ALNO AG

2014

Annual Report

GROUP KEY FIGURES

of ALNO Aktiengesellschaft, Pfullendorf, as at 31 December 2014

in € 000	2014	2013	2012	2011	2010
Consolidated income statement					
Sales revenue	545,774	395,056	446,258	452,810	467,297
Total operating performance	624,584	407,111	456,452	459,962	472,366
EBITDA	39,957	6,748	13,959	5,204	986
EBIT	6,247	2,421	877	–10,698	–11,118
EBT	–6,308	–5,995	–1,217	–25,216	–12,178
Consolidated net profit or loss	–4,121	–9,472	–1,420	–25,561	–13,084
Profit per share (diluted and undiluted) in EUR	–0.06	–0.14	–0.05	–1.04	–0.78
Consolidated statement of financial position					
Non-current assets	173,363	99,830	89,213	86,455	86,598
Investments in property, plant and equipment	15,516	13,556	12,997	16,660	15,220
Liquid funds	2,270	3,266	5,402	2,243	3,041
Equity	–28,007	–18,381	–8,708	–73,344	–69,722
Subscribed capital	70,095	70,095	70,095	67,847	45,231
Balance sheet total	284,546	181,469	168,252	159,670	157,698
Consolidated cash flow statement					
Cash flow from operating activities	15,156	–29,522	25,471	–3,261	11,540
Cash flow from investment activities	–52,746	–13,677	–14,737	–17,138	–14,300
Cash flow from financing activities	36,586	41,634	–7,052	20,051	2,488
Cash change in cash and cash equivalents	–1,004	–1,565	3,682	–348	–272
Employees					
Employees as at 31 December	2,289	1,875	1,926	1,845	1,787
Yearly average number of employees	2,301	1,897	1,856	1,806	1,840
Personnel expenses	138,253	95,263	97,204	98,529	97,900
Yearly average personnel costs per employee	60	50	52	55	53
Yearly average sales volume per employee	237	208	240	251	254

COMPANY PROFILE

ALNO AG is one of Germany's leading kitchen manufacturers, with a staff of around 2,300 employees. From its six national and international sites, the corporation provides a full range of kitchens to worldwide markets. In addition to the core ALNO brand, the ALNO Group also owns the WELLMANN, IMPULS, PINO as well as PIATTI and ALNOINOX brands. The ALNO Group operates in more than 64 countries worldwide with over 6,000 sales partners. The business area encompasses development, production and sale of kitchen furniture as well as on selling electrical appliances and accessories.

The company was founded in 1927 by Albert Nothdurft in Wangen near Göppingen. The production facility was moved to Pfullendorf in 1958. This was followed by fast-paced development of the company – in parallel to the economic growth enjoyed in Germany and Europe. In 1995, the former ALNO Möbelwerke GmbH & Co. KG was converted into a corporation. In August 2003, ALNO AG merged with the Casawell Service Group, representing an important step on the way to becoming the largest kitchen manufacturer in the world. In the first quarter of 2014, a deal was concluded to take over AFP Küchen AG, which is the market leader in Switzerland with its PIATTI and FORSTER Schweizer Stahlküchen (ALNOINOX) brands.

Not only does ALNO AG represent tradition and quality, the company also works continuously on further development of its brands in terms of design, innovation and modernity. Surveys reveal that ALNO is the best known and most popular kitchen brand in Germany.

THE ALNO BRAND WORLD

The ALNO Group combines six high-profile, independent brands under one roof. Each individual brand successfully appeals to very different customers. For us, it is important always to offer innovative products to customers and consumers through different sales channels and in various price segments. The awards we have won in this process give us the motivation for continuous improvements.

ALNO

ALNO stands equally for 88 years of tradition and innovation. ALNO is also the premium brand in the Group. It combines maximum quality with award-winning design. ALNO bespoke kitchens offer customers an enormous variety of design options with top-class service.

wellmann

WELLMANN is characterised by variety, modern design and planning flexibility. The focus is on elegant, classically modern and individual style. With the new kitchen generation, WELLMANN serves trend-oriented consumers in the medium-to-upper price segment.

impuls

IMPULS is the brand for the fast kitchen. It offers a fresh and minimalist design for attractive prices, with clear points of emphasis in logistics, distribution and punctuality. Impuls serves the lower-to-medium price segment.

pino

PINO is the entry-level brand with its compact all-inclusive kitchens. The assortment is characterised by fresh, modern and uncomplicated design. The focus is directed towards the RTA and self-service area, and the brand serves the lower price segment.

Piatti

PIATTI is the market leader in Switzerland, and has embodied Swiss kitchen design since 1948. PIATTI stands out through innovative kitchen concepts in each price segment, and is known for excellent quality, individual planning expertise and flexibility. With an extensive assortment, PIATTI makes almost every kitchen dream come true.

ALNOINOX

ALNOINOX is the leading steel kitchen brand in Europe for the domestic customer market, and has won several design prizes with its unique, streamlined and yet elegant design. The exclusive stainless steel kitchens have been developed and manufactured in Switzerland since 1874, and are regarded as classics.

THE ALNO SITES

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LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear shareholders, employees, partners and friends of ALNO AG,

2014 was a bit of a curate's egg for ALNO AG, similarly to the German furniture industry overall. Following a very positive start, things tailed off significantly. And following the usual decline in business volume during the summer months, the autumn upswing was significantly less pronounced than hoped for.

This fluctuation did not make our work any easier, but it has strengthened our view that the reorientation of the Group that we initiated last year is a matter of immense necessity.

Let's take a brief look back: In 2012, we started rebuilding ALNO from the ground up. To do this, we defined three specific phases: firstly, successful implementation of the capital and financing concept as well as stabilisation of customer relations. Following that, forcefully pursuing the organic and inorganic growth of the Group worldwide. And finally, significantly strengthening our sales measures – particularly abroad focusing on China, the USA, France and the UK. Currently in this phase – and including the take-over of AFP – we have increased the export portion of our sales revenue from formerly 27% in 2013 to over 40% in 2014. Today, this share even accounts for more than 50%.

This means we can now move onto the third step – reorientation of the ALNO Group. Our major objective: ALNO AG will act as one company, working together with our employees and customers successfully in worldwide markets.

We have identified three key elements for this purpose: making production throughout Germany more flexible, centralising administrative units as well as optimising the brand and product portfolio. Several project groups are working intensively to implement these topics, and they are being attended to step-by-step. For example, centralisation of all administrative areas. To this end, the sites in Germany are being reoriented gradually according to the three central functions of sales, production and support. Processes and systems are being streamlined throughout the Group and personnel are being con-centrated – where this makes sense.

We are also working on achieving the correct solutions for the areas of customer service and production. The objective is to make production significantly more flexible and pro-fessional by changing over the organisation from four sites that operate in a decentralised way to a Group-orientated, functional structure. In past years, capacity utilisation at the

› Max Müller, Chief Executive Officer of ALNO AG

plants has fluctuated greatly in some respects. This will now change significantly because of professional and flexible production management.

The brand and product portfolio is also being optimised further. After all, we want to build kitchens in which people feel good. We need the right products for this. Consequently, we are not holding back on developing new and improved products. After all, this is another area where we are under pressure to justify our pioneering role in the market.

Our organisation has been imbued with a new élan in the course of all these measures. We are creating uniform standards as well as a new awareness of working together in the Group. After all, it is no longer a matter of solving problems of an individual site, but rather working out Group-wide solutions together with the help of teams that are responsible for all sites.

All measures focus on making our dealings with customers simpler, faster and leaner. All restructuring measures are designed to create a win-win situation for our customers, allowing us to grow profitably with them.

“WE WANT TO BUILD KITCHENS IN WHICH PEOPLE FEEL GOOD.”

In this process of change, it is also very exciting to see how we have succeeded in awakening team spirit within ALNO. We have simply brought the people at ALNO and their subsidiaries into closer touch with one another. This is entirely in line with the concept of “one company”. Today, many suggestions for improvements come from cooperation between the teams, and lead to good results when implemented.

In the course of this change process, we have also changed, corrected and stopped many things in 2014, as well as creating new ones. In goes without saying that the takeover of AFP Küchen AG that we reported here about one year ago represents the highlight of the previous financial year. However, by cooperating with “Pervaya Mebel’naya Fabrica” (1ff) in Russia, we have laid an important milestone for the international growth of ALNO. 1ff is one of the largest furniture manufacturers in Russia. It belongs to the Alexander Shestakov group of companies, which owns a furniture production plant as well as a sales organisation and its own kitchen studios, amongst other assets. Alexander Shestakov in turn is the President of the Russian Association of Furniture and Woodworking Enterprises of Russia.

We have thus accomplished two things at once. For one thing, we are inputting part of the shut-down Piatti production as a non-cash contribution. For another, through this cooperation we are opening up one of the largest kitchen markets in Europe that has achieved regular double-digit percentage growth in recent years. The partnership with the Shestakov Group represents a classic win-win situation for us overall. We are providing industrial expertise for Russia, and we have the ideal partner to quickly establish efficient sales of our products.

An important vote of confidence in our work so far and the tasks we will undertake in the future was provided in 2014 through the agreement with Bauknecht Hausgeräte GmbH as well as its parent company and the largest single shareholder of ALNO AG, Whirlpool Corporation, regarding a long-term standstill (moratorium agreement). Amongst other benefits, this provides us with the breathing space required to carry out the further process of change within the ALNO Group.

A further piece of particularly good news reached us shortly prior to the editorial deadline of this annual report: Nature Home Holding Company, which is quoted on the Hong Kong Stock Exchange, has invested in ALNO AG and will be a new anchor shareholder. This shows the high level of confidence placed in us by our Chinese partners, and strengthens us in particular in international markets. Nature concluded an investment agreement with ALNO AG under which it undertakes to buy 5.5 million new ALNO AG shares derived from a capital increase for cash from the existing authorised capital which is still to be undertaken. Furthermore, Nature recently purchased about 1.375 million shares. This means our Chinese partner with whom we have already worked together successfully for two years, will in future hold 9.09% of ALNO AG.

This investment will do more than guarantee us a profitable business in China for the foreseeable future. This capital increase will also provide ALNO AG with liquid funds in the amount of € 5.8 million in total. We will principally use the new capital to push ahead with the reorientation of ALNO AG so as to deliver a sustainable improvement to the basis for the company's operating results. At the same time, the investment by Nature gives *us further motivation to focus all our efforts on pushing ahead with the reorientation of ALNO AG.

As you can see, the future prospects of ALNO AG are brighter. This is possible because we are an effective, indeed highly effective team. ALNO is packed with knowledge, energy and drive. We have a competent management team and the right people are in the right jobs. We have highly motivated employees who have always believed in the company.

However, we are of course aware that there is still a great deal of rebuilding work to do. We have got to continue gaining the trust of customers and the capital market. The Board of Management and company management have put this at the top of their to-do list as one of the most important goals for 2015. Our central goal is finally to return to the black.

Our situation remains very difficult at present, and we will have to take some tough decisions in 2015. However, everything is falling into place for ALNO to reinvent itself successfully in 2015 and face the future securely.

Pfullendorf, 31 March 2015

Thank you all for your great support.

Best regards

Max Müller

Max Müller
Chief Executive Officer of ALNO AG

“THE FUTURE PROSPECTS OF ALNO AG ARE BRIGHTER. ALNO IS PACKED WITH KNOWLEDGE, ENERGY AND DRIVE.”

Max Müller, Chief Executive Officer of ALNO AG

THE BOARD OF MANAGEMENT

› Max Müller, Chief Executive Officer (CEO)

Max Müller
Chief Executive Officer (CEO)
Appointed on 6 April 2011

Max Müller was formerly sales and marketing manager of a company in the clockmaking industry, as well as managing director of a medium-sized company group specialising in business with Eastern Europe and the USSR. As founder of various enterprises and member of several corporations in a whole variety of sectors, Max Müller can draw on considerable business experience. In addition to his position as Chief Executive Officer of ALNO AG, he has been President of the Administrative Council of two Swiss investment companies, Comco Holding AG and Starlet Investment AG, since 1993. Before then, Max Müller was CEO of the Comco Group and Chairman of the Board of Adler Bekleidungswerke AG & Co. KG. Both companies belonged to ASKO / Metro AG. Within the space of two years, he restored the ailing Adler Bekleidungswerke AG & Co. KG to the black and made it one of the most profitable mainstays of the ASKO Group. At ALNO AG, Max Müller is responsible for the areas of auditing, legal, restructuring / acquisitions, corporate communication as well as the international activities of the ALNO Group.

› Ipek Demirtas, Chief Financial Officer (CFO)

Ipek Demirtas
Chief Financial Officer (CFO)
Appointed on 13 July 2011

After graduating in business administration, Ipek Demirtas first worked for the STINNES Group, then spent over ten years at PricewaterhouseCoopers and seven years as managing director of Petroplus Mineralölprodukte Deutschland GmbH and Marimpex Mineralöl-Handelsgesellschaft mbH. She subsequently became Chief Financial Officer of Environmental Solutions Europe Holding B. V. (OTTO Group), Maastricht, and managing director of several subsidiaries of the OTTO Group, where she was able to restructure strategic fields of business with great success. Ipek Demirtas joined ALNO AG in January 2010 as manager of Group finance. Since July 2011, Ipek Demirtas has been Chief Financial Officer responsible for finance / accounting, controlling, human resources / organisation, IT as well as capital markets / special projects and investor relations.

Ralph Bestgen
Chief Sales and Marketing Officer (CSO)
Appointed on 1 February 2013

Ralph Bestgen obtained a degree in business administration from Wiesbaden Technical College before joining the Electrolux Group and the Brandt Group Hausgeräte GmbH, where he was responsible for the sales and market divisions. Ralph Bestgen also spent many years as a member of the executive management of Bauknecht Hausgeräte GmbH, a member of the Whirlpool Group, most recently as chairman of the executive management. He can draw on extensive experience acquired in the course of many years in German trade and industry, as well as in the development and enlargement of national and international sales organisations. At ALNO AG, Ralph Bestgen is responsible for the Sales, Marketing and Product Development business units.

› Ralph Bestgen, Chief Sales and Marketing Officer (CSO)

REPORT OF THE SUPERVISORY BOARD

During the 2014 year under review, the Supervisory Board of ALNO Aktiengesellschaft (ALNO AG) carefully undertook the tasks and duties required of it according to the law, articles of association and internal governance procedures. Within this context, it dealt in detail with the position of the company, continuously monitoring and advising the Board of Management.

The Board of Management kept the Supervisory Board informed on a regular, prompt and extensive basis about all aspects of fundamental importance to the Group, in the form of written and verbal reports. In particular, discussions were held regarding corporate planning, ongoing business development, company strategy, liquidity forecasts, capital and financing measures, the risk position, risk management as well as important Group projects. If the course of business deviated from planning, such situations were indicated by the Board of Management in detail and explained. The Board of Management coordinated the strategic alignment of the company with the Supervisory Board, and reported at regular intervals about the status of implementation of the strategy. The Supervisory Board was involved in decisions at an early stage.

Even outside Supervisory Board meetings, the Chairman of the Supervisory Board ensured that he was kept regularly informed by the Chief Executive Officer regarding current developments in the business position, strategy, risk position, risk management and compliance by the company and significant business transactions.

All business transactions requiring approval by the Supervisory Board according to the law, articles of association or internal governance procedures were examined and decided by the Supervisory Board. Furthermore, important individual business transactions were mentioned. In addition, in 2014, the Supervisory Board or the Chairman of the Supervisory Board submitted enquiries to the Board of Management and the auditor, and also conducted various discussions and meetings, regarding any risks to the net assets, financial position and results of operations of the individual companies in the ALNO Group, and received explanations about the measures taken. In addition, second tier management was also involved in specific topics.

The cooperation between the Supervisory Board and the Board of Management was characterised by an intensive and open exchange.

Meetings of the Supervisory Board

The Supervisory Board held thirteen meetings in the financial year 2014. Seven of these were a face-to-face meetings, and six took the form of teleconferences. Each member of the Supervisory Board took part in more than half of the meetings.

There were no conflicts of interest needing to be disclosed to the Supervisory Board or the handling of which must be notified to the annual general meeting.

Main aspects of deliberations in the full Supervisory Board meeting

Regular deliberations were conducted in the Supervisory Board regarding the market situation and development, examination and monitoring of profit and loss accounts, balance sheets, net assets, financial and liquidity position of the company as well as the restructuring and strategic orientation of the Group.

› Henning Giesecke, Chairman of the Supervisory Board

The extraordinary Supervisory Board meeting conducted as a teleconference on 16 January 2014 discussed the purchase contract for the takeover of AFG Küchen AG, and reached a decision on the matter.

During the Supervisory Board meeting on 24 January 2014, the Board of Management presented the company plan for the financial year 2014. Following detailed discussion and examination, the Supervisory Board approved the updated company plan for the financial year 2014. Furthermore, the Supervisory Board was informed about the status of medium-term planning.

The Supervisory Board meetings held as teleconferences on 7 March 2014 discussed the further procedure in the legal dispute relating to the former CEO Mr Jörg Deisel against ALNO, as well as taking the decision regarding issuing a convertible bond.

On 31 March 2014, the Supervisory Board held a teleconference and passed resolutions. Mainly, the Supervisory Board discussed the annual financial statements of ALNO AG as at 31 December 2013 as well as the consolidated financial statements of the ALNO Group as at 31 December 2013 together with the auditors from Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Ravensburg, and discussed these statements in detail. All the documents of the annual financial statements were examined for legal compliance and usefulness. The Board of Management and auditors answered all questions in detail and satisfactorily. Furthermore, the audit commission reported on the results of its audit and proposed approving the prepared and presented annual financial statements of ALNO AG and the consolidated financial statements of the ALNO Group. Following that, both the annual financial statements and the consolidated financial statements of ALNO AG were approved by the Supervisory Board. The annual financial statements were thus adopted. Furthermore, the report by the Supervisory Board for the financial year 2013 was finalised and adopted. Equally, the declaration on corporate governance/ corporate governance report was approved.

The Supervisory Board meetings conducted as teleconferences on 1 April 2014 dealt with a decision on the further procedure in the legal dispute relating to the former CEO Mr Jörg Deisel against ALNO.

On 14 April 2014, the Supervisory Board held an teleconference meeting. The deliberations concerned adapting the articles of association of ALNO AG, key data for a share option programme and the agenda for the annual general meeting on 28 May 2014. Decisions were taken on all the items discussed. At the recommendation of the audit commission, the Supervisory Board decided to propose to the annual general meeting that the annual financial statements for the financial year 2014 should be audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart.

The face-to-face meeting of the Supervisory Board held on 24 April 2014 discussed the development of the business up to March 2014 and the status of financing measures in 2014. The organisation for the annual general meeting 2014 was presented and discussed.

Other items under discussion involved presentation of the Controlling area as well as the result of the purchase price allocation of AFG Küchen AG.

The proceedings of the annual general meeting were assessed and appreciated during the meeting held immediately after the annual general meeting on 28 May 2014. The Board of Management presented the current business development in 2014 as well as measures to improve the operating result and liquidity. The status of the project for integrating AFG Küchen AG was presented and discussed.

At the face-to-face meeting of the Supervisory Board on 18 July 2014, the business development up to June 2014 was discussed as well as the status of financing measures being presented and deliberated on. Furthermore, the status of a restructuring project started in June 2014, the status of the project for integrating AFG Küchen AG and the status of five important Group projects were discussed. Moreover, the annual audit report 2013 and the audit planning 2014 were presented.

On 25 September 2014, the Supervisory Board held a face-to-face meeting. This meeting concentrated on the business development up to August 2014 and the status of the financing measures. The status of the restructuring project and the status of the project for integrating AFG Küchen AG were discussed.

In the Supervisory Board meeting conducted as a teleconference on 29 September 2014, the discussions dealt with the new version of the Supervisory Board's internal governance procedures and the new version of the Board of Management's internal governance procedures. A decision was taken on the new version of the Supervisory Board's internal governance procedures. Furthermore, the joint declaration by the Board of Management and the Supervisory Board was discussed and approved concerning the recommendations in the German Corporate Governance Code according to Article 161 of the Stock Corporation Act.

On 30 October 2014, the Supervisory Board held a face-to-face meeting. This meeting focused on the business development up to September 2014 and the status of financing measures.

The status of the restructuring project and the status of the project for integrating AFG Küchen AG were discussed. Further topics included the status of the projects in the logistics area and general parameters for 2015 planning as well as the results of the audit committee meeting on 29 October 2014.

The Supervisory Board meeting on 11 December 2014 involved discussing the business development up to September 2014 and the status of financing measures. Further topics included consulting and agreement on the 2015 planning and the status of the project for integrating AFG Küchen AG.

Work in the committees

In order to carry out its tasks efficiently, the Supervisory Board has established the Audit Committee and the Strategy and Executive Committee. In addition, a Nomination Committee was formed in 2014 on the basis of the decision by the Supervisory Board on the new version of the internal governance procedures on 29 September 2014.

The Audit Committee held an initial teleconference meeting on 31 March 2014. The meeting was concerned with stating, explaining and discussing the annual financial statements and management report of ALNO AG, the consolidated annual financial statements and management report of ALNO AG and the report on controlled companies of ALNO AG, in each case with the key date 31 December 2013. A resolution was proposed for the Supervisory Board regarding the annual financial statements 2013. Furthermore, a resolution was proposed for the Supervisory Board regarding the process to choose an auditor in 2014.

The second meeting of the Audit Committee was held on 29 October 2014 as a face-to-face meeting. This meeting involved updating the status of the activities of the Audit Committee under the topics of “External accounting”, “Accounting process”, “Internal control system”, “Risk management”, “Compliance”, “Internal audit system”, as well as determining main points of emphasis for the coming periods and deciding recommendations for the Supervisory Board.

As well as this, the members of the Audit Committee voted by e-mail or telephone on individual issues relating to the accounting process, preparation of the annual and consolidated financial statements, the management report process as well as the half-yearly financial report.

The Strategy and Executive Committee held nine meetings in the financial year 2014.

In the first teleconference of the Strategy and Executive Committee on 7 April 2014, the business development up to February 2014 and financing measures were discussed.

In the teleconferences of the Strategy and Executive Committee on 7 May 2014 and on 20 May 2014, measures for improving the EBITDA and liquidity were discussed.

The teleconference of the Strategy and Executive Committee on 27 May 2014 dealt mainly with a discussion of the forecast for the 2nd quarter 2014 and the status of financing measures.

The teleconferences of the Strategy and Executive Committee held on 4 June 2014, 13 June 2014, 23 June 2014 and 7 July 2014 dealt with the topics of business development, the status of financing measures and improvement to the EBITDA as well as liquidity in the context of the restructuring project started in June 2014.

In the last teleconference of the Strategy and Executive Committee of 2014 held on 8 September 2014, the final result of the half year up to June 2014 was discussed, as were the business development as at July 2014, the status of financing measures 2014 and the status of the restructuring measures.

The Nomination Committee has the task of recommending to the Supervisory Board suitable candidates for representing shareholders on the Supervisory Board, who can in turn be proposed to the annual general meeting for election. This should not only consider the necessary knowledge, capabilities and technical experience of the proposed candidates, but also the goals for “internationality”, “diversity”, “consideration of qualified women” and “independence” in accordance with the German Corporate Governance Codex.

The Nomination Committee met for its first constituting meeting on 11 December 2014. This involved discussing initial proposals to the Supervisory Board for suitable candidates as shareholder representatives.

Annual and consolidated financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the 2014 annual financial statements of ALNO AG according to the rules of the German Commercial Code (HGB), as well as the consolidated financial statements of ALNO AG according to International Financial Reporting Standards, and the single-entity and Group management report; they consequently met with the full approval of the auditors.

The auditors confirmed that the Board of Management has established an efficient risk management system in compliance with the statutory requirements, as well as an internal control system.

The statements to be audited and the auditor’s report were received by all members of the Supervisory Board in good time. The statements to be audited and the auditor’s report were considered in detail at the meeting of the Audit Committee on 30 March 2015. The Supervisory Board received detailed information on the financial statements of ALNO AG and on the consolidated financial statements of the ALNO Group at a telephone conference on 31 March 2015. At both meetings, the auditors reported on the main findings of their audit, answered the Board’s questions and provided any additional information required. After detailed consideration and on the basis of its own checks, the Supervisory Board concurred with the auditors’ findings on the annual and consolidated financial statements. Following the conclusive outcome of its own checks, the Supervisory Board has no complaints against the annual financial statements, the consolidated financial statements or the management report that was combined with the Group management report. The Supervisory Board has approved the annual financial statements prepared by the Board of Management as well as the consolidated financial statements for the financial year 2014 at its meeting on 31 March 2015.

Corporate governance

In the financial year 2014, the Supervisory Board also considered the further development of corporate governance principles in the ALNO Group, with due regard for the German Corporate Governance Code in the version dated 13 May 2013.

The report of the Board of Management and Supervisory Board on corporate governance by ALNO AG can be found in conjunction with the declaration on corporate governance on page 67 onwards. On 29 September 2014, the Board of Management and Supervisory Board of ALNO AG published a new declaration of compliance in respect of the recommendations of the "Government Commission on the German Corporate Governance Code" as required by Article 161 of the Stock Corporation Act (AktG). This declaration can be found on pages 67 onwards in this Annual Report and is permanently accessible to shareholders via the website **www.alno.de**.

Changes in the Board of Management and Supervisory Board

The following changes occurred in the Supervisory Board up to 31 March 2015:

The Supervisory Board member, Dr. Marc Bitzer, resigned his mandate as a Supervisory Board member of the company effective 31 October 2014. The Supervisory Board wishes to thank Dr. Marc Bitzer for the work that he has done and for his high level of commitment.

Following the resignation of Dr. Marc Bitzer, the Supervisory Board was no longer quorate according to its articles of association; for this reason and because ALNO AG is currently undergoing a restructuring phase, ALNO AG submitted an application on 15 January 2015 for Mr Hanns Rech to be appointed under a court order, due to his professional and technical expertise. According to a decision taken by Ulm Local Court on 21 January 2015, Mr Hanns Rech was appointed as a member of the Supervisory Board of ALNO AG to represent the shareholders.

The following change occurred in the Board of Management up to 31 March 2015:

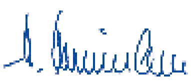
In its meeting on 29 January 2015, the Supervisory Board decided to terminate the contract with COO Manfred Scholz, responsible for production, customer service, purchasing, quality/environment/energy and logistics, at the request of Mr Scholz, effective 28 February 2015. His tasks have been distributed internally on an interim basis.

The Supervisory Board wishes to thank Mr Manfred Scholz for the work that he has done and for his good cooperation.

The Supervisory Board wishes to thank the Board of Management and all employees of the ALNO Group companies for their efforts and great personal commitment in the financial year 2014.

Pfullendorf, 31 March 2015

For the Supervisory Board



Henning Giesecke
Chairman of the Supervisory Board

THE ALNO SHARE

The stock exchange year 2014 was characterised by fluctuation and volatility following the record year in 2013. The DAX started the year at 9,552 points, after which it varied between 8,572 and 10,087 over the course of the year. It finished the year 2014 at 9,805 points, representing a gain of only 253 points or 2.6% compared to the start of the year. In 2013, the DAX had gained about 25%.

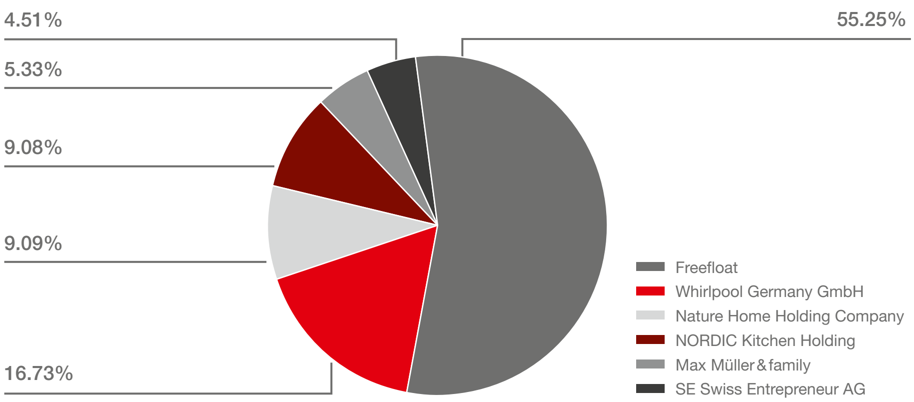
The ALNO AG share price displayed disappointing performance in 2014. After starting at € 0.94, the price initially rose to € 1.19 before falling during the further course of the year and reaching a low point of € 0.476 on 3 November 2014 as a consequence of negative rumours concerning the solvency of ALNO AG. Once these rumours had been decisively and convincingly rebutted by the Board of Management, the price recovered to € 0.58 by the end of the year. However, ultimately there was a loss of € 0.36 or more than 40%. It is pleasing to note that the recovery has continued in the 2015 financial year; the peak of € 0.980 was reached on 31 March 2015, the day after announcement of the capital increase with exclusion of subscription rights, subscribed by the new anchor investor Nature.

Capitalisation and shareholder structure

The shareholder structure of ALNO AG changed in 2014 in connection with the issue of a convertible bond. The subscribers to the convertible bond additionally received certain option rights to the allocation of shares from conditional capital as well as from existing shares which are held in trust by the shareholder Nordic Kitchen Holding AG, Zug. The free float on 31 December 2014 was just under 60%, the largest and thus most important shareholder remains

› SHAREHOLDER STRUCTURE OF ALNO AG*

As at 31 March 2015



* Valid from the date of entry in the Commercial Register (expected at the end of April)

Whirlpool Germany GmbH even though its shareholding in ALNO AG fell to just under 20%; also, a new major shareholder with a peak holding of more than 10% was added in the form of Nordic Kitchen Holding AG, Zug. The third largest shareholder in 2015 was the Board of Management member, Max Müller, and his family with more than 5%.

On 25 March 2014, Whirlpool Germany GmbH, Stuttgart, Germany, announced in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG had exceeded the 30%, 25% and 20% voting rights thresholds on 21 March 2014, and on the day of the announcement, was 19.99% (corresponding to 14,018,995 voting rights). The voting shares in ALNO AG held by Whirlpool Corporation, Benton Harbor, USA, dropped below the voting thresholds of 30%, 25% and 20% on 21 March 2014 and totalled 19.99% (corresponding to 14,018,995 voting rights) on that date. Of these, 19.99% (corresponding to 14,018,995 voting rights) are to be allocated to Whirlpool Corporation in accordance with Section 22 subsection 1 sentence 1 no. 1, subsection 3 of the Securities Trading Act (WpHG) via Whirlpool Germany GmbH, a subsidiary of Whirlpool Corporation, the voting share in ALNO AG of which amounted to 3% or more.

On 25 March 2014, NORDIC Kitchen Holding AG, Zug, Switzerland, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had exceeded the 3%, 5% and 10% threshold of voting rights on 21 March 2014 and, on the day of the notification, was 10.58% (corresponding to 7,418,826 voting rights).

On 11 April 2014, NORDIC Kitchen Holding AG, Zug, Switzerland, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had dropped below the 10% threshold of voting rights on 9 April 2014 and, on the day of the notification, was 9.79% (corresponding to 6,865,000 voting rights).

On 28 November 2014, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 3% threshold on 20 November 2014 and, on the day of the notification, was 2.74% (1,920,000 voting rights). Of these, 2.68% (corresponding to 1,875,000 voting rights) are assigned to the company according to Section 22 subsection 1, sentence 1, no. 6.

On 20 March 2014, ALNO AG successfully placed a convertible bond in the total nominal amount of € 14 million with qualified international investors. The term of the bond is 5 years, its coupon 8%. The proceeds from the bond were used for financing part of the purchase price in the acquisition of AFG Küchen AG, Switzerland. The creditors of the convertible bond additionally received certain option rights to the allocation of shares from conditional capital and existing shares. The future share structure may change accordingly if the option rights are exercised.

Directors' dealings

The following notifiable share dealings by executives were reported in the financial year 2014, as required by Section 15a of the Securities Trading Act (WpHG):

Date	Notifying person	Number of shares	Type of transaction	Volume in €
24 July 2014	SMARAGD HOLDING AG	163,522	Purchase	98,309
Transfer of warrant DE000A11WFJ6 (nominal value € 1,000)				
27 March 2014	Ludmilla Müller Starlet Investment AG	125	Transfer	0
27 March 2014	Ludmilla Müller Starlet Investment AG	125	Purchase	125,000
27 March 2014	Anton Walther	100	Transfer	0
27 March 2014	Anton Walther	100	Purchase	100,000

Investor relations

The unchanged primary objective of ALNO AG's investor relations work is to ensure a continuous dialogue with all capital market participants. In addition to the ad-hoc bulletins prescribed by law, the company also published additional corporate news in the 2014 financial year, above all to provide institutional and private investors, as well as analysts, with timely and detailed information on all current events and operational developments. The company management additionally spoke with representatives of the press, particularly in conjunction with publication of the detailed financial reports and interim statements for the individual calendar quarters.

› ALNO AG SHARE PRICE

from 2 January 2014 – 27 December 2014 in €

Furthermore, ALNO AG is pursuing a continuous and proactive approach in its public relations activities so as to inform representatives of the media about the development in our company, and to explain the background to events and decisions. In addition, ALNO AG gave presentations of itself and its strategies for existing and potential investors and bond holders at capital market conferences and road shows in 2014.

All the main details relating to the ALNO share and current company developments are available to investors on the company's website **www.alno.de** in the section "Investor Relations".

› ALNOINOX

01

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Diversity management

The challenge of demographic change will leave its mark on personnel activities at ALNO AG over the coming years.

Demographic and social change is attracting increasing attention to a work/life balance – at ALNO AG as well. In 2014, activities in this regard were developed further on a consistent basis. For example, working time and break regulations were made more flexible, and support for employees during parental leave improved. Furthermore, the Brilon location (Impuls) won an award from the Hochsauerland district for its measures to promote itself as a family-friendly firm.

In 2013, ALNO AG was one of the first 200 companies in Germany to be awarded the “Logib-D tested” label. from the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. The label acknowledges companies which commit themselves to equal opportunities in personnel and remuneration policy. The company is now included in the Ministry’s reference list. As a next step, the Logib-D label should also be implemented internationally in the Group as part of the “equal pacE” project promoted by the EU.

The challenge of demographic change will give the company plenty of work to do over coming years, and represents an important component of the long-term personnel strategy. The corresponding preparations were set in place for this in 2014, and measures have been defined that will be implemented throughout the Group in 2015. Furthermore, work will continue in 2015 to improve the work/life balance of employees of the ALNO Group even further. Amongst other things, possibilities for childcare during school holidays are being worked out.

Company healthcare management

Active company healthcare management is an immensely important pillar of the human resources strategy in the ALNO Group, and also demonstrates that a value-oriented company policy has been established. ALNO AG regards maintaining the health of its employees as highly important – particularly with regard to demographic change – and is increasingly committed to all kinds of company healthcare management.

ALNO is in motion: 231 colleagues covered an average of 13,478 steps per day.

231 employees of the ALNO Group participated in the global movement project, “Global Corporate Challenge”, GCC for short, in 2014. The virtual journey in the GCC started on 28 May 2014. Over the following 100 days, the 231 participants of the ALNO Group covered on average 13,478 steps a day, thus significantly exceeding the target of 10,000 steps. In total, the participants covered 193,179 kilometres, or 4.82 times around the world. However, GCC is not just motivational for movement, it also provides tips for a healthier lifestyle.

In 2015 as well, ALNO AG will be participating in the GCC again with the goal of getting even more employees “into motion”, and further strengthening their health awareness.

Training

In-house training is a fixed element of the ALNO Group's forward-looking personnel policy. Since requirements change constantly, the ALNO Group relies strongly on in-house training in order to build up its own pool of young job starters.

As in previous years, the training quota has remained stable in the ALNO Group. In the financial year 2014, the company had 108 trainees (previous year: 109) at its four locations in Germany. In the financial year 2014, 31 trainees passed their qualifying examinations and 31 new trainees were taken on.

108 trainees were employed at ALNO in 2014. 31 successfully completed their course, 31 were starting their course.

Training is essentially provided for industrial clerks in administration and for woodworking mechanics in production. Furthermore, training is provided for industrial mechanics, electronics technicians for company technology, technical logistics operatives and technical product designers. In addition, the ALNO Group also offers jobs to students of business administration,

› ALNOSTAR SMARTLINE / ALNOSIGN

ALNOINFO +

The ALNOSTAR SMARTLINE combines oak decorations and high-gloss varnish for complete elegance. The pure language of form and understated colour shades of this combination lend any room an elegant loft character. When extended to room height, the kitchen merges into the living area, thereby inviting people to use the area not just for cooking.

economic science and mechanical engineering (production and management) at the Baden-Wuerttemberg Cooperative State University within the framework of the dual system of vocational training. The range of vocational training offered also includes the opportunity to earn a degree in business administration at Academies of Business Administration and Public Management (VWA).

ALNO AG intends to increase the quota of women in technical jobs further over the coming years.

The technical training is rounded off by projects and such team-oriented measures as a joint, Group-wide kick-off for trainees when commencing their training. In 2014, the trainees at the Enger site participated in the trainees "kick-off" event, to learn the fundamentals of successful teamwork through play. Exercises such as climbing on beer crates, low rope courses and archery were included in this. The trainees were also confronted by demanding projects and tasks relating to the topic of communication.

ALNO AG regards contact with technical colleges and parents as important during training. During parents' days in the company and on-site learning cooperations in technical colleges, there is an exchange of information about the performance level of and trainees. In the event of any problems during the training, these can be overcome more effectively if everyone involved in the professional training provides support.

Women are traditionally under-represented in technical vocations. Our aim is to increase the proportion of women in the medium term. For several years now, ALNO has organised events in conjunction with "Girls' Day". The "Girls' Day Academy" was once again held at ALNO in 2014. In this, girls interested in technology gained an even deeper insight into technology and different companies over the course of a year. ALNO hopes to make technical vocations more attractive to young women and consequently to receive more job applications from women.

The training company of ALNO AG was founded in September 2012. Although the training company is an imaginary one, it is managed by the trainees in their second training year as if it were a real company. This means the trainees additionally have the opportunity to get to know company processes in a very real and practical manner. Product development, purchasing, logistics, production, marketing and sales – the trainees have to look after all of these aspects under their own responsibility in their own company. In this way, the trainees learn from an early stage to make their own decisions and to think and act in entrepreneurial terms.

On 1 September 2013, the training company entered its second financial year, and the baton was passed on to the new training year. Up to the end of the financial year on 31 August 2014, the trainees and their training company earned a profit of about € 2,460 (about € 2,000 in the first financial year). As in the previous year, ALNO AG donated the profits to charity on behalf of its training company. It was important for the trainees that charitable organisations within the region would benefit. Consequently, € 1,230 was donated to the "Gegen Not" charity, which supports the Pfullendorf panel of the German Red Cross. A further € 1,230 was donated to Radio 7 Drachenkinder in the course of the fundraising marathon.

Management of the training company was passed on to the third generation of trainees on 1 September 2014. The "new team" also started its financial year very successfully. As part of the Christmas campaign, the trainees presented their new product, namely key rings made of aluminium with an individual engraving.

Learning a vocation is also the focal aspect of a social education project undertaken by the ALNO Group together with the Sechslinden School in Pfullendorf. Educational partnerships are a model for success. The project seeks to intensify the collaboration between schools and businesses. On the one hand, it prepares the students for the transition to a working life. At the same time, however, the company uses the project to attract young people from the region to training at ALNO. The educational partnership was set up as a long-term project in early 2012. It includes class programmes as well as multi-disciplinary and extra-curricular measures, such as a two-week vocational practical, introduction to different vocations and job application training.

As a means of providing expert and authentic advice in schools, ALNO AG engaged the Chamber of Commerce and Industry (IHK) to train educational ambassadors from its own ranks of trainees in 2013. The trainees report on their career choice, anxieties and expectations about the training in classrooms. The educational ambassadors were once again out and about in 2014 to report about their training at ALNO AG.

A social education project at the Sechslinden School is intended to prepare young people for their professional life and make them enthusiastic about becoming trainees at ALNO.

Furthermore, some schoolchildren from the Sechslinden School were invited to attend an application training event at ALNO AG in 2014. The training focused on correct presentation and interview technique.

Establishment of Group-wide personnel development

Back in 2012, the ALNO Group started a Group-wide initiative for sustainable personnel development and continued with this with even more emphasis in 2014. Personnel development in the ALNO Group has a strategic and demand orientation, and covers the following key processes:

- Employee qualification
- Succession and talent management
- Competence and performance management
- Organisational development and cultural management
- Company healthcare management
- Knowledge management

Management development is an important component in the personnel development strategy at ALNO AG. The management workshop is targeted at all managers in the Group. It is a development concept with a modular structure. The first module, communication, had already been carried out successfully in 2013 for all managers of the Group. The aim of the second module, employment law, which was completed in 2014, was to refresh knowledge of employment law issues as far as necessary, to expand the level of knowledge available and to discuss case studies. A total of 10 workshops were held at four sites for more than 110 managers. The third module, situational leadership, was also started in 2014 and is planned to be completed in 2015. The fourth module planned for 2015 is the topic of healthy management, in order to push ahead further with the company health management scheme in the Group. The management workshop is held exclusively with internal experts and trainers.

Personnel development of managers in the areas of communication, employment law and situational management.

A modular training concept was also developed in 2014 for development of managerial competence amongst members of the company management; the first two modules have already been completed. Further modules should be implemented in 2015.

In 2014 as well, product training courses were once again offered for employees. The participants were informed about the principles of products and ranges from the ALNO Group, as well as the materials and surfaces used.

Various individual personnel development measures were also carried out in 2014. These include language training as well as continuing education in specialist areas.

A further focus of personnel development work in 2014 was directed towards the design of a comprehensive succession and talent management programme. First of all, methods were designed to identify relevant posts as well as potential successors. In 2015, the succession and talent management programme will be refined and implemented step-by-step.

The main points in the financial year 2015 will involve management development, succession and talent management as well as health and demographics management.

The major contribution and untiring efforts made by employees of the ALNO Group once again proved the most important factor in the turnaround process at ALNO AG in 2014. The entire management is extremely proud of the workforce's loyalty, and would like to express its gratitude for their extraordinary motivation.

Brand communication

Clear and unambiguous positioning of the individual brands is an integral element of the ALNO Group's business strategy. Particularly the ALNO brand is exceedingly well known among consumers. Flanked by suitable marketing measures, the ALNO Group will continue to use and develop this brand recognition sustainably.

The brand and product campaign that had already been started anew in October 2012 for the ALNO brand, **"One thing's for sure: ALNO."**, was transferred to retailers in 2014 in the form of targeted POS content measures. It addresses the consumer directly and underscores the good feeling of having made the right decision when buying a kitchen.

ALNO received "iF communication design awards" in three categories in 2014.

ALNO AG won the "iF communication design award" at the start of 2014 in three categories. With its campaign **"One thing's for sure: ALNO."**, the company generated positive attention and set itself apart from the competition. Furthermore, the overall communication of the company was singled out for an award. In the "iF communication design award", a blue-chip jury of international design experts acknowledge outstanding design work in the communication area.

The high point of the marketing activities in 2014 was the "Eurocucina" show in Milan, at which the new ALNOINOX Group brand was launched. Maximum quality, durability and the unique use of steel for all components of the kitchen attracted a great deal of attention and drew appreciation from the show visitors and the media alike.

The show presentation in the style of a building shell is supported by innovative ideas and digital media. Popular products made from materials such as glass or ceramics are integrated at the same time. This means the ALNO Group is emphasising its strengths in respect of innovation in a clear manner, while underscoring its international "lighthouse function" in the kitchen market.

In the course of the year, further measures were developed in order to implement a logical overall concept with a uniform brand image on the basis of the new brand platform across all brand points of contact through to the POS.

At the "Kitchen Mile A30", ALNO presented a concept study in autumn 2013 for the new generation of the ALNO shop concept, and showed the first prototypes. In 2014, the national and international rollout of this new concept to retailers started (two ALNO kitchen worlds in Germany, one showroom in Hong Kong and two shops in India). Certain elements of the shop concept also found their way into the model kitchen design at retailers in order to allow retail consumers to experience a uniform brand experience through the interplay of architectural, material and visual elements.

The "One thing's for sure: ALNO." campaign was rolled out to retailers in 2014 by POS measures.

Trade fairs and exhibitions

Presentation of the ALNO, WELLMANN, IMPULS and PINO brands at national and international trade fairs and exhibitions is an important marketing tool in order to represent the product, brand and design claim of ALNO AG. In direct communication with the trade public, ALNO presented itself at established trade shows such as the "Eurocucina" in Milan in April 2014 or the annual "Kitchen Mile A30" show held in North Rhine-Westphalia.

The new ALNOINOX Group brand was presented at the "Eurocucina" show in Milan.

The new brand image by the traditional ALNO brand was also a feature in the trade show presentation at the "Eurocucina" 2014. For example, the stand architecture was built in the style of a shell and the walls and floor of the exhibition area featured a concrete-like surface. A band of "concrete" described the form of a building structure and turns the wall, floor and ceiling into a building / room. The cement-like impression in the exhibition area is created by the typical shell

› ALNOVERA / ALNOVETRINA

ALNOINFO +

The new ALNOVERA kitchen range in high-gloss black has an extravagant and functional appearance: With a highly contrasting interplay of glass and metal, its high-gloss panels are provided with a continuous, uninterrupted real metal frame with a stainless steel look. In combination with the ultra-white ALNOVETRINA glass panel, this creates an enticing interplay of colour.

construction character – the stage on which the kitchens appear. This show stand had already won the “Bronze Apple” at the “ADAM Award 2013”. The ADAM Award is presented by FAMAB in recognition of outstanding exhibition booths and brand images outside the context of exhibitions and trade show appearances.

The show also served as a launch platform for the ALNOINOX, brand which presented its exclusive steel kitchens.

In September 2014 during its DESIGN-TOUR as part of the “Kitchen Mile A30”, the ALNO Group presented more than 60 fascinating kitchen ideas in an area of 3,500 square metres featuring the ALNO, ALNOINOX, WELLMANN, IMPULS and PINO brands, including many new ideas at the customer centre of the Enger site. The impressive feature here was the presentation of new products and the ALNOINOX marketing concept that has since undergone further development. The new brand in the Group’s portfolio presented a very extensive shop concept. In spite of a clear differentiation from the existing ALNO presentation in terms of minimalistic design and materials, the possibility of integration between the two brands is clearly shown here in the showroom. As a result, ALNO and ALNOINOX can appeal to a wide variety of consumers.

The presentation of different kitchen concepts in combination with unchanged marketing instruments, such as the consistent booth design or use of identical decorative elements and POS articles, was subsequently applied in exactly the same way to individual association fairs and exhibitions in order to ensure an independent and uniform brand image for ALNO. This consistent and uniform presentation is constantly being enhanced and will be anchored more strongly in the market in future. The large number of visitors at exhibition booths, the considerable interest displayed in ALNO and various awards confirm the positive echo aroused by the new brand strategy.

Awards and distinctions

In the 2014 financial year, ALNO AG once again received highly prized awards for its ALNO brand and the associated product innovations.

In 2014, ALNO AG once again received awards and prizes for its products, campaigns and brands.

The ALNO ceramic line, ALNOSTAR CERA, obtained a “Special Mention” at the “German Design Award 2014”. This means ALNO is amongst the best in the design business within its competitive environment. In the “Home Interior”, well-known manufacturers of furniture, home textiles and bathroom equipment went shoulder to shoulder with one another. The international premium prize is awarded annually by the “German Design Council”. It is given in recognition of top-quality products and projects in product and communication design, all of which are ground-breaking in their own way within the German and international design landscape.

In 2014, ALNO AG won the “iF communication design award” in three categories: Corporate Design, Cross Media Campaign and Living Book. The **“One thing’s for sure: ALNO.”** campaign saw the company attracting positive attention to itself and setting itself apart from the competition. Furthermore, the overall communication of the company was singled out for an award. In the “iF communication design award”, a blue-chip jury of international design experts acknowledge outstanding design work in the communication area.

After winning the bronze category of the “ADAM Award” at the end of 2013 and the “iF communication design award” at the start of 2014, ALNO was further delighted in May 2014 to win the "EXHIBIT Design Award" in silver – also for the ALNO show stand at the LivingKitchen in Cologne. This highly-prized design award that has been organised by the EXHIBITION magazine in the USA annually since 1986 singles out outstanding show projects and designs all over the world. A blue-chip jury once again selected 18 participants for the gold, silver and bronze categories this year. The jury's verdict: **One thing's for sure. ALNO.** The appearance at the LivingKitchen puts the icing on the cake for successful transformation of the publicity campaign into the third dimension. The subjects for the campaign were the starting point for the design of the stand architecture. The unique selling point was felt to be the iconographic presentation of kitchens in the environment of a building shell. At the same time, visitors to the show had the opportunity to experience the creation of a kitchen concept or certain product features through interactive presentations, thereby becoming a part of the presentation.

The ALNOSTAR SMARTLINE / ALNOSTAR SATINA kitchen was chosen by "Initiative LifeCare" as the "Kitchen innovation of the year 2014" in the "Kitchen furniture and fittings" category. The objective of the LifeCare consumer initiative is to promote quality, innovation and design of products, thereby noticeably improving people's quality of life. The "Kitchen innovation of the year" award sets the seal of quality on particularly consumer-friendly products. With this product, ALNO succeeded in convincingly meeting the requirements in the function, innovation and design categories. The special prize, "Favourite brand – selected by the consumer" in gold represented a special type of additional recognition for ALNO. With this seal of quality, the "LifeCare – Better Living" initiative is underlining the consistent and consumer-friendly product performance delivered by ALNO. The prize is awarded to companies which have won the "Kitchen innovation of the year" predicate for at least three products. The badge confirms a constant and above-averagely high level of consumer orientation and brand strength.

What is more, the ALNO brand won the "Superbrand Germany Award 2014 / 2015" in 2014. This means following wins in 2009 / 2010 and 2012 / 2013, the company is once again regarded as one of the outstanding German brands in the category of brand dominance, brand acceptance, customer loyalty, confidence and durability. A total of 1,250 brands were evaluated by the blue-chip jury comprising independent marketing specialists from the areas of research, business, agencies, universities and the media. Finally, 51 brands won the "Germany's Best Brand" award. The international brand seal serves as a yardstick for evaluating strong brands, and is intended to provide consumers with a means of orientation.

The ALNO brand receives the "Superbrand Germany Award 2014 / 2015".

Superbrands are brands with a high level of renown and brand value, which continue to deliver convincing performance even in difficult economic times through their quality, stability and customer loyalty. These are products or companies which are unmistakable at the same time as embodying the quality of a service or an entire product range, meaning that they occupy an outstanding position not only in terms of consumer awareness but also within the economy as a whole over years and decades.

Superbrands is an independent, global organisation with its headquarters in London. For 20 years now, Superbrands has honoured and awarded the best and strongest product and company brands in more than 85 countries by now. The primary concern is not to rank the brands, but rather to emphasis and honour the outstanding brands of a particular country, their achievements and performance in a unique way. The organisation enjoys an outstanding international reputation. The global activity of the organisation means that achieving Superbrand status uniquely promotes the national – and international – image value of the company honoured in this way.

02

GROUP MANAGEMENT REPORT

1 FUNDAMENTALS OF THE GROUP

1.1 Business model of the Group

1.1.1 Organic structure of the Group

The ALNO Group develops, builds and sells kitchen furniture and accessories for the German market and for export worldwide. The parent company ALNO AG, Pfullendorf, acts as holding company with central administration functions and operates the production facility in Pfullendorf, as well as the sales division. The ALNO Group includes not only ALNO AG but also a total of 25 individual companies. The Group's headquarters is located in Pfullendorf (Baden-Württemberg).

As at 31 December 2014, the ALNO Group combines six brands under one roof: ALNO, WELLMANN, IMPULS, PINO, PIATTI and ALNOINOX/FORSTER SCHWEIZER STAHLKÜCHEN. This makes it possible to service all price segments from the entry-level model through to premium products. The ALNO Group is one of the world's largest kitchen furniture manufacturers; is the second largest manufacturer in Germany and currently ranks fifth in Europe.

1.1.2 Sites

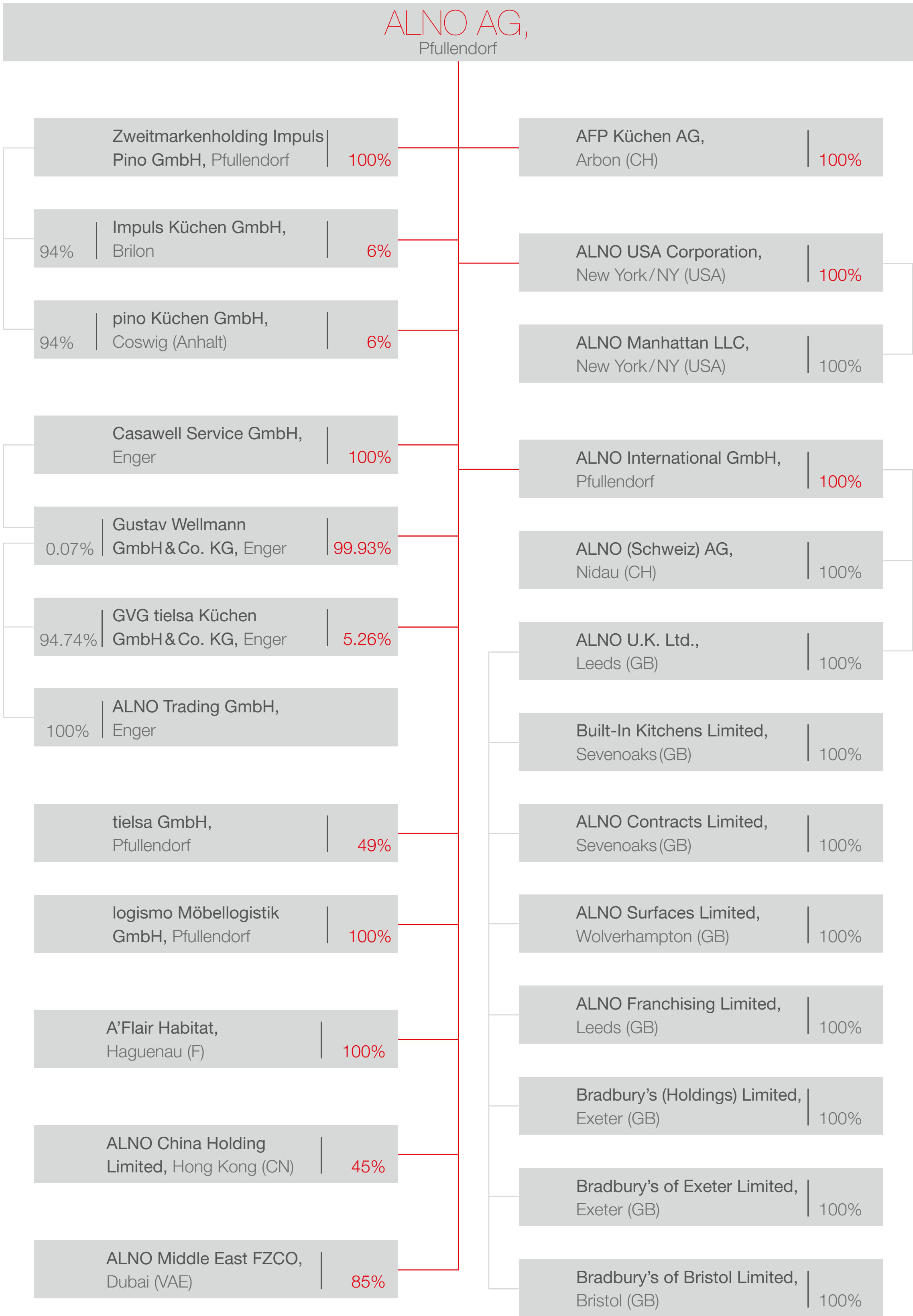
At present, each of the production sites produces its own product portfolio. In Pfullendorf (Baden-Württemberg), ALNO AG manufactures kitchens under the ALNO and PIATTI brands. The plant in Enger (North Rhine-Westphalia), Gustav Wellmann GmbH & Co. KG, produces the WELLMANN assortment. The IMPULS and PINO brands are manufactured in Brilon (North Rhine-Westphalia) at Impuls Küchen GmbH and in Coswig (Anhalt) at pino Küchen GmbH, respectively. At the Arbon production site (Switzerland), steel kitchens are produced for worldwide sale (ALNOINOX brand) and for the Swiss market (FORSTER SCHWEIZER STAHLKÜCHEN brand). On 31 December 2014, the production site in Dietlikon (Switzerland) was closed and production of the PIATTI brand transferred to Pfullendorf.

1.1.2.1 Pfullendorf site

The Pfullendorf site, as the headquarters of the ALNO Group, employed 707 people as at the balance sheet date on 31 December 2014. In the production facility, high-quality kitchens are individually manufactured for the ALNO, TIELSA and PIATTI brands, sometimes in two-shift working. The facility also produces carcase elements, crown mouldings and plinth panels for the other production sites of the Group. Output totalled about 344,000 units in 2014, corresponding to capacity utilisation of about 70%. Delivery periods for the kitchen ranges manufactured in Pfullendorf for the ALNO brand equal four weeks. This does not apply for ranges with high-gloss lacquered fronts. These models have a delivery period of six weeks.

In production, ALNO uses modern and environmentally friendly production processes. These also include laser technology. The advantages are many and varied: significantly less cleaning agents are consumed, the connection between the front and surface is much cleaner. Mechanical strength is increased, paintable substrates can be painted without waiting time and the throughput times are considerably shorter because laser-bonded parts can be dried at higher temperatures. Furthermore, the material is significantly denser, leading to a significantly better look overall. Above all, however, the quality is higher and durability increased. As a result, a machine for format and edge processing with laser technology was purchased for the Pfullendorf site, and was taken into operation in early 2014. To extend further our expertise in production of components for materials such as melamine in batch sizes of 1, a fully automatic warehouse with saw was installed in the fourth quarter of 2014. This allows customer-specific parts to be cut directly out of the half-format board. The remainder of the board can be returned to the store fully automatically until the next order arrives. This means ALNO is capable of attending to individual customer requirements more effectively and at lower cost.

Improved process management in carcase component production meant that productivity could be increased by 25% in spite of the addition of new variants from PIATTI – rising from four million components per year to the current eight million components. Of the eight million components, a total of five million components are supplied to the PINO and IMPULS plants.


ALNO AG,
Pfullendorf
Zweitmarkenholding Impuls Pino GmbH, Pfullendorf 100%
94% Impuls Küchen GmbH, Brilon 6%
94% pino Küchen GmbH, Coswig (Anhalt) 6%
Casawell Service GmbH, Enger 100%
0.07% Gustav Wellmann GmbH & Co. KG, Enger 99.93%
94.74% GVG tielsa Küchen GmbH & Co. KG, Enger 5.26%
100% ALNO Trading GmbH, Enger
tielsa GmbH, Pfullendorf 49%
logismo Möbellogistik GmbH, Pfullendorf 100%
A'Flair Habitat, Haguenau (F) 100%
ALNO China Holding Limited, Hong Kong (CN) 45%
ALNO Middle East FZCO, Dubai (VAE) 85%
AFP Küchen AG, Arbon (CH) 100%
ALNO USA Corporation, New York / NY (USA) 100%
ALNO Manhattan LLC, New York / NY (USA) 100%
ALNO International GmbH, Pfullendorf 100%
ALNO (Schweiz) AG, Nidau (CH) 100%
ALNO U.K. Ltd., Leeds (GB) 100%
Built-In Kitchens Limited, Sevenoaks (GB) 100%
ALNO Contracts Limited, Sevenoaks (GB) 100%
ALNO Surfaces Limited, Wolverhampton (GB) 100%
ALNO Franchising Limited, Leeds (GB) 100%
Bradbury's (Holdings) Limited, Exeter (GB) 100%
Bradbury's of Exeter Limited, Exeter (GB) 100%
Bradbury's of Bristol Limited, Bristol (GB) 100%

1.1.2.2 Enger site

The Enger location produces kitchens for the WELLMANN brand which are characterised by high flexibility in planning. Wellmann kitchens are located in the middle price segment. In the market, the brand stands out through its excellent value for money.

With a workforce of 463 people, the plant in Enger in the eastern part of Westphalia was the second largest production facility of the ALNO Group as at the balance sheet date on 31 December 2014. The plant operates two-shift working. Production of the two exclusive ranges, “Culineo” and “Altano”, for the two largest purchasing associations in Germany, Vereinigte Möbeleinkaufs GmbH & Co. KG, Bielefeld (for short: VME) and MHK Group AG, Dreiech (for short: MHK), from 2013 onwards increased capacity utilisation at the Enger location in 2014. In 2014, a total of more than 750,000 units were produced, representing a capacity utilisation of 105%.

The closure of the Wellmann Bauteile GmbH subsidiary in Bad Salzuflen in January 2014 was followed by a successful transfer of component production to Pfullendorf. Equally, the resupply store for panels was integrated and the former external warehouse ceased operation.

Setting up flow production made it possible to achieve a saving of around 30% in production and storage area. The internal processing times were able to be reduced from 6 to 3.5 working days and the inventory was reduced by 8%.

Two new suppliers were successfully integrated, leading to a significant cost reduction and greater flexibility in deliveries to customers. All of these measures together have achieved a significant improvement in delivery quality to the customer. At the end of 2014, the Prime Fact Software Update project was started allowing further automation in order handling from the customer service centre (CSC) through to provision of machine data without worker intervention.

1.1.2.3 Brilon site

At the Brilon production site, 227 men and women build kitchens for the IMPULS brand in two shifts. In terms of price, the brand is positioned in the lower middle segment. This plant is characterised above all by extremely short throughput times. Not more than ten working days pass between receipt of the customer’s order, production and delivery of the kitchen. In this way, the plant in Brilon has also set standards in 2014 as regards delivery and service quality. Furthermore, the Brilon site achieved production of more than 721,000 units in 2014.

In 2014, production of Impuls kitchens was further adapted to the growing requirements for the assortment and quality imposed by the market. Further development of preliminary assembly represented a main aspect of this. The investment in a new machining centre boosted the special production capability and minimised the production tolerances of the components being machined.

The quality concept was also a particular factor in the investment in a new end hole drilling machine. Following the trend for a uniform joint pattern in the kitchen, the proportion of dowelled panels increased significantly. These panels are produced efficiently and with high quality using this new technique.

In 2014, work started on establishing a lean management system. The optimisation potential obtained in this way will prove especially useful in improving competitiveness on a sustained basis. The process improvement was used, amongst other things, for straightening the production pathways. As well as improving the overview of production, this also eliminated a potential source of danger for forklift traffic.

1.1.2.4 Coswig site

Founded in 1994, the Coswig facility with a workforce of 212 is one of the biggest employers in Saxony-Anhalt. With its PINO brand, the company is primarily targeting young and young-at-heart generations; it is located in the entry-level price segment. These low-budget kitchens in fresh, modern colours are sold through self-service and RTA departments in discount markets, retail outlets as well as in large furniture stores. The PINO brand’s streamlined range rounds off the ALNO Group’s large product range at the bottom end of the price scale.

The ultramodern, efficient assembly plant with low vertical range of manufacture operates in two shifts. Significant production series of the PINO brand are kitchen panels with different direct coatings. As a new feature for the assortment in 2014, panels with a modern laminated paint technology have been included.

Capacity utilisation at the location was about 90% in 2014, at more than 727,000 units per year. 80% of the kitchens manufactured in Coswig are sold in the German market, 20% in other European countries, the largest proportion of which is delivered to Austria. End-to-end organisation of the supply chain makes for extremely short delivery periods in nationwide sales. As a result, the company can guarantee extremely short delivery periods of ten working days for its trading partners; five days are also possible if the customer requests it.

To further optimise the production process and modernise the machinery and plant, the company invested in a new pick-and-place station in 2014 for automatically placing cross-plates in the carcase for the clip-on hinges, thereby reducing the production time.

In line with the trend towards a uniform joint partner, the second important investment made was in an end hole drilling machine for efficient and high quality dowelling of panels in the production process.

The further development of optimisation in the production process took place in 2014, with the successful qualification of employees in lean management and additional improvements. The initial positive successes that have been achieved involve a complete reorganisation of preliminary draw assembly and optimised configuration of the corner cabinet work area.

By implementing a new Kanban system for providing panels to the assembly lines, it has been possible to reduce the use of industrial trucks by 10% at the same time as increasing the quality of supply.

1.1.2.5 Arbon site

Steel kitchens of the ALNOINOX brand are manufactured in Arbon (Switzerland). To date, more than 3,000 kitchens per year have been developed and produced under the FORSTER SCHWEIZER STAHLKÜCHEN brand name, exclusively for the market in Switzerland. Since the takeover of AFP Küchen AG, Arbon, Switzerland by the ALNO Group in 2014, the kitchens are now marketed worldwide under the ALNOINOX name, while the FORSTER SCHWEIZER STAHLKÜCHEN brand name has been retained in Switzerland. ALNO is the most important steel kitchen producer for private customers in Europe. The Arbon site employs about 100 people in production, the kitchen service centre (export and retailers) and aftersales.

The steel kitchens are made of sheet metal parts and honeycomb cardboard. The 0.5 to 1.5 millimetre thick sheet metal parts are folded and punched fully automatically on a sheet metal processing centre. On average, two parts are manufactured every minute, or 648,000 per year, with high precision. The production does not need any setup time. About 50 tools are installed in the punching head. The sheet metal processing centre has been in operation since the end of September 2012, and permits highly precise production with optimum use of material.

To reduce manufacturing costs further and increase capacity for export, production is currently being changed over from “make-to-stock production” to “make-for-customer production”. Instead of inventory management system being operated, the individual orders are now processed as a whole according to the principles of TQM (total quality management). This means speed and transparency can be created in the manufacturing process, and any sources of errors are made immediately apparent. The workflow and material flow can be optimally implemented and any waste of time and resources is avoided, with the result that maximum efficiency is achieved. The process will be concluded in May 2015.

1.1.2.6 Dietlikon site

Up to 31 December 2014, the production site for PIATTI brand kitchens was located at Dietlikon Canton Zurich (Switzerland). 300 people were employed there. Every year, 14,000 high-quality kitchens were manufactured in Dietlikon for the Swiss market. Production in Dietlikon was characterised by precision, high capacity and a short manufacturing time. The furniture line was taken into operation in May 2012. A new piece of furniture as assembled every 30 seconds. At full capacity, 750 items of kitchen furniture could be assembled fully automatically every day. The entire PIATTI assortment was transferred via a data system into the 100 metre long furniture line, for fully automated assembly. The production facility enabled PIATTI to set new standards for quality and flexibility in the Swiss market.

With the takeover of AFP Küchen AG, Arbon, Switzerland by the ALNO Group in 2014, the production site in Dietlikon was closed on 31 December 2014. Production of PIATTI kitchens was transferred to the ALNO plant in Pfullendorf, where it has led to much better capacity utilisation. The transfer of production entailed about 80 redundancies in the production facility at the PIATTI base in Dietlikon. Company management, sales, marketing and product development have been retained in Dietlikon. PIATTI kitchens are exclusively sold in Switzerland through 15 of the company's own branches and about 60 retail partners.

1.1.3 Products

During the 2014 financial year, the ALNO Group presented numerous product innovations, additions to the range and technical highlights. Particularly striking: The products of the ALNO Group are becoming more elegant, stylish, colourful and on-trend, and are displaying all kinds of new colours and panel variations, whether in high gloss, matt or structured finish. All brands have technical refinements and innovations to be discovered.

New surfaces, painting processes and technological developments have been used for the **ALNO brand** in order to create additional high-quality and on-trend kitchen variations. 22 new panel colours were presented by the company at the "Kitchen Mile A30" in September 2014.

With the "ALNOCERA" Concretto ceramic kitchen with a unique and timeless concrete-like visual effect, the company is launching a kitchen panel on the market that is unique in terms of resistance and appearance. Kitchen planners with a penchant for technology and materials also find their money's worth at ALNO. ALNO also offers electrical slatted cabinets in glass or ceramic to meet the highest standards of ease and convenience for everyday use.

ALNO's position as a driver of innovation in glass and ceramic panels is underlined by the company's consistent ongoing development in its glass panels. The panels of the "ALNOSARA" and "ALNOVERA" are surrounded by a wrap-around real metal frame completed without joints. This delicate frame appearance is underscored by glass with real metal highlights.

As expected, innovation and product quality go hand in hand in other new ALNO kitchens. With the new laser edging machine, borders are seamlessly applied to front panels, ensuring a clean look. Thanks to this unique laser technology, the effects of wear and aging are no longer a concern. This technology is already included in the price of the ALNO panels "ALNODUR", "ALNOPEARL", "ALNOCHARME", "ALNOPURE" and "ALNOPRIME" in 15 colours.

With immediate effect, ALNO is opening up a completely new level of individuality: ALNO is also producing the "ALNOFINE", "ALNOSUND", "ALNOSHAPE" and "ALNOBRIT" panels in all the colours of the RAL and New Car Sales swatches. As a result, the brand is presenting an unparalleled variety of colours.

ALNO offers a visual highlight for aficionados of art: in cooperation with the German artist, Hendrik Tuttlies, ALNO has designed the "ALNO Galerie" glass alcove. This allows completely new, individual and highly colourful contrasts to be achieved in modern and minimalistic kitchen designs. Numerous works are available in both full format as well as stripe patterns against a white background for maximum adaptability to a variety of colour schemes.

Kitchens from the **WELLMANN brand** have always embodied understated elegance, modern design and high quality in the medium price segment. The product portfolio is now even more multi-facetted. Wellmann kitchens offer clear lines, few seams and extremely high flexibility in planning thanks to the height grid introduced three years ago.

The handleless kitchen introduced in the previous year has been expanded to include 32 different panel colours with various materials such as glass, film, varnish or melamine to guarantee variety and add accents. With its broad handleless assortment featuring any number of variations, WELLMANN turns kitchen design into an experience and continues to pursue its philosophy of a flexible and functional kitchen with freedom of planning, intended for a trend-oriented target group.

WELLMANN offers the design possibilities that the end customer of more expensive kitchens has come to expect. Fans of modern kitchen design can make their personal kitchen dream come true with high-gloss painted laminate panels. All panels are available handle-free or delivered with handles already attached.

Six additional backsplash motifs provide even greater individuality and let customers add a touch of nature to their living space. It is possible to select between glass and melamine backsplashes in this case.

The country-home-inspired Xenia series, available in supermatt magnolia white, also lends natural chic. It is enhanceable through light screens and crown mouldings in the same colour or oak grain, adding country charm to modern kitchens.

With its new front panel styles, **IMPULS** offers something for every taste: from clean lines and modern designs to the increasingly popular modern country kitchen. Painted laminate front panels, available in high gloss or matte finish, come in a wide variety of handle options. Available for the first time are five-piece framed melamine front panels for country kitchens in two decorative wood designs. It only takes ten working days between the receipt of the order and installation of the kitchen.

With IMPULS, customers receive further flexibility in choice with the additional new cabinet width of 100 centimetres. Under-panel cabinets with drawers and pull-outs as well as flip-open cabinets can be ordered in this maximum width.

As varied as life itself is the presentation of kitchen ideas from **PINO**, the entry-level brand from the ALNO Group. There are new technical ideas that turn an entry-level kitchen into a comfort kitchen without it having to cost more. The goal of the PINO brand is to make high-quality kitchen design available at moderate prices.

With the new painted laminate surfaces, PINO is meeting the rising demand for high-gloss front panels for modern kitchens. The end customers' desire for quiet surfaces and mirror effects in the kitchen has been taken into account. The production method of the new surface also offers higher temperature resistance and uses a better quality material. New production methods and materials make these modern, young and fresh front panels not only sturdier but also less expensive to manufacture.

According to a survey of 1,600 users of the online German real estate portal Immonet, 33% prefer open kitchens. This is a wish that is often expressed. However, combining living and cooking spaces optimally – which is above all required by the younger generation – requires comprehensive, high-quality kitchen design. With the new additions to its line, PINO is meeting this demand. Side panels and backsplashes are available in all colours, giving retailers, builders and consumers a lot more flexibility regardless of space and concept constraints. PINO has also added planning and design freedom with its newly introduced drawer and pull-out under-panel cabinets as well as flip-open cabinets.

The traditional Swiss brand **PIATTI** is continuing to develop products at the location where it was founded in Dietlikon. Through its proximity to customers, PIATTI can quickly identify trends as well as respond to requirements at short notice. New products are launched on the market twice a year. The result is an assortment which appeals to customers through high variability as well as a wide range of materials and colours.

The high level of individualisation is an important component in success. With a special feasibility process, special wishes are recorded and then painstakingly prepared for production in the in-house work preparation department. In this way, individual kitchen dreams are thus turned into reality as quickly as possible, and in top quality.

A Piatti kitchen is available with panels comprising a two-coat synthetic resin surface, a one millimetre thick synthetic resin worktop with a high-gloss surface or with painted panels. New features include the genuine wood veneer panels that are varnished several times to make them water and dirt-repellent, as well as the glass panels with a very even surface structure and patented panel transitions.

ALNOINOX, known in Switzerland as FORSTER SCHWEIZER STAHLKÜCHEN, is the only steel kitchen in Europe for the private customer market, and has been manufactured in Arbon since 1952.

The advantages of using steel as the basic material for building kitchens are clearly apparent. The smooth surfaces are easy to clean and hygienic. Where surfaces do not have any pores, it is impossible for dirt to build up, and bacteria cannot gain a foothold. The steel kitchen can even withstand repeated intensive cleaning procedures with heat and water, because it is rugged and robust. The kitchens are easy to look after, as well as being odourless and environmentally friendly. They are known for their extreme durability but most of all for their timeless and straight-line design and unique simplicity.

The selected surface coating must withstand high test demands before it is used, and is resistant to fruit acid as well, for example. Corrosion is not a concern with galvanised steel, meaning that an ALNOINOX kitchen is also suitable for use in wet rooms.

Steel has good qualities in terms of ecological construction. The content of various chemicals in other structural materials can lead to health problems, whereas steel does not emit any harmful substances and is absolutely odourfree. A certificate from Bern University confirms that the steel surfaces are free from formaldehyde, and also have very low values for other volatile organic compounds (VOCs). The one hundred percent reusability of steel and its long service life contribute to the environmental friendliness of ALNOINOX kitchens.

The ALNOINOX hinges are patented. The hinges can withstand very high forces, and are only adjusted once. This means there will be no maintenance costs to bear in future years. They are cushioned and seamlessly integrated into the housing, meaning that the interior of the cabinet can easily be cleaned and optimally filled, since there are no projections.

ALNOINOX can be identified by its flush lines and smooth surfaces. Another characteristic feature is the sandwich processing using honeycomb technology to lend stability to the material and rule out any tinny noises.

For two years now, ALNOINOX has also been available with a high-grade metal surface featuring a brushed stainless steel look. The new look emphasises the metal character of the kitchen, allowing the grain of the material to be seen and giving the surface a special appearance. Coloured silver, gold or titanium, it provides scope for combination with warm or cool materials. In addition, all stainless steel surfaces are grease-repellent, meaning that no visible fingerprints are left behind. As a result, the kitchen is easier to use and takes less effort to clean.

The powder-coated surfaces are available in all New Car Sales colours as before – the standard includes a harmonious range of colours. Different coatings are available on individual request.

As a further speciality, ALNOINOX offers various practical kitchen accessories which utilise the magnetic properties of the material. Alongside the cooking recipe, for example, it is also possible to accommodate a knife block on the panel backsplashes above the working area, and these can be removed again afterwards just as easily.

1.1.4 Sales markets

Germany is the most important sales market for the ALNO Group. In the first quarter of 2014, the acquisition of AFP Küchen AG, Arbon, Switzerland (referred to below in short as: “AFP”) was completed, by means of which ALNO AG has successfully pushed ahead with its globalisation strategy, making it the clear market leader in the attractive Swiss kitchen market with its PIATTI and ALNOINOX brands. Other target markets are China, the USA, France and the UK. The ALNO Group has about 6,000 commercial partners in 64 countries. The ALNO Group operates its own sales companies in the UK, USA and Switzerland. In the past financial years, the subsidiaries in the USA, the UK and Switzerland have been built up or expanded further, and a joint venture was founded in China in 2012. The ALNO Group is expecting further sales growth from these foreign companies in 2015.

1.1.5 Sales

1.1.5.1 Domestic sales

In Germany, the kitchens produced by the ALNO Group are marketed through kitchen and furniture studios, self-service and RTA stores, furniture stores, as well as through architects and building companies especially in the case of real estate projects. Most of the German trading partners are members of purchasing associations.

Kitchen and furniture stores are served by a trained team of field service staff in Germany, while merchandisers specialising in this field of business look after the self-service and RTA stores; the associations are specifically handled by our key account managers.

The company tielsa GmbH, Pfullendorf was established as a joint venture in November 2012 by ALNO AG (ALNO's shareholding 49%); it sells kitchens based on the "moving kitchen" concept through special retailers. The "moving kitchen" concept is characterised by unique functionality based on ergonomics and technology, as well as by modern design.

1.1.5.2 Foreign sales

The ALNO Group has commercial partners in 64 countries. Sales of ALNO kitchens are handled by separate sales companies in Switzerland, the UK and the USA.

Since November 2012, ALNO has also been represented by a joint venture in China, thus allowing it to participate directly in the potential offered by the market. In the first quarter of 2014, ALNO AG completed the takeover of AFP, making it the market leader in the profitable Swiss market. In addition, the ALNO Group also operates abroad through competent local field staff and independent importers managed by the Export department at Group headquarters. Our foreign sales activities once again focused above all on acquiring new partners in other countries. The objective is to further build up the export proportion of sales by this move.

The takeover of AFP means that ALNO AG has significantly increased its export quota from 32.7% in 2013 to 51.7% in 2014. Additional sales are expected through the joint venture concluded at the start of 2015 with the "Pervaya Mebel'naya Fabrica" ("1st furniture factory", "1ff" for short), one of the largest furniture manufacturers in Russia with its base in St. Petersburg. The 1ff business belongs to the Alexander Shestakov group of companies, which owns a furniture production plant as well as a sales organisation and its own kitchen studios, amongst other assets.

1.2 Objectives and strategy

The strategy defined in 2013 was pursued further in 2014, and made more specific for the individual business units.

The ALNO Group is pursuing the vision for designing living spaces in which people would feel at home, made possible by a globally leading kitchen manufacturer offering innovative products and intelligent solutions. ALNO's vision is based on a tradition of kitchen manufacture going back more than 85 years. The kitchen is the central living space which is playing an increasingly central role in life. To take account of this, the ALNO Group offers innovative products that deliver added value and stand apart from the competition. At the same time, the company's intelligent solutions serve the entire process sequence in order to achieve an advantage for customers. At the same time, the unique design ensures that kitchens from the ALNO Group make a flowing transition between the kitchen and adjacent living areas.

The strategic goals for the individual areas have been derived from this vision. The goal is to generate sustainable values through profitable growth and further process optimisations.

1.2.1 Market objectives

In 2014 further work was done to push ahead with globalisation and open up new sales channels. The market share in Germany is expected to rise further in coming years due to this stance.

The customer projects initiated in 2013 were completed successfully in 2014. As a result of these projects, it proved possible to establish a long-term business relationship with important customers. In future, this partnership approach will be expanded and pursued with greater intensity so as to build up additional sales quotas.

According to the GfK consumer research association, the German kitchen market increased across the board in 2014 covering all sales channels (in terms of market share in euros). With its brands and its product range, ALNO can cover about 80% of the price segments. To achieve greater production capacity utilisation, ALNO will increasingly focus on the sales channels of kitchen specialists and self-service/RTA. This will be done by an optimised range of products and services.

Geographically speaking, the D-A-CH (Germany, Austria, Switzerland) region remains the core market for the ALNO Group. However, the greatest opportunities for growth can be found abroad. The objective is and remains to increase further the foreign proportion of overall sales from its current level of about 52%. The USA, China, the UK, Switzerland and France are also key markets. The higher margins in the export business should further increase overall profitability. Also, it opens the opportunity for increased vertical integration.

The takeover of AFP at the beginning of 2014 has opened up additional sales opportunities for the ALNO Group in the growth market of Switzerland, as well as internationally with steel kitchens for end customers. In future, further acquisitions are planned with the intentions of reducing dependency on the German market with its intensive levels of competition, as well as securing competitive advantages over competing companies. At the same time, sales growth – and hand-in-hand with that better capacity utilisation of existing facilities – ought to be achieved.

As well as the existing and established sales channels, the ALNO Group is also developing new ones. Thus, tielsa GmbH, Pfullendorf, a 49%-owned investment by the ALNO Group, successfully concluded contracts with 41 exclusive retail outlets, thereby significantly exceeding its targets set for 2014. In the future too, the ALNO Group will rely on innovative concepts, thus bringing new business opportunities within reach.

1.2.2 Objectives for production

Competence centres are being organised taking as their starting point the strategy for the ALNO Group. This takes further account of changing market requirements. At the Pfullendorf location, for example, expertise is being expanded further in high-quality front materials such as paint, glass and ceramic. Corresponding investments have been made in 2014 to generate sustainable efficiency benefits. Other competence centres will be created in the areas of order-related component production. Assembly expertise will be retained in its current structure.

Lean management principles have been introduced successfully throughout production. The objective is to further optimise production processes, thereby laying the foundations for profitable growth. Furthermore, the basis will be established for integrating further acquisitions.

The increase in production flexibility planned for 2015 with regard to kitchens throughout the entire ALNO Group should open up additional efficiency potential by increasing capacity utilisation. This also includes the reorganisation of all the procedures from the customer through to production and sales of kitchens.

Customer service areas will also undergo further process optimisations. The process sequence here will be consistently brought into line with customers' requirements. This will optimise existing activities and open up new service offers.

1.2.3 Objectives for distribution

Distribution and logistics services are also being reorganised in conjunction with the ALNO Group's reorientation. The main emphasis here is on introducing innovative systems and processes with the objective of increasing delivery frequency, thus improving service for the customer. This should be achieved above all by combining route planning and distribution.

1.2.4 Objective for the administrative areas

The administrative areas include accounting, controlling, IT and human resources. In the course of the strategy, these areas will be expanded into high-performance service areas. The functions in the entire ALNO Group will be centralised for this purpose. For one thing, this will have the effect of reducing costs by avoiding duplication of functions, while for another it is intended to combine expertise so as to act as a business partner for the operational areas. As a first step, the processes are being harmonised and merged.

Further progress is being made with introducing SAP at the Pfullendorf location. Its introduction is intended to replace the existing host system and integrate the process sequence from order input through to production and logistics within the system. In addition, systems covering more than one location are being designed and built up.

1.3 Group management

The Group's business activities are measured on the basis of sales and value metrics. Within the year, the individual Group entities are managed on a monthly basis, but also on a weekly and daily basis, through continual variance analyses to determine any divergence from budgeted figures and previous year's values in all key operational areas.

Sales revenues and EBITDA are used as the most important single indicators at segment level. In individual cases, further indicators for controlling the efficiency of sales, production, quality and specific functions are contribution accounting, unit performance accounting and sales figures expressed in numbers of cabinet units. Cost centres and cost categories are monitored and analysed separately.

The quality of the product range and business processes is monitored and assured by quality management based on DIN EN ISO 9001. All production companies in the ALNO Group are certified companies subject to continuous external auditing by various institutes.

1.4 Research and development

The ALNO Group undertakes its product development at the Pfullendorf, Arbon and Dietlikon sites. Development focuses on systematic and target group-specific product and application innovations across all product lines. Characterised by its large breadth, advanced technologies and the high quality of the equipment, functionality and design, the range of products and services is expanded continually. Year after year, the ALNO Group's product design and brand management win distinctions in international competitions.

The costs of product development totalled € 1,273 thousand, which is 7.3% up on the previous year.

The aim of product development is to consistently develop product and design innovations based on market requirements and end customer needs, thereby consistently strengthening ALNO as a key brand and reinforcing its pronounced market position. To this end, the company is further developing its competence in the material groups of paint, glass and ceramics with new surface options and functional elements. Competence in special products for individual customers is a particular hallmark of the ALNO brand.

With handleless kitchens, modernised basic front ranges, newly developed unit systems, opening systems and functional systems in the standard ranges of the PINO, IMPULS and WELLMANN brands, the company meets customers' needs in these entry-level and mid-level segments. The PINO and IMPULS brands have the special characteristics of side panel solutions with adapted colours and their extremely short delivery times: five to ten days is significantly shorter than the three to five weeks delivery time that is usual in the industry.

The collection from tielsa GmbH focuses on the moving kitchen. Tielsa is the platform for future living in which living areas blend into one another, and link together to make a living space. This kitchen can be ergonomically adapted to the size of each family member, and offers adaptable usage convenience even for senior citizens. The moving kitchen gives the brand a unique selling point by networking digital technology with modern kitchen design.

2 ECONOMIC REPORT

2.1 Overall economic and sector-specific conditions

2.1.1 Economic environment

According to the Federal Statistical Office, the German economy was relatively stable overall as an average for 2014: At 1.5%, the price-adjusted gross domestic product (GDP) was higher than in the previous year. The increase was thus in excess of the 1.2% average achieved during the past ten years. In 2012 and 2013, the growth in GDP was must more moderate (2013 by 0.1% and 2012 by 0.4%). As a result, the German economy succeeded in performing well despite difficult global economic conditions, and benefitted above all from healthy internal demand. By the end of 2014, the economic situation stabilised following a buoyant start to the year and the subsequent phase of weakness in summer.

On the consumption side of gross domestic product, consumption was the most important locomotive for growth in the German economy. Adjusted for prices, private consumer spending grew by 1.1%. Investments were also up. In Germany, the rise in capital investment totalled 3.7%. Price-adjusted building investments also recorded a significant gain by 3.4%.

German exports were somewhat more dynamic on average for the year 2014, in spite of a continuing difficult foreign trade environment. German companies exported 3.7% more goods and services than in the previous year. However, imports were up by almost the same amount (+3.3%). The difference between exports and imports thus made a comparatively low contribution to GDP growth at +0.4% in 2014.

On the production side of GDP, almost all areas of the economy were able to contribute to an invigoration of German output. In the building sector in particular, there was a significant growth in economic performance by 2.7%, amongst other reasons because of the mild weather during the winter months. Production industry was also able to grow by a palpable 1.1%. Alongside this, the trend in the service sector was also predominantly positive. Overall, the price-adjusted gross value added for all areas of the economy grew by 1.4% compared to the previous year.

The number of people in employment reached 42.7 million in 2014, representing the eighth year in succession of record values. This was 371,000 people or 0.9% up on the previous year.

2.1.2 Developments in the furniture retail business

For the German furniture industry, 2014 was a bit of a curate's egg, to judge from information provided by the German Furniture Industry Association (Verband der Deutschen Möbelindustrie, VDM). After a very positive first quarter, there was a comparatively severe downturn in the second quarter of 2014. Following the usual decline in business volume during the summer months, the autumn upswing in the fourth quarter ended up significantly less pronounced than the industry had hoped for.

Relevant differences in business development can be observed in 2014 for the individual segments. The overall trend in the home furnishing sector was +0.9%, with the domestic trend slightly better (+1.4%) than in export (–0.2%). According to the Association's figures, this reflects particularly tough competition in the living room and bedroom sectors. The upholstered furniture industry was able to record positive growth of orders in the domestic market (+4.0%) as well as from abroad (+5.3%). The furniture industry associations are expecting these trends to continue in 2015. In most segments of the furniture industry, the export trend is expected to be better than in the domestic market. Not least, this is because the ongoing price pressure that domestic manufacturers are struggling to cope with. This development is not compensated by the high per capita consumption in Germany either.

2.1.3 Developments in the kitchen furniture industry

In 2014, the growth in incoming orders during the first quarter achieved +6.7% on a year-on-year basis. By the end of the second quarter, growth in orders received had declined to +2.9%. The trend in orders then continued at this level as far as the end of the year (+2.7%) without any major changes. The domestic business in the kitchen furniture industry has been significantly weaker than in the export business. By the end of 2014, growth in orders received from within Germany was only running at +1.1%, whereas the figure for export was +5.6%.

Based on a currently apparent trend, it seems the gap between domestic and export business is likely to switch round. Since the economic and financial crisis that started in 2008, a stable domestic business has been the basis for economic development of the sector. At present, however, foreign markets are showing significant signs of recovery. One such example of this improvement is the Dutch market which has posted positive growth for the first time (+2.0% as at 30 June 2014). The market halved in real terms during the five previous years. The development in Belgium is also pleasing, where there has been growth in trade activities for kitchens of exactly +6.0%. This growth is important because the Netherlands and Belgium are the second and third largest export markets for the German kitchen furniture industry. Another significant boost has been development of exports to the UK (+14.5%). Finally, there are signs of recovery in Spain, where the first half of 2014 was completed with +19.7%. The trend in the Russian market was positive during the first six months at +11.3%. However, this development was unable to continue during the second half of the year because of the Ukraine crisis.

2.2 General development of business

2014 was characterised by the acquisition of AFP Küchen AG, Arbon, Switzerland (referred to below in short as: “AFP”). This takeover has enabled the market position of the ALNO Group in the important Swiss market to be significantly strengthened. Also, 2014 was very positive for the ALNO Group in other international key markets, in terms of volume. There, we were also able to improve our market position by increases in sales revenue. In the domestic market, the kitchen business was slightly below the level of the previous year at –0.9%. In a difficult market environment, the ALNO Group in Germany was able to strengthen its market position further and grow its market share in terms of sales revenue from 13.2% to 14.6%.

2.3 Net assets, financial position and results of operations

2.3.1 Sales and earnings

The income statement for the ALNO Group (according to International Financial Reporting Standards) is based on the nature of expense method.

The sales revenue of the ALNO Group increased significantly during the period under review. The growth comes above all from a significant expansion in international business. In this regard, the ALNO Group is consistently pursuing its adopted strategy of significantly expanding the proportion of sales achieved through international business. At the same time, the EBITDA also grew significantly to € 39,957 thousand, as a result of the acquisition of AFP.

The gross profit margin identifier is calculated in the ALNO Group by dividing gross yield by sales revenues.

The following table sets out the key figures for the years 2013 and 2014.

in € 000	2014	2013 adjusted
Sales revenue	545,774	395,056
Changes in inventories and capitalised goods and services for own account	593	2,603
Cost of materials	316,242	222,031
Gross yield	**230,125**	**175,628**
GROSS PROFIT MARGIN (IN % OF SALES REVENUE)	**42.2**	**44.5**
Other operating income	78,217	9,452
Personnel expenses	138,253	95,263
Other operating expenses	121,207	82,153
Result from reorganisation (+ = expense / – = income)	8,925	916
EBITDA	**39,957**	**6,748**
Write-downs	33,710	12,173
Write-ups	0	7,846
EARNINGS BEFORE INTEREST AND TAXES (EBIT)	**6,247**	**2,421**
Financial result	–12,555	–8,416
Earnings before taxes (EBT)	**–6,308**	**–5,995**

Consolidated sales in the financial year 2014 amounted to € 545.8 million, corresponding to an increase of 38.2% compared to € 395.1 million in the previous year. The rising sales, at € 139.9 million resulted from the inclusion of AFP in the ALNO scope of consolidation.

Domestic revenues decreased by 0.9% to € 263.4 million. Despite a difficult market environment, it proved possible to keep the kitchen business at a stable level, and indeed grow market shares to 14.6% in relation to sales revenue. As a result, the positive trend that began in 2013 has continued. The volume of units produced increase significantly by 6.4% year-on-year. This increase in volume is largely due to an expansion in the business relations with some major customers in the area of large outlets and kitchen specialists. To achieve this, it was necessary to accept significant price compromises in some cases, which have a negative influence on the average revenue per unit in the domestic business as a consequence of the resulting mix effect in overall sales.

It proved possible to grow the export business significantly in 2014. Sales rose by 118.6% to € 282.4 million, in particular due to the acquisition of AFP. Accordingly, the export quota rose from 32.7% to 51.7%.

Sales revenues in Germany and abroad developed as follows:

Year	Germany € 000	Change in € 000	Change in %	Abroad € 000	Change in € 000	Change in %	Export quota in %	Total € 000
2012	318,458	–7,939	–2.4	127,800	1,387	1.1	28.6	446,258
2013	265,854	–52,604	–16.5	129,202	1,402	1.1	32.7	395,056
2014	263,385	–2,469	–0.9	282,389	153,187	118.6	51.7	545,774

The foreign business is divided up as follows overall:

Year	Total foreign countries € 000	thereof Europe € 000	Change in € 000	in %	thereof other foreign countries € 000	Change € 000	in %
2012	127,800	112,751			15,049		
2013	129,202	117,877	5,126	4.5	11,325	–3,724	–24.7
2014	282,389	268,979	151,102	> 100	13,410	2,085	18.4

The development in cabinet unit numbers was as follows:

Year	Sales volume in thousands of units	Incoming orders in thousands of units	Orders on hand 31 December in thousands of units
2012	2,717	2,649	189
2013	2,383	2,365	177
2014	2,680	2,684	228

Changes in inventories and capitalised goods and services for own account amounted to € 0.6 million, following € 2.6 million in the previous year's period. The decline is largely due to an improved acceptance procedure in the project business.

The cost of materials increased by € 94.2 million compared to the previous year. The reason for the increase is chiefly the acquisition of AFP and its first-time inclusion in the scope of consolidation. The material quota rose from 55.8% in the previous year to 57.9% in 2014 as a result of the lower revenue per unit with an almost unchanged material proportion per cabinet in Germany because of price concessions to some major customers. Furthermore, the material proportion was impacted in 2014 by complaints resulting from glass distortion, occasioning subsequent deliveries to customers. The changeover to a new production process in early 2014 meant that the product properties were able to be improved on a sustainable basis, meaning that there will no longer be complaints as in the past. Considering the Group as a whole, gross yield increased from € 175.6 million to € 230.1 million, although the gross profit margin decreased from 44.5% in the previous year to 42.2% as a result of the lower revenue per unit in Germany and the additional costs of material.

Other operating income increased from € 9.5 million to € 78.2 million, above all due to the effects from the purchase price allocation in the acquisition of AFP, amounting to € 71.3 million. The personnel expenses also increased as a result of the acquisition of AFP, to € 138.3 million following € 95.3 million in the previous year.

The increase in other operating expenses from € 82.2 million to € 121.2 million chiefly resulted from the acquisition of AFP as well as higher costs for temporary workers and transport costs required by the significantly increased volume.

The results from reorganisation amounting to € 8.9 million results in particular from the costs of closing the plant in Dietlikon, Switzerland, and the transfer of production to Pfullendorf as well as the deconsolidation of Alno Middle East, FZCO, Dubai, UAE (in short: AME). The result from reorganisation in the previous year amounting to € 0.9 million was based on redundancy payments.

Depreciation on intangible assets and property, plant and equipment increased from € 12.2 million in the previous year to € 33.7 million. This increase results from the acquisition of AFP and the follow-on effects of the associated purchase price allocation. The consolidated financial statements 2013 still included one-off write-ups at the Pfullendorf site on intangible assets at € 0.3 million and on property, plant and equipment at € 7.5 million due to reversals of impairment losses as part of the impairment test according to IAS 36 as 31 December 2013.

The financial result was down on the previous year from –€ 8.4 million to –€ 12.6 million. At the same time, the financial income increased from € 0.2 million to € 2.6 million, chiefly because of derecognition of an earn-out certificate from the waiver of repayment by banks undertaken in 2012 according to the restructuring agreement III of 11 July 2012. The financial expenses increased by € 4.4 million as a result of the increase in financial liabilities in 2014, which are themselves principally due to the acquisition of AFP. Amongst other aspects, a convertible bond with a term of five years and a volume of € 14.0 million was issued on 20 March 2014, with an interest rate of 8% p.a. Furthermore, the bond issued in May of the previous year with a volume of € 45.0 million affected the financial expenditure to its full extent for the first time in 2014, since it had only been included in the previous year on a pro rata basis for the months following its issue. The expense from investments measured at equity which increased from € 0.7 million to € 2.9 million is due to the joint ventures, ALNO China Holding Ltd., Hong Kong, and tielsa GmbH, Pfullendorf.

As a consequence, this produced a decline in EBT of –€ 6.0 million in the previous year to the current –€ 6.3 million.

The Group result for the period improved from –€ 9.5 million to –€ 4.1 million year-on-year, above all because of deferred tax revenues. As a result, the earnings per share is –€ 0.06 following –€ 0.14 in the previous year.

2.3.2 Segment results

First and foremost, it should be noted that the segment reporting has been changed over for 2014. Including the consolidated financial statements as at 31 December 2013, ALNO AG divided up the segment reporting according to IFRS 8 on the basis of internal management reporting according to brands or legal entities. The segments ALNO, Wellmann, Impuls, Pino, ATG and Others were identified in this case. The focus of internal management reporting has clearly been placed on control by sales channels since the 2014 financial year, however. Consequently, the Board of Management has now decided to undertake the segmentation according to the sales channels of Trade, Project business, End customer and Others starting from the 2014 financial year. For further explanations about the changeover in segment reporting, see also “F. Notes to the segment report” in the notes.

The results of operations for the individual segments of the ALNO Group (before consolidation) are explained below.

Retail segment

	2014 € m	2013 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	392.9	369.4	23.5	6.4
EBITDA	–6.6	0.2	–6.8	< –100
EBITDA in %	–1.7	0.1		

The Trade segment combines business with trading partners inside Germany and internationally. Above all, this segment is characterised by a strong market power held by the trading associations in the German market. Sales revenue in this segment was boosted by € 23.5 million to € 392.9 million. This increase is due to the international business above all. The EBITDA decreased in the same period from € 0.2 million to –€ 6.6 million. The main driving force behind this development is the shift within the segment towards customers with lower margins as well as increasing competitive pressure with aggressive pricing by competitors in the domestic business. An increased focus on international markets will allow the ALNO Group to reduce its dependency on the German market to an ever-increasing extent.

Project business segment

	2014 € m	2013 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	151.7	47.8	103.9	> 100
EBITDA	–6.9	2.3	–9.2	< –100
EBITDA in %	–4.5	4.8		

The Project segment groups together the national and international business with building companies, property developers, architects, etc. This segment has significantly increased, above all through the acquisition of AFP Küchen. Sales revenues increased year on year by € 103.9 million to € 151.7 million. The EBITDA was significantly impacted by special effects in 2014 deriving from the takeover and changeovers at AFP. Consequently, the EBITDA fell from € 2.3 million to –€ 6.9 million in 2014.

End customer segment

	2014 € m	2013 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	29.5	0.5	29.0	> 100
EBITDA	0.5	–0.1	0.6	> 100
EBITDA in %	1.7	20.0		

The End customer segment chiefly includes the business with private end customers. This segment has been added because of the takeover of AFP as well as the expansion of our own shops. Sales revenue increased from € 0.5 million to € 29.5 million, with an increase in EBITDA from –€ 0.1 million to € 0.5 million. In future, this segment will be significantly important for the ALNO Group, and we are continuing to build it up abroad.

Others segment

	2014 € m	2013 € m	Change compared to previous year € m	Change compared to previous year in %
Net sales	3.8	0.1	3.7	> 100
EBITDA	62.3	2.0	60.3	> 100
EBITDA in %	> 100	> 100		

The Others segment groups together all effects that cannot be directly allocated to the aforementioned segments. Chiefly, these are the effects of the purchase price allocation as part of the takeover of AFP as well as the restructuring costs that arose in 2014. The sales revenues largely include turnover from the service business of AFP. The sales revenue increased from € 0.1 million in 2013 to € 3.8 million, and the EBITDA from € 2.0 million to € 62.3 million.

2.3.3 Net assets

As at 31 December 2014, the total assets of the ALNO Group increased significantly by 56.7% from € 181.5 million to € 284.5 million. The explanations for this increase can be seen below.

On the assets side, non-current assets worth € 173.4 million are € 73.5 million higher than in the previous year, a rise of 73.7%. This significant increase results from the following circumstances: The increase in intangible assets by € 45.3 million is largely due to the intangible assets capitalised in connection with the purchase of AFP, such as brand and customer relations. The property, plant and equipment also increased, above all through the purchase of AFP, by € 26.5 million. The financial assets declined by € 0.6 million, above all because of the sale of securities to protect commitments associated with employees' pre-retirement part-time working against insolvency. Equity-accounted investments were set at zero, whereas the non-current financial accounts receivable increased by € 1.5 million, chiefly because of higher non-current lending to associated companies.

Current assets increased by 36.2% to € 111.2 million. This significant increase results from the following circumstances: Inventories increased above all because of AFP, by € 10.8 million to € 34.8 million, whereas current financial liabilities decreased by € 1.8 million, predominantly due to lower current lending to associated companies. The current trade receivables increased, above all because of AFP, by € 15.9 million or 37.2%. Current other assets are approximately unchanged at the previous year's level. The available-for-sale assets reported in 2014 comprise technical plant and machinery at AFP.

On the liabilities side, Group equity was –€ 28.0 million compared to –€ 18.4 million as at 31 December 2013. The decline is chiefly due to the Group loss for the period as well as a change in pension provisions not affecting net income, as a result of lower interest rates.

Non-current liabilities at the end of 2014 amounted to € 146.1 million following € 90.7 million in the previous year. This increase is largely due to the financing arranged as part of the purchase of AFP, the convertible bond issued in the first quarter of 2014 with a volume of € 14.0 million and non-current bank finance in the amount of € 11.8 million. Furthermore, the pension provisions increased by € 7.9 million due to the addition of AFP and as a result of lower interest rates. Non-current trade payables increased by € 19.5 million because of a non-current moratorium agreement for trade payables on the part of Bauknecht Hausgeräte GmbH, Stuttgart.

Current liabilities increased from € 109.1 million to € 166.5 million. This significant increase results from the following circumstances: Other current provisions increased by € 5.6 million above all because of a social plan provision at AFP as well as increased warranty provisions. The current portion of the bank finance arranged for the purchase of AFP also principally led to an increase of € 13.0 million in current financial liabilities. The current trade payables increased by € 32.1 million, chiefly because of the moratorium agreement for trade payables on behalf of Bauknecht Hausgeräte GmbH, Stuttgart as well as payment extensions with other suppliers. Current, remaining other liabilities increased by € 6.8 million, which is linked above all to newly added other liabilities from AFP as well as higher deferred liabilities for other taxes.

2.3.4 Liquidity and financial position

The net cash flow for operating activities shows a cash inflow of € 15.2 million in the year under review (previous year: cash outflow of € 29.5 million). This major increase is mainly due to the “change in trade accounts payable and other debts” which results above all from the increase in trade accounts payable amounting to € 42.4 million which is chiefly explained by the moratorium agreement with Bauknecht Hausgeräte GmbH, Stuttgart, as well as payment extensions with other suppliers. Investment activities resulted in a cash outflow of € 52.7 million in the year under review, as compared to € 13.7 million in the previous year. This significant increase is principally due to outpayments for company purchases, chiefly for AFP.

The decline in net cash and cash equivalence received from financing activities, by € 5.0 million, predominantly resulted from the borrowings for financial liabilities which are lower than in the previous year. In the previous year, the bond with a nominal volume in the amount of € 45.0 million issued in May 2013 was included, amongst other items. In the current financial year war, the compulsory convertible bond with a nominal volume of € 14.0 million was included, as was the bank finance used for purchasing AFP.

With regard to the measures for safeguarding the company as a going concern and ensuring liquidity, we refer to the “Forecast, risk and opportunity report” and “Report on events subsequent to the reporting date” sections as well as the information provided in section B.1 “Basis for preparation of the financial statements”.

Development in net indebtedness

	31 December 2014 in € 000	31 December 2013 in € 000	Change in € 000	Change in %
Shareholder loans and other financial liabilities				
non-current	91,152	65,217	25,935	39.8
current	40,202	27,649	12,553	45.4
	131,354	**92,866**	**38,488**	**41.4**
Less liquid assets	–2,270	–3,266	996	30.5
	129,084	**89,600**	**39,484**	**44.1**

The net indebtedness of the ALNO Group (other financial liabilities and shareholder loans less liquid assets) increased by € 39.5 million as at 31 December 2014 compared to the balance sheet date of the previous year. It was € 129.1 million, following € 89.6 million as at 31 December 2013. This increase is based on the following circumstances: The non-current financial liabilities increased above all due to the financing arranged as part of the AFP purchase (the convertible bond issued on 20 March 2014 with a volume of € 14.0 million as well as non-current bank finance in the amount of € 11.8 million). Also, it was predominantly the current portion of this bank finance for the purchase of AFP that led to an increase in current financial liabilities.

2.3.5 Annual financial statements of ALNO AG in accordance with the German Commercial Code (HGB)

Income statement for ALNO AG in accordance with the annual financial statements pursuant to the German Commercial Code (HGB) for 2014

in € 000	2014	2013
Sales revenue	94,168	94,231
Changes in inventories and capitalised goods and services for own account	42	636
Other operating income	37,604	33,235
Total operating performance	**131,814**	**128,102**
Cost of materials	56,527	50,881
Personnel expenses	46,309	41,491
Other operating expenses and other taxes	45,110	44,158
EBITDA	**–16,132**	**–8,428**
Write-downs	4,578	5,358
EBIT	**–20,710**	**–13,786**
Financial result	–1,243	3,646
EBT	**–21,953**	**–10,140**
Extraordinary result	–832	0
Taxes on income	–20	–6
NET LOSS FOR THE FINANCIAL YEAR	**–22,805**	**–10,146**

In the financial year 2014, ALNO AG recorded a decline in sales by 0.1%. In Germany, sales revenues decreased by 0.6%, whereas abroad it was possible to increase them by 1.0%.

The volume in terms of cabinets produced increased by 3.3% year on year, driven above all by increased deliveries to foreign subsidiaries within the Group. In the large outlet area, it was necessary to make significant price concessions in some cases, thereby negatively influencing the average revenue per unit in the domestic business.

The material quota increased from 53.6% in the previous year to 60.0% in 2014 because of the lower revenue per unit. Furthermore, the material proportion was impacted in 2014 by complaints resulting from glass distortion, occasioning subsequent deliveries to customers. The changeover to a new production process in early 2014 meant that the product properties were able to be improved on a sustainable basis, meaning that there will no longer be complaints as in the past. Furthermore, changes in the produce mix towards ranges with a higher proportion of material led to a higher application of material. The gross profit margin in the annual financial statements of ALNO AG in accordance with the German Commercial Code (HGB) decreased in the financial year 2014 by 6.4 percentage points to 40.0% (previous year: 46.4%).

The other operating income increased above all because of higher internal settlements within the Group, by 13.1% to € 37.6 million. Personnel expenses increased significantly by 11.6% to € 46.3 million. The causes of this increase included not only the increase in wages negotiated through collective bargaining but also the higher number of employees and the supplemental wage agreement which expired in 2014. The other operating expenses and other taxes increased year on year by € 1.0 million or 2.2% to € 45.1 million. The main reasons for this are higher sales commissions and settlements within the Group.

The financial result decreased significantly by € 4.9 million compared to the previous year. The significant cause of this is the decline of € 4.0 million in revenues from profit transfer agreements with subsidiaries. Furthermore, the interest expense increased by € 3.3 million because of the bond in 2014 and other financing measures. This was offset by an increase of € 2.2 million in interest revenues.

The extraordinary result of –€ 0.8 million includes, firstly, extraordinary revenue in the amount of € 1.9 million from the verdict reached on 6 November 2014 by the Düsseldorf Higher Regional Court in ALNO AG's favour against a former chief executive officer (for details, see the report on remuneration in the notes). This is offset by extraordinary expenditure amounting to € 2.7 million. This arose because of the following circumstances: Alno Middle East FZCO, Dubai, UAE, had to be deconsolidated due to a court order and an associated loss of control backdated to 1 July 2014. Production there had to be stopped. In this connection, the investment book value amounting to € 1.0 million had to be written-off as an impairment loss, and receivables due to this company amounting to a total of € 1.7 million were derecognised.

Balance sheet of ALNO AG in accordance with the annual financial statements pursuant to the German Commercial Code (HGB) as at 31 December 2014

in € 000	31 December 2014	31 December 2013
ASSETS		
Fixed assets		
Intangible assets	5,236	5,523
Property, plant and equipment	18,001	16,729
Financial investments	112,922	107,529
	136,159	**129,781**
Current assets		
Inventories	9,037	8,768
Receivables and other assets	81,321	60,262
Cash in hand, bank balances	551	996
	90,909	**70,026**
Deferred items	3,279	2,884
Excess of plan assets over pension liabilities	60	148
	230,407	**202,839**
LIABILITIES		
Equity		
Subscribed capital	70,095	70,095
Capital reserve	3,258	3,258
Legal reserve	462	462
Net loss	–24,164	–1,359
	49,651	**72,456**
Provisions	27,740	22,920
Liabilities	153,016	107,463
	230,407	**202,839**

The intangible assets are slightly below the previous year's level. The property, plant and equipment increased by 7.6%, because the investments were above depreciation.

The change in financial assets chiefly results from the new investment in AFP in 2014 as well as capital increases at tielsa GmbH, Pfullendorf.

Overall, inventories are 3.1% up on the previous year's level. The significant increase in receivables and other assets compared to the previous year is largely due to increased accounts receivable from affiliated companies (+€ 23.0 million), amongst other factors this is characterised by payables to AFP, which was added in 2014.

The capital ratio fell from 35.7% in the previous year to 21.5%. The equity decreased by the amount of the net loss for the year 2014, namely € 22.8 million, to € 49.7 million.

Provisions increased, above all because of increased provisions for guarantees, customer bonuses, other taxes and for positive balances on working-time accounts, by € 4.8 million to € 27.7 million. The significant increase in liabilities is due to the issue of a bond in 2014 amounting to € 14.0 million, the increase in trade liabilities by € 3.4 million, principally because of extensions in payment terms with suppliers amounting to € 10.3 million, increased liabilities towards affiliated companies and a € 17.9 million increase in other liabilities (above all financial liabilities). The increase in other liabilities was significantly due to a purchase of payables (payables from the supplier's perspective) of a subsidiary in the amount of € 14.5 million as well as the moratorium agreement on behalf of Bauknecht Hausgeräte GmbH, Stuttgart, in the amount of € 7.0 million.

2.3.6 Overall assessment

In spite of the positive development in the EBITDA – due to the special effects of integrating AFP – the Board of Management of ALNO AG assess the course of business in 2014 as unsatisfactory, because the operational business lagged behind expectations.

In view of this situation, the Board of Management worked out an extensive restructuring programme in 2014 for both financial years 2015 and 2016. The key elements involve making production throughout Germany more flexible, centralising administrative units as well as optimising the brand and product portfolio. These measures will focus on making the ALNO Group's dealings with its customers simpler, faster and leaner. All restructuring measures are designed so ALNO can create a win-win situation for its customers, allowing it to grow profitably with them. This will safeguard the profitability of the ALNO Group in the long term.

2.4 Financial and non-financial performance indicators

2.4.1 Financial performance indicators

Sales revenues and EBITDA are used as the most important single indicators at segment level. In individual cases, further indicators for controlling the efficiency of sales, production, quality and specific functions are contribution accounting, unit performance accounting and sales figures expressed in numbers of cabinet units. Cost centres and cost categories are monitored and analysed separately.

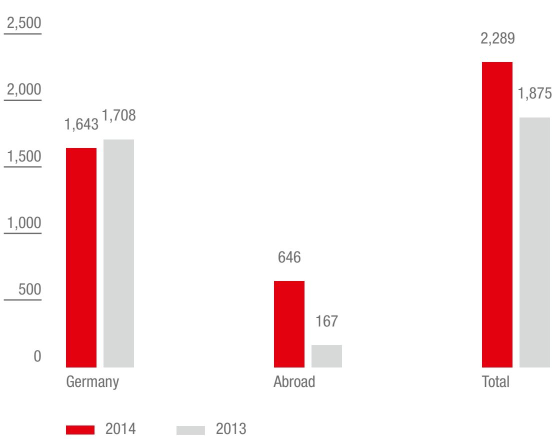
2.4.2 Non-financial performance indicators

Human resources

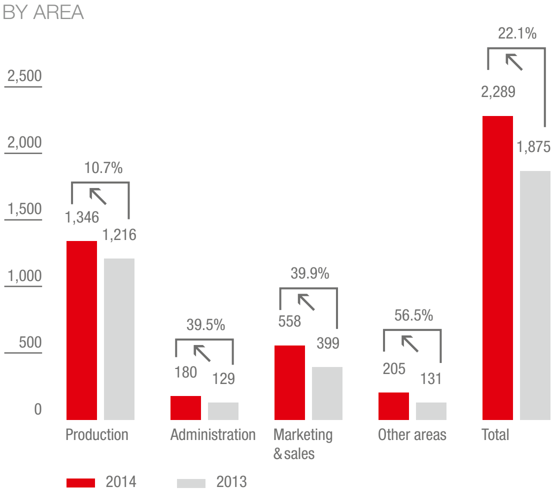
On the balance sheet date 31 December 2014, 2,289 people were employed in the ALNO Group. This compares to 1,875 in the previous year. The rise is due to the takeover of AFP in early 2014.

At year-end, of 2,289 employees, 1,346 worked in production (previous year: 1,216), while 180 (previous year: 129) were employed in administration. Marketing and sales employed 558 (previous year: 399) men and women, and 205 (previous year: 131) worked in the other areas. In Germany, a total of 1,643 people (previous year: 1,708) were employed at the end of the financial year, the corresponding figure outside Germany being 646 (previous year: 167).

WORKFORCE DISTRIBUTION
DOMESTIC / FOREIGN



WORKFORCE STRUCTURE / CHANGE
BY AREA



The ALNO Group needs highly qualified and motivated employees in order to realise its strategy and growth targets. The organisation of work is based on a spirit of openness and mutual respect and fairness. Performance is rewarded through profit-oriented remuneration systems and opportunities for personal development.

3 REPORT ON EVENTS SUBSEQUENT TO THE REPORTING DATE

Foundation of a joint venture in Russia

On 21 January 2015, ALNO AG signed the contract to establish a joint venture in Russia. The partner is the "Pervaya Mebel'naya Fabrica" ("1st furniture factory", in short: "1ff"), one of the largest furniture manufacturers in Russia, based in St. Petersburg. It belongs to the Alexander Shestakov group of companies, which owns a furniture production plant as well as a sales organisation and its own kitchen studios, amongst other assets. It is planned to start industrial production for about 25,000 to 30,000 kitchens per year in St. Petersburg in the second half of 2015.

ALNO AG has a 49% share in the joint venture, and provides its industrial production and process expertise as a non-cash contribution as well as the machines from Piatti production. The plant of ALNO's Swiss subsidiary AFP in Dietlikon was closed at the end of 2014 and production of PIATTI kitchens was shifted to the ALNO plant in Pfullendorf. The released machines will be transferred to St. Petersburg and installed on the factory premises of "1ff" for production of kitchens. The transfer of the machines to St. Petersburg will take place in several phases. In a first phase, parts of the suite of machinery owned by AFP were sold to the joint venture under contracts dated 31 March 2015. The industrial production process as practised up to this point – including with reference to the order, delivery and settlement process – should be mirrored in this case. For ALNO AG, this joint venture is a further important step in pushing ahead with its international growth strategy. Sales have particular importance for the joint venture. In a first step, sales will be handled via 24 already existing kitchen studios owned by the joint venture and its partners. Establishing further areas – including via trading partners and subsequently in the franchising process – is under preparation. The sales structure for ALNO kitchens in Russia that is already in place will be integrated into the joint venture. Until production in St. Petersburg gets underway, the assortment will be produced in the plants of the ALNO Group. The first kitchens from the new joint venture will thus be able to be delivered as early as this summer.

Contractual agreements

Bauknecht Hausgeräte GmbH, Stuttgart, granted ALNO AG a loan in the amount of € 5,000 thousand on 16 January 2015 which will be extended beyond 15 April 2015 if other financing measures are delayed.

Shareholder loans

The loan granted to the ALNO Group by Bauknecht Hausgeräte GmbH in the total amount of € 30,000 thousand on 11 April 2013 is reported as current in the amount of € 10,000 thousand on the balance sheet date 31 December 2014, because this tranche should have been due in September 2015. As a supplement to the loan agreement on 26 February 2015, the originally intended repayment of € 10,000 thousand was extended until July 2016. The term of the remaining € 20,000 thousand remains unchanged.

The loans granted to the ALNO Group by Comco Holding AG, Nidau, Switzerland, amounting to € 8,125 thousand in total had a remaining term of less than one year as at the balance sheet date on 31 December 2014. With a supplement to the loan agreement on 26 February 2015, the originally intended repayment in April 2015 was extended until July 2016.

Other financing activities

Comco Holding AG, Nidau, Switzerland, has undertaken to grant ALNO AG a bridging loan during the period from March 2015 to April 2015 up to an amount of € 6.3 million and, during the period July 2015 to March 2016, up to an amount of € 11.0 million in the event that ALNO AG proves unable to meets its liquidity requirements during this period through other finance.

DEFAP Enterprises ApS, Copenhagen, Denmark, granted ALNO AG and the Zweitmarkenholding Impuls Pino GmbH, Pfullendorf, a loan in the amount of € 25.0 million on 30 March 2015. The term is up to two years.

On 27 March 2015, a moratorium agreement was reached with Bauknecht Hausgeräte GmbH, Stuttgart, in the amount of the invoices that fell due in February 2015, and runs until 15 September 2015.

Restructuring programme

In its meeting on 29 January 2015, the Supervisory Board approved the restructuring programme presented by the Board of Management. The key elements involve making production throughout Germany more flexible, centralising administrative units as well as optimising the brand and product portfolio.

Making production more flexible

Following the successfully concluded transfer of production of Piatti kitchens to Pfullendorf at the end of 2014, the next task is to make the customer service and production significantly more flexible at all four German plants of the ALNO Group, and to optimise them according to cost principles. Capacity utilisation at the plants fluctuated greatly in some cases during the past few years. Many of the sites were under-utilised. On the other hand, some sites experienced peak demand which had to be met by organising special shifts and using temporary workers. ALNO has to pay about € 5 million for this in 2014 alone. Now, flexible and cost-optimising production management should allow at least this sum to be saved. Thus, for example, production of 500 to 1,000 kitchen cabinets per day and the corresponding surfaces will be transferred from the Enger plant to Pfullendorf in summer.

Centralisation of administrative areas

Another important component in the restructuring concerns centralisation of all administrative areas. The sites in Germany are being reoriented according to the three central functions of sales, production and support for this purpose. Processes and systems are being simplified across the Group and personnel are being concentrated.

Optimisation of the brand and product portfolio

The brand and product portfolio is being optimised further in that, amongst other things, our dealings with customers are being made simpler, faster and leaner.

Change in the Board of Management

In its meeting on 29 January 2015, the Supervisory Board decided to terminate the contract with COO Manfred Scholz, responsible for production, customer service, purchasing, quality / environment / energy and logistics, at the request of Mr Scholz, effective 28 February 2015. His tasks have been distributed internally on an interim basis.

Development of sales and new orders January to February 2015

Orders received by the ALNO Group during the first two months of 2015 were slightly below the previous year's level, although with a significantly rising trend. After a weak January, the deficit compared to the previous year was almost entirely compensated in the month of February 2015. During the first two months of 2015, net sales revenues were running above the level of the previous year, although slightly below plan. However, because the deviation from the planning is only slight, the Board of Management confidently expects that the planned sales and revenue targets for the 2015 business year will be achieved.

Going concern / risks threatening the existence of the Group

The company strategy of ALNO AG involves not only globalisation but also making production in Germany more flexible, centralising administrative units as well as optimising the brand and product portfolio. Operationally, this will lead to a sustained improvement in the organisation and more efficient market development. To this end, significantly higher investments are planned in IT, machinery, marketing and market expansion compared to the previous year. Implementation of the planned financing measures and the timely injection of funds are the preconditions for putting the company strategy into effect.

In particular, the following financial and capital measures are planned for 2015:

On 30 March 2015, ALNO AG attracted Nature Home Holding Company Limited, Cayman Islands ("Nature"), as a further anchor shareholder. Nature has concluded an investment agreement with ALNO AG under which it undertakes to buy new shares derived from a capital increase for cash from the authorised capital which is still to be undertaken. The company will issue 5.5 million new shares with shareholders' subscription rights excluded at the issuing price of € 1.05 per new share. Nature will purchase all the new shares. Furthermore, Nature has announced that it purchased about 1.375 million ALNO shares recently. After the capital increase has been carried out, Nature will hold about 9.09% of the share capital of ALNO AG. The capital increase will provide ALNO AG with liquid funds amounting to about € 5.8 million.

Further funding in the double-digit millions will be received by ALNO AG in April 2015 through the sale of real estate, machinery and the sale of the "Intoto" franchise concept. The funds released will be used, amongst other things, for implementing the restructuring programme and for further organic and non-organic growth abroad. As such, the Board of Management is pushing ahead with its globalisation strategy and reducing its dependency on the business in Germany which is characterised by intensive competition; in this way, the basis for the company's operating results will be sustainably improved.

ALNO as a going concern is significantly dependent on the aforementioned planned financial and capital measures amounting to € 40 million being made available in full and on schedule, as well as continuation of a stringent liquidity management policy. In order to cover any possible liquidity shortage during the months of March to April 2015 or July 2015 to March 2016, Comco Holding AG, Nidau, Switzerland, will also have to meet its undertaking to provide bridging loans up to an amount of € 6.3 million or € 11.0 million. If necessary, investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to profit/loss and liquidity targets, will have to be accurate as planned.

4 FORECAST, RISK AND OPPORTUNITY REPORT

4.1 Forecast report

4.1.1 Development of the market and in the ALNO Group

The kitchen market developed positively in 2014. According to the GfK consumer research association, the German kitchen market grew +9.7% in 2014 compared to 2013 (in terms of sales revenue in euros). In terms of quantity sold, the market grew by 2.6%. Important factors in this development were:

- Panels made of painted laminate introduced in 2014 captured a high market share. The proportion of the overall market increased from 3.4% in 2013 to 5.8% in terms of quantity and 4.1% in 2013 to 6.9% in terms of sales revenue. The proportion of film panels decreased in the same period. The ALNO Group introduced this panel material in 2014, which will allow participation in this market development in 2015. Further growth was achieved with glass panels in 2014 (+19.6% in quantity and +16.6% in sales revenue).

- The sales channels of retail outlets and kitchen specialists were able to compensate for the loss in 2013 by significant growth in 2014. Retail outlets increased by 4.7% in terms of quantity and 11.8% in terms of sales revenue. Kitchen specialists increased by 3.4% in terms of quantity and 8.0% in terms of sales revenue. In view of this situation, positive growth impulses are expected for the ALNO Group.

According to the GfK, the ALNO Group was able to grow its market share further in 2014 (from 13.2% to 14.6% in the year as a whole expressed in terms of sales revenue) thereby continuing the positive trend. In this regard, ALNO has been able to win out over its competitors Häcker, Nolte and Schüller to achieve 2nd place in Germany.

The ALNOINOX steel kitchen was presented at the Eurocucina show. This kitchen represents a special unique selling point for the ALNO Group in relation to its competitors. In the international business above all, this is expected to lead to growth impulses for the ALNO Group.

At the “Kitchen Mile A30” show in September 2014, the ALNO Group presented about 58 kitchen ideas from its four brands ALNO, WELLMANN, IMPULS and PINO. Also, the innovations from tielsa GmbH focusing on the future topic of “moving kitchens” were shown. With its wide range of brands, the ALNO Group reinforced its product expertise while also making itself more appealing to a young, active buyer group.

4.1.2 Growth

To achieve greater independence from the highly competitive German market, in addition to the AFP purchase subsidiaries have also been established or expanded further in the USA, the UK and Switzerland, and a joint-venture has been founded in the People’s Republic of China, over the past two financial years. The ALNO Group is expecting further sales growth from these foreign companies in 2015.

These initiatives will also be reflected in the order books of the ALNO Group. However, orders received by the ALNO Group during the first two months of 2015 were slightly below the previous year’s level, although with a significantly rising trend.

After a weak January, the deficit compared to the previous year was almost entirely compensated in the month of February 2015. During the first two months of 2015, net sales revenues were running above the level of the previous year, although slightly below plan. However, because the deviation from the planning is only slight, the Board of Management confidently expects that the planned sales and revenue targets for the 2015 business year will be achieved.

4.1.3 Business development 2015

The signs for an improvement in the economy in 2015 are positive. The International Monetary Fund (IMF) is forecasting global economic growth of 3.8% in 2015, compared to 3.3% in 2014. The IMF is expecting Eurozone growth of 1.3% after 0.8% in 2014. The general conditions and perspectives for the kitchen market in 2015 are moderately positive according to the Association of Wood and Plastic Processing Industries (VHK). For 2015, the trade associations of the furniture industry are expecting that these trends which became apparent last year will continue this year, namely for weaker domestic demand and a growing foreign market.

Integration of AFP with its PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN brands will have a significant influence on business development in 2015, as will the expansion in the product assortment in Switzerland and establishing the export business for steel kitchens. The first synergy effects have already been achieved by closure of the plant in Dietlikon. Furthermore, the decision by the Swiss National Bank to allow its exchange rate to float freely represents potential for the ALNO Group.

Higher sales volumes will have a positive effect on production by increasing capacity utilisation. This improved fixed cost coverage will also significantly improve the operating result. The component production formerly carried out at Wellmann Bauteile GmbH has been continued at the plants in Pfullendorf and Enger, on a more cost-effective basis, since 2014.

Optimisation of manufacturing towards lean, flexible production will be at the centre of various Group projects in 2015. To this end, additional investments amounting to about € 5 million will be required.

The end of the collective-bargaining agreement for restructuring in Pfullendorf will have a negative effect, as will the forecast wage increase from the collective-bargaining round in 2015. These will lead to an increase in personnel costs in the ALNO Group in 2015.

With an EBITDA (including special effects from the acquisition of AFP) in the amount of € 40.0 million, the forecast presented for the 2014 financial year, € 20 million, was exceeded at € 25 million. In the consolidated interim report of ALNO AG dated 14 November 2014 for the third quarter of 2014, the Board of Management of ALNO AG adapted its EBITDA forecast to as much as € 38 million. The Board of Management’s adjusted forecast was thus situated above the original expectations. This resulted exclusively from higher special effects in connection with the AFP acquisition, because at the time when the forecast was made for the 2014 financial year, the purchase price allocation (PPA) had not yet been completed. The operational business (without the special effects from the AFP integration), on the other hand, lagged behind the Board of Management’s expectations.

In view of this situation, the Board of Management is expecting a significant increase in sales revenue for the ALNO Group in 2015, with an unchanged company structure. No significant special effects are to be expected in 2015, so the EBITDA will be significantly lower than in 2014. Without one-off or special effects (such as the effects from the purchase price allocation in the previous year), the operational EBITDA will increase significantly in the 2015 financial year compared to 2014.

A significant growth in sales is expected in 2015 for each of the segments Trade, Projects and Retail, hand-in-hand with a significant growth in the EBITDA.

During the first two months of 2015, net sales revenues were running above the level of the previous year, although slightly below plan. However, based on current order books, the Board of Management confidently expects that the planned sales and revenue targets for the 2015 business year will be achieved.

The single-entity financial statements of ALNO AG are also expected to report a significant rise in sales as well as a significant improvement in the EBITDA compared to the previous year.

The risks and opportunities inherent in the aforementioned forecasts are explained in the following risk and opportunity report.

4.2 Risk report

Risk management system

To undertake and safeguard its business operations, the ALNO Group has implemented systems and procedures, as well as setting up committees allowing the Board of Management to recognise risks jeopardising the company's existence at an early stage and to react accordingly. Risks are identified, evaluated, managed and monitored in the ALNO Group on the basis of a Group-wide system ensuring timely detection and monitoring of risks with the elements of controlling risks on an operational level, an internal monitoring system for timely detection of risks jeopardising its survival, strategic controlling of the participating interests and controlling of all reorganisation measures and Group projects. Control of Group risks is based on the objective of achieving a fair balance between opportunities and risks.

All risks are described in a well-structured manner within the framework of the ALNO Group's operational risk controlling, and are evaluated according to their economic impact and probability of occurrence.

To improve transparency regarding the risk portfolio, risk management software from Opture AG was introduced as a web-based solution for all areas of the ALNO Group in January 2015. Opture AG is a market and technology leader for professional corporate risk management systems. Opture risk management software permits efficient and systematic recording of all significant risks, comprehensive risk quantification as well as integration in planning, monitoring, reporting and measures controlling.

On the basis of the risk management software, it has been possible to increase significantly the efficiency with which risks are recorded and control measures detailed, thereby creating the basis for central control of the Group-wide risk portfolio for ALNO AG on a cost-optimised basis within the year.

By multiplying the maximum amount of the effects of individual risks in euros by the probability of occurrence in percent, it is possible to calculate the gross expected values for risks prior to measures being taken, and the net expected values of these risks after the measures. On the basis of the magnitude of the expected value, risks are grouped into A, B and C risk clusters. A risks are potentially high risks in terms of amount, and are associated with a high expectation value; B risks represent moderate risks and C risks are low risks, with medium or low effects in terms of magnitude and expectation values, respectively.

For management of the risks, plans of action are defined for all risks. The implementation of these measures is monitored by an ongoing operational controlling process. Risks and measures are updated continuously on the basis of the risk management software. This integrates all risk-relevant data throughout the Group within a uniform system platform, making them transparent and reproducible for the management and for the employees affected.

Operational risk controlling is accompanied by a comprehensive reporting system, the content of which is continuously reported to the Board of Management. If required for timely detection of risks, the Board of Management receives corresponding ad-hoc information through this reporting system.

Operational risk controlling does not record any risks which have been transferred to third parties (e.g. insurance companies, subcontractors) by means of risk transfer measures. Insured risks or risks outsourced to third parties are not included in the gross expectation values.

Since the acquisition of AFP at the start of 2014, the Group is not primarily seen in terms of legally independent units, but instead as individual sales channels which receive their products from various legally independent entities (see also the explanations of the changeover in segment reporting in "F. Notes to the segment reports" in the notes). This means the Group can respond better to the different requirements of the individual sales channels, thereby improving Group control. The centralisation measures provided in 2015 will make an important contribution to improving this process further. An important task of risk management in the 2015 financial year will be to integrate the new risk management system into this process.

Even if Group control is no longer primarily undertaken via legally independent entities, the strategic controlling of participating interests continues to regard risks and opportunities on the basis of market and competition analyses which form the basis for management decisions, especially with regard to the globalisation strategy. In addition, controlling of participating interests also monitors the achievement of business targets on the basis of legal units and manages the Group companies on the basis of standard indicators. In this way, this system establishes a basis permitting the timely detection and initiation of measures to minimise risks.

All mergers & acquisitions (M & A) and reorganisation measures as well as Group projects are planned with regard to the activities for implementation, deadlines, effort and benefits, and monitored by an ongoing controlling process.

Risks due to redundancies, inefficiencies or bottlenecks in the flow of operations must be made identifiable within the ALNO Group by means of the risk management system. The measures that are initiated for this purpose are done with regard to their effect on the most important partners and customers in the individual sales channels.

The ALNO Group's trade receivables are protected through trade credit insurance; adequate liquidity management is assured within the framework of an integrated Group receivables management system taking into account customers' needs and security considerations. Development of the cash flow is monitored by a Group-based liquidity controlling process which simultaneously provides relevant parameters for timely decisions by the management.

The following descriptions of individual significant risks are sorted according to risk category, and, within each risk category, according to the net expectation value.

The risks are represented and assessed according to the risk limitation measures (overall consideration).

Following the risk limitation measures, only risks in risk classes B and C remain.

Financial risks

Risk description

If no measures are taken, the risk of a liquidity bottleneck exists within 12 months, in particular during the months from January to April, as well as during the plants' summer holidays in 2015. The risk of a liquidity bottleneck will thus be eliminated by a wide variety of measures.

At the moment, the ALNO Group operates predominantly on the basis of credit balances with banking institutes. Current accounts and loans in the total amount of € 28.6 million held by AFP with two Swiss banks as well as the investment loan that is still extended to Pino in the amount of € 0.3 million could be terminated without notice, amongst other possibilities, if there were to be an actual or threatened significant impairment in economic conditions or of the fair value of collateral, thus endangering repayment of the loans. If this financing were to be called in or subjected to extraordinary termination, the ALNO Group would be reliant on additional capital in the form of external capital or equity.

A right of extraordinary termination on grounds of significantly impaired economic conditions was not agreed with the creditors of the ALNO small and medium enterprise bond in 2013 or the convertible bond in 2014. Both external financing instruments have a term of five years, and are thus due for repayment in March 2018 and 2019 respectively.

Measures

- Ongoing monitoring and control of the liquidity reserves. In the ALNO Group, financial risks are hedged with the aid of planning and management instruments permitting timely detection of liquidity risks. ALNO AG essentially acts as financial coordinator for all Group companies in order to ensure that the financing required for the operational business is always adequate and as cost-efficient as possible. The information required for this will be updated in the course of rolling financial planning and supplemented with a short-term planning horizon of 13 weeks and a long-term horizon of up to 15 months by means of daily liquidity development planning, which is continuously compared with the actual payment flows.

- Safeguarding liquidity in the ALNO Group in 2015 and 2016. The central focus of the Board of Management of ALNO AG in 2015 and 2016 will continue to be concerned with safeguarding the short and medium-term liquidity situation in the Group Consequently, the Board of Management of ALNO AG has initiated a package of measures to safeguard the liquidity of the ALNO Group in 2015 and 2016, involving the following main aspects (see also "3. Report on events subsequent to the reporting date" as well as the information about ensuring continuation as a going concern under "B.1. Basis for preparation of the financial statements" in the notes):

1. Agreement of measures to secure liquidity with Bauknecht Hausgeräte GmbH, Stuttgart, in particular moratorium agreements, extensions to payment deadlines up to 150 days and bonus prepayment for 2015

2. Undertaking a structured financing process with regard to raising additional external capital through new investors in Germany and abroad, supported by an external corporate financial adviser and personal contacts of the ALNO Board of Management. In this regard, attention is focused on sale and lease back options when raising loans, for reasons of cost. With regard to raising loans, the entirely debt-free real estate assets of the ALNO Group are available as potential security. The optimum mix of finance is primarily determined by external capital costs and simple transaction structures

3. Carrying out a capital increase up to 10% in 2015

4. Payment term agreements with other selected suppliers

5. Control of the ongoing liquidity requirement by controlling the investment timings and managing the current assets (reducing inventories and receivables)

6. Realising undisclosed reserves associated with a liquidity injection in the double-digit millions through the sale of real estate and machines

7. Renegotiation of terms with the financing banks in the AFP acquisition

Market risks

Risk description

Germany: Germany is the ALNO Group's main market, accounting for more than 45% of the total sales revenue. In the kitchen furniture sector, the ALNO Group operates in a market characterised by fierce competition. The pressure on margins is increasing constantly due to fiercely competitive prices, especially in the lower price segments, and this could simultaneously squeeze manufacturers out of the market; at the same time, market shares could be lost. The activities of competitors and the trade could lead to distinctly lower sales revenue and earnings for the ALNO Group.

The ALNO Group's customers are primarily retailers, the vast majority of whom belong to purchasing associations. If major purchasing associations were to reduce their order volumes or terminate blanket agreements, and if the ALNO Group were unable to win new customers of comparable magnitude or were unable to obtain a commensurate increase in the volumes ordered by existing customers, this could lead to a reduction in capacity utilisation and sales revenue for the ALNO Group.

Abroad: Sales markets of the ALNO Group in Europe outside Germany include the United Kingdom, France, Austria, Switzerland, Spain, Italy and the Benelux countries in particular. These markets have developed differently in the past. ALNO AG presumes that the individual markets will continue to develop differently in the future too, depending on the influence of economic factors. ALNO generates a significant proportion of its sales revenues in the project business. A decline in new building activity as a result of changes to financial market conditions or in legislation could postpone or reduce the sales quantity.

Measures

In order to reduce dependency on the highly competitive domestic market and consequently corresponding market risks within Germany, the Board of Management has been pursuing a globalisation strategy since 2013 (see also "4.3 Opportunities report"), the first milestone of which was reached in 2014 through the acquisition of AFP in Switzerland. Another milestone was reached in January 2015 with the foundation of a joint venture company in St. Petersburg, which will start operations in the second half of 2015. Additional strategic acquisitions are in the pipeline. Moreover, further organic growth is planned for 2015 in Europe, China and the USA. Further organic growth in Europe is planned by transferring the highly successful business model of the English subsidiary, ALNO UK, to other foreign countries. However, positive effects from this will only bear fruit in 2016, due to the lead time involved.

Significant strategic and structural changes will be put into effect in the existing business in 2015 for sales in the ALNO Group, and will contribute to optimising the effectiveness and efficiency of sales in Germany and abroad so as to counteract the existing intensive competition in Germany in particular by taking specific measures.

Redesign of the assortment and an increase in productivity at the plants will also improve price competitiveness from 2015 onwards.

Further effects will be derived from optimisations to processes and systems, implementation of a new sales control system as well as qualification programmes for employees in sales.

Abroad in particular, competitiveness will be improved by a more intensive alignment towards country-specific, customer-oriented contracts, sales activities as well as order handling processes. Furthermore, the foreign activities of the ALNO Group are increasingly focusing on markets with a high revenue quality.

In 2015, the ALNO Group will continue to follow the path it started of intensifying sales activities in selected foreign markets such as the USA, China and Russia.

Supplier risks

Risk description

The ALNO Group purchases the raw materials and supplies needed to manufacture its products from a variety of suppliers. The elimination of one or more these major suppliers could significantly impair the ALNO Group's business activities.

Supply bottlenecks at significant suppliers could impair the production sequence and thus make it impossible to discharge delivery obligations temporarily.

Measures

The dependence on individual suppliers or unscheduled material price rises is counteracted by continuous methodological sourcing of potential alternative suppliers with self-disclosure, description of products and services, audits and credit worthiness checks.

Delivery bottlenecks are counteracted at existing and new suppliers through intensive technical and commercial support. The objective is to develop all suppliers according to need.

Production and quality risks

Risk description

The products manufactured by the ALNO Group could be faulty or defective. This could impair sales of the products and services to customers.

Measures

Quality risks are reduced by ongoing quality control of the production and order handling processes, further development of the quality planning system, expansion of quality control loops, implementation of the quality strategy and upgraded checks on glass panels as well as by compensation agreements with suppliers. The measures to reduce quality risks are based on a comprehensive quality strategy which contains specifications and appoints people responsible for the quality policy, quality guidelines, quality definitions, quality targets, quality improvement systems, organisation, image and benchmarks.

Strategic risks

Risk description

To achieve a sustained improvement in the net assets, financial position and results of operations for the ALNO Group, a restructuring project was started at the end of 2014 with the objectives of making production more flexible between Enger and Pfullendorf as well as centralising the administration and support areas of the ALNO Group. This restructuring project requires investments and the application of workforce capacity. A delay in providing these resources represents a risk of seriously delaying an improvement in the company structure.

Measures

A project controlling system has been established with a suitable project organisation. Amongst other things, the project controlling system is based on weekly reporting of the project status for each sub-project with statements about results, next steps, required decisions as well as tracking the project development using the completion level, milestone trend analyses and traffic light status. The project organisation consists of the following organisational elements: steering committee, project management, sub-project leaders, core team, project office and project sponsors for sub-project groups; there are also weekly core team meetings which permit effective and efficient control of the restructuring project. The project controlling system and project organisation create an ongoing overview of available and required resources. This means the risk of a project delay is counteracted by timely escalation as well as application of countermeasures through the project organisation.

IT risks

Risk description

A large part of the ALNO Group's order handling, production, warehouse management and accounting is based on computers. ALNO AG has outsourced part of its IT systems and services. Failure of the computer systems or problems with the contractual relationships regarding provision of services could lead to a dislocation in working procedures.

Measures

The IT risks are successively reduced by investments in an improvement to failsafe performance (replacement of outdated systems by ones with high availability, redundant communication connections, backup solutions, stability-oriented release changes, suitable emergency plans), expansion of in-house application and system expertise, replacement of existing in-house solutions by standard systems and orientation of the IT strategy towards the company strategy in line with increasing production flexibility and centralising the administration and support areas.

Price risks

Risk description

Wood, metal, plastics, glass and ceramics are the most important raw materials for ALNO. Changes in the market price of these materials could have a corresponding impact on development of the Group's margins.

Further risks exist, in particular with regard to the trend in service costs.

To a very large extent, the ALNO Group would be unable to pass on higher costs to its customers, or only after a delay. This could have a negative impact on margins and earnings.

Measures

An annual planning process for each location and goods group with an estimate of the effect of expected market prices, structural changes and projects creates the basis for an adequately reliable statement regarding necessary price increases, thereby achieving satisfactory margins and revenues. Ongoing, monthly controlling is carried out with regard to the actual prices of materials and services at each site and for each goods group, with detailed analyses of savings potential, price increases and structural effects, thereby allowing decisions to be taken for early-stage countermeasures if price increases are introduced mid-period. Furthermore, negotiations on price fixes are conducted with suppliers to reduce the risk of an unscheduled price increase which cannot be passed on to customers.

Risks of default / credit risks

Risk description

Insolvencies in the Trade segment could expose the ALNO Group to the risk of bad debts. If customers receive deliveries above the insured credit lines, there is additionally the risk of these receivables not being covered in the event of the threat of insolvency or inability of the customer to pay. The proportion of non-insured or insured receivables is less than 3%. The bad debt quota was less than 1% in the past.

Measures

In conjunction with Group receivables management, minimum requirements as regards creditworthiness and maximum exposure limits are defined for all business partners of the ALNO Group. These are based on a system of defined limits for which compliance is constantly monitored.

In addition, the ALNO Group safeguards its trade receivables through trade credit insurance which, if an account receivable is not paid, will indemnify the loss incurred in the contractually agreed pro rata amount, subject to a deductible. Furthermore, regular coordination between central Group receivables management and sales makes it possible to control measures in case of overdue receivables. An SAP-based credit management system supplies an effective basis for taking decisions on measures that must be taken within the context of receivables management, on the basis of an automatic comparison between credit lines and the outstanding receivables from each customer across all brands.

Overall risk assessment

From the current perspective, the Board of Management regards the overall risk situation as manageable, taking account of the aforementioned risks. At present, no further significant risks are apparent which could weaken the net assets, financial position and results of operations sustainably.

4.3 Opportunities report

Globalisation strategy

A) Inorganic growth

AFP Küchen AG

The takeover of 100% of the shares in AFP from the Swiss AFG Arbonia-Forster-Holding in January 2014 was a first important milestone towards meeting the objective of generating inorganic growth. AFP is the market leader in Switzerland. AFP owns the two brands, PIATTI and ALNOINOX / FORSTER SCHWEIZER STAHLKÜCHEN. An increase in the sales revenue is planned for 2015 with these new brands.

This ensures that ALNO AG will occupy a top position in the Swiss kitchen market in 2015; this market has high price levels and, with a yearly growth rate of more than 3%, is also one of the growing markets in Europe. At the same time, ALNO AG was able to increase the export proportion of its sales revenues significantly by taking this step. As a result of efficiency programmes embarked upon at PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN at the end of 2012 as well as the purchasing advantages resulting from the merger, ALNO AG is expecting significant synergy effects to come into play.

Joint venture in Russia

In January 2015, ALNO AG signed a contract to establish a joint venture in Russia. The partner is the “Pervaya Mebel’naya Fabrica” (“1ff”), one of the largest furniture manufacturers in Russia, based in St. Petersburg. It belongs to the Alexander Shestakov group of companies, which owns a furniture production plant as well as a sales organisation and its own kitchen studios, amongst other assets. It is planned to start industrial production for about 25,000 to 30,000 kitchens per year in St. Petersburg from August 2015 onwards.

Through this cooperation, ALNO AG is opening up one of the largest kitchen markets in Europe that has achieved regular double-digit percentage growth in recent years.

Further inorganic growth

The growth targets of the ALNO Group additionally include the strategy of inorganic growth. Further takeover opportunities are being examined on an ongoing basis through permanent, systematic screening of the market. The focus in this is directed not only towards a product fit and improving the utilisation of existing resources, but also a match-up with the company values of the ALNO Group. By integrating further takeover candidates into the ALNO Group, it is intended for growth and synergy potential to be leveraged and profitability improved further.

B) Organic growth abroad

Europe

Back in 2014, ALNO AG succeeded in entering in cooperation with strategic partners in the markets of France (FBD Group), Spain (TSK) and Scandinavia (Vordingborg, Kitchen Nordic), thereby positioning itself favourably with regard to competitors with these customers. This approach must be expanded further in 2015 in a positive market environment, including through displacement activities with model kitchens involving strategic ranges and carrying out sales campaigns specifically targeted at the competition. In Benelux, cooperation with MHK is being promoted further through the market entry of altano. Furthermore, the focus will remain on attracting new customers and continuing to implement the growth strategy that was started in 2014 with major customers in Belgium and the Netherlands.

Asia

The main emphasis in the Asian region is on pushing the project business. The main markets here are China, India, Taiwan and Korea. Through stronger local support and establishing direct relations with developers, the conversion rate of projects should be increased to 50% in the medium term. In parallel to this, projects are systematically inspected, thereby significantly increasing the number of offers, which in turn leads to a higher completion quota.

In addition, the retail network is being expanded in the Chinese market, thereby further improving market penetration. This means we are also taking account of changing market conditions (supplementing the project business with retail business) in our strategic alignment.

In India, the retail network has already been expanded. Here, it is important to strengthen the individual studios through specific, local measures.

ALNO UK foreign subsidiary

The ALNO UK foreign subsidiary has positioned itself for further growth. The restructuring of the company during the last three years is now accelerating growth.

Investments in the project business resulted in 18% growth in 2014, offering a platform for further growth in 2015. The current orders on hand at about € 27 million are 42% up on a year-on-year basis.

The franchise business has allowed incoming orders to be increased by 15% already in 2015. By rolling out an aggressive store opening programme, it is to be expected that additional improvements will be made during the coming months.

The independent retail business with growth of 18% in 2014 is well placed to enjoy sustained growth over the next three years because of the attractiveness of the ALNO brand, the planned profiling as a brand ambassador with the John Lewis chain of stores starting in the 3rd quarter of 2015 as well as three new studios.

The good positioning of ALNO UK means that double-digit growth is planned for the strategic period up to 2018.

ALNO (Schweiz) AG foreign subsidiary

The ALNO (Schweiz) AG foreign subsidiary is expecting further growth in 2015 by focusing on further expansion of market activities with active sales promotion and development in customer relationships with architects and planners in particular. The order books of ALNO (Schweiz) AG will also contribute to growth at ALNO (Schweiz) AG, and are currently about 50% above the previous year's figure at about € 17 million.

ALNO USA foreign subsidiary

The existing sales channels of Retail, Trade and Project business are being worked on continuously. Growth is expected in all channels in 2015. The network of retailers is being strategically expanded and important sites occupied.

The retail business in Miami and New York continues to be expanded through in-house businesses. The conversion rate in the project sector has already been increased, the effects of which are already visible in 2015.

Additional markets

The focus here is on expanding the retail business. The main markets are Turkey, the Middle East and, in Europe, Italy and Poland.

The Turkish market in particular offers numerous possibilities for the project and retail business. The strategy with the local partner is already being implemented and new studios will shortly be opened in Istanbul, Antalya and Ankara.

The Middle East area is a new component integrated in the sales organisation at Pfullendorf. This will significantly intensify customer support and allow market potential to be exploited more effectively.

ALNOINOX

The export strategy will be implemented with a person directly responsible for export. The objective is to expand an international trading network with selected partners, work on which has already started. The first customers in Germany, Russia and Asia have been provided with model kitchens. Also, the foreign subsidiaries have started work on the implementation.

Existing financing potential

The capital market and restructuring measures undertaken in 2012 allowed significant bank liabilities to be repaid, thereby freeing up the majority of collateral which had been placed. This collateral has a total value of about € 200 million, and is to a large extent available for new financing. On this basis, the ALNO Group is well placed to expand its financing.

Processes

The restructuring project started at the end of 2014 with the objectives of making production more flexible between Enger and Pfullendorf, and to centralise the administrative and support areas of the ALNO Group, will contribute to a sustained improvement in the net assets, financial position and results of operations of the ALNO Group.

The new process concept will make it easier for customers to do business with the ALNO Group in future. There is one central point of contact in the sales unit for the customers, who is responsible for maintaining customer contact. By strengthening customer loyalty at the same time as streamlining processes, there will also be the side effect of significantly reducing structural costs as well as additional opportunities to improve the quality of revenues through a comprehensive consideration of customers.

This effect will be strengthened further in that delivery to customers will in future be from the plants in an optimised way.

The breakdown of the rigid allocation of brand to plant means that several brands will be produced in one plant in future. This will lead to increased flexibility of capacity utilisation between the plants, as well as reducing additional costs and thus increasing efficiency in production.

Quality

The ALNO Group consistently works to improve quality further. Thus, defect ratios for customers will be reduced further by considering the entire wealth-creation chain from customer back to supplier, as a means of building further on our existing top position in the German kitchen market. For example, quality improvement projects with retailers as well as training for salespersons in furniture stores and our own field force will in future provide a means of reducing complaints and the costs that arise from them. The same applies for consistent quality audits at suppliers, with the possibility of more targeted regress.

Product innovations

The ALNO Group has regularly won distinctions for its innovative product developments and designs in the past and intends to do so in the future, too. Product development focuses on product innovations and new applications which are systematically developed across all product lines for specific target groups. The range of products and services will be continuously revised in the future, too.

5 SIGNIFICANT FEATURES

of the accounting-related internal control and risk management system pursuant to Sections 289 subsection 5 and 315 subsection 2, no. 5, of the German Commercial Code (HGB)

According to the reasoning of the German Act to Modernise Accounting Law (BilMoG) which came into force on 29 May 2009, the internal system of controls encompasses principles, methods and measures to assure the effectiveness and cost-efficiency of accounting, to assure the due and proper nature of the accounting and to ensure compliance with the relevant legal regulations. This also includes Group controlling insofar as it relates to the accounting. As part of the internal system of controls and like the latter, the risk management system in conjunction with the accounting process refers to processes controlling and monitoring the accounting, especially in the case of items in the commercial account which serve to hedge the company's risks.

Presentation and explanation of the main features of the internal system of controls and of the risk management system in conjunction with the accounting process

The main features of the internal system of controls and risk management system used by ALNO AG can be described as follows in conjunction with the (Group) accounting process:

- The ALNO Group is characterised by a clear organisational, corporate, controlling and monitoring structure;
- Coordinated planning, reporting, controlling and early warning systems and processes are in place throughout the Group to ensure all-embracing analysis and management of risk factors affecting earnings, as well as of risks jeopardising the company's survival;
- Functions are clearly assigned in all areas of the accounting process (e.g. financial accounting and controlling);
- The computer systems used in accounting are protected against unauthorised access;
- Standard software is predominantly used in conjunction with the financial systems used;
- An adequate internal system of guidelines (including Group-wide risk management guidelines) is in place and is adjusted when necessary;
- The departments involved in the accounting process meet with the quantitative and qualitative requirements;
- The complete and correct nature of data in the accounting system is regularly verified with the aid of spot checks and plausibility checks, using both manual controls and the installed software. On the segment level, a risk controller is established to accompany the risk management process on the segment level and to verify the plausibility of the data;
- For the consolidation, ALNO AG has set up processes to reconcile intra-Group receivables and liabilities, as well as income and expenses;
- External services (e.g. actuaries, experts, etc.) are consulted in the case of essential, complex and discretionary accounting issues;
- Essential processes relating to the accounting are subjected to regular analytical checks;
- The double-checking principle is consistently applied in all accounting-related processes;
- Accounting-related processes are checked by Group controlling;
- Among other things, the Supervisory Board also addresses essential issues concerning the accounting, risk management, the audit mandate and its main aspects

In conjunction with the accounting process, the internal system of controls and risk management as well as internal auditing assist the Board of Management and Supervisory Board in ensuring compliance with the statutory regulations.

6 REPORTING

acc. to Sections 289 subsection 4 and 315 subsection 4 of the German Commercial Code (HGB)

As the ALNO Group's parent, ALNO AG uses an organised market within the meaning of Section 2 subsection 7 of the German Securities Acquisition and Takeover Act (WpÜG) for its issued voting shares and therefore reports in accordance with Sections 289 subsection 4 and 315 subsection 4 of the German Commercial Code (HGB).

Composition of the subscribed capital

The subscribed capital is unchanged in total at € 70,094,979.00 as at 31 December 2014 and is divided into 70,094,979 no-par-value shares. The shares are issued as bearer shares and fully paid up.

Restrictions on voting rights or the transfer of shares

The Board of Management does not know of any restrictions on voting rights or the transfer of shares, even when they may be associated with agreements between shareholders. Each share grants one vote in accordance with Section 22 of the articles of association.

Direct or indirect equity interests

For holdings of more than 10% of the capital in ALNO AG, the equity interests applicable as at 31 December 2014 are summarised below on the basis of the last figures reported to ALNO AG in accordance with the German Securities Trading Act (WpHG):

Affiliated company	Share of voting rights	Notification / publication date
Whirlpool Germany GmbH, Stuttgart [1]	19.99%	21 March / 25 March 2014
Whirlpool Corporation, Wilmington, DE / USA [1]	19.99%	21 March / 25 March 2014

[1] Pursuant to Section 22 subsection 1, sentence 1, no. 1, para. 3, of the Securities Trading Act (WpHG), the 19.99% held by Whirlpool Germany GmbH are ascribed to Whirlpool Corporation.

Holders of shares with special rights

There are no shares with special rights authorising control.

Type of voting control in the case of employee holdings

The Board of Management does not know of any voting control in the event that employees hold a share of the capital and do not exercise their right of control directly.

Statutory regulations and provisions in the articles of association concerning the appointment and dismissal of members of the Board of Management and amendments to the articles of association

Members of the Board of Management are appointed and dismissed in accordance with Section 84 of the Stock Corporation Act (AktG). Amendments to the articles of association are decided by the annual general meeting in accordance with Sections 133 and 179 of the Stock Corporation Act (AktG). In Section 12 subsection 2 in combination with Section 12 subsection 1 of the articles of association, the annual general meeting has exercised the option pursuant to Section 179 subsection 1, sentence 2, of the Stock Corporation Act (AktG) and authorised the Supervisory Board to undertake changes which merely concern the version of the articles of association.

Power of the Board of Management to issue and buy back shares

By resolution of the ordinary general meeting of ALNO AG on 26 June 2013, the Board of Management was authorised to increase the company's share capital once or several times until 25 June 2018 by up to € 35,047,489.00 through issuing up to 35,047,489 no-par-value ordinary shares in return for cash and / or non-cash contributions (authorised capital 2013). The entry in the commercial register was made on 9 August 2013.

The Board of Management is authorised to undertake the following actions with the consent of the Supervisory Board

- to exclude shareholders' subscription rights for fractional amounts;
- to exclude the shareholders' subscription rights as a whole in order to offer the company's new shares to third parties in return for non-cash contributions in conjunction with business combinations or the acquisition of companies or parts thereof, as well as with the acquisition of other assets, including loans and other liabilities;
- to exclude the shareholders' subscription rights if the cash capital increase does not exceed 10% of the share capital and the issuing price is not significantly lower than the market price of correspondingly endowed shares which are already listed on the stock market;
- to exclude the shareholders' subscription rights if necessary in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its subordinate Group companies a subscription right to the new shares commensurate with that accruing after exercising their option or conversion rights or following the discharge of conversion obligations.

The approved capital was not utilised as at 31 December 2014, and thus remains € 35,047,489.00.

The annual general meeting on 26 June 2013 had authorised the Board of Management to issue cum-warrant and/or convertible bonds, participatory rights and/or participating bonds (or combinations of these instruments) (referred to jointly as "bonds") in the total amount of up to € 100,000,000.00 up to 25 June 2018, and has created conditional capital in the amount of € 35,047,489.00 (conditional capital 2013) for this purpose. The aforementioned authorisation from 26 June 2013 was used in March 2014 by the issue of convertible bonds in the total amount of € 14,000,000.00 ("convertible bond 2014"). In view of the conversion price defined in the bond conditions of the convertible bond 2014 amounting to € 2.00 per share, the conditional capital 2013 had to be maintained in an amount of € 7,000,000.00 to secure the holders of the convertible bond 2014 and the authorisation of 26 June 2013 (corresponding to 7,000,000 no-par-value ordinary shares of the company with a pro rata amount of the capital stock of € 1.00 per share).

The remaining framework for the conditional capital 2013 has been opened for an amount of € 21,000,000.00 for further conversion and subscription rights which can be issued on the basis of the new authorisation by the annual general meeting on 28 May 2014, up to 27 May 2019. Accordingly, the decision taken by the annual general meeting on 26 June 2013 regarding the creation of the conditional capital 2013 (taking account of the reduction in the conditional capital 2013 described below) was readapted to such an extent that the conditional capital 2013 is also available for safeguarding the holders of cum-warrant and/or convertible bonds, participatory rights and/or participating bonds (or combinations of these instruments) which are issued on the basis of the authorisation approved by the annual general meeting on 28 May 2014.

The adjusted contingent capital 2013 was entered in the Register of Companies on 28 July 2014 and was newly specified as follows: The capital stock has been conditionally increased up to € 28,037,993.00 by the issue of up to 28,037,993 no-par-value ordinary shares (contingent capital 2013). The conditional capital increase will only be undertaken to such an extent as the holders or creditors of cum-warrant and/or convertible bonds, participating bonds and/or participatory right with cum-warrant and/or conversion rights or option and conversion obligations (or combinations of these instruments) that the company or its Group companies issued in March 2014 on the basis of the authorisation decision by the annual general meeting on 26 June 2013, or will be issued up to 27 May 2019 according to the authorisation of the annual general meeting on 28 May 2014, exercise their option or conversion rights deriving from these bonds or discharge their conversion/option obligation, and in each of these cases to the extent that the conditional capital 2013 is required according to the provisions of the bond terms. The new shares are issued in accordance with the aforementioned authorisation decisions at a specific option or conversion price in each case. The new shares participate in profits from the start of the financial year in which no decision has been taken regarding the use of the net profit at the time when they were issued. The Board of Management is authorised to specify further details, with the consent of the Supervisory Board, concerning the realisation of this contingent capital increase.

Furthermore, the annual general meeting of ALNO AG on 28 May 2014 decided on authorising the issue of up to 7,009,496 share options to members of the Board of Management of the company, selected managers below Board of Management level in the company as well as members of the managing boards of companies associated with the company, in accordance with Sections 15 ff. of the Stock Corporation Act (AktG). The no-par-value bearer shares of the company, in up to 7,009,496 in number, required for fulfilling the share option rights will be granted by a conditional capital 2014. To create the conditional capital 2014, the existing conditional capital 2013 was reduced by € 7,009,496.00 to the amount of € 28,037,993.00. The reduction in the conditional capital 2013 was required because the nominal amount of the conditional capital was not allowed to exceed half of the capital stock on hand at the time when the decision regarding the conditional capital increase was taken. Also, following the reduction in the conditional capital 2013, the subscription rights of the holders of the convertible bond 2014 are fully covered.

The annual general meeting of ALNO AG on 28 May 2014 therefore decided to increase conditionally the capital stock by up to € 7,009,496 by issuing up to 7,009,496 no-par-value ordinary shares (conditional capital 2014). The conditional capital increase exclusively serves to grant rights to the holders of share option rights from the share option programme 2014, which the Board of Management was authorised to issue by a decision of the annual general meeting on 28 May 2014. The conditional capital increase will only be undertaken to the extent that the holders of share option rights granted on the basis of the authorisation by the annual general meeting on 28 May 2014 exercise these option rights and the company does not fulfil the share option rights through cash payment. The new shares participate in profits from the start of the financial year in which no decision has been taken by the annual general meeting regarding the use of the net profit at the time when they were issued. The Board of Management of ALNO AG was entitled to define the further details for undertaking the conditional capital increase, with the approval of the Supervisory Board, in the event that share option rights and shares are to be issued to members of the Board of Management of the company; in this case, the Supervisory Board defines the further details for carrying out the conditional capital increase. It was entered in the Register of Companies on 28 July 2014.

By resolution of the annual general meeting on 23 June 2010 and effective 24 June 2010, the Board of Management was authorised to acquire own shares in accordance with Section 71 subsection 1, no. 8, of the Stock Corporation Act (AktG). The authority to acquire shares up to 10% of the share capital on the balance sheet at the time of the annual general meeting remains valid until 22 June 2015.

Major changes subject to a change of control following a takeover bid

There were no such agreements as at the closing date.

Compensation agreements

Compensation agreements which would apply in the event of a takeover agreement have not been concluded between the company and members of the Board of Management or employees.

7 DECLARATION ON CORPORATE GOVERNANCE

(Section 289a of the German Commercial Code (HGB)) and report on corporate governance

Declaration pursuant to Section 161 of the Stock Corporation Act (AktG)

Corporate governance stands for responsible, transparent and orderly management and control of companies. The purpose of the German Corporate Governance Code (hereinafter referred to as “the Code”) is to ensure that the rules accepted in Germany for managing and controlling companies are standardised for national and international investors and systematically implemented to strengthen confidence in the management of German companies. Section 161 of the Stock Corporation Act (AktG) obliges listed companies to declare every year that the company has been, and is, in compliance with the recommendations or to advise of any recommendations that have not been, or are not being, applied and the reasons for this.

The Code's annual review and amendment was undertaken by the "Government Commission on the German Corporate Governance Code" in June 2014. The changes only concern explanations to the information of the Board of Management remuneration. In the adaptations, the "Government Commission on the German Corporate Governance Codex" is pursuing a clarification of which information must be provided on the Board of Management remuneration in the specified tables, how these are to be understood and represented. Neither changes nor additions have been made to the text of the Code.

The Board of Management and Supervisory Board of ALNO AG explicitly welcome the Code's recommendations and their objectives. Both boards have once again devoted intensive attention to the Code's recommendations and their implementation this year and complied with these recommendations with only a few exceptions. The joint declaration of compliance by the Board of Management and Supervisory Board is set out below and is also publicly accessible on the Internet at **www.alno.ag**.

Declaration pursuant to Section 161 of the Stock Corporation Act (AktG) by the Board of Management and Supervisory Board of ALNO AG concerning the recommendations of the German Corporate Governance Code:

The Board of Management and Supervisory Board of ALNO AG declare, that since submission of the last declaration of compliance and the deviations listed therein on 30 September 2013, they have complied with the recommendations of the German Corporate Governance Code (DCGK) in the version dated 13 May 2013 (published on 10 June 2013 in the Federal Gazette), and that the recommendations of the Code will also be followed in future, with the following exceptions:

- *The German Corporate Governance Code recommends D&O insurance with deductible for members of the Supervisory Board. ALNO AG believes that a deductible is not required in view of the Supervisory Board members' responsibility and motivation in discharging their duties. Contrary to the requirements in Section 3.8 of the Code, the D&O insurance in force for members of the Supervisory Board of ALNO AG therefore does not include a deductible.*

- *With a decision taken on 29 September 2014, the Supervisory Board decided to establish a Nomination Committee, meaning that ALNO AG no longer deviates from number 5.3.3 of the Code since that point.*

- *In its meeting on 29 September 2014, the Supervisory Board stated specific targets for its composition. In particular, it set an age limit for Supervisory Board members, number of independent Supervisory Board members as defined by number 5.4.2 of the Code as well as taking account of diversity and an appropriate representation of women in its composition.*

- *The consolidated financial statements for 2013 were published within 90 days after the end of the financial year, which thus no longer deviates from number 7.1.2 sentence 3 of the Code. The interim report was and will still not be published within 45 days after the end of the reporting period (number 7.1.2 sentence 3 of the Code). It is planned to bring the interim report more into line with the required deadlines.*

Pfullendorf, 29 September 2014

For the	*For the*
Board of Management	*Supervisory Board*
Max Müller	*Henning Giesecke*

Relevant disclosures concerning management duties and activities which go beyond the statutory requirements

Mission statement of ALNO AG

It is the declared aim of ALNO AG to undertake all business dealings in an ethically and legally irreproachable manner. On the basis of its “one company” concept, ALNO AG has developed a mission statement which sets out the basis of its corporate culture for employees and partners, represents the company’s corporate identity and describes the principles for sustainable and socially responsible action.

Group guidelines on conduct in business life

ALNO AG has adopted internal Group guidelines defining its conduct in business life. For all employees of the ALNO Group (including the executive management level and Board of Management), these guidelines not only specify basic behavioural requirements, but also define relations with business partners and third parties, the use of company facilities and the use of data. In addition, the Group guidelines also address such issues as the environment, occupational safety and health, and the right to make complaints and receive information. Compliance with the Group guidelines on conduct in business life is regularly checked in all the Group’s companies. This is undertaken in compliance with the respective national procedures and statutory requirements.

Transparency and accounting

ALNO AG prepares regular annual and interim reports, ad-hoc bulletins and press releases for its shareholders and the interested public, informing them of the company’s position and essential changes in its business operations. The corporate information published by the company is also posted on the company’s website and is publicly accessible on **www.alno.ag**.

Accounting is in accordance with the International Financial Reporting Standards (IFRS).

Duties and activities of the Board of Management and Supervisory Board; membership, duties and activities of their committees

The Board of Management

On 31 December 2014, the Board of Management of ALNO AG was made up of four members. The Board of Management runs the company on its own responsibility. It is bound by the company’s interests and committed to sustainably increasing the company’s enterprise value. The members of the Board of Management are appointed by the Supervisory Board. The precise number of members making up the Board of Management and, if necessary, its chairman and the chairman’s deputy are likewise designated by the Supervisory Board.

According to the articles of association of ALNO AG, the Board of Management must draw up rules of procedure in consultation with the Supervisory Board. These rules of procedure define management of the business as a whole and of individual business areas, the allocation of duties, the duties of the Chief Executive Officer, the board’s duties as regards informing the Supervisory Board and the manner in which it deals with conflicts of interest. The Board of Management meets regularly at short intervals to discuss the development of business and adopt its resolutions. In addition, the Board of Management regularly reports to the Supervisory Board, with timely and comprehensive information on all aspects of relevance to the company and its planning, business development, ongoing projects, risk position and risk management, and coordinates the company’s strategic orientation with the Supervisory Board.

Total remuneration for the members of the Board of Management is in compliance with the statutory requirements of the Stock Corporation Act (AktG). The members of the Board of Management receive a fixed remuneration which also includes non-cash elements, especially the provision of a company car. The fixed elements assure a basic level of remuneration allowing each member of the Board of Management to perform his or her duties in accordance with the company’s well-understood interests and the obligations of a prudent business person, without becoming dependent on the achievement of merely short-term targets. In addition, their service contracts also include a variable premium element which depends on the company’s economic performance.

The explanation of the principles of the system of remuneration as well as disclosure of the remuneration of the Board of Management is provided in the remuneration report. With regard to the remuneration report, we refer to the detailed information contained in the remuneration report in the notes.

The Supervisory Board

The Supervisory Board of ALNO AG monitors and advises the Board of Management in its running of the company and participates in decisions of fundamental importance for the company. As required by the German One-Third Participation Act (DrittelbG), the Supervisory Board of ALNO AG comprises six shareholder representatives and three employee representatives. Up to 31 October 2014, the Supervisory Board consisted of six representatives of shareholders and three representatives of the workforce. From 1 November 2014 onwards until the closing date, the Supervisory Board comprised five representatives of shareholders and three representatives of the workforce. From 21 January 2015 onwards, the Supervisory Board has once again consisted of six representatives of the shareholders and three representatives of the workforce.

The Supervisory Board is also required by the articles of association to draw up its own rules of procedure. These govern, in particular, the convocation of meetings, the formation and duties of the committees and the requirements to be met by the members of the Supervisory Board. The Supervisory Board meets at least twice per half-year. The chairman of the Supervisory Board decides whether the members of the Board of Management are to attend its meetings. Meetings are convened with at least 14 days' notice. The agenda topics and proposed resolutions are communicated together with the invitation. In individual cases, the Supervisory Board also adopts resolutions in a written circulating procedure or through telephone conferences. The Supervisory Board does not include any former members of the company's Board of Management.

Each member of the Supervisory Board is obliged to disclose any conflicts of interest immediately. Members of the Supervisory Board are required to resign their position in the event of significant and not merely temporary personal conflicting interests.

The chairman of the Supervisory Board remains in regular contact with the Board of Management and particularly with the Chief Executive Officer, with whom the chairman consults on the company's strategy, business development and risk management.

In the report of the Supervisory Board and at the annual general meeting, the chairman of the Supervisory Board gives a detailed annual report on the activities of the Supervisory Board and its committees.

The Supervisory Board has set up the following three committees: Strategy and Executive Committee, Audit Committee and Nomination Committee.

The Strategy and Executive Committee prepares the meetings of the Supervisory Board, monitors the resolutions adopted, is responsible for the employment contracts signed with members of the Board of Management and their remuneration, and represents the company in dealings with former members of the Board of Management, insofar as this is not the responsibility of the Board of Management itself. In addition, the Strategy and Executive Committee analyses the company's ongoing business, advises the Board of Management with regard to the strategic orientation of the ALNO Group and Group companies, verifies its implementation and prepares papers on the strategic orientation to be adopted by the Supervisory Board, insofar as the activity concerned requires the consent of the Supervisory Board.

The Strategy and Executive Committee comprised or comprises the following members:

- Mr Henning Giesecke (chairman)
- Dr. Marc Bitzer (up to 31 October 2014)
- Mr Norbert Orth
- Mr Hubertus Krossa (as from 11 December 2014)

The Audit Committee is mainly concerned with the preparation of negotiations and resolutions by the Supervisory Board on matters relating to the company's accounting, risk management, the internal auditing system and compliance, the necessary independence of the auditors, retaining the auditors, defining the focal points of the audit and reaching agreement with the auditors on their fee for the audit.

The Audit Committee comprised or comprises the following members:

- Mr Anton Walther (chairman)
- Mr Jörg Kespohl
- Mr Hubertus Krossa (up to 29 January 2015)
- Mr Hanns Rech (as from 29 January 2015)

The Nomination Committee established in the constituting meeting of the Supervisory Board on 11 December 2014 has the task of recommending to the Supervisory Board suitable candidates for representing shareholders on the Supervisory Board, who can in turn be proposed to the annual general meeting for election. The proposals should take account not only of the required knowledge, skills and technical experience of the candidates, but also the targets stated by the Supervisory Board in its internal governance procedures.

The Nomination Committee has the following three members:

- Mr Henning Giesecke (chairman)
- Mr Norbert Orth
- Mr Hubertus Krossa

Further information on the members of the Board of Management and Supervisory Board and on the remuneration paid to the Board of Management can be found in Section J. "Supervisory Board and Board of Management" of the notes to this annual report.

For their activities, the members of the Supervisory Board received total remuneration in the amount of € 452,917.00 in the financial year 2014. This is made up as follows:

	2014 in €
Henning Giesecke (chairman)	90,000
Rudolf Wisser (vice-chairman)	60,000
Anton Walther	50,000
Jörg Kespohl	45,000
Gerhard Meyer	40,000
Norbert Orth	45,000
Dr. Marc Bitzer (up to 31 October 2014)	37,500
Hubertus Krossa	45,417
Werner J. Rellsta	40,000
TOTAL	**452,917.00**

Furthermore, members of the Supervisory Board received remuneration in the total amount of € 179,325 (previous year: € 173,795).

The fees paid to members of the Supervisory Board for their advisory activities are set out in Section J. "Supervisory Board and Board of Management" of the notes to this annual report.

As at 31 December 2014, the Chief Executive Officer Max Müller and his family directly and indirectly held 3,912,935 shares in the company, corresponding to 5.58% of the share capital of ALNO AG. All other members of the Board of Management held fewer than 1% of the shares in ALNO AG both at the end of 2014 and at the end of the previous year 2013. In total, the members of the Board of Management held 4,270,435 shares on 31 December 2014. The members of the Supervisory Board held 342,000 shares on 31 December 2014.

Further information on the company's management can be found in the articles of association of ALNO AG, which are also publicly accessible on the company's website at **www.alno.ag**.

Pfullendorf, 31 March 2015

The Board of Management

Max Müller
Chief Executive Officer of ALNO AG

Ipek Demirtas
Chief Financial Officer

Ralph Bestgen
Chief Sales Officer, Marketing
and Product Development

03

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2014

in € 000	Notes	2014	2013 adjusted
Sales revenue	C. 1	545,774	395,056
Changes in inventories and capitalised goods and services for own account	C. 2	593	2,603
Other operating income	C. 3	78,217	9,452
Total operating performance		**624,584**	**407,111**
Cost of materials	C. 4	316,242	222,031
Personnel expenses	C. 5	138,253	95,263
Other operating expenses	C. 6	121,207	82,153
Result from reorganisation (+ = expense / – = income)	C. 7	8,925	916 *
EBITDA		**39,957**	**6,748 ***
Write-ups on intangible assets and property, plant and equipment	C. 8	0	7,846
Depreciation on intangible assets and property, plant and equipment	C. 9	33,710	12,173
EARNINGS BEFORE INTEREST AND TAXES (EBIT)		**6,247**	**2,421 ***
Income from investments measured at equity	C. 10 / D. 4	–2,946	–723
Financial income	C. 10	2,656	205
Financial expenses	C. 10	12,265	7,898
Financial result		**–12,555**	**–8,416**
EARNINGS BEFORE TAXES (EBT)		**–6,308**	**–5,995 ***
Taxes on income (+ = expense / – = income)	C. 11	–2,187	3,477
GROUP PROFIT FOR THE PERIOD		**–4,121**	**–9,472 ***
of which non-controlling interests		–133	–89
of which attributable to shareholders of ALNO AG		–3,988	–9,383 *
Profit in EUR / share (diluted and undiluted)	P.	–0.06	–0.14 *

* Adaptation see B. 4. in the notes

GROUP STATEMENT OF INCOME AND ACCUMULATED EARNINGS

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2014

in € 000	Notes	2014	2013 adjusted
GROUP PROFIT FOR THE PERIOD		**–4,121**	**–9,472 ***
Items transferred to the income statement in subsequent periods:			
Change in the difference resulting from currency conversion		175	91
Changes in the value of securities recognised outside profit or loss		–9	–17
Deferred taxes on the change in value of securities recognised outside profit or loss	C. 11	3	5
Total of items transferred to the income statement in subsequent periods:		**169**	**79**
Items not transferred to the income statement in subsequent periods:			
Actuarial gains and losses from pension provisions	D. 12	–7,180	–764
Deferred taxes on actuarial gains and losses from pension provisions	C. 11	1,620	573
Total of items not transferred to the income statement in subsequent periods:		**–5,560**	**–191**
OTHER GROUP PROFIT FOR THE PERIOD		**–5,391**	**–112**
GROUP OVERALL RESULT		**–9,512**	**–9,584 ***
of which non-controlling interests		–133	–89
of which attributable to shareholders of ALNO AG		–9,379	–9,495

* Adaptation see B. 4. in the notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of ALNO Aktiengesellschaft, Pfullendorf, as at 31 December 2014

in € 000	Notes	31 December 2014	31 December 2013	1 January 2013 adjusted
ASSETS				
Intangible assets	D. 1	55,001	9,731	8,685
Property, plant and equipment	D. 2	111,037	84,492	75,668
Financial investments	D. 3	998	1,550	2,595
At-equity investments	D. 4	0	848	0
Financial accounts receivable	D. 5	3,544	2,074	1,057
Deferred tax assets	C. 11	1,620	195	408
Trade accounts receivable	D. 6	725	591	563
Other assets	D. 8	438	349	237
A. Non-current assets		**173,363**	**99,830**	**89,213**
Inventories	D. 7	34,830	24,028	24,452
Financial accounts receivable	D. 5	195	2,000	0
Trade accounts receivable	D. 6	58,510	42,655	44,773
Other assets	D. 8	9,773	9,632	4,395
Income tax refund entitlements	C. 11	36	58	17
Liquid assets	D. 9	2,270	3,266	5,402
Available-for-sale assets	D. 10	5,569	0	0
B. Current assets		**111,183**	**81,639**	**79,039**
TOTAL ASSETS		**284,546**	**181,469**	**168,252**

in € 000	Notes	31 December 2014	31 December 2013	1 January 2013 adjusted
LIABILITIES				
Subscribed capital	D. 11. a	70,095	70,095	70,095
Capital reserve	D. 11. b	3,258	3,258	3,258
Legal reserve	D. 11. c	462	462	462
Accumulated net income	D. 11. d	–101,822	–92,337	–82,753*
Shareholders' equity attributable to ALNO AG		–28,007	–18,522	–8,938*
Non-controlling interest portion of equity		0	141	230
A. Equity		**–28,007**	**–18,381**	**–8,708***
Provisions for pensions	D. 12	28,497	20,570	20,284
Deferred tax liabilities	C. 11	5,303	2,763	201
Other provisions	D. 13	935	1,442	2,298
Shareholder loans	D. 14	20,000	20,000	0
Other financial liabilities	D. 15	71,152	45,217	4,027
Deferred grants and subsidies from public authorities	D. 16	679	704	730
Trade accounts payable and other financial liabilities	D. 17	19,508	13	34
B. Non-current liabilities		**146,074**	**90,709**	**27,574**
Other provisions	D. 13	8,361	2,729	6,751*
Shareholder loans	D. 14	10,000	10,445	365
Other financial liabilities	D. 15	30,202	17,204	14,919
Trade accounts payable and other financial liabilities	D. 17	102,945	70,828	118,190
Remaining other liabilities	D. 18	14,591	7,841	8,770
Liabilities from income taxes	C. 11	380	94	391
C. Current liabilities		**166,479**	**109,141**	**149,386***
TOTAL LIABILITIES		**284,546**	**181,469**	**168,252**

* Adaptation see B. 4. in the notes

CONSOLIDATED CASH FLOW STATEMENT

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2014

in € 000	Notes	2014	2013 adjusted
Cash flow from operating activities			
Group profit for the period		–4,121	–9,472*
Income taxes		–4,532	3,477
Financial result		12,555	8,416
Depreciation on intangible assets and property, plant and equipment		33,710	12,173
Write-ups on property, plant and equipment		0	–7,846
Retained income taxes		58	17
Paid income taxes		–94	–462
Loss from disposal of property, plant and equipment and intangible assets		412	365
Interest received		321	94
Interest paid		–8,813	–5,148
Elimination of non-cash items			
Change in other provisions, pension provisions and deferred investment grants from public funds		8,394	–508*
Other non-cash earnings/expenditure		–58,556	–125
Cash-effective change in other provisions		–4,937	–5,633
Cash flow from operating activities before working capital changes		**–25,603**	**–4,652**
Change in working capitals			
Change in inventories		1,219	380
Change in accounts receivable trade and other assets		294	–6,984
Change in accounts payable trade and other debts		39,246	–18,266
Net cash and cash equivalents received (previous year: applied) for ongoing business activities		**15,156**	**–29,522**

in € 000	Notes	2014	2013 adjusted
Cash flow from investment activities			
Outpayments for investments in			
Intangible assets		–1,068	–1,328
Property, plant and equipment		–15,516	–13,556
Financial investments		0	0
Outpayments for company purchases		–37,007	0
Inpayments from disposals			
Property, plant and equipment		220	188
Financial investments		625	1,019
NET CASH AND CASH EQUIVALENTS APPLIED FOR INVESTMENT ACTIVITIES		**–52,746**	**–13,677**
Cash flow from financing activities			
New borrowings		43,908	50,233
Repayment of loans		–10,120	–8,184
Change in current account and factoring liabilities		3,909	2,010
Outpayments for financing costs		–1,111	–2,425
NET CASH AND CASH EQUIVALENTS RECEIVED FOR FINANCING ACTIVITIES		**36,586**	**41,634**
Cash change in cash and cash equivalents		–1,004	–1,565
Cash and cash equivalents at the start of the financial year		2,720	4,317
Changes in cash and cash equivalents due to exchange rate		58	–32
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**D. 9**	**1,774**	**2,720**

* Adaptation see B. 4. in the notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of ALNO Aktiengesellschaft, Pfullendorf, for the period from 1 January to 31 December 2014

in € 000	Subscribed capital	Capital reserve	Legal reserve	Generated Group equity*
Notes	D. 11. a	D. 11. b	D. 11. c	D. 11. d
1 January 2013	**70,095**	**3,258**	**462**	**–78,166**
Group profit for the period				–9,383
Other Group profit for the period				
Group overall result				–9,383
Other changes				–89
31 December 2013	**70,095**	**3,258**	**462**	**–87,638**
Group profit for the period				–3,988
Other Group profit for the period				
Group overall result				–3,988
Change in scope of consolidation				–133
31 DECEMBER 2014	**70,095**	**3,258**	**462**	**–91,759**

* Adaptation see B. 4. in the notes

Accumulated net income					
	Other transactions not affecting net income				
Reserve from foreign currency translation	Change in pension provisions	Change in value securities	Equity attributable to the shareholders of ALNO AG*	Minority shares	Group equity*
D. 11. d	D. 11. d	D. 11. d	D. 11. d		
–755	**–3,795**	**–37**	**–8,938**	**230**	**–8,708**
			–9,383	–89	–9,472
91	–191	–12	–112		–112
91	–191	–12	– 9,495	–89	–9,584
			–89		–89
–664	**–3,986**	**–49**	**–18,522**	**141**	**–18,381**
			–3,988	–133	–4,121
175	–5,560	–6	–5,391		–5,391
175	–5,560	–6	–9,379	–133	–9,512
27			–106	–8	–114
–462	**–9,546**	**–55**	**–28,007**	**0**	**–28,007**

04

NOTES

NOTES

A. COMPANY PURPOSE

ALNO Aktiengesellschaft, Pfullendorf (hereinafter referred to in brief as "ALNO AG"), a listed company under German law, and its subsidiaries (hereinafter referred to in brief as the "ALNO Group") produce and sell fitted kitchens for the global market, mostly under the ALNO, IMPULS, PINO and WELLMANN brands, as well as under the following new brands from 2014 onwards: PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN or ALNOINOX. With regard to the Group structure and the main activities of the ALNO Group, we refer to the information we provide in the management report and Group management report. The Group's ultimate parent company is ALNO AG, which has its registered offices in Heiligenberger Strasse 47, 88630 Pfullendorf, Germany.

B. ACCOUNTING POLICIES

1. Basis for preparation of the financial statements

The consolidated financial statements 2014 of ALNO AG are in accordance with the standards and interpretations of the International Accounting Standards Board (IASB), London, valid on the balance sheet date and applicable in the EU, and the regulations to be applied in addition according to Section 315a of the German Commercial Code (HGB).

The Group currency is the euro. All amounts are stated in thousands of euros (€ 000) unless there is a note to the contrary.

The consolidated financial statements and Group management report summarised in the management report of ALNO AG were approved by the Board of Management for submission to the Supervisory Board on 27 March 2015.

The consolidated financial statements are prepared under the assumption that the company will continue to operate on the basis of the ongoing historical procurement and manufacturing costs, with the exception of the financial assets that are to be valued at the fair value. With regard to the structure of the balance sheet, a classification has been made according to current and non-current assets and liabilities. Items not due within one year are recorded as non-current assets or non-current liabilities. Furthermore, deferred taxes are recorded as non-current assets and liabilities in each case.

In 2013, the Board of Management of ALNO AG successfully implemented its financing and capital concept. Largely, this included the company loan granted in May 2013 with a total volume of € 45.0 million, a fixed term of five years and an annual interest rate of 8.5%. As a further significant milestone in the capital and financing concept 2013, ALNO AG succeeded in arranging new factoring finance in August 2013, in the extent of € 8.0 million. Furthermore, the main shareholder Bauknecht Hausgeräte GmbH, Stuttgart, converted a short-term supplier credit amounting to € 30.0 million into a loan under a framework agreement dated 11 April 2013; € 10.0 million of this has a term until September 2015 (originally 2014) and € 20.0 million a term until June 2017. Comco Holding AG, Nidau, Switzerland, had made loans totalling € 8.5 million available to ALNO AG up to the end of 2013. Part of these loans was granted by converting already existing liabilities. It has been agreed that the repayment originally intended for April 2014 will be postponed by one year to April 2015. These measures made it possible to safeguard Group liquidity in 2013 as well as during the reporting period.

As an important milestone in implementing its company strategy, on 17 January 2014, ALNO AG was able to take over 100% of the shares in AFG Küchen AG, Arbon, Switzerland, from AFG Arbonia-Forster-Holding AG, Switzerland. The transfer of ownership took place in the first quarter of 2014. AFG Küchen AG is the market leader in Switzerland. It includes both well-known brands PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN. With this largest ever takeover in the recent company history, ALNO AG is pushing ahead with its international growth strategy. At the same time, ALNO AG will become more independent of the competitive German market and benefit from an established sales network in a growing market for kitchens in Europe. The purchase price for 100% of the shares in AFG Küchen AG and the operational business was financed by loans raised from Swiss banks, a seller's loan as well as by issuing a convertible bond on 20 March 2014 in the amount of € 14.0 million, which was placed with qualified investors. After being integrated into the ALNO Group, AFG Küchen AG was renamed AFP Küchen AG (referred to below in short as "AFP").

Another important component in the company strategy of ALNO AG concerns increasing the flexibility of its production throughout Germany, centralising administrative units as well as optimising the brand and product portfolio. In operational terms, this will lead to a sustained improvement in the organisation and more efficient market development. For this purpose, significantly higher investments are planned in IT, machinery, marketing and market expansion compared to the previous year.

In order to ensure Group liquidity, a long-term moratorium agreement was concluded with Bauknecht Hausgeräte GmbH, Stuttgart, on 10 December 2014; this runs until 31 March 2016 and regulates the gradual repayment of trade receivables that are due from the company and its Group subsidiaries. The agreement replaces the moratorium agreements dated 17 July 2014 and 24 October 2014 which expired on 31 December 2014. Furthermore, this agreement extends the payment targets.

The following financial and capital measures are planned in 2015 in particular for implementing the aforementioned planned investments and the restructuring programme:

On 30 March 2015, ALNO AG attracted Nature Home Holding Company Limited, Cayman Islands ("Nature"), as a further anchor shareholder. Nature has concluded an investment agreement with ALNO AG under which it undertakes to buy new shares derived from a capital increase for cash from the authorised capital which is still to be undertaken. The company will issue 5.5 million new shares with shareholders' subscription rights excluded at the issuing price of 1.05 euros per new share. Nature will purchase all the new shares. Furthermore, Nature has announced that it purchased about 1.375 million ALNO shares recently. After the capital increase has been carried out, Nature will hold about 9.09% of the share capital of ALNO AG. The capital increase will provide ALNO AG with liquid funds amounting to about € 5.8 million.

Further funding in the double-digit millions will be received by ALNO AG in April 2015 through the sale of real estate, machinery and the sale of the "Intoto" franchise concept. The funds released will be used, amongst other things, for implementing the restructuring programme and for further organic and non-organic growth abroad. As such, the Board of Management is pushing ahead with its globalisation strategy and reducing its dependency on the business in Germany which is characterised by intensive competition; in this way, the basis for the company's operating results will be sustainably improved.

Orders received by the ALNO Group during the first two months of 2015 were slightly below the previous year's level, although with a significantly rising trend. After a weak January, the deficit compared to the previous year was almost entirely compensated in the month of February 2015. During the first two months of 2015, net sales revenues were running above the level of the previous year, although slightly below plan. However, because the deviation from the planning is only slight, the Board of Management confidently expects that the planned sales and revenue targets for the 2015 business year will be achieved.

With an EBITDA (including special effects from the acquisition of AFP) in the amount of € 40.0 million, the forecast presented for the 2014 financial year, € 20 million, was exceeded at € 25 million. In the consolidated interim report of ALNO AG dated 14 November 2014 for the third quarter of 2014, the Board of Management of ALNO AG adapted its EBITDA forecast to as much as € 38 million. The Board of Management's adjusted forecast was thus situated above the original expectations. This resulted exclusively from higher special effects in connection with the AFP acquisition, because at the time when the forecast was made for the 2014 financial year, the purchase price allocation (PPA) had not yet been completed. The operational business (without the special effects from the AFP integration), on the other hand, lagged behind the Board of Management's expectations.

In view of this situation, the Board of Management is expecting a significant increase in sales revenue for the ALNO Group in 2015, with an unchanged company structure. No significant special effects are to be expected in 2015, so the EBITDA will be significantly lower than in 2014. Without one-off or special effects (such as the purchase price allocation in the previous year), the operational

EBITDA will increase significantly in the 2015 financial year compared to 2014.

ALNO Group as a going concern is significantly dependent on the aforementioned planned financial and capital measures amounting to € 40 million being made available in full and on schedule, as well as continuation of a stringent liquidity management policy. In order to cover any possible liquidity shortage during the months of March to April 2015 or July 2015 to March 2016, Comco Holding AG, Nidau, Switzerland, will also have to meet its undertaking to provide bridging loans up to an amount of € 6.3 million or € 11.0 million. If necessary, investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to profit / loss and liquidity targets, will have to be accurate as planned.

2. Change in accounting policies

New standards to be applied

The ALNO Group observes the amended or new standards in interpretations from the IASB, for which application is mandatory in 2014 to the extent that these were adopted by the EU. In detail, the following new aspects arose:

- IFRS 10, 11 and 12 – New rules on consolidation (effective date: 1 January 2014; retrospective)
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transitional provisions (effective date: 1 January 2014; retrospective)
- Revision of IAS 27 – Separate financial statements (effective date: 1 January 2014; retrospective)
- Revision of IAS 28 – Investments in associates and joint ventures (effective date: 1 January 2014; retrospective)
- Amendment of IAS 32 – Financial instruments: Offsetting financial assets and financial liabilities (effective date: 1 January 2014; retrospective)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment companies (effective date: 1 January 2014; retrospective)
- Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (effective date: 1 January 2014; retrospective)
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting (effective date: 1 January 2014; retrospective)

Only the new regulations and their consequences which are relevant to the ALNO Group are outlined below. The remainder of the new regulations are not applicable to the ALNO Group, and consequently do not have any effects on the Group’s net assets, financial position and results of operations.

- IFRS 10, 11 and 12 – New rules on consolidation

With IFRS 10, 11 and 12, the IASB has published three new standards, as well as two revised standards – IAS 27 and 28 – for reporting business combinations.

IFRS 10 is the result of the “Consolidation” project and replaces the consolidation guidelines in IAS 27 and SIC-12. The standards to be applied to IFRS single-entity financial statements remain unchanged in IAS 27. IFRS 10 focuses on the introduction of a uniform consolidation model for all entities, based on control of the subsidiary by the parent. The concept of control must consequently be applied not only to parent-subsidiary relations based on voting rights, but also to parent-subsidiary relations based on other contractual agreements. The concept of control must therefore be applied in future to special purpose entities which are currently consolidated according to the concept of risks and rewards.

IFRS 11 defines and regulates the treatment of joint arrangements in the consolidated financial statements. In this respect, it is necessary to differentiate between joint ventures and joint operations. The former are to be recognised according to the equity method, whereas in the latter case, the proportional assets and liabilities as well as income and expenses must be directly allocated to the company concerned. IFRS 11 replaces IAS 31 which allowed a choice between quota consolidation and the equity method for joint ventures.

IFRS 12 regulates the information about investments in other companies. It also introduces new requirements, such as disclosures relating to major subsidiaries which are included in the consolidated financial statements.

These changes have no relevance for the ALNO Group, because it currently has no special purpose entities. This has not given rise to any change in the ALNO Group as far as joint ventures are concerned, because to date these have already been reported according to the equity method.

› IAS 28 – Investments in associates (revised 2011)

The revised standard IAS 28 was published in May 2011 and must be applied for the first time in the financial year beginning on or after 1 January 2014. Through the adoption of IFRS 11 and IFRS 12, the scope of IAS 28 has been extended to application of the equity method for investments in joint ventures – as well as associates. With regard to the effects, the reader is referred to our explanatory notes on IFRS 10, 11 and 12.

› Amendment to IAS 32 – Offsetting financial assets and financial liabilities

The IASB has additionally published supplements to IAS 32 and IFRS 7. With these, the IASB has clarified a number of details concerning the offsetting of financial assets and liabilities, and calls for supplementary disclosures relating to these. It does not, however, change the existing principle of offsetting pursuant to IAS 32. Clarification of the criteria "simultaneous settlement" and "currently has a legally enforceable right to set-off" will only lead to a change in accounting conventions if IAS 32 was formerly interpreted differently. Now, gross and net sums resulting on balance and sums for existing set-off rights which, however, do not meet with the criteria for setting off in the balance sheet, must also be reported in tabular form as a supplementary, mandatory disclosure. This clarification has not led to any change in accounting practice by the ALNO Group.

› Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets

In this, the IASB proposes a restriction on disclosures of the recoverable amount. Furthermore, the IASB clarifies disclosures of impaired assets. The adoption of IFRS 13 (Fair value measurement) entailed a concomitant amendment in IAS 36. According to this, the recoverable amounts of cash-generating units (even if there is no decrease in value in the current period) must be disclosed if the book value of the goodwill or the intangible assets of this unit with indefinite useful lives are significant compared to the total book value of the goodwill or intangible assets with indefinite useful lives. With the amendment to IAS 36, this regulation was only limited to those cases in which there is actually a decrease in value in the current period.

Furthermore, there was a clarification regarding the information to be provided if the recoverable amount was calculated in the case of a decrease in value on the basis of the fair value less costs to sell. According to IAS 36.130, the following disclosures should now be made:

› valuation methods used as well as changes in the valuation methods;

› the level of the fair value hierarchy according to IFRS 13 within which the fair value measurement is categorised;

› In Level 2 and Level 3 valuations: key assumptions used in the measurement of fair value measurements including explicit, mandatory statement of the discounting rate applied when using a cash value method.

The amendment solely leads to supplementary or modified disclosures and has no effect on the ALNO Group's net assets, financial position and results of operations.

First-time compliance with the other standards and interpretations had no effect on presentation of the ALNO Group's net assets, financial position and results of operations, as such circumstances did not apply in the financial year.

Published accounting standards that are not yet applied

The following standards and interpretations have additionally been adopted or amended by the IASB and endorsed by the European Union, but their application is not yet mandatory and they have not been applied prematurely. They must be applied for reporting periods beginning on or after the amendment concerned comes into force.

› Interpretation IFRIC 21 – Disclosures (effective date: 17 June 2014; retrospective)

› Improvements to IFRS 2011 – 2013 (effective date: 1 July 2014; retrospective)

› Amendment to IAS 19 – Employee benefits: accounting for employee contributions (effective date: 1 July 2014; retrospective)

› Improvements to IFRS 2010 – 2012 (effective date: 1 July 2014; retrospective)

Only the new regulations and their consequences which are relevant to the ALNO Group are outlined below. The remainder of the new regulations are not applicable to the ALNO Group, and consequently do not have any effects on the Group's net assets, financial position and results of operations.

› Improvements to IFRS 2011 – 2013

This is a collective standard which was published in December 2013 and relates to changes in the various standards which it is obligatory to use for financial years that start on or after 1 July 2014. It is not expected that these changes will have any significant influence on the consolidated financial statements of ALNO AG:

IFRS 3 – Business combinations: Exclusion of associated companies from the scope of application of IFRS 3.

IFRS 13 – Fair value measurement: The exception stated in IFRS 13.52 for portfolios contains all contracts recognised according to IAS 39 or IFRS 9, irrespective of whether they meet the definition of a financial asset or financial liability according to IAS 32.

IAS 40 – Investment property: The purchase of investment property can meet both the precondition for purchase of an individual asset, a group of assets and a business combination according to IFRS 3. If the preconditions of IFRS 3 are met for a business combination involving an investment property, it is clarified that both IFRS 3 and IAS 40 must be used.

› Amendment to IAS 19 – Employee benefits: accounting for employee contributions

On 21 November 2013 the IASB amended IAS 19 with regard to accounting for contributions by employees or third parties under defined benefit plans. An amendment to IAS 19.93 now clarifies the accounting policies to be used for contributions from employees or third parties set out in the formal terms of the plan if these are linked to service.

Following the amendment to IAS 19, contributions from employees or third parties may also be recognised as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee's service rendered in that period. This is possible in particular with contributions that are a fixed percentage of an employee's salary, so the percentage of the employee's salary does not depend on the employee's number of years of service to the company.

If the contributions depend on the years of service, they must be allocated to the service periods using the method which must also be applied for the gross income as in IAS 19.70.

The changes will not have any effect in the ALNO Group, because no contributions from employees or third parties are paid.

› Improvements to IFRS 2010 – 2012

This is a collective standard which was published in December 2013 and relates to changes in the various standards. It is not expected that these changes will have any significant influence on the consolidated financial statements of ALNO AG:

IFRS 2 – Share-based payment: Definition of "vesting conditions" is clarified.

IFRS 3 – Business combinations: Recognition of conditional purchase price payments at fair value.

IFRS 8 – Operating segments: Disclosure of discretionary decisions taken to merge segments. The total assets to be reported only have to be reconciled with the assets of the company if there is regular reporting on the assets of the segment.

IFRS 13 – Fair value measurement: Clarification that it remains possible for assets and liabilities not to be discounted as long as the effects are not significant.

IAS 16 – Property, plant and equipment: Adaptation of the gross carrying amount on revaluation of property, plant and equipment so that this corresponds to the revaluation of the carrying amount.

IAS 24 – Information about related parties: A company that provides services in the area of corporate governance for the reporting unit or the parent company of the reporting unit represents a related company for the reporting unit.

IAS 38 – Intangible assets: Adaptation of the gross carrying amount on revaluation of an intangible asset so that this corresponds to the revaluation of the carrying amount.

The following new standards issued by the IASB have not yet been endorsed by the European Union. Their application is not yet mandatory and they are not applied by the ALNO Group.

- IFRS 9 – Financial instruments: Classification and measurement (effective date: 1 January 2018; retrospective)
- IFRS 9 – Financial instruments: hedge accounting (effective date: 1 January 2018; retrospective)
- Amendments to IFRS 7 and IFRS 9 – Disclosures: Timeframe for application and transition rules (effective date: 1 January 2018; retrospective)
- Improvements to IFRS 2012 – 2014 (effective date: 1 January 2016; retrospective)
- Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment companies: Application of the exemption regulation from the consolidation requirement (effective date: 1 January 2016; retrospective)
- Amendment to IAS 1 Presentation of financial statements (effective date: 1 January 2016; retrospective)
- IFRS 14 – Regulatory deferral accounts (effective date: 1 January 2016; retrospective)
- Amendments to IFRS 11 – Acquisition of an interest in a joint operation (effective date: 1 January 2016; retrospective)
- IAS 16/IAS 38 – Guidelines for depreciation methods of property, plant and equipment and intangible assets (effective date: 1 January 2016; retrospective)
- IAS 16/IAS 41 – Reporting of bearer plants in agriculture (effective date: 1 January 2016; prospective)
- Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associated companies and joint ventures (effective date: 1 January 2016; retrospective)
- Amendments to IAS 27 – Single-entity financial statements (effective date: 1 January 2016; retrospective)
- IFRS 15 – New guidelines on revenue recognition (effective date: 1 January 2017; retrospective)

The amendments apply for financial years beginning on or after the amendments come into force. Only the standards of relevance to the ALNO Group and their consequences for the consolidated financial statements are outlined below. The remainder of the new regulations are not applicable to the ALNO Group, and consequently do not have any effects on the Group’s net assets, financial position and results of operations.

- IFRS 9 – Financial instruments: Classification and measurement / hedge accounting

IFRS 9 contains regulations for classifying and evaluating financial assets and financial liabilities, and is intended to replace the previous IAS 39. According to this, financial assets must be reported either at amortised cost of acquisition or recognised through profit and loss at fair value, depending on their respective characteristics and with due regard for the business model or models. Equity instruments must always be measured at fair value, in contrast to the requirements currently in force. Fluctuations in the value of equity instruments may, however, also be recognised directly in equity. For equity instruments, only certain income from shareholdings will be recognised as income in this case. At present, changes in the value of securities recognised at fair value (debt instruments) are recognised in equity outside profit or loss in the consolidated financial statements. As a result of the changes introduced by IFRS 9, these changes in value will be posted in the income statement when IFRS 9 comes into effect.

With regard to the classification and valuation of financial liabilities, the former regulations in IAS 39 are adopted to a large extent. One change concerns the recognition of financial liabilities, which are measured at fair value and treated as income through application of the fair value option. In future, the change in fair value resulting from the change in own credit risk must be recognised under other operating results and not in the consolidated income statement. A second change relates to liabilities from derivative financial instruments which are linked to unlisted equity instruments. These liabilities must in future always be reported at fair value, while the currently applicable requirements permit measurement at the amortised cost of acquisition. The first application of IFRS 9 might have effects on the valuation of investments in associated companies. Up to this point, these have predominantly been valued at the costs of acquisition, because their fair values cannot be reliably calculated. Furthermore, from the point of first application, the unrealised exchange rate gains and losses from debt instruments previously recorded under equity are to be recognised as income in the consolidated income statement. Implementation of the new recognition regulations can result in greater fluctuations in the profit/loss after tax.

Furthermore, IFRS 9 contains new provisions for hedge accounting. Changes with regard to the former recognition result in particular through new provisions with respect to the designation of instruments and risks, the requirements for effectiveness, the adjustment and reversal of hedging relations and, to some extent, the reporting of hedge relations on the balance sheet.

The standard replaces IFRIC 9 "Reassessment of Embedded Derivatives" and it also amends some of the existing standards, including IFRS 7 governing the disclosure requirement of financial instruments, as well as the provisions of versions of the IFRS 9 already published in 2009 and 2010. IFRS 9 was revised in July 2014. The new version contains revised regulations on classification and valuation of financial assets and, for the first time, regulations on the impairment of financial instruments; the new expected loss model brings forward the recognition of losses in that both losses that have occurred and those expected in the future are reported. The effects for the ALNO consolidated financial statements are currently being investigated.

› Improvements to IFRS 2012 – 2014

This is a collective standard which was published in September 2014 and relates to changes in the various standards. It is not expected that these changes will have any significant influence on the consolidated financial statements of ALNO AG:

IFRS 5 – Long-term available-for-sale financial assets and ceased areas of activity: No change in the reporting on the transition from "held for sale" to "held for disbursement purposes" or vice versa; separate guidelines for terminating the reporting as "held for disbursement purposes".

IFRS 7 – Financial instruments: Information: Clarification that administration agreements represent a continuing involvement and must be included in the information on transfers. Clarification of which information must be provided on the offsetting of financial assets and liabilities in interim financial statements.

IAS 19 – Employee benefits: Consideration for corporate bonds in the same currency (not just the same country) when calculating the discount rate.

IAS 34 – Interim financial reporting: Supplement to IAS 34 to clarify that information must be provided either in the interim financial statements or elsewhere in the interim report. In this case, the interim financial statements should contain a corresponding cross reference.

› Amendment to IAS 1 – Presentation of financial statements

As part of its overarching "Disclosure Initiative" project for appraising and improving presentation and information obligations, the IASB has published initial amendments to IAS 1 Presentation of financial statements. These comprise limited changes that are intended to encourage companies to exercise greater discretion in providing and presenting information. This concerns, for example, clarifying that the significance extends to the entire financial statements, and specifying insignificant information can restrict the utility of financial data. Furthermore, greater discretion should also be practised with regard to the position in the financial statements and the sequence of information. The changes are obligatory for financial years starting on or after 1 January 2016, and are not expected to have any significant effects on the ALNO consolidated financial statements.

› Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associated companies and joint ventures

The changes include application guidelines regarding the question of to what extent unrealised profits or losses from transactions involving assets between an investor and an associated company or joint venture should be recorded in the investor's annual financial statements. In this regard, it is important in particular to determine whether the assets in question concern business operations as defined by IFRS 3 Business combinations. If the transaction concerns a business operation, the complete revenue will be recorded with the investor. If the transaction only concerns the sale of assets that do not represent a business operation, a partial success shall be recorded.

› Amendments to IAS 27 – Single-entity financial statements

Application of the equity method as a reporting option for investments in subsidiaries, joint ventures and associated companies is once again permitted in the single-entity financial statements of an investor. Furthermore, there is the option of reporting at cost of acquisition or according to IAS 39 or IFRS 9.

› IFRS 15 – Revenue recognition in customer contracts

This new standard brings together the former standards and interpretations that previously contained regulations on revenue recognition. IFRS 15 is to be applied to all sales transactions throughout the industry and contains a five-stage model that is oriented towards principles:

- Identification of the contract with the customer
- Identification of the independent performance obligations in the contract
- Determining the transaction price
- Distribution of the transaction price over the performance obligations under the contract
- Recording of revenues when the company discharges its performance obligations

In future, sales recognition will take place at the transfer of control over the goods or services to the customer. The transfer of opportunities and risks only represents an indicator. Furthermore, IFRS 15 contains explicit regulations on multi-components transactions. Furthermore, there are new guidelines regarding whether revenue is to be recorded for a particular time or over a period of time. New revenue thresholds will be introduced for variable revenues.

When IFRS 15 comes into force, IAS 11 Construction contracts and IAS 18 Revenue as well as the interpretations IFRIC 13 Customer loyalty programmes, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers and SIC 31 Revenue – barter transactions involving advertising services will cease to be valid.

The effects on the ALNO Group have not been analysed as at the present time. It is assumed that these changes will not have any significant influence on the net assets, financial position and results of operations of the ALNO Group.

3. Consolidation principles

Scope of consolidation

Group parent is the company ALNO AG which is entered in the Register of Companies of Ulm Local Court (HRB 727041). In accordance with the principles of full consolidation, the consolidated financial statements as at 31 December 2014 include not only ALNO AG, but also nine (previous year: ten) German and eleven (previous year: six) foreign companies in which ALNO AG directly or indirectly holds a majority of the share capital.

The Group's composition (excluding ALNO AG) is set out below:

in € 000	1 January 2014	Initial consolidations	Legal changes	Deconsolidation	**31 December 2014**
Fully consolidated subsidiaries	16				20
of which domestic	10	0	0	1	9
of which foreign	6	6	0	1	11
Companies valued at equity	2	0	0	0	2

The expansion to the scope of consolidation for fully consolidated subsidiaries outside Germany is due to the following companies purchased in 2014: AFG Küchen AG (now AFP Küchen AG), Arbon, Switzerland, UKSS Surface Solutions (now Alno Surfaces) Ltd, Wolverhampton, UK, Alno Franchising Ltd, Leeds, UK, Bradbury's (Holdings) Limited, Exeter, UK, Bradbury's of Exeter Limited, Exeter, UK and Bradbury's of Bristol, Bristol, UK. The deconsolidations relate to Alno Middle East, FZCO, Dubai, UAE (referred to below in short as "AME") and Wellmann Bauteile GmbH, Enger.

Company purchases

Purchase of AFG Küchen AG, Arbon / Switzerland

Explanation of the transaction

In the share purchase agreement dated 17 January 2014, the ALNO Group took over 100% of the voting shares in AFG Küchen AG (after which it was renamed to "AFP Küchen AG", referred to below as "AFP"). The shares were purchased from AFG Schweiz AG, an intermediate holding company of the exchange-quoted Swiss Arbonia-Forster-Holding AG. AFP combines the two Swiss kitchen manufacturers Piatti (wood kitchens) and Forster (steel kitchens). 2,000 registered shares were purchased. The fair value of these shares was set by calculating the asset value of the net assets to be taken over.

The ALNO Group acquired the company as part of implementing its international growth strategy. Together with the traditional brand PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN, the ALNO Group has a market share of about 14% in the high-priced Swiss kitchen market, thus making it the market leader in Switzerland. The next largest kitchen producer in Switzerland has a market share of about 9%. Integrating AFP in the ALNO Group is associated with significant synergy effects both on the sales and cost sides:

The former product portfolio of the ALNO Group with the four brands ALNO, WELLMANN, IMPULS and PINO dovetails very effectively with the PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN brands. In future, the PIATTI kitchen studios in Switzerland will additionally offer kitchens from the IMPULS brand in the lower price segment. In return, FORSTER SCHWEIZER STAHLKÜCHEN will be marketed through the global ALNO sales network, under the brand name ALNOINOX. In spite of international demand, these steel kitchens have almost exclusively been sold in Switzerland to date.

On the cost side, there will be significant synergy effects due to higher purchase volumes and, above all, transferring production of PIATTI over the border into Germany, to the Group headquarters at Pfullendorf which is only about 100 km away. By producing PIATTI kitchens in Pfullendorf, the capacity utilisation and thus profitability of the Group's largest site will be significantly increased. Furthermore, the wage costs are lower than at Dietlikon in Switzerland.

The purchase was reported according to the acquisition method. AFP has been included in the consolidated financial statements of ALNO AG from 1 January 2014 onwards on grounds of immateriality and simplification. There were no significant trade and service relationships between the ALNO Group and AFP at the time of first consolidation.

Transferred counter-performance

Transferred counter-performance	in € 000
Share purchase price	2,557
Loan as at 1 January 2014	28,890
TOTAL PURCHASE PRICE	**31,447**

In addition to the indicated purchase price, ALNO AG was obliged to pay the seller the resulting financing requirement for the net current assets amounting to € 6,251 thousand between the purchase key date and the legal completion date. The financing requirement resulting in this period is offset by corresponding net current assets.

The counter-performance paid to the seller thus amounted to € 37,698 thousand in total, which is composed of € 2,557 thousand for the purchase of 100% of the shares in AFP as well as for the purchase of loans by the seller to AFP amounting to € 35,141 thousand.

Purchase price allocation

in € 000	Carrying amounts	"Step-up"	Fair values
Intangible assets	97	60,779	60,876
Property, plant and equipment	24,789	10,120	34,909
Financial investments	168	0	168
Deferred tax assets	369	4,867	5,236
Inventories	11,834	556	12,390
Trade accounts receivable	20,441	0	20,441
Other assets	1,109	0	1,109
Liquid assets	874	0	874
Assets	**59,681**	**76,322**	**136,003**
Deferred tax liabilities	0	12,504	12,504
Pension provisions	1,133	0	1,133
Provisions	485	0	485
Loans	28,890	0	28,890
Trade accounts payable	11,735	0	11,735
Other accounts payable	7,393	0	7,393
Liabilities	**49,636**	**12,504**	**62,140**
TOTAL NET ASSETS	**10,045**	**63,818**	**73,863**

Determining the goodwill

The goodwill arising from the company purchase is calculated as follows:

in € 000	
Transferred counter-performance	37,698
less fair value of the net assets	–73,863
less purchased loans	–35,141
NEGATIVE GOODWILL (BADWILL)	**–71,306**

The badwill from the purchase of the company amounting to € 71,306 thousand is reported under other operating income.

The negative goodwill (badwill) results from a relatively low purchase price (counter-performance) compared to the fair value of the assets taken over and the company's debts.

Significant reasons for the relatively low purchase price are:

The seller's Kitchens and Cooling Technology business unit made a negative contribution to consolidated net income of the seller in the financial years 2012 and 2013. Consequently, as part of a focusing strategy, the seller no longer regarded the kitchen business as part of its core business activity, and thus defined it as a business unit that could be disposed of. This means, the seller cannot itself achieve certain synergy effects that the ALNO Group can by integrating the company.

The seller is saving itself the costs of a change of location, because the Dietlikon site is under question in the medium term as a result of development into a purely residential area. The ALNO Group shifted production of PIATTI from the Dietlikon site to the Pfullendorf site step-by-step from the 4th quarter of 2014 onwards.

As a result of the relocation, the seller can receive an amount in the mid double-digit millions at an earlier stage from selling the real estate (the ALNO Group has not purchased the real estate at the Dietlikon site as well).

The calculated badwill will not result in any actual income tax expense.

Breakdown of the cash outflow resulting from the company purchase

	in € 000
Cash and cash equivalents purchased with the subsidiary	874
Paid counter-performance	–37,698
NET CASH OUTFLOW	**–36,824**

The net payment outflow is included in the cash flow from investment activity, and has been covered by issuing a convertible bond amounting to € 14,000 thousand as well as through bank finance.

Other information

The fair value of the accounts receivable trade corresponded to the book value and was € 20,441 thousand at the time of purchase. This included impairments amounting to € 866 thousand.

Since the date of its purchase, AFP has contributed € 139,913 thousand to sales revenues and –€ 12,447 thousand to the net income for the period.

The transaction costs amounting to € 482 thousand were reported as expense and will be recorded in the income statement under administrative costs and in the cash flow statement under cash flow from operating activities.

Purchase of UK Surface Solutions Ltd, Wolverhampton / UK

As part of an asset deal, the assets and liabilities of UK Surface Solutions Ltd, Wolverhampton, UK (referred to below in short as: "UKSS") were transferred on 11 April 2014 by ALNO UK, Leeds, UK to a newly founded company, Alno Surfaces Ltd, Wolverhampton, UK. Furthermore, the associated Alno Franchising Ltd, Leeds, UK was also taken over. UKSS is a manufacturer of worktops with high-quality surfaces.

A purchase price amounting to € 180 thousand was paid for this, corresponding to the carrying amount of the purchased net assets.

The fair value of UKSS's identifiable assets and liabilities at the time of acquisition is listed below:

Balance sheet item	€ 000
Property, plant and equipment	219
Inventories	59
Other accounts payable	–98
TOTAL NET ASSETS	**180**
Purchase price	180
GOODWILL	**0**

Alno Franchising Ltd, Leeds, UK does not have any assets and liabilities to report as at the date of purchase.

Since the date of its purchase, UKSS has contributed € 1,212 thousand to sales revenues and –€ 244 thousand to the net income for the period. These amounts are contained in the ALNO UK result. Had UKSS been fully consolidated for the first time as per 1 January 2014, this would have resulted in an increase of € 499 thousand in consolidated sales revenue and an decrease of € 101 thousand in the consolidated result after taxes on income.

The transaction costs amounting to € 45 thousand were reported as expense and will be recorded in the income statement under administrative costs and in the cash flow statement under cash flow from operating activities.

Purchase of Bradbury's (Holdings) Limited, Exeter / UK

As part of a share deal, 100% of the shares in Bradbury's (Holdings) Limited, Exeter, UK were purchased on 1 November 2014 by ALNO UK, Leeds, UK. Bradbury's (Holdings) Limited owns 100% of the shares in Bradbury's of Exeter Limited, Exeter, UK as well as of Bradbury's of Bristol Limited, Bristol, UK (referred to below in short as: "Bradbury's Group"). Both companies are specialist kitchen retailers.

The provisional purchase price of Bradbury's Group amounted to € 139 thousand in total, and was agreed as a variable purchase price. The amount of the variable purchase price depends on the amount of sales revenue and profitability in the period from 1 November 2014 to 31 October 2017. This is a contingent counter-performance obliging ALNO AG to transfer additional assets to the former proprietors of the acquired company as part of the exchange of control over the acquired company if certain future events occur or conditions are met. ALNO AG must recognize the fair value of the contingent counter-performance at the time of acquisition as the counter-performance transferred for the acquired company.

In the 2014 financial year, an advance payment was made on the purchase price in the amount of € 37 thousand.

On the basis of a provisional purchase price allocation, the acquired assets and liabilities of Bradbury's Group were recognised at the following fair values at the time of acquisition:

Balance sheet item	in € 000
Property, plant and equipment	87
Inventories	262
Other assets	169
Liquid assets	34
Other accounts payable	–787
TOTAL NET DEBTS	**–235**
Purchase price	139
GOODWILL	**374**

This goodwill was recorded in local currency (GBP) and will be valued at the rate prevailing on the reporting date.

Recording of the goodwill is based on the consideration of strengthening market share in the UK through the purchase of Bradbury's Group.

Since the date of its purchase, Bradbury's Group has contributed € 464 thousand to sales revenues and € 103 thousand to the net income for the period. Had Bradbury's Group been fully consolidated for the first time as per 1 January 2014, this would have resulted in an increase of € 2,320 thousand in consolidated sales revenue and an increase of € 515 thousand in the consolidated result after taxes on income.

The transaction costs amounting to € 37 thousand were reported as expense and will be recorded in the income statement under administrative costs and in the cash flow statement under cash flow from operating activities.

Company purchase in previous years

Built-In Kitchens Ltd., Built-In Living Ltd. (Built-In Group)

The provisional purchase price of the Built-In Group in 2012 totalled € 4,253 thousand. Part of this purchase price was agreed as a variable purchase price. The amount of the variable purchase price depends on the amount of sales revenue in the period 2012 to 2014. This is a contingent counter-performance obliging ALNO AG to transfer additional assets to the former proprietors of the acquired company as part of the exchange of control over the acquired company if certain future events occur or conditions are met. ALNO AG must recognize the fair value of the contingent counter-performance at the time of acquisition as part of the counter-performance transferred for the acquired company. At the time of acquisition, it was assumed that the set conditions would be met to such an extent as to produce a provisional value of € 1,502 thousand for the contingent counter-performance.

As at 31 December 2012 and 2013, the provisional value of the contingent counter-performance was retroactively corrected with effect from the time of acquisition following new information concerning the sales forecasts for the years 2012 – 2014 which, had it been known at the time, would already have applied at the time of acquisition and would have influenced measurement of the sums applied on the closing date. All relevant factors were taken into account by ALNO AG when determining whether information received after the acquisition date should result in correction of the provisional sums reported or whether such information related to events occurring after the acquisition date.

All information required for calculating the final purchase price was available on 31 December 2014, as a result of which at the end of 2014 financial year there was no longer any contingent counter-performance, but a financial liability.

The development in the contingent counter-performance is as follows:

in € 000	2014	2013
As at 1 January	**906**	**1,742**
Additions (+)	0	0
Payments (–)	–570	–679
Exchange rate gains (–)/losses (+)	60	–35
Revaluation (+/–)	0	–122
As at 31 December	**396**	**906**

The financial liability as at 31 December 2014 is of a short-term nature in the full amount. In the previous year, € 597 thousand out of the contingent counter-performance was due within one year.

Deconsolidation

Deconsolidation of AME

Alno Middle East FZCO, Dubai, UAE, had to be deconsolidated due to a court order and an associated loss of control as at 1 July 2014. Production there was stopped. ALNO AG, Pfullendorf continues to own 85% of the company. At present, ALNO AG is attempting to achieve a solution that will be satisfactory for all those involved as part of the planned re-entry of an investor and resumption of production and sales. The income and expenses of this company are included in the consolidated income statement up to 30 June 2014. A loss in the amount of € 4,504 thousand resulted in connection with the deconsolidation, which is reported in the result from restructuring.

Wellmann Bauteile

Wellmann Bauteile GmbH, Enger, filed for bankruptcy in 2014, and was wound up on 14 April 2014. The income and expenses of this company are included in the consolidated income statement up to the date of its winding-up. The expected costs are also recorded in full, in particular those attributable to redundancies. The deconsolidation has resulted in a loss in the amount of € 122 thousand which is reported in the result from restructuring.

Consolidation policies

All companies included in the consolidated financial statements prepare their annual financial statements as per the closing date of the single-entity financial statements of ALNO AG, i.e. as per the closing date of the consolidated financial statements. The consolidated financial statements are prepared on the basis of uniform recognition and measurement policies in compliance with the IFRS requirements to be applied in the EU. All significant subsidiaries are fully included in the consolidated financial statements. Subsidiaries are companies over which ALNO AG holds a direct or indirect power to dispose in accordance with IFRS 10 and, from this, derives positive and negative variable returns which can be influenced in their amount by the power to dispose (control). Subsidiaries are completely included in the consolidated financial statements from the point at which it becomes possible to exercise control. Changes to the investment quota in a subsidiary that do not result in the end of control are reported as an equity transaction. If the possibility of the Group to control a subsidiary comes to an end, it is removed from the scope of consolidation. In this case, all assets and liabilities as well as all non-controlling shares and other components of the equity are derecognised. Any profit or loss resulting is recorded in the consolidated income statement.

Capital consolidation is effected in accordance with IFRS 3 using the acquisition method. At the time of acquiring control, the subsidiary's new measured assets and liabilities, as well as contingent liabilities insofar as they are not contingent on a future event, are offset at the fair value of the consideration paid for the asset or liability. Contingent purchase price payments are included in the fair value of the consideration to be paid in the expected amount and carried as liabilities. Subsequent adjustments in contingent purchase price payments are recognised as profit or loss. Incidental costs associated with the acquisition are carried as expenses at the time incurred.

A remaining asset-side balancing item is recognised as goodwill. A remaining liabilities-side balancing item is recognised as badwill in the consolidated income statement. The unimpaired status of capitalised goodwill is checked within the framework of an impairment test as at the closing date. Negative differences resulting from capital consolidation are recognised as income in the consolidated income statement.

Income and expenses and accounts receivable and payable between consolidated companies are eliminated, as are provisions. Interim results in the fixed assets and inventories from intra-Group deliveries are eliminated. Deferred taxes are recognised on consolidation measures with impact on profit or loss. Intra-Group guarantees are eliminated. Pro rata intercompany profits with joint ventures to be eliminated as part of the elimination of intra-company results are deducted from the proportions of the joint ventures according to IAS 28.22 in conjunction with SIC-13 or IAS 28R.30.

Entities are no longer included in the consolidated financial statements when the parent's control ends.

Currency translation

The consolidated financial statements are prepared in euros, the functional currency of ALNO AG.

The annual financial statements of foreign subsidiaries are translated into euros according to the functional currency concept pursuant to IAS 21. Since all consolidated companies pursue their business independently, the functional currency is always the currency of the country concerned. Assets and liabilities are therefore translated at the exchange rate on the closing date; items in the consolidated income statement are translated at the average exchange rate of the year; equity is recognised at historical rates. Differences resulting from application of the different foreign exchange rates are recognised outside profit or loss.

Differences due to currency translation of intra-Group accounts receivable and payable in foreign currency, which are neither scheduled nor expected to be settled within a foreseeable period of time, are recognised in the consolidated financial statements outside profit or loss under the provision from currency translation in accordance with IAS 21.32.

Monetary assets and liabilities in foreign currency are posted in the single-entity financial statements at the exchange rate on the transaction date and translated at the closing rate on each closing date. Currency differences are recognised as income and reported under other operating income and expenses. Non-monetary foreign currency items are translated at the exchange rate on the transaction date.

Exchange losses are set off against exchange gains for presentation in the consolidated income statement.

The following exchange rates to the euro were used:

	30 June 2014	31 December 2014	31 December 2013	Average rate as at 30 June 2014	Average rate 2014	Average rate 2013
	per €	per €	per €	per €	per €	per €
GBP		0.78256	0.83488		0.80655	0.84928
CHF		1.20282	1.22576		1.21482	1.23091
AED	5.01267	4.46482	5.05651	5.03721	4.88332	4.87974
USD		1.21555	1.37670		1.32925	1.32826

4. Summary of main accounting policies

Consideration of earnings

Sales are posted at the date on which risk is transferred following delivery on the basis of the terms of sale, minus returns, volume and price discounts and value-added tax. Only the product sales resulting from ordinary business activities and the associated accessory services are recognised as sales.

Earnings from services rendered are recognised in accordance with the degree of completion, if the amount of income can be reliably determined and receipt of the economic benefit can be expected.

Other earnings are realised in accordance with the contractual agreements and on completion of the service.

Financial result

The financial result essentially comprises interest income from cash investments and interest expenses for loans.

Interest received and paid is recognised as income at the time of creation.

Cost of financing is capitalised as part of the cost of acquisition or production, insofar as it can be assigned to a qualified asset. In all other cases, it is immediately recognised as an expense.

Income taxes

As required by IAS 12, income tax refunds and liabilities for the current and prior periods are measured in the expected amount of the refund from, or payment to, the tax authorities. Amounts are calculated on the basis of the tax rates and tax laws in force on the balance sheet date. Reported uncertain income tax items are estimated on the basis of the provisionally expected tax payments.

In addition, the deferred income tax reliefs or burdens to be calculated in compliance with IAS 12 from temporary differences between the carrying values recognised in the consolidated financial statements prepared according to IFRS and their local tax bases, as well as from consolidation measures, are recognised as either deferred tax assets or deferred tax liabilities. Deferred tax assets are additionally recognised on tax loss carryforwards if it is sufficiently probable that the resultant tax reliefs will actually occur in the future. The soundness of deferred tax assets on tax loss carryforwards is assessed on the basis of the tax planning for the next five years. Recognition of deferred tax assets also takes account of the existence of temporary differences to be taxed in conjunction with the same tax authorities and the same tax subject.

Deferred taxes are calculated on the basis of the tax rates in force in the various countries at the time of realisation or to be expected with reasonable probability according to the present legal situation.

The carrying amount of deferred tax assets is checked on each closing date and reduced to the extent that adequate taxable income which can at least partly be set off against the deferred tax entitlement no longer appears probable. Unrecognised deferred tax entitlements are checked on each closing date and recognised to the extent that future taxable income makes realisation of the deferred tax entitlement probable.

Deferred tax assets and liabilities are netted when the conditions have been met for setting off taxes receivable against taxes payable.

In addition, deferred tax assets and liabilities are not recognised when they result from first-time recognition of goodwill or of an asset or liability associated with a transaction not relating to a business combination, and when such first-time recognition impacts neither the reported profit/loss before income taxes nor the taxable income.

Deferred taxes relating to items which are directly recognised in equity are reported in equity and not in the consolidated income statement.

Turnover tax

Income, expenses, intangible assets and property, plant and equipment are recognised after deduction of turnover tax, insofar as the turnover tax can be collected or is refunded by a tax authority. Accounts receivable and payable are recognised inclusive of turnover tax. Provisions are carried as liabilities without considering turnover tax.

The amount of turnover tax refunded by, or payable to, a tax authority is reported under other assets and other liabilities.

Intangible assets

Purchased and self-generated intangible assets are capitalised in compliance with IAS 38 at their acquisition or production cost if use of the asset is probably associated with future economic benefit and the costs of the asset can be reliably determined.

The self-created intangible assets are significant expansions to the standard SAP software in the form of various functions and modules specifically for kitchen manufacturers. These developments go far beyond classic customizing of standard SAP software. The six activation criteria of IAS 38.57 are cumulatively met. The self-created intangible assets are written down on a straight-line basis in accordance with their useful life of five years.

The cost of production of intangible assets exclusively comprises directly attributable costs.

Development costs which cannot be capitalised were recognised as income in the amount of € 1,273 thousand (previous year: € 1,186 thousand). No borrowing costs arose in this regard.

With regard to the reporting and measurement of goodwill, we refer to the information provided on consolidation policies, as well as to the information in the "Impairment test for goodwill" section.

Significant additions in 2014 concern the PIATTI brand, the right to use FORSTER as well as PIATTI and FORSTER customer relations derived from the purchase price allocation (PPA) as part of the purchase of AFP. The PIATTI brand has an indefinite useful life, other intangible assets are written down on a straight-line basis in accordance with their useful life of 5 years.

Other intangible assets – predominantly software and other industrial property rights – are recognised at acquisition cost and amortised in accordance with their useful life of two to ten years.

Carrying amounts, useful life and amortisation methods are reviewed at the end of each financial year and adjusted if required.

Research costs and development costs which cannot be capitalised are recognised as expense items at the time incurred.

An intangible asset is derecognised either on disposal or when further use or sale of the asset is not expected to yield any further economic benefit. Gains or losses resulting from the disposal of assets are calculated as the difference between net proceeds from sale and carrying amount of the asset and recognised as income in the income statement in the period in which the asset is derecognised.

Property, plant and equipment

Property, plant and equipment is measured at acquisition or production cost in compliance with IAS 16, minus amortisation, depreciation and impairment losses.

They are written down on a straight-line basis and pro rata temporis in accordance with the following estimated useful economic life:

	Years
Buildings	25–60
Machinery, factory and office equipment	2–25
IT systems	3–7

Property, plant or equipment is derecognised either on disposal or when further use or sale of the asset is not expected to yield any further economic benefit. Gains or losses resulting from the disposal of assets are calculated as the difference between net proceeds from sale and carrying amount of the asset and recognised as income in the income statement in the period in which the asset is derecognised.

Carrying amounts, useful life and amortisation methods are reviewed at the end of each financial year and adjusted if required.

Government grants and subsidies do not lead to a reduction in the cost of acquisition of the relevant assets, but are instead carried as deferred liabilities in compliance with IAS 20.24 and reversed as income over the useful life of the subsidised assets.

Finance leases

In compliance with IAS 17, economic ownership of the leased assets must be attributed to the lessee if the latter acquires all the main risks and rewards associated with the asset (finance lease). All leased assets which are classified as belonging to a finance lease are capitalised in the consolidated financial statements at the lower of the fair value and present value of the lease payments. Leased assets are depreciated by the straight-line method over the shorter of their useful life or the lease term.

Impairment tests

Impairment test for goodwill as well as intangible assets with an indefinite useful life

Goodwill from business combinations is attributed to the cash generating units benefiting from the combinations. Up to the end of 2013, the Group identified the following cash generating units for this purpose: ALNO AG, Wellmann, logismo and ALNO UK. ALNO AG corresponded to the former ALNO segment, Wellmann corresponded to the previous Wellmann segment. logismo was a separate business unit which, as a logistics service provider, was to be considered separately from the core business of the ALNO Group, and formed part of the Others segment. ALNO UK was a foreign sales company which was allocated to the former ATG segment.

At the start of 2014, ALNO AG took over 100% of the shares in AFG Küchen AG, Arbon, Switzerland, from AFG Arbonia-Forster-Holding AG, Switzerland. Following that, AFG Küchen AG, Arbon, Switzerland, was renamed AFP Küchen AG, Arbon, Switzerland (AFP). AFP is the market leader in Switzerland. AFP owns the brands PIATTI and FORSTER SCHWEIZER STAHLKÜCHEN. Under these two brands, AFP produces wood and steel kitchens for domestic customers and the project business. As a consequence of this new acquisition and the associated restructuring of the Group, the management has reorganised internal Group management and reporting. The Group will in future be primarily controlled through sales channels rather than according to legally independent units as before.

The strategic reorientation of the ALNO Group away from control based on legal units towards control based on sales channels is followed by a reallocation of the CGUs for the purposes of the impairment test. The following CGUs have been identified in the sense of IAS 36 due to the restructuring of the operational segments for the purposes of the impairment test for goodwill:

- CGU Wellmann large outlet in Germany (LGO),
- CGU Wellmann kitchen specialists in Germany (KSP),
- CGU Wellmann self-service / RTA stores in Germany (Self / RTA),
- CGU Wellmann export trade,
- CGU Wellmann project business in Germany,
- CGU Wellmann project business outside Germany,
- CGU Wellmann Other,
- CGU logismo Other,
- CGU ALNO UK project business outside Germany,
- CGU ALNO UK export trade,
- CGU ALNO UK end customer.

Legal units carrying goodwill are Wellmann, logismo and ALNO UK. As a result, these aforementioned CGUs have been subjected to a goodwill impairment test.

The change in the goodwill is as follows:

2014	ALNO AG	Wellmann	logismo	ALNO UK	**Total**
Gross amount of goodwill	2,607	1,483	241	2,001	6,332
Additions					
of which in 2014	0	0	0	374	374
Cumulative depreciation					
of which in 2009	–2,607	0	0	0	–2,607
of which in 2014	0	0	0	0	0
Currency translation differences					
of which in previous years	0	0	0	–42	–42
of which in 2014	0	0	0	137	137
Carrying amounts	0	1,483	241	2,470	4,194

The goodwill is distributed between individual CGUs as follows:

	in € 000
Wellmann	
CGU LGO	144
CGU KSP	614
CGU Self/RTA	84
CGU export trade	607
CGU project business in Germany	19
CGU project business outside Germany	6
CGU other	8
	1,483
logismo	
CGU other	241
	241
ALNO UK	
CGU project business outside Germany	1,229
CGU export trade	1,183
CGU end customer	59
	2,470

The Wellmann Group comprises Gustav Wellmann GmbH & Co. KG and its subsidiaries. The goodwill created in conjunction with acquisition of the logismo Group is ascribed to the cash generating unit logismo which only comprises one company following the merger in 2013. The cash generating unit ALNO UK, to which the Built-In Group's and Bradbury's Group's goodwill has been ascribed, comprises ALNO UK and its subsidiaries.

The intangible asset with an indefinite useful life concerns the PIATTI brand which was purchased in the course of the takeover of AFP Küchen AG. The PIATTI is allocated to the Other segment as well as the AFP Other CGU.

The relevant factors that are of significance in determining the useful life of the brand include, in particular, development of the sales markets, consumer preferences, changes in the technological and regulatory environment as well as the management strategies for nurturing the brand. Taking account of these factors, the management has arrived at the decision that there is currently no foreseeable restriction in the utility of this brand or its ability to generate corresponding cash flows for the unit.

The change in the fair value of the PIATTI brand is as follows:

	in € 000
Addition 2014	30,185
Write-down	–5,352
BOOK VALUE AS AT 31 DECEMBER 2014	**24,833**

The unimpaired status of goodwill and of intangible assets with indefinite useful lives is determined on the basis of impairment tests at year-end and also during the year if there are any signs of an impairment.

When performing impairments tests to IAS 36, the recoverable amount is determined for the cash generating unit concerned.

The recoverable amount is the higher of the fair value of the cash generating unit minus costs to sell or value in use.

The value in use is equal to the present value of future cash flows expected from continued use of the cash generating unit and its disposal at the end of its useful life. The value in use for the goodwill is determined in compliance with IAS 36 using the discounted cash flow method based on data from the authorised corporate planning after correction for investment in expansion and planned reorganisation. The planning horizon extends over five years. Cash flows are discounted using the weighted average capital cost (WACC) for a group of comparable entities, taking into account the risk-free base rate, premium for market risks (multiplied by the beta-factor), growth discount in the perpetual annuity, cost of borrowing and capital structure. Forecasting of the cash flows is based on the results calculated for the individual Group companies within the context of a detailed planning process using internal empirical values and external economic figures.

The license fee analogy method is used for calculating the value in use of the PIATTI brand, and is based on the fair value less the costs of sale. Hierarchical level 2 was used when determining the fair value in order to calculate the interest rates, whereas all other input factors are allocated to hierarchical level 3.

The fair values after deduction of the costs to sell for the individual cash generating units are also calculated on the basis of the discounted cash flow method based on corporate planning. If the approved corporate planning does not contain any expansion investments or planning restructuring, the value in use largely corresponds to the fair value following deduction of the costs to sell.

An impairment is recognised when the recoverable amount is lower than the carrying amount of the cash generating unit. A reversal of goodwill impairment is not undertaken, in compliance with IAS 36.

Corporate planning for the years 2015 to 2019 is essentially based on the following assumptions. The assumptions are specified for each legal unit, and these have been applied to all CGUs in the particular legal unit. The two legal units in Germany, ALNO AG and the Wellmann Group, have been grouped together because they are German-based production plants of the same type:

A change in sales between 3.9% and 39.0% p.a. (previous year: 5.2% and 25.9% p.a.) was assumed for ALNO AG and Wellmann. This assumption is based on a change in the volume of sales of in Germany between 1.3% and 14.0% p.a. (previous year: 2.2% to 16.8% p.a.) and outside Germany between 2.6% and 133.7% p.a. (previous year: 4.6% and 82.2% p.a.) as well as on adjustments in prices in Germany between –1.6% and 6.0% p.a. (previous year: –6.4% to 6.3% p.a.) and outside Germany between –26.0% and 6.5% p.a. (previous year: –25.3% and 6.2% p.a.). In the case of purchasing prices, material costs are expected to change by between –21.1% and –0.5% p.a. per cabinet (previous year: –6.3% and 0.1% p.a.). An annual increase of between 0.0% and 9.7% p.a. (previous year: 1.9% and 8.7% p.a.) was assumed when planning personnel costs, assuming a constant number of employees in each case.

In the case of ALNO UK, sales revenue is expected to increase by 12.7% in 2015 and to increase by between 3.1% and 18.8% p.a. (previous year: 7.0% p.a.) from 2016 onwards. The cost of purchased material is expected to rise by 9.4% in 2015 and to increase by between 3.4% and 18.7% p.a. (previous year: 6.2% and 6.6% p.a.) from 2016 onwards. An increase of 22.9% with a growing number of employees has been assumed for 2015 when planning personnel costs. From 2016 onwards, an annual rise of between 1.7% p.a. and 18.8% p.a. (previous year: 5.1% p.a.) with a constant number of employees is assumed in conjunction with personnel costs.

A change in other operating income of between 0.3% and 13.2% p.a. (previous year: 5.6% and 18.0% p.a.) has been assumed in the case of logismo. An annual increase of between 0.0% and 14.9% p.a. (previous year: 5.4% and 17.9% p.a.) was assumed when planning forwarding expenses. Personnel costs are assumed to rise by 1.0% with an increasing number of employees in 2015 and to increase by 2.0% p.a. (previous year: between 1.1% and 1.9% p.a.) with a constant number of employees from 2016 onwards.

In the case of AFP, sales revenue is expected to increase by 12.2% in 2015 and to increase by between 0.1% and 8.6% p.a. from 2016 onwards. A license rate of 2% p.a. has been assumed as part of the license fee analogy.

On the basis of these cash flow prognoses, the value in use was determined for the cash generating units with the aid of the following valuation parameters:

2014	ALNO AG	Wellmann	logismo	ALNO UK	AFP
Capital cost before income taxes	11.29%	11.59%	11.67%	10.57%	10.51%
Capital cost after income taxes	8.86%	8.79%	8.86%	8.64%	8.92%
Risk-free interest rate	1.75%	1.75%	1.75%	1.75%	1.75%
Market risk premium	6.75%	6.75%	6.75%	6.75%	6.75%
Beta factor	1.23	1.23	1.23	1.25	1.25

2013	ALNO AG	Wellmann	logismo	ALNO UK
Capital cost before income taxes	11.72%	10.79%	12.30%	12.25%
Capital cost after income taxes	8.83%	8.83%	8.83%	9.68%
Risk-free interest rate	2.75%	2.75%	2.75%	3.35%
Market risk premium	6.00%	6.00%	6.00%	6.20%
Beta factor	1.15	1.15	1.15	1.16

Based on the average for comparable companies, the cost of borrowed capital before taxes on income equalled 3.35% to 4.54% (previous year: 4.01%). At 82.26% to 17.74% (previous year: 86% to 14%), the ratio of equity to borrowed capital is in keeping with the average capital structure of comparable companies. An effective tax rate of 21% to 31.05% (previous year: 28.0%) was assumed in the applied consideration of input tax.

A growth rate of 1% (previous year 1%) is assumed for the following cash flows after the end of the four or five-year planning horizon. This growth rate matches the long-term average growth rate in the kitchen furniture industry.

Summary of cash generating units:

Legal entities/CGUs 2014 in € 000	Carrying amount	Value in use
ALNO	13,010	31,622
	13,010	**31,622**
Wellmann		
CGU LGO	1,096	13,398
CGU KSP	5,014	57,183
CGU Self/RTA	1,290	7,806
CGU export trade	2,025	56,509
CGU project business in Germany	174	1,809
CGU project business outside Germany	87	572
CGU other	477	783
	10,163	**138,060**
logismo		
CGU other	488	2,100
	488	**2,100**
ALNO UK		
CGU project business outside Germany	5,325	36,076
CGU export trade	6,266	37,474
CGU end customer	163	1,793
	11,754	**75,343**
AFP	72,132	95,019
	72,132	**95,019**

The situation for this in the previous year was as follows:

2013 (in € 000)	ALNO AG	Wellmann	logismo	ALNO UK
Carrying amount	30,471	16,270	609	9,594
Value in use	40,048	127,870	675	26,284

The recoverable amount for ALNO AG, the Wellmann Group, die logismo Group and ALNO UK was based on the value in use both in 2013 and 2014. In this case, each of the values in use also corresponds to the fair value less costs to sell.

As outlined above, the forward-looking assumptions underlying the calculations are based on various uncertain estimates. These uncertainties can have a significant effect on the result of the calculations. The effect of different planning scenarios on the value in use of the cash generating units ALNO AG, Wellmann, logismo, ALNO UK and AFP is outlined below (referred only to the change in value of the perpetual annuity as value-driving factor).

ALNO AG:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	47,790	34,817	25,298	18,056	12,395
–10%	53,763	39,169	28,460	20,313	13,945
0%	59,737	43,521	31,622	22,570	15,494
10%	65,711	47,874	34,784	24,827	17,044
20%	71,685	52,226	37,946	27,084	18,593

Wellmann CGU LGO:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	15,668	12,821	10,719	9,107	7,834
–10%	17,626	14,424	12,059	10,245	8,813
0%	19,585	16,026	13,398	11,383	9,792
10%	21,543	17,629	14,738	12,521	10,772
20%	23,501	19,231	16,078	13,660	11,751

Wellmann CGU KSP:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	67,143	54,834	45,746	38,777	33,277
–10%	75,535	61,689	51,464	43,625	37,437
0%	83,928	68,543	57,183	48,472	41,597
10%	92,321	75,397	62,901	53,319	45,756
20%	100,714	82,252	68,619	58,166	49,916

Wellmann CGU Self / RTA:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	9,607	7,670	6,245	5,157	4,301
–10%	10,808	8,629	7,026	5,801	4,839
0%	12,009	9,588	7,806	6,446	5,376
10%	13,210	10,546	8,587	7,090	5,914
20%	14,410	11,505	9,367	7,735	6,452

Wellmann CGU other:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	959	768	627	518	432
–10%	1,079	864	705	583	486
0%	1,199	960	783	648	540
10%	1,319	1,056	862	712	594
20%	1,439	1,152	940	777	649

Wellmann CGU export trade:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	63,477	52,981	45,207	39,226	34,489
–10%	71,412	59,603	50,858	44,130	38,800
0%	79,347	66,226	56,509	49,033	43,111
10%	87,282	72,849	62,160	53,936	47,422
20%	95,216	79,471	67,811	58,840	51,733

logismo:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	2,517	2,037	1,680	1,405	1,186
–10%	2,832	2,292	1,890	1,580	1,334
0%	3,147	2,546	2,100	1,756	1,482
10%	3,461	2,801	2,310	1,931	1,630
20%	3,776	3,056	2,520	2,107	1,779

Wellmann CGU project business in Germany:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	2,147	1,744	1,448	1,220	1,042
–10%	2,416	1,962	1,628	1,373	1,172
0%	2,684	2,180	1,809	1,526	1,302
10%	2,952	2,398	1,990	1,678	1,432
20%	3,221	2,616	2,171	1,831	1,562

ALNO UK CGU project business outside Germany:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	39,515	33,384	28,861	25,388	22,638
–10%	44,455	37,557	32,469	28,562	25,468
0%	49,394	41,730	36,076	31,735	28,298
10%	54,334	45,903	39,684	34,909	31,128
20%	59,273	50,076	43,292	38,082	33,958

Wellmann CGU project business outside Germany:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	726	571	458	371	303
–10%	817	643	515	417	341
0%	908	714	572	464	379
10%	999	785	629	510	417
20%	1,089	857	686	557	455

ALNO UK CGU export trade:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	41,017	34,665	29,980	26,382	23,533
–10%	46,144	38,998	33,727	29,679	26,474
0%	51,272	43,331	37,474	32,977	29,416
10%	56,399	47,665	41,222	36,275	32,358
20%	61,526	51,998	44,969	39,572	35,299

ALNO UK CGU end customer:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	1,960	1,657	1,434	1,263	1,127
–10%	2,205	1,865	1,613	1,421	1,268
0%	2,450	2,072	1,793	1,578	1,409
10%	2,695	2,279	1,972	1,736	1,550
20%	2,940	2,486	2,151	1,894	1,691

AFP:

in € 000	WACC				
Free cash flow	**–2%**	**–1%**	**0%**	**1%**	**2%**
–20%	108,695	89,952	76,016	65,266	56,736
–10%	122,281	101,196	85,517	73,424	63,828
0%	135,868	112,440	95,019	81,582	70,921
10%	149,455	123,684	104,521	89,740	78,013
20%	163,042	134,928	114,023	97,899	85,105

Impairment test for other intangible assets, property, plant and equipment

Other intangible assets, property, plant and equipment were scrutinised at the closing date to determine whether there were any indications of a possible impairment. An impairment test in accordance with IAS 36 is performed if such indications are found.

Impairment testing involves determining the recoverable amount for each individual asset or, if cash inflows cannot be allocated to the individual asset, for a cash generating unit. Cash generating units are defined as being the smallest units capable of generating cash flows independently.

The recoverable amount is the higher of the fair value of the asset or cash generating unit minus costs to sell or value in use.

An impairment is recognised when the recoverable amount is lower than the carrying amount of the asset or cash generating unit. If the reasons for a previously recognised impairment loss no longer apply, the impairment loss is reversed provided that the reversal does not cause the carrying amount to exceed the amortised cost of acquisition or production.

As a result of changes to the planning, an impairment test was carried out for the right to use FORSTER as well as for customer relations resulting from the purchase of AFP Küchen AG. The following CGUs were defined in this case:

The right to use FORSTER, the PIATTI project business customer relations, PIATTI retailers, PIATTI kitchen service, FORSTER kitchen service are allocated to the AFP Others CGU. The assets capitalised for the right to use FORSTER and the customer relations as part of the purchase price allocation are allocated to the Other segment.

The value in use of the individual assets was calculated on the basis of the residual value method. The discount rate applied is between 9.5% and 10.7%.

As a result of the shorter detailed planning period (5 years vs. 7 years) and the more conservative margin expectation compared to the PPA, the PIATTI customer relations are subject to impairments.

The change in the fair value of the individual assets is as follows:

in € 000	Right to use Forster	Piatti customer relations Project business	Piatti customer relations Retailers	Piatti customer relations Kitchen service	Forster kitchen service customer relations	**Total**
Addition 2014	1,888	11,087	11,574	388	233	25,170
Value in use	2,959	9,143	8,889	242	1,315	22,548
Impairment losses	0	–1,944	–2,685	–146	0	–4,775
BOOK VALUE AS AT 31 DECEMBER	**1,888**	**9,143**	**8,889**	**242**	**233**	**20,395**

At-equity investments

The shares in joint ventures as well as associated companies are included in the consolidated financial statements according to the equity method.

Acquisition costs are increased or decreased by the prorated profit/loss for the year. Disbursements reduce, and capital increases increase, the carrying amount of the interest. Changes in equity outside profit or loss are likewise recognised in Group equity on a pro rata basis. If there is any indication of an impairment, an impairment test is performed in compliance with IAS 36.

Inventories

Raw materials and supplies, as well as goods purchased for resale, are always measured at the lower of average cost of acquisition including incidental acquisition expenses or net proceeds from sale, as required by IAS 2.

In compliance with IAS 2, work in process and finished goods are measured at the cost of production, provided that this does not exceed the expected net proceeds from sale. Production costs include all direct costs attributable to the production process, as well as a reasonable portion of production-related overheads.

The net revenue value is equal to the estimated proceeds from sale that can be realised in the ordinary course of business, minus the estimated costs up to completion and the estimated costs required for distribution.

Financial and other assets

Financial assets essentially comprise liquid assets, securities, financial receivables and trade accounts receivable.

The option of classifying financial assets as financial assets to be measured at fair value through profit or loss when recognised for the first time is not exercised.

In compliance with IAS 39, trade accounts receivable are classified as “loans and receivables issued by the company” and recognised at the amortised cost of acquisition using the effective interest rate method. Reasonable specific valuation allowances equal to the difference between the carrying amount of the asset and the present value of expected future cash flows are made for doubtful accounts receivable. The specific valuation allowances are recognised in a value adjustment account as soon as there are significant impairments. If the impairment decreases in subsequent periods, the valuation allowance is reversed, provided that the carrying amount does not exceed the amortised cost of acquisition following reversal. Impairment losses and their reversals are recognised as income in the consolidated income statement. Accounts receivable are derecognised when their irrecoverability is established.

Securities and interests held in associated companies are classified as “available-for-sale financial assets”. After first-time recognition, they are always measured at fair value. In the case of securities, this is equal to the current price. Gains and losses from changes in fair value are recognised outside profit or loss in equity until the financial asset is disposed of or until an impairment loss is established. In the event of an impairment loss, the accumulated net loss is removed from equity and posted in the income statement.

Interests held in associated companies are measured at acquisition cost, as there is no active market and the fair values cannot be reliably determined due to the absence of corporate planning. Indicated impairment losses are recognised through profit or loss. At present, it is not intended for these interests to be disposed of.

First-time recognition of financial assets is always posted on the settlement date.

A financial asset is derecognised when the contractual right to cash inflows from the asset is satisfied, expires or all risks and rewards have essentially been transferred. Derecognition is also posted on the settlement date.

Financial assets are also derecognised if the essential risks and rewards associated with ownership are neither transferred to the acquirer nor retained as a result of transferring financial assets, and the power to dispose of the financial assets passes to the acquirer. The rights and duties arising or remaining after such transfer are recognised separately as an asset or liability. However, if the power to dispose of the transferred financial assets remains with the ALNO Group, the sold assets are still recognised in the amount of the continuing commitment. An associated liability is simultaneously posted under other liabilities. Differences between the assets and liabilities posted are recognised in the financial result.

Other assets are recognised at acquisition cost, liquid assets at their nominal value.

Available-for-sale assets

“Available-for-sale assets” are regarded as assets that can immediately be sold in their current state, and for which the probability of sale is high. They are valued according to IFRS 5, and are reported as current. These may be individual non-current assets, an available-for-sale group of assets (disposable groups) or business areas which will be given up. Debts that are issued in a transaction together with assets form part of a disposal group or a given-up business area, and are also reported separately as current, as “Debts associated with the available-for-sale assets”. Available-for-sale non-current assets are no longer depreciated by the straight-line method, and are to be reported at their book value or their fair value less costs to sell, whichever is the lower value. Profits or losses from the valuation of given-up business areas at the fair value less costs to sell are reported as profit/loss from non-continued activities, like the profits/losses from business activity or from the sale of these business areas. In contrast, profits or losses from the valuation of individual available-for-sale assets and from disposal groups are reported in the profit/loss from continued activities until the point when they are definitively sold.

Provisions for pensions

The ALNO Group operates a defined benefit plan for former members of the Board of Management and executive employees in Germany and abroad.

ALNO’s benefit plan and the APF benefit plan (pension fund foundation and management pension scheme) are defined benefit plans in compliance with IAS 19.27 directly obligating the company to pay agreed benefits to past and present employees; actuarial risks and investment risks are basically borne by the company. The provision is calculated using the method of regular lump-sum premiums (projected unit credit method) defined by IAS 19 insofar as it is not covered by existing plan assets.

In the AFP, employee contributions to the benefit plan are included with the “risk-sharing” method, i.e. the employee contributions are taken into account as negative benefits in the calculations according to IAS 19.70.

The actuarial interest rate is set on the basis of rates of return achieved on the balance sheet date for first-class, fixed-income corporate bonds.

The net interest cost is reported under the financial expenses. Current and past service costs are reported under personnel costs.

The Group nets all actuarial gains and losses accruing in the financial year as well as deferred tax liabilities incurred on these with equity outside profit or loss. Dissolution recognised as income in subsequent periods is not carried out, in accordance with IAS 19. The amounts recorded in the year under review are represented separately in the statement of comprehensive income.

The net interest costs result from multiplying the discount interest rate calculated at the start of the financial year by the performance obligation less the product of the discount rate and plan assets. The discount rates used for the performance obligation and plan assets match one another.

Other provisions

Other provisions are set up in compliance with IAS 37 if a current – legal and constructive – obligation towards third parties is probable and can lead to a reliably estimated outflow of resources. Provision for expenditure is generally not formed.

Measurement is performed in the amount of the best estimate of the expenditure required to settle the obligation on the balance sheet date. Non-current provisions are recognised at their settlement value discounted to the balance sheet date in accordance with IAS 37, insofar as the effect from the interest rate is substantial. In the event of discounting, the increase in the provision due to the passage of time is recognised as a financial expense.

Financial liabilities

The option of classifying financial liabilities as financial liabilities to be measured at fair value through profit or loss when recognised for the first time is not exercised.

Financial liabilities essentially comprise shareholder loans, accounts payable to banks and other financial liabilities. In compliance with IAS 39, all financial liabilities are basically accounted for at their amortised cost of acquisition (financial liabilities measured at cost), which corresponds to the fair value of the consideration received, including transaction costs. Current financial liabilities regularly also include those non-current loans which have a remaining term of not more than one year.

The first-time reporting of financial liabilities always takes place on the day when the obligation was entered into.

A financial liability is derecognised when the obligation underlying the liability is discharged, terminated or extinguished.

Trade accounts payable and other liabilities

Trade accounts payable are recognised in the amount invoiced by the supplier.

The deferred liabilities are carried as liabilities in the amount owed, sometimes in the amount estimated, and recognised under other liabilities.

Liabilities under finance leases are likewise recognised under other liabilities and carried at the present value of the future leasing instalments. Liabilities are broken down into current and non-current liabilities in accordance with the term of the lease. Lease payments are divided into interest and principal in such a way as to yield a constant rate of interest on the remaining lease payment owed over the period. The interest portion is recorded under financial expenses.

Lease payments under operating leases are recognised in the consolidated income statement as an expense by the straight-line method over the term of the lease.

The other liabilities are shown at their repayment amounts.

A trade account payable or other liability is derecognised when the obligation underlying the liability is discharged, terminated or extinguished.

The company concludes individual forward exchange transactions for exchange rate hedging. The preconditions for hedge accounting are not met.

Correction to provision from 2012

The situation in the lawsuit conducted since mid-2011 with the former Chief Executive Officer Mr Jörg Deisel in conjunction with his dismissal on 6 April 2011 is as follows, including the 2012 financial year: The Düsseldorf Higher Regional Court had made a "provisional judgement" on 20 December 2012 in proceedings restricted to documentary evidence, awarding him € 1,654 thousand in total for the period from 6 April 2011 to 31 December 2012. Of this, € 1,246 thousand was paid to him in January 2013. A portion amounting to € 408 thousand had already been paid to him in June 2012 as the result of a judgement of the court of first instance of the Düsseldorf Regional Court.

The payments were subject to what is referred to as subsequent hearings before the Regional Court of Düsseldorf, as a result of which all amounted were disbursed in exchange for a security (bank guarantee). At the time when the consolidated financial statements for 2012 were being prepared, ALNO AG assumed it was highly probable that the subsequent hearing would produce a positive result. In view of this situation and the bank guarantee received from Mr Deisel, no provision was made in the consolidated financial statements 2012 for the € 1,246 thousand paid out in January 2013.

An audit of the ALNO consolidated financial statements 2012 by the Deutsche Prüfstelle für Rechnungswesen (DPR) resulted in April 2014 in the DPR identifying a defect with regard to the way the "provisional judgement" by the Düsseldorf Higher Regional Court on 20 December 2012 had been reported in the balance sheet. In the opinion of the DPR, in spite of the positive estimate of the prospects for success in the case (which has since been completely justified by the verdict of the HRC on 6 November 2014, and according to which Mr Deisel had to repay all sums to ALNO AG) and the bank guarantee received from Mr Deisel, ALNO AG should have formed a provision on 31 December 2012. The Board of Management of ALNO AG agreed to this identification of detect in April 2014. The audit process was completed in May 2014 with publication of the identifications of defect. Consequently, the level of the provisions as at 31 December 2012 and 1 January 2013 had to be corrected accordingly in the presentation of the previous year's figures, by means of an additional column. This had the result of increasing the other current provisions by € 1,246 thousand and reducing the accumulated net income / Group equity by € 1,246 thousand as at 31 December 2012 and 1 January 2013.

As a result of these corrections, the restructuring expense in the consolidated income statement 2013 was reported as € 1,246 thousand too high. This had no effects on the consolidated balance sheet as at 31 December 2013, because the € 1,246 thousand paid out in January 2013 had been recognised affecting income in the consolidated income statement for the 2013 financial year, meaning that they were also already included in the accumulated net income in the consolidated balance sheet as at 31 December 2013.

For more information regarding the verdict reached by the Düsseldorf Higher Regional Court on 6 November 2014 fully in ALNO AG's favour, we refer to the disclosures in the remuneration report.

Specifically, the following adjustments are required to be made with regard to the annual report 2013:

Consolidated income statement and earnings per share:

in € 000	2013	Adjustment	2013 adjusted
Result from reorganisation (+ = expense / – = income)	2,162	–1,246	916
EBITDA	**5,502**	**1,246**	**6,748**
Earnings before interest and taxes (EBIT)	**1,175**	**1,246**	**2,421**
Earnings before taxes (EBT)	**–7,241**	**1,246**	**–5,995**
GROUP PROFIT FOR THE PERIOD	**–10,718**	**1,246**	**–9,472**
of which attributable to shareholders of ALNO AG	–10,629	1,246	–9,383
Profit in EUR / share (diluted and undiluted)	–0.15	0.01	–0.14

Group statement of income and accumulated earnings

in € 000	2013	Adjustment	2013 adjusted
Group profit for the period	**–10,718**	**1,246**	**–9,472**
GROUP OVERALL RESULT	**–10,830**	**1,246**	**–9,584**
of which attributable to shareholders of ALNO AG	–10,741	1,246	–9,495

Consolidated statement of financial position

in € 000	31 December 2012	Adjustment	1 January 2013 adjusted
Accumulated net income	–81,507	–1,246	–82,753
Shareholders' equity attributable to ALNO AG	–7,692	–1,246	–8,938
Equity	**–7,462**	**–1,246**	**–8,708**
Other current provisions	5,505	1,246	6,751
Current debts	**148,140**	**1,246**	**149,386**

Consolidated cash flow statement

in € 000	2013	Adjustment	2013 adjusted
Group profit for the period	–10,718	1,246	–9,472
Change in other provisions, pension provisions and deferred investment grants from public funds	738	–1,246	–508

Consolidated statement of changes in equity

in € 000	31 December 2012	Adjustment	1 January 2013 adjusted
1 January 2013 in the column “Generated Group equity”	–76,920	–1,246	–78,166
1 January 2013 in the column “Equity attributable to the shareholders of ALNO AG”	–7,692	–1,246	–8,938
1 January 2013 in the column “Group equity”	–7,462	–1,246	–8,708

in € 000	31 December 2013	Adjustment	31 December 2013 adjusted
Group net income for the period in the column “Generated Group equity”	–10,629	1,246	–9,383
Group net income for the period in the column “Equity attributable to the shareholders of ALNO AG”	–10,629	1,246	–9,383
Group net income for the period in the column “Group equity”	–10,718	1,246	–9,472
Group overall result in the column “Generated Group equity”	–10,629	1,246	–9,383
Group overall result in the column “Equity attributable to the shareholders of ALNO AG”	–10,741	1,246	–9,495
Group overall result in the column “Group equity”	–10,830	1,246	–9,584

5. Assumptions and estimates

When preparing the consolidated financial statements, assumptions and estimates have been made with impact on recognition and the amount of the assets, liabilities, income, expenses and contingent liabilities reported.

When assuming a going concern, the assumptions and estimates essentially concern the corporate planning, as well as the occurrence and implementation of various conditions (see B.1. “Basis for preparation of the financial statements”).

The assumptions and estimates made in conjunction with impairment testing of goodwill, a brand and the fixed assets essentially concern the forecast cash flows and discounting factors (see B.4. “Impairment test for goodwill” and C.9. “Depreciation on intangible assets and property, plant and equipment”).

Further uncertainties exist in conjunction with the capitalisation of future tax reliefs, due to the assumptions made with regard to the expected date of occurrence and amount of future taxable income in the next five years. Future tax reliefs have also been calculated on the assumption that there will be no harmful change of ownership in the future eliminating the tax loss carryforwards in accordance with Section 8c of the Corporation Tax Act (KStG) (see C.11. “Income taxes”).

Assumptions and estimates are also made when determining the economic useful life of the fixed assets (see B.4. “Intangible assets” and “Property, plant and equipment”), as well as when determining the parameters for calculating the provisions for pensions (see D.12. “Provisions for pensions”) and pre-retirement part-time working arrangements (see D.13. “Other provisions”). The provision for warranty claims has been calculated on the basis of assumptions and estimates concerning the period of time between delivery date and warranty period, as well as on the future warranty encumbrances (see D.13. “Other provisions”). Valuation allowances on trade accounts receivable are likewise based on estimates concerning, in particular, the cash inflow expected in the future (see D.6. “Trade accounts receivable”).

The discount factors for determining the present values of defined-benefit pension obligations are based on the returns achieved for high-quality, fixed-interest corporate bonds on the respective markets at the balance sheet date. The portfolio has been expanded in the since 2012 as a result of market changes in the high-value corporate bonds used as the basis for calculating the actual interest rate. Since that point, bonds rated AA by at least one rating agency have been included. The minimum volume for consideration was also reduced to € 50 million and information from corporate bonds with a rating of A was also taken into account following deduction of the spread between AA and A.

These estimates and assumptions are based on premises that reflect the knowledge available on the date when the consolidated financial statements are prepared. Although these assumptions and estimates are to the best of the management's knowledge, the actual results may deviate from these.

C. NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement has been prepared using the nature of expense method.

1. Sales revenue

in € 000	2014	2013
Revenue from the sale of goods	535,152	388,378
Other revenue	10,622	6,678
TOTAL	**545,774**	**395,056**

Other revenue is essentially the result of product-related incidental sales to the Group's usual customers or to other third parties, such as the sale of materials.

The rise in sales revenues chiefly results from the first consolidation of AFP Küchen AG.

2. Changes in inventories and capitalised goods and services for own account

in € 000	2014	2013
Changes in inventories	–447	1,851
Other capitalised goods and services for own account	1,040	752
TOTAL	**593**	**2,603**

3. Other operating income

Other operating income is made up as follows:

in € 000	2014	2013
Income from the disposal of assets	132	91
Income relating to other periods	1,425	2,034
Income from the reversal of specific valuation allowances	624	240
Insurance benefits received	167	171
Rental income	620	838
Currency gains	794	0
Badwill from the purchase of AFP	71,306	0
Other income	3,149	6,078
TOTAL	**78,217**	**9,452**

Income relating to other periods mainly comprises income from the reversal of provisions, as well as from derecognition of liabilities. The other income primarily comprises income from social services, refunds from the Federal Employment Agency, income from payments received on derecognised accounts receivable and grants or subsidies on advertising costs. In the previous year, this item furthermore included book profits from the sale of non-activated customer bases (€ 1,546 thousand) and expertise (€ 1,500 thousand).

Rental income primarily comprises the income received from letting office and business premises to various tenants at the Bad Salzuflen location as well as rents from interchangeable truck bodies.

Further explanations of the badwill from the purchase of AFP can be seen under "B.3 Company purchases".

The netting against currency losses included in the currency gains amounts to € 1,589 thousand. Currency losses were reported in the previous year, and were netted against currency gains amounting to € 694 thousand.

4. Cost of materials

in € 000	2014	2013
Cost of raw materials and supplies	310,703	217,358
Purchased services	5,539	4,673
TOTAL	**316,242**	**222,031**

5. Personnel expenses

in € 000	2014	2013
Wages and salaries	118,978	79,131
Social security costs	18,918	16,050
Retirement benefits	357	82
TOTAL	**138,253**	**95,263**

Social security costs include the employer's contributions to state pension funds for employees in the amount of € 8,769 thousand (previous year: € 7,011 thousand). In addition, wages and salaries include employee termination payments in the amount of € 305 thousand (previous year: € 160 thousand) which are not associated with the reorganisation.

€ 71 thousand (previous year: € 51 thousand) were recognised in the financial year as retirement benefit expenses on the basis of defined-contribution benefit obligations assumed by the employer for the company pension scheme.

2,301 men and women were employed on average over the year (previous year: 1,897):

Number of employees	2014	2013
Industrial employees	1,272	1,099
Office employees	1,029	798
Total	**2,301**	**1,897**
Germany	1,654	1,729
Abroad	647	168

The rise in the number of people employed by the ALNO Group chiefly results from the purchase of AFP, which had an average workforce of 490 employees in 2014. The insolvency of Wellmann Bauteile GmbH, Enger, resulted in 72 redundancies in 2014.

6. Other operating expenses

in € 000	2014	2013
Cost of sales	71,165	44,420
Administration costs	27,250	22,947
Rent and leasing	10,237	4,970
Maintenance	8,147	6,121
Expenses relating to other periods	418	728
Allocation to specific valuation allowances for trade accounts receivable	546	418
Bad debts	1,099	560
Other taxes	1,495	614
Losses from the disposal of assets	544	456
Exchange rate losses	0	506
Other expenses	306	413
TOTAL	**121,207**	**82,153**

Other expenses mainly comprise expenses from the allocation to provisions.

7. Result from reorganisation (+ = expense / – = income)

In 2014, reorganisation yielded a negative result of € 8,925 thousand (previous year: € 916 thousand). Personnel expenses in the amount of € 1,907 thousand (previous year: € 916 thousand) included in this concern employee termination payments.

The restructuring expenses were principally incurred by AFP and ALNO AG. The expenditure by ALNO AG is due to the deconsolidation of AME, while the expenses incurred by AFP are related to the closure of the plant in Dietlikon and transfer of production to Pfullendorf.

The reorganisation result also includes other operation income relating to other periods in the amount of € 1,880 thousand. These result from a legal dispute won by ALNO AG against a former Board of Management member.

in € 000	2014	Reorganisation	2014 acc. to income statement
Other operating income	80,097	–1,880	78,217
Personnel expenses	140,160	–1,907	138,253
Other operating expenses	130,105	–8,898	121,207

in € 000	2013 adjusted	Reorganisation	2013 acc. to income statement adjusted
Personnel expenses	96,179	–916	95,263

8. Write-ups on intangible assets and property, plant and equipment

Following an expert appraisal of real estate, properties and buildings at the Pfullendorf location were devalued in the course of the impairment test to their fair value less costs to sell in 2009. It was assumed that some of the buildings would no longer be used for production. The changed company strategy gave rise to the following write-ups or reversals of impairment losses according to IAS 36 for the cash generating unit ALNO AG in 2013 as part of the impairment test:

in € 000	2013
Intangible assets	312
Land and buildings	3,814
Technical equipment and machinery	2,742
Factory and office equipment	978
TOTAL	**7,846**

No write-ups of this type took place in 2014.

9. Depreciation on intangible assets and property, plant and equipment

These write-downs result from the development of fixed assets.

in € 000	2014	2013
Intangible assets	6,724	685
Property, plant and equipment	16,525	11,488
Scheduled write-downs	**23,249**	**12,173**
Impairment losses	**10,461**	**0**
TOTAL	**33,710**	**12,173**

All in all, the following asset groups are affected by impairment losses:

in € 000	2014	2013
Intangible assets	10,127	0
Technical equipment and machinery	334	0
Factory and office equipment	0	0
TOTAL	**10,461**	**0**

The impairment losses on intangible assets in the amount of € 5,352 thousand relate to the PIATTI brand names, and those in the amount of € 4,775 thousand relate to PIATTI customer relations, and result from the impairment tests carried out in 2014.

There were no further events or circumstances leading to the recognition of income or expenses from impairment losses on the balance sheet date.

10. Financial result

in € 000	2014	2013
Interest expense from loans as well as credit and factoring lines	–6,108	–4,484
Interest expense from bonds	–5,385	–2,655
Interest expense from unwinding of discount on provisions	–772	–759
Costs of raising capital	0	0
Financial expenses	**–12,265**	**–7,898**
Income from investments in securities	7	0
Interest income from financial assets	2,649	205
Financial income	**2,656**	**205**
Result of investments measured at equity	**–2,946**	**–723**
TOTAL	**–12,555**	**–8,416**

11. Income taxes

Breakdown of income taxes:

in € 000	2014	2013
Consolidated income statement		
Actual income tax expense:		
Deferred income tax expense	544	120
Adjustments of income tax actually incurred in the previous year	25	16
Deferred taxes:		
Tax loss carryforwards	–1,976	–1,369
Creation and reversal of temporary differences	–780	4,710
INCOME TAXES EXPENSED IN THE CONSOLIDATED INCOME STATEMENT	**–2,187**	**3,477**

in € 000	2014	2013
Consolidated statement of changes in equity		
Deferred taxes directly recognised in equity:		
Change in the value of securities recognised outside profit or loss	–3	5
Actuarial losses from pension provisions	1,620	573
INCOME TAXES RECOGNISED IN EQUITY	**1,617**	**578**

Deferred taxes comprise the following items:

	Consolidated statement of financial position		Consolidated income statement	
in € 000	**2014**	2013	**2014**	2013
Deferred tax liabilities				
Intangible assets	9,223	1,275	–2,535	1,275
Property, plant and equipment	8,041	5,893	377	1,091
Inventories	413	257	59	–9
Accounts receivable and other assets	533	122	411	–3
Other provisions	23	52	–29	22
Other accounts payable	0	0	0	0
Differences from currency translation	0	–1	–11	–1
Subtotal	**18,233**	**7,598**	**–1,728**	**2,375**
Balance	–12,930	–4,835	–	–
	5,303	**2,763**	**–1,728**	**2,375**
Deferred tax assets				
Intangible assets	190	265	–75	–492
Property, plant and equipment	4	28	–24	–2,435
Financial investments	2	5	0	0
Provisions for pensions	5,251	1,830	–171	–129
Other provisions	24	76	–52	–510
Other financial liabilities	0	502	–502	–8
Other accounts payable	29	116	–87	10
Loss carryforwards	9,049	2,206	1,976	1,369
Differences from currency translation	1	2	–37	17
Subtotal	**14,550**	**5,030**	**1,028**	**–2,178**
Valuation allowance	0	0	0	1,212
Subtotal	**14,550**	**5,030**	**1,028**	**–966**
Balance	–12,930	–4,835	–	–
	1,620	**195**	**1,028**	**–966**
DEFERRED TAX LIABILITIES			**–2,756**	**3,341**

Expected and actual taxes on income are reconciled as follows:

in € 000	2014	2013 adjusted
Result before income taxes	**–6,308**	**–5,995**
Expected income taxes	–1,766	–1,679
Effects of different assessment bases/tax rates	–14,265	21
Unrecognised losses in the financial year	9,423	3,903
Write-down or non-recognition of deferred tax assets on temporary differences	–46	–230
Actually used tax loss carryforwards for which deferred taxes were formed	–96	0
Change in deferred tax assets on loss carryforwards	–1,028	–1,582
Non-tax-deductible operating expenses	5,801	3,057
Tax effects due to circumstances in prior periods	25	16
Other differences	–235	–29
Actual income taxes	**–2,187**	**3,477**
Income taxes recognised in the consolidated income statement	–2,187	3,477

The effective income tax rate – defined as 28% (previous year: 28%) in the ALNO Group – is obtained by applying a corporation tax rate of 15% (previous year: 15%) plus the solidarity surcharge of 5.5% of corporation tax and a weighted trade earnings tax to the profit/loss before income taxes.

For this reason, the deferred taxes of the German companies are calculated with the future income tax rate of 28%.

Foreign currency translation yields a change of –€ 11 thousand (previous year: –€ 1 thousand) in deferred tax liabilities. In the deferred tax assets, there is a change of –€ 37 thousand (previous year: € 17 thousand) from foreign currency translation.

In 2014, deferred tax assets in the amount of € 6,839 thousand (previous year: € 0) and deferred tax liabilities in the amount of € 12,351 thousand (previous year: € 0) were received from a company merger in which ALNO AG is the purchaser.

The corporation tax loss carryforwards in Germany for which deferred tax assets were not formed amount to € 183,021 thousand (previous year: € 160,406 thousand). Unrecognised German trade tax loss carryforwards total € 251,158 thousand as at the balance sheet date (previous year: € 214,692 thousand). Deferred taxes have not been capitalised for foreign loss carryforwards in the amount of € 1,644 thousand (previous year: € 4,821 thousand). Of these, € 1,324 thousand (previous year: € 4,543 thousand) can be used for a limited period of time over 20 years.

The interest carried forward on the basis of interest restrictions in Germany for which deferred tax assets were not formed amounts to € 27,689 thousand as at the balance sheet date (previous year: € 20,789 thousand).

The income tax result recognised was unchanged in relation to the previous year at € 0 by using previously unrecognised tax loss carryforwards, and was unchanged in relation to the previous year at € 0 as a result of using an interest carryforward which was previously not recognised on account of the limited tax deductibility of interest expenses.

Deferred tax assets were formed on loss carryforwards amounting to € 888 thousand (previous year: € 1,450 thousand) for the tax group of ALNO AG. In this case, it was assumed that the deferred tax assets are recoverable to the extent that there is an accumulation of deferred tax liabilities from temporary differences and the accumulation of temporary differences leading to deferred tax liabilities will be reversed in the next three years.

Deductible temporary differences for which deferred tax assets were not recognised due to impairment totalled € 0 like in the previous year.

Deferred tax assets are reinstated when the loss-making history of the tax group of ALNO AG has sustainably been broken through. The amount of this reversal depends on the expected tax gains based on the four-year tax budgeting.

Due to the prolonged history of loss, trade tax loss carryforwards of Gustav Wellmann GmbH & Co. KG, Enger, are only formed on temporary differences to the extent that deferred tax liabilities exceed deferred tax assets. This consequently reduces the deferred tax assets recognised on loss carryforwards by € 14 thousand to € 547 thousand (previous year: € 561 thousand).

In the previous year, deferred tax assets on loss carryforwards of ALNO UK Ltd, Leeds, United Kingdom, were formed in the amount of € 195 thousand; on the basis of positive budgetary accounting, these are used for the subsequent years and therefore considered to be unimpaired. In this extent, no deferred tax assets were formed on remaining loss carryforwards in 2014. Deferred tax assets in the amount of € 6,097 thousand were formed on loss carryforwards of AFP Küchen AG, Arbon, Switzerland on the basis of positive budgetary accounting for the subsequent years.

Tax deferrals in the amount of € 752 thousand (previous year: € 752 thousand) were not recognised on taxable temporary differences from interests held in subsidiaries and interests held in associated companies in the total amount of € 53,731 thousand (previous year: € 53,704 thousand), as the time at which the temporary difference is reversed can be influenced by the parent company and the temporary difference will probably not be reversed within the foreseeable future.

Income taxes payable amount to € 380 thousand (previous year: € 94 thousand), while € 36 thousand (previous year: € 58 thousand) can be collected in income tax refunds.

D. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Intangible assets

in € 000	Industrial property rights and similar rights	Self-generated intangible assets	Goodwill	Down-payments and construction in progress	Total
Accumulated cost of acquisition					
Total as at 1 January 2013	25,555	0	6,333	4,214	36,102
Currency translation differences	–11	0	–43	0	–54
Additions	677	0	0	651	1,328
Transfers	139	1,902	0	–1,902	139
Disposals	–64	0	0	0	–64
Total as at 31 December 2013	**26,296**	**1,902**	**6,290**	**2,963**	**37,451**
Currency translation differences	47	0	134	0	181
Additions	292	0	377	399	1,068
Additions, scope of consolidation	61,144	0	0	0	61,144
Transfers	–57	70	0	0	13
Disposals	–9	0	0	0	–9
Removals from scope of consolidation	–107	0	0	0	–107
TOTAL AS AT 31 DECEMBER 2014	**87,606**	**1,972**	**6,801**	**3,362**	**99,741**
Cumulative depreciation					
Total as at 1 January 2013	24,810	0	2,607	0	27,417
Currency translation differences	–6	0	0	0	–6
Additions					
Scheduled	432	253	0	0	685
Write-ups	–312	0	0	0	–312
Disposals	–64	0	0	0	–64
Total as at 31 December 2013	**24,860**	**253**	**2,607**	**0**	**27,720**
Currency translation differences	33	0	0	0	33
Additions					
Scheduled	6,593	131	0	0	6,724
Unscheduled	10,127	0	0	0	10,127
Additions, scope of consolidation	250	0	0	0	250
Transfers	–283	283			0
Disposals	–9	0	0	0	–9
Removals from scope of consolidation	–105	0	0	0	–105
TOTAL AS AT 31 DECEMBER 2014	**41,466**	**667**	**2,607**	**0**	**44,740**
Carrying amounts					
31 December 2014	46,140	1,305	4,194	3,362	55,001
31 December 2013	1,436	1,649	3,683	2,963	9,731
1 January 2013	745	0	3,726	4,214	8,685

2. Property, plant and equipment

in € 000	Land and buildings	Technical equipment and machinery	Other plant, factory and office equipment	Down-payments and construction in progress	Total
Accumulated cost of acquisition					
Total as at 1 January 2013	115,730	128,928	70,454	692	315,804
Currency translation differences	–71	–42	–60	0	–173
Additions	219	2,033	9,736	1,568	13,556
Transfers	4	645	–139	–649	–139
Disposals	0	–2,939	–10,091	0	–13,030
Total as at 31 December 2013	**115,882**	**128,625**	**69,900**	**1,611**	**316,018**
Currency translation differences	225	138	193	0	556
Additions	114	3,684	9,895	1,823	15,516
Additions, scope of consolidation	36,956	37,990	6,301	181	81,428
Transfers	18	1,759	–521	–1,269	–13
Disposals [1)]	–249	–26,137	–6,690	–182	–33,258
Removals from scope of consolidation	–1,926	–1,202	–335	0	–3,463
TOTAL AS AT 31 DECEMBER 2014	**151,020**	**144,857**	**78,743**	**2,164**	**376,784**
Cumulative depreciation					
Total as at 1 January 2013	68,039	110,528	61,569	0	240,136
Currency translation differences	–20	–36	–31	0	–87
Additions					
Scheduled	1,401	2,458	7,629	0	11,488
Write-ups	–3,814	–2,742	–978	0	–7,534
Disposals	0	–2,877	–9,600	0	–12,477
Total as at 31 December 2013	**65,606**	**107,331**	**58,589**	**0**	**231,526**
Currency translation differences	74	141	135	0	350
Additions					
Scheduled	2,446	4,729	9,350	0	16,525
Unscheduled	0	334	0	0	334
Additions, scope of consolidation	16,788	25,276	3,982	0	46,046
Transfers	0	543	–543	0	0
Disposals [1)]	–249	–20,654	–6,155	0	–27,058
Removals from scope of consolidation	–612	–1,031	–333		–1,976
TOTAL AS AT 31 DECEMBER 2014	**84,053**	**116,669**	**65,025**	**0**	**265,747**
Carrying amounts					
31 December 2014	66,967	28,188	13,718	2,164	111,037
31 December 2013	50,276	21,294	11,311	1,611	84,492
1 January 2013	47,691	18,400	8,885	692	75,668

[1)] € 20,413 thousand of the accumulated costs of acquisition was allocated to “available-for-sale assets”, and € 14,844 thousand of the cumulative depreciation was applied in the same way.

3. Financial investments

As at 31 December 2014, financial assets totalled € 998 thousand (previous year: € 1,550 thousand).

The financial assets chiefly comprise non-current securities to protect commitments associated with employees' pre-retirement part-time working against insolvency, in the amount of € 885 thousand (previous year: € 1,519 thousand), which were pledged to the employees, as well as interests in associated companies in the amount of € 114 thousand (previous year: € 31 thousand).

4. At-equity investments

ALNO China Holding Limited, Hong Kong and tielsa GmbH, Pfullendorf, will be included as a joint venture in the consolidated financial statements according to the equity method, which is unchanged in relation to the previous year. ALNO AG holds 45% of the shares in ALNO China Holding Limited, and 49% of the shares in tielsa GmbH. The fair value of these individually non-significant associated companies amounts to € 0 (previous year: € 848 thousand) in total. The result of these investments measured at equity amounts to –€ 2,946 thousand (previous year: –€ 723 thousand) in total.

ALNO China Holding Limited was founded in 2012 and, as a sales company, controls the sales activities for kitchens of the ALNO Group in one of the largest growth markets in the world. tielsa GmbH was also founded in 2012 and sells kitchens based on the "moving kitchen" concept via special retailers.

The combined financial information from these individually non-significant joint ventures, adapted to the investment quota of ALNO AG, are represented as follows:

in € 000	2014	2013
Loss from business areas to be continued	–2,187	–1,686
OVERALL RESULT	**–2,187**	**–1,686**

There are no contingent liabilities of ALNO AG towards these companies that are valued at equity.

5. Financial accounts receivable

		Remaining term		
in € 000	Total	< 1 year	1 to 5 years	> 5 years
31 December 2014	3,739	195	3,544	0
31 December 2013	4,074	2,000	2,074	0

The item contains loans amounting to € 2,895 thousand (previous year: € 3,350 thousand) to associated companies. Furthermore, non-current financial accounts receivable comprise security for a provider of IT services in the amount of € 218 thousand (previous year: € 250 thousand), earmarked credit balances with banks in the amount of € 474 thousand (previous year: € 474 thousand) for future investments as well as other loans in the amount of € 152 thousand (previous year: € 0). There were no indications at the closing date that these payment obligations would not be discharged.

There are neither adjusted nor overdue items in the financial accounts receivable with a gross value of € 3,739 thousand (previous year: € 4,074 thousand).

6. Trade accounts receivable

		Remaining term		
in € 000	Total	< 1 year	1 to 5 years	> 5 years
31 December 2014	59,235	58,510	725	0
31 December 2013	43,246	42,655	591	0

The ALNO Group sells accounts receivable which do not meet the criteria for complete derecognition. The total carrying amount of the original accounts receivable before transfer amounts to € 15,531 thousand (previous year: € 14,501 thousand), the amount after transfer is € 4,940 thousand (previous year: € 4,002 thousand). To an extent, there is a risk of late payment or default. The accounts receivable that were transferred but not yet derecognised are offset by accounts payable amounting to € 4,983 thousand (previous year: € 4,042 thousand) which are reported under other financial liabilities. Inpayments deriving from these accounts receivable must be passed on to the accounts receivable purchaser. The account payable is eliminated in this way. The transferred accounts receivable function as collateral for the purchase price received in consideration of them. To a large extent, the fair values of these assets and liabilities correspond to their carrying amounts.

As at the balance sheet date, the age structure of the trade accounts receivable is as follows:

				Not impaired and overdue within the following periods		
in € 000	Carrying amount	Net amount of adjusted accounts receivable	Neither overdue nor impaired	Less than 30 days	Between 30 and 365 days	More than 365 days
31 December 2014	59,235	1,411	40,971	9,801	6,389	663
31 December 2013	43,246	1,691	34,063	4,611	2,576	305

The adjusted accounts receivable have a gross value of € 8,471 thousand (previous year: € 9,183 thousand).

Write-downs on trade accounts receivable developed as follows:

in € 000	**2014**	2013
1 January	7,492	8,142
Currency differences	165	–44
Consumption	202	784
Reversal	624	240
Allocation	575	418
Addition, scope of consolidation	882	0
Removal from scope of consolidation	1,228	0
31 DECEMBER	**7,060**	**7,492**

With regard to the unimpaired trade accounts receivable, there were no indications at the closing date that these payment obligations would not be discharged.

Domestic trade receivables amounting to € 27,504 thousand (previous year: € 30,338 thousand) were netted in the amount of € 5,475 thousand (previous year: € 6,053 thousand) against domestic trade payables at a given offsetting situation. The balance sheet values of these trade receivables after netting amount to € 22,029 thousand (previous year: € 24,285 thousand).

7. Inventories

in € 000	**31 December 2014**	31 December 2013
Raw materials and supplies	16,972	16,174
Work in progress	10,132	3,981
Finished goods and services	8,608	5,478
Down-payments received	–882	–1,605
TOTAL	**34,830**	**24,028**

The aforementioned figures contain impairments which increased by € 3,601 thousand (previous year: € 995 thousand) to € 4,962 thousand (previous year: € 1,361 thousand) in 2014.

8. Other assets

		Remaining term		
in € 000	**Total**	< 1 year	1 to 5 years	> 5 years
31 December 2014	10,211	9,773	438	0
31 December 2013	9,981	9,632	349	0

Other current assets essentially comprise turnover tax refunds, accounts receivable from employees from time accounts, other receivables from customers as well as prepaid expenses.

Other non-current assets primarily comprise accounts receivable from the Federal Employment Agency in conjunction with pre-retirement part-time working.

Write-downs on other assets developed as follows:

in € 000	2014	2013
1 January	111	95
Currency differences	0	0
Consumption	0	0
Reversal	28	0
Allocation	13	16
Addition, scope of consolidation	38	0
31 DECEMBER	**134**	**111**

The adjusted other assets have a gross value of € 152 thousand (previous year: € 148 thousand).

The unimpaired accounts receivable include overdue items amounting to € 1,300 thousand (previous year: € 1,000 thousand), for which there was however no need to undertake a valuation allowance.

9. Liquid assets

Liquid assets comprise the cash in hand and credit balances with banks. Non-disposable liquid assets principally comprise pledged bank deposits to secure bank credit lines. Bank sureties and insurance guarantees were secured with bank deposits amounting to € 331 thousand.

As at the balance sheet date, the cash fund (cash and cash equivalents) is made up as follows:

in € 000	31 December 2014	31 December 2013
Liquid assets	2,270	3,266
Not freely disposable liquid assets	–496	–546
TOTAL	**1,774**	**2,720**

10. Available-for-sale assets

On 21 January 2015, ALNO AG signed the contract to establish a joint venture in Russia. The partner is the “Pervaya Mebel’naya Fabrica” (“1st furniture factory”, in short: “1ff”), one of the largest furniture manufacturers in Russia, based in St. Petersburg. ALNO AG has a 49% share in the joint venture, and provides its industrial production and process expertise as a non-cash contribution as well as some of the machine from PIATTI production. The plant of ALNO’s Swiss subsidiary AFP in Dietlikon was closed at the end of 2014 and production of PIATTI kitchens was shifted to the ALNO plant in Pfullendorf. The released machines will be transferred to St. Petersburg in the first half of 2015 and installed on the factory premises of “1ff” for production of kitchens.

These available-for-sale assets chiefly include technical systems and machines, with a book value as at 31 December 2014 in the amount of € 5,387 thousand. In addition, down-payments made on property, plant and equipment are included in the amount of € 182 thousand.

11. Equity

a. Subscribed capital

The subscribed capital is unchanged in total at € 70,095 thousand as at 31 December 2014 and is divided into 70,094,979 (previous year: 70,094,979) no-par-value shares. The shares are issued as bearer shares and fully paid up. Each no-par-value share accounts for € 1.00 of the subscribed capital.

in € 000	
Total as at 1 January 2013	70,095
Changes in 2013	0
Total as at 31 December 2013	70,095
Changes in 2014	0
TOTAL AS AT 31 DECEMBER 2014	**70,095**

The most recent statutory notifications by shareholders pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG) and their respective voting shares at the time of reaching, exceeding or undershooting the reporting thresholds pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG) are set out below. Actual voting shares held at the balance sheet date may differ as a result of non-notifiable acquisitions and / or disposals.

In accordance with Sections 21 subsection 1, 25a and 24 of the German Securities Trading Act (WpHG), Whirlpool Corporation, Benton Harbour, USA, informed ALNO AG on 6 December 2012 that the following voting shares in ALNO AG (securities identification number: 778 840 / ISIN: DE 0007788408), Pfullendorf, Germany accrue to the following persons:

1. Whirlpool Germany GmbH

a) Notification pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG)

The voting shares in ALNO AG held by Whirlpool Germany GmbH, Stuttgart, Germany, exceeded the voting thresholds of 25% and 30% on 4 December 2012 and totalled 30.58% (corresponding to 21,437,821 voting rights) on that date.

b) Notification pursuant to Section 25a of the German Securities Trading Act (WpHG)

Moreover, the voting share in ALNO AG held by Whirlpool Germany GmbH, Stuttgart, Germany, as a result of the financial instrument held by the company within the meaning of Section 25a of the German Securities Trading Act (WpHG) fell below the voting thresholds of 30%, 25%, 20%, 15%, 10% and 5% on 3 December 2012 and totalled 0% (corresponding to 0 votes) on that date. At the same time, the voting share of Whirlpool Germany GmbH in ALNO AG in accordance with Section 21 subsection 1 of the German Securities Trading Act (WpHG) amounted to 30.58% (corresponding to 21,437,821 votes).

2. Whirlpool Corporation

a) Notification pursuant to Section 21 subsection 1 of the German Securities Trading Act (WpHG)

The voting shares in ALNO AG held by Whirlpool Corporation, Wilmington, Delaware, USA, exceeded the voting thresholds of 25% and 30% on 4 December 2012 and totalled 30.58% (corresponding to 21,437,821 votes) on that date. Of these, 30.58% (corresponding to 21,437,821 voting rights) are to be allocated to Whirlpool Corporation in accordance with Section 22 subsection 1 sentence 1 no. 1, subsection 3 of the Securities Trading Act (WpHG) via Whirlpool Germany GmbH, a subsidiary of Whirlpool Corporation, the voting share in ALNO AG of which amounted to 3% or more.

b) Notification pursuant to Section 25a of the German Securities Trading Act (WpHG)

Moreover, the voting share in ALNO AG held by Whirlpool Corporation, Wilmington, Delaware, USA, as a result of the financial instrument held by the company within the meaning of Section 25a of the German Securities Trading Act (WpHG) fell below the voting thresholds of 30%, 25%, 20%, 15%, 10% and 5% on 3 December 2012 and totalled 0% (corresponding to 0 votes) on that date. At the same time, the voting share of Whirlpool Corporation in ALNO AG in accordance with Section 21 subsection 1 of the German Securities Trading Act (WpHG) amounted to 30.58% (corresponding to 21,437,821 votes).

The 30.58% (corresponding to 21,437,821 voting rights) accruing to Whirlpool Corporation in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) are to be allocated to the company in accordance with Section 22 subsection 1 sentence 1 no. 1, subsection 3 of the Securities Trading Act (WpHG) via Whirlpool Germany GmbH, a subsidiary of Whirlpool Corporation, the voting share in ALNO AG of which amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 7 December 2012.

On 19 December 2012, Küchen Holding GmbH, Munich, Germany, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% and 3% thresholds on 17 December 2012 and, on the day of the notification, was 2.55% (1,787,908 voting rights).

On 19 December 2012, Milano Investments S.à r.l., Esch-sur-Alzette, Luxembourg, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% and 3% thresholds on 17 December 2012 and, on the day of the notification, was 2.55% (1,787,908 voting rights).

Of these, 2.55% (1,787,908 voting rights) are to be allocated to Milano Investments S.à r.l. in accordance with Section 22 subsection 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) via Küchen Holding GmbH, Munich, Germany, a subsidiary of Milano Investments S.à r.l., the voting shares in ALNO AG of which amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 20 December 2012.

On 1 July 2013, SE Swiss Entrepreneur AG, Zug, Switzerland, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% threshold on 26 June 2013 and, on the day of the notification, was 4.87% (3,413,066 voting rights).

On 1 July 2013, Mr Christoph Dietsche, Zug, Switzerland, notified ALNO AG in accordance with Section 21 subsection 1 sentence 1 of the Securities Trading Act (WpHG) that his voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 5% threshold on 26 June 2013 and, on the day of the notification, was 4.87% (3,413,066 voting rights).

Of these, 4.87% (3,413,066 voting rights) are to be allocated to Mr Christoph Dietsche in accordance with Section 22 subsection 1 sentence 1 no. 1 of the Securities Trading Act (WpHG) via SE Swiss Entrepreneur AG, Zug, Switzerland, a subsidiary of Mr Christoph Dietsche, whose voting share in ALNO AG amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 1 July 2013.

On 5 August 2013, LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had exceeded the 3% threshold on 1 August 2013 and, on the day of the notification, was 3.002% (2,104,000 voting rights). 2.960% of the voting rights (corresponding to 2,075,000 voting rights) are to be allocated to the company in accordance with Section 22 subsection 1, sentence 1, no. 6 of the Securities Trading Act (WpHG).

The aforementioned notification was published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 6 August 2013.

The following changes took place in 2014:

The voting shares in ALNO AG held by Whirlpool Germany GmbH, Stuttgart, Germany, dropped below the voting thresholds of 30%, 25% and 20% on 21 March 2014 and totalled 19.99% (corresponding to 14,018,995 voting rights) on that date.

The voting shares in ALNO AG held by Whirlpool Corporation, Benton Harbor, USA, dropped below the voting thresholds of 30%, 25% and 20% on 21 March 2014 and totalled 19.99% (corresponding to 14,018,995 voting rights) on that date.

Of these, 19.99% (corresponding to 14,018,995 voting rights) are to be allocated to Whirlpool Corporation in accordance with Section 22 subsection 1 sentence 1 no. 1, subsection 3 of the Securities Trading Act (WpHG) via Whirlpool Germany GmbH, a subsidiary of Whirlpool Corporation, the voting share in ALNO AG of which amounted to 3% or more.

The aforementioned notifications were published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 25 March 2014.

On 25 March 2014, NORDIC Kitchen Holding AG, Zug, Switzerland, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had exceeded the 3%, 5% and 10% threshold of voting rights on 21 March 2014 and, on the day of the notification, was 10.58% (corresponding to 7,418,826 voting rights).

The aforementioned notification was published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 25 March 2014.

On 9 April 2014, NORDIC Kitchen Holding AG, Zug, Switzerland, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had dropped below the threshold 10% of voting rights on 9 April 2014 and, on the day of the notification, was 9.79% (corresponding to 6,865,000 voting rights).

The aforementioned notification was published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 11 April 2014.

LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, notified us in accordance with Section 21 subsection 1 of the Securities Trading Act (WpHG) that its voting share in ALNO AG, Pfullendorf, Germany, had fallen below the 3% threshold on 20 November 2014 and, on the day of the notification, was 2.74% (1,920,000 voting rights). Of these, 2.68% (corresponding to 1,875,000 voting rights) are assigned to the company according to Section 22 subsection 1, sentence 1, no. 6.

The aforementioned notification was published through Deutsche Gesellschaft für Ad-hoc-Publizität (DGAP) on 28 November 2014.

Authorised capital

At the Ordinary Shareholders' General Meeting of ALNO AG on 26 June 2013, the existing authorised capital was cancelled and replaced by a new authorised capital. The Board of Management was authorised by the Supervisory Board to increase the capital stock of the company once or several times until 25 June 2018 by € 35,047,489.00 through issuing up to € 35,047,489 no-par-value ordinary shares in return for cash and/or non-cash contributions (authorised capital 2013). It was entered in the Register of Companies on 9 August 2013.

The shareholders can exercise their statutory subscription right. The new shares can also be taken over by one or more banking institutes subject to the proviso that they be offered to the shareholders (indirect subscription right).

The Board of Management is authorised to undertake the following actions with the consent of the Supervisory Board

- to exclude shareholders' subscription rights for fractional amounts;
- to exclude the shareholders' subscription rights as a whole in order to offer the company's new shares to third parties in return for non-cash contributions in conjunction with business combinations or the acquisition of companies or parts thereof, as well as with the acquisition of other assets, including loans and other liabilities;
- to exclude the shareholders' subscription rights if the cash capital increase does not exceed 10% of the share capital and the issuing price is not significantly lower than the market price of correspondingly endowed shares which are already listed on the stock market;
- to exclude the shareholders' subscription rights if necessary in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its subordinate Group companies a subscription right to the new shares commensurate with that accruing after exercising their option or conversion rights or following the discharge of conversion obligations.

Contingent capital

The annual general meeting on 26 June 2013 had authorised the Board of Management to issue cum-warrant and/or convertible bonds, participatory rights and/or participating bonds (or combinations of these instruments) (referred to jointly as "bonds") in the total amount of up to € 100,000,000.00 up to 25 June 2018, and has created conditional capital in the amount of € 35,047,489.00 (conditional capital 2013) for this purpose. The aforementioned authorisation from 26 June 2013 was used in March 2014 by the issue of convertible bonds in the total amount of € 14,000,000.00 ("convertible bond 2014"). In view of the conversion price defined in the bond conditions of the convertible bond 2014 amounting to € 2.00 per share, the conditional capital 2013 had to be maintained in an amount of € 7,000,000.00 to secure the holders of the convertible bond 2014 and the authorisation of 26 June 2013 (corresponding to 7,000,000 no-par-value ordinary shares of the company with a pro rata amount of the capital stock of € 1.00 per share).

The remaining framework for the conditional capital 2013 has been opened for an amount of € 21,000,000.00 for further conversion and subscription rights which can be issued on the basis of the new authorisation by the annual general meeting on 28 May 2014, up to 27 May 2019. Accordingly, the decision taken by the annual general meeting on 26 June 2013 regarding the creation of the conditional capital 2013 (taking account of the reduction in the conditional capital 2013 described below) was re-adapted to such an extent that the conditional capital 2013 is also available for safeguarding the holders of cum-warrant and / or convertible bonds, participatory rights and / or participating bonds (or combinations of these instruments) which are issued on the basis of the authorisation approved by the annual general meeting on 28 May 2014.

The adjusted contingent capital 2013 was entered in the Register of Companies on 28 July 2014 and was newly specified as follows: The capital stock has been conditionally increased up to € 28,037,993.00 by the issue of up to 28,037,993 no-par-value ordinary shares (contingent capital 2013). The conditional capital increase will only be undertaken to such an extent as the holders or creditors of cum-warrant and / or convertible bonds, participating bonds and / or participatory right with cum-warrant and / or conversion rights or option and conversion obligations (or combinations of these instruments) that the company or its Group companies issued in March 2014 on the basis of the authorisation decision by the annual general meeting on 26 June 2013, or will be issued up to 27 May 2019 according to the authorisation of the annual general meeting on 28 May 2014, exercise their option or conversion rights deriving from these bonds or discharge their conversion / option obligation, and in each of these cases to the extent that the conditional capital 2013 is required according to the provisions of the bond terms. The new shares are issued in accordance with the aforementioned authorisation decisions at a specific option or conversion price in each case. The new shares participate in profits from the start of the financial year in which no decision has been taken regarding the use of the net profit at the time when they were issued. The Board of Management is authorised to specify further details, with the consent of the Supervisory Board, concerning the realisation of this contingent capital increase.

Furthermore, the annual general meeting of ALNO AG on 28 May 2014 decided on authorising the issue of up to 7,009,496 share options to members of the Board of Management of the company, selected managers below Board of Management level in the company as well as members of the managing boards of companies associated with the company, in accordance with Sections 15 ff. of the Stock Corporation Act (AktG). The no-par-value bearer shares of the company, in up to 7,009,496 in number, required for fulfilling the share option rights will be granted by a conditional capital 2014. To create the conditional capital 2014, the existing conditional capital 2013 was reduced by € 7,009,496.00 to the amount of € 28,037,993.00. The reduction in the conditional capital 2013 was required because the nominal amount of the conditional capital was not allowed to exceed half of the capital stock on hand at the time when the decision regarding the conditional capital increase was taken. Also, following the reduction in the conditional capital 2013, the subscription rights of the holders of the convertible bond 2014 are fully covered.

The annual general meeting of ALNO AG on 28 May 2014 therefore decided to increase conditionally the capital stock by up to € 7,009,496 by issuing up to 7,009,496 no-par-value ordinary shares (conditional capital 2014). The conditional capital increase exclusively serves to grant rights to the holders of share option rights from the share option programme 2014, which the Board of Management was authorised to issue by a decision of the annual general meeting on 28 May 2014. The conditional capital increase will only be undertaken to the extent that the holders of share option rights granted on the basis of the authorisation by the annual general meeting on 28 May 2014 exercise these option rights and the company does not fulfil the share option rights through cash payment. The new shares participate in profits from the start of the financial year in which no decision has been taken by the annual general meeting regarding the use of the net profit at the time when they were issued. The Board of Management of ALNO AG is entitled to define the further details for undertaking the conditional capital increase, with the approval of the Supervisory Board, in the event that share option rights and shares are to be issued to members of the Board of Management of the company; in this case, the Supervisory Board defines the further details for carrying out the conditional capital increase. It was entered in the Register of Companies on 28 July 2014.

Acquisition of own shares

By resolution of the annual general meeting on 23 June 2010, the Board of Management was authorised to buy own shares up to 10% of the share capital existing at the time of adopting the resolution, as permitted by Section 71 subsection 1, no. 8, of the Stock Corporation Act (AktG). This authority can be exercised in the full amount or part-amounts, on one or more occasions and in pursuit of one or more objectives by the company or by third parties for account of the company. At no point may the acquired shares together with other own shares account for more than 10% of the capital stock. This authorisation became effective on 24 June 2010 and remains valid until 22 June 2015.

The shares can be purchased through the stock exchange or through a public offer to buy addressed to all the company's shareholders, as preferred by the Board of Management.

If shares are purchased through the stock exchange, the consideration paid by the company per share (excluding incidental expenses) must be not more than 10% higher or lower than the stock exchange price quoted for the company's stock on the XETRA electronic trading platform (or an equivalent subsequent system) when the Frankfurt stock exchange opens for trading on the date of purchase.

If they are purchased through a public offer to buy addressed to all the company's shareholders, the purchase price offered or the limits of the price range offered per share (excluding incidental expenses) must not be more than 20% higher or lower than the average closing price for the company's stock on the XETRA electronic trading platform (or an equivalent subsequent system) quoted on the Frankfurt stock exchange on the last three trading days before publication of the offer. The offer can be adjusted if the price deviates significantly following publication of the offer. In this case, the price will be based on the corresponding average closing price on the last three trading days before publication of the adjusted offer. The volume offered can be limited. If the offer is oversubscribed, acceptance must be prorated in accordance with the shares offered in each case. Priority may be given to accepting smaller numbers of up to 100 of the shares offered for sale per shareholder.

The Board of Management is authorised, with the consent of the Supervisory Board, to use the company shares acquired on the basis of this or a previous authority for the following purposes:

The shares may also be sold by other means than through the stock exchange or by offer to all shareholders if they are sold in return for cash payment at a price not significantly lower than the stock exchange price quoted for the company's stock at the time of sale. However, this authority applies subject to the proviso that the shares sold on the basis of this authority do not exceed a prorated amount equal to 10% of the share capital, neither at the time of becoming effective nor at the time of exercising this authority. The maximum limit of 10% is reduced by the prorated amount of share capital corresponding to the shares issued within the framework of a capital increase during the term of this authority for which subscription rights are excluded in accordance with Section 186 subsection 3, sentence 4 of the Stock Corporation Act (AktG). The maximum limit of 10% is also reduced by the prorated amount of share capital corresponding to the shares issued or to be issued in order to service bonds with conversion or option rights, insofar as the bonds have been issued during the term of this authority with exclusion of subscription rights in accordance with Section 186 subsection 3, sentence 4 of the Stock Corporation Act (AktG).

Shares can be sold in return for non-cash consideration, in particular in conjunction with business combinations and the acquisition of companies, company parts and holdings in companies.

The shares can be offered to persons employed by the company or one of its affiliated companies.

The shares can be used to discharge the company's obligation under cum-warrant and/or convertible bonds issued or guaranteed by the company in the future.

This authority can be exercised in the full amount or part-amounts, on one or more occasions and in pursuit of one or more objectives. The shareholders' right of subscription to these own shares is excluded to this extent. In addition, the Board of Management may, with the consent of the Supervisory Board, exclude the right of subscription for fractional amounts, with the consent of the Supervisory Board, when own shares are sold within the context of an offer to all the company's shareholders.

The Board of Management is also authorised to collect the acquired own shares with the consent of the Supervisory Board without requiring a further resolution of the annual general meeting.

b. Capital reserve

The capital reserve developed as follows in the year under review:

in € 000	
Total as at 1 January 2013	3,258
Changes in 2013	0
Total as at 31 December 2013	3,258
Changes in 2014	0
TOTAL AS AT 31 DECEMBER 2014	**3,258**

In conjunction with the simplified capital reduction of 12 October 2012, up to € 1,058 thousand from the capital reserve existing at the time were used to cover losses. In conjunction with the capital increase effected on 21 November 2012, the surplus of € 2,200 thousand exceeding the nominal amount was allocated to the capital reserve. The capital reserve now totals € 3,258 thousand.

c. Legal reserve

No transfer to the legal reserve was made in the year under review, due to the net accumulated losses; this item thus remains at € 462 thousand.

d. Accumulated net income

With regard to the development of accumulated net income, we refer to the figures presented in the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

The accumulated net income includes generated Group equity, the reserve from currency translation and the other transactions recognised outside profit or loss.

Generated Group equity comprises the accumulated consolidated income of the reporting periods, the waivers of repayment given by the shareholders in previous years, the accrued transaction expenses for capital increases and the reserve from remeasurements when IFRS standards were applied for the first time.

The other transactions recognised outside profit or loss concern actuarial gains and losses from the provisions for pensions, changes in the fair value of securities and the deferred taxes associated with these in each case. The amounts recognised in the financial year 2014 are presented in the consolidated statement of comprehensive income.

e. Capital management

Group equity has changed from –€ 18,381 thousand as at 31 December 2013 to –€ 28,007 thousand as at 31 December 2014 and is now made up as follows:

in € 000	**31 December 2014**	31 December 2013
Subscribed capital	70,095	70,095
Capital reserve	3,258	3,258
Legal reserve	462	462
Accumulated net income	–101,822	–92,337
Minority shares	0	141
TOTAL	**–28,007**	**–18,381**

The ALNO Group's net financial liabilities are as follows:

in € 000	31 December 2014	31 December 2013	Change in in € 000	Change in in percent
Shareholder loans and other financial liabilities				
non-current	91,152	65,217	25,935	39.8%
current	40,202	27,649	12,553	45.4%
	131,354	**92,866**	**38,488**	**41.4%**
Less liquid assets	–2,270	–3,266	996	30.5%
NET FINANCIAL LIABILITIES	**129,084**	**89,600**	**39,484**	**44.1%**
Balance sheet total	284,546	181,469	103,077	56.8%
Net financial liabilities in % of total assets	45.4%	49.4%		

Non-current liabilities increased principally because of the bond issued in March 2014 in the amount of € 13,198 thousand (nominal amount € 14,000 thousand), as well as due to the deconsolidation of AFP (€ 11,836 thousand).

The reduction in liquid assets results from utilisation in relation to the balance sheet date, because no bank credit lines are available and all liabilities are settled using the liquid assets.

The increase in total assets is largely due to the first consolidation of AFP.

Overall, net financial liabilities in relation to total assets decreased from 49.4% to 45.4%.

The shareholders' equity for ALNO AG presented in the annual financial statements as at 31 December 2014 in accordance with the German Commercial Code (HGB) totals € 49,651 thousand (previous year: € 72,456 thousand). The reduction in equity by € 22,805 thousand is entirely due to the loss for the year. Changes in equity are monitored by ALNO AG on a monthly basis.

12. Provisions for pensions

The ALNO Group's company pension scheme is essentially based on direct, defined-benefit pension commitments. As a rule, pensions are calculated according to the employee's period of service and pensionable earnings. The aforementioned commitments are measured on the basis of actuarial assessments. These assessments are based on the applicable legal, economic and tax conditions in the country concerned. Valuation parameters were specifically applied for the countries concerned.

Provisions are measured according to the present value of entitlement (projected unit credit method) in compliance with the revised version of IAS 19, taking into account the future development. A discount rate of 1.8% (previous year: 3.5%) is applied in Germany, which accounts for the lion's share of this provision, with 84.4% (previous year: 99.7%). The discount rate abroad for ALNO UK equals 3.4% (previous year: 4.4%) and for AFP equals 1.1% (previous year: n/a).

In Germany, existing commitments are measured with a rise of 0.0% and 1.0% (previous year: 0.0% and 1.0%) in wages and salaries and an average pension trend of 1.5% (previous year: 1.5%). The trend in wages and salaries abroad is assumed to be 1.1% or 2.9% (previous year: 3.3%). Pensions abroad are assumed to increase by 0.0% or 5.0% (previous year: 2.6%) on average. Average staff fluctuation is calculated for each specific plant and is set at 5.0% (previous year: 5.0%) in Germany. The fluctuation rate abroad is assumed to be 0.0% or 2.0% (previous year: 2.6%).

Abroad, the plan assets comprise non-current investments in life insurance; in Germany, the plan assets are centrally invested through Allianz Global Investors. The precise composition as at the balance sheet dates is shown in the following table:

in € 000	2014	2013
Cash and cash equivalents	15,662	5
Equity instruments	12,296	52
Corporate bonds	13,373	325
Government bonds	587	496
Property	922	50
Reinsurance	522	530
Other	2,228	0
	45,590	**1,458**

The plan assets are not used by the company.

In fact, the revenue from plan assets amounted to € 1,679 thousand (previous year: € 22 thousand).

The following figures have been recognised in the consolidated income statement:

in € 000	2014	2013
Current service costs	3,894	12
Net interest expense		
Interest expense	1,869	786
Expected return on assets	–1,128	–47
TOTAL NET INTEREST EXPENSE	**741**	**739**
	4,635	**751**

The current service cost is recognised as retirement benefit expenses. The net interest cost is reported under the financial expenses.

The present value of entitlement is reconciled with the reported provision as follows:

in € 000	2014	2013
Present value of entitlement, benefit obligations financed from provisions	23,938	20,502
Present value of entitlement, fund-financed benefit obligations	50,149	1,526
Present value of entitlement, direct benefit obligations (DBO)	74,087	22,028
Fair value of plan assets	–45,590	–1,458
PROVISIONS FOR PENSIONS	**28,497**	**20,570**

The present value of defined benefit obligations has changed as follows:

in € 000	2014	2013
Commitment at the start of each financial year	**22,028**	**21,798**
Addition, scope of consolidation	49,464	0
Interest expense	1,869	786
Current service costs	3,894	12
Contributions of the planned participants	1,689	0
Pension payments in the period	–4,928	–1,285
Revaluations		
Actuarial gains (–) or losses (+) from the amendment Financial assumptions	7,599	398
Actuarial gains (–) or losses (+) from the amendment Demographic assumptions	–56	0
Experience adjustments	187	340
TOTAL REVALUATION (OTHER OPERATING RESULT)	**7,731**	**738**
Settlement gains (–) or losses (+)	–8,696	0
Other planned administration costs	25	0
Currency translation differences	1,010	–21
COMMITMENT AT THE END OF EACH FINANCIAL YEAR	**74,087**	**22,028**

The fair value of plan assets has developed as follows:

in € 000	2014	2013
Plan assets at the start of each financial year	**1,458**	**1,514**
Addition, scope of consolidation	48,331	0
Expected return on plan assets (interest income)	1,128	47
Employer's contributions	2,025	57
Contributions of the planned participants	1,690	0
Pension payments made from plan assets	–3,776	–115
Revaluations		
Actuarial gains (+) or losses (–) from the amendment Financial assumptions	551	–25
TOTAL REVALUATION (OTHER OPERATING RESULT)	**551**	**–25**
Settlement gains (+) or losses (–)	–6,771	0
Currency translation differences	954	–20
PLAN ASSETS AT THE END OF EACH FINANCIAL YEAR	**45,590**	**1,458**

On the balance sheet date, the actuarial losses were € 12,603 thousand (previous year: € 5,423 thousand).

The following table shows the effects of the changes in significant actuarial assumptions on the present value of entitlement. In this case, each of the remaining parameters remains unchanged as a result of which any interactions between the assumptions made are not taken into account. The calculations were also carried out by experts on the basis of actuarial principles.

in € 000	2014	2013
Discount interest rate		
Increase by 0.5%	–5,020	–1,190
Decrease by 0.5%	5,729	1,308
Pension trend		
Increase by 0.5%	1,503	1,180
Decrease by 0.5%	–1,378	–1,115
Life expectancy		
Increase by 1 year	1,532	
Decrease by 1 year	–1,515	

The weighted duration as at the balance sheet date is 14.6 (previous year: 11.9) years.

In 2015, it is expected that € 1.1 million of the retirement benefit payments will be due from the pension commitments.

The risks resulting from defined-benefit pension obligations include actuarial risks such as the life expectancy on which the assumptions are based, and financial risk. Financial risks arise, for example, from market price risks which may have effects on the discount interest rate or inflation risks which may affect wage and salary increases. The ALNO Group does not insure risks of this type.

13. Other provisions

in € 000	1 January 2014	Addition, scope of consoli-dation	Utilisation	Reversal	Transfer	Allocation	Accrued interest	Currency difference	31 December 2014
Non-current provisions									
Personnel costs	1,116	0	–14	–192	–310	0	5	0	605
Storage	326	0	0	0	0	4	0	0	330
	1,442	**0**	**–14**	**–192**	**–310**	**4**	**5**	**0**	**935**
Current provisions									
Warranties, damages and contingent losses	1,085	494	–607	–273	0	2,920	0	2	3,621
Reorganisation	319	0	–319	0	0	3,012	0	30	3,042
Personnel costs	1,276	0	–901	–28	310	378	0	4	1,039
Taxes	49	0	0	0	0	610	0	0	659
	2,729	**494**	**–1,827**	**–301**	**310**	**6,920**	**0**	**36**	**8,361**

The provisions for personnel costs essentially comprise provisions for the pre-retirement part-time working arrangements customary in Germany. The provision for pre-retirement part-time working encompasses expenses for wage and salary payments to employees in the off-work phase (settlement backlog) and the additional increases required for the entire remaining duration of pre-retirement part-time working. It also includes employee termination payments in the amount of € 66 thousand (previous year: € 110 thousand) in conjunction with pre-retirement part-time working. A discount rate of 0.5% (previous year: 1.0%) is taken into account when calculating the provision. An amount of € 184 thousand (previous year: € 340 thousand) is posted under other non-current assets for the refunds to be expected from the Federal Employment Agency in conjunction with rights under the German Act on Pre-retirement Part-time Working (AltTZG).

The provision for warranties, damages and contingent losses encompasses free deliveries on account of faulty goods, missing parts and other defects which are measured at production cost. At the same time, the provision also covers risks in conjunction with claims for damages by customers and suppliers; these are recognised at their expected value. Provisions are also formed for contingent losses from delivery obligations, for which the unavoidable costs for discharging the obligation will exceed the expected economic benefit.

The reorganisation provision chiefly includes the still outstanding payments under the social plant at the Dietlikon site as well as expenditure relating to the shutdown of the plant in Dietlikon and transfer of production to Pfullendorf.

The non-current provisions relating to pre-retirement part-time working arrangements will for the most part be consumed within the next two years. The other non-current personnel provisions and the provision for safe storage will be consumed within the next ten years.

14. Shareholder loans

Financial liabilities in the amount of € 30,000 thousand (previous year: € 30,445 thousand) existed in the financial year, in the form of loans granted by the shareholders of ALNO AG. The item exclusively concerns a loan from Bauknecht Hausgeräte GmbH.

15. Other financial liabilities

in € 000	31 December 2014 Total	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Accounts payable to banks	24,144	12,018	12,126	0
Other financial liabilities	77,210	18,184	59,026	0
TOTAL	**101,354**	**30,202**	**71,152**	**0**

in € 000	31 December 2013 Total	Remaining term < 1 year	Remaining term 1 to 5 years	Remaining term > 5 years
Accounts payable to banks	2,588	505	2,083	0
Other financial liabilities	59,833	16,699	43,134	0
TOTAL	**62,421**	**17,204**	**45,217**	**0**

The accounts payable to banks include several investment loans in the total amount of € 24,144 thousand. The interest rate for the investment loans is between 1.8% and 5.4%. The loans are repaid quarterly in some cases. The other loans are repaid at the end of their term.

In the previous year, the accounts payable to banks included an earn-out certificate in the amount of € 1,790 thousand and two investment loans in the total amount of € 798 thousand.

The other financial liabilities include € 43,233 thousand for the bond issued in May 2013, € 13,198 thousand for the bond issued in March 2014, liabilities from factoring with € 4,983 thousand as well as loans granted by related parties in the amount of € 8,125 thousand.

The other financial liabilities include a purchase price loan in the amount of € 1,200 thousand. The company has embarked on negotiations with the former seller as a result of the cessation of production at Alno Middle East FZCO, Dubai, UAE in the middle of 2014.

Covenants (loan terms) have been agreed for the loan extended to a subsidiary; these are based on financial key figures of the subsidiary and were unable to be met due to changes in the general conditions of production and sales. As a result, discussions have already been embarked on with the banks in 2014. The adjustment to the loan terms that has been agreed by the banks in the meantime is based on the assumption that the company will continue as a going concerns. The loans were values at € 11,942 thousand as at 31 December 2014.

The accounts payable to banks are secured through the transfer of real estate and buildings, machinery and technical equipment by way of security. Furthermore, intangible assets, inventories, trade receivables and other assets in the UK were pledged for ALNO UK's factoring. Bank sureties and insurance guarantees were secured with bank deposits amounting to € 331 thousand. As at the balance sheet date, the assets serving as collateral are posted in the consolidated balance sheet with the following carrying amounts:

in € 000	31 December 2014	31 December 2013
Intangible assets	3,560	3,065
Land and buildings	9,524	0
Machinery and technical equipment	1,572	2,668
Inventories	1,752	903
Trade accounts receivable	25,832	6,279
Other assets	2,101	823
Liquid assets	496	402

As well as that, the shareholder loans in the amount of € 30,000 thousand are secured by the pledging of shares in PINO. These shares correspond to the following assets in the consolidated financial statements:

in € 000	31 December 2014	31 December 2013
Intangible assets	124	159
Land and buildings	5,742	5,863
Machinery and technical equipment	803	671
Factory and office equipment	1,706	1,629
Financial investments	474	474
Inventories	2,190	2,592
Trade accounts receivable	5,627	6,692
Other assets	310	216

16. Deferred grants and subsidies from public authorities

Deferred grants and subsidies from public authorities in the amount of € 679 thousand (previous year: € 704 thousand) comprise investment grants for a subsidiary in the new German states. In the financial year, € 26 thousand (previous year: € 26 thousand) were reversed and reported under other operating income.

17. Trade accounts payable and other financial liabilities

in € 000	31 December 2014 Total	Remaining term <1 year	Remaining term 1 to 5 years	Remaining term >5 years
Trade accounts payable	97,764	78,261	19,503	0
Other financial liabilities	24,689	24,684	5	0
thereof customer discounts	12,794	12,794	0	0
thereof unpaid invoices	4,205	4,205	0	0
thereof customer accounts with credit balances	2,707	2,707	0	0
TOTAL	**122,453**	**102,945**	**19,508**	**0**

in € 000	31 December 2013 Total	Remaining term <1 year	Remaining term 1 to 5 years	Remaining term >5 years
Trade accounts payable	55,395	55,393	2	0
Other financial liabilities	15,446	15,435	11	0
thereof customer discounts	9,563	9,563	0	0
thereof unpaid invoices	2,197	2,197	0	0
thereof customer accounts with credit balances	2,938	2,938	0	0
TOTAL	**70,841**	**70,828**	**13**	**0**

18. Remaining other liabilities

in € 000	31 December 2014 Total	Remaining term <1 year	Remaining term 1 to 5 years	Remaining term >5 years
Personnel	7,712	7,712	0	0
Other	1,552	1,552	0	0
Other taxes	5,062	5,062	0	0
Social security	265	265	0	0
TOTAL	**14,591**	**14,591**	**0**	**0**

in € 000	31 December 2013 Total	Remaining term <1 year	Remaining term 1 to 5 years	Remaining term >5 years
Personnel	4,929	4,929	0	0
Other	568	568	0	0
Other taxes	2,149	2,149	0	0
Social security	195	195	0	0
TOTAL	**7,841**	**7,841**	**0**	**0**

E. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

General information

In compliance with IAS 7 (Cash Flow Statements), the consolidated cash flow statement shows the change in cash and cash equivalents in the Group due to payment flows from operating activities, investment activities and financing activities, as well as through the change in exchange rates during the year under review.

The net cash flow for operating activities shows a cash inflow of € 15,156 thousand in the year under review (previous year: cash outflow of € 29,522 thousand). This major increase is mainly due to the “change in trade accounts payable and other debts” which results above all from the rise in trade accounts payable amounting to € 42,369 million. Investment activities resulted in a cash outflow of € 52,746 thousand in the year under review, as compared to € 13,677 thousand in the previous year. This rise is largely due to the outpayments for company purchases. The decline in net cash and cash equivalence received from financing activities, by € 5,048 thousand, predominantly resulted from the borrowings for financial liabilities which are lower than in the previous year. In the previous year, the bond with a nominal volume in the amount of € 45 million issued in May 2013 was included, amongst other items. In the current financial year war, the compulsory convertible bond with a nominal volume of € 14 million was included, as was the bank finance used for purchasing AFP.

The composition of the cash and cash equivalents as at the particular financial year end can be seen in D.9.

F. NOTES TO THE SEGMENT REPORTS

Including the consolidated financial statements as at 31 December 2013, ALNO AG divided up the segment reporting according to IFRS 8 on the basis of internal management reporting according to brands or legal entities. The segments ALNO, Wellmann, Impuls, pino, ATG and Other were identified in this case. This procedure was selected because there was a direct link between the brand and production location (plant), i.e. ALNO in Pfullendorf, Wellmann in Enger, etc. Furthermore, the sales revenues achieved through foreign subsidiaries were relatively low, since these were still in the process of becoming established.

From 2014 onwards, the situation changed in that, with the takeover of AFP, a new “End customer” segment was added, including the expansion of Alno Switzerland with its own shops. Production of Piatti kitchens was moved to Pfullendorf in 2014.

Furthermore, there are now exclusive customer projects with own brands, delivering not insignificant sales revenues. Consequently, it is no longer the case that only one brand is being manufactured in one plant. As a result of this, Sales was restricted according to responsibilities, sales channels and associations.

Furthermore, the activities outside Germany were expanded to represent a significant portion of the sales revenues (amongst other things due to the takeover of AFP), and this expansion should continue. The former division into segments was thus revised in the financial year 2014 and can no longer be clearly applied. A separation was introduced between sales activities / units and production activities / units, as a result of which it became appropriate to modify the segment report.

Definition of the business segments

The Board of Management controls ALNO AG in accordance with a matrix organisation, firstly through sales channels and secondly according to the legal entities/brands. The focus of internal management reporting now lies clearly on control by sales channels, however. In a case such as this, it is up to the company itself to determine the segmentation level. Consequently, the Board of Management has decided to undertake the segmentation according to sales channels from the 2014 financial year onwards.

The following three business segments can be identified, which are subject to mandatory reporting:

- Retail
  - Large outlet (LGO)
  - Kitchen specialists (KSP)
  - Self-service/RTA (Self/RTA)
  - Trade export

- Project business
  - Projects in Germany
  - Projects outside Germany

- End customer

Furthermore, there is an “Other” segment which includes all business transactions that cannot be directly allocated to the other segments. The sales revenues in the “Other” segment reports the sales revenues from the service/semi-finished business. The EBITDA in the “Other” segment chiefly includes the effects of the PPA in the course of the purchase of AFP, as well as the restructuring costs that arose in 2014.

The aforementioned business segments each have segment managers responsible for the individual customer groups, who are responsible for reporting to the Board of Management in their areas.

Definition of the business segments subject to mandatory reporting

With the exception of the end-customer business, all of the aforementioned business segments are subject to mandatory reporting because they meet the criteria of IFRS 8, and exceed the quantity thresholds (sales revenue 10% rule).

From the perspective of the Board of Management, the End customer business segment, which does not exceed the quantity thresholds, is nevertheless regarded as subject to mandatory reporting and is stated separately, because this information is useful for the audience of the financial statements.

Further mandatory information

IFRS 8.20 ff. regulates the information that must be provided in the notes for each business segment subject to mandatory reporting.

The required information is described in the notes, as in the previous years.

With regard to the information required, the explanations of the sales revenues and EBITDA are stated.

The required information does not have to be given regarding the assets and liabilities, because neither assets nor liabilities play a role in the internal reporting according to sales channels, or else these figures are not calculated at all (IFRS 8.23).

The information according to IFRS 8.21c in conjunction with IFRS 8.28 is also provided as before.

The segment data is presented below according to corporate divisions:

2014 According to corporate divisions in € 000	Retail	Project business	End customer	Others	Consolidation	Total
Sales revenue						
Foreign sales	372,462	141,506	28,014	3,792	0	545,774
Domestic sales	20,425	10,201	1,491	0	–32,117	0
Total sales	392,887	151,707	29,505	3,792	–32,117	545,774
Earnings						
Segment EBITDA	**–6,576**	**–6,930**	**474**	**62,308**	**–9,319**	**39,957**
Transfer to profit/loss before income taxes:						
Depreciation on intangible assets and property, plant and equipment						–33,710
Financial result						–12,555
Result before income taxes						–6,308

2013 According to corporate divisions in € 000	Retail	Project business	End customer	Others	Consolidation	Total
Sales revenue						
Foreign sales	352,673	41,881	399	103	0	395,056
Domestic sales	16,764	5,936	142	0	–22,842	0
Total sales	369,437	47,816	541	103	–22,842	395,056
Earnings						
Segment EBITDA	**244**	**2,304**	**–101**	**2,033**	**2,268**	**6,748**
Transfer to profit/loss before income taxes:						
Write-ups on intangible assets and property, plant and equipment						7,846
Depreciation on intangible assets and property, plant and equipment						–12,173
Financial result						–8,416
Result before income taxes						–5,995

Internal sales within the ALNO Group have been eliminated in the consolidated sales revenue.

The consolidation entries posted in the line "Segment EBITDA" are comprised as follows:

in € 000	2014	2013
Capital consolidation	–6,855	–266
Debt consolidation	–2,620	3,354
Other consolidation entries	156	–820
TOTAL	**–9,319**	**2,268**

The other consolidation entries in 2014 concern the elimination of interim results from the at-equity measurement and in the investments.

The other consolidation entries in 2013 concern the elimination of interim results from the at-equity measurement, in the miscellaneous assets and in the inventories.

Regional sales are determined according to the place of delivery. There is no external customer in the ALNO Group with whom 10% or more of the total sales revenue is generated.

Total sales according to regions in € 000	2014	2013
Germany	263,385	265,854
Rest of Europe	268,979	117,877
Other foreign countries	13,410	11,325
TOTAL	**545,774**	**395,056**

Intangible assets, property, plant and equipment and investments measured at equity in € 000	2014	2013
Germany	87,544	89,628
Rest of Europe	78,058	3,729
Other foreign countries	436	1,714
TOTAL	**166,038**	**95,071**

G. MANAGEMENT OF FINANCIAL RISKS

1. Risk management principles

The basic principles of financial policy are defined annually by the Board of Management and monitored by the Supervisory Board. Group Treasury is responsible for implementing the financial policy, as well as for the ongoing risk management. Certain transactions require prior approval by the Board of Management, which is also regularly informed of the scope and magnitude of the current risk appraisal. Effective management of the market risks is one of the main Treasury responsibilities. Simulations using various worst case and market scenarios are performed to assess the impacts of different conditions in the marketplace.

The Group is exposed to financial risks from financial assets and liabilities, as well as from planned transactions. Financial assets, such as trade accounts receivable and liquid assets, are the direct result of operating activities. Financial assets also include securities which serve as hedges for claims from pre-retirement part-time working arrangements. The financial liabilities primarily comprise bank loans, other financial liabilities and loans on current account, as well as trade accounts payable. The main purpose of financial liabilities is to finance the Group's business operations.

The main risks arising for the Group from the financial assets and liabilities comprise interest rate risks, liquidity risks, currency risks and risk of default.

Due to the Group's low-risk investment strategy, the risk of changes in the fair value of securities (price risk) is not a material risk from a Group vantage.

2. Currency risks

The currency risk refers to the risk of changes in the fair value or future cash flows of monetary items on account of fluctuations in exchange rates.

Currency risks basically arise from investments, financing activities and operating activities which are undertaken in a currency other than the company's functional currency. However, currency risks without impact on the Group's cash flows, e.g. due to translating foreign corporate entities' assets and liabilities into the Group currency, are never considered in further detail by Group Treasury.

There was no material risk in the investment sector as at the balance sheet date.

Currency risks in the financing sector mainly arise from foreign currency loans which are extended to Group companies for financing purposes as well as from trade payables within the Group.

Since 2013, all internal Group deliveries to the foreign sales companies in the United Kingdom, Switzerland and the USA have been converted to double invoicing. This results in currency risks in the Group.

In 2014, the subsidiary in the UK concluded four forward exchange transactions for currency hedging, each involving the purchase of € 500 thousand with terms until 30 January 2015, 27 February 2015, 31 March 2015 as well as 28 April 2015. The negative market value at the balance sheet date amounts to € 31 thousand in total. There are no derivative financial instruments beyond that.

The following table shows the effect of changes in the fair value of monetary foreign currency items on Group profit/loss before income taxes. There are no effects on equity outside profit and loss.

2014	Development of exchange rate		Effect on result in € 000 Income (+)/ Expense (–)	
GBP	+10.0%	–10.0%	+456	–456
CHF	+10.0%	–10.0%	+1,039	–1,039
USD	+10.0%	–10.0%	+238	–238
AED	+10.0%	–10.0%	+339	–339

2013	Development of exchange rate		Effect on result in € 000 Income (+)/ Expense (–)	
GBP	+10.0%	–10.0%	+464	–464
CHF	+10.0%	–10.0%	+411	–411
USD	+10.0%	–10.0%	+164	–164
AED	+10.0%	–10.0%	+298	–298

3. Interest rate risks

The interest rate risk refers to the risk of changes in the fair value or future cash flows of financial assets and liabilities on account of changes in current interest rates.

The Group is primarily exposed to interest rate risks in the eurozone. To minimize the effect of fluctuations in interest rates in these regions, the interest rate risk for net financial liabilities made out in euros is managed by ALNO AG. Financial liabilities in foreign currencies only exist to a subordinate extent. There are no financial derivatives as at the balance sheet date.

Financial liabilities and the variable-interest factoring volume have been taken into account in the following analysis of sensitivity to interest rate movements. Only financial liabilities with variable interest rates have been included in the analysis. The analysis is also based on the assumption that the principal amounts and the ratio of fixed to variable interest rates remain unchanged. Assets with a floating interest rate are of subsidiary importance and are not included in this analysis.

In the currently improbable eventuality of the average interest rate being increased by 100 (previous year: 100) basis points, the result before taxes on income would decrease by € 499 thousand (previous year: € 214 thousand). A reduction of 100 (previous year: 100) basis points would lead to an increase by € 499 thousand (previous year: € 214 thousand) in profit / loss before income taxes. Minor changes in the interest rate lead to insignificant effects.

4. Risk of default

The risk of default refers to the risk that a contractual partner fails to discharge its payment obligations in conjunction with financial assets. The maximum risk of default corresponds to the carrying amounts of the assets plus financial guarantees and / or warranty obligations.

Accounts receivable in operating business are continuously monitored at segment level, i.e. decentralised. In conjunction with Group receivables management, minimum requirements as regards creditworthiness and maximum exposure limits are defined for all business partners of the ALNO Group. These are based on a system of defined limits for which compliance is constantly monitored. In addition, the ALNO Group safeguards its trade receivables through trade credit insurance which, if an account receivable is not paid, will indemnify the loss incurred in the contractually agreed amount. Specific valuation allowances are used to take account of the risk of default. Trade receivables are secured through trade credit insurers and the del credere liability of the central regulatory offices in the overall amount of 90% (previous year: 90%). The ALNO Group companies decide in each individual case whether or not to make use of the credit insurance.

In Germany, the kitchens produced by the ALNO Group are mainly sold through furniture stores and specialised kitchen retailers, as well as self-service and RTA stores, most of which are members of purchasing associations. Due to these market structures, the ALNO Group is dependent on a limited number of customers on the sales side. However, the receivables are from the individual affiliates or furniture stores in each case, as a result of which there is ultimately no risk concentration. The risk of default by individual key accounts, however, is met through trade credit insurance or del credere liability by central regulatory offices.

The risk of default for unimpaired financial assets and the development of specific valuation allowances are summarised in section D.6. “Trade accounts receivable”.

5. Liquidity risks

The liquidity risk refers to the risk that the Group is unable to meet its contractual obligations in settling its financial liabilities.

ALNO AG acts as financial coordinator for all Group companies in order to ensure that the financing required for the operational business is always adequate and as cost-efficient as possible. The information required for this purpose is updated on a monthly basis through roll-over financial planning with a planning horizon of one year and subjected to variance analyses.

This financial planning is supplemented by daily cash flow development planning for the German companies which is constantly reconciled with the actual payment flows. The foreign subsidiaries are updated on a monthly basis. Available liquidity reserves are monitored constantly by ALNO AG.

Accounts receivable by ALNO AG as well as Impuls Küchen GmbH, pino Küchen GmbH, Wellmann GmbH & Co. KG, AFP Küchen AG and ALNO UK Ltd. are assigned within the scope of factoring agreements in order to extend the liquidity margin needed by the ALNO Group. The six (previous year: five) companies can make variable use of total factoring commitments in the amount of € 49,993 thousand (previous year: € 46,000 thousand). Of this total, € 23,876 thousand (previous year: € 24,069 thousand) was used on average over the year.

The table below presents the contractually agreed interest payments and principal payments of the financial liabilities. All liabilities which were included in the portfolio on the closing date and for which payments had already been contractually agreed have been included. Budgeted figures for new liabilities in the future are not included in the calculation. Amounts in foreign currency have been translated at the rate prevailing on the reporting date. Variable interest payments have been calculated on the basis of the last interest rates fixed prior to the balance sheet date. Financial liabilities which can be repaid at any time are always assigned to the earliest possible time frame.

in € 000	Carrying amount 31 December 2014	Due in 2015	Due in 2016–2019	Due in 2020 or later
Other financial liabilities				
Accounts payable to banks	24,144	13,388	12,469	0
Other financial liabilities	77,210	19,059	77,608	0
Trade accounts payable and other financial liabilities	122,453	102,945	19,508	0
Shareholder loans	30,000	11,788	21,950	0
Warranty obligations	0	308	0	0
Derivatives	31	31	0	0

in € 000	Carrying amount 31 December 2013	Due in 2014	Due in 2015–2018	Due in 2019 or later
Other financial liabilities				
Accounts payable to banks	2,588	551	2,322	0
Other financial liabilities	59,833	19,014	60,609	0
Trade accounts payable and other financial liabilities	70,841	70,828	13	0
Shareholder loans	30,445	12,276	23,250	0
Warranty obligations	0	402	0	0
Derivatives	5	5	0	0

With regard to the measures taken to assure the company's continuation as a going concern and to assure its liquidity, we refer to the information provided in sections B.1. "Basis for preparation of the financial statements" and N. "Events after the balance sheet date".

6. Other information on financial assets and liabilities

The following table presents the carrying amounts and fair values of all financial assets and liabilities recognised in the Group. Current financial assets and liabilities valued at amortised costs are not presented because in that case the carrying value and fair value correspond to one another. The fair values of the bond liabilities included in the other financial liabilities are calculated at their market value on the closing date. The financial assets and liabilities are divided into various categories according to IAS 39. This are loans and receivables (LaR), available-for-sale financial assets (AfS), financial liabilities measured at cost (FLaC) as well as assets or liabilities held for trading (HfT).

		31 December 2014		31 December 2013	
in € 000		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Trade accounts receivable	LaR	725	725	591	591
Financial accounts receivable	LaR	3,544	3,544	2,074	2,074
Securities	AfS	885	885	1,519	1,519
Investments in associated companies	AfS	114	*	31	*
Financial liabilities					
Shareholder loans	FLaC	20,000	20,000	20,000	20,000
Other financial liabilities	FLaC	71,152	48,192	45,217	33,967
Derivatives	HfT	31	31	5	5

* Fair value cannot be determined reliably.

The following table presents the carrying amount of the financial assets and liabilities for each evaluation category according to IAS 39:

in € 000	**31 December 2014 Carrying amount**	31 December 2013 Carrying amount
Loans and receivables (LaR)	65,244	50,586
Available for sale (AfS)		
measured at fair value	885	1,519
measured at amortised cost of acquisition	114	31
Financial liabilities measured at cost (FLaC)	253,807	163,707
Held for trading (HfT)	31	5

The posted securities are recognised at fair value in their full amount.

Shares held in associated companies are capitalised at the amortised cost of acquisition, as there is no active market for these. Also, the fair value cannot be reliably determined in any other way.

The carrying amounts of current financial assets and liabilities correspond to their fair value on account of the short term to maturity.

The following hierarchy is used to measure and recognize the fair value of financial instruments:

- Stage 1: Fair values determined with the aid of prices quoted in active markets.
- Stage 2: Fair values determined with the aid of measurement policies for which the input factors of significance for the fair value are based on observable market data.
- Stage 3: Fair values determined with the aid of measurement policies for which the input factors of significance for the fair value are not based on observable market data.

At the end of each reporting period, an investigation is performed into whether reallocations need to be performed between the hierarchical levels. There were no reallocations in the reporting year.

The current values of the non-current financial assets and liabilities have been calculated by discounting their future payment flows. This is based on current discount rates under standard market conditions with the same due date and creditworthiness requirement (hierarchical level 2). The current values, with the exception of the issued bond, correspond to the carrying amounts because the interest rate is in accordance with the market.

The securities valued in the ALNO Group at fair value amounting to € 885 thousand (previous year: € 1,519 thousand) are on hierarchical level 1.

The current value of the exchange-quoted bond issued in 2013 reported under other financial liabilities amounting to € 24,333 thousand (previous year: € 31,575 thousand) is calculated using the stock exchange price as at 30 December 2014 in the amount of 58% (hierarchical level 1). The current value of the bond issued in 2014 amounting to € 9,138 thousand is calculated using the stock exchange price as at 30 December 2014 in the amount of 71% (hierarchical level 1). The remaining other financial liabilities are bank liabilities with an interest rate in conformity with the market (hierarchical level 2).

This resulted in the following net gains and losses for the financial assets and liabilities, classified according to categories:

2014 in € 000	Interest	Interest according to the effective interest method	Impairment	Other net gains/losses	Net gains/losses not affecting net income	Total
LaR	2,648	0	–546	–366	0	1,736
AfS	7	0	0	0	1	8
FLaC	–6,096	–5,385	0	425	0	–11,056
HfT	0	0	0	–31	0	–31

2013 in € 000	Interest	Interest according to the effective interest method	Impairment	Other net gains/losses	Net gains/losses not affecting net income	Total
LaR	205	0	–418	–283	0	–496
AfS	0	0	0	0	–17	–17
FLaC	–4,484	–2,655	0	652	0	–6,487
HfT	0	0	0	–5	0	–5

Impairments of the “Loans and receivables” relates to the allocation to specific valuation allowance for trade accounts receivable. The other net gains and losses include income from the receipt of derecognised accounts receivable and from the reversal of specific valuation allowances, expenses from derecognised accounts receivable, and gains and losses from currency translation.

The other net gains and losses recognised in the category “Available for sale – measured at fair value” include income from investments in securities and the unrealised changes in value recognised in equity.

Revenue from derecognised liabilities is reported under other net gains and losses of the “financial liabilities measured at cost”.

The net losses reported in the “Held for trading” category result from the change in market values of derivatives.

H. CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

As at 31 December 2014, contingent liabilities under non-recognised warranty agreements for building companies in the project business as well as for bills of security exist in the amount of € 308 thousand (previous year: € 402 thousand).

The other financial commitments are as follows:

2014 in € 000	Due in 2015	Due in 2016 – 2019	Due in 2020 and later	**Total**
Accounts payable under lease arrangements with third parties	7,933	18,324	7,787	34,044
Other contractual arrangements with third parties	8,213	23,887	8,160	40,259
Ongoing investment projects	5,628	8,137	653	14,418
Supply contracts	7,518	2,600	0	10,118
TOTAL	**29,291**	**52,948**	**16,600**	**98,839**

2013 in € 000	Due in 2014	Due in 2015 – 2018	Due in 2019 and later	**Total**
Accounts payable under lease arrangements with third parties	3,772	9,045	2,872	15,689
Other contractual arrangements with third parties	10,994	26,767	8,502	46,263
Ongoing investment projects	3,904	0	0	3,904
Supply contracts	2,750	6,200	700	9,650
TOTAL	**21,420**	**42,012**	**12,074**	**75,506**

Rental and leasing agreements with third parties primarily concern leased vehicles and factory and office equipment. Some of these agreements have extension and purchase options. The other contractual agreements with third parties concern maintenance, service and power supply contracts.

Ongoing investment projects in the amount of € 7,518 thousand (previous year: € 3,904 thousand) relate to intangible assets totalling € 0 (previous year: € 865 thousand) and property, plant and equipment totalling € 7,518 thousand (previous year: € 3,039 thousand).

I. RELATED PERSONS AND COMPANIES

Related persons or companies are defined as persons or business entities which can be controlled by the reporting company, insofar as they are not already included in the consolidated financial statements as consolidated companies, or which can directly or indirectly exercise control over the reporting company.

In detail, business relations are as follows:

The joint ventures are ALNO China Holding Limited, Hong Kong, People's Republic of China, and tielsa GmbH, Pfullendorf.

The other related companies with which business relations exist comprise Comco Holding AG, Nidau, Switzerland, Comco Finanz AG, Nidau, Switzerland as well as Smaragd Holding AG, Nidau, Switzerland.

Persons concerned	Major shareholders		Joint ventures		Other related companies	
Business relationships	**2014 in € 000**	2013 in € 000	**2014 in € 000**	2013 in € 000	**2014 in € 000**	2013 in € 000
Sales revenue	0	0	4,847	2,632	0	0
Purchased goods and services	51,115	63,757	0	0	0	47
Interest expense	3,522	3,259	0	0	547	637
Interest received	24	0	198	176	0	0
Other expense	0	0	0	0	497	430
Other income	–40	0	0	184	0	0
Financial accounts receivable	1,000	0	2,895	3,350	0	0
Trade accounts receivable	0	0	1,596	796	0	0
Financial liabilities	34,885	30,063	0	0	8,125	8,525
Trade accounts payable and other liabilities	48,007	20,438	0	0	307	28
Interest rate	3.0% or 6.5% p.a.	6.5% p.a.	6.5% p.a. or 7.5% p.a.	6.5% p.a.	6.5% p.a.	6.5% p.a.

Major shareholders with whom business relations are directly maintained are Whirlpool Germany GmbH, Stuttgart, Nordic Kitchen Holding AG, Zug, Switzerland and SE Swiss Entrepreneur AG, Zug, Switzerland, as well as indirectly Bauknecht Hausgeräte GmbH, Stuttgart, and Whirlpool Corporation, Wilmington, Delaware, USA.

The figure reported for purchased goods and services and for trade payables and other liabilities essentially relates to the contract for delivery between ALNO AG and Bauknecht Hausgeräte GmbH, Stuttgart (subsequently Whirlpool). This contract governs the supply of electrical appliances from Bauknecht / Whirlpool to the ALNO Group and runs until 30 June 2017.

Under the contract, the ALNO Group obtains the majority of its requirement for electrical appliances (with the exception of some articles such as microwave ovens and built-in refrigerators) from Whirlpool. Whirlpool is liable to ALNO within the scope of the manufacturer's warranty. As far as possible, customer service is handled via Whirlpool. The net invoice prices are negotiated annually on the basis of overall market and economic developments.

For 2014, ALNO received a restructuring bonus of € 400 thousand (previous year: € 2,250 thousand), which is offset against outstanding liabilities. For 2015, Whirlpool has assured ALNO a restructuring bonus of at most € 3,600 thousand. The bonus is granted on a monthly basis, and its actual amount depends on the total volume of overdue receivables at the end of the month. The ALNO Group received similar restructuring bonuses from other suppliers.

The accounts payable towards Whirlpool must be settled within 90 days of the invoice date. Overdue accounts payable are subjected to interest at 6.5% p.a.

ALNO grants Whirlpool a first-class right of lien in the form of shares in pino Küchen GmbH in order to secure all rights and claims of Whirlpool against the ALNO Group. The contract with Whirlpool also contains a simple reservation of title by Whirlpool.

The contract with Whirlpool was concluded subject to usual market conditions.

In the financial year, the postponement of trade payables resulted in interest amounting to € 1,572 thousand (previous year: € 1,829 thousand) due to Bauknecht Hausgeräte GmbH.

Bauknecht Hausgeräte GmbH granted the ALNO Group a loan amounting to € 30,000 thousand in 2013 in order to cover the latter's financing requirement, in the form of restructuring current trade payables. As at the balance sheet date, the loan has a term until 30 June 2017, although € 10,000 thousand is due in September 2015. In 2014, interest at the rate of 6.5% p.a. in the total amount of € 1,950 thousand (previous year: 1,416 thousand) was due for the loan.

ALNO AG sold intellectual property and brand rights in the amount of € 1,800 thousand to tielsa GmbH in 2012. The receivable for the purchase price was converted into a current purchase price loan of the same amount. Furthermore, an additional € 200 thousand was granted to tielsa GmbH as a short-term loan in order to cover its financing requirement. Both loans were applied to tielsa GmbH in 2014 as a non-cash capital contribution. In 2014, ALNO AG provided tielsa GmbH with a loan in the total amount of € 195 thousand to cover its ongoing financing requirement. In total, the interest revenues on all the aforementioned loans during the financial year amounted to € 66 thousand (previous year: € 100 thousand). The loan is due in December 2015, and has an interest rate of 7.5% p.a.

In addition, ALNO AG granted ALNO China Holding Limited a loan in 2013 amounting to € 1,350 thousand to cover its financing requirement as well as, in 2014 in addition, a further loan amounting to € 1,350 thousand. Interest derived from this during the financial year amounted to € 132 thousand (previous year: € 76 thousand). The loans are due in December 2015, and have an interest rate of 6.5% p.a.

Smaragd Holding AG, Nidau, Switzerland, received remunerations of € 237 thousand for consulting services provided in the last quarter of 2014. In the previous year, Comco Holding AG, Nidau, Switzerland, received remunerations of € 47 thousand in total for consulting services provided.

Comco Holding AG, Nidau, Switzerland, had made several loans available to ALNO AG to cover the financing requirement. As at 31 January 2013, the book value of this loan totalled € 8,525 thousand. In 2014, a partial repayment was made in the amount of € 400 thousand, as a result of which the loan book value at the end of the 2014 financial year amounted to € 8,125 thousand. The loans have a term until April 2015 as at the balance sheet date. In 2014, interest at the rate of 6.5% p.a. in the total amount of € 547 thousand was due for the aforementioned loans.

Motor vehicle expenses and telecommunications charges in the amount of € 31 thousand (previous year: € 36 thousand) were invoiced by Comco Holding AG, Nidau, Switzerland. Comco Holding AG also charged out travel expenses in the amount of € 10 thousand (previous year: € 13 thousand). Comco Finanz AG, Nidau, Switzerland, received remunerations of € 43 thousand (previous year: € 38 thousand) for rents. Comco Holding AG, Nidau, Switzerland, received € 0 (previous year: € 152 thousand) for the provision of personnel. Remuneration of the Administrative Council of ALNO (Switzerland) AG, Nidau, Switzerland, is accounted for by Comco Holding AG, Nidau, Switzerland, as a corporate borrowing in the amount of € 176 thousand (previous year: € 174 thousand).

The table above does not provide any information about any shares which may have been purchased and held by the aforementioned persons in the bonds issued in May 2013 and March 2014, which can be freely traded on the market and have an interest rate of 8.5% p.a. or 8.0% p.a.

All the above expenses and services were charged at customary market rates.

Business transactions and the emoluments of corporate officers are listed in section J.

J. SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Members of the Supervisory Board:

Shareholder representatives:

- **Henning Giesecke**, Zell (chairman)
  - Managing director of GSW Capital Management GmbH, Munich
  - Managing director of HBconbet GmbH, Zell

- **Dr. oec. HSG Marc Bitzer**, Stevensville, USA (up to 31 October 2014)
  - Vice Chairman Whirlpool Corporation, Wilmington/Delaware, USA

- **Anton Walther**, Sulzbach/Taunus
  - Independent lawyer, chartered accountant, tax consultant

- **Norbert J. Orth**, Monaco, Monaco
  - Investor

- **Hubertus Krossa**, Wiesbaden
  - Freelance company consultant

- **Werner Rellstab**, Uetikon Waldegg, Switzerland
  - President of various administrative boards

- **Hanns Robert Ernst-Wilhelm Rech**, Zug, Switzerland (from 21 January 2015)
  - Independent consultant HRR Consulting AG, Zug

Employee representatives:

- **Rudolf Wisser**, Meßkirch (vice-chairman)
  - Employee of ALNO AG, Pfullendorf

- **Jörg Kespohl**, Löhne
  - Commercial clerk at Gustav Wellmann GmbH & Co. KG, Enger

- **Gerhard Meyer**, Brilon
  - Member of the works council at Impuls Küchen GmbH, Brilon

Further mandates held by members of the Supervisory Board in Supervisory Boards and other controlling bodies within the meaning of Section 125 subsection 1, sentence 5 of the Stock Corporation Act (AktG):

- **Henning Giesecke**, Zell
  - Chairman of the Supervisory Board of First International Bank AG, Frankfurt (up to 4 July 2014)
  - Vice-chairman of the Supervisory Board of Endurance Capital AG, Munich
  - Vice-chairman of the Supervisory Board of Valovis Bank, Essen (up to 31 December 2014)
  - Member of the Administrative Council of Erste Abwicklungsanstalt AöR, Düsseldorf
  - Member of the Supervisory Board of Maillefer International Oy, Helsinki, Finland (up to 31 March 2014)
  - Member of the Supervisory Board of Maillefer SA, Ecublens, Switzerland (up to 31 March 2014)
  - Member of the Supervisory Board of Maillefer Extrusion Oy, Helsinki, Finland (up to 31 March 2014)

- **Dr. oec. HSG Marc Bitzer**, Stevensville, USA
  - Member of the Administrative Council of Simex Trading AG, Appenzell, Switzerland

- **Norbert J. Orth**, Monaco, Monaco
  - Member of the Board of Directors of Frieden Ltd, Thun, Switzerland (up to 31 March 2014)
  - Vice President Smaragd AG, Thun, Switzerland (up to 1 October 2014)

- **Hubertus Krossa**, Wiesbaden
  - Chairman of the Supervisory Board of Balfour Beatty Rail GmbH, Munich
  - Chairman of the Supervisory Board of Eckelmann AG, Wiesbaden
  - Vice-chairman of the Supervisory Board of United Power Technology AG, Eschborn
  - Member of the Supervisory Board of SFC Energy AG, Brunnthal, Munich (from 16 May 2014 onwards)

- **Werner Rellstab**, Uetikon Waldegg, Switzerland
  - Member of the Advisory Council of Initiative Management Partner Unternehmensberatungs-GmbH, Innsbruck, Austria
  - President of the Administrative Council of Fraumünster Holding AG, Zurich, Switzerland
  - Member of the Administrative Council of Swiss Immoconsult AG, Zurich, Switzerland
  - President of the Administrative Council of ALNO (Schweiz) AG, Nidau, Switzerland
  - President of the Administrative Council of AFP Küchen AG, Arbon, Switzerland (from 25 March 2014 onwards)

- **Hanns Robert Ernst-Wilhelm Rech**, Zug, Switzerland
  - Member of the Supervisory Board of Pelican Rouge Group B. V., Dordrecht, Netherlands

For their activities, the members of the Supervisory Board received total remuneration in the amount of € 453 thousand in the financial year 2014 (previous year: € 460 thousand).

The employees' representatives received remuneration in the total amount of € 179 thousand (previous year: € 174 thousand).

Members of the Supervisory Board were paid the following fees for consulting services: HBconbet GmbH, Zell, of which Mr Giesecke is managing director, has concluded a commission agreement with ALNO AG regarding the arrangement of transactions. In the financial year 2014, the remuneration amounted to € 35 thousand (previous year: € 16 thousand). Mr Orth received payments for company consulting in the amount of € 12 thousand (previous year: € 0). For his activity as President of the Administrative Council of Alno (Schweiz) AG and AFP Küchen AG, Mr Rellstab received remuneration in the amount of € 88 thousand (previous year: € 49 thousand) and, furthermore, € 49 thousand (previous year: € 0) for consulting services provided to Alno (Schweiz) AG.

As at 31 December 2014 the members of the Supervisory Board held a total of 342,000 (previous year: 345,333) no-par-value shares.

Members of the Board of Management:

- Max Müller, Magglingen, Switzerland (CEO)
- Ipek Demirtas, Überlingen (CFO)
- Ralph Bestgen, Überlingen (CSO)
- Manfred Scholz (COO), Rosenheim (up to 28 February 2015)

Further mandates held by members of the Board of Management in Supervisory Boards and other controlling bodies within the meaning of Section 125 subsection 1, sentence 5 of the Stock Corporation Act (AktG):

- **Max Müller**, Magglingen, Switzerland
  - Administrative Council member of ALNO (Schweiz) AG, Nidau, Switzerland
  - Director of ALNO UK Ltd, Dewsbury, UK
  - Director of ALNO Middle East FZCO, Dubai, UAE
  - Board of Directors of ALNO China Holding Ltd, Hong Kong, People's Republic of China
  - President of the Administrative Council of Comco Holding AG, Nidau, Switzerland
  - Administrative Council of Comco Finanz AG, Nidau, Switzerland
  - Director of Comco Fashion Ltd., Hong Kong, People's Republic of China
  - President of the Administrative Council of Starlet Investment AG, Nidau, Switzerland
  - Member of the Administrative Council of Max Müller + Partner AG, Biel, Switzerland
  - Director of East West Finance Ltd., Jersey, Channel Islands
  - President of the Administrative Council of Schaerer Mayfield Holding AG, Nidau, Switzerland
  - Member of the Administrative Council of Renishaw Mayfield AG, Nyon, Switzerland
  - President of the Administrative Council of Smaragd Holding AG, Thun, Switzerland
  - Administrative Council of Frieden Creative Design AG, Thun, Switzerland (up to 31 March 2014)
  - Administrator of Helvetansa S.r.l., Bucharest, Romania

- **Ralph Bestgen**, Überlingen
  - Member of the Advisory Board of Severin Elektrogeräte GmbH, Sundern
  - Board of Directors of ALNO China Holding Ltd, Hong Kong, People's Republic of China

- **Manfred Scholz**, Rosenheim
  - Administrative Council of AFP Küchen AG, Arbon, Switzerland (from 25 March 2014 to 6 March 2015)

As at the balance sheet date, the active members of the Board of Management held 4,270,435 (previous year: 4,117,000) no-par-value shares.

Remuneration report

Responsibility, objective and structure of remuneration for the Board of Management

The Supervisory Board is responsible for defining the structure and amount of remuneration for the Board of Management of ALNO AG. The structure of the remuneration system for the Board of Management is also regularly discussed and reviewed by the Supervisory Board.

The purpose of the system of remuneration for the Board of Management is to reasonably compensate the members of the Board of Management in accordance with their activities and responsibilities while at the same time clearly and directly taking account of the Board members' joint and personal performance as well as that of the company through a high level of variability.

To this end, the remuneration system includes both a fixed basic element and a variable risk-like element as incentive for the medium and long term. In order to ensure that the Board members' remuneration is both competitive and reasonable, this structure, the individual components and the complete remuneration are reviewed each year.

At ALNO AG, as an exchange-quoted company, the remuneration structure is oriented towards sustainable development of the company (Section 87 subsection 1 sentence 2 and sentence 3 of the Stock Corporation Act (AktG)). As a result, the remuneration elements for the Board members have a multi-year assessment basis and, for the most part, are structured in such a way that the disbursement of the profit-sharing bonuses agreed in each case extends over three years, while disbursement in the two following years depends on other success targets.

The remuneration paid to the Board of Management in 2014 therefore comprised the following elements as outlined in detail below.

A fixed basic remuneration including non-cash emoluments is paid out in twelve monthly instalments and is based on each Board member's area of responsibility.

A variable element based on the company's medium and long-term development is always based on consolidated revenues and operational Group EBITDA, as well as on individual agreements on targets. The variable element is paid out following appropriation of the profit by the annual general meeting.

Amount of remuneration paid to the Board of Management in 2014

Total remuneration paid to the Board of Management for the 2014 financial year according to DRS 17

The following figures for remuneration paid to the Board of Management represent the payments made to the Board of Management in accordance with Section 314 of the German Commercial Code (HGB) in conjunction with DRS 17 and include payments promised or paid to the individual Board member by ALNO AG in conjunction with his activity as at the balance sheet date. In contrast to the information provided below in the context of the German Corporate Governance Codex (DCGK), these also take account of provisions and thus correspond to the actual expenditure reported in the financial year. Total emoluments for the Board of Management comprise the sum of all remuneration paid in cash and all non-cash benefits. The latter essentially comprise the provision of company cars.

€ 2,425 thousand (previous year: € 1,749 thousand) were expensed altogether in 2014. Of this total, the fixed element unrelated to performance accounted for € 1,327 thousand (previous year: € 1,372 thousand) and the performance-related variable element in the nature of a medium-term incentive payment accounted for € 1,043 thousand (previous year: € 377 thousand), as well as € 55 thousand for redundancy payments.

Of the total expenses in 2014, Mr Müller received € 870 thousand (previous year: € 605 thousand), of which € 424 thousand (previous year: € 420 thousand) comprised fixed remuneration elements and € 446 thousand (previous year: € 185 thousand) comprised variable remuneration elements.

Ms Demirtas received total remuneration in 2014 in the amount of € 578 thousand (previous year: € 284 thousand), of which € 279 thousand (previous year: € 254 thousand) comprised fixed remuneration elements and € 299 thousand (previous year: € 30 thousand) comprised variable remuneration elements (of which € 160 thousand for the transaction bonus for AFP Küchen AG).

Mr Bestgen received € 462 thousand (previous year: € 355 thousand) for the year 2014, of which € 312 thousand (previous year: € 282 thousand) comprised fixed remuneration elements and € 150 thousand (previous year: € 73 thousand) comprised variable remuneration elements.

Mr Scholz received € 460 thousand (previous year: € 294 thousand) for the year 2014, of which € 312 thousand (previous year: € 240 thousand) comprised fixed remuneration elements and € 148 thousand (previous year: € 54 thousand) comprised variable remuneration elements.

Board of Management remuneration 2014 according to the German Corporate Governance Codex

The following statement of remuneration paid for the 2014 financial year takes account not only of the accounting principles to be applied but also the recommendations of the German Corporate Governance Codex (DCGK). Thus, the model table recommended by the Codex is used for presenting the statement of the value of allocations granted for the year under review. It also specifies the values that can be reached as a minimum or maximum.

The following remuneration was paid to the members of the Board of Management for the 2014 financial year, according to contract (personalised information):

	Max Müller, CEO and Chairman of the Board of Management since 6 April 2011			
in €	2013	**2014**	2014 minimum	2014 maximum
Fixed remuneration	420,000	420,000		
Fringe benefits	3,449	3,676		
Total	**423,449**	**423,676**		
One-year variable remuneration	800,000	800,000	0	1,600,000
Multi-year variable remuneration	0	66,667	0	66,667
Long-term profit-sharing bonus targets	0	0		
2 years (2012–2013)	0	0		
Total	**800,000**	**866,667**		
Benefit expense	0	0		
TOTAL REMUNERATION	**1,223,449**	**1,290,343**		

	Ralph Bestgen, CSO since 1 February 2013			
in €	2013	**2014**	2014 minimum	2014 maximum
Fixed remuneration	247,500	283,750		
Fringe benefits	20,535	28,720		
Total	**268,035**	**312,470**		
One-year variable remuneration	146,667	173,750	0	347,500
Multi-year variable remuneration	0	66,667	0	66,667
Long-term profit-sharing bonus targets	0	0		
3 years (2013–2015)	0	0		
Total	**146,667**	**240,417**		
Benefit expense	0	0		
TOTAL REMUNERATION	**414,702**	**552,887**		

	Ipek Demirtas, CFO since 13 July 2011			
in €	2013	**2014**	2014 minimum	2014 maximum
Fixed remuneration	240,000	262,500		
Fringe benefits	16,273	16,413		
Total	**256,273**	**278,913**		
One-year variable remuneration	120,000	150,000	0	300,000
Multi-year variable remuneration	0	66,667	0	66,667
Long-term profit-sharing bonus targets	0	0		
3 years (2012–2014)	0	0		
Total	**120,000**	**216,667**		
Benefit expense	0	0		
TOTAL REMUNERATION	**376,273**	**495,580**		

in €	Manfred Scholz, COO 29 April 2013 to 28 February 2015 2013	2014	2014 minimum	2014 maximum
Fixed remuneration	182,045	280,000		
Fringe benefits	10,576	31,864		
Total	**192,621**	**311,864**		
One-year variable remuneration	106,667	170,000	0	340,000
Multi-year variable remuneration	0	66,667	0	66,667
Long-term profit-sharing bonus targets	0	0		
3 years (2013–2015)	0	0		
Total	**106,667**	**236,667**		
Benefit expense	0	0		
TOTAL REMUNERATION	**299,288**	**548,531**		

in €	Jörg Artmann, CFO 1 June 2009 to 13 July 2011 2013	2014	2014 minimum	2014 maximum
Fixed remuneration	0	0		
Fringe benefits	0	0		
Total	**0**	**0**		
One-year variable remuneration	0	0	0	0
Multi-year variable remuneration	0	0	0	0
Long-term profit-sharing bonus targets	0	0		
3 years (2013–2015)	0	0		
Total	**0**	**0**		
Benefit expense	0	0		
TOTAL REMUNERATION	**0**	**0**		

in €	Elmar Duffner, COO 1 November 2011 to 31 May 2013 2013	2014	2014 minimum	2014 maximum
Fixed remuneration	156,250	0		
Fringe benefits	9,759	0		
Total	**166,009**	**0**		
One-year variable remuneration	104,167	0	0	0
Multi-year variable remuneration	0	0	0	0
Long-term profit-sharing bonus targets	0	0		
3 years (2013–2015)	0	0		
Total	**104,167**	**0**		
Benefit expense	0	0		
TOTAL REMUNERATION	**270,176**	**0**		

The table below shows the actual payments to the individual members of the Board of Management during the financial years 2013 and 2014:

in €	Max Müller, CEO and Chairman of the Board of Management since 6 April 2011 2013	2014
Fixed remuneration	420,000	420,000
Fringe benefits	3,449	3,676
Total	**423,449**	**423,676**
One-year variable remuneration	272,600	266,000
Multi-year variable remuneration	0	0
Long-term profit-sharing bonus targets	0	0
2 years (2012–2013)	0	0
Other	0	0
Total	**272,600**	**266,000**
Benefit expense	0	0
TOTAL REMUNERATION	**696,049**	**689,676**

	Ralph Bestgen, CSO since 1 February 2013	
in €	2013	2014
Fixed remuneration	247,500	283,750
Fringe benefits	20,535	28,720
Total	**268,035**	**312,470**
One-year variable remuneration	0	73,334
Multi-year variable remuneration	0	0
Long-term profit-sharing bonus targets	0	0
3 years (2013–2015)	0	0
Other	25,000	0
Total	**25,000**	**73,334**
Benefit expense	0	0
TOTAL REMUNERATION	**293,035**	**385,804**

	Ipek Demirtas, CFO since 13 July 2011	
in €	2013	2014
Fixed remuneration	240,000	262,500
Fringe benefits	16,273	16,413
Total	**256,273**	**278,913**
One-year variable remuneration	50,334	40,000
Multi-year variable remuneration	0	0
Long-term profit-sharing bonus targets	0	0
3 years (2012–2014)	0	0
Other (transaction bonus)	0	160,000
Total	**50,334**	**200,000**
Benefit expense	0	0
TOTAL REMUNERATION	**306,607**	**478,913**

	Manfred Scholz, COO 29 April 2013 to 28 February 2015	
in €	2013	2014
Fixed remuneration	182,045	280,000
Fringe benefits	10,576	31,864
Total	**192,621**	**311,864**
One-year variable remuneration	0	54,137
Multi-year variable remuneration	0	0
Long-term profit-sharing bonus targets	0	0
3 years (2013–2015)	0	0
Other	50,000	0
Total	**50,000**	**54,137**
Benefit expense	0	0
TOTAL REMUNERATION	**242,621**	**366,001**

	Elmar Duffner, COO 1 November 2011 to 31 May 2013	
in €	2013	2014
Fixed remuneration	156,250	0
Fringe benefits	9,759	0
Total	**166,009**	**0**
One-year variable remuneration	21,449	0
Multi-year variable remuneration	0	0
Long-term profit-sharing bonus targets	0	0
3 years (2013–2015)	0	0
Other	928,241	55,417
Total	**949,690**	**55,417**
Benefit expense	0	0
TOTAL REMUNERATION	**1,115,699**	**55,417**

in €	Jörg Artmann, CFO 1 June 2009 to 13 July 2011 2013	2014
Fixed remuneration	0	0
Fringe benefits	691	0
Total	**691**	**0**
One-year variable remuneration	97,856	0
Multi-year variable remuneration	0	0
Long-term profit-sharing bonus targets	0	0
3 years (2013–2015)	0	0
Other	0	0
Total	**97,856**	**0**
Benefit expense	0	0
TOTAL REMUNERATION	**98,547**	**0**

Substantial commitments to a member of the Board of Management following premature termination of his service

Furthermore, expenditure was incurred for a subsequent severance payment to Mr Duffner in 2014, in the amount of € 55 thousand.

A termination payment was agreed for 2013 with the Board member Mr Elmar Duffner in the event of premature termination of his service contract. The service contract concluded with Mr Duffner was terminated prematurely as per 31 May 2013 at Mr Duffner's request and a contractually agreed amount of € 916 thousand remitted in lieu of all the remuneration payable had the contract remained in force until 31 March 2015.

Lawsuit with Mr Jörg Deisel

On 6 November 2014, the Düsseldorf Higher Regional Court (HRC) rejected in full the claims by the former Chairman of the Board of Management, Jörg Deisel, against ALNO AG in both cases (reference: I-6 U 68/14 and I-6 U 69/14).

In its written verdict, the HRC took the opinion after a process lasting three and a half years that the plaintiff had not correctly and completely informed the Supervisory Board in September 2009 in relation to the company concept 2013 at the time, and consequently he had destroyed the necessary relationship of trust between the Supervisory Board and the Board of Management. The violation of duty by the plaintiff is to be regarded as serious, according to the court, because it relates to fundamental rights of information and control that are due to the Supervisory Board. Furthermore, the case presented by the plaintiff against his extraordinary dismissal was contradictory in part, the court felt. There was a "gross violation of duty undermining trust" which led to the situation that ALNO AG "could not have reasonably been expected to continue the contractual relationship with the plaintiff". The extraordinary dismissal on 6 April 2011 was thus legal.

Previously, ALNO AG had been ordered to pay a total of about € 2.4 million in salary and bonuses to the plaintiff as the result of several (provisional) judgements of the court of first instance by the Düsseldorf Higher Regional Court, the most recent being the order to pay about € 1.2 million on 9 January 2014. As a result of the verdicts by the HRC on 6 November 2014, ALNO AG was refunded these payments by the plaintiff in November 2014, plus interest. Furthermore, ALNO AG is entitled to further claims in the amount of approx. € 0.4 million plus interest due to legal costs and a non-binding interim agreement reached with the plaintiff in June 2011 which will become due at the latest when the verdicts of the HRC take legal effect.

The Düsseldorf HRC did not allow an appeal to the Federal Court of Justice (FCJ) against either of the verdicts. The plaintiff has submitted an appeal against the refusal of leave to appeal to the FCJ. The FCJ has not yet reached a decision on the appeal against refusal of leave to appeal.

Remuneration of former members of the Board of Management of ALNO AG and their surviving dependants

Emoluments paid to former members of the Board of Management of ALNO AG and their surviving dependants totalled € 535 thousand in the financial year (previous year: € 557 thousand).

Provisions for pension commitments for former members of the Board of Management and their surviving dependants totalled € 10,360 thousand in 2014 (previous year: € 9,018 thousand).

Provision for retirement benefits

There are no pension commitments or similar retirement benefit obligations for active members of the Board of Management in 2014.

K. COMPANIES

utilising the exemption pursuant to Section 264 subsection 3 or Section 264 b of the German Commercial Code (HGB)

The subsidiaries Impuls Küchen GmbH, Brilon, pino Küchen GmbH, Coswig (Anhalt), Zweitmarkenholding Impuls Pino GmbH, Pfullendorf, ALNO International GmbH, Pfullendorf, Gustav Wellmann GmbH & Co. KG, Enger, and the property management company tielsa Küchen GmbH & Co. KG, Enger, have made use of the reliefs pursuant to Section 264 subsection 3 and Section 264 b of the German Commercial Code (HGB). The consolidated financial statements and Group management report are published in the electronic Federal Gazette.

L. SHAREHOLDINGS

Name and head office	Share of capital in %	Currency	Equity [1] in thousands (local currency)	Profit/loss for the year [1] in thousands (local currency)
Shares held in subsidiaries				
Germany				
Impuls Küchen GmbH, Brilon	100	€	5,214	–1 [2]
pino Küchen GmbH, Coswig (Anhalt)	100	€	5,205	0 [2]
Zweitmarkenholding Impuls Pino GmbH, Pfullendorf	100	€	61,072	0 [2]
Gustav Wellmann GmbH & Co. KG, Enger	100	€	–27,537	–16,270
Casawell Service GmbH, Enger	100	€	28	–1
ALNO Trading GmbH, Enger	100	€	35	–2
Grundstücksverwaltungsgesellschaft tielsa Küchen GmbH & Co. KG, Enger	100	€	10	0 [3]
ALNO International GmbH, Pfullendorf	100	€	80	0 [2]
logismo Möbellogistik GmbH, Pfullendorf	100	€	593	179
Abroad				
AFP Küchen AG, Arbon/Switzerland	100	CHF	–6,578	–15,120
ALNO (Schweiz) AG, Nidau/Switzerland	100	CHF	–4,558	–1,754
ALNO U.K. Ltd., Leeds/UK	100	GBP	6,757	1,430
ALNO Contracts Ltd., Sevenoaks/UK [7]	100	GBP	427	32
Built-In Kitchen Ltd, Sevenoaks/UK	100	GBP	0	1,038
ALNO Surfaces Ltd., Wolverhampton/UK	60	GBP	5	0
ALNO Franchising Ltd., Leeds/UK	100	GBP	0	0
Bradbury's (Holdings) Ltd., Exeter/UK	100	GBP	101	0
Bradbury's of Exeter Ltd., Exeter/UK	100	GBP	75	38
Bradbury's of Bristol Ltd., Bristol/UK	100	GBP	–169	–65
ALNO USA Corporation, New York/USA	100	USD	–2,610	–1,043
ALNO Manhattan LLC, New York/USA [4]	100	USD	0	0
ALNO Middle East FZCO, Dubai/UAE [6, 8]	85	AED	1,543	–3,165
A'Flair Habitat, Haguenau/France [4]	100	€	25	19
Shares held in joint venture				
ALNO China Holding Limited, Hong Kong/People's Republic of China [5]	45	€	2,169	–2,287
tielsa GmbH, Pfullendorf	49	€	–222	–2,363

[1] Values for companies in Germany and for companies in the UK according to national code. Values for other foreign companies according to IFRS code, unless indicated otherwise.
[2] After transfer of profit or acceptance of loss based on the profit/loss transfer agreement with ALNO AG.
[3] After distribution of profits to the investors.
[4] Company is not included in the consolidated financial statements.
[5] The figures are from the sub-group financial statements as at 31 December 2014. The company holds 100% of the shares in the companies Wellmann China Company Ltd., British Virgin Islands, Impuls China Company Ltd., British Virgin Islands as well as Pino China Company Ltd., British Virgin Islands.
[6] The figures are from the half-year financial statements as at 30 June 2014.
[7] Formerly Built-In Living Ltd., Sevenoaks/UK.
[8] Deconsolidated as of 1 July 2014.

Furthermore, the ALNO Group includes the inactive companies Bruno Piatti AG, Arbon / Switzerland, ALNO USA Kitchen Cabinets Inc. New Castle, Delaware / USA, as well as the following companies that are in liquidation: Wellmann Polska Sp.z o.o., Warsaw / Poland and Wellmann Asia Pte Ltd., Singapore, which are not included in the consolidated financial statements.

M. AUDITORS' FEES

The following fees were expensed for the auditors of the consolidated financial statements:

in € 000	**2014**	2013
Audit of financial statements	309	360
Other consulting services	0	178
Tax consulting services	0	91
Other services	81	137
TOTAL	**390**	**766**

In 2014, the Alno Group was audited by PricewaterhouseCoopers AG, Stuttgart, for the first time. The previous years were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Ravensburg.

The item Audit of financial statements encompasses fees for the statutory final audit of the separate and consolidated financial statements of ALNO AG as at 31 December 2014.

In the previous year, this item encompassed fees for the statutory final audit of the separate and consolidated financial statements of ALNO AG as at 31 December 2013 amounting to € 345 thousand as well as additional charges for auditing the separate and consolidated financial statements of ALNO AG as at 31 December 2012 amounting to € 15 thousand.

The "Other consulting services" in the previous year included expenses associated with preparing a comfort letter in conjunction with the bond issued in early 2013.

Tax consulting costs comprise the fees charged for ongoing tax consulting activities.

The "Other services" comprised enforcement consulting services of PricewaterhouseCoopers AG, Stuttgart, in 2014. In the previous year, these chiefly contained expenditure for due diligence procedures and the like in the run-up to the acquisition of AFP, and were carried out by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Ravensburg.

N. EVENTS AFTER THE BALANCE SHEET DATE

Foundation of a joint venture in Russia

On 21 January 2015, ALNO AG signed the contract to establish a joint venture in Russia. The partner is the "Pervaya Mebel'naya Fabrica" ("1st furniture factory", in short: "1ff"), one of the largest furniture manufacturers in Russia, based in St. Petersburg. It belongs to the Alexander Shestakov group of companies, which owns a furniture production plant as well as a sales organisation and its own kitchen studios, amongst other assets. It is planned to start industrial production for about 25,000 to 30,000 kitchens per year in St. Petersburg in the second half of 2015.

ALNO AG has a 49% share in the joint venture, and provides its industrial production and process expertise as a non-cash contribution as well as the machines from PIATTI production. The plant of ALNO's Swiss subsidiary AFP in Dietlikon was closed at the end of 2014 and production of PIATTI kitchens was shifted to the ALNO plant in Pfullendorf. The released machines will be transferred to St. Petersburg and installed on the factory premises of "1ff" for production of kitchens. The transfer of the machines to St. Petersburg will take place in several phases. In a first phase, parts of the suite of machinery owned by AFP were sold to the joint venture under contracts dated 31 March 2015. The industrial production process as practised up to this point – including with reference to the order, delivery and settlement process – should be mirrored in this case. For ALNO AG, this joint venture is a further important step in pushing ahead with its international growth strategy. Sales have particular importance for the joint venture. In a first step, sales will be handled via 24 already existing kitchen studios owned by the joint venture and its partners. Establishing further areas –

including via trading partners and subsequently in the franchising process – is under preparation. The sales structure for ALNO kitchens in Russia that is already in place will be integrated into the joint venture. Until production in St. Petersburg gets underway, the assortment will be produced in the plants of the ALNO Group. The first kitchens from the new joint venture will thus be able to be delivered as early as this summer.

Contractual agreements

Bauknecht Hausgeräte GmbH, Stuttgart, granted ALNO AG a loan in the amount of € 5,000 thousand on 16 January 2015 which will be extended beyond 15 April 2015 if other financing measures are delayed.

Shareholder loans

The loan granted to the ALNO Group by Bauknecht Hausgeräte GmbH in the total amount of € 30,000 thousand on 11 April 2013 is reported as current in the amount of € 10,000 thousand on the balance sheet date 31 December 2014, because this tranche should have been due in September 2015. As a supplement to the loan agreement on 26 February 2015, the originally intended repayment of € 10,000 thousand was extended until July 2016. The term of the remaining € 20,000 thousand remains unchanged.

The loans granted to the ALNO Group by Comco Holding AG, Nidau, Switzerland, amounting to € 8,125 thousand in total had a remaining term of less than one year as at the balance sheet date on 31 December 2014. With a supplement to the loan agreement on 26 February 2015, the originally intended repayment in April 2015 was extended until July 2016.

Other financing activities

Comco Holding AG, Nidau, Switzerland, has undertaken to grant ALNO AG a bridging loan during the period from March 2015 to April 2015 up to an amount of € 6.3 million and, during the period July 2015 to March 2016, up to an amount of € 11.0 million in the event that ALNO AG proves unable to meets its liquidity requirements during this period through other finance.

DEFAP Enterprises ApS, Copenhagen, Denmark, granted ALNO AG and the Zweitmarkenholding Impuls Pino GmbH, Pfullendorf, a loan in the amount of € 25.0 million on 30 March 2015. The term is up to two years.

On 27 March 2015, a moratorium agreement was reached with Bauknecht Hausgeräte GmbH, Stuttgart, in the amount of the invoices that fell due in February 2015, and runs until 15 September 2015.

Restructuring programme

In its meeting on 29 January 2015, the Supervisory Board approved the restructuring programme presented by the Board of Management. The key elements involve making production throughout Germany more flexible, centralising administrative units as well as optimising the brand and product portfolio.

Making production more flexible

Following the successfully concluded transfer of production of PIATTI kitchens to Pfullendorf at the end of 2014, the next task is to make the customer service and production significantly more flexible at all four German plants of the ALNO Group, and to optimise them according to cost principles. Capacity utilisation at the plants fluctuated greatly in some cases during the past few years. Many of the sites were under-utilised. On the other hand, some sites experienced peak demand which had to be met by organising special shifts and using temporary workers. ALNO has to pay about € 5 million for this in 2014 alone. Now, flexible and cost-optimising production management should allow at least this sum to be saved. Thus, for example, production of 500 to 1,000 kitchen cabinets per day and the corresponding surfaces will be transferred from the Enger plant to Pfullendorf in summer.

Centralisation of administrative areas

Another important component in the restructuring concerns centralisation of all administrative areas. The sites in Germany are being reoriented according to the three central functions of sales, production and support for this purpose. Processes and systems are being simplified across the Group and personnel are being concentrated.

Optimisation of the brand and product portfolio

The brand and product portfolio is being optimised further in that, amongst other things, our dealings with customers are being made simpler, faster and leaner.

Change in the Board of Management

In its meeting on 29 January 2015, the Supervisory Board decided to terminate the contract with COO Manfred Scholz, responsible for production, customer service, purchasing, quality / environment / energy and logistics, at the request of Mr Scholz, effective 28 February 2015. His tasks have been distributed internally on an interim basis.

Development of sales and new orders January to February 2015

Orders received by the ALNO Group during the first two months of 2015 were slightly below the previous year's level, although with a significantly rising trend. After a weak January, the deficit compared to the previous year was almost entirely compensated in the month of February 2015. During the first two months of 2015, net sales revenues were running above the level of the previous year, although slightly below plan. However, because the deviation from the planning is only slight, the Board of Management confidently expects that the planned sales and revenue targets for the 2015 business year will be achieved.

Going concern / risks threatening the existence of the Group

The company strategy of ALNO AG involves not only globalisation but also making production in Germany more flexible, centralising administrative units as well as optimising the brand and product portfolio. Operationally, this will lead to a sustained improvement in the organisation and more efficient market development. To this end, significantly higher investments are planned in IT, machinery, marketing and market expansion compared to the previous year. Implementation of the planned financing measures and the timely injection of funds are the preconditions for putting the company strategy into effect.

In particular, the following financial and capital measures are planned for 2015:

On 30 March 2015, ALNO AG attracted Nature Home Holding Company Limited, Cayman Islands ("Nature"), as a further anchor shareholder. Nature has concluded an investment agreement with ALNO AG under which it undertakes to buy new shares derived from a capital increase for cash from the authorised capital which is still to be undertaken. The company will issue 5.5 million new shares with shareholders' subscription rights excluded at the issuing price of € 1.05 per new share.

Nature will purchase all the new shares. Furthermore, Nature has announced that it purchased about 1.375 million ALNO shares recently. After the capital increase has been carried out, Nature will hold about 9.09% of the share capital of ALNO AG. The capital increase will provide ALNO AG with liquid funds amounting to about € 5.8 million.

Further funding in the double-digit millions will be received by ALNO AG in April 2015 through the sale of real estate, machinery and the sale of the "Intoto" franchise concept. The funds released will be used, amongst other things, for implementing the restructuring programme and for further organic and non-organic growth abroad. As such, the Board of Management is pushing ahead with its globalisation strategy and reducing its dependency on the business in Germany which is characterised by intensive competition; in this way, the basis for the company's operating results will be sustainably improved.

ALNO as a going concern is significantly dependent on the aforementioned planned financial and capital measures amounting to € 40 million being made available in full and on schedule, as well as continuation of a stringent liquidity management policy. In order to cover any possible liquidity shortage during the months of March to April 2015 or July 2015 to March 2016, Comco Holding AG, Nidau, Switzerland, will also have to meet its undertaking to provide bridging loans up to an amount of € 6.3 million or € 11.0 million. If necessary, investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to profit / loss and liquidity targets, will have to be accurate as planned.

O. DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE STOCK CORPORATION ACT (AKTG)

The declaration of compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" and Section 161 of the Stock Corporation Act (AktG) was reviewed and re-issued by the Board of Management and Supervisory Board on 29 September 2014. The declaration is permanently accessible to shareholders on the company's website and reprinted in the single-entity and Group management report of ALNO AG for the financial year 2014.

In accordance with Section 3.10 of the German Corporate Governance Code, the Board of Management and Supervisory Board of ALNO AG report on the ALNO Group's corporate governance in the annual report for the financial year ending 31 December 2014. Information on the basic principles of the system of remuneration for the Board of Management can be found in Section J. "Supervisory Board and Board of Management".

P. EARNINGS PER SHARE

The earnings per share are obtained by dividing the net consolidated income accruing to the shareholders by a weighted number of issued shares. There was no diluting effect due to so-called potential shares in either the year under review or the previous year.

in € 000	2014	2013 adjusted
Group profit for the period	**–4,121**	**–9,472**
Minority shares	–133	–89
Number of shares in thd. (weighted average)	70,095	70,095
EARNINGS PER SHARE IN €	**–0.06**	**–0.14**

Pfullendorf, 31 March 2015

ALNO Aktiengesellschaft

The Board of Management

Max Müller
Chief Executive Officer of ALNO AG

Ipek Demirtas
Chief Financial Officer

Ralph Bestgen
Chief Sales Officer, Marketing
and Product Development

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by ALNO Aktiengesellschaft, Pfullendorf – comprising the balance sheet, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes – and the Group management report of ALNO Aktiengesellschaft, which was combined with the management report of the company, for the financial year from 1 January to 31 December 2014. The company's Board of Management is responsible for preparing the consolidated financial statements and combined management report in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a subsection 1 of the German Commercial Code (HGB). Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for auditing financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We are therefore required to plan and perform the audit in such a way that errors and violations significantly affecting presentation of the company's net assets, financial position and results of operations as conveyed by the consolidated financial statements in compliance with the applicable accounting standards and by the combined management report can be detected with reasonable assurance. Knowledge of the Group's business activities, its economic and legal environment and expectations in respect of possible misstatements have been taken into account when defining the audit procedures. The effectiveness of the internal control system relevant for accounting and evidence supporting the disclosures in the consolidated financial statements and combined management report is primarily assessed on the basis of spot checks during the audit. The audit also includes evaluating the annual financial statements of the companies included in the consolidated financial statements, the defined scope of consolidation, the recognition and consolidation principles applied and the main accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We are of the opinion that our audit provides a sufficiently sound basis for our evaluation.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a subsection 1 of the German Commercial Code (HGB) and give a true and fair view of the Group's net assets, financial position and results of operations. The combined management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without restricting this assessment, we are duty bound to point out that sections 3 "Report on events subsequent to the reporting date" and 4.2 "Risk report" of the Group management report that is combined with the separate management report for the company regarding the continuation of the ALNO GROUP as a going concern are predicated on the financing and capital measures planned and being implemented by the Board of Management in the amount of about € 40 million being concluded in full and on schedule, as well as continuation of a stringent liquidity management policy. The financing and capital measures include in particular, the injection from the takeover of new shares mentioned in the combined management report as part of a capital increase for cash from the authorised capital that is still to be under-taken, to which a Chinese investor committed itself on

30 March 2015 (€ 5.8 million) as well as further injections of funding in the double-digit million range from the sale of real estate, machinery and a franchise concept in April 2015. In the event of a liquidity shortage, Comco Holding AG, Nidau, Switzerland, will have to discharge the obligations it entered into to provide a bridging loan of up to € 11.0 million, and investments will have to be postponed or reduced. Furthermore, the assumptions in the corporate planning, especially with regard to profit / loss and liquidity targets, will have to be accurate as planned.

Stuttgart, 31 March 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Klaus Neubarth Auditor	ppa. Axel Ost Auditor

DECLARATION BY THE STATUTORY REPRESENTATIVES OF ALNO AG

IN COMPLIANCE WITH SECTION 297 SUBSECTION 2, SENTENCE 4 OF THE GERMAN COMMERCIAL CODE (HGB), CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS AND SINGLE-ENTITY AND GROUP MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2014:

“We confirm that, to the best of our knowledge and on the basis of the accounting standards to be applied, the consolidated financial statements convey a true and fair picture of the Group’s net assets, financial position and results of operations, and that the Group management report presents the development of business and the Group’s position in such a way as to convey a true and fair picture of actual conditions, and that it sets out the essential opportunities and risks associated with the Group’s probable development.”

Pfullendorf, 31 March 2015

ALNO Aktiengesellschaft

The Board of Management

Max Müller
Chief Executive Officer of ALNO AG

Ipek Demirtas
Chief Financial Officer

Ralph Bestgen
Chief Sales Officer, Marketing and Product Development

FINANCIAL CALENDAR 2015

Date	Event
15 May 2015	Interim report on the 1st quarter 2015
2 June 2015	Annual general meeting 2015
14 August 2015	Half-yearly financial report 2015
13 November 2015	Interim report on the 3rd quarter 2015

PUBLICATION DATA

Publisher

ALNO Aktiengesellschaft
88630 Pfullendorf, Germany
Telephone +49 7552 21-0
Fax +49 7552 21-3789
E-mail mail@alno.de
www.alno.de

Editors

Corporate Communication and Investor Relations ALNO AG
Jürgen Schulze-Ferebee
Telephone +49 7552 21-3316
E-mail juergen.schulze-ferebee@alno.de

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Legal note

This annual report contains forward-looking statements. Forward-looking statements are not based on historical events and facts. These statements are based on assumptions, forecasts and estimates of future developments by the Board of Management. The assumptions, forecasts and estimates concerned are based on all the information currently available. However, the actual results may deviate from those presently expected if the assumed future developments underlying the statements and estimates do not materialize. Neither the Board of Management nor the company can warrant that the forward-looking statements will actually materialize. Both the Board of Management and the company are under no obligation, above and beyond their statutory obligations, to update any statements or to bring them into line with future events and developments. Neither in the Federal Republic of Germany nor in any other country does this annual report and the information contained in it constitute either an offer to sell or a request to buy or subscribe to securities held or issued by ALNO AG. In the United States of America, shares in ALNO AG may only be sold or offered after prior registration or, without such prior registration, on the basis of an exception to the registration requirement pursuant to the provisions of the US Securities Act of 1933 as most recently amended. ALNO AG does not intend to realize a public offering of shares in the United States. The annual report of ALNO AG is published in German and English. If there are any discrepancies, the German version shall take precedence.

ALNO Aktiengesellschaft
88630 Pfullendorf, Germany
Telephone +49 7552 21-0
Fax +49 7552 21-3789
E-mail mail@alno.de
www.alno.de