FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AFG ARBONIA-FORSTER-GROUP

FINANCIAL STATEMENTS AFG ARBONIA-FORSTER-HOLDING AG

FINANCIAL COMMENTARY BY FELIX BODMER

The company-wide review and adjustment of the business portfolio that began in summer 2011 was finalised with the sale of STI in December 2014. This resulted in a consolidated profit of CHF 15.1 million (prior year: CHF –49.9 million) for AFG, the first since the 2010 financial year. With continuing operations making a profit of CHF 11.3 million (prior year: CHF 33.4 million), the 2014 financial year was nevertheless disappointing. This is due primarily to insufficient development in the Building Envelope Division. Other divisions also felt the increasing squeeze on volumes and margins in the past financial year. In contrast, we are pleased to report that no further impairments or losses were incurred as a result of the operations that were sold and thus discontinued. The company even made a small profit of CHF 3.8 million (prior year: CHF –83.4 million).

AFG POSTS CONSOLIDATED PROFIT FOR FIRST TIME SINCE 2010

The commentary below is largely restricted to the figures for continuing operations.

AFG recorded a slight revenue increase of 1.3% to CHF 1 017.4 million (prior year: CHF 1 004.0 million) in the 2014 financial year. The revenue growth is attributable to the acquisition of Sabiana. In comparison with the previous year, this corresponds to a decline of 2.4% when adjusted for currency and acquisition effects. Whilst revenues in the Building Technology and Building Security Divisions developed positively on the previous year, revenue in the Building Envelope Division was significantly down from the previous year.

In the 2014 financial year, material expenses, personnel expenses and other operating expenses developed negatively as a percentage of net revenue. The decline in margins in most AFG business areas was responsible for this unsatisfactory development, rather than any deficiencies in cost management. Pressure on margins was felt with particular force in the Building Envelope Division.

At CHF 78.3 million or 7.7% of net revenue (prior year: CHF 102.9 million, 10.2% of net revenue), EBITDA for continuing operations posted a sharp fall in the 2014 financial year. EBIT also went down to a meagre 3.3% of net revenue as a result (prior year: 6.1%). In absolute terms, EBIT recorded a drop from CHF 61.5 million to CHF 33.4 million, i.e. it almost halved. The net financial expenses rose to CHF 22.4 million (prior year: CHF 19.4 million) due to one-off effects. A particularly noteworthy item is a cost of around CHF 3.0 million for the cross currency swap in connection with repayment of the U.S. private placement. An investment was also written off as it is not expected to produce any further earnings in the coming years. Tax expenses developed well in the 2014 financial year. Under IFRS, it was even possible to generate a small tax income of CHF 0.3 million compared to a tax expense of CHF 8.6 million in the previous year. This was also due to a one-off effect, however, as the STI Group was deconsolidated. The increase in the weighted average Group tax rate to 25.8% (prior year: 22.4%) is less encouraging. This is partly a consequence of the lower profits made by the Swiss Group companies and partly a result of acquiring Sabiana in Italy, which is known to have a much higher tax rate.

BALANCE SHEET REMAINS SOUND

Primarily due to the disposal of AFG Küchen AG and the STI Group, AFG's total assets as of 31 December 2014 decreased to CHF 969.5 million (prior year: CHF 1 020.8 million). The acquisition of Sabiana S.p.A. and some smaller companies was unable to compensate for the disposals. As a result of repaying the U.S. private placement, cash and cash equivalents were reduced to an operationally necessary level of CHF 79.5 million (prior year: CHF 172.5 million). With a slight improvement in the equity ratio of 37.4% as of the balance sheet date (prior year: 36.1%), AFG remains soundly financed. The equity ratio would even have been somewhat higher if the employee benefit obligations as defined in IAS 19 had not been revalued.

Due to the acquisition of Sabiana and the disposal of AFG Küchen AG and the STI Group, the free cash flow (cash flow from operating activities and investing activities) amounted to CHF –51.9 million (prior year: CHF –19.9 million). Even without special effects, however, the free cash flow deteriorated considerably compared to the prior year, totalling CHF 8.5 million (prior year: CHF 30.8 million). This is due chiefly to higher investment activities and lower cash flows from operating activities. As a result of the negative free cash flow, net indebtedness increased to CHF 222.3 million (prior year: CHF 150.8 million). Nevertheless, all key financial indicators, especially the debt ratio (net indebtedness/EBITDA), were met as of 31 December 2014.

ALIFTING OF THE EXCHANGE RATE FLOOR TO THE EURO

On 15 January 2015 the Swiss National Bank (SNB) abolished the minimum EUR/CHF rate. This decision will have implications for AFG's balance sheet and income statement. The Building Envelope Division in particular will be severely affected by this change in policy. AFG is currently analysing the new situation and introducing appropriate measures.

CONSOLIDATED FINANCIAL STATEMENTS

AFG ARBONIA-FORSTER-GROUP

CONSOLIDATED INCOME STATEMENT

	Note	2014 in 1 000 CHF	2014 in %	2013 restated[1] in 1 000 CHF	2013 restated[1] in %
Continuing operations					
Net revenues	31	**1 017 399**	**100.0**	**1 004 031**	**100.0**
Other operating income		19 703	1.9	20 406	2.0
Capitalised own services		2 419	0.2	1 904	0.2
Changes in inventories of semi-finished and finished goods		−13 243	−1.3	−10 056	−1.0
Net operating performance		**1 026 278**	**100.9**	**1 016 285**	**101.2**
Cost of material and goods		−450 677	−44.3	−429 617	−42.8
Personnel expenses	46	−344 718	−33.9	−338 688	−33.7
Other operating expenses		−152 560	−15.0	−145 073	−14.4
EBITDA		**78 323**	**7.7**	**102 907**	**10.2**
Depreciation, amortisation and impairments	37−39	−44 918	−4.4	−41 439	−4.1
EBIT	31	**33 405**	**3.3**	**61 468**	**6.1**
Financial income	50	1 721	0.2	4 123	0.4
Financial expenses	50	−24 154	−2.4	−23 561	−2.3
Group result before income tax		**10 972**	**1.1**	**42 030**	**4.2**
Income tax expense	51	288	0.0	−8 583	−0.9
Group result from continuing operations		**11 260**	**1.1**	**33 447**	**3.3**
Group result from discontinued operations after taxes	36	**3 829**	**0.4**	**−83 369**	**−8.3**
Group result		**15 089**	**1.5**	**−49 922**	**−5.0**
Attributable to:					
Shareholders of AFG Arbonia-Forster-Holding AG		15 065		−49 940	
Non-controlling interests		24		18	
Earnings per share from continuing operations in CHF	47	0.64		1.89	
Earnings per share from discontinued operations in CHF	47	0.22		−4.70	
Earnings per share in CHF	47	0.85		−2.82	

Basic and diluted earnings are identical

[1] see note 2 “Restatement of prior year figures”

The notes on pages 112−187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014	2013
	in 1 000 CHF	in 1 000 CHF
Group result	**15 089**	**−49 922**
Other comprehensive income		
Items that will not be reclassified to income statement		
Remeasurements of employee benefit obligations	−23 949	72 047
Deferred tax effect	5 120	−13 189
Total items that will not be reclassified to income statement	**−18 828**	**58 858**
Items that may be subsequently reclassified to income statement		
Fair value adjustments on cash flow hedges	2 578	957
Deferred tax effect on cash flow hedges	611	−75
Currency translation differences	−6 605	−3 961
Cumulative currency translation differences transferred to the income statement	1 908	692
Total items that may be subsequently reclassified to income statement	**−1 508**	**−2 387**
Other comprehensive income after taxes	**−20 336**	**56 471**
Total comprehensive income	**−5 247**	**6 549**
Attributable to:		
Shareholders of AFG Arbonia-Forster-Holding AG	−5 271	6 531
Non-controlling interests	24	18
Total comprehensive income from continuing operations	−4 155	72 472
Total comprehensive income from discontinued operations	−1 116	−65 941

The notes on pages 112–187 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	31/12/2014		31/12/2013	
		in 1 000 CHF	in %	in 1 000 CHF	in %
Assets					
Cash and cash equivalents	32	79 512		172 547	
Securities		1 989		2 434	
Accounts receivable	33	102 927		68 765	
Other current assets		18 513		16 424	
Inventories	34	139 998		137 688	
Deferred expenses		4 426		6 663	
Current income tax receivables		1 140		2 177	
Financial assets	35	778		379	
Assets held for sale	36	2 211		120 801	
Current assets		**351 494**	**36.3**	**527 878**	**51.7**
Property, plant and equipment	37	359 038		330 138	
Investment property	38	13 659		5 967	
Intangible assets	39	88 078		52 406	
Goodwill	39	125 570		77 316	
Deferred income tax assets	45	9 346		5 698	
Capitalised pension surplus	46	14 192		14 903	
Financial assets	35	8 075		6 536	
Non-current assets		**617 958**	**63.7**	**492 964**	**48.3**
Total assets		**969 452**	**100.0**	**1 020 842**	**100.0**

	Note	31/12/2014 in 1 000 CHF	31/12/2014 in %	31/12/2013 in 1 000 CHF	31/12/2013 in %
Liabilities and shareholders' equity					
Accounts payable		85 348		75 645	
Advance payments by customers		19 626		28 455	
Other liabilities		27 742		26 665	
Financial debts	41	87 896		132 840	
Finance lease liabilities	37	1 995		2 059	
Accruals and deferred income		36 052		37 879	
Current income tax liabilities		4 261		8 703	
Provisions	44	11 703		10 923	
Liabilities associated with assets held for sale	36			42 864	
Current liabilities		**274 623**	**28.3**	**366 033**	**35.9**
Financial debts	41	220 402		203 987	
Finance lease liabilities	37	2 328		2 978	
Other liabilities		8 006		18	
Provisions	44	6 379		6 514	
Deferred income tax liabilities	45	36 870		34 465	
Employee benefit obligations	46	57 891		37 866	
Non-current liabilities		**331 876**	**34.2**	**285 828**	**28.0**
Total liabilities		**606 499**	**62.6**	**651 861**	**63.9**
Share capital	47	76 547		76 547	
Share premium		166 037		171 364	
Treasury shares	48	−8 261		−20 148	
Other reserves	49	−55 986		−54 478	
Retained earnings		184 616		194 910	
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG		**362 953**	**37.4**	**368 195**	**36.1**
Non-controlling interests				786	
Shareholders' equity		**362 953**	**37.4**	**368 981**	**36.1**
Total liabilities and shareholders' equity		**969 452**	**100.0**	**1 020 842**	**100.0**

The notes on pages 112–187 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	2014 in 1000 CHF	2013 in 1000 CHF
Group result		**15089**	**−49922**
Depreciation, amortisation and impairments	36−39	44918	123368
Profit/loss on disposal of non-current assets and subsidiaries		−3068	−6398
Changes in non-cash transactions		−2825	−687
Changes in working capital (excluding cash and cash equivalents)		−2826	11629
Changes in current liabilities		−11869	−13269
Cash flows from operating activities – net		**39419**	**64721**
To investment activities			
Purchases of property, plant and equipment	37	−47216	−42206
Purchases of investment properties	36/38	−30	
Purchases of intangible assets	39	−1344	−927
Acquisition of subsidiaries (net of cash acquired)	40	−110182	−69763
Issuance of financial assets		−84	−242
From divestment activities			
Proceeds from sale of property, plant and equipment		3040	10320
Proceeds from sale of investment properties	36/38	6131	5079
Proceeds from sale of intangible assets	39	28	14
Disposal of subsidiaries/businesses (net of cash disposed)	36/40	58330	11759
Repayment of financial assets		31	1355
Cash flows from investing activities – net		**−91296**	**−84611**
From financing activities			
Proceeds from financial debts		80000	3
Proceeds from sale of treasury shares	48	17503	
To financing activities			
Repayments of financial debts		−136613	−55811
Finance lease liability payments		−2174	−2863
Distribution from capital contribution reserves		−5327	
Dividends		−6	−6
Purchase of treasury shares	48	−3218	−26
Cash flows from financing activities – net		**−49835**	**−58703**
Effects of translation differences on cash and cash equivalents		−1339	−169
Change in cash and cash equivalents		**−103051**	**−78762**
Reconciliation of change in cash and cash equivalents			
Cash and cash equivalents as of 01/01 continuing operations	32	172547	261325
Cash and cash equivalents as of 01/01 discontinued operations	36	10016	
Cash and cash equivalents as of 31/12 continuing operations	32	79512	172547
Cash and cash equivalents as of 31/12 discontinued operations	36		10016
Change in cash and cash equivalents		**−103051**	**−78762**
Supplementary information for operating activities:			
Interest paid		13047	16393
Interest received		959	1089
Income tax paid		11406	9419

The notes on pages 112−187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Attributable to equity holders AFG	Non-controlling interests	Total shareholders' equity
		in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF	in 1000 CHF
Balance at 31/12/2012		**76547**	**171364**	**−22014**	**−52091**	**186618**	**360424**	**774**	**361198**
Group result						−49940	−49940	18	−49922
Other comprehensive income after taxes	49				−2387	58858	56471		56471
Total comprehensive income					**−2387**	**8918**	**6531**	**18**	**6549**
Dividends								−6	−6
Changes in treasury shares	48			644		−670	−26		−26
Share based payments	54			1222		44	1266		1266
Total transactions with owners				**1866**		**−626**	**1240**	**−6**	**1234**
Balance at 31/12/2013		**76547**	**171364**	**−20148**	**−54478**	**194910**	**368195**	**786**	**368981**
Group result						15065	15065	24	15089
Other comprehensive income after taxes	49				−1508	−18828	−20336		−20336
Total comprehensive income					**−1508**	**−3763**	**−5271**	**24**	**−5247**
Changes in scope of consolidation								−804	−804
Distribution from capital contribution reserves			−5327				−5327		−5327
Dividends								−6	−6
Changes in treasury shares	48			11203		−6496	4707		4707
Share based payments	54			684		−35	649		649
Total transactions with owners			**−5327**	**11887**		**−6531**	**29**	**−810**	**−781**
Balance at 31/12/2014		**76547**	**166037**	**−8261**	**−55986**	**184616**	**362953**		**362953**

The notes on pages 112 – 187 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 three main divisions, namely Building Technology, Building Envelope and Building Security. Manufacturing plants are located in Switzerland, Germany, Italy, the Czech Republic, Poland and Slovakia. AFG owns major brands such as Kermi, Arbonia, Prolux, Sabiana, EgoKiefer, Slovaktual, Dobroplast, Forster Profile Systems and RWD Schlatter 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 30 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 18 February 2015 and require approval from the Annual General Meeting on 17 April 2015. The publication of the consolidated financial statements occurred on 3 March 2015 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 2014, AFG adopted the following amended standards:

– 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

The adoption of these amended standards did not significantly affect the Group's financial statements for 2014.

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 1 "Presentation of financial statements" – Disclosures
– 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 15 "Revenue from contracts with customers"

IFRS 9 introduces new principles for the classification and measurement of financial assets and liabilities. IFRS 15 prescribes when and at what amount to recognise revenue from contracts with customers. This follows a five-step model, which is applied to all customer contracts: (1) identification of contracts with customers (2) identification of separate performance obligations in the contract (3) determination of the transaction price (4) allocation of the transaction price to the separate performance obligations (5) revenue recognition when a performance obligation is satisfied. The standard also requires extensive disclosures.

It is not expected that IFRS 9 will significantly affect the Group's financial statements. The application of IFRS 15 however will affect the Group's financial statements. AFG will soon systematically analyse and assess the impact of these standards on its financial statements.

Restatement of prior year figures

In the consolidated financial statements 2013, the allocation of costs to the discontinued operations were completely included in other operating expenses as a reduction of expense. These cost allocations continue to be made to the divested businesses and thus are included in 2014 in other operating income. For a better comparison, the cost components in relation to these cost allocations were accordingly reclassified.

Income Statement 2013	published		restated
in 1 000 CHF			
Other operating income	15 139	5 267	20 406
Net operating performance	**1 011 018**	**5 267**	**1 016 285**
Personnel expenses	−341 785	3 097	−338 688
Other operating expenses	−136 709	−8 364	−145 073

The reclassifications in the income statement had no effect on other parts of the consolidated financial statements 2013.

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 2014

- As of 1 January 2014, 100% of the shares of PZP Heating a.s., CZ-Dobre, were acquired (see note 40).
- As of 1 January 2014, 100% of the shares of AFG Küchen AG, CH-Arbon, were sold (see note 36).
- As of 6 June 2014, 100% of the shares of STI Precision Machining (Changshu) Co. Ltd, CN-Changshu, were sold (see note 36).
- As of 1 July 2014 and 15 October 2014 respectively, certain assets and liabilities (asset deal) were acquired from the businesses of German Bucher Systemtechnik GmbH, DE-Rottweil, and Wilhelm Marx GmbH & Co. KG, DE-Frankfurt am Main, respectively (see note 40).
- As of 4 July 2014, 90% of the shares of Sabiana S.p.A., IT-Corbetta, were acquired (see note 40).
- As of 1 December 2014, 100% of the shares of STI Surface Technologies International Holding AG, CH-Steinach, were sold (see note 36).

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).

An overview of the material Group companies is included in note 58.

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.

For each acquisition the non-controlling interest in the acquiree is either measured at fair value or the proportionate acquired net assets. Non-controlling interests are disclosed in the balance sheet as part of shareholders' equity, provided that no purchase commitment exists. 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 at 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

Foreign currency translation

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 31/12/2014**	**2014 Average rate**	Year-end rate 31/12/2013	2013 Average rate
EUR	1	1.2027	1.2144	1.2253	1.2306
GBP	1	1.5443	1.5065	1.4709	1.4490
USD	1	0.9895	0.9151	0.8905	0.9269
CZK	100	4.3380	4.4125	4.4678	4.7419
PLN	100	28.2172	29.0292	29.5459	29.3380
CNY	100	16.1315	14.8558	14.5542	15.0800
RUB	100	1.7772	2.4160	2.7543	2.9131

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 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 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 4 to 12 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, which is required for control purposes, 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. If in case of an acquisition AFG grants a put option to the non-controlling interests and at the same time AFG receives a purchase option, this obligation is recognised at the present value of the exercise price. 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 (until November 2014), 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, service income, 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 on non-current assets.

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, income of held for trading derivative financial instruments, gains on sale of investments and foreign exchange gains. 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 include interest expenses, expenses from securities designated at fair value through profit or loss, expenses of held for trading derivative financial instruments, impairment of loans, bank charges and foreign exchange losses. 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, not always 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 2014, the carrying amount of accounts receivable totalled CHF 102.9 million. Therein an allowance for doubtful debts of CHF 11.7 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 2014, the carrying amount of inventory was at CHF 140.0 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 2014, the carrying amount of property, plant and equipment totalled CHF 359.0 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 2014, the carrying amount of goodwill was at CHF 125.6 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 2014, the carrying amount of intangible assets acquired in a business combination amounted to CHF 78.5 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 2014, the carrying amount of the provisions totalled CHF 18.1 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 2014, the underfunding amounted to CHF 43.7 million, thereof CHF 14.2 million recorded in the balance sheet as capitalised pension surplus and CHF 57.9 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 2014, the carrying amount of deferred tax assets totalled CHF 19.3 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

With effect from 1 January 2014, the Group structure of AFG was realigned towards the three divisions and segments respectively Building Technology, Building Envelope and Building Security. Accordingly prior year figures of the segment information have been restated. The former Heating Technology and Sanitary Equipment Division became the Building Technology Division. The Building Envelope Division focuses on windows and exterior doors. The new Building Security Division includes the Forster Profile Systems Business Unit and the Special Doors Business Unit of RWD Schlatter, a specialist in full-custom doors for interiors. 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.

Building Technology Division

The Building Technology Division is a leading and highly integrated European provider in the heating, climate and sanitary industry. The division offers a comprehensive product range under the brand names Kermi, Arbonia, Prolux, PZP and Sabiana. Plants for the production of radiators, surface heating systems, heat pumps, fan coils, air handling units and shower stalls are located in Germany, Switzerland, the Czech Republic and Italy. Outside its main markets of Germany, Switzerland and Italy it is represented by distribution companies in France, the UK, Russia, Poland and the Czech Republic.

Building Envelope Division

The Building Envelope Division with the brands EgoKiefer, Slovaktual and Dobroplast is one of the largest international European window and door manufacturer. The division develops, produces, assembles and sells a full range of windows and exterior doors. The products are made of materials such as wood, synthetics and aluminium and are manufactured in own plants in Switzerland, Slovakia and Poland.

Building Security Division

The Building Security Division consists of the business units Forster Profile Systems and Special Doors. Forster Profile Systems manufactures their systems in steel and stainless steel for glazed doors, windows and facades, used in fire/smoke protection and security applications in public, commercial and industrial buildings. The Special Doors Business Unit is specialized in the production of special wooden doors for interiors. Both units develop and produce all their products in Switzerland.

Corporate Services

Corporate Services consists of service, finance, real estate and investment companies and provide their services almost entirely to Group companies. The results and balances of Corporate Services are included in the column “Others and eliminations”.

2014	Building Technology	Building Envelope	Building Security	Others and eliminations	Total Group
in 1 000 CHF					
Sales with third parties	490 140	375 865	149 762	1 632	1 017 399
Sales with other segments	37	108	172	−317	
Net revenues	**490 177**	**375 973**	**149 934**	**1 315**	**1 017 399**
EBITDA	**55 838**	**23 901**	**12 328**	**−13 744**	**78 323**
in % of net revenues	11.4	6.4	8.2		7.7
Depreciation and amortisation	−16 299	−17 830	−3 160	−5 333	−42 622
Impairment property, plant and equipment/ investment properties	−1 214	−1 083			−2 297
Segment results (EBIT)	**38 325**	**4 988**	**9 168**	**−19 076**	**33 405**
in % of net revenues	7.8	1.3	6.1		3.3
Interest income	146	309	79	723	1 257
Interest expenses	−3 091	−4 181	−867	−7 646	−15 785
Other financial result	−6 035	−2 798	−3 247	4 175	−7 905
Result before income tax	**29 345**	**−1 682**	**5 133**	**−21 824**	**10 972**
Income tax expense	−7 889	208	−791	8 760	288
Result after income tax	**21 456**	**−1 474**	**4 342**	**−13 064**	**11 260**
Average number of employees	**2 618**	**2 940**	**393**	**106**	**6 057**
Total assets	**446 771**	**329 976**	**133 280**	**59 425**	**969 452**
Total liabilities	**213 986**	**192 635**	**82 167**	**117 711**	**606 499**
Purchases of property, plant and equipment, investment properties and intangible assets [1]	**17 514**	**20 186**	**7 414**	**2 632**	**47 746**

[1] without acquisition of subsidiaries

The Building Technology Division includes an impairment of CHF 1.2 million for the write-down of an investment property to the expected net realisable value. The impairment in the Building Envelope Division of CHF 1.1 million relates to equipment and vehicles which are no longer utilisable.

2013 restated	Building Technology	Building Envelope	Building Security	Others and eliminations	Total Group
in 1 000 CHF					
Sales with third parties	445 288	410 683	145 860	2 200	1 004 031
Sales with other segments	96		322	−418	
Net revenues	**445 384**	**410 683**	**146 182**	**1 782**	**1 004 031**
EBITDA	**57 786**	**47 211**	**16 621**	**−18 711**	**102 907**
in % of net revenues	13.0	11.5	11.4		10.2
Depreciation and amortisation	−15 397	−16 272	−2 848	−4 851	−39 368
Impairment property, plant and equipment	−710	−2		−1 359	−2 071
Segment results (EBIT)	**41 679**	**30 937**	**13 773**	**−24 921**	**61 468**
in % of net revenues	9.4	7.5	9.4		6.1
Interest income	85	115	27	766	993
Interest expenses	−3 108	−5 103	−517	−11 170	−19 898
Other financial result	−3 421	−2 651	−3 534	9 073	−533
Result before income tax	**35 235**	**23 298**	**9 749**	**−26 252**	**42 030**
Income tax expense	−9 171	−4 325	−1 752	6 665	−8 583
Result after income tax	**26 064**	**18 973**	**7 997**	**−19 587**	**33 447**
Average number of employees	**2 457**	**3 087**	**337**	**123**	**6 004**
Total assets	**280 192**	**353 028**	**133 607**	**135 465**	**902 292**
Total liabilities	**148 599**	**184 580**	**62 935**	**212 883**	**608 997**
Purchases of property, plant and equipment, investment properties and intangible assets [1]	**13 339**	**11 400**	**13 509**	**1 323**	**39 571**

[1] without acquisition of subsidiaries

In the Division Building Technology, 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. The column “Other and eliminations” includes impairments of CHF 1.4 million on a property and on equipment (see note 37).

Information about geographical areas

2014	Switzerland	Germany	Other Countries	Total Group
in 1 000 CHF				
Net revenues	403 153	297 062	317 185	1 017 399
Property, plant and equipment, investment properties, intangible assets and goodwill	230 037	77 108	279 199	586 344

2013	Switzerland	Germany	Other Countries	Total Group
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

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:

	31/12/2014	31/12/2013
in 1 000 CHF		
CHF	34 656	127 238
EUR	30 069	28 373
PLN	5 948	8 190
USD	565	2 352
GBP	433	1 056
CZK	1 468	2 676
Other currencies	6 373	2 662
Total	**79 512**	**172 547**

The effective interest on bank deposits is between 0.0% and 0.03% (2013: between 0.03% and 0.05%).

33 ACCOUNTS RECEIVABLES

in 1 000 CHF	**31/12/2014**	31/12/2013
Accounts receivable	114 633	79 015
Allowance for accounts receivable	−11 706	−10 250
Total	**102 927**	**68 765**

The ageing analysis is as follows:

	31/12/2014		31/12/2013	
in 1 000 CHF	Gross amount of accounts receivable	thereof not impaired	Gross amount of accounts receivable	thereof not impaired
Not yet due	87 894	83 569	56 641	52 313
Overdue up to 30 days	9 691	9 562	12 109	12 109
Overdue more than 30, less than 60 days	4 487	4 424	2 602	2 601
Overdue more than 60, less than 90 days	1 815	1 708	393	392
Overdue more than 90, less than 180 days	2 197	1 892	1 066	784
Overdue more than 180, less than 360 days	2 140	1 445	1 140	631
Overdue more than 360 days	6 409	327	5 064	−65
Total	**114 633**	**102 927**	**79 015**	**68 765**

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 8.2 million (2013: CHF 7.7 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	**2014**	2013
Balance at 01/01	**−10 250**	**−11 219**
Foreign exchange differences	161	−76
Changes in scope of consolidation	−1 146	−486
Additional allowances	−5 657	−5 842
Used during year	5 095	5 686
Unused amounts reversed	91	146
Reclassification to assets held for sale		1 541
Balance at 31/12	**−11 706**	**−10 250**

In the allowance for doubtful debts, specific allowances in the amount of CHF 4.2 million (2013: CHF 4.0 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 2014 the book value of the transferred receivables amounted to CHF 8.9 million (2013: CHF 9.6 million). Thereof AFG already received from the factor CHF 11.2 million (2013: CHF 10.5 million) of cash and the difference of CHF 2.3 million (2013: CHF 0.9 million) is disclosed as other liabilities against the factor. In addition, in other current assets an amount of CHF 0.3 million (2013: CHF 0.3 million) and in other liabilities an amount of CHF 0.3 million (2013: CHF 0.4 million) are recorded for the consideration of the continuing involvement. The recognised gain for the continuing involvement amounted in 2014 to CHF 0.001 million, the cumulative loss since the inception of the factoring agreement amounted to CHF 0.02 million.

34 INVENTORIES

in 1 000 CHF	**31/12/2014**	31/12/2013
Raw material and supplies	56 101	49 895
Semi-finished and finished goods	73 532	80 842
Goods purchased for resale	10 176	6 800
Prepayments	189	151
Total	**139 998**	**137 688**

A provision of CHF 13.9 million (2013: CHF 13.9 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 (2013: CHF 0.6 million). In 2014 the write-down to net realisable value amounted to CHF 0.1 million (2013: CHF 0.1 million).

35 FINANCIAL ASSETS

in 1000 CHF	**31/12/2014**	31/12/2013
Available-for-sale financial assets		998
Other financial assets	24	24
Loans	8829	5893
Total	**8853**	**6915**
thereof disclosed as current assets	778	379

The increase of the loan in 2014 relates to the disposal of AFG Küchen AG (see note 36), for which a loan in the amount of CHF 3 million has been granted to the buyer. The majority of the loan in 2013 originated from 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:

	31/12/2014		31/12/2013	
in 1000 CHF	Gross amount loans	thereof not impaired	Gross amount loans	thereof not impaired
Not yet due	8469	8469	6793	5893
Overdue up to 30 days	360	360		
Total	**8829**	**8829**	**6793**	**5893**

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 5.8 million (2013: CHF 5.9 million).

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

in 1000 CHF	**2014**	2013
Balance at 01/01	**−900**	**−2440**
Additional allowances		−224
Used during year	810	701
Unused amounts reversed	90	
Reclassification to assets held for sale		1063
Balance at 31/12		**−900**

In the impairment of loans, no specific impairments are included anymore. In 2013 the specific impairments amounted to CHF 0.9 million.

36 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2014, AFG sold AFG Küchen AG and the Surface Technology Division, both in 2013 already disclosed as discontinued operations. In the consolidated balance sheet as of 31 December 2013, assets and liabilities of the discontinued operations were disclosed in the respective held for sale asset or liability position.

Assets held for sale and discontinued operations

in 1 000 CHF	**2014**	2013
Cash and cash equivalents		10 016
Accounts receivable		33 739
Other current assets		4 680
Inventories		19 071
Accrued income		1 050
Current income tax receivables		1 580
Property, plant and equipment	60	40 306
Investment property	2 151	2 251
Intangible assets		153
Deferred income tax assets		3 512
Capitalised pension surplus		4 187
Financial assets		257
Total	**2 211**	**120 801**

Liabilities associated with assets held for sale and discontinued operations

in 1 000 CHF	**2014**	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 and disposed operations

Disposal of Surface Technology division	**2014**
in 1 000 CHF	
Assets	
Cash and cash equivalents	7 530
Accounts receivable	10 713
Other current assets	5 214
Inventories	4 238
Deferred expenses	308
Property, plant and equipment	20 242
Intangible assets	174
Financial assets	60
Current income tax receivables	797
Total assets	**49 276**
Liabilities	
Accounts payable	2 228
Other liabilties	3 702
Accruals and deferred income	3 419
Provisions	1 557
Deferred income tax liabilities	727
Employee benefit obligations	4 782
Total liabilities	**16 415**
Net assets	**32 861**
Cash and cash equivalents	−7 530
Net assets excluding cash and cash equivalents	**25 331**
Purchase price payment in equity instruments	−9 578
Gain on disposal	6 117
Net cash inflow from disposal	**21 870**

As of 6 June 2014, AFG sold the Chinese subsidiary, STI Precision Machining (Changshu) Co. Ltd, to FFG Finanzierungs- und Factorings AG, a company owned by Dr Edgar Oehler. The purchase price was fully settled by the buyer by registered shares of AFG Arbonia-Forster-Holding AG (see note 48). As of 1 December 2014, the remaining part of the Surface Technology Division was sold to the same company. From the sale of the Surface Technology Division accumulated currency translation differences in the amount of CHF 2.3 million resulted, which have been transferred from equity to the income statement and debited to the financial result of the discontinued operations.

Disposal of AFG Küchen AG	**2014**
in 1 000 CHF	
Assets	
Cash and cash equivalents	1 071
Accounts receivable	25 056
Other current assets	462
Inventories	14 505
Deferred expenses	825
Property, plant and equipment	22 583
Financial assets	206
Current income tax receivables	820
Total assets	**65 528**
Liabilities	
Accounts payable	14 385
Other liabilties	5 509
Accruals and deferred income	3 368
Provisions	595
Deferred income tax liabilities	452
Employee benefit obligations	2 783
Total liabilities	**27 092**
Net assets	**38 436**
Cash and cash equivalents	−1 071
Net assets excluding cash and cash equivalents	**37 365**
Granting of a loan	−3 000
Gain on disposal	111
Net cash inflow from disposal	**34 476**

As of 1 January 2014, AFG Küchen AG, which encompasses all kitchen activities of Forster Steel Kitchens and Piatti Kitchens, was sold to German kitchen manufacturer Alno. CHF 3.0 million of the purchase price was granted as an interest-bearing and repayable loan.

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**

As of 31 July 2013, certain assets and liabilities of the Forster Precision Steel Tubes business were sold to German automobile part supplier Mubea. From the sale of the business and the partial liquidation of the pension plan, a net disposal gain of CHF 3.6 million resulted from this transaction.

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**

As of 28 February 2013, certain assets of the Forster Refrigerator business were sold to V-Zug. Due to the sale and the partial liquidation of the pension plan, a net disposal gain of CHF 0.5 million resulted from this transaction.

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 was included in the statement of cash flows 2013 under “Proceeds from sale of subsidiaries / businesses”.

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 was disclosed in the statement of cash flows 2013 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.

Result from discontinued operations

in 1000 CHF	**2014**	2013
Net revenues	**53 296**	**281 489**
Other operating income	775	3 797
Capitalised own services	184	679
Changes in inventories of semi-finished and finished goods	−261	−301
Net operating performance	**53 994**	**285 664**
Cost of material and goods	−5 109	−125 994
Personnel expenses	−31 773	−111 912
Other operating expenses	−15 843	−54 450
EBITDA	**1 269**	**−6 692**
Depreciation, amortisation and impairments		−81 686
EBIT	**1 269**	**−88 378**
Financial result	−2 470	−27
Result from discontinued operations before income tax	**−1 201**	**−88 405**
Income tax expense	−1 198	947
Result from discontinued operations	**−2 399**	**−87 458**
Gain on disposal of discontinued operations	6 228	4 089
Net result from discontinued operations	**3 829**	**−83 369**

Discontinued operations in 2014 include the results of the Surface Technology Division as well as the former Kitchens and Refrigeration Division. The 2013 results included the Kitchens and Refrigeration Division, Surface Technology Division and the Forster Precision Steel Tubes Business Unit.

The 2014 results comprise CHF 2.8 million of sales costs for the disposal of the Surface Technology Division and AFG Küchen AG. Thereof CHF 0.4 million is included in personnel expenses and CHF 2.4 million in other operating expenses. From the sale of the Surface Technology Division and the liquidation of a foreign distribution company of the former Kitchens and Refrigeration Division, accumulated currency translation differences in the amount of CHF 2.0 million resulted, which have been transferred from equity to the income statement and debited to the financial result.

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.

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 flow from discontinued operations

	2014	2013
in 1 000 CHF		
Cash flows from operating activities	−3 905	−1 836
Cash flows from investing activities	−2 031	18 879
Cash flows from financing activities	49	30

The cash inflows of the two disposed operations in 2014 are not included in the above table. In 2013, cash inflows from the sale of certain assets (asset deal) of the Forster Refrigeration and Forster Precision Steel Tubes Business Units of CHF 15.6 million were 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 was included in the same position.

Other disposals

This position as of 31 December 2014 is comprised largely of a reclassified investment property in CH-Arbon, which will be sold in 2015. The land in CH-Steinach, disclosed as of 31 December 2013 under this item, was sold in 2014.

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 01/01/2013	**243 268**	**135 981**	**14 826**	**26 430**	**420 505**
Cost					
Balance at 01/01/2013	**493 693**	**575 061**	**72 188**	**32 340**	**1 173 282**
Foreign exchange differences	−1 025	−2 846	−119	−259	−4 249
Change in scope of consolidation	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**
Foreign exchange differences	−4 646	−5 060	−787	−308	−10 801
Change in scope of consolidation	29 238	9 322	185	42	38 787
Additions	3 643	9 469	3 552	29 729	46 393
Disposals	−6 186	−11 518	−4 503	−740	−22 947
Reclassifications	−39 974	22 716	−747	−43 004	−61 009
Balance at 31/12/2014	**378 100**	**386 621**	**53 422**	**17 493**	**835 636**

in 1 000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Accumulated depreciation					
Balance at 01/01/2013	**250 425**	**439 080**	**57 362**	**5 910**	**752 777**
Foreign exchange differences	−267	−2 410	−62	−352	−3 091
Change in scope of consolidation			−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**
Foreign exchange differences	−1 502	−3 705	−503	−136	−5 846
Change in scope of consolidation	−3 291	−377	−59		−3 727
Depreciation	9 037	19 007	3 934	43	32 021
Impairment		905	178		1 083
Disposals	−5 602	−10 739	−4 397	−43	−20 781
Reclassifications	−39 475	370	−1 462	−660	−41 227
Balance at 31/12/2014	**163 438**	**269 012**	**39 611**	**4 537**	**476 598**
Net book value at 31/12/2013	**191 754**	**98 141**	**13 802**	**26 441**	**330 138**
Net book value at 31/12/2014	**214 662**	**117 609**	**13 811**	**12 956**	**359 038**
Value of contained leased assets		1 590	3 977		5 567
				Previous year	7 048

In 2014, plant and machinery as well as other equipment in the amount of CHF 1.6 million (2013: CHF 1.6 million) was acquired via finance lease. Assets under construction in 2013 included intangible assets in the amount of CHF 6.0 million for an IT-project. After the completion of this project, CHF 6.6 million was reclassified in 2014 to intangible assets. Plants and machinery in 2014 include CHF 0.1 million of capitalised borrowing costs.

Impairments 2013
In view of the anticipated sale of AFG Küchen AG consisting of Forster Steel Kitchens and Piatti Kitchens (see note 36), 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.

Future aggregate minimum lease payments
AFG has the following future minimum lease payments under non-cancellable leases:

31/12/2014	Operating leases	Finance leases	Total
in 1 000 CHF			
within 1 year	13 879	2 158	16 037
between 1 and 5 years	24 191	2 422	26 613
after 5 years	15 713		15 713
Total	**53 783**	**4 580**	**58 363**
Interest charge		−258	
Present value of finance leases		**4 322**	

31/12/2013	Operating leases	Finance leases	Total
in 1 000 CHF			
within 1 year	13 849	2 239	16 088
between 1 and 5 years	24 588	3 115	27 703
after 5 years	19 883		19 883
Total	**58 320**	**5 354**	**63 674**
Interest charge		−317	
Present value of finance leases		**5 037**	

The income statement contains expenses for operating leases of CHF 16.2 million (2013: CHF 15.4 million).

Operating lease includes the obligation of the rental agreement concluded in August 2012 by AFG for the Corporate Center in CH-Arbon 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:

	31/12/2014	31/12/2013
in 1 000 CHF		
Property, plant and equipment	4 266	11 107
Intangible assets	589	959
Total	**4 855**	**12 066**

The fire insurance value of property, plant and equipment and investment property is as follows:

	31/12/2014	31/12/2013
in 1 000 CHF		
Buildings	496 585	471 663
Plant and machinery	593 516	510 441
Total	**1 090 101**	**982 104**

Land and buildings amounting to CHF 56.5 million (2013: CHF 13.2 million) are pledged to secure mortgages.

38 INVESTMENT PROPERTY

	Investment property – land	Investment property – buildings	Total
in 1000 CHF			
Net book value at 01/01/2013	**3200**	**4606**	**7806**
Cost			
Balance at 01/01/2013	**4655**	**14256**	**18911**
Foreign exchange differences	3	77	80
Disposals	–1689	–3094	–4783
Balance at 31/12/2013	**2969**	**11239**	**14208**
Foreign exchange differences	–4	–98	–102
Additions		30	30
Disposals	–1767	–1884	–3651
Reclassification to assets held for sale	–995	–4107	–5102
Reclassifications	5701	47773	53474
Balance at 31/12/2014	**5904**	**52953**	**58857**
Accumulated depreciation			
Balance at 01/01/2013	**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**
Foreign exchange differences		–70	–70
Depreciation		519	519
Impairment		1214	1214
Disposals	–837	–1485	–2322
Reclassification to assets held for sale		–2950	–2950
Reclassifications	497	40069	40566
Balance at 31/12/2014	**500**	**44698**	**45198**
Net book value at 31/12/2013	**2129**	**3838**	**5967**
Net book value at 31/12/2014	**5404**	**8255**	**13659**
Fair values of investment properties at 31/12/2013			**8885**
Fair values of investment properties at 31/12/2014			**32488**

Rental income from investment properties amounted to CHF 3.1 million (2013: CHF 0.8 million) and is included in other operating income. Related direct operating expenses were CHF 0.1 million (2013: 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 and internal assessments.

39 INTANGIBLE ASSETS

in 1 000 CHF	Other intangible assets	Goodwill	Total
Net book value at 01/01/2013	**38 152**	**57 315**	**95 467**
Cost			
Balance at 01/01/2013	**128 376**	**76 275**	**204 651**
Foreign exchange differences	345	180	525
Change in scope of consolidation	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**
Foreign exchange differences	−2 071	−2 331	−4 402
Change in scope of consolidation	39 189	50 585	89 774
Additions	1 322		1 322
Disposals	−3 509		−3 509
Reclassifications	7 548		7 548
Balance at 31/12/2014	**147 452**	**127 623**	**275 075**
Accumulated amortisation			
Balance at 01/01/2013	**90 224**	**18 960**	**109 184**
Foreign exchange differences	274	26	300
Change in scope of consolidation	−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**
Foreign exchange differences	−453		−453
Change in scope of consolidation	−12		−12
Amortisation	10 080		10 080
Disposals	−3 481		−3 481
Reclassifications	673		673
Balance at 31/12/2014	**59 374**	**2 053**	**61 427**
Net book value at 31/12/2013	**52 406**	**77 316**	**129 722**
Net book value at 31/12/2014	**88 078**	**125 570**	**213 648**

Expenses for research and development in the amount of CHF 15.6 million (2013: CHF 13.6 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. In 2014, capitalised development costs of CHF 0.2 million (2013: CHF 0.5 million) are included in other intangible assets under additions. All other additions under other intangible assets have been purchased or acquired.

Goodwill
As of 31 December 2014 goodwill from business combinations is allocated to the Group's five cash-generating units (CGUs) Sabiana, Dobroplast, Slovaktual, RWD Schlatter and EgoKiefer.

The carrying amounts of goodwill per CGU are presented below:

in 1 000 CHF	Sabiana	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer	Total
At 31/12/2014	49 443	18 871	15 998	8 100	33 158	125 570
At 31/12/2013		19 759	16 299	8 100	33 158	77 316

Goodwill impairment tests 2014
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 2014 impairment tests assumed the following key assumptions:

2014 in %	Sabiana	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer
Budgeted gross margin	44.0	44.2	30.3	57.4	63.1
Growth rate	1.5	1.5	2.0	1.0	1.0
Discount rate	10.9	10.2	9.6	8.4	8.5

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 2014 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 30.3% to 28.5% would result in an impairment of the CGU Slovaktual amounting to CHF 2.1 million. At a budgeted gross margin of 28.9%, 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 9% in EBITDA and a simultaneous reduction of eternal growth to 1.5%, the recoverable amount was equal to their carrying amount.

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

2013	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer
in %				
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 have resulted 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 have led 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.

Impairments 2013
With regard to the anticipated sale of AFG Küchen AG, consisting of Forster Steel Kitchens and Piatti Kitchens (see note 36), impairments had to be made to the net realisable value on intangible assets in the amount of CHF 1.2 million.

40 ACQUISITIONS AND DIVESTMENTS

Acquisitions 2014

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

Acquisition Bucher Systemtechnik and Marx	Fair value
in 1 000 CHF	
Assets	
Inventories	2 297
Property, plant and equipment	25
Intangible assets	671
Total assets	**2 993**
Liabilities	
Employee benefit obligations	30
Total liabilities	**30**
Net assets acquired	**2 963**
Cost of acquisition	
Purchase price	2 737
Deferred payment	225
Total cost of acquisition	**2 963**
Net cash outflow was as follows:	
Purchase price	2 737
Net cash outflow on acquisition	**2 737**

As of 1 July 2014 and 15 October 2014 respectively, certain assets and liabilities (asset deal) were acquired from the businesses of German Bucher Systemtechnik GmbH, DE-Rottweil, and Wilhelm Marx GmbH & Co. KG, DE-Frankfurt am Main, respectively. The acquired businesses are allocated to Forster Profile Systems of the Building Security Division. The purchase price amounted to CHF 2.7 million and the deferred purchase price of CHF 0.2 million was settled in September 2014. Because this transaction was structured as an asset deal and the supply to existing customers was effected from the date of acquisition through the acquired business and no longer from Forster Profilsysteme AG in CH-Arbon, both the determination of revenues and earnings from date of acquisition and for the full year was not possible. The acquisition-related costs amount to CHF 0.2 million and are included in operating expenses in 2014.

Acquisition Sabiana	Fair value
in 1 000 CHF	
Assets	
Cash and cash equivalents	3 174
Accounts receivables	25 687
Other current assets	311
Inventories	14 750
Deferred expenses	720
Current income tax receivables	495
Property, plant and equipment	44 109
Intangible assets	37 104
Financial assets	552
Total assets	**126 901**
Liabilities	
Accounts payables	14 264
Other liabilities	3 422
Financial debts	27 939
Accruals and deferred income	2 914
Current income tax liabilities	420
Provisions	583
Deferred income tax liabilities	12 282
Employee benefit obligations	2 432
Total liabilities	**64 255**
Net assets acquired	**62 646**
Goodwill	50 585
Purchase consideration	**113 231**
Cost of acquisition	
Purchase price	94 685
Deferred purchase price	10 677
Present value of purchase commitment on non-controlling interests	7 869
Total cost of acquisition	**113 231**
Net cash outflow was as follows:	
Purchase price	94 685
Cash and cash equivalents acquired	−3 174
Net cash outflow on acquisition	**91 511**

As of 4 July 2014, 90% of the shares of Sabiana S.p.A., IT-Corbetta, were acquired. Sabiana operates in the areas of commercial heating, ventilation and air-conditioning and is allocated to the Building Technology Division. The purchase price amounted to CHF 94.7 million. In addition CHF 10.7 million of the deferred purchase price became due after the final determination of the net debt level as of the acquisition date and was paid in October 2014 to the former owners. AFG has the right, to buy the remaining 10% of the company after four years at the earliest within one year, at a fixed price. The owners have the right to sell their remaining 10% to AFG at any time up to the end of the fifth year at a fixed price. The fair value of the purchase commitment on non-controlling interests was calculated using a discount rate of 10.4%. Based on IFRS 13 this is a level 3 fair value measurement (see note 43). From the date of acquisition, Sabiana contributed CHF 42.7 million in net revenues and CHF 1.1 million in profit to the Group. Had the acquisition taken place on 1 January 2014, net revenues for the reporting period would have been CHF 84.0 million and profit would have been CHF 1.9 million. The gross carrying amount of accounts receivables amounted to CHF 26.8 million, of which CHF 1.1 million were considered uncollectable. The acquisition-related costs amount to CHF 1.1 million and are included in operating expenses in 2014. 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 Building Technology Division.

Acquisition PZP Heating a.s.	Fair value
in 1 000 CHF	
Assets	
Cash and cash equivalents	86
Accounts receivables	315
Inventories	669
Deferred expenses	29
Property, plant and equipment	116
Intangible assets	1 706
Total assets	**2 922**
Liabilities	
Accounts payables	363
Other liabilities	114
Financial debts	283
Deferred income tax liabilities	324
Total liabilities	**1 084**
Net assets acquired	**1 838**
Cost of acquisition	
Purchase price	1 654
Deferred payment	184
Total cost of acquisition	**1 838**
Net cash outflow was as follows:	
Purchase price	1 654
Cash and cash equivalents acquired	−86
Net cash outflow on acquisition	**1 568**

As of 1 January 2014, AFG acquired 100% of the shares of Czech PZP Heating a.s., CZ-Dobre. PZP is an established manufacturer of heat pumps in the Czech Republic and is allocated to the Building Technology Division. The purchase price amounted to CHF 1.7 million. In addition CHF 0.2 million of the deferred purchase price became due and was paid as agreed in July 2014 to the former owners. From the date of acquisition, PZP Heating contributed CHF 3.2 million in net revenues and CHF 0.3 million in loss to the Group. The acquisition-related costs amount to CHF 0.3 million and are included in operating expenses for the years 2013 and 2014.

The contingent consideration of CHF 3.3 million from the acquisition of Polish Dobroplast Fabryka Okien sp. z o.o., PL-Zambrow, in 2013 was paid to the former owners in two tranches in January and April 2014.

Disposals 2014

Various small disposals	**2014**
in 1 000 CHF	
Assets	
Cash and cash equivalents	16
Receivables	75
Inventories	74
Property, plant and equipment	1 758
Total assets	**1 923**
Liabilities	
Other liabilities	138
Deferred income tax liabilities	154
Total liabilities	**292**
Net assets disposed	**1 631**
Cash and cash equivalents disposed	– 16
Net assets disposed excluding cash and cash equivalents	**1 615**
Gain on disposal	369
Net cash inflow from disposal	**1 984**

As of 1 August 2014, two small companies were sold. A disposal gain of CHF 0.4 million resulted from this transaction. The gain is allocated to Corporate Services and included in other operating income. The companies generated revenues of CHF 1.0 million until the time of disposal.

Acquisitions 2013

Acquisition Dobroplast	Fair value
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 acquired	–6 447
Net cash outflow on acquisition	**65 369**

As 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 was allocated to the Building Envelope Division. 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 in 2013 to the Group. Had the acquisition taken place on 1 January 2013, net revenues for 2013 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 was 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 consisted mainly of workforce know-how. In addition, goodwill included the expected synergies within the Building Envelope Division.

Acquisition Piatti Küchenforum AG	Fair value
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 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 were 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 in 2013 to the result of the discontinued operations. The fair value of accounts receivables equalled the gross carrying amount and all receivables were 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.

41 FINANCIAL DEBTS

On 30 November 2014, AFG completely redeemed the US private placement. The resulting cash outflow amounted to CHF 127.5 million and was largely hedged against interest and currency risks.

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.

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.

The financial debts are comprised of the following:

in 1000 CHF	**31/12/2014**	31/12/2013
Bond	199 258	198 737
Syndicated loan	80 000	
Mortgage	18 989	1 900
Bank loans	5 240	6 000
Bank borrowings	4 811	
US private placement		104 485
Swap USD		23 171
Swap EUR		2 534
Total	**308 298**	**336 827**

The syndicated loan and the US private placement redeemed on 30 November 2014 include covenants covering key ratios such as minimum net worth, interest coverage ratio and leverage ratio. In the event of non-compliance, the banks 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 2014 and 2013.

The maturities of the financial debts are as follows:

in 1000 CHF	**31/12/2014**	31/12/2013
within 1 year	87 896	132 840
between 1 and 5 years	209 197	203 987
after 5 years	11 205	
Total	**308 298**	**336 827**

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

in %	CHF	EUR	USD
Financial debt 31/12/2014	3.1	2.1	
Financial debt 31/12/2013	3.7	5.1	5.9[1]

[1] Interest paid for the US private placement was significantly lower due to the cross currency swaps.

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

in 1000 CHF	**31/12/2014**	31/12/2013
CHF	284 498	229 807
EUR	23 800	7 354
USD		99 666
Total	**308 298**	**336 827**

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:

31/12/2014	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years	after 5 years
in 1 000 CHF							
Non-derivative financial instruments							
Accounts payable	85 348	85 348	85 348				
Other liabilities (without derivatives)	33 152	36 608	25 182			11 426	
Finance lease liabilities	4 323	4 580	834	1 324	1 589	833	
Financial debts	308 298	320 865	93 567	1 647	205 735	7 738	12 178
Derivative financial instruments							
Interest rate swaps	2 596						
Cash outflow		2 596	164	160	302	772	1 198
Cash inflow							
Total	**433 717**	**449 997**	**205 095**	**3 131**	**207 626**	**20 769**	**13 376**

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.

31/12/2013	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years	after 5 years
in 1 000 CHF							
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**	

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:

31/12/2014	FA FVTPL designated	AFS	L&AR	FL FVTPL trading	FL FVTPL designated	FL AC	Book value at 31/12/2014	Fair value at 31/12/2014
in 1 000 CHF								
Cash and cash equivalents			79 512				79 512	79 512
Securities	1 989						1 989	1 989
Accounts receivable			102 927				102 927	102 927
Other current assets			18 367				18 367	18 367
Other financial assets			24				24	24
Loans			8 829				8 829	8 829
Assets	**1 989**		**209 659**				**211 648**	**211 648**
Accounts payable						85 348	85 348	85 348
Other liabilities				7 971	2 596	25 181	35 748	35 748
Finance lease liabilities						4 323	4 323	4 373
Bank borrowings						4 811	4 811	4 811
Loans						85 240	85 240	85 512
Mortgage						18 989	18 989	18 989
Bond						199 258	199 258	205 000
Liabilities				**7 971**	**2 596**	**423 150**	**433 717**	**439 781**

Abbreviations in the header of this table are explained in note 9 “financial instruments” on pages 117 / 118.

31/12/2013	FA FVTPL designated	AFS	L&AR	FL FVTPL trading	FL FVTPL designated	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 in the category "FL AC – financial liabilities at amortised costs" included the two cross currency swaps of TCHF 25 705 on the US private placement, for which AFG applied hedge accounting and which were also allocated to this category.

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:

in 1 000 CHF	Level 2	Level 3	Fair value at 31/12/2014	Level 1	Level 2	Level 3	Fair value at 31/12/2013
Assets							
Financial assets at fair value through profit or loss – designated (FA FVTPL designated)							
Quoted shares				575			575
Investment funds	1 989		1 989		1 859		1 859
Available-for-sale (AFS)							
Shares						998	998
Total assets	**1 989**		**1 989**	**575**	**1 859**	**998**	**3 432**
Liabilities							
Financial liabilities at fair value through profit or loss – designated (FL FVTPL designated)							
Interest rate swaps without hedges	2 596		2 596				
Financial liabilities at fair value through profit or loss – trading (FL FVTPL trading)							
Purchase commitment on non-controlling interests		7 971	7 971				
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
Total liabilities	**2 596**	**7 971**	**10 567**		**25 705**	**3 186**	**28 891**

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 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 aforementioned interest rate swap and a forward foreign exchange transaction. The fair value of forward foreign exchange transactions 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 determination of the fair value of all 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, provided that there are no indications for an impairment, therefore stated at cost.

In 2014 and 2013, 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	Purchase commitment on non-controlling interests
Balance 01/01/2013	**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**	
Acquisition Sabiana			7 869
Within financial expenses recognised unrealised losses	−998		
Within financial expenses recognised realised losses		94	102
Settlement		−3 280	
Balance 31/12/2014			**7 971**

During 2014 certain facts emerged which influenced the recoverability of an unlisted investment. As a consequence the investment had to be fully impaired by CHF 1 million. In 2013, a gain of CHF 0.98 million resulted from the sale of an unquoted non-controlling interest participation.

For details on the initial measurement of the purchase commitment on non-controlling interests in 2014 see note 40. The remeasurement at the 2013 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 01/01/2013	**13 451**	**7 164**	**774**	**1 893**	**23 282**
Foreign exchange differences	78	113		−2	189
Change in scope of consolidation	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**
Foreign exchange differences	−141	−106		−18	−265
Change in scope of consolidation		197		386	583
Additional provisions	8 975	1 411	154	2 230	12 770
Used during the year	−8 512	−1 970	−136	−765	−11 383
Unused amounts reversed	−498	−10	−179	−374	−1 061
Balance at 31/12/2014	**11 258**	**4 132**		**2 692**	**18 082**
thereof current at 31/12/2013	7 760	1 921	160	1 082	10 923
thereof current at 31/12/2014	7 335	1 828		2 540	11 703

The current provision is expected to be fully utilised during 2015. 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	3 923	2 304		152	6 379
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.

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:

	31/12/2014		31/12/2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
in 1000 CHF				
Assets				
Securities		9		8
Accounts receivable	714	1300	208	4741
Other current assets		29		
Inventories	776	3383	599	3893
Non-current assets held for sale	7			
Property, plant and equipment	133	20393	1172	18720
Investment property	1276		50	71
Intangible assets	380	17102	1006	6371
Capitalised pension surplus and financial assets	423	3032	1035	7637
Liabilities				
Current liabilities	1709	35	1018	127
Current and non-current provisions	610	1575	500	2080
Employee benefit obligations	8560		4367	
Deferred taxes from timing differences	**14588**	**46858**	**9955**	**43648**
Deferred tax assets derived from tax loss carryforwards	11418		9588	
Valuation allowance	−6672		−4662	
Net deferred taxes from timing differences	**19334**	**46858**	**14881**	**43648**
Offset of deferred tax assets and liabilities	−9988	−9988	−9183	−9183
Total deferred taxes	**9346**	**36870**	**5698**	**34465**

From current and non-current liabilities, CHF 0.6 million (2013: CHF 0.1 million) of deferred taxes were directly recorded in comprehensive income. From the capitalised pension surplus and employee benefit obligations, CHF 4.3 million (2013: CHF 9.4 million) of deferred taxes 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 36.6 million (2013: CHF 145.3 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	**2014**	2013
Balance at 01/01	**28 767**	**18 213**
Change in scope of consolidation	12 437	−2 052
Changes to other comprehensive income for continuing operations	−4 883	7 619
Changes to other comprehensive income for discontinued operations		5 645
Changes to the income statement for continuing operations	−8 707	−2 630
Changes to the income statement for discontinued operations		431
Reclassification to assets held for sale		3 512
Reclassification to liabilities associated with assets held for sale		−1 891
Foreign exchange differences	−90	−80
Balance at 31/12	**27 524**	**28 767**

Unrecognised tax loss carryforwards

in 1 000 CHF	**31/12/2014**	31/12/2013
Tax loss carryforwards	**121 728**	**84 841**
thereof recognised as deferred taxes	−49 917	−59 170
Unrecognised tax loss carryforwards	**71 811**	**25 671**
Portion expiring:		
within 1 year	3 654	6 026
between 1 and 5 years	37 009	6 974
after 5 years	31 148	12 671
Total	**71 811**	**25 671**
Tax effect on unrecognised tax loss carryforwards	**6 672**	**4 662**
thereof pertaining to tax rates below 15%	4 819	
thereof pertaining to tax rates between 15% and 20%	1 459	4 528
thereof pertaining to tax rates between 21% and 25%	394	134

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, which was disposed of in 2014, participated 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 2014 and 2013, the obligation to provide pension benefits was partially transferred to other foundations (settlement) as a result of the sale of certain businesses. 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	**31/12/2014**	31/12/2013
Present value of funded obligations	335 149	289 929
Fair value of plan assets	341 744	306 832
Overfunding	**−6 595**	**−16 903**
Present value of unfunded obligations	48 081	35 829
Adjustment to asset ceiling	2 213	4 038
Liability (net) recognised in the balance sheet	**43 699**	**22 963**
thereof recorded as employee benefit obligations	57 891	37 866
thereof recorded as capitalised pension surplus	−14 192	−14 903

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

in 1 000 CHF	**2014**	2013
Balance at 01/01	**325 757**	**541 205**
Changes in scope of consolidation	2 462	
Interest cost	7 944	10 817
Current service cost	8 811	16 423
Contributions by plan participants	6 265	10 111
Benefits paid	−25 686	−36 928
Actuarial gains arising from changes in demographic assumptions	−30 024	−33 521
Actuarial losses/gains arising from changes in financial assumptions	32 308	−28 215
Actuarial losses/gains arising from experience adjustements	31 605	−165
Settlements/partial liquidation due to disposal of businesses		−40 624
Administration cost	176	253
Reclassification from/to liabilities associated with assets held for sale	24 372	−114 147
Foreign exchange differences	−761	548
Balance at 31/12	**383 229**	**325 757**
thereof for acitve members	231 640	210 551
thereof for deferred members	1 789	1 508
thereof for pensioners	149 800	113 698

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

in 1 000 CHF	**2014**	2013
Balance at 01/01	**306 832**	**451 777**
Interest income	7 173	8 454
Return on plan assets excl. interest income	13 823	11 675
Contributions by the employer	8 893	13 164
Contributions by plan participants	6 265	10 111
Benefits paid	−25 686	−36 928
Settlements/partial liquidation due to disposal of businesses		−36 777
Reclassification from/to assets held for sale	24 444	−114 644
Balance at 31/12	**341 744**	**306 832**

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

in 1 000 CHF	**2014**	2013
Balance at 01/01	**4 038**	**4 507**
Interest cost	89	85
Change in effect of asset ceiling excl. interest cost	−1 914	1 529
Reclassification to assets held for sale		−2 083
Balance at 31/12	**2 213**	**4 038**

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

in 1 000 CHF	**2014**	2013
Actuarial losses/gains	33 889	−40 684
Actuarial losses/gains from discontinued operations	5 797	−21 217
Return on plan assets excl. interest income	−13 823	−11 675
Change in effect of asset ceiling excl. interest cost	−1 914	1 529
Remeasurements of employee benefit obligations	**23 949**	**−72 047**

The amounts recognised in the income statement are as follows:

in 1 000 CHF	**2014**	2013
Current service cost	8 812	16 423
Net interest result	771	2 363
Interest cost on effect of asset ceiling	89	86
Administration cost	176	253
Settlements/partial liquidation due to disposal of businesses		−3 847
Net charges for defined benefit plans	**9 848**	**15 278**
thereof recorded under personnel expenses from continuing operations	8 988	15 134
thereof recorded under financial expenses from continuing operations	860	2 005
thereof recorded under Group result from discontinued operations after taxes		−1 861

The principal actuarial assumptions used were as follows:

	2014	2013
in %		
Weighted average		
Discount rate at 31/12	1.4	2.3
Future salary increases	1.1	1.1
Future pension increases	0.2	0.1
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 are as follows:

	Change in assumption	**2014**
in 1 000 CHF		
Discount rate	−0.25%	14 665
	+0.25%	−13 855
Salary increases	−0.25%	−2 088
	+0.25%	1 917
Life expectancy	+1 year	9 572
	−1 year	−9 791
Service cost 2015 with discount rate	+0.25%	−818

The weighted average duration of employee benefit obligations is 15.1 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:

	31/12/2014			31/12/2013		
	quoted	unquoted	Total	quoted	unquoted	Total
in 1 000 CHF						
Cash and cash equivalents	20 700	2 372	23 072	18 188	2 892	21 080
Equity instruments	52 864		52 864	46 256		46 256
Debt instruments	65 873		65 873	61 172		61 172
Real estate	5 339	89 658	94 997	6 820	83 308	90 128
Asset-backed securities				1 381		1 381
Investment funds	6 357	44 026	50 383		46 308	46 308
Others	11 966	42 589	54 555	12 557	27 950	40 507
Total plan assets	**163 099**	**178 645**	**341 744**	**146 374**	**160 458**	**306 832**

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	1 200	1 258	4 123	8 383

Expected contributions to pension plans for the year ending 31 December 2015 amount to CHF 15.3 million (2014: CHF 15.2 million), of which CHF 9.2 million (2014: CHF 8.8 million) are attributable to the employer.

47 SHARE CAPITAL

The capital structure is as follows:

	31/12/2014			31/12/2013		
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 25 April 2014 the Annual General Meeting approved the extension for another 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

	2014	2013
Group earnings from continuing operations (in 1 000 CHF)	11 260	33 447
Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF)	3 805	−83 387
Group earnings for the year (in 1 000 CHF)	15 065	−49 940
Outstanding shares (average)	18 225 603	18 225 603
Less treasury shares (average)	−586 306	−491 478
Average number of shares outstanding for the calculation	17 639 297	17 734 126

There were no dilutive effects impacting the calculation.

48 TREASURY SHARES

	2014			2013		
	Ø market value	Number of shares	Amount	Ø market value	Number of shares	Amount
	in CHF		in 1 000 CHF	in CHF		in 1 000 CHF
Balance at 01/01	**43**	**468 477**	**20 148**	**43**	**511 466**	**22 014**
Transfer for share-based payments	43	−24 086	−1 036	43	−43 989	−1 892
Settlement of purchase price STI China	30	322 494	9 578			
Purchase	24	135 225	3 218	26	1 000	26
Sale	36	−661 927	−23 647			
Balance at 31/12	**34**	**240 183**	**8 261**	**43**	**468 477**	**20 148**

The balance of treasury shares has been reduced on a net basis by 228 294 since 31 December 2013. The settlement of the purchase price for the Chinese STI Precision Machining (Changshu) Co. Ltd. which was sold on 6 June 2014 occurred in 322 494 registered shares of AFG Arbonia-Forster-Holding AG (see note 36). The sales include the transaction published on 2 December 2014 of 546 800 treasury shares to Artemis Beteiligungen I AG.

49 OTHER COMPREHENSIVE INCOME AND OTHER RESERVES

Other comprehensive income after taxes for 2014 and 2013 is as follows:

			31/12/2014			31/12/2013
in 1 000 CHF	Other reserves	Retained earnings	Total other comprehensive income	Other reserves	Retained earnings	Total other comprehensive income
Remeasurements of employee benefit obligations		−23 949	−23 949		72 047	72 047
Deferred tax effect		5 120	5 120		−13 189	−13 189
Total items that will not be reclassified to income statement		**−18 828**	**−18 828**		**58 858**	**58 858**
Fair value adjustments on cash flow hedges	2 578		2 578	957		957
Deferred tax effect on cash flow hedges	611		611	−75		−75
Currency translation differences	−6 605		−6 605	−3 961		−3 961
Cumulative currency translation differences transferred to the income statement	1 908		1 908	692		692
Total items that may be subsequently reclassified to income statement	**−1 508**		**−1 508**	**−2 387**		**−2 387**
Other comprehensive income after taxes	**−1 508**	**−18 828**	**−20 336**	**−2 387**	**58 858**	**56 471**

Other reserves

in 1000 CHF	Foreign exchange and hedging reserves	Currency translation	Total
Balance at 31/12/2012	**−4071**	**−48020**	**−52091**
Foreign exchange differences of US PP	2744		2744
Changes in fair value of CCS	−2314		−2314
Transactions recorded in income statement	527		527
Deferred taxes	−75		−75
Currency translation differences		−3269	−3269
Balance at 31/12/2013	**−3189**	**−51289**	**−54478**
Foreign exchange differences of US PP	−8918		−8918
Changes in fair value of CCS	11734		11734
Transactions recorded in income statement	−238		−238
Deferred taxes	611		611
Currency translation differences		−4697	−4697
Balance at 31/12/2014		**−55986**	**−55986**

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 were identical with the underlying transactions in terms of amount, currency, interest payment date and duration. They were considered to be highly effective in offsetting changes in cash flows of the underlying hedged transactions and consequently AFG applied hedge accounting. The inception date of the underlying transactions and the cross currency swaps was 2 December 2004 and the maturity date was on 30 November 2014.

50 FINANCIAL RESULTS

in 1000 CHF	2014	2013
Financial income		
Bank and other interests	823	993
Interests on net pension surplus	434	
Total interest income	**1 257**	**993**
Impact of exchange rate fluctuations		1 451
Income from securities designated at fair value through profit or loss	258	402
Held for trading derivative financial instruments		299
Income from securities available-for-sale		976
Foreign currency exchange gain from liquidation of subsidiaries	102	
Other financial income	104	2
Total other financial income	**464**	**3 130**
Total financial income	**1 721**	**4 123**
Financial expenses		
Bank and other interests	788	1 737
Interests on finance leases	189	225
Interests on non-current financial debts	12 370	14 732
Interests on net employee benefit obligations	1 294	2 005
Amortisation charges on bond, US PP and syndicated loan	599	794
Compounding of liabilities	545	405
Total interest expenses	**15 785**	**19 898**
Impact of exchange rate fluctuations	4 090	
Expenses from securities designated at fair value through profit or loss	4	8
Held for trading derivative financial instruments	775	631
Impairment on available-for-sale financial instruments	998	
Bank charges and other financial expenses	2 502	3 024
Total other financial expenses	**8 369**	**3 663**
Total financial expenses	**24 154**	**23 561**
Total net financial results	**–22 433**	**–19 438**

51 INCOME TAXES

in 1000 CHF	**2014**	2013
Current income taxes	8 419	11 213
Changes in deferred income taxes	−8 707	−2 630
Total	**−288**	**8 583**

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 1000 CHF	**2014**	2013
Earnings before income tax	**10 972**	**42 030**
Weighted average tax rate in %	25.8	22.4
Expected tax charge	**2 830**	**9 400**
Income tax reconciliation		
Effect of utilisation of previously unrecognised tax losses	−1 447	−190
Effect of not capitalised losses for the year	3 630	447
Effect of non-tax-deductible expenses and non-taxable income	−4 184	1 077
Effect of income and expenses taxed at special rates	−161	−139
Effect of tax charges related to prior years	−569	−2 061
Effect of tax rate changes	29	32
Change in unrecognised deferred tax assets	−435	−194
Other items	19	211
Effective tax charge	**−288**	**8 583**
Effective tax rate in %	n/a	20.4

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 increased significantly compared to previous year. This increase results mainly from the substantially increased share of earnings from foreign subsidiaries with significant higher tax rates. There were no 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 13.4% (2013: 16.4%) of existing trade receivables. The 10 largest customers generated 20.5% (2013: 22.1%) 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 31% / 28% / 14% of total liquid funds as of the balance sheet date (2013: 60% / 14% / 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:

in 1 000 CHF	**31/12/2014**	31/12/2013
Cash and cash equivalents and securities	81 501	184 997
+ undrawn credit facilities	194 800	276 242
Total available liquidity	**276 301**	**461 239**

The syndicated loan and the US private placement redeemed on 30 November 2014 include covenants. If such covenants are not complied with, the banks may demand immediate redemption of their share. In 2014 and 2013, 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 (transaction risks) 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 (translation risks) 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 are as much as possible hedged by means of natural hedges with liabilities in this 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 was also reported in the income statement in the same period. Since the US private placement was repaid on 30 November 2014 and the related cross currency swap expired, such sensitivities are no longer disclosed. Translation risks arising from the translation of foreign subsidiaries are not included in the following table.

A 20% increase (decrease) of the EUR against the CHF (2013: 5%), a 20% increase (decrease) of the CZK against the CHF (2013: 5%) or a 20% increase (decrease) of the PLN against the CHF (2013: 5%) would have the following effects on AFG's Group earnings as of the balance sheet date:

	31/12/2014			31/12/2013		
	EUR/CHF	CZK/CHF	PLN/CHF	EUR/CHF	CZK/CHF	PLN/CH
in 1 000 CHF						
Reasonably possible change	20.0%	20.0%	20.0%	5.0%	5.0%	5.0%
Impact of an increase on group earnings	6 653	942	3 123	1 584	366	1 100
Impact of a decrease on group earnings	−6 653	−942	−3 123	−1 584	−366	−1 100

(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. Since the US private placement was repaid on 30 November 2014 and the related cross currency swap expired, such sensitivities are no longer disclosed.

An increase (decrease) in the market interest level as of the balance sheet date by 50 basis points for CHF (2013: 50 basis points), by 50 basis points for EUR interest rates (2013: 50 basis points) or by 50 basis points for USD interest rates in 2013 would have the effects set forth below on Group earnings and the shareholders' equity of AFG:

	31/12/2014		31/12/2013		
	CHF interest rate	EUR 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
Variable interest-bearing financial instruments					
Impact of an increase on group earnings	−209	106	595	154	
Impact of a decrease on group earnings	209	−106	−595	−154	
Interest rate swaps					
Impact of an increase on group earnings		422			
Impact of a decrease on group earnings		−422			
Cross currency swaps					
Impact of an increase on shareholders' equity			415	164	−395
Impact of a decrease on shareholders' equity			−415	−164	395

(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 40% 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 37.4% as of the balance sheet date (2013: 36.1%). The slight increase compared to the previous year is mainly attributable to the decline in total assets.

On 25 April 2014, 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 another two more years (see note 47).

The syndicated loan and the US private placement redeemed on 30 November 2014 include covenants. One of these covenants prescribes a minimum equity ratio. In the event of non-compliance, the banks 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 US private placement was redeemed on 30 November 2014 and the cross currency swap expired on the same date.

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

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

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:

	31/12/2014	31/12/2013
in 1 000 CHF		
Liabilities		
Interest rate swaps without hedges	2 596	
Combination of interest rate swaps and forward foreign exchange contracts with cash flow hedges		25 705

Interest rate swaps are entered into to hedge the interest rate risk, i.e. to secure variable interest rates on borrowings in fixed interest rates.

The combined instruments of interest rate / forward foreign exchange contracts (cross currency swaps) disclosed in the previous year were identical with the underlying US private placement transactions in terms of amount, currency, interest payment date and duration. They were 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 were recognised in comprehensive income (see note 49). Subsequent changes impacting the income statement were reported in the financial result under impact of exchange rate fluctuations. The cross currency swap expired on 30 November 2014.

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 compensation 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 receive as a minimum 50% of their compensation in shares. This plan has the same features as the one for Group Management.

In 2014, Group Management and certain other employees received for their work in the year 2013 a total of 17 898 (2013: 21 638 shares) allotted shares at a fair value of CHF 0.5 million (2013: CHF 0.6 million) (2014: CHF 28.81 per share; 2013: CHF 26.25 per share). The members of the Board of Directors received for their work from 1 January 2014 up to the Annual General Meeting on 25 April 2014 a total of 6 188 shares (2013: 18 344 shares for the whole year) at a fair value of CHF 0.2 million (2013: CHF 0.6 million for the whole year) (2014: CHF 28.81 per share; 2013: CHF 30.88 per share). Personnel expenses in 2014 for share-based payments totalled CHF 0.8 million (2013: CHF 1.1 million).

55 RELATED PARTY TRANSACTIONS

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

in 1 000 CHF	**2014**	2013
Salaries and other short-term employee benefits	4 574	3 182
Share-based payments	702	821
Pension and social securities contributions	1 014	477
Total	**6 290**	**4 480**

The detailed disclosures regarding executive compensation required by Swiss law are included in the Compensation Report on pages 62–65.

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

				31/12/2014	
in 1 000 CHF	Purchase of services	Sale of goods	Purchase of goods	Balance on receivables	Balance on liabilities
Key management personnel		3			
Other related parties	282	40	122		50
Total	**282**	**43**	**122**		**50**

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

The law firm Bratschi Wiederkehr & Buob AG, of which Christian Stambach (non-executive member of the Board of Directors) a partner is, charged in 2014 for legal advice and representation TCHF 154 (2013: TCHF 551) to AFG and its Group companies. These expenses are included in the purchased services and were at arm's length. Dr Edgar Oehler (member of the Board of Directors until 25 April 2014) 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. These compensations were included in 2013 in purchased services. Another TCHF 58 related to salaries of the children of Dr Edgar Oehler, who 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.

56 CONTINGENCIES

There were no contingencies.

57 EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2015, the Swiss National Bank announced the discontinuation of the minimum exchange rate CHF / EUR of 1.20. Immediately after the announcement, the Swiss franc appreciated strongly against the euro and other for AFG relevant currencies. The resulting exchange losses due to this decision on the foreign currency balances as of the balance sheet date are disclosed as sensitivity calculations in note 52 under currency risks. In addition, the translation of financial statements of foreign subsidiaries denominated in foreign currencies will lead to lower earnings, to a lower equity (accumulated losses on currency translation in the statement of comprehensive income) but also to lower total assets.

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2014 consolidated financial statements.

58 MATERIAL SUBSIDIARIES

Company	Head Office	Share Capital in million	Interest in Capital	Room Climate	Shower Stalls	Windows	Profile Systems and Special Doors	Services/Finance
Building Technology Division								
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%	▲	▲			
PZP Heating a.s.	Dobre, CZ	7.200 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%	■	■			
Sabiana S.p.A.	Corbetta, IT	0.024 EUR	90%	▲				
Kermi Sp.z o.o.	Wroclaw, PL	0.900 PLN	100%	■	■			
Building Envelope Division								
EgoKiefer AG	Altstätten, CH	8.000 CHF	100%			▲		
Dobroplast Fabryka Okien sp. z o.o.	Zambrow, PL	53.355 PLN	100%			▲		
Slovaktual s.r.o.	Pravenec, SK	0.500 EUR	100%			▲		
Building Security Division								
Forster Profilsysteme AG	Arbon, CH	4.000 CHF	100%				▲	
RWD Schlatter AG	Roggwil, CH	2.000 CHF	100%				▲	
Forster Profilsysteme GmbH	Rottweil, DE	0.100 EUR	100%				■	
Corporte 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 (Shanghai) Building Materials Co. Ltd.	Shanghai, CN	2.000 USD	100%					●
AFG Arbonia-Forster-Deutschland GmbH	Plattling, DE	0.511 EUR	100%					●
AFG Schoch GmbH	Sternenfels, DE	0.205 EUR	100%					●
AFG RUS	Moskau, RU	0.500 RUB	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, 18 February 2015

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 105–187), for the year ended 31 December 2014.

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 2014 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
Audit expert
Auditor in charge

Martin Knöpfel
Audit expert

FINANCIAL STATEMENTS

AFG ARBONIA-FORSTER-HOLDING AG

INCOME STATEMENT

	2014		2013	
	in 1000 CHF	in %	in 1000 CHF	in %
Financial income	19734		21452	
Other income	1		1	
Total revenues	**19735**	**100.0**	**21453**	**100.0**
Financial expenses	−24234	−122.8	−28853	−134.5
Personnel expenses	−1180	−6.0	−1028	−4.8
Other expenses	−9107	−46.1	−6243	−29.1
Total expenses	**−34521**	**−174.9**	**−36124**	**−168.4**
Net earnings for the year	**−14786**	**−74.9**	**−14671**	**−68.4**

BALANCE SHEET

	31/12/2014		31/12/2013	
	in 1000 CHF	in %	in 1000 CHF	in %
Assets				
Cash and cash equivalents	26506		94716	
Securities	7782		12620	
Accounts receivable from third parties	1129		17	
Accounts receivable from group companies	297593		359389	
Current assets	**333010**	**43.9**	**466742**	**52.3**
Investments	381524		381524	
Loans to group companies	43414		44229	
Other financial assets			28	
Non-current assets	**424938**	**56.1**	**425781**	**47.7**
Total assets	**757948**	**100.0**	**892523**	**100.0**
Liabilities and shareholders' equity				
Liabilities to third parties	190		246	
Liabilities to group companies	1833		65193	
Bank loans	81240		750	
US private placement notes			131084	
Accruals and deferred income	5091		4814	
Current liabilities	**88354**	**11.7**	**202087**	**22.6**
Bond 2010–2016	199258		198737	
Bank loans	4000		5250	
Non-current liabilities	**203258**	**26.8**	**203987**	**22.9**
Total liabilities	**291612**	**38.5**	**406074**	**45.5**
Share capital	76548		76548	
Legal reserves				
General reserve	42812		42812	
Capital contribution reserve	127458		132785	
Reserve for treasury shares	6848		18868	
Other reserves	10252		10252	
Retained earnings	202418		205184	
Shareholders' equity	**466336**	**61.5**	**486449**	**54.5**
Total liabilities and shareholders' equity	**757948**	**100.0**	**892523**	**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:

		31/12/2014	31/12/2013
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	2 713	2 713
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
Commerzbank			
fin 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

	31/12/2014		31/12/2013	
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

	31/12/2014	31/12/2013
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	21.90%	
Edgar Oehler		18.42%

6 SHARE CAPITAL

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

7 OFF BALANCE SHEET ITEMS

			31/12/2014			31/12/2013
	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
Total derivative instruments				**126 258**		**– 25 705**

The combination of interest rate swaps and forward foreign exchange contracts transactions were used solely for hedging interest and currency risks for long-term loans, which were repaid by the end of november 2014. The negative fair value last year resulted from the market valuation of interest and currency risks. The negative fair value was not recorded because the interest as well as the currency risks were hedged over the entire term of the loan.

8 RISK ASSESSMENT

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

9 DISCLOSURE OF SHAREHOLDING

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:

	31/12/2014 Number of registered shares	31/12/2013 Number of registered shares
Rudolf Graf (Chairman of the BoD and Group Management)	12 387	5 992
Christian Stambach (Member of the BoD)	10 442	9 487
Andreas Gühring (Member of the BoD)	7 181	6 405
Peter E. Bodmer (Member of the BoD)	1 656	1 125
Markus Oppliger (Member of the BoD)	1 656	1 125
Edgar Oehler (Member of the BoD until 25/04/2014)		3 356 767
William Christensen (Group Management from 01/11/2014)	14 000	
Felix Bodmer (Group Management)	17 232	14 979
Knut Bartsch (Group Management)	10 389	8 086
Christoph Schönenberger (Group Management)	12 415	9 984
Roman Hänggi (Group Management from 01/07/2014)	1 107	
Daniel Frutig (Group Management until 19/02/2014)		53 463
Thomas Gerosa (Group Management until 30/06/2014)		11 232
Total	**88 465**	**3 478 645**

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors will propose at the Annual General Meeting of the shareholders on 17 April 2015 the following:

Appropriation of retained earnings

	2014	2013
in 1 000 CHF		
Retained earnings carried forward from previous year	205 184	216 040
Net earnings for the year	– 14 786	– 14 671
Change of reserve for treasury shares	12 020	3 815
Retained earnings	**202 418**	**205 184**
Retained earnings carried forward	202 418	205 184
Total	**202 418**	**205 184**

REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

TO THE GENERAL MEETING OF AFG ARBONIA-FORSTER-HOLDING AG, ARBON

St. Gallen, 18 February 2015

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 191 – 197), for the year ended 31 December 2014.

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 2014 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	**Martin Knöpfel**
Audit expert	Audit expert
Auditor in charge	

SUPPLEMENTARY INFORMATION FOR INVESTORS

	2014	2013	2012	2011	2010
Number of shares					
Registered par value CHF 4.20	18225603	18225603	18225603	18225603	18225603
Stock market prices in CHF					
Highest	35.6	34.2	23.4	38.0	30.0
Lowest	19.0	22.9	15.4	14.4	20.8
31/12	24.7	31.5	23.1	17.6	29.0
Stock market capitalisation in CHF million (31/12)	449.3	573.2	421.0	320.8	528.5
Per share data					
Gross dividend in CHF [1]	0.0	0.3	0.0	0.0	0.5
Pay-out ratio (in % of Group earnings)	0.0	n/a	0.0	0.0	64.4
Group earnings in CHF	0.9	−2.8	−4.1	−4.0	0.8
Cash flow from operating activities in CHF	2.2	3.6	3.0	3.7	4.6
Shareholders' equity in CHF	19.9	20.2	19.8	24.2	31.8
Price/earnings ratio (highest)	43.0	−12.5	−5.9	−9.9	38.6
Price/earnings ratio (lowest)	22.9	−8.3	−3.9	−3.7	26.8
Price/earnings ratio (31/12)	29.8	−11.5	−5.9	−4.6	37.3
Price/cash flow ratio (highest)	16.5	9.6	7.7	10.3	6.5
Price/cash flow ratio (lowest)	8.8	6.4	5.0	3.9	4.5
Price/cash flow ratio (31/12)	11.4	8.9	7.6	4.8	6.3

[1] 2015 proposal to the Annual General Meeting

2014 share price development (in CHF)