connect.

Annual Report 2010

Enthusiasm.
Spirit of discovery.
Mobility.

Forbo –
in everyday life

flooring. bonding. movement.

forbo

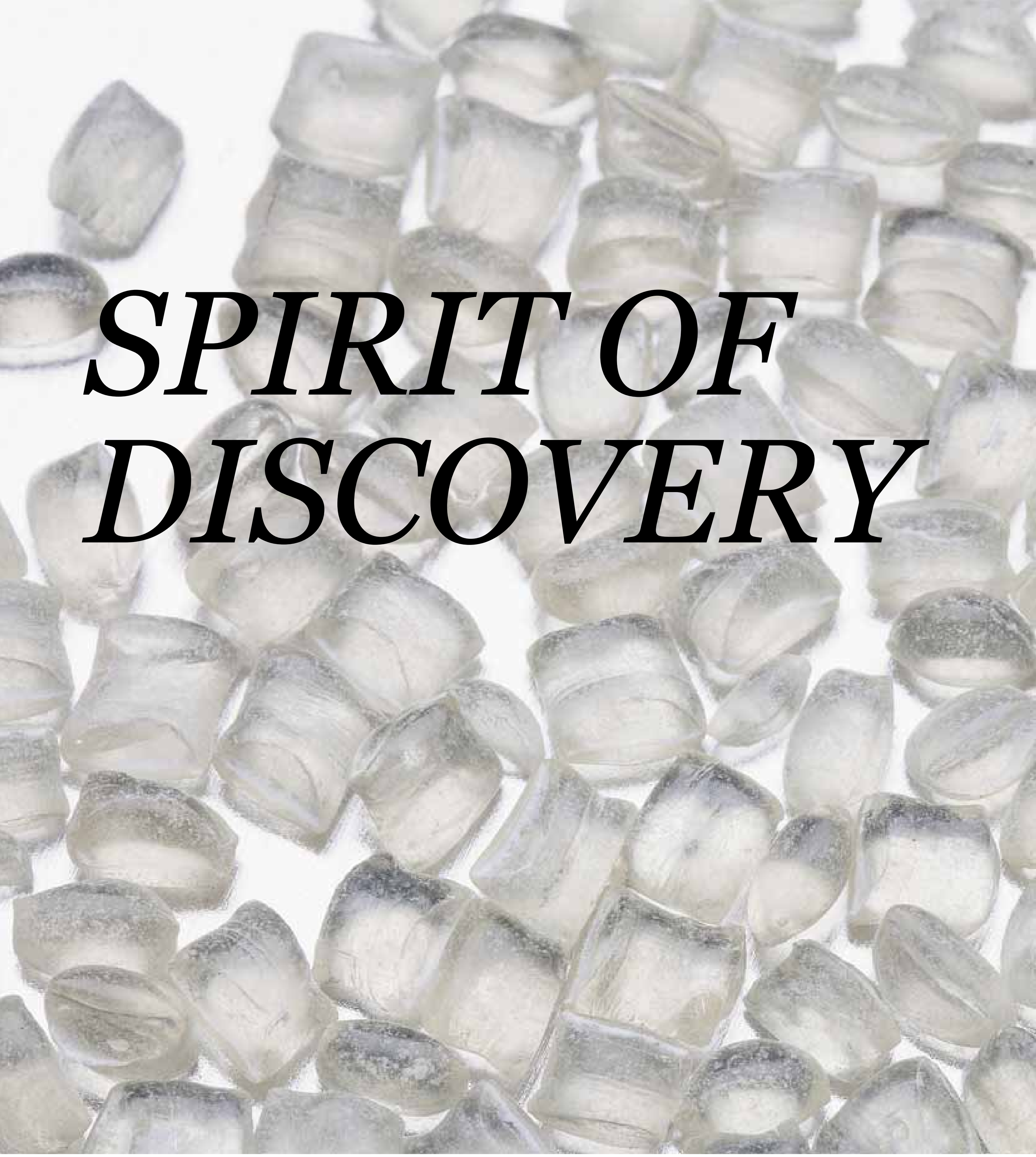
ENTHU-SIASM

creating better environments

Our attractive, high-quality and versatile floor coverings leave a lot of room for creativity. And we too enjoy researching, experimenting and exploring new approaches.

FLOORING SYSTEMS

SPIRIT OF DISCOVERY



creating lasting connections

The specialists in our laboratories are constantly developing innovative adhesive solutions. Our market-driven thinking guarantees excellent quality in every application.

BONDING SYSTEMS

Siegling – total belting solutions

Flexibility meets continuity. That's what makes our company so versatile, reliable and efficient, like each of our products in drive and conveyor technology.

forbo
MOVEMENT SYSTEMS

Dr. Albert Gnägi
Chairman of the Board of Directors

This E. Schneider
Delegate of the Board of Directors and CEO

"2010 was a very successful year for Forbo. We mastered the economic crisis well and we were always proactive in a challenging environment, launching innovative products and opening up new markets."

To our shareholders

Dear ladies and gentlemen,

Forbo can look back on a very successful year. Demand in our most important markets recovered strongly in the year under review. Customer segments that are crucial for us – machine tools and plant engineering as well as consumer durables such as cars, furniture, and textiles – are back on the growth path. Various factors such as the expansion of our sales and distribution organization, the structural adjustments made in the past two years, new and innovative products, plus a strong customer focus are yielding results. Putting decision-making on a long-term footing despite the economic crisis produced a further major improvement in earnings as well as a significant increase in sales in 2010.

Firmly on the growth path

Strong Swiss franc impacts negatively on consolidated sales growth
In the year under review, Forbo generated net sales of CHF 1,789.7 million, an increase of 6.0% versus 2009 in local currencies. The strong Swiss franc reduced this by 5.6%, so that top line growth in the corporate currency came to 0.4% (previous year: CHF 1,782.4 million). Forbo generates about 80 percent of its sales in the euro and dollar zones. As a result of the strong Swiss franc, local sales were reduced by about CHF 100 million after translation into the corporate currency.

Bonding Systems and Movement Systems reported a big rise in sales in local currencies, growing by 9.5% (CHF 584.7 million) and 10.8% (CHF 331.1 million). Flooring Systems has not yet met expectations as regards sales growth and posted a moderate increase of 2.2% (CHF 873.9 million). Measures have been taken in this division to exploit the synergies from the expanded and comprehensive product portfolio generated by the acquisition of Bonar Floors and to boost sales by reinforcing marketing and distribution activities. A recovery of the construction industry in our important markets in Europe will give the division fresh impetus.

Another strong increase in profitability

All three divisions raise profitability significantly
All three divisions reported a significant improvement in operating profit before depreciation and amortization (EBITDA), which rose by 29.5% to CHF 244.3 million (previous year: CHF 188.6 million). The Group's operating profit (EBIT) increased substantially by 52.6% from CHF 121.8 million the previous year to CHF 185.9 million in 2010.

A number of factors spearheaded the long-term growth in profitability: the structural adjustments carried out in 2008 and 2009 to counter the economic downturn, the successful measures to increase efficiency, and new and impressive products with greater added value.

All divisions substantially improve margins
All three divisions reported substantially higher operating profit margins than the previous year. The EBITDA margin rose from 10.6% to 13.7% year-on-year, while the EBIT margin increased from 6.8% to 10.4%.

Steep rise in return on invested capital
The steep rise in operating profit along with further measures to optimize invested capital again resulted in a big improvement in profitability. The return on invested capital from operations rose from 8.6% to 12.5%.

Record-high result for Forbo

Significant rise in net income from operations
Forbo increased net income from operations by 72.3% from CHF 76.1 million the previous year to CHF 131.1 million, thus beating its record result in 2007 by a wide margin. In addition, Forbo generated an extraordinary financial gain of CHF 43.0 million before tax (CHF 32.2 million after tax) from the sale of Rieter shares. As a result, Group profit more than doubled to CHF 163.3 million (previous year: CHF 76.1 million).

Substantial reduction in net debt

Debt largely reduced
Shareholders' equity came to CHF 729.7 million at the end of December 2010 (previous year: CHF 679.6 million), which is equivalent to a healthy equity ratio of 48.8% (previous year: 38.9%). As per December 31, 2010, Forbo had cash, cash equivalents and securities amounting to CHF 218.8 million plus 373,990 treasury shares worth CHF 220.7 million at year-end. Net debt fell significantly to CHF 43.6 million (previous year: CHF 255.1 million).

Proposals to the Ordinary General Meeting

Dividend to be doubled
The Group's dividend policy is governed by its development in profits. In view of the increase in profit, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2010 business year be doubled from CHF 6.00 per share in 2009 to CHF 12.00 per share.

For the first time, shareholders will be able to receive the dividend in the form of a new, tax-free distribution out of capital contribution reserves.

Capital reduction
The Board of Directors will propose to the Ordinary General Meeting that the 213,152 treasury shares (7.856%) that Forbo has repurchased on the SIX Swiss Exchange via the second trading line be destroyed. This accords with the original proposal from 2008, in which the Board of Directors was authorized to return to shareholders, through a share buyback program, liquidity not needed for the Group's operations.

New share buyback program of up to 10 percent planned
The Board of Directors intends over the next three years to repurchase further shares up to 10 percent of the total share capital on the SIX Swiss Exchange via a second trading line in order to reduce capital. It will request the necessary authorization from the Ordinary General Meeting.

Since Forbo has little net debt and generates a solid free cash flow each year, this action will not limit options for external growth and will enable the Group to further increase its profitability.

Elections to the Board of Directors
The Board of Directors will propose to the Ordinary General Meeting the re-election of Messrs. This E. Schneider (Delegate) and Dr. Peter Altorfer (member) for a three-year term of office and the election of Dr. Reto Müller, Chairman of the Board of Directors of Helbling Holding AG, for a one-year term of office.

Confident outlook for the business year 2011

Focus on growth and further increase in net income
The new year has gotten off to a good start, and we see further growth potential in most of our markets. The investments in growth markets made in recent years are now being reflected in higher sales and earnings. We will step up our efforts in the coming years in order to strengthen our presence in these regions.

Assuming no negative change in the current economic environment, especially as regards currencies and the economy in the industries and geographic regions relevant for our business, and assuming that the prices and availability of the raw materials we need remain at around current levels, we expect sales and Group profit from operations to increase further in the 2011 business year.

Thank you

A word of thanks to our employees, customers, partners, and investors
On behalf of the Board of Directors and the Executive Board, we wish to thank all our employees for their ongoing commitment and their dedication in challenging times. We also wish to express our gratitude to our loyal customers, suppliers, and other business partners for the confidence they have placed in us over the past year and to you, dear shareholders, for your loyalty to our company.

Baar, March 2011

Dr. Albert Gnägi
Chairman of the Board of Directors

This E. Schneider
Delegate of the Board of Directors and CEO

Financial calendar

Ordinary General Meeting:	April 29, 2011
Publication of Half-Year Report 2011:	August 16, 2011
Publication of Annual Report 2011:	March 20, 2012

Annual Report 2010

At a glance

2010 at a glance

FORBO IS A LEADING PRODUCER OF FLOOR COVERINGS, ADHESIVES, AS WELL AS POWER TRANSMISSION AND CONVEYOR BELT SOLUTIONS.

The company employs some 6,000 people and has an international network of 41 sites with production and distribution as well as 47 pure sales organizations in a total of 35 countries worldwide. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

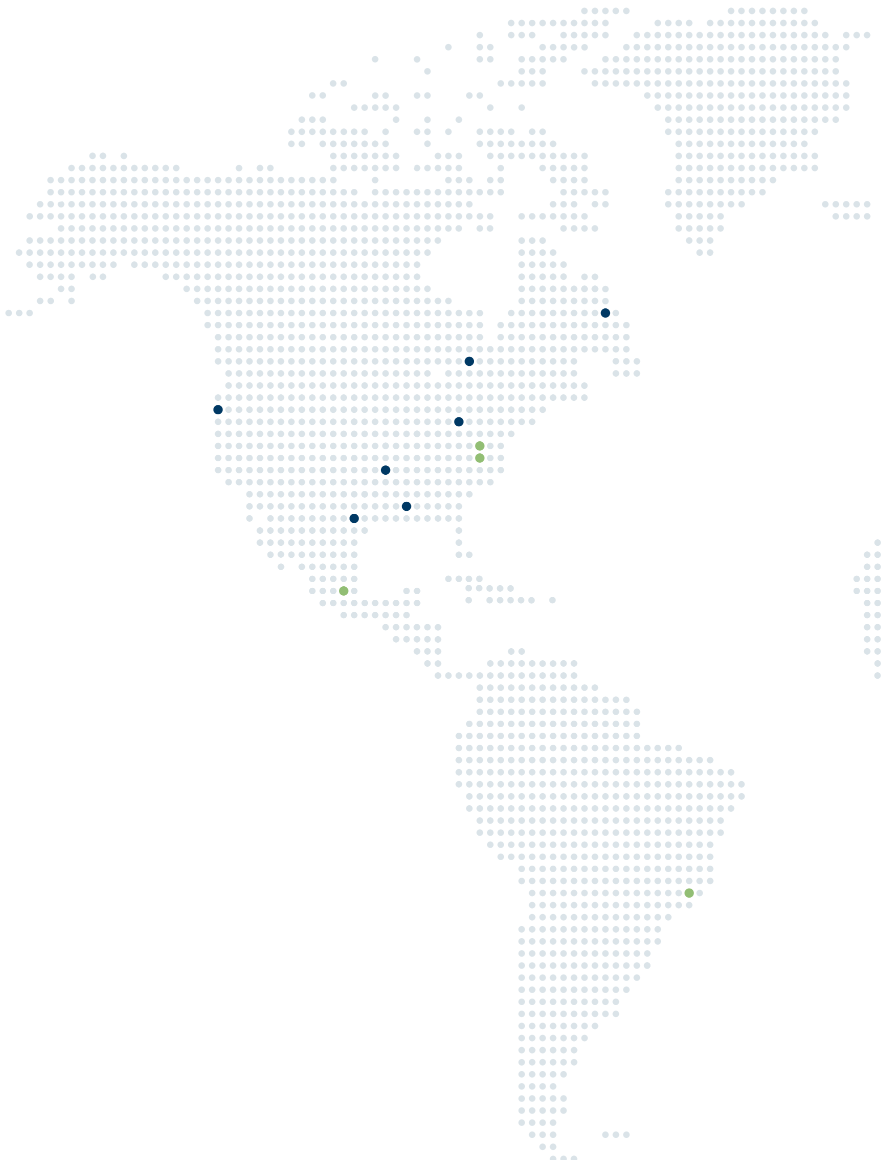
Forbo in figures

Forbo is a global player, and its three divisions supply a wide range of industries. The Group's global reach means that it is close to dynamic markets and makes it the first choice as a local partner for customers that have similar global ambitions. The quality, long life and performance of our products and systems reflect the quality and stability of our relations with our business partners.

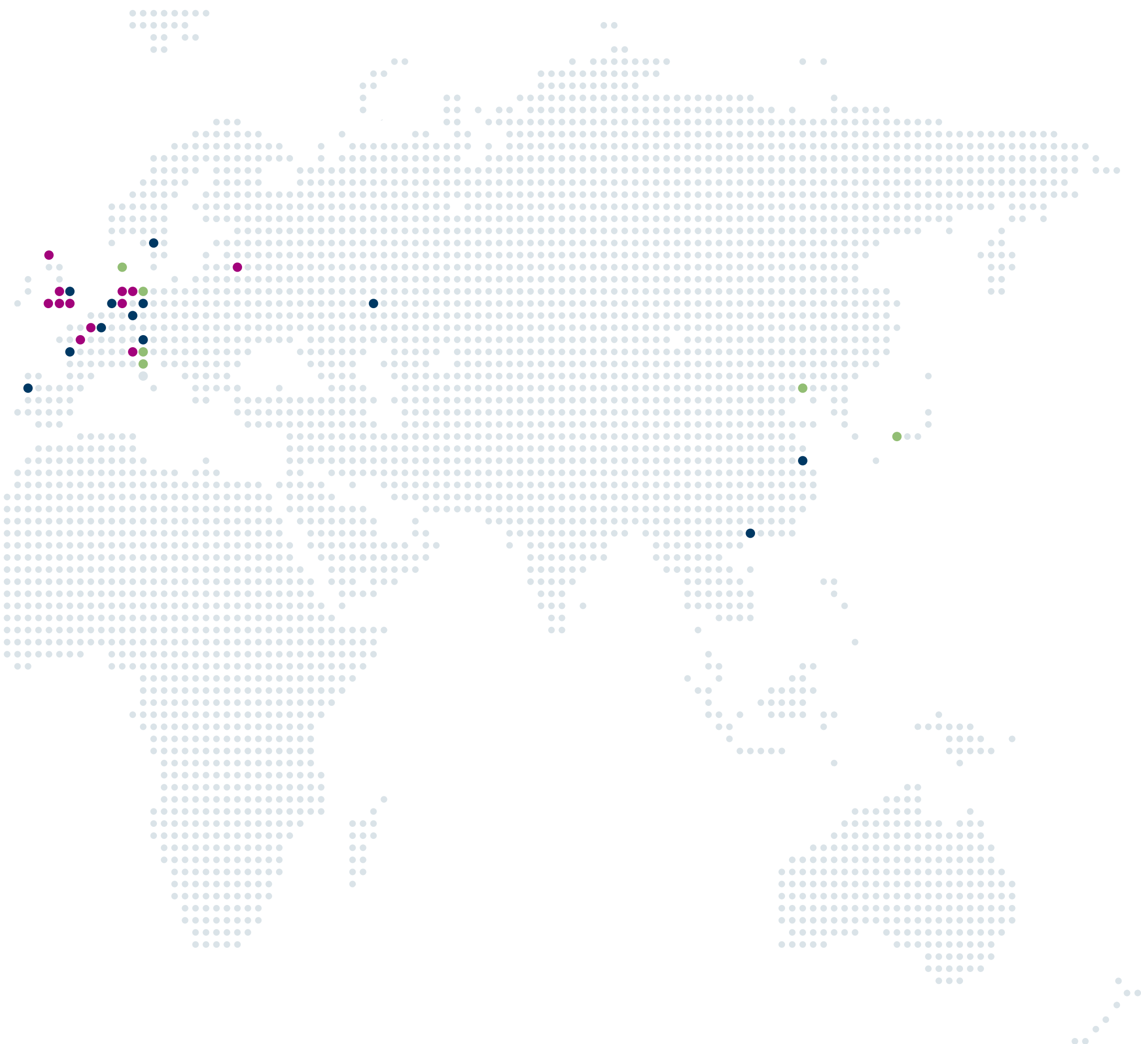
- **Flooring Systems**
  12 production facilities in 6 countries and sales offices in over 20 countries

- **Bonding Systems**
  20 production facilities in 12 countries and sales offices in over 20 countries

- **Movement Systems**
  9 production facilities in 8 countries and sales offices in over 25 countries

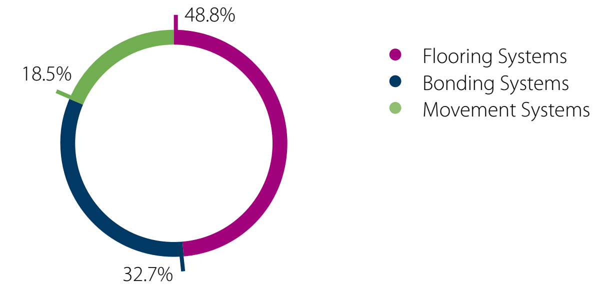


Net sales	CHF 1,789.7 m
EBIT	CHF 185.9 m
EBIT margin	10.4%
Group profit	CHF 163.3 m



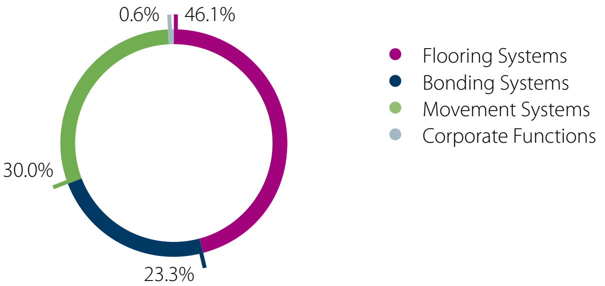
Net sales by division

		Change on previous year		
	CHF m 2010	in %	in local currencies in %	In % of total
Flooring Systems	873.9	– 3.4	2.2	48.8
Bonding Systems	584.7	3.0	9.5	32.7
Movement Systems	331.1	6.6	10.8	18.5
Total	**1,789.7**	**0.4**	**6.0**	**100.0**



Employees by division

	Number 2010	Change on previous year in %	In % of total
Flooring Systems	2,738	– 0.4	46.1
Bonding Systems	1,384	0.6	23.3
Movement Systems	1,780	– 0.7	30.0
Corporate Functions	41	0.0	0.6
Total	**5,943**	**– 0.3**	**100.0**



Financial overview Group

	2010	2009	2010	2009
Income statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Net sales	1,789.7	1,782.4	1,294.3	1,177.7
Flooring Systems	873.9	904.4	632.0	597.6
Bonding Systems	584.7	567.5	422.8	375.0
Movement Systems	331.1	310.5	239.4	205.2
EBITDA	244.3	188.6	176.7	124.6
EBIT	185.9	121.8	134.4	80.5
Group profit	163.3	76.1	118.1	50.3
Balance sheet	CHF m	CHF m	EUR m[1]	EUR m[1]
Total assets	1,494.2	1,745.4	1,080.6	1,153.3
Operating assets	1,251.9	1,419.7	905.3	938.1
Shareholders' equity	729.7	679.6	527.7	449.1
Net debt	43.6	255.1	31.5	168.6
Cash flow statement	CHF m	CHF m	EUR m[1]	EUR m[1]
Cash flow from operating activities	188.0	213.3	136.0	140.9
Cash flow from investing activities	74.3	– 23.8	53.7	– 15.7
Free cash flow	262.3	189.5	189.7	125.2
Key ratios	%	%		
ROS (EBITDA/net sales)	13.7	10.6		
Equity ratio (shareholders' equity/total assets)	48.8	38.9		
Gearing (net debt/shareholders' equity)	6.0	37.5		
Employees (as at December 31)	Number	Number		
Employees	5,943	5,958		
Ratios per share	CHF	CHF	EUR[1]	EUR[1]
Earnings (undiluted)	71.64	33.67	51.81	22.25
Equity	320.0	300.7	231.4	198.7
Dividend	12.0[2]	6.0[3]	8.7	4.0
Stock market capitalization (as at December 31)	CHF m	CHF m	EUR m[1]	EUR m[1]
Stock market capitalization[4]	1,380.0	770.6	998.0	509.2

1) Euro values translated at the average annual exchange rate of CHF 1.3828/1 EUR (2010) and CHF 1.5134/1 EUR (2009).
2) The Board of Directors proposes to the Ordinary General Meeting of April 29, 2011 the distribution of a dividend in the amount of CHF 12.00 per registered share.
3) Approval of a dividend of CHF 6.00 per registered share at the Ordinary General Meeting of April 23, 2010.
4) Total number of shares in circulation, multiplied by year-end share price.

Record high result for Forbo

After two very challenging years amid difficult market circumstances, in which the Group nevertheless posted satisfactory figures, Forbo posted a record result in the successful year under review. The economic recovery in key customer segments and the Group's long-term endeavors to develop markets and a product portfolio that delivers added value to customers led to solid growth in 2010.

These efforts, combined with structural adjustments made in the past two years as well as the omission of the integration and restructuring costs from the previous year, produced a record result. All three divisions increased earnings substantially and posted significantly higher operating profit margins. The Group profit of CHF 76.1 million in 2009 more than doubled to CHF 163.3 million (including extraordinary revenue of CHF 32.2 million from the sale of Rieter shares).

Solid top line growth hampered by strong Swiss franc

In the year under review, Forbo generated net sales of CHF 1,789.7 million, which was 6.0% higher than in 2009 in local currency terms. Owing to the strong Swiss franc, however, top line growth was negatively impacted by 5.6% so that sales in the corporate currency were up by 0.4% (previous year: CHF 1,782.4 million).

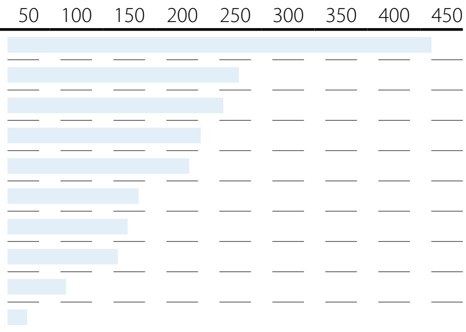
The Flooring Systems division reported sales of CHF 873.9 million in 2010, equivalent to top line growth in local currencies of 2.2% year-on-year. However, negative currency effects of 5.6% pushed down sales by 3.4% in Swiss francs (previous year: CHF 904.4 million).

The Bonding Systems division generated sales of CHF 584.7 million in 2010; in local currencies, this marked a significant increase of 9.5% versus the previous year. In Swiss francs, however, top line growth in the corporate currency fell to 3.0% (previous year: CHF 567.5 million) owing to negative currency effects of 6.5%.

The Movement Systems division generated sales of CHF 331.1 million in 2010, equivalent to a substantial increase of 10.8% in local currencies versus the previous year. In Swiss francs, however, top line growth in the corporate currency came to 6.6% (previous year: CHF 310.5 million) owing to negative currency effects of 4.2%.

Net sales by geographic area

	%	Change on previous year in %	Change on previous year in local currencies in %	CHF m 2010
North, Central and South America	23.5	7.1	10.5	420.2
Asia/Australia/Africa	13.3	19.8	20.3	238.0
France	12.5	– 10.3	– 1.8	223.7
Germany	11.3	– 1.6	7.7	202.1
Benelux	10.7	– 13.4	– 5.2	191.5
Great Britain/Ireland	8.0	– 11.3	– 6.1	143.6
Southern Europe	7.5	4.1	13.4	133.2
Scandinavia	6.9	1.8	3.1	123.8
Eastern Europe	4.2	13.1	20.9	75.4
Switzerland	2.1	2.0	2.2	38.2
Total	**100.0**	**0.4**	**6.0**	**1,789.7**

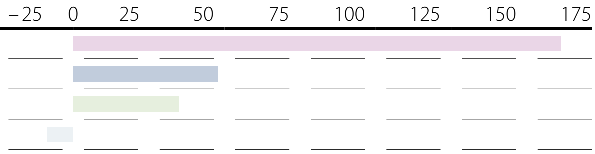


Operational performance improved in all divisions

All three divisions reported a substantial improvement in operating profit before depreciation and amortization (EBITDA) in 2010. Compared with the previous year, EBITDA rose by 29.5% from CHF 188.6 million to CHF 244.3 million. A number of factors spearheaded the Group's sustainable growth in profitability: the structural adjustments made in 2008 and 2009 to counter the economic downturn, the successfully implemented measures to increase efficiency, and new and impressive products with greater added value. Flooring Systems lifted EBITDA substantially despite moderate sales growth, owing to the omission of the integration and restructuring charges from the previous year, measures to boost efficiency, and a concerted effort to prune low-margin sales. The considerable sales increase in the Bonding Systems division did not translate into a corresponding EBITDA growth because of bottlenecks in the supply of raw materials and the steep rise in raw material prices in the second half of 2010. Movement Systems reported a big increase in EBITDA on the back of the encouraging sales trend, efficiency gains and the omission of the restructuring charges from the previous year. The entire Forbo Group lifted its EBITDA margin by 3.1 percentage points from 10.6% to 13.7%, with all three divisions reporting a substantial improvement.

EBITDA by division

	CHF m 2010	Change on previous year in %
Flooring Systems	164.6	20.7
Bonding Systems	51.2	8.5
Movement Systems	38.5	158.4
Corporate	– 10.0	1.0



Compared with the previous year, depreciation and amortization fell by CHF 8.4 million to CHF 58.4 million in the year under review. The drop in depreciation and amortization resulted from the conservative investment policy in 2008 and 2009 and from the absence of amortization in connection with the acquisition of Bonar Floors. The Forbo Group lifted its operating profit (EBIT) by an impressive CHF 64.1 million to CHF 185.9 million on the back of these positive factors. This equates to a significant increase of 52.6% versus the previous year. The EBIT margin increased from 6.8% to 10.4%.

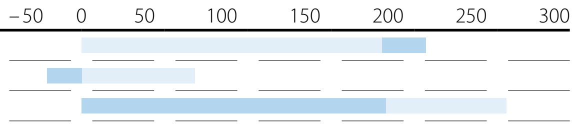
Taxes and financial result

Taxes were further optimized in the year under review by making use of the available loss carry-forwards. The tax rate was 24% versus 25% the previous year.

Net financial expenses fell by CHF 6.3 million to CHF 14.1 million owing to the fall in the interest rate level, the reduction in debt and ongoing efforts to optimize liquidity in the Group. The Forbo Group realized substantial financial income of CHF 43.0 million from the sale of securities.

Free cash flow

	CHF m 2010	CHF m 2009
Cash flow from operating activities	188.0	213.3
Cash flow from investing activities	74.3	– 23.8
Free cash flow	262.3	189.5



Positive free cash flow trend

Cash flow from operating activities came to CHF 188.0 million in the year under review, while cash flow from investing activities was CHF 74.3 million. The latter figure includes, besides investments in production plants, cash inflow amounting to CHF 92.6 million from the sale of securities. Free cash flow came to CHF 262.3 million in the year under review (previous year: CHF 189.5 million).

Decline in total assets and increase in shareholders' equity

Total assets as per December 31, 2010 stood at CHF 1,494.2 million (previous year: CHF 1,745.4 million). The CHF 251.2 million decline in total assets versus the previous year was due mainly to the sale of securities as well as exchange rate effects.

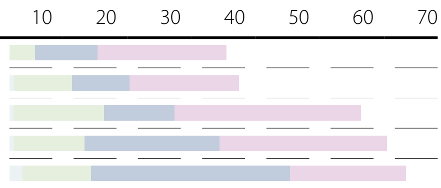
Net debt at year-end 2010 fell substantially to CHF 43.6 million (previous year: CHF 255.1 million) thanks to the ample free cash flow that the Group generated. Shareholders' equity increased in the same period to CHF 729.7 million (previous year: 679.6 million), which brings the equity ratio to a healthy 48.8% (previous year: 38.9%).

Gearing (the ratio of net debt to equity) at the end of December 2010 stood at 6.0% (previous year: 37.5%).

Investment policy geared to economic conditions
The Forbo Group maintained its policy of gearing investment to the economic environment. Capital expenditure was concentrated on important activities and projects aimed at boosting efficiency and penetrating new markets. Accordingly, investments in property, plant, and equipment in 2010 came to CHF 37.3 million, a marginal decrease in investment volume compared with the previous year's figure of CHF 38.9 million. In the reporting period, Flooring Systems invested CHF 20.0 million, CHF 2.9 million more than the previous year (CHF 17.1 million). This spending was earmarked for new manufacturing processes in the Netherlands and in Great Britain that are designed to expand the product range, modernize production plants, and boost efficiency. At Bonding Systems, investments in 2010 came to CHF 11.4 million versus CHF 9.3 million the previous year. This amount was used mainly for the construction of a new production facility in southern China, general measures to boost efficiency, the development of new technologies, and the expansion and development of markets. At Movement Systems, investments came to CHF 5.9 million, which was lower than the previous year (CHF 12.1 million). The investments were employed primarily to modernize, centralize and streamline production, increase productivity, and expand into new markets and customer segments.

Capital investment 2006 – 2010

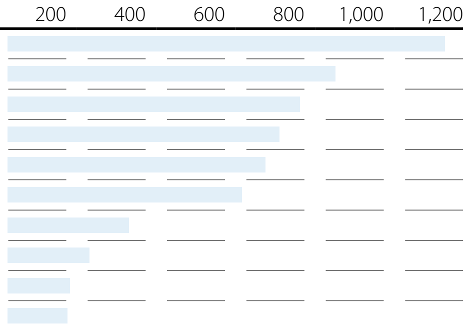
	Flooring Systems CHF m	Bonding Systems CHF m	Movement Systems CHF m	Corporate CHF m	Total CHF m
2010	20	11	6	0	37
2009	17	9	12	1	39
2008	29	11	17	1	58
2007	26	21	14	1	62
2006	18	31	13	3	65



Headcount development
At the end of the year, Forbo had a headcount of 5,943 people. That is altogether 15 employees less than the previous year. The large percentage decrease in headcount in Germany, in Switzerland, and in Scandinavia resulted from the structural adjustments in these markets. The increases in the other markets were driven primarily by the expansion of sales and distribution organizations and the generally higher level of sales in Bonding Systems and Movement Systems.

Employees by geographic area

	%	Change on previous year in %	2010
Benelux	19.4	7.3	1,155
North, Central and South America	14.8	4.2	880
Asia/Australia/Africa	13.3	1.8	790
Germany	12.4	– 6.3	738
Great Britain/Ireland	11.8	0.5	703
France	10.8	– 2.9	644
Eastern Europe	6.0	4.1	359
Southern Europe	4.4	– 1.7	260
Switzerland	3.5	– 6.6	210
Scandinavia	3.6	– 26.1	204
Total	**100.0**	**– 0.3**	**5,943**



Sustainable value creation

Social responsibility and environmental protection are fundamental Forbo values. We are committed to protecting the environment and investing in a sustainable future. As a responsible manufacturer and employer, Forbo sets very high standards for health, safety, the environment and quality. Innovative ideas and research and development are therefore part and parcel of the forces driving our business concept. We make full use of our potential by identifying the challenges of a constantly changing environment and adapting to them.

Social dimension

Following the Group-wide standardization of the most important human resources tools and processes which were introduced two years ago, Forbo launched an internal management training program in 2010. In the past year, for the first time, Forbo offered a practice-oriented training program for senior managers, people in key positions, and junior managers at Group level in cooperation with the University of St. Gallen, other external partners and internal specialists. The program consists of various modules that are prepared according to the needs of the target groups. The aim is to strengthen their leadership and management skills so that they are equipped to meet the ever more demanding managerial challenges and make a direct contribution to the sustainable success of Forbo. These one-week programs met with a high level of acceptance and were rated by all participants as exceptionally valuable and inspiring.

Ecological dimension

Preserving the environment and generating ecological added value is a decisive factor in all Forbo's developments and investments. The three divisions perma-

nently endeavor to optimize processes as well as to reduce and, where expedient, to recycle offcuts so as to decrease Forbo's environmental footprint. Flooring Systems has an intrinsically environmentally friendly product in linoleum, which is made from purely natural and renewable raw materials. Also in the year under review, a number of ecological initiatives were implemented and investments were made to develop environmentally friendly products.

In 2010, all three divisions implemented measures to reduce and optimize energy consumption. There were many such initiatives. Here are a few concrete examples.

Flooring Systems installed a new filter system for the manufacture of vinyl flooring which substantially scales back energy consumption. As a result, it saves 700,000 cubic meters of natural gas annually, the equivalent of the gas consumed by 300 households. At the same time, the filter system reduces annual CO_2 emissions by 1.2 million kilograms.
Certain production processes of Bonding Systems require energy for cooling and energy for heating or drying the adhesives in the very same process. To make more efficient use of this energy, the division streamlined its production processes in Europe, leading to energy savings of over 2 percent.
At Movement Systems, production processes were reengineered to reduce specific energy consumption on the one hand and to raise production efficiency on the other hand. Heat from a new exhaust air treatment facility, for instance, is used for heating in production processes. The result is an annual saving of about 90 tons of CO_2.

Economic dimension
As a listed company, Forbo is concerned on a daily basis with the economic aspects of sustainability, too. Compliance is becoming increasingly important for the reputation and positioning of a company. In the year under review, Forbo stepped up its efforts to ensure compliance in the areas of code of conduct, competition law and anti-corruption and underscored them in some cases with e-learning tools that have been launched worldwide. Steps were also taken to strengthen risk management processes and the internal controlling system.

Activity report

Focus topics 2010

To be successful in the marketplace as a Group with three operations, each having a different thrust, the individual divisions act independently and flexibly, but always in line with the strategic principles governing the entire Group. The strategy is to:

- occupy leading positions in clearly defined market segments, based on customer focus, a high service level and innovation
- strengthen and develop the Group's presence in growth markets
- make targeted acquisitions that generate added value for shareholders through greater geographic reach, product extensions or market consolidation
- foster our employees through ongoing training and the exchange of ideas at all levels
- reinforce the strong Forbo umbrella brand globally

Tom Kaiser
Chief Operating Officer

Spotlight on a growth mindset and process quality
By creating the new function of Group COO in the year under review, we also bundled the invaluable experience of our three divisions more closely, which in turn allowed us to develop the best possible solutions.

Despite the very different focus of each division, especially with respect to customer structures, regional priorities or technologies, we have nevertheless identified a wide range of potentials that will drive the entire Forbo Group forward.

This applies in particular to execution at the level of functional organizations and functional strategies.

The spotlight on a growth mindset and process quality is part of a number of initiatives that will help to strengthen our competitiveness.

We will forge ahead with the systematic implementation of our strategies and initiatives in 2011 too in order to reach the targets we have set.

Daniel Keist

Head Corporate Center

Jörg Riboni

Chief Financial Officer

Standard of integrity as a competitive advantage
Compliance, meaning behavior of the company and its employees that is in conformity with the law at all times, is increasingly important for the reputation and positioning of a company.

Forbo's code of conduct was completely revised in the year under review. The code lays down the business principles and values that are valid Forbo-wide – values such as integrity, transparency and fairness. It does not simply guarantee conduct that is in conformity with the law, it goes far beyond this. It describes how Forbo management and employees can and should act not only lawfully but also ethically and with integrity and thus serves as a guideline for employees in their day-to-day work. The code of conduct has been systematically launched worldwide in more than ten languages, and management training courses on the code have been conducted employing a dedicated module.

The code of conduct is thus instrumental in sharpening awareness of our responsibility towards shareholders, employees, customers and other stakeholders in the interests of long-term and sustainable corporate development. Forbo is confident that our standard of integrity is also a competitive advantage.

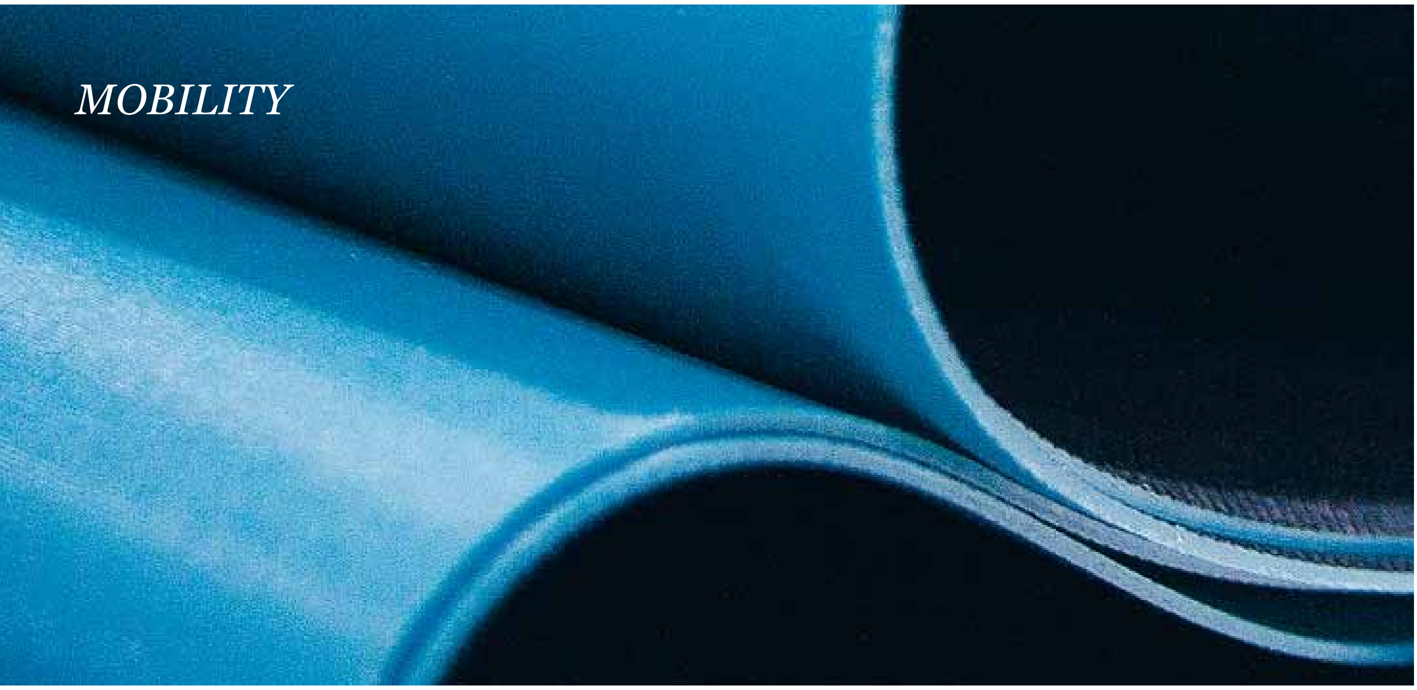
Increasing enterprise value is at the heart of what we do
Value management is crucial to the financial management of Forbo and is an integral part of the monthly reports of its Management Information System. The financial conferences and management training courses we held in 2010 deepened our employees' grasp of value management. The goal was – and still is – to create awareness of how each individual employee can find value-driven solutions in his business environment that he can execute efficiently.

The two central performance indicators for assessing value creation are the Forbo Economic Profit (FEP) and the Return on Invested Capital (ROIC). These two ratios do not focus entirely on the income statement but also integrate elements from the balance sheet.

In the year under review, the Group concentrated especially on cost-effectiveness and capital efficiency. ROIC was significantly improved in 2010 owing to higher profitability and strict capital management, which made a positive and sustainable contribution to generating value. Forbo is confident that the potential within the Group has not yet been exhausted and that further efforts will pay off.


ENTHUSIASM


SPIRIT OF DISCOVERY


MOBILITY

Three divisions – three areas of competence

Flooring Systems

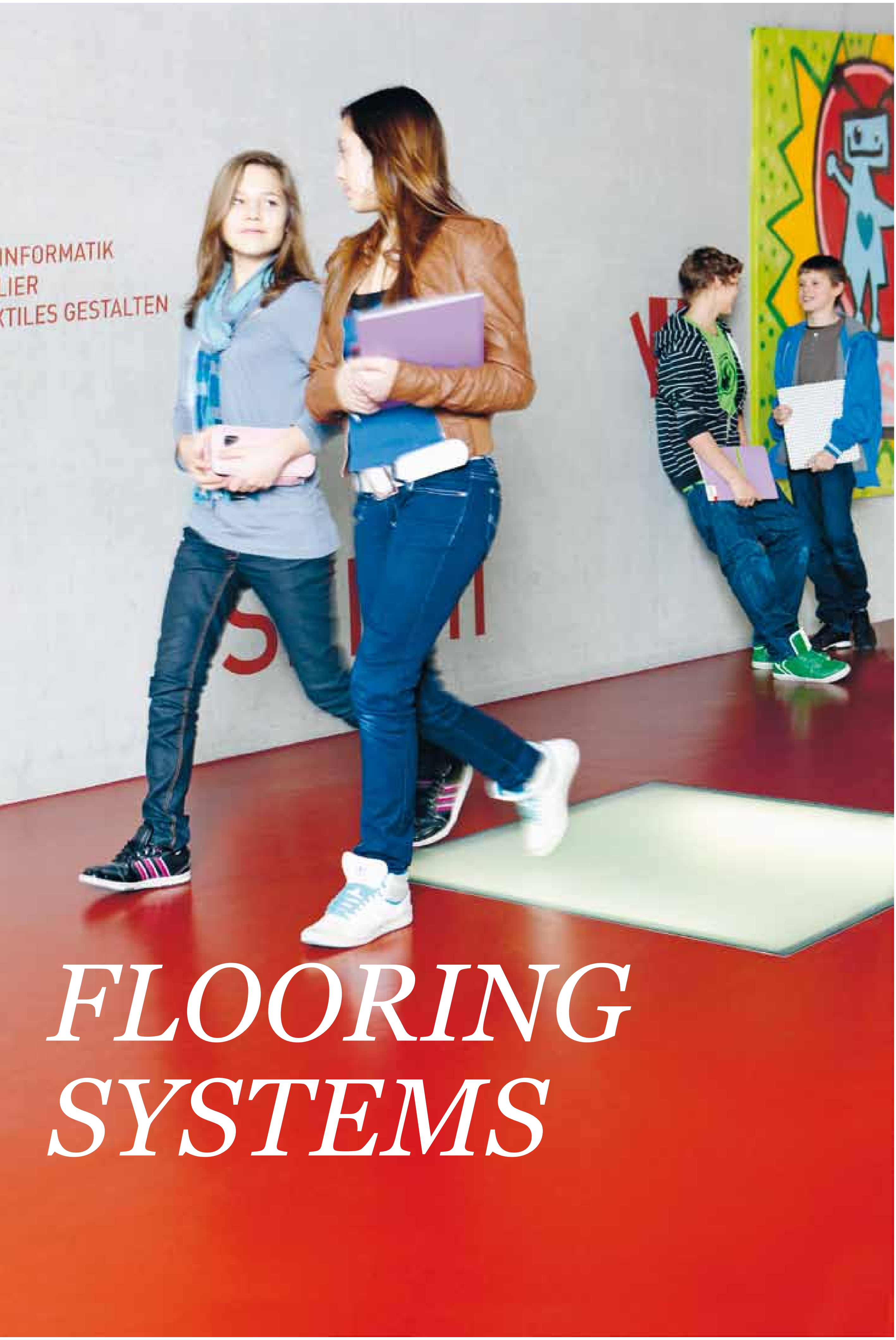
The Flooring Systems division offers a broad and attractive range of environmentally-friendly linoleum, high-quality vinyl floors, entrance flooring systems for cleaning and drying shoes, carpet tiles and needlefelt. Thanks to their excellent technical properties and attractive design, these flooring solutions are invariably the first choice for public buildings, department stores, hospitals and healthcare facilities, schools, libraries, commercial offices, leisure centers, hotels, restaurants, and cafeterias and are also used in the residential market. With a market share of over 65 percent, Forbo is the world market leader in linoleum.

Bonding Systems

Bonding Systems is among the world's leading suppliers of industrial adhesives. Its high-performance products ensure stable and durable bonding and are suitable for a wide range of applications in key markets such as the paper processing industry, the packaging industry, the shoe and textile industries, the furniture industry, as well as for manufacturing automotive and motor home interior trims. Bonding Systems also provides ready-made adhesives for flooring installations and ceramic tiles, as well as welding rods and leveling compounds for the construction industry. The third business area is synthetic polymers which are marketed as emulsion polymers to customers in the adhesives, varnish, paint, and construction industries.

Movement Systems

Movement Systems is a global industry leader providing top-quality power transmission belts, sophisticated conveyor and processing belts, as well as plastic modular, timing, and flat belts made of synthetic materials. These products are known under the brand name Siegling. They are used in a wide range of applications in industry, trade, and the service sector, including conveyor and processing belts in the food industry, as treadmill belts in fitness studios and flat belts in mail distribution centers.



FLOORING SYSTEMS

Enthusiasm

IN THE CLASSROOM

Children, pupils, and students spend much of their time in educational facilities. In outfitting this school, it was important to use only natural and robust materials, wherever possible untreated. At the same time, the flooring style had to match the school's overall concept and creative surroundings. Linoleum has met the most important requirements optimally as regards maintenance costs, sustainability, and design.

Flooring Systems:

Sales organization strengthened

“Following the integration of Bonar Floors in 2009, the 2010 business year was one of consolidation. In its sales activities, the division set clear priorities: harmonizing the expanded product portfolio and adjusting the sales channels in order to generate more synergies. In addition, it continued its efforts to streamline structures and processes. The performance of the various markets showed a mixed picture. In some areas, sales declined because integration activities were not yet completed and processes had not been fully optimized. Operating profit improved again thanks to the omission of integration and restructuring expenses and to further streamlining measures. We considerably strengthened our sales organization and launched a raft of measures to reinforce sales and marketing in 2010. We are now confident that we can again assert our position as a leading system supplier for the commercial market segment in 2011.”

Jens Schneider

Executive Vice President
Flooring Systems

The Flooring Systems division reported sales of CHF 873.9 million in the 2010 business year, equivalent to topline growth in local currencies of 2.2% year-on-year. However, negative currency effects of 5.6% reduced sales in Swiss francs by 3.4% (previous year: CHF 904.4 million). The division’s share of Group sales was 48.8%. North America, Asia, as well as Southern and Eastern Europe all reported above-average growth rates, whereas the other markets only managed to maintain the previous year’s level or even reported slight declines in some areas owing to the weak state of the construction market. Operating profit (EBIT) showed a strong 33.6% increase to CHF 134.7 million (previous year: CHF 100.8 million) despite moderate sales growth owing to the omission of integration and restructuring expenses and greater efforts to prune low-margin sales. The EBIT margin rose to 15.4% (previous year: 11.1%).

Buoyant demand in North America and growth regions

Demand in North America grew above-average buoyed for ecologically friendly linoleum. Satisfactory sales increases were also posted in Asia, Australia, and South America. New building activity in Eastern Europe, and particularly in Russia, recovered from its low in 2009 and, along with Southern Europe, helped drive double-digit top line growth.

The main markets in Western Europe reported moderate business activity, partly because of budgetary public spending restrictions which still impact negatively on the key market segments of healthcare and education. Sales in Scandinavia, Central Europe, France, and Great Britain – markets that had been exceptionally hard-hit by the economic crisis well into 2010 – recovered especially in the second half of the year. This trend is not yet apparent in the Benelux countries where weak demand persists owing to the fragile state of the construction industry.

All strategic product groups report growth

Following a major acquisition, the division has a complete offer of flooring collections which it relaunched in 2009. Customers have responded well to the excellent fit of the products in different building applications and areas. Using the existing collections as a springboard, new, complementary collections were created in the year under review, which are now being launched gradually starting in early 2011.

Demand for linoleum was buoyant because of the ongoing trend towards ecologically sustainable products. Heterogeneous vinyl floorings for the commercial segment and entrance flooring systems for entrance areas made a positive impression and gained market share. Flotex, a washable textile flooring which is as homely as carpet and as easy to care for as resilient flooring, and the high-end carpet tiles for office spaces performed satisfactorily, bolstered by synergies from the streamlining of distribution structures.

Sales of flooring for the residential segment declined as a result of portfolio adjustments. The Novilon collection launched in early 2011 will be a trend-setter in this segment.

Investment in innovative products with new designs

Once again in 2010, Flooring Systems invested in new manufacturing processes to expand its innovative range of designs and products in the areas of linoleum and vinyl floorings. Production capacities in Sweden, France, and the Netherlands were rationalized and brought into line with modern manufacturing requirements.

In the Netherlands, the division invested in attractive linoleum designs, such as a striped design, which picks up on the current retro style trend. In France, investments were made in a new and attractive sound-absorbing vinyl flooring collection for use mainly in social housing. In Scotland, Flooring Systems invested in the production of linoleum tiles, primarily for the North American market, for use mainly in schoolrooms. In the Netherlands, the division invested in the in-house production of luxury vinyl tiles, which have the feel of wood, stone or ceramic floors. These are a key product for the retail segment, and will give fresh growth impetus to new market segments.

Flooring Systems again made major investments in IT systems, including a new SAP-based global sales management system, which creates complete transparency for everybody involved in global projects. An individual 'floorplanner' has been introduced on the Internet since fall 2010, enabling customers to design interiors digitally with different floorings and wall colors to judge the potential effect that complex designs and colors have in a room.

Focus on sales growth

Following the consolidation phase in 2010, Flooring Systems anticipates strong growth in all markets for 2011. Linoleum stands to benefit from the ongoing trend towards ecologically sustainable building design. Following streamlining of the distribution channels, the division expects additional growth from further synergies generated by the newly integrated product portfolios of Flotex, carpet tiles and entrance flooring systems and by the growth stimuli from the new collection of design floorings.

In North America, Australia and Asia, Flooring Systems expects that the positive trend will continue in 2011. In Western Europe, an improved situation is anticipated compared with the previous year.

Tiles and planks in demand

Making products and processes more sustainable and more friendly to the environment is a priority for every change and every new development at Flooring Systems. To achieve this, Forbo uses not only its own internal expertise but also the various options offered by the market and society overall. In the year under review Forbo has again managed to make progress in this regard with new and innovative trends tailored to the various needs of our customers.

Linoleum in tile format

With a linoleum tile product for classrooms in North America which is unique worldwide, Flooring Systems has created an ecological alternative to the vinyl composite tiles which have dominated this market segment up to now, but which in terms of quality tend to be brittle and have a very high chalk content. In America, the square, linoleum-based tiles are used mainly for classrooms where renovation and new building have to take place within a relatively narrow time window in the school holidays in spring and summer.

Flooring Systems managed to convince architects and floor installers that there is a simple-to-lay and cost-efficient option on an environmentally friendly basis which can fulfill all of the requirements. Forbo is today the world's only manufacturer that produces and sells linoleum in tile format. Following its success in North America, Flooring Systems will now extend its range to other typical vinyl tile markets such as France, Great Britain, Japan, and Australia as an ecological alternative to provide a new ambiance in school buildings and stores.

» THE WORLD'S ONLY MANUFACTURER OF LINOLEUM TILES »

High-grade designer floors

In the area of resilient floor coverings, high-grade luxury vinyl designer floors in plank and tile format are currently the fastest-growing product category. These are used for example in stores, hotels, and catering or other modern buildings. For the Allura collection newly introduced in January 2011 Flooring Systems developed a revolutionary process to produce vinyl sheet in a width of three meters and then cut the planks and tiles with state-of-the-art ultrasound cutting machines to any shape or size. The planks can be up to 1.5 meters long. Special digital printing techniques generate modern and abstract designs which have been created exclusively by Forbo. Beveled plank edges offer added character for the widest possible range of design concepts. As they are easily laid, such planks and tile formats are also very popular with floor installers. The new collection includes over 100 designs, seven different embossing textures and a wide range of colors to allow extremely realistic wood, stone, and metal designs. It reflects current and future trends, can fulfill both conventional and extravagant wishes, and offers architects, interior designers, and planners a wealth of options for the widest possible diversity of room concepts.

BONDING SYSTEMS

— Spirit of discovery —

EN ROUTE AT 3,700 METERS

Experienced mountaineers have to be able to rely on top-flight materials and first-class quality in their clothing. In extreme sports, fabrics have to be very comfortable, water-repellent and breathable in any weather. Adhesives from Forbo lend textiles these properties and make them reliable companions on tours in the high mountains.

Bonding Systems:

Successful focus on strategic market segments

"The approach of Bonding Systems is to focus on developing strategic market segments and to expand and proactively support the international activities it provides to key accounts, while at the same time selectively strengthening the organization in growth markets. The sales growth we have achieved clearly shows that this approach has paid off. The transport and woodworking customer segments, which were hard hit by the economic crisis, have bounced back, while we have made progress worldwide in the packaging industry, another of our strategic markets, as a result of our efforts to acquire new business. The positive impact of higher sales was, however, offset by bottlenecks in the supply of raw materials and by the steep rise in raw material prices in the second half of 2010."

Michel Riva

Executive Vice President
Bonding Systems

The Bonding Systems division generated sales of CHF 584.7 million in 2010; in local currencies, this marked a significant increase of 9.5% versus the previous year. In Swiss francs, however, sales growth in the corporate currency came to 3.0% (previous year: CHF 567.5 million) owing to a negative currency effect of 6.5%. The division's share of Group sales reached 32.7%. The solid growth was driven mainly by the industrial adhesives business. All regions recovered from the difficult economic environment in the previous year, especially segments such as transport, woodworking and textiles, which had been hard hit by the crisis. However, the effect of the encouraging sales growth is not fully reflected in the result because margins were eroded by bottlenecks in the worldwide availability of raw materials along with a steep rise in raw material prices, which could only be passed on to customers in part or with a time lag. The division nevertheless lifted operating profit (EBIT) by 15.6% to CHF 37.7 million (previous year: CHF 32.6 million). The EBIT margin increased to 6.4% (previous year: 5.7%).

Industrial adhesives make a bigger-than-average contribution to growth

The industrial adhesives business recovered strongly in the year under review from the global economic downturn in previous years. Underlying this upturn was the strong growth reported in all geographic regions, particularly Asia, the Middle East, and Eastern Europe. In Europe and North America, the above-average growth rates in the first half firmed at a somewhat lower level in the course of the fourth quarter. Generally speaking, demand in the customer segments of transport, woodworking, and packaging rose significantly.

Owing to the challenging market conditions in the European construction industry, demand for building and construction adhesives was up only marginally compared with the previous year's level. This affected mainly Benelux, which accounts for the lion's share of sales. Russia and Eastern Europe, by contrast, benefited considerably from the rebound and from earlier efforts to develop the market.

The synthetic polymers business bounced back; overcapacity in this market was reduced as a result of the economic upswing in North America, and the adhesives and construction industry markets reported a recovery in demand for synthetic polymers. Newly developed market segments for applications in the carpet and paint industries provided further support for this trend.

Advanced hotmelts in demand
Demand in the market segments of packaging, labeling, transport, and woodworking posted above-average growth worldwide. Accordingly, demand was buoyant for many different types of adhesives, which are delivered mainly to these industries. In particular, the beneficiaries were polyurethane and polyolefin hotmelts, which are used in woodworking, the automotive industry, and packaging, as well as in the manufacture of sandwich elements. Water-based adhesives are employed for labeling and in the packaging and woodworking industries. Adhesive-coated tapes were in heavy demand by packaging manufacturers.

Investing in new product technologies
Bonding Systems particularly invested in developing new product technologies in the year under review in order to be at the forefront of new market developments and be able to offer innovative products for professional cooperation with major customers. The division installed a new production line for thermoplastic hotmelts for the packaging industry in Spain and built a new assembly line for parquet adhesives in its building and construction adhesives business in Germany.

In fall 2010, Bonding Systems inaugurated its new production plant for industrial adhesives in Guangzhou, southern China, where there is also a new research and development center for the whole Asian region. The important market segments in Asia are the hygiene, packaging, woodworking, textile, and automotive industries.

To meet rising demand for industrial adhesives, the distribution and technology teams were bolstered in Russia and Eastern Europe, where they can provide support for long-established major accounts in the woodworking and packaging industries.

Creating innovative and environmentally friendly applications
In the year under review, a number of new applications were developed in close cooperation with our customers. These applications are superior in terms of their environmental footprint and generate added value for our manufacturing partners. Bonding Systems developed a new generation of water-based adhesives for high-speed applications in processing folding cartons. This raises productivity among the manufacturers while at the same time reducing downtimes and, consequently, maintenance costs. A thermoplastic polyolefin hotmelt was developed for the packaging industry that adheres at lower temperatures than conventional adhesives. This leads to a substantial reduction in energy costs during production. The building and construction adhesives business launched new applications with low-dust products for leveling compounds and ceramic tiles, thereby reducing health hazards in the laying of flooring.

In the year under review, Bonding Systems also launched a comprehensive range of low-emission adhesives, certified to the standard of the Greenguard™ environmental institute. This institute is concerned with improving health and quality of life, in particular by ensuring better air quality in production rooms.

Availability and price of raw materials are ongoing challenges
Generally speaking, Bonding Systems is assuming that 2011 will see further above-average growth in the emerging markets of Asia and the Middle East. North America and Europe are expected to post slightly more moderate growth rates owing to the economic situation. Bonding Systems expects to boost sales growth by systematically concentrating on international major clients in the strategic market segments and by developing new product applications with these industries in mind.

The biggest challenge will be to offset the rise in raw material prices and to ensure reliable and uninterrupted delivery at competitive prices despite raw material bottlenecks.

Adhesives can also be environmentally friendly

Adhesives have been around for a long time and have developed to become complex adhesive systems which are present but invisible everywhere in our daily lives. Bonding Systems works closely with customers as a competent partner worldwide to jointly develop new approaches and solutions for innovative adhesives to optimize production processes and thus create added value for all concerned.

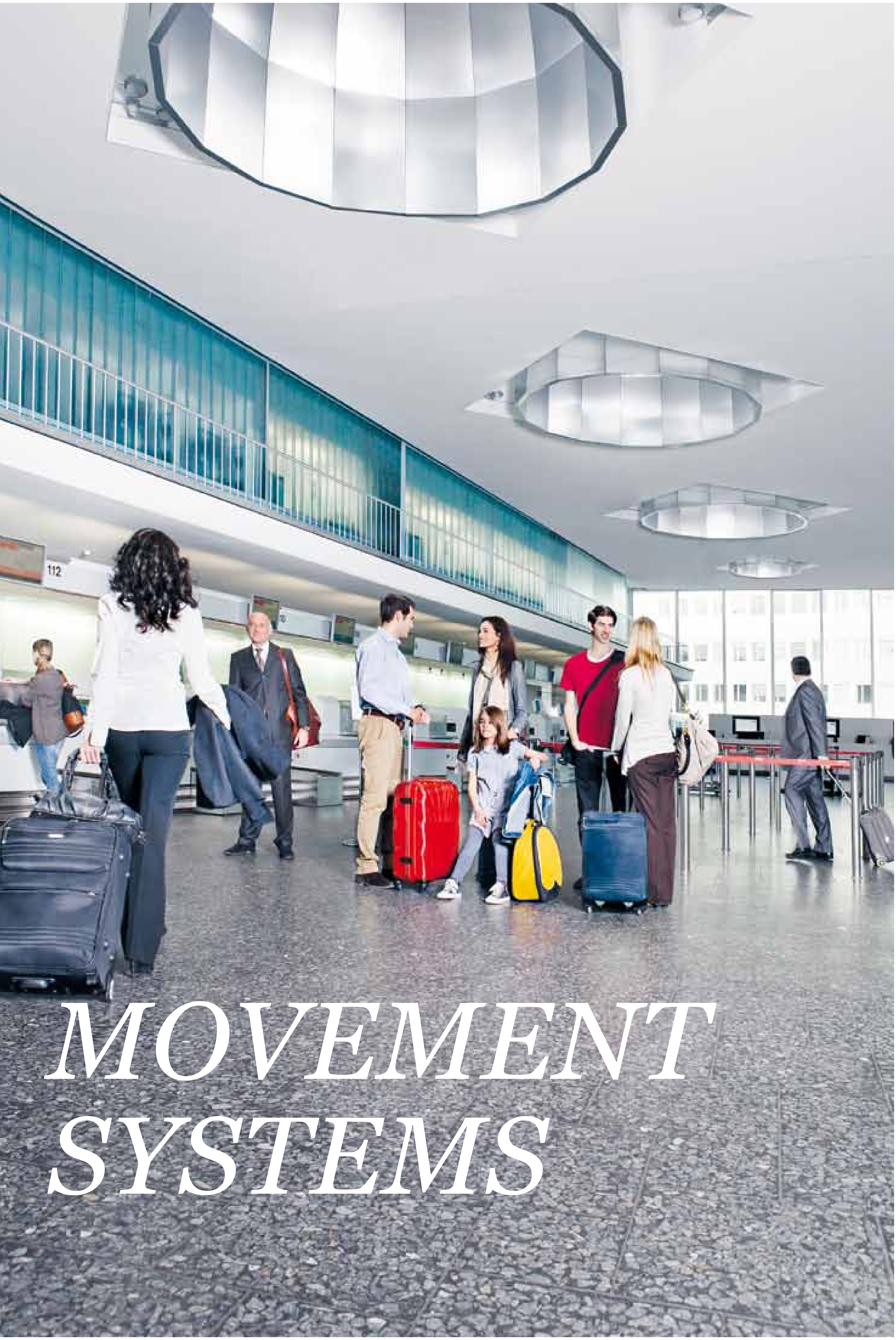
New generation of hotmelt adhesives

Hotmelt adhesives are solid at room temperature. They are heated up and applied by spraying or rolling onto the adhesive surface and form a bond as they cool down. Depending on their properties, they are used in different industries. In the year under review Bonding Systems introduced a new generation of polyolefin-based hotmelt adhesives. In the first step, these are aimed at the packaging industry where they will replace the traditional ethylene vinyl acetate-based products which have been in use for over twenty years. This new adhesive generation offers significant added value for the processing customers and is practically odor-free. Due to the lower processing temperature, energy consumption can be generally reduced, the production machine parts are less likely to burn out, there is no soot, and threading is reduced in the heated adhesives. This reduces downtimes as well as the costs for replacement parts. Due to the excellent flow characteristics of the hotmelt adhesive, lower weight and better adhesive properties within a large operat-

ing temperature window, the consumption of adhesive can be reduced by up to 30 percent. As an extremely versatile adhesive it will be used in the first phase mainly in the packaging sector for cardboard materials, for example for deep-frozen products or cookies. Other typical application areas include bookbinding, labeling or woodworking.

” INNOVATIVE ADHESIVE SOLUTIONS FOR TOP PERFORMANCE ”

Sustainable building certificate for tile adhesive
The demand for environmentally friendly products is also increasing in the building and construction adhesives sector. New technologies have made it possible to develop building and construction adhesives with 30 percent recycled material which are suitable for a wide range of application areas. In the year under review Bonding Systems launched a new tile adhesive which has been certified with the DUBOKEUR[R] seal of quality for sustainable construction. It was evaluated according to the lifecycle method in relation to the ecological balance sheet on the basis of 17 environmental criteria, from the production phase right up to waste disposal. In spring 2010 a unique self-leveling compound which can be applied to the surface without any primer was also introduced. The advantage of this new cement-based product is its substantially reduced dust development. It is gentle on the environment and on the health of the people working with it, as the inhalation of tiny dust particles is minimized.



MOVEMENT SYSTEMS

Mobility

AT THE RIGHT PLACE AT THE RIGHT TIME

Conveyor belts provide smooth baggage handling at airports and an efficient flow in the distribution of small and large packages in logistics centers with state-of-the-art equipment. It's all about movement and connection. The new, energy-saving conveyor belt from Forbo demonstrably cuts energy consumption by up to 40 percent, and that substantially lowers operating costs and reduces CO_2 emissions.

Movement Systems:

Fit for new challenges

"Following very intensive years in a challenging market environment, the situation turned around significantly in 2010. The structural measures taken in the past two years created a solid foundation for sustainable, double-digit sales growth plus a substantial increase in operating profit. Our success was driven by our flexibility in executing customer wishes professionally, our investments in growth markets and new product areas, the worldwide recovery in the plant engineering and machine tools sector, plus the generally improved market situation in many of our customer segments. The operating profit we achieved is all the more gratifying as many raw material prices shot up in the second half of 2010 and the world's markets suffered from bottlenecks in the delivery of raw materials."

Matthias P. Huenerwadel

Executive Vice President
Movement Systems

The Movement Systems division generated sales of CHF 331.1 million in the year under review, equivalent to a substantial increase of 10.8% in local currencies versus the previous year. In Swiss francs, however, top line growth in the corporate currency came to 6.6% (previous year: CHF 310.5 million) owing to negative currency effects of 4.2%. The division's share of Group sales was 18.5%. This satisfactory growth was driven in part by an upswing in those markets that had suffered from the economic crisis the previous year: the European and East Asian plant engineering and machine tools sector, with a high share of capital goods for international export, and the growth markets, especially China and India. Since production output has rebounded strongly, the important spare parts business of Movement Systems also recovered. Owing to this satisfactory sales trend and the omission of the restructuring expenses from 2009, operating profit (EBIT) in 2010 increased by a significant CHF 25.0 million from a barely positive CHF 0.5 million the previous year to CHF 25.5 million. The EBIT margin also rose steeply to 7.7% (previous year: 0.2%).

Better-than-average growth in Europe and Asia

Sales growth in Asia was exceptionally good, in part because of the boom in the Chinese economy and a strong local organization, which has made its mark in the important project business of the tobacco and logistics sectors. Owing to the strong rebound in the plant engineering business in Europe, where Movement Systems has an important presence, the sector's sales showed double-digit growth in most countries. The recovery was hesitant in Scandinavia, France, and Spain. North America turned in a steady performance. The Amp Miser product family, which substantially reduces energy consumption by lowering friction on the underside of the belt, has now become established as the standard in the North American logistics market in various applications with very good growth rates.

Growth markets such as India, Russia, Central and South America and Southeast Asia reported significant sales increases, driven by expansion of the division's own activities, an area where potential has not yet been exhausted. India, which has developed its own local organization, performed very well mainly in textiles thanks to its niche strategy.

Innovative product portfolio fosters growth in core segments

The various customer segments of Movement Systems have by and large also recovered from the global economic recession. The food-processing industry continues to grow steadily worldwide. In particular, the products launched the previous year featuring innovative hygienic belt-edge sealing generated above-average demand growth. Sales in the textile segment trended very firmly owing to the establishment of a new product line. The customer segments of logistics, industrial production, and raw materials recorded strong growth, which was driven mainly by the global economic recovery. Only the paper and printing business remains mired in a difficult market environment.

The strategic development of the plastic module belt business proved very successful. Among the main customer segments are the food-processing industry and the automotive industry. The product portfolio was specifically expanded again in the year under review, and the growing organization was outfitted with new tools and machines for production and assembly.

Market success with belts for the textile industry

The launch of a new product line of belts for printing textiles such as bed sheets and table cloths as well as high-class neck scarves, outerwear and ties was a success. Many years of development work, along with expanded know-how and targeted services, have gone into establishing this product group in key markets such as China, India and Taiwan.

Investment in growth markets and production capacity

Movement Systems focused mainly on strategic projects in the year under review.

By adjusting structures to the market environment in earlier years, Movement Systems also optimized the assembly supply chain. It created a clear allocation of roles for the three main regions of Europe, America, and Asia-Pacific as regards central assembly and warehousing sites, bringing them into line with the short-term assembly requirements of the local sales companies.

The worldwide introduction of a standardized SAP solution and a standardized customer relationship management software in all companies supports across-the-board optimization of the division's core processes.

The new, five-meter-wide coating plant in the center of excellence for conveyor and processing belts in Germany was successfully brought on stream in the first half of 2010. This complex installation secures technology and quality leadership for Movement Systems and is able to deliver the required capacity over the long term.

India built up its own business activity through major investments in local sales, service and assembly capacity.

Market leadership thanks to a greater focus on global organization

After years of consolidation and adjustment of structures to the market environment, Movement Systems is organizationally geared in 2011 to meeting future customer needs. Recasting the division as a worldwide functional organization will link key cross-unit processes so that they are leaner, more efficient, and more global. This affects mainly the core functions of innovation, roll production, and assembly. At the same time, the division aims to strengthen its local sales and service capability in order to meet the market challenges of the future and sustainably drive forward its leading market position.

Generally speaking, Movement Systems anticipates a more stable market environment in 2011. The expansion in growth markets in earlier years plus the investments in innovative product developments are a solid foundation for further growth potential.

Innovations bear fruit

Not always visible, but present almost everywhere, Movement Systems is making sure that a wide range of production processes run smoothly. Forbo distinguished itself again in the year under review as a competent partner in the development of application-specific and future-oriented solutions for driving, conveying, and producing.

Belts for the textile industry in growth markets
Movement Systems has continually extended its expertise in the area of printing blankets for the textile industry. Long years of development work, differentiated services for installation and in after-sales service, as well as the introduction of a new product series in the year under review have made an above-average contribution towards growth, particularly in Asian markets such as China, India, Indonesia and Taiwan. These printing blankets are used in systems for the printing of textiles, such as bed sheets, tablecloths or high-quality scarves and fabrics for outer garments and ties. There is also a trend towards individually designed advertising banners and flags. Depending on their texture, different techniques are used to print these materials. The printing blankets can be up to 130 meters long and 4.3 meters wide. The task of each belt is to convey the sheet of material as regularly as possible from the first to the last print station, whether in rotary, screen or digital printing. Maximum precision is required for this as only one ink is printed at each station. In order to receive a filigree color pattern, for example, up to 28 print stations with different inks may be used. The conveyor belt thus has a decisive influence on the quality of the textile print.

Competitive advantage in food processing
Safety in the food production process and thus protection of the consumer against food contamination are becoming increasingly important. Accordingly, a new EU hygiene directive requires additional certification of the raw materials suppliers and the examination of new alternative raw materials for conveyor belts which come into contact with unpacked food in the production process. All of the constituent elements of a belt have to be on the positive list of the EU and comply with certain limit values depending on the material and the properties of the food to be conveyed (watery, greasy, milky). The corresponding seal was introduced in the product documentation as a sign of conformity with these new regulations. In recent years Movement Systems has continuously invested in innovative belt surfaces and belt edge seals for the food processing industry and developed the corresponding specific know-how. The experience gained from these new developments for the processing of meat, fish, bakery products, milk products, fruit, and vegetables gives Forbo significant competitive advantages.

” COMPETITIVE ADVANTAGE THROUGH INNOVATION ”

Organization

Executive Board

Matthias P. Huenerwadel, Jörg Riboni, Tom Kaiser, Jens Schneider, This E. Schneider, Daniel Keist, Michel Riva

This E. Schneider

Delegate of the Board of Directors and CEO

This E. Schneider, born 1952, is a Swiss citizen. He studied economics at the University of St. Gallen (lic. oec. HSG) and at the Graduate School of Business, Stanford University, California, USA. After holding various management functions in Europe and the USA, he joined the Executive Board of Schmidt Agency, where he was responsible for strategic planning, operations and logistics from 1984 to 1990. From 1991 to 1993, he was Chairman and CEO of the listed company SAFAA, Paris. In 1994, he became a member of the Executive Board of Valora, with responsibility for the canteen and catering division. From 1997 to 2002, he was Delegate and Vice President of the Board of Directors of Selecta Group. This E. Schneider has been Delegate of the Board of Directors and CEO of the Forbo Group since March 2004. In addition, he is a member of the Board of Directors of Galenica SA, Rieter Holding AG and Selecta AG.

Tom Kaiser

Chief Operating Officer, Executive Vice President

Tom Kaiser, born 1956, is a German citizen. He completed his commercial apprenticeship in wholesale and export sales at Stahlwerke Südwestfalen in 1978. In 1992, he completed the International Executive Program at INSEAD, Fontainebleau, France. From 1979 to 1988, he worked for Krupp Handel GmbH in North and South America and other locations. From 1988 to 1998, he held various management positions with Vaillant GmbH. In 1998, he joined the Wolf Group as Managing Director. From March 2004 until March 2010, Tom Kaiser was Executive Vice President Flooring Systems and member of the Executive Board. He was appointed as COO of the Forbo Group on April 1, 2010.

Jörg Riboni

Chief Financial Officer, Executive Vice President

Jörg Riboni, born 1957, is a Swiss citizen. He studied economics at the University of St. Gallen (lic. oec. HSG) and is a Swiss certified public accountant. After holding various positions in the auditing and consultancy sector, Jörg Riboni joined the Cosa Liebermann Group where he was Head of Controlling and Finances for the European division. In 1995, he was appointed Chief Financial Officer of Jelmoli AG, which was sold at the end of 1996. From 1997 to December 2005, he was Chief Financial Officer of Sarna Kunststoff Holding AG in Sarnen. Jörg Riboni joined the Forbo Group in January 2006. He is a member of the Executive Board and Chief Financial Officer.

Daniel Keist

Head Corporate Center, Executive Vice President

Daniel Keist, born 1957, is a Swiss citizen. He studied economics at the University of St. Gallen (lic. oec. HSG) and joined UBS in Zurich in 1984, where he was Managing Director and Co-Head of the Corporate Finance Equity Advisory unit. From 1998 to 2001, he was a member of the Executive Committee and CFO of the Selecta Group. He was then a partner at Ernst & Young Corporate Finance in Zurich until 2003, where he was responsible for various M & A, restructuring and financing transactions. Until the summer of 2007, he was a member of the Executive Committee of SIX Swiss Exchange and headed the Admissions division. Daniel Keist has been a member of the Executive Board since August 2007 as Head Corporate Center.

Jens Schneider

Executive Vice President Flooring Systems

Jens Schneider, born in 1956, is a German citizen. He completed his BSC Hons in geology and chemistry at the University of the Witwatersrand in Johannesburg in 1978 and then did his Master of Science at Imperial College London in 1984. After working in the mining industry in South Africa and Europe, he joined S.G. Warburg Securities in London in 1987 as a financial analyst for two years. From 1989 on he headed international investment projects for the Frankfurt-based corporation Metallgesellschaft. In 1995, he moved to the Preussag Corporation, where he held various management positions, among others in the Building Technology unit. Jens Schneider joined the Forbo Group at the end of December 2005 where he took over responsibility for Finance and Administration in the Flooring Systems division. He was appointed Executive Vice President Flooring Systems and member of the Executive Board of Forbo in April 2010.

Michel Riva

Executive Vice President Bonding Systems

Michel Riva, born 1964, is a Swiss citizen. He studied economics at the University of Applied Sciences Basel and the IMD in Lausanne, where he completed his MBA. From 1989 to 1994 he held various financial positions at Hoffmann-La Roche. Subsequently, he headed up Strapex Corporation, Charlotte, North Carolina, USA. From 1998 to 2004, he held various Managing Director positions within the chemical company DuPont, latterly as Business Director Europe, Middle East and Africa for the DuPont Powder Coatings business unit. In October 2004, Michel Riva was appointed Executive Vice President Bonding Systems and member of the Executive Board at Forbo.

Matthias P. Huenerwadel

Executive Vice President Movement Systems

Matthias P. Huenerwadel, born 1968, is a Swiss citizen. He studied engineering at the Federal Institute of Technology, specializing in manufacturing technologies and technology management. He began his professional career as an assistant to the Executive Board of Franke Holding AG. In 1996, he moved to the USA, where he was responsible for logistics, information technology and customer service with Federal Home Products, Ruston. From 1999, he held various managerial positions at Franke Foodservice Systems and managed its European operations from 2002 to 2005. Matthias P. Huenerwadel took over the management of the Movement Systems division in October 2005 and is a member of the Executive Board at Forbo.

Group structure

This E. Schneider
Delegate of the Board of Directors and CEO

Tom Kaiser
- Operations
- Flooring Systems
- Bonding Systems
- Movement Systems

Jens Schneider
- Flooring Systems
- Sales & Marketing
- Supply Chain
- Innovation & Product Management
- Finance & Services

Michel Riva
- Bonding Systems
- North America
- Europe 1
- Europe 2
- Asia | Pacific
- Building and Construction Adhesives

Matthias P. Huenerwadel
- Movement Systems
- Americas
- Europe
- Asia | Pacific

Jörg Riboni
- Corporate Finance
- Controlling
- Treasury
- Tax
- IT
- Pensions International
- Investor Relations

Daniel Keist
- Corporate Center
- Mergers & Acquisitions
- Human Resources/ Pensions Switzerland
- Communications
- Legal Services
- Internal Audit
- Risk Management

Board of Directors

Vincent Studer, Michael Pieper, Dr. Albert Gnägi, This E. Schneider, Dr. Peter Altorfer

Dr. Albert Gnägi
Chairman

Member and until 2010 Chairman of the Board of Trustees of the Sanitas Hospital, Kilchberg.
Chairman of the Board of Directors of SAM Group Holding AG, Zurich.
Member of other Boards of Directors or Boards of Trustees.
Elected until 2013.

Michael Pieper
Vice Chairman

Owner of the Franke Artemis Holding AG, Aarburg.
Chief Executive Officer of Franke Artemis Management AG, Aarburg.
Member of the Board of Directors of Hero AG, Lenzburg.
Member of the Board of Directors of advalTech Holding AG, Niederwangen near Berne.
Member of the Board of Directors of Berenberg Bank (Schweiz) AG, Zurich.
Member of the Board of Directors of Rieter Holding AG, Winterthur.
Elected until 2013.

This E. Schneider
Delegate of the Board of Directors and CEO

Member of the Board of Directors of Galenica SA, Berne.
Member of the Board of Directors of Rieter Holding AG, Winterthur.
Member of the Board of Directors of Selecta AG, Muntelier.
Elected until 2011.

Dr. Peter Altorfer
Member

Partner at the law firm Wenger & Vieli AG, Zurich.
Member of the Board of Directors of Huber + Suhner AG, Herisau.
Member of the Board of Directors of agta record ag, Fehraltorf.
Member of the Board of Directors of Abegg Holding AG, Zurich.
Member of the Board of Directors of Altin AG, Baar.
Member of the Board of other private and foreign banks and non-listed investment companies in Switzerland.
Elected until 2011.

Vincent Studer
Member

Partner and member of Management of T & R AG, Gümligen near Berne.
Member of the Board of Directors of Bank EEK AG, Berne.
Member of other Boards of Directors or Boards of Trustees.
Elected until 2012.

The Forbo share

The Forbo share

The strong performance of the Forbo share was buoyed up by three main factors.

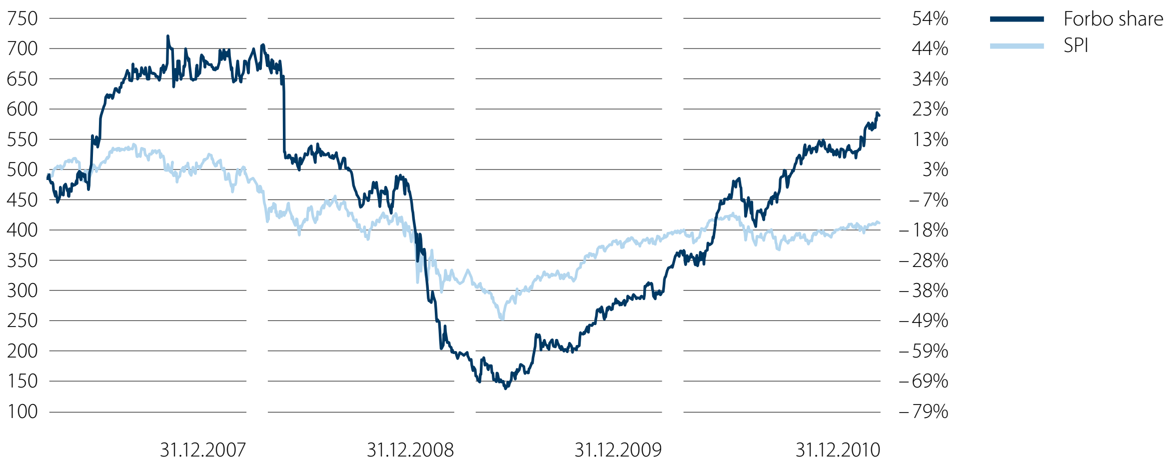
On the one hand, Forbo generated good operational results in 2009 and in 2010, and this was very warmly welcomed by investors in a challenging economic environment.

On the other hand, Forbo substantially stepped up its communication activities with investors in the year under review, conducting major roadshows in the spring and summer of 2010. These meetings attracted both existing and potential investors and generally improved knowledge of the three divisions of the Forbo Group. As a result of the higher level of communication activities, the number of analysts covering the Forbo share also increased.

Owing to these activities, plus the higher free float of Forbo stock, the average trading volume of the share increased by about 60 percent compared with the previous year. This further enhanced the share's attractivity.

For the second year in a row, Forbo's stock gained more than 73 percent, closing at CHF 590 at year-end 2010 and beating the Swiss Performance Index (SPI) by a wide margin.

The Forbo share in comparison to the SPI



Share capital

		2010 Number	2009 Number	2008 Number	2007 Number	2006 Number
Issued registered shares[1]		2,713,152	2,713,152	2,713,152	2,713,152	2,713,152
Thereof:						
Shares outstanding		2,339,162	2,266,593	2,230,729	2,453,379	2,577,198
Share buyback second line		213,152	213,152	213,152	-	-
Other treasury shares		139,419	211,988	247,852	238,354	114,535
Reserve shares (without dividend rights)		21,419	21,419	21,419	21,419	21,419

Issued nominal capital

		CHF	CHF	CHF	CHF	CHF
Total		271,315	271,315	10,852,608	37,984,128	54,263,040
Thereof:						
Shares outstanding		233,916	226,659	8,922,916	34,347,306	51,543,960
Share buyback second line		21,315	21,315	852,608	-	-
Other treasury shares		13,942	21,199	991,408	3,336,956	2,290,700
Reserve shares (without dividend rights)		2,142	2,142	85,676	299,866	428,380

Data per share

		CHF	CHF	CHF	CHF	CHF
Shareholders' equity Group[7]		320	301	250	281	246
Group profit[2) 7)]		71.6	33.7	6.9	44	24
Gross dividend and cash distribution		12.0[3]	6.0	3.9	10	6
Gross dividend yield (in %)	High	2.0[5]	1.8[5]	0.6[4]	1.4[4]	1.2[4]
	Low	3.5[5]	4.3[5]	2.1[4]	2.2[4]	2.1[4]
Payout ratio[6] (in %)		17	18	57	23	25

Stock market statistics

		CHF	CHF	CHF	CHF	CHF
Share price	High	595	343	705	722	490
	Low	343	140	188	447	291
	Year-end	590	340	195	700	486
Market capitalization (m)[8]	High	1,392	777	1,573	1,770	1,263
	Low	802	317	420	1,097	750
	Year-end	1,380	771	435	1,717	1,253

1) Par value per share in 2010 and 2009: CHF 0.10; 2008: CHF 4; 2007: CHF 14; 2005 and 2006: CHF 20.
2) See note 15 'Earnings per share' on page 111 of the Financial Report.
3) Proposal of the Board of Directors to the Ordinary General Meeting.
4) Calculated on the basis of a cash distribution in the form of a reduction in par value.
5) Calculated on the basis of a cash distribution in the form of a dividend.
6) Gross cash distribution as a percentage of Group profit.
7) Based on the weighted average of the number of shares as set out in note 15 'Earnings per share' on page 111 of the Financial Report.
8) Total number of shares outstanding, multiplied by year-end share price.

Corporate governance report

Corporate governance report

At Forbo, the concept of corporate governance encompasses the entire set of principles and rules on organization, conduct and transparency designed to protect shareholders' interests. Forbo's aim is to strike a careful balance between management and control. The central rules are contained in the Articles of Association, the Organizational Regulations, and the regulations of the committees of the Board of Directors. The following information is set out in line with the Directive on Information relating to Corporate Governance (Directive on Corporate Governance "DCG") and the relevant publications of SIX Swiss Exchange.

Group structure and shareholders

Group structure
Forbo Holding Ltd, domiciled at Lindenstrasse 8, 6340 Baar, is a limited company under Swiss law. The holding company holds all companies, directly or indirectly, that belong to the Forbo Group. The operational structure of the Group is shown in the organizational chart on page 57. The consolidated group of Forbo Holding Ltd does not include any listed companies. The unlisted companies within the consolidated group of Forbo Holding Ltd are listed under 'Group companies' starting on page 138 of the financial report. The company name and domicile, share capital and percentage of participation along with information relating to the allocation of the Group companies to the Group's divisions can also be found in this list.

Significant shareholders
As of December 31, 2010, 2,157 shareholders were listed in the share register of Forbo Holding Ltd, or 134 (7%) more than in the previous year. At December 31, 2010, Forbo Holding Ltd knew of the following significant shareholders with a holding of more than 3%:

	31.12.2010 as a percentage
Michael Pieper[1)]	25.12
Forbo Holding Ltd[2)]	13.78
This E. Schneider	5.97

1) Michael Pieper holds his interest directly and indirectly through Artemis Beteiligungen I AG.
2) – First trading line: 5.928%; second trading line 7.856%.
– Forbo Holding Ltd holds its interest directly and indirectly through Forbo International SA and Forbo Finanz AG.

Disclosure of significant shareholders and significant shareholder groups and their holdings is effected in accordance with the disclosures made in the year under review pursuant to article 20 of the Federal Act on Stock Exchanges and Securities Trading (SESTA) and the provisions of the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (SESTO-FINMA).

Credit Suisse Group AG reported to Forbo Holding on April 20, 2010 that it had exceeded the threshold of 3% and held 3.255% of the voting rights indirectly via Credit Suisse Securities (Europe) Limited, Clariden Leu AG and Credit Suisse Life (Bermuda) Ltd. On May 28, 2010, Credit Suisse Group AG reported that it had fallen below the threshold of 3%.

Forbo Holding Ltd reported on November 25, 2010 that, as a result of selling of own shares, it had fallen below the threshold of 15% as per November 19, 2010 and that it held 403,662 registered shares, corresponding to 14.878% of voting rights, directly or indirectly, via Forbo International SA, Baar, Switzerland, and Forbo Finanz AG, Baar, Switzerland. In addition, Forbo Holding Ltd has granted 25,791 purchase rights for 25,791 registered shares of Forbo Holding Ltd, corresponding to 0.951% of the total voting rights.

No other disclosures were made in 2010.

For further information on significant shareholders or shareholder groups, we refer the reader to the table on the left side or to page 152 of the financial report (duty of disclosure pursuant to article 663c, Swiss Code of Obligations).

Cross-shareholdings
Forbo Holding Ltd has not entered into any cross-shareholdings with mutual capital shareholdings or voting rights.

Capital structure

Share capital
As of December 31, 2010, Forbo Holding Ltd had a fully paid up share capital of CHF 271,315.20, which was divided into 2,713,152 listed registered shares, each with a par value of CHF 0.10. Of this amount:

– 63.18% were registered in the name of 2,115 shareholders with voting rights
– 31.01% were shares of banks respectively the SIX SIS AG pending registration of transfer
– 5.81% were registered in the share register without voting rights

The shares of Forbo Holding Ltd (security number 000354151/ISIN CH0003541510) are listed on SIX Swiss Exchange. No different categories of shares exist. Each share entitles the owner to one vote. Further information on the Forbo share can be found on pages 62 and 63. Further information on the rights of participation associated with the share can be found on page 78 of this Annual Report.

At the Ordinary General Meeting of Shareholders of Forbo Holding Ltd of April 25, 2008, the Board of Directors was authorized to buy back the company's own shares up to a maximum of 10% of the share capital over a period of three years through a second trading line with the purpose of extinguishing them at a later stage. By December 31, 2010, Forbo Holding Ltd had repurchased 213,152 shares (7.856% of the voting rights) via the second trading line. In other words, the total has not changed since January 1, 2010. At the Ordinary General Meeting of Forbo Holding Ltd on April 24, 2009, the Board of Directors was then authorized to sell or to use for acquisitions or for securing convertible or option rights those 213,152 shares repurchased pursuant to the share buyback program adopted by the Ordinary General Meeting on April 25, 2008 via the second trading line of the SIX Swiss Exchange. Should these shares not have been sold or used for acquisitions or for securing convertible or option rights by the date of the Ordinary General Meeting in 2011, the Board of Directors is obliged to propose to the Ordinary General Meeting of 2011 at the latest that these shares be destroyed.

Conditional and authorized capital
Pursuant to paragraph 6 of the Articles of Association, Forbo Holding Ltd has a maximum conditional capital of CHF 16,645, corresponding to 166,450 registered shares to be paid up in full with a par value of CHF 0.10 each. The capital increase takes place in accordance with the Articles of Association through the exercise of option and convertible rights which are granted in connection with bonds issued by the company or one of its subsidiaries and through the exercise of option rights which are granted to the shareholders. Except for shareholder options, shareholders have no right of subscription. Holders of option or convertible rights are entitled to subscribe to the new shares. The registration of the new shares is subject to the general restriction set out in paragraph 4 of the Articles of Association, which stipulates that shareholders are entered in the share register with voting rights only if they declare expressly that they have acquired the shares in their own name and for their own account.

There is no authorized capital.

Changes in capital
No changes to the capital of Forbo Holding Ltd were made in the year under review.

The Ordinary General Meeting of Forbo Holding Ltd on April 24, 2009 decided, based on the audit report of an accredited expert auditor, to reduce the ordinary share capital of the company by CHF 10,581,292.80 from CHF 10,852,608 to CHF 271,315.20 by reducing the par value of the shares from CHF 4 to CHF 0.10. It was further decided to pay out the difference of CHF 3.90 per share to the shareholders and to amend the Articles of Association accordingly.

The Ordinary General Meeting of Forbo Holding Ltd on April 25, 2008 decided, based on the audit report of an accredited auditor, to reduce the ordinary share capital of the company by CHF 27,131,520 from CHF 37,984,128 to CHF 10,852,608 by reducing the par value of the shares from CHF 14 to CHF 4. It was further decided to pay out the difference of CHF 10 per share to the shareholders and to amend the Articles of Association accordingly.

Participation certificates and 'Genussscheine' (non-voting equity securities)
Forbo Holding Ltd has neither issued participation certificates nor non-voting equity securities.

Limitations on transferability and nominee registrations
Forbo Holding Ltd does not have any percentage limitations on voting rights. The Board of Directors may only refuse to register stock in the share register if the purchaser of the stock does not expressly declare at the company's request that he has acquired the shares in his own name and for his own account.

Pursuant to § 4 of the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. Over and above this limit, nominees are only entered provided the name, address and shareholding of those persons are disclosed for whose account the nominee holds a total of 0.3% or more of the registered share capital entered in the Commercial Register.

Resolutions on the amendment or abrogation of the clause on the registration of registered shares require a majority of two thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

No statutory privileges exist and there is no restriction on the transferability of the shares of Forbo Holding Ltd.

Convertible bonds and warrants/options

Forbo Holding Ltd has no outstanding convertible bonds nor has it issued any marketable warrants/options. Information on the option program available to the Executive Board can be found on pages 76 and 77, as well as on pages 119 and 120 of this Annual Report.

Board of Directors

Members of the Board of Directors

The cutoff date for the following information is December 31, 2010.

With the exception of This E. Schneider, Delegate of the Board of Directors and CEO, none of the members of the Board of Directors listed below has or has had any operational management tasks for Forbo Holding Ltd or its Group companies. With the exception of This E. Schneider, none of the members of the Board of Directors sat on the Executive Board of Forbo Holding Ltd or the management of its Group companies in the three business years preceding the period under review. There are no essential business relationships between the members of the Board of Directors and Forbo Holding Ltd or its Group companies.

Dr. Albert Gnägi, Chairman

Albert Gnägi, born in 1944, is a Swiss citizen. He studied law at the Universities of Zurich and Rome and holds a doctorate in law (Dr. iur.). He practices law in Zurich, specializing in commercial, company and inheritance law. He was Chairman of the Board of Selecta Group from the IPO in 1997 until the takeover by the British company Compass Group in early 2001. From 1982 to 1997, he was a member and Chairman of the Board of Directors of Immuno International AG, a manufacturer of biological pharmaceuticals, which went public in Zurich in 1989. Albert Gnägi has been a member of the Board of Trustees of the Sanitas Hospital in Kilchberg since 1980 and was its Chairman until 2010. He has been Chairman of the Board of Directors of SAM Group Holding AG, Zurich, since 2007. He holds additional board memberships in other companies and foundations. He has been Chairman of the Board of Directors of Forbo Holding Ltd since March 2005.

Michael Pieper, Vice Chairman

Michael Pieper, born in 1946, is a Swiss citizen. He took a degree in economics (lic. oec. HSG) at the University of St. Gallen. Michael Pieper has been with the Franke Group since 1988 and its owner and CEO since 1989. He is a member of the Board of Directors of Hero AG, advalTech Holding AG, Berenberg Bank (Schweiz) AG and Rieter Holding AG in Winterthur. He was first elected to the Board of Directors of Forbo Holding AG in 2000.

This E. Schneider, Delegate and CEO

For the curriculum vitae of This E. Schneider, please see page 55 of this Annual Report.

Dr. Peter Altorfer

Peter Altorfer, born in 1953, is a Swiss citizen. He studied law at the University of Zurich and holds a doctorate in law (Dr. iur.). He attended the PED program at the IMD, Lausanne. Until 1988, he worked at Bank Leu AG, subsequently as attorney at law, and today as partner at the law firm Wenger & Vieli AG in Zurich, specializing in bank and company law. Peter Altorfer is a member of the Board of Directors of various companies, including Huber + Suhner AG, Herisau, agta record ag, Fehraltorf, Abegg Holding AG, Zurich, Altin AG, Baar, several private and foreign banks and non-listed investment companies in Switzerland. He has been a member of the Board of Directors of Forbo Holding Ltd since March 2005.

Vincent Studer
Vincent Studer, born in 1962, is a Swiss citizen. He completed the Advanced School of Economics and Business Administration in Berne and the formation as a Swiss certified public accountant. In addition, he has attended various national and international training courses. From 1991 to 2008, Vincent Studer worked at Ernst&Young AG in Berne as an external auditor and was head auditor auditing the statements of national and international companies in various industries. In 2001 he was appointed a partner in the area of auditing. Since 2008 he has been a partner and member of management of the accountancy and auditing firm T&R AG, Gümligen/Berne, where he heads the auditing business unit. Vincent Studer is a member of the Board of Directors of Bank EEK AG in Berne and holds additional board memberships in other companies and foundations. He has been a member of the Board of Directors of Forbo Holding Ltd since April 2009.

Board of Directors of Forbo Holding Ltd at December 31, 2010

	First elected	Elected until OGM	AFC	HRC
Chairman				
DR. ALBERT GNÄGI	2005	2013	M	C
Non-executive director				
Vice Chairman				
MICHAEL PIEPER	2000	2013	–	M
Non-executive director				
Members				
THIS E. SCHNEIDER	2004	2011	–	–
Delegate of the Board of Directors and executive director				
DR. PETER ALTORFER	2005	2011	M	M
Non-executive director				
VINCENT STUDER	2009	2012	C	–
Non-executive director				
Secretary of the Board				
NICOLE HÄFELI				
Non-member				

OGM: Ordinary General Meeting
AFC: Audit and Finance Committee
HRC: Committee for Human Resources and Remuneration
C: Chair
M: Member

Elections and terms of office
The members are elected by the General Meeting for a term of three years. A year is defined as the period between two Ordinary General Meetings. The first term of office after the first election of a member of the Board of Directors is designed so that every year about one third of all members have to be elected or re-elected. Members may be re-elected several times. At the Ordinary General Meeting on April 23, 2010, Dr. Albert Gnägi and Michael Pieper were re-elected for a three-year term of office in a single vote. Further details on the terms of office of all members of the Board of Directors are contained in the table on page 70. In accordance with the Organizational Regulations of Forbo Holding Ltd, members who have reached the age of 70 resign from the Board of Directors at the Ordinary General Meeting of the following year. The average age of the incumbent members of the Board is around 59 years. In determining the composition of the Board of Directors, importance is attached to the election of independent individuals with international experience in industrial companies as well as in the financial and consultancy sectors.

Internal organizational structure
The allocation of tasks within the Board of Directors and the composition of the Board committees are shown in the table on page 70.

Decisions are as a general rule taken by the full Board of Directors. The Board constitutes two standing committees from its own ranks – the Audit and Finance Committee (AFC) and the Committee for Human Resources and Remuneration (HRC) – to deal with clearly defined subject areas of overriding importance. These two committees have mainly advisory and control functions. In addition, the HRC is empowered to determine the compensation paid to members of the Executive Board. The remuneration of the Delegate of the Board of Directors and CEO is determined by the full Board of Directors. The members of these two committees are elected by the Board of Directors on an annual basis and can be dismissed at any time.

As a rule, the Chairman of the Board of the Directors chairs the meetings of the Board and the General Meeting. He plans and conducts the meetings of the Board and the General Meeting. The meetings of the Board and the relevant items on the agenda are prepared by the Chairman in consultation with the CEO. The Chairman monitors the execution of the measures adopted by the Board and is in regular contact with the CEO for this purpose. He is the direct superior of the CEO. In addition, the Chairman, in consultation with the CEO, represents the Board vis-à-vis the public, the authorities and the shareholders.

The Vice Chairman is tasked with deputizing for the Chairman should the latter be prevented for any reason whatever. In accordance with the Organizational Regulations and actual practice, the Vice Chairman has no further duties.

The Delegate of the Board of Directors is also CEO and as such is responsible for the operational management of the Group and for the tasks delegated to him by the Board of Directors. The members of the Executive Board report to him for this function. This body was strengthened in the year under review by the creation of the position of the Chief Operating Officer of the Forbo Group (Group COO), who is tasked with the operational management of the three divisions.

The Chairman, Vice Chairman and Delegate (CEO) are elected by the Board of Directors.

The Board of Directors meets on being convened by the Chairman, as often as business requires but at least four times a year. When the Board is convened, the items on the agenda must be notified at least five working days before the day of the meeting. This notification period may be shortened in urgent cases. In 2010, the Board of Directors met five times, the meetings usually lasting a full day.

After mutual consultation, the Chairman and the CEO may invite members of the Executive Board or other senior employees to attend Board meetings for individual items. Regular use is made of this option. External consultants participate in the meetings of the Board of Directors, the AFC or the HRC only in exceptional circumstances to deal with particular items. As a rule, however, the meetings are held without external consultants.

Audit and Finance Committee
The Audit and Finance Committee (AFC) advises the Board of Directors in respect of its duties towards the Group in the areas of financial reporting, the accounting standards and systems used, and decisions with significant financial implications. The AFC monitors the activities of the internal auditors and the external auditors. Moreover, it establishes the audit program of the internal auditors and proposes to the Board of Directors the choice of the external auditors for the attention of the General Meeting. The CEO, CFO, and Head Corporate Center are regularly requested to attend the meetings in an advisory capacity, while the internal and external auditors may attend on special invitation.

The AFC convenes as often as business requires, but at least twice a year. In the 2010 business year, two meetings were held, each lasting about half a day. The external auditors were present at selected items on the agenda of the meeting of the AFC on the annual financial statements, while the Ernst & Young representatives responsible for internal auditing attended the discussion on the internal audit reports at both meetings of the AFC.

Committee for Human Resources and Remuneration
The Committee for Human Resources and Remuneration (HRC) advises the Board of Directors in respect of its human resources duties towards the Group, in particular as regards the Board itself and senior management personnel. The HRC prepares proposals for the attention of the Board of Directors regarding the selection of the members of the Board and of the CEO, and it assesses and approves the proposals of the CEO regarding the employment of the Executive Board members. It prepares recommendations for the Board of Directors regarding the remuneration of the Board, the Chairman, the Committee members and the CEO. The CEO is regularly involved in an advisory capacity. Agenda items and matters affecting the function or the person of the CEO are deliberated in his absence.

The HRC convenes as often as business requires. In the 2010 business year, two meetings were held, each lasting about half a day.

Areas of responsibility
The Board of Directors bears ultimate responsibility for the management of Forbo Holding Ltd. The main duties of the Board are the following non-transferable and inalienable tasks pursuant to the Swiss Code of Obligations and the Articles of Association:

– ultimate management of the company and issuing the necessary directives
– defining the organization
– organization of accounting, financial controlling, and financial planning
– appointment and dismissal of persons entrusted with management of the company
– preparation of the Annual Report and of the General Meeting and implementation of its resolutions
– notification of the court in the event of over-indebtedness

The Board of Directors bears ultimate responsibility for supervising and monitoring management of the company and is responsible for the corporate strategy. It issues guidelines for business policy and is regularly briefed on the current state of business.

Business to be dealt with by the Board of Directors is regularly submitted in advance to the AFC, HRC, ad hoc committees or individual members, depending on the subject, for review or an opinion. With the exception of its non-transferable and inalienable tasks, the Board of Directors may transfer tasks and responsibilities in full or in part to individual members of the Board or to third parties.

The Board of Directors is empowered to take decisions on all matters which are not reserved or transferred to the General Meeting or another body of Forbo by law, the Articles of Association or regulations.

Management of the company has been delegated entirely to the CEO. Accordingly, the CEO is responsible for the operational management of the Group.

In carrying out his tasks, the CEO is supported by the members of the Executive Board, who report to him. The Executive Board comprises the CEO, Group COO, CFO, Head Corporate Center, and the Executive Vice Presidents of the three divisions. It is responsible for the long-term success and market-driven management of the Forbo Group. This involves preparing the bases for decision-making for the Board of Directors regarding:

– corporate strategy, corporate targets, business policy, medium-term plans and budgets
– corporate organization
– organization of accounting, financial planning and financial controlling
– financing and treasury principles
– human resources and compensation policy

The members of the Executive Board are responsible for their particular area of activity and also bear co-responsibility for safeguarding the interests of the Group and achieving the financial Group result.

Information and control instruments vis-à-vis the Executive Board
The Executive Board meets as often as business requires, normally once a month. In the 2010 business year, eleven meetings were held, each lasting from half a day to a full day.

At the meetings of the Board of Directors, any member may request information about all matters concerning the Forbo Group. Outside the meetings, such requests for information are to be addressed to the Chairman. The CEO and the other members of the Executive Board inform the Board of Directors at each regular meeting about the current state of business, important business events and significant deviations from the budget.

The Chairmen of the AFC and HRC report at the Board meetings on the activities of their committees and express the opinions and recommendations of the AFC or HRC on the business items on which decisions are to be taken. Each member of the Board of Directors has the right to inspect the minutes of the AFC and HRC meetings. The Executive Board reports to the AFC through the CFO and the Head Corporate Center in consultation with the CEO; it reports to the HRC through the CEO.

The Board of Directors is also regularly briefed outside meetings about events and challenges facing the Group and the general performance of the divisions. In addition, the Chairman, Vice Chairman, and CEO are in regular contact when essential business policy issues are involved. For important, particularly urgent events, the CEO informs the Chairman and the other members of the Board immediately.

The Delegate of the Board, who is at the same time CEO, conducts the meetings of the Executive Board. For details concerning the participation of members of the Executive Board in meetings of the Board of Directors and its committees, see the sections on internal organization, the AFC and the HRC on pages 71 and 72.

The Board of Directors furthermore fulfils its supervisory and monitoring obligations by means of financial reporting and its role in the planning cycle. The internal and external auditors also assist the Board of Directors in this task. Neither the external auditors nor the internal auditors, however, were invited to any meetings of the Board of Directors in 2010 as there were no special incidents or discoveries.

As part of financial reporting, the Board of Directors is informed as a rule once a month in writing about the company's current business performance and earnings situation by means of annotated income statements, key ratios, and deviation analyses.

The Board of Directors is, moreover, closely involved in the company's planning cycle. As a rule, the existing strategy is subjected to a thorough review by the Board of Directors in the first half of the year. The revised strategy is quantified in the three-year medium-term plan, which is approved at mid-year by the Board of Directors. Based on the medium-term plan, the Board of Directors sets the budget objectives for the coming business year. These budget objectives are the basis for the detailed budget, which is approved and adopted by the Board of Directors in the fourth quarter.

The current business year is assessed in a first estimate always at the end of April and in a second estimate at the end of September. On completion of the business year, the extent to which the budget has been reached is checked and deviations are analyzed. This analysis is used to derive appropriate measures, which are then implemented in the next planning cycle.

Internal Auditing is effected by Ernst & Young, which has been commissioned for this purpose. Internal Auditing is administratively subordinated to the Head Corporate Center and is functionally independent. It reports to the AFC.

The audits are conducted in accordance with an annual plan approved by the AFC. A distinction is made between ordinary and special engagement audits. The latter consist of limited reviews, follow-up reviews, compliance audits, and other special engagements. The risks and weaknesses identified in these audits are, where necessary, minimized or eliminated by measures adopted by management and are constantly monitored.

In 2010 a total of eight internal audits and one follow-up review were conducted. The internal audits were limited to individual business processes. In its review, internal audit included in particular those control points that had been defined in the internal control system (ICS) for the Group companies being audited. Internal audits also involved various compliance reviews related to these processes. Lastly, additional risks and controls in connection with the above-mentioned business processes were analyzed in the audit. At least one company in each division was audited in the course of the internal audits.

By means of self-assessments, the implementation and reliability of the controls introduced with the ICS were examined to ensure that deviations were identified and that appropriate corrective measures were implemented.

Risk management
The ongoing and systematic evaluation of current and future risks invariably involves identifying and capitalizing on opportunities. Forbo regards risk management as a managerial and working tool designed to – amongst others – safeguard the tangible and intangible assets of the Group.

Forbo has a risk-based insurance coverage in line with industry practice and has appropriately insured in particular operational risks such as property damage, business interruption, and statutory liability. The risks specifically in the areas of property damage, business interruption, and liability are examined in the context of periodic risk engineering audits by external experts. For this purpose, production companies are visited at regular intervals, and comprehensive surveys are worked through with local management. Action plans are drawn up and implemented based on the risks identified. These risk engineering audits have been prepared since 1990.

As regards business risks, Forbo addresses both strategic risks as well as market and financial risks. In the area of market risks, interest and currency risks are monitored centrally and hedged in certain cases. The liquidity and financing of subsidiaries are also monitored centrally. Please also refer to pages 132 – 135 of the financial report.

With regard to the risk management process pursuant to Article 663b section 12 of the Swiss Code of Obligations, the reader is referred to the relevant explanations on page 156 (note 18 on 'Risk assessment') and on pages 132 – 136 (note 37 on 'Risk assessment and financial risk management') of the financial report.

Executive Board

Members of the Executive Board, activities and vested interests
The members of the Executive Board, their nationality, function, training, and professional career, as well as other activities and vested interests are set out on pages 55 and 56 of this Annual Report.

Management contracts
Forbo Holding Ltd has concluded no management contracts with third parties.

Compensations, shareholdings and loans

CONTENT AND METHODOLOGY OF DETERMINING THE COMPENSATION AND THE SHAREHOLDING PROGRAMS

Board of Directors
The amount of compensation paid to the Board of Directors is worked out by the HRC in the spring for the current year and submitted to the full Board of Directors at its April meeting for approval. In order to determine the remuneration, the compensation paid to Board members of Forbo Holding Ltd is compared with that paid to Board members of comparable industrial companies based on information that is available from publicly accessible sources or is known to the Board members from their experience of office in similar companies. Industrial companies are regarded as comparable which are similar to Forbo in terms of sector, structure, size, and complexity. No external consultants are co-opted for determining the remuneration.

The members of the Board of Directors receive a fixed remuneration, the amount of which is gradated according to whether the member is Chairman or a simple member of the Board and whether he is a member of the AFC or HRC. 40% of the consideration is distributed to the Board of Directors as Forbo stock. These shares have a vesting period of three years. The shares are valued by taking the average price in the ten trading days after distribution of a dividend or repayment of par value. If no dividend is distributed or no repayment of par value is made, the average price during the first ten trading days in June of the relevant business year applies. Payment and distribution of the shares take place in December.

The amount of the remuneration for each Board member in the year under review, along with the details of the valuation of the shares, can be found on pages 131 and 153 of the financial report.

Executive Board
The amount of the fixed remuneration and the target bonus for the Executive Board is set by the HRC in the fall for the following year; members of the Executive Board are excluded from the deliberations. In determining the compensation, criteria such as function, responsibility, and experience are taken into account, and the compensation paid to members of the Forbo Executive Board is compared with that paid to Executive Board members in comparable industrial companies based on information that is available from publicly accessible sources or is known to the members of the HRC from their experience of office in similar companies. Industrial companies are regarded as comparable which are similar to Forbo in terms of sector, structure, size and complexity. No external consultants are co-opted for determining the remuneration.

The compensation of the members of the Executive Board consists of a fixed base salary plus a performance-related bonus, which is determined in March, on completion of the business year, on the basis of individual and company target achievement.

The variable component (performance-related bonus) is tied to financial (quantitative) and qualitative targets which are defined in accordance with the operational responsibility of the Executive Board member in question. The qualitative targets are geared to the company's long-term sustainable development and may account for between 15% and 25% of the total variable component; the remaining portion of the variable component depends on the achievement of the financial (quantitative) targets. Depending on the function of the Executive Board member in question, these may be Group and/or divisional objectives and refer in particular to net sales, EBITDA, EBIT, current assets and net income. The variable component may be as much as 175% of the fixed remuneration, depending on the individual's target achievement.

Payment of a bonus is linked with the Management Investment Plan (MIP) launched in 2006. At least 50% of the annual bonus of Executive Board members is thus paid into the MIP. 25% of these sums in the MIP are invested in options and 75% in shares of Forbo Holding Ltd. Shares and options are subject to a three-year vesting period; the options have a maturity of five years.

Of special note with regard to the MIP is the treatment of options in the event of termination of the employment contract, invalidity or retirement. If notice is given terminating the employment contract during the vesting period, the options are repurchased; the repurchase price corresponds to 100% of the theoretical average value of the option based on the share price during the last 14 trading days for the share before the employment contract was terminated. In the event of invalidity or retirement (including early retirement), the options – regardless of whether or not they are still subject to a vesting period – may be sold during the entire remaining period to maturity from the moment the invalidity or retirement begins.

As per the balance-sheet date December 31, 2010, the Executive Board held the following options:

Allocation	No.	Term	Vested until	Subscription ratio	Strike price CHF
2006	500	19.04.2006 – 19.04.2011	20.04.2009	1:1	370.00
2007	5,250	15.03.2007 – 15.03.2012	15.03.2010	1:1	564.69
2008	5,446	19.03.2008 – 19.03.2013	19.03.2011	1:1	822.00
2009	7,028	02.04.2009 – 02.04.2014	03.04.2012	1:1	214.63
2010	4,460	15.03.2010 – 16.03.2015	15.03.2013	1:1	434.75

The amount of the remuneration for the Executive Board in the year under review, along with the details of the valuation and distribution of the shares and options, can be found on pages 131 and 153 of the financial report. This compensation consists of the base salary, a performance-related bonus, private use of the company car, employer contributions to the pension funds, AHV/ALV (old-age and unemployment insurance) and accident and company sick payment insurance.

With the exception of the severance payment for the Delegate of the Board of Directors and CEO mentioned below, no severance payments have been agreed with Executive Board members.

Delegate of the Board of Directors and CEO
The Delegate of the Board of Directors and CEO has a separate remuneration model which is independent of that of the Board of Directors and Executive Board; he is also not a participant in the Management Investment Plan (MIP).

In fall 2005, it was agreed with the Delegate of the Board of Directors and CEO that part of his compensation for 2005 and the compensation for the following five years (from 2006 up to and including 2010) would be paid largely in stock. In lieu of salary payments for the contractual period of employment until December 31, 2010, he was allocated a number of shares for the entire five-year term of the agreement (i.e. 2006 – 2010). These shares are time-vested until December 31, 2010 and freely available only as of January 1, 2011. Should he leave the company before this date, the shares must be returned on a pro rata basis. Under the terms of this model, the Delegate of the Board of Directors and CEO is entitled to a severance payment amounting to a maximum of 18 monthly salaries in the event of notice being given for which he was not at fault. This right lapses without compensation on expiry of the vesting period on December 31, 2010.

With effect as of January 2009 the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period from January 1, 2011 to April 30, 2013. The remuneration will again be mainly in shares. The modalities correspond to the greatest extent with the terms of the first contract. The 29,775 shares are vested until December 31, 2013. No severance payment has been agreed as part of this contract extension.

In addition to the share package, the Delegate of the Board of Directors and CEO draws an annual cash compensation, which is used for settlement of employee contributions to the pension fund and to social security. With the share package and the cash remuneration, all compensations such as bonuses, inflation, adjustments, options, etc. are settled.

The relevant figures for this compensation model are found on pages 131 and 153 of the financial report.

Shareholders' participation

Voting right restriction and representation

The registration of shares with voting rights in the share register requires the consent of the Board of Directors. Such consent may be withheld if the purchaser does not expressly declare that he has acquired and is holding the shares in his own name and for his own account. Pursuant to the Articles of Association, nominees may be entered in the share register with voting rights for up to a maximum of 0.3% of the registered share capital entered in the Commercial Register. The restriction regarding the registration also applies to shares that are subscribed or acquired through exercise of a subscription, option or convertible right. Resolutions on the amendment or abrogation of the clause on the registration of registered shares require a majority of two thirds of the votes represented at the General Meeting and the absolute majority of the par value of shares represented.

Deviating from Article 689, paragraph 2, Swiss Code of Obligations, shareholders who are unable to attend the General Meeting in person may not be represented by any third party of their choosing. They may only be represented by a member of a corporate body of the company, the independent proxy or another shareholder who is registered in the share register.

Statutory quorums

Pursuant to § 13 of the Articles of Association, resolutions on the amendment or abrogation of the provisions regarding the moving of the company's domicile, conversion of registered shares into bearer shares, registration of registered shares, representation of shares at the General Meeting, the dissolution or merger of the company, and the amendment of § 13 paragraph 4 of the Articles of Association require the approval of two thirds of the votes represented at the General Meeting and the absolute majority of the par value of the shares represented.

Convening of the General Meeting

The General Meeting is convened in accordance with the statutory provisions.

Agenda

Shareholders who represent at least 1% of the share capital may request that an item be placed on the agenda. This request must be communicated to the Board of Directors in writing, indicating the proposals, at least 45 days before the date of the General Meeting.

Entry in the share register

Pursuant to the Articles of Association, shareholders' rights of participation and representation at the General Meeting are determined by the status of the share register on the fourth day before the General Meeting.

Changes in control and defense measures

Duty to make an offer
The Articles of Association of Forbo Holding Ltd do not contain an opting-up clause or an opting-out clause pursuant to Article 32 and 22 SESTA. However, as regards the determination of the minimum price, the Articles of Association deviate from Article 32, paragraph 4 SESTA in that, in the event of a compulsory offer, the offer price must at least correspond to the share price and may not be lower than the highest price which the bidder paid in the last twelve months for shares of the company.

Clause in changes of control
As per year-end 2010, one member of the Executive Board is entitled to claim a severance payment due to a change in the controlling shareholder in the event that certain conditions arise. This severance payment corresponds to one annual salary at most.

Auditors

Duration of the mandate and term of office of the head auditor
PricewaterhouseCoopers have been the Forbo Group's auditors since 1987. The predecessor company of PricewaterhouseCoopers had been Forbo's auditors since 1928. The auditors are elected every year by the Ordinary General Meeting on a proposal by the Board of Directors. As the Auditor in Charge has to be changed at least every seven years, Daniel Ketterer took over the function of Auditor in Charge as of the 2009 business year.

Auditing fees
The auditing fees levied by the Group's auditors for auditing the consolidated financial statements, including the statutory audit of the individual financial statements of the holding company and the consolidated subsidiaries, amounted to CHF 1.1 million in the year under review.

Additional fees
For the year 2010, the auditing company invoiced additional consulting fees of CHF 0.6 million. This relates mainly to tax consultancy.

Informational instruments pertaining to the external audit
The external auditors prepare for the CEO, the CFO, and the Head Corporate Center an annual management letter on their work and the results of their audit at Group level in the year under review. The key points are submitted to the Board of Directors in the form of a comprehensive report. The external auditors also prepare management letters on the subsidiaries they have audited. The AFC assesses and evaluates the proposals and statements it has received and appraises the corrective measures taken by management. At the AFC's invitation, representatives of the external auditors attend the AFC meetings in an advisory capacity. The Chairman of the AFC reports on the activities of the AFC and its assessment of the external auditors at the meetings of the Board of Directors. Any member of the Board of Directors has access to the minutes of the AFC meetings.

At its meetings, the AFC assesses the performance and fees of the external auditors as well as their independence in both their auditing and their non-auditing capacities. This evaluation is based on the documents provided by the external auditors and the discussion held with the external auditors in the meetings. It also relies on the evaluation of the CFO, who obtains the opinion of local management with regard to the audit work for the subsidiaries. The criteria for the evaluation of the external auditors are, in particular, their technical and operational competency, their independence and objectivity, delivery of the audit reports on time, breadth and focus of the audits, and the ability to provide effective and practical recommendations. This assessment by the AFC forms the basis for the proposal made by the Board of Directors to the Ordinary General Meeting regarding the choice of the external auditors.

Information policy

Transparency for investors

Forbo provides objective and periodic communication with shareholders, the capital market, the media, and the public by reporting in timely fashion on business trends and activities relevant for the company. Both the Chairman of the Board of Directors and the CEO can be contacted directly for such information.

Shareholders receive summary reports on the business year as well as half-year reports. The Annual Report, like all other published documents, is available in printed form as well as on the Internet at www.forbo.com. The General Meeting is an additional platform for the exchange of information. Periodic publication of media releases, the annual media and analysts' conference, as well as roadshows are further information tools for the media, respectively the capital market.

Ad hoc communication
The push and pull links for the dissemination of ad hoc releases in accordance with the directive on ad hoc publicity of the SIX Swiss Exchange are available at the following addresses:

www.forbo.com → Medien Center → Medienmitteilungen → Subscription Service
www.forbo.com → Media Center → Media Releases → Subscription Service

Communications to registered shareholders are sent by ordinary mail to the addresses stated in the share register. The company's official publication is the Swiss Official Gazette of Commerce.

A financial calendar with the key dates can be found on page 10 of this Annual Report. Further information on the Forbo share is printed on pages 62 and 63 of this Annual Report.

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Financial Report

Consolidated balance sheet

Assets		31.12.2010	31.12.2009
CHF m	Note		
Non-current assets		**743.9**	**885.7**
Property, plant and equipment	16	450.2	549.9
Intangible assets	17	270.4	309.1
Deferred tax assets	14	17.6	20.5
Investments in associates and other non-current assets	18	5.7	6.2
Current assets		**750.3**	**859.7**
Inventories	19	260.9	261.0
Trade receivables	20	220.8	237.1
Other receivables		28.4	33.1
Prepaid expenses and deferred charges		21.4	30.1
Marketable securities	21	47.4	100.2
Cash and cash equivalents	22	171.4	198.2
Total assets		**1,494.2**	**1,745.4**

Shareholders' equity and liabilities			
CHF m	Note		
Shareholders' equity		**729.7**	**679.6**
Share capital	24	0.3	0.3
Treasury shares		– 0.1	– 0.1
Reserves and retained earnings		729.5	679.4
Non-current liabilities		**360.8**	**720.2**
Non-current financial debt	26	196.5	550.1
Employee benefit obligations	27	74.7	68.6
Non-current provisions	28	35.3	38.8
Deferred tax liabilities	14	54.3	62.7
Current liabilities		**403.7**	**345.6**
Trade payables	29	135.7	123.3
Current provisions	28	21.9	32.9
Accrued expenses	30	118.4	125.3
Current financial debt	31	65.9	3.4
Current tax liabilities		31.0	24.7
Other current liabilities		30.8	36.0
Total liabilities		**764.5**	**1,065.8**
Total shareholders' equity and liabilities		**1,494.2**	**1,745.4**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statement

CHF m	Note	2010	2009
Net sales	6	**1,789.7**	**1,782.4**
Cost of goods sold		– 1,201.1	– 1,200.4
Gross profit		**588.6**	**582.0**
Development costs	7	– 27.3	– 27.9
Marketing and distribution costs		– 250.7	– 270.0
Administrative costs	8	– 123.9	– 128.3
Other operating expenses	9	– 14.0	– 46.4
Other operating profit	10	13.2	12.4
Operating profit		**185.9**	**121.8**
Financial income	12	44.4	4.3
Financial expenses	13	– 15.5	– 24.7
Group profit before taxes		**214.8**	**101.4**
Income taxes	14	– 51.5	– 25.3
Group profit for the year		**163.3**	**76.1**

CHF	Note	2010	2009
Basic earnings per share	15	71.64	33.67
Diluted earnings per share	15	71.48	33.67

The accompanying notes are an integral part of the consolidated financial statements.

Comprehensive income statement

CHF m	2010	2009
Group profit for the year	**163.3**	**76.1**
Components of other comprehensive income:		
Translation differences	– 119.6	– 8.9
Changes in fair value of financial instruments available-for-sale	11.7	21.2
Proceeds from the sale of financial instruments available-for-sale; transfer to income statement	– 14.3	0.0
Actuarial loss on pension liabilities	– 12.2	– 7.8
Fair value adjustments of cash flow hedges	0.2	6.8
Fair value adjustments of net investment hedges	– 4.7	10.1
Other comprehensive income for the year, net of tax	**– 138.9**	**21.4**
Total comprehensive income	**24.4**	**97.5**

The items reported in 'Other comprehensive income for the year, net of tax' include the income tax effects that are explained in note 14 'Income taxes'.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated shareholders' equity

2010

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Reserve for AFS financial assets	Reserves from cash flow hedges	Reserves from net investment hedges	Translation differences	Total
December 12, 2009	**0.3**	**– 0.1**	**778.4**	**136.5**	**21.2**	**– 0.2**	**10.5**	**– 267.0**	**679.6**
Group profit for the year			163.3						163.3
Other comprehensive income for the year, net of tax		0.0	– 12.2		– 2.6	0.2	– 4.7	– 119.6	– 138.9
Total comprehensive income	**0.0**	**0.0**	**151.1**	**0.0**	**– 2.6**	**0.2**	**– 4.7**	**– 119.6**	**24.4**
Change in revaluation reserve			7.3	– 7.3					0.0
Share-based payments		0.0	5.5						5.5
Treasury shares		0.0	33.7						33.7
Dividend payment			– 13.5						– 13.5
December 31, 2010	**0.3**	**– 0.1**	**962.5**	**129.2**	**18.6**	**0.0**	**5.8**	**– 386.6**	**729.7**

2009

CHF m	Share capital	Treasury shares	Reserves	Revaluation reserve	Reserve for AFS financial assets	Reserves from cash flow hedges	Reserves from net investment hedges	Translation differences	Total
December 12, 2008	**10.9**	**– 2.0**	**696.9**	**143.3**	**0.0**	**– 7.0**	**0.4**	**– 258.1**	**584.4**
Group profit for the year			76.1						76.1
Other comprehensive income for the year, net of tax		0.0	– 7.8		21.2	6.8	10.1	– 8.9	21.4
Total comprehensive income	**0.0**	**0.0**	**68.3**	**0.0**	**21.2**	**6.8**	**10.1**	**– 8.9**	**97.5**
Change in revaluation reserve			6.8	– 6.8					0.0
Share-based payments		0.0	4.5						4.5
Treasury shares		0.0	1.9						1.9
Reduction in par value	– 10.6	1.9							– 8.7
December 31, 2009	**0.3**	**– 0.1**	**778.4**	**136.5**	**21.2**	**– 0.2**	**10.5**	**– 267.0**	**679.6**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

	2010	2009
Cash flow from operating activities		
CHF m		
Group profit for the year	163.3	76.1
Tax expense	51.5	25.3
Group profit before taxes	**214.8**	**101.4**
Net financial income (–)/expenses	– 28.9	20.4
Depreciation and impairment on property, plant and equipment	53.4	58.9
Amortization and impairment on intangible assets	5.0	7.9
Profit from disposal of non-current assets	– 4.3	– 3.5
Share-based payments	5.5	4.5
Income tax paid	– 27.7	– 33.8
Decrease (–)/increase in provisions and employee benefit obligations	– 6.4	10.4
Increase (–)/decrease in other operating working capital	– 9.1	4.5
Increase (–)/decrease in net operating working capital[1]	– 14.3	42.6
Net cash flow from operating activities	**188.0**	**213.3**
Cash flow from investing activities		
CHF m		
Purchase of non-current assets	– 37.6	– 39.8
Proceeds from the disposal of non-current assets	19.3	13.2
Purchase of available-for-sale financial assets	0.0	– 0.6
Sale of available-for-sale financial assets	92.6	3.4
Net cash flow from investing activities	**74.3**	**– 23.8**
Cash flow from financing activities		
CHF m		
Increase/decrease (–) in current financial debt	0.2	– 2.0
Decrease in non-current financial debt	– 270.5	– 178.2
Interest paid	– 14.3	– 22.9
Interest received	1.0	1.3
Purchase of treasury shares	– 7.6	– 3.8
Proceeds from sale of treasury shares	41.3	5.7
Dividend payment	– 13.5	0.0
Reduction of par value	0.0	– 8.8
Net cash flow from financing activities	**– 263.4**	**– 208.7**
Change in cash and cash equivalents		
CHF m		
Decrease in cash and cash equivalents	– 1.1	– 19.2
Translation differences on cash and cash equivalents	– 25.7	1.8
Total cash and cash equivalents at beginning of year	198.2	215.6
Total cash and cash equivalents at year-end	**171.4**	**198.2**

1) The net operating working capital includes the items 'Trade receivables', 'Inventories', and 'Trade payables'.

The accompanying notes are an integral part of the consolidated financial statements.

Notes – accounting principles

1 General information

Forbo Holding Ltd (the 'company') and its subsidiaries (together with the company constituting the 'Group') manufacture floor coverings, adhesives, and drive and conveyor technology. The Group has a global network of locations with production and distribution plus pure sales companies.

The company is a public limited company under Swiss law, domiciled in Baar, Switzerland. It is listed on the SIX Swiss Exchange.

These financial statements were approved by the Board of Directors on March 9, 2011, and released for publication on March 15, 2011. The Report is subject to approval by the Ordinary General Meeting on April 29, 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The consolidated financial statements of Forbo Holding Ltd were prepared in accordance with the International Financial Reporting Standards (IFRS) and in compliance with Swiss law. They were drawn up on the basis of the audited financial statements of the Group companies prepared according to uniform corporate accounting policies. The reporting date for all Group companies is December 31.

The consolidated statements have been prepared in accordance with the principle of historical purchase and production costs with the exception of available-for-sale financial assets (securities), non-consolidated investments in associates, land and buildings, and derivative financial instruments, which are measured at fair value. The preparation of the consolidated financial statements requires management to make estimates and assumptions that can affect reported revenues, expenses, assets, liabilities and contingent assets and liabilities at the date of the financial statements. If the estimates and assumptions made by management at the date of the financial statements to the best of its knowledge differ from the actual circumstances, the original estimates and assumptions will be adjusted in the reporting year in which the circumstances have changed. The comparable data from the consolidated financial statements of the previous year were, where necessary, restated and supplemented and the presentation adjusted.

Scope and principles of consolidation
The subsidiaries of Forbo Holding Ltd are all domestic and foreign companies in which the company holds, directly or indirectly, more than 50 percent of voting rights or in which it bears managerial responsibility for operations and financial policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The value of the transferred consideration in a business combination is recognized at the fair value on the acquisition date. The consideration includes cash payments and the fair value of the assets tranferred, liabilities incurred or assumed, and equity instruments issued by the acquirer on the transaction date. Liabilities dependent on future events which are based on agreements on contingent considerations are accounted for at their fair value in the accounting treatment of the acquisition. Directly distributable acquisition costs are reported in the income statement in the period in which they are incurred. At the acquisition date, the acquirer recognizes the acquired identifiable assets, liabilities, and any non-controlling interest in the acquiree. The acquired identifiable assets and liabilities assumed are recognized at their fair value. Provided the acquirer does not acquire a 100% share in the acquiree, the non-controlling interest is recognized as the proportionate share of the fair value of the net assets acquired. Goodwill is the excess of the cost of the business combination over the acquirer's interest in the fair value of the acquired net assets. If the accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, provisional values are used. During the measurement period, the provisional values are adjusted retroactively. Further assets and liabilities can be recognized in order to include new information about facts and circumstances at the acquisition date which would have influenced the measurement of the amounts recognized had they been known at the time. The measurement period does not last more than twelve months from the date of acquisition. Goodwill is not written off but is tested for impairment after each reporting date.

Inter-company transactions, balances, and unrealized gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure Group-wide consistency.

Associates are all entities over which the Group has significant influence but not control, generally accompanied by a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are offset against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The subsidiaries included in the group of consolidated companies are listed under 'Group companies' (from page 138 of this report).

Foreign currency translation
The individual companies generally prepare their financial statements in the local currency. The local currency (functional currency) as a rule corresponds to the currency of the primary economic environment in which the company operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions or the dates of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities whose changes in fair value are recognized in income are reported in the income statement. However, translation differences on non-monetary financial assets whose changes in fair value are recognized in the other comprehensive income statement are taken to reserves.

The consolidated financial statements are prepared in Swiss francs. Unless otherwise noted, all sums are stated in millions of Swiss francs (CHF m) and are generally rounded to one decimal place. The annual statements of foreign Group companies stated in foreign currencies are translated into Swiss francs as follows: assets and liabilities at year-end exchange rates; the income statement and cash flow statement at average exchange rates for the year. Currency translation differences arising from the different translation of balance sheets and income statements and from equity capital transactions are offset against consolidated shareholders' equity and taken to the income statement in the event the company is divested.

On consolidation, exchange differences arising from the translation of net investment in independent foreign operations, of borrowings and of other currency instruments designated as hedges of such investments are recognized in other comprehensive income. When a foreign operation is disposed of, exchange differences that were recorded in the other comprehensive income are transferred to the income statement as part of the gain or loss on sale.

The following exchange rates have been applied for the most important currencies concerned:

			Income statement (average exchange rates for the year)		Balance sheet (year-end exchange rates)	
			2010	2009	2010	2009
Currency						
CHF						
Euro zone	EUR	1	1.38	1.51	1.25	1.49
USA	USD	1	1.04	1.09	0.94	1.03
Great Britain	GBP	1	1.61	1.70	1.46	1.66
Japan	JPY	100	1.19	1.16	1.15	1.12
China	CNY	100	15.40	15.88	14.20	15.11
Sweden	SEK	100	14.47	14.20	13.99	14.46

Maturities
Assets are designated current assets if they are realized or consumed in the Group's ordinary business cycle within one year or are held for trading purposes. All other assets are assigned to non-current assets.

All obligations which the Group intends to settle within the ordinary business cycle using operating cash flows or which are due within one year of the reporting date are assigned to current liabilities. All other obligations are assigned to non-current liabilities.

Segment information
Segment reporting discloses financial and descriptive information on the reportable segments. The reportable segments are operating segments and combinations of operating segments that meet specific criteria. Operating segments are components of a company for which separate financial information is available that is regularly examined by the chief operating decision-maker concerned in order to determine how resources are to be allocated and performance assessed. Generally speaking, financial information must be reported on the basis of internal controlling through which the performance of the operating segments is assessed and decisions are taken on how to allocate the resources to the operating segments.

The reportable segments apply the same accounting principles as the Group. The provision of services among the reportable segments is calculated on the basis of market data, and the prices applied are therefore comparable to those that would have applied in a transaction with a third party.

Segment reporting is prepared to include operating profit (EBIT). Allocation of interest and taxes to the individual divisions and Corporate is not appropriate owing to the highly centralized finances and taxes functions.

Net sales and revenue recognition
Sales revenue includes the fair value of the consideration received or to be received for the sale of goods and services as part of ordinary business activity. Sales revenue is reported net of sales tax, returns, discounts and rebates, as well as after elimination of intra-Group sales.

The Group recognizes sales revenue when the amount of the revenue can be reliably determined and when it is sufficiently likely that the company will derive an economic benefit. The amount of the revenue can only be reliably determined once all contingencies concerning the sale have been settled. The Group makes estimates on the basis of historical data, taking into account features specific to the customers, transactions, and agreements. Appropriate provisions are made for expected warranty claims.

Research and development
All research costs are posted directly to the income statement in the period in which they are incurred. Development costs must be capitalized if all the recognition criteria have been met, the research phase can be clearly distinguished from the development phase and costs can be clearly allocated to individual project phases without any overlap. Development expenses that do not meet these criteria are taken to the income statement.

Share-based payments
Equity-settled share-based payments to employees are valued at the fair value of the equity instrument on the date on which the payment is granted. The fair value of share options is determined by the Black-Scholes model. The anticipated maturity used in the model is adjusted on the basis of best estimates with regard to the effects of non-transferability, restrictions on exercise, and conduct. Further information on determining the fair value of the share options is provided in note 25 'Stock option plan'. The fair value determined on granting equity-settled share-based payments is posted to the income statement over the vesting period and is included in personnel expenses.

Income taxes
Income taxes constitute the total of current and deferred income taxes.

Current income taxes are determined on the basis of taxable profits and the applicable tax laws of the individual countries. They are recognized as an expense in the accounting period in which the profits are made. The profit on which taxes are to be paid differs from the profit or loss for the year in the income statement since it excludes expenses and revenues that will only be taxable or tax-deductible in subsequent years if at all. The Group's liability for current income taxes is calculated on the basis of the applicable tax rates.

Deferred tax liabilities are recognized for temporary differences between assets and liabilities in the balance sheet and the amounts as measured for tax purposes if they will result in taxable income in future. Deferred tax assets are reported for temporary differences that will result in deductible amounts in future periods and for tax effects from fiscally offsettable losses, but only insofar as it is likely that sufficient taxable profits will be available against which these differences can be offset. Deferred taxes are not reported if the temporary differences arise from the recognition of goodwill or from the initial recognition of other assets or liabilities which relate to events not affecting taxable income or the profit for the year.

Deferred tax assets and tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting group, relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realized simultaneously.

The carrying amount of the deferred tax assets is assessed each year on the reporting date and reduced if it is no longer likely that sufficient taxable profits will be available to realize the asset either wholly or in part.

Current and deferred income taxes are recognized as an income tax benefit or expense in the income statement, with the exception of items posted directly to equity. In this case, the corresponding tax effect is also to be recognized directly in equity.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Property, plant, and equipment
Land and buildings are carried on the balance sheet at their revaluation amount, which corresponds to the fair value at the date of revaluation less accumulated depreciation and impairment losses. The revaluations are conducted regularly, at least every five years, by independent external valuers to ensure that the carrying amount does not differ materially from the carrying amounts determined on the basis of the fair value on the reporting date. All accumulated depreciation is offset against the gross carrying amounts of the assets on the revaluation date. The net amount is adjusted to the revalued amount. All other property, plant and equipment is reported at cost less accumulated depreciations and recognized impairments.

Subsequent costs, for instance for expansion or replacement investments, are recognized as part of the asset's costs or as a separate asset only when it is probable that future economic benefits will accrue to the Group as a result and when the cost of the item can be measured reliably. Expenses for repairs and maintenance which do not constitute a significant replacement investment are posted to the income statement as expenses in the year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in shareholders' equity. This does not apply if the revaluation reserve for the same assets has been reduced with an effect on income. In such a case, the increase is recognized as income in the amount of the previous decrease. Decreases that offset previous increases in the same asset are charged against the revaluation reserves directly in shareholders' equity. All further decreases are posted to the income statement.

Land is not depreciated. Depreciation of other assets is calculated on the basis of their cost or their revalued amounts (with the exception of assets under construction) using the straight-line method over their estimated useful lives. The estimated useful life is usually 33 years for buildings used in operations and 5 to 10 years for plant and equipment. Other operating facilities are depreciated over three to ten years. Where components of larger systems have different useful lives, they are depreciated as separate items. Useful lives and residual values are reviewed annually at the reporting date, and any necessary changes are taken into account prospectively.

If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount (see note 16 'Property, plant, and equipment').

Assets that are held in finance lease arrangements are depreciated over their estimated useful life in the same way as assets belonging to the company or, if this is shorter, over the life of the underlying lease agreement.

The profit or loss arising from the sale of property, plant or equipment is defined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in income.

Intangible assets

Goodwill is the excess of the cost of the business combination over the acquirer's interest in the fair value of the acquired net assets. Goodwill created on the acquisition of subsidiaries is included in 'Intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill may not be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold off.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks, licenses, customer relationships, and technologies acquired in a business combination are recognized at fair value at the acquisition date. Trademarks carried in the balance sheet with an indefinite useful life are not subject to amortization but are tested for impairment at least annually. Any impairment is recognized as an expense in the income statement. Certain trademarks, licenses, customer relationships, and technologies have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method: trademarks 20 years, customer relations between 5 and 25 years, and technologies 30 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over an estimated useful life of three years.

Development costs that can be directly attributed to the design and testing of individual software products controlled by the Group generally do not meet the criteria for intangible assets on the balance sheet. These costs are recognized as an expense in the period in which they are incurred. Development costs previously recognized as an expense are not capitalized in a subsequent period.

Impairment of non-financial assets
Assets that have an indefinite useful life, for example goodwill and certain trademarks, are not subject to scheduled amortization. They are tested for impairment annually. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment in the past are reviewed for possible reversal of the impairment at each reporting date.

Financial assets
CLASSIFICATION
Financial assets are classified in the following categories: financial assets at fair value through profit or loss, loans and receivables, and financial assets available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified in this category unless they are designated as hedges. Assets in this category are classified as 'Other receivables'.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than twelve months after the end of the reporting period, in which case they are classified as non-current assets. The Group's loans and receivables are reported in the balance sheet under 'Trade receivables', 'Other receivables' and 'Cash and cash equivalents'.

(c) Financial assets available-for-sale
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Group's available-for-sale financial claims and other claims are reported under 'Marketable securities' in the balance sheet.

RECOGNITION AND MEASUREMENT
Purchases and sales of financial assets are always recognized as soon as Forbo becomes a contractual party. In the case of regular purchases or sales (purchases or sales under a contract whose terms require delivery of the asset within the time frame generally established by regulation or convention in the market concerned), the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by Forbo. Financial assets not classed as being at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets which are carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and assets in the category 'Financial assets at fair value through profit or loss' are carried at fair value after their initial recognition. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from financial assets in the category 'Financial assets at fair value through profit or loss' are presented in the income statement in the period in which they are incurred. Dividend income from financial assets classified as at fair value through profit or loss is recognized in the income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in the comprehensive income statement with no effect on income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized in the comprehensive income statement are included in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Group's right to receive payments is established. The fair value of listed shares is determined by the current stock market price.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the equity investments below their cost is also regarded as evidence that the equity investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the separate consolidated income statement. Impairment losses on equity instruments recognized in the income statement are not reversed through profit or loss. Impairment testing of trade receivables is described in note 20 'Trade receivables'.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments solely to manage financial risks and not for the purpose of speculation.

Derivatives are initially recognized at their fair value on the date a derivative contract is entered into. This may be positive or negative. Subsequent measurement is also effected at the fair value applicable on the reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative was designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

– hedges of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge);
– hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
– hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the conclusion of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and the underlying strategy for effecting various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or in cash flows of hedged items.

The fair values of the various derivative instruments used for hedging purposes are disclosed in note 34 'Additional information on financial instruments'. Movements in the hedging reserve for cash flow hedges are reported in the statement of comprehensive income. The full fair value of a derivative used for hedging is classified as a non-current asset or liability when the residual maturity of the hedged item is more than twelve months after the reporting date, and as a current asset or liability when the residual maturity of the hedged item is less than twelve months. Trading derivatives are classified as current assets or liabilities.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated as and qualify as fair value hedges of a recognized asset or a commitment are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only uses fair value hedges to hedge the fixed interest risk on borrowings and to hedge currency risks in connection with short-term or medium-term loans. The gain or loss relating to the effective portion of the hedging instrument is recognized in the income statement under 'Financial result'. The gain or loss relating to the ineffective portion is recognized in the income statement under 'Financial result'. Changes in the fair value of the hedged underlyings, which are attributable to interest rate risk or currency risk, are recognized in the income statement under 'Financial income/Financial expenses'.

If the hedge no longer meets the criteria for hedge accounting, and the previously designated underlying transaction is measured using the effective interest method, the required adjustment of the carrying amount is implemented over the remaining term to maturity.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the comprehensive income. The ineffective portion of such changes in fair value, however, is recognized directly in the income statement.

Amounts deferred in equity are reclassified to profit or loss and are recognized as income or expense in the period in which the hedged item affects profit or loss (for example, when the forecast sale that has been hedged takes place). The gain or loss from the effective portion of interest rate swaps that hedge variable rate borrowings is recognized in the income statement. The gain or loss from the ineffective portion is also recognized in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventories or property, plant and equipment) or a non-financial liability, the gains or losses previously deferred in equity are included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventories or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires, or is sold, or ceases to meet the criteria for hedge accounting, any cumulative gain or loss existing in the comprehensive income at that time remains in equity and is recognized in the income statement only when the originally hedged forecast transaction actually occurs. If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the effective portion of the hedging instrument is recognized in equity; the gain or loss relating to the ineffective portion is recognized directly in the income statement. Gains or losses accumulated in equity are transferred to the income statement when the foreign operation is sold off in full or in part. The last portion of the US private placement is being used to hedge net investments in the USA.

(d) Derivatives measured at fair value through profit or loss

Certain derivative financial instruments are not suitable for hedge accounting. Changes in the fair value of such derivatives are recognized directly in the income statement.

The Group employed hedge accounting in the prior year in connection with the hedging of periodic interest payments and the repayment of the nominal amount of the US private placement. Some of the derivatives employed were recognized as cash flow hedges in order to hedge the future cash flows from the US private placement against fluctuations. The effective portion of the change in fair value of the hedging instrument was recognized in the comprehensive income, with no effect on the income statement, until the gain or loss on the hedged item is realized; the ineffective portion of the change in fair value of the hedging instrument was recognized in the income statement. Cumulative changes in fair value recorded under equity are transferred to the income statement when the future firm commitments are recognized in the income statement.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost includes direct material and, if applicable, other direct costs and related production overheads to the extent that they are incurred in bringing the inventories to their present location and condition. The net realizable value constitutes the estimated sales price less all estimated costs up to completion, as well as the costs of marketing, sales and distribution.

Inventories are for the greater part measured at average cost. Adjustments are made for unsalable inventories and inventories with low turnover.

Trade receivables

Current trade receivables are stated at amortized cost, which generally corresponds to the nominal value. Allowances for risks are established based on the maturity structure and discernible solvency risks. In addition to individual allowances for specific known risks, allowances are also made on the basis of statistically determined default risks.

Marketable securities

Marketable securities are mainly available-for-sale financial assets. Initial recognition and subsequent measurement are described separately under 'Financial assets' on page 95 onwards of this report.

Cash and cash equivalents
Cash and cash equivalents are stated at nominal value. They include cash on hand, postal and bank accounts, and fixed-term deposits with an original maturity of up to 90 days.

Shareholders' equity
Shares are classified as share capital at their par value. Payments by shareholders over and above the par value are credited to reserves.

Treasury shares are deducted at their par value from share capital. The acquisition costs in excess of par value arising on the acquisition of treasury shares are debited to reserves. Gains or losses above the par value from the sale of treasury shares are credited or debited to reserves.

Dividends are debited to equity in the period in which the resolution on their distribution is adopted.

Current and non-current financial debt
Current and non-current financial debt consists mainly of private placements, bonds, bank loans and leasing debt. It is stated at amortized cost (less transaction costs). Borrowing costs are recognized in the income statement, using the effective interest method.

Financial debt is assigned to current debt, unless the Group has to settle the obligation 12 months after the balance sheet date at the earliest or the Group enjoys an unlimited right to postpone payment of the debt by at least 12 months after the reporting date.

Employee pension plans
The Group maintains various pension plans designed as defined contribution and defined benefit plans. These pension plans are established in accordance with the local conditions in each country. The plans are funded either by contributions to legally autonomous pension funds/insurance plans or by recognition of the pension plan liabilities in the financial statements of the respective companies.

For defined contribution plans, the costs incurred in the relevant period correspond to the agreed employer contributions.

For defined benefit plans, the pension liabilities are calculated annually by independent actuaries according to the projected unit credit method. The liabilities correspond to the present value of the expected future cash flows. The plan assets are stated at fair value. Current service costs incurred in the relevant period, less employee contributions, are stated as personnel expenses in the income statement. Past service costs resulting from changes in pension plans are recognized in the income statement on a straight-line basis over the remaining average period until an active employee acquires a vested pension right, or are immediately posted to the income statement if the employee has already retired. Profits resulting from pension plan reductions or compensations are immediately taken to the income statement.

Actuarial gains and losses are reported in the statement of comprehensive income under 'Other comprehensive income for the year, net of tax', with due account being taken of deferred taxes.

Provisions
Provisions are recognized if the Group has a current legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. No provisions are made for future operating losses. The provision is the best estimate on the reporting date of the amount required to meet the current obligation, taking into account the risks and uncertainties underlying the obligation.

A provision for restructuring expenses is reported if the Group has defined a detailed, formal restructuring plan which has created a justified expectation among those affected that the restructuring will be carried out as a result of the plan's implementation being initiated or essential parts being announced. Measurement of a restructuring provision only takes account of direct expenses for the restructuring. Only those expenses are included, therefore, that are caused by the restructuring and are not related to the company's business activities.

Trade payables
Trade payables are non-interest-bearing and are disclosed at nominal value.

3 Changes in accounting principles

The following new and revised standards and interpretations of the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB with a significant impact on the financial statements came into force during the year under review:

IFRS 3 (revised) Business Combinations – effective July 1, 2009, and derived supplements to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures
The revised standard still stipulates that business combinations are to be accounted for using the purchase method, but with some significant changes. For example, all payments for the price of the acquiree are recognized at the acquisition-date fair value. For considerations carried as debt, changes resulting from events after the acquisition date are recognized in the income statement. An accounting policy choice is allowed on a transaction-by-transaction basis. The non-controlling (minority) interest may be measured either at fair value or as the proportionate share of the acquiree's net assets. All acquisition-related costs are recognized as expenses. The Group began applying IFRS 3 (revised) to all business combinations prospectively as of January 1, 2010.

The following new and revised standards and interpretations came into effect as of July 1, 2009, or January 1, 2010. These standards and interpretations have been applied provided they are relevant for the Group's business activities. The application of these standards, however, has no significant effect on the Group's disclosures, equity, profits or cash flows.

- *IFRS 2 (revised), Share-based Payments.*
- *IFRIC 17 (new) Distributions of Non-Cash Assets to Owners.*
- *IFRIC 18 (new) – Transfers of Assets from a Customer.*
- *'Improvements to IFRSs', published in May 2008.* The IASB published a collection of amendments to various IFRSs. All the amendments published were applied by the Group as of December 31, 2009, with the following exception: *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.* For the purposes of clarification: all assets and liabilities of a subsidiary are to be classified as held for sale if the subsidiary is classified as being held for sale. This is true even if the company retains part of the divested subsidiary without a controlling interest in it. The amendment was applied prospectively and had no impact on the assets, finances or revenues of the Group.
- *Improvements to IFRSs, published in April 2009.* The IASB published its second collection of amendments to various IFRSs, with the primary aim of eliminating inconsistencies and clarifying formulations. The collection prescribes transitional provisions for each amended IFRS.

4 Management assumptions and estimates

The application of the measurement and accounting principles requires that circumstances and estimates be assessed and assumptions be made with respect to the carrying amounts of assets and liabilities. The estimates and the underlying assumptions are based on past experience and other factors regarded as relevant, including expectations of future events that appear reasonable in the given circumstances. The actual results may, of course, deviate from the estimates and assumptions of management.

The following are the main areas in which a significant risk exists in the coming business year involving a significant adjustment of the carrying value of assets and liabilities.

Impairment of non-financial assets
Along with the regular periodic review of goodwill and intangible assets with an infinite useful life, the carrying amounts of fixed and intangible assets with a useful finite life are also always reviewed if these amounts can no longer be realized due to changed circumstances or events. If such a situation occurs, the recoverable amount is determined based on expected future revenues. This corresponds to either the discounted expected values in use or the expected net sales price. If these are less than the current carrying amount, the value is impaired to the recalculated figure. This impairment is recognized as an expense in the income statement.

If the asset itself does not generate any independent cash flow, the impairment test must be performed for a cash-generating unit. As a rule, the Group defines the cash-generating units on the basis of geographically cohesive markets, the technologies used or the sales generated by the brands concerned. Important assumptions in these calculations include growth rates, margins, estimates and management's experience of the future development of net working capital, and discount rates. The actual cash flows may deviate significantly from the planned discounted future values. Likewise, the useful lives may be shortened or investment assets impaired in the event of a change in the use of buildings, machinery and facilities, change or abandonment of locations or lower-than-expected revenues over the medium term. Further information on this topic can be found in notes 16 'Property, plant and equipment' and 17 'Intangible assets'.

Employee pension schemes
Various employee pension plans and schemes exist for employees at the Group. In order to measure liabilities and costs, it is first of all necessary to determine whether a plan is a defined contribution or a defined benefit plan from an economic perspective. In the case of defined benefit plans, actuarial assumptions are made to estimate future developments. These include assumptions and estimates relating to the discount rate, the expected return on plan assets in individual countries and future wage trends. In their actuarial calculations for determining employee benefit obligations, the actuaries also use statistical information such as mortality tables and staff turnover rates. If these parameters change owing to a change in the economic situation or market conditions, the subsequent results may deviate considerably from the actuarial reports and calculations. These deviations may have a significant medium-term effect on expenses and revenues from the employee pension schemes and the comprehensive income. Further information on this topic can be found in note 27 'Employee benefit obligations'.

Provisions
In the conduct of ordinary business activities, a liability of uncertain timing and/or amount may arise. Provisions are determined using available information based on reasonably expected cash outflows. Depending on the outcome, claims against the Group may arise that may not be covered, or are covered only in part, by provisions or insurance benefits. Further information on this topic can be found in note 28 'Provisions'.

Income taxes

The Group is obliged to pay income taxes in various countries. Certain key assumptions are necessary in order to determine income tax worldwide. There are business events which have an impact on taxation and the taxable profit. Hence, the amount of the final taxation cannot be determined definitively. The measurement of current tax liabilities is subject to the interpretation of tax regulations in the relevant countries. The adequacy of this interpretation is assessed by the tax authorities in the course of the final assessment or tax audits. This may result in material changes to tax expense. Where the definitive taxation of these business events deviates from the previous assumptions, this will have an impact on the actual and deferred taxes in the period in which the taxation is definitively determined. Furthermore, determining whether tax losses carried forward can be capitalized requires a critical estimate of the probability that they can be offset against future profits. This assessment depends on a number of different factors and developments. Further information on this topic can be found in note 14 'Income taxes'.

5 Standards approved but not yet applied

The following new and revised standards and interpretations had been published, though they had not yet become compulsory by the time the consolidated financial statements were approved by the Board of Directors. Since their impact on the consolidated financial statements has not yet been systematically analyzed, the anticipated effects shown in the notes to the table below represent an initial estimate by management.

Standards

Standard/Interpretation		Date effective	Planned application
IAS 24 (revised) – 'Related Party Disclosures'	*	January 1, 2011	2011 business year
IAS 32 (revised) – 'Financial Instruments: Presentation'	*	February 1, 2010	2011 business year
IFRS 9 (new) – 'Financial Instruments'	**	January 1, 2013	2013 business year
IFRIC 14/IAS 19 (revised) – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	**	January 1, 2011	2011 business year
IFRIC 19 (new) – 'Extinguishing Financial Liabilities with Equity Instruments'	*	July 1, 2010	2011 business year

* No significant impact on the consolidated financial statements is expected.
** The impact on the consolidated financial statements cannot yet be determined with sufficient certainty.

Various adjustments of the standards have been published as part of the annual improvement project. Since they have only a minor influence on the financial statements, we have refrained from listing these changes in detail.

Notes

6 Segment reporting

Forbo is a global producer of Flooring Systems, Bonding Systems and Movement Systems. The business units reflect the internal management structure and are run separately because the products that they manufacture, distribute, and sell differ fundamentally in terms of production, distribution and marketing.

Flooring Systems develops, produces, and sells linoleum, vinyl floorings, dirt trap systems, carpet tiles, and needle felt as well as the various accessory products required for laying, processing, cleaning, and care of flooring. Bonding Systems develops, manufactures, and distributes adhesives for industrial applications and the construction industry as well as synthetic polymers. Movement Systems develops, produces, and sells high-quality belts made of synthetics for use in power transmission or as conveyor and process belts. Corporate includes the costs of the Group headquarters and certain items of income and expenses that are not directly attributable to a specific business.

Flooring Systems, Movement Systems, Bonding Systems, and Corporate are reportable segments. The identification of the reportable segments is based on internal management reporting to the Chief Executive Officer of the Group and hence on the financial information used to review the performance of the operational units in order to reach a decision on the allocation of resources.

Segment information on the reportable segments for the reporting period:

2010 CHF m	Flooring Systems	Bonding Systems	Movement Systems	Corporate	Elimination	Total
Total net sales	874.2	606.6	331.1	0.0	– 22.2	1,789.7
Inter-segment sales	– 0.3	– 21.9	0.0	0.0	22.2	0.0
Net sales to third parties	873.9	584.7	331.1	0.0	0.0	1,789.7
Operating profit (EBIT)	134.7	37.7	25.5	– 12.0	0.0	185.9
Operating assets	642.7	354.0	234.4	20.8	0.0	1,251.9
Number of employees (December 31)	2,738	1,384	1,780	41		5,943

Segment information on the reportable segments for the previous year:

2009 CHF m	Flooring Systems	Bonding Systems	Movement Systems	Corporate	Elimination	Total
Total net sales	904.8	587.7	310.5	0.0	– 20.6	1,782.4
Inter-segment sales	– 0.4	– 20.2	0.0	0.0	20.6	0.0
Net sales to third parties	904.4	567.5	310.5	0.0	0.0	1,782.4
Operating profit (EBIT)	100.8	32.6	0.5	– 12.1	0.0	121.8
Operating assets	732.0	388.1	258.1	41.5	0.0	1,419.7
Number of employees (December 31)	2,748	1,376	1,793	41		5,958

Management reporting and the internal control system are based on the same accounting principles as external reporting.

The Chief Executive Officer assesses the performance of the reportable segments, based on their operating result (EBIT). The net financial result is not allocated to the divisions since it is Group treasury that in the main exercises central control over the financial result.

Inter-segment sales are effected at arm's length. The divisions apply the same accounting principles as the Group. Sales to third parties, as they are reported to the Chief Executive Officer, are identical to the sales reported in the income statement.

Reconciliation of division results to the income statement and balance sheet:

	2010	2009
CHF m		
Operating profit (EBIT) according to segment information	**185.9**	**121.8**
Net financial income/expense (–)	28.9	– 20.4
Group profit before taxes	**214.8**	**101.4**

	31.12.2010	31.12.2009
CHF m		
Operating assets	**1,251.9**	**1,419.7**
Non-operating assets	242.3	325.7
Total assets	**1,494.2**	**1,745.4**

Third-party sales and operating assets broken down by region in the reporting period and during the previous year:

	2010 Third-party sales	31.12.2010 Operating assets
CHF m		
Switzerland (domicile)	38.2	89.3
France	223.7	148.1
Germany	202.1	125.2
Benelux	191.5	284.5
Great Britain and Ireland	143.6	185.5
Southern Europe	133.2	77.1
Scandinavia	123.8	35.6
Eastern Europe	75.4	31.4
Europe	**1,131.5**	**976.7**
North, Central and South America	**420.2**	**170.6**
Asia/Australia/Africa	**238.0**	**104.6**
Total net sales to third parties and operating assets	**1,789.7**	**1,251.9**

	2009 Third-party sales	31.12.2009 Operating assets
CHF m		
Switzerland (domicile)	37.4	102.8
France	249.4	172.8
Benelux	221.0	313.8
Germany	205.4	157.7
Great Britain and Ireland	161.9	218.5
Southern Europe	127.9	87.4
Scandinavia	121.5	55.8
Eastern Europe	66.7	36.8
Europe	**1,191.2**	**1,145.6**
North, Central and South America	**392.5**	**183.4**
Asia/Australia/Africa	**198.7**	**90.7**
Total net sales to third parties and operating assets	**1,782.4**	**1,419.7**

In the period under review, no customer accounted for sales that exceeded 10% of total Group sales.

7 Development costs

Development costs, which mainly comprise product development, amounted to CHF 27.3 million (2009: CHF 27.9 million).

8 Administrative costs

This item consists of the usual expenses related to administrative activities.

9 Other operating expenses

'Other operating expenses' primarily comprises legal costs, maintenance costs, warranties, costs for consulting and auditing, and insurance costs. The decrease versus the previous year is largely the result of the absence of restructuring costs and costs incurred in relation to integrating Bonar Floors.

10 Other operating profit

'Other operating profit' includes insurance payments received and proceeds from the sale of properties and of waste for recycling purposes.

11 Personnel expenses

	2010	2009
Personnel expenses		
CHF m		
Salaries and wages	354.8	370.2
Social security contributions	89.7	94.6
Total personnel expenses	**444.5**	**464.8**

As at December 31, 2010, the Group had 5,943 employees (2009: 5,958). The average headcount over the year was 5,979 (2009: 6,130). Salaries and wages include share-based payments worth CHF 5.5 million (2009: CHF 4.5 million).

A bonus program is available for around 130 managers, which is linked to achieving financial targets set for the Group, the divisions and individual objectives.

12 Financial income

	2010	2009
Financial income		
CHF m		
Income from sale of shareholder options and dividend income	0.0	2.1
Interest income[1)]	1.2	1.6
Gains on sale of available-for-sale financial assets	43.2	0.6
Total financial income	**44.4**	**4.3**

1) In particular interest income from cash and cash equivalents.

Gains from the sale of securities (available-for-sale financial assets) came to CHF 43.2 million in the period under review. This sum included CHF 43.0 million from the sale of securities to related parties. On April 12, 2010, Forbo sold 288,691 Rieter shares to Artemis Beteiligungen IV AG, a company owned by Michael Pieper, at a price of CHF 320 per share. This price was roughly CHF 12 higher than the average stock market price for the preceding 20 days. The sale was structured as a forward transaction. The shares were delivered and the sales price was paid on June 29, 2010. The Group obtained CHF 92.4 million in cash and cash equivalents from the sale of the Rieter shares in 2010, posting financial income totaling CHF 43.0 million before tax from the sale. As a result of this transaction, Forbo has reduced its stake in Rieter from over 9% to below 3%.

13 Financial expenses

Financial expenses	2010	2009
CHF m		
Loss on sale of available-for-sale financial assets	0.0	0.2
Interest expenditure from financial liabilities valued at amortized cost	15.2	25.6
Gains from derivative financial instruments used in hedging	0.0	– 1.9
Gains (–)/losses on financial assets or liabilities at fair value through profit or loss	– 0.1	0.3
Amortization of issuance costs for private placement and bond	0.4	0.5
Translation gains (–)/losses, net	– 0.4	0.4
Translation gains from derivative financial instruments used in hedging	0.0	– 1.6
Translation losses on financial assets or liabilities at fair value through profit or loss	0.4	1.2
Total financial expenses	**15.5**	**24.7**

The average interest rate on interest-bearing debt (private placements, bonds, non-current bank debt, and current bank debt) in 2010 is 3.2% (2009: 3.6%).

14 Income taxes

Income taxes	2010	2009
CHF m		
Current income taxes	51.2	32.4
Deferred income taxes	0.3	– 7.1
Total income taxes	**51.5**	**25.3**

Analysis of tax expense

The following key elements explain the difference between the expected and the effective tax expense.

	2010	2009
CHF m		
Group profit before taxes	214.8	101.4
Tax expense at the expected tax rate	**– 52.2**	**– 23.6**
Tax effects of:		
Non-tax-deductible expenses and tax-exempt income	– 4.3	– 4.0
Tax losses for which no deferred tax assets have been recognized and temporary differences	– 0.2	– 0.3
Write-off of deferred tax assets	– 5.7	– 11.5
Utilization of tax losses not capitalized in previous years	12.8	11.9
Previous-year and other positions	– 1.9	2.2
Total income taxes	**– 51.5**	**– 25.3**

Since the Group operates in various countries with different tax laws and rates, the annual expected and effective tax expense depends on the origin of the revenues or losses in each country. The expected tax expense is the sum of the expected individual tax income/expense of all foreign subsidiaries. The expected individual tax income/expense in a country is calculated by multiplying the individual profit/loss by the tax rate applicable in the country concerned. The expected tax rate in 2010 was 24.3% (2009: 23.3%).

Tax loss carry forwards not capitalized and capitalized as deferred income tax assets, broken down by maturity:

2010 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	4.5	0.0	4.5
2 years	6.2	0.0	6.2
3 years	4.3	0.1	4.4
4 years	4.6	1.4	6.0
5 years	37.5	0.0	37.5
More than 5 years	163.5	17.5	181.0
Total tax loss carry forwards	**220.6**	**19.0**	**239.6**

2009 CHF m	Not capitalized	Capitalized	Total
Expiry after:			
1 year	5.6	0.0	5.6
2 years	43.1	0.0	43.1
3 years	7.0	0.0	7.0
4 years	4.6	0.2	4.8
5 years	5.2	3.1	8.3
More than 5 years	275.1	31.5	306.6
Total tax loss carry forwards	**340.6**	**34.8**	**375.4**

In 2010, CHF 3.1 million (2009: CHF 1.5 million) of unused tax loss carry forwards expired.

Deferred income tax assets and liabilities are offset when they relate to the same tax jurisdiction, provided that the legal right to offset exists, and they are intended either to be settled net or to be realized simultaneously. The following amounts are shown in the balance sheet:

	31.12.2010	31.12.2009
CHF m		
Deferred tax assets	17.6	20.5
Deferred tax liabilities	– 54.3	– 62.7
Deferred tax liabilities, net	**– 36.7**	**– 42.2**

Deferred tax assets and liabilities, tax credits, and tax charges from deferred taxes:

Deferred tax assets						
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry forwards	Other	Total
As at December 31, 2009	**10.2**	**12.3**	**38.9**	**10.3**	**10.9**	**82.6**
Decrease (–)/increase in deferred tax assets	– 1.3	– 3.3	– 9.7	– 6.3	3.4	– 17.2
As at December 31, 2010	**8.9**	**9.0**	**29.2**	**4.0**	**14.3**	**65.4**

Deferred tax liabilities						
CHF m	Inventories	Property, plant, and equipment	Provisions	Loss carry forwards	Other	Total
As at December 31, 2009	**– 2.5**	**– 61.3**	**– 12.9**	**– 0.4**	**– 47.7**	**– 124.8**
Decrease/increase (–) in deferred tax liabilities	0.3	10.8	– 0.3	0.4	11.5	22.7
As at December 31, 2010	**– 2.2**	**– 50.5**	**– 13.2**	**0.0**	**– 36.2**	**– 102.1**
Deferred tax assets/liabilities (–), net as at December 31, 2009	7.7	– 49.0	26.0	9.9	– 36.8	– 42.2
Deferred tax assets/liabilities (–), net as at December 31, 2010	6.7	– 41.5	16.0	4.0	– 21.9	– 36.7

Decrease in deferred tax liabilities, net	**5.5**
Of which recognized in other comprehensive income statement	5.8
Of which recognized in the income statement	– 0.3

Tax expense and income recognized directly in the comprehensive income statement:

			2010			2009
	Before tax	Tax expense (–)/income	After tax	Before tax	Tax expense (–)/income	After tax
CHF m						
Change in fair value of financial instruments available-for-sale	14.7	– 3.0	11.7	26.7	– 5.5	21.2
Gain from sale of financial instruments available-for-sale; transfer to income statement	– 18.0	3.7	– 14.3	0.0	0.0	0.0
Release of provisions	0.0	0.0	0.0	– 1.3	1.3	0.0
Actuarial losses on pension obligations	– 15.1	2.9	– 12.2	– 3.6	– 4.2	– 7.8
Cash flow hedges	0.2	0.0	0.2	6.8	0.0	6.8
Net investment hedges	– 4.7	0.0	– 4.7	10.1	0.0	10.1
Translation differences	– 121.8	2.2	– 119.6	– 7.8	– 1.1	– 8.9
Other comprehensive income	**– 144.7**	**5.8**	**– 138.9**	**30.9**	**– 9.5**	**21.4**

15 Earnings per share

Undiluted earnings per share are calculated by dividing the net profit or loss for the year attributable to registered shareholders by the weighted average number of registered shares issued and outstanding during the year, less the average number of treasury shares.

The figure for diluted earnings per share also takes into account the potential dilution effects if all issued and in the money share options were to be exercised.

	2010	2009
Group profit for the year (CHF m)	163.3	76.1
Weighted average number of outstanding shares	2,279,602	2,259,839
Undiluted earnings per share (CHF)	71.64	33.67
Amount of shares adjusted for stock option plans	4,885	578
Weighted average number of outstanding shares used to calculate the diluted earnings per share	2,284,487	2,260,417
Diluted earnings per share (CHF)	71.48	33.67

16 Property, plant, and equipment

Cost on acquisition or valuation CHF m	Land and buildings	Machinery and equipment	Other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
As at December 31, 2008	**404.9**	**904.4**	**151.1**	**23.4**	**1,483.8**
Additions	3.6	11.4	3.1	20.8	38.9
Disposals	– 23.3	– 5.3	– 4.3	0.0	– 32.9
Transfers	0.9	6.8	12.5	– 20.6	– 0.4
Translation differences	– 3.3	0.6	– 0.3	– 0.6	– 3.6
As at December 31, 2009	**382.8**	**917.9**	**162.1**	**23.0**	**1,485.8**
Additions	2.9	14.9	3.3	16.2	37.3
Disposals	– 24.9	– 57.0	– 7.0	– 0.8	– 89.7
Transfers	1.4	21.6	1.5	– 24.5	0.0
Translation differences	– 44.5	– 118.0	– 20.4	– 2.3	– 185.2
As at December 31, 2010	**317.7**	**779.4**	**139.5**	**11.6**	**1,248.2**

Accumulated depreciation and impairments CHF m	Land and buildings	Machinery and equipment	Other property, plant, and equipment	Assets under construction	Total property, plant, and equipment
As at December 31, 2008	**0.4**	**760.6**	**135.0**	**1.5**	**897.5**
Depreciation	15.5	35.1	8.3	0.0	58.9
Disposals	– 10.7	– 4.9	– 4.0	0.0	– 19.6
Transfers	0.0	– 6.8	6.3	0.0	– 0.5
Translation differences	– 2.2	0.1	1.7	0.0	– 0.4
As at December 31, 2009	**3.0**	**784.1**	**147.3**	**1.5**	**935.9**
Depreciation	14.1	33.1	5.8	0.0	53.0
Impairments	0.0	0.4	0.0	0.0	0.4
Disposals	– 12.5	– 55.6	– 6.5	0.0	– 74.6
Translation differences	– 0.9	– 97.0	– 18.7	– 0.1	– 116.7
As at December 31, 2010	**3.7**	**665.0**	**127.9**	**1.4**	**798.0**
Net book value					
As at December 31, 2009	379.8	133.8	14.8	21.5	549.9
As at December 31, 2010	314.0	114.4	11.6	10.2	450.2

Land and buildings are valued in the balance sheet as at the revaluation date at fair value less accumulated depreciation and impairments. Land and buildings were revalued by independent experts on July 1, 2008. The methods used for the revaluation in 2008 were fair value, capitalized value and cost-oriented valuation. In applying the capitalized value method, the fair value was determined using the discounted cash flow (DCF) method. In the cost-oriented valuation, the fair value was ascertained by means of the depreciated replacement cost method. The increase in net value was recognized in the revaluation reserve in equity, taking into account deferred taxes.

If land and buildings were carried at amortized cost on acquisition or manufacturing cost, the figures would be as follows:

	2010	2009
CHF m		
Cost on acquisition/manufacturing cost	404.4	468.1
Cumulative depreciation	– 228.7	– 260.2
Net book value	**175.7**	**207.9**

Property, plant, and equipment also include leased assets with a net book value of CHF 0.3 million (2009: CHF 0.3 million).

The sum insured for property damage for buildings, machinery, equipment, and inventories came to CHF 2,080 million (2009: CHF 2,178 million).

Maintenance and repair costs amounted to CHF 29.7 million (2009: CHF 29.9 million). Depreciation totaling CHF 53.0 million (2009: CHF 58.9 million) has been posted under 'Cost of goods sold', 'Development costs', 'Marketing and distribution costs', and 'Administrative costs'.

17 Intangible assets

Cost on acquisition CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2008	**210.0**	**94.1**	**69.1**	**373.2**
Additions	0.0	0.0	1.0	1.0
Disposals	0.0	0.0	– 1.2	– 1.2
Transfers	0.0	– 30.4	30.8	0.4
Translation differences	– 0.8	0.4	4.3	3.9
As at December 31, 2009	**209.2**	**64.1**	**104.0**	**377.3**
Additions	0.0	0.0	0.3	0.3
Disposals	0.0	0.0	– 1.3	– 1.3
Transfers	0.0	0.0	0.0	0.0
Translation differences	– 24.2	– 1.3	– 12.8	– 38.3
As at December 31, 2010	**185.0**	**62.8**	**90.2**	**338.0**

Accumulated amortization and impairments CHF m	Goodwill	Trademarks	Other intangible assets	Total
As at December 31, 2008	**13.4**	**32.8**	**15.3**	**61.5**
Amortization	0.0	0.0	7.9	7.9
Disposals	0.0	0.0	– 1.2	– 1.2
Transfers	0.0	0.0	0.5	0.5
Translation differences	– 1.1	– 0.2	0.8	– 0.5
As at December 31, 2009	**12.3**	**32.6**	**23.3**	**68.2**
Amortization	0.0	0.0	5.0	5.0
Disposals	0.0	0.0	– 1.4	– 1.4
Transfers	0.0	0.0	0.0	0.0
Translation differences	– 2.1	0.0	– 2.1	– 4.2
As at December 31, 2010	**10.2**	**32.6**	**24.8**	**67.6**
Net book value				
As at December 31, 2009	196.9	31.5	80.7	309.1
As at December 31, 2010	174.8	30.2	65.4	270.4

Intangible assets with an indefinite useful life (goodwill and trademarks) are subject to an annual impairment test at cash-generating unit level. The test is carried out using a standardized method with discounted cash flow to calculate the value in use. The cash flows for the first 5 years are estimated by management. Growth is usually forecast at 1% for future years. The discount rate corresponds to the total weighted cost of capital before taxes including an average risk charge estimated by the management which lies between 8.5% and 12.6%.

Goodwill as at December 31, 2010, mainly comprised goodwill from the Swift acquisition in 2002 and the goodwill acquired in connection with the acquisition of Bonar Floors in 2008. As at December 31, 2010, the item trademarks mainly referres to the trademarks obtained through the acquisitions of Swift and Bonar Floors.

The annual impairment test of goodwill from the Bonar Floors acquisition yielded a value in use that was significantly higher than the book value. The discount rate applied was 8.5%. The intangible assets acquired were also subject to impairment testing by means of sensitivity analyses. The cash-generating unit underlying the goodwill impairment test is the Flooring Systems division. The cash-generating units linked to the impairment testing of trademarks were those companies which generated sales using the trademarks. The discount rate applied in the trademark impairment tests was 12.6%.

The impairment test of goodwill and trademarks from the Swift acquisition in 2002 yielded a value in use that was higher than the book value. The cash generating units underlying the impairment test were the companies acquired by the Bonding Systems division. The discount rate applied in the impairment test was 8.5%. The intangible assets were also subject to impairment testing in the form of sensitivity analyses. Even with a higher discount rate and a defensive business plan, there would be no impairment of goodwill.

18 Investments in associates and other non-current assets

	31.12.2010	31.12.2009
Investments in associates and other non-current assets		
CHF m		
Other investments in associates	1.0	1.5
Other non-current financial assets	4.7	4.7
Total investments in associates and other non-current assets	**5.7**	**6.2**

19 Inventories

	31.12.2010	31.12.2009
Inventories		
CHF m		
Raw materials and supplies	71.1	62.5
Work in progress	65.9	66.6
Finished goods	155.3	162.1
Provisions for inventories	– 31.4	– 30.2
Total inventories	**260.9**	**261.0**

Provisions for inventories amount to CHF 31.4 million (2009: CHF 30.2 million). Expenses for inventories recognized in the reporting period come to CHF 799.5 million (2009: CHF 781.0 million).

20 Trade receivables

Trade receivables	31.12.2010	31.12.2009
CHF m		
Accounts receivable	214.5	223.2
Notes receivable	26.2	35.0
Allowance for doubtful trade receivables	– 19.9	– 21.1
Total trade receivables	**220.8**	**237.1**

Trade receivables after deduction of the allowance for doubtful trade receivables amounting to CHF 19.9 million (2009: CHF 21.1 million) come to CHF 220.8 million (2009: CHF 237.1 million).

As a rule, no default interest is charged for receivables past due. As at the reporting date, there was no indication that debtors would fail to meet their payment obligations in respect of trade receivables for which no allowance was made or which were past due. Allowances are made in the form of a specific valuation allowance for losses. A specific valuation allowance is required if the debtor is unable to pay, if the debt has been past due for more than 90 days or the debtor has given notice of payment difficulties. Valuation allowances take due account of default risks. In addition to the specific allowance, a portfolio allowance may be made. For this purpose, trade receivables with similar risk characteristics for which an additional allowance may be necessary are grouped together and reviewed. The decision as to whether to make a portfolio allowance in addition to a specific valuation allowance is determined by whether past loss experience indicates that an allowance could be required.

Trade receivables capitalized as at the balance sheet date:

	31.12.2010	31.12.2009
CHF m		
Total trade receivables, gross	**240.7**	**258.2**
Of which not due	198.9	205.4
Of which past due for:		
Less than 30 days	20.8	26.7
Between 31 and 90 days	9.5	10.7
Between 91 and 180 days	3.2	4.9
Between 181 days and 1 year	6.5	8.1
Over 1 year	1.8	2.4
Allowance for doubtful trade receivables	– 19.9	– 21.1
Total trade receivables	**220.8**	**237.1**

As at December 31, 2010, CHF 28.2 million in trade receivables were past due but not the subject of a valuation allowance; an allowance was made and a reserve established for trade receivables totaling CHF 38.5 million.

Gross value of trade receivables by currency:

	31.12.2010	31.12.2009
CHF m		
CHF	1.6	1.2
EUR	119.7	143.6
GBP	17.8	21.2
JPY	17.6	15.7
SEK	8.6	9.0
USD	34.4	34.1
Other	41.0	33.4
Total trade receivables, gross	**240.7**	**258.2**

Changes in valuation allowances for doubtful trade receivables during the reporting year:

	2010	2009
CHF m		
As at January 1	**– 21.1**	**– 20.3**
Additions	– 4.4	– 5.5
Release	1.1	1.1
Use	2.5	3.5
Translation differences	2.0	0.1
As at December 31	**– 19.9**	**– 21.1**

The creation and release of allowances for doubtful trade receivables are included in 'Marketing and distribution costs' in the income statement.

21 Marketable securities

'Marketable securities' mainly comprises registered shares of Rieter Holding AG, as valued at the closing price on the SIX Swiss Exchange on the last day of trading in the year under review.

22 Cash and cash equivalents

	31.12.2010	31.12.2009
Cash and cash equivalents		
CHF m		
Cash	0.1	0.2
Bank accounts	152.5	177.0
Short-term deposits with banks	18.8	21.0
Total cash and cash equivalents	**171.4**	**198.2**

The change in cash and cash equivalents can be found in the consolidated cash flow statement.

23 Pledged or assigned assets

There were no significant pledged or assigned assets.

24 Share capital

The share capital of Forbo Holding Ltd stood at CHF 271,315 on December 31, 2010 (2009: CHF 271,315) and was divided into 2,713,152 registered shares with a par value of CHF 0.10, including 21,419 registered shares without voting or dividend rights at the disposal of the Board of Directors. Consequently, 2,691,733 registered shares were eligible for dividends as at December 31, 2010.

Change in shares in circulation:

	31.12.2010	Change	31.12.2009
	Number	Number	Number
Total shares outstanding	**2,713,152**	**0**	**2,713,152**
Treasury shares			
Shares with dividend rights:			
Treasury shares	139,419	– 72,569	211,988
Share buyback 2008	213,152	0	213,152
Shares with no dividend rights	21,419	0	21,419
Total treasury shares	**373,990**	**– 72,569**	**446,559**
Total shares in circulation	**2,339,162**	**72,569**	**2,266,593**

At the Ordinary General Meeting of Shareholders of Forbo Holding Ltd on April 24, 2009, the Board of Directors was authorized to sell or to use for acquisitions or for securing convertible or option rights the 213,152 treasury shares acquired as part of the second trading line share-buyback program approved by the Ordinary General Meeting on April 25, 2008. At the Ordinary General Meeting on April 29, 2011, the Board of Directors will propose that the 213,152 treasury shares repurchased via the second trading line on the SIX Swiss Exchange be destroyed.

25 Stock option plan

On March 15, 2006, the Board of Directors approved the introduction of the Management Investment Plan (MIP). Members of the Board of Directors are not party to the MIP. Under the MIP, participants receive at least 50% of the variable component of their compensation in the form of shares and options. The share-based portion of the variable compensation is recognized at fair value, offset by equity instruments and entered as a corresponding increase in equity. The shares are issued at the average market price for the first 14 trading days in January of the current year. The options are issued on the basis of a valuation by an independent bank, whereby the valuation is based on the average market price of the shares in the first 14 trading days in January of the current year. Equities and options are subject to a three-year vesting period. The term of the options is 5 years. Shares and options issued under the MIP are equity-settled.

Options

Change in the number of outstanding options and their weighted average strike price:

	2010		2009	
	Weighted average strike price	Number of options	Weighted average strike price	Number of options
Options outstanding as at January 1	**438**	**30,823**	**499**	**24,206**
Granted	435	5,165	215	8,117
Forfeited	0	0	0	0
Exercised	322	– 10,394	220	– 1,500
Expired	0	0	0	0
Options outstanding as at December 31	**484**	**25,594**	**438**	**30,823**

Of the outstanding 25,594 options (2009: 30,823), 6,268 were exercisable as at December 31, 2010 (2009: 10,894). The exercise of 10,394 options (2009: 1,500) resulted in the issue of 10,394 Forbo Holding Ltd shares (2009: 2,500) at a weighted average strike price of CHF 322 (2009: CHF 220). The weighted average share price on the exercise days was CHF 490 (2009: CHF 254). The expense for equity-settled options charged to the income statement in accordance with IFRS 2 amounted to CHF 0.7 million (2009: CHF 0.3 million).

Information on the outstanding options as at December 31, 2010:

Series	Strike price (CHF)	Number of outstanding options	Average remaining term (years)	Number of exercisable options
2006	370	500	0.3	500
2007	565	5,768	1.2	5,768
2008	822	6,044	2.2	0
2009	215	8,117	3.3	0
2010	435	5,165	4.3	0
Total options outstanding		**25,594**	**1.9**	**6,268**

In the year under review, a total of 5,165 equity-settled options (2009: 8,117) were issued under the MIP. The fair value of these options was CHF 117.1 (2009: CHF 34.8). The options were valued in accordance with the Black-Scholes model using the following input factors: share price at issue date CHF 452 (2009: CHF 172), strike price CHF 435 (2009: CHF 215), volatility 29.0% (2009: 35.8%), expected time to maturity 4.1 years (2009: 4.1 years), dividend yield 1.3% (2009: 2.3%) and risk-free interest rate 1.6% (2009: 1.8%). The expected volatility is based on adjusted historical market data over a period comparable to the expected lifetime of the options. The expected term applied in the calculation model has been adapted, using the best possible estimates to allow for restrictions on exercise rights and possible behavior patterns.

Shares

Under the MIP, 1,061 shares in Forbo Holding Ltd were issued in the year under review (2009: 1,643). The share price as at the reporting date was CHF 452 (2009: CHF 169).

The Delegate of the Board of Directors and CEO is remunerated primarily with shares. On the basis of an employment contract signed in 2005, 47,395 shares were issued in 2006 at a fair value of CHF 270 each for the entire five-year contract term (2006 to 2010). These shares are vested until December 31, 2010. The corresponding personnel expenses have been charged to the income statement over the term of the contract on a pro rata basis. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to run until end of April 2013. Compensation will again be paid mainly in shares, which in accordance with IFRS 2 has been recognized on a pro rata basis for the year under review.

In the year under review, the total amount charged to the income statement in accordance with IFRS 2 for shares issued to the Executive Board and Board of Directors came to CHF 4.8 million (2009: CHF 4.2 million).

26 Non-current financial debt

	31.12.2010	31.12.2009
CHF m		
Outstanding private placement and bond	196.9	201.6
Unamortized issuance cost	– 1.0	– 1.4
Total outstanding private placements and bonds	**195.9**	**200.2**
Bank debt	62.7	349.0
Lease obligations	0.9	1.3
Less current portion	– 63.0	– 0.4
Total non-current financial debt	**196.5**	**550.1**

	31.12.2010	31.12.2009
Maturities of non-current financial debt		
CHF m		
After 1 year	47.2	183.4
After 2 years	150.3	218.0
After 3 years	0.0	150.1
5 + years	0.0	0.0
Unamortized costs	– 1.0	– 1.4
Total non-current financial debt	**196.5**	**550.1**

Forbo Holding Ltd issued a CHF 150.0 million four-year bond on July 6, 2009 (maturity: July 31, 2013). The bond has a coupon of 4 1/8% and has been traded on the SIX Swiss Exchange since July 20, 2009.

Derivatives:

Financial derivatives	Number of contracts	Gross value hedged CHF m	Unrealized gain/loss (–) CHF m
Derivative financial instruments as at December 31, 2009	24	15.8	0.4
Derivative financial instruments as at December 31, 2010	3	21.5	– 0.3

Financial derivatives are valued at fair value in accordance with IAS 39. The replacement value (sum of all positive and negative fair values) as at December 31, 2010, was CHF – 0.3 million (2009: CHF + 0.4 million). The private placement and bond are measured at amortized cost using the effective interest method.

Outstanding private placement and bond as at December 31, 2010				
Company	Currency	m	Term	Interest rate
Private placement: Forbo NL Holding B.V. (guaranteed by Forbo Holding Ltd)	USD	50.0	2002 – 2012	6.290%
Bond: Forbo Holding Ltd	CHF	150.0	2009 – 2013	4.125%

Financial covenants

The private placement, bond, and bank debt contain standard general covenants. The private placement and part of the bank debt also contain financial covenants, i.e. a defined maximum debt gearing (the ratio of consolidated net debt to consolidated EBITDA may not exceed 3 to 1), a defined minimum interest coverage ratio (ratio of consolidated EBITDA to consolidated net interest payable may not be less than 4 to 1), and capital adequacy rules (shareholders' equity in the consolidated balance sheet may not fall below CHF 535.5 million).

The private placement, the bond, and part of the bank debt include standard events of default. All facilities are unsecured (with the exception of guarantees provided by Forbo Holding Ltd as surety for its subsidiaries).

27 Employee benefit obligations

The Group has established several pension plans based on the specific requirements in the countries in which it operates. The Group has both defined contribution and defined benefit plans. The liabilities and assets under the main defined benefit plans are assessed annually by independent actuaries using the projected unit credit method. The Group's largest pension plans are in the Netherlands and the United Kingdom.

Pension costs for defined benefit plans:

	2010	2009
Actuarial net periodic pension costs		
CHF m		
Current service cost, net	11.5	12.0
Interest costs	32.6	35.1
Expected return on plan assets	– 27.1	– 22.9
Curtailments and settlements	– 0.4	– 0.6
Total actuarial net periodic pension costs	**16.6**	**23.6**

Changes in defined benefit obligations under the defined benefit plans:

CHF m	2010	2009
As at January 1	**635.5**	**575.1**
Current service cost, net	11.5	12.0
Employee contributions	4.4	4.9
Interest costs	32.6	35.1
Benefits paid	– 27.0	– 24.9
Actuarial losses	31.0	30.6
Curtailments and settlements	– 3.3	– 4.8
Translation differences	– 84.8	7.5
As at December 31	**599.9**	**635.5**

Changes in expected plan assets of the defined benefit plans at fair value:

CHF m	2010	2009
As at January 1	**566.9**	**516.5**
Expected return on plan assets	27.1	22.9
Employer contributions	17.8	14.8
Employee contributions	4.4	4.9
Actuarial gains	15.9	27.0
Benefits paid	– 27.0	– 24.9
Curtailments and settlements	– 2.9	– 4.2
Translation differences	– 77.0	9.9
As at December 31	**525.2**	**566.9**

The actual return on plan assets comes to CHF 43.0 million (2009: 49.9 million).

The present value of defined benefit pension liabilities and plan assets as at year-end:

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
CHF m					
Present value of defined benefit liabilities	599.9	635.5	575.1	734.9	807.2
Fair value of plan assets	– 525.2	– 566.9	– 516.5	– 750.5	– 761.4
Net liabilities/assets (–)	**74.7**	**68.6**	**58.6**	**– 15.6**	**45.8**
Net assets not recognized in the balance sheet	0.0	0.0	0.0	12.5	0.0
Net liabilities/assets (–) recognized in the balance sheet	**74.7**	**68.6**	**58.6**	**– 3.1**	**45.8**

Actuarial gains and losses linked to experience adjustments used to value the defined benefit plan assets and liabilities:

	2010	2009	2008	2007	2006
Experience adjustments					
CHF m					
Plan liabilities					
Actuarial losses (–)/gains	– 7.7	8.8	0.6	0.3	15.5
Percentage of plan liabilities	– 1.2%	1.5%	0.0%	0.0%	2.0%
Plan assets					
Actuarial gains/losses (–)	15.9	27.0	– 96.9	– 26.6	6.6
Percentage of plan assets	2.8%	5.2%	– 12.9%	– 3.5%	1.0%

Actuarial gains and losses are recognized in the balance sheet under 'Pension liabilities' and presented directly in the other comprehensive income.

Most of the pension plans are financed in full or in part via outsourced funds. Pension liabilities amounting to CHF 37.8 million (2009: CHF 38.7 million) of a total of CHF 599.9 million (2009: CHF 635.5 million) are not financed via a fund.

Changes in net liabilities of defined benefit plans recognized in the balance sheet:

CHF m	2010	2009
Net liabilities as at January 1	**68.6**	**58.6**
Total pension expenses included in personnel expenses	16.6	23.6
Employer contributions	– 17.8	– 14.8
Actuarial losses	15.1	3.6
Translation differences	– 7.8	– 2.4
Net liabilities as at December 31	**74.7**	**68.6**

Actuarial gains and losses on defined benefit plans recognized in the comprehensive income statement:

	2010	2009
Cumulative recognized gains and losses		
CHF m		
Actuarial losses as at January 1	**– 2.9**	**– 0.6**
Actuarial losses in the current period	– 15.1	– 3.6
Translation differences	3.4	1.3
Total actuarial losses as at December 31	**– 14.6**	**– 2.9**

The actuarial loss in the year under review comprised a gain of CHF 15.9 million (2009: CHF 35.8 million) and a loss of CHF 7.7 million (2009: CHF 0.0 million) linked to past experience adjustments and a CHF 23.3 million (2009: CHF 39.4 million) loss caused by changes in assumptions.

Principal actuarial assumptions used for accounting purposes for defined benefit plans (expressed as weighted averages):

%	2010	2009
Discount rate	5.2	5.4
Expected return on plan assets	4.8	4.4
Future salary increases	3.2	3.0
Inflation	2.3	2.3

The expected return on plan assets is derived from long-term government bonds in the respective currency zones.

Weighted average asset allocation of the defined benefit plan assets as at December 31:

	2010	2009
%		
Shares	25.0	27.0
Bonds	73.0	71.0
Real estate	1.0	1.0
Cash and other investments	1.0	1.0
Total plan assets as at December 31	**100.0**	**100.0**

Future contributions are estimated in the subsequent year based on the current year levels.

The cost of the contributions to defined contribution plans, which is included in personnel expenses, amounted to CHF 4.7 million (2009: CHF 5.3 million).

28 Provisions

Provisions

CHF m	Warranty provisions	Environmental provisions	Provisions for legal claims	Personnel provisions	Other provisions	Total 2010	Total 2009
At January 1	**2.2**	**0.0**	**17.7**	**19.2**	**32.6**	**71.7**	**55.6**
Additions	2.2	0.0	2.8	10.1	1.0	16.1	32.9
Used during the year	– 2.0	0.0	– 0.4	– 16.1	– 8.7	– 27.2	– 6.7
Reversed during the year	– 0.2	0.0	– 0.1	– 0.8	– 0.4	– 1.5	– 10.4
Translation differences	– 0.4	0.0	– 0.2	– 0.9	– 0.4	– 1.9	0.3
As at December 31	**1.8**	**0.0**	**19.8**	**11.5**	**24.1**	**57.2**	**71.7**
Of which current provisions	1.2	0.0	0.0	7.7	13.0	21.9	32.9
Of which non-current provisions	0.6	0.0	19.8	3.8	11.1	35.3	38.8

Warranty provisions are linked to product sales and are based on past experience figures. Experience shows that cash outflows tend to be spread evenly over the warranty period of five to ten years. The provisions for legal claims relate mainly to product liability claims in which the Group is involved in the course of its normal business.

The personnel provisions comprise the bonus programs, provisions for paid leave and severance payments in connection with the downsizing programs. The items ‘Personnel provisions’ and ‘Other provisions’ include the use of restructuring provisions and provisions for structural adjustments formed in 2009.

29 Trade payables

Trade payables	31.12.2010	31.12.2009
CHF m		
Accounts payable	134.3	122.4
Notes payable	1.4	0.9
Total trade payables	**135.7**	**123.3**

30 Accrued expenses

Accrued expenses	31.12.2010	31.12.2009
CHF m		
Accrued expenses for compensation and benefits to employees	48.3	57.2
Other accrued expenses	70.1	68.1
Total accrued expenses	**118.4**	**125.3**

Accrued expenses for compensation and employee benefits mainly comprise overtime accruals and provisions. Other accrued expenses include volume rebates, commissions, premiums, interest, and accrued warranty costs and similar items.

31 Current financial debt

Current financial debt	31.12.2010	31.12.2009
CHF m		
Current bank loans and overdrafts	2.9	3.0
Current portion of non-current debt	63.0	0.4
Total current financial debt	**65.9**	**3.4**

For information on covenants, see note 26 'Non-current financial debt'.

32 Contingent liabilities

	31.12.2010	31.12.2009
CHF m		
Contingent liabilities	0.8	0.6

The item 'Contingent liabilities' refers to sureties and guarantees in favor of third parties.

33 Leasing

	2010	2009
Leasing		
CHF m		
Operating leasing liabilities:		
Up to 1 year	10.2	9.7
2 – 5 years	16.7	14.4
More than 5 years	5.5	3.3
Total operating leasing liabilities:	**32.4**	**27.4**

Expenses for operating leasing and rentals totaled CHF 25.4 million (2009: CHF 27.4 million). The Group has no significant operating leasing contracts.

Finance lease liabilities stood at CHF 0.9 million at year-end 2010 (2009: CHF 1.3 million) and appear under 'Non-current financial debt'.

34 Additional information on financial instruments

The financial instruments held at the accounting date fall into the following categories:

As at December 31, 2010

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial assets available-for-sale
Assets				
Trade receivables and other receivables		249.2		
Other financial assets		4.6		
Cash and cash equivalents	171.4			
Marketable securities				47.4
Financial derivatives				
Total assets	**171.4**	**253.8**	**0.0**	**47.4**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	262.2		
Financial derivatives		0.3	
Trade payables and other payables[1)]	154.7		
Total liabilities	**416.9**	**0.3**	**0.0**

As at December 31, 2009

CHF m	Cash and cash equivalents	Loans and receivables	Derivatives used for hedging	Financial assets available-for-sale
Assets				
Trade receivables and other receivables		269.6		
Other financial assets		4.7		
Cash and cash equivalents	198.2			
Marketable securities				100.2
Financial derivatives			0.5	
Total assets	**198.2**	**274.3**	**0.5**	**100.2**

CHF m	Financial liabilities at amortized costs	Derivatives used for hedging	Financial instruments held for trading
Liabilities			
Interest-bearing debt	553.0		
Financial derivatives		0.1	
Trade payables and other payables[1)]	144.5		
Total liabilities	**697.5**	**0.1**	**0.0**

1) Excluding sales tax.

The following table classifies the financial instruments that are valued at fair value in a three-level hierarchy:

- Level 1: Market prices for identical assets and liabilities.
- Level 2: Input factors other than market prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Input factors for the asset or liability that are not based on observable market data (non-observable inputs).

As at December 31, 2010				
CHF m	Level 1	Level 2	Level 3	Total
Financial assets available-for-sale	47.4			47.4
Financial derivatives				0.0
Total assets	**47.4**			**47.4**
Financial derivatives		0.3		0.3
Total liabilities	**0.0**	**0.3**	**0.0**	**0.3**

As at December 31, 2009				
CHF m	Level 1	Level 2	Level 3	Total
Financial assets available-for-sale	100.2			100.2
Financial derivatives		0.5		0.5
Total assets	**100.2**	**0.5**		**100.7**
Financial derivatives		0.1		0.1
Total liabilities	**0.0**	**0.1**	**0.0**	**0.1**

35 Acquisition of subsidiaries

As in 2009, the Group did not acquire any subsidiaries in the year under review.

36 Related party transactions

Compensation paid to members of the Board of Directors and Executive Board:

	Executive Board		Board of Directors		Total	
CHF m	2010	2009	2010	2009	2010	2009
Remuneration	2.6	2.4	0.8	0.8	3.4	3.2
Employer contributions to the pension scheme	0.4	0.4	0.2	0.2	0.6	0.6
Other long-term benefits	0.0	0.0	0.0	0.0	0.0	0.0
Termination benefits	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments	1.4[1)]	0.5	3.9[2)]	3.9	5.3	4.4
Total payments	**4.4**	**3.3**	**4.9**	**4.9**	**9.3**	**8.2**

1) In addition to the estimated, performance-related variable remuneration within the framework of the MIP (see note 25 'Stock option plan') for 2010, amounting to CHF 2.6 million, this figure includes the difference, amounting to CHF – 1.2 million, between the bonuses deferred at the end of 2009 (payable in equity instruments) and the value of the equity instruments actually issued in the year under review.

2) The sum of CHF 3.9 million includes share-based payments to the Board of Directors and to the Delegate of the Board of Directors and CEO, which is unchanged from the previous year.

The compensation paid to the Executive Board in 2010 consisted of the gross basic salary, private use of a company car, and social security payments made by the company. Employer contributions to the pension fund are reported separately. Share-based payments to the Executive Board consist of performance-based variable remuneration under the MIP (see note 25 'Stock option plan') for 2010 amounting to CHF 2.6 million (payable in spring 2011) minus the difference, amounting to CHF – 1.2 million, between the bonuses deferred at the end of 2009 (payable in equity instruments) and the value of the equity instruments actually issued in 2010.

The compensation paid to the Board of Directors included CHF 0.3 million (2009: CHF 0.3 million) for the Delegate of the Board of Directors and CEO. This included an annual amount of CHF 0.15 million (2009: CHF 0.15 million) to cover employee contributions to the pension plan and social security, and CHF 0.17 million (2009: CHF 0.17 million) for private use of a company car, employer contributions to the pension plan and to AHV/ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance. Employer contributions to the pension plan are reported separately. Current payment benefits for non-executive Board members of Forbo Holding Ltd totaled CHF 0.5 million (2009: CHF 0.5 million).

With effect from January 2009, the employment contract of the Delegate of the Board of Directors and CEO was extended and continues until end-April 2013. Compensation will again be paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are vested until December 31, 2013. The share-based payments made to the Board of Directors include the annual portion of the Forbo shares allocated to the Delegate of the Board of Directors and CEO in 2005 which amounted to CHF 2.6 million (2009: CHF 2.6 million) plus the additional annual portion of the shares of Forbo Holding Ltd allocated to the Delegate of the Board of Directors and CEO totaling CHF 1.1 million (2009: 1.1 million) pursuant to the extension of the employment contract until the end of April 2013. In accordance with IFRS 2, these shares have been recognized on a pro rata basis.

Moreover, the share-based payments made to the Board of Directors included 631 shares in Forbo Holding Ltd allocated to the non-executive members of the Board of Directors in 2010 (2009: 1,135 shares) with a fair value of CHF 0.3 million (2009: CHF 0.2 million).

Further details relating to the compensation paid to the Executive Board and the Board of Directors can be found in note 17 'Disclosure of compensation paid to the Board of Directors and the Executive Board pursuant to Articles 663b^{bis} and 663c of the Swiss Code of Obligations' in the financial statements for Forbo Holding Ltd.

On April 12, 2010, Forbo sold 288,691 Rieter shares to Artemis Beteiligungen IV AG, a company owned by Michael Pieper, at a price of CHF 320 per share. This price was around CHF 12 higher than the average stock market price for the preceding 20 days. The sale was structured as a forward transaction. The shares were delivered and the sales price was paid on June 29, 2010. The Group obtained CHF 92.4 million in cash and cash equivalents form the sale of the Rieter shares, posting financial income totaling CHF 43.0 million before tax from the sale.

Enia Carpet Group AG constitutes a related party because the Forbo Group holds a 33 1/3% stake. In the year under review, the Forbo Group bought products from Enia Carpet Group AG worth CHF 1.6 million (2009: CHF 3.0 million), while the Enia Carpet Group bought products from the Forbo Group worth CHF 0.1 million. The goods were sold to and purchased from related parties at market conditions. As at December 31, 2010, Forbo had no significant receivables due from or liabilities to related parties.

37 Risk assessment and financial risk management

The tasks of the Board of Directors include identifying risks, determining suitable measures, and implementing those measures or having them implemented. The Board of Directors of Forbo Holding Ltd conducted a Group-wide risk assessment in the year under review and also determined which risks were be managed by particular management levels. The Board of Directors is closely involved in the assessment of strategic risks and, in consultation with the Executive Board, ensures that operational risks are dealt with appropriately and duly reported. This approach gives the Board a complete overview of the key risks and measures. This broad overview enables the Group to set priorities and allocate the necessary resources.

Financial risk management

In its day-to-day operations, the Forbo Group uses derivative and non-derivative financial instruments to manage the risks and opportunities arising from fluctuations in exchange rates and interest rates. The various risks associated with existing assets and liabilities as well as planned and anticipated transactions are monitored and managed centrally – with due regard to the Group's overall risk exposure. In line with the Group's hedging policy, Corporate Treasury constantly monitors both the risk exposure and the effectiveness of the hedging instruments and issues recommendations with regard to partial or complete hedging of existing risks.

The Group's risk management policy does not permit the use of derivatives for speculation. In order to manage counterparty risk, derivative financial transactions are concluded only with first-class banks. The creditworthiness of these institutions is assessed on the basis of evaluations by leading rating agencies.

Derivatives include instruments used by the company to manage foreign currency and interest risks or combinations thereof.

Translation risk management
Risks arising from short-term currency exposure created by purchases and sales of goods and services (transaction risks) are identified, and selective hedging strategies are implemented in line with an ongoing assessment of exchange rate movements. The Group uses only foreign exchange forward and option contracts with maturities of below fifteen months to hedge against transaction risk.

Furthermore, risks associated with the translation of assets and liabilities denominated in foreign currencies (translation risks) are managed by establishing an appropriate financing policy that includes net investment hedges.

The following table shows the sensitivity of profit before tax and of shareholders' equity to changes in the exchange rate of the US dollar, the euro, the pound sterling , and the Swiss franc. The table illustrates sensitivity in relation to transaction risks and cash flow hedges. Translation risks, the effects of loans that qualify as net investments, and net investment hedges have not been taken into account.

2010

CHF m	Change in exchange rate	Impact on profit before tax	Impact on shareholders' equity
EUR/CHF	5%	0.4	0.0
	– 5%	– 0.4	0.0
USD/CHF	5%	0.4	0.0
	– 5%	– 0.4	0.0
EUR/USD	5%	0.4	0.0
	– 5%	– 0.4	0.0
GBP/CHF	5%	0.1	0.0
	– 5%	– 0.1	0.0
GBP/EUR	5%	0.1	0.0
	– 5%	– 0.1	0.0

2009

CHF m	Change in exchange rate	Impact on profit before tax	Impact on shareholders' equity
EUR/CHF	5%	0.9	0.0
	– 5%	– 0.9	0.0
USD/CHF	5%	0.3	0.0
	– 5%	– 0.3	0.0
EUR/USD	5%	0.7	0.5
	– 5%	– 0.7	– 0.5
GBP/CHF	5%	0.1	0.0
	– 5%	– 0.1	0.0
GBP/EUR	5%	– 0.1	0.0
	– 5%	0.1	0.0

Management of interest-rate risks

Interest-rate risks arise from changes in the fair value of interest-bearing assets and liabilities caused by fluctuations in interest rates. Since these risks may have a negative effect on net financial profit and shareholders' equity, the Group uses derivatives to manage them on a case-by-case basis. The table below shows the sensitivity of profit before tax and of shareholders' equity to the stated changes in interest rates for cash and cash equivalents, interest-bearing debt and financial derivatives.

An average figure has been used for cash and cash equivalents as the final amount is not significant for calculating interest-rate sensitivity. The average was arrived at by taking the arithmetic mean of the initial and final amounts.

2010

CHF m	Change in interest rate	Impact on profit before tax	Impact on shareholders' equity
EUR	50bp	0.1	0.0
	– 50bp	– 0.1	0.0
USD	50bp	0.1	0.0
	– 50bp	– 0.1	0.0
CHF	50bp	0.1	0.0
	– 50bp	– 0.1	0.0

2009

CHF m	Change in interest rate	Impact on profit before tax	Impact on shareholders' equity
EUR	50bp	– 0.2	0.0
	– 50bp	0.2	0.0
USD	50bp	0.1	0.0
	– 50bp	– 0.1	0.0
CHF	50bp	– 0.9	0.0
	– 50bp	0.9	0.0

In 2009, all derivatives linked to the US private placement were repaid. As a result, changes in interest rates no longer have any direct effect on shareholders' equity.

Management of liquidity risks

Group companies need sufficient cash in order to meet their liabilities. Corporate Treasury is responsible for managing liquidity surpluses. The share of the aggregate cash and cash equivalents and securities managed by Corporate Treasury was around 64% on December 31, 2010. The Group has sufficient liquidity reserves (as at December 31, 2010, CHF 171.4 million in cash and cash equivalents and CHF 47.4 million in securities) to be able to meet its commitments at any time. At present, the Group regards a liquidity stock of roughly CHF 100 million as sufficient to meet its payment obligations at all times.

The maturity structure of the existing financial liabilities is shown in the following table. These liabilities correspond to contractually-agreed maturities and represent nominal payment outflows. Inflows and outflows of funds from derivatives are shown separately.

As at December 31, 2010

CHF m	Remaining term to maturity up to 1 year	Remaining term to maturity 1 – 2 years	Remaining term to maturity 2 – 5 years	Remaining term to maturity over 5 years
Liabilities to banks	66.6	0.2	0.0	0.0
Interest-free liabilities	154.7	0.1	0.0	0.1
Leasing contract liabilities	0.4	0.3	0.3	0.0
Liabilities from private placements and bonds	9.2	56.1	156.2	0.0
Cash outflow from financial derivatives	21.9	0.0	0.0	0.0
Cash inflow from financial derivatives	21.5	0.0	0.0	0.0

As at December 31, 2009

CHF m	Remaining term to maturity up to 1 year	Remaining term to maturity 1 – 2 years	Remaining term to maturity 2 – 5 years	Remaining term to maturity over 5 years
Liabilities to banks	5.9	183.8	166.3	0.0
Interest-free liabilities	142.8	0.9	0.0	0.2
Leasing contract liabilities	0.4	0.4	0.5	0.0
Liabilities from private placements and bonds	9.5	9.5	217.3	0.0
Cash outflow from financial derivatives	15.5	0.0	0.0	0.0
Cash inflow from financial derivatives	– 15.8	0.0	0.0	0.0

Management of credit risks

Credit risks arise from the possibility that customers may not be able to meet their agreed commitments. To manage this risk to a sufficient extent, the creditworthiness of the different customers is constantly monitored. Credit risks are diversified through the company's broad customer base in different segments and geographic regions. With regard to counterparty risk exposure to banks, Group-wide directives stipulate that financial investments and other financial transactions must only be made with first-class banks. Given the credit ratings of these counterparties, the Group does not anticipate any defaults.

Capital management
For the Group, capital management means both optimizing the capital employed and managing consolidated shareholders' equity, which consists of paid-up share capital, treasury shares, reserves, and translation differences. As at December 31, 2010, shareholders' equity stood at CHF 729.7 million. The capital management objectives are to ensure that the Group remains a going concern, to preserve its financial flexibility for investments and to achieve a risk-adjusted return on equity for investors.

Changes in economic condition may require adjustments to the Group's shareholders' equity. These adjustments can take the form of dividend payments, capital repayments or increases, and share buybacks.

In connection with the US private placement and certain bank facilities, the Group has a covenant that defines the minimum consolidated shareholders' equity as CHF 535.5 million.

38 Events after the balance sheet date

There are no events to report after the balance sheet date.

Group companies (as at December 31, 2010)

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Move-ment Systems	Holding/ Services
Australia									
Forbo Floorcoverings Pty. Ltd.	Wetherill Park, NSW	D	AUD	1,400,000	100%	S			
Forbo Siegling Pty. Ltd.	Wetherill Park, NSW		AUD	6,000,000	100%			S	
Austria									
Forbo Flooring Austria GmbH	Vienna		EUR	73,000	100%	S			
Forbo Siegling Austria Ges.m.b.H.	Vienna		EUR	330,000	100%			S	
Belgium									
Forbo Adhesives België BVBA	Dendermonde		EUR	61,000	100%		S		
Forbo Flooring N.V.	Groot-Bijgaarden		EUR	250,000	100%	S			
Brazil									
Forbo Pisos Ltda.	São Paulo		BRL	10,000	100%	S			
Forbo Siegling Brasil Ltda.	São Paulo	N	BRL	7,008,746	50%			MS	
Canada									
Forbo Adhesives (Canada) Ltd.	Saint John		CAD	3,500,157	100%		MS		
Forbo Flooring Inc.	Toronto		CAD	500,000	100%	S			
Forbo Siegling Ltd.	Toronto		CAD	501,000	100%			S	
Chile									
Forbo Siegling Chile S.A.	Santiago	N	CLP	335,631,092	50%			MS	
Czech Republic									
Bonar Floors s.r.o.	Prague		CZK	200,000	100%	S			
Forbo Siegling Ceska republika s.r.o.	Liberec		CZK	100,000	100%			S	
Forbo s.r.o.	Prague		CZK	500,000	100%	S	S		
Denmark									
Forbo Flooring A/S	Glostrup		DKK	500,000	100%	S			
Forbo Siegling Danmark A/S	Brøndby		DKK	1,100,000	100%			MS	
Finland									
Forbo Linoleum OY	Helsinki		EUR	33,638	100%				H
Oy Forbo Adhesives Nordic Ab	Esbo		EUR	25,280	100%		MS		
France									
Forbo Adhesives France S.A.S.	Surbourg		EUR	1,440,000	100%		MS		
Forbo Château Renault S.A.S.	Château-Renault		EUR	8,000,000	100%	MS			
Forbo Participations S.A.S.	Reims	D	EUR	43,490,386	100%				H
Forbo Reims SNC	Reims		EUR	3,879,810	100%	MS			
Forbo Sarlino S.A.S.	Reims		EUR	6,400,000	100%	S			
Forbo Siegling France S.A.S.	Lomme		EUR	819,000	100%			S	

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Move-ment Systems	Holding/ Services
Germany									
Forbo Adhesives Deutschland GmbH	Pirmasens		EUR	5,120,000	100%		MS		
Forbo Beteiligungen GmbH	Lörrach	D	EUR	15,400,000	100%				H
Forbo Erfurt GmbH	Erfurt		EUR	2,050,000	100%		MS		
Forbo Flooring GmbH	Paderborn		EUR	500,000	100%	S			
Forbo Siegling GmbH	Hanover		EUR	10,230,000	100%			MS	
Paul Heinicke GmbH & Co. KG	Pirmasens	D	EUR	1,023,000	100%				H
Realbelt GmbH	Lörrach		EUR	100,000	100%			S	
Greece									
Forbo Adhesives Greece S.A.I.C	Kallithea (Athens)		EUR	927,656	100%		MS		
Hong Kong									
Bonar Floors Ltd.	Hong Kong		HKD	123,548,000	100%	S			
Forbo Holding (Hong Kong) Ltd.	Hong Kong		HKD	1,000,000	100%				H
Forbo Siegling Hong Kong Ltd.	Hong Kong		HKD	1,000,000	100%			S	
Hungary									
Forbo Adhesives Hungary Kft.	Budapest		HUF	3,000,000	100%		S		
Forbo Siegling Hungária Kft.	Budaörs		HUF	30,000,000	100%			S	
Ireland									
Forbo Adhesives Ireland Ltd.	Dublin		EUR	2,520	100%		S		
Forbo Ireland Ltd.	Dublin		EUR	127,000	100%	S			
Forbo-Siegling (Ireland) Ltd.	Dublin		EUR	25,395	100%				H
Italy									
Forbo Adhesives Italia S.p.A.	Pianezze (Vicenza)		EUR	416,000	100%		MS		
Forbo Resilienti S.r.l.	Segrate (Milano)		EUR	60,000	100%	S			
Forbo Siegling Italia S.p.A.	Paderno Dugnano (Milano)		EUR	120,000	100%			S	
Japan									
Forbo Siegling Japan Ltd.	Tokyo		JPY	330,000,000	100%			MS	
Jersey, C.I.									
Forbo Invest Ltd.	St. Helier	D	GBP	25,000	100%				H
Malaysia									
Forbo Siegling SDN. BHD.	Johor Bahru		MYR	2,500,002	100%			S	
Mexico									
Forbo Siegling, S.A. de C.V.	Tlalnepantla		MXN	24,676,404	100%		S	MS	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2010
D Direct participation of Forbo Holding Ltd

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Movement Systems	Holding/ Services
Netherlands									
Forbo Adhesives Nederland B.V.	Genderen		EUR	27,600	100%		MS		
Forbo Eurocol B.V.	Zaanstad		EUR	454,000	100%		MS		
Forbo Flooring B.V.	Krommenie		EUR	11,350,000	100%	MS			
Forbo Flooring Coral N.V.	Krommenie		EUR	9,700,000	100%	MS			
Forbo NL Holding B.V.	Krommenie		EUR	13,500,000	100%				H
Forbo-Novilon B.V.	Coevorden		EUR	3,630,241	100%	MS			
Forbo Siegling Nederland B.V.	Spankeren		EUR	113,445	100%			S	
New Zealand									
Forbo Siegling Ltd.	Auckland		NZD	650,000	100%			S	
Norway									
Forbo Flooring AS	Asker	D	NOK	1,000,000	100%	S			
People's Republic of China									
Forbo Adhesives (Guangzhou) Co., Ltd.	Guangzhou		USD	8,000,000	100%		MS		
Forbo Adhesives (Shanghai) Co., Ltd.	Shanghai		USD	1,000,000	100%		MS		
Forbo Shanghai Co., Ltd.	Shanghai		CHF	4,000,000	100%	S		MS	
Forbo Siegling (Shenyang) Belting Co., Ltd.	Shenyang		USD	16,221,000	100%			MS	
Poland									
Forbo Adhesives Poland Sp. z o.o.	Warsaw		PLN	50,000	100%		S		
Portugal									
Forbo-Revestimentos, S.A.	Leça da Palmeira (Porto)		EUR	74,850	100%	S			
Siegling (Portugal) Lda.	Gemunde (Porto)		EUR	500,000	100%				H
Romania									
Forbo Adhesives Romania S.R.L.	Oradea		RON	7,077	100%		S		
Forbo Siegling Romania S.R.L.	Bucharest		RON	38,000	100%			S	
Russia									
OOO 'Forbo Flooring'	Moscow		RUB	500,000	100%	S			
OOO 'Forbo Kaluga'	Moscow		RUB	158,313,780	100%	MS			
OOO 'Forbo Stroitech'	Stary Oskol		RUB	144,181,000	100%		MS		
ZAO 'Forbo Siegling'	St. Petersburg		RUB	400,000	100%			S	
Slovakia									
Bonar Floors, s.r.o.	Bratislava		SKK	200,000	100%	S			
Forbo Siegling s.r.o.	Malacky		EUR	6,639	100%			MS	
Spain									
Forbo Adhesives Spain, S.L.	Mos (Pontevedra)		EUR	6,015,006	100%		MS		
Forbo Pavimentos, S.A.	Barcelona		EUR	60,101	100%	S			
Forbo Siegling Iberica, S.A.	Montcada i Reixac (Barcelona)		EUR	1,532,550	100%			S	

Company	Registered office		Currency	Share capital	Equity interest	Flooring Systems	Bonding Systems	Move-ment Systems	Holding/ Services
Sweden									
Forbo Adhesives Sweden AB	Gothenburg		SEK	100,000	100%				H
Forbo Flooring AB	Gothenburg	D	SEK	8,000,000	100%	S			
Forbo Project Vinyl AB	Gothenburg	D	SEK	50,000,000	100%	S			
Forbo Siegling Svenska AB	Kållered (Gothenburg)		SEK	1,000,000	100%			S	
Switzerland									
Enia Carpet Group AG	Ennenda	N	CHF	3,375,000	33%				H
FJK Carpet D GmbH in Liquidation	Ennenda	N	CHF	20,000	25%				H
Forbo Financial Services AG	Baar	D	CHF	100,000	100%				H
Forbo Finanz AG	Baar	D	CHF	10,000,000	100%				H
Forbo-Giubiasco SA	Giubiasco	D	CHF	100,000	100%	MS			
Forbo International SA	Baar	D	CHF	100,000	100%		MS	MS	H
Turkey									
Forbo Adhesives Ticaret Limited Sirketi	Istanbul		TRY	725,000	100%		S		
United Kingdom									
Bonar Tiles Holdings Ltd.	Derbyshire		GBP	1,000	100%				H
Bonar Tiles Ltd.	Derbyshire		GBP	14,500,002	100%				H
Forbo Adhesives UK Ltd.	Chatteris	D	GBP	100	100%		MS		
Forbo Flooring UK Ltd.	Kirkcaldy		GBP	4,000,000	100%	MS			H
Forbo-Nairn Ltd.	London		GBP	8,000,000	100%				H
Forbo Siegling (UK) Ltd.	Dunkinfield		GBP	50,774	100%			S	
Forbo UK Ltd.	London		GBP	49,500,000	100%				H
Westbond Ltd.	Derbyshire		GBP	400,000	100%				H
USA									
Forbo Adhesives, LLC	Wilmington, DE		USD	5,000,100	100%		MS		
Forbo America Inc.	Wilmington, DE	D	USD	19,957,259	100%				H
Forbo America Services Inc.	Wilmington, DE		USD	50,000	100%				H
Forbo Flooring, Inc.	Wilmington, DE		USD	3,517,000	100%	S			
Forbo Siegling, LLC	Wilmington, DE		USD	15,455,000	100%			MS	

S Sales
MS Manufacturing and Sales
H Holding/Services
N Not consolidated as at December 31, 2010
D Direct participation of Forbo Holding Ltd

Report of the statutory auditor

Report of the statutory auditor to the General Meeting of Forbo Holding Ltd, Baar

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of Forbo Holding Ltd, which comprise the consolidated balance sheet, consolidated income statement, comprehensive income statement, consolidated shareholder's equity, consolidated cash flow statement and notes (pages 84 to 141), for the year ended December 31, 2010.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

PricewaterhouseCoopers AG

Daniel Ketterer	Reto Tognina
Audit expert	Audit expert
Auditor in charge	

Zurich, March 9, 2011

Consolidated income statements 2006 – 2010

	2010	2009	2008	2007	2006
CHF m					
Net sales	**1,789.7**	**1,782.4**	**1,918.7**	**2,004.0**	**1,879.5**
Cost of goods sold	– 1,201.1	– 1,200.4	– 1,325.0	– 1,331.9	– 1,273.4
Gross profit	**588.6**	**582.0**	**593.7**	**672.1**	**606.1**
Development costs	– 27.3	– 27.9	– 29.9	– 31.6	– 31.3
Marketing and distribution costs	– 250.7	– 270.0	– 282.7	– 325.9	– 300.6
Administrative costs	– 123.9	– 128.3	– 137.9	– 137.7	– 131.9
Other operating expenses	– 14.0	– 46.4	– 50.0	– 33.9	– 50.7
Other operating profit	13.2	12.4	23.9	19.4	18.0
Operating profit	**185.9**	**121.8**	**117.1**	**162.4**	**109.6**
Financial income	44.4	4.3	9.2	11.7	7.6
Financial expenses	– 15.5	– 24.7	– 104.9	– 19.3	– 21.0
Group profit before taxes	**214.8**	**101.4**	**21.4**	**154.8**	**96.2**
Income taxes	– 51.5	– 25.3	– 5.4	– 44.1	– 35.0
Group profit for the year	**163.3**	**76.1**	**16.0**	**110.7**	**61.2**

Consolidated balance sheets 2006 – 2010

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Assets					
CHF m					
Non-current assets	**743.9**	**885.7**	**928.7**	**601.7**	**593.4**
Property, plant, and equipment	450.2	549.9	586.3	423.7	421.5
Intangible assets	270.4	309.1	311.7	151.9	149.2
Deferred tax assets	17.6	20.5	28.8	20.7	20.5
Employee benefit assets	0.0	0.0	0.0	3.1	0.0
Investments in associates and other non-current assets	5.7	6.2	1.9	2.3	2.2
Current assets	**750.3**	**859.7**	**909.1**	**803.5**	**905.2**
Inventories	260.9	261.0	298.3	286.3	266.7
Trade receivables	220.8	237.1	265.8	287.7	293.7
Other receivables	28.4	33.1	32.2	29.5	25.1
Prepaid expenses and deferred charges	21.4	30.1	23.6	22.5	25.6
Marketable securities	47.4	100.2	73.6	0.0	0.0
Cash and cash equivalents	171.4	198.2	215.6	177.5	294.1
Total assets	**1,494.2**	**1,745.4**	**1,837.8**	**1,405.2**	**1,498.6**

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Shareholders' equity and liabilities					
CHF m					
Shareholders' equity	**729.7**	**679.6**	**584.4**	**713.1**	**638.6**
Share capital	0.3	0.3	10.9	38.0	54.3
Treasury shares	– 0.1	– 0.1	– 2.0	– 4.0	– 3.5
Reserves and retained earnings	729.5	679.4	575.5	679.1	587.8
Non-current liabilities	**360.8**	**720.2**	**676.6**	**254.7**	**304.4**
Non-current financial debt	196.5	550.1	512.4	194.9	209.1
Employee benefit obligations	74.7	68.6	58.6	0.0	45.8
Non-current provisions	35.3	38.8	37.0	42.3	41.7
Deferred tax liabilities	54.3	62.7	68.6	17.5	7.8
Current liabilities	**403.7**	**345.6**	**576.8**	**437.4**	**555.6**
Trade payables	135.7	123.3	144.5	138.1	131.5
Current provisions and accrued expenses	140.3	158.2	149.0	167.6	169.3
Current financial debt	65.9	3.4	181.3	24.2	128.3
Current tax liabilities	31.0	24.7	25.3	29.8	21.8
Other current liabilities	30.8	36.0	76.7	77.7	104.7
Total liabilities	**764.5**	**1,065.8**	**1,253.4**	**692.1**	**860.0**
Total shareholders' equity and liabilities	**1,494.2**	**1,745.4**	**1,837.8**	**1,405.2**	**1,498.6**

Financial Report

Income statement for Forbo Holding Ltd

		2010	2009
Income			
CHF	Note		
Financial income:			
From investments in and advances to Group companies	1	53,765,439	42,699,290
From securities and short-term investments	2	93,546,926	56,292,117
Other income		678,740	9,801
Total income		**147,991,105**	**99,001,208**

		2010	2009
Expenses			
CHF	Note		
Administrative expenses	3	3,750,075	4,719,483
Financial expenses	4	30,391,394	14,463,396
Taxes		15,151	15,000
Total expenses		**34,156,620**	**19,197,879**
Net profit for the year		**113,834,485**	**79,803,329**

Balance sheet for Forbo Holding Ltd (before appropriation of available earnings)

		31.12.2010	31.12.2009
Assets			
CHF	Note		
Non-current assets		**590,903,226**	**658,521,470**
Shareholdings in Group companies	5	442,636,053	458,036,053
Advances to Group companies	6	148,267,173	200,485,417
Current assets		**200,531,148**	**151,559,649**
Other receivables from Group companies		2,199,993	5,669,249
Other receivables from third parties		234,447	23,673
Accrued income and prepaid expenses		134,569	708,985
Marketable securities	7	187,693,160	130,574,960
Cash and cash equivalents	8	10,268,979	14,582,782
Total assets		**791,434,374**	**810,081,119**

		31.12.2010	31.12.2009
Shareholders' equity and liabilities			
CHF	Note		
Shareholders' equity		**583,389,530**	**483,396,397**
Share capital	9	271,315	271,315
Statutory capital contribution reserves:			
Thereof general reserves	12	129,088,651	0
Thereof reserves for treasury shares	11	55,610,149	192,318,836
Other statutory reserves:			
Thereof general reserves	12	15,600,000	15,600,000
Thereof reserves for treasury shares	11	101,835,830	0
Other reserves		38,936,338	130,843,086
Available earnings:			
Retained earnings		128,212,762	64,559,831
Net profit		113,834,485	79,803,329
Liabilities		**208,044,844**	**326,684,722**
Bond	13	150,000,000	150,000,000
Non-current bank debt	14	0	130,350,000
Advances from Group companies		13,991,600	34,174,572
Other liabilities to Group companies		40,745,247	8,693,222
Current liabilities to third parties		17,830	17,844
Accrued expenses		3,290,167	3,449,084
Total shareholders' equity and liabilities		**791,434,374**	**810,081,119**

Notes to the financial statements for Forbo Holding Ltd

1 Financial income from investments in and advances to Group companies

Income from investments in and advances to Group companies amounts to CHF 53.8 million (previous year CHF 42.7 million) and consists of interest and dividend income.

2 Financial income from securities and short-term investments

This item totaling CHF 93.5 million (2009: CHF 56.3 million) includes investment income, income from securities transactions and derivatives, and interest income.

3 Administrative expenses

Administrative expenses fell against the previous year by CHF 1.0 million, totaling CHF 3.8 million.

4 Financial expenses

This item relates mainly to losses on foreign exchange accounts, interest costs for current and non-current bank debt, and advances from Group companies.

5 Investments in Group companies

As at December 31, 2010, Forbo Holding Ltd held the following direct investments:

Investments in Group companies

Company	Registered office	Activity	Currency	Share capital in 1,000	Equity interest
Forbo Adhesives UK Ltd.	GB-Chatteris	Manufacturing and Sales	GBP	0.1	100%
Forbo America Inc.	US-Wilmington, DE	Holding/Services	USD	19,957	100%
Forbo Beteiligungen GmbH	DE-Lörrach	Holding/Services	EUR	15,400	100%
Forbo Financial Services AG	CH-Baar	Services	CHF	100	100%
Forbo Finanz AG	CH-Baar	Holding/Services	CHF	10,000	100%
Forbo Floorcoverings Pty. Ltd	AU-Wetherill Park, NSW	Sales	AUD	1,400	100%
Forbo Flooring AB	SE-Gothenburg	Sales	SEK	8,000	100%
Forbo Flooring AS	NO-Asker	Sales	NOK	1,000	100%
Forbo-Giubiasco SA	CH-Giubiasco	Manufacturing and Sales	CHF	100	100%
Forbo International SA	CH-Baar	Services, Manufacturing and Sales	CHF	100	100%
Forbo Invest Ltd.	CI-St. Helier	Services	GBP	25	50%
Forbo Participations S.A.S	FR-Reims	Holding/Services	EUR	43,490	100%
Forbo Project Vinyl AB	SE-Gothenburg	Manufacturing and Sales	SEK	50,000	100%
Paul Heinicke GmbH & Co. KG	DE-Pirmasens	Services	EUR	1,023	72%

6 Advances to Group companies

Advances to Group companies are denominated in Swiss francs and foreign currencies. The net decrease year-on-year was CHF 52.2 million.

7 Marketable securities

The item ‘Marketable securities’ includes treasury shares in Forbo Holding Ltd. This balance sheet item was valued at fair value as at December 31, 2010.

8 Cash and cash equivalents

This item consists of bank deposits and cash equivalents with initial maturities of three months or less.

9 Share capital

At year-end 2010, the company's share capital totaled CHF 271,315, divided into 2,713,152 registered shares with a par value of CHF 0.10 each. 21,419 registered shares without voting or dividend rights are at the disposal of the Board of Directors. Consequently, 2,691,733 registered shares were eligible for dividend payments in 2010. The shares are listed on the SIX Swiss Exchange under security number 354,151.

10 Conditional capital

Originally, conditional capital of CHF 8,500,000 for the exercise of shareholder options and warrants in connection with a bond issue was created by a resolution of the Ordinary General Meeting held on April 27, 1994. Following the exercise of options in 1994, 1995, and 1997 and reductions in the par value by CHF 22 per share in 2003, CHF 8 per share in 2004, CHF 6 per share in 2007, CHF 10 per share in 2008, and CHF 3.90 per share in 2009, the conditional capital on December 31, 2010, remained unchanged against the previous year at CHF 16,645.

11 Reserve for treasury shares

The 'Reserve for treasury shares' amounting to CHF 101.8 million and the capital contribution reserves amounting to CHF 55.6 million relate to treasury shares held at year-end by Forbo Holding Ltd and its subsidiaries valued at an amortized cost of CHF 157.4 million (2009: CHF 192.3 million). The treasury shares developed as follows during the period under review:

Treasury shares	Cost CHF	Number of registered shares
As at January 1, 2010	192,318,836	446,559
Additions	7,594,050	14,514
Disposals	– 42,466,907	– 87,083
As at December 31, 2010	**157,445,979**	**373,990**

12 General reserves

General reserves totaled CHF 144.7 million (2009: CHF 15.6 million) and consist of general reserves (CHF 15.6 million) and general capital contribution reserves (CHF 129.1 million). The statutory capital contribution reserves amount to CHF 184.7 million in total and consist of general reserves (CHF 129.1 million) and reserves for treasury shares (CHF 55.6 million).

13 Bond

Forbo Holding Ltd issued a CHF 150.0 million four-year bond on July 6, 2009 (maturity: July 31, 2013). The bond has a coupon of 4 1/8%, and the issue was lead managed by Credit Suisse. It has been traded on the SIX Swiss Exchange since July 20, 2009.

14 Non-current bank debt

As at December 31, 2010, Forbo had no non-current bank debt.

15 Contingent liabilities

Guarantees and letters of support to third parties in favor of Group companies amounted to CHF 116.3 million at year-end (2009: 272.1 million), of which CHF 110.0 million (2009: CHF 270.7 million) was utilized. The main factor here was a surety in connection with utilized bank facilities and guarantees to investors and banks in connection with funds raised by a Group company in the form of a US private placement (CHF 46.9 million).

16 Significant shareholders

According to the information available to the Board of Directors, the following shareholders or groups of shareholders with restricted voting rights constituted significant shareholders in the company pursuant to article 663c of the Swiss Code of Obligations as at the reporting date:

	Number of shares	As percentage
Michael Pieper, Hergiswil, and Artemis Beteiligungen I AG, Hergiswil	681,466	25.12
Forbo Holding Ltd, Baar, together with its two subsidiaries Forbo International SA, Baar, and Forbo Finanz AG, Baar	373,990	13.78
This E. Schneider, Wilen b. Wollerau	162,054	5.97

17 Disclosure of compensation to the Board of Directors and Executive Board pursuant to articles 663b^{bis} and 663c of the Swiss Code of Obligations

Compensation
For the business year 2010[1)]

	Base compensation			Variable compensation	Other compensation	Total
	Cash		Shares	Cash, shares, options		
Name and function	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	207,155	311	137,845	0	26,250	371,250
Michael Pieper, Vice Chairman	66,120	99	43,880	0	11,723	121,723
Dr. Peter Altorfer, member	72,131	108	47,869	0	12,425	132,425
Vincent Studer, member	74,915	113	50,085	0	7,154	132,154
Non-executive members of the Board of Directors[2)]	**420,321**	**631**	**279,679**	**0**	**57,552**	**757,552**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	150,000	9,479	2,559,330	0	370,507	3,079,837
Board of Directors	**570,321**	**10,110**	**2,839,009**	**0**	**428,059**	**3,837,389**
Executive Board[5)6)]	**2,232,499**	**0**	**37,500**	**2,516,325**	**805,057**	**5,591,381**

1) The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements. The table therefore shows all compensation issued in the year under review, including compensation for which the payment date or definitive legal acquisition will occur after December 31, 2010.

2) The non-executive members of the Board of Directors receive a fixed fee, the amount of which is determined according to whether the member is Chairman or a simple member of the Board or a member of the AFC or HRC. The cash compensation is shown as a gross amount before deduction of social security contributions. 40% of the compensation is paid to the members in the form of shares in Forbo Holding Ltd. The shares are valued at fair value on the grant date. The total compensation for the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to AHV/ALV (old-age and unemployment insurance). These are reported in the column 'Other compensation'.

3) The compensation paid to the Delegate of the Board of Directors and CEO is disclosed separately and subsumed under total compensation to the Board of Directors. It is not possible to clearly divide the total compensation paid for the two functions.

4) In fall 2005, the Delegate of the Board of Directors and CEO agreed that the bulk of his compensation for 2005 and for the following five years (from 2006 up to and including 2010) would be paid largely in shares. In lieu of salary payments, for the contractual period of employment until December 31, 2010, he was allocated 47,395 shares at fair value on the date on which the agreement was signed, i.e. CHF 270 each, for the entire five-year term of the agreement (2006 to 2010). The shares were valued at fair value on the grant date. These shares are vested until December 31, 2010 and freely available only as of January 1, 2011. In addition to the share package, the Delegate of the Board of Directors and CEO draws an annual sum of CHF 150,000, which is used to make employee contributions to the pension plan and for social security contributions. The share package and the cash remuneration are deemed to cover all compensations such as bonuses, inflation, options, etc. The corresponding personnel expenses are charged to the income statement over the entire contractual period on a pro rata basis (see note 25 'Stock option plan' to the consolidated financial statements). The Delegate of the Board of Directors and CEO does not benefit from the Management Investment Plan (MIP) or the share-based payments for the non-executive Board members. Total compensation for the Delegate of the Board of Directors and CEO for 2010 came to CHF 3,079,837. This figure included private use of a company car, employer contributions to the pension plan and to the AHV/ALV (old-age and unemployment insurance), plus accident and daily sickness benefits insurance. These items are shown in the column 'Other compensation'. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period from January 1, 2011 to April 30, 2013. Compensation will again be paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are vested until December 31, 2013. The extension of this employment contract has not been included in the table above and will appear on a pro rata basis only as of January 1, 2011.

5) The total compensation paid to the members of the Executive Board (excluding the Delegate of the Board of Directors and CEO) came to CHF 5,591,381 in 2010. It comprised a gross basic salary and a performance-related bonus, which is set in March of the subsequent year and dependent on achieving individual and the Group targets. The performance-related component is paid in accordance with the rules of the Management Investment Plan (MIP) (see note 25 'Stock option plan' to the consolidated financial statements). The total compensation paid to the members of the Executive Board also includes private use of a company car, employer contributions to the pension plan and to AHV/ALV (old-age and unemployment insurance) plus accident and daily sickness benefits insurance, which are shown separately in the column 'Other compensation'.

6) Following the expansion of the Executive Board as of April 1, 2010, these figures include the compensation paid to an additional member of the Executive Board compared to the previous year.

Compensation
For the business year 2009[1)]

	Base compensation			Variable compensation	Other compensation	Total
	Cash		Shares	Cash, shares, options		
Name and function	CHF	Number	CHF	CHF	CHF	CHF
Dr. Albert Gnägi, Chairman	206,995	594	138,004	0	26,248	371,247
Michael Pieper, Vice Chairman	66,090	189	43,910	0	11,722	121,722
Dr. Peter Altorfer, member	71,908	207	48,092	0	12,422	132,422
Dr. Rudolf Huber, member[6)]	41,667	0	0	0	4,459	46,126
Vincent Studer, member[6)]	50,312	145	33,688	0	4,822	88,822
Non-executive members of the Board of Directors[2)]	**436,972**	**1,135**	**263,694**	**0**	**59,673**	**760,339**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	150,000	9,479	2,559,330	0	373,165	3,082,495
Board of Directors	**586,972**	**10,614**	**2,823,024**	**0**	**432,838**	**3,842,834**
Executive Board[5)]	**1,950,000**	**0**	**0**	**2,047,500**	**690,909**	**4,688,409**

1) The amounts shown in the table are based on valuation models used and disclosed in the consolidated financial statements. The table therefore discloses all compensation that has been granted for 2009, including compensation for which the payment date or definitive legal acquisition occurs after December 31, 2009.

2) The non-executive members of the Board of Directors receive a fixed fee, the amount of which is determined according to whether the member is Chairman or a simple member of the Board or he is a member of the AFC or HRC. The cash compensation is shown as a gross amount before deduction of social insurance contributions. 40% of the compensation is paid to the members in the form of shares in Forbo Holding Ltd. The shares are valued at fair value on the grant date. The total compensation to the non-executive members of the Board of Directors also includes a lump sum for expenses plus employer contributions to AHV/ALV (old-age and unemployment insurance). These are reported in the column 'Other compensation'.

3) The compensation to the Delegate of the Board of Directors and CEO is disclosed separately and subsumed under total compensation to the Board of Directors. It is not possible to clearly divide the total compensation paid for the two functions.

4) In fall 2005, the Delegate of the Board of Directors and CEO agreed that the bulk of his compensation for 2005 and for the following five years (from 2006 up to and including 2010) would be paid largely in shares. In lieu of salary payments, for the contractual period of employment until December 31, 2010, he was allocated 47,395 shares at fair value on the date on which the agreement was signed, i.e. CHF 270 each, for the entire five-year term of the agreement (2006 to 2010). The shares were valued at fair value on the grant date. These shares are vested until December 31, 2010 and freely available only as of January 1, 2011. Should the employment be terminated before that date, the shares must be returned to the company on a pro rata basis. In addition to the share package, the Delegate of the Board of Directors and CEO draws an annual sum of CHF 150,000, which is used to make employee contributions to the pension plan and for social security payments. The share package and the cash remuneration are deemed to cover all compensations such as bonuses, inflation, options, etc. are settled. The corresponding personnel expenses are charged to the income statement over the entire contractual period on a pro rata basis (see note 25 'Stock option plan' to the consolidated financial statements). The Delegate of the Board of Directors and CEO does not benefit from the Management Investment Plan (MIP) or the share-based payment for the non-executive Board members. Total compensation for the Delegate of the Board of Directors and CEO for 2009 came to CHF 3,082,495. This figure included private use of a company car, employer contributions to the pension fund and to AHV/ALV (old-age and unemployment insurance), plus accident and daily sickness benefits insurance. These items are shown in the column 'Other compensation'. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period from January 1, 2011, to April 30, 2013. Compensation will again be paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are vested until December 31, 2013. The extension of this employment contract has not been included in the table above and will apear on a pro rata basis only as of January 1, 2011.

5) The total compensation paid to the members of the Executive Board (excluding the Delegate of the Board of Directors and CEO) was CHF 4,688,409 in 2009. It comprised a gross basic salary and a performance-related bonus, which is set in March of the subsequent year and is dependent on achieving individual and Group targets. The performance-related component is paid in accordance with the rules of the Management Investment Plan (MIP) (see note 25 'Stock option plan' to the consolidated financial statements). The total compensation paid to the members of the Executive Board also includes private use of a company car, employer contributions to the pension fund and to the AHV/ALV (old-age and unemployment insurance), plus accident and daily sickness benefits insurance, which are shown separately in the column 'Other compensation'.

6) At the Ordinary General Meeting on April 24, 2009, Vincent Studer was elected as a new member of the Board of Directors for a three-year term of office in a single vote. He replaced Dr. Rudolf Huber.

Advances and loans

As at December 31, 2010, no advances or loans to members of the Board of Directors or members of the Executive Board were outstanding.

Investments in Group companies

IN 2010

As at December 31, 2010, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Investments 2010

Name and function	Shares	Options[1)5)] Series 2010 1:1[2)]	Series 2009 1:1[2)]	Series 2008 1:1[2)]	Series 2007 1:1[2)]	Series 2006 1:1[2)]	Tradable options
Dr. Albert Gnägi, Chairman	9,041	0	0	0	0	0	0
Michael Pieper, Vice Chairman	681,466	0	0	0	0	0	0
Dr. Peter Altorfer, member	682	0	0	0	0	0	0
Vincent Studer, member	358	0	0	0	0	0	0
Non-executive members of the Board of Directors	**691,547**	**0**	**0**	**0**	**0**	**0**	**0**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	162,054	0	0	0	0	0	0
Board of Directors	**853,601**	**0**	**0**	**0**	**0**	**0**	**0**
Matthias P. Huenerwadel, Executive Vice President Movement Systems	1,328	565	1,496	1,157	1,204	500	0
Tom Kaiser, Chief Operating Officer[6)]	1,825	1,058	2,179	1,073	1,258	0	0
Daniel Keist, Head Corporate Center	1,050	988	2,034	783	0	0	0
Jörg Riboni, Chief Financial Officer	3,653	1,143	1,220	1,948	2,091	0	0
Michel Riva, Executive Vice President Bonding Systems	663	706	99	485	697	0	0
Jens Schneider, Executive Vice President Flooring Systems[6)]	0	0	0	0	0	0	0
Executive Board	**8,519**	**4,460**	**7,028**	**5,446**	**5,250**	**500**	**0**

1) The details of the options are described in note 25 'Stock option plan' to the consolidated financial statements.

2) Subscription ratio.

3) The number of shares reported includes the 47,395 shares vested until year-end 2010. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period from January 1, 2011 to April 30, 2013. Compensation will again be paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are included in the amount shown and are vested until December 31, 2013.

4) The Delegate of the Board of Directors and CEO's shareholdings are disclosed separately and are included under the Board of Directors total.

5) Since participation in the MIP is not limited to members of the Executive Board, the number of outstanding options shown here as at December 31, 2010 differs from the figures in note 25 'Stock option plan' to the consolidated financial statements.

6) The Board of Directors of Forbo Holding Ltd appointed Tom Kaiser as Chief Operating Officer on April 1, 2010. He had been a member of the Executive Board since 2004 and responsible for the Flooring Systems division. Jens Schneider, who had been responsible for Finance and Administration at Flooring Systems since 2005, was appointed his successor.

IN 2009
As at December 31, 2009, the individual members of the Board of Directors and the Executive Board (including related parties) held the following number of shares in Forbo Holding Ltd:

Investments 2009

Name and function	Shares	Options[1)5)] Series 2009 1:1[2)]	Series 2008 1:1[2)]	Series 2007 1:1[2)]	Series 2006 1:1[2)]	Series 2005 1:1[2)]	Tradable options
Dr. Albert Gnägi, Chairman	18,610	0	0	0	0	0	0
Michael Pieper, Vice Chairman	853,367	0	0	0	0	0	0
Dr. Peter Altorfer, member	574	0	0	0	0	0	0
Vincent Studer, member	245	0	0	0	0	0	0
Non-executive members of the Board of Directors	**872,796**	**0**	**0**	**0**	**0**	**0**	**0**
This E. Schneider, Delegate of the Board of Directors and CEO[3)4)]	173,467	0	0	0	0	2,100	0
Board of Directors	**1,046,263**	**0**	**0**	**0**	**0**	**2,100**	**0**
Matthias P. Huenerwadel, Executive Vice President Movement Systems	1,212	1,496	1,157	1,204	1,385	0	0
Tom Kaiser, Executive Vice President Flooring Systems	1,608	2,179	1,073	1,258	2,380	0	0
Daniel Keist, Head Corporate Center	847	2,034	783	0	0	0	0
Jörg Riboni, Chief Financial Officer	4,635	1,220	1,948	2,091	1,685	0	0
Michel Riva, Executive Vice President Bonding Systems	518	99	485	697	844	550	0
Executive Board	**8,820**	**7,028**	**5,446**	**5,250**	**6,294**	**550**	**0**

1) The details of the options are described in note 25 'Stock option plan' to the consolidated financial statements.
2) Subscription ratio.
3) The number of shares reported includes the 47,395 vested shares. With effect from January 2009, the employment contract with the Delegate of the Board of Directors and CEO was extended to encompass the period from January 1, 2011 to April 30, 2013. Compensation will again be paid mainly in shares. The modalities are very similar to the provisions of the first contract. The 29,775 shares are included in the amount shown and are vested until December 31, 2013.
4) The Delegate of the Board of Directors and CEO's shareholdigs are disclosed separately and are included under the Board of Directors total.
5) Since participation in the MIP is not limited to members of the Executive Board, the number of outstanding options shown here as at December 31, 2009 differs from the figures in note 25 'Stock option plan' to the consolidated financial statements.

18 Risk assessment

With respect to the risk management process conducted pursuant to article 663b, item 12 of the Swiss Code of Obligations, please refer to the comments in note 37 'Risk assessment and financial risk management' to the consolidated financial statements, .

Proposal for appropriation of available earnings of Forbo Holding Ltd

The Board of Directors proposes to the Ordinary General Meeting that the available retained earnings, consisting of:

	2010	2009
CHF		
Net profit	113,834,485	79,803,329
Retained earnings	128,212,762	64,559,831
Release of general capital contribution reserves[1)]	28,069,944	0
Total at the Shareholder's Meeting's disposal	**270,117,191**	**144,363,160**

be appropriated as follows:

	2010	2009
CHF		
Dividend payment[2)]	0	16,150,398
Withholding tax-free distribution of CHF 12.00 per registered share[3)]	28,069,944	0
To be carried forward	242,047,247	128,212,762
Total at the Shareholder's Meeting's disposal	**270,117,191**	**144,363,160**

1) The definitive amount to be distributed depends on the amount of the withholding tax-free distribution as described hereafter in footnote 3).

2) The Ordinary General Meeting of April 23, 2010, voted to pay out a dividend of CHF 6.00 per registered share.

3) At the Ordinary General Meeting of April 29, 2011, the Board of Directors will propose a dividend payment of CHF 12.00 per registered share out of the capital contribution reserves, with the exception of the treasury shares held by Forbo Holding Ltd, for which no dividend is paid. The definitive amount may therefore still change.

Report of the statutory auditor

Report of the statutory auditor to the General Meeting of Forbo Holding Ltd, Baar

Report of the statutory auditor on the financial statements
As statutory auditor, we have audited the financial statements of Forbo Holding Ltd, which comprise the income statement, balance sheet and notes (pages 148 to 156), for the year ended December 31, 2010.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Daniel Ketterer Audit expert Auditor in charge	Reto Tognina Audit expert

Zurich, March 9, 2011

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