FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AFG ARBONIA-FORSTER-GROUP

FINANCIAL STATEMENTS AFG ARBONIA-FORSTER-HOLDING AG

FINANCIAL COMMENTARY BY FELIX BODMER

Following the Group's reporting of a small profit amounting to CHF 15.1 million in the previous year, the 2015 financial year ended with a record loss of CHF 177.1 million. The main reason for this was the Swiss National Bank's decision to scrap the minimum euro exchange rate on 15 January 2015. Consequently, all business units had to undergo a review by the Board of Directors – partially made up of new members – which resulted in the decision to relocate the window production facilities from Altstätten (CH) and Villeneuve (CH) to Slovakia and eastern Germany, as well the special radiator production facilities from Arbon (CH) to Stříbro (CZ). On top of this, significant impairments became necessary, particularly for the window business. However, competitive pressure in the Swiss window market had already been so great before the SNB abolished the minimum euro exchange rate that the decision to relocate would have been made sooner or later.

Even if the one-off items such as impairments, restructuring and so on are ignored, the Group result for 2015 is negative at CHF – 14.5 million (previous year CHF 17.6 million). Through increasing the capital by CHF 198 million net, a process that was successfully finalised at the end of September, it was possible to secure financing for the Group and its reorganisation for the next few years.

ABOLITION OF THE MINIMUM EURO EXCHANGE RATE LEAVES ITS MARK IN THE INCOME STATEMENT

AFG recorded a revenue decrease of 7.5 % to CHF 941.4 million (previous year CHF 1017.4 million) in the 2015 financial year. The positive effects from the acquisition of Sabiana and Wertbau, amounting to 4.7 %, and the negative currency effect of – 7.9 % resulted in organic growth of – 4.4 %. The abolition of the minimum euro exchange rate led to noticeable declines in revenue relating to both price and volume, particularly in the Building Envelope Division and the Special Doors Business Unit.

In the 2015 financial year, material expenses, personnel expenses and other operating expenses developed negatively as a percentage of net revenue, just as in the previous year. This was primarily due to price-related declines in margins, for which it was not possible to compensate immediately by optimising procurement and reducing personnel costs. Pressure on margins was felt with particular force in the Building Envelope Division once again.

In the 2015 financial year, EBITDA only just amounted to 2.8 % of net revenue (previous year 7.7 %) or CHF 26.6 million (previous year CHF 78.3 million). Even discounting one-off items, and particularly restructuring provisions, the EBITDA value of 6.0 % of net revenue represented a noticeable decline compared to the previous year (7.8 %). As a result, EBIT without one-off items halved to an inadequate 1.8 % of net revenue (previous year 3.6 %). Due to impairments on goodwill, intangible assets and property, plant and equipment of CHF 144.8 million, EBIT in absolute terms and with one-off items factored in amounted to CHF – 158.4 million (previous year CHF 33.4 million).

Impairments for two loans are included in the net financial expense of CHF 23.2 million (previous year CHF 22.4 million). Without this currency and acquisition effect, the net financial expense for the 2015 financial year would have remained virtually as high as in the previous year, at CHF 18.7 million (previous year CHF 18.4 million without the currency and acquisition effect). Taking into account the currency losses of around CHF 6 million due to the abolition of the minimum euro exchange rate, the net financial expense would have ended up being considerably lower than in the previous year, which is mostly down to the repayment of the US private placement in November 2014 and the lower interest expenses associated with this. Based on IFRS, the tax income was CHF 4.5 million (previous year CHF 0.3 million), which is primarily attributed to the high losses of the Swiss group companies. For this same reason, the average tax rate of 15.1 % for the 2015 financial year (previous year 25.8 %) is not sustainable. The weighted average tax rate should continue to be around 25 % in the future.

BALANCE SHEET REMAINS SOUND THANKS TO CAPITAL INCREASE

Due to the impairments and the strong Swiss franc, AFG's total assets decreased to CHF 900.5 million (previous year CHF 969.5 million) as of 31 December 2015. If the cash and cash equivalents which arose as a result of the capital increase could have been used entirely to repay the 2010 – 2016 bond, the total assets would have been considerably lower. The successful capital increase was also mostly responsible for the improved equity ratio of 39.1 % (previous year 37.4 %) as of the balance sheet date. After the repayment of the bond in May 2016, the equity ratio should be able to exceed the minimum target figure of 40 %.

Despite the acquisition of Wertbau, the free cash flow (cash flow from operating activities and investing activities) amounted to CHF 16.0 million (previous year CHF – 51.9 million). Due to the abolition of the minimum euro exchange rate, only investments that were absolutely necessary were made in the 2015 financial year. The cash flow from operating activities was able to increase thanks to an improvement in the net current assets compared to the weak previous year.

Following the capital increase of around CHF 198 million net as well as the positive free cash flow, net indebtedness fell to CHF 21.7 million (previous year CHF 222.3 million). The debt ratio (net indebtedness / EBITDA) therefore amounted to – 0.77 (previous year – 2.66). This lays the foundation for returning to a point in the future at which all key financial indicators can be maintained.

CONSOLIDATED FINANCIAL STATEMENTS

AFG ARBONIA-FORSTER-GROUP

CONSOLIDATED INCOME STATEMENT

	Note	2015 in 1000 CHF	2015 in %	2014 in 1000 CHF	2014 in %
Continuing operations					
Net revenues	31	**941 424**	**100.0**	**1 017 399**	**100.0**
Other operating income		12 944	1.4	19 703	1.9
Capitalised own services		1 801	0.2	2 419	0.2
Changes in inventories of semi-finished and finished goods		11 316	1.2	−13 243	−1.3
Net operating performance		**967 485**	**102.8**	**1 026 278**	**100.9**
Cost of material and goods		−431 326	−45.8	−450 677	−44.3
Personnel expenses	46	−351 998	−37.4	−344 718	−33.9
Other operating expenses		−157 571	−16.7	−152 560	−15.0
EBITDA		**26 590**	**2.8**	**78 323**	**7.7**
Depreciation, amortisation and impairments	37–39	−185 009	−19.7	−44 918	−4.4
EBIT	31	**−158 419**	**−16.8**	**33 405**	**3.3**
Financial income	50	2 254	0.2	1 721	0.2
Financial expenses	50	−25 404	−2.7	−24 154	−2.4
Group result before income tax		**−181 569**	**−19.3**	**10 972**	**1.1**
Income tax expense	51	4 463	0.5	288	0.0
Group result from continuing operations		**−177 106**	**−18.8**	**11 260**	**1.1**
Group result from discontinued operations after taxes	36			**3 829**	**0.4**
Group result		**−177 106**	**−18.8**	**15 089**	**1.5**
Attributable to:					
Shareholders of AFG Arbonia-Forster-Holding AG		−177 106		15 065	
Non-controlling interests				24	
Earnings per share from continuing operations in CHF	47	−6.05		0.47[1]	
Earnings per share from discontinued operations in CHF	47			0.16[1]	
Earnings per share in CHF	47	−6.05		0.63[1]	

Basic and diluted earnings are identical

[1] Adjustments to earnings per share due to the capital increase 2015 (see note 47)
The notes on pages 96 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
	in 1 000 CHF	in 1 000 CHF
Group result	**−177 106**	**15 089**
Other comprehensive income		
Items that will not be reclassified to income statement		
Remeasurements of employee benefit obligations	−12 598	−23 949
Deferred tax effect	2 180	5 120
Total items that will not be reclassified to income statement	**−10 419**	**−18 828**
Items that may be subsequently reclassified to income statement		
Fair value adjustments on cash flow hedges		2 578
Deferred tax effect on cash flow hedges		611
Currency translation differences	−28 302	−6 605
Cumulative currency translation differences transferred to the income statement		1908
Total items that may be subsequently reclassified to income statement	**−28 302**	**−1 508**
Other comprehensive income after taxes	**−38 721**	**−20 336**
Total comprehensive income	**−215 827**	**−5 247**
Attributable to:		
Shareholders of AFG Arbonia-Forster-Holding AG	−215 827	−5 271
Non-controlling interests		24
Total comprehensive income from continuing operations	−215 827	−4 155
Total comprehensive income from discontinued operations		−1 116

The notes on pages 96 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		31/12/2015		31/12/2014	
	Note	in 1000 CHF	in %	in 1000 CHF	in %
Assets					
Cash and cash equivalents	32	201 440		79 512	
Securities		2 240		1 989	
Accounts receivable	33	85 361		102 927	
Other current assets		17 484		18 513	
Inventories	34	151 431		139 998	
Deferred expenses		5 414		4 426	
Current income tax receivables		1 706		1 140	
Financial assets	35	1 200		778	
Assets held for sale	36			2 211	
Current assets		**466 276**	**51.8**	**351 494**	**36.3**
Property, plant and equipment	37	305 362		359 038	
Investment property	38	11 399		13 659	
Intangible assets	39	57 901		88 078	
Goodwill	39	41 085		125 570	
Deferred income tax assets	45	6 898		9 346	
Capitalised pension surplus	46	9 424		14 192	
Financial assets	35	2 180		8 075	
Non-current assets		**434 249**	**48.2**	**617 958**	**63.7**
Total assets		**900 525**	**100.0**	**969 452**	**100.0**

		31/12/2015		31/12/2014	
	Note	in 1 000 CHF	in %	in 1 000 CHF	in %
Liabilities and shareholders' equity					
Accounts payable		81 668		85 348	
Advance payments by customers		36 960		19 626	
Other liabilities		20 951		27 742	
Financial debts	41	207 095		87 896	
Finance lease liabilities	37	1 669		1 995	
Accruals and deferred income		38 112		36 052	
Current income tax liabilities		7 953		4 261	
Provisions	44	23 258		11 703	
Current liabilities		**417 666**	**46.4**	**274 623**	**28.3**
Financial debts	41	17 367		220 402	
Finance lease liabilities	37	2 621		2 328	
Other liabilities		8 487		8 006	
Provisions	44	21 508		6 379	
Deferred income tax liabilities	45	17 026		36 870	
Employee benefit obligations	46	64 033		57 891	
Non-current liabilities		**131 042**	**14.6**	**331 876**	**34.2**
Total liabilities		**548 708**	**60.9**	**606 499**	**62.6**
Share capital	47	187 140		76 547	
Share premium		262 022		166 037	
Treasury shares	48	−7 553		−8 261	
Other reserves	49	−84 288		−55 986	
Retained earnings		−5 504		184 616	
Shareholders' equity attributable to equity holders of AFG Arbonia-Forster-Holding AG		**351 817**	**39.1**	**362 953**	**37.4**
Shareholders' equity		**351 817**	**39.1**	**362 953**	**37.4**
Total liabilities and shareholders' equity		**900 525**	**100.0**	**969 452**	**100.0**

The notes on pages 96 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	31/12/2015 in 1000 CHF	31/12/2014 in 1000 CHF
Group result		**−177 106**	**15 089**
Depreciation, amortisation and impairments	37–39	185 009	44 918
Profit/loss on disposal of non-current assets and subsidiaries		−795	−3 068
Changes in non-cash transactions	54	14 944	−2 825
Changes in working capital (excluding cash and cash equivalents)	54	5 738	−2 826
Changes in current liabilities	54	26 671	−11 869
Cash flows from operating activities – net		**54 461**	**39 419**
To investment activities			
Purchases of property, plant and equipment	37	−18 981	−47 216
Purchases of investment properties	38	−60	−30
Purchases of intangible assets	39	−1 874	−1 344
Acquisition of subsidiaries/businesses (net of cash acquired)	40	−21 802	−110 182
Issuance of financial assets			−84
From divestment activities			
Proceeds from sale of property, plant and equipment		1 571	3 040
Proceeds from sale of investment properties	36/38	1 979	6 131
Proceeds from sale of intangible assets		371	28
Disposal of subsidiaries (net of cash disposed)	36/40		58 330
Repayment of financial assets		330	31
Cash flows from investing activities – net		**−38 466**	**−91 296**
From financing activities			
Proceeds from financial debts		60 046	80 000
Net proceeds from issuance of share capital	47	198 338	
Proceeds from sale of treasury shares	48	3 547	17 503
To financing activities			
Repayments of financial debts		−145 257	−136 613
Finance lease liability payments		−2 106	−2 174
Distribution from capital contribution reserves			−5 327
Dividends			−6
Purchase of treasury shares	48	−6 641	−3 218
Cash flows from financing activities – net		**107 927**	**−49 835**
Effects of translation differences on cash and cash equivalents		−1 994	−1 339
Change in cash and cash equivalents		**121 928**	**−103 051**
Reconciliation of change in cash and cash equivalents			
Cash and cash equivalents as of 01/01 continuing operations	32	79 512	172 547
Cash and cash equivalents as of 01/01 discontinued operations			10 016
Cash and cash equivalents as of 31/12 continuing operations	32	201 440	79 512
Change in cash and cash equivalents		**121 928**	**−103 051**
Supplementary information for operating activities:			
Interest paid		9 124	13 047
Interest received		1 524	959
Income tax paid		7 399	11 406

The notes on pages 96 to 171 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 31/12/2013		**76 547**	**171 364**	**−20 148**	**−54 478**	**194 910**	**368 195**	**786**	**368 981**
Group result						15 065	15 065	24	15 089
Other comprehensive income after taxes	49				−1 508	−18 828	−20 336		−20 336
Total comprehensive income					**−1 508**	**−3 763**	**−5 271**	**24**	**−5 247**
Changes in scope of consolidation								−804	−804
Distribution from capital contribution reserves			−5 327				−5 327		−5 327
Dividends								−6	−6
Changes in treasury shares	48			11 203		−6 496	4 707		4 707
Share based payments	55			684		−35	649		649
Total transactions with owners			**−5 327**	**11 887**		**−6 531**	**29**	**−810**	**−781**
Balance at 31/12/2014		**76 547**	**166 037**	**−8 261**	**−55 986**	**184 616**	**362 953**		**362 953**
Group result						−177 106	−177 106		−177 106
Other comprehensive income after taxes	49				−28 302	−10 419	−38 721		−38 721
Total comprehensive income					**−28 302**	**−187 525**	**−215 827**		**−215 827**
Issuance of share capital (net)	47	110 593	95 985				206 578		206 578
Changes in treasury shares	48			−448		−2 645	−3 093		−3 093
Share based payments	55			1 156		50	1 206		1 206
Total transactions with owners		**110 593**	**95 985**	**708**		**−2 595**	**204 691**		**204 691**
Balance at 31/12/2015		**187 140**	**262 022**	**−7 553**	**−84 288**	**−5 504**	**351 817**		**351 817**

The notes on pages 96 to 171 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, Wertbau, Forster Profile Systems and RWD Schlatter and possesses a strong position in its home markets in Switzerland and Germany. The Group focuses mainly on the development of existing markets in Central and Eastern Europe. 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 17 February 2016 and require approval from the Annual General Meeting on 22 April 2016. The publication of the consolidated financial statements occurred on 1 March 2016 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 effective in 2015

AFG has adopted in 2015 the following annual specifications and smaller amendments on various standards and interpretations:

- Annual improvements to IFRS 2010 – 2012 cycle
- Annual improvements to IFRS 2011 – 2013 cycle

The adoption of these annual improvements did not significantly affect the Group's financial statements for 2015.

Published standards 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:

Standard	effective date
Amendments to IAS 1 "Presentation of financial statements" – disclosures	01 January 2016
IFRS 9 "Financial instruments: classification and measurement"	01 January 2018
Amendments to IFRS 9 "Financial instruments" – mandatory effective date of IFRS 9 and transition disclosures	01 January 2018
Amendments to IFRS 9 "Financial instruments" – hedge accounting	01 January 2018
IFRS 15 "Revenue from contracts with customers"	01 January 2018
IFRS 16 "Leases"	01 January 2019
Annual improvements to IFRS 2012–2014 cycle	01 January 2016

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.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. An optional exemption for certain short-term leases and leases of low-value assets has been provided for. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

It is not expected that IFRS 9 will significantly affect the Group's financial statements. The application of IFRS 15 and IFRS 16 however will affect the Group's financial statements. AFG will soon systematically analyse and assess the impact of these standards on its financial statements. The adoption of the remaining amended standards will not significantly affect the Group's financial statements.

3 REPORTING ENTITY

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

Investments in associated companies, over which AFG exercises significant influence but does not control, are initially recognised at cost. The cost comprises the share in net assets and a possible goodwill. After the date of acquisition, the investment is 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 2015
- As of 1 July 2015, AFG acquired 100 % of the shares of Bloxer Ronchi S.r.l., IT-Villafranca Padovana (see note 40).
- As of 1 October 2015, AFG acquired 100 % of the shares of Wertbau GmbH & Co. KG, DE-Langenwetzendorf (see note 40).

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).

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

4 FULL CONSOLIDATION

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

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

Functional and presentation currency

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

Transactions and balances

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

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

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

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

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

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

The following foreign currency rates have been applied:

Currency	**Unit**	**Year-end rate 31/12/2015**	**2015 Average rate**	Year-end rate 31/12/2014	2014 Average rate
EUR	1	1.0808	1.0670	1.2027	1.2144
GBP	1	1.4705	1.4700	1.5443	1.5065
USD	1	0.9892	0.9622	0.9895	0.9151
CZK	100	3.9993	3.9121	4.3380	4.4125
PLN	100	25.3620	25.5192	28.2172	29.0292
CNY	100	15.2328	15.2742	16.1315	14.8558
RUB	100	1.3733	1.5849	1.7772	2.4160

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) 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.

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 hasn't transferred 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, 2009 and 2015.

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 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 2015, the carrying amount of accounts receivable totalled CHF 85.4 million. Therein an allowance for doubtful debts of CHF 9.1 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 2015, the carrying amount of inventory was at CHF 151.4 million. Therein a provision for inventories of CHF 14.4 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 2015, the carrying amount of property, plant and equipment totalled CHF 305.4 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 2015, the carrying amount of goodwill was at CHF 41.1 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 2015, the carrying amount of intangible assets acquired in a business combination amounted to CHF 54.9 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 2015, the carrying amount of the provisions totalled CHF 44.8 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 2015, the underfunding amounted to CHF 54.6 million, thereof CHF 9.4 million recorded in the balance sheet as capitalised pension surplus and CHF 64.0 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 2015, the carrying amount of deferred tax assets before offsetting totalled CHF 19.9 million. For further information on income taxes, see notes 45 and 51.

C EXPLANATION TO CERTAIN POSITIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS

31 SEGMENT INFORMATION
AFG is organised into three divisions and segments, respectively Building Technology, Building Envelope and Building Security. Corporate Services consist of service, finance, real estate and investment companies and provide their services almost entirely to Group companies. They 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, Dobroplast and Wertbau 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, Poland and Germany.

Building Security Division
The Building Security Division consists of the business units Profile Systems and Doors. Profile Systems manufacture 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 business unit Doors is specialized in the production of special wooden doors for interiors. Both units develop and produce their products mainly 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”.

2015	Building Technology	Building Envelope	Building Security	Others and eliminations	Total Group
in 1 000 CHF					
Sales with third parties	462 161	331 353	147 443	467	941 424
Sales with other segments	36		122	−158	
Net revenues	**462 197**	**331 353**	**147 565**	**309**	**941 424**
EBITDA before restructuring	**48 919**	**6 038**	**7 455**	**−18 209**	**44 203**
in % of net revenues	10.6	1.8	5.1		4.7
Restructuring costs	−3 335	−14 278			−17 613
EBITDA after restructuring	**45 584**	**−8 240**	**7 455**	**−18 209**	**26 590**
in % of net revenues	9.9	−2.5	5.1		2.8
Depreciation and amortisation	−17 160	−14 545	−3 911	−4 646	−40 262
Impairment property, plant and equipment/investment properties/intangible assets	−3 711	−50 265	−12 600	−352	−66 928
Impairment goodwill	−20 348	−50 215	−8 100		−78 663
Reversal of impairment on property, plant and equipment		844			844
Segment results (EBIT)	**4 365**	**−122 421**	**−17 156**	**−23 207**	**−158 419**
in % of net revenues	0.9	−36.9	−11.6		−16.8
Interest income	146	47	24	1 477	1 694
Interest expenses	−2 451	−3 704	−803	−4 557	−11 515
Other financial result	−4 110	−2 509	−1 967	−4 743	−13 329
Result before income tax	**−2 050**	**−128 587**	**−19 902**	**−31 030**	**−181 569**
Income tax expense	−5 210	12 772	1 948	−5 047	4 463
Result after income tax	**−7 260**	**−115 815**	**−17 954**	**−36 077**	**−177 106**
Average number of employees	**2 711**	**2 972**	**425**	**77**	**6 186**
Total assets	**378 003**	**248 280**	**103 716**	**170 526**	**900 525**
Total liabilities	**194 904**	**241 663**	**80 403**	**31 738**	**548 708**
Purchases of property, plant and equipment, investment properties and intangible assets[1]	**11 759**	**7 211**	**1 400**	**1 553**	**21 923**

[1] without acquisition of subsidiaries

The restructuring costs in the divisions Building Technology and Building Envelope comprise mainly costs for the employee redundancy programme established in connection with the reorganisations announced on 3 March 2015 and 13 August 2015 for the heating and window business in Switzerland. The Building Technology Division includes in the position impairment property, plant and equipment / investment properties / intangible assets an impairment of CHF 2.8 million on plant and equipment resulting from the relocation of the production site in CH-Arbon. Furthermore this position includes an impairment of CHF 0.9 million for the write-down of an investment property to the expected net realisable value. All other impairments on property, plant and equipment, intangible assets and goodwill disclosed in the Building Technology, Building Envelope and Building Security Divisions in the amount of CHF 141.5 million are explained in more detail in notes 37 and 39.

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.

Information about geographical areas

2015	Switzerland	Germany	Other Countries	Total Group
in 1 000 CHF				
Net revenues	346 881	282 440	312 103	941 424
Property, plant and equipment, investment properties, intangible assets and goodwill	105 500	94 805	215 443	415 748

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

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

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

in 1 000 CHF	**31/12/2015**	31/12/2014
CHF	146 513	34 656
EUR	33 564	30 069
PLN	13 700	5 948
USD	1 290	565
GBP	1 630	433
CZK	1 422	1 468
Other currencies	3 321	6 373
Total	**201 440**	**79 512**

The effective interest on bank deposits is between 0.0% and 0.2% (2014: between 0.0% and 0.03%).

33 ACCOUNTS RECEIVABLES

in 1 000 CHF	**31/12/2015**	31/12/2014
Accounts receivable	94 411	114 633
Allowance for accounts receivable	−9 050	−11 706
Total	**85 361**	**102 927**

The ageing analysis is as follows:

	31/12/2015		31/12/2014	
in 1 000 CHF	Gross amount of accounts receivable	thereof not impaired	Gross amount of accounts receivable	thereof not impaired
Not yet due	70 639	66 635	87 894	83 569
Overdue up to 30 days	11 493	11 444	9 691	9 562
Overdue more than 30, less than 60 days	2 990	2 934	4 487	4 424
Overdue more than 60, less than 90 days	1 326	1 242	1 815	1 708
Overdue more than 90, less than 180 days	1 582	1 384	2 197	1 892
Overdue more than 180, less than 360 days	1 824	1 154	2 140	1 445
Overdue more than 360 days	4 557	568	6 409	327
Total	**94 411**	**85 361**	**114 633**	**102 927**

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 9.2 million (2014: CHF 8.2 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	**2015**	2014
Balance at 01/01	**−11 706**	**−10 250**
Foreign exchange differences	748	161
Changes in scope of consolidation	−543	−1 146
Additional allowances	−4 863	−5 657
Used during year	7 236	5 095
Unused amounts reversed	78	91
Balance at 31/12	**−9 050**	**−11 706**

In the allowance for doubtful debts, specific allowances in the amount of CHF 4.1 million (2014: CHF 4.2 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 2015 the book value of the transferred receivables amounted to CHF 7.3 million (2014: CHF 8.9 million). Thereof AFG already received from the factor CHF 7.1 million (2014: CHF 11.2 million) of cash and the difference of CHF 0.2 million (2014: CHF 2.3 million other liabilities) is disclosed as other current assets against the factor. In addition, in other current assets an amount of CHF 0.2 million (2014: CHF 0.3 million) and in other liabilities an amount of CHF 0.2 million (2014: CHF 0.3 million) are recorded for the consideration of the continuing involvement. The recognised gain for the continuing involvement amounted in 2015 to CHF 0.008 million, the cumulative loss since the inception of the factoring agreement amounted to CHF 0.01 million.

34 INVENTORIES

in 1 000 CHF	31/12/2015	31/12/2014
Raw material and supplies	54 933	56 101
Semi-finished and finished goods	88 026	73 532
Goods purchased for resale	8 388	10 176
Prepayments	84	189
Total	**151 431**	**139 998**

A provision of CHF 14.4 million (2014: 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 0.3 million (2014: CHF 0.6 million). In 2015 the write-down to net realisable value amounted to CHF 0.04 million (2014: CHF 0.1 million).

35 FINANCIAL ASSETS

in 1 000 CHF	31/12/2015	31/12/2014
Other financial assets	18	24
Loans	3 362	8 829
Total	**3 380**	**8 853**
thereof disclosed as current assets	1 200	778

The loans originate from the sale of the property of AFG Warendorfer Immobilien GmbH in 2013, as well as from the sale of the kitchen business in 2014 (see note 36). Due to the non-compliance of agreed repayment terms and a general credit rating respectively, these loans were partially impaired during the reporting year.

The ageing analysis for loans is as follows:

	31/12/2015		31/12/2014	
in 1 000 CHF	Gross amount loans	thereof not impaired	Gross amount loans	thereof not impaired
Not yet due	7 539	3 362	8 469	8 469
Overdue up to 30 days	324		360	360
Overdue more than 360 days	51			
Total	**7 914**	**3 362**	**8 829**	**8 829**

As of the balance sheet date, AFG has secured loans in the amount of CHF 4.9 million (2014: CHF 5.8 million).

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

in 1 000 CHF	**2015**	2014
Balance at 01/01		**−900**
Foreign exchange differences	−34	
Additional allowances	−4 518	
Used during year		810
Unused amounts reversed		90
Balance at 31/12	**−4 552**	

In the impairment of loans, specific impairments of CHF 4.5 million (2014: CHF 0 million) are included.

36 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale

in 1 000 CHF	**2015**	2014
Property, plant and equipment		60
Investment property		2 151
Total		**2 211**

The position included as of 31 December 2014 a plant in CH-Romanshorn and an investment property in CH-Arbon. Both items were sold in early 2015.

Discontinued and disposed operations
In 2014 AFG sold the Surface Technology Division and AFG Küchen AG.

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 with 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 encompassed 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.

Result from discontinued operations	2014
in 1 000 CHF	
Net revenues	**53 296**
Other operating income	775
Capitalised own services	184
Changes in inventories of semi-finished and finished goods	−261
Net operating performance	**53 994**
Cost of material and goods	−5 109
Personnel expenses	−31 773
Other operating expenses	−15 843
EBITDA	**1 269**
Depreciation, amortisation and impairments	
EBIT	**1 269**
Financial result	−2 470
Result from discontinued operations before income tax	**−1 201**
Income tax expense	−1 198
Result from discontinued operations	**−2 399**
Gain on disposal of discontinued operations	6 228
Net result from discontinued operations	**3 829**

Discontinued operations in 2014 included the results of the Surface Technology Division as well as the former Kitchens and Refrigeration Division.

The 2014 results comprised CHF 2.8 million of sales costs for the disposal of the Surface Technology Division and AFG Küchen AG. Thereof CHF 0.4 million were 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.

In the 2014 consolidated cash flow statement, the cash flows from the discontinued operations were included, however, they are subsequently condensed and shown separately below.

Cash flow from discontinued operations	2014
in 1 000 CHF	
Cash flows from operating activities	**−3 905**
Cash flows from investing activities	**−2 031**
Cash flows from financing activities	**49**

The cash inflows of the two disposed operations in 2014 are not included in the above table.

37 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
in 1 000 CHF					
Net book value at 01/01/2014	**191 754**	**98 141**	**13 802**	**26 441**	**330138**
Cost					
Balance at 01/01/2014	**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**
Foreign exchange differences	−19 920	−20 775	−3 723	−1 451	−45 869
Change in scope of consolidation	9 234	8 535	3 733	8	21 510
Additions	1 009	3 620	2 273	13 087	19 989
Disposals	−204	−21 348	−3 356	−253	−25 161
Reclassifications	372	10 084	573	−11 799	−770
Balance at 31/12/2015	**368 591**	**366 737**	**52 922**	**17 085**	**805 335**

in 1 000 CHF	Land and buildings	Plant and machinery	Other equipment	Prepayments and assets under construction	Total
Accumulated depreciation					
Balance at 01/01/2014	**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**
Foreign exchange differences	−7 026	−15 627	−2 666	−389	−25 708
Depreciation	8 184	18 108	3 932		30 224
Impairment	25 119	18 060	1 177	25	44 381
Reversal of impairment		−844			−844
Disposals	−73	−20 888	−3 256	−10	−24 227
Reclassifications		−345	−311	205	−451
Balance at 31/12/2015	**189 642**	**267 476**	**38 487**	**4 368**	**499 973**
Net book value at 31/12/2014	**214 662**	**117 609**	**13 811**	**12 956**	**359 038**
Net book value at 31/12/2015	**178 949**	**99 261**	**14 435**	**12 717**	**305 362**
Value of contained leased assets		3 676	3 012		6 688
				Previous year	5 567

In 2015, plant and machinery as well as other equipment in the amount of CHF 0.9 million (2014: CHF 1.6 million) was acquired via finance lease. Plants and machinery in 2014 included CHF 0.1 million of capitalised borrowing costs.

Impairments 2015

Based on the results from goodwill impairment tests carried out at half-year and towards year-end, impairments of CHF 41.3 million had to be recorded on property, plant and equipment in the Building Envelope and Building Security Divisions (see note 39). Furthermore an impairment to the net realisable value of CHF 2.8 million had to be booked in property, plant and equipment of the Building Technology Division in connection with the relocation of the production site in CH-Arbon.

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

31/12/2015	Operating Leasing	Financial Leasing	Total
in 1000 CHF			
within 1 year	12 898	1 773	14 671
between 1 and 5 years	21 431	2 778	24 209
after 5 years	13 834		13 834
Total	**48 163**	**4 551**	**52 714**
Interest charge		−261	
Present value of finance leases		**4 290**	

31/12/2014	Operating Leasing	Financial Leasing	Total
in 1000 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**	

The income statement contains expenses for operating leases of CHF 15.7 million (2014: CHF 16.2 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 (see note 44).

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

	31/12/2015	31/12/2014
in 1000 CHF		
Property, plant and equipment	6 038	4 266
Intangible assets	80	589
Total	**6 118**	**4 855**

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

in 1 000 CHF	**31/12/2015**	31/12/2014
Buildings	488 849	496 585
Plant and machinery	515 031	593 516
Total	**1 003 880**	**1 090 101**

Land and buildings amounting to CHF 50.8 million (2014: CHF 56.5 million) are pledged to secure mortgages.

38 INVESTMENT PROPERTY

in 1 000 CHF	Investment property – land	Investment property – buildings	Total
Net book value at 01/01/2014	**2 129**	**3 838**	**5 967**
Cost			
Balance at 01/01/2014	**2 969**	**11 239**	**14 208**
Foreign exchange differences	−4	−98	−102
Additions		30	30
Disposals	−1 767	−1 884	−3 651
Reclassification to assets held for sale	−995	−4 107	−5 102
Reclassifications	5 701	47 773	53 474
Balance at 31/12/2014	**5 904**	**52 953**	**58 857**
Foreign exchange differences	−20	−533	−553
Additions		60	60
Balance at 31/12/2015	**5 884**	**52 480**	**58 364**

in 1 000 CHF	Investment property – land	Investment property – buildings	Total
Accumulated depreciation			
Balance at 01/01/2014	**840**	**7 401**	**8 241**
Foreign exchange differences		−70	−70
Depreciation		519	519
Impairment		1 214	1 214
Disposals	−837	−1 485	−2 322
Reclassification to assets held for sale		−2 950	−2 950
Reclassifications	497	40 069	40 566
Balance at 31/12/2014	**500**	**44 698**	**45 198**
Foreign exchange differences	2	−428	−426
Depreciation		1 306	1 306
Impairment	179	708	887
Balance at 31/12/2015	**681**	**46 284**	**46 965**
Net book value at 31/12/2014	**5 404**	**8 255**	**13 659**
Net book value at 31/12/2015	**5 203**	**6 196**	**11 399**
Fair values of investment properties at 31/12/2014			**32 488**
Fair values of investment properties at 31/12/2015			**30 666**

Rental income from investment properties amounted to CHF 2.4 million (2014: CHF 3.1 million) and is included in other operating income. Related direct operating expenses were CHF 0.1 million (2014: 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 1000 CHF	Other intangible assets	Goodwill	Total
Net book value at 01/01/2014	**52 406**	**77 316**	**129 722**
Cost			
Balance at 01/01/2014	**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**
Foreign exchange differences	−8 231	−8 959	−17 190
Change in scope of consolidation	4 903	3 137	8 040
Additions	1 874		1 874
Disposals	−4 697		−4 697
Reclassifications	218		218
Balance at 31/12/2015	**141 519**	**121 801**	**263 320**
Accumulated amortisation			
Balance at 01/01/2014	**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**
Foreign exchange differences	−1 808		−1 808
Amortisation	8 730		8 730
Impairment	21 660	78 663	100 323
Disposals	−4 340		−4 340
Reclassifications	2		2
Balance at 31/12/2015	**83 618**	**80 716**	**164 334**
Net book value at 31/12/2014	**88 078**	**125 570**	**213 648**
Net book value at 31/12/2015	**57 901**	**41 085**	**98 986**

Expenses for research and development in the amount of CHF 16.0 million (2014: CHF 15.6 million) have been charged to the income statement, since they did not fulfil the capitalisation criteria. In 2015, no additions of capitalised development costs (2014: CHF 0.2 million) are included in other intangible assets. All other additions under other intangible assets have been purchased or acquired.

Goodwill

As of 31 December 2015 goodwill from business combinations is allocated to the Group's three cash-generating units (CGUs) Wertbau, Sabiana and Slovaktual.

The movements of the carrying amounts of goodwill during the reporting period were as follows:

in 1000 CHF	Wertbau	Sabiana	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer	Total
Balance at 31/12/2014		**49 443**	**18 871**	**15 998**	**8 100**	**33 158**	**125 570**
Acquisition	3 137						3 137
Foreign exchange differences		−5 504	−1 814	−1 621			−8 939
Impairment	−21	−20 347	−17 057		−8 100	−33 158	−78 683
Balance at 31/12/2015	**3 116**	**23 592**		**14 377**			**41 085**

Goodwill impairment tests 2015

The recoverability of goodwill is assessed annually towards year-end or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs to sell.

Due to the decision of the Swiss National Bank on 15 January 2015 to discontinue the Euro minimum exchange rate of 1.20, significant changes with an adverse economic impact have arisen during the reporting period for AFG. Those implications could only be further analysed in the course of spring and already became partially apparent in the half-year earnings. According to IAS 36 "Impairment of assets" this was an indication that goodwill may be impaired. As a consequence impairment tests were carried out on all CGUs at half-year.

The recoverable amount of the CGUs was determined based on value in use calculations. These calculations used cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rates. The underlying financial data formed part of the Group's medium term plan approved by the Board of Directors in early summer 2015.

The value in use calculation for the 2015 impairment tests (CGUs Sabiana, Dobroplast, Slovaktual and EgoKiefer at half-year; CGUs Wertbau and RWD Schlatter at year-end) assumed the following key assumptions:

2015 in %	Wertbau	Sabiana	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer
Budgeted gross margin	40.4	44.2	44.7	31.8	56.5	58.7
Growth rate	1.5	1.5	1.0	1.0	1.0	1.0
Discount rate	9.5	10.9	10.1	9.6	8.4	8.3

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

With the exception of the two CGUs Slovaktual and RWD Schlatter, impairments for all other CGUs were identified at half-year.

With the decision of the SNB from mid January 2015 to discontinue the Euro minimum exchange rate of 1.20, the competitiveness in particular of the CGU EgoKiefer compared to foreign window producers has further significantly deteriorated. The domestic Swiss market is characterised as highly competitive and possessing excessive capacities. This has led to a further substantial price and volume pressure. Taking already initiated reorganisation measures also into consideration, this pressure will lead in the future to significantly lower profit contributions by the CGU EgoKiefer. This new currency reality was included in the medium term plan of the CGU EgoKiefer. The underlying value in use calculation showed for the CGU an impairment of CHF 82.6 million at half-year, which as a first step has been allocated to goodwill. The remaining amount of CHF 49.5 million was assigned to property, plant and equipment and intangible assets.

The below-expectation growth and earnings as well as a reassessment of the main markets of the CGU Dobroplast led to lower future earnings potential. Due to the numerous changes in personnel since the acquisition of Dobroplast, an in-depth analysis of required capital expenditures could only be carried out time-delayed, with the result that sustainably higher capital expenditures will be required. These new findings have been taken into account in the medium term plan. The underlying value in use calculation resulted for the CGU Dobroplast in an impairment of CHF 18.2 million, which as a first step was allocated to goodwill. The remaining amount of CHF 1.1 million was assigned to intangible assets.

A reassessment based on knowledge gained since the acquisition and ongoing integration process of Sabiana has led to the awareness that the originally calculated synergies within the Division Building Technology will only eventuate with a certain delay and only be achievable with additional personnel expenses. These amended assumptions were incorporated in the medium term plan of the CGU Sabiana. The underlying value in use calculation resulted in an impairment of CHF 20.3 million, which has been fully allocated to goodwill of the CGU Sabiana.

In the course of the summer, the CGU RWD Schlatter also increasingly felt the price pressure in the market. In addition it suffered from the missing demand for construction of office and commercial buildings. The underlying assumptions in the initial planning appeared all of a sudden unachievable due to the weak prospects. As a result, a revision of the medium term plan prepared in early summer became necessary. The revised medium term plan, which reflected these new insights, and the resulting value in use calculation showed an impairment of CHF 20.7 million. As a first step the impairment was allocated to goodwill. The remaining amount of CHF 12.6 million was assigned to property, plant and equipment and intangible assets.

Based on a reasonably possible change in the key assumptions, sensitivity analyses were calculated in 2015 for the two CGUs Wertbau and Slovaktual 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 31.8% to 30.8% would result in an impairment of the CGU Slovaktual amounting to CHF 3.2 million. At a budgeted gross margin of 31.2%, the recoverable amount was equal to their carrying amount. A 10% reduction in EBITDA and a simultaneous reduction of perpetual growth from 1.0% to 0.5% would lead to an impairment of CHF 6.5 million. At a reduction of 3% in EBITDA and a simultaneous reduction of perpetual growth to 0.5%, the recoverable amount was equal to their carrying amount.

Goodwill impairment tests 2014
The value in use calculation for the annual 2014 impairment tests assumed the following key assumptions:

2014	Sabiana	Dobroplast	Slovaktual	RWD Schlatter	EgoKiefer
in %					
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.

40 ACQUISITIONS AND DIVESTMENTS

Acquisitions 2015

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

Acquisition Wertbau Group	Fair value
in 1 000 CHF	
Assets	
Cash and cash equivalents	52
Accounts receivables	3 590
Other current assets	173
Inventories	8 799
Deferred expenses	109
Current income tax receivables	296
Property, plant and equipment	21 312
Intangible assets	2 525
Deferred income tax assets	108
Total assets	**36 966**
Liabilities	
Accounts payables	1 918
Other liabilities	4 713
Financial debts	3 318
Finance lease liabilities	1 593
Accruals and deferred income	606
Current income tax liabilities	117
Provisions	467
Deferred income tax liabilities	209
Total liabilities	**12 941**
Net assets acquired	**24 025**
Goodwill	3 137
Purchase consideration	**27 162**
Cost of acquisition	
Purchase price in cash	18 923
Purchase price in own equity instruments	8 239
Total cost of acquisition	**27 162**
Net cash outflow was as follows:	
Purchase price	18 923
Cash and cash equivalents acquired	−52
Net cash outflow on acquisition	**18 871**

As of 1 October 2015, AFG acquired 100 % of the shares in German Wertbau GmbH & Co. KG, with its registered seat in DE-Langenwetzendorf. The company employs modern and cost-efficient production processes, strengthening the Building Envelope Division's market access to the biggest European window market in Germany. The purchase price amounted to CHF 27.2 million and was settled in cash and with shares of AFG Arbonia-Forster-Holding AG (see note 47). From the date of acquisition, Wertbau contributed CHF 11.0 million in net revenues and CHF 0.1 million in loss to the Group. Had the acquisition taken place on 1 January 2015, net revenues for 2015 would have been CHF 34.8 million and a loss, including amortisation charges on intangible assets from acquisitions, would have been CHF 0.4 million. The gross carrying amount of accounts receivables amounted to CHF 4.1 million, of which CHF 0.5 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.3 million and are included in operating expenses in 2015. 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 Envelope Division.

Acquisition Bloxer S.r.l.	Fair value
in 1 000 CHF	
Assets	
Cash and cash equivalents	373
Accounts receivables	1 374
Other current assets	55
Inventories	1 137
Property, plant and equipment	198
Intangible assets	2 377
Total assets	**5 514**
Liabilities	
Accounts payables	391
Other liabilities	320
Accruals and deferred income	81
Deferred income tax liabilities	708
Employee benefit obligations	202
Total liabilities	**1 701**
Net assets acquired	**3 813**
Cost of acquisition	
Purchase price	3 304
Contingent consideration liability	509
Total cost of acquisition	**3 813**
Net cash outflow was as follows:	
Purchase price	3 304
Cash and cash equivalents acquired	−373
Net cash outflow on acquisition	**2 931**

As of 1 July 2015, AFG acquired 100% of the shares in Italian Bloxer Ronchi S.r.l., with its registered seat in IT-Villafranca Padovana. Bloxer manufactures glazed fire-protection doors in steel and aluminium and is allocated to the Building Security Division. The purchase price amounted to CHF 3.3 million. Furthermore upon achievement of certain agreed targets based on financial years through 2018, a maximum of CHF 2.1 million (undiscounted) of contingent consideration may become due. The fair value of the contingent consideration liability was determined at CHF 0.5 million by means of a probability-weighted pay out approach. The applied discount rate for the determination of the fair value amounted to 9.2 %. Based on IFRS 13 this is a level 3 fair value measurement (see note 43). From the date of acquisition, Bloxer contributed CHF 1.9 million in net revenues and CHF 0.1 million in loss to the Group. Had the acquisition taken place on 1 January 2015, net revenues for 2015 would have been CHF 3.4 million and a loss, including amortisation charges on intangible assets from acquisitions, would have been CHF 0.2 million. The gross carrying amount of accounts receivables amounted to CHF 1.4 million, of which CHF 0.02 million were considered uncollectable. The acquisition-related costs amounted to CHF 0.1 million and are included in operating expenses in 2015.

Acquisitions 2014

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 were 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 amounted to CHF 0.2 million and were 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 in 2014 to the Group. Had the acquisition taken place on 1 January 2014, net revenues for 2014 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 amounted to CHF 1.1 million and were included in operating expenses in 2014. 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 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 deferred purchase price became due and were 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 in 2014 to the Group. The acquisition-related costs amounted to CHF 0.3 million and were 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 was allocated to Corporate Services and included in other operating income. The companies generated revenues of CHF 1.0 million in 2014 until the time of disposal.

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 1 000 CHF	**31/12/2015**	31/12/2014
Bond	199 799	199 258
Syndicated loan		80 000
Mortgage	15 568	18 989
Bank loans	4 772	5 240
Bank borrowings	4 323	4 811
Total	**224 462**	**308 298**

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. Due to the economic environment that has become even more demanding since the beginning of the year, AFG took up discussions with the syndicate banks of the syndicated loan in the first half-year 2015 in order to obtain a waiver on certain covenants as of 30 June 2015 and 31 December 2015 against the payment of a one-time fee. An agreement was reached on 7 July 2015 with all banks of the consortium. The agreement contained certain conditions, which AFG had to meet by 30 November 2015. AFG fulfilled these conditions in a timely manner. AFG was in compliance with the covenants in 2014.

The maturities of the financial debts are as follows:

in 1 000 CHF	**31/12/2015**	31/12/2014
within 1 year	207 095	87 896
between 1 and 5 years	8 307	209 197
after 5 years	9 060	11 205
Total	**224 462**	**308 298**

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

in %	CHF	EUR
Financial debt 31/12/2015	3.7	3.0
Financial debt 31/12/2014	3.1	2.1

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

in 1 000 CHF	**31/12/2015**	31/12/2014
CHF	203 799	284 498
EUR	20 663	23 800
Total	**224 462**	**308 298**

42 FINANCIAL INSTRUMENTS

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

31/12/2015 in 1 000 CHF	Book value	Contractual cash flows	up to 6 months	7 to 12 months	between 1 and 2 years	between 2 and 5 years	after 5 years
Non-derivative financial instruments							
Accounts payable	81 668	81 668	81 619	49			
Other liabilities (without derivatives)	27 475	29 971	18 958	14		10 999	
Finance lease liabilities	4 290	4 553	1 017	756	2 071	709	
Financial debts	224 462	234 787	213 568	2 484	5 531	3 495	9 709
Derivative financial instruments							
Interest rate swaps	1 962						
Cash outflow		1 962	133	129	242	612	846
Total	**339 857**	**352 941**	**315 295**	**3 432**	**7 844**	**15 815**	**10 555**

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.

31/12/2014	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
Total	**433 717**	**449 997**	**205 095**	**3 131**	**207 626**	**20 769**	**13 376**

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:

31/12/2015	FA FVTPL designated	L&AR	FL FVTPL trading	FL FVTPL designated	FL AC	Book value at 31/12/2015	Fair value at 31/12/2015
in 1 000 CHF							
Cash and cash equivalents		201 440				201 440	201 440
Securities	2 240					2 240	2 240
Accounts receivable		85 361				85 361	85 361
Other current assets		17 157				17 157	17 157
Other financial assets		18				18	18
Loans		3 362				3 362	3 362
Assets	**2 240**	**307 338**				**309 578**	**309 578**
Accounts payable					81 668	81 668	81 668
Other liabilities			8 433	1 962	19 043	29 438	29 438
Finance lease liabilities					4 290	4 290	4 319
Bank borrowings					4 323	4 323	4 323
Loans					4 772	4 772	4 930
Mortgage					15 568	15 568	15 568
Bond					199 799	199 799	200 000
Liabilities			**8 433**	**1 962**	**329 463**	**339 858**	**340 246**

Abbreviations in the header of this table are explained in note 9 “financial instruments” on page 101/102.

31/12/2014	FA FVTPL designated	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**

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 respective hierarchy levels as follows:

in 1 000 CHF	Level 2	Level 3	Fair value 31/12/2015	Level 2	Level 3	Fair value 31/12/2014
Assets						
Financial assets at fair value through profit or loss – designated (FA FVTPL designated)						
Investment funds	2 240		2 240	1 989		1 989
Total assets	**2 240**		**2 240**	**1 989**		**1 989**
Liabilities						
Financial liabilities at fair value through profit or loss – designated (FL FVTPL designated)						
Interest rate swaps without hedges	1 962		1 962	2 596		2 596
Financial liabilities at fair value through profit or loss – trading (FL FVTPL trading)						
Purchase commitment on non-controlling interests		7 879	7 879		7 971	7 971
Contingent consideration liability		554	554			
Total liabilities	**1 962**	**8 433**	**10 395**	**2 596**	**7 971**	**10 567**

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 determination of the fair value of these transactions is made by the banks with which these transactions were entered into. The shares of level 3 are unquoted assets whose fair value cannot be reliably determined and are, provided that there are no indications for an impairment, therefore stated at cost.

In 2015 and 2014, 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 01/01/2014	**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**
Acquisition Bloxer Ronchi		509	
Within financial results recognised unrealised foreign exchange gains			−799
Within financial results recognised unrealised foreign exchange losses		14	
Within financial results recognised expenses from compounding		31	707
Balance 31/12/2015		**554**	**7 879**

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.

For details of the contingent consideration liabilities in 2015 and 2014 as well as on the initial measurement of the purchase commitment on non-controlling interests in 2014, see note 40.

44 PROVISIONS

	Warranty	Personnel	Restructuring	Other provisions	Total
in 1 000 CHF					
Balance at 01/01/2014	**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**
Foreign exchange differences	−682	−405		−46	−1 133
Change in scope of consolidation	453			14	467
Additional provisions	7 341	2 379	18 238	11 192	39 150
Used during the year	−7 059	−1 408	−666	−1 222	−10 355
Unused amounts reversed	−329	−198	−625	−294	−1 446
Balance at 31/12/2015	**10 982**	**4 500**	**16 947**	**12 336**	**44 765**
thereof current at 31/12/2014	7 335	1 828		2 540	11 703
thereof current at 31/12/2015	7 999	2 095	9 073	4 091	23 258

The current provision is expected to be fully utilised during 2016. The non-current provision is expected to be utilised as follows:

	Warranty	Personnel	Restructuring	Other provisions	Total
in 1 000 CHF					
between 1 and 5 years	2 985	2 405	7 874	3 017	16 281
after 5 years				5 227	5 227

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

Personnel
Personnel provisions comprise mainly a provision for partial retirement.

Restructuring
The restructuring provision comprises mainly costs for the employee redundancy programme established in connection with the reorganisations announced on 3 March 2015 and 13 August 2015 for the heating and window business in Switzerland.

Other provisions
The other provisions comprise costs totalling CHF 7.4 million for the long-term lease agreement of the Corporate Center due to under-utilisation of the existing rental space. Furthermore costs of CHF 1.7 million are included for obligations arising from the AFG arena naming-right until the end of the contract due to the premature termination of the contract. Other provisions also include 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:

	31/12/2015		31/12/2014	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
in 1 000 CHF				
Assets				
Securities		11		9
Accounts receivable	354	676	714	1 300
Other current assets				29
Inventories	518	1 347	776	3 383
Non-current assets held for sale			7	
Property, plant and equipment	517	12 412	133	20 393
Investment property	1 355		1 276	
Intangible assets	8	11 431	380	17 102
Capitalised pension surplus and financial assets	467	3 610	423	3 032
Liabilities				
Current liabilities	1 621	20	1 709	35
Current and non-current provisions	417	510	610	1 575
Employee benefit obligations	9 660		8 560	
Deferred taxes from timing differences	**14 917**	**30 017**	**14 588**	**46 858**
Deferred tax assets derived from tax loss carryforwards	21 748		11 418	
Valuation allowance	−16 776		−6 672	
Net deferred taxes from timing differences	**19 889**	**30 017**	**19 334**	**46 858**
Offset of deferred tax assets and liabilities	−12 991	−12 991	−9 988	−9 988
Total deferred taxes	**6 898**	**17 026**	**9 346**	**36 870**

From current and non-current liabilities, no deferred taxes were directly recorded in comprehensive income (2014: CHF 0.6 million). From the capitalised pension surplus and employee benefit obligations, CHF 2.2 million (2014: CHF 4.3 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 49.3 million (2014: CHF 36.6 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	**2015**	2014
Balance at 01/01	**27 524**	**28 767**
Change in scope of consolidation	809	12 437
Changes to other comprehensive income	−2 180	−4 883
Changes to the income statement	−14 961	−8 707
Foreign exchange differences	−1 064	−90
Balance at 31/12	**10 128**	**27 524**

Unrecognised tax loss carryforwards

	31/12/2015	31/12/2014
in 1 000 CHF		
Tax loss carryforwards	**232 520**	**121 728**
thereof recognised as deferred taxes	−40 154	−49 917
Unrecognised tax loss carryforwards	**192 366**	**71 811**
Portion expiring:		
within 1 year		3 654
between 1 and 5 years	53 530	37 009
after 5 years	138 836	31 148
Total	**192 366**	**71 811**
Tax effect on unrecognised tax loss carryforwards	**16 776**	**6 672**
thereof pertaining to tax rates below 15 %	13 722	4 819
thereof pertaining to tax rates between 15 % and 20 %	2 699	1 459
thereof pertaining to tax rates between 21 % and 25 %	355	394

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. 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 unfavourable 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.

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, 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:

	31/12/2015	31/12/2014
in 1000 CHF		
Present value of funded obligations	348 112	335 149
Fair value of plan assets	339 275	341 744
Under-/overfunding	**8 837**	**−6 595**
Present value of unfunded obligations	43 746	48 081
Adjustment to asset ceiling	2 026	2 213
Liability (net) recognised in the balance sheet	**54 609**	**43 699**
thereof recorded as employee benefit obligations	64 033	57 891
thereof recorded as capitalised pension surplus	−9 424	−14 192

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

in 1 000 CHF	**2015**	2014
Balance at 01/01	**383 229**	**325 757**
Changes in scope of consolidation	202	2 462
Interest cost	5 225	7 944
Current service cost	10 260	8 811
Contributions by plan participants	5 867	6 265
Benefits paid	−25 769	−25 686
Actuarial gains arising from changes in demographic assumptions		−30 024
Actuarial losses arising from changes in financial assumptions	13 067	32 308
Actuarial losses arising from experience adjustements	4 472	31 605
Administration cost	168	176
Reclassification from/to liabilities associated with assets held for sale		24 372
Foreign exchange differences	−4 862	−761
Balance at 31/12	**391 859**	**383 229**
thereof for active members	231 795	231 640
thereof for deferred members	1 676	1 789
thereof for pensioners	158 388	149 800

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

in 1 000 CHF	**2015**	2014
Balance at 01/01	**341 744**	**306 832**
Interest income	4 368	7 173
Return on plan assets excl. interest income	4 724	13 823
Contributions by the employer	8 341	8 893
Contributions by plan participants	5 867	6 265
Benefits paid	−25 769	−25 686
Reclassification from/to assets held for sale		24 444
Balance at 31/12	**339 275**	**341 744**

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

in 1 000 CHF	**2015**	2014
Balance at 01/01	**2 213**	**4 038**
Interest cost	29	89
Change in effect of asset ceiling excl. interest cost	−216	−1 914
Balance at 31/12	**2 026**	**2 213**

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

in 1 000 CHF	**2015**	2014
Actuarial losses	17 538	33 889
Actuarial losses from discontinued operations		5 797
Return on plan assets excl. interest income	−4 724	−13 823
Change in effect of asset ceiling excl. interest cost	−216	−1 914
Remeasurements of employee benefit obligations	**12 598**	**23 949**

The amounts recognised in the income statement are as follows:

in 1 000 CHF	**2015**	2014
Current service cost	10 260	8 812
Net interest result	857	771
Interest cost on effect of asset ceiling	29	89
Administration cost	168	176
Net charges for defined benefit plans	**11 314**	**9 848**
thereof recorded under personnel expenses	10 428	8 988
thereof recorded under financial expenses	886	860

The principal actuarial assumptions used were as follows:

	2015	2014
in %		
Weighted average		
Discount rate at 31/12	1.1	1.4
Future salary increases	1.1	1.1
Future pension increases	0.2	0.2
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:

Impact on employee benefit obligtions	Change in assumption	**2015**
in 1 000 CHF		
Discount rate	− 0.25 %	15 232
	+ 0.25 %	−14 229
Salary increases	− 0.25 %	−1 648
	+ 0.25 %	1 613
Life expectancy	+ 1 year	10 404
	− 1 year	−10 533
Service cost 2016 with discount rate	+ 0.25 %	−691

The weighted average duration of employee benefit obligations is 15.0 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:

			31/12/2015			31/12/2014
	quoted	unquoted	Total	quoted	unquoted	Total
in 1000 CHF						
Cash and cash equivalents	9 492	1 645	11 137	20 700	2 372	23 072
Equity instruments	54 056		54 056	52 864		52 864
Debt instruments	61 532	167	61 699	65 873		65 873
Real estate	7 285	97 830	105 115	5 339	89 658	94 997
Investment funds	56 003	3 341	59 344	6 357	44 026	50 383
Others	12 724	35 200	47 924	11 966	42 589	54 555
Total plan assets	**201 092**	**138 183**	**339 275**	**163 099**	**178 645**	**341 744**

The category “Others” comprises mostly assets from discontinued full insurance contracts terminated some years ago.

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 1000 CHF				
Benefit payments	1 130	1 182	3 796	7 831

Expected contributions to pension plans for the year ending 31 December 2016 amount to CHF 13.9 million (2015: CHF 15.3 million), of which CHF 8.3 million (2015: CHF 9.2 million) are attributable to the employer.

47 SHARE CAPITAL

The capital structure is as follows:

	31/12/2015			31/12/2014		
Category	Outstanding shares	Par value in CHF	Share capital in CHF	Outstanding shares	Par value in CHF	Share capital in CHF
Registered shares	44 557 125	4.20	187 139 925	18 225 603	4.20	76 547 533

On 19 November 2015, the Board of Directors of AFG Arbonia-Forster-Holding AG approved an authorised capital increase under exclusion of subscription rights for existing shareholders. The capital increase was completed on 3 December 2015. The share capital was increased through the issue of 815 677 new registered shares with a par value of CHF 4.20 by CHF 3 425 843.40 to CHF 187 139 925. This capital increase served for the settlement of the remaining purchase price of CHF 8.2 million in acquiring Wertbau (see note 40). The capital surplus resulting from the capital increase in the amount of CHF 4.7 million (net of all transaction costs of CHF 0.1 million) was allocated to share premium.

On 11 September 2015, the Extraordinary Shareholders' Meeting of AFG Arbonia-Forster-Holding AG approved a capital increase, whereby the share capital was increased by CHF 107 166 549 to CHF 183 714 081.60 by issuing 25 515 845 registered shares with a par value of CHF 4.20. On 22 September 2015, the capital increase was completed. The capital surplus resulting from the capital increase in the amount of CHF 91.3 million (net of all transaction costs of CHF 8.3 million) was allocated to share premium.

On 25 April 2014 the Annual General Meeting approved the extension for the authorisation of a capital increase until 25 April 2016 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 par value of CHF 4.20 each until 16 April 2012 (authorised capital).

Furthermore, AFG can increase the share capital in the amount of CHF 15 309 504 by issuing a maximum of 3 645 120 fully paid up registered shares with a par value of CHF 4.20 (conditional capital increase).

The authorised and conditional capital increase together are limited to an additional share capital of CHF 15 309 504.

As a result of the completed capital increase, the maximum amount and number of registered shares allocated to raise new capital were reduced to CHF 11 883 660.60 and 2 829 443 shares respectively.

Earnings per share

	2015	2014
Group earnings from continuing operations (in 1 000 CHF)	−177 106	11 260
Group earnings from discontinued operations after non-controlling interests (in 1 000 CHF)		3 805
Group earnings for the year (in 1 000 CHF)	−177 106	15 065
	2015	2014 adjusted
Outstanding shares (average)	29 658 846	24 692 752
Less treasury shares (average)	−394 948	−794 350
Average number of shares outstanding for the calculation	29 263 898	23 898 402

There were no dilutive effects impacting the calculation.

48 TREASURY SHARES

			2015			2014
	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	**34**	**240 183**	**8 261**	**43**	**468 477**	**20 148**
Transfer for share based payments	23	−73 304	−1 684	43	−24 086	−1 036
Settlement of purchase price STI China				30	322 494	9 578
Purchase	15	246 009	3 811	24	135 225	3 218
Sale	26	−218 123	−5 665	36	−661 927	−23 647
Share capital increase	9	314 916	2 830			
Balance at 31/12	**15**	**509 681**	**7 553**	**34**	**240 183**	**8 261**

The balance of treasury shares has been increased on a net basis by 269 498 since 31 December 2014 mainly due to the capital increase carried out in September 2015. The settlement of the purchase price for the Chinese STI Precision Machining (Changshu) Co. Ltd. which was sold on 6 June 2014 occurred using 322 494 registered shares of AFG Arbonia-Forster-Holding AG (see note 36). 2014 sales include the published, 2 December 2014 transaction of 546 800 treasury shares to Artemis Beteiligungen I AG.

49 OTHER COMPREHENSIVE INCOME AND OTHER RESERVES

The movements in other comprehensive income after taxes were as follows:

			31/12/2015			31/12/2014
	Other reserves	Retained earnings	Total other comprehen-sive income	Other reserves	Retained earnings	Total other comprehen-sive income
in 1000 CHF						
Remeasurements of employee benefit obligations		−12 598	−12 598		−23 949	−23 949
Deferred tax effect		2 180	2 180		5 120	5 120
Total items that will not be reclassified to income statement		**−10 419**	**−10 419**		**−18 828**	**−18 828**
Fair value adjustments on cash flow hedges				2 578		2 578
Deferred tax effect on cash flow hedges				611		611
Currency translation differences	−28 302		−28 302	−6 605		−6 605
Cumulative currency translation differences transferred to the income statement				1 908		1 908
Total items that may be subsequently reclassified to income statement	**−28 302**		**−28 302**	**−1 508**		**−1 508**
Other comprehensive income after taxes	**−28 302**	**−10 419**	**−38 721**	**−1 508**	**−18 828**	**−20 336**

Other reserves

in 1 000 CHF	Foreign exchange and hedging reserves	Currency translation	Total
Balance at 31/12/2013	**−3 189**	**−51 289**	**−54 478**
Foreign exchange differences of US PP	−8 918		−8 918
Changes in fair value of CCS	11 734		11 734
Transactions recorded in income statement	−238		−238
Deferred taxes	611		611
Currency translation differences		−4 697	−4 697
Balance at 31/12/2014		**−55 986**	**−55 986**
Currency translation differences		−28 302	−28 302
Balance at 31/12/2015		**−84 288**	**−84 288**

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 1 000 CHF	**2015**	2014
Financial income		
Bank and other interest	1 626	823
Interest on net pension surplus	68	434
Total interest income	**1 694**	**1 257**
Income from securities designated at fair value through profit or loss	166	258
Held for trading derivative financial instruments	365	
Foreign currency exchange gain from liquidation of subsidiaries		102
Other financial income	29	104
Total other financial income	**560**	**464**
Total financial income	**2 254**	**1 721**
Financial expenses		
Bank and other interest	1 661	788
Interest on finance leases	134	189
Interest on non-current financial debts	7 366	12 370
Interest on net employee benefit obligations	954	1 294
Amortisation charges on bond, US PP and syndicated loan	541	599
Compounding of liabilities	859	545
Total interest expenses	**11 515**	**15 785**
Impact of exchange rate fluctuations	6 640	4 090
Expenses from securities designated at fair value through profit or loss		4
Held for trading derivative financial instruments	2	775
Impairment on available-for-sale financial instruments		998
Impairment on loans	4 519	
Bank charges and other financial expenses	2 728	2 502
Total other financial expenses	**13 889**	**8 369**
Total financial expenses	**25 404**	**24 154**
Total net financial results	**−23 150**	**−22 433**

51 INCOME TAXES

in 1 000 CHF	**2015**	2014
Current income taxes	10 498	8 419
Changes in deferred income taxes	−14 961	−8 707
Total	**−4 463**	**−288**

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

in 1 000 CHF	**2015**	2014
Earnings before income tax	**−181 569**	**10 972**
Weighted average tax rate in %	15.1	25.8
Expected tax income/expense	**−27 335**	**2 830**
Income tax reconciliation		
Effect of utilisation of previously unrecognised tax losses	−11	−1 447
Effect of not capitalised losses for the year	10 298	3 630
Effect of non-tax-deductible expenses and non-taxable income	11 175	−4 184
Effect of income and expenses taxed at special rates	−541	−161
Effect of tax charges related to prior years	2 204	−569
Effect of tax rate changes	−1 354	29
Change in unrecognised deferred tax assets	868	−435
Other items	233	19
Effective tax income	**−4 463**	**−288**
Effective tax rate in %	n/a	n/a

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

The expected weighted average tax rate decreased significantly compared to previous year, however does not reflect, in contrast to the previous year, AFG's expected medium-term weighted average tax rate. The decrease is predominantly due to the high share of losses of some Swiss companies having significant lower tax rates. There were no significant changes in local tax rates compared to 2014.

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 13.2 % (2014: 13.4 %) of existing trade receivables. The 10 largest customers generated 21.9 % (2014: 20.5 %) 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 48 % / 25 % / 12 % of total liquid funds as of the balance sheet date (2014: 31 % / 28 % / 14 %).

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

Liquidity risk

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

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

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

	31/12/2015	31/12/2014
in 1000 CHF		
Cash and cash equivalents and securities	203 680	81 501
+ undrawn credit facilities	266 800	194 800
Total available liquidity	**470 480**	**276 301**

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, AFG complied with all covenants. Regarding the covenant compliance in 2015, see note 41. Due to restrictions on the leverage ratio, undrawn credit facilities were not fully utilisable.

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 no longer had to be disclosed. Translation risks arising from the translation of foreign subsidiaries are not included in the following table.

A 5% increase (decrease) of the EUR against the CHF (2014: 20 %), a 5 % increase (decrease) of the CZK against the CHF (2014: 20 %) or a 5 % increase (decrease) of the PLN against the CHF (2014: 20 %) would have the following effects on AFG's Group earnings as of the balance sheet date:

	31/12/2015			31/12/2014		
	EUR/CHF	CZK/CHF	PLN/CHF	EUR/CHF	CZK/CHF	PLN/CH
in 1 000 CHF						
Reasonably possible change	5.0 %	5.0 %	5.0 %	20.0 %	20.0 %	20.0 %
Impact of an increase on group earnings	2 361	106	796	6 653	942	3 123
Impact of a decrease on group earnings	−2 361	−106	−796	−6 653	−942	−3 123

(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 risk".

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 no longer had to be disclosed.

An increase (decrease) in the market interest level as of the balance sheet date by 50 basis points for CHF interest rates (2014: 50 basis points) or by 50 basis points for EUR interest rates (2014: 50 basis points) would have the effects set forth below on Group earnings of AFG:

	31/12/2015		31/12/2014	
	CHF interest rate	EUR interest rate	CHF interest rate	EUR interest rate
in 1 000 CHF				
Reasonably possible change in basis points	50	50	50	50
Variable interest-bearing financial instruments				
Impact of an increase on group earnings	675	128	−209	106
Impact of a decrease on group earnings	−675	−128	209	−106
Interest rate swaps				
Impact of an increase on group earnings		337		422
Impact of a decrease on group earnings		−337		−422

(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 39.1 % as of the balance sheet date (2014: 37.4 %). The increase compared to the previous year is mainly attributable to the capital increase carried out in September 2015, whereas equity ratio at half-year was only 22.9 % as a consequence of the high half-year Group loss.

With regard to the ordinary and authorised capital increases carried out in 2015, as well as the possible creation of new share capital, 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 (see also note 41). 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 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:

in 1000 CHF	**31/12/2015**	31/12/2014
Liabilities		
Interest rate swaps without hedges	1 962	2 596

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.

54 ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENTS

in 1000 CHF	**2015**	2014
Changes in non-cash transactions		
Changes in deferred taxes	−14 961	−6 586
Changes in non-current provisions	15 252	−767
Changes in capitalised pension surplus/ employee benefit obligations	2 974	67
Share based payments	1 206	649
Impairment on loans and compounding of liabilities	5 798	1 668
Other non-cash effects	4 675	2 144
Total changes in non-cash transactions	**14 944**	**−2 825**
Changes in working capital		
Changes in accounts receivable	17 396	−11 923
Changes in inventories	−9 530	13 798
Changes in other working capital items	−2 128	−4 701
Total changes in working capital	**5 738**	**−2 826**
Changes in current liabilities		
Changes in accounts payable	−1 106	−4 747
Changes in advance payments by customers	13 551	−8 954
Changes in current provisions	12 097	−642
Changes in other current liabilities	2 129	2 474
Total changes in current liabilities	**26 671**	**−11 869**

55 SHARE BASED PAYMENT PLAN

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

In 2015, Group Management and certain other employees received for their work in the year 2014 a total of 14 695 (2014: 17 898 shares) allotted shares at a fair value of CHF 0.3 million (2014: CHF 0.5 million) (2015: CHF 19.19 per share; 2014: CHF 28.81 per share). The interim CEO received a larger portion of his base compensation for his employment starting from 1 July 2015 in shares. He was allocated 30 000 shares at a fair value of CHF 0.3 million (CHF 9.44 per share). The members of the Board of Directors received for their work from 25 April 2014 up to the Annual General Meeting on 17 April 2015 a total of 28 609 shares (2014: 6 188 shares for the period from 1 January 2014 to 25 April 2014) at a fair value of CHF 0.5 million (2014: CHF 0.2 million for the period from 1 January 2014 to 25 April 2014) (2015: CHF 19.19 per share; 2014: CHF 28.81 per share). Personnel expenses in 2015 for share based payments totalled CHF 1.1 million (2014: CHF 0.8 million).

56 RELATED PARTY TRANSACTIONS

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

in 1 000 CHF	**2015**	2014
Salaries and other short-term employee benefits	3 583	4 574
Share based payments	958	702
Pension and social securities contributions	865	1 014
Total	**5 406**	**6 290**

The detailed disclosures regarding executive remuneration required by Swiss law are included in the remuneration report on pages 77 to 81.

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

					31/12/2015
	Purchase of services	Sale of goods	Purchase of goods	Balance on receivables	Balance on liabilities
in 1 000 CHF					
Other related parties	106	815	21	261	14
Total	**106**	**815**	**21**	**261**	**14**

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

The law firm Bratschi Wiederkehr & Buob AG, of which Christian Stambach (non-executive member of the Board of Directors) a partner is, charged in 2015 for legal advice and representation TCHF 105 (2014: TCHF 154) to AFG and its Group companies. These expenses are included in the purchase of services and were at arm's length. The sale of goods in 2015 relates almost exclusively to AFG products purchased at market prices by companies owned by Michael Pieper (non-executive member of the Board of Directors). There were no guarantees granted as of the balance sheet date. Furthermore no provisions were required for receivables.

57 CONTINGENCIES

There were no contingencies.

58 EVENTS AFTER THE BALANCE SHEET DATE

On 22 January 2016, AFG signed a contract to purchase a minority interest of 31 % in Austrian window manufacturer Gaulhofer. The participation takes the form of a capital increase of Gaulhofer group. The company is one of the leading Austrian window manufacturers and generates revenues of approx. EUR 60 million.

No other events occurred between the balance sheet date and the date of this report which could have a significant influence on the 2015 consolidated financial statements.

59 MATERIAL SUBSIDIARIES

Company	Head Office	Share Capital in million	Interest in Capital	Room Climate	Shower Stalls	Windows	Profile Systems and Doors	Services/Finance
Building Technology Division								
Arbonia AG	Arbon, CH	4.000 CHF	100 %	▲	▲			
Prolux Solutions 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 %			▲		
Wertbau GmbH & Co. KG	Langenwetzendorf, DE	8.470 EUR	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 %				■	
Bloxer Ronchi S.r.l.	Villafranca Padovana, IT	0.100 EUR	100 %				▲	
Corporte Services								
AFG Arbonia-Forster-Holding AG	Arbon, CH	187.140 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	Plattling, 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, 17 February 2016

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 89 to 171), for the year ended 31 December 2015.

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 2015 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

		2015		2014	
	Note	in 1 000 CHF	in %	in 1 000 CHF	in %
Dividend income		2 000			
Financial income	2.7	14 861		19 734	
Other operating income		10		1	
Total income		**16 871**	**100.0**	**19 735**	**100.0**
Financial expenses	2.8	−26 364	−156.3	−24 234	−122.8
Personnel expenses		−981	−5.8	−1 180	−6.0
Other operating expenses	2.9	−8 410	−49.8	−9 107	−46.1
Total expenses		**−35 755**	**−211.9**	**−34 521**	**−174.9**
Net loss for the year		**−18 884**	**−111.9**	**−14 786**	**−74.9**

The notes on pages 178 to 182 are an integral part of these financial statements.

BALANCE SHEET

	Note	31/12/2015 in 1 000 CHF	31/12/2015 in %	31/12/2014 in 1 000 CHF	31/12/2014 in %
Assets					
Cash and cash equivalents		139 069		26 506	
Securities with stock exchange price		2 105		1 926	
Other receivables					
Third parties		415		1 129	
Group companies		93		36	
Shareholdings		296 695		297 557	
Current assets		**438 377**	**51.0**	**327 154**	**43.5**
Loans to shareholdings		39 013		43 414	
Investments	2.1	381 774		381 524	
Non-current assets		**420 787**	**49.0**	**424 938**	**56.5**
Total assets		**859 164**	**100.0**	**752 092**	**100.0**
Liabilities and shareholders' equity					
Accounts payable					
Third parties		154		133	
Group companies		4			
Shareholdings		180			
Interest bearing liabilities	2.2				
Bank loans		1 000		81 240	
Bond 2010–2016		199 799			
Shareholdings		3 596		1 833	
Other liabilities					
Third parties		115		57	
Accruals and deferred income		5 081		5 091	
Current liabilities		**209 929**	**24.4**	**88 354**	**11.7**
Interest bearing liabilities	2.3				
Bank loans		3 000		4 000	
Bond 2010–2016				199 258	
Non-current liabilities		**3 000**	**0.3**	**203 258**	**27.0**
Total liabilities		**212 929**	**24.8**	**291 612**	**38.8**
Share capital	2.4	187 140		76 548	
Legal capital reserves					
Capital contribution reserve	2.5	223 442		127 458	
Other capital reserves		42 812		42 812	
Voluntary reserves					
Free reserves		17 100		17 100	
Retained earnings		202 418		217 204	
Net loss for the year		–18 884		–14 786	
Treasury shares	2.6	–7 553		–5 856	
Result from sale of treasury shares		–240			
Shareholders' equity		**646 235**	**75.2**	**460 480**	**61.2**
Total liabilities and shareholders' equity		**859 164**	**100.0**	**752 092**	**100.0**

The notes on pages 178 to 182 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General information

These financial statements were prepared for the first time under the provisions of the Swiss accounting law (32nd title of the Swiss Code of Obligations). In accordance with the Code of Obligations, AFG Arbonia-Forster-Holding AG elected to restate prior year figures to ensure comparability with the 2015 presentation. This led to changes in the presentation of the balance sheet as a consequence of the new classification requirements and in particular to the reclassification of treasury shares from securities to equity as a negative position. As a result of this reclassification, securities, current assets and total assets as well as equity and total liabilities and equity were reduced by CHF 5.9 million. Accordingly, the reserve for treasury shares of CHF 6.8 million was completely released.

Since AFG Arbonia-Forster-Holding AG prepares consolidated financial statements in accordance with a recognised financial reporting standard (International Financial Reporting Standards), the company is not disclosing in accordance with the statutory provisions the audit fees and is not presenting a cash flow statement and a management report.

1.2 Securities with stock exchange prices

Short term held securities are valued at cost or lower stock market price at the balance sheet date.

1.3 Other current receivables

Other current receivables from shareholdings are short term loans, which are accounted for at nominal value and for which if necessary, have individual specific valuation allowances been booked.

1.4 Non-current loans

Non-current loans to shareholdings are valued at cost reduced by required impairments. Loans denominated in foreign currencies are converted at the current closing rate. Unrealised exchange losses are recorded immediately whereas unrealised exchange gains are not recorded (imparity principle).

1.5 Treasury shares

Treasury shares are recognised at acquisition date at cost as a negative item in equity. In a subsequent sale or delivery in the context of the share based payments, profit or loss arising from the sale of treasury shares is recognised directly in equity under result from sale of treasury shares.

1.6 Share based payments

A share based payment plan exists for members of the Board of Directors. Under this plan, members receive a minimum of 50 % of their compensation in shares. 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. The fair value of the equity compensation instruments is determined at the grant date and recorded to the income statement as personnel expenses with a corresponding offsetting entry to equity.

1.7 Interest bearing liabilities

A premium (net of transaction costs) of bonds is accounted for in accruals and released over the life of the bond on a straight-line basis. Interest bearing liabilities are accounted for at nominal value.

2 INFORMATION AND NOTES TO THE FINANCIAL STATEMENTS

2.1 Material investments

	31/12/2015		31/12/2014	
Company	Share capital in 1 000 CHF	Capital and voting interest in %	Share capital in 1 000 CHF	Capital and voting interest in %
AFG Schweiz AG, Arbon	1 000	100%	1 000	100%
AFG International AG, Arbon	1 000	100%	1 000	100%
AFG Management AG, Arbon	250	100%	250	100%
AFG CM AG, Arbon	250	100%		

All material subsidiaries directly or indirectly held by AFG Arbonia-Forster-Holding AG are disclosed in note 59 in the notes to the consolidated financial statements of AFG Arbonia-Forster-Group.

2.2 Current interest bearing liabilities

	31/12/2015	31/12/2014
in 1 000 CHF TCHF		
Bank loans	1 000	1 240
Bank loans – syndicated loan		80 000
Bond 2010–2016 3.375 %	199 799	
Loans to group companies	3 596	1 833
Total	**204 395**	**83 073**

The syndicated loan was repaid as a result of the capital increase which occurred on 22 September 2015. The bond was reclassified in the reporting year to current interest bearing liabilities, since it will be repaid on 12 May 2016.

2.3 Non-current interest bearing liabilities

	31/12/2015	31/12/2014
in 1 000 CHF		
Bank loans	3 000	4 000
Bond 2010–2016 3.375 %		199 258
Total	**3 000**	**203 258**

Maturity structure

	31/12/2015	31/12/2014
in 1 000 CHF		
Within 5 years	3 000	203 258
Total	**3 000**	**203 258**

2.4 Share capital
Refer to note 47 in the notes to the consolidated financial statements of AFG Arbonia-Forster-Group.

2.5 Capital contribution reserve
The capital contribution reserve includes the premium from the capital increases in 2007, 2009 and 2015, reduced by previous distributions.

The distribution from capital contribution reserve is fiscally treated like a redemption of share capital. The Swiss Federal Tax Administration (FTA) has confirmed the disclosed capital contribution reserve (balance as of 31 December 2014) as capital contribution within the meaning of article 5 para. 1bis VStG.

2.6 Treasury shares

	2015			2014		
	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	**24**	**240 183**	**5 856**	**22**	**468 477**	**10 272**
Purchase	17	246 009	4 089	28	457 719	12 796
Share capital increase	8	314 916	2 551			
Transfer for share based payments	16	−73 304	−1 156			
Sale	16	−218 123	−3 547	27	−686 013	−18 188
Gain (+)/loss (–)			−240			976
Balance at 31/12	**15**	**509 681**	**7 553**	**24**	**240 183**	**5 856**

2.7 Financial income
Financial income totals CHF 14.9 million (2014: CHF 19.7 million) and consists mainly of interest income on loans to investments and foreign currency exchange gains.

2.8 Financial expenses
Financial expenses totals CHF 26.4 million (2014: CHF 24.2 million) and consists mainly of interest on the bond, bank interest and foreign currency exchange losses. The previous year additionally contained interest on the US private placement which was repaid in November 2014.

2.9 Other operating expenses

in 1 000 CHF	2015	2014
Administrative costs	7 934	8 528
Consultancy and audit fees	440	558
Other operating expenses	36	22
Total	**8 410**	**9 107**

3 OTHER DISCLOSURES

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

The following guarantees were issued for the companies listed below:

		31/12/2015	31/12/2014
UBS AG			
in favour of Hartchrom AG	in 1 000 CHF		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
UniCredit Bank			
in favour of Kermi GmbH	in 1 000 EUR	2 000	3 000
in favour of Wertbau GmbH & Co. KG	in 1 000 EUR	2 500	
Commerzbank			
in favour of AFG Schoch GmbH	in 1 000 EUR	1 000	1 000

3.2 Contingent liabilities

A joint and several liability exists towards the affiliated subsidiaries under the cash pooling agreement with UniCredit Bank AG.

3.3 Major shareholders

	31/12/2015	31/12/2014
	Voting and capital interest	Voting and capital interest
Artemis Beteiligungen I AG	27.52 %	21.90 %

3.4 Risk assessment

Refer to note 52 in the notes to the consolidated financial statements of AFG Arbonia-Forster-Group.

3.5 Headcount in full-time equivalents

AFG Arbonia-Forster-Holding AG does not employ any staff.

3.6 Disclosure of shareholding

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:

	31/12/2015 Number of registered shares	31/12/2014 Number of registered shares
Alexander von Witzleben (Chairman of the BoD from 17/04/2015 and Group Management from 01/07/2015)	30 000	
Peter Barandun (Member of the BoD from 25/04/2014)	9 144	
Christian Stambach (Member of the BoD)	22 248	10 442
Peter E. Bodmer (Member of the BoD)	4 861	1 656
Markus Oppliger (Member of the BoD)	10 228	1 656
Heinz Haller (Member of the BoD from 25/04/2014)	5 000	
Michael Pieper (Member of the BoD from 17/04/2015)	12 259 974	
Rudolf Graf (Chairman of the BoD until 13/03/2015 and Group Management until 31/10/2014)		12 387
Andreas Gühring (Member of the BoD until 17/04/2015)		7 181
Felix Bodmer (Group Management)	45 790	17 232
Knut Bartsch (Group Management)	30 372	10 389
Christoph Schönenberger (Group Management)	33 881	12 415
William Christensen (Group Management from 01/11/2014 until 30/06/2015)		14 000
Roman Hänggi (Group Management from 01/07/2014 until 30/09/2015)		1 107
Total	**12 451 498**	**88 465**

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors will propose at the Annual General Meeting of the shareholders on 22 April 2016 the following:

Appropriation of Retained Earnings

	2015	2014
in 1 000 CHF		
Retained earnings carried forward from previous year	202 418	205 184
Net loss for the year	–18 884	–14 786
Change of reserve for treasury shares		12 020
Retained earnings	**183 534**	**202 418**
Retained earnings carried forward	183 534	202 418
Total	**183 534**	**202 418**

REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

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

St. Gallen, 17 February 2016

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 175 to 183), for the year ended 31 December 2015.

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 2015 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

PricewaterhouseCoopers AG

Beat Inauen
Audit Expert
Auditor in charge

Martin Knöpfel
Audit Expert

SUPPLEMENTARY INFORMATION FOR INVESTORS

	2015	2014	2013	2012	2011
Number of shares					
Registered par value CHF 4.20	44 557 125	18 225 603	18 225 603	18 225 603	18 225 603
Stock market prices in CHF [1]					
Highest	18.6	26.3	25.2	17.3	28.0
Lowest	8.7	14.0	16.9	11.3	10.6
31/12	10.1	18.2	23.2	17.0	13.0
Stock market capitalisation in CHF million (31/12)	450.0	449.3	573.2	421.0	320.8
Per share data [1]					
Gross dividend in CHF [2]	0.0	0.0	0.3	0.0	0.0
Pay-out ratio (in % of Group earnings)	0.0	0.0	n/a	0.0	0.0
Group earnings in CHF	−6.1	0.6	−2.1	−3.0	−2.9
Cash flow from operating activities in CHF	1.8	1.6	2.6	2.2	2.7
Shareholders’ equity in CHF	11.9	14.7	14.9	14.6	17.8
Price/earnings ratio (highest)	−3.1	31.7	−9.2	−4.4	−7.3
Price/earnings ratio (lowest)	−1.5	16.9	−6.2	−2.9	−2.8
Price/earnings ratio (31/12)	−1.7	22.0	−8.5	−4.3	−3.4
Price/cash flow ratio (highest)	10.1	12.1	7.1	5.7	7.6
Price/cash flow ratio (lowest)	4.8	6.5	4.7	3.7	2.9
Price/cash flow ratio (31/12)	5.5	8.4	6.5	5.6	3.5

[1] Adjusted for 2015 capital increase
[2] 2016 proposal to the Annual General Meeting