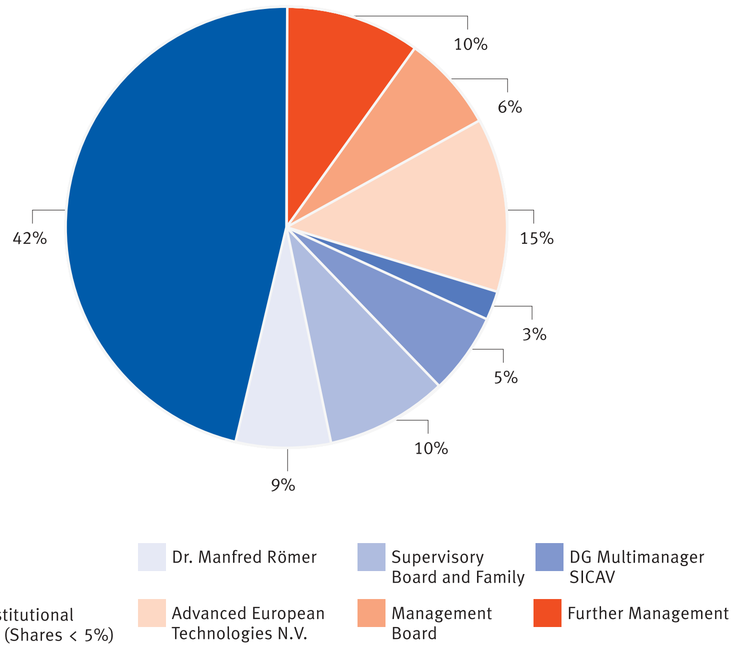
Price development of the Alphaform share (Xetra)

Year-end closing price 2002	€	2,02
First-day closing price 2003	€	1,90
Year-end closing price 2003	€	2,44
1-year absolute performance as of 31 December 2003	€	0,75
1-year relative performance as of 31 December 2003	%	+20,8
Lowest closing price 2003	€	1,75
Highest closing price 2003	€	2,68

Shareholder structure remains stable

The shareholder structure currently comprises a balance between free float, institutional investors and a significant shareholding on the part of the management.

Shareholder structure



Status quo, as known March 2004 - percentage quotation rounded

Key data of the Alphaform share 2003

Stock category		Bearer ordinary shares
Share capital	€	5,318,209
Outstanding shares	amount	5,318,209
Market capitalisation at 31 December	Mio €	13.0
Market listing		Frankfurt Stock Exchange
Trading segment		Prime Standard
Ticker symbol		ATF
ISIN		DE0005487953
Securities identification number		548 795
First day of trading		28 June 2000
Designated sponsor		M.M. Warburg

Dialogue

We attach great importance to dialogue with private and institutional investors. This annual report containing a more detailed and transparent account of Alphaform AG's key numbers and areas of business for our shareholders and the financial community represents part of our efforts towards more transparent financial communication.

Contact

The Investor Relations Department welcomes questions from investors and analysts by email at

ir@alphaform.de

as well as by phone or fax in Munich on

Tel: +49 (0) 89 90 500 2-77
Fax: +49 (0) 89 90 500 2-19

Visit the investor relations website at www.alphaform.de/ir

Management Report for the period 1 January to 31 December 2003

Market development

The year 2003 was beset by the continuation of the disappointing economic development in many countries. The global economy failed to make a sustained recovery - as predicted before -, and the national product of the Western industrialised nations grew by less than 2 percent.

Economic development in the euro-zone was very weak and was especially feeble in Germany. Cautious investment behaviour, restrained consumer spending and low export growth resulted in the German economy stagnating. Gross domestic product (GDP) in 2003 in Germany was actually down by 0.1 percent compared to the previous year.

Alphaform's sales markets were weak.

The development of the international car market last year varied. According to initial estimates, nearly 60 million vehicles were built throughout the world in 2003, 2 percent up on the previous year. However, in the main core markets in Western Europe, car production was somewhat sluggish, remaining at the same level as 2002. In Germany, for example, the 5.1 million units built (according to the VDA Automobile Industry Association) matched the previous year's output. Although the number of new vehicles registered in Germany also remained constant compared to 2002 at 3.3 million, the proportion of German vehicles slightly dropped. Car production in the European Union is estimated to have been 1 percent down on the previous year, totalling 16.7 million vehicles. Moreover, investment in new products and prototypes was generally low.

Corporate strategy

The Alphaform Group has positioned itself as a system supplier of prototypes and small job lots concentrating on the European automotive sector. Its target groups are car manufacturers and suppliers in the German-speaking countries in Europe as well as the UK and Scandinavia. In 2004, Alphaform AG will be pursuing a strategy of profitable growth based on three pillars: market penetration, regional expansion and innovation.

Poor demand on these important markets had a strategy of profitable growth based on three pillars: market penetration, regional expansion and innovation.

Market penetration - growth in existing areas of business:
Market penetration involves developing new project solutions for our clients. Another aspect of the strategy is to win new customers in existing regions.

Regional expansion:
The goal of regional expansion is for Alphaform AG to be able to cater to its international clients in the main regions it serves from its existing branches.

Innovation:
The strategy of innovation is designed to achieve economic benefits for Alphaform from both new technologies and the advance of existing ones. Achieving profitable growth will remain at the focus of our attention as this corporate strategy is implemented.

Business development

The persisting weak economic situation, especially on European car markets, had a perceptible effect on Alphaform AG's performance in 2003.

- Incoming orders and total turnover were down.
- Domestic sales increased: a niche in racing was developed

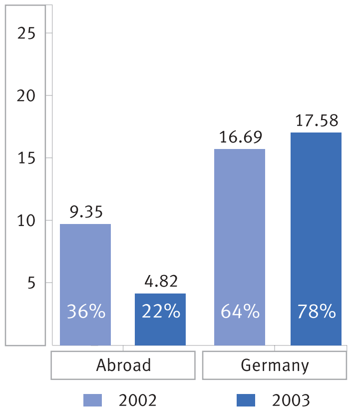
Turnover in Germany rose by 5.3 %.

Turnover dropped in 2003 by € 3.7 million (14.2 percent) from € 26.1 million in the previous year to € 22.4 million.

The car industry and its associates accounted for 76% of sales in 2003, down from 83% in 2002. This downward trend was mainly due to an extremely cautious attitude to investment in product innovations in the automotive sector.

Incoming orders at the end of the year totalled € 2 million, down by € 1.7 million on the end of 2002.Despite a difficult market environment, the turnover earned in Germany rose to € 17.58 million in 2003, up by 5.3% on the previous year's € 16.69 million. The usage of highly innovative technologies enabled Alphaform to build up a niche in the racing sector. Moreover, Alphaform's presence on the German market was stepped up. However, judging by total revenue, the contributions to turnover of the subsidiaries that were sold off could not be completely compensated for by the core company.

Turnover development in Germany and abroad (Europe) Mio €



Foreign sales reached € 4.82 million in 2003, accounting for 22 percent of total turnover. Non-German European sales in 2002 had totalled € 9.36 million (including by the companies since closed or relinquished). This declining trend was due to unsatisfactory development on the British and Scandinavian markets as well as the closure of some sites - for in response to the concentration on Germany, the UK and Finland in 2002, the Italian subsidiary Fox Bit Tecnologie, S.r.l. in Milan and the Swiss subsidiary Lithopol AG, Aarau, were both sold off. Moreover, the Austrian company is also in liquidation; as of 2004, Austrian clients are to be increasing served from Germany.

With its current group portfolio, the company feels ready to be able to pursue a profitable growth strategy.

Manufacturing costs within turnover

Manufacturing costs, which consist of fixed and variable elements, were reduced by € 2.1 million or 10.3 percent from € 20.41 million in 2002 to € 18.3 million. In the period under review gross earnings were € 4.10 million (2002: € 5.63 million). The gross margin declined to 18.3pc in 2003 compared to 21.6 percent in the previous year. In 2003, only a few brand-new development projects were started in the target markets; most of the projects taking place were already at an advanced phase of development. Many customers put off decisions regarding decisions on new and follow-up developments until 2004.

Under these circumstances, in 2003 one main aim was to maintain the valuable resources and capacities in 2003 for the coming development cycle.

Earnings

The year 2003 closed with a net loss for the year from continued operations of € 1.491 million. This was down from the T€ 294 profit from continued operations[1] the previous year. Taking into account the subsidiaries sold, the net loss for the year was reduced from € 2.047 million in 2002 to € 1.494 million in 2003.
The income from continuing and discontinuing operations needed to be reported since the additional settlement costs from the sale of Fox Bit S.r.l. amounted to T€ 3,0 in the year under review, which under US-GAAP are to be shown as "loss on disposal" within discontinued operation.

The operating loss in the period under review amounted to -1.68 EUR million, compared to -0.36 EUR million the previous year. Sales return declined to -5.6 percent in 2003 from 0 percent in 2002, having been -15 percent in 2001.

Financing and capital flow

The cash flow shows the origin and usage of flows of funds in the reporting period. It is thus of crucial importance when assessing the company's financial position.

The inflow of funds from current business activity amounting to € 1.56 million in 2003 mainly results from the group deficit of € 1.49 million, offsetting write-downs amounting to € 2.32 million, a decrease in receivables of € 1.56 million, and the writing-back of reserves and other liabilities totalling € 1.20 million. € 1.12 million of the write-downs is accounted for by property, plant and equipment from leasing.

Short-term cash and cash equivalents at 31 December 2003 totalled € 10.95 million, comprising € 9.05 million in cash and cash equivalents (up by € 0.59 million on the previous year) and marketable securities of € 1.90 million (down by € 0.95 million).

1) The loss from continuing operations for 2002 does not include any income or expenses from the companies sold off in 2002, i.e. Lithopol AG based in Aarau, Switzerand, and Fox Bit Technologie S.r.l.l, Milan, Italy.

Operating costs

Sales

At 31 December 2003, sales costs were € 2.49 million, representing a 6 percent increase on 2002 (€ 2.35 million). Adjusted for losses caused by currency differences in 2003 between the euro and the pound sterling (€ 0.14 million), expenditure on sales was € 2.35 million. In order to make the sale of products more efficient, the sales division was more closely linked to the manufacturing units and the project management. This involved one-off costs for staff cuts.

Administration

As announced by Alphaform AG, considerable administrative savings were made. In 2003 the general administrative costs were cut by 14.6 percent from € 3.36 million in 2002 to € 2.87 million. The completion of organisational restructuring and the reduction of the Management Board from three to two members first took effect on a whole financial year in 2003.

Research and Development

Research and development at Alphaform is concentrated on continuously improving its methods and materials for the construction of prototypes and pushing new developments forward. Spending on R&D rose by 50 percent compared to the previous year's total of € 0.28 million to € 0.42 million in 2003. One of the main activities was the development of new materials for rapid prototyping and the optimisation of techniques used in rapid manufacturing.

R&D was stepped up.

Balance sheet

The decrease in the balance sheet total from € 32.23 million in 2002 to € 28.32 million in 2003 is almost solely due to the reduction of accounts receivable (down by € 1.53 million) and the drop in property, plant and equipment (down by € 1.28 million), which was mainly explained by write-downs.
Trade accounts receivable were reduced from € 5.05 million in 2002 to € 3.52 million, largely thanks to the introduction of stricter receivables management ("days sales outstanding").
The cash funds within cash and cash equivalents rose mainly due to the positive operating cash flow by € 0.59 million to € 9.05 million. Cash and cash equivalents in the current assets also include marketable securities amounting to € 1.90 million along with € 0.25 million cash in banks whose availability is limited. The cash in banks is used to cover an overdraft facility that was unused on the reporting date. At 31 December 2003, the short-term funds totalled € 11.20 million. At 31 December 2002, cash and cash equivalents had been € 11.31 million.

Shareholders' equity in the year under review amounted to € 23.15 million and the equity ratio rose to 81.8p percent In 2002, when shareholders' equity was about € 24.58 million, the equity ratio was about 76 percent.

At the end of the year, Alphaform had 210 employees.

Investment
In 2003 the group invested € 1.13 in fixed assets, mostly machinery. As a result, Alphaform now boasts a state-of-the-art machine park.

Employees
The quality of Alphaform AG and its products and services largely hinges on the expertise of its staff. Alphaform and its employees regard their primary responsibility as jointly developing optimum product and service solutions together with their customers and associates.

As of 31 December 2003, Alphaform AG had a total of 210 employees. In the yearly average the company hat 220 employees, an decrease of 4.8 percent or 11 employees compared to the previous year. Almost 85 percent of personnel were employed in the year under review in production. In addition, the company provided diverse practical training to ten trainees in six different professions (both commercial and industrial) at four sites.

Of the total workforce, during the period under review 163 employees (77.6 percent) were based in Germany, while 47 were employed in other European countries.

Personnel structure at 31 December 2003

	31.12.2003
Alphaform AG	89
Spacecast GmbH	16
Alphaform Claho GmbH	20
Optik Haptik Prototyping GmbH	38
Rapid Product Innovations Oy, Finland	42
Alphaform Ltd., UK	5
Total	**210**

Outlook
Although the prospects of global economic development improving in 2004 have picked up in recent months, gradual recovery in the euro-zone, Alphaform AG's target market, is unlikely to be sufficiently dynamic to bring the economy back on track for robust growth. For example, the VDA Automobile Industry Association reported that car production in January 2004 was 11pc down on the same month last year. In view of the tough economic climate, Alphaform AG feels unable at present to publish any detailed forecasts for business in 2004.

However, given its financial stability, customer proximity and strategic alignment, Alphaform AG is well poised to achieve profitable growth as investment in the target sectors perks up. At present Alphaform AG is receiving a growing number of enquiries from existing companies and anticipates a sustained revival of business in the second half of 2004.

Subsequent event

There were no other special events in the period between the balance sheet date and the final preparation of the consolidated financial statements that could have a material effect on future financial statements of the group.

Risks

The company is exposed to several risks in the project business. In order to be able to identify these risks early on and take appropriate counteraction, a large number of measures have been put in place. However, it cannot be guaranteed that all possible risks have been spotted and neutralised. For one thing, some of these risks are beyond Alphaform AG's control. The materialisation of risks may alter or render invalid assumptions on which the Management Board's expectations regarding future business development are based. Risks may also result in financial performance deviating substantially from expectations.
The risks and uncertainties include the following:

- Further economic deterioration could drag down Alphaform AG's turnover and profits.
- Alphaform AG's activities are geared towards project-based individual prototypes and small job lots. Consequently it is exposed to the typical risks of a manufacturing company regarding the availability of production capacities.
- In order to be successful, Alphaform AG needs to be able to spot trends in the industries it serves early on. For this purpose, client behaviour in the various sectors is continuously analysed. The main sectors of interest are chiefly the automotive industry, medical equipment, electronics and telecoms.
- The lion's share of turnover (about 76 percent) is still earned from the car industry, with Germany currently being the main market for economic activities. Alphaform AG's economic development could suffer from fluctuations in the car sector and in particular the German automotive market.
- Owing to the high level of cash and cash equivalents, items subject to shifting interest rates are exposed to a continuous interest and reinvestment risk.
- Being a technology company, Alphaform AG will always have to depend on qualified personnel. Alphaform constantly attempts to further boost its attractiveness as an employer. The company's success largely depends on whether it can still employ and integrate qualified personnel, nurture staff loyalty, and make sure its employees' skills keep pace with market needs.
- Like any company, Alphaform AG is exposed to management risks. The methods used to minimise these risks include an internal reporting system featuring planning and monitoring processes. In addition, regular public announcements are made about the group's affairs. The system of checks also includes the supervisory board, which keeps tabs on the work of the management.
- Alphaform AG has taken out insurance by way of protection against possible cases of damage and liability risks. To ensure that the financial consequences of any risks can be discounted or at least limited, the extent of insurance protection is continuously reviewed and adjusted as necessary.

Supervisory Board's report

Ladies and gentleman,

In the 2003 financial year, the Supervisory Board closely monitored the work of the Management Board and acted in a consultative capacity. In addition it was directly involved in all decisions of fundamental importance for the Alphaform Group. All in all, the Supervisory Board came together at four regular meetings.

The Management Board kept us fully abreast of business developments and internal planning, including risks, both in written reports and orally. We were regularly provided with the documents needed for meetings by the Management Board in good time. As well as current financial data and order details, the detailed monthly reports on current business activity in the group also contained a breakdown into individual divisions and companies as well as a forecast for the entire year. Deviations during the course of business from the plans and targets published were explained in detail. Other queries on the part of the Supervisory Board were answered immediately by the Management Board in writing or orally. The meetings of the Supervisory Board concentrated on the state of the company and the general development of the target sectors. The meetings were also used to review and debate the company's strategy, development and organisation, as well as individual episodes.

Annual accounts and the consolidated financial statements

The annual accounts of Alphaform AG for the year ended 31 December 2003 and the consolidated financial statements drawn up in accordance with the generally accepted accounting principles in the United States of America for the year ended 31 December 2003 (meeting the conditions for exemption from the preparation of consolidated accounts pursuant to Section 292 of the German Commercial Code) as well as the summarised management report of Alphaform AG and the group were audited by Häckl, Schmidt & Associates based in Landsberg and Munich.

They were found to give an accurate impression of Alphaform's state of affairs. The auditors' review of the annual accounts and the consolidated financial statements was handed to all the members of the Supervisory Board. It was then examined at the meeting held on 18 March 2004 in the presence of the auditor, where the Management Board also reported on the scope, main items and costs of the audit of the annual accounts. We raised no objections and endorsed the audit results. The Supervisory Board approved the annual accounts and the consolidated financial statements compiled by the Management Board. This marks the final approval of the annual accounts.

Membership of the Supervisory Board

During the period under review the membership of the Supervisory Board remained unchanged. Its members were Rudolf Franz (chairman), Hans Klingler and Falk F. Strascheg.

The Supervisory Board would like to thank the Management Board and all the staff of Alphaform AG for their hard work and commitment in 2003.

Feldkirchen, March 2004

Rudolf Franz
Chairman of the Supervisory Board

CONSOLIDATED FINANCIAL STATEMENTS (US-GAAP)

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Consolidated Statements of Operations

T€, except earnings per share in Euro and number of shares

	31.12.2002	31.12.2003
Revenues	26,048	22,397
Cost of Goods sold	(20,414)	(18,299)
Gross profit	**5,634**	**4,098**
Research and development	(280)	(418)
General and administrative	(3,365)	(2,874)
Sales and marketing	(2,348)	(2,489)
Total operating expenses	**(5,993)**	**(5,781)**
Loss from operations	**(359)**	**(1,683)**
Interest expense	(228)	(188)
Interest income	463	365
Other income/expenses	174	248
Income/loss from continuing operations before income taxes	**50**	**(1,258)**
Deferred income tax benefit	244	(233)
Income from continuing operations	**294**	**(1,491)**
Discontinued operations [1]	(2,341)	(3)
Net loss	**(2,047)**	**(1,494)**
Basic earnings per share from continuing operations	0.06	(0.28)
Basic loss per share from discontinued operations	(0.44)	0.00
Net loss attributable to common stockholders	**(0.38)**	**(0.28)**
Earnings from continuing operations per share (diluted)	0.05	(0.28)
Loss per share from discontinued operations (diluted)	(0.43)	0.00
Net loss attributable to common stockholders	**(0.38)**	**(0.28)**
Weighted number of shares outstanding (basic)	5,318,209	5,318,209
Weighted number of shares outstanding (diluted)	5,410,209	5,318,209

See accompanying notes.

1) Loss from operations of discontinued components, including loss on disposal of T€ 3 in 2003, and T€ 1.347 in 2002

Consolidated Balance Sheets

Assets T€

	31.12.2002	31.12.2003
Cash and cash equivalents	8,455	9,049
Short-term investments	2,851	1,898
Trade accounts receivable	5,050	3,520
Inventories	2,483	2,145
Deferred tax asset	127	11
Prepaid expenses and other current assets	995	559
Total current assets	**19,961**	**17,182**
Property and equipment, net	6,872	5,590
Goodwill, net	5,086	5,086
Other non-current assets	195	206
Total non-current assets	**12,153**	**10,882**
Deferred Tax asset	117	0
Restricted cash	0	251
Total assets	**32,231**	**28,315**

Liabilities and stockholders' equity T€

	31.12.2002	31.12.2003
Current portion of capital lease obligations	1,219	758
Accounts payable	1,905	1,451
Accrued expenses	2,657	1,455
Total current liabilities	**5,781**	**3,664**
Capital lease obligations, net of current portion	1,610	1,340
Long-term debt	262	160
Total long-term liabilities	**1,872**	**1,500**
Commitments and contingencies	0	0
Common stock, Euro 1,00 par value 3 [1]	5,318	5,318
Additional paid-in capital	31,675	31,675
Accumulated other comprehensive loss	(120)	(53)
Accumulated deficit	(12,295)	(13,789)
Total stockholders' equity	**24,578**	**23,151**
Total liabilities and stockholders' equity	**32,231**	**28,315**

See accompanying notes.

1) 5,318,209 shares without par value; authorized capital stock EUR 1,796,904; conditional capital EUR 531,820; in 2002 and 2003

Consolidated Statements of Cash Flows

T€

	31.12.2002	31.12.2003
Net loss	(2,047)	(1,494)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,930	2,317
Gain on disposal of short-term investments	(90)	6
Loss on disposal of property and equipment	962	88
Exchange rate differences	(10)	14
Minority interest	0	0
Provision for bad debts	1	(31)
Deferred taxes	(244)	233
Changes in operating assets and liabilities:		
Accounts receivable	1,970	1,560
Inventories	(840)	338
Prepaid expenses and other current assets	151	436
Restricted cash	0	(251)
Accounts payable	(949)	(454)
Accrued liabilities	(631)	(1,202)
Net cash used in operating activities	**2,203**	**1,560**
Purchase of short-term investments	(5,115)	0
Proceeds from sales of short-term investments	5,528	1,000
Purchase of property and equipment	(1,997)	(843)
Proceeds from sales of property and equipment	218	15
Purchase of other non-current assets	(174)	(11)
Purchase of intangible assets	(24)	0
Cash paid for acquisition of consolidated companies, net of cash acquired	0	0
Net cash used in investing activities	**(1,564)**	**161**
Principal payments on long-term debts	(704)	(102)
Principal payments on capital leases	(1,147)	(1,025)
Other comprehensive income	0	0
Net cash provided by financing activities	**(1,851)**	**(1,127)**
Net increase in cash and cash equivalents	(1,212)	594
Cash and cash equivalents at beginning of period	9,667	8,455
Cash and cash equivalents at end of period	8,455	9,049
Short-term investments	2,851	1,898
Cash and cash equivalents including short-term investments at end of period	**11,306**	**10,947**
Supplemental disclosures of cash flow information:		
Cash paid for interest	249	199
Supplemental disclosure of noncash investing and financing activities:		
Fixed assets acquired under capital leases	1,265	296
Unrealized gains/losses on short-term investments	(177)	53

See accompanying notes.

Consolidated Statement of Shareholders´ Equity

T€, except number of shares

	Common Stock		Additional Paid-in Capital
	Shares	Amount	
Balance at December 31, 2001	**5,318,209**	**5,318**	**31,675**
Income from continuing operations			
Loss from operations of discontinued components			
Foreign currency translation			
Unrealized loss on short-term investment			
Balance at December 31, 2002	**5,318,209**	**5,318**	**31,675**
Loss from continuing operations			
Loss from operations of discontinued components			
Foreign currency translation			
Unrealized loss on short-term investment			
Balance at December 31, 2003	**5,318,209**	**5,318**	**31,675**

T€, except number of shares

Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders´ Equity	Comprehensive Income	
67	**(10,248)**	**26,812**	**(3,655)**	**Balance at December 31, 2001**
	294	294	294	Income from continuing operations
	(2,341)	(2,341)	(2,341)	Loss from operations of discontinued components
(10)		(10)	(10)	Foreign currency translation
(177)		(177)	(177)	Unrealized loss on short-term investment
(120)	**(12,295)**	**24,578**	**(2,234)**	**Balance at December 31, 2002**
	(1,491)	(1,491)	(1,491)	Loss from continuing operations
	(3)	(3)	(3)	Loss from operations of discontinued components
14		14	14	Foreign currency translation
53		53	53	Unrealized loss on short-term investment
(53)	**(13,789)**	**23,151**	**(1,427)**	**Balance at December 31, 2003**

Notes

1 The Company

Alphaform GmbH Laser-, Modell und Formenbau ("Alphaform GmbH") was incorporated on December 14, 1995, (date of inception) with a share capital of € 204.516 and was entered in the Munich Commercial Register under the number HRB 111881 on January 23, 1996. On August 19, 1999, with an amendment on December 13, 1999, the shareholders passed a resolution to change the legal form of Alphaform GmbH from a private limited company to a public limited company bearing the name, Alphaform AG Enabling Technologies & Services ("the Company"). This change was registered on February 21, 2000 in the Munich Commercial Register under the number HRB 129842.

The Company provides product development support for its customers. These services include consulting related to both the performance and planning of product development processes, manufacturing of virtual or real prototypes and small-scale production of products, which enter largescale production thereafter.

The majority of the Company´s customers are in the automotive industry, and the rest are in aerospace, medical technology, household appliances and telecommunications. The Company's revenues were generated in Germany, the United Kingdom and Finland.

Since June 2000, the Company was listed on the New Market of the Frankfurt Stock Exchange. Since early 2003 the Company is listed in the segment "prime standard". The Company is located in Feldkirchen near Munich. As of December 31, 2003, the Company has approximately 210 employees.

At December 31, 2003 the Company held 100% of the shares in the following subsidiaries:

- Alphaform Ges.m.b.H., Oberwart, Austria
- Alphaform - OHP Optik Haptik Prototyping GmbH, Weilburg
- Alphaform - Spacecast GmbH, Aachen
- Alphaform Limited, London Gatwick Airport, UK
- Alphaform - Claho GmbH, Garmisch-Partenkirchen
- Alphaform - Rapid Product Innovations Oy, Rusko, Finland

2 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the Company´s accounts and those of its wholly owned subsidiaries.

The consolidated financial statements as of December 31, 2003 were prepared in accordance with United States Generally Accepted Accounting Principles and denominated in thousands of Euros ("T€"). Upon consolidation, all significant intercompany accounts and transactions were eliminated.

No companies were acquired in 2003.

All acquisitions during 2001 were accounted for using the purchase method. When these subsidiaries were acquired, the values of the identifiable assets and liabilities purchased were offset against the acquisition costs for the shares in the company concerned. The identifiable assets were stated at fair value. Hidden reserves, if any, were released at the amount of the participation-quota without any effect on income, and intangible assets not capitalized in the past were recognized. The remaining difference between the acquisition costs and the assets and liabilities stated at fair value was recorded as goodwill on the balance sheet.

Goodwill was recorded at acquisition costs less accumulated amortization and impairment losses. Goodwill was amortized over its estimated useful life of seven to ten years. In 2002, the Company adopted SFAS No. 142 and completed transitional impairment tests , which resulted in losses of T€ 1.245 for Lithopol and T€ 114 for Fox Bit. There are no impairment losses in 2003.

Summary of companies purchased during 2001

T€

Assets acquired	4,120
Liabilities acquired	(3,815)
Goodwill	6,806
Total	**7,111**

Lithopol AG, Aarau, Switzerland

On September 30, 2002, Lithopol AG was sold due to the continued deterioration of the Swiss prototype market.

Alphaform-Claho GmbH, Garmisch-Partenkirchen

Alphaform AG acquired Claho Engineering GmbH, Grainau, as part of a complete takeover, which was consolidated as of April 1, 2001, based on the interim financial statements of Claho Engineering GmbH as of March 31, 2001.

T€

Assets acquired	369
Liabilities acquired	(399)
Goodwill	373
Total	**343**

Assets of T€ 369 and liabilities of T€ 399 were transferred in the initial consolidation. Alphaform-Claho GmbH´s main business activities are in engineering and rapid tooling for the automobile industry, where customers are provided with integrated solutions for product development, rapid prototyping and rapid tooling.

Alphaform - Rapid Product Innovations Oy, Rusko, Finland

Alphaform AG also acquired Rapid Product Innovations Oy, Rusko, Finland, as part of complete takeover that was consolidated as of January 1, 2001.

T€

Assets acquired	1,909
Liabilities acquired	(1,838)
Goodwill	4,926
Total	**4,997**

Assets of T€ 1.909 and liabilities of T€ 1.838 were transferred during the initial consolidation. Alphaform - Rapid Product Innovations Oy, which was a management buy-out of the Electrolux Group, is one of the few full service providers for prototypes and small production runs in the European market. This acquisition opened the Scandinavian region for the Alphaform Group.

Fox Bit Tecnoloqie S.r.l., Milan, Italy

On December 19, 2002, with an effective date of January 1, 2003, the subsidiary was sold due to the continued deterioration of the Italian automotive industry.

In the course of the sale of Fox Bit S.r.l. losses of T€ 3 arose that are disclosed as loss on disposal in the Company's income statement.

As the number of companies to be consolidated decreased as a result of the sales of Lithopol AG and Fox Bit S.r.l., the disclosure of the previous year was adjusted to reflect this decrease and thus differs from the financial statements in the previous year.

Foreign currency translation

The functional currency of the affiliated companies is the local currency of the country where the affiliate is located. For this reason assets and liabilities disclosed in a foreign currency in the affiliate's balance sheet (except equity and loans) were translated into Euros at the exchange rate of the balance sheet date. The translation of revenues and expenses were made at the average exchange rate of the business year. The cumulative gains and losses from the foreign currency translation are shown in a separate position in the equity of the company. The following exchange rates were used for currency translation:

Country	Currency	Balance sheet date exchange rate (= € 1)	Average exchange rate (= € 1)
UK	GBP	0.70480	0.69199

Use of estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates and relate primarily to estimating useful lives, valuation adjustments for receivables and inventories as well as estimating amounts for accruals.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amounts of cash and cash equivalents approximates fair value due to the short maturity of these investments.

Restricted Cash

As of December 31, 2003, in connection with surety credit lines, the Company had T€ 251 set aside as a security deposit at HypoVereinsbank.

Short-term investments

Management determines the appropriate classification of short-term investments at the time of purchase and reevaluates such classification as of each balance sheet date. Short-term investments at December 31, 2003 are classified as "available-for-sale." Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity.

Concentration of credit risk

Financial instruments that may subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and short-term investments. The Company places all of its cash equivalents, short-term investments and restricted cash with high-credit quality issuers. The Company's investments are held in Germany. The Company is exposed to credit risk in the event of default by the institution holding the cash, cash equivalents, short-term investments and restricted cash to the extent of the amounts recorded on the balance sheet.

Inventories

Raw materials and supplies are stated at cost, less necessary adjustments. Work-in-process and finished goods are stated at cost. This includes directly allocated direct costs (costs for materials, labor cost and cost of services provided by third parties) as well as an appropriate amount of overhead costs including administrative expenses.

Trade accounts receivable

Trade receivables are stated at nominal value less allowances for bad debt.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Fixed assets consists of leasehold improvements, machines, equipment and software. The balances are stated at acquisition costs and depreciated as follows:

Equipment	3 to 13 Years
Machinery	3 to 10 Years
Software	3 Years
Leasehold improvements	5 to 10 Years

The historical costs of assets that were sold or scrapped were eliminated in full, net of accumulated depreciation. Gains and losses on the sale of property, plant and equipment are recorded as either operating income or expenses. Major replacements and improvements are capitalized while general repairs and maintenance are charged to expense as incurred. Items less than € 410 are expensed in the year of purchase.

Intangible Assets

Beginning 2002 the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets" according to which goodwill can no longer be amortized. Instead, it is tested at least annually for impairment at the reporting unit level. The Company has completed such impairment tests and recorded no impairment loss in 2003. In the previous year there was recorded an impairment loss of T€ 1.359. Of this amount T€ 114 related to the goodwill of Fox Bit Tecnologie S.r.l., Milano, Italy, and T€ 1.245 to that of Lithopol AG Aarau, Switzerland.

Research and Development

Research and development expenditures, including direct and allocated expenses, are expensed as incurred.

Impairment of Long-Lived and Identifiable Intangible Assets

The Company evaluates the carrying value of long-lived assets and identifiable intangible assets for potential impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability is determined by comparing projected undiscounted cash flows associated with such assets to the related carrying value. An impairment loss would be recognized when the estimated undiscounted future cash flow is less than the carrying amount of the asset. An impairment loss would be measured as the amount by which the carrying value of the asset exceeds the fair value of the asset. No impairment charges have been recognized for the year ended December 31, 2003 (T€ 1.359 in 2002).

Income Taxes

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes" using the liability method. Deferred income taxes are recognized at the enacted tax rates for temporary differences between the financial statement and income tax bases of assets and liabilities. Deferred tax assets are reduced by a valuation allowance if, based upon the weight of available evidence, it is more likely than not that some portion or all of the related tax asset will not be realized.

Revenue recognition

The Company generates revenue from manufacturing prototypes and related services to its customers. The Company uses CAD ("computer-aided design") product descriptions developed by its customers to produce these prototypes.

Revenues from the sale of these products are generally realized when, a contractual basis exists, the price is fixed or identifiable, the service is rendered, the product or service is provided and the receipt of payment is secured. After providing the products the Company is not obligated to take them back.

Depending on the order size, complexity and number of prototypes to be developed, production time may vary from one day to up to four months.

Advertising costs

The Company´s policy is to expense advertising costs as incurred. Advertising expenses of T€ 184 and T€ 233 were recorded during 2003 and 2002, respectively, in selling expenses.

Other comprehensive loss

Other comprehensive loss includes unrealized gains and losses from the valuation of short-term investments carried at market value.

Fair value of financial instruments

The carrying amounts reported in the Company´s balance sheet for cash and cash equivalents, short-term investments, receivables, other current assets, accounts payable, accrued expenses and long-term debt approximate their fair value.

The fair values of the Company´s lease obligations are estimated using discounted cash flow analyses based on the Company´s current incremental borrowing rates for similar types of borrowing arrangements.

Change in reporting entity

As the former subsidiary Fox Bit Tecnologie S.r.l. is no longer part of the Alphaform Group, the consolidated financial statements of the prior period was restated in order to show financial information for the new reporting entity for all periods presented.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. Accordingly, compensation expense is recorded for stock options awarded to employees and directors to the extent that the option exercise prices are less than the common stock's fair market value on the date of grant, where the number of shares and exercise price are fixed. The difference between the fair value of the Company´s common stock and the exercise price of the stock option, if any, is recorded as deferred compensation and is amortized to compensation expense over the vesting period of the stock option. The Company follows the disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation".

Net loss per share

The net loss per share for the year 2003 and the year 2002 on the basis of an average 5.318.209 (previous year: 5.318.209) outstanding common shares was basic € -0,28 (previous year: € -0,38) and diluted € 0,28 (previous year: -0,38).

Basic and diluted net loss per common share is presented in conformity with SFAS No. 128, "Earnings Per Share", for all periods presented. Basic and diluted net loss per share was computed using the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share is similar to the computation of basic net loss per share with the exception that the average number of shares is higher. The reason for this difference is that the diluted result includes the number of shares that might have been circulating if all options had been exercised.

In 2003, no potentially diluting stock has been included in the calculation of the diluted loss as this would have an anti-cyclical effect. The total number of potential common shares excluded in 2003 from the diluted net loss per share as of December 31, 2003 was 193.900.

Recent accounting pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives may no longer be amortized, but are subject to an annual impairment test. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company adopted the new rules on accounting for intangible assets beginning on January 1, 2002 for goodwill as required.

In October 2001, the FASB issued SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") which supersedes SFAS No. 121. SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. However, SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for: 1) recognition and measurement of the impairment of long-lived assets to be held and used; and 2) measurement of long-lived assets to be disposed of by sale. The Company adopted the provision of SFAS No. 144 as of January 1, 2002.

In November 2002, the Emerging Issues Task Force (EITF) reached a consensus on EITF 00-21, "Revenue Arrangements With Multiple Deliverables", which addresses how to account for arrangements that may involve the delivery of performance of multiple products, services and/or rights to use assets. EITF 00-21 specifies that revenue arrangements with multiple deliverables should be divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration should then be allocated among the separate units of accounting based on their relative fair values.

The guidance can affect the timing of revenue recognition for such arrangements, even though it does not change rules governing the timing or pattern of revenue recognition of individual items accounted for separately. The Consensus is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. However, companies may alternatively elect to apply the Consensus to existing arrangements and record the impact as a cumulative effect of a change in accounting principle. The Consensus has no effect on the Company's statement of earnings.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123" ("SFAS No. 148").

This Statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this State-ment amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

This Statement does not permit the use of the original Statement No. 123 prospective method of transition for changes to the fair value based method in fiscal years beginning after December 15, 2003.

The Company believes that SFAS No. 148 will not have a material impact on its financial position or its results of operations or cash flows.

3 Cash and cash equivalents

As of December 31, 2003, the Company has cash and cash equivalents of T€ 9.049 (December 31, 2002: T€ 8.455), that are largely a result of the cash contributions received in the course of the public issue during 2000. The cash and cash equivalents disclosed under this item have original maturities of three months or less.

4 Short-term investments

As of December 31, 2003 the Company recorded short-term investments of T€ 1.898 (December 31, 2002: T€ 2.851). Similar to cash equivalents these result mainly of cash contributions received in the course of the public issue in fiscal year 2000.

Net losses on the sales of available-for-sale short-term investments included in other expenses are T€ 6 (previous year: gain T€ 90). Proceeds from sales of available-for-sale short-term investments were T€ 1.000 and T€ 5.528 for the years ended December 31, 2003 and 2002, respectively.

At December 31, 2003, short-term investments consist of the following (in €):

	31.12.2002			31.12.2003		
	Cost Basis	Unrealized Losses	Market Value	Cost Basis	Unrealized Losses	Market Value
Commerzbank due November 19, 2004	496,000	(112,700)	383,300	496,000	(63,100)	432,900
Daimler North Am. Holding due January 19, 2004	513,500	(1.000)	512,500	513,500	(12,400)	501,100
British Telekom Notes due November 19, 2004	1,005,500	(14,500)	991,000	-	-	-
DB Euro Liquidity Plus	964,212	0	964,212	964,212	0	964,212
Total	**2,979,212**	**(128,200)**	**2,851,012**	**1,973,712**	**(75,500)**	**1,898,212**

5 Trade accounts receivable

Trade accounts receivable consist of the following

T€

	31.12.2002	31.12.2003
Trade accounts receivable, nominal value	5,198	3,699
Specific provisions for bad debts	(148)	(179)
Trade accounts receivable, net	**5,050**	**3,520**

6 Inventories

The components of inventories are as follows

T€

	31.12.2002	31.12.2003
Raw materials	1,016	905
Work-in process	800	534
Finished goods	624	637
Payments in advance	43	69
Total	**2,483**	**2,145**

Inventories are stated at the lower of cost or market. The costs of raw materials are determined using the weighted average method.

7 Property and Equipment

T€

	31.12.2002	31.12.2003
Software	648	577
Machinery	10,325	10,367
Furniture	1,341	1,187
Leasehold improvements	1,197	1,167
Construction in progress	0	82
Total	**13,511**	**13,380**
Less accumulated depreciation and amortization	(6,639)	(7,790)
Property and equipment, net	**6,872**	**5,590**

Property and equipment included assets under equipment financing arrangement totalling T€ 4.744 (previous year: 5.167). Assets purchased under financing arrangement are included in machinery. The accumulated depreciation related to assets under equipment financing arrangements was T€ 2.807 at December 31, 2003 (previous year: T€ 2.398).

The leases are disclosed as capital leases according to SFAS 13. The reason for this disclosure is the irredeemable principle term of lease with flowback of capital, a duration of at least 75% of the useful life and the transfer of the legal ownership at the end of the term of the contract. All these presumptions exist concerning the Company's leasing contracts.

8 Goodwill

T€

	31.12.2002	31.12.2003
Goodwill	5,462	5,462
Impairment loss/amortization	(376)	(376)
Goodwill, net	**5,086**	**5,086**

In 2003 there was no impairment loss as the recoverability of the goodwill was determined. The impairment loss recorded in 2002 was T€ 1.359.

In January 2002, the Company adopted SFAS No. 142, which disallows amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, SFAS No. 142 requires, that goodwill and intangible assets deemed to have an indefinite useful life be reviewed for impairment upon adoption of SFAS No. 142 (January 1, 2002) and annually thereafter. Under SFAS No. 142, goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. This methodology differs from the Company's previous policy until December 2001, in accordance with accounting standards existing at that time, of using the straight-line amortization over 7 to 10 years to determine net book value. The remaining goodwill of Alphaform - RPI and Alphaform - Claho at the date of the balance sheet is tested for impairment each forth quarter of a year. The current value of the affiliated entities is compared with their book value.

The key account management of the Company took over the Austrian market. The subsidiary in Austria was closed in January 2003. The liquidation of the company was not completed at the end of 2003.

9 Deferred tax assets

As a result of the net losses incurred by the Company since inception, no provision for income taxes has been recorded. At December 31, 2003, the Company had accumulated tax net operating loss carry forwards in Germany, Austria, the UK and Finland of approximately T€ 14.116, T€ 244, T€ 412 and T€ 839, respectively.

Under current German, Austrian and UK tax laws, these loss carry forwards have an indefinite life and may be used to offset the Company´s future taxable income. Net operating loss carry forwards are subject to review and possible adjustment by the taxing authorities. Furthermore, under current German tax laws, certain substantial changes in the Company's ownership may limit the amount of net operating loss carry forwards, which could be utilized annually to offset future taxable income. The loss carry forwards in Finland have a life of ten years and may be used to offset the Company´s future taxable income during the next ten years.

Due to the degree of uncertainty related to the ultimate utilization and recoverability of the loss carryforwards, the Company has reserved for the deferred tax asset, except of the deferred tax asset of Alphaform - OHP GmbH, to the extent it exceeds any tax liabilities.

In September 2002, the German tax authorities enacted a new tax legislation, which increased the corporate tax rate from 25% to 26,5% effective January 1, 2003. As a result, the composite tax rate used to determine deferred taxes is 39,6 %. For affiliates in other countries the domestic tax rate was used: Austria: 25%, UK: 19% and Finland: 29%

No income taxes were paid in 2003 and 2002.

Significant components of the Company's deferred tax assets at December 31, 2003 and 2002 consist of the following:

T€

	31.12.2002	31.12.2003
Net operating loss carry forward	5,499	5,972
Temporary differences	43	84
Total deferred tax assets	5,542	6,056
Valuation allowance	(5,298)	(6,045)
Net deferred tax asset	**244**	**11**

The net deferred tax asset is allocated between current and non-current assets.

10 Liabilities to banks

At December 31, 2003 and 2002, long-term debt obligations consist of the following

T€

	31.12.2002	31.12.2003
bank borrowings, due March 31, 2003; annuity payment quarterly of T€ 31; interest at 5,9%	34	0
bank borrowings, due January 31, 2006; annuity payment quarterly T€ 10; interest at 3-months Euribor plus 1,25%	135	94
bank borrowings, due September 30, 2007; annuity payment semi-annually T€ 18; interest at 6-months Euribor plus 2,4%	180	144
bank borrowings, due November 30, 2003; annuity payment annually T€ 21; interest rate variable on basis rate of at least 3%;	21	0
bank borrowings, due February, 28, 2004; annuity payment annually T€ 24; interest rate variable on basis rate of at least 3%	48	24
other loans	0	0
overdraft	183	0
Total	**601**	**262**
Less current portion	339	102
Long-term debt	**262**	**160**

As of December 31, 2003 and 2002, the Company had available lines of credit of T€ 334 and T€ 340, respectively. The interest rates for bank overdrafts vary between 4,25% and 9%. In 2003 and 2002 the Company recorded interest expenses of T€ 15 and T€ 256 (thereof T€ 28 of discontinued operations), respectively.

The maturities of the non-current liabilities to banks are shown in the table below:

T€

(Year ended)	
2004	78
2005	46
2006	36
Total	**160**

11 Accrued expenses and liabilities

At December 31, 2003 and 2002, accrued expenses and liabilities consist of the following:

T€

	31.12.2002	31.12.2003
Accruals for vacation	459	180
Bonus payments	101	268
Invoices outstanding	108	47
Legal and consulting expenses	71	70
Other accruals	553	266
Total accruals	**1,292**	**831**
Payments received in advance	368	13
Taxes	495	203
Social insurances	197	170
Other liabilities	305	238
Total liabilities	**1,365**	**624**
Total accrued expenses and liabilities	**2,657**	**1,455**

12 Shareholders´ Equity

As of December 31, 2003 and 2002, the Company had 5.318.209 shares issued and outstanding with a par value of € 5.318.209.

Authorized capital

The following resolutions were passed at the shareholders' meeting on April 28, 2000: Management was authorized with the approval of the supervisory board to increase the subscribed capital of the Company by a total amount of € 1.796.604 (authorized capital) prior to February 1, 2005 by issuing, once or several times, 1.796.604 new shares without par value in exchange for capital contributions or contributions in kind. Management was also authorized with the approval of the supervisory board to exclude the subscription rights of existing shareholders for the issuance of authorized capital up to € 1.796.604, provided that the new shares are issued in exchange for a contribution in kind and not issued at a price that is considerably lower than the market price, or if the shares are issued either in return for a cash contribution or a contribution in kind to purchase companies or participations, and provided that the acquisition or participation is in the generally agreed interest of the Company. The increase in authorized capital was entered in the Munich Commercial Register on June 5, 2000.

Authorized capital has not yet been utilized.

Contingent capital

By resolution of the annual shareholders' meeting on May 25, 2001, subscribed capital was contingently increased by additional € 172.500. The contingent capital increase is related to the potential exercise of an additional 172.500 options, which can be issued to the members of management and employees of the Company and its subsidiaries. The increase in contingent capital was entered at the Commercial Register on August 9, 2001. The total amount of contingent capital as of December 31, 2003 and 2002 is T€ 531.820.

Treasury stock

By resolution of the annual shareholders' meeting on May 25, 2001, the Company is authorized to purchase treasury stock up to 10% of the current capital stock pursuant to section 71 (1) no. 8 AktG before November 24, 2002.
The Company has not made use of this option.

Stock option plan 2000

By a resolution dated June 8, 2000, the general meeting of the AG authorized the management board and the supervisory board to issue stock options pursuant to the 2000 stock option plan, the main features of which were defined by resolution of the general meeting. The general meeting also authorized the management board to determine the remaining details relating to allocation of the options and terms of exercise subject to approval from the supervisory board. The general meeting further authorized the management board with approval of the supervisory board to adjust the terms of the stock options if the current terms are no longer practicable because of changes in circumstances or law.

Pursuant to sec. 15 AktG the management board of the Alphaform AG may grant employees of the Alphaform AG and members of management boards and employees of subsidiaries of the Alphaform AG options, and may themselves be granted options by the supervisory board of the Alphaform AG within defined periods of not less than three years each. In total, up to 10% of subscribed capital may be issued as options. For this purpose, contingent capital of T€ 359 was created by the general meeting of June 8, 2000. Options under both the 2000 and 2001 Plans may be granted for periods of up to six years. Options generally vest in installments over four years following the date of grant, with 50% vesting at the end of two years and the balance vesting four years following the grant date, subject to the optionee's continuous service. Options granted to employees are divided in two equal tranches. A further condition of exercise is that the options granted may not be exercised until the market price of the shares has increased by at least 20% and 40% over the market price of the shares on the grant dates for the first and second tranches, respectively.

During May 2001, two conditions of the 2000 Plan were changed for future grants from this Plan:
The price of options granted after the amendment filed with the commercial register is calculated on the average closing price of the Alphaform share in XETRA trading on the Neue Markt of Deutsche Börse AG during the last 30 trading days prior to the grant date of the subscription rights.

For the first half of the option rights, the price to be paid when exercising an option right is 120% of the average closing price of the Alphaform share in the reference period. For the second half of the option rights, the price to be paid when exercising an option right is 140% of the average closing price of the Alphaform share in the reference period.

Furthermore, the stock option program dated June 8, 2000 was extended by a resolution of the general meeting on May 25, 2001 as follows: 'If option rights cannot be exercised or are forfeited definitively or the stock option holders have definitively waived their option rights to the Alphaform AG in writing, the same number of new options rights can be granted in place of the old option rights to the group for which they were originally intended.

Stock option plan 2001

By resolution dated May 25, 2001, the annual general meeting of the AG authorized the management board and the supervisory board to issue stock options pursuant to the 2001 stock option plan, the main features of which were defined by resolution of the general meeting. The general meeting also authorized the management board to determine the remaining details relating to allocation of the options and terms of exercise subject to approval from the supervisory board. The general meeting further authorized the management board with approval of the supervisory board to adjust the terms of the stock options if the current terms are no longer practicable because of changes in circumstances or law. The new terms must come as close as possible to the current wording.

Pursuant to sec. 15 AktG the management board of the AG may grant employees of the AG and managing directors and employees of subsidiaries of the AG up to 34.500 options. The management board may be granted up to 138.000 options by the supervisory board of the AG.

The conditions according to which options can be issued under the stock option program 2001 correspond with those of the stock option program 2000 after the changes resolved by the general meeting on May 25, 2001.

In total, the stock option programs 2000 and 2001 allow for up to 10% of the subscribed capital to be issued as stock options. Total contingent capital of € 531.820 was created for this purpose.

No use had been made of the right to issue options from the stock option program 2001 until 2003. All stock options granted in 2001 were from the 2000 Plan. In 2003, there were 138.000 additional shares of common stock granted under the 2001 Plan.

In 2003, at a general meeting of the shareholders, the shareholders passed a resolution to amend the 2000 and 2001 Stock Option Plans. This modification enabled the Company to create, in consens with the beneficiary, new ways of treating past and future option rights. This amendment allows the Company to grant shares at the lower grant price of € 1 rather than the price required by the Option Plans. This enables the Company to be more flexible.

Stock option activity for the years 2002 and 2003 under the 2000 and 2001 Plans is as follows:

	Options Outstanding	Exercise Price Per Share €
Outstanding at January 1, 2002	**157,000**	**12.15**
Granted	-	-
Forfeited	(65,000)	8.58
Exercised	-	-
Outstanding at December 31, 2002	**92,000**	**14.65**
Granted	138,000	2.20
Forfeited	(36,100)	12.14
Exercised	-	-
Outstanding at December 31, 2003	**193,900**	**15.58**

Options outstanding and exercisable by price range as of December 31, 2003

Options Outstanding				
Range of Exercise Prices €	Outstanding	Weighted-Average Remaining Contractual Life (Yrs)	Weighted-Average Exercise Price €	Options Exercisable
2.20	138,000	5.82	2.20	-
3.44	6,000	3.62	3.44	3,000
17.00	49,900	2.49	17.00	24,950
Total	**193,900**	**4.9**	**15.58**	**27,950**

Compensation expense of stock option plans

The Company applies the provisions of APB 25 and related interpretations in accounting for employee stock-based compensation arrangements. For the year ended December 31, 2003 and 2002, had compensation cost been determined pursuant to SFAS No. 123, the Company's net loss would have been as follows:

T€

	31.12.2002	31.12.2003
Net loss, as reported	**(2,047)**	**1,494**
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(234)	(126)
Pro forma net loss	(2,281)	(1,620)
Net loss per share (in €):		
As reported	(0,38)	(0,28)
Pro forma	(0,43)	(0,30)

The Company calculated the minimum fair value of each option grant on the date of grant using the Black-Scholes pricing model with the following assumptions: expected term of three years, risk free interest rate of 4,0%, expected volatility of 120% and dividend yield of 0,0%.

13 Commitments and contingencies

Lease Commitments

The Company operates in leased facilities with leased equipment.

The Company leases its laboratory and office space under lease agreements with various terms and renewal options, including major facilities with lease expirations ranging from 2004 to 2009.

At December 31, 2003, future minimum commitments under leases with noncancelable terms of more than one year are as follows:

€

Year ending December 31,	Capital Leases	Operating Leases
2004	860,649,92	1,187,577,67
2005	551,943,43	1,109,164,24
2006	565,272,21	788,219,80
2007	191,996,68	458,253,16
2008	85,522,09	102,258,36
Thereafter	52,136,95	102,258,36
Total minimum lease payments	**2,307,521,29**	**3,747,731,59**
Less: Amount representing imputed interest	209,414,16	
Present value of minimum lease payments	2,098,107,13	
Less: Current portion	757,590,56	
Capital lease obligation, less current portion	1,340,516,57	

Rent expense was approximately T€ 1.238 and T€ 1.306 in 2003 and 2002, respectively.

Contingent liabilities and pending litigation

The Company may be subject to litigation, claims for damages, court proceedings including product liability issues and commercial disputes from time to time in the ordinary course of business.

In total, the Company reports contingent liabilities of T€ 0, and T€ 2.059 as of December 31, 2003 and 2002, respectively.

14 Discontinued operations

In 2002 Alphaform separated from two business units having external deficits: Lithopol and Fox Bit.

In 2003 there were discontinued operations of T€ 3 caused by the sale of Fox Bit S.r.l..

The Groups' income statement reflects results from continuing operations and discontinued operations according to SFAS No. 144. The results of continuing operations do not include any revenues or expenses of the sold business unit, Lithopol AG, Aarau, Switzerland and the held-for-sale business unit Fox Bit Technology S.r.l., Milan, Italy in 2002. The results of these reporting units are shown as accumulated loss in the position loss from operations of discontinued components. Loss on disposal of assets and liabilities of these business units are shown in loss on disposal (Total T€ 1,347; thereof depreciation on goodwill T€ 988). Added to the accumulated loss of the business units amounting T€ 994 a total loss of discontinued operations of T€ 2,341 comes up.

15 Segment Reporting

T€

	Central Europe 2002	Central Europe 2003	North Europe 2002	North Europe 2003
Sales	24,312	20,655	9,724	6,453
To third parties	19,400	17,581	6,975	4,816
To intercompanies	4,912	3,074	2,749	1,637
Depreciation	2,384	2109	188	229
Interest income	706	605	56	108
To third parties	371	259	51	105
To intercompanies	335	346	5	3
Interest expense	445	400	149	133
To third parties	213	30	60	69
To intercompanies	232	370	89	64
Income from Continuing Operations	(4,211)	(928)	187	(878)
Income from Discontinuing Operations	0	0	0	0
Total Loss	**(4,211)**	**(928)**	**187**	**(878)**
Shareholders´Equity	**25,120**	**24,812**	**89**	**(766)**

Alphaform AG Enabling Technologies & Services is a supplier of systems, which integrates the entire prototype phase of product development as an outsourcing solution for its customers. As such, the product offered by Alphaform AG comprises a total service solution that cannot be segregated into individual products or technologies.

However, marketing of the total service solution can be segregated into two geographic regions: Central Europe and Northern Europe.

Thus, net worth and operating results are shown separately for these regions. This presentation shows the data used by the management board to make decisions and to control the Company's production and sales activities.

The presentation of the consolidated results follows the requirements of SFAS No. 144. Items of the Statement of Income are included in the segment reporting, but are not included in the consolidated Income Statement. In 2002 the revenues and losses of the sold subsidiaries are contained in the regional results, but excluded from the results of the affiliated group.

Amounts to be consolidated 2002	Amounts to be consolidated 2003	Group 2002	Group 2003
7,989	4,712		
		26,048	22,397
	(21)	2,572	2,317
299	348	463	365
366	345	228	188
4,318	315	294	(1,491)
(2,341)	(3)	(2,341)	(3)
1,977	**312**	**(2,047)**	**(1,494)**
(631)	**(895)**	**24,578**	**23,151**

Geographical information by countries is as follows:

Revenues

T€

	31.12.2002	31.12.2003
Germany	16,692	17,581
UK	3,852	2,604
Finland	3,499	2,212
Italy	1,032	0
Switzerland	351	0
Austria	622	0
Total	**26,048**	**22,397**

Long-lived assets

T€

	31.12.2002	31.12.2003
Germany	10,955	9,853
UK	14	7
Finland	1,184	1,022
Italy	65	0
Switzerland	0	0
Austria	0	0
Total	**12,218**	**10,882**

Sales to any one customer were less than 10% of total sales.

16 Cash-Flow Statement

The consolidated financial statements include a cash flow statement attached as a separate exhibit. The liquid fund consists of cash and cash equivalents as well as marketable securities.

17 Subsequent events

None.

18 Additional local disclosure requirements

Exemption from the obligation to prepare consolidated financial statements pursuant to sec. 292 a HGB

As a publicly listed company, the parent Company has made use of the exemptive option to prepare consolidated financial statements in accordance with international accounting standards pursuant to sec. 292a HGB.

In agreement with German Accounting Standard 1 (GAS 1) and 1a (GAS 1a) of the German Accounting Standards Committee (DRSC) the consolidated financial statements of the parent company are in line with EU Directive 83/349.

Differences to the treatment required by German GAAP (HGB) and GAS relate to the accounting for leases (SFAS No. 13), offsetting IPO costs against proceeds in the equity section (SAB 1) and the accounting for stock-based compensation to employees (APB 25).

Consolidation Group

The consolidated financial statements of Alphaform AG include all subsidiaries in which the parent Company holds a majority of the votes either directly or indirectly.

Cost of goods sold

T€

	31.12.2002	31.12.2003
Raw materials	4.209 [1]	3,757 [1]
Cost of purchased services	4,051 [2]	3,016 [2]

1) thereof discontinued operations in 2003 and 2002 T€ 0 and T€ 114, respectively
2) thereof discontinued operations in 2003 and 2002 T€ 0 and T€ 31, respectively

Personnel expenses

T€

	31.12.2002	31.12.2003
Salaries and wages	9,193 [1]	7,883 [1]
Social security and other pension costs	1,998 [2]	1,692 [2]

1) thereof discontinued operations in 2003 and 2002 T€ 0 and T€ 329, respectively
2) thereof discontinued operations in 2003 and 2002 T€ 0 and T€ 111, respectively

Reconciliation of net accumulated deficit

T€

	31.12.2002	31.12.2003
January 1, 2003	(10,248)	(12,295)
Net loss for the year	(2,047)	(1,494)
Accumulated deficit as of December 31, 2003	(12,295)	**(13,789)**

Name and location	Participation in %	Equity as of December 31, 2003, T€	Equity as of December 31, 2002, T€
Alphaform Ges.m.b.H., Oberwart, Austria	100	89	87
Alphaform - Optik Haptik Prototyping GmbH, Weilburg	100	18	607
Alphaform - Spacecast GmbH, Aachen	100	(1.168)	(1.768)
Alphaform Limited, London Gatwick Airport, UK	100	(260)	(381)
Alphaform-Claho GmbH, Garmisch-Partenkirchen	100	(80)	(397)
Alphaform-Rapid Product Innovations Oy, Rusko, Finnland	100	388	(385)

Employees

The Company employed approximately 220 and 231 people during 2003 and 2002, respectively.

Shareholders´ Equity

As of December 31, 2003 and 2002, the Company had no par value shares issued and outstanding of € 5.318.209. In addition, the Company has authorized capital of € 1.796.604 as of December 31, 2003 and 2002. Contingent capital for the future issuance of stock options amounted to € 531.820.

Statement referring to the Corporate Governance Codex according to sec. 161 AktG

In May 30, 2003 a statement referring to the Corporate Governance Codex according sec. 161 AktG was given. This statement can be seen on the website of the Company.

Management board in 2003

Andreas Daunderer	Chairman of the Board
Dr. Christian Wilkening	

The members of the management board received remuneration of T€ 284 (previous year: T€ 470) plus stock options of 138.000 (previous year: 0).

Supervisory Board

Rudolf Franz,
- Member of the Supervisory Board since November 6, 2002
- Chairman since December 10, 2002

Member of the Management Board
Franz Vermögensverwaltungs AG
Also member of the Supervisory Board of:
- TIANI Medgraph AG, Vienna, Austria
- Wavelight Lasertechnolgie AG, Erlangen
- Lightmaze Solutions AG, Eisingen (chief executive officer)

Hans Klingler,
- Member of the Supervisory Board since November 6, 2002,
- Deputy Chairman since December 10, 2002

Managing Director of Stiefelmayer GmbH & Co. KG
Also member of the Supervisory Board of:
- Maschinenfabrik Gehring GmbH & Co. KG, Ostfildern
- Gehring Naumburg GmbH & Co. KG, Naumburg
- Gehring International GmbH, Ostfildern-Nellingen

Falk F. Strascheg,
- Member of the Supervisory Board since November 6, 2002

Managing Partner
Also member of the Supervisory Board of:
- EOS Holding AG, Krailing (chief executive officer)
- Berlin & Co. KgaA, Hamburg (chief executive officer)
- Going Public Media AG, Wolfratshausen (deputy chief executive officer)
- PEH Wertpapier AG, Oberursel
- Scanlab AG, Puchheim (deputy chief executive officer)
- Voice.Trust AG, München (deputy chief executive officer)
- thorborgnet GmbH & KG aA, Frankfurt (deputy chief executive officer)
- European Technologies Holding N.V., s´Hertogenbusch
- Stratetic European Technologies N.V., s´Hertogenbusch

The members of the supervisory board received remuneration of T€ 28 and T€ 18 in fiscal year 2003 and 2002, respectively.

Report of Independent Auditors

“We have audited the consolidated financial statements of Alphaform AG Enabling Technologies & Services as of December 31, 2003, including the consolidated balance sheet and the related consolidated statements of income, cash flows, changes in shareholders' equity and notes for the year then ended. The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (US GAAP).

We conducted our audit in accordance with the German Auditing Rules and in compliance with the generally accepted standards of auditing prescribed by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer).

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. In establishing the audit procedures we considered our knowledge about the group's business operations, its economic and legal environment, and expectations of possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects the group's financial position, results of operations and cash flows in accordance with United States generally accepted accounting principles.

Our audit which also includes the management report for the fiscal period from January 1 to December 31, 2003 which is the responsibility of the Company's management has not given rise to any reservations.

In our opinion the management report in the consolidated financial statements conveys a suitable presentation of the situation of the Alphaform AG Enabling Technologies & Services, taken as a whole and presents the risks to its future development adequately. Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal period from January 1 to December 31, 2003, meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code".

Munich, March 05, 2004

Häckl, Schmidt & Associates
Wirtschaftsprüfungsgesellschaft mbH

Reinhard Häckl	Bertram Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer

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Publication or distribution of the Consolidated financial statements and/or the Management report in a version, which differs from the audited report (including translations in other languages than German), needs to be commented in advance, in case of quoting our report (we refer especially to § 328 HGB).

Glossary and list of abbreviations

A

AktG
German Stock Corporation Act (Deutsches Aktiengesetz)

Alpha version
Prototypes need not always be material objects but can for example include simple implementations of software known as 'alpha versions'.

B

Black-Scholes model
The Black-Scholes model is a way of pricing the 'fair value' of an option. Developed by Black and Scholes in 1973, it was hailed as a milestone in the financial world.

Gross earnings
Turnover less manufacturing costs.

C

Cash flow from operating activity
Inflow/outflow of liquid funds not affected by investment, disposal of investment or financing activity.

Corporate governance
Term for responsible corporate management and control designed to ensure a company's long-term operation.

CDAX
Standing for 'Composite DAX', the CDAX is compiled by the German Stock Exchange. The index reflects all the German stocks in the Prime Standard and the General Standard segments, currently totalling over 750.

E

Declaration of conformity
Statement issued by the Management Board and the Supervisory Board pursuant to Section 161 AktG on the implementation of the regulations passed by the Commission on the German Corporate Governance Code.

F

FASB
Financial Accounting Standards Board. Founded in the USA in 1973, it is made up of representatives of business, financial experts and audits. It has published a large number of 'Statements of Financial Accounting Standards', which have been augmented by several 'interpretations' (see US GAAP).

Free Float
Widespread shareholdings.

H

HGB
German Commercial Code (Deutsches Handelsgesetzbuch).

K

Kinematics
Kimematics is the study of the geometrical and analytical description of the motion of points and bodies.

P

Prototyping
Collective term for all methods in which a prototype is produced. Methods which are relatively simple are referred to as 'rapid prototyping' – a term which often applies to prototypes in the car industry since they have all the essential features of a vehicle subsequently produced on the production line.

R

Rapid Prototyping
Rapid production of prototypes on the basis of design data. Rapid prototyping methods are hence production techniques designed to quickly and simply translate CAD data into workpieces, if possible without the need for manual intervention. They are usually modelling techniques in which the item is produced layer by layer. Rapid prototyping methods include stereo lithography and selective laser sintering.

S

SFAS
Statement of Financial Accounting Standards

Stereo lithography (STL)
A production process (also known as 3-D layering or 3-D printing) from the the field of rapid prototyping in which a workpiece is made layer by layer from liquid photopolymer using laser technology. The process takes place completely automatically using CAD (computer-aided design or drafting) data.

U

US GAAP
Generally Accepted Accounting Principles reflect the Anglo-American body of accounting conventions, rules and procedures. Using this approach for German companies takes into account the high importance of the capital market in the USA.

Y

Yield
Money produced as a return on an investment, shown as a percentage of money invested.

Contact

Publisher
Alphaform AG
Enabling Technologies & Services
Kapellenstrasse 10
D-85622 Feldkirchen
Germany
Phone: +49 (0) 89-90 500 2-0
Fax: +49 (0) 89-90 500 2-90
E-Mail: info@alphaform.de

Investor Relations/ Media Services
Phone: +49 (0) 89-90 500 2-77
Fax: +49 (0) 89-90 500 2-19
E-Mail: ir@alphaform.de

Alphaform in the Internet
Further Information you will find under:

www.alphaform.de

Interim Report 1st Quarter	May 14, 2004
Shareholder' Annual Meeting, Munich	June 07, 2004
Interim Report 2nd Quarter	August 13, 2004
Interim Report 3rd Quarter	November 12, 2004
Analysts' Conference	December 10, 2004

Alphaform. For people. A change of the future