FINANCIAL REPORT

COMMENTARY ON THE FINANCIAL FIGURES FELIX BODMER, CHIEF FINANCIAL OFFICER

For the third time in a row, the company-wide review and adjustment of the business portfolio that began in summer 2011 led to major impairments and thus again to a consolidated loss of CHF –49.9 million (prior year: CHF –71.8 million). The impairments mainly resulted from the impairment tests for the Surface Technology Division (operations in Switzerland, China and Germany) and the announced sale of AFG Kitchens. The activities of the past year show that the continuing operations have only retained the future core areas. We are thus pleased to report that, in the year under review, these operations yielded a consolidated profit of CHF 33.4 million (prior year: CHF –0.4 million). The phase of portfolio adjustment and the resulting consolidated losses should thus come to an end.

Income statement of future core areas positive

AFG recorded a slight revenue decrease of 0.3% to CHF 1285.5 million (prior year: CHF 1288.9 million) in the financial year 2013. Taking only the continuing operations into consideration, growth of 9.2% to CHF 1004.0 million took place (prior year: CHF 919.3 million), mainly due to the acquisition of Dobroplast. Adjusted by currency effects, divestments and acquisitions, the effective organic growth amounted to 0.3%.

Both the material expenses and the personnel expenses in the continuing operations underwent positive development in the financial year 2013, while other operating expenses increased significantly due to additional costs for the processing of disposal projects and higher energy expenses. As the currencies remained relatively stable in the year under review, the currency effect was virtually negligible.

At CHF 102.9 million (prior year CHF 91.1 million) or 10.2% of net revenue (prior year: 9.9%), the continuing operations' EBITDA passed psychologically important thresholds again for the first time in the financial year 2013. The EBIT for continuing operations thus also increased considerably to 6.1% of net revenue (prior year: 4.7%). Although EBIT remained negative at CHF –22.8 million because of the impairments when taking the discontinued operations into account, this is still a clear improvement over the prior year (CHF –41.0 million).

The net financial expenses of the continuing operations dropped to CHF 19.4 million (prior year: CHF 33.9 million). The difference mainly reflects the losses in connection with the sale of Aqualux in the financial year 2012. As a result of the revised IAS 19 (pension obligations), additional interest expenses of about CHF 2.0 million were incurred in both years. A further improvement of the net financial expenses is only expected at the end of 2014, upon expiry of the US private placement. In the year under review, the tax expenses of the continuing operations underwent positive development. For the first time, the effective tax rate of 20.4% is within the target range of 20–25% and is lower than the weighted average consolidated tax rate of 22.4%. This is because all companies that have losses and/or loss carry-forwards that cannot be used belong to the discontinued operations.

Balance sheet remains sound

The balance sheet total of AFG as of 31 December 2013 fell to CHF 1020.8 million (prior year: CHF 1124.4 million adjusted), primarily due to the sale of parts of the company that no longer belong to the core business and impairments. The adjustment of the prior year was performed on the basis of the first-time adoption of the revised IAS 19. However, despite the impairments and disposal losses, the equity ratio went up to 36.1% as of the balance sheet date (prior year: 32.1%). With cash and cash equivalents amounting to CHF 172.5 million, AFG remains soundly financed.

Due to the acquisition of Dobroplast and the disposal of operations, the free cash flow (cash flow from operating activities and investing activities) amounted to CHF –19.9 million (prior year: CHF 37.9 million). This figure does not yet include the cash flow from the sale of AFG Küchen AG, as the contract execution is only expected to take place in the first quarter of 2014. Without special effects, the free cash flow improved considerably compared to the prior year, totalling CHF 30.8 million (prior year: CHF 13.2 million). This development can be attributed to both the improved cash flow from operating activities and to the lower investments. In particular, some investments for the expansion of RWD Schlatter AG in Roggwil, Thurgau, will be postponed into the financial year 2014. As a result of the slightly negative free cash flow, net indebtedness increased to CHF 150.8 million (prior year: CHF 130.8 million). Nevertheless, all key financial indicators, especially the debt ratio (net indebtedness/EBITDA), were met without any problems as of 31 December 2013.

CONSOLIDATED FINANCIAL STATEMENTS AFG ARBONIA-FORSTER-GROUP

Consolidated Income Statement

	Note	2013 in 1 000 CHF	2013 in %	2012 restated[1] in 1 000 CHF	2012 restated[1] in %
Continuing operations					
Net revenues	31	**1 004 031**	**100.0**	**919 254**	**100.0**
Other operating income		15 139	1.5	12 694	1.4
Capitalised own services		1 904	0.2	2 246	0.2
Changes in inventories of semi-finished and finished goods		– 10 056	– 1.0	851	0.1
Net operating performance		**1 011 018**	**100.7**	**935 045**	**101.7**
Cost of material and goods		– 429 617	– 42.8	– 403 920	– 43.9
Personnel expenses	46	– 341 785	– 34.0	– 319 907	– 34.8
Other operating expenses		– 136 709	– 13.6	– 120 099	– 13.1
EBITDA		**102 907**	**10.2**	**91 119**	**9.9**
Depreciation, amortisation and impairments	37 – 39	– 41 439	– 4.1	– 47 882	– 5.2
EBIT	31	**61 468**	**6.1**	**43 237**	**4.7**
Financial income	50	4 123	0.4	3 407	0.4
Financial expenses	50	– 23 561	– 2.3	– 37 319	– 4.1
Group result before income tax		**42 030**	**4.2**	**9 325**	**1.0**
Income tax expense	51	– 8 583	– 0.9	– 9 700	– 1.1
Group result from continuing operations		**33 447**	**3.3**	**– 375**	**0.0**
Group result from discontinued operations after taxes	36	**– 83 369**	**– 8.3**	**– 71 414**	**– 7.8**
Group result		**– 49 922**	**– 5.0**	**– 71 789**	**– 7.8**
Attributable to:					
Shareholders of AFG Arbonia-Forster-Holding AG		– 49 940		– 71 806	
Non-controlling interests		18		17	
Earnings per share from continuing operations in CHF	47	1.89		– 0.02	
Earnings per share from discontinued operations in CHF	47	– 4.70		– 4.04	
Earnings per share in CHF	47	– 2.82		– 4.06	

Basic and diluted earnings are identical.

[1] see note 58

The notes on pages 101 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	2013	2012 restated[1]
	in 1 000 CHF	in 1 000 CHF
Group result	**–49 922**	**–71 789**
Other comprehensive income		
Items that will not be reclassified to income statement		
Remeasurements of employee benefit obligations	72 047	–29 609
Deferred tax effect	–13 189	6 367
Total items that will not be reclassified to income statement	**58 858**	**–23 242**
Items that may be subsequently reclassified to income statement		
Fair value adjustments on cash flow hedges	957	1 013
Deferred tax effect on cash flow hedges	–75	–79
Currency translation differences	–3 961	–1 679
Cumulative currency translation differences transferred to the income statement	692	13 751
Total items that may be subsequently reclassified to income statement	**–2 387**	**13 006**
Other comprehensive income after taxes	**56 471**	**–10 236**
Total comprehensive income	**6 549**	**–82 025**
Attributable to:		
Shareholders of AFG Arbonia-Forster-Holding AG	6 531	–82 042
Non-controlling interests	18	17
Total comprehensive income from continuing operations	72 472	–904
Total comprehensive income from discontinued operations	–65 941	–81 138

[1] see note 58

The notes on pages 101 to 173 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	31/12/2013 in 1 000 CHF	31/12/2013 in %	31/12/2012 restated[1] in 1 000 CHF	31/12/2012 restated[1] in %	01/01/2012 restated[1] in 1 000 CHF	01/01/2012 restated[1] in %
Assets							
Cash and cash equivalents	32	172 547		261 325		249 601	
Securities		2 434		2 673		2 697	
Accounts receivable	33	68 765		102 608		109 937	
Other current assets		16 424		25 855		17 523	
Inventories	34	137 688		157 442		181 647	
Deferred expenses		6 663		11 918		12 133	
Current income tax receivables		2 177		399		2 783	
Financial assets	35	379		60		710	
Assets held for sale	36	120 801		16 847		3 976	
Current assets		**527 878**	**51.7**	**579 127**	**51.5**	**581 007**	**45.6**
Property, plant and equipment	37	330 138		420 505		539 862	
Investment property	38	5 967		7 806		9 860	
Intangible assets	39	52 406		38 152		40 403	
Goodwill	39	77 316		57 315		57 454	
Deferred income tax assets	45	5 698		11 312		8 665	
Capitalised pension surplus	46	14 903		8 235		36 017	
Financial assets	35	6 536		1 930		1 778	
Non-current assets		**492 964**	**48.3**	**545 255**	**48.5**	**694 039**	**54.4**
Total assets		**1 020 842**	**100.0**	**1 124 382**	**100.0**	**1 275 046**	**100.0**
Liabilities and shareholders' equity							
Accounts payable		75 645		90 710		97 234	
Advance payments by customers		28 455		41 127		47 443	
Other liabilities		26 665		30 602		23 664	
Financial debts	41	132 840		55 816		19 911	
Finance lease liabilities	37	2 059		890		1 541	
Accruals and deferred income		37 879		44 163		52 059	
Current income tax liabilities		8 703		6 412		9 185	
Provisions	44	10 923		13 816		15 385	
Liabilities associated with assets held for sale	36	42 864					
Current liabilities		**366 033**	**35.9**	**283 536**	**25.2**	**266 422**	**20.9**
Financial debts	41	203 987		336 576		397 435	
Finance lease liabilities	37	2 978		1 908		1 677	
Other liabilities		18		3		114	
Provisions	44	6 514		9 465		10 901	
Deferred income tax liabilities	45	34 465		29 525		42 216	
Employee benefit obligations	46	37 866		102 171		114 814	
Non-current liabilities		**285 828**	**28.0**	**479 648**	**42.7**	**567 157**	**44.5**
Total liabilities		**651 861**	**63.9**	**763 184**	**67.9**	**833 579**	**65.4**
Share capital	47	76 547		76 547		76 547	
Share premium		171 364		171 364		171 364	
Treasury shares	48	– 20 148		– 22 014		– 24 574	
Other reserves	49	– 54 478		– 52 091		– 65 097	
Retained earnings		194 910		186 618		282 464	
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG		**368 195**	**36.1**	**360 424**	**32.1**	**440 704**	**34.6**
Non-controlling interests		786		774		763	
Shareholders' equity		**368 981**	**36.1**	**361 198**	**32.1**	**441 467**	**34.6**
Total liabilities and shareholders' equity		**1 020 842**	**100.0**	**1 124 382**	**100.0**	**1 275 046**	**100.0**

[1] see note 58

The notes on pages 101 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	2013 in 1 000 CHF	2012 restated[1] in 1 000 CHF
Group result		**–49 922**	**–71 789**
Depreciation, amortisation and impairments	36–39	123 368	127 416
Profit/loss on disposal of non-current assets and subsidiaries		–6 398	–457
Changes in non-cash transactions		–687	7 228
Changes in working capital (excluding cash and cash equivalents)		11 629	6 371
Changes in current liabilities		–13 269	–13 366
Cash flows from operating activities – net		**64 721**	**55 403**
To investment activities			
Purchases of property, plant and equipment	37	–42 206	–55 814
Purchases of investment properties	36/38		–500
Purchases of intangible assets	39	–927	–2 097
Acquisition of subsidiaries (net of cash acquired)	40	–69 763	
Issuance of financial assets		–242	–539
From divestment activities			
Proceeds from sale of property, plant and equipment		10 320	36 326
Proceeds from sale of investment properties	36/38	5 079	9 090
Proceeds from sale of intangible assets	39	14	13
Disposal of subsidiaries/businesses (net of cash disposed)	36/40	11 759	–4 062
Repayment of financial assets		1 355	57
Cash flows from investing activities – net		**–84 611**	**–17 526**
From financing activities			
Proceeds from financial debts		3	13
To financing activities			
Repayments of financial debts		–55 811	–24 431
Finance lease liability payments		–2 863	–1 696
Dividends		–6	–6
Purchase of treasury shares	48	–26	
Cash flows from financing activities – net		**–58 703**	**–26 120**
Effects of translation differences on cash and cash equivalents		–169	–33
Change in cash and cash equivalents		**–78 762**	**11 724**
Reconciliation of change in cash and cash equivalents			
Cash and cash equivalents as of 01/01	32	261 325	249 601
Cash and cash equivalents as of 31/12 continuing operations	32	172 547	261 325
Cash and cash equivalents as of 31/12 discontinued operations	36	10 016	
Change in cash and cash equivalents		**–78 762**	**11 724**
Supplementary information for operating activities:			
Interest paid		16 393	17 605
Interest received		1 089	1 081
Income tax paid		9 419	10 859

[1] see note 58

The notes on pages 101 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital in 1000 CHF	Share premium in 1000 CHF	Treasury shares in 1000 CHF	Other reserves in 1000 CHF	Retained earnings in 1000 CHF	Attributable to equity holders AFG in 1000 CHF	Non-controlling interests in 1000 CHF	Total shareholders' equity in 1000 CHF
Balance at 31/12/2011		**76 547**	**171 364**	**–24 574**	**–65 105**	**336 532**	**494 764**	**763**	**495 527**
Restatement IAS 19 revised	58				8	–54 068	–54 060		–54 060
Balance at 01/01/2012 (restated[1])		**76 547**	**171 364**	**–24 574**	**–65 097**	**282 464**	**440 704**	**763**	**441 467**
Group result						–71 806	–71 806	17	–71 789
Other comprehensive income after taxes	49				13 006	–23 242	–10 236		–10 236
Total comprehensive income					**13 006**	**–95 048**	**–82 042**	**17**	**–82 025**
Dividends								–6	–6
Changes in treasury shares	48			1 407		–1 407			
Share based payments	54			1 153		609	1 762		1 762
Total transactions with owners				**2 560**		**–798**	**1 762**	**–6**	**1 756**
Balance at 31/12/2012 (restated[1])		**76 547**	**171 364**	**–22 014**	**–52 091**	**186 618**	**360 424**	**774**	**361 198**
Group result						–49 940	–49 940	18	–49 922
Other comprehensive income after taxes	49				–2 387	58 858	56 471		56 471
Total comprehensive income					**–2 387**	**8 918**	**6 531**	**18**	**6 549**
Dividends								–6	–6
Changes in treasury shares	48			644		–670	–26		–26
Share based payments	54			1 222		44	1 266		1 266
Total transactions with owners				**1 866**		**–626**	**1 240**	**–6**	**1 234**
Balance at 31/12/2013		**76 547**	**171 364**	**–20 148**	**–54 478**	**194 910**	**368 195**	**786**	**368 981**

[1] see note 58

The notes on pages 101 to 173 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A Accounting principles

1 General information

AFG Arbonia-Forster-Group (AFG) is an international leading construction technology company, whose innovative solutions and services provide for the efficient use of energy as well as for safety, security and well-being. AFG is divided into five main divisions, namely Heating Technology and Sanitary Equipment, Windows and Doors, Kitchens and Refrigeration, Steel Technology and Surface Technology. Manufacturing plants are located in Switzerland, Germany, the Czech Republic, France, Poland, Slovakia, the United States and China. AFG owns major brands such as Kermi, Arbonia, Prolux, Forster Steel Kitchens, Piatti, EgoKiefer, RWD Schlatter, Slovaktual, Dobroplast, Forster Profile Systems and STI|Hartchrom and possesses a strong position in its home markets in Switzerland and Germany. Taking into consideration the economic trend, international activities especially in Central and Eastern Europe as well as in the Middle and Far East are gaining importance for the Group. With around 35 production and distribution companies, agencies and partners of its own, AFG is represented in over 70 countries worldwide.

The ultimate parent company, AFG Arbonia-Forster-Holding AG is a corporation organised under Swiss law incorporated and domiciled at Amriswilerstrasse 50, CH-9320 Arbon (Canton Thurgau). AFG Arbonia-Forster-Holding AG is listed on the SIX Swiss Exchange in Zurich under the valor number 11024060/ISIN CH0110240600.

These consolidated financial statements have been approved for issue by the Board of Directors of AFG Arbonia-Forster-Holding AG on 19 February 2014 and require approval from the Annual General Meeting on 25 April 2014. The publication of the consolidated financial statements occurred on 4 March 2014 at the media and analyst conference.

2 General principles and basis of preparation

The consolidated financial statements of AFG have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 30.

Amendments to significant published standards and interpretations

In 2013, AFG adopted the following new or amended standards:

- Amendments to IAS 1 "Presentation of financial statements" – presentation of items of other comprehensive income
- IAS 19 revised "Employee benefits"
- Amendments to IAS 19 "Employee benefits" – employee contributions
- IAS 27 revised "Separate financial statements"
- IAS 28 revised "Investments in associates and joint ventures"
- Amendments to IAS 36 "Impairment of assets" – recoverable amount disclosures for non-financial assets
- Amendments to IFRS 7 "Financial instruments; disclosure" – transfers of financial assets and offsetting financial assets and financial liabilities

- IFRS 10 “Consolidated financial statements”
- IFRS 11 “Joint arrangements”
- IFRS 12 “Disclosure of interests in other entities”
- IFRS 13 “Fair value measurement”

With the exception of IAS 19 revised, the adoption of these new or amended standards did not significantly affect the Group’s financial statements for 2013.

Due to the amendment to IAS 1, items shown in the statement of comprehensive income must be divided into two categories – in a category for which no more reclassification to the income statement is possible and in a category for which a subsequent reclassification to the income statement is possible.

AFG has applied IAS 19 revised retroactively in accordance with the transition provisions of the standard. The amendments primarily removed the corridor approach. All actuarial gains and losses have to be recognised immediately in other comprehensive income. The net interest expense / income replaces the previously calculated interest cost on the defined benefit obligation and expected return on plan assets and is calculated on the net amount of the defined benefit obligation and plan assets using the discount rate. Past service costs are recognised immediately in the income statement. The net amount charged for defined benefit plans to the income statement is allocated to personnel expenses and financial results. Further details on the application of the revised standard and its financial impact on previous year’s figures are disclosed in note 58.

The amendments to IAS 19 for the consideration of employee contributions were adopted early by AFG. The amendment clarifies various aspects related to the introduced principle of risk sharing and the consideration of employee contributions in the calculation of the obligations under IAS 19. There is a new option whether the risk sharing approach will be used in the calculation of pension obligations and pension costs or not. From an actuarial point of view, by taking into account the employee’s contributions, the application of risk sharing better reflects the specific situation in Switzerland. AFG therefore has adopted early the method of risk sharing. The impact on the Group’s financial statements however was not material.

The amendments to IAS 36 for disclosures on the recoverable amount for non-financial assets were adopted early by AFG. The amendment corrects a disclosure requirement introduced by IFRS 13 in the context of the recoverable amount of cash-generating units containing substantial goodwill.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and extends the disclosure requirements.

Published standards and interpretations that are not yet effective nor adopted early

The following published but as of the balance sheet date not yet effective significant new or amended standards have not yet been adopted by AFG:

- Amendments to IAS 32 “Financial instruments; presentation” – netting of financial assets and financial liabilities
- Amendments to IAS 39 “Financial instruments; recognition and measurement” – novation of derivatives and continuation of hedge accounting
- IFRS 9 “Financial instruments: classification and measurement”
- Amendments to IFRS 9 “Financial instruments” – mandatory effective date of IFRS 9 and transition disclosures
- Amendments to IFRS 9 “Financial instruments” – hedge accounting

IFRS 9 introduces new principles for the classification and measurement of financial assets and liabilities. It is not expected that this as well as the other above mentioned standards will significantly affect the Group's financial statements. AFG will soon assess the impact of these standards on its financial statements.

3 Reporting entity

The consolidated financial statements are based on the financial statements of the individual Group companies prepared as of 31 December. Subsidiaries are fully consolidated from the date on which control is transferred to AFG (generally where the interest in votes and share capital is more than 50%). They are deconsolidated from the date that control ceases.

Investments in associated companies, over which AFG exercises significant influence but does not control, are accounted for using the equity method. A significant influence is generally assumed by a shareholding of between 20% to 50% of the voting rights.

The following material changes occurred in the Group:

In the financial year 2013

– As of 1 January 2013, the remaining 59.2% of shares of the associated company Piatti Küchenforum AG, CH-Luzern, were acquired (see note 40). As of 27 June 2013, Piatti Küchenforum AG, CH-Luzern, was merged retroactively as of 1 January 2013 with AFG Küchen AG, CH-Arbon.
– As of 4 February 2013, 100% of the shares of Dobroplast Fabryka Okien sp. z o.o., PL-Zambrow, were acquired (see note 40).

In the financial year 2012

– As of 1 January 2012, Chromage Pyrénéen SA, FR-Oloron-Escourt, Hydrométal SA, FR-Arudy, Avia Peintures Sàrl, FR-Arudy, were merged with Hartchrom Aeronautics France SA, FR-Paris and renamed to STI France SAS.
– As of 10 April 2012, AFG Management AG, CH-Arbon was merged retrospectively as of 1 January 2012 with AFG Services AG, CH-Arbon and renamed to AFG Management AG.
– As of 21 May 2012, 100% of the shares of Aqualux Products Holdings Ltd., GB-Wednesbury with its subsidiary Aqualux Products Ltd., GB-Wednesbury were sold (see note 40).
– As of 19 June 2012, Usines Ego SA, CH-Villeneuve was merged retrospectively as of 1 January 2012 with EgoKiefer AG, CH-Altstätten.
– As of 26 June 2012, Bruno Piatti AG, CH-Arbon was merged retrospectively as of 1 January 2012 with AFG Küchen AG, CH-Arbon.
– As of 2 July 2012, Hartchrom Teikuro Automotive AG, CH-Steinach was merged retrospectively as of 1 January 2012 with Hartchrom AG, CH-Steinach.
– As of 4 October 2012, an asset transfer occurred retrospectively as of 1 July 2012 of the refrigeration business of Forster Küchen- und Kühltechnik AG, CH-Arbon to Asta AG, CH-Arbon, and as of 5 October 2012 Asta AG, CH-Arbon, was renamed to Forster Kühltechnik AG, CH-Arbon.
– As of 4 October 2012, Forster Küchen- und Kühltechnik AG, CH-Arbon was merged retrospectively as of 1 July 2012 with AFG Küchen AG, CH-Arbon.
– As of 31 December 2012, 100% of the shares of Warendorfer Küchen GmbH, DE-Warendorf, were sold (see note 36).

An overview of the material Group companies is included in note 59.

4 Full consolidation

In line with the full consolidation method, 100% of all balance sheet and income statement items are included in the consolidated financial statements. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Non-controlling interests are disclosed in the balance sheet as part of shareholders' equity. The result attributable to non-controlling interests in the income statement and the statement of comprehensive income forms part of the Group result for the period.

5 Capital consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to AFG. The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Contingent considerations are measured at fair value as a cost of the acquisition. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement. Directly attributable acquisition-related costs are expensed.

If the acquisition is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest is remeasured to fair value at the acquisition date. Gains or losses arising from such remeasurement are recognised in the income statement.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Companies which are sold are deconsolidated from the date that control ceases. The difference between the consideration received and the net assets is recognised in the income statement as other operating income / expenses.

B Summary of significant accounting policies

6 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below, from notes 7 to 29.

These policies have been consistently applied to all the years presented, unless otherwise stated. Balance sheet items are generally stated at cost as modified by the revaluation of financial instruments at fair value through profit or loss. Assets held for sale and disposal groups are measured at the lower of its carrying amount and fair value less costs to sell.

7 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in Swiss francs (CHF).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each income statement as well as the cash flow statements are translated at average exchange rates. All resulting exchange differences are recognised as a separate component of comprehensive income under other reserves.

Exchange differences arising on intercompany loans of an equity nature that essentially form part of the company's net investment in the foreign entity are classified in comprehensive income under other reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

When a foreign operation is sold, exchange differences that were recorded in comprehensive income are recognised in the income statement.

The following foreign currency rates have been applied:

Currency	Unit	**Year-end rate 31/12/2013**	**2013 Average rate**	Year-end rate 31/12/2012	2012 Average rate
EUR	1	1.2253	1.2306	1.2071	1.2051
GBP	1	1.4709	1.4490	1.4804	1.4860
USD	1	0.8905	0.9269	0.9150	0.9377
CZK	100	4.4678	4.7419	4.8015	4.7976
PLN	100	29.5459	29.3380	29.5264	28.8384
CNY	100	14.5542	15.0800	14.5126	14.8700

8 Maturities

Assets realised or consumed within 12 months in the ordinary course of business or held for trading purposes are classified as current assets. All other assets are classified as non-current assets.

Liabilities to be redeemed in the ordinary course of business, held primarily for the purpose of trading, falling due within 12 months from the balance sheet date or do not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date are classified as current liabilities. All other liabilities are classified as non-current liabilities. If a binding commitment to extend an expiring financial liability has been received as of the balance sheet date, the new maturity is also taken into account in the classification.

9 Financial instruments

A financial instrument is a transaction that results in the creation of a financial asset for one party and simultaneously in the creation of a financial liability or equity instrument for the other party.

Financial assets are divided into the following four categories: (1) financial assets at fair value through profit or loss (FA FVTPL), with this category being subdivided into financial assets classified from the beginning as held for trading purposes (trading) and financial assets classified from the beginning as at fair value through profit or loss (designated), (2) loans and receivables (L&AR), (3) financial assets held to maturity (HTM), and (4) financial assets available-for-sale (AFS). The classification in the balance sheet depends on the purpose for which the financial assets have been acquired. Management determines the classification on the occasion of the initial reporting and reviews the classification as of each balance sheet date. In concrete terms, the financial assets of AFG comprise cash and cash equivalents (category 2), securities (1), trade accounts receivable (2), other assets (2), loans (2), financial assets available-for-sale (4) and originated and derivative financial assets held for trading purposes (1).

Financial assets are initially measured at fair value. Transaction costs directly attributable to the acquisition are also reported with respect to all financial assets not carried at fair value through profit or loss in subsequent periods. Fair values in the balance sheet, as a rule, correspond to the market prices of the financial assets.

Purchases and sales constituting a financial asset are reported in the balance sheet as of the execution date and are eliminated when the right to receive payments has lapsed or been transferred and AFG has surrendered control of the same, i.e. when the related opportunities and risks have been transferred or expired.

As of each balance sheet date, the book values of financial assets not to be carried at fair value through profit or loss are reviewed as to whether there is any objective evidence indicating an impairment in relation to an asset or group of assets. Any impairment charges are reported through the income statement if the book value exceeds the fair value.

Changes in fair value with respect to financial assets available-for-sale are reported in comprehensive income without affecting income. A loss relating to a permanent impairment or a sale of the financial asset of which accumulated gains and losses were previously reported in comprehensive income are transferred to the income statement and were included in the financial result for the reporting period. To the extent that the fair value cannot be reliably determined with respect to non-listed equity instruments, these are valued at cost less necessary impairments.

Financial liabilities constitute a claim to redemption in the form of cash or cash equivalents or of another financial asset. Financial liabilities are divided into the following two categories: (1) financial liabilities at fair value through profit or loss (FL FVTPL), with this being subdivided into financial liabilities classified from the beginning as held for trading purposes (trading) and financial liabilities classified from the beginning as at fair value through profit or loss (designated), and (2) financial liabilities at amortised cost (FL AC). In concrete terms, the financial liabilities of AFG comprise trade accounts payable (category 2), other liabilities (2), finance lease liabilities (2), financial debts (2) and derivative financial liabilities (1).

With respect to financial liabilities, AFG has not exercised the option to designate these as financial liabilities at fair value through profit or loss on the occasion of their initial reporting in the balance sheet.

Financial assets and financial liabilities are normally reported on a gross basis. They are only reported on a net basis if there is at presence a right of offset and an intent to settle on a net basis.

10 Derivative financial instruments

The Group uses derivative financial instruments to minimise interest rate and foreign exchange risks resulting from operational business and financial transactions. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges along with the related changes in deferred taxes are recognised in comprehensive income. The fair value of the hedging derivative is classified as financial asset or financial debt. The gain or loss relating to the ineffective portion is immediately recognised in the income statement.

Amounts accumulated in comprehensive income are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in comprehensive income at that time remains in comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in comprehensive income is immediately transferred to the income statement.

Derivative financial instruments that do not meet the requirements of IAS 39, e.g. documentation, probability, effectiveness and reliability of measurement and therefore do not qualify for hedge accounting are held for trading financial instruments. They are classified as financial instruments at fair value through profit or loss and disclosed in the balance sheet as other current assets or other current liabilities.

11 Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price, for financial liabilities the current asking price.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques, e. g. comparison with similar at arm’s length transactions, valuation using the discounted cash flow method or other established valuation methods.

Financial instruments measured at fair value are disclosed under the following hierarchy:

Level 1 – quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices).
Level 3 – unobservable market data.

Due to its current nature, the nominal value less estimated allowance of accounts receivable is assumed to approximate their fair value. The nominal value of accounts payable is assumed to approximate their fair value. The fair value of financial liabilities disclosed in the notes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with post and banks, other short-term highly liquid investments with original maturities not exceeding three months.

13 Securities

Securities within current assets are marketable and easily disposable securities. Furthermore are time deposits with maturities of between 4 to 12 months classified therein. Marketable securities are carried at fair value through profit or loss, based on market prices obtained from the banks. Changes in fair value are recorded and disclosed in the income statement under financial results. Time deposits with maturities of between four to twelve months are carried at face value.

As of the balance sheet date, AFG did not hold any time deposits or securities, such as bonds or similar items, with the intention of holding to maturity.

14 Receivables

Accounts receivable and other current assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that AFG will not be able to collect all amounts due. The carrying amount of the asset is reduced through the use of an allowance account. When an account receivable is uncollectible, it is written off against the allowance account for accounts receivable. In connection with a factoring agreement certain accounts receivable are sold. Since AFG neither transfers nor retains substantially all the risks and rewards of ownership and still retains control, the receivables have to be recorded in the balance sheet to the extent of the so-called continuing involvement as stipulated under the provision of IAS 39. In particular the late payment risk is completely retained by AFG up until a certain point in time. Other current assets include WIR credits. They are carried at fair value, which approximates face value less an appropriate provision.

15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method based on normal operating capacity. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Claimed cash discounts are treated as a reduction of cost. Items with a low turnover rate are depreciated and obsolete items are fully written off.

16 Assets held for sale and associated liabilities

Non-current assets or a disposal group held for sale and liabilities associated with assets held for sale are classified as such if their carrying amount will be recovered principally through a sale transaction, not through continuing use. For this to be the case, the successful sale must be highly probable and the asset must be available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset, the offer price of the asset is reasonable in relation to its current fair value and the sale is expected to be completed within one year. The assets are stated at the lower of carrying amount and fair value less costs to sell. Potential impairments are directly recorded within the income statement. Starting from the date of reclassification to this category, depreciation is ceased.

16.1 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale and represents a separate major line of business or geographical area of operations. Such a component comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. The classification as discontinued operations occurs on the disposal of the operation or at an earlier point in time, provided the operation meets the criteria for the classification as held for sale. Discontinued operations are disclosed separately in the income statement and previous comparative periods are restated accordingly. However previous year's balance sheet is not restated.

17 Property, plant and equipment

Land is stated at cost. Buildings, plant, machinery and other equipment are stated at cost less depreciation. Depreciation is calculated using the straight-line method based on estimated useful lives as stipulated under note 21.

Impairments (see also note 20) are separately disclosed under accumulated depreciation. Repair and maintenance costs are expensed.

18 Investment property

Investment property, principally comprising land and buildings, is held for long-term rental yields or appreciation and is predominantly rented to third parties. Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method.

The fair value of investment property is determined using the discounted cash flow method. Based on attainable net rental income (gross rental income minus operating costs and future refurbishment costs), the discounted cash flows are calculated for the next 10 years with a residual value for the time thereafter. The fair value of undeveloped land is determined by considering current local market conditions. The fair value of land with buildings and undeveloped land of acquired subsidiaries is determined by external valuers. The fair value of certain other undeveloped land has been estimated internally.

19 Intangible assets

Intangible assets include goodwill, which represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary including contingent liabilities at the date of acquisition. Goodwill is seen as an intangible asset with an indefinite useful life. Impairment on goodwill (see note 20) is separately disclosed under accumulated impairment losses.

Intangible assets comprise purchased computer software and licenses at costs incurred. They are measured at cost less accumulated amortisation, calculated using the straight-line method based on estimated useful lives as stipulated under note 21.

Intangible assets acquired in a business combination (trademarks, patents, technologies, client relationships, distribution channels, etc.) are carried at fair value less accumulated amortisation, calculated using the straight-line method based on estimated useful lives as stipulated under note 21.

Expenses relating to research activities are directly charged to the income statement in the period in which they are incurred. Development costs are capitalised at acquisition cost or production cost and reported under intangible assets if all criteria under IAS 38 have been met on a cumulative basis, including evidence of technical and economic feasibility, evidence of expected future economic benefit and attributability of costs and their reliable valuation. They are amortised over the expected useful life on the basis specified in note 21. Development costs not meeting the criteria under IAS 38 are directly charged to the income statement in the period in which they are incurred.

20 Impairment of assets

Assets subject to amortisation and depreciation, such as property, plant and equipment, other non-current assets and intangible assets with a definite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life, such as goodwill, are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use is based on discounted future cash flows. The applied discount rate is a pre-tax rate using the weighted average cost of capital (WACC) method. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units – CGU).

21 Estimated useful lives

Asset categories	Useful lives (in years)
Office buildings	35–60
Factory buildings	25–40
Investment properties – buildings	25–50
Production machinery	8–20
Transport and storage equipment	8–15
Intangible assets from business acquisitions except goodwill	5–20
Vehicles	5–10
Tools and moulds	5
Office furniture and equipment	up to 5
IT-hardware	up to 5
Capitalised research and development costs	up to 5
Intangible assets (mainly IT-software)	up to 5

Land is not systematically depreciated.

22 Provisions

Provisions are recognised only when AFG has a present legal or constructive obligation as a result of past events, the amount has been reliably estimated and it is more likely than not that an outflow of resources will be required to settle the obligation.

Provisions for restructuring are only recognised when costs for such a programme can be reliably estimated by virtue of a detailed formal plan and AFG has a legal or constructive obligation or has raised a valid expectation in those affected.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in provision due to passage of time is recognised as interest expense.

23 Employee benefit obligations

AFG manages various pension plans within Switzerland and abroad. The plans are funded through payments to trustee-administered funds or insurance companies or are unfunded arrangements.

Based on their characteristics the pension plans qualify under IAS 19 as defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet to pay future retirement benefits is determined using the projected unit credit method, which is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. If the fair value of plan assets exceeds the present value of the defined benefit obligation, a pension surplus will only be recognised taking the asset ceiling into account. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds. Actuarial valuations are carried out on a regular basis by independent actuaries. Components of defined benefit costs are service cost, net interest result and remeasurement of pension obligations. Service cost includes the increase in current service cost, past service cost (plan amendments or curtailments) and settlements and is reported under personnel expenses. The net interest result is calculated on the net amount of the defined benefit obligation and plan assets using the discount rate and is reported in the financial result. The remeasurement of pension benefit obligations include actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and is recognised immediately in the statement of comprehensive income in other comprehensive income. Likewise, this position includes the return on plan assets and asset ceiling effects.

Prepaid contributions (e.g. employer contribution reserves) are disclosed as capitalised pension surplus.

24 Financial debts

Current and non-current financial debts consist mainly of a bond, private placements, syndicated loans, bank loans and mortgages. Financial debts are initially recognised at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the financial debt, using the effective interest method.

25 Leases

Leases of property, plant and equipment where AFG has substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the assets' useful lives and the lease term unless there is reasonable certainty that ownership will be obtained by the end of the lease term.

Payments made under operating leases are charged on a straight-line basis over the term of the lease to the income statement as other operating expenses.

26 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by AFG and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets including unused tax loss carryforwards are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The book value of capitalised deferred income tax assets is assessed for impairment at each balance sheet date and a loss is recognised in case of insufficient future taxable profit.

27 Share-based payment

Members of the Board of Directors and Group Management as well as certain employees participate in a share-based payment plan. The fair value of the equity compensation instruments granted to employees is estimated at the grant date and recorded over the service period to the income statement as personnel expenses with a corresponding offsetting entry to equity.

28 Shareholders' equity

The share premium relates to the Company going public back in 1988 and the capital increases in 2007 and 2009.

Treasury shares are deducted from shareholders' equity. The cost of these treasury shares and the consideration received from the sale of these instruments (net of transaction cost and taxes) are recorded directly in shareholders' equity.

29 Income statement

Net revenue

Net revenue comprises the fair value of the consideration received or receivable for the sale of goods and is recognised when risks and rewards of ownership have been transferred to the buyer, which in general is when delivery of the shipment has been accepted. In some business divisions, revenue is recognised only with the existence of a signed acceptance protocol. Revenue also comprises the fair value of the consideration received or receivable for the sale of services and is recognised in the period when the service has been rendered based on the services performed to date as a percentage of the total services to be performed. Revenue is shown net of value-added tax, returns, rebates, discounts and other deductions.

Other operating income

Other operating income is recognised when the service has been rendered and comprises amongst others proceeds from the sale of scrap metal, license income, rental income and gains on the sale of investment property and property, plant and equipment.

Net operating performance

Net operating performance comprises net revenues, other operating income, capitalised own services and changes in inventories of semi-finished and finished goods.

EBITDA

EBITDA shows earnings before financial results, tax, depreciation and amortisation.

EBIT

EBIT shows earnings before financial results and tax.

Financial income

Financial income comprises amongst others interest income, dividend and security income, income from securities designated at fair value through profit or loss and income of held for trading derivative financial instruments. Furthermore, cumulative gains of exchange differences resulting from the disposal or the liquidation of subsidiaries, transferred from equity, are also included. Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Financial expenses

Financial expenses primarily includes interest expenses, expenses from securities designated at fair value through profit or loss, expenses of held for trading derivative financial instruments, impairment of loans and bank charges. Furthermore, cumulative losses of exchange differences resulting from the disposal or the liquidation of subsidiaries, transferred from equity, are also included. Interest expenses are recognised using the effective interest method. Foreign exchange gains and losses are shown on a net basis.

30 Significant accounting judgments, estimates and assumptions

All estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. AFG makes judgments, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowances for doubtful debts

Allowances for doubtful debts are recorded for specific known and expected losses as well as for potentially claimed cash discounts. In determining the amount of the allowances, several factors such as ageing of receivables, financial solvency of the customer, changes in payment history, historical experience with receivable losses and existence of credit insurance are considered. As of 31 December 2013, the carrying amount of accounts receivable totalled CHF 68.8 million. Therein an allowance for doubtful debts of CHF 10.3 million is included. A deterioration of the financial situation of the customers could lead to higher than originally expected receivable losses. For further information on allowances for doubtful debts, see note 33.

Inventory provision

In order to determine the adequacy of the inventory provision, factors such as expected sales prices, inventory turnover and coverage days of inventory are considered. As of 31 December 2013, the carrying amount of inventory was at CHF 137.7 million. Therein a provision for inventories of CHF 13.9 million is included. A falling market demand or falling sales prices could lead to additional provisions needed. For further information on the inventory provision, see note 34.

Useful lives for property, plant and equipment

AFG has a significant amount of its assets invested in property, plant and equipment. As of 31 December 2013, the carrying amount of property, plant and equipment totalled CHF 330.1 million. At the time of the purchase useful lives for such assets are based on estimates, as technical obsolescence or competition could lead to shorter useful lives than initially anticipated. Therefore the determination of useful lives is based on stringent standards and thereafter continuously reviewed and if necessary adjusted. A change in estimate could impact the level of future depreciation charges. For further information on property, plant and equipment, see note 37.

Estimated impairment of goodwill

As of 31 December 2013, the carrying amount of goodwill was at CHF 77.3 million. AFG tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 20. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as expected future cash flows, margins, discount rates and growth rates. These estimates could change or differ from the actual outcome and therefore lead to additional impairments. For further information on goodwill, see note 39.

Intangible assets acquired in a business combination

Brands, technologies, client relationships and distribution channels are amortised over their estimated useful lives. This involves the use of estimates and assumptions on expected future cash flows such as sales prices, margins, discount rates, attrition rates of clients and technological development which of course are exposed to some uncertainties. As of 31 December 2013, the carrying amount of intangible assets acquired in a business combination amounted to CHF 47.5 million. For further information on such acquired intangible assets, see note 39.

Provisions

Provisions are recognised based on the criteria as set out under note 22. As of 31 December 2013, the carrying amount of the provisions totalled CHF 17.4 million. In estimating the amount of provision, assumptions are used and depending on the outcome of the various business transactions, the actual cash outflow and its timing could significantly differ from the booked provision. For further information on provisions, see note 44.

Employee benefit obligations

Employee benefit obligations for defined benefit plans are based on actuarial valuations, which use statistical calculations and actuarial assumptions (see note 23). Such assumptions include amongst others discount rates, future salary and pension increases, probable turnover rates as well as life expectancy of plan participants. The assumptions underlying these calculations are dependent on a number of prospective factors, therefore actual results could significantly differ from the original valuations and as a consequence impact the carrying amount of capitalised pension surplus and employee benefit obligation. As of 31 December 2013, the underfunding amounted to CHF 23.0 million, thereof CHF 14.9 million recorded in the balance sheet as capitalised pension surplus and CHF 37.9 million as employee benefit obligation. For further information on employee benefit obligation, see note 46.

Income taxes

AFG is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. AFG recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets, including those on tax loss carryforwards and expected tax credits, are only recognised if it is probable that they can be used by future taxable profits. The assessment of the recoverability of those deferred tax assets is therefore based on estimates, which could differ from actual results and consequently lead to valuation allowances. As of 31 December 2013, the carrying amount of deferred tax assets totalled CHF 14.9 million. For further information on income taxes, see notes 45 and 51.

C Explanation to certain positions of the consolidated financial statements

31 Segment information

Until 31 December 2013, AFG was organised into the five main business divisions or operating segments, namely Heating Technology and Sanitary Equipment, Windows and Doors, Kitchens and Refrigeration, Steel Technology as well as Surface Technology. Corporate Services have not been allocated to an operating segment and are therefore included in “Others and eliminations”.

For the monitoring and assessment of the financial performance, EBIT is a pivotal key measure. However, Group Management and the Board of Directors also are provided with financial data down to the line item “result after income tax” by operating segment. The segments apply the same accounting policies as the Group. Purchases, sales and services between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. Income and expenses between segments are eliminated on consolidation and disclosed in “Others and eliminations”.

Segment assets and liabilities include all assets, liabilities and intercompany transactions. Goodwill has been allocated to the respective segments.

On 14 November 2013, AFG announced the realignment of the Group structure towards building envelope and interiors. The Building Envelope Division will focus on windows and exterior doors. The new Building Security Division will include the business unit Forster Profile Systems and the business unit doors of RWD Schlatter, a specialist in full-custom doors for interiors. The former Heating Technology and Sanitary Equipment Division will become the Building Technology Division. These changes will be implemented with effect from 1 January 2014. Therefore, the following segment information is based on the Group structure effective until 31 December 2013.

Heating Technology and Sanitary Equipment Division

The Heating Technology and Sanitary Equipment Division is one of the leading European manufacturer of radiators, surface heating systems and shower stalls, with plants in Germany, Switzerland and the Czech Republic. Outside its domestic markets of Germany and Switzerland, it is represented by distribution companies in France, the UK, Russia, Poland and the Czech Republic. The division offers a comprehensive range of heating technology products and shower stalls under the brand names Kermi, Arbonia and Prolux. The British Aqualux was sold as of 21 May 2012 and therefore starting from the disposal date was no longer included in this segment.

Windows and Doors Division

The Windows and Doors Division with the brands EgoKiefer, RWD Schlatter, Slovaktual and Dobroplast is Switzerland’s, Slovakia’s and Poland’s leading provider of windows and doors. The division develops, produces, assembles and sells a full range of windows and doors. Its products, made of materials such as wood, synthetics, aluminium or steel, are used in a variety of areas, including thermal insulation, soundproofing, security and fire protection.

Kitchens and Refrigeration Division

The Kitchens and Refrigeration Division encompasses brand names such as Forster Steel Kitchens and Piatti under one roof. Piatti and Forster Steel Kitchens are together the leading manufacturers and suppliers of kitchens in Switzerland. Piatti offer kitchens with a broad range of materials whereas Forster is concentrating on steel kitchens. The business unit Forster Refrigeration was sold on 28 February 2013. Warendorfer Kitchens was sold as of 31 December 2012. Due to these facts, the operating results are only included for the respective periods within this segment.

Steel Technology Division

Since the sale of the business unit Forster Precision Steel Tubes on 31 July 2013, the Steel Technology Division consists of the one business unit, Forster Profile Systems. Forster Profile Systems supplies the construction industry with a range of semi-finished products used in fire / smoke protection and security applications in public, commercial and industrial buildings. The unit develops and produces all its products in Switzerland. The operating result of the business unit Forster Precision Steel Tubes is therefore only included in this segment until the date it was sold.

Surface Technology Division

The Surface Technology Division has modern facilities for high-technology galvanic, chemical and mechanical surface treatment. For the sectors ranging from paper, printing, film, sheeting, textiles, food, automobiles and aviation to engines, marine propulsion, general industry and defence technology, the division chromes, coats and refines printing and processing cylinders and treats the surfaces of work pieces in a wide range of dimensions with the highest precision down to nano measurements. In the markets where the division is active, it holds the technology and market leadership.

Corporate Services

Corporate Services consist of service, finance, real estate and investment companies and provide their services to Group companies. The business activities of the sold logistics business were included until 31 January 2012. The results and balances of Corporate Services are included in the column “Others and eliminations”.

2013	Heating and Sanitary	Windows and Doors	Kitchens and Refrigeration	Steel Technology	Surface Technology	Others and eliminations	Total Group
in 1 000 CHF							
Sales with third parties	445 288	488 448	180 080	104 643	64 860	2 200	1 285 519
Sales with other segments	96	37	15	1 995	1	–2 144	
Net revenues	**445 384**	**488 485**	**180 095**	**106 638**	**64 861**	**56**	**1 285 519**
EBITDA	**57 786**	**53 225**	**–3 723**	**11 743**	**–1 471**	**–17 010**	**100 550**
in % of net revenues	13.0	10.9	–2.1	11.0	–2.3		7.8
Depreciation and amortisation	–15 397	–17 813	–3 069	–1 437	–5 170	–4 851	–47 737
Impairment property, plant and equipment/intangible assets	–710	–2	–9 383		–64 178	–1 359	–75 632
Segment results (EBIT)	**41 679**	**35 410**	**–16 175**	**10 306**	**–70 819**	**–23 220**	**–22 819**
in % of net revenues	9.4	7.2	–9.0	9.7	–109.2		–1.8
Interest income	85	115	50	36	37	724	1 047
Interest expenses	–3 108	–5 559	–1 076	–655	–4 680	–5 082	–20 160
Minority share from associated companies			–70				–70
Other financial result	–3 421	–4 497	–1 514	–1 904	–1 130	12 182	–284
Result before income tax	**35 235**	**25 469**	**–18 785**	**7 783**	**–76 592**	**–15 396**	**–42 286**
Income tax expense	–9 171	–4 714	844	–1 450	159	6 696	–7 636
Result after income tax	**26 064**	**20 755**	**–17 941**	**6 333**	**–76 433**	**–8 700**	**–49 922**
Average number of employees	**2 457**	**2 989**	**524**	**268**	**548**	**123**	**6 910**
Total assets	**280 192**	**441 262**	**94 354**	**47 558**	**49 008**	**108 468**	**1 020 842**
Total liabilities	**148 599**	**240 123**	**86 910**	**21 156**	**209 065**	**–53 992**	**651 861**
Purchases of property, plant and equipment, investment properties and intangible assets[1]	**13 339**	**24 630**	**1 179**	**462**	**3 721**	**1 323**	**44 654**

[1] without acquisition of subsidiaries

In the Division Heating and Sanitary, impairments of CHF 0.7 million resulting mainly from the write-down of a real estate to net realisable value are included in the position impairment property, plant and equipment. In the Division Kitchens and Refrigeration, impairments on property, plant and equipment as well as on intangible assets totaling CHF 9.0 million are included. This impairment relates to the announced disposal of the Kitchens business comprising Forster Steel Kitchens and Piatti Kitchens (see note 37/39). The impact on the discontinued operations in this respect is described in more detail in note 36. As a result of the divestment decision and the consequential reclassification to assets/liabilities held for sale, impairment losses on property, plant and equipment and intangible assets of CHF 64.2 million (see note 36/37) are included in the Surface Technology Division. The column “Others and eliminations” includes impairments of CHF 1.4 million on a property and on equipment (see note 37).

2012 restated	Heating and Sanitary	Windows and Doors	Kitchens and Refrigeration	Steel Technology	Surface Technology	Others and eliminations	Total Group
in 1000 CHF							
Sales with third parties	455 741	395 984	247 209	122 973	64 727	2 278	1 288 912
Sales with other segments	409	17	37	6 136	1	– 6 600	
Net revenues	**456 150**	**396 001**	**247 246**	**129 109**	**64 728**	**– 4 322**	**1 288 912**
EBITDA	**60 390**	**43 206**	**– 9 672**	**7 055**	**– 265**	**– 14 260**	**86 454**
in % of net revenues	13.2	10.9	– 3.9	5.5	– 0.4		6.7
Depreciation and amortisation	– 15 105	– 13 086	– 5 844	– 6 415	– 6 652	– 5 741	– 52 843
Impairment property, plant and equipment	– 735		– 14 377	– 23 734	– 23 945	– 11 594	– 74 385
Impairment intangible assets			– 126	– 61			– 187
Segment results (EBIT)	**44 550**	**30 120**	**– 30 019**	**– 23 155**	**– 30 862**	**– 31 595**	**– 40 961**
in % of net revenues	9.8	7.6	– 12.1	– 17.9	– 47.7		– 3.2
Interest income	299	41	87	24	27	600	1 078
Interest expenses	– 4 170	– 1 920	– 2 307	– 723	– 4 617	– 7 599	– 21 336
Minority share from associated companies			10				10
Other financial result	– 18 125	– 4 140	– 1 225	– 1 517	– 1 539	11 387	– 15 159
Result before income tax	**22 554**	**24 101**	**– 33 454**	**– 25 371**	**– 36 991**	**– 27 207**	**– 76 368**
Income tax expense	– 8 219	– 3 799	4 207	4 439	5 579	2 372	4 579
Result after income tax	**14 335**	**20 302**	**– 29 247**	**– 20 932**	**– 31 412**	**– 24 835**	**– 71 789**
Average number of employees	**2 475**	**1 430**	**810**	**335**	**550**	**135**	**5 736**
Total assets	**296 361**	**344 955**	**115 665**	**63 850**	**118 457**	**185 094**	**1 124 382**
thereof associated companies			305				305
Total liabilities	**170 137**	**204 744**	**112 465**	**43 148**	**207 505**	**25 185**	**763 184**
Purchases of property, plant and equipment, investment properties and intangible assets	**14 387**	**16 410**	**13 671**	**1 236**	**10 754**	**3 229**	**59 687**

In the Division Heating and Sanitary, impairments on real estate and a welding machine are included in the position impairment property, plant and equipment. The sale of British Aqualux and the resulting impact on the division is described in more detail in note 40. In the Division Kitchens and Refrigeration, impairments on real estate and equipment associated with the sale of Warendorfer Kitchens and the sale of certain assets of Forster Refrigeration business are included in the position impairment property, plant and equipment (see notes 36/37). The impact on the division in this context is described in more detail in note 36. In the Division Steel Technology, impairments of CHF 23.8 million on equipment is included in the position impairment property, plant and equipment/intangible assets (see note 37). In the Division Surface Technology, impairments of CHF 23.9 million on real estate and equipment are included in the position impairment property, plant and equipment (see note 37). In the column "Others and elimination" an impairment charge of CHF 11.6 million on the sale of the Corporate Center in CH-Arbon is included in the position impairment property, plant and equipment (see note 37).

The consolidated financial statements were prepared in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" and the related disclosures and adjustments of certain prior-year figures. The above-mentioned segment information however follows internal management reporting, which is why the discontinued operations per note 36 are also included.

The reconciliation of the continuing and discontinued operations on the segment information is presented as follows:

2013	Continuing operations	Discontinued operations				Others and eliminations	Total Group
		Kitchens and Refrigeration	Steel Technology	Surface Technology	all operatios		
in 1 000 CHF							
Net revenues	**1 004 031**	**180 095**	**38 864**	**64 860**		**–2 331**	**1 285 519**
Segment results (EBIT)	**61 468**	**–16 176**	**1 006**	**–70 818**		**1 701**	**–22 819**
in % of net revenues	6.1						–1.8
Interest result	–18 905	–1 026	–587	–4 643		6 048	–19 113
Other financial result	–533	–1 584	–214	–1 130		3 107	–354
Result before income tax	**42 030**	**–18 786**	**205**	**–76 591**		**10 856**	**–42 286**
Income tax expense	–8 583	844	–87	159		31	–7 636
Result after income tax	**33 447**	**–17 942**	**118**	**–76 432**		**10 887**	**–49 922**
Total assets	**902 292**				**118 550**		**1 020 842**
Total liabilities	**608 997**				**42 864**		**651 861**

2012	Continuing operations	Discontinued operations				Others and eliminations	Total Group
		Kitchens and Refrigeration	Steel Technology	Surface Technology	all operatios		
in 1 000 CHF							
Net revenues	**919 254**	**247 247**	**102 171**	**64 728**		**–44 487**	**1 288 912**
Segment results (EBIT)	**43 237**	**–30 020**	**–26 915**	**–30 862**		**3 598**	**–40 962**
in % of net revenues	4.7						–3.2
Interest result	–19 122	–2 220	–700	–4 590		6 373	–20 259
Other financial result	–14 790	–1 215	–1 153	–1 539		3 548	–15 149
Result before income tax	**9 325**	**–33 455**	**–28 768**	**–36 991**		**13 521**	**–76 368**
Income tax expense	–9 700	4 207	4 457	5 579		36	4 579
Result after income tax	**–375**	**–29 248**	**–24 311**	**–31 412**		**13 557**	**–71 789**
Total assets	**1 109 807**				**14 575**		**1 124 382**
Total liabilities	**763 184**						**763 184**

The segment results (EBIT) of continuing operations include intra-group expenses for allocation of costs on the discontinued operations, that will be incurred by the group despite the abolition of the discontinued operations. This leads to a discharge for the discontinued operations.

Information about geographical areas

2013	Switzerland	Germany	Other Countries	Total
in 1 000 CHF				
Net revenues	440 579	294 612	268 840	1 004 031
Property, plant and equipment, investment properties, intangible assets and goodwill	241 189	74 252	150 387	465 828

2012	Switzerland	Germany	Other Countries	Total
in 1 000 CHF				
Net revenues	430 332	288 765	200 157	919 254
Property, plant and equipment, investment properties, intangible assets and goodwill	327 086	86 197	110 494	523 777

Major customers

AFG has no customer who generates more than 10% of the Group's net revenues (see also paragraph credit default risk in note 52).

32 Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

in 1 000 CHF	**31/12/2013**	31/12/2012
CHF	127 238	198 580
EUR	28 373	35 207
PLN	8 190	21 194
USD	2 352	2 592
GBP	1 056	979
CZK	2 676	519
Other currencies	2 662	2 254
Total	**172 547**	**261 325**

The effective interest on bank deposits is between 0.03% and 0.05% (2012: between 0.05% and 0.1%).

33 Accounts receivables

in 1 000 CHF	31/12/2013	31/12/2012
Accounts receivable	79015	113827
Allowance for accounts receivable	– 10250	– 11219
Total	**68765**	**102608**

The ageing analysis is as follows:

	31/12/2013		31/12/2012	
in 1 000 CHF	Gross amount of accounts receivable	thereof not impaired	Gross amount of accounts receivable	thereof not impaired
Not yet due	56641	52313	73724	69396
Overdue up to 30 days	12109	12109	19784	19726
Overdue more than 30, less than 60 days	2602	2601	7465	7446
Overdue more than 60, less than 90 days	393	392	1565	1549
Overdue more than 90, less than 180 days	1066	784	3118	2949
Overdue more than 180, less than 360 days	1140	631	2756	1450
Overdue more than 360 days	5064	– 65	5415	92
Total	**79015**	**68765**	**113827**	**102608**

With respect to accounts receivable that are not impaired, there are no indications as of the balance sheet date that the respective debtors will not meet their payment obligations. Outstanding accounts receivable amounting to CHF 7.7 million (2012: CHF 9.9 million) were secured and mainly consist of credit insurances.

Activity in the allowance for doubtful debts account, which is disclosed in the income statement under sales deductions before net revenues, is as follows:

in 1 000 CHF	2013	2012
Balance at 01/01	**– 11219**	**– 11297**
Foreign exchange differences	– 76	21
Disposal/acquisition of subsidiaries	– 486	865
Additional allowances	– 5842	– 5829
Used during year	5686	4498
Unused amounts reversed	146	523
Reclassification to assets held for sale	1541	
Balance at 31/12	**– 10250**	**– 11219**

In the allowance for doubtful debts, specific allowances in the amount of CHF 4.0 million (2012: CHF 4.9 million) are included.

Since February 2010 AFG sells receivables under a factoring agreement. Because AFG neither transfers nor retains substantially all the risks and rewards of ownership and still retains control, the receivables have to be recorded in the balance sheet to the extent of the so-called continuing involvement as stipulated under the provision of IAS 39. In particular the late payment risk is completely retained by AFG up until a certain point in time. As of 31 December 2013 the book value of the transferred receivables amounted to CHF 9.6 million (2012: CHF 8.6 million). Thereof AFG already received from the factor CHF 10.5 million (2012: CHF 9.8 million) of cash and the difference of CHF 0.9 million (2012: CHF 1.2 million) is disclosed as other liabilities against the factor. In addition, in other current assets an amount of CHF 0.3 million (2012: CHF 0.3 million) and in other liabilities an amount of CHF 0.4 million (2012: CHF 0.3 million) are recorded for the consideration of the continuing involvement. The recognised loss for the continuing involvement amounted in 2013 to CHF 0.002 million, the cumulative loss since the inception of the factoring agreement amounted to CHF 0.02 million.

34 Inventories

in 1 000 CHF	**31/12/2013**	31/12/2012
Raw material and supplies	49 895	49 288
Semi-finished and finished goods	80 842	100 611
Goods purchased for resale	6 800	7 302
Prepayments	151	241
Total	**137 688**	**157 442**

A provision of CHF 13.9 million (2012: CHF 28.2 million) has been provided for obsolete and slow-moving items and is deducted from inventories. Inventories written down to net realisable value were CHF 0.6 million (2012: CHF 6.7 million). In 2013 the write-down to net realisable value amounted to CHF 0.1 million (2012: CHF 5.3 million).

35 Financial assets

in 1 000 CHF	**31/12/2013**	31/12/2012
Available-for-sale financial assets	998	1 020
Investments in associates >20 % <50 %		305
Other financial assets	24	299
Loans	5 893	366
Total	**6 915**	**1 990**
thereof disclosed as current assets	379	60

As of 1 January 2013, AFG acquired the remaining 59.2% of shares of the associated company Piatti Küchenforum AG, CH-Luzern (see note 40).

The majority of the loan is due on the sale of the property of AFG Warendorfer Immobilien GmbH in connection with the disposal of Warendorfer Küchen GmbH (see note 36).

The ageing analysis for loans is as follows:

	31/12/2013		31/12/2012	
	Gross amount loans	thereof not impaired	Gross amount loans	thereof not impaired
in 1000 CHF				
Not yet due	6793	5893	1329	275
Overdue up to 30 days			7	
Overdue more than 30, less than 60 days			7	
Overdue more than 60, less than 90 days			7	
Overdue more than 90, less than 180 days			7	
Overdue more than 180, less than 360 days			718	60
Overdue more than 360 days			731	31
Total	**6793**	**5893**	**2806**	**366**

With respect to loans that are not impaired, there are no indications as of the balance sheet date that the respective borrowers will not meet their payment obligations. As of the balance sheet date, AFG has secured loans in the amount of CHF 5.9 million (2012: CHF 0 million).

Activity in the impairment of loans account, which is disclosed in the income statement under financial results, is as follows:

	2013	2012
in 1000 CHF		
Balance at 01/01	**–2440**	**–2255**
Foreign exchange differences		–7
Disposal of subsidiaries		770
Additional allowances	–224	–948
Used during year	701	
Reclassification to assets held for sale	1063	
Balance at 31/12	**–900**	**–2440**

In the impairment of loans, specific impairments in the amount of CHF 0.9 million (2012: CHF 2.4 million) are included.

36 Non-current assets held for sale and discontinued operations

In accordance with IFRS 5, AFG reports the divisions Kitchens and Refrigeration and Surface Technology as well as the business unit Forster Precision Steel Tubes of the Steel Technology Division as of 31 December 2013 as discontinued operations. All prior-year figures in the income statement and the accompanying notes have been adjusted accordingly. Previous year's figures in the balance sheet, however, were not adjusted. In the consolidated balance sheet as of 31 December 2013, assets and liabilities of the discontinued operations, comprising the kitchens business of AFG Küchen AG and the Division Surface Technology, are disclosed in the respective held for sale asset or liability position.

Assets held for sale and discontinued operations

in 1 000 CHF	2013	2012
Cash and cash equivalents	10 016	
Accounts receivable	33 739	
Other current assets	4 680	
Inventories	19 071	1 900
Accrued income	1 050	
Current income tax receivables	1 580	
Property, plant and equipment	40 306	12 675
Investment property	2 251	2 272
Intangible assets	153	
Deferred income tax assets	3 512	
Capitalised pension surplus	4 187	
Financial assets	257	
Total	**120 801**	**16 847**

Liabilities associated with assets held for sale and discontinued operations

in 1 000 CHF	2013	
Accounts payable	16 902	
Advance payments by customers	3 548	
Other liabilities	5 263	
Financial debts	53	
Accruals and deferred income	5 495	
Current income tax liabilities	33	
Provisions	3 907	
Deferred income tax liabilities	1 891	
Employee benefit obligations	5 772	
Total	**42 864**	

Discontinued operations

On 20 February 2014, AFG has publicly announced the intent to initiate the sale process of the Division Surface Technology in order to find a suitable new owner for this division. It is expected that a sale of this division will occur within one year.

On 17 January 2014, a contract for the sale of AFG Küchen AG was signed between AFG and the German kitchen manufacturer Alno. AFG Küchen AG encompasses all kitchen activities of Forster Steel Kitchens and Piatti Kitchens. The closing of this transaction is expected in the first quarter of 2014.

On 26 June 2013, a contract for the sale of certain assets and liabilities of the Forster Precision Steel Tubes business was signed between AFG and the German automobile part supplier Mubea. The closing occurred on 31 July 2013. Accordingly, the business was reported as a discontinued operation, since it is a significant part of the Division Steel Technology.

On 5 February 2013, a contract for the sale of certain assets of the Forster Refrigeration business was signed between AFG and V-Zug. The sale was completed on 28 February 2013. The previous year contained the inventory to be sold.

The closing of the sale of property of AFG Warendorfer Immobilien GmbH in connection with the sale of Warendorfer Küchen GmbH in 2012 occurred as agreed on 15 January 2013. The resulting cash inflow from the sale of CHF 6.8 million is disclosed in the statement of cash flows under the position "Proceeds from sale of property, plant and equipment". The remaining amount of CHF 6.0 million was granted as a secured, interest-bearing and repayable loan. In the previous year, the property was classified under property, plant and equipment.

In April 2013, the deferred loss compensation of CHF 3.8 million was paid to Warendorfer Küchen GmbH, a company sold by AFG on 31 December 2012. The remaining and unused CHF 0.5 million were released in 2013 to the income statement of the discontinued operations in other operating income. This cash outflow is included in the statement of cash flows under "Proceeds from sale of subsidiaries / businesses".

Disposal of Forster Precision Steel Tubes

	2013
in 1 000 CHF	
Assets	
Other current assets	438
Inventories	11 555
Deferred income	200
Total assets	**12 193**
Liabilities	
Other liabilities	347
Accruals and deferred income	1 238
Total liabilities	**1 585**
Net assets	**10 608**
Share of net pension assets	2 234
Gain on disposal	1 364
Net cash inflow from disposal	**14 206**

Due to the sale of certain assets and liabilities (asset deal) of the Forster Precision Steel Tubes business and the partial liquidation of the pension plan, a net disposal gain of CHF 3.6 million resulted from this transaction. Because the partial liquidation will occur during 2014, and the calculation is based on today's estimates, the gain may change depending on the development of the coverage of the pension plan up to the end of the partial liquidation.

Disposal of Forster Refrigeration

	2013
in 1 000 CHF	
Assets	
Inventories	1 017
Property, plant and equipment	244
Total assets	**1 261**
Liabilities	
Accruals and deferred income	397
Total liabilities	**397**
Net assets	**864**
Share of net pension assets	1 229
Loss on disposal	– 738
Net cash inflow from disposal	**1 355**

Due to the sale of certain assets and liabilities (asset deal) of the Forster Refrigeration business and the partial liquidation of the pension plan, a net disposal gain of CHF 0.5 million resulted from this transaction. Because the partial liquidation will occur during 2014, and the calculation is based on today's estimates, the gain may change depending on the development of the coverage of the pension plan up to the end of the partial liquidation.

Disposal of Warendorfer Kitchens

in 1 000 CHF	2012 restated
Assets	
Cash and cash equivalents	12 748
Accounts receivable	2 581
Other current assets	195
Current income tax receivables	2 974
Deferred income tax assets	1 899
Total assets	**20 397**
Liabilities	
Accounts payable	1 202
Other liabilities	3 404
Accruals and deferred income	1 854
Provisions	640
Employee benefit obligations	20 621
Total liabilities	**27 721**
Net assets	**– 7 324**
Cash and cash equivalents	– 12 748
Net assets excluding cash and cash equivalents	**– 20 072**
Deferred loss compensation	4 320
Gain on disposal	3 004
Net cash outflow from disposal	**– 12 748**

As of 31 December 2012, Warendorfer Kitchens was sold to CoBe Capital. The retrospective application of IAS 19 revised led to lower net assets by CHF 4.9 million. As a consequence, a disposal gain resulted instead of a disposal loss as reported last year. From the sale of Warendorfer Kitchens accumulated currency translation differences in the amount of CHF 1.3 million resulted, which have been transferred from equity to the income statement and credited to the financial result.

Result from discontinued operations

in 1000 CHF	2013	2012
Net revenues	**281 489**	**369 658**
Other operating income	3 797	6 659
Capitalised own services	679	1 944
Changes in inventories of semi-finished and finished goods	–301	–9 335
Net operating performance	**285 664**	**368 926**
Cost of material and goods	–125 994	–159 506
Personnel expenses	–111 912	–140 505
Other operating expenses	–54 450	–76 584
EBITDA	**–6 692**	**–7 669**
Depreciation, amortisation and impairments	–81 686	–79 534
EBIT	**–88 378**	**–87 203**
Financial result	–27	–1 493
Result from discontinued operations before income tax	**–88 405**	**–88 696**
Income tax expense	947	14 278
Result from discontinued operations	**–87 458**	**–74 418**
Gain on disposal of discontinued operations	4 089	3 004
Net result from discontinued operations	**–83 369**	**–71 414**

Discontinued operations include the results of the divisions Kitchens and Refrigeration and Surface Technology as well as the business unit Forster Precision Steel Tubes of the Steel Technology Division for the period of the entire two years.

From the revaluation of assets held for sale to the lower of carrying amount and fair value less costs to sell of the Surface Technology Division and AFG Küchen AG, special effects resulted in 2013 on necessary impairments on property, plant and equipment and intangible assets in the amount of CHF 64.2 million and CHF 9.0 million respectively.

The result of 2012 contains special effects of the two businesses Warendorfer Kitchens and Forster Refrigeration for the necessary impairments on property, plant and equipment amounting to CHF 13.9 million. From the revaluation of assets held for sale to the fair value of Forster Refrigeration, a loss of CHF 5.2 million arose, which was included in cost of materials and goods. From the sale of Warendorfer Kitchens accumulated currency translation differences in the amount of CHF 1.3 million resulted, which have been transferred from equity to the income statement and credited to the financial result.

In the consolidated cash flow statement, the cash flows from the discontinued operations are included, however, they are subsequently condensed and shown separately below.

Cash flows from discontinued operations

in 1000 CHF	2013	2012
Cash flows from operating activities	– 1836	– 13491
Cash flows from investing activities	18879	– 25284
Cash flows from financing activities	30	– 1198

In 2013, cash inflows from the sale of certain assets (asset deal) of the business units Forster Refrigeration and Forster Precision Steel Tubes of CHF 15.6 million are included under cash flows from investing activities. Furthermore a cash inflow of CHF 6.8 million from the sale of the property of AFG Warendorfer Immobilien GmbH in connection with the 2012 completion of the sale of Warendorfer Küchen GmbH is included in the same position.

The cash outflow in 2012 from the sale of Warendorfer Küchen GmbH of CHF 12.7 million is not included in the above table, nor the 2013 paid loss compensation of CHF 3.8 million.

Other disposals

In 2012 land was sold in CH-Steinach with a carrying amount of CHF 2.7 million. In addition, other plots of these properties were reclassified in 2012 from investment property into this position and were sold in 2013. The position at year-end includes a further plot of land in CH-Steinach, as the sale is expected to occur within one year.

37 Property, plant and equipment

in 1 000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Net book value at 01/01/2012	**300 812**	**192 949**	**17 997**	**28 104**	**539 862**
Cost					
Balance at 01/01/2012	**550 648**	**615 861**	**79 576**	**28 155**	**1 274 240**
Foreign exchange differences	– 840	– 501	– 120	– 93	– 1 554
Disposal of subsidiaries		– 10 014	– 2 142		– 12 156
Additions	3 527	17 053	3 156	33 318	57 054
Disposals	– 41 807	– 25 471	– 6 227	– 424	– 73 929
Reclassification to assets held for sale	– 16 257	– 38 656	– 2 717	– 990	– 58 620
Reclassifications	– 1 578	16 789	662	– 27 626	– 11 753
Balance at 31/12/2012	**493 693**	**575 061**	**72 188**	**32 340**	**1 173 282**
Foreign exchange differences	– 1 025	– 2 846	– 119	– 259	– 4 249
Acquisition / disposal of subsidiaries	11 648	7 834	3 805	863	24 150
Additions	5 322	8 867	3 397	26 140	43 726
Disposals	– 1 000	– 105 898	– 12 426	– 1 353	– 120 677
Reclassification to assets held for sale	– 119 879	– 137 242	– 12 479	– 1 142	– 270 742
Reclassifications	7 266	15 916	1 356	– 24 815	– 277
Balance at 31/12/2013	**396 025**	**361 692**	**55 722**	**31 774**	**845 213**

in 1 000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Accumulated depreciation					
Balance at 01/01/2012	**249 836**	**422 912**	**61 579**	**51**	**734 378**
Foreign exchange differences	– 492	– 332	– 81	5	– 900
Disposal of subsidiaries		– 9 857	– 2 122		– 11 979
Depreciation	11 672	29 540	5 431		46 643
Impairment	18 033	54 590	1 144	618	74 385
Disposals	– 13 977	– 18 816	– 6 230	– 53	– 39 076
Reclassification to assets held for sale	– 5 945	– 36 430	– 2 602	– 618	– 45 595
Reclassifications	– 8 702	– 2 527	243	5 907	– 5 079
Balance at 31/12/2012	**250 425**	**439 080**	**57 362**	**5 910**	**752 777**
Foreign exchange differences	– 267	– 2 410	– 62	– 352	– 3 091
Disposal of subsidiaries			– 24		– 24
Depreciation	10 791	23 432	5 104		39 327
Impairment	43 921	26 769	2 516	332	73 538
Disposals	– 501	– 104 701	– 12 114	– 472	– 117 788
Reclassification to assets held for sale	– 100 097	– 118 856	– 10 617	– 85	– 229 655
Reclassifications	– 1	237	– 245		– 9
Balance at 31/12/2013	**204 271**	**263 551**	**41 920**	**5 333**	**515 075**
Net book value at 31/12/2012	**243 268**	**135 981**	**14 826**	**26 430**	**420 505**
Net book value at 31/12/2013	**191 754**	**98 141**	**13 802**	**26 441**	**330 138**
Value of contained leased assets		2 629	4 419		7 048
				Previous year	3 489

In 2013, plant and machinery as well as other equipment in the amount of CHF 1.6 million (2012: CHF 1.3 million) was acquired via finance lease. Assets under construction include intangible assets in the amount of CHF 6.0 million (2012: CHF 4.7 million) for an IT-project.

Impairments 2013

In view of the anticipated sale of the Kitchens business consisting of Forster Steel Kitchens and Piatti Kitchens (see note 36), whose activities are bundled in AFG Küchen AG, impairments had to be made to the net realisable value on property, plant and equipment in the amount of CHF 7.8 million.

By the decision of AFG, to initiate the sale process for the Surface Technology Division and the resulting reclassification of the disposal group to assets/liabilities held for sale, a remeasurement and adjustment was made to the lower of their carrying amount and fair value less costs to sell. The impairment of CHF 64.2 million resulting from this exercise was allocated to property, plant and equipment and intangible assets (see note 36).

Various other minor impairments on property, plant and equipment of CHF 1.8 million related primarily to a property as well as to plant and machinery. A reassessment of the future use of the property revealed that the calculated value in use was below its carrying amount.

Impairments 2012

Due to the strong Swiss franc in a difficult business environment with further shrinking margins as well as the noticeable decrease in demand since late summer 2012 and the resulting decline in sales (especially in the automotive industry), the business unit Precision Steel Tubes underwent an impairment test. The main factors influencing the current situation were taken into account when planning for the next five years. The value in use calculation resulted in a need for impairment of CHF 23.8 million, which was fully allocated to property, plant and equipment. The applied discount rate was 10%.

The completion and commissioning of the plant in CN-Changshu of the Division Surface Technology took place in early summer. Since sales did not develop as planned and plans for a further expansion of the plant are no longer being pursued, an impairment test was necessary due to the high construction and purchase cost of this plant. The value in use calculation resulted in a need for impairment of CHF 15.1 million, which was fully allocated to property, plant and equipment. The applied discount rate was 12.3%. Furthermore, it became necessary to make impairment tests for the locations in CH-Steinach and Germany, due to a remaining low level of capacity utilisation in certain sections and the observable sales decrease in certain industries since autumn. The value in use calculation resulted in a need for impairment of CHF 8.8 million, which was fully allocated to property, plant and equipment for the two sites. The applied discount rates amounted to 8.7% and 10%, respectively.

The sale of the Corporate Center in CH-Arbon resulted in an impairment charge of CHF11.6 million.

Future aggregate minimum lease payments

AFG has the following future minimum lease payments under non-cancellable leases for the continuing operations:

31/12/2013	Operating leases	Finance leases	Total
in 1000 CHF			
within 1 year	13849	2239	16088
between 1 and 5 years	24588	3115	27703
after 5 years	19883		19883
Total	**58320**	**5354**	**63674**
Interest charge		–317	
Present value of finance leases		**5037**	

31/12/2012	Operating leases	Finance leases	Total
in 1000 CHF			
within 1 year	15964	1088	17052
between 1 and 5 years	23173	2016	25189
after 5 years	20348		20348
Total	**59485**	**3104**	**62589**
Interest charge		–306	
Present value of finance leases		**2798**	

The income statement contains expenses for operating leases of CHF 21.3 million (2012: CHF 19.5 million), whereof CHF 15.4 million (2012: CHF 13.1 million) relate to the continuing operations.

As of 31 August 2012, AFG sold the Corporate Center in CH-Arbon to Credit Suisse Funds AG. At the same time, a rental agreement was concluded between the two parties. Thereby AFG rents the Corporate Center for a fixed but indexed rent for a time period of 15 years.

As of the balance sheet date, AFG had entered into the following capital commitments for the purchase of property, pant and equipment and intangible assets for the continuing operations:

	31/12/2013	31/12/2012
in 1000 CHF		
Property, plant and equipment	11107	16459
Intangible assets	959	1093
Total	**12066**	**17552**

The fire insurance value of property, plant and equipment and investment property for the continuing operations is as follows:

	31/12/2013	31/12/2012
in 1000 CHF		
Buildings	471663	581650
Plant and machinery	510441	939740
Total	**982104**	**1521390**

Land and buildings amounting to CHF 13.2 million (2012: CHF 13.2 million) are pledged to secure mortgages.

38 Investment property

in 1000 CHF	Investment property land	Investment property buildings	Total
Net book value at 01/01/2012	**8601**	**1259**	**9860**
Cost			
Balance at 01/01/2012	**12012**	**4947**	**16959**
Foreign exchange differences		8	8
Additions	500		500
Disposals	–6722		–6722
Reclassification to assets held for sale	–2332		–2332
Reclassifications	1197	9301	10498
Balance at 31/12/2012	**4655**	**14256**	**18911**
Foreign exchange differences	3	77	80
Disposals	–1689	–3094	–4783
Balance at 31/12/2013	**2969**	**11239**	**14208**
Accumulated depreciation			
Balance at 01/01/2012	**3411**	**3688**	**7099**
Foreign exchange differences		5	5
Depreciation		240	240
Disposals	–969		–969
Reclassification to assets held for sale	–987		–987
Reclassifications		5717	5717
Balance at 31/12/2012	**1455**	**9650**	**11105**
Foreign exchange differences		44	44
Depreciation		336	336
Impairment	76		76
Disposals	–691	–2629	–3320
Balance at 31/12/2013	**840**	**7401**	**8241**
Net book value at 31/12/2012	**3200**	**4606**	**7806**
Net book value at 31/12/2013	**2129**	**3838**	**5967**
Fair values of investment properties at 31/12/2012			**12229**
Fair values of investment properties at 31/12/2013			**8885**

Rental income from investment properties amounted to CHF 0.8 million (2012: CHF 0.7 million) and is included in other operating income. Related direct operating expenses were CHF 0.1 million (2012: CHF 0.1 million) and are included in other operating expenses.

The fair values of investment properties are in the hierarchy according to IFRS 13 assigned to level 3 for non-observable market data, since they are calculated on the basis of estimates that have been determined by independent external valuers.

39 Intangible assets

in 1 000 CHF	Other intangible assets	Goodwill	Total
Net book value at 01/01/2012	**40 403**	**57 454**	**97 857**
Cost			
Balance at 01/01/2012	**142 707**	**94 145**	**236 852**
Foreign exchange differences	– 30	– 164	– 194
Disposal of subsidiaries	– 17 048	– 17 706	– 34 754
Additions	2 134		2 134
Disposals	– 599		– 599
Reclassifications	1 212		1 212
Balance at 31/12/2012	**128 376**	**76 275**	**204 651**
Foreign exchange differences	345	180	525
Acquisition / disposal of subsidiaries	18 064	18 524	36 588
Additions	927		927
Disposals	– 3 243		– 3 243
Reclassification to assets held for sale	– 39 828	– 15 610	– 55 438
Reclassifications	332		332
Balance at 31/12/2013	**104 973**	**79 369**	**184 342**
Accumulated amortisation			
Balance at 01/01/2012	**102 304**	**36 691**	**138 995**
Foreign exchange differences	81	– 25	56
Disposal of subsidiaries	– 17 046	– 17 706	– 34 752
Amortisation	5 961		5 961
Impairment	187		187
Disposals	– 586		– 586
Reclassifications	– 677		– 677
Balance at 31/12/2012	**90 224**	**18 960**	**109 184**
Foreign exchange differences	274	26	300
Disposal of subsidiaries	– 4 543	– 1 323	– 5 866
Amortisation	8 074		8 074
Impairment	1 437		1 437
Disposals	– 3 229		– 3 229
Reclassification to assets held for sale	– 39 675	– 15 610	– 55 285
Reclassifications	5		5
Balance at 31/12/2013	**52 567**	**2 053**	**54 620**
Net book value at 31/12/2012	**38 152**	**57 315**	**95 467**
Net book value at 31/12/2013	**52 406**	**77 316**	**129 722**

Expenses for research and development in the amount of CHF 15.6 million (2012: CHF 20.6 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. Thereof, CHF 13.6 million (2012: CHF 15.6 million) relate to the continuing operations. In 2013, capitalised development costs of CHF 0.5 million (2012: CHF 0.7 million) are included in other intangible assets under additions. All other additions under other intangible assets have been purchased or acquired.

Impairments 2013

With regard to the anticipated sale of the Kitchens business consisting of Forster Steel Kitchens and Piatti Kitchens (see note 36), whose activities are bundled in AFG Küchen AG, impairments had to be made to the net realisable value on intangible assets in the amount of CHF 1.2 million.

Goodwill

As of 31 December 2013 goodwill from business combinations is allocated to the Group's four cash-generating units (CGUs) Dobroplast, Slovaktual, RWD Schlatter and EgoKiefer.

The carrying amounts of goodwill per CGU are presented below:

in 1 000 CHF	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer	Total
At 31/12/2013	19 759	16 299	8 100	33 158	77 316
At 31/12/2012		16 057	8 100	33 158	57 315

Goodwill impairment tests 2013

The recoverability of goodwill is normally assessed annually towards year-end. The recoverable amount of the CGUs is determined based on value in use calculations. These calculations use cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The underlying financial data consisting of one budget year and four plan years form part of the Group's medium term plan approved by management in early summer and were used for the impairment tests.

The value in use calculation for the annual 2013 impairment tests assumed the following key assumptions:

2013 in %	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer
Budgeted gross margin	40.6	32.7	58.0	61.7
Growth rate	1.5	2.0	1.0	1.0
Discount rate	11.2	10.3	8.7	8.7

Budgeted gross margins were determined based on past performance and expectations for the market development. The growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant CGUs.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2013 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower growth rates which only led to a possible impairment at the CGU Slovaktual.

A reduction in the budgeted gross margin from 32.7% to 31.5% would result in an impairment of the CGU Slovaktual amounting to CHF 2.6 million. At a budgeted gross margin of 32.0%, the recoverable amount was equal to their carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 2.0% to 1.0% would lead to an impairment of CHF 6.5 million. At a reduction of 4% in EBITDA and a simultaneous reduction of eternal growth to 1.5%, the recoverable amount was equal to their carrying amount.

Goodwill impairment tests 2012

The value in use calculation for the annual 2012 impairment tests assumed the following key assumptions:

2012	Slovaktual	RWD Schlatter	EgoKiefer
in %			
Budgeted gross margin	32.4	59.4	61.0
Growth rate	2.0	1.0	1.0
Discount rate	9.8	8.2	8.3

Budgeted gross margins were determined based on past performance and expectations for the market development. The growth rates used were consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant CGUs.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2012 on higher discount rates, lower than actually expected EBITDAs, lower gross margins and lower growth rates which only led to a possible impairment at the CGU Slovaktual.

A reduction in the budgeted gross margin from 32.4% to 31.0% would result in an impairment of the CGU Slovaktual amounting to CHF 1.2 million. At a budgeted gross margin of 31.2%, the recoverable amount was equal to their carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of eternal growth from 2.0% to 1.0% would lead to an impairment of CHF 2.7 million. At a reduction of 8% in EBITDA and a simultaneous reduction of eternal growth to 1.5%, the recoverable amount was equal to their carrying amount.

40 Acquisitions and Divestments

Acquisitions

The following fair value of assets and liabilities has arisen from acquisitions in 2013 as mentioned under note 3:

Acquisition Dobroplast

	2013
in 1 000 CHF	
Assets	
Cash and cash equivalents	6 447
Accounts receivables	1 083
Other current assets	301
Inventories	13 971
Deferred expenses	183
Property, plant and equipment	24 105
Intangible assets	22 607
Deferred income tax assets	2 052
Total assets	**70 748**
Liabilities	
Accounts payables	3 782
Other liabilities	2 862
Financial debts	384
Finance lease liabilities	3 521
Accruals and deferred income	1 578
Provisions	403
Total liabilities	**12 530**
Net assets acquired	**58 218**
Goodwill	19 846
Purchase consideration	**78 064**
Cost of acquisition	
Purchase price	71 816
Present value of deferred payments	4 155
Contingent consideration liability	2 094
Total cost of acquisition	**78 064**
Net cash outflow was as follows:	
Purchase price	71 816
Cash and cash equivalents in subsidiary acquired	– 6 447
Net cash outflow on acquisition	**65 369**

As of the controlling date of 4 February 2013, AFG acquired 100% of the shares in the Polish Dobroplast Fabryka Okien sp. z o.o., with its registered seat in PL-Zambrow. The company is the leading Polish manufacturer of PVC windows and is allocated to the Division Windows and Doors. The purchase price amounted to CHF 71.8 million. In addition CHF 4.2 million of deferred purchase price became due within five months after the closing and were paid to the former owners on 1 July 2013. Furthermore upon achievement of certain agreed targets based on the financial year 2013, up to a maximum of CHF 3.2 million (undiscounted) of contingent consideration may become due. The fair value of the contingent consideration liability was determined at CHF 2.1 million by means of a probability-weighted pay out approach. The applied discount rate for the determination of the fair values amounted to 11.0%. Based on IFRS 13 this is a level 3 fair value measurement (see note 43). From the date of acquisition, Dobroplast contributed CHF 83.2 million in net revenues and CHF 2.2 million in profit to the Group. Had the acquisition taken place on 1 January 2013, net revenues for the reporting period would have been CHF 88.0 million and profit would have been CHF 2.1 million. The gross carrying amount of accounts receivables amounted to CHF 1.6 million, of which CHF 0.5 million were considered uncollectable. The acquisition-related costs amounted to CHF 1.3 million and were included in operating expenses for the years 2012 and 2013. The goodwill from this acquisition is due to the fact that certain intangible assets did not meet the criteria of IFRS 3 "business combinations" for the recognition as intangible assets at the date of acquisition. These intangible assets consist mainly of workforce know-how. In addition, goodwill includes the expected synergies within the Division Windows and Doors.

Acquisition Piatti Küchenforum AG

	2013
in 1 000 CHF	
Assets	
Cash and cash equivalents	112
Accounts receivables	29
Other current assets	19
Inventories	398
Deferred expenses	29
Property, plant and equipment	69
Financial assets	4
Total assets	**660**
Liabilities	
Accounts payables	36
Other liabilities	20
Accruals and deferred income	19
Total liabilities	**75**
Net assets acquired	**585**
Fair value of already held equity interest	– 235
Purchase consideration	**350**
Net cash outflow was as follows:	
Purchase price	350
Cash and cash equivalents in associate acquired	– 112
Net cash outflow on acquisition	**238**

As of 1 January 2013, AFG acquired the remaining 59.2% of the associated Piatti Küchenforum AG. The purchase price amounted to CHF 0.35 million. Since the company was merged in June 2013 with AFG Küchen AG, separate financial figures for the acquired company are available only until the end of May 2013. From the date of acquisition until 31 May 2013, Piatti Küchenforum AG contributed CHF 0.7 million in adjusted net revenues and CHF 0.1 million in loss to the Group. The fair value of accounts receivables equals the gross carrying amount and all receivables are considered to be collectable. The fair value of the already held interest of 40.8% in Piatti Küchenforum AG immediately before the acquisition and considering that the share of earnings was determined with a lack of one year amounted to CHF 0.24 million and thus equalled its carrying amount.

Disposal of Aqualux

	2012
in 1 000 CHF	
Assets	
Cash and cash equivalents	2 454
Accounts receivable	7 716
Other current assets	750
Inventories	3 889
Property, plant and equipment	179
Intangible assets	2
Total assets	**14 990**
Liabilities	
Accounts payable	1 976
Other liabilities	377
Accruals and deferred income	2 227
Provisions	204
Total liabilities	**4 784**
Net assets disposed	**10 206**
Cash and cash equivalents disposed	– 2 454
Net assets disposed excluding cash and cash equivalents	**7 752**
Gain on disposal	934
Net cash inflow from disposal	**8 686**

As of 21 May 2012, British Aqualux was sold. This resulted in a gain on disposal of CHF 0.9 million, which was included in the Heating Technology and Sanitary Division in other operating income. The company generated during 2012 to the time of the sale net revenues of CHF 9.2 million. Accumulated currency translation differences of CHF 15.4 million have arisen from this divestiture. These currency translation differences have been transferred from equity to the income statement and charged to financial expenses (see note 50).

41 Financial debts

On 2 December 2013, AFG entered into a syndicated loan for CHF 250 million. This loan, arranged with a consortium of banks, has a term extending until 30 November 2018 and replaced the syndicated loan of CHF 275 million which expired on 30 December 2013.

On 14 April 2010, AFG issued a bond of CHF 200 million at 3.375% with a duration of 6 years and maturing on 12 May 2016. Since 30 April 2010, the bond is listed on the SIX Swiss Exchange.

On 2 December 2004, AFG completed a private placement with a group of US investors worth USD 160 million, of which 125 million were paid out in US dollars and 27.6 million in euros. The placement, which is largely hedged against interest and currency risk, is divided into various US dollar and euro tranches with terms of between seven and ten years. Since 2008, partial repayments of EUR 3.9 million of the euro tranche become due each year. In accordance with the contract, USD 10 million in 2012 and USD 3 million in 2011 were repaid.

The financial debts are comprised of the following:

in 1 000 CHF	**31/12/2013**	31/12/2012
Bond	198 737	198 234
US private placement	104 485	111 824
Swap USD	23 171	22 124
Swap EUR	2 534	1 247
Syndicated loan		49 795
Bank loans	6 000	7 000
Bank borrowings		51
Mortgage	1 900	2 100
Loans		17
Total	**336 827**	**392 392**

The US private placement and the syndicated loan include covenants covering key ratios such as minimum net worth, interest coverage ratio and leverage ratio. In the event of non-compliance, the note holders and banks respectively may at any time at their option, declare the amounts then outstanding to be immediately due and payable. AFG was in compliance with the covenants in 2013 and 2012.

The maturities of the financial debts are as follows:

in 1 000 CHF	**31/12/2013**	31/12/2012
within 1 year	132 840	55 816
between 1 and 5 years	203 987	336 576
Total	**336 827**	**392 392**

The effective interest rates for the financial debts at the balance sheet date were as follows:

in %	CHF	EUR	USD
Financial debt at 31/12/2013	3.7	5.1	5.9[1]
Financial debt at 31/12/2012	3.8	5.1	5.9[1]

[1] Interest paid is significantly lower due to the cross currency swaps.

The breakdown for the financial debts by currency was as follows:

in 1 000 CHF	**31/12/2013**	31/12/2012
CHF	229 807	279 304
EUR	7 354	10 755
USD	99 666	102 333
Total	**336 827**	**392 392**

42 Financial liabilities

The contractually agreed undiscounted interest payments and repayments of the non-derivative financial liabilities and the derivatives with a cash outflow are as follows:

31/12/2013 in 1 000 CHF	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years
Non-derivative financial instruments						
Accounts payable	75 645	75 645	75 645			
Other liabilities (without derivatives)	26 684	26 684	26 682	2		
Finance lease liabilities	5 037	5 354	1 305	934	2 523	592
Financial debts	311 121	339 454	12 303	107 950	6 961	212 240
Derivative financial instruments						
Cross currency swaps	25 705					
Cash outflow		131 753	2 746	129 007		
Cash inflow		– 105 560	– 2 912	– 102 648		
Total	**444 192**	**473 330**	**115 769**	**135 245**	**9 484**	**212 832**

Amounts in foreign currency were each translated at the respective year-end rate. Variable interest payments arising from financial instruments were calculated using the conditions prevailing at the balance sheet date. Financial liabilities which can be repaid at any time are always assigned to the earliest possible time period.

31/12/2012	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years
in 1000 CHF						
Non-derivative financial instruments						
Accounts payable	90710	90710	90699	11		
Other liabilities (without derivatives)	30307	30307	29039	1268		
Finance lease liabilities	2799	3104	567	521	1409	607
Financial debts	369021	413682	11789	59721	123326	218846
Derivative financial instruments						
Cross currency swaps	23371					
Cash outflow		136659	2732	2732	131195	
Cash inflow		–114449	–2992	–2992	–108465	
Interest rate swaps	299					
Cash outflow		298	298			
Cash inflow						
Total	**516507**	**560311**	**132132**	**61261**	**147465**	**219453**

43 Additional disclosures on financial instruments

The relation between the relevant balance sheet items and the measurement categories in accordance with IAS 39 and the disclosure of fair values of financial instruments is as follows:

31/12/2013	FA FVTPL trading	FA FVTPL designated	AFS	L & AR	FL FVTPL trading	FL AC	Book value at 31/12/2013	Fair value at 31/12/2013
in 1 000 CHF								
Cash and cash equivalents				172 547			172 547	172 547
Securities		2 434					2 434	2 434
Accounts receivable				68 765			68 765	68 765
Other current assets				16 424			16 424	16 424
Investment (<20%)			998				998	998
Other financial assets				25			25	25
Loans				5 893			5 893	5 893
Assets		**2 434**	**998**	**263 654**			**267 086**	**267 086**
Accounts payable						75 645	75 645	75 645
Other liabilities					3 186	23 497	26 683	26 683
Finance lease liabilities						5 037	5 037	5 081
Loans						6 000	6 000	6 292
Mortgage						1 900	1 900	1 900
Bond						198 737	198 737	209 000
US private placement						130 190[1]	130 190	133 831
Liabilities					**3 186**	**441 006**	**444 192**	**458 432**

[1] The total amount of TCHF 130 190 (2012: TCHF 135 195) in the category "FL AC – financial liabilities at amortised costs" includes the two cross currency swaps of TCHF 25 705 (2012: TCHF 23 371) on the US private placement, for which AFG is applying hedge accounting and which are also allocated to this category.

Abbreviations in the header of this table are explained in note 9 "financial instruments" on pages 106 / 107.

31/12/2012	FA FVTPL trading	FA FVTPL designated	AFS	L&AR	FL FVTPL trading	FL AC	Book value at 31/12/2012	Fair value at 31/12/2012
in 1 000 CHF								
Cash and cash equivalents				261 325			261 325	261 325
Securities		2 673					2 673	2 673
Accounts receivable				102 608			102 608	102 608
Other current assets	631			25 224			25 855	25 855
Investment (<20%)			1 020				1 020	1 020
Other financial assets				299			299	299
Loans				366			366	366
Assets	**631**	**2 673**	**1 020**	**389 822**			**394 146**	**394 146**
Accounts payable						90 710	90 710	90 710
Other liabilities					299	30 303	30 602	30 602
Finance lease liabilities						2 798	2 798	2 868
Bank borrowings						51	51	51
Loans						56 812	56 812	58 277
Mortgage						2 100	2 100	2 132
Bond						198 234	198 234	207 100
US private placement						135 195[1]	135 195	142 374
Liabilities					**299**	**516 203**	**516 502**	**534 114**

IFRS 13 “Fair value measurements” requires for financial instruments measured at fair value the disclosure and allocation to the pre-defined following three hierarchy levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices).

Level 3 – Unobservable market data.

Financial instruments measured at fair value are allocated to the three hierarchy levels as follows:

	Level 1	Level 2	Level 3	Fair value at 31/12/2013	Level 1	Level 2	Level 3	Fair value at 31/12/2012
in 1 000 CHF								
Assets								
Financial assets at fair value through profit or loss – trading (FA FVTPL trading)								
Forward foreign exchange contracts without hedges						631		631
Financial assets at fair value through profit or loss – designated (FA FVTPL designated)								
Quoted shares	575			575	869			869
Investment funds		1 859		1 859		1 804		1 804
Available-for-sale (AFS)								
Shares			998	998			1 020	1 020
Total assets	**575**	**1 859**	**998**	**3 432**	**869**	**2 435**	**1 020**	**4 324**
Liabilities								
Financial liabilities at fair value through profit or loss – trading (FL FVTPL trading)								
Interest rate swaps without hedges						299		299
Contingent consideration liability			3 186	3 186				
Cross currency swaps (cash flow hedges)								
Combination of interest rate swaps and forward foreign exchange contracts with cash flow hedges		25 705		25 705		23 371		23 371
Total liabilities		**25 705**	**3 186**	**28 891**		**23 670**		**23 670**

Information on assets held for sale and disposal groups measured at fair value are included in note 36.

The fair value of investment funds of level 2 is determined based on market prices in the OTC market. The fair value of forward foreign exchange transactions of level 2 corresponds to the present value of the forward contracts, i.e. the difference between the contract price and forward price at the balance sheet date, discounted as of the balance sheet date. The fair value of interest rate swap transactions of level 2 is the present value of expected interest payments, which are discounted at market rates. The fair value of combined forward foreign exchange and interest rate swaps transactions of level 2 is a combination of the two aforementioned deals. The determination of the fair value of these transactions is made by the banks with which these transactions were entered into. The shares of level 3 are unquoted assets whose fair value cannot be reliably determined and are therefore stated at cost.

In 2013 and 2012, no reclassifications occurred between the levels 1 and 2.

The movement in the fair value changes of level 3 items is as follows:

in 1 000 CHF	Available-for-sale	Contingent consideration liability
Balance 01/01/2012	**1 020**	
Balance 31/12/2012	**1 020**	
Sale	–998	
Within financial income recognised realised gains	976	
Acquisition Dobroplast		2 094
Within other operating expenses recognised unrealised losses		880
Within financial expenses recognised unrealised losses		212
Balance 31/12/2013	**998**	**3 186**

In 2013, a gain of CHF 0.98 million resulted from the sale of an unquoted non-controlling interest participation which is included in financial income.

For details on the initial measurement of the contingent consideration liability see note 40. The remeasurement at year-end resulted in an increase of the contingent consideration liability by CHF 0.9 million.

44 Provisions

in 1 000 CHF	Warranty	Personnel	Restructuring	Other provisions	Total
Balance at 01/01/2012	**13 305**	**8 897**	**2 163**	**1 921**	**26 286**
Foreign exchange differences	–49	–77	–15	2	–139
Disposal of subsidiaries	–155	–425	–84	–170	–834
Additional provisions	8 060	1 724	855	908	11 547
Used during the year	–6 796	–2 674	–1 887	–692	–12 049
Unused amounts reversed	–914	–281	–258	–76	–1 529
Balance at 31/12/2012	**13 451**	**7 164**	**774**	**1 893**	**23 282**
Foreign exchange differences	78	113		–2	189
Acquisition of subsidiaries	372			31	403
Additional provisions	6 332	699	1 108	2 709	10 848
Used during the year	–7 727	–2 827	–663	–600	–11 817
Unused amounts reversed	–335	–61	–183	–981	–1 560
Reclassification to liabilities associated with assets held for sale	–737	–478	–875	–1 817	–3 907
Balance at 31/12/2013	**11 434**	**4 610**	**161**	**1 233**	**17 438**
thereof current at 31/12/2012	8 884	2 520	774	1 638	13 816
thereof current at 31/12/2013	7 760	1 921	160	1 082	10 923

The current provision is expected to be fully utilised during 2014. The non-current provision is expected to be utilised as follows:

in 1 000 CHF	Warranty	Personnel	Restructuring	Other provisions	Total
between 1 and 5 years	3 675	2 688		151	6 514
after 5 years					

Warranty
Warranty provisions are assessed for each order individually. In case of a high volume of orders, such an individual assessment might be impractical and standard rates are applied based on past experience.

Personnel
Personnel provisions comprise mainly a provision for partial retirement.

Restructuring
As of 31 December 2011, a restructuring provision in the amount of CHF 2.2 million was still included for redundancy payments in connection with the announced reorganisation of the heating and kitchen businesses on 8 October 2010. The reorganisation of the heating business was completed by early 2012. The remaining small provision has been deconsolidated by the end of 2012 due to the sale of Warendorfer Kitchens.

Other provisions
Other provisions include amongst others costs for legal claims, environmental risks and various risks that could arise in the normal course of business.

45 Deferred income taxes

Deferred tax assets and liabilities arise due to differences between the group valuation and tax valuation in the following balance sheet items:

	31/12/2013		31/12/2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
in 1000 CHF				
Assets				
Securities		8		2
Accounts receivable	208	4741	101	5209
Inventories	599	3893	436	6373
Non-current assets held for sale				288
Property, plant and equipment	1172	18720	1591	23886
Investment property	50	71	179	28
Intangible assets	1006	6371	16	6761
Capitalised pension surplus and financial assets	1035	7637	556	12629
Liabilities				
Current liabilities	1018	127	287	57
Non-current liabilities			320	
Current and non-current provisions	500	2080	374	2291
Employee benefit obligations	4367		16089	
Deferred taxes from timing differences	**9955**	**43648**	**19949**	**57524**
Deferred tax assets derived from tax loss carryforwards	9588		43070	
Valuation allowance	–4662		–23708	
Net deferred taxes from timing differences	**14881**	**43648**	**39311**	**57524**
Offset of deferred tax assets and liabilities	–9183	–9183	–27999	–27999
Total deferred taxes	**5698**	**34465**	**11312**	**29525**

From current and non-current liabilities, CHF 0.1 million (2012: CHF 0.1 million) of deferred taxes were directly recorded in comprehensive income. From the capitalised pension surplus and employee benefit obligations, CHF 9.4 million (2012: CHF 3.7 million) of deferred taxes for the continuing operations were recorded in comprehensive income. All other changes of assets and liabilities were recorded through the income statement.

Deferred income tax assets are recognised as tax loss carryforwards and temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

There are temporary differences in the amount of CHF 145.3 million (2012: CHF 55.5 million) in conjunction with investments in subsidiaries for which AFG has not recorded deferred tax liabilities based on the exemption provisions of IAS 12.

Activity in the deferred income tax account on a net basis is as follows:

in 1 000 CHF	2013	2012 restated
Balance at 01/01	**18 213**	**33 551**
Acquisition/disposal of subsidiaries	– 2 052	1 899
Changes to other comprehensive income for continuing operations	7 619	– 3 646
Changes to other comprehensive income for discontinued operations	5 645	– 2 642
Changes to the income statement for continuing operations	– 2 630	– 801
Changes to the income statement for discontinued operations	431	– 10 130
Reclassification to assets held for sale	3 512	
Reclassification to liabilities associated with assets held for sale	– 1 891	
Foreign exchange differences	– 80	– 18
Balance at 31/12	**28 767**	**18 213**

Unrecognised tax loss carryforwards

in 1 000 CHF	31/12/2013	31/12/2012
Tax loss carryforwards	**84 841**	**300 469**
thereof recognised as deferred taxes	– 59 170	– 170 672
Unrecognised tax loss carryforwards	**25 671**	**129 797**
Portion expiring:		
within 1 year	6 026	154
between 1 and 5 years	6 974	42 102
after 5 years	12 671	87 541
Total	**25 671**	**129 797**
Tax effect on unrecognised tax loss carryforwards	**4 662**	**23 708**
thereof pertaining to tax rates between 15% and 20%	4 528	18 471
thereof pertaining to tax rates between 21% and 25%	134	1 859
thereof pertaining to tax rates between 26% and 30%		3 378

46 Employee benefit obligations

Pension plans in Switzerland

The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), aiming to safeguard the employees against the risks of old age, death and disability. There are semi-autonomous pension plans, that is, the foundations fully bear the risk of age itself. The risks of disability and death are reinsured entirely (congruent reinsurance) or partially (stop-loss insurance) with Swiss insurance companies. One company participates in a multi-employer plan. The plans give plan participants a choice regarding the annual amount of contribution payments. The employees' contributions are determined as a percentage of the insured salary and are deducted monthly. The retirement pension is calculated by multiplying the retirement capital at the retirement age with the then applicable regulatory conversion rate. Plan participants can also draw all or part of the retirement pension as a lump sum. Death and disability benefits are set as a percentage of the insured salary.

The Board of Trustees are by law the supreme governing body of the foundation. The duties of the trustees are set out in the BVG and the regulations of the foundations. The Board of Trustees exercises the overall direction and has overall responsibility. It is composed in accordance with the legal provisions of an equal number of employer and employee representatives, provided the foundation offers BVG-related pension plans.

The actuarial risks of old age, death and disability as well as the investment risks are primarily borne by the foundations. If certain duties are transferred to third parties, they assume the associated risks (insurance companies, external administrator etc.).

An unfavorable development of the semi-autonomous and autonomous foundations can lead to an underfunding of the affected foundation as stipulated by the BVG. The BVG allows a temporary underfunding but the Board of Trustees has to take the necessary remedial measures to remedy the underfunding within a maximum of ten years. Additional employer and employee contributions could be incurred in case the Swiss pension plan has a significant underfunding as per BVG. In such cases, the risk is borne by employers and employees alike and the employer is legally not obliged to accept more than 50% of the additional contributions. In multi-employer plans however, no underfunding as per BVG can occur.

The investment strategy of the Swiss pension plans follows BVG, including the rules and regulations for the diversification of plan assets. The security assessment of the investments takes place in the semi-autonomous foundations in evaluating total assets and liabilities as well as the structure and the expected development of the insured population.

During 2013, the obligation to provide pension benefits was partially transferred to other foundations (settlement) as a result of the sale of certain businesses and complying with the regulations, a partial liquidation will be carried out.

Pension plans in Germany

The occupational pension provision in Germany is subject to the pension law. The method of the direct commitment was elected for the German pension plans. To fund these pension plans for future benefit payments, pension provisions are recorded in accordance with the relevant regulations. The employer has made commitments to the employees under certain benefit arrangements. The pension plans are defined benefit plans and provide current and former employees benefits in the event of reaching the retirement age, in case of disability, or death. The respective benefits become due at maturity and are paid directly by the company to the beneficiaries.

The following amounts are included in the consolidated financial statements:

in 1 000 CHF	**31/12/2013**	31/12/2012 restated
Present value of funded obligations	289 929	505 791
Fair value of plan assets	306 832	451 777
Over-/underfunding	**– 16 903**	**54 014**
Present value of unfunded obligations	35 829	35 415
Adjustment to asset ceiling	4 038	4 507
Liability (net) recognised in the balance sheet	**22 963**	**93 936**
thereof recorded as employee benefit obligations	37 866	102 171
thereof recorded as capitalised pension surplus	– 14 903	– 8 235

The movement in the defined benefit obligation over the year is as follows:

in 1 000 CHF	**2013**	2012 restated
Balance at 01/01	**541 205**	**513 777**
Disposal of subsidiaries		– 20 621
Interest cost	10 817	13 421
Current service cost	16 423	16 646
Past service cost		765
Contributions by plan participants	10 111	10 823
Benefits paid	– 36 928	– 31 829
Actuarial gains arising from changes in demographic assumptions	– 33 521	– 3 928
Actuarial gains/losses arising from changes in financial assumptions	– 28 215	42 213
Actuarial gains arising from experience adjustments	– 165	
Settlements/partial liquidation due to disposal of businesses	– 40 624	
Administration cost	253	233
Reclassification to liabilities associated with assets held for sale	– 114 147	
Foreign exchange differences	548	– 295
Balance at 31/12	**325 757**	**541 205**
thereof for active members	210 551	380 311
thereof for deferred members	1 508	1 851
thereof for pensioners	113 698	159 043

The movement in the fair value of plan assets over the year is as follows:

in 1 000 CHF	**2013**	2012 restated
Balance at 01/01	**451 777**	**441 175**
Interest income	8 454	10 510
Return on plan assets excl. interest income	11 675	6 589
Contributions by the employer	13 164	14 509
Contributions by plan participants	10 111	10 823
Benefits paid	–36 928	–31 829
Settlements/partial liquidation due to disposal of businesses	–36 777	
Reclassification to assets held for sale	–114 644	
Balance at 31/12	**306 832**	**451 777**

The movement of the effect of the asset ceiling is as follows:

in 1 000 CHF	**2013**	2012
Balance at 01/01	**4 507**	**6 488**
Interest cost	85	106
Change in effect of asset ceiling excl. interest cost	1 529	–2 087
Reclassification to assets held for sale	–2 083	
Balance at 31/12	**4 038**	**4 507**

The remeasurements of employee benefit obligations in other comprehensive income are as follows:

in 1 000 CHF	**2013**	2012
Actuarial gains/losses	–61 901	38 285
Return on plan assets excl. interest income	–11 675	–6 589
Change in effect of asset ceiling excl. interest cost	1 529	–2 087
Remeasurements of employee benefit obligations	**–72 047**	**29 609**

The amounts recognised in the income statement are as follows:

in 1 000 CHF	**2013**	2012 restated
Current service cost	16 423	16 646
Past service cost		765
Net interest result	2 363	2 911
Interest cost on effect of asset ceiling	86	106
Administration cost	253	233
Settlements / partial liquidation due to disposal of businesses	– 3 847	
Net charges for defined benefit plans	**15 278**	**20 661**
thereof recorded under personnel expenses from continuing operations	15 134	16 363
thereof recorded under financial expenses from continuing operations	2 005	1 894
thereof recorded under Group result from discontinued operations after taxes	– 1 861	2 404

The principal actuarial assumptions used were as follows:

in %	**2013**	2012
Weighted average		
Discount rate at 31/12	2.3	2.1
Future salary increases	1.1	1.1
Future pension increases	0.1	0.4
Mortality tables – Switzerland	BVG 2010 GT	BVG 2010 GT
Mortality tables – Germany	HB 2005 GT	HB 2005 GT

The sensitivities of employee benefit obligations due to changes of principal assumptions for all operations are as follows:

in 1 000 CHF	Change in assumption	**2013**
Discount rate	– 0.25%	15 947
	+ 0.25%	– 14 941
Salary increases	– 0.25%	– 2 572
	+ 0.25%	2 641
Life expectancy	+ 1 year	8 630
	– 1 year	– 8 871
Service cost 2014 with discount rate	+ 0.25%	– 877

The weighted average duration of employee benefit obligations is 14.2 years.

The sensitivity analysis above is based on a change in an assumption while all other assumptions remain unchanged. In reality, this is unlikely to happen, because certain assumptions correlate. In the calculation of sensitivities of pension benefit obligations with the principal actuarial assumptions, the same method was applied (present value of the defined benefit obligation is calculated using the projected unit credit method at year-end) as for the calculation of the pension liability in these consolidated financial statements.

Plan assets at fair value consist of:

	31/12/2013			31/12/2012		
	quoted	unquoted	Total	quoted	unquoted	Total
in 1 000 CHF						
Cash and cash equivalents	18 188	2 892	21 080		43 327	43 327
Equity instruments	46 256		46 256	82 543		82 543
Debt instruments	61 172		61 172	117 276		117 276
Real estate	6 820	83 308	90 128	107 926		107 926
Asset-backed securities	1 381		1 381			
Investment funds		46 308	46 308			
Others	12 557	27 950	40 507	8 081	92 624	100 705
Total plan assets	**146 374**	**160 458**	**306 832**	**315 826**	**135 951**	**451 777**

Plan assets invested in Swiss multi-employer plans are allocated to the category "Others".

The expected maturity profile of benefit payments for unfunded plans is as follows:

	up to 1 year	between 1 and 2 years	between 2 and 5 years	next 5 years
in 1 000 CHF				
Benefit payments	1 154	1 224	4 031	8 104

Expected contributions to pension plans for the year ending 31 December 2014 for the continuing operations amount to CHF 15.2 million (2013: CHF 24.6 million for all operations), of which CHF 8.8 million (2013: CHF 13.8 million for all operations) are attributable to the employer.

47 Share capital

The capital structure is as follows:

			31/12/2013			31/12/2012
Category	Outstanding shares	Par value in CHF	Share capital in CHF	Outstanding shares	Par value in CHF	Share capital in CHF
Registered shares	18 225 603	4.20	76 547 533	18 225 603	4.20	76 547 533

On 20 April 2012 the Annual General Meeting approved the extension for two more years for the authorisation of a capital increase which was approved on 16 April 2010. The decision taken by the Annual General Meeting from 16 April 2010 read as follows:

To authorise the Board of Directors to create additional share capital by a maximum amount of CHF 15 309 504 through the issue of maximal 3 645 120 fully paid registered shares with a nominal value of CHF 4.20 each until 16 April 2012 (authorised capital).

Earnings per share

	2013	2012
Group earnings from continuing operations (in 1 000 CHF)	33 447	– 375
Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF)	– 83 387	– 71 431
Group earnings for the year (in 1 000 CHF)	– 49 940	– 71 806
Outstanding shares (average)	18 225 603	18 225 603
Less treasury shares (average)	– 491 478	– 546 202
Average number of shares outstanding for the calculation	17 734 126	17 679 401

There were no dilutive effects impacting the calculation.

48 Treasury shares

				2013				2012
	Trans-action	Ø market value	Number of shares	Amount	Trans-action	Ø market value	Number of shares	Amount
		in CHF		in 1 000 CHF		in CHF		in 1 000 CHF
Balance at 01/01		**43**	**511 466**	**22 014**		**43**	**570 933**	**24 574**
Transfer for share-based payments	3	43	– 43 989	– 1 892	2	43	– 59 467	– 2 560
Purchase	1	26	1 000	26				
Balance at 31/12		**43**	**468 477**	**20 148**		**43**	**511 466**	**22 014**

Due to one purchase and the share-based payments, the balance of treasury shares has been reduced on a net basis by 42 989 since 31 December 2012.

49 Other comprehensive income and other reserves

Other comprehensive income after taxes for 2013 and 2012 is as follows:

			31/12/2013			31/12/2012
	Other reserves	Retained earnings	Total other comprehen-sive income	Other reserves	Retained earnings	Total other comprehen-sive income
in 1 000 CHF						
Remeasurements of employee benefit obligations		72 047	72 047		– 29 609	– 29 609
Deferred tax effect		– 13 189	– 13 189		6 367	6 367
Total items that will not be reclassified to income statement		**58 858**	**58 858**		**– 23 242**	**– 23 242**
Fair value adjustments on cash flow hedges	957		957	1 013		1 013
Deferred tax effect on cash flow hedges	– 75		– 75	– 79		– 79
Currency translation differences	– 3 961		– 3 961	– 1 679		– 1 679
Cumulative currency translation differences transferred to the income statement	692		692	13 751		13 751
Total items that may be subsequently reclassified to income statement	**– 2 387**		**– 2 387**	**13 006**		**13 006**
Other comprehensive income after taxes	**– 2 387**	**58 858**	**56 471**	**13 006**	**– 23 242**	**– 10 236**

Other reserves

	Foreign exchange and hedging reserves	Currency translation	Total
in 1 000 CHF			
Balance at 31/12/2011	**– 5 005**	**– 60 100**	**– 65 105**
Restatement IAS 19 revised		8	8
Balance at 01/01/2012	**– 5 005**	**– 60 092**	**– 65 097**
Foreign exchange differences of US PP	2 696		2 696
Changes in fair value of CCS	– 1 406		– 1 406
Transactions recorded in income statement	– 277		– 277
Deferred taxes	– 79		– 79
Currency translation differences		12 072	12 072
Balance at 31/12/2012	**– 4 071**	**– 48 020**	**– 52 091**
Foreign exchange differences of US PP	2 744		2 744
Changes in fair value of CCS	– 2 314		– 2 314
Transactions recorded in income statement	527		527
Deferred taxes	– 75		– 75
Currency translation differences		– 3 269	– 3 269
Balance at 31/12/2013	**– 3 189**	**– 51 289**	**– 54 478**

The interest and currency risk of the US private placement totalling USD 112 million was hedged by way of cross currency swaps (CCS). These cross currency swaps are identical with the underlying transactions in terms of amount, currency, interest payment date and duration. They are considered to be highly effective in offsetting changes in cash flows of the underlying hedged transactions and consequently AFG is applying hedge accounting. The inception date of the underlying transactions and the cross currency swaps was 2 December 2004 and the maturity date will be on 30 November 2014.

50 Financial results

	2013	2012
in 1 000 CHF		
Financial income		
Bank and other interests	993	1 031
Total interest income	**993**	**1 031**
Impact of exchange rate fluctuations	1 451	327
Income from securities designated at fair value through profit or loss	402	194
Held for trading derivative financial instruments	299	1 454
Income from securities available-for-sale	976	
Foreign currency exchange gain from liquidation of subsidiaries		395
Other financial income	2	6
Total other financial income	**3 130**	**2 376**
Total financial income	**4 123**	**3 407**
Financial expenses		
Bank and other interests	1 737	1 892
Interests on finance leases	225	176
Interests on non-current financial debts	14 732	15 395
Interests on net employee benefit obligations	2 005	1 894
Amortisation charges on bond, US PP and syndicated loan	794	796
Compounding of liabilities	405	
Total interest expenses	**19 898**	**20 153**
Expenses from securities designated at fair value through profit or loss	8	108
Held for trading derivative financial instruments	631	253
Foreign currency exchange loss from disposal of subsidiaries		15 431
Bank charges and other financial expenses	3 024	1 374
Total other financial expenses	**3 663**	**17 166**
Total financial expenses	**23 561**	**37 319**
Total net financial results	**– 19 438**	**– 33 912**

51 Income taxes

in 1 000 CHF	**2013**	2012
Current income taxes	11 213	10 501
Changes in deferred income taxes	– 2 630	– 801
Total	**8 583**	**9 700**

The tax on Group earnings before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings before tax of the consolidated companies as follows:

in 1 000 CHF	**2013**	2012
Earnings before income tax	**42 030**	**9 325**
Weighted average tax rate in %	22.4	123.2
Expected tax charge	**9 400**	**11 487**
Income tax reconciliation		
Effect of utilisation of previously unrecognised tax losses	– 190	– 8 298
Effect of not capitalised losses for the year	447	921
Effect of non-tax-deductible expenses and non-taxable income	1 077	4 704
Effect of income and expenses taxed at special rates	– 139	– 93
Effect of tax charges related to prior years	– 2 061	45
Effect of tax rate changes	32	208
Change in unrecognised deferred tax assets	– 194	1 203
Other items	211	– 477
Effective tax charge	**8 583**	**9 700**
Effective tax rate in %	20.4	n/a

The Group's applicable tax rate represents the weighted average of the statutory corporate tax rates, prevailing in the tax jurisdictions in which the Group companies operate.

The expected weighted average tax rate decreased significantly compared to previous year and now reflects AFGs expected medium-term weighted average tax rate. This decrease results mainly from the fact that in the previous year substantial currency translation losses occurred as a result of the sale of British Aqualux. Apart from Slovakia, where the local tax rate increased in 2013 from 19% to 23%, there were no other significant changes in local tax rates from the previous year.

52 Financial risk management

Risk management principles

AFG has a centralised risk management system. The risk management process is carried out as stated in the internal guidelines. Any potential and material risks have been identified and quantified according to the likelihood and impact. Overall, no potential risks have been identified in the business year, which could lead to material adjustments of net assets, the financial position and results of operations of the consolidated financial statements of AFG.

Due to its international business activities, the Group is subject to various financial risks, such as credit, liquidity and other market risks. The principal goal of risk management activities is to minimise financial risks to the continued existence (liquidity and default risks) and profitability (currency, interest rate fluctuation, price risks) while ensuring adequate solvency at any time. Risk minimisation does not mean to completely eliminate but rather to control financial risks in an economically useful manner within an identified framework. Depending on their assessment, the Group uses derivative and non-derivative financial instruments to hedge certain risks. To minimise financial default risks, derivative financial instruments are only entered into with banks which are specifically defined in the treasury policy.

There are financial management guidelines and principles within the Group that regulate the handling of currency, interest rate fluctuation and credit risks, the use of derivative and non-derivative financial instruments as well as the management of liquid funds not required for operations. The risk management guidelines adopted by the Board of Directors are implemented centrally by group treasury but in close cooperation with Group companies.

The Group’s financial resources are not used for speculation purposes.

Credit default risk

Credit risks arise from the possibility that the counterparty of a transaction might not be able or willing to meet its obligations.

The credit risk, on the one hand, relates to trade accounts receivable but also to cash and cash equivalents, fixed-term deposits and derivative financial instruments having a positive fair value.

The credit or default risk in relation to receivables is controlled by the individual subsidiaries on a decentralised basis and limited through the assignment of credit limits on the basis of systematic and regular credit ratings. Corresponding guidelines are in place within the Group aiming at an ongoing control and value adjustment of open positions. Due to the broad diversification of the customer portfolio into various business segments and geographic regions but also the possibility to create construction tradesman’s liens or the use of credit insurance, the credit risk is limited. The 10 largest debtors of AFG as of the balance sheet date accounted for a share of 16.4% (2012: 25.1%) of existing trade receivables. The 10 largest customers generated 22.1% (2012: 25.0%) of the Group’s net revenues in the year under review.

To minimise financial default risks, cash and cash equivalents, fixed-term deposits and derivative financial instruments are only deposited or entered into with banks which are specifically defined in the treasury policy. The three largest banks accounted for 60%/14%/11% of total liquid funds as of the balance sheet date (2012: 53%/27%/11%).

The maximum credit risk corresponds to the book values or fair values reported in note 43 for the financial asset categories “Financial instruments held for trading purposes” and “Loans and receivables”. These include derivative financial instruments having a positive fair value.

Liquidity risk

The liquidity risk arises from the fact that the Group might not be in a position to obtain the funds required to meet the obligations assumed in connection with financial instruments on the relevant due dates.

The cash, investments, financing and redemptions are managed and controlled on an ongoing basis by group treasury. The standard policy involves financial structures with matching maturities and currencies for each individual subsidiary. Scheduled cash requirements for the planning horizon must be secured under facility agreements or internal funding within the Group and/or via banks. By means of rolling monthly cash flow forecasts over a planning horizon of 12 months, the future cash development is forecasted in order to take measures in due time in the event of an excess coverage or shortfall. AFG monitors its liquidity risk with the aid of a consolidated liquidity plan, taking into account additional funding sources, e.g. undrawn credit limits. As individual divisions of AFG are subject to seasonal fluctuations, cash decreases early in the year but normally rises again in the second half of the year.

The available liquidity as of the balance sheet date is shown below:

	31/12/2013	31/12/2012
in 1000 CHF		
Cash and cash equivalents and securities	184 997	263 998
+ undrawn credit facilities	276 242	251 502
Total available liquidity	**461 239**	**515 500**

The US private placement and the syndicated loan include covenants. If such covenants are not complied with, the note holders and banks respectively may demand immediate redemption of their share. In 2013 and 2012, AFG complied with all covenants. Due to restrictions on the leverage ratio, undrawn credit facilities cannot be fully utilised.

The contractually agreed maturities of financial liabilities within the meaning of IFRS 7 are set forth in note 42.

Market risk

(a) Currency risk

Due to the Group's international focus, there are currency risks based on exchange rate fluctuations of various currencies. In the case of AFG, these mainly relate to the EUR, PLN and CZK.

A currency risk arises from transactions settled in foreign currencies and paid in the Group company's functional currency. The standard policy is that subsidiaries must hedge 100% of the relevant net risk position for the risk horizon period through hedging transactions via group treasury. AFG's risk position equals the sum of the subsidiaries' net risk positions and is hedged by the group treasury with external counterparties using currency forward contracts of the relevant foreign currency. The hedging ratio depends on the maturity and currency risk exposure and is determined on a case by case basis.

Translation differences also arise from the consolidation in CHF of the financial statements of foreign subsidiaries prepared in foreign currencies. Translation affects the amount of earnings and comprehensive income. The major risk to the Group in connection with translation differences relates to the EUR. The effects of such exchange rate fluctuations on significant net investments in this currency are partially hedged by raising loans in the same currency.

For the description of market risks, IFRS 7 requires sensitivity analyses showing the effects of realistic currency fluctuations on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged. Currency fluctuations relating to financial instruments (cross currency swaps) designated as cash flow hedges to secure future cash flows for the US private placement have an immediate effect on the income statement as the underlying transaction is also reported in the income statement in the same period.

A 5% increase (decrease) of the EUR against the CHF (2012: 5%), a 5% increase (decrease) of the CZK against the CHF (2012: 5%) or a 5% increase (decrease) of the PLN against the CHF would have the following effects on AFG's Group earnings as of the balance sheet date:

	31/12/2013			31/12/2012	
	EUR/CHF	CZK/CHF	PLN/CHF	EUR/CHF	CZK/CHF
in 1000 CHF					
Reasonably possible change	5.0%	5.0%	5.0%	5.0%	5.0%
Impact of an increase on group earnings	1584	366	1100	1414	519
Impact of a decrease on group earnings	–1584	–366	–1100	–1414	–519

(b) Interest rate risk

Interest rate risks arise from interest rate fluctuations which may have a negative effect on the Group's asset and earnings position. Interest rate fluctuations result in changes in interest income and expenses relating to interest-bearing assets and liabilities. In addition, they may also affect the fair value of certain financial assets, liabilities and financial instruments, as set forth below under "Market risks".

Group companies are exclusively funded via group treasury on terms in line with the market and on a decentralised basis only in exceptional cases and upon prior approval. Excess cash is also invested via group treasury. The standard policy for the Group as well as for subsidiaries is that interest-bearing financial transactions in terms of capital commitment and fixed interest rates must always meet the underlying requirements. Derivative financial instruments, such as interest rate swaps or interest rate options, are used on a case-by-case basis and only upon consultation with or according to the instruction of group treasury.

For the description of interest fluctuation risks, IFRS 7 requires sensitivity analyses showing the effects of realistic fluctuations in market interest rates on Group earnings and shareholders' equity. These effects are calculated on the basis of financial instruments existing as of the balance sheet date. In this context, it is assumed that all other variables remain unchanged and that the balance of financial instruments as of the balance sheet date is representative of the entire year. Fixed-rate financial instruments valued at amortised cost are not subject to interest rate fluctuation risks within the meaning of IFRS 7. However, market interest rate fluctuations of financial instruments (cross currency swaps) designated as cash flow hedges to secure future cash flows for the US private placement affect shareholders' equity.

An increase (decrease) in the market interest level as of the balance sheet date by 50 basis points for CHF (2012: 50 basis points), by 50 basis points for EUR interest rates (2012: 50 basis points) or by 50 basis points for USD interest rates (2012: 50 basis points) would have the effects set forth below on Group earnings and the shareholders' equity of AFG:

	31/12/2013			31/12/2012		
	CHF interest rate	EUR interest rate	USD interest rate	CHF interest rate	EUR interest rate	USD interest rate
in 1 000 CHF						
Reasonably possible change in basis points	50	50	50	50	50	50
Variable interest-bearing financial instruments						
Impact of an increase on group earnings	595	154		915	162	
Impact of a decrease on group earnings	–595	–154		–915	–162	
Interest rate swaps						
Impact of an increase on group earnings				–35		
Impact of a decrease on group earnings				35		
Cross currency swaps						
Impact of an increase on shareholders' equity	415	164	–395	834	323	–839
Impact of a decrease on shareholders' equity	–415	–164	395	–834	–323	839

(c) Other market risks

Fair value risk

Changes in fair values of financial assets, liabilities or financial instruments may affect the Group's asset and earnings position.

For the description of market risks, IFRS 7 requires sensitivity analyses showing the effects of a reasonable potential change in risk variables, such as market prices, indices, etc., on prices of financial instruments, on the Group's earnings and shareholders' equity.

As of the balance sheet date, AFG reported no significant equity instruments under investments or securities classified as available-for-sale.

Equity management

The objective of AFG is a strong equity base to secure the Group's future development. In the medium term a sustainable equity ratio of 50% is the goal. The shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG as reported in the consolidated balance sheet is deemed AFG's relevant equity and corresponds to an equity ratio of 36.1% as of the balance sheet date (2012: 32.1% after the restatement of IAS 19). The increase compared to the previous year is due in part to the decline in total assets. On the other hand, it was impacted by the remeasurement gains of pension benefit obligations, which were recognised in other comprehensive income.

On 20 April 2012, the Annual General Meeting of AFG Arbonia-Forster-Holding AG approved and thereby extended the decision to an authorised capital increase of 16 April 2010 for two more years (see note 47).

The US private placement and the syndicated loan include covenants. One of these covenants prescribes a minimum net worth, which is increased on a yearly basis by a pre-defined percentage of Group profit. In the event of non-compliance, the note holders and banks respectively may at any time at their option, declare the amounts then outstanding to be immediately due and payable.

AFG is not governed by any regulatory authorities with respect to minimum capital requirements.

53 Hedge Accounting and Derivative financial instruments

Hedge accounting – cash flow hedges

The interest and currency risk of the US private placement totalling USD 112 million was hedged on 2 December 2004 by way of cross currency swaps and designated as cash flow hedges.

The following table shows the contractual maturities of payments (interest payments and repayments), i.e. when the underlying transactions affect the income statement:

31/12/2013	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years
in 1 000 CHF				
US private placement				
Cash outflow	131 753	2 746	129 007	
Cash inflow	– 105 560	– 2 912	– 102 648	

31/12/2012	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years
in 1 000 CHF				
US private placement				
Cash outflow	136 659	2 732	2 732	131 195
Cash inflow	– 114 449	– 2 992	– 2 992	– 108 465

Derivative financial instruments

The following table shows the fair values of the various derivative financial instruments recognised in the balance sheet as of the balance sheet date:

	31/12/2013	31/12/2012
in 1 000 CHF		
Assets		
Forward foreign exchange contracts without hedges		632
Liabilities		
Interest rate swaps without hedges		299
Combination of interest rate swaps and forward foreign exchange contracts with cash flow hedges	25 705	23 371

The combined instruments of interest rate / forward foreign exchange contracts (cross currency swaps) are identical with the underlying US private placement transactions in terms of amount, currency, interest payment date and duration. They are considered to be highly effective in offsetting changes in cash flows of the underlying hedged transactions. Consequently hedge accounting has been applied and the fair value of these derivatives are recognised in comprehensive income (see note 49). Subsequent changes impacting the income statement are reported in the financial result under impact of exchange rate fluctuations.

In 2012, interest rate swaps (forward collar) were entered into for the partial protection against the interest rate risk, i.e. the interest rate protection with a floor and cap. Subsequent changes are reported in the financial result under held for trading derivative financial instruments.

At the 2012 year-end, forward foreign exchange contracts were entered into to minimise the exposure to foreign currency fluctuations and were designated for future anticipated cash flows. As of the balance sheet date, no currencies were hedged. At the 2012 year-end, PLN against CHF was hedged. Subsequent changes are reported in the financial result under held for trading derivative financial instruments.

54 Share-based payment plan

For Group Management and certain other employees a share-based payment plan exists. As part of this plan, Group Management members receive one third and the other employees one fourth of their bonus in shares. This equity-settled variable remuneration is measured at fair value and recognised as an increase in equity. The determination of the number of shares is based on the volume weighted average share price of 20 trading days, less a 20% discount for the restriction period. These shares granted have a restriction period of four years. A share-based payment plan also exists for members of the Board of Directors. Under this plan, members received through 2012 their fixed compensation in form of shares. In 2013, the plan was amended so that the members are required to obtain a minimum 50% of their compensation in shares. This plan has the same features as the one for Group Management.

In 2013, Group Management and certain other employees received for their work in the year 2012 a total of 21 638 (2012: 33 900 shares) allotted shares at a fair value of CHF 0.6 million (2012: CHF 0.7 million) (2013: CHF 26.25 per share; 2012: CHF 20.31 per share). The members of the Board of Directors received in 2013 for their 2013 work a total of 18 344 shares (2012: 29 574 shares) at a fair value of CHF 0.6 million (2012: CHF 0.6 million) (2013: CHF 30.88 per share; 2012: CHF 18.93 per share). In 2012, 25 567 shares were allotted and the remaining 4 007 shares were allotted in March 2013. Personnel expenses in 2013 for share-based payments totalled CHF 1.1 million (2012: CHF 1.2 million).

55 Related party transactions

Members of the Board of Directors and Group Management were compensated as follows:

in 1 000 CHF	**2013**	2012
Salaries and other short-term employee benefits	3 182	3 330
Share-based payments	821	927
Termination benefits		354
Pension contributions	477	595
Total	**4 480**	**5 206**

The detailed disclosures regarding executive remuneration required by Swiss law are included in the financial statements of AFG Arbonia-Forster-Holding AG on pages 182 to 184.

The following transactions were carried out with related parties and the following balances were outstanding as of the balance sheet date respectively:

in 1 000 CHF	Sale of services 2013	Purchase of services 2013	Sale of goods 2013	Purchase of goods 2013	Balance on receivables 31/12/2013	Balance on liabilities 31/12/2013
Key management personnel		442	8			673
Other related parties		614	175	177	19	36
Total		**1 056**	**183**	**177**	**19**	**709**

in 1 000 CHF	Sale of services 2012	Purchase of services 2012	Sale of goods 2012	Purchase of goods 2012	Balance on receivables 31/12/2012	Balance on liabilities 31/12/2012
Key management personnel		124	105		14	606
Other related parties		601	113	48		54
Associates	5	28	1 387		11	
Total	**5**	**753**	**1 605**	**48**	**25**	**660**

Dr. Edgar Oehler (member of the Board of Directors) received in 2013 for the mandate of the interim management of STI Precision Machining Co. Ltd. in CN-Changshu and the mandate for the settlement of the final account for building work with the general contractor of the new factory in CN-Changshu a compensation of TCHF 430. In 2012, he received a compensation of TCHF 124 for the settlement of the final account for building work with the general contractor of the new factory in CN-Changshu. These compensations are included in purchased services. The law firm Bratschi Wiederkehr & Buob, of which Christian Stambach (member of the Board of Directors) a partner is, charged in 2013 for legal advice and representation TCHF 551 (2012: TCHF 357) to AFG and its Group companies. These expenses are included in the purchased services and were at arm’s length. Another TCHF 58 (2012: TCHF 112) of this position relate to salaries of the children of Dr. Edgar Oehler, who are or were employed by Group companies. There were no guarantees granted as of the balance sheet date. Furthermore no provisions were required for receivables.

As of 1 January 2013, AFG acquired the remaining 59.2% of shares of the associated company Piatti Küchenforum AG, CH-Luzern (see note 40). Up until that date, the company, with a voting interest of 40.8%, was classified as an associate. The financial data of this company for the previous year were as follows:

in 1 000 CHF	2012
Assets	800
Liabilities	66
Net revenues	3 931
Result for the year	– 4

Since final numbers were not available as of the date of preparation of the consolidated financial statements, financial data of the previous year was taken into consideration in the relevant reporting period.

56 Contingencies

There were no contingencies.

57 Events after the balance sheet date

As of 1 January 2014, AFG acquired 100% of the shares of PZP Heating a.s., CZ-Dobre. PZP is an established manufacturer of heat pumps in the Czech Republic. The company generated 2013 revenues of about CHF 3 million. According to provisionally prepared local accounts, net assets amount to approximately CHF 0.6 million. They primarily consist on the asset side of inventories and accounts receivable and on the liability side of accounts payable and other liabilities. The purchase price amounted to approximately CHF 1.8 million.

On 17 January 2014, a contract for the sale of AFG Küchen AG was signed between AFG and the German kitchen manufacturer Alno. AFG Küchen AG encompasses all kitchen activities of Forster Steel Kitchens and Piatti Kitchens. The closing of this transaction is expected in the first quarter of 2014 (see note 36).

On 20 February 2014, AFG has publicly announced the intent to initiate the sale process of the Division Surface Technology in order to find a suitable new owner for this division (see note 36).

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2013 consolidated financial statements.

58 Impact of the application of IAS 19 revised “Employee benefits”

The application of IAS 19 revised had the following impact on the respective items in the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity and on earnings per share of the previous year:

Income Statement 2012	published		restated
in 1 000 CHF			
Continuing operations			
Personnel expenses	–320 122	215	–319 907
EBITDA	**90 904**	**215**	**91 119**
EBIT	**43 022**	**215**	**43 237**
Net financial result	–32 018	–1 894	–33 912
Group result before income tax	**11 004**	**–1 679**	**9 325**
Income tax expense	–10 010	310	–9 700
Group result from continuing operations	**994**	**–1 369**	**–375**
Group result from discontinued operations after taxes	**–75 486**	**4 072**	**–71 414**
Group result	**–74 492**	**2 703**	**–71 789**
Attributable to:			
Shareholders of AFG Arbonia-Forster-Holding AG	–74 509	2 703	–71 806
Non-controlling interests	17		17
Earnings per share from continuing operations in CHF	0.06	–0.08	–0.02
Earnings per share from discontinued operations in CHF	–4.27	0.23	–4.04
Earnings per share in CHF	–4.21	0.15	–4.06

Statement of Comprehensive Income 2012	published		restated
in 1 000 CHF			
Group result	**–74 492**	**2 703**	**–71 789**
Other comprehensive income			
Remeasurements of employee benefit obligations		–29 609	–29 609
Impact of deferred taxes		6 367	6 367
Total comprehensive income	**–61 468**	**–20 557**	**–82 025**
Attributable to:			
Shareholders of AFG Arbonia-Forster-Holding AG	–61 485	–20 557	–82 042
Non-controlling interests	17		17

Balance Sheet as of 01/01/2012	published		restated
in 1 000 CHF			
Deferred income tax assets	8 313	352	8 665
Capitalised pension surplus	32 302	3 715	36 017
Deferred income tax liabilities	54 322	– 12 106	42 216
Employee benefit obligations	44 580	70 234	114 814
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG	**494 764**	**– 54 060**	**440 704**
Non-controlling interests	**763**		**763**
Total shareholders' equity	**495 527**	**– 54 060**	**441 467**

Balance Sheet as of 31/12/2012	published		restated
in 1 000 CHF			
Deferred income tax assets	8 308	3 004	11 312
Capitalised pension surplus	30 445	– 22 210	8 235
Deferred income tax liabilities	43 882	– 14 357	29 525
Employee benefit obligations	32 393	69 778	102 171
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG	**435 050**	**– 74 626**	**360 424**
Non-controlling interests	**774**		**774**
Total shareholders' equity	**435 824**	**– 74 626**	**361 198**

Statement of Cash Flows 2012	published		restated
in 1 000 CHF			
Group result	**– 74 492**	**2 703**	**– 71 789**
Changes in non-cash transactions	9 931	– 2 703	7 228
Cash flows from operating activities – net	**55 403**		**55 403**

Statement of Changes in Equity as of 31/12/2012	published		restated
in 1 000 CHF			
Attributable to equity holders of AFG Arbonia-Forster-Holding AG			
Balance at 01/01/2012	**494 764**	**– 54 060**	**440 704**
Group result	– 74 509	2 703	– 71 806
Other comprehensive income after taxes	13 024	– 23 260	– 10 236
Total comprehensive income	**– 61 485**	**– 20 557**	**– 82 042**
Balance at 31/12/2012	**435 050**	**– 74 626**	**360 424**

59 Material subsidiaries

Company	Head Office	Share Capital in million	Interest in Capital	Heaters/Radiators	Shower Stalls	Windows and Doors	Kitchens	Steel Technology	Surface Technology	Services/Finance
Heating and Sanitary										
Arbonia AG	Arbon, CH	4.000 CHF	100%	▲	▲					
Heizkörper Prolux AG	Arbon, CH	1.000 CHF	100%	■						
Kermi s.r.o.	Stribro, CZ	195.000 CZK	100%	▲	▲					
AFG Arbonia-Forster-Riesa GmbH	Riesa, DE	0.614 EUR	100%	■						
Kermi GmbH	Plattling, DE	15.339 EUR	100%	▲	▲					
Arbonia France Sàrl	Hagenbach, FR	0.600 EUR	100%	■						
Kermi (UK) Ltd.	Corby, GB	0.150 GBP	100%	■	■					
Kermi Sp.z o.o.	Wroclaw, PL	0.900 PLN	100%	■	■					
Windows and Doors										
EgoKiefer AG	Altstätten, CH	8.000 CHF	100%			▲				
RWD Schlatter AG	Roggwil, CH	2.000 CHF	100%			▲				
Slovaktual s.r.o.	Pravenec, SK	0.500 EUR	100%			▲				
Dobroplast Fabryka Okien sp. z o.o.	Zambrow, PL	53.355 PLN	100%			▲				
Kitchens and Refrigeration										
AFG Küchen AG	Arbon, CH	2.000 CHF	100%				▲			
Steel Technology										
Forster Profilsysteme AG	Arbon, CH	4.000 CHF	100%					▲		

▲ Production/Sales
■ Trade
● Services/Finances

59 Material subsidiaries (continued)

Company	Head Office	Share Capital in million	Interest in Capital	Heaters/Radiators	Shower Stalls	Windows and Doors	Kitchens	Steel Technology	Surface Technology	Services/Finance
Surface Technology										
Surface Technologies International Holding AG	Steinach, CH	5.500 CHF	100%							●
Hartchrom AG	Steinach, CH	2.000 CHF	100%						▲	
STI Precision Machining (Changshu) Co. Ltd.	Changshu, CN	10.500 EUR	100%						▲	
Hartchrom Schoch GmbH	Sternenfels, DE	0.205 EUR	100%						▲	
Hartchrom Teikuro Automotive GmbH	Sternenfels, DE	0.025 EUR	100%						▲	
STI Immobilien (Deutschland) GmbH	Sternenfels, DE	0.025 EUR	100%							●
STI France SAS	Paris, FR	0.040 EUR	100%						▲	
Hartchrom Inc.	Watervliet, US	0.200 USD	100%						▲	
Corporate Services										
AFG Arbonia-Forster-Holding AG	Arbon, CH	76.548 CHF								●
AFG International AG	Arbon, CH	1.000 CHF	100%							●
AFG Schweiz AG	Arbon, CH	1.000 CHF	100%							●
AFG Immobilien AG	Arbon, CH	12.000 CHF	100%							●
AFG Management AG	Arbon, CH	0.250 CHF	100%							●
AFG Warendorfer Immobilien GmbH	Münster, DE	0.100 EUR	100%							●
AFG (Shanghai) Building Materials Co. Ltd.	Shanghai, CN	2.000 USD	100%							●
AFG Arbonia-Forster-Deutschland GmbH	Plattling, DE	0.511 EUR	100%							●

▲ Production/Sales
■ Trade
● Services/Finances

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the General Meeting of
AFG Arbonia-Forster-Holding AG, Arbon

St. Gallen, 19 February 2014

As statutory auditors, we have audited the consolidated financial statements of AFG Arbonia-Forster-Holding AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes (pages 95 to 173), for the year ended 31 December 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Martin Knöpfel
Audit expert	Audit expert
Auditor in charge	

FINANCIAL STATEMENTS AFG ARBONIA-FORSTER-HOLDING AG

Income Statement

	2013		2012	
	in 1000 CHF	in %	in 1000 CHF	in %
Financial income	21 452		19 472	
Other income	1		1	
Total revenues	**21 453**	**100.0**	**19 473**	**100.0**
Financial expenses	– 28 853	– 134.5	– 25 731	– 132.1
Personnel expenses	– 1 028	– 4.8	– 752	– 3.9
Other expenses	– 6 243	– 29.1	– 5 833	– 30.0
Total expenses	**– 36 124**	**– 168.4**	**– 32 316**	**– 166.0**
Net earnings for the year	**– 14 671**	**– 68.4**	**– 12 843**	**– 66.0**

Balance Sheet

	31/12/2013		31/12/2012	
	in 1000 CHF	in %	in 1000 CHF	in %
Assets				
Cash and cash equivalents	94716		179920	
Securities	12620		12553	
Accounts receivable from third parties	17		227	
Accounts receivable from group companies	359389		343806	
Deferred expenses			32	
Current assets	**466742**	**52.3**	**536538**	**55.8**
Investments	381524		381524	
Loans to group companies	44229		43573	
Other financial assets	28		138	
Non-current assets	**425781**	**47.7**	**425235**	**44.2**
Total assets	**892523**	**100.0**	**961773**	**100.0**
Liabilities and shareholders' equity				
Liabilities to third parties	246		369	
Liabilities to group companies	65193		64856	
Bank loans	750		50795	
US private placement notes	131084		4752	
Accruals and deferred income	4814		5156	
Income tax liabilities			10	
Current liabilities	**202087**	**22.6**	**125938**	**13.1**
Bond 2010–2016	198737		198234	
Bank loans	5250		6000	
US private placement notes			130482	
Non-current liabilities	**203987**	**22.9**	**334716**	**34.8**
Total liabilities	**406074**	**45.5**	**460654**	**47.9**
Share capital	76548		76548	
Legal reserves				
General reserve	42812		42812	
Capital contribution reserve	132785		132785	
Reserve for treasury shares	18868		22682	
Other reserves	10252		10252	
Retained earnings	205184		216040	
Shareholders' equity	**486449**	**54.5**	**501119**	**52.1**
Total liabilities and shareholders' equity	**892523**	**100.0**	**961773**	**100.0**

NOTES TO THE FINANCIAL STATEMENTS

These financial statements were prepared applying the transitional provisions of the new accounting law effectiv until 31 December 2012 of the Swiss Code of Obligations on bookkeeping and accounting.

1 Guarantees, warranty obligations and collateral in favour of third parties

The following guarantees were issued for the companies listed below:

		31/12/2013	31/12/2012
UBS AG			
in favour of Hartchrom AG	in 1 000 CHF	2 000	2 000
in favour of AFG Immobilien AG	in 1 000 CHF	2 731	
St. Galler Kantonalbank			
in favour of EgoKiefer AG	in 1 000 CHF	2 000	2 000
HypoVereinsbank			
in favour of Kermi GmbH	in 1 000 EUR	3 000	3 000
in favour of Kermi s.r.o.	in 1 000 EUR		1 000
Commerzbank			
in favour of Hartchrom Schoch GmbH	in 1 000 EUR	1 000	1 000

2 Bonds / Notes

Refer to note 41 in the notes to the consolidated financial statements.

3 Material investments

	31/12/2013		31/12/2012	
Company	Share capital in 1 000 CHF	Interest in capital in %	Share capital in 1 000 CHF	Interest in capital in %
AFG Schweiz AG	1 000	100	1 000	100
AFG International AG	1 000	100	1 000	100
AFG Management AG	250	100	250	100

4 Treasury shares

Refer to note 48 in the notes to the consolidated financial statements.

5 Major shareholders

	31/12/2013	31/12/2012
	Voting and capital interest	Voting and capital interest
Edgar Oehler	18.42%	18.38%

6 Share capital

Refer to note 47 in the notes to the consolidated financial statements.

7 Off balance sheet items

	31/12/2013			31/12/2012		
	Contract amount	Fair value positive	Fair value negative	Contract amount	Fair value positive	Fair value negative
in 1 000 CHF						
Combination of interest rate swaps and forward foreign exchange contracts	126 258		–25 705	125 731		–23 371
Interest rate swaps				30 000		–299
Total derivative instruments	**126 258**		**–25 705**	**155 731**		**–23 670**

The combination of interest rate swaps and forward foreign exchange contracts transactions are used solely for hedging interest and currency risks for long-term loans. The negative fair value results from the market valuation of interest and currency risks. The negative fair value has not been recorded because the interest as well as the currency risks are hedged over the entire term of the loan. The negative fair value of interest rate swaps last year resulted from the market valuation but was not recorded.

8 Risk assessment

Refer to note 52 in the notes to the consolidated financial statements.

9 Disclosure of remuneration and shareholding

Remuneration to members of the Board of Directors

	2013			2012		
	Remuneration cash	Remuneration shares	Total	Remuneration cash	Remuneration shares	Total
in 1000 CHF						
Rudolf Graf (from 19/04/2013)	109	185	294			
Christian Stambach	63	142	205	6	93	99
Edgar Oehler	9	89	98	6	76	82
Andreas Gühring	37	81	118	33	71	104
Peter E. Bodmer (from 19/04/2013)	32	35	67			
Markus Oppliger (from 19/04/2013)	32	35	67			
Paul Witschi (until 19/02/2013)	29		29	18	240	258
Georg Früh (until 19/04/2013)	26		26	23	80	103
Arthur Loepfe (until 20/04/2012)				27		27
Total members of the Board of Directors	**337**	**567**	**904**	**113**	**560**	**673**

Refer to note 54 in the notes to the consolidated financial statements for more details on remuneration in shares.

Dr. Edgar Oehler (member of the Board of Directors) received in 2013 for the mandate of the interim management of STI Precision Machining Co. Ltd. in CN-Changshu and the mandate for the settlement of the final account for building work with the general contractor of the new factory in CN-Changshu a compensation of TCHF 430. In 2012, he received a compensation of TCHF 124 for the settlement of the final account for building work with the general contractor of the new factory in CN-Changshu. These compensations are not included in the aforementioned schedule.

Remuneration to Group Management

in 1 000 CHF	**Group Management 2013**	**thereof to Daniel Frutig 2013**	Group Management 2012	thereof to Daniel Frutig 2012
Annual salary	1 979	650	2 420	650
Bonus in cash	796	390	727	223
Bonus in shares	254		367	140
Fees	70		70	
Termination benefits			354	
Pension contributions	477	200	595	198
Total	**3 576**	**1 240**	**4 533**	**1 211**
Number of Group Management members	5		7	

Remuneration to Group Management in 2012 included until their resignation from Group Management Dr. Christian Mayer (until 30/06/2012) and Dr. Hannes Schmüser (until 11/12/2012). Modalities to the bonus in shares are explained in more detail in note 54 to the consolidated financial statements. The termination benefit in 2012 of TCHF 354 related to a remuneration to one divisional head as part of a takeover to retain his services for the company for the long term. This remuneration was be paid out in three equal instalments in 2010, 2011 and 2012.

Daniel Frutig was the member of Group Management with the highest total remuneration during 2013 and 2012.

No other remuneration has been paid to former members of the Board of Directors and Group Management.

Loans and credits

No loans or credits have been granted to members of the Board of Directors and Group Management in 2013 or 2012 nor were outstanding as of 31 December 2013 and 31 December 2012 respectively.

Shareholdings

The following members of the Board of Directors and the Group Management (including related parties) held the following number of shares of AFG Arbonia-Forster-Holding AG:

	31/12/2013 Number of registered shares	31/12/2012 Number of registered shares
Rudolf Graf (Chairman of the BoD from 19/04/2013)	5 992	
Christian Stambach (Member of the BoD)	9 487	4 887
Edgar Oehler (Member of the BoD)	3 356 767	3 350 282
Andreas Gühring (Member of the BoD)	6 405	3 773
Peter F. Bodmer (Member of the BoD from 19/04/2013)	1 125	
Markus Oppliger (Member of the BoD from 19/04/2013)	1 125	
Paul Witschi (Chairman of the BoD until 19/02/2013)		13 895
Georg Früh (Member of the BoD until 19/04/2013)		4 227
Daniel Frutig (Group Management)	53 463	48 145
Felix Bodmer (Group Management)	14 979	13 090
Knut Bartsch (Group Management)	8 086	5 600
Thomas Gerosa (Group Management)	11 232	9 105
Christoph Schönenberger (Group Management)	9 984	7 825
Total	**3 478 645**	**3 460 829**

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors will propose at the Annual General Meeting of the shareholders on 25 April 2014 the following:

Appropriation of retained earnings

in 1000 CHF	**2013**	2012
Retained earnings carried forward from previous year	216 040	222 554
Net earnings for the year	– 14 671	– 12 843
Change of reserve for treasury shares	3 815	6 329
Retained earnings	**205 184**	**216 040**
Retained earnings carried forward	205 184	216 040
Total	**205 184**	**216 040**

Appropriation of capital contribution reserve

in 1000 CHF	**2013**	2012
Carry forward from previous year	132 785	132 785
Withholding tax free distribution[1]	– 5 468	
Capital contribution reserve	**127 317**	**132 785**

[1] No distribution for treasury shares at the time of payment.

REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

To the General Meeting of
AFG Arbonia-Forster-Holding AG, Arbon

St. Gallen, 19 February 2014

As statutory auditors, we have audited the financial statements of AFG Arbonia-Forster-Holding AG, which comprise the balance sheet, income statement and notes (pages 177 to 185), for the year ended 31 December 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen Audit expert Auditor in charge	Martin Knöpfel Audit expert

SUPPLEMENTARY INFORMATION FOR INVESTORS[1]

	2013	2012	2011	2010	2009
Number of shares					
Registered par value CHF 4.20	18 225 603	18 225 603	18 225 603	18 225 603	
Bearer par value CHF 4.20					14 580 603
Registered par value CHF 0.84					18 225 000
Stock market prices in CHF					
Highest	34.2	23.4	38.0	30.0	27.4
Lowest	22.9	15.4	14.4	20.8	12.6
31/12	31.5	23.1	17.6	29.0	24.6
Stock market capitalisation in CHF million (31/12)	573.2	421.0	320.8	528.5	448.3
Per share data[2]					
Gross dividend in CHF[3]	0.3	0.0	0.0	0.5	0.0
Pay-out ratio (in % of Group earnings)	n/a	0.0	0.0	64.4	0.0
Group result in CHF	–2.8	–4.1	–4.0	0.8	–1.8
Cash flow from operating activities in CHF	3.6	3.0	3.7	4.6	9.7
Shareholders' equity in CHF	20.2	19.8	24.2	31.8	32.5
Price/earnings ratio (highest)	–12.5	–5.9	–9.9	38.6	–22.2
Price/earnings ratio (lowest)	–8.3	–3.9	–3.7	26.8	–10.2
Price/earnings ratio (31/12)	–11.5	–5.9	–4.6	37.3	–19.9
Price/cash flow ratio (highest)	9.6	7.7	10.3	6.5	2.8
Price/cash flow ratio (lowest)	6.4	5.0	3.9	4.5	1.3
Price/cash flow ratio (31/12)	8.9	7.6	4.8	6.3	2.5

1 Adjusted for previous capital increases
2 Figures for 2009 relate to the quoted bearer shares with a par value of CHF 4.20
3 2013 proposal to the General Meeting

2013 share price development (in CHF)